PFMI Self-assessment

Centrální depozitář cenných papírů, a.s.
2017

Responsible Institution: Centrální depozitář cenných papírů, a.s.
Jurisdiction where FMI operates: Czech Republic
Regulatory, supervisory and surveillance bodies to which FMI is subject: Czech National Bank

This information is provided on 1 August 2017.
This information can also be found at www.cdcp.cz
Further information can be requested through cdcp@cdcp.cz.

I. Brief Overview

Centrální depozitář cenných papírů, a.s. (CDCP), a one hundred percent subsidiary of Burza cenných papírů Praha, a.s., forms the PX Group together with this parent company and other subsidiaries. Alongside CDCP, the Group's most significant company is Burza cenných papírů Praha, a.s. (BCPP), the biggest and oldest organizer of the securities market in the Czech Republic. CDCP is part of the CEESEG Group, a member of which is, alongside BCPP, Burza cenných papírů Vídeň (Wiener Börse). The company has no organizational unit abroad.

CDCP is an entity which keeps a central register of book-entry securities issued in the Czech Republic and operates a system for settling exchange and non-exchange deals in book-entry securities. This system is based on the participatory principle where CDCP's participants are, in particular, Czech and foreign financial institutions (banks and securities dealers), central depositories, and sale points. The current list of participants is available on CDCP's website.

The legal and regulation frameworks for CDCP are determined in Czech and EU laws. CDCP is currently not subject to any other laws. CDCP is subject to the supervision of the Czech National Bank, which also assesses the basic central depository rules regulating the rights and the obligations of CDCP and the recipients of CDCP's services.

CDCP has a robust framework implemented to manage all kinds of risks to which it, as one of the principal institutions on the capital market, is exposed. The responsibility for managing risks is primarily vested in the company's Board of Directors. The risk management agenda is regulated in the company's organizational rules. The identification of risks is part of the key decision-making processes, while the risk management policy is formulated and implemented by the Risk Manager.

II. Summary of Main Changes since the Last Information Update

As this is the first PFMI Self-assessment, no changes have been made since the last disclosure of information.

III. General FMI-related Information

General Description of FMI and Target Markets

Centrální depozitář cenných papírů, a.s., keeps a central register of book-entry securities issued in the Czech Republic, operates a settlement system for settling exchange and non-exchange deals in book-entry securities, grants legal entities internationally unique identification numbers (Legal Entity Identifier – LEI, formerly the so-called pre-LEI) and assigns international securities identification numbers (ISIN) to investment instruments.

Alongside the activities stated above, CDCP provides its participants, securities issuers and other capital market entities, in particular, with the following services:

- settlement of primary issues of book-entry securities;
- settlement of deals in foreign book-entry securities;
- settlement of deals in book-entry securities entered into in euros;
- settlement of implemented pledges of book-entry securities;
- keeping of a separate register of foreign investment instruments and investment instruments in certified form;
- administration of foreign book-entry securities registered in CDCP's accounts in Clearstream or CDCP SR;
- escrow and administration of securities;
- arrangement of the payment or the return of book-entry securities or the pay-out of revenues on book-entry securities;
- provision of data in the fulfilment of the information obligation as per Section 115 of Act No. 256/2004 Coll.;
- administration and management of risks through the Clearing Fund;
- arrangement of the borrowing of Czech and foreign book-entry securities;
- training for capital market entities, focused on registering book-entry securities and settlement;
- publication of statistical information

Since the takeover of the Securities Centre's (SC) register, the central register has contained all book-entry stock issued in the Czech Republic. Book-entry bonds may also be entered in the register of the Czech National Bank or the register kept by the Ministry of Finance, and book-entry collective investment securities may also be entered in a separate register of investment instruments.

The central register is a two-tier register and is made up of a register kept by the central depository and follow-up registers. Follow-up registers are kept by entities authorized to keep them, in particular, securities dealers. The central depository's register differs from the register kept by the Securities Centre in the two-tier registration method.

Securities are registered in property accounts. We differentiate between two types of property accounts:

- an owner account whose owner is the owner of the securities registered in the account;
- a customer account whose owner is the person authorized to keep the follow-up registration, i.e. in particular, a dealer

The owner of a customer account does not own the securities registered in this account, but has only taken them over (for management) from their owners. Until 2016, Central Depository participants opened 14 customer accounts. While both owner accounts and customer accounts may be established in the central register kept by the central depository, the follow-up registration enables only the establishment of owner accounts.

Pursuant to the Capital Market Business Act, the central depository of securities shall also be entitled to keep a separate register of securities. The central depository's separate register contains, in particular, foreign securities, securities in certified form, collective bonds, and derivative-type investment instruments. Based on a contract, the central depository also keeps a separate register of allotment certificates for the investment companies of AXA investiční společnost, a.s. and, since November 2011, has kept a separate register of state saving bonds for the Ministry of Finance of the Czech Republic. During 2016, no new issues of state saving bonds were made, and reinvestments and premature settlements of the issued state saving bonds whose issue conditions so enabled continued to take place.

At the beginning of 2016, the central depository registered 2512 issues. During the year, 705 new stock issues and 61 new bond issues were registered, while the management of certain bond and stock issues was terminated, for example, of those bond issues that were settled or those stock issues whose registration was terminated by reason of transformation of book-entry securities into securities. The final number of issues at the end of the year was 3139.

When it comes to the registration of investment instruments, the central depository ensured, alongside entering new issues or cancelling existing companies, an increase in the issues, changes in the face values or forms of securities, squeeze-outs, and other special operations beyond the issue.
Central depository participants were informed about all changes in the register of investment instruments at least once a week through the Bulletin.

Keeping of registers	**Stock**	**Bonds**	**OAF** (Open Allotment Funds)	**CAF** (Closed Allotment Funds)	**Derivatives**	**Total**
Issues on 31 Dec 2016	2170	868	14	1	86	3139
Of which new issues	705	61	0	0	58	824

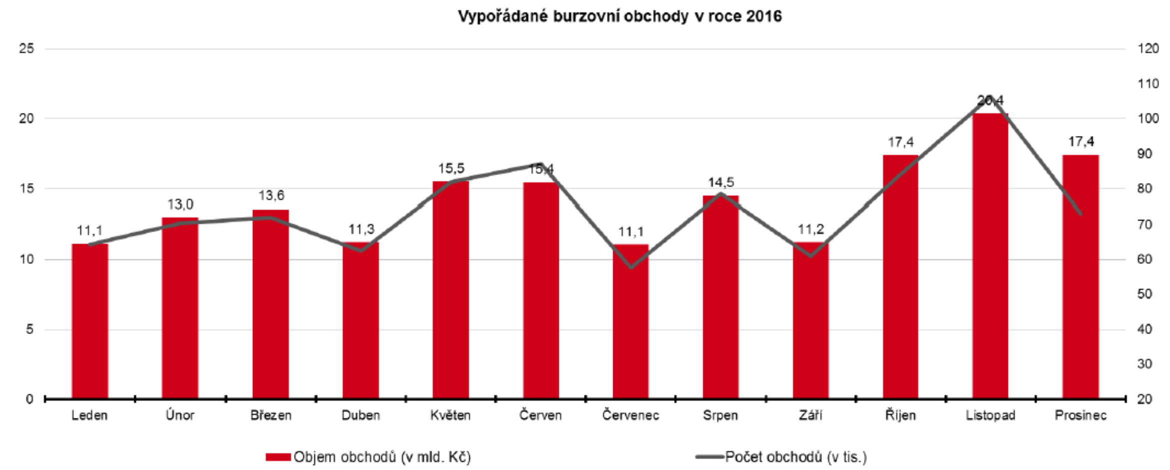
Settlement	**Number**	**Amount** (MIL CZK)
Exchange deals in 2016	898 815	171 882
Settled non-exchange transfers in 2016	132 060	2 137 045

The central depository of securities paid out revenues on foreign securities. A part of the service for issuers was also the calculation of income taxes.
The central depository is ready to offer to pay all issuers interested in the service dividends and interest with respect to issues registered in accounts classified under central depository participants.
The central depository of securities ensures the financial settlement of investment instrument deals, in particular, in Czech crowns, through payment orders sent to the Clearing Centre of the Czech National Bank (AC of CNB). In 2016, the amount of exchange deals in, and non-exchange transfers of, securities settled through the Central Depository of Securities was CZK 2,308.9 billion, which was almost 9 % less than in 2015. Of the total number of transactions

settled by the Central Depository of Securities, exchange deals formed 7.4 % and non-exchange transactions formed 92.6 %.

Settlement	2011	2012	2013	2014	2015	2016
CDCP (in billions of CZK)	3 574.80	3 917.40	3 551.31	2 313.48	2 535.51	2 308.93

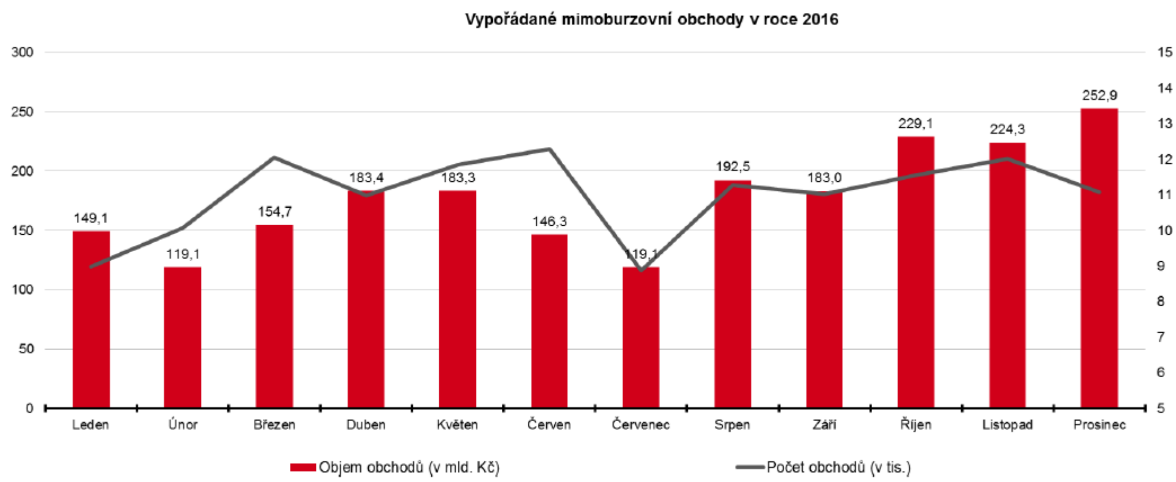
Exchange Deals Settled in 2016



Jan Feb March April May June July Aug Sept Oct Nov Dec

Amount of deals (in billions of CZK) Amount of deals (in thousands)

Non-exchange Deals Settled in 2016



Jan Feb March April May June July Aug Sept Oct Nov Dec

Amount of deals (in billions of CZK) Amount of deals (in thousands)

To account for foreign-currency payment orders, CDCP uses its own payment account held with UniCredit Bank Czech Republic and Slovakia, a.s. The clearance is predicated on the participant-buyer in a transfer of securities crediting CDCP's payment account, on the clearance of the securities, and on the crediting of the account of the participant on the debit part of the transfer of securities based on CDCP's transfer order.

In 2016, the funds of the Exchange Clearing Fund (CLF) constituted property contributions of 18 CDCP participants, 01 ‘clearing agent’ participant and 01 ‘general clearing member’ participant. The maximum amount of a member’s contribution was CZK 1 million. The overall status of the CLF on 31 December 2016 reached CZK 16,604 thousand. The highest value of the Clearing Fund as at the end of a month was achieved in January and was CZK 38,103 thousand.

Within the lending of securities, the number of securities providers remained unchanged in 2016. The participants had two issues available in the lending system – VIG and FORTUNA. The number of active debtors dropped to two members in 2016.

General Organization of FMI

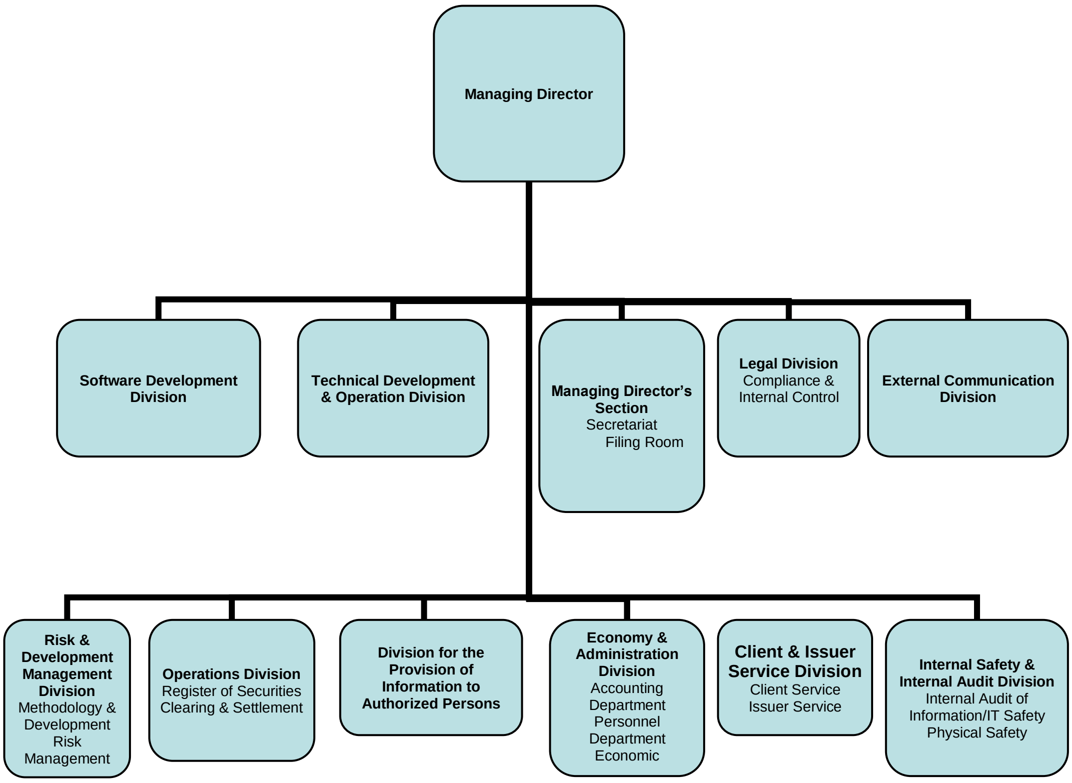
The applicant’s management and administration systems draw from the dualist system of the internal structure of a joint stock company. The company’s bodies are obligatorily the Board of Directors and the Supervisory Board, whose members are elected and discharged by the general meeting.

The Board of Directors is responsible for the company’s business management and performs the remaining competence, i.e. all competence not vested in another body of the company. Nobody is entitled to give the Board of Directors instructions relating to the business management, except when at a Board of Directors’ member’s request as a consequence of the Board of Directors’ decision. The Board of Directors shall, in particular, to keep the accounting and submit to the general meeting for approval regular, extraordinary, consolidated or, possibly, interim financial statements and, in compliance with the Articles of Association, a proposal for distributing profit or settling loss.

The Supervisory Board’s role is to supervise the Board of Directors’ performance of competence and the company’s activity. A Supervisory Board member must not simultaneously serve as a Board of Directors member. Nobody is entitled to give the Supervisory Board instructions relating to its legal obligation to control the performance of the Board of Directors’ competence. The Supervisory Board shall be entitled to consult all documents and records relating to the company’s activity and check whether the accounting is kept duly and in compliance with reality and whether the company’s entrepreneurial or other activity is performed in compliance with other laws and the Articles of Association.

The top management is formed by the applicant’s employees appointed as Division Directors. Their roles and responsibilities, as those of leading employees, draw from the Labour Code and are regulated in the Organizational and Work Rules. In the applicant’s individual organizational divisions (sections), these directors are authorized (and obligated) to assign work tasks to their subordinates, organize, manage and check their subordinates’ work, and give them binding instructions to this effect.

The organizational scheme is part of the internal regulation ‘Organizational Rules’.



Legal & Regulation Frameworks

CDCP's legal and regulation frameworks are determined in Czech and EU laws. CDCP is not subject to any other legislation. Pursuant to those laws, CDCP shall be subject to the supervision of the Czech National Bank.

CDCP's controlling entity is Burza cenných papírů Praha, a.s. (Prague Stock Exchange), supervised as a regulated market pursuant to Mifid. The controlling entity's parent company is CEESEG Aktiengesellschaft, 1010 Wien, Wallnerstraße 8.

System Design & Operation

The central depository operates one settlement system UNIVYC, which fully meets the DVP principle and the settlement finality irrevocableness principle. Within an accounting day, participants have 4 settlement cycles available for DVP and FOP transactions and one settlement cycle only for FOP transactions. The time schedule of settlement cycles is the following:

08:00 DVP and FOP transactions
10:00 DVP and FOP transactions
11:00 DVP and FOP transactions
12:30 DVP and FOP transactions
17:00 FOP transactions
This number of settlement cycles and the multi-cycle settlement function provide participants with a sufficient room to settle transfers successfully on the set date.

To account for payment orders at the local currency, CDCP uses payment accounts of direct participants in the payment system CERTIS operated by the Czech National Bank ("CNB"). CDCP enters third-party orders in CERTIS, based on which clearing banks' payment accounts are debited and credited. A clearing bank is a CDCP participant with an account registered in CERTIS to account for interbank payments. A clearing bank may also provide a non-bank entity with its account for clearance purposes on the basis of a contract between this entity and CDCP. All payments are made through CDCP's account held with the CNB. To account for payment orders at foreign currencies, CDCP uses its own payment account held with a selected credit institution – bank. UniCredit Bank Czech Republic and Slovakia, a.s. was selected based on the results of the selection procedure.

Every transfer included in a given settlement cycle is compared with the financial limits set by clearing banks. A financial limit is a limit of funds within which the given clearing bank permits and guarantees to CDCP to implement payment orders in CERTIS. If the amount of funds of the respective transfer meets the financial limits, CP are validated to the 'Securities in Transit' subaccount and the transfer is considered as irrevocable. After all transfers included in a given settlement cycle are processed, payment orders for CERTIS are generated in successfully verified transfers (sufficient securities balances in property accounts, correct identification of property accounts and persons, etc.). Only one payment order is calculated per party to the settlement, settlement cycle, and financial account set for a group of payments through the reciprocal set-off of arisen payments (the so-called netting of payment orders). Payments to credit CDCP's payment account are the first to be sent to CERTIS and, only after the successful implementation of all these payments, CDCP sends payment instructions for debiting CDCP's payment account to the benefit of participants with credit financial statuses. The payment orders are sent within all settlement cycles, see above. After receiving a confirmation of all payment instructions sent for all settlement cycles on a given accounting day, CDCP transfers the securities from the 'Securities in Transit' subaccount and the settlement finality is achieved. The participants are notified of the achievement of the finality of the settlement.

An identical procedure applies to transfers at foreign currencies, whereby the financial limits are set by CDCP rather than a clearing bank based on the status of the payment account held with the selected bank. Hence, CDCP sets the limit according to the actual credit of the payment account. The further course of the settlement is identical with respect to securities and, if the settlement is successful, the participants on the seller's part of the transfer of securities are sent CDCP's credit payment orders with the foreign currency date on the same day.

The matching module allows matching instructions in real time according to the time schedule set on the respective accounting day in the settlement system. To decrease risks ensuing from late matching and, possibly, late settlement of deals and transactions, the applicant's settlement system contains support for conditional matching of deals, the so-called pre-matching. If a conditional instruction is entered in the system, the re-confirmation is necessary to include a deal in the settlement process. This function provides all participants with a lot of information thanks to a participant being able to enter an instruction in the system even at the moment when his customer does not meet the conditions of the final matching of deal-related instructions (lack of funds, lack of securities, conditional upon another transfer, etc.).
The introduction of tolerance for the purpose of matching the instructions in the event of different sums, but within the permitted span, facilitates such matching in the instructions with a small difference in the stated amount of the deal, in particular, by reason of various rounding methods.

Mechanisms securing the fulfilment of stock exchange obligations are developed for deals concluded at the Stock Exchange. Clearing Fund participants representing (or being simultaneously) members of the Stock Exchange have additional two days to settle the exchange deal. If a deal is not settled, CDCP initiates the conclusion of a replacement deal or a financial settlement is carried out. The sanctions according to CDCP's Pricelist immediately apply. The exact description of the procedure in the event of non-settlement is stated in CDCP's Settlement Rules.

The failure to settle a deal concluded outside the Exchange is subject to a one-off sanction for the participant who has caused the failure. The sanction is given by CDCP's Pricelist. The participants have the next 6 accounting days to settle an unsettled transaction; however, they may apply for the renewal of the transaction in the settlement system and complete its settlement even upon the expiration of this time-limit.

IV. Summary Overview for Individual Principles

PS	CSD	SSS	CCP	TR
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Principle 1: Legal basis

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

As a robust legal basis for an FMI's activities in all relevant jurisdictions is critical to an FMI's overall soundness, this principle should be reviewed holistically with the other principles.

Summary Overview	CDCP has a reliable legal basis for each material aspect of its activities in all relevant jurisdictions. The legal basis draws from generally binding laws and CDCP's rules assessed by the Czech National Bank. The CDCP material aspects are defined in Section 100 of the Capital Market Business Act (CMBA), pursuant to which the central depository is a legal entity which: a) keeps a central register of book-entry securities in the Czech Republic; b) assigns identification numbers to investment instruments according to the international securities identification (ISIN); c) operates a settlement system The central depository may also keep a separate register of investment instruments or pursue another entrepreneurial activity registered with the Czech National Bank.

Key consideration 1: The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.

Material aspects and relevant jurisdictions

Q.1.1.1: What are the material aspects of the FMI's activities that require a high degree of legal certainty (for example, rights and interests in financial instruments; settlement finality; netting; interoperability; immobilisation and dematerialisation of securities; arrangements for DvP, PvP or DvD; collateral arrangements (including margin arrangements); and default procedures)?

A high level of legal certainty is necessary, in particular, in the matters which the CMBA expressly requires to be regulated in the central depository's regulations required pursuant to the CMBA, i.e. in the settlement system rules (Section 85 of the CMBA) and the operations rules (Section 104 of the CMBA).

When it comes to the operation of a settlement system, these matters include, in particular:
- conditions of participation in the settlement system and participants' rights and obligations;
- method and conditions of securing debts ensuing from the participation in the settlement system;
- elements of a settlement order and method and conditions of its entry;
- measures CDCP may impose on participants and procedure in their imposition;
- settlement time schedule and definition of an operation day;
- settlement finality moment, and finality moment;
- risk approach rules

When it comes to the keeping of a register of book-entry securities, these matters include, in particular:
- method of recording the establishment and expiration of a lien right to securities and to a securities account;
- method of forwarding orders to make changes in property accounts;
- elements necessary to keep a register of issues in a central depository;
- method of registration in customer accounts and procedure in the commencement and termination of such registration;
- determination of daily final accounts;
- types of register statements and their elements and method of their handover

Q.1.1.2: What are the relevant jurisdictions for each material aspect of the FMI's activities?

All material aspects of CDCP's activity shall be governed by the Czech laws. Only in the event of interconnected central depositories, when CDCP acts as an investor central depository, the rights and the obligations ensuing from the participation in the issuer central depository and from opening an account administered by the issuer central depository shall be governed by the laws of such depository.

Legal basis for each material aspect

Q.1.1.3: How does the FMI ensure that its legal basis (that is, the legal framework and the FMI's rules, procedures and contracts) provides a high degree of legal certainty for each material aspect of the FMI's activities in all relevant jurisdictions?

a) For an FMI that is a CSD, how does the CSD ensure that its legal basis supports the immobilisation or dematerialisation of securities and the transfer of securities by book entry?

The legal basis of dematerialization and immobilization draws from the laws, including the procedure in transforming book-entry securities. The processes applied by the central depository in the registration do not impose any redundant legal obligations on issuers.

b) For an FMI that is a CCP, how does the CCP ensure that its legal basis enables it to act as a CCP, including the legal basis for novation, open offer or other similar legal device? Does the CCP state whether novation, open offer or other similar legal device can be revoked or modified? If yes, in which circumstances?

Non-applicable

c) For an FMI that is a TR, how does the TR ensure that its legal basis protects the records it maintains? How does the legal basis define the rights of relevant stakeholders with respect to access, confidentiality and disclosure of data?

Non-applicable

d) For an FMI that has a netting arrangement, how does the FMI ensure that its legal basis supports the enforceability of that arrangement?

The legal basis draws from the Settlement System Rules approved by the Czech National Bank, binding upon the parties to the system and enforceable through Czech courts. CDCP applies netting only on the pecuniary side of the settlement.

e) Where settlement finality occurs in an FMI, how does the FMI ensure that its legal basis supports the finality of transactions, including those of an insolvent participant? Does the legal basis for the external settlement mechanisms the FMI uses, such as funds transfer or securities transfer systems, also support this finality?

The settlement system operated by CDCP is a settlement system with the finality of settlement pursuant to the CMBA. The CMBA regulates the finality of settlement in a way that it is not possible to revoke a settlement order from the moment set in the system rules. The consequences of the finality are regulated in case of bankruptcy decisions or a decision or another intervention of a public body, aimed at discontinuing or limiting the settlement, at excluding or limiting the use of investment instruments or funds in the account subject to settlement or at excluding or limiting the assertion of the right to the satisfaction from collateral.

Pursuant to the Settlement System Rules, no participant or third party must unilaterally revoke a settlement order after the settlement order is admitted in the settlement system. By commencing the settlement, CDCP bears responsibility for safeguarding the settlement system from any attempted unilateral revocation of a settlement order. No order unilaterally revoking any settlement order shall be admitted in the settlement system.

Key consideration 2: An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.

Q.1.2.1: How has the FMI demonstrated that its rules, procedures and contracts are clear and understandable?

CDCP considers its rules, procedures and contracts as clear and understandable. The most important CDCP rules are contained in the Operations Rules and the Settlement System Rules assessed by the Czech National Bank and serving as business conditions. Participants have known the Operations Rules since 2010 and the Settlement System Rules even much longer. Regularly concluded contracts are form-based, i.e. refer to the rules, and are made available on CDCP's website. CDCP's participants have the opportunity to react to the rules through or even outside CDCP's committee.

Q.1.2.2: How does the FMI ensure that its rules, procedures and contracts are consistent with relevant laws and regulations (for example, through legal opinions or analyses)? Have any inconsistencies been identified and remedied? Are the FMI's rules, procedures and contracts reviewed or assessed by external authorities or entities?

The basic rules are approved by the Czech National Bank. There have been no disputes regarding the interpretation of the rules so far. The responsibility for legal matters is vested in CDCP's Legal Division.

Q.1.2.3: Do the FMI's rules, procedures and contracts have to be approved before coming into effect? If so, by whom and how?

All rules, procedures and contracts are approved and signed by CDCP's Board of Directors, unless the approval and the signing have been delegated to third parties in exceptional cases, such as in the event of signing form-based contracts or the specification of procedures within individual divisions at CDCP methodologies.

No changes in the Settlement System Rules can be made public until consent to the changes is granted by the Czech National Bank. Changes in the Operations Rules must be notified to the Czech National Bank, which is authorized to commence an administrative procedure for their approval.

Key consideration 3: An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.

Q.1.3.1: How does the FMI articulate the legal basis for its activities to relevant authorities, participants and, where relevant, participants' customers?

The current wording of the Operations Rules is available on the central depository's website – www.cdcp.cz – and open for public consultation at the official hours at CDCP's registered address. CDCP makes the Operations Rules, including all its changes, public in the central depository's Bulletin, along with proposals for changes in the Operations Rules at least 30 days prior to the legal effect of these changes, unless it is prevented from doing so due to serious operational reasons.

Key consideration 4: An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.

Enforceability of rules, procedures and contracts

Q.1.4.1: How does the FMI achieve a high level of confidence that the rules, procedures and contracts related to its operations are enforceable in all relevant jurisdictions identified in key consideration 1 (for example, through legal opinions and analyses)?

The basic services provided by the central depository are governed by the Czech laws and are enforceable through Czech courts. In the event of interconnected central depositories, the participation in the issuer central depository and the opening of account for CDCP are, on principle, governed by the laws of the other depository. Obligations from the contract between CDCP and the other depository shall be enforceable through foreign courts where the recognition and enforcement of their decisions shall be governed by EU Regulation No. 1215/2012.

Degree of certainty for rules and procedures

Q.1.4.2: How does the FMI achieve a high degree of certainty that its rules, procedures and contracts will not be voided, reversed or subject to stays? Are there any circumstances in which an FMI's actions under its rules, procedures or contracts could be voided, reversed or subject to stays? If so, what are those circumstances?

Pursuant to the Civil Code, contracts need to be seen as valid rather than invalid. The likelihood of a contract or rules of CDCP which are part of a contractual relationship being declared as invalid is very low. Unless an entitled person seeks the invalidity of a legal act, the legal act is considered as valid. Out of official duty, the court will declare as invalid only such legal act that is obviously contrary to good morals or the laws, obviously disrupts public order or obligates to deliver performance impossible from the beginning. Both a CDCP participant and an issuer may unilaterally terminate the contract, but only with future effects.

Q.1.4.3: Has a court in any relevant jurisdiction ever held any of the FMI's relevant activities or arrangements under its rules and procedures to be unenforceable?

No

Key consideration 5: An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.

Q.1.5.1: If the FMI is conducting business in multiple jurisdictions, how does the FMI identify and analyse any potential conflict-of-laws issues? When uncertainty exists regarding the enforceability of an FMI's choice of law in relevant jurisdictions, has the FMI obtained an independent legal analysis of potential conflict-of-laws issues? What potential conflict-of-laws issues has the FMI identified and analysed? How has the FMI addressed any potential conflict-of- laws issues?

CDCP pursues possible conflicts of laws and adjust its procedures to them. In the event of uncertainty with respect to the consequence of a choice of law, it may have an independent legal analysis drawn up. CDCP primarily searches for such interpretation of laws that may stand up to both legal orders. If a conflict is detected, CDCP verifies whether the conflict can be eliminated through contractual arrangement.

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Principle 2: Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

In reviewing this principle, it should be noted that if an FMI is wholly owned or controlled by another entity, the governance arrangements of that entity should also be reviewed to ensure that they do not have adverse effects on the FMI's observance of this principle. As governance provides the processes through which an organisation sets its objectives, determines the means for achieving those objectives and monitors performance against those objectives, this principle should reviewed holistically with the other principles.

Summary Overview	CDCP's management and control system is clear and transparent, increases the safety and efficiency of the FMI and supports the stability of a broader financial system, other relevant aspects of public interest and relevant stakeholders' goals. Although CDCP is fully owned by Burza cenných papírů Praha, a.s., this does not affect the safety and efficiency of CDCP or the stability of a broader financial system; CDCP needs to be considered as an independent and highly autonomous company with a scope of business defined by laws.

Key consideration 1: An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.

Q.2.1.1: What are the FMI's objectives, and are they clearly identified? How does the FMI assess its performance in meeting its objectives?

According to the CSDR, the central depository must have clearly defined and achievable goals, for example, when it comes to the minimum level of services, the expectations in terms of risk management, and business priorities.

The central depository's main goal is to maintain the continuity and quality of all services made use of by issuers, participants and their clients and other entities for the central depository to continue to be the fundamental pillar of a functioning capital market in the Czech Republic and competitive in the European CMU.

Q.2.1.2: How do the FMI's objectives place a high priority on safety and efficiency? How do the FMI's objectives explicitly support financial stability and other relevant public interest considerations?

To achieve CDCP's main objective, it is absolutely necessary to ensure a high level of safety with a minimum risk in all activities of the central depository. To meet this requirement, it is necessary to respect the approved Risk Management Policy and the internal control rules.

When it comes to business management, the goal is, in particular, in observing the adequate profit for shareholders, to declare stable financial results in a situation when the increasing number of services and customers decreases the fees for individual types of customers in whom such increase has occurred.

Key consideration 2: An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.

Governance arrangements

Q.2.2.1: What are the governance arrangements under which the FMI's board of directors (or equivalent) and management operate? What are the lines of responsibility and accountability within the FMI? How and where are these arrangements documented?

CDCP's management and administration systems draw from the dualist system of the internal structure of a joint stock company. The company's bodies are obligatorily the Board of Directors and the Supervisory Board whose members are elected and discharged by the general meeting. The Board of Directors shall be responsible for the company's business management and shall represent the company on the outside.

Q.2.2.2: For central bank-operated systems, how do governance arrangements address any possible or perceived conflicts of interest? To what extent do governance arrangements allow for a separation of the operator and oversight functions?

CDCP's settlement system is not a system operated by a central bank.

Q.2.2.3: How does the FMI provide accountability to owners, participants and other relevant stakeholders?

Members of CDCP's Board of Directors are elected and discharged by owners through the general meeting's decision. Shareholders are entitled to participate in the general meeting and ask members of the Board of Directors to explain matters relating to the company. The responsibility towards participants is established through a participation contract. The contracting parties undertake to observe the system rules and, in the event of damages ensuing from breach of the rules, shall be liable for damages. CDCP established the Users Committee as the advisory body. Project proposals and their impacts are discussed within this committee's platform and participants have the opportunity to submit their proposals and comments.

Disclosure of governance arrangements

Q.2.2.4: How are the governance arrangements disclosed to owners, relevant authorities, participants and, at a more general level, the public?

Each participant is informed about the system of the internal structure through the company's Articles of Association mandatorily filed in the Collection of Deeds as part of the Companies Register. The Companies Register, including the Collection of Deeds, is made public by the Commercial Court through remote access at www.justice.cz. Those interested are informed about CDCP's organizational structure through CDCP's website.

Key consideration 3: The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.

Roles and responsibilities of the Board

Q.2.3.1: What are the roles and responsibilities of the FMI's board of directors (or equivalent), and are they clearly specified?

The Board of Directors has tasks and obligations clearly defined in Act No. 90/2012 Coll., on Companies and Cooperatives (CCA). Within the limits of the CCA, the rights and the obligations of the Board of Directors are specified in the company's Articles of Association. Pursuant to the Articles of Association, the Board of Directors shall manage the company's activity and represent the company on the outside. Hence, the central depository's activity shall actually be managed by the members of the Board of Directors.

The Board of Directors shall be responsible for the company's business management and shall have the remaining competences, i.e. all competences not belonging to another body of the company. Nobody shall be entitled to grant the Board of Directors instructions relating to the business management, except when at the request of a member of the Board of Directors as a consequence of the Board of Directors' decision. The Board of Directors' obligation to act with due managerial care shall not be affected by this instruction being granted.

The Board of Directors shall ensure the due keeping of books and submit regular, extraordinary and, possibly, interim financial statements and proposals for distributing profit or reimbursing loss to the general meeting for approval.

Q.2.3.2: What are the board's procedures for its functioning, including procedures to identify, address and manage member conflicts of interest? How are these procedures documented, and to whom are they disclosed? How frequently are they reviewed?

The Board of Directors elects from its members and discharges the Chairman and the Deputy Chairman. The Deputy Chairman represents the Chairman of the Board of Directors in the time of his absence. The Board of Directors adopts decisions per rollam at its sessions or outside them. The Board of Directors meets as necessary and adopts decision by majority of the present members' votes.

The governing body's members are subject to the CCA provisions pertaining to the conflict of interests, the inadmissibility of competition, the obligation to act with due managerial care, and the repercussions of the breach of this obligation.

CDCP's Articles of Association regulate the prohibition of competition for members of the Board of Directors. No member of the Board of Directors must:

a) do business in the field identical or similar to the company's field of business or enter into business relationships with the company;
b) mediate or procure the company's business for other persons;
c) participate in the business of another company as an unlimited liability partner or as a controlling entity of another entity pursuing a business identical or similar to the one of the company;
d) perform activity as the governing body or a member of the governing or other body of another legal entity pursuing a business identical or similar to the company's business, unless it is a concern

If any member of the Board of Directors learns that the performance of his/her office may constitute a conflict of his interests or interests of the persons closed to, or influenced or controlled by, him/her with the company's interests, he/she shall promptly inform the other members of the Board of Directors and the Supervisory Board. The provision of information shall not affect the obligation of the Board of Directors' member to act in the company's interest.

Q.2.3.3: Describe the board committees that have been established to facilitate the functioning of the board. What are the roles, responsibilities and composition of such committees?

CDCP's Articles of Association provide the company's Board of Directors with the right to establish and cancel permanent or temporary committees and transfer parts of its powers to them. For the purpose of obtaining consent pursuant to the CSDR, the Board of Directors prepares the constitution of the following committees:

a) risk committee, which provides the Board of Directors with consultations and recommendations with respect to CDCP's present and future overall tolerance towards risks and with respect to CDCP's risk strategy;
b) internal audit committee, which provides the Board of Directors with consultations relating to the performance of CDCP's internal audit which this committee oversights;
c) remuneration committee, which provides the Board of Directors with consultations relating to CDCP's remuneration rules which this committee oversights;
d) audit committee whose task is, in particular, to recommend an auditor to the Board of Directors

CDCP determined a clear and publicly available mandate for each committee. The committees' chairmen and members are appointed and discharged by the Board of Directors. The committees are not, for the most part, formed by persons serving as the Board of Directors' executive members. The chairman of a committee is a person who is independent of the Board of Directors' executive members and has relevant experience in the given field.

Review of performance

Q.2.3.4: What are the procedures established to review the performance of the board as a whole and the performance of the individual board members?

The Board of Directors' members are elected, appointed, evaluated and discharged by the general meeting, which is bound by the provisions of the CCA, the CMBA and the Articles of Association.

Key consideration 4: The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s).

Q.2.4.1: To what extent does the FMI's board have the appropriate skills and incentives to fulfil its multiple roles? How does the FMI ensure that this is the case?

Pursuant to the Civil Code, a Board of Directors member undertakes to perform his/her office with the necessary loyalty, knowledge and carefulness. Anyone who is not able to exercise this due managerial care, although he/she must have found this out when accepting the office or during the performance of the office, and fails to draw consequences for himself/herself shall be considered as acting negligently.

Pursuant to the CCA, anyone who could have reasonably and in good faith anticipated in his/her business decision-making that he/she acted based on sufficient information and in a defendable interest of a company shall be considered as acting carefully and with the necessary knowledge.

Pursuant to the CMBA, the Board of Directors' members shall be approved by the Czech National Bank and must be trustworthy and qualified and must have sufficient experience in terms of the due and prudent provision of services. The performance of the office must not be prevented by any professional, entrepreneurial or other similar activity, in particular, activity pursued in an entity with a scope of business similar to the one of the company. Members of the Board of Directors shall be obliged to communicate any changes to the Czech National Bank without undue delay.

Q.2.4.2: What incentives does the FMI provide to board members so that it can attract and retain members of the board with appropriate skills? How do these incentives reflect the long-term achievement of the FMI's objectives?

CDCP concludes with the members of the Board of Directors a service contract regulating the agreed remuneration. In the event of executive members of the Board of Directors, these contracts may also regulate performance bonuses. The remuneration and bonuses take into account the long-term fulfilment of CDCP's goals.

Q.2.4.3: Does the board include non-executive or independent board members? If so, how many?

The CSDR requires that at least one third of the Board of Directors' members, but at least two, are independent.

Q.2.4.4: If the board includes independent board members, how does the FMI define an independent board member? Does the FMI disclose which board member(s) it regards as independent?

An independent member of the Board of Directors shall mean a member without an executive office. CDCP applies Regulation of the European Parliament and the Council (EU) No. 648/2012 (EMIR) to independent members of the Board of Directors. This regulation reasonably requires that an independent member of the Board of Directors has no business, family or other relationship with CDCP or its controlling shareholders and management and members of its settlement system that would constitute a conflict of interests between CDCP, including its leading workers, employees, members of its governing body or any other person directly or indirectly interconnected with him/her, and its participants or their customers and has not had such relationship in the period of five years prior to his/her membership in CDCP's Board of Directors.

Key consideration 5: The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.

Roles and responsibilities of management

Q.2.5.1: What are the roles and responsibilities of management, and are they clearly specified?

Pursuant to the Articles of Association, the Board of Directors shall appoint and discharge the company's Managing Director. The selection of top management workers and the appointment of a selected employee the Division Director are carried out by the Managing Director. Their tasks and responsibilities as those of leading employees draw from the Labour Code and are regulated in the Organizational Rules and the Work Rules. Leading employees shall be entitled (and obliged) to set and assign work tasks for subordinate employees, organize, manage and check their work and give them binding instructions to this effect.

Q.2.5.2: How are the roles and objectives of management set and evaluated?

Division Directors are annually evaluated and are remunerated based on such evaluation.

Experience, skills and integrity

Q.2.5.3: To what extent does the FMI's management have the appropriate experience, mix of skills and the integrity necessary for the operation and risk management of the FMI? How does the FMI ensure that this is the case?

The composition of the management is chosen in a way that such mix is achieved.

Q.2.5.4: What is the process to remove management if necessary?

Any Division Director may be discharged by the Managing Director at any time.

Key consideration 6: The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board.

Risk management framework

Q.2.6.1: What is the risk management framework that has been established by the board? How is it documented?

CDCP implemented a robust framework for managing all kinds of risks and respects the risk management requirements ensuing from the applicable laws. CDCP meets the operational risk management requirements in compliance with Article 45 of the CSDR and Chapter X (Operational Risks) of Commission delegated regulation (EU) 2017/392.

The main framework for defining the risk management strategy is contained in the Organizational Rules. The risk management strategy is defined in the Risk Management Policy. The list of threats, defined risks and adopted measures, including the risk level and the owner, is the subject of the List of Potential Risks. The basic risk management regulations are the Safety Handbook, the Recovery Plan and the List of Potential Risks.

Q.2.6.2: How does this framework address the FMI's risk tolerance policy, assign responsibilities and accountability for risk decisions (such as limits on risk exposures), and address decision-making in crises and emergencies?

For adopting decisions in crises and extraordinary situations, CDCP applies the approved activity continuity policies pursuant to the internal regulation Safety Handbook / Continuity Plan. The Safety Handbook and the Emergency Plan, including the Assets Register, cover the following crisis scenarios:

- non-availability of a key application or process;
- failed technology or auxiliary equipment;
- failed key service provider;
- non-availability of key persons (administrators/users);
- lack of workers (e.g. viral pandemic);
- lack of access to premises (e.g. in the event of a threatening bombing attack, flood, fire)

The Recovery Plan covers the following crisis scenarios:

- failure of an important participant / important participants;
- failure of market infrastructure (another central depository, sale point, clearing centre);
- loss of the Group's liquidity;
- business loss (a declined number of transactions, a depreciated value of securities or a decreased number of issues);
- macroeconomic upheaval (declined VAT, inflation, changed interest rates or exchange rates);
- operational damages

Q.2.6.3: What is the process for determining, endorsing and reviewing the risk management framework?

The responsibility for managing risks is primarily vested in the company's Board of Directors. CDCP's Organizational Rules regulate the risk management agenda as the workload of the Risk Management & Development Division. The identification of risks is part of the key decision-making processes. The responsibility for formulating and implementing the risk management policy is then vested in the risk manager. Risk managers are employees of the Risk Management & Development Division.

Authority and independence of risk management and audit functions

Q.2.6.4: What are the roles, responsibilities, authority, reporting lines and resources of the risk management and audit functions?

Pursuant to EU Regulation No. 2017/392, CDCP's obligation is to serve as the Chief Risk Officer and shall perform its activity independently of CDCP's other functions. The activity continuity system is regularly verified through an internal audit (in particular, when it comes to Emergency Plans). The internal audit is independent.

Q.2.6.5: How does the board ensure that there is adequate governance surrounding the adoption and use of risk management models? How are these models and the related methodologies validated?

The obligations within the risk management and control system are stipulated in the Organizational Rules. The adequacy of the risk management models and methodologies is verified through an internal audit, or, possibly, an ad-hoc external audit.

Key consideration 7: The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.

Identification and consideration of stakeholder interests

Q.2.7.1: How does the FMI identify and take account of the interests of the FMI's participants and other relevant stakeholders in its decision-making in relation to its design, rules, overall strategy and major decisions?

CDCP established the Users Committee pursuant to Article 28 of the CSDR. The Users Committee is composed of issuers' representatives and CDCP's participants. The Users Committee is an independent body which submits reports directly to the Board of Directors and meets regularly.

The purpose of the Users Committee is to provide the Board of Directors with independents opinions on material measures affecting participants, including the criteria for admitting issuers or participants and the level of services. The Users Committee may submit to the Board of Directors an independent opinion containing a detailed justification of CDCP's price structure.

Q.2.7.2: How does the board consider the views of direct and indirect participants and other relevant stakeholders on these decisions; for example, are participants included on the risk management committee, on user committees such as a default management group or through a public consultation? How are conflicts of interest between stakeholders and the FMI identified, and how are they addressed?

The Users Committee's individual powers are specified in CDCP's rules. The Users Committee's management and administration system draws from the Users Committee's Statutes. If the Users Committee's Chairman determines that any member is subject to an actual or potential conflict of interests in relation to a particular matter, the given member must not vote on the respective matter.

In compliance with Article 28(6) of the CSDR, CDCP shall promptly notify the Czech National Bank and the Users Committee every time the Board of Directors decides not to follow an opinion of the Users Committee. The Users Committee may inform the Czech National Bank about every sphere in which its opinion has not been taken into account.

Disclosure

Q.2.7.3: To what extent does the FMI disclose major decisions made by the board to relevant stakeholders and, where appropriate, the public?

The Board of Directors' decisions important for stakeholders are consulted with them within the Users Committee. When it comes to decisions approving CDCP's regulations, the decision is always made public on CDCP's website. Concurrently, the central depository's participants are informed about a regulation being approved by being sent the central depository's Bulletin.

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Principle 3: Framework for the comprehensive management of risks

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

In reviewing this principle, an assessor should consider how the various risks, both borne by and posed by the FMI, relate to and interact with each other. As such, this principle should be reviewed holistically with the other principles.

Summary Overview	CDCP has a robust framework for managing all kinds of risks to which it, as one of the main institutions of the capital market, is exposed. The responsibility for managing risks is primarily vested in the company's Board of Directors. The risk management agenda is regulated in the company's Organizational Rules. The identification of risks is part of the key decision-making processes. The responsibility for formulating and implementing the risk management policy is vested in the Risk Manager. The main principles of CDCP's risk management policy include, in particular, the following: - The risk management is a continuous cycle anchored in five steps – identification, analysis, measures, supervision and reporting. - The identification of risks and the chosen measures draw from the company's goals (rate of a potential jeopardy of a goal of the company). - Risks are identified according to the individual business processes with regard to the selected threats stated in the ISO 27001 standard. - Risks are reduced through a system of measures. The criteria for choosing relevant measures are, in particular, the company's goals, the risk assessment, the cost of implementing the measures and the risk tolerance. - In managing risks, emphasis is placed on transparent relations among processes, threats, identified risks and their assessment, the adopted measures and development strategies, the risk owners and the control processes (internal audit). - Employees are informed about the risks identified in the sphere of their competence. - The organization and the system in managing risks, including the course of the implementation of approved measures are continuously verified through the internal audit and internal audit conclusions are reported to the Internal Audit Committee. - The risk management & risk analysis policy (list of identified risks, their assessment and measures) is approved by the company's Board of Directors or the body authorized by the Board of Directors. The overall risk management framework is formed by the determination of a risk management methodology and sources for analysis, the definition of the terms risk, threat, vulnerability and safety aspects, the determination of the assessment of risk levels and risk assessment criteria. This ensures a comprehensive coverage of risks (safeguarded processes and services, information safety, continuity, human resources, outsourcing, compliance with standards, etc.).

Key consideration 1: An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.

Risks that arise in or are borne by the FMI

Q.3.1.1: What types of risk arise in or are borne by the FMI?

The central depository is exposed to various risks in relation to the type of its activity and the nature of its institution on the capital market. Among the main risks include operational, strategic financial and IT risks and non-compliance with legal requirements. The main spheres of possible operational risks include the security of information, human resources, asset management and sources, the acquisition, development and maintenance of the system, outsourcing, the information security incidents management, etc.

Risk management policies, procedures and systems

Q.3.1.2: What are the FMI's policies, procedures and controls to help identify, measure, monitor and manage the risks that arise in or are borne by the FMI?

The main framework for defining a risk management strategy is regulated in the Organizational Rules. CDCP's risk management strategy is regulated in the Risk Management Policy. The list of threats, defined risks and adopted measures, including the determination of the risk level and owner, is contained in the List of Potential Risks. The Safety Committee is established for risk management purposes.

Q.3.1.3: What risk management systems are used by the FMI to help identify, measure, monitor and manage its range of risks?

Risk analysis is based on the FRAP method (Facilitated Risk Analysis Process) and is structured by individual processes and, in the sphere of information security, pursuant to CSN ISO/IEC 27002:2014. In terms of the scope, it covers all main processes of the company and the operated IS.

Q.3.1.4: How do these systems provide the capacity to aggregate exposures across the FMI and, where appropriate, other relevant parties, such as the FMI's participants and their customers?

The Risk Management Policy and the List of Potential Risks are constantly monitored and are changed or amended as necessary. Any changes in the Risk Management Policy are approved within the Safety Committee. The risk analysis defined in the Risk Management Policy covers all relevant internal processes and even risks associated, for example, with the outsourcing of CDCP's activities, risks caused by failure or fault on the part of participants, etc. CDCP's Risk Management Policy and Organizational Rules regulate all responsible workers' obligations in the risk management process and set their active participation, by which the whole range of the FMI's activities is fully covered.

Review of risk management policies, procedures and systems

Q.3.1.5: What is the process for developing, approving and maintaining risk management policies, procedures and systems?

The company's bodies responsible for drafting and implementing guidelines, procedures and risk management systems are, in particular, the Safety Committee and the Risk Manager.

Q.3.1.6: How does the FMI assess the effectiveness of risk management policies, procedures and systems?

The effect, correctness and adequacy of guidelines, procedures and risk management systems is continuously assessed, in particular, within the Safety Committee, the Internal Audit and the Risk Manager in relation to recorded events and incidents or, more precisely, the frequency and rate of arisen threats.

Q.3.1.7: How frequently are the risk management policies, procedures and systems reviewed and updated by the FMI? How do these reviews take into account fluctuation in risk intensity, changing environments and market practices?

The comprehensive assessment of the effect, correctness and adequacy of guidelines, procedures and risk management systems is carried out within the Safety Committee and the Internal Audit at least once or twice a year. The assessment takes into account changes within the company or the capital market, as well as general changes in the market environment.

Key consideration 2: An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.

Q.3.2.1: What information does the FMI provide to its participants and, where relevant, their customers to enable them to manage and contain the risks they pose to the FMI?

The central depository informs participants through its website (www.cdcp.cz), intranet and Bulletin. The main information includes the Operations Rules, the Settlement System Rules, the Pricelist, the Handbook for Back-office Workers, the data interface description, etc. CDCP provides its participants with correct and complete data in the shortest possible time for a participant to be able to work with this data and forward the information to its customers.

Q.3.2.2: What incentives does the FMI provide for participants and, where relevant, their customers to monitor and manage the risks they pose to the FMI?

CDCP sets service provision rules for participants and other customers, in particular, within the Operations Rules, the Settlement System Rules and the Data Interface Description. In the provision of services, CDCP requires compliance with these rules, monitors the compliance with them and, in the event of breach, applies sanctions specified in the Operations Rules or other regulations.

Q.3.2.3: How does the FMI design its policies and systems so that they are effective in allowing their participants and, where relevant, their customers to manage and contain their risks?

CDCP proposes its methodologies and systems with the endeavour to provide participants with standard services of central depositories. Changes in the systems are consulted and assessed in cooperation with the participants already in the preparatory stage. Changes are assessed in terms of their compliance with the latest European or world standards and recommendations.

Key consideration 3: An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.

Material risks

Q.3.3.1: How does the FMI identify the material risks that it bears from and poses to other entities as a result of interdependencies? What material risks has the FMI identified?

The main identified risks were IT and operational risks, including, in particular, the outsourcing risk, the data and environment risk and the participant failure risk. CDCP represents a risk for other entities, in particular, in the event of the interruption of its services, the disruption of data integrity and confidentiality, delayed settlement, etc.

Q.3.3.2: How are these risks measured and monitored? How frequently does the FMI review these risks?

The risks stated above are measured in compliance with the criteria set in the Risk Management Policy (e.g. jeopardy of the company's goals, likelihood of the occurrence of a threat, asset protection and resilience, asset value, a possibility of breaching generally binding laws, which is inacceptable for the holding, financial loss and its potential scope, a possibility of breaching the company's own rules, damages inflicted on third parties, in particular, members, participants and investors, the gravity of disruption of the company's operation, lost goodwill, etc.). The responsibility for monitoring the risk management and the measures to cover these risks is vested in each risk owner.

Risk management tools

Q.3.3.3: What risk management tools are applied by the FMI to address the risks arising from interdependencies with other entities?

The risk management tools ensuing from the mutual dependence on other entities are part of the Risk Management Policy. No special tools for risks ensuing from the mutual dependence on other entities are used.

Q.3.3.4: How does the FMI assess the effectiveness of these risk management tools? How does the FMI review the risk management tools it uses to address these risks? How frequently is this review conducted?

The effect, correctness and adequacy of risk management tools is continuously assessed, in particular, within the Safety Committee, the Internal Audit and the Risk Manager and, in particular, based on the frequency and the rate of arisen threats.

Key consideration 4: An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.

Scenarios that may prevent an FMI from providing critical operations and services

Q.3.4.1: How does the FMI identify scenarios that may potentially prevent the FMI from providing its critical operations and services? What scenarios have been identified as a result of these processes?

CDCP identified the following scenarios that may potentially prevent the provision of critical operations and services:

a) revocation of the licence by the Czech National Bank;
b) right to performance by reason of CDCP's error in such an amount making CDCP terminate its activity;
c) other circumstances under which CDCP does not have sufficient money to go on pursuing its activity;
d) disruption of cybernetic safety;
e) vis maior (in particular, natural disasters, etc.)

Q.3.4.2: How do these scenarios take into account both independent and related risks to which the FMI is exposed?

The scenarios take into account independent and related risks to the extent as known to CDCP.

Recovery or orderly wind-down plans

Q.3.4.3: What plans does the FMI have for its recovery or orderly wind-down?

The activity recovery plan is described in the Safety Handbook and the termination of activity is regulated in the Recovery Plan.

Q.3.4.4: How do the FMI's key recovery or orderly wind-down strategies enable the FMI to continue to provide critical operations and services?

The provision of CDCP critical operations and services is ensured, in particular, with regard to sufficient registered capital, the company's own doftware and the independency on third-party deliveries.
From the system perspective, critical operations have the maximum non-availability period, or, more precisely, recovery period. The respective systems and capacities are dimensioned with regard to the classification of an operation and the set recovery period.

Q.3.4.5: How are the plans for the FMI's recovery and orderly wind-down reviewed and updated? How frequently are the plans reviewed and updated?

Recovery plans are updated at regular intervals, but at least once a year, and are tested 4 times a year.

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Principle 4: Credit risk

An FMI should effectively measure, monitor, and manage its credit exposure to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two largest participants and their affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions. All other CCPs should maintain, at a minimum, total financial resources sufficient to cover the default of the one participant and its affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions.

Because of the extensive interactions between the financial risk management and financial resources principles, this principle should be reviewed in the context of Principle 5 on collateral, Principle 6 on margin and Principle 7 on liquidity risk, as appropriate. This principle should also be reviewed in the context of Principle 13 on participant default rules and procedures, Principle 23 on disclosure of rules, key procedures and market data, and other principles, as appropriate.

Summary Overview	In the event of CDCP, the credit risk management is determined, in particular, with regard to the fact that CDCP does not act as a central counterparty and is not exposed to credit risk towards participants in other services either. CDCP operates a settlement system ensuring the finality of settlement, i.e. the delivery-payment model. Hence, CDCP always guarantees the delivery of securities against payment, but, in the event of a non-implemented deal, CDCP does not ensure substitute performance. CDCP also secures stock exchange deals within its Clearing Fund and the association of clearing participants' funds for the purpose of fulfilling exchange deal obligations, in which CDCP is not exposed to credit risk either.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 1: An FMI should establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing, and settlement processes. Credit exposure may arise from current exposures, potential future exposures, or both.

Q.4.1.1: What is the FMI's framework for managing credit exposures, including current and potential future exposures, to its participants and arising from its payment, clearing and settlement processes?

CDCP is not exposed to credit risk towards its participants.

Q.4.1.2: How frequently is the framework reviewed to reflect the changing environment, market practices and new products?

In compliance with the answer to question 3.1.6 and as needed

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 2: An FMI should identify sources of credit risk, routinely measure and monitor credit exposures, and use appropriate risk-management tools to control these risks.

Q.4.2.1: How does the FMI identify sources of credit risk? What are the sources of credit risk that the FMI has identified?

CDCP is not exposed to credit risk towards its participants.

Q.4.2.2: How does the FMI measure and monitor credit exposures? How frequently does and how frequently can the FMI recalculate these exposures? How timely is the information?

CDCP is not exposed to credit risk towards its participants.

Q.4.2.3: What tools does the FMI use to control identified sources of credit risk (for example, offering an RTGS or DvP settlement mechanism, limiting net debits or intraday credit, establishing concentration limits, or marking positions to market on a daily or intraday basis)? How does the FMI measure the effectiveness of these tools?

Within the settlement system, CDCP ensures the delivery of securities against payment (delivery-payment) and is not so exposed to credit risk towards participants. Moreover, in providing other services, CDCP proceeds in a way to avoid the exposure to credit risk towards participants.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 3: A payment system or SSS should cover its current and, where they exist, potential future exposures to each participant fully with a high degree of confidence using collateral and other equivalent financial resources (see Principle 5 on collateral). In the case of a DNS payment system or DNS SSS in which there is no settlement guarantee but where its participants face credit exposures arising from its payment, clearing, and settlement processes, such an FMI should maintain, at a minimum, sufficient resources to cover the exposures of the two participants and their affiliates that would create the largest aggregate credit exposure in the system.

Coverage of exposures to each participant

Q.4.3.1: How does the payment system or SSS cover its current and, where they exist, potential future exposures to each participant? What is the composition of the FMI's financial resources used to cover these exposures? How accessible are these financial resources?

CDCP is not exposed to any credit risk towards its participants.

Q.4.3.2: To what extent do these financial resources cover the payment system's or SSS's current and potential future exposures fully with a high degree of confidence? How frequently does the payment system or SSS evaluate the sufficiency of these financial resources?

Non-applicable

For DNS payment systems and DNS SSSs in which there is no settlement guarantee

Q.4.3.3: If the payment system or SSS is a DNS system in which there is no settlement guarantee, do its participants face credit exposures arising from the payment, clearing and settlement processes? If there are credit exposures in the system, how does the system monitor and measure these exposures?

Non-applicable

Q.4.3.4: If the payment system or SSS is a DNS system in which there is no settlement guarantee and has credit exposures among its participants, to what extent does the payment system's or SSS's financial resources cover, at a minimum, the default of the two participants and their affiliates that would create the largest aggregate credit exposure in the system?

Non-applicable

The following key consideration applies to	PS	CSD	SSS	CCP	TR
				●	

Key consideration 4: A CCP should cover its current and potential future exposures to each participant fully with a high degree of confidence using margin and other prefunded financial resources (see Principle 5 on collateral and Principle 6 on margin). In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. In all cases, a CCP should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount of total financial resources it maintains.

Coverage of current and potential future exposures to each participant

Q.4.4.1: How does the CCP cover its current and potential future exposures to each participant fully with a high degree of confidence? What is the composition of the CCP's financial resources used to cover its current and potential future exposures? How accessible are these financial resources?

Q.4.4.2: To what extent do these financial resources cover the CCP's current and potential future exposures fully with a high degree of confidence? How frequently does the CCP evaluate the sufficiency of these financial resources?

Risk profile and systemic importance in multiple jurisdictions

Q.4.4.3: Do any of the CCP's activities have a more-complex risk profile (such as clearing financial instruments that are characterised by discrete jump-to-default price changes or that are highly correlated with potential participant defaults)? Is the CCP systemically important in multiple jurisdictions?

Additional financial resources

Q.4.4.4: What additional financial resources does the CCP maintain to cover a wide range of potential stress scenarios that include, but are not limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure in extreme but plausible market conditions?

Q.4.4.5: If the CCP is involved in activities with a more-complex risk profile or is systemically important in multiple jurisdictions, to what extent do the additional financial resources cover, at a minimum, the default of the two participants and their affiliates that would create the largest credit exposure in the CCP in extreme but plausible market conditions?

Q.4.4.6: How frequently does the CCP evaluate the sufficiency of its additional resources?

Supporting rationale and governance arrangements

Q.4.4.7: How does the CCP document the supporting rationale regarding its holdings of total financial resources?

Q.4.4.8: What governance arrangements are in place relating to the amount of total financial resources at the CCP?

The following key consideration applies to	PS	CSD	SSS	CCP	TR
				●	

Key consideration 5: A CCP should determine the amount and regularly test the sufficiency of its total financial resources available in the event of a default or multiple defaults in extreme but plausible market conditions through rigorous stress testing. A CCP should have clear procedures to report the results of its stress tests to appropriate decision makers at the CCP and to use these results to evaluate the adequacy of and adjust its total financial resources. Stress tests should be performed daily using standard and predetermined parameters and assumptions. On at least a monthly basis, a CCP should perform a comprehensive and thorough analysis of stress testing scenarios, models, and underlying parameters and assumptions used to ensure they are appropriate for determining the CCP's required level of default protection in light of current and evolving market conditions. A CCP should perform this analysis of stress testing more frequently when the products cleared or markets served display high volatility, become less liquid, or when the size or concentration of positions held by a CCP's participants increases significantly. A full validation of a CCP's risk-management model should be performed at least annually.

Stress testing

Q.4.5.1: How does the CCP determine and stress-test the sufficiency of its total financial resources available in the event of a default or multiple defaults in extreme but plausible market conditions? How frequently does the CCP stress-test its financial resources?

Q.4.5.2: How are stress test results communicated to appropriate decision-makers at the CCP? How are these results used to evaluate the adequacy of and adjust the CCP's total financial resources?

Review and validation

Q.4.5.3: How frequently does the CCP assess the effectiveness and appropriateness of stress test assumptions and parameters? How does the CCP's stress test programme take into account various conditions, such as a sudden and significant increase in position and price volatility, position concentration, change in market liquidity, and model risk including shift of parameters?

Q.4.5.4: How does the CCP validate its risk management model? How frequently does it perform this validation? Who carries this out?

The following key consideration applies to	PS	CSD	SSS	CCP	TR
				●	

Key consideration 6: In conducting stress testing, a CCP should consider the effect of a wide range of relevant stress scenarios in terms of both defaulters' positions and possible price changes in liquidation periods. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions.

Q.4.6.1: In conducting stress testing, what scenarios does the CCP consider? What analysis supports the use of these particular scenarios? Do the scenarios include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions?

The following key consideration applies to	PS	CSD	SSS	CCP	TR
	●		●	●	

Key consideration 7: An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should also indicate the FMI's process to replenish any financial resources that the FMI may employ during a stress event, so that the FMI can continue to operate in a safe and sound manner.

Allocation of credit losses

Q.4.7.1: How do the FMI's rules and procedures explicitly address any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI? How do the FMI's rules and procedures address the allocation of uncovered credit losses and in what order, including the repayment of any funds an FMI may borrow from liquidity providers?

CDCP is not exposed to credit risk towards its participants.

Replenishment of financial resources

Q.4.7.2: What are the FMI's rules and procedures on the replenishment of the financial resources that are exhausted during a stress event?

The methods of replenishing financial resources, including the possible increase in the registered capital, are described in the Recovery Plan.

PS	CSD	SSS	CCP	TR
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Principle 5: Collateral

An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

Because of the extensive interactions between the financial risk management and financial resources principles, this principle should be reviewed in the context of Principle 4 on credit risk, Principle 6 on margin and Principle 7 on liquidity risk, as appropriate. This principle should also be reviewed in the context of Principle 14 on segregation and portability, Principle 16 on custody and investment risk, and other principles, as appropriate.

Summary Overview	CDCP accepts collateral for the purposes of securing exchange deals within CDCP's Clearing Fund and in the event of securing loans in the loan system. Only pecuniary collateral is acceptable. No other forms (state or corporate bonds, stock, etc.) are possible.

Key consideration 1: An FMI should generally limit the assets it (routinely) accepts as collateral to those with low credit, liquidity, and market risks.

Q.5.1.1: How does the FMI determine whether a specific asset can be accepted as collateral, including collateral that will be accepted on an exceptional basis? How does the FMI determine what qualifies as an exceptional basis? How frequently does the FMI adjust these determinations? How frequently does the FMI accept collateral on an exceptional basis, and does it place limits on its acceptance of such collateral?

Only pecuniary collateral is possible.

Q.5.1.2: How does the FMI monitor the collateral that is posted so that the collateral meets the applicable acceptance criteria?

Non-applicable

Q.5.1.3: How does the FMI identify and mitigate possible specific wrong-way risk – for example, by limiting the collateral it accepts (including collateral concentration limits)?

Non-applicable

Key consideration 2: An FMI should establish prudent valuation practices and develop haircuts that are regularly tested and take into account stressed market conditions.

Valuation practices

Q.5.2.1: How frequently does the FMI mark its collateral to market, and does it do so at least daily?

The calculation of the collateral required above takes place every day in the event of the Clearing Fund and the loan system.

Q.5.2.2: To what extent is the FMI authorised to exercise discretion in valuing assets when market prices do not represent their true value?

Non-applicable

Haircutting practices

Q.5.2.3: How does the FMI determine haircuts?

Non-applicable

Q.5.2.4: How does the FMI test the sufficiency of haircuts and validate its haircut procedures, including with respect to the potential decline in the assets' value in stressed market conditions involving the liquidation of collateral? How frequently does the FMI complete this test?

Non-applicable

Key consideration 3: In order to reduce the need for procyclical adjustments, an FMI should establish stable and conservative haircuts that are calibrated to include periods of stressed market conditions, to the extent practicable and prudent.

Q.5.3.1: How does the FMI identify and evaluate the potential procyclicality of its haircut calibrations? How does the FMI consider reducing the need for procyclical adjustments – for example, by incorporating periods of stressed market conditions during the calibration of haircuts?

Non-applicable

Key consideration 4: An FMI should avoid concentrated holdings of certain assets where this would significantly impair the ability to liquidate such assets quickly without significant adverse price effects.

Q.5.4.1: What are the FMI's policies for identifying and avoiding concentrated holdings of certain assets in order to limit potential adverse price effects at liquidation? What factors (for example, adverse price effects or market conditions) are considered when determining these policies?

Non-applicable

Q.5.4.2: How does the FMI review and evaluate concentration policies and practices to determine their adequacy? How frequently does the FMI review and evaluate these policies and practices?

Non-applicable

Key consideration 5: An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure that the collateral can be used in a timely manner.

Q.5.5.1: What are the le gal, operational, market and other risks that the FMI faces by accepting cross-border collateral? How does the FMI mitigate these risks?

Foreign capital is not accepted as collateral.

Q.5.5.2: How does the FMI ensure that cross-border collateral can be used in a timely manner?

Non-applicable

Key consideration 6: An FMI should use a collateral management system that is well-designed and operationally flexible.

Collateral management system design

Q.5.6.1: What are the primary features of the FMI's collateral management system?

The main point within the collateral management is the requirement for solely pecuniary contributions. No securities are accepted.

Q.5.6.2: How and to what extent does the FMI track the reuse of collateral and its rights to the collateral provided?

Non-applicable

Operational flexibility

Q.5.6.3: How and to what extent does the FMI's collateral management system accommodate changes in the ongoing monitoring and management of collateral?

Non-applicable

Q.5.6.4: To what extent is the collateral management system staffed to ensure smooth operations even during times of market stress?

Non-applicable

PS	CSD	SSS	CCP	TR
			●	

Principle 6: Margin

A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.

Summary Overview	CDCP is not a CCP and, hence, has no credit exposures that would have to be covered by margins.

PS	CSD	SSS	CCP	TR
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Principle 7: Liquidity risk

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

Because of the extensive interactions between the financial risk management and financial resources principles, this principle should be reviewed in the context of Principle 4 on credit risk, Principle 5 on collateral and Principle 6 on margin, as appropriate. This principle should also be reviewed in the context of Principle 8 on settlement finality, Principle 13 on participant default rules and procedures, Principle 23 on disclosure of rules, key procedures and market data, and other principles, as appropriate.

Summary Overview	In the event of CDCP, the liquidity risk management is determined, in particular, with regard to the fact that CDCP does not act as a central counterparty and is not exposed to liquidity risk towards participants with respect to any other services either. CDCP operates a settlement system securing the finality of the settlement, i.e. the delivery-payment model. Hence, CDCP always guarantees the delivery of securities against payment for them, but, if a deal does not take place, CDCP shall not provide substitute performance. CDCP does guarantee exchange deals (or, more precisely, substitute deals) within CDCP's Clearing Fund, but only within the scope of such fund, supplemented by

	participants' additional contributions so CDCP is not exposed to liquidity risk in this case either. Regarding the interconnection with other central depositories, CDCP enables only free-of-payment transfers.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 1: An FMI should have a robust framework to manage its liquidity risks from its participants, settlement banks, nostro agents, custodian banks, liquidity providers, and other entities.

Q.7.1.1: What is the FMI's framework for managing its liquidity risks, in all relevant currencies, from its participants, settlement banks, nostro agents, custodian banks, liquidity providers and other entities?

CDCP manages liquidity at all currencies, so participants having negative net positions at a given currency are debited first and, subsequently, participants having positive net positions at this currency are credited. CDCP does not provide banking services and, thus, does not provide its participants with liquidity. Likewise, when corporate actions are carried out, CDCP first requires funds from the issuer or the payment agent.

Q.7.1.2: What are the nature and size of the FMI's liquidity needs, and the associated sources of liquidity risks, that arise in the FMI in all relevant currencies?

With regard to the set settlement processes and the non-provision of liquidity to participants,CDCP's needs in the sphere of liquidity are minimal.

Q.7.1.3: How does the FMI take into account the potential aggregate liquidity risk presented by an individual entity and its affiliates that may play multiples roles with respect to the FMI?

With regard to the set settlement processes and the non-provision of liquidity to participants and other entities, the potential summary risk represented by a particular entity in the sphere of liquidity is minimal.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 2: An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.

Q.7.2.1: What operational and analytical tools does the FMI have to identify, measure and monitor settlement and funding flows?

CDCP has tools ensuring the continuous monitoring of financial flows and individual cycles and providing an overview of all implemented payments and preliminary information on future payments integrated in its settlement system. CDCP's participants and their clearing banks have the opportunity to set their liquidity management and, during a day, change the financial limits for each settlement cycle.

Q.7.2.2: How does the FMI use those tools to identify, measure and monitor itssettlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity?

CDCP and, in particular, the Operations Division use individual tools every day according to the settlement time schedule.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 3: A payment system or SSS, including one employing a DNS mechanism, should maintain sufficient liquid resources in all relevant currencies to effect same-day settlement, and where appropriate intraday or multiday settlement, of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions.

Q.7.3.1: How does the payment system or SSS determine the amount of liquid resources in all relevant currencies to effect same day settlement and, where appropriate, intraday or multiday settlement of payment obligations? What potential stress scenarios (including, but not limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions) does the payment system or SSS use to make this determination?

Non-applicable; see answers to questions 7.1 and 7.2

Q.7.3.2: What is the estimated size of the liquidity shortfall in each currency that the payment system or SSS would need to cover?

Non-applicable; see answers to questions 7.1 and 7.2

The following key consideration applies to	PS	CSD	SSS	CCP	TR
				●	

Key consideration 4: A CCP should maintain sufficient liquid resources in all relevant currencies to settle securities-related payments, make required variation margin payments, and meet other payment obligations on time with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should consider maintaining additional liquidity resources sufficient to cover a wider range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions.

Sufficient liquid resources

Q.7.4.1: How does the CCP determine the amount of liquid resources in all relevant currencies to settle securities-related payments, make required variation margin payments and meet other payment obligations on time? What potential stress scenarios (including, but not limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions) does the CCP use to make this determination?

CDCP does not act as a central counterparty.

Q.7.4.2: What is the estimated size of the liquidity shortfall in each currency that would need to be covered, following the default of the participant and its affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions? How frequently does the CCP estimate this?

CDCP does not act as a central counterparty.

Risk profile and systemic importance in multiple jurisdictions

Q.7.4.3: Do any of the CCP's activities have a more complex risk profile (such as clearing financial instruments that are characterised by discrete jump-to-default price changes or that are highly correlated with potential participant defaults)? Is the CCP systemically important in multiple jurisdictions?

CDCP does not act as a central counterparty.

Q.7.4.4: If the CCP is involved in activities with a more complex risk profile or is systemically important in multiple jurisdictions, has the CCP considered maintaining additional resources sufficient to cover a wider range of stress scenarios that would include the default of the two participants and their affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions?

CDCP does not act as a central counterparty.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
	●		●	●	

Key consideration 5: For the purpose of meeting its minimum liquid resource requirement, an FMI's qualifying liquid resources in each currency include cash at the central bank of issue and at creditworthy commercial banks, committed lines of credit, committed foreign exchange swaps, and committed repos, as well as highly marketable collateral held in custody and investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions. If an FMI has access to routine credit at the central bank of issue, the FMI may count such access as part of the minimum requirement to the extent it has collateral that is eligible for pledging to (or for conducting other appropriate forms of transactions with) the relevant central bank. All such resources should be available when needed.

Size and composition of qualifying liquid resources

Q.7.5.1: What is the size and composition of the FMI's qualifying liquid resources in each currency that is held by the FMI? In what manner and within what time frame can these liquid resources be made available to the FMI?

See answers to questions 7.1 and 7.2

Availability and coverage of qualifying liquid resources

Q.7.5.2: What prearranged funding arrangements has the FMI established to convert its readily available collateral and investments into cash? How has the FMI established that these arrangements would be highly reliable in extreme but plausible market conditions? Has the FMI identified any potential barriers to accessing its liquid resources?

See answers to questions 7.1 and 7.2

Q.7.5.3: If the FMI has access to routine credit at the central bank of issue, what is the FMI's relevant borrowing capacity for meeting its minimum liquid resource requirement in that currency?

See answers to questions 7.1 and 7.2

Q.7.5.4: To what extent does the size and the availability of the FMI's qualifying liquid resources cover its identified minimum liquidity resource requirement in each currency to effect settlement of payment obligations on time?

See answers to questions 7.1 and 7.2

The following key consideration applies to	PS	CSD	SSS	CCP	TR
	●		●	●	

Key consideration 6: An FMI may supplement its qualifying liquid resources with other forms of liquid resources. If the FMI does so, then these liquid resources should be in the form of assets that are likely to be saleable or acceptable as collateral for lines of credit, swaps, or repos on an ad hoc basis following a default, even if this cannot be reliably prearranged or guaranteed in extreme market conditions. Even if an FMI does not have access to routine central bank credit, it should still take account of what collateral is typically accepted by the relevant central bank, as such assets may be more likely to be liquid in stressed circumstances. An FMI should not assume the availability of emergency central bank credit as a part of its liquidity plan.

Size and composition of supplemental liquid resources

Q.7.6.1: What is the size and composition of any supplemental liquid resources available to the FMI?

See answers to questions 7.1 and 7.2

Availability of supplemental liquid resources

Q.7.6.2: How and on what basis has the FMI determined that these assets are likely to be saleable or acceptable as collateral to obtain the relevant currency, even if this cannot be reliably prearranged or guaranteed in extreme market conditions?

See answers to questions 7.1 and 7.2

Q.7.6.3: What proportion of these supplemental assets qualifies as potential collateral at the relevant central bank?

See answers to questions 7.1 and 7.2

Q.7.6.4: In what circumstances would the FMI use its supplemental liquid resources in advance of, or in addition to, using its qualifying liquid resources?

See answers to questions 7.1 and 7.2

Q.7.6.5: To what extent does the size and availability of the FMI's supplemental liquid resources, in conjunction with its qualifying liquid resources, cover the relevant liquidity needs identified through the FMI's stress test programme for determining the adequacy of its liquidity resources (see key consideration 9)?

See answers to questions 7.1 and 7.2

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 7: An FMI should obtain a high degree of confidence, through rigorous due diligence, that each provider of its minimum required qualifying liquid resources, whether a participant of the FMI or an external party, has sufficient information to understand and to manage its associated liquidity risks, and that it has the capacity to perform as required under its commitment. Where relevant to assessing a liquidity provider's performance reliability with respect to a particular currency, a liquidity provider's potential access to credit from the central bank of issue may be taken into account. An FMI should regularly test its procedures for accessing its liquid resources at a liquidity provider.

Use of liquidity providers

Q.7.7.1: Does the FMI use a liquidity provider to meet its minimum required qualifying liquidity resources? Who are the FMI's liquidity providers? How and on what basis has the FMI determined that each of these liquidity providers has sufficient information to understand and to manage their associated liquidity risk in each relevant currency on an ongoing basis, including in stressed conditions?

See answers to questions 7.1 and 7.2

Reliability of liquidity providers

Q.7.7.2: How has the FMI determined that each of its liquidity providers has the capacity to perform on its commitment in each relevant currency on an ongoing basis?

See answers to questions 7.1 and 7.2

Q.7.7.3: How does the FMI take into account a liquidity provider's potential access to credit at the central bank of issue?

See answers to questions 7.1 and 7.2

Q.7.7.4: How does the FMI regularly test the timeliness and reliability of its procedures for accessing its liquid resources at a liquidity provider?

See answers to questions 7.1 and 7.2

The following key consideration applies to	PS	CSD	SSS	CCP	TR
	●		●	●	

Key consideration 8: An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk.

Q.7.8.1: To what extent does the FMI currently have, or is the FMI eligible to obtain, access to accounts, payment services and securities services at each relevant central bank that could be used to conduct its payments and settlements and to manage liquidity risks in each relevant currency?

See answers to questions 7.1 and 7.2

Q.7.8.2: To what extent does the FMI use each of these services at each relevant central bank to conduct its payments and settlements and to manage liquidity risks in each relevant currency?

See answers to questions 7.1 and 7.2

Q.7.8.3: If the FMI employs services other than those provided by the relevant central banks, to what extent has the FMI analysed the potential to enhance the management of liquidity risk by expanding its use of central bank services?

See answers to questions 7.1 and 7.2

Q.7.8.4: What, if any, practical or other considerations to expanding its use of relevant central bank services have been identified by the FMI?

See answers to questions 7.1 and 7.2

The following key consideration applies to	PS	CSD	SSS	CCP	TR
	●		●	●	

Key consideration 9: An FMI should determine the amount and regularly test the sufficiency of its liquid resources through rigorous stress testing. An FMI should have clear procedures to report the results of its stress tests to appropriate decision makers at the FMI and to use these results to evaluate the adequacy of and adjust its liquidity risk-management framework. In conducting stress testing, an FMI should consider a wide range of relevant scenarios. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions. Scenarios should also take into account the design and operation of the FMI, include all entities that might pose material liquidity risks to the FMI (such as settlement banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and where appropriate, cover a multiday period. In all cases, an FMI should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount and form of total liquid resources it maintains.

Stress test programme

Q.7.9.1: How does the FMI use stress testing to determine the amount and test the sufficiency of its liquid resources in each currency? How frequently does the FMI stress-test its liquid resources?

See answers to questions 7.1 and 7.2

Q.7.9.2: What is the process for reporting on an ongoing basis the results of the FMI's liquidity stress tests to appropriate decision-makers at the FMI, for the purpose of supporting their timely evaluation and adjustment of the size and composition of the FMI's liquidity resources and liquidity risk management framework?

See answers to questions 7.1 and 7.2

Stress test scenarios

Q.7.9.3: What scenarios are used in the stress tests, and to what extent do they take into account a combination of peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions?

See answers to questions 7.1 and 7.2

Q.7.9.4: To what extent do the scenarios and stress tests take into account the FMI's particular payment and settlement structure (for example, real-time gross or deferred net; with or without a settlement guarantee; DVP model 1, 2 or 3 for SSSs), and the liquidity risk that is borne directly by the FMI, by its participants, or both?

See answers to questions 7.1 and 7.2

Q.7.9.5: To what extent do the scenarios and stress tests take into account the nature and size of the liquidity needs, and the associated sources of liquidity risks, that arise in the FMI to settle its payment obligations on time, including the potential that individual entities and their affiliates may play multiples roles with respect to the FMI?

See answers to questions 7.1 and 7.2

Review and validation

Q.7.9.6: How frequently does the FMI assess the effectiveness and appropriateness of stress test assumptions and parameters? How does the FMI's stress test programme take into account various conditions, such as a sudden and significant increase in position and price volatility, position concentration, change in market liquidity, and model risk including shift of parameters?

See answers to questions 7.1 and 7.2

Q.7.9.7: How does the FMI validate its risk management model? How frequently does it perform this validation?

CDCP carries out an annual validation of the risk management framework in the context of the individual processes set in CDCP's rules.

Q.7.9.8: Where and to what extent does the FMI document its supporting rationale for, and its governance arrangements relating to, the amount and form of its total liquid resources?

See answers to questions 7.1 and 7.2

The following key consideration applies to	PS	CSD	SSS	CCP	TR
	●		●	●	

Key consideration 10: An FMI should establish explicit rules and procedures that enable the FMI to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations on time following any individual or combined default among its participants. These rules and procedures should address unforeseen and potentially uncovered liquidity shortfalls and should aim to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. These rules and procedures should also indicate the FMI's process to replenish any liquidity resources it may employ during a stress event, so that it can continue to operate in a safe and sound manner.

Same day settlement

Q.7.10.1: How do the FMI's rules and procedures enable it to settle payment obligations on time following any individual or combined default among its participants?

CDCP's settlement rules deal in detail with all cases of participants' failures in the settlement of payment obligations. To minimize the failures, the fees for suspended deals, the option of setting financial limits, substitute deals, and other sanctions for failing participants as set in CDCP's rules are helpful.

Q.7.10.2: How do the FMI's rules and procedures address unforeseen and potentially uncovered liquidity shortfalls and avoid unwinding, revoking or delaying the same day settlement of payment obligations?

See answers to questions 7.1 and 7.2

Replenishment of liquidity resources

Q.7.10.3: How do the FMI's rules and procedures allow for the replenishment of any liquidity resources employed during a stress event?

See answers to questions 7.1 and 7.2

PS	CSD	SSS	CCP	TR
●		●	●	

Principle 8: Settlement finality

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

In reviewing this principle, it should be noted that this principle is not intended to eliminate failures to deliver in securities trades. The occurrence of non-systemic amounts of such failures, although potentially undesirable, should not by itself be interpreted as a failure to satisfy this principle. This principle should be reviewed in the context of Principle 9 on money settlements, Principle 20 on FMI links, and other principles, as appropriate.

Summary Overview	The applicant operates the settlement system UNIVYC, as a settlement system with the finality of the settlement. The finality of the settlement is defined for this system in the Settlement System Rules in a way that a settlement order is considered as admitted in the settlement system from the moment when the central depository commences the settlement of the validations of book-entry securities intended for settlement. A settlement order shall mean an instruction of a participant or a participant or an operator of an interconnected system, based on which the settlement shall be carried out with the finality of settlement in compliance with the Settlement System Rules. The settlement order and its elements are regulated in the Settlement System Rules. Orders may be entered in the system a) through a regulated market or a multilateral commercial system as matched orders to settle concluded deals or b) by participants as orders to match and settle concluded non-exchange deals and transactions. Settlement orders are forwarded to the settlement system through data communication or another form pursuant to a special contract. The validation of book-entry securities shall mean their reservation in property

	accounts for the purpose of the settlement process (intended for 'in transit' mode). The validity and the effect of transfers of securities and funds in the settlement system (finality) are regulated in the Settlement System Rules in a way that the settlement is completed once the transfer of book-entry securities is cleared from transferors' property accounts to transferees' accounts in compliance with the time schedule.

Key consideration 1: An FMI's rules and procedures should clearly define the point at which settlement is final.

Point of settlement finality

Q.8.1.1: At what point is the settlement of a payment, transfer instruction or other obligation final, meaning irrevocable and unconditional? Is the point of settlement finality defined and documented? How and to whom is this information disclosed?

The finality moment is defined in the Settlement Rules. Participants are informed through a confirmation message or a data interface message.

Q.8.1.2: How does the FMI's legal framework and rules, including the applicable insolvency law(s), acknowledge the discharge of a payment, transfer instruction or other obligation between the FMI and its participants, or between participants?

The finality of the settlement is regulated for operators of settlement systems with the finality of the settlement in Section 88 of the CMBA in a way that a settlement order cannot be unilaterally revoked from the moment set in the system rules. The repercussions of the set finality are further regulated in cases of bankruptcy decisions or decisions or other interventions of a public body leading to the discontinuation or limitation of the settlement, the exclusion or limitation of use of the investment instruments or funds in the account which is subject to settlement or the exclusion or limitation of the right to satisfaction from collaterals.

Pursuant to Article 10(2), no participant or third party must unilaterally revoke a settlement order from the moment when the settlement order has been admitted in the settlement system. Pursuant to paragraph (3), by commencing the settlement, the central depository shall bear responsibility for safeguarding the settlement system from any attempted unilateral revocation of a settlement order. No order unilaterally revocating a settlement order shall be accepted by the settlement system.

Q.8.1.3: How does the FMI demonstrate that there is a high degree of legal certainty that finality will be achieved in all relevant jurisdictions (for example, by obtaining a well reasoned legal opinion)?

The moment of finality of transfers in foreign depositories is always derived from the moment of finality of the foreign depositories. The follow-up clearance (transfer) is never carried out earlier.

Finality in the case of links

Q.8.1.4 How does the FMI ensure settlement finality in the case of linkages with other FMIs?

a) For an SSS, how is consistency of finality achieved between the SSS and if relevant, the LVPS where the cash leg is settled?

CDCP supports only free-of-payment transfers in cross-border transactions.

b) For a CCP for cash products, what is the relation between the finality of obligations in the CCP and the finality of the settlement of the CCP claims and obligations in other systems, depending on the rules of the relevant CSD/SSS and payment system?

Non-applicable

Key consideration 2: An FMI should complete final settlement no later than the end of the value date, and preferably intraday or in real time, to reduce settlement risk. An LVPS or SSS should consider adopting RTGS or multiple-batch processing during the settlement day.

Final settlement on the value date

Q.8.2.1: Is the FMI designed to complete final settlement on the value date (or same day settlement)? How does the FMI ensure that final settlement occurs no later than the end of the intended value date?

Yes, CDCP ensures the settlement within four DVP settlement cycles and one DFP settlement cycle. At the end of a given accounting day, transactions may only be suspended but not unprocessed.

Q.8.2.2: Has the FMI ever experienced deferral of final settlement to the next business day that was not contemplated by its rules, procedures or contracts? If so, under what circumstances? If deferral was a result of the FMI's actions, what steps have been taken to prevent a similar situation in the future?

CDCP has not been affected by a situation which would not be covered in the Settlement System Rules.

Intraday or real-time final settlement

Q.8.2.3: Does the FMI provide intraday or real-time final settlement? If so, how? How are participants informed of the final settlement?

The settlement takes place in several settlement cycles within an accounting day and makes use of the multi-cycle settlement function enabling the maximization of the number of settled transactions within one settlement cycle. Participants are informed about the results and the finality of the settlement through WIFT or the data interface.

Q.8.2.4: If settlement occurs through multiple-batch processing, what is the frequency of the batches and within what time frame do they operate? What happens if a participant does not have enough funds or securities at the settlement time? Are transactions entered in the next batch? If so, what is the status of those transactions and when would they become final?

The settlement time schedule is the following:

8:00 DVP and DFP cycles
10:00 DVP and DFP cycles

11:00 DVP and DFP cycles
12:30 DVP and DFP cycles
17:00 DFP cycle

In the event of lack of securities or funds, the respective transfer is suspended. Based on the nature of a transfer (exchange, OTC), the transfer is automatically included in a settlement cycle the following day. Participants may determine the inclusion or non-inclusion of a transfer in the settlement system. Transfers unsettled by reason of lack of securities or funds are considered as suspended and both parties to the transfer are informed about the reasons.

Q.8.2.5: If settlement does not occur intraday or in real time, how has the LVPS or SSS considered the introduction of either of these modalities?

With regard to real-time settlement, CDCP regularly reviews the settlement status, the participants' requirements and the options of the settlement system, the payment system, etc. Not all necessary prerequisites for introducing a real-time settlement system are currently met.

Key consideration 3: An FMI should clearly define the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant.

Q.8.3.1: How does the FMI define the point at which unsettled payments, transfer instructions or other obligations may not be revoked by a participant? How does the FMI prohibit the unilateral revocation of accepted and unsettled payments, transfer instructions or obligations after this time?

The finality of the settlement is regulated for operators of settlement systems with the finality of settlement in Section 88 of the CMBA in a way that no settlement order can be unilaterally revoked from the moment set in the system rules. The repercussions of the set finality are further regulated in cases of bankruptcy decisions or decisions or other interventions of a public body leading to the discontinuation or limitation of the settlement, the exclusion or limitation of use of the investment instruments or funds in the account which is subject to settlement or the exclusion or limitation of the right to satisfaction from collaterals.

Pursuant to Article 10(2), no participant or third party must unilaterally revoke a settlement order from the moment when the settlement order has been admitted in the settlement system. Pursuant to paragraph (3), by commencing the settlement, the central depository shall bear responsibility for safeguarding the settlement system from any attempted unilateral revocation of a settlement order. No order unilaterally revocating a settlement order shall be accepted by the settlement system

Q.8.3.2: Under what circumstances can an instruction or obligation accepted by the system for settlement still be revoked (for example, queued obligations)? How can an unsettled payment or transfer instruction be revoked? Who can revoke unsettled payment or transfer instructions?

No transfer can be unilaterally revoked after the finality moment.

Q.8.3.3: Under what conditions does the FMI allow exceptions and extensions to the revocation deadline?

After the finality moment, no transfer can be unilaterally revoked and the time-limit for appeal cannot be extended.

Q.8.3.4: Where does the FMI define this information? How and to whom is this information disclosed?

The finality moment is set in the Settlement System Rules.

PS	CSD	SSS	CCP	TR
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Principle 9: Money settlements

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.

This principle should be reviewed in the context of Principle 8 on settlement finality, Principle 16 on custody and investment risks, and other principles, as appropriate.

Summary Overview	To clear payment orders at the local currency, CDCP uses payment accounts of direct participants in the payment system CERTIS operated by the CZECH NATIONAL BANK (“CNB”). CDCP enters in CERIS third party orders based on which clearing banks‘ payment accounts are debited and credited. A clearing bank is a CDCP participant with an account registered in CERTIS for the purpose of clearing interbank payments. A clearing bank may also provide its account to a non-bank entity for clearance on the basis of a contract between these entities and CDCP. Money transfers are then always cleared through the CDCP account kept in CERTIS. To clear payment orders at foreign currencies, CDCP uses its own payment account held with a selected credit institution – bank. Based on the results of the selection procedure, UniCredit bank Czech Republic and Slovakia was selected. The clearance is predicated on the crediting of CDCP’s account by the buyer of securities, the clearance of securities and the crediting of the payment account of the debiting party of the transfer of securities on the basis of CDCP’s transfer order. Payments instructed by CDCP are made by the selected bank with zero-daily foreign currency.

Key consideration 1: An FMI should conduct its money settlements in central bank money, where practical and available, to avoid credit and liquidity risks.

Q.9.1.1: How does the FMI conduct money settlements? If the FMI conducts settlement in multiple currencies, how does the FMI conduct money settlement in each currency?

To clear payment orders at the local currency, CDCP uses payment accounts of direct participants in the payment system CERTIS operated by the CZECH NATIONAL BANK (“CNB”). CDCP enters in CERIS third party orders based on which clearing banks‘ payment accounts are debited and credited. A clearing bank is a CDCP participant with an account registered in CERTIS for the purpose of clearing interbank payments. A clearing bank may also provide its account to a non-bank entity for clearance on the basis of a contract between these entities and CDCP. Money transfers are then always cleared through the CDCP account kept in CERTIS.

To clear payment orders at foreign currencies, CDCP uses its own payment account held with a selected credit institution – bank. Based on the results of the selection procedure, UniCredit bank Czech Republic and Slovakia was selected.

The clearance is predicated on the crediting of CDCP's account by the buyer of securities, the clearance of securities and the crediting of the payment account of the debiting party of the transfer of securities on the basis of CDCP's transfer order. Payments instructed by CDCP are made by the selected bank with zero-daily foreign currency.

Q.9.1.2: If the FMI does not settle in central bank money, why is it not used?

The main reasons for settling deals and transactions at foreign currencies through CDCP's own account with a credit institution are, in particular:

- The Czech central bank does not offer the option to clear payments at foreign currencies.
- Based on the implemented analysis, the linkage to foreign clearing institutions (such as TARGET2) was evaluated as cost-ineffective, in particular, with regard to the very low number of transfers at foreign currencies in CDCP.
- There is low demand for foreign-currency settlement on the part of participants.
- Czech securities are also traded abroad at other sale points where global investors can opt for settlement at foreign currencies.

Key consideration 2: If central bank money is not used, an FMI should conduct its money settlements using a settlement asset with little or no credit or liquidity risk.

Q.9.2.1: If central bank money is not used, how does the FMI assess the credit and liquidity risks of the settlement asset used for money settlement?

Within the management of risks associated with foreign-currency transfers, CDCP considers and decreases risks, in particular, through the following measures:

- The selected clearing bank is chosen based on strčit criteria and must meet the minimum requirement for credit rating. The clearing bank and its credibility is regularly reviewed.
- Transfers are implemented in real time and solely within a day. There is no liquidity in CDCP's payment account fter the end of an accounting day.
- Secured communication defining a replacement method of forwarding orders.

Q.9.2.2: If the FMI settles in commercial bank money, how does the FMI select its settlement banks? What are the specific selection criteria the FMI uses?

In selecting and regularly reviewing the selected clearing banks, CDCP takes into account, in particular, the following criteria:

- Clearing bank's rating
- Payment services
- Communication method and replacement solution, reliability of communication connection
- Transfers made (at foreign currency) on the date of instruction
- Cost – fixed and transaction

Key consideration 3: If an FMI settles in commercial bank money, it should monitor, manage, and limit its credit and liquidity risks arising from the commercial settlement banks. In particular, an FMI should establish and monitor adherence to strict criteria

for its settlement banks that take account of, among other things, their regulation and supervision, creditworthiness, capitalisation, access to liquidity, and operational reliability. An FMI should also monitor and manage the concentration of credit and liquidity exposures to its commercial settlement banks.

Q.9.3.1: How does the FMI monitor the settlement banks' adherence to criteria it uses for selection? For example, how does the FMI evaluate the banks' regulation, supervision, creditworthiness, capitalisation, access to liquidity and operational reliability?

CDCP monitors and minimizes risks associated with clearing banks in compliance with the answers to questions 9.2.1 and 9.2.2.

Q.9.3.2: How does the FMI monitor, manage and limit its credit and liquidity risks arising from the commercial settlement banks? How does the FMI monitor and manage the concentration of credit and liquidity exposures to these banks?

CDCP monitors and minimizes risks associated with clearing banks in compliance with the answers to questions 9.2.1 and 9.2.2.

Q.9.3.3: How does the FMI assess its potential losses and liquidity pressures as well as those of its participants if there is a failure of its largest settlement bank?

CDCP regularly monitors and assesses the number and amount of funds transferred through its own account with a clearing bank. Concurrently, it assesses potential losses and impacts on the liquidity management for its participants and itself.

Key consideration 4: If an FMI conducts money settlements on its own books, it should minimise and strictly control its credit and liquidity risks.

Q.9.4.1: If an FMI conducts money settlements on its own books, how does it minimise and strictly control its credit and liquidity risks?

See the answer to question 9.2.1

Key consideration 5: An FMI's legal agreements with any settlement banks should state clearly when transfers on the books of individual settlement banks are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day and ideally intraday, in order to enable the FMI and its participants to manage credit and liquidity risks.

Q.9.5.1: Do the FMI's legal agreements with its settlement banks state when transfers occur, that transfers are final when effected, and that funds received are transferable?

Yes, the conditions of provision of services meet this requirement.

Q.9.5.2: Are funds received transferable by the end of the day at the latest? If not, why? Are they transferable intraday? If not, why?

Yes, funds are transferable on an intra-day basis.

PS	CSD	SSS	CCP	TR
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Principle 10: Physical deliveries

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

This principle should be reviewed in the context of Principle 15 on general business risk, Principle 23 on disclosure of rules, key procedures and market data, and other principles, as appropriate.

Summary Overview	CDCP provides registration services, in particular, with respect to book-entry securities, but also enables the immobilization of securities in certified form, the escrow of collective bonds or other securities in certified form. However, regarding the physical delivery of underlying assets or commodities, CDCP does not offer anything like this and it may always concern only the delivery of dematerialized securities. In the event of securities in certified form, it is only an escrow, but it is not possible to settle these securities as standard transactions or deliver them as underlying assets.

Key consideration 1: An FMI's rules should clearly state its obligations with respect to the delivery of physical instruments or commodities.

Q.10.1.1: Which asset classes does the FMI accept for physical delivery?

CDCP does not accept any underlying assets or commodities for physical delivery.

Q.10.1.2: How does the FMI define its obligations and responsibilities with respect to the delivery of physical instruments or commodities? How are these responsibilities defined and documented? To whom are these documents disclosed?

Non-applicable

Q.10.1.3: How does the FMI engage with its participants to ensure they have an understanding of their obligations and the procedures for effecting physical delivery?

Non-applicable

Key consideration 2: An FMI should identify, monitor, and manage the risks and costs associated with the storage and delivery of physical instruments or commodities.

Q.10.2.1: How does the FMI identify the risks and costs associated with storage and delivery of physical instruments or commodities? What risks and costs has the FMI identified?

Q.10.2.2: What processes, procedures and controls does the FMI have to monitor and manage any identified risks and costs associated with storage and delivery of physical instruments or commodities?

Possible securities in certified form are deposited in a safe located in a protected room with controlled access, fire protection and flood protection.

Q.10.2.3: If an FMI can match participants for delivery and receipt, under what circumstances can it do so, and what are the associated rules and procedures? Are the legal obligations for delivery clearly expressed in the rules and associated agreements?

Non-applicable

Q.10.2.4: How does the FMI monitor its participants' delivery preferences and, to the extent practicable, ensure that its participants have the necessary systems and resources to be able to fulfil their physical delivery obligations?

Non-applicable

PS	CSD	SSS	CCP	TR
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Principle 11: Central securities depositories

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.

In reviewing this principle, where an entity legally defined as a CSD or an SSS does not hold or facilitate the holding of assets or collateral owned by its participants, the CSD or SSS in general would not be required to have arrangements to manage the safekeeping of such assets or collateral. This principle should be reviewed in the context of Principle 17 on operational risk, Principle 20 on FMI links, and other principles, as appropriate.

Summary Overview	CDCP has appropriate rules and procedures drawing from the contractual relationship with an issuer and helping ensure the integrity in issuing securities and minimize and manage risks associated with the escrow and transfer of securities. CDCP supports the issue of securities in immobilized or dematerialized form.

Key consideration 1: A CSD should have appropriate rules, procedures, and controls, including robust accounting practices, to safeguard the rights of securities issuers and holders, prevent the unauthorised creation or deletion of securities, and conduct periodic and at least daily reconciliation of securities issues it maintains.

Safeguarding the rights of securities issuers and holders

Q.11.1.1: How are the rights of securities issuers and holders safeguarded by the rules, procedures and controls of the CSD?

CDCP concludes issue registration contracts with issuers of book-entry securities. This contractual relationship is also subject to the rules stipulated in the Operations Rules, the Settlement System Rules and the central depository's Pricelist. In the event of breach of contractual obligations, the contracting parties undertook to deal with any disputes by agreement. Subsequently, the issuer may turn to the competent court with his/her claim.

The rights of owners of the accounts which are registered with CDCP and through which book-entry securities are held shall be governed, pursuant to the CMBA, by the contractual relationship between the respective account owner and the CDCP participant who has registered the account.

Q.11.1.2: How do the CSD's rules, procedures and controls ensure that the securities it holds on behalf of participants are appropriately accounted for on its books and protected from risks associated with the other services the CSD may provide?

CDCP's Operations Rules and the Settlement System Rules regulate the account structure and transfer methods. Book-entry securities held by CDCP on behalf of its participants are separated from CDCP's property. CDCP automatically checks the balances in accounts with foreign depositories against the total number of book-entry securities in property accounts held with CDCP. The check is carried out every day in all issues. The high level of certainty is ensured thanks to the double-entry recording principle, the four eyes principle, the everyday reconciliation and the internal audit.

Q.11.1.3: How does the CSD ensure that it has robust accounting practices? Do audits review whether there are sufficient securities to satisfy customer rights? How frequently are end-to-end audits conducted to examine the procedures and internal controls used in the safekeeping of securities?

The system carries out the automated reconciliation of registered issues against the account registration and of all transfers within the settlement system. Internal Audit regularly checks the procedures applied in escrowing securities.

Prevention of the unauthorised creation or deletion of securities

Q.11.1.4: What are the CSD's internal procedures to authorise the creation and deletion of securities? What are the CSD's internal controls to prevent the unauthorised creation and deletion of securities?

The establishment or deletion of book-entry securities is carried out on the basis of an issuer's order, which may be given in paper or electronic form. An established or deleted order is subject to CDCP's check according to the four eyes principle.

Periodic reconciliation of securities issues

Q.11.1.5: Does the CSD conduct periodic and at least daily reconciliation of the totals of securities issues in the CSD for each issuer (or its issuing agent)? How does the CSD ensure that the total number of securities recorded in the CSD for a particular issue is equal to the amount of securities of that issue held on the CSD's books?

CDCP keeps double-entry records on book-entry securities in property accounts, i.e. a record in the issue account of the given issue matches each record on the number of the book-entry securities in the property account. The summary reconciliation of double entries is carried out at the end of an accounting day against the final entries of the previous day, including all transactions of the given day. If the reconciliation is not correct, the system immediately suspends the further processing.

Q.11.1.6: If the CSD is not the official registrar of the issues held on its books, how does the CSD reconcile its records with official registrar?

CDCP is an official register of all issues primarily booked with CDCP.

Key consideration 2: A CSD should prohibit overdrafts and debit balances in securities accounts.

Q.11.2.1: How does the CSD prevent overdrafts and debit balances in securities accounts?

CDCP's system does not enable a transfer the implementation of which would create a negative balance.
The check at the level of the central depository takes place in CDCP's system in a way that details of the total number of book-entry securities, which define the size of an issue (technical, mirror) account and to which transactions are compared are entered in the registration. The total number of book-entry securities in property accounts must always correspond to the number in the issue account. Pursuant to the Operations Rules, participants shall be obliged to carry out the reconciliation of their systems at least once, at the end of an accounting day.

Key consideration 3: A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry. Where appropriate, a CSD should provide incentives to immobilise or dematerialise securities.

Q.11.3.1: Are securities issued or maintained in a dematerialised form? What percentage of securities is dematerialised, and what percentage of the total volume of transactions applies to these securities?

Except for isolated cases, book-entry securities are entered in CDCP's registers.

Q.11.3.2: If securities are issued as a physical certificate, is it possible to immobilise them and allow their holding and transfer in a book-entry system? What percentage of securities is immobilised, and what percentage of the total volume of transactions applies to immobilised securities?

CDCP enables to keep a register immobilized securities. At present, it does not register any immobilized securities. Alongside immobilized securities, CDCP keeps a register of shares in collective bonds issued as physical deeds, but, subsequently, the shares are held and transferred in the registration. The number of these issues is less than 1 % of the total number of registered issues.

Q11.3.3: What incentives, if any, does the CSD provide to immobilise or dematerialise securities?

CDCP motivates issuers towards issuing book-entry securities, i.e. dematerialized securities, since additional cost is associated with the escrow of securities in certified form.

Key consideration 4: A CSD should protect assets against custody risk through appropriate rules and procedures consistent with its legal framework.

Q.11.4.1: How do the CSD's rules and procedures protect assets against custody risk, including the risk of loss because of the CSD's negligence, misuse of assets, fraud, poor administration, inadequate recordkeeping or failure to protect participants' interests in their securities?

The Risk Management Policy also comprehensively deals with risks associated with the escrow and the administration. Risks are regulated, in particular, in the Safety Handbook and the Emergency Plans.

Q.11.4.2: How has the CSD determined that those rules and procedures are consistent with the legal framework?

He responsibility for compliance with the legal framework is vested in the Legal Division and the Audit Division.

Q.11.4.3: What other methods, if any, does the CSD employ to protect its participants against misappropriation, destruction and theft of securities (for example, insurance or other compensation schemes)?

The procedures for the purpose of protecting participants from the embezzlement, destruction and theft of securities are defined in the Safety Handbook. The adopted measures also contain CDCP’s insurance.

Key consideration 5: A CSD should employ a robust system that ensures segregation between the CSD’s own assets and the securities of its participants and segregation among the securities of participants. Where supported by the legal framework, the CSD should also support operationally the segregation of securities belonging to a participant’s customers on the participant’s books and facilitate the transfer of customer holdings.

Q.11.5.1: What segregation arrangements are in place at the CSD? How does the CSD ensure segregation between its own assets and the securities of its participants? How does the CSD ensure segregation among the securities of participants?

The separation of securities is ensured through securities accounts. The laws allow opening individual accounts for every account owner. Securities owned by participants must be held in special types of accounts. Securities belonging to CDCP are registered in the property account opened in CDCP’s register by any CDCP participant in CDCP’s name.

Q.11.5.2: Where supported by the legal framework, how does the CSD support the operational segregation of securities belonging to participants’ customers from the participants’ book? How does the CSD facilitate the transfer from these customers’ accounts to another participant?

CDCP allows its participants to hold their securities in special types of accounts (11). Participants’ customers may require that the participants open owner accounts (individual accounts opened in the name of a customer – 21) or register their securities in a collective account (omnibus account opened in the name of a participant – 31). CDCP allows transferring securities between two customer accounts.

Key consideration 6: A CSD should identify, measure, monitor, and manage its risks from other activities that it may perform; additional tools may be necessary in order to address these risks.

Q.11.6.1: Does the CSD provide services other than central safekeeping and administration of securities and settlement? If so, what services?

CDCP provides all services stated in Sections A and B of the CSDR annex.

Q.11.6.2: If the CSD provides services other than central safekeeping and administration of securities and settlement, how does it identify the risks associated with those activities, including potential credit and liquidity risks? How does it measure, monitor and manage these risks, including legally separating services other than safekeeping and administration of securities where necessary?

All services provided by the Central Depository are included in the Risk Management Policy, the Safety Handbook and the Assets Register. CDCP is not exposed to credit risk in any of the services.

PS	CSD	SSS	CCP	TR
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Principle 12: Exchange-of-value settlement systems

If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.

This principle should be reviewed in the context of Principle 4 on credit risk, Principle 7 on liquidity risk, Principle 8 on settlement finality, and other principles, as appropriate.

Summary Overview	In the event of DVP transactions, transfers of securities and funds are carried out in various systems. The settlement rules set the moment of finality of instructions for settlement and the moment when a transfer is final and irrevocable. This moment cannot take place before a transfer of funds is marked as finally cleared in the payment system. Hence, the settlement is commenced by blocking the securities, after which payment instructions are dispatched, and, once the final confirmations of the implementation of payment orders are received, the settlement is completed and the transfers in the settlement system are marked as settled.

Key consideration 1: An FMI that is an exchange-of-value settlement system should eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs, regardless of whether the FMI settles on a gross or net basis and when finality occurs.

Q.12.1.1: How do the FMI’s legal, contractual, technical and risk management frameworks ensure that the final settlement of relevant financial instruments eliminates principal risk? What procedures ensure that the final settlement of one obligation occurs if and only if the final settlement of a linked obligation also occurs?

The settlement is commenced by blocking the securities, after which payment instructions are dispatched, and, once the final confirmations of the implementation of payment orders are received, the settlement is completed and the transfers in the settlement system are marked as settled. The entire settlement process is regulated in detail in the Settlement Rules and CDCP participants are informed about the status of transfers everytime the transfers are changed.

Q.12.1.2: How are the linked obligations settled – on a gross basis (trade by trade) or on a net basis?

Transfers of securities are carried out on a gross basis and financial parts on a net basis.

Q.12.1.3: Is the finality of settlement of linked obligations simultaneous? If not, what is the timing of finality for both obligations? Is the length of time between the blocking and final settlement of both obligations minimised? Are blocked assets protected from a claim by a third party?

The finality of settlement is set as the moment when all payment transactions are implemented in the payment system. Blocked assets are protected pursuant to Section 88 of the CMBA concerning settlement finality.

Q.12.1.4: In the case of a CCP, does the CCP rely on the DvP or PvP services provided by another FMI, such as an SSS or payment system? If so, how would the CCP characterise the level of its reliance on such services? What contractual relationship does the CCP have with the SSS or payment system to ensure that final settlement of one obligation occurs only when the final settlement of any linked obligations occurs?

Nom-applicable

PS	CSD	SSS	CCP	TR
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Principle 13: Participant-default rules and procedures

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

Because of the extensive interactions between the default management principles as they apply to CCPs, this principle needs to be reviewed in the context of Principle 14 on segregation and portability. This principle should also be reviewed in the context of Principle 4 on credit risk, Principle 7 on liquidity risk, Principle 23 on disclosure of rules, key procedures and market data, and other principles, as appropriate.

Summary Overview	CDCP has efficient and clear rules relating to the management of participants' failures defined in the Settlement System Rules.

Key consideration 1: An FMI should have default rules and procedures that enable the FMI to continue to meet its obligations in the event of a participant default and that address the replenishment of resources following a default.

Participant default rules and procedures

Q.13.1.1: Do the FMI's rules and procedures clearly define an event of default (both a financial and an operational default of a participant) and the method for identifying a default? How are these events defined?

The participant's failure within the meaning of Article 2 (1) point 26 of the CSDR shall mean the situation when bankruptcy proceedings are initiated against a participant within the meaning of Article 2 j) of Directive 98/26/EC pursuant to which "bankruptcy proceedings" shall mean measures pursuant to the laws of a Member State or a third country which are aimed at liquidating or reorganizing a participant, whereby these measures include the discontinuation or limitation of payment transfers.

Q.13.1.2: How do the FMI's rules and procedures address the following key aspects of a participant default:

a) the actions that the FMI can take when a default is declared;

The measures adopted by CDCP and CDCP's procedure are regulated in the Settlement System Rules. CDCP shall do as follows:

a. shall settle the participant's orders entered in the settlement system prior to the participant learnig about the given fact in compliance with the finality rules;
b. shall suspend the settlement of exchange deals that have not yet been admitted in the settlement system and whose time for settlement has not yet come and shall ensure a replacement method of settling these deals in compliance with the settlement rules as if it dealt with a participant's failure to settle;
c. shall suspend the settlement of all non-exchange deals and transactions which have not yet been admitted to the settlement system or whose settlement dates have not yet set in;
d. shall cancel the participant's option to return the borrowed book-entry securities and shall ensure their return to the lender through a replacement purchase in compliance with the loan rules

b) the extent to which the actions are automatic or discretionary;

The measures are automated.

c) changes to normal settlement practices;

The method of handling settlement orders shall be changed in compliance with paragraph a).

d) the management of transactions at different stages of processing;

See paragraph a)

e) the expected treatment of proprietary and customer transactions and accounts;

For the transactions see paragraph a). The participant's accounts shall not be affected by his default.

f) the probable sequencing of actions;

See paragraph a)

g) the roles, obligations and responsibilities of the various parties, including non-defaulting participants; and

Pursuant to the Operations Rules, a participant shall be obliged to notify CDCP, among other things, of the commencement of the procedure for withdrawal of his business permit, the commencement of insolvency proceedings, the institution of sequestration, the adjudication of bankruptcy against his property, the permission of reorganization, or the rejection of an insolvency petition because the debtor's assets are not sufficient to cover the cost of insolvency proceedings.

The court or another public body that has issued a (bankruptcy) decision or has carried out another intervention shall inform the Czech National Bank about such decision or intervention against a participant without undue delay. The Czech National Bank shall immediately forward this information or similar notice received from an authority of an EU Member State to CDCP.

h) the existence of other mechanisms that may be activated to contain the impact of a default?

Use of financial resources

Q.13.1.3: How do the FMI's rules and procedures allow the FMI to promptly use any financial resources that it maintains for covering losses and containing liquidity pressures arising from default, including liquidity facilities?

The Settlement System Rules regulate the option to use the funds in CDCP's Clearing Account intended for fulfilling obligations from a participant's concluded exchange deal.

Q.13.1.4: How do the FMI's rules and procedures address the order in which the financial resources can be used?
See paragraph 13.1.3

Q.13.1.5: How do the FMI's rules and procedures address the replenishment of resources following a default?

If any participant is not able to fulfil his obligations, the other participants shall be obliged to replenish CDCP's Clearing Fund. The sum shall be determined according to the proportion of the average status of a participant's contribution to the average status of all participants' contributions in CDCP's Clearing Fund in the last 30 calendar days. The participant shall be obliged to replenish his contribution to at most seven times his average contribution. If the failing participant fulfils his obligation additionally, the extraordinary contribution shall be proportionally returned to all other participants.

Key consideration 2: An FMI should be well prepared to implement its default rules and procedures, including any appropriate discretionary procedures provided for in its rules.

Q.13.2.1: Does the FMI's management have internal plans that clearly delineate the roles and responsibilities for addressing a default? What are these plans?

The roles and the obligations in dealing with a participant's failure draw from the Settlement System Rules, the Safety Handbook/Continuity Plans and the Emergency Plans.

Q.13.2.2: What type of communication procedures does the FMI have in order to reach in a timely manner all relevant stakeholders, including regulators, supervisors and overseers?

Through the settlement system, by phone or e-mail, or through CDCP's Bulletin or the delivery to a data box

Q.13.2.3: How frequently are the internal plans to address a default reviewed? What is the governance arrangement around these plans?

The internal plans regulating participants' failures are reviewed as needed.

Key consideration 3: An FMI should publicly disclose key aspects of its default rules and procedures.

Q.13.3.1: How are the key aspects of the FMI's participant default rules and procedures made publicly available? How do they address:

a) the circumstances in which action may be taken;

b) who may take those actions;

c) the scope of the actions which may be taken, including the treatment of both proprietary and customer positions, funds and assets;

d) the mechanisms to address an FMI's obligations to non-defaulting participants; and

e) where direct relationships exist with participants' customers, the mechanisms to help address the defaulting participant's obligations to its customers?

CDCP's rules and procedures in the event of a failure are stipulated in CDCP's Settlement System Rules, see also 13.1.2

Key consideration 4: An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective.

Q.13.4.1: How does the FMI engage with its participants and other relevant stakeholders in the testing and review of its participant default procedures? How frequently does it conduct such tests and reviews? How are these tests results used? To what extent are the results shared with the board, risk committee and relevant authorities?

CDCP regularly tests and assesses its procedures in case of a participant's failure, focusing on the main participants' failures. The results are communicated to the Board of Directors, the Risk Management Committee and the relevant bodies.

Q.13.4.2: What range of potential participant default scenarios and procedures do these tests cover? To what extent does the FMI test the implementation of the resolution regime for its participants?

CDCP regularly tests and assesses its procedures in case of a participant's failure, focusing on the main participants' failures.

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Principle 14: Segregation and portability

A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.

Because of the extensive interactions between the default management principles as they apply to CCPs, this principle should be reviewed in the context of Principle 13 on participant default rules. This principle should also be reviewed in the context of Principle 19 on tiered participation arrangements, Principle 23 on disclosure of rules, key procedures and market data, and other principles, as appropriate.

Souhrnný přehled	CDCP does not act as a central counterparty and, thus, this principle does not apply to it.

Key consideration 1: A CCP should, at a minimum, have segregation and portability arrangements that effectively protect a participant's customers' positions and related

collateral from the default or insolvency of that participant. If the CCP additionally offers protection of such customer positions and collateral against the concurrent default of the participant and a fellow customer, the CCP should take steps to ensure that such protection is effective.

Customer protection from participant default

Q.14.1.1: What segregation arrangements does the CCP have in place to effectively protect a participant's customers' positions and related collateral from the default or insolvency of that participant?

Q.14.1.2: What are the CCP's portability arrangements?

Q.14.1.3: If the CCP serves a cash market and does not provide segregation arrangements, how does the CCP achieve protection of customers' assets? Has the CCP evaluated whether the applicable legal or regulatory framework achieves the same degree of protection and efficiency for customers that would otherwise be achieved by segregation and portability arrangements?

Customer protection from participant and fellow customer default

Q.14.1.4: If the CCP offers additional protection to customers to protect their positions and collateral against the concurrent default of the participant and a fellow customer, how does the CCP ensure that such protection is effective?

Legal basis

Q.14.1.5: What evidence is there that the legal basis provides a high degree of assurance that it will support the CCP's arrangements to protect and transfer the positions and collateral of a participant's customers?

Q.14.1.6: What analysis has the CCP conducted regarding the enforceability of its customer segregation and portability arrangements, including with respect to any foreign or remote participants? In particular, which foreign laws has the CCP determined to be relevant to its ability to segregate or transfer customer positions and collateral? How have any identified issues been addressed?

Key consideration 2: A CCP should employ an account structure that enables it readily to identify positions of a participant's customers and to segregate related collateral. A CCP should maintain customer positions and collateral in individual customer accounts or in omnibus customer accounts.

Q.14.2.1: How does the CCP segregate a participant's customers' positions and related collateral from the participant's positions and collateral? What type of account structure (individual or omnibus) does the CCP use for the positions and related collateral of participants' customers? What is the rationale for this choice?

Q.14.2.2: If the CCP (or its custodians) holds collateral supporting customers' positions, what does this collateral cover (for example, initial margin or variation margin requirements)?

Q.14.2.3: Does the CCP rely on the participant's records containing the sub-accounting for individual customers to ascertain each customer's interest? If so, how does the CCP ensure that it has access to this information? Is customer margin obtained by the CCP from its participants collected on a gross or net basis? To what extent is a customer's collateral exposed to "fellow customer risk"?

Key consideration 3: A CCP should structure its portability arrangements in a way that makes it highly likely that the positions and collateral of a defaulting participant's customers will be transferred to one or more other participants.

Q.14.3.1: How do the CCP's portability arrangements make it highly likely that the positions and collateral of a defaulting participant's customers will be transferred to one or more other participants?

Q.14.3.2: How does the CCP obtain the consent of the participant(s) to which positions and collateral are to be ported? Are the consent procedures set out in the CCP's rules, policies or procedures? If so, please describe them. If there are any exceptions, how are they disclosed?

Key consideration 4: A CCP should disclose its rules, policies, and procedures relating to the segregation and portability of a participant's customers' positions and related collateral. In particular, the CCP should disclose whether customer collateral is protected on an individual or omnibus basis. In addition, a CCP should disclose any constraints, such as legal or operational constraints, that may impair its ability to segregate or port a participant's customers' positions and related collateral.

Q.14.4.1: How does the CCP disclose its segregation and portability arrangements? Does the disclosure include whether a participant's customers' collateral is protected on an individual or omnibus basis?

Q.14.4.2: Where and how are the risks, costs and uncertainties associated with the CCP's segregation and portability arrangements identified and disclosed? How does the CCP disclose any constraints (such as legal or operational) that may impair the CCP's ability to fully segregate or port a participant's customers' positions and collateral?

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Principle 15: General business risk

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

This principle should be reviewed in the context of Principle 3 on the framework for the comprehensive management of risks, Principle 21 on efficiency and effectiveness, and other principles, as appropriate.

Summary Overview	With regard to the nature of the activities, the central depository assumes business risk which is induced by possible changes in the business conditions and which is likely to deteriorate its financial situation as a consequence of a decline in its income or an increase in its costs, which results in loss that has to be reimbursed from its capital. The central depository estimates the capital needed to cover entrepreneurial risk within a set of the stress scenarios described in the Recovery Plan in order to cover

	risks that have not yet been captured in the methodology applied to operational risk. To guarantee a prudent level of the capital requirements for the entrepreneurial risk, the minimum capital level is set in the form of a bottom prudency threshold within the scope of 6 months of gross operational costs. The main pillars of the central depository's Recovery Plan are the sufficient capital reserves both direct, in the institution's balance sheet, and indirect, in the consolidated parent group's capital reserves. This provides sufficient time and financial resources for applying the main mechanisms of the central depository's Recovery Plan.

Key consideration 1: An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.

Q.15.1.1: How does the FMI identify its general business risks? What general business risks has the FMI identified?

General business risks are associated with the company's business activity and their internal and external impacts may cause that the planned income and expenditure will differ from the actual state and the company will suffer business loss.

The Recovery Plan covers the following crisis scenarios:

- failure of an important participant or important participants
- failure of market infrastructure (other central depository, sale point, clearing centre)
- loss of the Group's liquidity
- business loss (revenues are lower than costs)
- macroeconomic upheaval (declined VAT, inflation, changed interest rates or changed exchange rate)
- operational damages

Business loss may be caused, in particular, by a decline in the number of transactions, the value of securities or the number of issues/issuers, which would negatively affect the company's income. These indicators may be affected, in particular, as a consequence of a bad business strategy, the economic and market development, competition on the part of other depositories, etc.

Q.15.1.2: How does the FMI monitor and manage its general business risks on an ongoing basis? Does the FMI's business risk assessment consider the potential effects on its cash flow and (in the case of a privately operated FMI) capital?

An integral part of the risk management system framework is also the Recovery Plan. The Recovery Plan identifies general business risks, including stress scenarios and indicators for assessing the need for activating recovery procedures. These indicators then determine the time moment when the central depository starts considering which particular option of recovery procedures (if any at all) could be used to respond the arisen situation.

According to the defined indicators and based on the monthly comparison of budgeted income and expenditure with the actual state, the central depository monitors possible business risks, including the impacts in the sphere of cash flow.

Key consideration 2: An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue

operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.

Q.15.2.1: Does the FMI hold liquid net assets funded by equity so that it can continue operations and services as a going concern if it incurs general business losses?

Yes, the central depository holds its own assets required pursuant to the CSDR and the Recovery Plan only in the liquid assets to which it has immediate access.

Q.15.2.2: How does the FMI calculate the amount of liquid net assets funded by equity to cover its general business risks? How does the FMI determine the length of time and associated operating costs of achieving a recovery or orderly wind- down of critical operations and services?

To ensure a prudent level of the capital requirements for entrepreneurial risk, the minimum level of capital is set in the form of a bottom prudency threshold within the scope of 6 months of gross operational costs. The 6-month period is estimated as the maximum period necessary to fully implement the Recovery Plan.

Key consideration 3: An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.

Recovery or orderly wind-down plan

Q.15.3.1: Has the FMI developed a plan to achieve a recovery or orderly wind-down, as appropriate? If so, what does this plan take into consideration (for example, the operational, technological and legal requirements for participants to establish and move to an alternative arrangement)?

The Recovery Plan includes recovery procedures for achieving the recovery of an activity, including the activity termination factors, from business, technical and legislative perspectives.

Resources

Q.15.3.2: What amount of liquid net assets funded by equity is the FMI holding for purposes of implementing this plan? How does the FMI determine whether this amount is sufficient for such implementation? Is this amount at a minimum equal to six months of the FMI's current operating expenses?

See the answer to question 15.2.2

Q.15.3.3: How are the resources designated to cover business risks and losses separated from resources designated to cover participant defaults or other risks covered under the financial resources principles?

Yes, requests for resources are separated according to the individual groups of risks as per the CSDR requirements.

Q.15.3.4: Does the FMI include equity held under international risk-based capital standards to cover general business risks?

Yes, according to the CSDR requirements.

Key consideration 4: Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.

Q.15.4.1: What is the composition of the FMI's liquid net assets funded by equity? How will the FMI convert these assets as needed into cash at little or no loss of value in adverse market conditions?

Liquid assets are either in money or, possibly, in bonds meeting the CSDR requirements.

Q.15.4.2: How does the FMI regularly assess the quality and liquidity of its liquid net assets funded by equity to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions?

See the anwer to question 15.4.1

Key consideration 5: An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.

Q.15.5.1: Has the FMI developed a plan to raise additional equity? What are the main features of the FMI's plan to raise additional equity should its equity fall close to or fall below the amount needed?

The obtaining of further capital is one of the options of recovery procedure described in the Recovery Plan. The primary resource for increasing the capital is the equity of the parent company or, possibly, other Holding companies.

Q.15.5.2: How frequently is the plan to raise additional equity reviewed and updated?

The Recovery Plan is reviewed once a year.

Q.15.5.3: What is the role of the FMI's board (or equivalent) in reviewing and approving the FMI's plan to raise additional equity if needed?

The Recovery Plan and any possible recovery procedures as per the Recovery Plan are approved by the Board of Directors.

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Principle 16: Custody and investment risks

An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

This principle should be reviewed in the context of Principle 4 on credit risk, Principle 5 on collateral, Principle 7 on liquidity risk, and other principles, as appropriate.

Summary Overview	CDCP minimizes potential risks ensuing from escrow (custody) and administration by setting rules for selecting and monitoring the institutions providing CDCP with this service. Concurently, CDCP does not bear investment risk, in particular, with regard to the low number of investments and the selected investment strategy when solely state bonds or treasury bills of the Czech Republic or international bonds of international institutions.

Key consideration 1: An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.

Q.16.1.1: If the FMI uses custodians, how does the FMI select its custodians? What are the specific selection criteria the FMI uses, including supervision and regulation of these entities? How does the FMI monitor the custodians' adherence to these criteria?

The central depository invests its possible available funds solely in bonds, in particular, of government or international government institutions. In the administration, it makes use of a local custodian services, but securities are kept solely in property accounts in CDCP's name.

The custodian must meet the defined criteria, including, in particular:
- The institution is a bank.
- The institution meets credit rating requirements.
- The institution provides services associated with the given investment instrument.

Q.16.1.2: How does the FMI verify that these entities have robust accounting practices, safekeeping procedures, and internal controls that fully protect its and its participants' assets?

CDCP carries out regular audit, and the level of protection of assets is anchored, in particular, in the contractual relationship with the custodian.

Key consideration 2: An FMI should have prompt access to its assets and the assets provided by participants, when required.

Q.16.2.1: How has the FMI established that it has a sound legal basis to support enforcement of its interest or ownership rights in assets held in custody?

The basic framework is given by the contractual relationship and CDCP is required to hold securities in its own account where it is not possible to challenge the ownership rights. CDCP holds, in particular, short-term state bonds kept in the CZECH NATIONAL BANK or medium-term and long-term bonds kept directly in CDCP's own register.

Q.16.2.2: How does the FMI ensure that it has prompt access to its assets, including securities that are held with a custodian in another time zone or legal jurisdiction, in the event of participant default?

CDCP does not hold assets in another time zone or legal jurisdiction. Czech securities are handled, in particular, in compliance with the answer to question 16.2.1.

Key consideration 3: An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each.

Q.16.3.1: How does the FMI evaluate and understand its exposures to its custodian banks? In managing those exposures, how does it take into account the full scope of its relationship with each custodian bank? For instance, does the FMI use multiple custodians for the safekeeping of its assets to diversify exposure to any single custodian? How does the FMI monitor concentration of risk exposures to its custodian banks?

CDCP does not have any material portfolio and the use of more custodians would not decrease the risk in the event of a significant increase in administration costs any significantly.

Key consideration 4: An FMI's investment strategy should be consistent with its overall risk-management strategy and fully disclosed to its participants, and investments should be secured by, or be claims on, high-quality obligors. These investments should allow for quick liquidation with little, if any, adverse price effect.

Investment strategy

Q.16.4.1: How does the FMI ensure that its investment strategy is consistent with its overall risk management strategy? How and to whom does the FMI disclose its investment strategy?

CDCP's portfolio is composed solely of low-risk bond instruments.

Q.16.4.2: How does the FMI ensure on an ongoing basis that its investments are secured by, or are claims on, high-quality obligors?

The issuer of instruments in which CDCP potentially invests is only a local government or an international government institution.

Risk characteristics of investments

Q.16.4.3: How does the FMI consider its overall exposure to an obligor in choosing investments? What investments are subject to limits to avoid concentration of credit risk exposures?

Non-applicable

Q.16.4.4: Does the FMI invest participant assets in the participants' own securities or those of its affiliates?

CDCP does not invest in its own securities or securities of its affiliated companies.

Q.16.4.5: How does the FMI ensure that its investments allow for quick liquidation with little, if any, adverse price effect?

CDCP ensures quick liquidation of its positions, in particular, by investing in low-risk or highly liquid assets.

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Principle 17: Operational risk

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

This principle should be reviewed in the context of Principle 20 on FMI links, Principle 21 on efficiency and effectiveness, Principle 22 on communication standards and procedures, and other principles, as appropriate.

Summary Overview	The management of operational risks complies with the company's overall strategy defined in the Risk Management Policy (Principle No. 3).

Key consideration 1: An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.

Identification of operational risk

Q.17.1.1: What are the FMI's policies and processes for identifying the plausible sources of operational risks? How do the FMI's processes identify plausible sources of operational risks, whether these risks arise from internal sources (for example, the arrangements of the system itself, including human resources), from the FMI's participants or from external sources?

CDCP has, in particular, the following guidelines and processes for identifying plausible sources of operational risks implemented:

- Risk Management Policy
- List of Potential Risks (Part A)
- Safety Handbook
- ISMS Policy
- IS and ICT Safety Guideline

Q.17.1.2: What sources of operational risks has the FMI identified? What single points of failure in its operations has the FMI identified?

CDCP defined, in particular, the following possible spheres of operational risks:

- Information Security
- Human Resources
- Assets Management
- Access Control
- Cryptography
- Physical Safety & Environment Safety
- Operational Safety
- Communication Safety
- System Acquisition, Development & Maintenance
- Outsourcing
- Process Business

The individual failure points are identified and dealt with within adequate action plans and are described in the relevant guidelines (e.g. Safety Handbook, Emergency Plans and others).

Management of operational risk

Q.17.1.3: How does the FMI monitor and manage the identified operational risks? Where are these systems, policies, procedures and controls documented?

The procedure in monitoring and managing the identified operational risks is described in the relevant guidelines. The basic framework for managing all risks is set in the Risk Management Policy, the Safety Handbook and CDCP's other guidelines and regulations.
The Risk Management Policy and the guidelines relating to the management of (not only operational) risks are saved on the company's intranet and are available to all CDCP employees.

Policies, processes and controls

Q.17.1.4: What policies, processes and controls does the FMI employ that are designed to ensure that operational procedures are implemented appropriately? To what extent do the FMI's systems, policies, processes and controls take into consideration relevant international, national and industry-level operational risk management standards?

The Risk Management Policy is predicted on the recognized FRAP method (Facilitated Risk Analysis Process). The guidelines, processes and checks are stated in the answer to question 17.1.3.

Q.17.1.5: What are the FMI's human resources policies to hire, train and retain qualified personnel, and how do such policies mitigate the effects of high rates of personnel turnover or key-person risk? How do the FMI's human resources and risk management policies address fraud prevention?

Within the human resources-related risk management, CDCP defined, in particular, the following guidelines and measures: confidentiality, method of handling internal information, prohibition of trade, responsibility for, and rules of use of, entrusted assets, rules of handling of information, definition of the process in terminating employees' employment relationships, verification of applicants for job, etc.

Q.17.1.6: How do the FMI's change management and project management policies and processes mitigate the risks that changes and major projects inadvertently affect the smooth functioning of the system?

Within the change management and the project management, CDCP implemented the guideline Safety Handbook and set the Safe Development Policy, the System Change Management Procedures, the Principles of Technical Review of Applications After Changed in the Operational Platform, the Limitation of Changes in SW Packages, the Safe Development Environment Principles, the Outsourced Development Rules, the System Safety Testing Rules, the System Acceptance Testing Rules, and the Data Change Safety Rules.

Key consideration 2: An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.

Roles, responsibilities and framework

Q.17.2.1: How has the board of directors defined the key roles and responsibilities for operational risk management?

The Board of Directors defines and approves the overall risk management strategy defined in the Risk Management Policy through a delegated body – Safety Committee.

Q.17.2.2: Does the FMI's board explicitly review and endorse the FMI's operational risk management framework? How frequently does the board review and endorse the FMI's operational risk management framework?

The operational risk management framework is approved approximately once every 18 months. Regular reports, proposals for modifications and solutions to possible incidents are discussed at the Safety Committee's regular meetings, which take place at least twice a year. If needed, it is possible to approve regulations and guidelines in a shorter period.

Review, audit and testing

Q.17.2.3: How does the FMI review, audit and test its systems, policies, procedures and controls, including its operational risk management arrangements with participants? How frequently does the FMI conduct these reviews, audits and tests with participants?

The independent assessment of the system, guidelines, procedures and controls is carried out by CDCP's Internal Audit Division. The check takes place continuously according to the programme approved by the Safety Committee.
An independent external expert evaluates the basic risk management principles once a year; a specialized audit was carried out in 2017. The audit evaluates the overall management framework approximately once every two years and verifies the fulfilment of the individual measures for covering relevant risks with regard to the performance date and the risk classification. CDCP is building a system of automated evaluation of fulfilment of measures (risk management).

Q.17.2.4: To what extent, where relevant, is the FMI's operational risk management framework subject to external audit?

See the answer to question 17.2.3

Key consideration 3: An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.

Q.17.3.1: What are the FMI's operational reliability objectives, both qualitative and quantitative? Where and how are they documented?

The quantitative and qualitative goals in the sphere of operational reliability are defined in the Safety Handbook, the Continuity Plans and the Assets Register. The main operational reliability goals are the minimization of interruptions, the data integrity and confidentiality, and the arrangement of full-fledged services from a back-up workplace in the event of problems. The maximum duration period of the transfer of activity to the back-up workplace is 2 hours.

Q.17.3.2: How do these objectives ensure a high degree of operational reliability?

The sufficiently robust system and the defined continuity plans ensure a high level of operational reliability.

Q.17.3.3: What are the policies in place that are designed to achieve the FMI's operational reliability objectives to ensure that the FMI takes appropriate action as needed?

The guideline Safety Handbook/Continuity Plan/Assets Register ensures the achievement of the goals defined by CDCP in the sphere of operational reliability.

Key consideration 4: An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.

Q.17.4.1: How does the FMI review, audit and test the scalability and adequacy of its capacity to handle, at a minimum, projected stress volumes? How frequently does the FMI conduct these reviews, audits and tests?

CDCP's system is regularly tested and CDCP has means at its disposal to operationally increase the basic system requirements (memory, processors). The load of the system is checked automatically.

Q.17.4.2: How are situations where operational capacity is neared or exceeded addressed?

The monitoring of the system load is set in a way to avoid significant approximation to the operational capacity. The potential exceeding of the operational capacity is considered as a significant operation incident, which is dealt with in compliance with the Safety Handbook. The reasons for the exceeding are analysed and measures preventing their reocurrence are discussed.

Key consideration 5: An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.

Physical security

Q.17.5.1: What are the FMI's policies and processes, including change management and project management policies and processes, for addressing the plausible sources of physical vulnerabilities and threats on an ongoing basis?
The physical and information safety is primarily dealt with in the Safety Handbook.

Q.17.5.2: Do the FMI's policies, processes, controls and testing appropriately take into consideration relevant international, national and industry-level standards for physical security.

The Risk Management Policy complies with the CSN ISO/IEC 27002:2014 standard.

Information security

Q.17.5.3: What are the FMI's policies and processes, including change management and project management policies and processes, for addressing the plausible sources of information security vulnerabilities and threats on an ongoing basis?

The physical and information safety is dealt with primarily in the Safety Handbook.

Q.17.5.4: Do the FMI's policies, processes, controls and testing appropriately take into consideration relevant international, national and industry-level standards for information security?

The Risk Management Policy complies with the CSN ISO/IEC 27002:2014 standard.

Key consideration 6: An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.

Objectives of business continuity plan

Q.17.6.1: How nd to what extent does the FMI's business continuity plan reflect objectives, policies and procedures that allow for the rapid recovery and timely resumption of critical operations following a wide-scale or major disruption?

CDCP's Continuity Plan sets the rules and the processes ensuring the minimization of impacts in the event of unexpected events, the continuation or renewal of services, the protection of people, property and business and archival documents, the decrease in financial losses and the preservation of CDCP's reputation.

Design of business continuity plan

Q.17.6.2: How and to what extent is the FMI's business continuity plan designed to enable critical IT systems to resume operations within two hours following disruptive events, and to enable the FMI to facilitate or complete settlement by the end of the day even in extreme circumstances?

In the event of the non-availability of critical function at the primary workplace, the activation of a back-up workplace is based on the 'hot site' principle. All systems are immediately available and lost data or transactions are almost excluded. The production environment and the back-up environment are synchronized and all data from the operational environment is transferred to the back-up environment in real time.

Q.17.6.3: How is the contingency plan designed to ensure that the status of all transactions can be identified in a timely manner, at the time of the disruption; and if there is a possibility of data loss, what are the procedures to deal with such loss (for example, reconciliation with participants or third parties)?

The loss of data is eliminated, in particular, by all data being transferred from the primary workplace to the back-up workplace in real time. In the event of the non-availability of the primary workplace, a back-up workplace is activated, whereby the main services are renewed at the latest within two hours.

Q.17.6.4: How do the FMI's crisis management procedures address the need for effective communications internally and with key external stakeholders and authorities?

In particular, cell phones, CDCP's website, messages through the data interface / SWIFT or e-mail messages are used for internal and external communication in the event of crisis management.

Secondary site

Q.17.6.5: How does the FMI's business continuity plan incorporate the use of a secondary site (including ensuring that the secondary site has sufficient resources, capabilities, functionalities and appropriate staffing arrangements)? To what extent is the secondary site located a sufficient geographic distance from the primary site such that it has a distinct risk profile?

The Continuity Plan sets the method of using a back-up workplace. A back-up workplace enables the provision of all critical services both from the system perspective and from the perspective of the necessary human resources. The back-up workplace is located more than 5 km from the primary workplace.

Q.17.6.6: Has the FMI considered alternative arrangements (such as manual, paper-based procedures or other alternatives) to allow the processing of time-critical transactions in extreme circumstances?

CDCP's participants may ask CDCP to process critical transactions in a non-standard way, in particular, upon written request.

Review and testing

Q.17.6.7: How are the FMI's business continuity and contingency arrangements reviewed and tested, including with respect to scenarios related to wide-scale and major disruptions? How frequently are these arrangements reviewed and tested?

The internal testing of a back-up workplace takes place at least once every three months. The testing with participants, when a shift to the back-up workplace is simulated, is carried out once a year.

Q.17.6.8: How does the review and testing of the FMI's business continuity and contingency arrangements involve the FMI's participants, critical service providers and linked FMIs as relevant? How frequently are the FMI's participants, critical service providers and linked FMIs involved in the review and testing?

The testing of the mechanisms ensuring the continuity of activities is also attended by CDCP's participants and participants' SW suppliers at least once a year.

Key consideration 7: An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.

Risks to the FMI's own operations

Q.17.7.1: What risks has the FMI identified to its operations arising from its key participants, other FMIs, and service and utility providers? How and to what extent does the FMI monitor and manage these risks?

CDCP identified the risks associated with the main participants and set the method defining the main participants. The definitions of these risks and measures are stated in the List of Potential Risks.

Q.17.7.2: If the FMI has outsourced services critical to its operations, how and to what extent does the FMI ensure that the operations of a critical service provider meet the same reliability and contingency requirements they would need to meet if they were provided internally?

CDCP has no critical services secured from external sources.

Risks posed to other FMIs

Q.17.7.3: How and to what extent does the FMI identify, monitor and mitigate the risks it may pose to another FMI?

CDCP manages risks towards other FMIs to the same extent as towards other entities.

Q.17.7.4: To what extent does the FMI coordinate its business continuity arrangements with those of other interdependent FMIs?

CDCP carries out regular testing with CDCP participants, including other FMIs.

PS	CSD	SSS	CCP	TR
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Principle 18: Access and participation requirements

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

In reviewing this principle, it should be noted that FMIs are subject to the constraints of local laws and policies of the jurisdiction in which the FMI operates, and those laws may prohibit or require the inclusion of certain categories of financial institutions. This principle should be reviewed in the context of Principle 19 on tiered participation arrangements, Principle 21 on efficiency and effectiveness, and other principles, as appropriate.

Summary Overview	The criteria of the participation in CDCP's settlement system are objective, public and just and enable open approach.

Key consideration 1: An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.

Participation criteria and requirements

Q.18.1.1: What are the FMI's criteria and requirements for participation (such as operational, financial and legal requirements)?

CDCP set the rules of participation in the settlement system in compliance with the CMBA which limits the group of possible settlement system participants. CDCP narrowed this group even more and enables the entities defined in the law to become participants in its settlement system. CDCP distinguishes among various types of participation in the settlement system. A participant may also be a clearing bank. If a participant is not at the same time a clearing bank, his basic obligation is to contractually secure the financial clearance of deals in investment instruments through any of the clearing banks. A clearing bank provides an applicant with the consent to debiting its account with the Czech National Bank to clear the funds ensuing from deals in, and transactions with, investment securities either of its own or of a non-bank party with whom it has concluded a clearing bank services contract.

The establishment of the participation is conditional upon the conclusion of a participation contract with CDCP. The contractual relationship between a participant and CDCP shall be governed by the Czech laws. The contract draft is available on CDCP's website in the Czech and English languages. The participant must meet the technical prerequisites within the meaning of CDCP's special regulation.

Q.18.1.2: How do these criteria and requirements allow for fair and open access to the FMI's services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements?

The participation criteria are transparent, objective and non-discriminatory; however, there is no legal right to the participation in the settlement system. If an applicant for participation meets all requirements stipulated in the CMBA or other generally binding laws, submits all attachments to the application necessary to conclude the contract and the overall assessment of risks does not justify the refusal to conclude the contract, CDCP will conclude the participation contract with him without undue delay. If the participant does not fulfil all requirements or the overall assessment of risks does not allow so, the central depository shall be entitled to notify the participant in writing without undue delay and state the reasons for the refusal.

Access to trade repositories

Q.18.1.3: For a TR, how do the terms of access for use of its services help ensure that competition and innovation in post-trade processing are not impaired? How are these terms designed to support interconnectivity with other FMIs and service providers, where requested?

Non-applicable

Key consideration 2: An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.

Justification and rationale of participation criteria

Q.18.2.1: How are the participation requirements for the FMI justified in terms of the safety and efficiency of the FMI and its role in the markets it serves, and tailored to and commensurate with the FMI's specific risks?

Before allowing the participation, CDCP carries out the overall assessment of risks with regard to the risks pursuant to the CSDR and the implementing regulations.

Q.18.2.2: Are there participation requirements that are not risk-based but required by law or regulation? If so, what are these requirements?

The CMBA stipulates a group of possible participants in the settlement system. Since a CDCP participant is obliged to offer their customers to register their securities in his omnibus account, he is required to obtain the permission of the Czech National Bank to provide the investment service Escrow of Securities.

Q.18.2.3: Are all classes of participants subject to the same access criteria? If not, what is the rationale for the different criteria (for example, size or type of activity, additional requirements for participants that act on behalf of third parties, and additional requirements for participants that are non-regulated entities)?

Participants providing their customers with financial settlement are obliged to have the settlement secured through a clearing bank, i.e. a bank with an account opened in the Clearing Centre of the Czech National Bank, through which CDCP ensures financial settlement.

Least restrictive access

Q.18.2.4: How are the access restrictions and requirements reviewed to ensure that they have the least restrictive access that circumstances permit, consistent with maintaining acceptable risk controls? How frequently is this review conducted?

CDCP always applies the least restrictive approach in sustaining acceptable risk controls.

Disclosure of criteria

Q.18.2.5: How are participation criteria, including restrictions in participation, publicly disclosed?

The requirements for participants are stated in the central depository's rules made public on CDCP's website. The decision to suspend or terminate a participant's participation or certain authorizations ensuing from the participation was made available on CDCP's website and in CDCP's Bulletin.

Key consideration 3: An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.

Monitoring compliance

Q.18.3.1: How does the FMI monitor its participants' ongoing compliance with the access criteria? How are the FMI's policies designed to ensure that the information it uses to monitor compliance with participation criteria is timely and accurate?

Participants must meet the participation conditions throughout the period of their participation in the settlement system. The measures against a participant who is not fulfilling the participation criteria are regulated in the Settlement System Rules. CDCP applies special procedures if insolvency proceedings are commenced.

A participant shall be obliged to notify CDCP, among other things, of the commencement of the procedure for withdrawal of business licence, the commencement of insolvency proceedings, the institution of sequestration, the adjudication of bankruptcy against his property, the permission of reorganization or the refusal of the insolvency petition because the debtor's assets are not sufficient to cover the cost of insolvency proceedings.

Q.18.3.2: What are the FMI's policies for conducting enhanced surveillance of, or imposing additional controls on, a participant whose risk profile deteriorates?

The central depository may adopt the following measures:

a) a written rebuke,
b) suspension of the right to take part in certain activities in the central depository,
c) suspension of the participation,
d) cancellation of the participation

The central depository shall adopt stricter measures towards a participant only if the less strict measure is not sufficient to achieve the purpose of the measures. In imposing sanctions, the central depository follows the measure reasonableness principle.

The central depository shall suspend or cancel the participation in the central depository immediately once it finds that a participant does not meet the participation conditions. The suspension or the cancelation of the participation is also possible in the event of breach of obligations on the part of a participant which has seriously jeopardized the activity of the central depository or another participant or has inflicted damages on clients of a participant or on another participant or his clients. From the effective date of the decision to suspend or cancel the participation in the settlement system, the participant shall lose his right to use settlement system services to which he is entitled in compliance with this regulation, unless the decision stipulates otherwise. The imposition of a measure shall not affect the fulfilment of the participant's obligations stipulated in the CMBA, the participation contract and the central depository's rules.

The application of a measure, including the determination of the effective moment of the measure, is determined by the central depository's Board of Directors, unless stipulated otherwise herein. The suspension of the right to participate in certain activities in the central depository may be applied, under urgent circumstances, by the central depository's Managing Director who shall communicate their imposition to the Board of Directors without delay.

Suspension and orderly exit

Q.18.3.3: What are the FMI's procedures for managing the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements?

The procedure in applying measures is degulated transparently and in detail in CDCP's Operations Rules, in particular, when it comes to the method of commencing a procedure, the information obligation, the elements of a decision and its possible publication, the right of appeal and the participant's obligations in the suspension of his participation. If, as a consequence of breach of the participant's obligations, the participation in the central depository is terminated, the procedure in such termination is regulated in CDCP's Operations Rules.

Q.18.3.4: How are the FMI's procedures for managing the suspension and orderly exit of a participant disclosed to the public?

The decision to suspend or terminate a participant's participation or certain rights ensuing from the participation is made public on CDCP's website and in CDCP's Bulletin.

PS	CSD	SSS	CCP	TR
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Principle 19: Tiered participation arrangements

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

This principle should be reviewed in the context of Principle 14 on segregation and portability, Principle 18 on access and participation requirements, and other principles, as appropriate.

Summary Overview	The central depository has only direct participants.

Key consideration 1: An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.

Tiered participation arrangements

Q.19.1.1: Does the FMI have any tiered participation arrangements? If so, describe these arrangements.

The central depository does not have a tiered participation system.

Q.19.1.2: How does the FMI gather basic information about indirect participation? Which information is collected and how frequently is it updated?

Non-applicble

Risks to the FMI

Q.19.1.3: How does the FMI evaluate its risks arising from these arrangements?

Non-applicable

Q.19.1.4: What material risks to the FMI arising from tiered participation arrangements has the FMI identified? How has it mitigated these risks?

Non-applicable

Key consideration 2: An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.

Q.19.2.1: How does the FMI identify material dependencies between direct and indirect participants that might affect the FMI?

Non-applicable

Key consideration 3: An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.

Q.19.3.1: Has the FMI identified (a) the proportion of activity that each direct participant conducts on behalf of indirect participants in relation to the direct participants' capacity, (b) direct participants that act on behalf of a material number of indirect participants, (c) indirect participants responsible for a significant proportion of turnover in the system, and (d) indirect participants whose transaction volumes or values are large relative to the capacity of the direct participant through which they access the FMI to manage risks arising from these transactions?

Non-applicable

Q.19.3.2: What risks to the FMI arise, and how does the FMI manage these risks arising from key indirect participants?

Non-applicable

Key consideration 4: An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.

Q.19.4.1: What are the FMI's policies for reviewing its rules and procedures in order to mitigate risks to the FMI arising from tiered participation? How frequently is this review conducted?

Non-applicable

Q.19.4.2: What criteria does the FMI use to determine when mitigating actions are required? How does the FMI monitor and mitigate its risks?

Non-applicable

PS	CSD	SSS	CCP	TR
	●	●	●	●

Principle 20: FMI links

An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

In reviewing this principle, it should be noted that the questions apply only to FMIs that have established links with one or more other FMIs. Additionally, the term CSD generally refers to a CSD that also operates an SSS. The use of this broader definition for CSD in this principle mirrors market convention in the discussion of FMI links. This principle should be reviewed in the context of Principle 8 on settlement finality, Principle 11 on CSDs, Principle 17 on operational risk, and other principles, as appropriate.

Summary Overview	The central depository has a linkage developed with some central depositories, the clearing centre and regulated markets. In establishing this linkage, it proceeds to identifying potential sources of risks in compliance with the risk management framework and the CSDR requirements. The basic prerequisite for the minimization of risks is the requirement for the given FMI having to meet the conditions of the European regulations (CSDR, EMIR, MiFID) from the position of an institution with its registered address in the European Union or, possibly, an authorized third-country institution.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 1: Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.

Q.20.1.1: What process is used to identify potential sources of risk (such as, legal, credit, liquidity, custody and operational risks) arising from prospective links? How does this affect the FMI's decision whether to establish the link?

In identifying potential sources of risks if a link is developed with an FMI, the central depository proceeds in compliance with the risk management framework and the CSDR requirements. The basic prerequisite for the minimization of risks is the requirement for the given FMI having to meet the conditions of the European regulations (CSDR, EMIR, MiFID) from the position of an institution with its registered address in the European Union or, possibly, an authorized third-country institution. The assessment of all potential risks is absolutely crucial for the decision on whether to develop the link and what services to offer through this link.

Q.20.1.2: What links have been established with other FMIs? How does the FMI identify, monitor and manage the risks arising from an established link on an ongoing basis?

The central depository, as a participant, currently has three standard links with foreign depositories – Clearstream Banking Luxembourg, Centrálny depozitár cenných papierov SR, a.s. and Euroclear Bank SA/NV. Within the stated links, it is not possible to transfer securities against payment for them, in particular, for the following reasons:

- efficiency and costs associated with participation in a foreign payment system;
- low number of transactions;
- high number of transactions without a transfer of title (participants‘ own transfers);
- risks associated with the possible clearance of payments

The central depository also has a link with the Clearing Centre of the Czech National Bank for clearing CZK payments and with UniCredit Bank for clearing EUR and USD payments and with three regulated markets - Burza cenných papírů Praha a.s., RM-SYSTÉM, česká burza cenných papírů a.s. and MTS Markets (LSEG).

All these links are continuously monitored within the risk management policy.

Q.20.1.3: How does the FMI ensure that link arrangements are designed so that it is able to remain observant of the other principles? How frequently is this analysis conducted?

These links are annually analysed against the individual risk management principles set by the central depository.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 2: A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.

Q.20.2.1: In which jurisdictions has the FMI established links? What are the relevant legal frameworks supporting the established links?

The legal frameworks apply according to the registered address of the issuing CSD and, possibly, the registered addresses of the individual FMI with which links have been established.

Q.20.2.2: How does the FMI ensure that its links have a well founded legal basis that support its design and provide it with adequate protection in all relevant jurisdictions? How does the FMI ensure that such protections are maintained over time?

The basic prerequisite of protection in the relevant jurisdictions is the requirement for the given FMI having to meet the conditions of the European regulations (CSDR, EMIR, MiFID) from the position of an institution with its registered address in the European Union.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
		●	●		

Key consideration 3: Linked CSDs should measure, monitor, and manage the credit and liquidity risks arising from each other. Any credit extensions between CSDs should be covered fully with high-quality collateral and be subject to limits.

Q.20.3.1: What processes are in place to measure, monitor and manage credit and liquidity risks arising from any established links?

The stated links do not able to transfer securities against payment for them, which is the reason why there is no additional credit or liquidity risk.

Q.20.3.2: If a CSD extends credit to a linked CSD, what processes exist to ensure that credit extensions to the linked CSD are fully covered by high-quality collateral and that credit limits are appropriate?

The central depository does not provide credits to other linked CSD.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
		●	●		

Key consideration 4: Provisional transfers of securities between linked CSDs should be prohibited or, at a minimum, the retransfer of provisionally transferred securities should be prohibited prior to the transfer becoming final.

Q.20.4.1: Are provisional transfers of securities allowed across the link? If so, what arrangements make provisional transfers necessary, and is the retransfer of these securities prohibited until the first transfer is final?

No preliminary transfers are allowed.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
		●	●		

Key consideration 5: An investor CSD should only establish a link with an issuer CSD if the arrangement provides a high level of protection for the rights of the investor CSD's participants.

Q.20.5.1: For any established link, how has the investor CSD determined that the rights of its participants have a high level of protection?

Based on the assessment of the legal framework, including insolvency laws and the regulatory environments of individual issuing depositories

Q.20.5.2: How frequently is reconciliation of holdings conducted by the entities holding the securities in custody?

The central depository carries out every day the regular and automated reconciliation of information for foreign depositories in order to ensure the correctness of CDCP's registration.

Q.20.5.3: How does the investor CSD provide a high-level of protection for the rights of its participants (including segregation and portability arrangements and asset protection provisions for omnibus accounts)?

The central depository secures a high level of protection through the assessment of linked depositories' egal frameworks and operational risks, which the protection is supported by the daily reconcilitation of all transfers and balances in participants' individual accounts and the central depository's account.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 6: An investor CSD that uses an intermediary to operate a link with an issuer CSD should measure, monitor, and manage the additional risks (including custody, credit, legal, and operational risks) arising from the use of the intermediary.

Q.20.6.1: If the CSD uses an intermediary to operate a link, what are the criteria used by the CSD to select the intermediary or intermediaries? Are these criteria risk- based?

The central depository uses the CSD, which is subject to the CSDR and with which it has established a standard link, only as an intermediary.

Q.20.6.2: What are the respective liabilities of the two linked CSDs and the intermediaries?

The central depository uses the CSD, which is subject to the CSDR and with which it has established a standard link, only as an intermediary.

Q.20.6.3: What processes exist to measure, monitor and manage the risks arising from use of the intermediary?

The central depository uses the CSD, which is subject to the CSDR and with which it has established a standard link, only as an intermediary.

The following key consideration applies to	PS	CSD	SSS	CCP	TR
				●	

Key consideration 7: Before entering into a link with another CCP, a CCP should identify and manage the potential spill-over effects from the default of the linked CCP. If a link has three or more CCPs, each CCP should identify, assess, and manage the risks of the collective link arrangement.

Linked CCP default

Q.20.7.1: Prior to establishing any links, what analysis was undertaken by the CCP to identify and assess the spillover effects of a linked CCP's default?

Non-applicable

Q.20.7.2: How does the CCP manage any identified spillover effects of a linked CCP's default?

Non-applicable

Collective link arrangements (three or more CCPs)

Q.20.7.3: Prior to establishing any links, what analysis was conducted by the CCP to identify and assess the potential spillover effects of a link arrangement involving three or more CCPs?

Non-applicable

Q.20.7.4: In the case of collective link arrangements, what processes are in place for the CCP to identify, assess and manage risks arising from the collective link arrangement? In the case of links between CCPs, is there a clear definition of the respective rights and obligations of the different CCPs?

Non-applicable

The following key consideration applies to	PS	CSD	SSS	CCP	TR
				•	

Key consideration 8: Each CCP in a CCP link arrangement should be able to cover, at least on a daily basis, its current and potential future exposures to the linked CCP and its participants, if any, fully with a high degree of confidence without reducing the CCP's ability to fulfil its obligations to its own participants at any time.

Exposures and coverage of exposures

Q.20.8.1: What processes are in place to measure, monitor and manage inter-CCP exposures?

Non-applicable

Q.20.8.2: How does the CCP ensure, on an ongoing basis, that it can cover its current exposure fully?

Non-applicable

Q.20.8.3: How does the CCP ensure that it covers its potential future exposure with a high degree of confidence, without reducing its ability to fulfil its own obligations?

Non-applicable

Management of risks

Q.20.8.4: What arrangements do the linked CCPs have in place to manage the risks arising from the link (such as a separate default fund, increased margin requirements or contributions to each other's default funds)?

Non-applicable

Q.20.8.5: If the CCPs contribute to each other's default funds, how is it ensured that the contribution to another CCP's default fund does not affect the ability of the CCP to fulfil its obligations to its own participants at any time?

Non-applicable

Information provided to participants

Q.20.8.6: How do the linked CCPs ensure that participants are informed about their exposures to the potential sharing of uncovered losses and uncovered liquidity shortfalls from the link arrangement?

Non-applicable

The following key consideration applies to	PS	CSD	SSS	CCP	TR
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Key consideration 9: A TR should carefully assess the additional operational risks related to its links to ensure the scalability and reliability of IT and related resources.

Q.20.9.1: How does the TR ensure the scalability and reliability of its IT and related resources to take into account the additional operational risks associated with a link to another FMI? How frequently does the TR validate the adequacy of its scalability and reliability?

Non-applicable

PS	CSD	SSS	CCP	TR
●	●	●	●	●

Principle 21: Efficiency and effectiveness

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

This principle should be reviewed in the context of Principle 17 on operational risk, Principle 18 on access and participation requirements, Principle 22 on communication procedures and standards, and other principles, as appropriate.

Summary Overview	The central depository's main goal is to sustain the continuity and quality of all provided services currently used by issuers, participants and their clients and other entities in a way that the central depository continues to be the basic pillar of a functioning capital market in the Czech Republic and competitive in the European CMU. Given this position, a high level of reliability with minimum risk is absolutely indispensable for the due functioning of the central depository in all spheres of its activities. To achieve these objectives, it is necessary to respect the approved Risk Management Policy and the internal control rules. To achieve these goals, the cooperation with the central depository's participants and other stakeholders is also necessary, in particular, through committees and work groups.

Key consideration 1: An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.

Q.21.1.1: How does the FMI determine whether its design (including its clearing and settlement arrangement, its operating structure, its delivery systems and technologies, and its individual services and products) is taking into account the needs of its participants and the markets it serves?

CDCP's management regularly meets the participants, issuers and regulated market representatives officially through the User Committee or through work groups put together on an ad hoc basis according to the planned projects. These meetings are also regularly attended by the supervisory body's representative. CDCP's representatives also take part in international conferences or work groups of selected associations (e.g. ECSDA).

Q.21.1.2: How does the FMI determine whether it is meeting the requirements and needs of its participants and other users and continues to meet those requirements as they change (for example, through the use of feedback mechanisms)?

The feedback mechanism is applied, in particular, through the User Committee or through a comparative analysis of other central depositories in Europe.

Key consideration 2: An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities.

Q.21.2.1: What are the FMI's goals and objectives as far as the effectiveness of its operations is concerned?

The central depository's main goal is to sustain the continuity, and increase the efficiency and quality, of all provided services currently used by issuers, participants and their clients and other entities in a way that the central depository continues to be the basic pillar of a functioning capital market in the Czech Republic and competitive in the European CMU. Given this position, a high level of reliability with minimum risk is absolutely indispensable for the due functioning of the central depository in all spheres of its activities. To achieve these objectives, it is necessary to respect the approved Risk Management Policy and the internal control rules.

In terms of business priorities, it is substantial to provide licenced services with the continuing development of primary and secondary services in terms of the automation, broadness or availability. The central depository has nothing against starting to provide services in other EU states in the future, but it has not yet decided so and, hence, no permit to pursue aktivity in other jurisdictions has been applied for.
In terms of the efficiency, the gradual implementation of international standards and processes is a decisive aspect, which, however, must be systemically acceptable for the currect participants.

Q.21.2.2: How does the FMI ensure that it has clearly defined goals and objectives that are measurable and achievable?

The individual goals are defined in the Development Strategy and are measurable both according to the number of newly implemented international standards, new services, digitalized services for participants, issuers and other entities and by comparing individual efficiency criteria with historical data and in the context of international comparison.

Q.21.2.3: To what extent have the goals and objectives been achieved? What mechanisms does the FMI have to measure and assess this?

The efficiency and the quality of the licenced services provided by the central depository are supervised by the Czech National Bank from the position of the national competent authority and by the Internal Audit Division. The goal results are also compared with the results of the monitored parameters and can be derived from individual users' feedbacks.

Key consideration 3: An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.

Q.21.3.1: What processes and metrics does the FMI use to evaluate its efficiency and effectiveness?

To assess the efficiency, the feedback from the User Committee's meeting, the empirical comparison of pre-set parameters and the comparative analysis of other central depositories in Europe are used. Among the basic criteria include the availability and latency of individual services, the period of duration of individual settlement cycles, and the failed trade ratio of the entire market and individual participants.

Q.21.3.2: How frequently does the FMI evaluate its efficiency and effectiveness?

Basic criteria and parameters are monitored once a month and the overall evaluation takes place annually.

PS	CSD	SSS	CCP	TR
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Principle 22: Communication procedures and standards

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

This principle should be reviewed in the context of Principle 17 on operational risk, Principle 21 on efficiency and effectiveness, and other principles, as appropriate.

Summary Overview	CDCP enables its participants to use standard communication channel used by financial and capital market participants – S.W.I.F.T. Through this communication connection, participants may instruct CDCP to carry out settlements among CDCP accounts (internal settlement) even for cross-border transactions (external settlement). CDCP then informs participants through SWIFT about the status of the instructions and the settlement and provides details necessary to reconcile the data between participants' systems and CDCP (in particular, reports on transfers, open transactions and balances), Alongside the SWIFT connection, participants may also use the local data interface which also provides some supplementary services, such as the opening of a property account, the entry of entities in the registration, or the entry of rights in the registration (lien, suspended right of handling, etc.).

Key consideration 1: An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.

Communication procedures

Q.22.1.1: Does the FMI use an internationally accepted communications procedure and, if so, which one(s)? If not, how does the FMI accommodate internationally accepted communication procedures?

Yes, CDCP provides the SWIFT connection enabling the sending of settlement instructions, of the settlement status monitoring, and of reconcilitation-related information.

Q.22.1.2: If the FMI engages in cross-border operations, how do the FMI's operational procedures, processes and systems use or otherwise accommodate internationally accepted communication procedures for cross-border operations?

Cross-border operations are ensured through the communication channel and standards SWIFT.

Communication standards

Q.22.1.3: Does the FMI use an internationally accepted communications standard and, if so, which one(s)? If not, how does the FMI accommodate internationally accepted communication standards?

CDCP supports communication through SWIFT (ISO 15022).

Q.22.1.4: If the FMI engages in cross-border operations, how do the FMI's operational procedures, processes and systems use or otherwise accommodate internationally accepted communication standards for cross-border operations?

CDCP communicates through the SWIFT network and the ISO 15022 standard (FIN reports).

Q.22.1.5: If no international standard is used, how does the FMI accommodate systems that translate or convert message format and data from international standards into the domestic equivalent and vice versa?

Non-applicable

PS	CSD	SSS	CCP	TR
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Principle 23: Disclosure of rules, key procedures, and market data

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

In reviewing this principle, information should be disclosed to the extent that it would not risk prejudicing the security and integrity of the FMI or divulging commercially sensitive information. This principle should be reviewed in the context of Principle 8 on settlement finality, Principle 13 on participant default rules and procedures, Principle 24 on the disclosure of market data by trade repositories, and other principles, as appropriate.

Summary Overview	All relevant rules and principal procedures are made public on CDCP's website. The rules are clear and comprehensive and provide sufficient information. The Czech National Bank, as the supervisory authority, assesses and, possibly, approves the basic rules.

Key consideration 1: An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.

Rules and procedures

Q.23.1.1: What documents comprise the FMI's rules and procedures? How are these documents disclosed to participants?

CDCP's most important rules are the Operations Rules, the Settlement System Rules and the Central Depository Pricelist. These and other regulations binding upon service recipients and CDCP are made public on CDCP's website.

Q.23.1.2: How does the FMI determine that its rules and procedures are clear and comprehensive?

Basic rules are assessed or even approved by the Czech National Bank. There have been no disputes relating to the interpretation of the rules so far over the period of CDCP's existence. The responsibility for the legal side is vested in CDCP's Legal Division.

Disclosure

Q.23.1.3: What information do the FMI's rules and procedures contain on the procedures it will follow in non-routine, though foreseeable, events?

CDCP generally informs about its operational risks in the Operations Rules. The specification of procedures is not public.

Q.23.1.4: How and to whom does the FMI disclose the processes it follows for changing its rules and procedures?

Basic rules are assessed or even approved by the Czech National Bank. The rules for changing rules are contained in the CMBA and specified in the actual rules.
CDCP makes the Operations Rules public, including all their changes, on its website and in its Bulletin. In the Bulletin, it also makes public the proposals for changes in the Operations Rules at least 30 days prior to the effective date of the changes, unless this is prevented due to serious operational reasons.

Q.23.1.5: How does the FMI disclose relevant rules and key procedures to the public?

CDCP makes the rules and the procedures public on its website.

Key consideration 2: An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.

Q.23.2.1: What documents comprise information about the system's design and operations? How and to whom does the FMI disclose the system's design and operations?

Legal information relating to the design and the functioning of the system is contained in the system rules. Practical information describing the system is made public on CDCP's website.

Q.23.2.2: How and to whom does the FMI disclose the degree of discretion it can exercise over key decisions that directly affect the operation of the system?

CDCP notifies all affected entities through the regulation of the decision-making process in the system rules.

Q.23.2.3: What information does the FMI provide to its participants about their rights, obligations and risks incurred through participation in the FMI?

The rights and the obligations of participants are contained in the participation contract with reference to CDCP's rules. All documents are made public on CDCP's website. CDCP's rules also regulate the management of risks.

Key consideration 3: An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.

Q.23.3.1: How does the FMI facilitate its participants' understanding of the FMI's rules, procedures and the risks associated with participating?

The conditions of provided services are described in detail in CDCP's rules. The risks that would be associated with the provided services do not affect the other party if the obligations are observed. Nevertheless, CDCP is aware of possible risks it may be exposed to, in particular, in the operation of the settlement system and informs its participants about these risks in the Settlement System Rules. Concurrently, it notifies of the measures adopted or made to efficiently eliminate the risks, minimize negative impacts on other participants or remedy a defect or sanction the possible offender.

Q.23.3.2: Is there evidence that the means described above enable participants' understanding of the FMI's rules, procedures and the risks they face from participating in the FMI?

The understanding of rules is confirmed by the zero level of disputes with respect to the interpretation of the rules.

Q.23.3.3: In the event that the FMI identifies a participant whose behaviour demonstrates a lack of understanding of the FMI's rules, procedures and the risks of participation, what remedial actions are taken by the FMI?

If the rules, the procedures or risks of a general nature are misunderstood, CDCP may proceed to changing them. No such case has been identified so far. If it concerns the ignorance of an otherwise correct regulation, CDCP shall rebuke the participant for breaching his obligations.

Key consideration 4: An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.

Q.23.4.1: Does the FMI publicly disclose its fees at the level of its individual services and policies on any available discounts? How is this information disclosed?

The prices and fees for CDCP's services are stated separately, including rebates and discounts and the conditions of their use. The central depository's price policy draws from the contractual relationship with customers, parts of which are the rights and the obligations regulated in CDCP's rules and the central depository's Pricelist. The Pricelist is available on CDCP's website. The provision of rebates and discounts is not possible if the respective rebate or discount is not contemplated in the Pricelist.

Q.23.4.2: How does the FMI notify participants and the public, on a timely basis, of changes to services and fees?

Pursuant to CDCP's Articles of Association and Operations Rules, the pricelist is approved by CDCP's Board of Directors. The current pricelist, as well as any of its changes, must be made public in CDCP's Bulletin and CDCP's website at least 40 calendar days prior to the effective date of the respective change. This time-limit does not need to be observed if the changes relate only to the factual costs spent or when the effective daye of a law which has evoked the changes does not enable the observance of the stated time-limits.

Q.23.4.3: Does the FMI provide a description of its priced services? Do these descriptions allow for comparison across similar FMIs?

The special part of the Pricelist contains separately stated rates of individual fees. CDCP provides in the Pricelist only the name of a service and the fee. The content of the services draws from CDCP's rules. The individual fees are divided into comprehensive sections that help CDCP compare prices of other central depositories and predict invoices for reimbursement. Invoices issued by CDCP contain a brief description of the provided service and a numerical reference to a pricelist item. On principle, CDCP provides all information necessary to compare the prices.

Q.23.4.4: Does the FMI disclose information on its technology and communication procedures, or any other factors that affect the costs of operating the FMI?

CDCP informs its participants about the technologies, communication procedures or other factors affecting CDCP's cost.

Key consideration 5: An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.

Q.23.5.1: When did the FMI last complete the CPSS-IOSCO *Disclosure framework for financial market infrastructures*? How frequently is it updated? Is it updated following material changes to the FMI and its environment and, at a minimum, every two years?

On the date of this Self-assessment, the Framework for Disclosure of Information was not completed in financial market infrastructures.

Q.23.5.2: What quantitative information does the FMI disclose to the public? How often is this information updated?

CDCP makes public monthly statistics relating to settlement details.

Q.23.5.3: What other information does the FMI disclose to the public?

CDCP makes public details of corporate events of issuers of listed securities provided by the issuers.

Q.23.5.4: How does the FMI disclose this information to the public? In which language(s) are the disclosures provided?

On its website, in the language of the given document

PS	CSD	SSS	CCP	TR
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Principle 24: Disclosure of market data by trade repositories

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

This principle should be reviewed in the context of Principle 17 on operational risk and other principles, as appropriate.

Summary Overview	CDCP does not serve as a register of business data and, thus, is not subject to this principle.

Key consideration 1: A TR should provide data in line with regulatory and industry expectations to relevant authorities and the public, respectively, that is comprehensive and at a level of detail sufficient to enhance market transparency and support other public policy objectives.

Q.24.1.1: What data are made available by the TR to the relevant authorities and to the public?

Q.24.1.2: How does the TR ensure that its disclosures of data effectively meet the needs of the relevant authorities and the public?

Key consideration 2: A TR should have effective processes and procedures to provide data to relevant authorities in a timely and appropriate manner to enable them to meet their respective regulatory mandates and legal responsibilities.

Q.24.2.1: What processes and procedures does the TR use to provide data to relevant authorities in a timely and appropriate manner to enable them to meet their respective regulatory mandates and legal responsibilities?

Q.24.2.2: How does the TR ensure that this provision of data to relevant authorities is supported from a legal, procedural, operational and technological perspective?

Key consideration 3: A TR should have robust information systems that provide accurate current and historical data. Data should be provided in a timely manner and in a format that permits it to be easily analysed.

Q.24.3.1: How does the TR ensure that data remain accurate?

Q.24.3.2: How does the TR ensure that data and other relevant information are provided in a format that is generally accessible, comparable and easily analysed?

V. List of Publicly Available Sources

https://www.cdcp.cz/index.php/en/general-public/csd-prague-rules-and-regulations-price-lists

https://www.cdcp.cz/index.php/en/participants/contracts-manuals-and-forms-for-participants

https://www.cdcp.cz/index.php/en/statistics