

The Association of Global Custodians - Questionnaire - Database**Georgia- Georgian Securities Central Depository (GCSD) - View Record****Name**

Georgia- Georgian Securities Central Depository (GCSD)

HANDLING OF SECURITIES OUTSIDE THE DEPOSITORY ENVIRONMENT

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

57. How are eligible securities lodged (that is, placed) in the depository system? (Choose all that apply.)

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

58. When are securities lodged into the depository reflected in a participant's depository account? (Choose all that apply.)**59. How long does it usually take to lodge securities with the depository? (Choose one.)**

1 to 2 days

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

Other (please answer 60c)

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

No (please answer 60d)

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

No (please answer 60e)

60c. If they cannot be traded, or if you answered other, please explain:

During the process of lodging of securities into the Depository they cannot be traded at the stock exchange. However, there are no legal/regulatory restrictions for the securities to be traded OTC during the process of lodging of securities into the Depository.

60d. If they cannot be settled, or if you answered other, please explain:

In such case they can be settled only after lodging with the GCSD

60e. If ownership cannot be transferred, or if you answered other, please explain:

During the process of lodging of securities (until the securities are finally lodged) the securities are not reflected in the records of the Depository. Hence no ownership transfer can take place (from or intra the depository).

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

Yes

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

According the laws and Rules governing GCSD, during corporate actions the GCSD provides all needed information about nominee holders and beneficiary owners for the efficient completion of the corporate actions

63. What transfer process steps are involved when eligible securities are withdrawn from the depository for safekeeping? (Choose one.)

Securities are re-registered into the name of the beneficial owner or a nominee.

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

1 to 2 days

65. While the securities are being removed from the depository, can they:**65a. Be traded? (Choose one)**

Other (please answer 65b)

65b. Please explain:

They cannot be traded at the stock exchange. There are no legal/regulatory restrictions in other cases.

65c. Be settled?

No (please answer 65d)

65d. Please explain:

For settlement of stock-exchange transactions the securities shall be lodged in the Depository. For OTC trades securities can be settled outside the depository, however, only after securities removing process from the GCSD is finalized and securities are registered with the registrar.

65e. Have ownership transferred?

No (please answer 65f)

65f. Please explain:

From the beginning of the securities removing process the securities are not reflected in the records of the GCSD. Hence no ownership transfer can take place (from or intra the depository). Respectively, until the end of the securities removing process the securities are not reflected in the records of the Registrar and hence no ownership transfer can take place from or intra the Registrar.

STANDARD OF CARE

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

Depository Liability

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

66a. Reconciliation errors with the registrar and/or the issuer that result in direct damages or losses to participants?

Yes (please answer 66b)

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

The depository assumes liability for direct losses

66e. Theft of securities (either physical certificate or electronically from accounts at the depository) from the depository that result in direct damages or losses to participants?

Yes (please answer 66f)

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

The depository assumes liability for direct losses

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

Other (please answer 66l)

66l. If other, please explain:

Such cases are considered as Force Majeure (FM) situation and the Depository is not liable for such failure of the Depository's systems. After recovery of the FM situation, the participants' securities and funds shall be readily accessible for the participants.

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

Yes (please answer 66n)

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

The depository assumes liability for direct losses

66q. Any direct damages or losses to participants caused by the depository in its capacity as a central counterparty?

Not applicable

66u. Does the depository guaranty settlement?

Other (please answer 66w)

66w. If other, please explain:

The Depository guarantees settlement, except cases when participant violates settlement terms. In case of such violation, violating party shall be liable for settlement failure.

66x. Any direct damages or losses to participants caused by the depository as a result of force majeure events, acts of God, or political events, etc.?

No

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

Not applicable

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

67a. Indemnification

Yes (please answer 67b)

67b. Please explain (then please answer 67c):

Indemnification issues are provided in (a) Article XI of the GCSD Rule on Operations and Procedures of the Georgian Securities Central Depository (except paragraph 1.1 of this Article); and (b) Paragraphs 5.3, 5.4, 5.5, 5.6 and 5.7 of the Annex No. 2 (Membership Agreement) of the Rule on Members of the Georgian Securities Central Depository.

67c. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

RULES ON OPERATIONS AND PROCEDURES OF THE GEORGIAN SECURITIES CENTRAL DEPOSITORY ARTICLE XI. LIABILITY 1. Restriction on Liability 1.1. (.....) 1.2. Central Depository is liable for all kind of losses incurred as a result of incorrect deposit on securities account, incorrect debit or credit of securities or cash funds or other actions fulfilled by the Central Depository within the limits of its authority. The Central Depository is also liable for all other claims related to the loss inflicted as a result of its or its employee's negligence, fraud or criminal action. 1.3. The Central Depository is not liable for claims related to the securities ownership right and occurred as a result of member's (or account holder's) failure to comply with the securities legislation or SRO rules or inaccurate or incomplete instruction received from the member (or account holder). 1.4. The Central Depository shall provide no guarantee for consistent settlement of transactions, if transaction participant parties violate settlement terms. In case of such violation, violating party shall be liable for settlement failure. 2. Segregation of the Central Depository from Member's Liability 2.1. Each member shall avoid the Central Depository from the liability for the losses, obligations or expenses spent, evaluations or claims of the third parties, also state taxes, fees or other expenses somehow related to any security allocated to the securities accounts and occurred as a result of member's, its high officials', employees' or representatives' negligence, mistake, inaccurate information or fraud, excluding the claims occurred as a result of negligence, fraud or criminal actions of the Central Depository, its high officials, employees or representatives. 3. Force Majeure 3.1. The Central Depository is not liable for the failure or delay of service rendering or instruction fulfillment, if caused as a result of natural calamity, sabotage, strike, as well as mechanical or damage or defect of computer system, power supply system failure, government decree or other rationale, beyond control of the Central Depository. 4. Reliance on Other Sources of Information The Central Depository is authorized to rely on information provided from the Exchange, including report on transactions executed at each trading session; the Central Depository shall not be liable for the loss occurred as a result of reliance on this source of information. 5. Telecommunication Service The Central Depository shall not be liable for distortion or loss of information provided through telecommunication means, in case a member uses them to send or receive information to/from the Central Depository in order to give instruction. In addition, the Central Depository shall make efforts to restore distorted or lost information or instruction. A member is not authorized to require the Central Depository to reimburse losses or expenses or fulfill obligations occurred as a result of claims against telecommunication services. RULE ON MEMBERS OF THE GEORGIAN CENTRAL SECURITIES DEPOSITORY Annex No.2 Membership Agreement 5. Liabilities of the Parties 5.1 (....) 5.2 (....) 5.3 The Depository shall not be liable for any kind of claims related to the securities ownership rights arising as a result of improper utilization of legislation on securities trading or rules of self-regulatory organizations or receipt of inaccurate or incomplete order from a Participant. 5.4 The Depository shall not be liable for the accuracy, timeliness and completeness of settlement between the Participant and its clients. 5.5 The Depository shall not be liable for the failure of a settlement bank to execute an order of the Participant or the Depository or the incomplete (improper) execution of an order. 5.6 The Participant shall be fully liable for the clients it represents and shall meet all obligations and legal claims against these clients, the Depository or any other party in case of offence, negligence or default. 5.7 The Participant shall reimburse the Depository losses incurred and expenses borne relating to the securities on the Participant's trading account or resulting from negligence, mistake, fraud or the submission of inaccurate information by the Participant's employees. 5.8 In cases contemplated by Articles 6.1 and 6.2 of the Rule on Owner-Members of the Georgian Securities Central Depository, delay of payment or incomplete payment of membership fees or other fees and charges by the Participant shall be subject to penalty in the amount of 1% of total unpaid sum for each day overdue. 5.9 In case the Participant violates this Agreement, Depository's rules and other regulations it shall be subject to sanctions under the Depository's rules and regulatory documents.

67d. Insurance

No

67g. Acknowledgement of liability for losses caused by depository's own actions.

Yes (please answer 67h)

67h. Please explain (then please answer 67i):

Acknowledgement of liability for losses caused by depository's own actions are provided in (a) in paragraph 1.1 of the Article XI of the GCSD Rule on Operations and Procedures of the Georgian Securities Central Depository; and (b) Paragraphs 5.1 and 5.2 of the Annex No.2 (Membership Agreement) of the Rule on Members of the Georgian Securities Central Depository.

67i. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

RULES ON OPERATIONS AND PROCEDURES OF THE GEORGIAN SECURITIES CENTRAL DEPOSITORY ARTICLE XI. LIABILITY 1. Restriction on Liability 1.1. The Central Depository is liable for all kind of losses incurred as a result of incorrect deposit on securities account, incorrect debit or credit of securities or cash funds or other actions fulfilled by the Central Depository within the limits of its authority. The Central Depository is also liable for all other claims related to the loss inflicted as a result of its or its employee's negligence, fraud or criminal action. RULE ON MEMBERS OF THE GEORGIAN CENTRAL SECURITIES DEPOSITORY Annex No.2 Membership Agreement 5. Liabilities of the Parties 5.1 The Depository shall be liable for any kind of damage resulting from improper deposit to the securities account, improper credit or debit of securities or funds or other actions conducted by the Depository within the scope of its authority. 5.2 The Depository shall be liable for any kind of claims related to the damages resulting from negligence, fraud or criminal action of its employee or representative.

67j. Other

No

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

No

Security Control

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

By receipt of physical account holding statements

70. Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.?

No

71. Regarding data security:

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

Not applicable

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

Yes

71e. Are passwords regularly changed?

Not applicable

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

Not applicable

72. Does the depository communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages?

Yes (please answer 72a)

72a. Please explain:

With the Georgian Stock Exchange (GSE).

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

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

Secured, leased, dedicated telephone line

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

Internet, Paper/other

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

Not applicable

73d. Registrars (Choose all that apply.)

Internet, Fax, Paper/other

74. How is access to the physical building controlled? (Choose all that apply.)

By guards, By alarm system

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

Not applicable; no vault is maintained

Participant Default Protections Resulting from a Participant Failure

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

Other (please answer 76d)

76d. Please explain:

The current system of the Depository procedures excludes possibility of losses from defaults (e.g. 100% pre-deposition of funds and securities before trading at the GSE).

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

No

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

No (please proceed to 79)

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

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

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

79. Does the depository have forms of oversight management for assessing and monitoring of the following? (Choose all that apply.)

Participant eligibility requirements, Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d), Blocking of securities movement before receipt of payment, Blocking payment until securities are moved

79d. What type or types of settlement controls (Choose all that apply.)

Blocking or freezing of securities positions (please answer 79e), Controlling DVP settlement (please answer 79f), Simultaneous DVP (please answer 79g)

79e. Please explain:

While serving the stock-exchange transactions securities designated for trading are transferred from the Safekeeping account to respective Trading accounts and are blocked there until settlement occurs.

79f. Please explain:

The Depository software ensures trade by trade DVP settlement.

79g. Please explain:

The Georgian Stock Exchange rules currently require 100% pre-deposition of funds and securities at the Depository. Thus, while serving the stock-exchange transactions, the above is ensured. Respectively, simultaneous DVP takes place.

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

Other (please answer 80a)

80a. Please explain:

100% pre-deposition of securities and funds for the stock exchange members before trading at the GSE.

BUSINESS RECOVERY PLAN

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

81. Do you have a formal business recovery plan?

Yes (please answer 81a)

81a. Does your Business Recovery Plan include: (Choose all that apply.)

Back-up of all computer files, Off-site data storage, Back-up files stored and locked

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

Depository participants/members

1a. Once a year; 1b. Upon request of a Member. 2. End of year 2011.

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

Stock exchange

Stock Exchange: Every Trading Day (3 times a week); 26.10.2012

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

Central bank

N/A

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

Local brokers

Local Brokers are Members of the Depository, hence the same as for the Members above in 81b

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

Any other third party

Any other third Party: Securities Registrars: a) Monthly, b) End of last month.

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

Other (please answer 82a)

82a. If other, please explain:

Immediately (UPS, power generator)

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

1 - 4 hours

84. Will the depository publicly announce any system interruption?

Yes (please answer 84a)

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

To the depository regulators, To all direct participants

84b. If so, please list webpage address:

<http://www.gcsd.ge/>

84e. How will the depository disclose any system interruptions? (Choose all that apply.)

By e-mail, By telephone

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

No

PERFORMANCE, INSURANCE, AND LOSS

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

86. Has there been any material loss by the depository during the past three years?

No

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

No

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

Yes for all three years

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

Yes (please answer 89a)

89a. Please describe and indicate reserve amount:

USD 180000

90. Has the regulatory body with oversight responsibility for the depository issued public notice that the depository is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body?

No

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

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

No

92. Does the depository have Fidelity insurance (that is, insurance to cover loss of securities or money resulting, for example, from acts such as forgery, theft, fraud and/or employee dishonesty)?

No

93. Does the depository have insurance for Operational Errors?

No

94. Does the depository have Errors and Omissions insurance?

No

95. Does the depository have insurance for the Premises?

No

96. Does the depository have any other insurance?

No

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

N/A

97a. Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)

N/A

97b. What is the term of the policy?

N/A

97c. Who does the insurance cover? (Choose all that apply.)

Not applicable

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

N/A

98a. Upload document here:

PUBLIC AVAILABILITY

99. The AGC encourages respondents/depositories to make their answers to this questionnaire publicly available. Will you be making your response publicly available? (For additional guidance, please review the help feature to this question.)

Yes (please answer 99a)

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

Web site (please answer 99b)

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

www.gcsd.ge

99j. Please be sure your contact details are updated. Your contact information is located in the first section of Part One within this questionnaire.

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

Please provide any comments you have regarding the questionnaire.

Datasheet Progress

Completed