

The Association of Global Custodians - Questionnaire - Database

Lithuania - Central Securities Depository of Lithuania, plc. - View Record

Name

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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.)

Other (please answer 57a)

57a. Please describe:

The issuer's agent files all the necessary documents on the new securities issue, whereas CSDL opens the Issue Registration Account and the accounts for the account managers (CSDL participants - brokerage firms, banks, foreign CSDs), who are holding the securities of this particular issue in a dematerialized form.

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

Securities are reflected in the participant depository account immediately upon delivery to the depository.

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?

No (please answer 60c)

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

Be settled?

No (please answer 60d)

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

Have ownership transferred?

No (please answer 60e)

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

Securities of public companies, Government securities and other securities eligible for Depository do not legally exist unless they are lodged into the Depository on participant's account

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

Securities of public companies, Government securities and other securities eligible for Depository do not legally exist unless they are lodged into the Depository on participant's account

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

Securities of public companies, Government securities and other securities eligible for Depository do not legally exist unless they are lodged into the Depository on participant's account

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.

All types of securities issued by public limited liability companies are held only in CSDL and cannot be held outside the CSDL system.

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 What transfer process steps are involved when eligible securities are withdrawn from the depository for safekeeping?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

Other (please answer 63a)

63a. Please specify:

Entries in the accounts are deleted from the depository system after the public company has been liquidated, has changed its status to private company, or other CA takes place from the issuer side (closing of the issue due to merger or takeover with/by the other company).

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)

No (please answer 65b)

65b. Please explain:

Securities accounts are closed early morning on closing day, so securities could not be moved between general accounts from the evening of the previous day. Trades, settlements and ownership transfers could be executed on the general account of one particular participant, but Central Depository is not involved.

65c. Be settled?

No (please answer 65d)

65d. Please explain:

Securities accounts are closed early morning on closing day, so securities could not be moved between general accounts from the evening of the previous day. Trades, settlements and ownership transfers could be executed on the general account of one particular participant, but Central Depository is not involved.

65e. Have ownership transferred?

No (please answer 65f)

65f. Please explain:

Securities accounts are closed early morning on closing day, so securities could not be moved between general accounts from the evening of the previous day. Trades, settlements and ownership transfers could be executed on the general account of one particular participant, but Central Depository is not involved.

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?

No

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?

Other (please answer 66h)

66h. If other, please explain:

Not applicable for physical certificates, whereas yes for theft of securities electronically from accounts of the Depository.

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

No

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:

Central market (automatically matched) transactions are guaranteed through the arrangements of the NASDAQ OMX Vilnius Guarantee Fund

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?

Yes (please answer 66*)

66*. Please define the standard of care applied:

A common commercial risk is taken into account in every individual case.

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):

Contract with Markel International Insurance Company LTD on Professional Risk Insurance

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

Limit of indemnity of professional risk insurance is EUR 1,000,000

67d. Insurance

Yes (please answer 67e)

67e. Please explain (then please answer 67f):

Contract with Markel International Insurance Company LTD on Professional Risk Insurance

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

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

Yes (please answer 67h)

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

Liabilities are acknowledged within the limits laid down in the contract on Professional Risk Insurance and by the size of the Legal Reserve for the covering of losses.

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

Contract with Markel International Insurance Company LTD on Professional Risk Insurance; Lithuanian Company Law/ Articles of Association of the CSDL, and Agreements with participants

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 direct electronic link, Other (please answer 69a)

69a. Please explain:

Via the messaging system jointly used also by the payment system of the Bank of Lithuania.

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

Yes (please answer 70a)

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

By direct electronic link (please answer 70b), Other (please answer 70c)

70b. Please select type of electronic link:

Internet

70c. Please explain:

Via the messaging system jointly used also by the payment system of the Bank of Lithuania.

71. Regarding data security:

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

Yes

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

Yes

71e. Are passwords regularly changed?

Yes (please answer 71f)

71f. How often?

For information data flow through an internet private access area the Depository uses a special password generating system, which changes passwords each minute (Secur ID).

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

Yes (please answer 71i)

71i. How many?

3

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:

Direct link with NASDAQ OMX Vilnius; with the Payment system LITAS-RLS of the Bank of Lithuania via common messaging system, with the Payment system TARGET2 via SWIFT

73. How does the depository communicate with other market entities?**73a. Stock Exchanges (Choose all that apply.)**

Internet, Fax, Paper/other

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

Internet, Fax, Paper/other

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

Not applicable

73d. Registrars (Choose all that apply.)

Internet

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

By guards, By electronic keys/personal ID card, 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:

For central market (automatically matched) transactions - by the NASDAQ OMX Vilnius Guarantee Fund. If the Guarantee Fund does not cover the default, the loss is shared among the participants on a pro-rata basis.

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, Other loss or default protections the depository maintains (please answer 79a), Debit caps for participants (please answer 79c), Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d), Blocking of securities movement before receipt of payment

79a. Please explain other loss or default protections:

Early warning system for securities default

79c. Please explain how these debit caps work:

Debit cap for participant fees under 5 LTL is allowed. For invoice sums over 5 LTL (unpaid over during 1 month) late payment charges are calculated.

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:

Securities are blocked prior to the cash payment transfer execution.

79f. Please explain:

The SSS of the CSDL sends payment orders to the payment system to transfer cash between participants' settlement accounts: a) in the Bank of Lithuania payment system LITAS-RLS or b) in the ECB payment system TARGET2.

79g. Please explain:

Immediately after cash transfer in the payment system, the SSS executes securities transfers between the general accounts of the participants.

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

Guaranty fund for stock exchange members, Other (please answer 80a)

80a. Please explain:

Lithuanian Securities Commission determines the requirements for the NASDAQ OMX Vilnius members and CSDL participants, namely the level of the initial own capital and the capital adequacy.

BUSINESS RECOVERY PLAN

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

81. Do you have a formal business recovery plan?

Yes (please answer 81a)

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

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

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

Depository participants/members

Once or twice a year; the last testing was on 7 June 2011.

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

Stock exchange

Once or twice a year; the last testing was on 7 June 2011.

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

Central bank

Once or twice a year; the last testing was on 7 June 2011.

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

Local brokers

Once or twice a year; the last testing was on 7 June 2011.

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

Any other third party

Once or twice a year; the last testing was on 7 June 2011.

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

1 - 4 hours

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

1 - 4 hours

84. Will the depository publicly announce any system interruption?

Yes (please answer 84a)

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

To the depository regulators, To all direct participants, Other (please answer 84d)

84b. If so, please list webpage address:

84d. Please explain:

Bank of Lithuania

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

By e-mail, By telephone, Other (please answer 84f)

84f. Please explain:

messaging system

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:

The mandatory reserve for the covering of losses that is used to settle any claim made against the Depository by its participants suffering any loss due to operational errors of the Depository. The size of the mandatory reserve is EUR 0.0724 m.

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?**

Yes (please answer 91a)

91a. What is the amount of the coverage?

EUR 1,000,000 per year

91b. What is the amount of the deductible?

EUR 50,000 each claim

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)?

Yes (please answer 92a)

92a. What is the amount of the coverage?

EUR 1,000,000 per year

92b. What is the amount of the deductible?

EUR 50,000 each claim

93. Does the depository have insurance for Operational Errors?

Yes (please answer 93a)

93a. What is the amount of the coverage?

EUR 1,000,000 per year

93b. What is the amount of the deductible?

EUR 50,000 each claim

94. Does the depository have Errors and Omissions insurance?

Yes (please answer 94a)

94a. What is the amount of the coverage?

EUR 1,000,000 per year

94b. What is the amount of the deductible?

EUR 50,000 each claim

95. Does the depository have insurance for the Premises?

Not applicable

96. Does the depository have any other insurance?

Yes (please answer 96a)

96a. If so, what is it for?

Hardware, equipment, networks, vehicles and other tangible assets, business trips

96b. What is the amount of the coverage?

EUR 0.8 m

96c. What is the amount of the deductible?

EUR 2030

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.

1)IF P@C Insurance AS; 2)ERGO LIETUVA; 3) ADB SEESAM LIETUVA4) Markel International Insurance Company LTD

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

1)Scandinavian insurance company 'Ifgroup'; 2)German insurance company ERGO ; 3) Finish company Pohjola Insurance Ltd; 4)Markel Europe Ltd. on behalf of Markel Syndicate 3000 at Lloyds

97b. What is the term of the policy?

one year

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

Depository

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:

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

<http://www.csd.lit/en/about/question.php>

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

In Progress