



**Centrálny depozitár cenných papierov SR, a. s.**

## RISK MANAGEMENT POLICY

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## **Article I Purpose of the Policy**

Purpose of this Policy is to set basic principles and procedures applied by Centrálny depozitár cenných papierov SR, a.s., registered office at ul. 29. augusta 1/A, 814 80 Bratislava, company ID: 31 338 976, incorporated in the Companies Registry of the District Court Bratislava I, section: Sa, file No 493/B (hereinafter „CDCP“ or „Company“) to risk management and to define risk management organisational framework in the Company. This Policy takes in account requirements of the Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU, and the Regulation No 236/2012 referred to in article 26 and further provisions.

## **Article II Definition of basic terms**

1. For purpose of this Policy risk means possible economic loss which can incur to CDCP due to internal or external factors, which usually can be avoided, partially or fully, by adoption of preventive measures. For purpose of this Policy risk means also possible incidental disruption or restriction of service provision, or provision of services contrary to generally binding legal regulations, regardless to amount of the economic loss incurred to CDCP.
2. Risk management is continuous process supporting performance of CDCP activities, with aim to prevent the economic loss and impact of uncontrolled disruption of service provision, or provision of services contrary to generally binding legal regulations. It is based on early and adequate risk identification, measuring, monitoring and reporting. Beside implementation of measures mitigating or eliminating the risks, the risk management includes definition and provision of sufficient own financial resources to overcome eventual consequences of risk materialisation.

## **Article III Main principles for risk management**

1. CDCP ensures stable and functional risk management system consisting mainly of clear organisational structure with precisely defined, transparent and consistent lines of responsibility, and effective procedures for identification, measuring, monitoring, reporting and managing of risks which it is, or can be exposed to.
2. When applying the risk management system CDCP respects requirements of applicable binding legal regulations, primarily the Act No 566/2001 Coll. on Securities and Investment Services and on amendments and supplements to certain laws, the Regulation



(EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU, the Regulation No 236/2012 and relevant implementation acts.

3. In connection with risk management CDCP takes into consideration all known risks, which it is, or could be exposed to, including risks to which it is exposed to by external entities (primarily key participants in the systems for settlement of transactions in securities with which CDCP has a link, external suppliers, other central depositories or other market infrastructures). At the same time it takes into account possible impact of respective risk on ability of CDCP to provide services in the prescribed manner and amount of eventual economic loss of CDCP.
4. In connection with risk management CDCP does not take into consideration only eventual economic loss of the Company, but also impact of service failure to the other participants of the financial markets, regardless to amount of possible economic loss incurred to CDCP. For that purpose CDCP maintains catalogue of services it provides, which includes also information on maximum tolerable time when operation of relevant service or group of services can be disrupted. Basic objectives, obligations and procedures to achieve adequate level of CDCP readiness to overcome possible emergency situation threatening provision of services are include in the Business Continuity Policy.
5. CDCP is compliant with all obligations concerning the risk management also in the case it would delegate operation of certain services, or execution of certain activities to third party; CDCP has the plans or arrangements for the case of the third party failure.
6. On request CDCP shall make accessible or shall provide the clients, potential clients or other third parties with adequate information allowing them to assess in necessary extent the risks they undergo in connection with utilisation of relevant CDCP services or links. CDCP identifies, measures, monitors and manages also these types of risks.
7. According to requirements of the binding regulation, CDCP is obliged to cover risks it is exposed to by the capital (own resources) in stipulated extent. Therefor within risk management the special attention is dedicated to risk categories which are crucial according to capital requirements. These are primarily operational, legal, investment, business and custody risks.
8. CDCP makes sure it has sufficient own resources in order to cover possible loss incurred due to risk materialisation. Own resources of CDCP, including retained earnings and reserves, are held in amount stipulated by relevant regulations proportionally to the risks the Company is exposed to. CDCP has the plan how to obtain additional capital for the case the level of own resources approached level stipulated by the regulatory requirements or it would fall below the requirements.



**Article IV**  
**Risk management organisation**

1. The Board of Directors of the Company is responsible for establishing effective and efficient risk management system in the Company. Under its sphere of action in the field of risk management is in particular to:
  - a) approve Risk Management Policy and its amendments,
  - b) set and regularly review the risk management strategy and procedures,
  - c) decide on granting and withdrawal of consent to appoint an employee of CDCP to the Risk Manager function,
  - d) adopt effective measures to eliminate identified deficiencies in the Risk Management System,
  - e) ensure sufficient level of own resources to cover existing risk,
  - f) create adequate material and financial conditions for risk management in CDCP,
  - g) fulfil other tasks stipulated by the CDCP Articles and the Statute of the Board of Directors.
2. The Supervisory Board is responsible for monitoring of effectivity and efficiency of the CDCP Risk Management System as such. It submits the risk management procedures to regular review and testing. In case insufficiencies are identified it provides the Board of Directors of the Company with recommendations, or it imposes adoption of corrective measures. It also has to discuss the Risk Management Policy and its amendments and to fulfil other tasks stipulated by the CDCP Articles and the Statute of the Supervisory Board.
3. The Risk Manager is chief manager responsible for risk management in CDCP, who coordinates risk management process in the company, ensures that approved strategy and risk management procedures are implemented and observed, and provides methodical support to other employees with respect to identification, measuring, monitoring and mitigation of risks. Furthermore, under competence of the Risk Manager is to monitor compliance with defined limits for risk exposure of the Company, to prepare opinions on risk aspects of new products or services, to collect information on risk management in CDCP and submit relevant reports and information to the Board of Directors. The Risk Manager performs the function independently from other organisational units and he has direct access to the Board of Directors and the Supervisory Board of the Company.
4. The Risk Committee is the advisory body to the Board of Directors of the Company which provides it with opinions and recommendations related to risk management strategy and risk exposure of CDCP, assesses if all risk which CDCP is exposed to are appropriately managed in the Company and provides support to the Company's Board of Directors in connection with improving the quality of the CDCP Risk Management System.

5. Internal audit inspects and assesses adequacy and effectivity of risk management processes, gives recommendations for elimination of identified insufficiencies, monitors adoption of corrective measures and checks their implementation and effectivity.
6. The Audit Committee is the advisory body to the Supervisory Board of the Company, which participates in risk monitoring in CDCP and is responsible for consultancy in connection with results of the Internal Audit function of the central depository, it is supervised by the Supervisory Board of the Company.
7. The Remuneration Committee is the advisory body to the Supervisory Board and to the Board of Directors of the Company, in CDCP it participates in risk monitoring and is responsible for consultancy with respect to remuneration of CDCP employees and CDCP statutory bodies' members, the Remuneration Committee is supervised by the Supervisory Board.
8. The Managers at all governing levels are responsible for proposing and implementation of risk management procedures within their scope of powers and competencies, and in compliance with CDCP goals and strategy, with this policy and internal regulations of the Company. The Managing Director and Directors of organisational sections are obliged to create adequate material and financial conditions for risk management and regularly check and test functionality of the Risk Management System in extent under their competency.
9. The Chief Technology Manager is responsible for risk management in area of technologies on top-management level governed by the CDCP Board of Directors.
10. The Chief Manager responsible for Compliance with regulation is responsible for management of compliance risks on top-management level governed by the CDCP Board of Directors.

**Article V**  
**Risks identification, measuring, monitoring,**  
**reporting and mitigation**

1. Risk identification and measuring

Individual risks are identified primarily by the CDCP employees responsible for relevant processes in the Company. The Risk Manager oversees that the risks are fully and correctly identified and documented in the risk catalogues that create basis for preparation of the Company's risk map. The risk map is basic output from identification of risks to which CDCP is exposed. Before approving implementation of new product or service, each responsible employee shall properly analyse possible risks, ask the Risk Manager for an opinion and submit the opinion along with the documentation for approval of the product or service.

For measuring of CDCP risks mainly methods stipulated by the regulation requirements are applied. Where application of such methods is not possible or effective, CDCP specifies procedures for measuring relevant risks. The methods take in account quantifiable expected



loss which would occur under normal circumstances, and also possible unexpected losses, usually estimated by using of the statistical models or expert estimate. To reflect current economic environment, the models based on probability characteristics derived from the historical observations are adjusted if necessary. Measuring risks procedures are governed by the internal regulations of the Company.

## 2. Risks monitoring and reporting

Risk monitoring is performed by the Risk Manager in cooperation with the Managers. Risk monitoring includes keeping of registry of risk materialisation events by individual risk categories. In case the Risk Manager detects significant increase (increase by 30% or more compared to the previous calendar half-year) in the risk exposure for certain risk category, he shall inform relevant Managers of Divisions and the Managing Director on this fact, and it shall be mentioned, along with the causes, in the semi-annual Report on condition of the risk management and the risk exposure. If the monitoring results show a threat that the risk exposure limit of CDCP defined by the Company's Board of Directors could be exceeded, or other important fact requiring adoption of urgent measures, the Risk Manager shall inform without delay the Managing Director and the Board of Directors of the Company on identified facts.

## 3. Risk mitigation

Reaction to identified and quantified risk can be:

- a) measures for risk mitigation ( reduction of probability that risk event shall occur and/or reduction of impact of possible incident) or
- b) measures for elimination of given risk, mainly waive from execution of certain activity (unless it contravene with generally binding legal regulation and economic interest of the Company) or
- c) decision on accepting the risk (unless in contrary to valid Risk Management Strategy).

Decision on approach to identified and quantified risk in sense of above mentioned alternatives is in competence of the Company's Board of Directors. The Risk Manager shall submit the proposal for decision in the case new risk has been identified or substantial change in the risk exposure level occurred in connection with already known risks. The proposal can be included in the semi-annual Report on condition of the risk management and risk exposure.

If mitigation of relevant risk is proposed, submitted proposal includes also considered measures that should be applied to mitigate the risk, and also estimation of the implementing costs. Individual measures and implementation deadlines are consequently approved in compliance with competences of the managers, or bodies of CDCP. The Board of Directors of the Company can impose adoption of additional measures. Costs of approved measures must be adequate to possible impact of relevant risk.



Decision to exclude given risk or decision to accept the risk must be properly reasoned and documented. Proposal for decision shall include analysis of economic, legal, business or other impacts of the decision.

**Article VI**  
**Risk appetite and risk tolerance**

1. CDCP applies risk appetite and risk tolerance rules and principles in the risk management system. By proper setting of procedures and parameters for risk appetite and risk tolerance CDCP optimally measures identified risks, consequently adopts measures for solving the risks and prevents situations which could cause non-acceptable loses, while generally binding legal regulations and internal regulations are followed.
2. Risk appetite is total level of risk CDCP is ready to accept and at the same time adopt related risks. Risk appetite reflects risk capacity that CDCP is willing and able to accept in connection with risks.
3. With risk appetite is closely connected risk tolerance representing practice how risk appetite is executed and defines acceptable discrepancies or limits which CDCP is willing to accept for specified goals, and are identified for each area, or for processes within the risk management system.

**Article VII**  
**Final provisions**

1. This policy shall replace the Risk Management Policy approved by the Board of Directors of CDCP on 28 June 2017.

This Policy shall become valid on day when approved by the Board of Directors of CDCP and effective on 21 March 2019. Approved by the Board of Directors of CDCP, in Bratislava on 20 March 2019.

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Martin Wiedermann  
Chairman of the BoD

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Tomáš Novanský  
Member of the BoD

