



NEWSLETTER

FOR MEMBERS OF CDCP

www.cdcp.sk

MAY
2016



Significant Changes in the Certification of Members!

With regard to transition to Target 2-Securities (T2S) system the Central Securities Depository of the Slovak Republic (Centrálny depozitár cenných papierov SR, a.s.) (hereinafter the "CDCP") is changing the approach to the information system trainings and certification of the members. The current situation, when the trainings for the members are compulsory and when the tests are held at the end with subsequent issue of the certificate bearing name, will be considerably changed.

The training will be optional and no end tests will be held and no certificates issued. A certificate will be issued for a particular member of CDCP after completing the certification tests. Since the date the CDCP's new information system is launched, i.e.

from 6 February 2017, the access to the CDCP's information system (IS CDCP) will be conditioned by the positive results in the certification tests in the extent relevant for a member and by delivery of the test results to CDCP. Unlike the current practice, when the certificate is issued to a person, with the new system the certificate will be issued to an institution. In other words, all members will be obligated to pass the tests (GUI, A2A, services) and they will select extent of the tests so that they cover exactly all operations the members perform with regard to CDCP. For the members who wish to use A2A connection, we recommend completing the tests also for U2A connection that may be used as the back-up method for submitting the instructions in the case A2A connection is unavailable.

The first draft of certification tests was delivered to the members in February in connection with information on the GUI training that was being prepared at that time. All certification tests can be found at CDCP's website in the section dedicated to the members (Target2-Securities). CDCP assumes that by July 2016, when commencement of the community testing of T2S is planned, the certification tests will be extended by the auto-collateral of NBS.

For its members CDCP will not prescribe the exact date of completing the certification tests. Since successful completion of the certification tests is compulsory for a member wishing to enter into IS CDCP after migration to T2S, the tests and their positive results must be delivered to CDCP by the end of November 2016. From the date of migration of CDCP to T2S it will not be possible to use the existing interface to submit an instruction to CDCP register or SPOZUS system for reporting the trades for DVP or FOP settlement. The systems will be fully replaced by the new IS CDCP that will be connected to T2S.

If you wish to participate in the user training session concerning GUI and A2A interfaces, please send an e-mail to ivana.cernanska@cdcp.sk.

For more information, visit www.cdcp.sk

Successful Breakfast with Journalists



In mid-February 2016 the first breakfast with journalists concerning „**TRANSFERS OF VALUABLE SHARES TO STATE INCREASE IN NUMBER**“ was held.

The breakfast with journalists was organised by Centrálny depozitár cenných papierov SR, a.s., Dlhopis, o.c.p., a.s. and MH Manažment, a.s.

In his presentation the Managing Director of CDCP Martin Wiedermann informed about the current status and development of the accounts administered by CDCP for their owners – natural persons. He informed the journalists about the method and the basic rules of charging the fees for the owners' accounts. At the same time he recalled the process of billing the fees for administration of the owner's account for 2015 and summarised the changes in CDCP made as a part of strengthening the membership principle from 1 January 2016.

In the presentation the breakfast co-organiser stated that the securities owners have transferred even valuable shares to the state recently, and this trend keeps growing. In December 2015 alone the citizens wanted to donate to the state the securities totalling to EUR 50,000. Therefore the company performing the security transfers without consideration to the state adopted the measures preventing transfers of the valuable securities to the state.

At the end the media campaign was presented, which is aimed at informing the securities owners and their relatives on the last possibility to use the transfers of securities without consideration to the state ending on 30 June 2016.

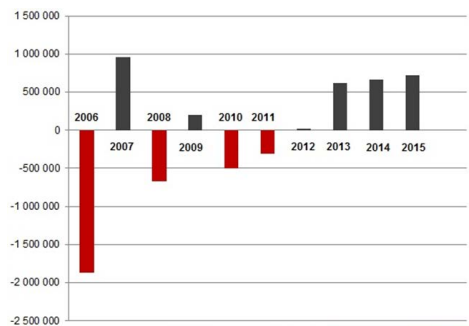
CDCP Stabilises

In recent years the Central Securities Depository of the Slovak Republic (Centrálny depozitár cenných papierov SR, a.s.) underwent several changes affecting its economic results. The 10-year development of the economic results indicates stable, or more precisely improving trend of recurring profit. We managed to make the changes in the Scale of Fees and the billing method. Despite the long-term trend of decreasing activity in the capital market and related overall reduction of revenues, we keep the pace of reducing the costs. Despite the necessary changes resulting from the EU regulations as well as the trend of decreasing revenues and growing requirements of the

quality and promptness of the services rendered, CDCP anticipates that the economic results will be maintained in black numbers. In particular, it results from streamlining the processes and optimizing the costs.

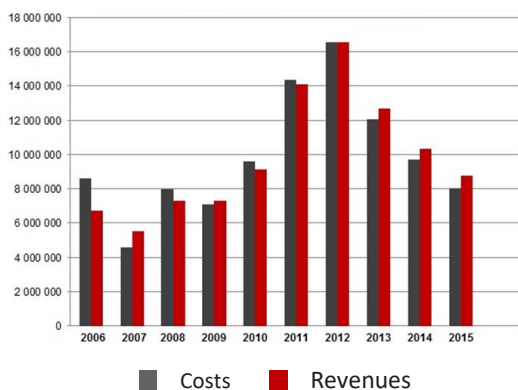
The amount of the costs and revenues has been considerably affected, despite the decreasing trend, by the service of administering the securities owners' accounts. This product is associated with huge volume of low unit prices and related costs of provisions and database administration. Also thanks to the decreasing number of administered accounts due to deletion of security issues and transfer of shares without consideration to the state, there has been a considerable trend of reduction in the revenues since 2012, which will continue until

10 YEARS TREND – ECONOMIC RESULTS



For more information, visit www.cdcp.sk

10 YEARS TREND – COSTS and REVENUES



**the amounts in charts are stated in euros*

its termination. The revenue side of the budget has been traditionally supported particularly by the bonds, although we have seen a slight increase in activity in new issues of shares. It turns out that even with limited activity on the domestic capital market it is possible to keep the economy stable with the use of appropriate management tools.

The situation on the securities market in recent years has not caused any significant changes in the amount or structure of the transactions. Also in 2015 the most numerous were the above-mentioned securities transfers of natural persons within the project of transfer of securities having no market value without consideration to the National Property Fund SR (Fond národného majetku SR) or its legal successor MH Manažment, a.s.

Key Milestones of Migration to T2S

We have managed to do:

- March 2016 – communication of the members with NBS concerning opening DCA accounts in T2S → important for the tests of migrating the data of CDCP and NBS to T2S (PMDR from 21 March).
- From March 2016 – GUI training sessions held.
- From 21 March 2016 to 15 April 2016 CDCP was involved in the first organised testing of data migration to T2S for the 4th wave (PMDR- Pre-Migration Dress Rehearsal), which was completed during the weekend of 16th-17th April (MWDR – Migration Weekend Dress Rehearsal).
- 25 April 2016 – deadline for the start of the multilateral testing (SP9 milestone) for participants in 4th wave (CDCP is prepared due to successful completion of the certification tests in April).

What is ahead of us:

- May and June 2016 – implementation of two change requests to IS CDCP
 - Division of a single register of entities to 4 registers.
 - Addressing overlapping of rights to securities in the account – the decision of a user on overlapping is transferred to a decision of the IS internal algorithm.
- From July 2016 – participation of the members in testing IS CDCP and T2S as a part of the community testing (SP10 milestone)
- Testing for the members is possible from November 2015 – unorganised, no GUI training, no CDCP test cases, no option to connect to T2S and DCA accounts.
- From July 2016 is planned testing with connected T2S, with opened own DCA account in T2S, against CDCP test cases and after GUI training.

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Clearstream Summit in Vienna

On 21st and 22nd April 2016 the 12th CEE Summit organised by Clearstream was held in Vienna. This year's summit addressed mostly the issue of the ever growing regulation of the capital market and its practical implications.



The issue of implementing the business data archives' activities in practice and ensuring organisation of data reporting by the counterparties to the derivative transactions were discussed in the panel discussion by the representatives of the business data archives and the reporting entities. From the papers of other speakers the participants learnt that the Head Officer of the Investment Fund Services of Clearstream expects that approximately 30% of the international funds will be settled in T2S in one year. In his presentation the sales manager of Eurex Clearing clarified that recently the clearing members have left the market which resulted in reduced number of the clearing members in CCPs. Since CCP must know their clients, the clients of the clearing members commenced to open the segregated accounts in CCPs and put the clearing members to the position of the clearing agents. According to the head of the Securities Issuance and Distribution of Clearstream the impact of the regulation has been affecting the registration of issues, where CSDR requires the compulsory book-entry form of convertible securities traded at trading venues as from 2025. At the same time CSDR allows the issuers to select the issuer depository as well as participation in the user committee established by the depositories. The presenter informed the participants about the change in the organisation of Clearstream's services after migration to T2S. The securities registered in all three depositories (international Clearstream Banking Luxembourg (CBL), German Clearstream Banking Frankfurt (CBF) and Luxembourg LuxCSD) will be able to access T2S via CBF or LuxCSD. On the contrary, the depositories' current clients will use the CBL to approach the international securities. Clearstream will also introduce a new operating model, namely OneClearstream, where the clients will access all three depositories through one medium and one interface (Clearstream Xact).

In his presentation the Clearstream's vice-president for the sale of the global securities financing presented information on securing transactions of the clients by the collateral. EMIR resulted in increased importance of collateral as a means of mitigating risk in OTC derivative transactions. As a result of the requirements for segregation of collateral holding the companies started to prefer holding securities as collateral to cash; another reason are the current negative interest rates on cash holdings.

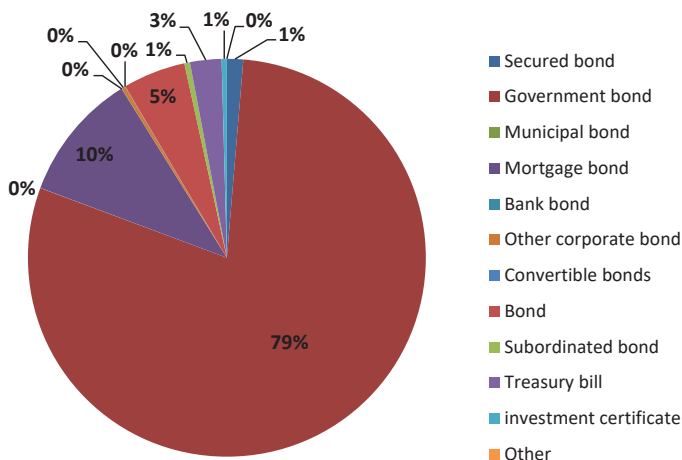
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Statistics of Composition of the Debt Securities Registered in CDCP

Overview of the structure of the debt securities credited to all types of accounts administered with CDCP as of 31 December 2015:

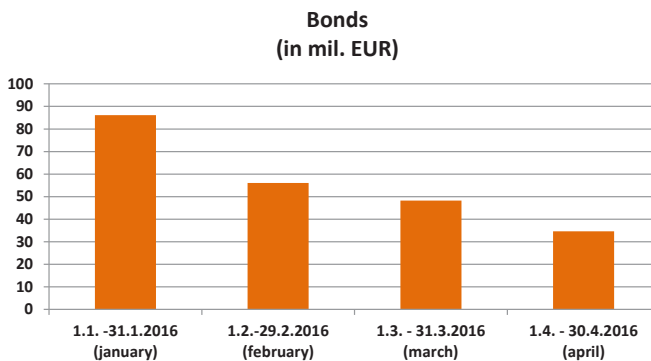
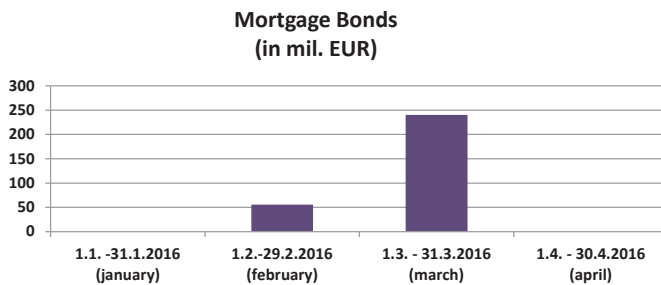
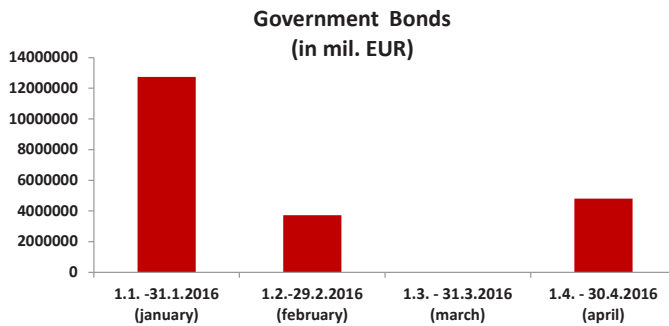
in mil. EUR	
Type of Bond	Value on Accounts on 31.12.2015
Secured bond	516.73
Government bond	30 968.13
Municipal bond	3.82
Mortgage bond	4 066.04
Bank bond	7.01
Other corporate bond	119.34
Convertible bonds	6.84
Bond	1 984.07
Subordinated bond	177.42
Treasury bill	1 000.00
Investment certificate	164.52
Total other types	-

Volume of Securities Bonds Credited to Accounts as of 31.12.2015



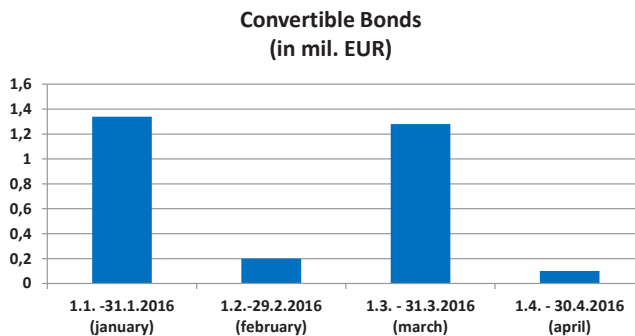
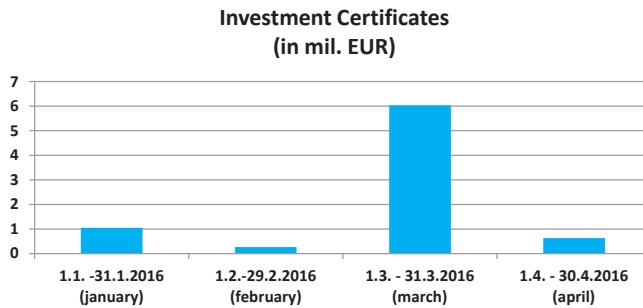
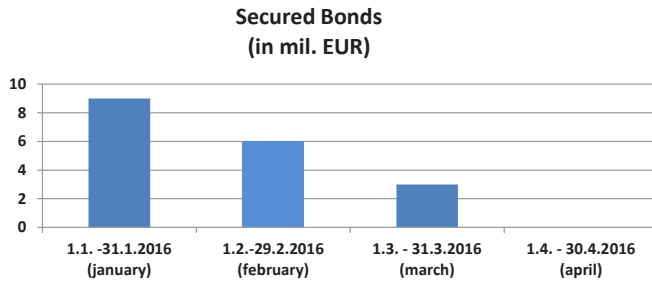
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The value of securities in millions EUR, which of the following types of debt securities were credited to accounts held at the CDCP in the period from January to April 2016:



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