

# CENTRAL SECURITIES DEPOSITORY

CONSOLIDATED VERSION

## RULES OF OPERATION OF THE CENTRAL SECURITIES DEPOSITORY

Skopje, April 2024

**This consolidated version of the Rules of Operation applies as from February 25, 2019.** It was determined on the basis of: the consolidated version of the Rules of Operation of the Central Securities Depository AD Skopje No. 01-6840/1 dated 11.12.2013; the Decision on Amendments and Addenda to the Rules of Operation of the Central Securities Depository AD Skopje no. 02-5759/1 from 01.12.2015; the Decision of the Securities and Exchange Commission of the Republic of Macedonia UP no. 08-159 from 28.12.2015 and the Decision on Acting Upon the Decision of the Securities and Exchange Commission of the Republic of Macedonia (UP no. 08-159 from 28.12.2015) no. 02-116/1 dated 11.01.2016; the Decision on Amendments and Addenda to the Rules of Operation of the Central Depository for Securities AD Skopje No. 02-6283/1 dated 13.11.2018; the Decision of the Securities and Exchange Commission of the Republic of Macedonia UP no. 08-69 dated 19.12.2018; Decision on Amendments and Addenda to the Rules of Operation of the Central Securities Depository AD Skopje no. 02-60/1 dated 30.01.2019 and Decision UP1 08-5 from 15.02.2019; as well as the Decision on Amendments and Addenda to the Rules of Operation of the Central Securities Depository AD Skopje no. 02-967/1 dated 06.03.2024 and Decision UP108-29 from 01.04.2024.

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## 1. MEANING OF THE TERMS

The terms listed below and used in these Rules, in the instructions and other acts adopted by the Central Securities Depository, as well as in agreements concluded with its members, the issuers and holders of securities, unless the content of individual provisions indicates otherwise, shall have the following meaning:

**Accrued interest:** interest on debt securities that should be compensated to the holder of the security by the buyer upon purchase.

**Securities exchange:** an authorized securities exchange.

**Blocking:** a procedure in line with which the Central Securities Depository designates the securities after the sale so that they may only be transferred on in a settlement procedure on the settlement date.

**Deletion of securities:** deletion of securities from the Depository, performed due to the maturity of a security (in cases of debt securities), dissolution of an issuer, changes in the issuer's status, etc.

**Gross settlement:** a settlement system under which the transfer of securities is performed separately for each executed transaction.

**Cross-check:** additional check of data entered as an electronic entry in the Central Securities Depository by way of comparison of such data with other databases maintained by relevant institutions in the Republic of Macedonia.

**Settlement date:** specified date on which the Central Securities Depository settles transactions in securities.

**Agreed (planned) settlement date:** a date that has been agreed as a settlement date between the participants in a trading transaction.

**Actual settlement date:** settlement date which is later than the agreed settlement date, since the trading transaction which was unsuccessful was settled in some of the subsequent settlements.

**Trading date:** date on which the trading in securities was executed.

**Securities issue:** issue of new securities in accordance with the Law on Securities.

**IT Center** is a place where information technology systems (hardware or software) are located through which business operations of the Depository related to the clearing, settlement and records of securities and other services and subsystems provided by the Depository are performed.

**Registration:** the procedure of registration of legal and natural persons that have expressed an interest in purchasing newly issued securities in a private placement of securities, and registration of securities through an authorized securities exchange in a procedure of public offering of securities.

**Representative:** natural person authorized under the law to dispose with securities on behalf of the holder.

**Closing an account:** the procedure applied by the Central Securities Depository to delete the electronic record on a holder of securities and his/her positions from the computer systems.

**Issuer:** a legal entity obliged and responsible to deliver on the obligations arising from the issued securities in the system of the Central Securities Depository.

**ISIN:** a unique, non-repeatable identification number assigned to securities under the international standards. Its structure is defined in ISO 6166. At an ISIN level, securities may be held in the depository with an active or a blocked status, depending on whether there is legal ground to suspend all actions associated with a given security (decision of a competent authority) at a given moment.

**Delivery versus payment:** a procedure of transfer of securities and money, ensuring that the transfer of securities is simultaneous and subject to payment, or full synchronization (simultaneous execution) of the transfer and the payment.

**Client of a member:** natural or legal person under whose order and for whose account a member of the Central Securities Depository executes a transaction in securities.

**Commission:** the Securities and Exchange Commission of the Republic of Macedonia.

**Computer system:** a software application by means of which the Central Securities Depository performs its functions and which operates on an appropriate hardware platform.

**Communication network:** a method of electronic connection of the Central Securities Depository and its members and regulated exchanges.

**Settlement finality and irrevocability:** legal protection in that the transfer of money and securities cannot be revoked.

**Finally failed transaction:** a transaction that has neither been settled within the deadline specified in the Law on Securities and these Rules, nor could it have been settled with the application of the Guarantee Fund Rules.

**User:** a legal or natural person using the services of the Central Securities Depository, without taking a direct part in the work of the Central Securities Depository.

**Corporate actions:** actions related to payment of dividend, interest and principal in the case of bonds (so-called distributive corporate actions), securities split or reverse split, merger, acquisition and other changes in status (so-called capitalization corporate actions), as well as privileges (e.g., preferred right to purchase securities) to which the holder of securities is entitled (so-called privileged corporate actions).

**Ordering party:** a holder of a securities account or a person authorized by him, who acquires or alienates any right registered on the securities account by filing the order for registration or change of ownership positions in the Central Securities Depository.

**Failed transaction:** transaction in securities that has not been settled by the agreed date of settlement.

**Net settlement:** a system of settlement of money by calculating all of the participant's obligations in the settlement on the settlement date arising from sale and purchase transactions.

**Non-trade transfers:** an act of transfer of ownership of securities that is not a result of a trade in securities (non-trade transfer under the Law on Securities and transfer of securities executed by the Depository on the basis of corporate actions in accordance with the Law on Trade Companies, records of restrictions on the transfer of restricted securities accounts and records of deletion of restrictions, payments made with denationalization bonds, transfer of securities from the issuer's account in the primary market, payment of dividend in stocks, stock borrowing, reduction in base capital by way of withdrawal of stocks, transfers from and to securities accounts that are not a result of change of ownership, and other acts as specified in the law).

**Authorized person:** an authorized broker or a person employed by a member of the Depository performing a function of a guardian (custodian) of assets and account operator in the Depository.

For the purposes of these Rules, **an authorized participant in the securities market** is a legal entity involved in the operation of the securities market, which is a member of the Depository as a stock exchange intermediary and which has received an appropriate permit from the Securities and Exchange Commission of the Republic of Macedonia.

**Restrictions and liens:** restrictions on disposal with the rights registered on the account of a holder of securities or the issuer.

**Account operator:** an operator of an account held with the Depository performs tasks of opening and closing accounts of holders of securities and of issuers and registration and transfer of securities on the accounts held with the Depository. Account operators may also be other participants in the work of the Depository who meet the requirements laid down in these Rules.

**Opening of an account:** a procedure in line with which an account is opened for the first time in the system of the Central Securities Depository in the form of an electronic record on a holder or issuer of securities. A securities account may be open in the Depository's system as follows:

- directly at CSD, at the request of: the future owner of securities, a member of the Depository that is a stock broker, an investment fund management company or a custodian member, on behalf and for the account of their clients. If the request for opening an account is submitted by a member of the Depository, the latter shall be responsible for cross-checking the customer identification data;
- through a stockbroker that is a member of the CSD, where the member is obliged to identify the applicant for opening an account. A stockbroker member of the Depository's system may only open a beneficiary account for securities;
- through the issuer of securities, in the process of recording issues of securities, if the owner does not have a previously opened account in the Depository; and
- by the Depository for the purposes of implementing these Rules.

The Depository regulates the procedure for opening accounts in separate Instructions issued by the Chief Executive Officer.

**Settlement period:** the time between the trading date (T) and settlement date (S).

**Power of attorney holder:** a legal or natural person authorized by the account holder or the issuer to act on their behalf.

**Cancelled registration:** transaction concluded on a regulated securities exchange in a procedure of an unsuccessful public offering of securities.

**Settlement:** final transfer of securities and money between the participants in the transaction by way of transfer of ownership positions on the securities accounts held with the Central Securities Depository and transfer of money on accounts held with the National Bank.

**Cross-border settlement:** the fulfillment of mutual obligations between CSD members and members of a foreign depository carrying out the settlement of transactions with securities, through the transfer of securities and/or funds in the CSD system and the foreign depository or foreign institutions that carry out settlement of securities, in accordance with the rules and instructions of both parties and an agreement entered into by and between depositories or between a depository and a foreign institution carrying out settlement of cross-border transactions.

For the purposes of cross-border settlement, CSD adopts special Rules for connection with foreign depositories or foreign institutions carrying out settlement of cross-border transactions in securities.

**Cross-border transaction:** a transaction concluded between CSD members and members of a foreign depository, for their own account or for the account of their clients.

**Forced settlement:** settlement of transactions in security accounts that are subject to restrictions not associated with the exercise of rights conferred in the securities (right to vote, dividend) or settlement of transactions in securities which are subject to restrictions of the disposal and are sold upon an order of a competent authority (authorized enforcement agents, Public Revenue Office). A transaction may not be subject to forced settlement if the restriction is a result of a court decision. Forced settlement also refers to settlement of transactions in securities that are not reserved.

**Status of issuers and securities:** CSD records of the status of issuers of securities, depending on whether they are active entities or bankruptcy or liquidation proceedings have been initiated against them or when another procedure resulted in the dissolution of the entity and/or its deletion from the Trade Registry.

- An active issuer status is the status of an issuer with full legal personality to act independently in legal transactions. Securities issued by an issuer with an active status can have an active status and, exceptionally, a blocked status in cases where the validity period of those securities has expired.
- A passive status of an issuer is the status of an issuer with full legal personality to act independently in legal transactions, when it is published on the website of the Central Registry of the Republic of Macedonia with regard to that particular issuer that conditions have been created for commencing a procedure of deletion of an inactive entity from the Commercial Registry, as well as for other reasons stipulated by the Law on Commercial Companies. Securities issued by an issuer with a passive status have an active status and, exceptionally, a blocked status in cases where the period of validity of the securities has expired. Issuers with a passive status are re-registered as issuers with an active or blocked one if the procedure before the Trade Registry results in an outcome in line with which the issuer may be assigned an active or blocked status.
- A blocked status is assigned to an issuer that:
  - has had a bankruptcy or liquidation procedure initiated against it or when another procedure has resulted in dissolution of the entity and/or its deletion from the Trade Registry, or
  - has transformed from a joint-stock company into another form of a trading company (unless it is an issuer of debt securities that has transformed into another form of a trading company other than a joint-stock company during the period of validity of the debt securities issued).

The status of securities issued by an issuer with a blocked status may only be blocked.

**Trade transfer of securities:** a system allowing for an electronic transfer of ownership of securities as a result of settlement of transactions in securities concluded on an authorized securities exchange or an over the counter market.

**Borrowing securities:** a procedure implemented in case of an insufficient number of securities on the sale side, and the Depository creates conditions whereby the members may obtain the required securities by means of borrowing from the client or the member holding such securities, in order to ensure that the transaction is settled. The Securities and Exchange Commission defines the general rules of the procedure, and the Depository issues detailed guidelines on borrowing securities.

**Temporary SIN (security identification number) Code:** number allocated by the Central Securities Depository for the purpose of identification of securities in respect of which there is a procedure of issue and registration under way. Following the completion of the issue and registration procedure, the temporary SIN is replaced with an ISIN (international security identification number) code.

**Allocation of trade transactions:** identification of holders of securities who have concluded transactions in securities by the members of the Central Securities Depository.

**Enforcement of pledge rights** refers to transfer of ownership of securities from the pledgor to the pledgee, if the requirements specified in the Law on Contractual Pledge have been met.

**Reservation:** a procedure referring to the sale of securities under which a member of the Central Securities Depository marks the securities of its client for sale.

**Log trail:** a procedure allowing for a chronological trailing of all changes in the data held in the computer system of the Central Securities Depository.

**Free ownership position:** a certain amount of securities that may be disposed with freely, or an amount of securities in respect of which there is no record in the Central Securities Depository of any lien registered.

**Settlement account:** a special account of a member of the Central Securities Depository held with the National Bank for settlement of cash obligations arising from concluded transactions in securities.

**Issuer's account:** an electronic record in the Central Securities Depository for registration and maintenance of the number of securities issued by the issuer and from which securities are distributed to the holders' accounts.

**Securities holder's account:** an electronic record in the Central Securities Depository identifying the holder of securities and their ownership positions. One holder of securities may only have one owner's account with the Central Securities Depository. Several types of accounts are open with the Central Securities Depository, for various purposes:

- **Owner's account** – a securities account with information on all types of securities held by a legal or natural person, foreign or domestic, which are free from liens. Holders of securities may use their respective owner's accounts solely for the purposes of trading and otherwise disposing (non-trade transfers) of securities.

- **Restricted account** – a securities account recording securities that the holder may not dispose of for various reasons (decisions of competent authorities, registered pledge over securities, etc.). Holders of securities may not use this account either for trading purpose or for non-trade transfers. As an exception, securities held on a restricted account may be traded if the restriction refers to some other right conferred in the ownership of securities that is not associated with exercise of such a rights (such as voting right, dividend), unless such rights are subject to a restriction imposed by a court decision. In cases where the disposal of the securities is restricted by an authorized entity (enforcement officer, Customs Administration, Public Revenue Office and other entities authorized by law), securities held on a restricted account may be disposed with only by that authorized entity.
- **Co-owners' account** – a securities account where securities registered are not fully owned by the account owner and are instead owned by other persons – owners as well. Ownership stakes of all owners are registered on the co-owners' account. Only one co-owner is registered as the account holder and as such, he/she has the right to disposal and execution of transactions from and to the co-owners' account but only based on a written consent by the other co-owners. The holder of the account is at the same time the person exercising the rights arising from the securities (dividend, payment of principal and interest).
- **Representative account** – a securities account opened with the Depository pursuant to the regulations pertaining to the issue of a legally appointed representative (e.g., in case of minors, individuals who have lost their business capacity, pension and investment fund management companies), or on the basis of a certified power of attorney by virtue of which the holder of securities grants the management and disposal with securities and the exercise of the rights attached to such securities to a third party - representative. The person represented is at all times the owner of securities held on the representative account.
- When a representative securities account is opened with the Depository, legally valid documentation is submitted, depending on the relation between the two persons (in case of minors, consent by the legal custodians, a Decision issued by the competent social care center in case of persons who have lost their business capacity, a Decision issued by the competent authority, such as SEC, etc., for pension and investment fund management companies). If the account operator opens a representative account with the Depository through an authorized participant, the latter shall submit an application with the Depository containing a statement by the authorized participant that the account is opened pursuant to an act issued by a competent authority.

The voting right conferred in securities registered on the representative account is exercised by the representative.

When a representative account is closed and the securities are transferred on the owner's account of the person represented, evidence is presented to the Depository that the legal grounds for representing the owner of the securities have ceased to exist.



- **Custodian account** - a securities account in the name of an authorized participant in the securities market or a bank that is a custodian of assets of pension and investment funds, opened on the basis of an agreement on safekeeping securities and/or an agreement on safekeeping of assets of pension and investment funds, on which ownership positions for the account of a third party are registered. The owner of securities on this account is never the authorized securities exchange participant and/or the bank which is the custodian of assets of pension and investment funds, but instead the person/s for whose account the authorized participant and/or the custodian bank of pension and investment funds' assets takes care of their securities (investor). When a custodian account is opened, the authorized market participant and/or the custodian bank of pension and investments funds' assets files an application with the Depository on a standard form prescribed by the Depository containing a statement by the authorized participant that the application is based on an agreement entered into with the client and a statement that the authorized participant has the necessary approvals and licenses issued by competent institutions. One authorized securities exchange market participant and/or a bank which is the custodian of assets of pension and investment funds may open only one custodian account for one investor. The rights and obligations associated with securities trading are regulated between the investor and the authorized participant.

If there are conditions in place warranting the replacement of the authorized participant and/or custodian bank of pension and investment funds' assets, the newly authorized participant and/or custodian bank of pension and investment funds' assets shall effect the change in the Depository by submitting the documents mentioned in the above article, along with evidence that the grounds for delivery of custodian duties by the previous custodian have ceased to exist.

The Depository shall not be responsible for maintaining ownership data on securities if an authorized securities market participant who acts as a custodian on the territory of the Republic of Macedonia opens a custodian account for providing custodian services in its name and for the account of a foreign custodian.

- **Portfolio account** - a securities account opened by an authorized securities market participant. Securities managed by the authorized participant on behalf and for the account of the investor - ordering party, which are segregated from the assets of the authorized participant shall be registered on the portfolio account. The owner of securities on the portfolio account is the investor - ordering party.

The portfolio account is opened with the Depository after an application is filed on a standard form prescribed by the Depository containing a statement by the authorized participant that the application is based on an agreement concluded with a client and a statement that the authorized participant has all necessary approvals and licenses issued by competent institutions.

A single investor may not have multiple portfolio accounts in the name of the same authorized securities market participant.

After the termination of the Agreement on managing a portfolio of securities, the authorized participant shall submit to the Depository a notification on the type and quantity of securities to be transferred onto the owner's account of securities held by the investor. If the agreement provides that the compensation for the authorized

participant be in securities, the authorized participant shall state in the notification submitted to the Depository which securities by type and quantity shall be transferred on the owner's account of the authorized participant.

An authorized market participant may open a portfolio securities account on behalf of an investment funds management company or an investment advisory company that is licensed by the Commission to manage a portfolio of securities. The authorized participant shall open the portfolio account on behalf of an investment funds management company and for the account of a client using the service "management of funds for the account of an individual client", or on behalf of the investment advisory company and for the account of a client using the service "management of portfolio of securities" at the order and for the account of an individual client, by applying the procedure specified in paragraphs 1 and 2 of this item. The owner of the securities is the client and they are segregated from the assets of the investment fund management company and the investment advisory company. When opening the account, the investment funds management company and the investment advisory company shall enter into a brokerage services agreement with an authorized securities market participant. After the expiry of the validity of the agreement on management of funds for the account of individual clients or the agreement on management of portfolio of securities at the order and for the account of an individual client, the investment funds management company and the investment advisory company shall submit a notification to the Depository specifying the type and quantity of securities transferred onto the owner's securities account of the client (if there are any securities left on the portfolio account).

An investment funds management company that is a Depository member and holds a license issued by the Commission, including management of funds for the account of an individual client/portfolio owner, may open a portfolio securities account on behalf of the investment funds management company by applying the procedure specified in paragraphs 1 and 2 of this item. After the expiry of the validity of the agreement on management of portfolio of securities, the investment funds management company shall submit a notification to the Depository specifying the type and quantity of securities to be transferred onto the owner's securities account of the investor.

- **Omnibus account** – this type of an account is opened in the name of the authorized securities market participant and/or in the name of a bank that is the custodian of the assets of pension and investment funds for the account of an individual non-resident client, or multiple nonresident clients.

One authorized securities market participant and/or the bank which is the custodian of assets of pension and investment funds may open one or several omnibus accounts with the Depository for an individual non-resident client or for multiple non-resident clients. The identity of the clients of the authorized securities market participant and/or of the bank that is the custodian of the assets of pension and investment funds whose securities are registered on the omnibus account is known only to the authorized securities market participant and/or the bank which is the custodian of the assets of pension and investment funds. The owner of securities is the client and they are segregated from the assets of the authorized market exchange participant and/or the bank that is the custodian of the assets of pension and investment funds.

The authorized securities market participant and/or the bank which is the custodian of the assets of pension and investment funds are liable for the accuracy of data required for the purpose of identification of non-resident clients whose securities are registered on omnibus securities accounts.

The omnibus account is opened after the authorized securities market participant and/or the bank that is the custodian of the assets of pension and investment funds file an application on a standard form prescribed by the Depository, containing a statement by the authorized participant that the application is based on an agreement concluded with the client, as well as a statement that the authorized participant has obtained all the necessary approvals and licenses issued by competent institutions without additional attachments.

The authorized securities market participant and/or the bank-custodian of assets of pension and investment funds shall - when initiating a business relationship - provide from their clients a statement that the client has been made aware of the legislation regulating the trading in securities, and in particular with the Law on Securities, the Law on Banks, The Law on Acquisition of Trading Companies and the Insurance Supervision Law, and shall establish an obligation on part of the client to submit data on the identity of the owners of securities/its clients upon first demand by the authorized participant.

The Depository shall execute the transfer of securities registered on another securities account onto the omnibus account following an application by the authorized securities market participant. Attached to that application shall also be an application by the holder of securities registered on another account.

The Depository shall transfer the securities from the omnibus to another securities account following an application by the authorized securities market participant and/or the bank-custodian of assets of pension and investment funds, who shall submit to the Depository a valid document containing identification data on the client and a request for transfer onto another securities account, signed by the client or his legal representative. The Depository shall execute the transfer of securities from one omnibus account to another omnibus, owner's, custodian or representative account in accordance with the filed request.

The right to see or reserve securities registered on an omnibus account may be exercised only by an authorized person employed by a member of the Depository in whose name the omnibus account is held.

**A cross-border settlement account** is an account open with the Depository in the name of foreign depositories or institutions that carry out settlement of securities. The depository opens the cross-border settlement account pursuant to an agreement entered into with a foreign depository or the state institution that performs settlement of cross-border securities transactions.

The identity of the clients whose securities are recorded on the cross-border settlement account is known only to the members of the foreign depository. The owner of the securities is the member or its clients and they are separate from the property of the foreign depository. The Depository shall transfer of securities from the cross-border settlement account to another securities account at the order of a member of

the Depository and in the manner and procedure regulated by the CSD Rules for connection with foreign depositories or foreign institutions that perform cross-border settlement of transactions in securities, as well as by separate Instructions issued by the Chief Executive Officer.

- **State account** – a securities account on which government securities are registered, that may be used under the legislation in force and at the order placed by state authorities and institutions for various purposes. This account is used solely for the purposes of receiving securities as payments. It is not used for any other purpose.
- **Unidentified owners account** – an account opened in the name of the issuer of securities on which securities of owners for whom the issuer is unable to provide accurate data are recorded. Until the submission of correct data to the Depository, the securities of such owners shall remain on the unidentified owners account. Joint-stock companies registered in the Trade Registry for the first time since the commencement of operations of the Central Registry of the Republic of Macedonia must submit complete data for all shareholders.
- **Group sell and buy account** - securities accounts opened in the name of a Depository member and used for the purpose of settlement of group and block trades.
- **Unidentified owners account** – an account opened in the name of the issuer of securities on which owners of securities are registered in respect of whom the issuer is not in a position to provide accurate data. Until accurate data are submitted to the Depository, securities of such owners are retained on the account for unidentified owners. Joint stock companies registered for the first time in the Trade Registry must submit full data on all stockholders after the commencement of operations of the Central Registry of the Republic of Macedonia.

**Account holder:** a natural or a legal person in whose name the securities account is held.

**Ownership position:** a given quantity of securities registered on a securities account.

**Custodian bank or Custodian:** a bank that provides services of custody over securities (safekeeping of securities, which entails opening and maintenance of securities account in its name and for the account of a client in the Depository, opening and maintenance of securities accounts for its clients who are not owners of the said securities for the account of their clients, and other securities related services at the order of a client (payment of due receivables by issuers arising from matured securities, interest and dividend for the account of holders of such securities, notification of shareholders' assembly dates and representation at such assemblies, payment of tax liabilities of the client arising from securities held by the client, and the like).

**Ticker code:** a designation of a security assigned by a regulated securities exchange.

**Trading in securities:** sale or purchase of securities in exchange for cash assets.

**Over the counter trading** - trading which is not executed on an exchange or another publicly organized market.

**Clearing:** a procedure of calculation of obligations arising from the executed transactions in securities and the procedure of preparation for the settlement of transactions by checking the availability of the required securities and money.

**Central Securities Depository Member:** a legal entity that may issue instructions for transfer of securities and money in the system in accordance with established rules, through the Central Securities Depository.

**Central Securities Depository (CSD):** institution in charge of administration of a registry of securities in the Republic of Macedonia and of clearing and settlement of obligations arising from the executed transactions in securities, which also provides additional services to issuers.

## 2 GENERAL PROVISIONS

- 2.1 These Rules shall regulate issues pertaining to: the function and services performed by the Central Securities Depository (hereinafter: Depository); the rights and obligations of the Depository in the performance of its functions; registration of issuance of securities in the form of an electronic record; registration of the rights (including ownership) attached to securities; opening securities accounts; registration and change of ownership; clearing and settlement of securities transactions; the rights and obligations of Depository Members; notification of issuers and holders of securities; method of protection against errors made by the Depository in the performance of its functions; and other issues under the remit of the Depository, as well as the provision of additional services.
- 2.2 The Depository provides the following services to its members and to issuers and holders of securities:
- registration of securities in the Depository;
  - notification of issuers and holders of securities of the balance on their accounts;
  - clearing and settlement of obligations arising from securities transactions;
  - delivery of services associated with corporate actions;
  - other services associated with ownership and transaction of securities which are under the remit of the Depository.

The method of provision of services by the Depository is regulated with these Rules and the instructions issued by the Depository.

Membership requirements, the method of dispute resolution (arbitration) and termination of membership, as well as the special code of conduct and discipline are regulated with separate rulebooks issued by the Depository in accordance with the Law on Securities.

- 2.3 In the performance of its activities, the Depository abides by the following principles:
- reliability and efficiency in the administration of the registry of securities
  - seamless settlement of trade transactions;
  - honesty in conducting its business;
  - right of every applicant fulfilling the requirements to become a member of the Depository;
  - equality and parity of members of the Depository and the users of its services;
  - regular reporting of the members of the Depository and the users of its services;
  - efficient and amicable resolution of disputes between the Depository and its members, the issuers and holders and between the members.
- 2.4 The Depository is responsible for proper and timely performance of all of its obligations pertaining to the entry of orders made by holders of accounts and by members of the Depository in a manner and within the terms specified with these Rules and the instructions issued by the Depository.

The Depository is responsible for protection and safety of data held on securities account.

The Depository is liable for the damage, including lost profit, which has occurred as a result of inaccuracy or loss of data on securities maintained in an electronic format.

- 2.5 The data maintained by the Depository shall as a rule be considered confidential. The Depository, its bodies and employees shall keep the confidentiality of data they have obtained in the performance of their work.

The obligation of entities explained in the foregoing paragraph of this point referring to the keeping of data confidentiality shall remain in effect after their employment has been terminated or their duty discharged, though for not longer than five years.

- 2.6 The Depository shall not be held liable for any oversights or delays in the provision of services if the oversight or delay has occurred as a result of force major, a decision by a state authority or for other reasons beyond its control.
- 2.7 The Depository has an adequate information, computer and communication system for registration of securities, settlement of trade transactions and execution of non-trade transfers of ownership. To ensure efficient and secure operation, the Depository takes measure of physical protection of data in its computer system, designs software solutions for controlled access by the members to the system and an efficient data backup system.
- 2.8 The Depository provides a software solution for tracking of every access and changes made by authorized persons in the Depository in a chronological order (activity tracking).

The original documentation constituting the grounds for making entries and changes in the database shall be kept by the Depository for a period of not less than five years.

- 2.9 For the purposes of ensuring maximum accuracy of data entered in the Depository, data cross-checks are made with the databases maintained by other bodies and institutions maintaining registries and records of public legal character.

### **3. MEMBERS OF THE DEPOSITARY**

- 3.1. Members of the Depository (hereinafter: members) may be brokerages, banks, insurance companies and fund management companies.

Members may use all the services provided by the Depository on behalf and for the account of their clients or on their own behalf and for their own account, within the scope stipulated in the license for providing securities related services, issued by the Securities and Exchange Commission of the Republic of Macedonia or the National Bank of the Republic of Macedonia. The requirements and the procedure of admission as a member, as well as membership termination, are specified in separate Membership Rules of the Depository.

- 3.2. The rights and obligations of the Depository and its members are specified in these Rules, the Membership Rules and the Code of Conduct and Discipline, as well as in the instructions issued by the Depository.
- 3.3. In their legal relations with the Depository, with the other members of the Depository and with their clients, the members shall fully respect and apply the provisions of these Rules, of the Membership rules, the Code of Conduct and Discipline, the Instructions issued by the Depository, the Tariff List, and the other legal acts of the Depository.

- 3.4. Depository members shall immediately notify the Depository of all changes that may impact their participation in the operations of the Depository.
- 3.5. Members shall settle their financial and other obligations to the Depository and the other members of the Depository in an orderly and timely fashion, as well as in the manner and under the terms specified in these Rules, instructions and other acts.

The Depository shall settle its financial and other obligations to its members in an orderly and timely fashion, as well as in the manner and under the terms specified in these Rules, instructions and other acts issued by the Depository.

- 3.6. Depository members shall be fully liable to their clients whom they represent and under the obligation to compensate the damage in cases of illegal actions, negligence or failure to deliver on the obligations towards their clients, including cases where a member has taken advantage of a client's account in the Depository against the rules and without an authorization.

When selling securities, the member of the Depository shall register its authorization regarding the securities account of his client in the Depository's system, which enables it to reserve the necessary number of securities for future sale.

The authorization is valid for a certain period depending on the client's order; following the expiration of that period, the information system shall automatically delete the authorizations from the account of the holder of securities.

Once the authorization is deleted, the member of the Depository cannot make a reservation for future sales or inspect the account of his client.

The Chief Executive Officer shall adopt the detailed procedure of recording the authorizations, along with technical instructions.

- 3.7. Depository members who have access to the computer system of the Depository shall act in accordance with the instructions issued by the Depository and specifying the technical standards of the computer and communication equipment for access to the computer system of the Depository, including the use of a program support provided by the Depository.

Depository members shall as a minimum provide one workstation, on which the Depository software application shall be installed.

An authorized broker, a person employed by a custodian member or a person employed by an OTC member may access the Depository's computer system only on behalf of one member of the Depository at a time.

Members shall access the Depository's computer system through the Depository's software application and/or through another electronic communication medium that is compatible with the Depository's computer system. Depository members shall abide by all safety measures for access to the computer system and data protection against unauthorized use by third parties, as well as by other measures specified in the instructions issued by the Depository.

Depository members are liable for the actions of their employees that are contrary to these Rules and the instructions issued by the Depository.



- 3.8. The Depository shall send notices to all its members in a manner and under the terms prescribed in these Rules.

Members shall verify the accuracy and completeness of all notices received from the Depository and notify immediately the Depository if they have not received the notice within the specified deadline or if they challenge the accuracy of data or the completeness of the notice.

If a member does not challenge the accuracy and completeness of the notification within 24 hours following the receipt, it shall be considered that the member has confirmed the accuracy and completeness of the notice and that it has waived its rights to challenge errors or oversights in the notice.

- 3.9. Employees of the members of the Depository who in the course of their work gain access to data associated with its operation shall keep the data confidential.

The obligation laid down in paragraph 1 of this Article shall remain in effect after the termination of employment with the member of the Depository, but no longer than five years.

- 3.10. The Depository shall submit a document (invoice) to the entities to which it provides the services specified in item 2.2 paragraph 2, along with a calculation of the fee for the service delivered by the Depository, which the entities shall pay.

The fees for the provision of services by the Depository are specified in a tariff list.

- 3.11. The Tariff List of the Depository shall be approved by the Commission.
- 3.12. The Tariff List of the Depository shall be published on the web site of the Depository.
- 3.13. The members and the Depository shall invest efforts so settle their mutual disputes amicably.

In the event of a failure to settle a dispute, the court of substantive and territorial jurisdiction shall be the court of competence.

- 3.14. The Depository shall have a telecommunication link with its members via telecommunication lines.
- 3.15. In the event of interruption of the telecommunication lines with the members and their inability to access the Depository's computer system, the members shall act according to the instructions of the Depository, which shall receive and carry out requests of the members to open accounts for securities and record authorizations regarding the accounts for securities of the securities holders, as well as reservations of securities for future sale. Requests for opening securities accounts, recording authorizations and reservations of securities shall be submitted by the members by e-mail to the Depository or telefax.
- 3.16. In case of detection of technical issues related to the functioning of the software application of the Depository, the members are obliged to notify the Depository immediately by telephone or telefax. In the event of technical problems, the members

are obliged to submit a more detailed written description to the Depository as soon as possible and to cooperate with the Depository in order to eliminate the problem.

- 3.17. In the sense of item 3.1 of hereof, the following entities may be members of the Depository:
1. A brokerage house, bank or subsidiary of a foreign brokerage house (exchange intermediary), which has obtained a license from the Securities and Exchange Commission as an authorized participant in the securities market and trades on an authorized securities exchange;
  2. An investment fund management company that has obtained a license from the Securities and Exchange Commission for the performance of securities portfolio management services;
  3. A bank without a license to work with securities issued by the Commission, provided that the bank uses the services of the Depository solely for the settlement of transactions in securities concluded on over-the-counter markets organized by the National Bank of the Republic of Macedonia (OTC Member); or
  4. A bank with a license issued by the Governor of the National Bank of the Republic of Macedonia for the provision of custodial services related to pension and investment funds' assets and securities, or an authorized participant in the securities market with a license issued by the Securities and Exchange Commission for custodial services related to securities (Custodian Member).

#### **4. REGISTRATION OF SECURITIES**

4.1. The Depository maintains records on: securities issued and ownership positions; the rights of holders of securities; the unique identification of securities and their holders; any restrictions in the exercise of rights; and rights of third parties associated with securities and other data pertaining to such rights, and executes transfers on securities accounts and provides other services associated with the maintenance of records of securities.

The procedure of registration of securities specified in these Rules and the instructions issued by the Depository shall also apply to the issue and registration of foreign security certificates.

4.2. All securities are registered in the Depository in a procedure, conditions and manner specified in these Rules and in the instructions issued by the Depository and in line with secondary legislation issued by the Commission. The Chief Executive Officer of the Depository issues the instructions on registration of securities requiring a procedure and special documentation for registration in accordance with these Rules.

In addition, the Depository drafts technical instructions on the use of the computer system, which it submits to its members. The technical instructions are updated after each computer system upgrade.

The instructions on registration of securities and the technical instructions on the use of the computer system shall be submitted to the Securities and Exchange Commission of the Republic of Macedonia within three days following the issue date.

4.3. Each security is assigned an ISIN number upon registration in the Depository. ISIN numbers contain data on the issuer, the rights of the holders attached to the security and other elements of the security.

The procedure, the conditions and the method of assigning ISIN numbers are specified in instructions issued by the Depository.

The Depository initially assigns a temporary SIN number to each new issue in respect of which the procedure is under way for the purpose of identification of the security during the registration procedure. Following the issue, the Depository assigns the international ISIN number.

4.4. Securities are registered on accounts held with the Depository.

For the purposes of registration of securities specified in paragraph 1 of this item, the Depository shall open accounts to the issuers and holders of securities.

Opening and closing of securities accounts, registration, changes and deletion of ownership positions on the accounts of holders of securities, as well as other actions associated with any changes that may have taken place on the accounts held with the Depository shall be performed by a single account operator.

The method and procedure of opening and closing of accounts and the types of accounts held with the depository are prescribed in the law, in these Rules, and in the Instructions of the Depository.

In the event of an appeal against a decision of the Securities and Exchange Commission on registration in the Depository of the issuer's shareholders registry, the Depository shall make an entry into the shareholders registry after the decision issued by the Commission becomes effective, unless the Commission decides that the entry shall be done prior to that.

At a request made by the issuer of securities, the Depository shall submit a special report on all transfers of ownership of stocks issued by that particular issuer for a specified period. The report shall be submitted within three days following the date of receipt of the request.

4.4a An issuer is assigned a passive status after an announcement on the website of the Central Registry of the Republic of Macedonia that the requirements for starting a procedure for deletion of an inactive entity have been met, i.e. deletion due to other reasons stipulated in the Law on Trading Companies. About the determined passive status of the issuers, the Depository notifies the issuers assigned a passive status thereof.

4.5. The data on the issuer registered in the Depository contain information on:

- name, abbreviated name and registered office of the issuer;
- other data for identification of the issuer as required by the instructions;
- ISIN number;
- type of security;
- total number of issued securities;

- nominal value of the security;
- total value of securities by ISIN number;
- rights and obligations attached to the security
- any restrictions in the exercise of the rights and time limits for discharge of obligations of the issuer.

4.6. The account of the security holder contains data on:

- holder's account number;
- data for identification of the holder (for a natural person: name and surname, address and UPIN, and for legal entities: name, registered office and Entities PIN);
- ISIN number of the security held by the holder, type of security, series and class
- total number of securities by ISIN number and their nominal value;
- rights attached to securities held by the owner of the account;
- any restrictions in the exercise of the rights;
- rights of third parties attached to the securities (pledge and the like) and
- other data associated with the rights attached to securities, restrictions on the transfer and disposal-prohibiting injunction.

4.7. In any new securities issue, the issuer shall submit to the Depository an approval by the Securities and Exchange Commission. If the issue amount is lower than EUR 25,000, the issuer submits to the Depository a decision by the issuer's competent body on issuing securities.

After the receipt of the decision of the Commission on a new issue of securities by way of public offering, the Depository assigns a temporary SIN code to the securities in the amount equivalent to the number of securities or in the amount equivalent to the number of lots specified in the decision on the new issue. When submitting the decision, the issuer of the new issue submits to the Depository an agreement with a commercial bank for opening a special account for the purposes of receiving money during the subscription procedure. The issuer must waive with the agreement the right to dispose with the money held on the special account and authorize the Depository to receive notifications of any inflows on that account and to dispose with the funds after the receipt of the Decision on entry of the basic capital increase issued by the Central Registry of RM. The Depository manages the funds on the special account by way of a written order given to the commercial bank.

The authorized securities exchange participant who in the procedure of public offering participates on the purchase side receives payments made by the persons who have subscribed to securities on its settlement account held with the National Bank. The amount of money paid by the persons who have subscribed to the security in one trading day and accumulated on the settlement account of the authorized participant held with the National Bank shall be credited by the authorized participant to the special account of the issuer designated for receipt of money, as specified in the foregoing paragraph of this item on a daily bases, not later than by 15:00 hours. The amount of money paid into the account of the authorized participant by the persons who have made an order for purchase of publicly offered securities and whose order has not been executed shall be returned by the

authorized participant by not later than 9 o'clock on the next business day on the accounts of persons who have placed orders.

Following the expiry of the subscription deadline, the Depository shall notify the Commission and the issuer on the number of subscribed securities and the amount of money on the special account of the issuer.

If the issue is successful and following receipt of the decision on registration of the basic capital increase issued by the Central Registry of RM, the Depository shall instruct the commercial bank with which the special account has been opened to transfer the funds to a regular account of the issuer, while transferring at the same time the securities to the securities accounts of the persons who have subscribed to the new securities issue. If the issuer's own shares are sold through the public offering, the obligation of the Depository to exchange money for securities shall arise after the issuer shall have submitted a notification of subscribed and paid-in securities.

The issuer shall submit to the Depository evidence that a notice of subscribed and paid-in securities has been submitted to the Commission and an announcement has been made to the public. Within 2 days following the decision on entry of the basic capital or the notice of subscribed and paid-in securities, the Depository shall effect the settlement in accordance with paragraph 4 of this point.

If the public offering of securities (issue or sale of own stocks) is not successful, the Depository shall instruct the commercial bank where the special account of the issuer is held to return the funds to the accounts from which payments have been made, immediately after the receipt of the notification of subscribed and paid-in securities. Immediately after the receipt of the money on its settlement account held with the National Bank, the authorized participant shall return the funds to the accounts of persons who subscribed to the security. The Depository shall record all such subscriptions to securities as cancelled subscriptions.

In the event of a failed public offering of securities, the funds shall be returned together with the total amount of the deposit interest rate on the amount of money paid for all the persons who subscribed to the publicly offered securities with an authorized participant. The Depository shall order within 6 days the commercial bank to pay the said amount on the account of the authorized participant, who will in turn distribute the money within 6 days to each person who subscribed to the securities proportionally to the amounts of money paid-in for the subscribed security.

Once the issue is registered with the Central Registry, the issuer shall submit to the Depository an extract from the registration of the issue in the Trade registry.

Securities issuers who under the law are not under the obligation to submit an application for approval for a securities issue, nor do they have an obligation to submit a notice to the Commission, shall submit to the Depository an act of issuance (decision), a prospectus, and a list of persons who shall acquire the securities. The issuer shall provide identification data on every person as specified in item 4.6 of these Rules.

Once the issue is registered with the Central Registry, the issuer shall submit to the Depository an extract from the registration of the issue in the Trade registry.

Securities issuers who under the law are not under the obligation to submit an application for approval for a securities issue, nor do they have an obligation to submit a notice to the Commission, shall submit to the Depository an act of issuance (decision), a prospectus, and

a list of persons who shall acquire the securities. The issuer shall provide identification data on every person as specified in item 4.6 of these Rules.

If the object of the public offering are the issuer's own stocks, the Depository shall freeze the stocks on the issuer's account and assign a temporary SIN code for the amount mentioned. The provisions of this item on new issues shall apply to all other matters.

In line with its own Rules, the National Bank of RM regulates the procedure of issuance and over the counter trading in securities issued by the National Bank or the Ministry of Finance of the Republic of Macedonia.

Having received the documentation of paragraph 1, the Depository shall assign an ISIN number to the issuer for that particular issue. If the issuer does not hold a securities account, the Depository shall open a new securities account for it. If those are securities of the second or subsequent series conferring the same rights as the security already issued by the same issuer, the Depository shall not assign a new ISIN number by it shall attach the newly issued number of securities to the existing ISIN number.

After the securities issue subscription period is closed, the Depository shall register the paid-in securities as ownership positions on the accounts of securities holders, while adhering to the delivery-versus-payment principle. If a security holder does not have a security account, the Depository shall open a security account for it.

4.7a In each case of registration of new stocks and basic capital increase resulting from changes in the status as laid down in the Law on Trading Companies, the Depository shall request from the issuer a decision issued by the relevant authority in charge of registration in the Trade Registry, as well as an approval of the securities issue extended by the Securities and Exchange Commission.

When a new trading company is established or its basic capital is increased with a non-monetary contribution consisting of securities, the Depository shall effect the transfer of securities from the securities account of the owner /founder to the securities account of the newly founded or existing trading company following the submission of the registration from the Central Registry / Registry of Trading Companies and other legal entities. This procedure shall also be applied in cases of basic capital increase or establishment of a trading company with in-kind contributions consisting of stocks registered in the Depository, whose registered offices are abroad, after the submission of the registration of the change perfected in the original registry of the company being established or following the increase of its basic capital with an in-kind contribution.

When a new foundation is established or the basic capital is increased with a non-monetary contribution consisting of securities, and the foundation is with headquarters and establishment in accordance with the relevant regulations of the Republic of North Macedonia, the Depository shall transfer the stocks from the owner-founder's securities account to the foundation's securities account, upon submission of registration from the Central Registry / Registry of Trading Companies and other legal entities.

When a new trading company is established or its basic capital is increased, or when a new foundation is established or in case of increasement of the basic capital of a foundation, both headquartered in the Republic of North Macedonia, the owner of the securities shall submit a notarized statement to the Depository confirming that the securities are invested in a trading company or foundation. With the statement the owner shall agree to impose a restriction on disposal until the securities are transferred to the ownership of the trading company or foundation.

Basic capital decreases and other corporate actions executed in accordance with the provisions of the Law on Trading Companies (stock split or reverse split, etc.), the execution of which affects the stocks already registered as issued by the trading company, shall be registered in the Depository after the submission of the registration in the Central Registry / Registry of Trading Companies and other legal entities.

When there is a transformation of a joint stock company or a company limited by shares into a trade company with a different status, the stocks issued by that company shall be removed from the active system of the Depository, and statements of securities accounts shall not be sent to the holders or the issuer.

4.8. A separate account for registration of restrictions and liens on securities and other accounts may be opened in the Depository if the law so provides, or in line with a decision issued by a competent authority or in line with these Rules.

Other accounts may also be opened in the Depository.

4.9. The procedure of registration of securities on the accounts in the Depository entails the following actions:

1. Receipt of the application with the relevant attachments filed by the ordering party and determination as to whether they are complete, in order and regular;
2. Entry of the application in the Depository;
3. Notification of the made entry.

The Depository performs these actions in a procedure and in a manner specified in a separate instruction.

4.10. The holder of the account or a person he/she authorizes may issue instructions for registration of securities on the owner's account or for any changes on the account.

4.11. If the object of the registration on the account is a final and effective decision of the court or an enforcement officer or a body of the state administration received directly from the body that has made the decision, the account operator shall fill in the order and make

the requested registration or changes on the account of the holder of securities, after the order has been signed by an authorized person.

4.11a In cases of enforcement based on a court decision on seizure, appraisal and sale of stocks to settle claims of creditors, the Depository shall act in accordance with the Enforcement Procedure Law (Official Gazette of RM, number 59/2000) and the Law on Enforcement.

4.12. Once it has been established that the order has been duly and completely filled in, entry is made in the Depository based on the data stated in the order. An account operator shall execute the entries of orders in the Depository.

Entries of data on the accounts in the Depository shall be made in accordance with these Rules, the instructions and other acts issued by the Depository.

4.13. Ownership positions and changes that takes place with the entry of the order on the accounts in the Depository produce a legal effect from the moment of entry on the accounts in the Depository (principle of constitutionality).

4.14. Changes in the accounts maintained by the Depository may take place only:

- based on trading in securities;
- based on non-trade transfers.

4.15. Change of ownership of securities is effected by way of transfer from a free ownership position on the securities account of the existing holder to the securities account of the new holder.

4.16. Transfer of ownership of securities arising from trading in securities shall be executed by way of transfer from the account of the seller of securities to the account of the buyer of securities, as a result of the procedure of clearing and settlement of transactions in securities specified in these Rules.

4.17. Transfer of ownership of securities arising from non-trade transfers shall be executed based on orders made by the account holder, a final and effective decision by the court or a competent state administration authority, inheritance, gift, and enforcement of a pledge right.

In case of entries on securities accounts described in the previous paragraph of this item, relevant documentation shall be attached to the order.

4.18. Transfer of ownership of securities based on inheritance, gift and other grounds that are not linked with organized trading shall be performed by the account operator, by way of transfer of securities from a free ownership position of the granting party to the account of the receiving party. Inheritance, gift and other basis which are not linked with organized trading, are registered on the basis of an act duly issued by the court, or on the basis of a notary certified agreement and a competent authority.

4.18.-a Transfer of securities held by self-employed persons, artisans and other entities registered as self-employed, in the event of termination of their activity, shall be effected by way of transfer of securities from the account of the previous holder to the account of the



self-employed person, artisan and other entities registered as self-employed pursuant on the basis of a decision on termination of activities issued by the competent Ministry.

4.18.-b Restrictions on disposal with securities of joint stock companies held by the Fund for Pension and Disability Insurance are executed only on the basis of a final court decision and an act issued by a competent authority.

4.19. Entries shall also be made in the Depository of any changes in the ownership positions on securities accounts referring to acquisition of rights attached to securities as well as of changes in ownership positions for the purposes of entry of other facts important in relation to legal affairs associated with securities. Such changes are with reference to the entry of pledge over securities (fiduciary transfer), interim measures of injunction prohibiting disposal of and lien on securities for the purposes of seizure and mandatory enforcement of securities. In addition to the changes mentioned above, the account operator shall also make the adequate entry onto the account of the holder pursuant to a decision by a court or another competent authority and other effective executive title document, certified agreements, if it is a case of facts of significance having an impact on legal matters associated with securities.

4.20. The method and the procedure of entry of pledge over securities on the account of the owner in the Depository shall be agreed between the Depository and the Collateral Registry.

In the event of an enforcement of a pledge, the Depository shall effect a transfer of pledged securities from the securities account of the pledgor to the securities account of the pledgee, only if the conditions and the procedure provided in the Law on Contractual Pledge have been met and carried out in full. The transfer shall be effected in the Depository by way of a non-trade transfer, provided that the following documentation is submitted:

- Application for a transfer of ownership of securities by a certified notary
- Record of acquisition of the right of ownership on a pledged item drafted by a certified notary, to which all evidence required under the Law on Contractual Pledge shall be attached,
- Pledge agreement with a clause confirming the consent of the debtor to the transfer of pledged securities in accordance with Article 23 of the Law on Contractual Pledge,
- Confirmation on notification sent to the debtor that the creditor has initiated a procedure for enforcement of the pledge.

The transfer shall be effected in a regular procedure of settlement if it is a case of enforcement of a pledge by way of sale of pledged securities and settlement of the pledgee from the proceeds of securities in accordance with item 5.30 hereof.

In both cases of enforcement of a pledge, the new holder of securities shall acquire securities free of any restrictions.

4.20-a. Transfers of securities that were owned by a commercial company deleted from the Commercial Register based on Article 552-a and 552-b of the Law on Trading Companies shall take place if the following documentation is submitted to the Depository:

1. Decision on deletion of the trading company issued by the Central / Trade Registry and Registry of Other Legal Entities

2. Current status statement regarding the deleted entity issued by the Central Registry on who were the owners of units/shares in the trading company that was deleted at the time of the deletion of the trading company from the Trade Registry

3. A Public Notary verified Agreement with an enforceable clause on the distribution of securities between the owners of units/shares or a Public Notary verified Statement from the owner of the units/shares if the trading company was founded by one person.

The depository shall effect the transfer of paragraph 1 of this item if the necessary documentation is submitted within one year from the day of the adoption of the decision on deletion.

4.21. Registration on the account of the holder of securities for the purposes of seizure and sale of securities to enforce mandatory collection of claims shall be effected by the Depository pursuant to an order issued by the court of competent jurisdiction or an enforcement officer, clearly designating the securities of the account holder and including an injunction prohibiting disposal of or establishing lien on the securities seized.

4.22. Registration on the account of the holder of securities for the purposes of enforcing an interim measure of injunction prohibiting disposal of or establishing lien on securities shall be effected by the Depository by means of designating the account of the owner pursuant to an order issued by a basic court and for the purposes of securing in kind settlement to the benefit of the creditor. Following the registration of the interim measure, the holder of the account in the Depository shall not be allowed to dispose of or establish a lien on the said securities, nor shall registration on the account on the basis of an order made by the owner be allowed.

4.22. Registration on the account of the holder of securities of an interim measure and mandatory collection against securities shall be made on the account of the holder of securities in the Depository, pursuant to an order issued by the court of competent jurisdiction or the competent authority that has issued the decision on registration of the interim measure or mandatory collection.

Following the designation of a blocked ownership position, no subsequent registration based on an order of the account holder shall be allowed.

4.23. Registration on the account of the holder of securities of a new power of attorney holder shall be made by the issuer or the Depository pursuant to a duly issued order by the holder of the account / grantor of the power of attorney for the purposes of registration of data by the voting holder of the power of attorneys.

The power of attorney holder shall be registered in the Depository on the account of the holder of securities based on a power of attorney granted by the account holder.

4.24. Deletion of securities from the accounts maintained in the Depository shall take place based on a verified order issued by the authorized body of the issuer or pursuant to a court decision.

4.25. The authorized body of the issuer may request deletion of a specific security only in cases of corporate actions arising from changes in the status that give rise to termination of the validity or replacement of the said security.

4.26. The Depository shall delete a specific security pursuant to a final and effective court decision.

4.27. The Depository shall delete a specific security after all the obligations associated with the said security have been settled in a manner and under the terms specified in the instruction issued by the Depository.

4.28. An account of a securities holder in the Depository shall be closed when no ownership is any longer registered on that account.

4.30. Closing of an account of an issuer of securities is done in the Depository pursuant to an order issued by a court of competent jurisdiction with a final decision on completion of a bankruptcy or liquidation procedure, as well as pursuant to an effective decision on conversion of the company into another form of trade company, issued by the competent body of a joint-stock company and registered in the Trade Registry.

4.31. Opening and closing of securities accounts, registration, changes and deletion of ownership positions on/from the accounts of security holders, as well as other actions related to changes on the accounts maintained in the Depository shall be done solely by the account operator.

4.32. The account operator shall take actions having conducted checks of whether the order mentioned above is complete, in order and valid, and in particular of:

- the identity of the ordering party;
- the correctness and character of the power of the authorization;
- the validity and correctness of the order;
- whether the ownership position is free.

4.33. Under these Rules, only the account operator and the authorized broker may reserve ownership positions on the securities accounts after they have been granted the authorization thereto by the holder of securities or his/her legal representative.

The authorization may refer only to the reservation of securities for future sale, or only to insight into the balance of the securities account, or both to reservation and insight to the securities account.

In addition to the authorized broker and the Depository, the right to insight to omnibus and custodian accounts may also be granted to an authorized person in employment with a member of the Depository performing a function of a guardian of assets (custodian), with regard to omnibus and custodian accounts opened in the name of the said member.

The authorization shall be registered on the securities account by an authorized broker or by the account operator, at a request of the securities account holder.

The authorization for only insight or only reservation, or for both insight and reservation on a restricted account may be registered only by the account operator, at a request of an authorized broker or an authorized person in employment with a member of the Depository performing a function of a guardian of assets (custodian), with regard to and custodian accounts opened in the name of the said member.

4.34. The account operator and the broker shall make reservations of ownership positions on accounts of a holder of securities based on an order placed by the account holder.

4.35 The Depository shall automatically freeze ownership positions on the account of the holder after having received information from the Exchange on the executed transactions in securities.

4.36. The accounts operator in the Depository shall notify the ordering party of any identified errors, authorizations and other documents submitted to the Depository and shall provide it with the said documents for potential corrections, modifications and additions.

The account of an issuer that is a subject to a bankruptcy procedure shall be removed from the active system of the Depository, and the issuer and the account holders shall receive statements of the balance on their security accounts.

The issuer's account shall be retained in the historical database of the Depository until the completion of the bankruptcy or liquidation procedure.

4.37. As an exception, the account operator may make corrections of any obvious errors identified, pursuant to the regulation on personal data protection.

## **5. CLEARING AND SETTLEMENT OF TRANSACTIONS IN SECURITIES**

5.1. The Depository shall perform clearing and settlement of transactions in securities.

5.2. The object of clearing and settlement in the Depository shall be all transactions in securities executed on a regulated securities exchange AD Skopje (hereinafter: Exchange) and on securities markets regulated by the National Bank of the Republic of Macedonia (over the counter markets).

5.3. Transactions in securities executed on the Exchange are settled in accordance with the Law on Securities and the Exchange procedures on the intended settlement date.

Transactions executed on over the counter markets shall be settled in accordance with the secondary legislation issued by the National Bank of the Republic of Macedonia.

5.3.-a Settlement of transactions in the case of sale of state owned capital, when the seller is a state authority and the buyer is a foreign natural or legal person may also be executed in foreign currency.

To that end, the state authority acting as a seller shall open a foreign currency account with the National Bank of the Republic of Macedonia, which is the foreign currency agent of state authorities.

The National Bank of the Republic of Macedonia and the state authority shall conclude an agreement to regulate the powers of the Central Depository with reference to handling the account for the purposes of settlement in accordance with the legal delivery-versus-payment principle.

Following the settlement, the Central Depository shall instruct the National Bank of the Republic of Macedonia where to transfer the proceeds from the sale.

The amount of the settlement fee under the applicable tariff shall be paid by the state authority against an invoice after the expiry of one month for the previous month.

5.4. The Depository shall perform the clearing and settlement of transactions in securities based on the data on executed transactions received from the Exchange and the National Bank of RM regarding the settlement of over the counter transactions.

Data on executed transactions in securities shall be submitted by the Exchange to the Depository in an electronic format on the date of execution by not later than 03:50 pm. The method of submission and confirmation of received data on executed transactions in securities shall be agreed between the Exchange and the Depository.

5.5. Data on transactions in securities executed on the Exchange as in item 5.4 shall contain at a minimum the following elements:

- ISIN number of the security
- Identification number of the transaction issued by the Exchange
- Quantity
- Identification number of the buying broker
- Buyer's securities account number in the Depository
- Identification number of the selling broker
- Seller's securities account number in the Depository
- Price of trading on the Exchange
- Unit price (per security)
- Date of trading
- Planned settlement date
- Status of transaction
- Exchange / market code

5.6. Following the receipt of data on transactions executed on the Exchange and the National Bank, the Depository shall archive the data and initiate the procedure of clearing and settlement.

5.7. Following the receipt of data from the Exchange, it shall be considered that the transactions in securities executed on the Exchange are irrevocable and the members of the Depository may not unilaterally make any changes or cancel the transactions.

5.8. Notwithstanding 5.7., the Depository may make changes or cancel transactions in securities only in case of a request made by the Exchange for the purposes of removing errors made in the execution of the transaction by the members or because of unpredictable errors in the trading system of the Exchange.

The method and procedure of cancellation of or changes to the transaction specified in paragraph 1 of this item shall be regulated jointly by the Exchange and the Depository.

5.9. Changes or cancellations of transactions may be made by not later than 3 hours prior to the settlement on settlement date.

5.10. In the event of a change or cancellation of transaction, the Depository shall make a new calculation of obligations arising from the transaction and inform the Exchange and the members participating in the settlement of the transaction thereof.

5.11. The procedure of clearing and settlement of transactions in securities in the Depository ensures a final and irrevocable exchange of securities for money in accordance

with the conditions under which the transaction was executed on the Exchange and with these Rules.

5.12. In the procedure of clearing and settlement of transactions, only securities registered on designated securities accounts in the Depository and free from any liens and restrictions may be used, save when the restriction refers to a voting right or dividend or some other restriction not associated with disposal, but imposed based on a decision issued by a competent authority or an authorized person. If any right arising from a securities holding is restricted by a court decision, such securities may not be used in the procedure of clearing and settlement.

5.13. Settlement of transactions executed on the Exchange shall be made in the Depository on a gross basis, meaning that transfer of securities shall be made for all participants in the transaction in securities based on each individual transaction executed on a given trading date, whereas the transfer of money shall be executed on a net basis, by calculating the obligations of the participants in the settlement arising from all sale and buy transactions at a level of participant (BIS Model II).

5. 13-a. A participant in the settlement in the part of monetary assets, on the buying and selling side, is also a custodian member for clients with whom it concluded an agreement for the custody of securities or an agreement for the custody of property on behalf of investment or pension funds. Clients authorize the custodian member to settle the cash portion of a securities transaction for their custodial or securities pool account.

5.14. All participants in the settlement who have executed transactions in securities on a given trading day must provide on settlement date the required quantity of securities (if they acted as sellers) and the required monetary amount (if they acted as buyers) for each individual transaction.

5.14.-a In settlements in which a custodian member on the buying side is a participant in the monetary part of the transaction, it should have a sufficient amount of funds secured in its account for settlement in the NBRM on the day of settlement, while the stock broker member on the selling side should provide a sufficient amount of securities on the day of settlement.

5.15. A member that is the buyer of securities in a given transaction must secure the required monetary amount on its settlement account held with the National Bank by settlement date.

5.15.a When executing a transaction in securities in which the same member of the Exchange acts as both the buyer and the seller or as the custodian member, such Exchange or custodian member shall deposit the monetary amount required for settlement of the transaction on a separate account on the Depository held with the National Bank of the Republic of Macedonia, not later than on settlement date.

The settlement of the transaction mentioned in the previous paragraph shall be effected in accordance with item 5.16, paragraph 3 of these Rules.

Monetary amounts deposited in accordance with paragraph 1 of this item shall be deposited back on the account of the member by the Depository after the closure of the cycle of settlement on that day.

If the monetary amount required is not deposited on a separate account of the Depository, the settlement procedure provided in the Guarantee Fund Establishment and Method of Use Rules shall be applied.

5.16. The Depository shall submit a detailed report in an electronic format to each member in a given transaction in securities on its obligations on a given settlement date by not later than 09:00 am on the day following the trading day, in an electronic format (via the CSD system). The contents of the report shall be regulated in Instructions issued by the Chief Executive Officer.

Exchange transactions shall be settled in accordance with the schedule aligned with the National Bank.

5.17. In case of debt securities with periodic interest payment, the total monetary obligations of the participant in the settlement shall include the amount of the accrued interest.

5.18. A member shall check in the settlement process the accuracy and the completeness of the report mentioned in item 5.16 of these Rules and notify the Depository if it has not received the report and/or if it challenges the accuracy and completeness of the report. If it does not challenge the accuracy and completeness of the report within three hours from the moment when the report was made available to the members, it shall be considered accurate and complete.

5.19. By confirming the accuracy and completeness of the report mentioned in item 5.16., the members undertake to meet the obligations contained in the report and thus waive the right to an objection to their rights and obligations contained in the report.

5.20. Members who are participants in a given trade transaction in securities shall list the accounts maintained in the Depository to which the quantity of securities bought or sold in a given transaction shall be allocated (allocation of transactions).

5.21. Members who participate in the settlement may allocate the securities from a given transaction only to those holders of securities accounts who have provided an authorization in writing.

5.22. As a rule, the allocation of transactions shall be made on the actual trading on the Exchange or, in other words, the Depository receives the data thereof when data specified in item 5.4 of these rules are submitted.

5.23. In cases when there is a group or block trading by members who participate in the settlement, The Depository shall open separate accounts for settlement of group and block transactions in securities as follows:

- account for grouping of securities from several accounts of several clients by way of reservation, with a view to securing the required quantities of the securities in the settlement of the group or block sell transaction (group sell account);
- account for allocation of securities following the settlement of a group or block buy transaction with a subsequent automatic distribution of securities onto several accounts of several clients by way of non-trade transfers executed by the Depository (group buy account).

In cases of settlement of a transaction with a group or block trading, the Depository shall not issue books of securities to companies issuing securities that are subject to group trading as of 11:00 am on the settlement date.

5.24. Separate securities accounts mentioned in item 5.23 of these Rules shall be separately designated in the Depository and the members who participated in the settlement may use them only for reservation of securities for their clients who engage in a group sell and for identifying the accounts of their clients who engage in a group buy.

5.25. A member who sells securities in a given transaction must ensure that the required securities are registered on the securities account of their client in the Depository on the settlement date.

5.26. The Depository shall check whether the required securities are registered on the securities account of the holder immediately after the receipt of date from the Exchange as specified in item 5.4 of these Rules and, if there is sufficient quantity of securities on the account checked, that quantity is frozen until the settlement date.

5.27. If the Depository finds that there is insufficient quantity of securities on the securities account of a selling member or on the securities account of its client, it shall immediately notify the selling member, who must carry out all activities necessary to secure sufficient quantities of the security by the settlement date.

5.28. The Depository shall execute the transfer of securities from the securities account of the selling member or of its client to the account of the buying member or to its client on the settlement date.

5.29. The transfer of funds from the special accounts of buying members in the settlement of given transactions in securities on the accounts of selling members held with the National Bank of the Republic of Macedonia shall be executed on the order issued by the Depository on the settlement date.

5.30. If the conditions for the settlement are met on settlement date, the Depository shall execute the transfer of securities from the securities account designated by the selling members to the securities account designated by the buying member, issuing at the same time instructions to the National Bank of the Republic of Macedonia for transfer of monetary amount from the settlement account of the buying member to the settlement account of the selling one (delivery versus payment).

The transfer of securities and monetary amounts mentioned in the previous paragraph of this item hereof shall be final and irrevocable.

5.31. The Depository shall administer the procedure of settlement of transactions in securities in a chronological order of execution of transactions on the Exchange, or based on data it has received to that effect from the Exchange, in accordance with item 5.4 of these Rules.

if there is insufficient monetary amount or securities for settlement of transactions in a chronological order on the transaction settlement date, the Depository may execute the settlement of the remaining transactions for which there are sufficient monetary amounts or securities.

5.32. The Depository shall settle all transactions in securities that, under the conditions of execution of transactions, are to be settled on that settlement date.



If the conditions for a full settlement are not in place on the settlement date, the transaction shall not be settled. The Depository shall notify the participant in the settlement and the Exchange that there are unsettled transactions on that settlement date and of the reasons why the transactions have not been settled, and shall commence the settlement procedure provided in the Guarantee Fund Establishment and Method of Use Rules.

5.33. Monetary claims and obligations arising from the procedure of clearing and settlement of transactions in securities shall refer to the participants in the settlement and their clients. The Depository shall not be liable for the accuracy, entirety and completeness of the fulfillment of mutual monetary obligations between the participants in the settlement and their clients.

## **6. USE OF DATA AND REPORTING METHOD**

6.1. The users of some data on the securities accounts in the Depository are the following:

- issuers of security,
- holders of security or persons authorized by them,
  - Depository members,
- regulated securities exchange,
- National Bank of the Republic of Macedonia,
- authorized state authorities and institutions.

The users of data mentioned in the previous paragraph shall receive notifications from the Depository in accordance with the law and these Rules and based on cooperation agreements.

6.2. Depending on the type and the reporting method and deadline, issuers of securities shall receive the following data from the Depository:

- balance and structure of securities – in total and by holder;
- any change in the balance and structure of securities – in total and by holder (name and surname/company name, UPIN/RB, number of securities, date of change, grounds for change of ownership, payment of dividend/interest, registered rights or restrictions on securities);
- a new securities issue.

The Depository shall send the notifications mentioned in the previous paragraph:

- once per year, free of charge with the balance closing on 31.12 for the previous year in the form of book of shares;
- for all other data at a request of the issuer.

The notifications explained in paragraph 2 indent 1 of this item shall be sent within 30 days following the calendar year end.

The notifications explained in paragraph 2, indent 2 of this item shall be submitted within 3 days from the date on which the issuer of securities has submitted a request.

The Depository shall not deliver the notifications provided for in this item to issuers who, according to these Rules, have a blocked status, except at the request of authorized persons or authorities by law (bankruptcy trustees, liquidators, competent courts, the Securities and Exchange Commission of the Republic of Macedonia and others).

Issuers who have a passive status according to these Rules and issuers who have not settled their obligations pertaining to the annual fee for management of the issued securities for the previous year shall be provided with the reports of paragraph 2, indent 2 of this item only upon presentation of an attached proof of payment of fee in accordance with the CSD Tariff for the request in question.

6.3. Depending on the reporting type, method and deadline, holders of securities shall receive the following data from the Depository:

- balance of the securities account - separately by account and by issuer,
- any change in the balance of the securities account - total and for each holder separately (number of securities, date of change, ground for change of ownership, payment of dividend/interest, registered rights or restrictions on the securities account),
- new issue of securities.

The Depository shall allow inspection of the shareholder register of joint stock companies by any shareholder. The Depository shall charge for the service under the Tariff.

6.4. Depository members shall be entitled to a partial or full insight into the accounts of their clients in accordance with the authorization granted by their clients.

Depending on the activities they perform, persons employed by a member of the Depository, may have:

- insight into the holder's account,
- insight and reservation of securities of the holder, or
- reservation of securities of the holder only.

The method and procedure of obtaining data of the previous paragraph of this item shall be regulated in separate instructions issued by the Depository.

6.5. Depending on the reporting type, method and deadline, the Exchange shall receive from the Depository data defined by both institutions in a special Cooperation Agreement. The agreement shall regulate all conditions and the procedure of data submission.

6.6. The Depository shall also submit certain data to the state authorities and institutions in accordance with the law.

6.7. The Depository shall submit the data to the entities identified in the law and these Rules in one of the following ways:

- through a computer system,
- by registered and ordinary mail,
- by e-mail,
- on a magnetic medium.

- 6.8. The Depository shall charge the users a fee as per the Tariff of the Depository for the services rendered by sending and invoice for the services provided.

## 7. PROTECTION AGAINST ERRORS IN THE DEPOSITORY

7.1 The bodies and employees of the Depository shall ensure the protection against errors in the work of the Depository.

7.2 The Depository shall ensure that no damage or loss of data entered shall occur, nor shall the main and the historical database be available at all times to the employees and the members of the Depository.

The Depository shall take measures and activities in its operation to ensure that illegal and unauthorized changes in the data on the accounts it maintains are not made, to avoid provision of wrong information due to errors in the operations of the Depository and material damage and losses of the members of the Depository and their clients.

7.3 For the purposes of protection against errors, the Depository ensures that:

- every authorized person with access to the operations of the Depository has a special authorization and his/her own identification code for entry in the Depository (password);
- authorized persons have access to enter in the Depository only a limited number of previously defined transactions and a limited access to the data in the Depository based on the authorizations granted by his/her clients;
- it restricts the use of transactions by each authorized person to the extent of the authorizations and by each employee to the boundaries of his/her powers;
- the service for the users of the Depository, the account operator and the brokers archive all incoming and outgoing documents in the Depository;
- all registrations (entries) on the accounts of authorized persons are controlled in a separate procedure, regulated based on instructions on the method and conditions for registration of securities, thus ensuring double checking of securities in case of registration and changes of owners;
- all employees of the Depository have the capacity and the authority to work so as to ensure that the system of registration (entry) be made in a professional and responsible fashion
- control on a daily basis of all transactions or changes of owners and issues as well as evidence of all changes made in the Depository, with a possibility of reconstruction of all activities of the Depository;
- a database allowing insight into the transactions executed and changes entered in the Depository (historical database) at any item in time
- that the historical database may not under any circumstances be changed, but only upgraded;
- that it provides a daily report in an electronic format of all changes made in the database of the Depository in one day, as an archive of daily changes;
- changes in the main database of the Depository be made by the accounts operator only based on valid documentation;
- technical interventions in the system of the Depository are made only based on a plan that is pre-approved by the Director of the Depository without any rights to make changes in the database.

- 7.1. For the purposes of safety of the system and the possibility of destruction of the entire system, including the main and the historical databases, the Depository shall ensure that there is a real time daily transfer of executed transactions on a Backup system functioning at a separate location chosen by the Depository.
- 7.2. The Depository shall conduct everyday checks of the balance between the database (number of securities in circulation) and the databases for accounts (securities registered on accounts).
- 7.3. Any errors shall be removed upon instructions issued by the Depository.

To prevent unauthorized access to the system of the Depository, the Depository shall provide physical protection of the system and the documentation, thus precluding any risks of deliberate and uncontrolled actions in the database and the system of the Depository.

## **7-A SETTING UP AN IT CENTER**

7-a.1. The IT center of the Depository shall support the following functionalities related to the operation of the Depository:

- proper, uninterrupted and efficient operation of the computer system, including the application of efficient and effective security measures to manage the risks of possible disruption of the system's functionality;
- introduction of mechanisms ensuring smooth and efficient settlement of forwarded transactions for settlement purposes;
- ensuring continuity in the operations of the Depository in case of a malfunction or interruption of the computer system;
- ensuring access to the computer system by members in accordance with the acts of the Depository;
- provision of uninterrupted electricity supply;
- ensuring the physical security of the system through the physical security of the working premises and the information and communication equipment;
- provision of other services to the Depository (the Depository's website, the Depository's distribution system, mail service, etc.).

7-a.2. The Depository may set up the IT Center in-house or through full or partial integration with the IT centers of other legal entities (legal entities that offer information technology services, authorized exchanges) or by using services of other entities offering the services of an IT center.

7-a.3. The Depository may integrate its IT Center with that of another institution in accordance with item 7-a.2 of this Chapter; in such a case, it must notify the Securities and Exchange Commission thereof. The joint IT Center shall be established with the aim of: achieving better quality of services, rationalizing costs related to investments in information technology, improving the skills of employees, introducing information technology management, better utilization of resources, introducing joint management during development in the area of information technologies, as well as improving the performance of the functions of the institutions on the information technology plan in general.

The rights, obligations and responsibilities of the Depository and the other institution in relation with the establishment and maintenance of the joint IT Center of paragraph 1 of this item shall be regulated in more detail by signing a mutual agreement, in accordance with the conditions prescribed herein.

For the purposes of establishment of the joint IT Center of paragraph 1 of this item, an opinion from an independent expert shall be provided, such that confirms that the joint IT Center does not impact the current, normal and unimpeded operation of the Depository.

7-a.4. The Depository may invest its own financial resources in the establishment of the joint IT Center, whereby the method of distribution and coverage of the costs incurred during the procedure for the establishment of the joint IT Center with the other institution shall be regulated in more detail by signing appropriate protocols.

The Depository may invest its own financial resources for the investment maintenance of the joint IT Center, whereby the method of covering the costs arising from the investment maintenance shall be regulated in more detail by signing appropriate investment protocols with the other institution.

The investments of the Depository in tangible and intangible assets for the needs of the joint IT Center shall be recorded in the bookkeeping records of the Depository in proportion to the investments made in accordance with paragraph 1 and 2 of this item.

7-a.5. The Depository is obliged to take the necessary technical measures in order to ensure that the functioning of its computer system within the joint IT Center is organized in a way that allows for complete independence and segregation from the operation of the information technology systems of the other institution.

The Depository shall ensure complete independence and segregation of its databases and software programs from the databases and software programs of the other institution.

The Depository shall be the sole owner of its databases and the data therein, located on the information technology systems in the joint IT Center, while retaining all intellectual property rights to the software solutions developed for the needs of the Depository's operations.

The Depository shall remain the only supplier of services to its clients and the only user/owner of the licenses for use of the software applications for its operations.

7-a.6. The Depository shall undertake the measures and activities required for regular and periodic maintenance of the information technology systems in the joint IT Center, as well as measures and activities aimed at protection against errors in the functioning of the joint IT Center.

The Depository shall take the measures required to provide network barriers and data access rules on its information technology systems located in the joint IT Center.

7-a.7. The Depository shall assume full responsibility for the unimpeded functioning of its information technology systems in the joint IT Center.

In the event of a failure of the information technology systems in the joint IT Center related to the performance of the Depository's business operations, the provisions of Articles 3.15 and 3.16 and Chapter 7 of these Rules, as well as the internal acts on dealing with unforeseen situations, shall apply accordingly.

7-a.8. The Depository shall undertake measures to ensure the security of its information technology systems in terms of protecting the confidentiality of data within the framework of the operation of the joint IT Center.

The Depository shall apply appropriate technical and organizational measures to ensure the secrecy and protection of personal data while processed within the IT systems in the joint IT Center, in accordance with the laws and by-laws in the area of personal data

protection, as well as in accordance with the internal personal data protection acts of the Depository.

The Depository shall monitor and analyze the risks of the processes undertaken within the joint IT Center and, based on such assessment, shall determine the need, type and extent of the additional technical and organizational measures that need to be taken for the purpose of data protection within the information technology systems in the joint IT Center.

The Depository shall provide the hardware and software network protection barrier required, as well as the necessary security and safety protection of the information technology systems against unauthorized attempts of entering or penetrating the systems.

7-a.9. The Depository shall appoint a responsible person in charge of the coordinated and smooth organization of the activities related to the establishment and maintenance of the joint IT Center, with the rights, obligations and responsibilities as determined in the acts of the Depository.

## **8. INTERIM AND FINAL PROVISIONS**

8.1. Pursuant to the decision on the powers of the institution that will conduct the business of Registry of dematerialized securities ("Official Gazette of RM" бр.40/2000), the data on bonds issued by the Republic of Macedonia for the purposes of repaying the foreign currency deposits guaranteed by the Republic of Macedonia and the holders of such bonds, which are maintained by the Payment Operations Agency, shall be transferred to the Central Securities Depository in the manner and procedure specified with these Rules and the Rulebook on the content, method and procedure of administration of the Registry of Bonds in a dematerialized form issued to repay the foreign currency deposits of the citizens guaranteed by the Republic of Macedonia ("Official Gazette of the Republic of Macedonia", no.75/2000) .

8.2. The Depository shall open an account of the issuer of the bonds, the Republic of Macedonia, with the balance as on the date of transfer from the Registry of Bonds.

The Payment Operations Agency shall transfer the data on any changes that have previously taken place in the Registry of Bonds to the Depository as documents of enduring value.

8.3. When opening an account of the issuer, the Depository shall issue regulation for detailed regulation of the issues pertaining to the operations with the bonds.

8.4. When opening an account of the issuer, the Depository shall open accounts for all holders of bonds, unless they already have securities accounts opened on other grounds.

8.5. The Depository shall assume in full the rights and obligations of the Payment Operations Agency related to the bonds, unless otherwise specified in the law, a decision of the Government of the Republic of Macedonia and these Rules.

8.6. After the receipt of the bonds as specified in item 8.1., the Depository shall ensure that the procedures and the method of operations with the participants in its operations, the issuer and the bond holders are carried out in an appropriate fashion, so that they can



exercise their rights without any hindrance, as is defined in the Law on the Method and Procedure for Repayment of Foreign Currency Deposits of Citizens Guaranteed by the Republic of Macedonia.

8.7. The transfer of ownership of bonds based on use of the bonds in accordance with article 17 of the Law on the Method and Procedure for Repayment of Foreign Currency Deposits of Citizens Guaranteed by the Republic of Macedonia shall be effected by way of transfer of bonds from the account of the grantor to the account of the recipient, in the manner and procedure specified with these Rules and the instructions issued by the Depository.

8.8. The instructions and the other acts defining the operations of the Depository shall be issued within 30 days from the date of adoption of these Rules.

8.9. With the establishment of the Depository, the activities carried out by the Payment Operations Agency, as an institution authorized to perform activities of a Central Securities Depository, shall be transferred to the Depository.

8.10. The activities undertaken by the Depository in accordance with the Agreement for strategic cooperation in the field of information technology and human resources in the information technology organizational units of the Central Depository AD Skopje and the Macedonian Stock Exchange AD Skopje, entered into on 22.03.2018, shall be considered activities undertaken in the sense of 7-a of the Rules of Operation, and the provisions of this item shall apply to all further activities.

8.11. It shall be considered that the requirements of item 7-a.3 paragraph 3 of the Rules of Operation have been met by the provision of the opinion of an independent expert in the Report on Cooperation between the Macedonian Stock Exchange AD Skopje and the Central Depository AD Skopje in the field of information technology, provided before the start of the activities of 8.10 of this item.

8.12. This consolidated text of the Rules of operation of the Central Securities Depository comes into effect on 05.04.2024, on the date when the Consolidated text No. 01-601/4 from 19.02.2019 cease to be valid.

## **Board of Directors**

### **President**

**Ivan Steriev**