

The Association of Global Custodians - Questionnaire

Bosnia - Central Registry of Securities JSC

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Welcome to the Depository-Information Gathering Project. Before beginning, we suggest that you: print the entire document for review on paper; review the Glossary of Terms. Each will assist you with answering the questions. For help, contact: Robin D. Truesdale, Baker & McKenzie LLP (202) 835-1664; e-mail: Robin.D.Truesdale@bakernet.com

SCOPE, STRUCTURE, OWNERSHIP, CAPITAL, REGULATION AND AUDIT

The purpose of this section is to understand the ownership structure and financial strength of your institution, as well as the level of regulatory and operational supervision to which it is subject.

1. Rule 17f-7, by reference to Rule 17f-4, requires that, for a depository to be eligible to hold securities of U.S. registered investment companies (such depositories hereinafter referred to as "Eligible Securities Depositories"), the depository must be a "system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the securities."

In particular, are all securities of a particular class or series of any issuer that are deposited in your institution treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?

Yes

2. Rule 17f-7 also requires that an Eligible Securities Depository "acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated," or "acts as or operates a transnational system for the central handling of securities or equivalent book-entries."

Does your institution: (Choose all that apply.)

Act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated? (please answer 2b)

2b. Please specify the types of securities for which you act as or operate a system for the central handling of securities or equivalent book-entries:

Shares and bonds

3. What type of legal entity is the institution? (Choose all that apply.)

Other (please answer 3a)

3a. Please explain:

CRS is a joint stock company.

4. Is the institution operated as a "for profit" or a "not for profit" organization?

For profit

5. Please provide the names of the owners and their ownership interest percentages.

Stock Exchange 24.5; Participant banks 31.5; Broker/dealers 11; Akcijski fond Republike Srpske 33;

Question number 6 has been modified. Thus, your answer from last year has not been populated for this question.

6. Please answer the following:

6a. What is the date of establishment of the depository?

26/Feb/2001

6b. What is the date that the depository's operations began?

29/Nov/2001

7. Under what regulation or statute is the depository established and governed?

The legal basis for the work of the Central Registry of Securities was established in the Law on Central Registry of Securities passed in 1998. The Law on Central Registry of Securities has the character of a founding document which defines that the Central Registry is founded as a joint stock company and also regulates the incorporation, legal status, bodies and the activity of the Central Registry of Securities.

7a. Is the regulation or statute electronically available?

Yes (please answer 7b)

7b. If regulation or statute is electronically available, please supply web address(es) here or upload document(s) in question 7c.

<http://www.crhovrs.org>

7c. Please supply document(s) here:

7d. Please provide details of the structure and composition of your Board together with their industry experience and responsibilities in governing the depository.

What are the qualifications to become a board member?

CRS have 2 Boards: Board of Directors and Supervisory Board. Board of Directors has 5 members and Supervisory Board has 3 members. Board of Directors consists of 2 economists, 2 legal experts and 1 electro-engineer. Supervisory Board consists of 2 economists and the seat of the third member is currently vacant. Previous third member and President was a legal expert. Members of the Board can be persons with Bachelor's degree in law, economics, or engineering and they have to have at least 5 years of relevant working experience.

7e. What are the election procedures?

Via the publicly announced hiring concurs.

7f. What is maximum length of time they can serve as a board member?

5 years is duration of one mandate and they can be reelected.

7g. Who is responsible for regulating the board members?

Commission for Securities of Republika Srpska.

7h. What is the extent of their voting powers?

The Board of Directors prepares the proposed decisions for shareholder meetings and executes them, takes care of preparation of the annual budget, prepares annual accounting statements, report on business operations and implementation of business policy, and determines the proposed annual plan of operations of Central Registry. The Board of Directors, inter alia, proposes the manner of distribution of profit made by the Central Registry, appoints and dismisses the director, provides the director with the guidelines for implementing the annual plan of operations and accomplishing of business policy, makes investment decisions for the amount of up to 100.000,00KM. makes a decision on founding a separate organizational part of the Central Registry, adopts the Rules of Procedures, regulations, instructions and decisions, as well as other general enactments that are not adopted by other bodies, and decides on other issues relevant for the operation and business affairs of the Central Registry that are not the responsibility for other bodies,

8. Rule 17f-7 requires that an Eligible Securities Depository "is regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act", with section 2(a)(50) establishing that "foreign financial regulatory authority" means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above."

Who regulates the activities of the depository? (Choose all that apply.)

A governmental body or regulatory organization empowered to administer or enforce laws related to securities matters.

9. Please provide the name of regulatory authority(ies) identified in question 8:

Securities Commission of Republika Srpska

10. Rule 17f-7 requires that an Eligible Securities Depository "is subject to periodic examination by regulatory authorities or independent accountants."

Is the depository subject to periodic examination by: (Choose all that apply.)

Regulatory authorities?, Independent accountants?

11. What enforcement actions are available to the regulatory authority(ies) for breach of applicable statute or regulatory requirements? (Choose all that apply.)

Name of Authority #1 (please answer 11a):

Securities Exchange Commission of Republika Srpska

11a.

Fines, Restrictions on depository activities., Suspension of depository activities., Termination of depository activities.

Name of Authority #2 (please answer 11c):

11c.

12. Has there been any use of such enforcement actions in the last three years?

No

Capital

13. Are annual financial statements publicly disclosed?

Yes (please answer 13a)

13a. If yes, the AGC requests a copy of the institution's annual report. Is the annual report available electronically?

Yes (please answer 13b)

Annual financial statement

13b. If yes, please upload the document(s) here or insert web link(s) in question 13d:

13c. If more than one document for 13b, please upload the additional document here:

13d. Please insert web link(s) for 13b here:

http://www.crhovrs.org/index.php?option=com_lqm&application=5&query=21&Itemid=28&lang=en

Internal Audit

14. Is an internal audit undertaken in your depository?

No (please proceed to 15)

15. Is a financial audit performed by an external party? If yes, which type of entity? (Choose all that apply.)

Yes - Audit firm (please answer 15a)

15a. If yes, please state name(s) of organization(s) who undertake the financial audit.

Vral Audit Banja Luka

15b. How frequently does the financial audit occur? (Choose one.)

Annually (please answer 15e)

15e. Are the results of the financial audit publicly available?

Yes (please answer 15g)

15g. Please select the statement that most accurately characterizes the results of the last financial audit: (Choose one.)

No material exceptions found.

15j. Please list the date of your last financial audit performed by independent external auditors and the period that the audit covered:

The last financial audit performed by independent external auditors was in april 2009. It covered period from 1.1.2008. to 31.12.2008.

16. Is a operational audit performed by an external party? If yes, which type of entity? (Choose all that apply.)

No (please proceed to 17)

PARTICIPANTS AND PARTICIPATION

The purpose of this section is to understand issues relating to participation in the depository, including eligibility requirements, conditions of participation, and supervision of participants.

17. What types of entities are eligible to become participants and how many of each type are there currently? (Choose all that apply.)

Banks (please answer 17a), Brokers (please answer 17e), Other entities (please answer 17q)

17a. How many Bank participants are there currently? (then please answer 17b)

13

17b. Please select the features included in the eligibility requirements for Banks. (Choose all that apply.)

Regulatory Oversight (please answer 17c), Other (please answer 17d)

17c. Where can a description of the specific eligibility requirements for Bank participants be found?

www.crhovrs.org

17d. Please explain:

Guarantee fund payment

17e. How many Broker participants are there currently? (then please answer 17f)

6

17f. Please select the features included in the eligibility requirements for Brokers. (Choose all that apply.)

Regulatory Oversight (please answer 17g), Other (please answer 17h)

17g. Where can a description of the specific eligibility requirements for Broker participants be found?

www.crhovrs.org

17h. If other, please explain:

Guarantee fund payment

17q. If you have selected "Other entities" above, please explain:

CSD's participants could also be: Stock exchange, Companies for managing with investment funds, issuers, Central bank, Foreign banks, foreign brokers, but currently they are not participants of CSD's.

17r. Indicate how many "Other entities" are currently participants?

"Other entities" are not currently participants of CSD's.

17s. Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". (Choose all that apply.)

Regulatory Oversight (please answer 17t)

17t. Where can a description of the specific eligibility requirements for participants described above as "Other entities" be found?

www.crhovrs.org

18. Are participants required to contribute capital to the depository that would result in ownership of the depository?

Other (please answer 18b)

18b. If other, please explain:

Some participants, institutions, are also owners of CRS (banks, brokerage firms, funds).

19. Are prospective participants subject to an initial review and approval process regarding compliance with eligibility requirements?

Yes

Conditions of Participation

20. What governs the relationship between the depository and the participants? (Choose all that apply.)

Relevant law and regulation, Standard participation contract, Established terms and conditions of participation, By-laws of the depository, Rules of the depository

21. Rule 17f-7 requires that an Eligible Securities Depository "holds assets for the custodian that participates in the system on behalf of the Fund under safekeeping conditions no less favorable than the conditions that apply to other participants."

Please confirm that assets of foreign investors held by custodians as participants in the depository are held under safekeeping conditions no less favorable than the conditions that apply to other participants.

Yes

21b. Please briefly describe the approaches you take and the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants.

22. How does the depository notify participants of material changes to the conditions of participation? (Choose all that apply.)

By e-mail, By telephone, By public announcement, By press release, Other (please answer 22a)

22a. Please explain:

Via the website www.crhovrs.org

Governance of Participants

23. Who enforces compliance with the depository's conditions of participation? (Choose all that apply.)

The depository, The depository's regulator

24. What enforcement actions are available to the enforcement authority? (Choose all that apply.)

Fines, Restrictions on participation, Suspension of participation, Termination of participation

25. Has there been any such enforcement actions in the last three years?

Yes (please answer 25a)

25a. If yes, please explain, including information relative to any suspensions of depository participants:

Measures and enforcement actions of a broad range were taken by the Securities Exchange Commission of Republika Srpska.

DEPOSITORY FUNCTIONALITY AND SERVICES; USE OF AGENTS

Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution.

26. For which of the following security types do you serve as a depository or clearing system? (Choose all that apply.)

Government securities, Equities, Corporate bonds, Others (please answer 26a)

26a. Please name the other security types:

Municipal bonds

27. Is the use of the depository in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). (Choose all that apply.)

Yes by law for settlement of all instrument types (please answer 27a), Yes by law for safekeeping of all instrument types (please answer 27b)

27a. Please list the instrument types for which it is not compulsory by law to:

(i) settle in your depository

0

27b. Please list the instrument types for which it is not compulsory by market practice to:

(i) settle in your depository

Government securities, equities, corporate bonds, municipal bonds

28. Settlement and Safekeeping Percentages

28a. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) settled within your institution, exclusive of your links with third parties.

100

28b. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) held in safekeeping within your institution.

100

29. Are there any activities performed by a third party on behalf of the depository for the depository participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)?

No

30. Has any participant suffered any losses in the past three years due to the depository's performance?

No

Other Services

31. Who accepts cash deposits (or makes payment credit accommodations) for depository transactions? (Choose all that apply.)

Central Bank, Neither/others (e.g. credit lines used; please answer 31b)

31b. If neither/others, please explain:

Commercial banks appointed by CRS members

32. Who processes cash clearing (or draws on credit lines, if applicable) for depository transactions? (Choose all that apply.)

Depository

33. Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)? (Choose all that apply.)

Depository

34. Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)? (Choose all that apply.)

Depository

35. Please indicate services you provide. (Choose all that apply.)

Information in advance on corporate (annual or special) meetings in order that owners can vote., In order to avoid fails, an automatic securities lending facility - if requested - is provided for. (please answer 35a), Collateral handling in support of activities including securities lending, overdraft coverage, cash management, repurchase agreements, etc. Please provide details. (please answer 35c), Same day turnaround settlements., Information on distribution of new issues (IPO, Privatization)., Other (please answer 35d)

35a. Automatic securities lending facility is provided for: (Choose all that apply.)

Brokers, Banks

35c. Collateral Handling: please provide details:

Management of the Guaranty Fund and Liquidity Reserve Fund.

35d. If other services, please explain:

The activity of the Central Registry is defined in the new Law on the SecuritiesMarket (i.e. The Republic of Srpska Official

Gazettei, no. 92/06), as follows: registration and safekeeping of the data on securities, their holders and on all the transactions concerning transfer of ownership or change of status of the securities, registration and safekeeping of the data on acquiring title and other rights deriving from the securities, registration and deletion of third party rights on securities, and registration and deletion of the ban on disposal right based on the contracts, court decisions and decision by relevant bodies, creation and keeping the issuers' accounts, keeping the book of shareholders, creation and keeping the securities holders' accounts, issuing reports, statements and certificates on the balance and changes on those accounts, creation and keeping accounts for stock brokers and other members of the Registry, clearing, settlement and transfer of securities based on the operations with the securities made on the stock exchange or another regulated public market, transfer of securities based on contracts, court decisions and decisions of other relevant bodies. In performing the above tasks, the Central Registry has public authorities according to Article 190 of the Law on Securities Market, and it issues the following public documents relating to the data that it handles and safekeeps: a) list of shareholders, b) report on the basis of which the right to vote at the shareholder meeting is exercised, c) certificate of ownership of securities, and d) statement on the balance of the account. The Law on the Securities Market also stipulates that the Registry may perform the operations of a depository for privatisation investment funds and for the investment funds as well as other operations for which it obtains the consent of the Commission. The obligation of registering the securities is derived from Article 8 of the Law on the Securities Market, which mandates that the registration, safekeeping of the data and the transfer of the securities are to be done electronically on the issuers' accounts, holders' accounts and other accounts kept at the Registry in accordance with that law and with the Registry's enactments; an issuer is required to submit to the Registry an application for registration of the securities within 15 days from the day of receiving the decision on registration in the issuers' registry kept at the Securities Commission. The Central Registry is a database of all the securities that are in the circulation in the securities market. Based on Article 209 of the Law on the Securities Market, the following is registered in the Registry: a) securities, b) the rights deriving from the securities and their owners, c) third party rights of the securities and title-holders of those rights, d) bans and restrictions on transfer of securities.

36. What procedures are in place for the processing of corporate action entitlements? (Choose all that apply.)

Credited to the securities account upon actual receipt by the depository., Other (please answer 36d)

36d. If other, please explain:

CRS does only share distribution as a result of corporate action event, not cash distribution, which is done by issuer.

37. What procedures are in place for the processing of interest and dividends? (Choose all that apply.)

Income and dividend collection is handled by an entity separate from the depository. (please answer 37c)

37c. Name of entity:

All such cash payments are provided by the issuers or their agents (banks).

Linkages With Other Central Securities Depositories (CSD) or International Central Securities Depositories (ICSD)

38. Please list all depositories or settlement systems to which you have an electronic link.

None

39. Are procedures and controls (firewalls) in place to avoid systemic collapse or contamination if one of the linked entities should experience business interruptions for whatever reason?

40. Has a business interruption recovery plan been developed in the event the linkages should become inoperable for any reason?

ACCOUNT STRUCTURES AND RECORDKEEPING

The purpose of this section is to identify the nature of accounts; the naming convention is employed, the level of segregation achieved, accessibility in the event of bankruptcy and the frequency of reporting generated from them.

41. Are participants permitted to maintain more than one account at the depository?

Yes (please answer 41a)

41a. If yes, please indicate number: (Choose one.)

An unlimited number of accounts.

42. Are participants required/permitted to segregate assets held for their own benefit from those they hold for their clients?

Yes (please answer 42a)

42a. If yes, is segregation required or simply permitted?

Required (please answer 42b)

42b. How does segregation occur? (Choose all that apply.)

By separately designated participant accounts., By separately designated beneficial owner accounts.

43. Does the depository permit its participants to open accounts in the participant's own nominee name(s)?

Yes (please answer 43a)

43a. If yes, do laws exist which acknowledge the rights of beneficial owners with respect to securities registered in nominee name?

Yes

44. In the event a participant's single account is blocked for any reason (e.g., insolvency, penalties, violations, liens), would securities held in the account on behalf of the participant's clients be accessible:

44a. By the participant's clients?

Yes (please answer 44b)

44b. If yes, please describe briefly how clients of participants would access their securities and whether there would be any delay in their ability to do so:

CSD move securities from account on behalf participant's clients to owners account of those clients. Then client can choose between other CSD's participants and move their securities to the account on behalf of chosen participant.

44d. By the intervening authorities controlling insolvency or other proceedings?

No

44g. By the participant's creditors?

No

44j. By the depository's creditors?

No

45. In what form does the depository maintain records identifying the assets of each participant? (Choose all that apply. Please refer to "Help" for clarification.)

Computer file (please answer 45b), Hard copy (please answer 45b), Computer tape (please answer 45b)

45b. In which format is the source data maintained?

Microsoft SQL server.

46. Rule 17f-7 requires that an Eligible Securities Depository "provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account."

Does the depository make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account?

Yes (please answer 46b)

46b. If yes, please indicate the scheduled frequency: (Choose one.)

Other (please answer 46c)

46c. If other, please explain:

Written account statement (notice of transfer) following any change in account are sent by the post and this is required by the legislation if the account holder does not agree otherwise. In practice, electronic information via custodian (broker, market organizer) is often used.

47. What is your document retention policy for documents described in previous question? (Choose one.)

5 years

SETTLEMENTS

The purpose of this section is to identify the model of settlement employed, the relationship between cash and securities, and the basis on which participants meet their obligations.

48. The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble (Please refer to details on the models within the "Help" section located below this question): (Choose all that apply.)

Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers. (please answer 48a)

48a. How do your settlement procedures vary from the model chosen above?

The models of settlement differ substantially: As for Banja Luka Stock Exchange trades, the cash side is settled through Central Bank of Bosnia-Herzegovina in daily batches (with some elementary facilities for multicycle intraday movements), and with a time gap between securities and cash movements which usually represents several hours. The timing gap is covered by blocking of securities in the CRS (in the name of the Banja Luka Stock Exchange).

Question 48 Help:

Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds simultaneously on a trade-by-trade (gross) basis, with final (irrevocable and unconditional) transfer of securities from the seller to the buyer (delivery) occurring at the same time as final transfer of funds from the buyer to the seller (payment). The securities settlement system maintains securities accounts and funds accounts for participants. Transfer of securities and cash are made by book-entry.

Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers. These systems settle securities transfer instructions on a trade-for-trade (gross) basis, with final transfer of securities from the seller to the buyer (delivery) occurring throughout the processing cycle, but settle funds transfer instruction on a net basis, with final transfer of funds from the buyer to the seller (payment) occurring at the end of the processing cycle.

The securities settlement system maintains securities accounts for participants, but funds accounts are usually held by another entity (often a commercial bank or the central bank). Securities are transferred by book-entry, such transfer being final at the instant the entries are made on the securities settlement system's books. The corresponding funds transfers are irrevocable, but not final. During the processing cycle, the system calculates running balances of funds debits and credits, the balance being settled at the end of the processing cycle when the net debit and net credit positions are posted on the books of the commercial bank or central bank that maintains the funds accounts. Settlement of funds accounts may occur once a day or several times a day.

Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day. The securities settlement system maintains securities accounts for participants. Funds accounts may be maintained by another entity, either a commercial bank or the central bank.

During a processing cycle, running balances of debits and credits to funds and securities accounts are calculated. All funds and securities transfers are provisional until the end of the processing cycle, at which time book-entry transfer of securities take place. If and only if all participants have sufficient balances of funds and securities, final transfers of the net securities balances and net funds balances are executed.

49. Are the cash and security movements simultaneous?

No (please answer 49a)

49a. If cash and security movements are not simultaneous, please indicate the duration of the timing gap. (Choose one.)

Other (please answer 49b)

49b. If other, please explain:

After trading hours, Stock Exchange sends to the CRS report which contains information about concluded trades from that business day till 14:00 ECT. On the receipt of the daily report, CRS performs clearing and settlement of monetary debts and claims for all members of the CRS individually. CRS calculates for each member of the CRS a balance between monetary debts and claims arising from transactions concluded on the Stock Exchange or other regulated public market. CRS submits to each member of the CRS a report on the amount of net debts, latest by 9:00, on next day after the trading day (D_C+1). Members of the CRS that receive report on amount of net debts are obligated to pay the amount of debt into the clearing and settlement account of the CRS, latest by 12:00 on the second working day from the trading day (D_C+2). Usually by 9:30 on the third working day after the trade date (T+3), CRS make payment of monetary assets from the CRS's clearing and settlement account to the accounts of CRS members. Thus, on the T+3 trading day buyer becomes owner of bought securities and at the same day seller got the money from the sold securities.

OWNERSHIP OF SECURITIES

The purpose of this section is to determine how ownership of securities is represented, the ways the depository maintains ownership or control of securities held in the depository, and the extent to which ownership of assets held by the depository is separated from the proprietary assets of the depository.

50. How are depository eligible securities held by the depository?

Securities in the depository are held in dematerialized form.

51. If depository eligible securities are certificated, can depository eligible securities be held outside of the depository?

Not applicable

52. If securities are dematerialized:

May dematerialized security positions be re-certificated and held outside the depository?

No (please answer 52a)

52a. Are the securities held: (Choose all that apply.)

Through book-entry at the depository

52d. If the securities held by the depository are recorded by book entry at the registrar, are the securities registered only to the depository, with the depository providing the function of recording ownership on a centralized basis for the market? (Choose all that apply.)

Yes (please answer 52e)

52e. If yes, how are securities held at the registrar for the account of the depository? (Choose one.)

In the name of the depository

52i. If the securities held with the depository are recorded by book-entry at the registrar, what are the control features at the registrar for transfer of registrar positions to and from the depository (e.g., authentication procedures, reconciliation, confirmation of position at registrar)? Please describe:

The main operation control consists of control of preliminary report from the Banja Luka Stock Exchange.

53. Rule 17f-7 requires that an Eligible Securities Depository "maintains records that identify the assets of each participant and segregate the system's own assets from the assets of participants."

Does the depository maintain records that identify the assets of each participant and segregate the system's own assets from the assets of participants?

Yes

54. Does the law protect participant assets from claims and liabilities of the depository?

Yes

55. Can the depository assess a lien on participant accounts? (A lien would entitle the depository to take and hold or sell the securities of the participant in payment of a debt.)

Not applicable

55c. Please indicate the limits of this lien as indicated below: (Choose one.)

55e. If a lien is placed on a participant's account which has been designated for its clients, will the depository select certain securities to be subject to the lien?

55j. For accounts designated as client accounts, do procedures exist to restrict the placement of liens only to obligations arising from safe custody and administration of those accounts?

56. Transfer of Legal Ownership

Does the depository have legal authority to transfer title to securities?

Yes (please answer 56a)

56a. When does title or entitlement to depository securities pass between participants? (Choose one.)

When the transaction is processed on an intra-day basis. (please answer 56c)

56c. Where does title or entitlement to depository securities pass between participants? (Choose one.)

On the depository books

HANDLING OF SECURITIES OUTSIDE THE DEPOSITORY ENVIRONMENT

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

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

Other (please answer 57a)

57a. Please describe:

We operate with dematerialized securities only. In the event of the first registration of the given security, CSR opens an issuer account (lodging of the issue of the given security). In the same time, CSR opens account of the individual owners of securities where it records their individual ownership.

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

Other (please answer 58a)

58a. Please explain:

The safekeeping of certificated securities hasn't been applied yet, while the registration of all dematerialized securities from Republika Srpska in the CRS is compulsory.

59. How long does it usually take to lodge securities with the depository? (Choose one.)

Not applicable

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

Be traded?

Not applicable

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

Be settled?

Not applicable

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

Have ownership transferred?

Not applicable

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

Not applicable

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

The safekeeping of certificated securities hasn't been applied yet, dematerialized ones have to be always registered inside the CRS depository.

63. How are eligible securities removed from the depository? (Choose one.)

Other (please answer 63a)

63a. Please specify:

Securities already lodged into CSR are possible to withdraw if the given issuer request for enlargement or lessening of the capital, change of nominal value and in the case of other forms of corporate actions.

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

3 days to 1 week

65. While the securities are being removed from the depository, can they:

65a. Be traded? (Choose one)

Not applicable

65c. Be settled?

Not applicable

65e. Have ownership transferred?

Not applicable

STANDARD OF CARE

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

Depository Liability

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

66a. Reconciliation errors with the registrar and/or the issuer?

Not applicable

66e. Theft of securities (either physical certificate or electronically from accounts at the depository) from the depository?

Not applicable

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

Yes (please answer 66j)

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

The depository assumes liability for direct losses

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

Yes (please answer 66n)

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

The depository assumes liability for direct losses

66q. The depository acting as the central counterparty?

No

66u. Does the depository guaranty settlement?

Yes (please answer 66v)

66v. Please explain how this is accomplished. What are the procedures and safeguards that permit the depository to guaranty settlement?

Guaranty fund and liquidity reserve are employed as safeguards, if needed.

66x. Force majeure events, acts of God, or political events, etc.?

No

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

Not applicable

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

67a. Indemnification

No

67d. Insurance

No

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

Yes (please answer 67h)

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

See Regulations on Membership documents at www.crhovrs.org.

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

See Regulations on Membership documents at www.crhovrs.org.

67j. Other

No

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

No

Security Control

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

By direct electronic link

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

Yes (please answer 70a)

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

By direct electronic link (please answer 70b)

70b. Please select type of electronic link:

Dial-up modem, Secured, leased, dedicated telephone line, Internet, Fax

71. Regarding data security:

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

Yes

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

Yes

71e. Are passwords regularly changed?

Yes (please answer 71f)

71f. How often?

Monthly.

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

Yes (please answer 71i)

71i. How many?

After 3 unsuccessful attempts.

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

Yes (please answer 72a)

72a. Please explain:

Secured, leased telephone line

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

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

Dial-up modem, Secured, leased, dedicated telephone line, Internet, Fax, Paper/other

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

Dial-up modem, Secured, leased, dedicated telephone line, Internet, Fax, Paper/other

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

Not applicable

73d. Registrars (Choose all that apply.)

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

By guards, By electronic keys/personal ID card, By alarm system

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

Electronic keys/combinations, Intrusion alarms, Fire alarms

Participant Default Protections Resulting from a Participant Failure

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

The depository guaranty fund covers the loss

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

No

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

Yes (please answer 78a)

78a. If yes, please respond to the following questions:

What is the size of the fund (then please answer 78b)?

150,632 euros.

78b. How is the size of the fund determined? (Choose one.)

A fixed amount, Other (please answer 78c)

78c. If other, please explain:

Additional part as a part of the Guaranty Fund is determined in relation to activity of each participant of CRS.

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

Contributions from participants (please answer 78f)

78f. If so, what is the amount or percentage per participant?

Besides the fixed amount, there is the additional part as a part of the Guaranty Fund that is determined in relation to activity of each participant of CRS.

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

Direct depository participants only

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

When a direct participant defaults

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

Participant eligibility requirements, Participant volumes, Participant financial strength, Collateral requirements for participants (please answer 79b), Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d),

Blocking of securities movement before receipt of payment, Blocking payment until securities are moved

79b. Please explain the requirements:

Basic part of guaranty fund is fixed amount, semiannually determined. Besides the fixed amount, there is the additional part as a part of the guaranty fund that is determined in relation to activity of each participant of CRS.

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

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

79e. Please explain:

unanswered

79f. Please explain:

unanswered

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

Not applicable

BUSINESS RECOVERY PLAN

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

81. Do you have a formal business recovery plan?

Yes (please answer 81a)

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

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

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

Depository participants/members

quarterly

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

Stock exchange

upon request

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

Central bank

upon request

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

Local brokers

upon request

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

Any other third party

na

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

1 - 4 hours, Other (please answer 82a)

82a. If other, please explain:

CSR is connected to external power generator that is automatically being activated in case of an outage.

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

1 - 4 hours

84. Will the depository publicly announce any system interruption?

Yes (please answer 84a)

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

To the depository regulators, To all direct participants, To the public via the internet (please answer 84b), In the press (please answer 84c)

84b. If so, please list webpage address:

www.crhovrs.org

84c. If so, please list all publications:

periodic press

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

By e-mail, By telephone, Public announcement, Press release

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

No

PERFORMANCE, INSURANCE, AND LOSS

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

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

No

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

No

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

Yes for all three years

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

Yes (please answer 89a)

89a. Please describe and indicate reserve amount:

From operating surplus, 10,200 euros (N.B. Retained earnings amount is 664,614 euros for 2006th).

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

No

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

91. Does the depository have insurance for Default?

Not applicable

92. Does the depository have insurance for Fidelity?

Not applicable

93. Does the depository have insurance for Operational Errors?

Not applicable

94. Does the depository have insurance for Errors and Omissions?

Not applicable

95. Does the depository have insurance for Computer Fraud?

Not applicable

96. Does the depository have insurance for the Premises?

Other (please answer 96c)

96c. If other, please explain:

CRS rents out offices. Landlor has property insurance.

97. Does the depository have any other insurance?

Not applicable

98. Who is the insurance carrier? If more than one insurance carrier, please list each carrier here and provide your responses to questions 98a and 98b in corresponding order.

98a. Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)

98b. What is the term of the policy?

98c. Who does the insurance cover? (Choose all that apply.)

Other (please answer 98d), Not applicable

98d. If other, please identify:

As for State guarantee, there is no need of insurance.

99. If you feel that you would like to provide additional details on any of the given answers, feel free to provide any additional comments here (maximum of 5,000 characters) or prepare an additional document identifying the question (s) you are commenting on and upload the document under 99a:

99a. Upload document here:

PUBLIC AVAILABILITY

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

Yes (please answer 100a)

100a. If yes, how will you be making it publicly available: (Choose all that apply.)

Web site (please answer 100b), By individual request with depository (please answer 100c)

100b. Please provide web site address of publicly available questionnaire:

<http://www.crhovrs.org>

100c. Please provide name of contact at depository who has been designated to receive such requests (then please answer 100d).

Jasminka Djukic

100d. How would they prefer to be contacted? (Choose all that apply.)

By e-mail (please answer 100h)

100h. What is the preferred e-mail address for such requests:

jasminka.djukic@crhovrs.org

100j. Please be sure your contact details are updated. Your contact information is located in the first section of Part One within this questionnaire.

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

thank you for your time and for your helpful response.

Please provide any comments you have regarding the questionnaire.