

Law
on Single Central Securities Depository
No. 234 as of October 3, 2016
(published in Monitorul Oficial on October 4, 2016)

Present organic law is adopted based on provisions of article 106¹ of the Constitution, by assumption of responsibility of the Government.

CHAPTER I:
GENERAL PROVISIONS

Article 1. Object and purpose of the law

- (1) This law sets out the conditions governing the creation, operation, and oversight of the Single Central Securities Depository, as well as the requirements for securities registration and record-keeping by the Single Central Securities Depository and its Participants.
- (2) This law has the purpose to create a modern infrastructure of financial market, ensure the protection of the rights of securities holders, manage systemic risks and maintain stability on the financial market of the Republic of Moldova.

Article 2. Definitions

For the purpose of this law, the following definitions have been used:

activity of material importance – activity which partial or total interruption could affect significantly the capacity of the Central Depository to comply permanently with the requirements set forth by the legislation;

securities account – account where the securities can be credited and debited;

ISIN Code - International Securities Identification Number issued in accordance with the international standard ISO 6166 used to uniquely identify a security's issue;

dematerialization of securities - issuance of securities in book-entry form;

Central Depository - Single Central Securities Depository carrying out its activity in accordance with this law;

securities holder - individual or legal entity holding securities through ownership rights, who is the client of the participant or of the Central Depository, in whose name the participant or the Central Depository keeps records of the securities in book-entry form;

immobilization – process whereby the CSD accepts in custody formerly issued securities and includes these securities in its securities register in book-entry form;

participant – investment institution authorised to carry out custody of financial instruments or other institutions determined by normative acts of the National Bank of Moldova, which are authorised to open and hold securities accounts with the Central Depository on its own behalf and/or on behalf of securities holders;

insolvency procedure – defined in accordance with the Law No.183 of 22 July 2016 on settlement finality in payment and securities settlement systems;

book-entry securities – dematerialized or immobilized securities held in the book-entry form in accordance with this law;

Article 3. Legal status of the Central Depository. Settlements. Accounts.

- (1) The Central Depository shall be created in the form of a joint stock company, in accordance with the Law No. 1134-XIII on joint-stock companies of April 2, 1997, with the particularities set forth by this law.
- (2) Transactions settled in the Central Depository in domestic currency shall be settled through accounts opened with the National Bank of Moldova.

Article 4. Capital of the Central Depository. Shareholders

- (1) The Central Depository shall have, at all times, sufficient capital to provide its services accordingly, taking into account the principle of continuity and operational, legal, custody, investment and business risks to which it is or shall likely be exposed.
- (2) The capital of the Central Depository shall amount at a minimum of 1 000 000 euro calculated at the official rate of the Moldovan National Bank.
- (3) Persons described in para.(4) let.b)-e) can transfer contributions in money to the equity capital of the Central Depository. The National Bank of Moldova can transfer contributions in money or other goods laid down by art.41 para.(2) of the Joint Stock Companies Law to the equity capital of the Central Depository.
- (4) The following can be shareholders of the Central Depository:
 - a) the National Bank of Moldova;
 - b) legal person who holds a license of market operator, which is compliant with the requirements set forth in the normative acts of the National Bank of Moldova;
 - c) legal person who carries out the activity of Central Depository, licensed or authorized correspondingly in the country of origin and meets the requirements set forth in the normative acts of the National Bank of Moldova;
 - d) banks and investment companies that meet the requirements set forth in the normative acts of the National Bank of Moldova;
 - e) persons described in art.46 para.(3) let. b -c).
- (5) At least 76 percent of shares issued by the Central Depository shall be held by the National Bank of Moldova.
- (6) Any shareholder described in para.(4) let.b)-e) shall be entitled to hold up to 5% of shares issued by the Central Depository.
- (7) The trading in shares issued by the Central Depository shall be made in accordance with provisions of para.(4)-(6). Trades that violate the provisions of para.(4)-(6) shall be deemed void.
- (8) When underwriting the shares issued by the Central Depository, whenever the parties specified at paragraph (4), letters b) to e) request to underwrite cumulatively over 24% of the shares issued by the Central Depository, the share of the underwritten shares shall be decreased proportionately for each underwriter, to ensure compliance with paragraph (5).

Article 5. Activities of the Central Depository

- (1) Central Depository shall carry out its activities related to the following categories of securities:
 - a) government securities that fall under the incidence of Law No. 419-XVI on Public Debt, State Guarantees and State On-lending of 22 December 2006;
 - b) debt securities issued by the National Bank of Moldova;
 - c) securities described in art. 4 of the Law no. 171 on the capital market of 11 July 2012;
 - d) securities similar to those described under let.a)-c), issued by the Republic of Moldova or other states and admitted for trading on a regulated market or traded within a multilateral trading system.

- (2) Central Depository is entitled to render the following services with respect to the securities listed in para. (1):
1. Main services:
 - a. initial registration of security in book-entry form (Book-Entry Securities Service);
 - b. opening and management of securities accounts at the highest level (Centralized Management Service);
 - c. securities settlement system management (settlement service);
 2. Other services:
 - a. Clearing and settlement related services;
 - i. Organising a securities lending mechanism;
 - ii. Providing collateral management services;
 - iii. Settlement matching, instruction routing, trade confirmation, trade verification;
 - b. Securities registration services and centralised administration service;
 - i. Services related to the shareholders' registers,
 - ii. Supporting the process of corporate actions, including tax, general meetings and information services,
 - iii. New issue related services, including allocation and management of ISIN codes and other similar codes,
 - iv. Instruction routing and processing, fees collection and processing related reporting.
 - c. setting up connections between Central Depository and other central depositaries, opening, administration or management of securities accounts within a settlement service, collateral management service and other auxiliary services;
 - d. general collateral management services;
 - e. deliver reports on behalf of clients;
 - f. provide information, data and statistics;
 - g. information technology services provision;
 3. Any other complementary or auxiliary services described in points 1)-2), approved by the National Bank of Moldova.
- (3) Services legally provided by Central Depository shall be described in the Decision on the activity of the Central Depository, issued by the National Bank of Moldova.

Article 6. Liability of the Central Depository

In provision of services as described under Article 5, the Central Depository shall not be liable to any person for any direct or consequential loss except that caused by fraud, wilful misconduct or gross negligence of the Central Depository employees and members of the management bodies, representative or entity to which it has outsourced part or all of the functions and services of the Central Depository.

Article 7 – Prohibition of seizure

Seizure of securities held by Participants in the accounts opened at the Central Depository may be only applied by Central Depository, judicial, bailiff and public authorities that are entitled, in accordance with the law, unless the seizure does not contravene with the Law No.183 of 22 July 2016 on settlement finality in payment and securities settlement systems.

CHAPTER II: GOVERNANCE

Article 8. General principles

To ensure efficient governance, the Central Depository shall:

- a) have a clear organizational structure with well-defined, transparent and consistent lines of responsibility;
- b) implement policies to identify, manage, monitor and report the risks to which it is or might be exposed;
- c) implement remuneration policies and internal control mechanisms;
- d) implement sound administrative, management and accounting procedures, including securities record-keeping in accounts opened with Central Depository.

Article 9. Decision-making bodies of the Central Depository

- (1) The decision-making bodies of the Central Depository shall be the General Meeting of Shareholders, the Supervisory Board and the Executive Board.
- (2) The shareholders of the Central Depository including their representatives, as well as members of the Supervisory Board shall disclose any conflicting interest they may have on occasion of a vote or a decision, in which case they shall be bound to abstain from taking part in such vote or decision.
- (3) The members of the Supervisory and Executive Boards of the Central Depository shall meet the following requirements:
 - a) Have a good reputation;
 - b) high education and professional experience in law, economy, financial and banking or capital market fields;
 - c) no valid sanctions applied by the National Bank of Moldova or other similar foreign entity that interdict or suspend the right of a person to act on the capital market or in banking field;
 - d) no conviction by a definitive sentence for crimes related to given activity or corruption, money laundry, crimes against patrimony, abuse, bribing, forging and use of forges, misappropriation of funds, tax evasion or other actions that may lead to the conclusion that proper prerequisites are not provided for a sound and prudent management of the Central Depository.

Article 10. Supervisory Board of the Central Depository

- (1) The Supervisory Board of the Central Depository shall consist of maximum 7 members appointed by the General Assembly of Shareholders and shall include mandatorily:
 - a) one member appointed from a list of 3 people proposed by the Ministry of Finance;
 - b) one member appointed from a list of 3 people proposed by a legal person holding a licence of market operator;
 - c) one member appointed from a list of 3 people proposed by the National Financial Market Commission.
 - d) 4 members appointed by the National Bank of Moldova.
- (2) The members of the Supervisory Board shall act in the interest of the Central Depository and shall in no way represent the interests of the institutions or authorities that have appointed them.
- (3) The Supervisory Board shall be authorized to create sub-committees to assist with its duties.
- (4) The Chairperson of the Supervisory Board shall be elected by the General Assembly of Shareholders

of the members of the Supervisory Board appointed by the National Bank of Moldova.

- (5) The Supervisory Board shall have the duties set forth in art.65 of Law No.1134-XIII of April 2, 1997 on Joint-Stock Companies, this law, Statute of the Central Depository and the Regulation of the Supervisory Board of the Central Securities Depository.

Article 11. Executive Board of the Single Central Securities Depository

- (1) The Executive Board of the Central Depository shall consist of 3 members, including the Director and Deputy Directors of the Central Depository, appointed by the General Assembly of Shareholders.
- (2) The Executive Board shall carry out the duties set forth in Law No.1134-XII of April 2, 1997 on Joint-Stock Companies, this law, Statute of the Central Depository and the Regulation of the Executive Board of the Central Securities Depository Law.

Article 12. Users' Committee

- (1) The Central Depository shall establish a Users' Committee composed of representatives of securities issuers and of Participants, with the mandate to advise the Central Depository's decision-making bodies on criteria for accepting issuers or participants, service level, payments and commissions related to services provided by the Central Depository and other aspects related to the activity of the Central Depository.
- (2) The structure of the User Committee, frequency of sessions and other aspects on the activity of the Users Committee shall be set forth by Decision of the Supervision Board.

Article 13. External audit

- (1) Annual financial reports, accounts and registers of the Central Depository shall be subject to annual external audit, in accordance with the international audit standards.
- (2) The external audit shall be carried out by an independent, well-known and experienced audit organisation in the field of central depositories and/or international financial institutions, selected by the Supervision Board.
- (3) The same external audit organisation shall not be selected consecutively for a period longer than 5 years.

Article 14. Internal audit

- (1) The Central Depository shall establish its internal audit function to monitor the compliance of its activities as Central Depository with this law, normative acts of the National Bank of Moldova and other normative acts.
- (2) The internal auditor function shall be carried out by a separate structural unit or shall be outsourced upon the decision of the Supervisory Board. The auditor shall report to the Supervisory Board.

Article 15 – Risk management

- (1) The Central Depository shall approve and implement internal risk-management policies to manage legal, business, operational and other direct and indirect risks that may affect the activity of the Central Depository, including measures to mitigate fraud and negligence.
- (2) The Central Depository shall evaluate, monitor and manage its exposures to credit risk of the

Participants and those resulting from the settlement process.

- (3) The Central Depository shall maintain sufficient financial resources to cover its exposure to the credit risk of the Participants through collateral, if necessary.
- (4) The Central Depository shall establish an internal risk management structural unit to manage the risks, which shall report to the Supervisory Board and the Executive Board.

Article 16. Disclosure

The Central Depository shall disclose to the public the following information:

- a) The prices and fees associated with the services it provides, including discounts, rebates and conditions for benefiting of the latter;
- b) Statute of the Central Depository;
- c) Regulations of the Central Depository;
- d) annual report, accompanied by external auditor's report;
- e) rules applicable to the User Committee.

CHAPTER III:

ACTIVITY INITIATION, OVERSIGHT AND REGULATION OF THE CENTRAL DEPOSITARY

Article 17. Duties of the National Bank of Moldova

- (1) The supervision and regulation of the Central Depository shall be carried out by the National Bank of Moldova.
- (2) In order to exercise its duties set forth in para.(1), the National Bank of Moldova shall:
 - a) approve the normative acts that regulate the implementation of this law, including regarding the activity of the Central Depository and service provision to the participants and issuers of securities;
 - b) issue decisions to initiate the activity of Central Depository in accordance with art.19;
 - c) set conditions to grant, suspend and withdraw the membership of Participant in Central Depository;
 - d) carry out inspections on how to observe the requirements of this law and normative acts of the National Bank of Moldova by the Central Depository and Participants;
 - e) address recommendations or shall apply sanctions in accordance with art.26;
 - f) cooperate and exchange information with the National Financial Market Commission and other public authorities;
 - g) cooperate and exchange information with specialised international institutions and authorities from other states responsible for regulation and supervision of the Central Depository's activity;
 - h) apply other measures set forth in this law, Law No.548-XIII of 21 July 1995 on the National Bank of Moldova and other legislative acts.

Article 18. Joint monitoring committee

- (1) The National Bank of Moldova shall establish a joint monitoring committee, as an inter-institutional committee to serve as an information exchange platform to monitor the activity of Central Depository and Participants, including their interaction with Participants, regulated markets, multilateral trade systems, issuers and securities holders.
- (2) The joint monitoring committee shall be formed of 6 members, including 3 members appointed by the National Bank of Moldova, 2 members appointed by the National Financial Market Committee

and one member appointed by the Ministry of Finance.

- (3) Members of the joint monitoring committee shall elect the Chairperson, who is one of the members appointed by the National Bank of Moldova.
- (4) Members of the joint monitoring committee shall comply with the requirements set forth in art.9 para.(3).
- (5) The joint monitoring committee shall meet, at least, every six months or as often as necessary, upon written request of at least 2 of its members.
- (6) The joint monitoring committee shall adopt its internal rules.

Article 19. Activity Initiation of the Central Securities Depository

- (1) The Central Depository is entitled to provide services from the date of issuing the decision to start its activity by the National Bank of Moldova.
- (2) The decision to initiate the activity of the Central Depository issued by the National Bank of Moldova shall specify the categories of securities that may be object of activity of the Central Depository and services provided by the Central Depository in accordance with art.5.
- (3) From the date of issuing the decision on activity initiation and during the entire activity period, the Central Depository shall observe the provisions of art.20 and other requirements set forth by this law.
- (4) The Central Depository and its internal/external auditor are obliged to inform immediately the National Bank of Moldova about any circumstance that affects or may affect the observance of requirements set forth in this law by the Central Depository.

Article 20. Requirements towards the activity of the Central Depository

- (1) The Central Depository shall meet the following requirements:
 - a) established as joint stock company which equity capital is integrally subscribed and paid;
 - b) has appointed management bodies in accordance with the requirements of this law;
 - c) has own capital in the amount established in this Law;
 - d) applies the rules of the Central Depository and internal policies in accordance with the requirements set forth by this law;
 - e) any activity of material importance of the Central Depository shall be carried out on the territory of the Republic of Moldova except for the case when the National Bank of Moldova allows the Central Depository to carry them out outside the Republic of Moldova.
- (2) The National Bank of Moldova is entitled to set more requirements towards the activity of the Central Depository than those described in para.(1).

Article 21. Evaluation of the Central Depository before initiating the activity

- (1) To initiate the activity, the Central Depository shall address an application to the National Bank of Moldova by enclosing the following documents and information.
 - a) the Statute of the applicant Central Depository, together with the excerpt from the State Registry of Legal Persons;
 - b) Regulations of the Central Depository;
 - c) contract samples to be concluded by the applicant Central Depository with the participants, securities issuers, market operators, and other legal persons who carry out the activity of central depository, licenced or authorised in accordance with the country of origin;
 - d) activity programme and description of services to be provided by the Central Depository in accordance with article 5 of this Law;

- e) a 3 year period business plan of the Central Depositary;
 - f) list of all shareholders of the Central Depositary;
 - g) structure and description of the roles and responsibilities of the members of the management bodies, as well as committees established in accordance with this law;
 - h) the Curriculum Vitae with detailed experience of the members of the Supervisory Board and Executive Council, and their police clearance certificates;
 - i) the Regulations of the Supervisory Board and Executive Council;
 - j) the policies of the applicant Central Depositary for compliance, internal control, internal audit, technology functions, business continuity, risk management, remuneration, pricing and commissions for services provided by the Central Depositary.
- (2) The National Bank of Moldova shall examine the documents and information set forth in para.(1) within 60 working days from the date of their receipt.
- (3) If the documents and information submitted are incomplete, the term set forth in para.(2) shall be suspended from the date of informing the Central Depositary by the National Bank of Moldova until the date the information requested is submitted by the Central Depositary.
- (4) The National Bank of Moldova shall issue the decision to initiate the activity of the Central Depositary when establishes, based on the documents and information mentioned in para.(1) that the Central Depositary meets the requirements stipulated in this law.
- (5) When examining the application of the Central Depositary, the National Bank of Moldova shall:
- a) Request additional information from the Central Depositary;
 - b) attract national and international experts to evaluate the compliance of the Central Depositary and of the submitted information with the legal requirements in force and international standards in the field.

Article 22. Outsourced activities and services

- (1) The Single Central Depositary may outsource part of its activities and services to another entity.
- (2) The outsourcing of activities and services shall not exempt the Central Depositary of liability; it shall fully remain responsible for carrying out its obligations.
- (3) The following requirements shall be met when outsourcing activities and services:
- a) the outsourcing does not result in the delegation of the responsibility of the Central Depositary,
 - b) the relationship and obligation of the Central Depositary towards the participants or issuers shall not change,
 - c) the outsourcing shall not lead to the failure to observe the requirements of the activity of the Central Depositary set forth in this law;
 - d) the outsourcing shall not prevent the exercise of supervisory or oversight functions of the National Bank of Moldova and other public supervisory authorities, including on-site access to acquire any relevant information needed to fulfil these functions;
 - e) the outsourcing shall not result in depriving the Central Depositary of the systems and controls necessary to manage the risks related to its activity;
 - f) the Central Depositary shall retain the expertise and resources necessary to evaluate the quality of the services provided, the organisational structure and capital adequacy of the entity responsible for the outsourced activities and services, as well as to supervise the outsourced services effectively and to manage the risk associated with the ongoing outsourcing;
 - g) the Central Depositary shall have direct access to the relevant information of the outsourced services;
 - h) the Central Depositary shall ensure that the entity carrying out the outsourced activities and services of the Central Depositary cooperates with the National Bank of Moldova in connection

- with the outsourced activities and allows the National Bank of Moldova to undertake fully its supervisory and oversight functions;
- i) the Central Depository shall ensure that the entity responsible for outsourced activities and services meets the standards of personal data protection set by the legislation;
 - j) the Central Depository shall define in a written agreement its rights and obligations and those of the entity responsible for outsourced services and activities of the Central Depository. The outsourcing agreement shall allow the Central Depository to terminate the agreement at any moment, based on a 10 working day notice;
 - k) the Central Depository and the entity responsible for outsourced services and activities of the Central Depository shall submit to the National Bank of Moldova and other competent public authorities, upon request, all information necessary to enable them to assess the compliance of the outsourced activities with the requirements of this law.
 - l) Services set forth in art.5 para.(2) point 1) may be outsourced only to a legal person that carries out the activity of Central Depository licenced or authorised accordingly in the country of origin.
- (4) Operations of the Central Depository related to the information technologies shall be outsourced only by the National Bank of Moldova, based on a mutual agreement.

Article 23. Supervision of the Central Depository

- (1) The activity of the Central Depository shall be supervised by the National Bank of Moldova.
- (2) The National Bank of Moldova shall, at least once a year, review the agreements (contracts) concluded with the Central Depository, strategies, processes and information systems implemented by the Central Depository to review the compliance with this law and to assess the risks to which the Central Depository is, or might be, exposed.
- (3) The Central Depository shall provide the National Bank of Moldova with the following documents and information:
 - a) the latest audited financial statements of the Central Depository and the most recent interim financial statements;
 - b) the information on any pending civil, administrative or any other judicial or extrajudicial proceedings involving the Central Depository, participant, entity responsible for outsourced services or activities of the Central Depository or market infrastructure with which it is connected;
 - c) the results of business continuity stress tests or similar exercises performed during the review period;
 - d) a report on the operational incidents that occurred during the review period and affected the smooth provision of any core services, the measures taken to address them and the results thereof;
 - e) a report on the performance of the securities settlement system, including an assessment of the system's availability during the review period;
 - f) a summary of the types of manual intervention performed by the Central Depository;
 - g) information concerning the identification of the Central Depository's critical operations, any substantive changes to its recovery plan, the results of stress scenarios, the recovery triggers and the recovery tools of the Central Depository;
 - h) information on formal complaints received by the Central Depository during the review period
 - i) a report on any operational changes affecting the Central Depository's activities or links;
 - j) information concerning cases of identified conflicts of interests that materialised during the review period, including the description of how these were managed;
 - k) information concerning internal controls and audits performed by the Central Depository during the review period;

- l) the general business strategy of the Central Depository for a period of at least three years from the last review and evaluation and a detailed business plan for the services provided by the Central Depository covering a period of at least one year after the last review and evaluation;
 - m) information on the number and types of participants, issuers and accounts opened for them, as well as the number, type and amount of securities held and/or processed by the Central Depository;
 - n) precise information on the number, type and extent of reconciliation problems set forth by the Central Depository both internally and with the participants, regulated markets or multilateral trade systems.
- (4) The National Bank of Moldova may require the Central Depository to provide information and the Central Depository shall submit it in accordance with the term set forth by the National Bank of Moldova.
- (5) The National Bank of Moldova may examine the accounts, books, records and other documents, in written or electronic form, to verify the due compliance of the Central Depository with this Law or normative acts of the National Bank of Moldova.
- (6) At the request of the National Bank of Moldova, the Central Depository shall approve and submit to the National Bank of Moldova an adequate recovery plan to ensure the continuity of Central Depository's activities.
- (7) The National Bank of Moldova shall subject the Central Depository to on-site inspections, which shall be carried out by teams composed of staff members of the National Bank of Moldova and the National Financial Markets Commission.
- (8) The National Bank of Moldova shall require the Central Depository, when it does not meet the requirements of this Law, to undertake necessary actions or steps to address the situation at its early stage.

Article 24. Regulation of the Central Depository activity

The National Bank of Moldova shall approve normative acts with regard to the activity of the Central Depository, including the conditions for service provision by the Central Depository, as well as the supervision procedure of the Central Depository.

Article 25. Regulations of the Central Depository

- (1) The Central Depository shall develop and apply the Regulations of the Central Depository consisting of the following norms:
- a) access criteria and conditions to suspend or exclude the participants;
 - b) rights and obligations of the participants;
 - c) registration and record-keeping of securities;
 - d) securities clearing and settlement;
 - e) conditions for when a transfer order is introduced in the clearing and settlement system of the Central Depository, as well as the time when the transfer order becomes irrevocable;
 - f) common requirements and standard mechanism to execute and settle the transfer orders, under normal circumstances, as well as during crises;
 - g) risk management procedures;
 - h) proper case-law or mechanisms in case of litigation;
 - i) persons who act as contact point in the relations between the Central Depository and the National Bank of Moldova.
- (2) The Regulations of the Central Depository, including the amendments and supplements, shall be

approved by the Supervision Board of the Central Depository, after being approved by the National Bank of Moldova, and when it comes to the registration and record keeping of the securities – also by the National Commission for the Financial Market.

Article 26. Recommendations and sanctions

- (1) In exercising its powers stipulated by this law, the National Bank of Moldova shall address recommendations to the Central Depository, its participants or entity responsible for outsourced activities and services of the Central Depository to prompt compliance with this Law and normative acts of the National Bank of Moldova.
- (2) The National Bank of Moldova shall apply the following sanctions to the Central Depository, its participants or entities responsible for outsourced activities and services of the Central Depository if it violates the provisions of this law or normative acts issued to enforce this law:
 - a) warning;
 - b) reprimand;
 - c) prohibition to conduct specific transactions or instructions;
 - d) prohibition to engage in certain activities;
 - e) dismiss or suspend a person from his/her position;
 - f) interdiction to render certain services.
- (3) The National Bank of Moldova shall take into account all relevant circumstances when applying such sanctions, including, when appropriate:
 - a) the gravity and duration of the violation;
 - b) the degree of responsibility of the person who admitted the violation;
 - c) the financial strength of the person who admitted the violation;
 - d) the importance of the profits gained, losses avoided by the person who admitted the violation or the losses for the third parties derived from the violation, insofar as they can be determined;
 - e) the cooperation level of the person who admitted the violation;
 - f) previous violations committed by the person who admitted the violation.

CHAPTER IV: BOOK-ENTRY SECURITIES

Article 27. Principle of Fungibility

- (1) The Central Depository shall hold dematerialized and immobilized securities only in book-entry form.
- (2) The book-entry securities have no order number and are fungible by nature.
- (3) In case of immobilised securities, the Central Depository may return them to its participants, similar bearer or registered securities without taking into consideration their order numbers.
- (4) The provisions of para.(1)-(3) shall be applied to the participants vis-à-vis their securities holders.

Article 28. Co-ownership rights

- (1) The credit to a Securities Account shall generate a right of co-ownership of intangible nature in respect to all issued dematerialized or immobilized securities.
- (2) Holding the securities subject to dematerialization or immobilization shall be confirmed by crediting the securities account, which will be proved by account statements delivered by the Central Depository or the participants. Upon the request of securities holders, the Central Depository and Participants may also, upon request, issue certificates in respect of book-entry Securities.

(3) The book-entry securities shall be transferred by debiting and crediting the securities accounts.

Article 29. Exercise of the rights over book-entry securities against the Central Depository

- (1) The participants holding book-entry securities in their own account with the Central Depository may only exercise their rights over those Securities against the Central Depository. The participants shall:
 - a) directly assert the corporate rights attached to, or incorporated in, the Securities against the issuer;
 - b) in the event of Insolvency Proceedings opened against the issuer, exercise their right of recourse directly against the issuer.
- (2) Deposit of securities with the Central Depository shall have the same effect as using these securities.

Article 30: Exercise the rights over book-entry securities against the participants

- (1) Securities holders may only exercise their rights in respect to book-entry securities against the participant with whom their Securities are held on account. The securities holder shall:
 - a) exercise the right to recovery in accordance with the provisions of paragraph (2);
 - b) directly exercise the corporate rights attached to, or incorporated in, the Securities against the issuer;
 - c) in the event of Insolvency Proceedings opened against the issuer, exercise their rights of recourse directly against the issuer.
- (2) In the event of Insolvency Proceedings opened against the Participant, the action for recovery of the number of book-entry securities which the Participant is liable to return, shall be brought collectively against the pool of securities of the same category, and registered under the name of the participant with the Central Depository. The National Bank of Moldova, based on its normative acts, may organize or regulate such collective action.
- (3) If the portfolio is insufficient to allow complete restitution of all Securities held on account, it shall be allocated among the co-owners in proportion to their rights.
- (4) If the Participant is the owner of a number of securities of the same issuance, it shall have the ownership rights of the securities remaining after the total number of securities of the same issuance held in custody on behalf of the holder of securities returned to these securities holders.
- (5) The Securities Holders shall prove the existence and the number of their book-entry securities vis-a-vis the issuers and any other stakeholder relevant in the context of the first paragraph of this Article by means of the account statements delivered by the participants. The participants may also deliver certificates in order to evidence the existence of the book-entry securities.

Article 31: Collateralization of book-entry securities

For the purpose of article 7 of the Law No. 184 on Financial Collateral Arrangements of 22 July 2016, the crediting of book-entry securities to a special account opened with the Central Depository or its Participants in the name of a person to be agreed upon shall fulfil the condition that Financial Collateral must be in the possession or under the control of the Collateral Taker without any further formalities.

Article 32: Securities transfer finality when acquired in good faith

- (1) The legal effects described in articles 28-31 may not be challenged on whatsoever basis, provided

that the Central Depository, participants, securities holders or other third parties, as the case may be, who receive the securities, acquired them in good faith.

- (2) The provisions set forth in para.(1) shall not affect the liability of the transferor of the securities towards the person who suffers losses.

Article 33: Securities subject to dematerialization

- (1) The following categories of securities may be issued only in dematerialized form, as of the date of entry into force of the Decision on the Launch of the Activity of the Central Depository issued by the National Bank of Moldova, in line with Article 21, paragraph (4):
- a) The government securities subject to the Law No. 419-XVI on Public Debt, State Guarantees and State On-lending of 22 December 2006,
 - b) Claims issued by the National Bank of Moldova,
 - c) The financial instruments defined in Article 4 of the Law no. 171 on the Capital Market of July 11, 2012
- (2) The National Bank of Moldova may, through its normative acts, impose the dematerialization of other securities, additionally to those mentioned in para.(1) .
- (3) Securities dematerialized in accordance with para.(1) and (2) shall be issued only by the Central Depository, which has for this activity a legal monopoly, established in accordance with the law.
- (4) The issuers of securities shall submit all necessary acts to the Central Depository, in accordance with the requirements set forth by the normative acts of the National Bank of Moldova, to dematerialize the securities.

Article 34: Securities subject to immobilization

- (1) Any securities in bearer form or registered, already issued and being in circulation , shall be subject to immobilization by the Central Depository.
- (2) The Central Depository may sub-deposit the immobilized securities held in a legal person that carries out the activity of Central Depository, licenced and authorised accordingly in the country of origin through a transfer in book-entry form or in another way.
- (3) The sub-depositing of securities in accordance with para.(2) shall not affect the application of the provisions of this law.

Article 35. Unrestricted transfer of securities

- (1) The Central Depository and the participants shall ensure the transfer of securities only if their circulation is not suspended or restricted.
- (2) The Central Depository, as well as employees and members of its decision-making board, shall be liable in accordance with art. 6, if they transfer the securities contrary to the provisions set forth in para.(1).

CHAPTER V. ACTIVITY OF THE CENTRAL DEPOSITARY

Article 36. Integrity of the issue

- (1) The Central Depository shall take appropriate reconciliation measures to verify that the number of securities making up a securities issue or part of a securities issue submitted to the Central Depository is equal to the sum of securities recorded on the securities accounts of the participants of the system it operates and, where relevant, on owner accounts maintained by the Central

Depository. Such reconciliation measures shall be conducted at least daily.

- (2) Where appropriate and if other entities are involved in the reconciliation process for a certain securities issue, the Central Depository and such entities shall organise adequate cooperation and information exchange measures, so that the integrity of the issue is maintained.

Article 37. Loss allocation mechanism

- (1) If the securities of a given type and issuance in circulation exceed the number of securities issued and held in the Central Depository and/or participants' accounts, the loss shall be borne by all participants holding these securities in proportion to their rights.
- (2) The provisions of para.(1) shall not be applied to the National Bank of Moldova, if it holds securities in the Central Depository to carry out its duties in accordance with the Law No. 548-XIII on the National Bank of Moldova of 21 July 1995.

Article 38. Lien

- (1) The Central Depository shall enjoy with regard to the book-entry securities held on behalf of its participants a first ranking lien, applied to guarantee the due discharge by the latter of any obligation due to the Central Depository in connection with any of the services carried out by the latter for the Participants.
- (2) The Central Depository shall enjoy the lien with regard to the securities held on behalf of the securities holder to guarantee appropriate fulfilment of any obligation related to any of the services provided by the Central Depository to these securities holders.
- (3) The Participants shall enjoy with regard to the book-entry securities held on behalf of securities holder a similar ranking lien in order to guarantee the due discharge by the latter of any obligation due to the Participant in connection with any of the services carried out by the latter for the securities holder.
- (4) Unless specified otherwise, in case of a conflict of ranking between the lien referred in para. (1) - (3) and a financial collateral contract in accordance with the Law No. 184 of 22 July 2016 on Financial Collateral Contracts, the Central Depository or its participant shall have priority in exercising the retention right, if the securities subject to the lien have been credited in a special account.

Article 39. Archives

The Central Depository shall maintain records of all its operations for a period of 10 years and may hold its archives of the Central Depository and of its participants in electronic form and/or visual media.

Article 40. Protection of securities of participants and those of their clients

- (1) The Central Depository shall keep records and accounts that shall enable it, at any time and without delay, to segregate the securities accounts opened with the Central Depository of a participant from those of any other participant and from the Central Depository's own assets.
- (2) The Central Depository shall keep records and accounts that enable the participant to segregate the securities of the participant from those of the participants' clients.
- (3) The Central Depository shall keep records and accounts that enable the participant to hold in one securities account the securities that belong to different clients of that participants (hereinafter referred to as omnibus client segregation).

- (4) The Central Depository shall keep records and accounts that enable the participant to segregate the securities of any of the participant's client from the securities of other clients (hereinafter referred to as individual client segregation).
- (5) A participant shall offer its clients the choice between at least omnibus client segregation and individual client segregation and inform them of the costs and risks associated with each option, unless otherwise specified by the normative acts of the National Bank of Moldova.

Article 41. Central Depository Links

- (1) Before establishing links with Central Depositories from other states, and on an ongoing basis once the Central Depository link has been established, all central depositaries involved shall identify, assess, monitor and manage all potential sources of risks for themselves and their participants, which may result from the respective connection, and shall take appropriate measures to mitigate them.
- (2) The Central Depository shall submit to the National Bank of Moldova a request to get approval to establish a link; the National Bank of Moldova will inform the National Financial Markets Commission about it.
- (3) The authorisation shall be granted if the Central Depository positively demonstrates that this link provides adequate protection to all Central Depositories and their participants, in particular as regards possible credits taken by the Central Depositories and the concentration and liquidity risks as a result of the link arrangement.
- (4) The link must be supported by an appropriate contractual arrangement that sets out the respective rights and obligations of the linked Central Depositories, and, where necessary, of the Central Depositories' participants. A contractual arrangement with cross-jurisdictional implications shall provide for an unambiguous choice of law that govern each aspect of the operations related to the link.
- (5) Government and its subordinated institutions shall ensure free of charge access of the Central Depository to the State Population Register, the State Register of Legal Entities, the Register of Pledged Collateral and other state information resources.
- (6) From the day of the launch of the operation of the Central Depository, in line with the Decision of the National Bank of Moldova based on Article 19, paragraph (1), the National Commission for the Financial Market shall grant the access of the Central Depository to the Register of Securities Issuers.

Article 42. Non-discriminatory access, equal treatment, transparency of prices and commission fees

- (1) The Central Depository shall have publicly disclosed criteria for participation which allow fair and open access to all legal persons that intend to become participants.
- (2) The criteria for becoming a participant shall be transparent, objective and non-discriminatory so as to ensure fair and open access to the single Central Depository with due regard to risks to financial stability and the orderliness of markets. Criteria that restrict access shall be permitted only if the objective is the justified need to monitor a specified risk of the Central Depository.
- (3) The Central Depository shall review the requests to become participants without delay, providing a response to such requests within one month at the latest, and shall make public the request review procedures.
- (4) The Central Depository shall deny the acceptance of an applicant as participant only if the decision is duly justified in written form and is based on a comprehensive risk assessment.
- (5) The Central Depository shall have objective and transparent procedures for the suspension and orderly exit of participants that no longer meet the criteria for participation.

Article 43. Participant default rules and procedures

- (1) The Central Depository shall have effective and clearly defined rules and procedures to manage the default of one or more of its participants, ensuring that they can take timely action to contain losses and liquidity pressures and continue to meet their obligations.
- (2) The Central Depository shall publish its relevant default rules and procedures.
- (3) The Central Depository shall undertake with its participants and other relevant stakeholders periodic testing and review of its default procedures to ensure that they are practical and effective.

Article 44. Procedures for communication with participants and other capital market infrastructure entities

The Central Depository shall use in their communication procedures with participants of the securities and other capital market infrastructure entities they interact with international open communication procedures and standards for messaging and communicating reference data in order to facilitate efficient recording, payment and settlement.

Article 45. Payments and commission fees related to provided services

- (1) The ceilings for the commission fees for services provided by the Central Depository, except for those set forth in para.(3), implicitly the discounts, rebates and conditions to apply discounts and rebates shall be approved by the National Bank of Moldova.
- (2) The amounts of commission fees related to services provided by the Central Depository shall be approved by the Supervision Board of the Central Depository within the maximum limits set forth in accordance with para.(1).
- (3) The interest rate for securities loans, payments for securities related guarantees and commission fees for services related to information technologies shall be set independently by the Central Depository, by decision of the Executive Council.

CHAPTER VI: FINAL AND TRANSITORY PROVISIONS

Article 46. Entry into force and final and transitory provisions

- (1) This Law shall enter into force on the date of publication.
- (2) Within 18 months from the entry into force of this law, the National Bank of Moldova shall:
 - a) ensure the setting up of the Central Depository, in accordance with para.(3) and other provisions of this law;
 - b) develop and approve the normative acts on the activity of the Central Depository, set forth by this law.
- (3) The following shall be entitled to become a founder of the Central Depository and participate in the subscription of shares placed for its foundation, in accordance with the provisions set forth in art. 4 para. (5) and (6):
 - a) National Bank of Moldova;
 - b) Legal persons who, as of the date of entry into force of this law, are entities that hold the authorisation of a register company or are shareholders of entities that hold the authorisation of a register company, issued in accordance with Law No.171 on the Capital Market of 11 July 2012.
 - c) Legal persons who, as of the date of entry into force of this law, hold the authorisation of a

- central depository or are shareholders of entities that hold the authorisation of a central depository, issued in accordance with Law No.171 on the Capital Market of 11 July 2012
- (4) The registrar companies and issuers that keep the registers of securities holders themselves must submit to the Central Depository, established in line with the provisions of this Law, the registers of securities holders and all related documentation, including historic data, both on paper and in electronic form, in line with the procedure established by NCFM, by:
- a) May 1, 2019 for the securities of entities of banks and insurance companies;
 - b) December 15, 2019 for the securities of entities admitted to trading on regulated market within a multilateral trading system, other than ones stipulated in point a) above;
 - c) December 15, 2020 for the securities issued by joint stock companies, other than those specified at letters a) or b).
- (5) The National Bank of Moldova may set longer terms for transferring the registers of securities holders to the Central Depository than those set in paragraph 4, through its normative acts; however, but such terms shall not exceed 24 months from the day when each term specified in paragraph (4) expires.
- (5¹) The joint stock company is entitled to transfer the register of the holders of securities issued by itself from the day set in paragraph (4) letter a) above. When making use of this right, the register company must transfer to the Central Depository the register of securities holders and all related documentation, including historic data, on paper and in electronic form, within 90 calendar days from the day when the joint stock company submits the request.
- (6) Before the transfer of the register of securities holders, in accordance with paragraphs (4) to (5¹), the register of securities holders shall be kept by register companies and the entities that hold their own registers of securities independently, as well as by the investment companies who are entitled to carry out financial instruments custody activity.
- (7) From the date of submitting the register of securities holders in accordance with paragraphs (4) to (5¹), the record of securities holders shall be kept by the Central Depository created in accordance with this law and by the investment companies that are entitled to carry out financial instruments custody activity.
- (8) The National Commission for the Financial Market shall oversee the transfer of the registers of holders of securities of banks and insurance companies, as prescribed below:
- 1) Within 2 months from the day of the coming into force of the provisions of this paragraph, the National Commission for the Financial Market, in consultation with the National Bank of Moldova, shall approve the procedures for verification of the registers of securities holders, which shall include the description of at least the following aspects:
 - a) verification by the National Commission for the Financial Market by comparing the data on the registers of the registrar companies with the data available to the National Commission for the Financial Market, the data available to custodians and securities issuers, including review of claims of holders of securities and cross-checking, when needed, of data from registries of registrars/custodians and/or data from state informational resources;
 - b) verification by the securities issuer and the National Commission for the Financial Market, which shall include the process of:
 - written notification, by registered mail, by the securities issuer of the issuer's securities holders on the securities held by them;
 - awareness raising campaign carried out by the National Commission for the Financial Market aiming at confirming the integrity and legality of the records in the registers of registrar companies, as well as at [informing about] the steps to be taken by the securities holders when discrepancies are identified;
- 1¹) By way of derogation from Article 6, paragraph (2) of the NCFM Law 192/1998 on the

National Commission for the Financial Market, in order to implement the verification procedure of registries of holders of securities of banks and insurance companies, the National Commission for the Financial Market shall approve an estimated budget per each shareholder, taking into account the number of shareholders;

1²⁾ funds estimated by NCFM, as per p.1¹⁾ shall be allocated by the bank and insurance company at least 10 days prior to the beginning of the verification procedure.

In case if the effective expenditures for the verification of the registry of securities holders exceed the estimated expenditures, the bank and insurance company must pay these expenditures in 10 days from the receipt of notification from NCFM. An incomplete or delayed transfer into NCFM's account shall imply penalties as per art. 6 para. (3) of the law No. 192 from 12.11.1998 on NCFM.

1³⁾ In case of unused funds as per estimated budget, NCFM shall refund these in 10 days after the finalization of the procedure of verification of registries of securities holders and/or shall use them for future payments of other taxes or fees, upon issuer's written request. NCFM has the right to enforce restrictions in issuer's activity as per legislation in force, including asking for a freeze of issuer's assets for the purpose of recovering the expenditures borne for the verification of the registry of securities holders.

2) Expenditures related to the organization and roll-out of the public awareness campaign shall be financed from the state budget and other sources;

'2¹By derogation from the Law no. 131/2015 on State Procurements (Monitorul Oficial 2015, no. 197-205, art. 402) NCFM shall ensure the selection of the entity for organizing and carrying out the public awareness campaign for the banks and insurance companies.

3) The National Commission for the Financial Market and the relevant issuer shall verify, according to the procedure specified at appoint 1), the registers of securities holders of banks and insurance companies by the day of their transfer;

3¹⁾ NCFM may reassign its staff for the execution of provisions of p.3 and p.4).

4) Within 12 months from the day of the coming into force of the provisions of this paragraph, the National Commission for the Financial Market and the relevant issuer shall verify the data on the registers of registrar companies related to banks and insurance companies, according to the procedure described at point 1);

5) data discrepancies between the data in the registers of the registrar companies and any other documents with legal power (legal acts, data on the registers of custodians, the database of the National Commission for the Financial Market or other similar documents) shall be eliminated by the registrar company under the supervision of the National Commission for the Financial Market or, at the request of a stakeholder, shall be remedied by a court of justice;

6) the review of discrepancies on the register of securities holders by a court of justice shall not prevent the transfer of the register to the Central Depository. The court may not suspend or stop the transfer of the registers of securities holders to the Central Depository;

7) this paragraph does not apply to the securities issuers undergoing windup/dissolution or insolvency.

(8¹) To enforce the provisions of paragraph (8), Government :

- shall approve an Action Plan, setting the parties responsible for the implementation, financing sources and implementation deadlines;
- shall establish a controlling mechanism for the setup and execution of the budget used for the verification of registries of security holders;
- in agreement with relevant institutions shall grant the National Commission for the Financial Market free of charge access to the State Population Register, the State Register of Legal Entities, the Register of Pledged Collateral and other state information resources.

- (8²) Transfer of registries of security holders specified in paragraph (4) letters b)-c), shall be performed under the supervision of NCFM and relevant issuer, as follows:
- a) verification by NCFM of the balances of the securities placed, securities in circulation and treasury securities, done by crosschecking the data from registries of registrars with the data held by NCFM, custodians and issuers of securities.
 - b) public information campaign, as per publication schedule approved by NCFM, for the holders of securities, with the purpose of verification of securities held by them with the issuer, registrar company, and/or custodians, via publication:
 - by NCFM of a notice about the initiation of the verification procedure in Monitorul Oficial, in the Capital Market journal, on NCFM's website and, if needed, website of the MTF operator;
 - by the issuer of securities of a notice informing securities holders - in Monitorul Oficial, in the statutory newspaper, and, if needed, on issuer's website;
 - c) persons involved in the process of verification and transfer of registries of securities holders shall undertake some actions to eliminate the discrepancies discovered as per points a)-b), before transferring the registries of securities holders as per paragraph (4) letters b)-c);
 - d) transfer of registries of securities holders in accordance with the program of transfer of registries of securities holders approved by NCFM and the transfer plan, concluded between the CSD and each of the registrar companies;
- In the process of transfer of registries of securities holders as per this paragraph, the provisions of paragraph (8) point 6) shall be applied respectively.
- (9) When transferring the registers of securities holders according to the provisions of paragraphs (4) to (5¹), the registrar companies and issuers that keep the registers of securities holders, shall themselves:
- a) make a formal statement of the accuracy and comprehensiveness of the data;
 - b) bear administrative, civil and/or criminal responsibility for loss of integrity and/or accuracy of the data and documentation transferred to the Central Depository.
- (10) By derogation from the provisions of the Law No.171 of 11 July 2012 on the Capital Market the term of the authorisation for the register company issued earlier, as prescribed by the law, shall be legally extended without NCFM's authorisation, and becomes obsolete on the date of transfer of the registers by the register company in accordance with paragraphs (4) to (5¹).
- (11) The license for the activity of the Central Depository issued in accordance with Law No.171 on the Capital Market of 11 July 2012 becomes obsolete on May 1, 2019.
- (12) The clearing and settlement operations involving securities registered in the book-entry system, in line with the provisions of Law 548-XIII dated July 21, 1995 on the National Bank of Moldova, shall be performed:
- a) by the National Bank of Moldova - prior to the launch of the activity of the Central Depository, according to the decision of the National Bank of Moldova issued in line with the provisions of Article 19, paragraph (1);
 - b) by the Central Depository - starting from the day of the launch of the activity of the Central Depository, according to the decision of the National Bank of Moldova issued in line with the provisions of Article 19, paragraph (1).
- (13) The clearing and settlement operations for securities admitted to trading in the regulated market or on a multilateral trading system shall be performed by the Central depository as prescribed by this Law, starting with May 1, 2019. The Central Depository, holding a license issued in line with the Capital Markets Law 171 dated July 11, 2012, shall transfer, in line with the procedure established by NCFM, the full set of documentation, including historic data, in electronic form and on paper, related to the records in the software application managed by the Single Central Securities Depository.
- (13¹) The legal entities that – as of the day of the coming into force of this Law – hold licenses of Central

Depository or authorizations of register company are entitled to get licenses for activity in the capital market, in line with the Capital Market Law 171 dated July 11, 2012, without paying the license issuance fee.

- (14) The Government, within 3 months from the publication of this law, shall prepare and submit to the Parliament the draft law amending and supplementing legislative acts in force in order to bring them into compliance with this law.

Article 47. Compensatory Measures

(1) The financial claims that might derive from the enforcement of Article 46, paragraphs (10) and (11), shall be submitted to the State Chancellery of Government within 6 months from the day of the coming into force of the provisions of this Article.

(2) The claims submitted according to the provisions of paragraph (1) shall be reviewed within 60 days from the day of submission by a Commission whose nominal composition and Regulation shall be approved by Government.

(3) The Commission shall comprise 7 members and be led by a Chairperson. The Commission shall include officials representing the Ministry of Justice (acting as Chairperson and Secretary of the Commission), the National Bank of Moldova, the National Commission for the Financial Market, the Ministry of Finance, the Ministry of economy, the State Chancellery.

(4) The Commission shall review the submitted documents and request, as appropriate, additional information and data. Until the requested information/data are submitted, the review term specified at paragraph (2) shall be suspended.

(5) The Commission shall take a grounded decision on rejecting or accepting the claim, entirely or in part. Whenever the claim is accepted in part or entirely, the Decision of the Commission shall come into force after its approval by Government. The compensation for damages shall be paid from the State Budget, within 6 months from the approval by Government of the Commission's Decision.

(6) The decision of the Commission may be challenged in court, as provided by the Law on Administrative Offenses. The enforcement of the acts adopted under Article 46 of this Law cannot be suspended until the final resolution of the case.

(7) Whenever the decisions of the Commission are abolished, all effects produced under this Law shall persist and the reparatory measures that may be ordered by courts of justice are limited only to payment of compensation of damages.

Speaker of the Parliament