



**CENTRAL SECURITIES  
DEPOSITORY**

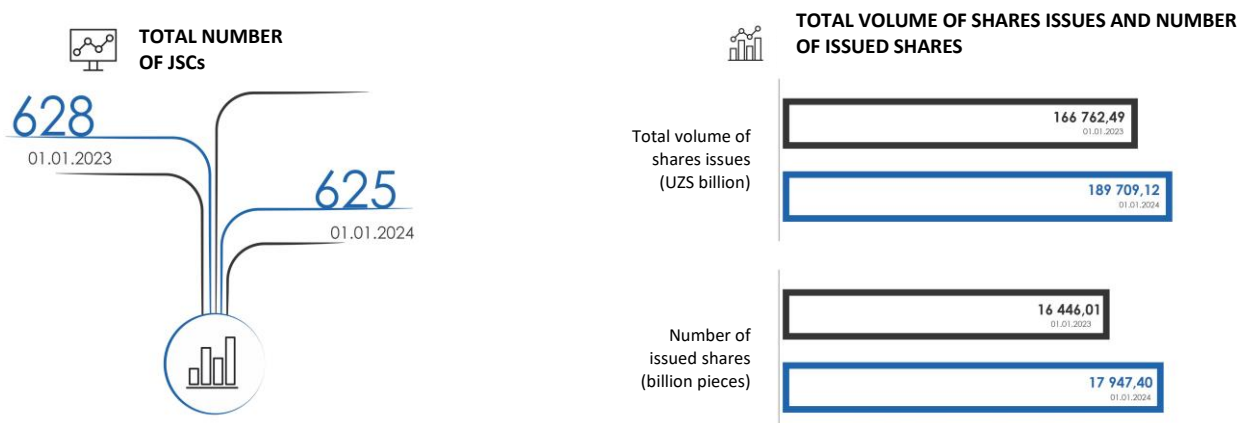
# **REPORT ON THE RESULTS OF ACTIVITY IN 2023**

**01.01.2024**

**Tashkent, Uzbekistan**

## SAFE-KEEPING AND ACCOUNTING OF THE SECURITIES

The number of shares issued by 625 joint-stock companies and safekept by the Central Securities Depository totaled 17,947.40 billion with the aggregate par value totaled UZS 189,709.12 billion as of 01.01.2024.



The number of issued shares increased by 1,501.39 pcs, and the aggregate volume of issued shares increased by UZS 22,946.63 billion as a result of the reporting period.

The number of corporate bonds safekept by the Central Securities Depository that were issued by 33 corporate bonds issuers totaled 897.2 thousand with aggregate par value totaled UZS 1 063.4 billion, including 543.1 thousand corporate bonds with aggregate par value totaled UZS 669.19 billion that were issued by 26 limited liability companies.

## SAFE-KEEPING OF STATE-OWNED ASSETS

State-owned share in authorized capital of 239 joint-stock companies totaled UZS 158,216.5 billion as of 01.01.2024, including state-owned share in authorized capital of 219 joint-stock companies totaled UZS 158,172.8 billion which were safekept by the Central Securities Depository. During the reporting period the state-owned share in authorized capital of joint-stock companies increased by UZS 23,641.1 billion while the number of joint-stock companies with state-owned share increased by 16.

Aggregate par value of share owned by economic management bodies in authorized capital of 135 joint-stock companies totaled UZS 3,848.8 billion. The volume of assets owned by economic management bodies decreased by UZS 3,762.0 over the reporting period, while the number of joint-stock companies decreased by 27.

## SERVICING OF SECURITIES ISSUES

190 sets of documents applying for various depository operations have been received in the reporting period.

The Central Securities Depository recorded in the register 125 issues of securities including 22 primary issues of share, 88 additional issues of shares, 3 additional issues on consolidation, as well as 12 issues of corporate bonds and changes to issues of 14 issuers as of 01.01.2024.

The Central Securities Depository removed from the register share issues of 24 issuers due to liquidation and part of shares issues of 20 issuers, as well as corporate bonds issues of 7 issuers.

The Central Securities Depository assembled 3,191 registers and allocated international codes to 932 securities of 652 domestic issuers as of 01.01.2024.

## SERVICING OF INVESTMENT FUNDS

The Central Securities Depository provides services to 7 investment funds and 2 privatization investment funds as it executes its exceptional function on safekeeping of rights on securities issued by investment funds.

The volume of securities issued by investment funds totaled UZS 2.32 billion, while the volume of securities purchased totaled UZS 8.47 billion.

The aggregated number of all funds' shareholders totaled 50 439 persons, including 50 402 physical persons and 37 legal persons.

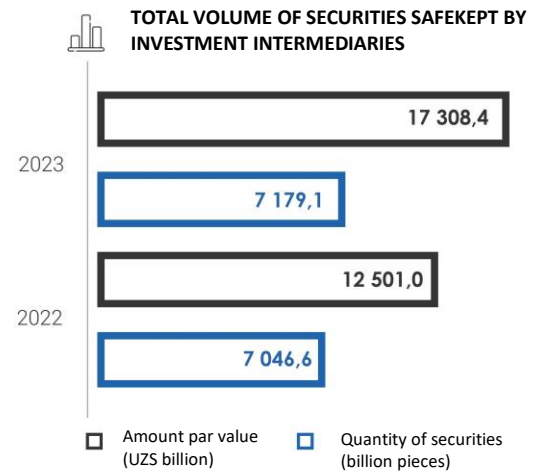
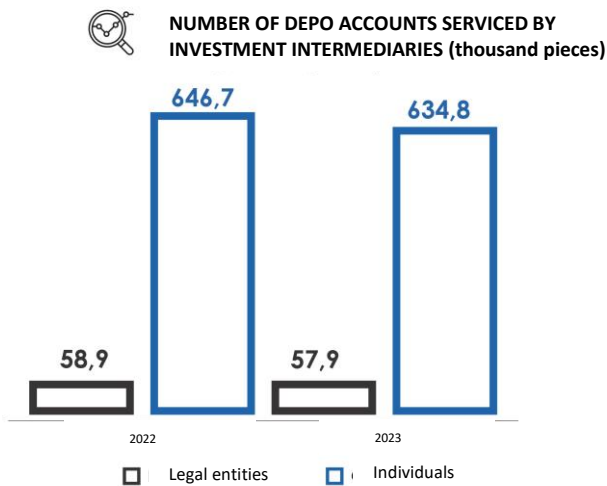
## SERVICING OF INVESTMENT INTERMEDIARIES

The Central Securities Depository safekeeps rights on securities of 55 investment intermediaries, as well as their clients, by maintaining the accounts of investment intermediaries.

The number of depositors (the clients of investment intermediaries) who have funds on their depo accounts totaled 704.88 thousand, including 57.98 thousand legal persons, i.e. 8.23%, and 646.90 thousand physical persons, i.e. 91.77%, as of 01.01.2024.

The number of depositors saw a 0.04% increase from the prior year.

The aggregate volume of 7,179.12 billion securities safekept by investment intermediaries totaled par value UZS 17,308.39, an increase of 38.46% compared to the previous year.



The Central Securities Depository registered 184 over the counter transactions for an aggregated number of securities amounted to 3,821.57 billion pieces and totaled UZS 38,693.6 billion throughout the reporting period, and made 212 securities transfers between the depository accounts following registered over the counter transactions.

### THE UNIFIED DATABASE OF DEPOSITORS

The Central Securities Depository maintains the Unified Database of Depositors with 811 378 depositors registered as of 01.01.2024, including 748 288 physical persons and 63 090 legal persons, up by 38 478 compared to the same period of previous year.



## DEVELOPMENT OF BUSINESS PROCESSES

The Central Securities Depository continues to search for new directions to develop its activities on the securities market by detailed study of international experience, optimization of business-processes, cooperation with foreign depositories and financial institutions operating on foreign financial and securities markets.

To ensure interaction with foreign counterparties and correspondents, to enable securities transactions and corporate actions using structured and standardized messages in accordance with international standards via SWIFT, BIC code SNCUZZ22 was obtained and work was carried out on the installation and configuration of this service, as well as testing with a number of counterparties represented by commercial banks and foreign the central depository. Along with this, employees were trained on the "SMART SWIFT" platform - a SWIFT user Training course, and appropriate certificates were issued to participants based on the results of testing.

In order to continue the dialogue with international central securities depositories, a meeting with representatives of the Clearstream International Central Securities Depository on international cooperation and establishment of correspondent relations was held at the Central Securities Depository in January. During the meeting, the issues of the current activities and development strategy of the Central Securities Depository were discussed, in particular, the issues of centralization of accounting for corporate and government securities, opening accounts to foreign nominee holders, the possibility of exchanging test messages via the SWIFT platform, etc.

During the reporting period, new activities of the Central Securities Depository were studied in accordance with international experience and proposals for their implementation were prepared.

Work continued on studying issues related to the implementation of the function of a payment agent for income (dividends) and the nominal value of securities. Dividend payment schemes have been prepared and drafts of a regulatory act have been developed to perform this function and submitted to the securities market regulator for discussion with capital market participants.

To study international experience in anti-money laundering and counter-terrorist financing (AML/CFT), an online meeting was held with representatives of "Refinitiv" Company, which is currently a global provider of data and financial market infrastructure. The meeting discussed topical issues related to the

development of the activities of the Central Securities Depository in terms of risk management and compliance.

During the reporting period, presentation materials were prepared containing information on the need for technical and technological modernization, the results of GAP and SWOT analysis, the development strategy of the Central Securities Depository and a roadmap including measures to prepare business requirements and other tools for the development of technical specifications for software development.

In connection with the release of the decree of the President of the Republic of Uzbekistan "On additional measures for the development of the capital market" dated 02.09.2023 No. PP-291, work has begun on the implementation of the tasks assigned to the Central Securities Depository. In particular, in order to centralize the accounting of state and corporate securities, as well as to ensure settlements based on the results of trading, the joint work with specialists of the Uzbek Republican Currency Exchange continued. A number of consultations were held to explore the possibilities of the trading system of the Uzbek Republican Currency Exchange with the focus at possibilities of upgrading to a functional that allows full accounting of government securities.

The above Resolution provides for the opening, until May 1, 2024, for the Central Securities Depository JSC of a correspondent account for settlements with the Central Bank and the transfer of the functions of the RSE Toshkent JSC for settlements (clearing) on transactions with securities and the functions of the settlement and clearing house to the Central Securities Depository, as well as conducting settlements with cash for transactions with corporate securities through the Central Bank. In order to implement these tasks, as well as fulfill the instructions specified in the action plan to improve the activities of the Central Securities Depository JSC, approved by the resolution of the Board of the Central Bank of the Republic of Uzbekistan dated December 23, 2023 No. 42/5, organizational measures are currently being carried out to procurement of software "Automated Banking System" (Software "ABT") in accordance with the requirements of the legislation on public procurement.

## **RISK MANAGEMENT**

The Central Securities Depository is carrying out appropriate work to improve the risk management system. In particular, in the first half of this year, the "Central Securities Depository Risk Management Policy" and "Risk Management Methodology and Rules" were developed and approved.

In the reporting period, in order to introduce a risk management system into the activities of the Central Securities Depository, work was carried out jointly with the coordinating staff to develop a risk matrix of the Central Securities Depository, a self-assessment questionnaire was conducted, and a training seminar on risk management was organized.

In addition, during 2023, in order to introduce a system of internal anti-corruption control in the activities of the Central Securities Depository and create its regulatory framework, the Anti-Corruption Policy, Regulations on Conflict of Interest Management and other relevant internal documents were developed and approved.

Also, in order to implement a compliance system to counteract monopoly in the Central Securities Depository during the first half of 2023, the "Charter of the compliance system to counter monopoly in the Central Securities Depository" and the "Roadmap to reduce the risks of violating the requirements of competition law in the Central Securities Depository" were developed.

## **IMPROVING THE REGULATORY AND METHODOLOGICAL FRAMEWORK**

Pursuant to the Decree of the President of the Republic of Uzbekistan No. PP-291 dated September 2, 2023 "On additional measures for the further development of the capital market", by the decision of the State Asset Management Agency No. 262 dated September 19, 2023, the state unitary enterprise "The Central Securities Depository" was transformed into the joint stock company "The Central Securities Depository" and registered by the Public Services Center of Mirzo Ulugbek district on September 22, 2023. The decision of the State Assets Management Agency on the issue of primary shares of The Central Securities Depository JSC was approved on September 25, 2023 and registered by the Ministry of Economy and Finance on September 29, 2023.

The constituent documents of The Central Securities Depository JSC, including the Charter of the Company, were also developed and passed state registration.

## **TECHNOLOGICAL AND SOFTWARE COMPLEX**

During the reporting period, the specialists of the Central Securities Depository added new functionality to the Personal Account software. In particular, the loading of registers to receive them from the issuer's personal

account, the process of accepting applications for registration of clients has been changed, the functionality of checking and signing the list of their clients for brokers has been added.

An API has been developed for obtaining information about the number of securities on the depositor's account based on the technological instructions of electronic information exchange between the Central Securities Depository and the Bureau of Enforcement. This integration was made in order to reduce the human factor and automate the receipt of information.

A change was made when generating a string for ANNA in the AIS "ISIN" based on the provided changes in the string structure by ANNA Service Bureau.

Data loading from the Unified Software and Hardware Complex files into the Unified Database of Depositors has been automated, and an algorithm has been developed for adding ISIN codes generated in AIS "ISIN" to securities uploaded in the Unified Software and Hardware Complex files.

AML/CFT verification has been upgraded for faster customer verification. Added audit, history of changes made by users in AIS "ISIN" and AIS "Unified Database of Depositors".

The Docker software has been studied, which allows you to automate the deployment and management of applications in containerization-enabled environments.

Work has been done to connect to the SWIFT network and configure it. At this stage, work is underway to test the sending of SWIFT messages.

Work is also underway on the development of a new website of the Central Securities Depository and its administrative part.

New APIs have been developed for integration with the Uzbek Republican Currency Exchange and the Bureau of Enforcement under the Prosecutor General's Office of the Republic of Uzbekistan.

Functional and non-functional requirements for the AIS "ABS" and AIS "Depository" software have been developed. Two types of architecture have been developed: necessary modules and promising modules for the AIS "ABS" and AIS "Depository" software.

The anti-money laundering (AML) and anti-terrorist financing (TF) test is being modernized according to a new standard.

The development of API integration for the Ministry of Economics and Finance and the Central Bank has begun; the integration is aimed at generating and assigning international codes for a global certificate.

The official website of the Central Securities Depository is being finalized according to the standards of the JSC website.

## TECHNICAL AND INFORMATIONAL SUPPORT OF ACTIVITIES

On a systematic basis, work was carried out on the administration of the INFORMIX Database Management System, as well as the postal system, on the creation of backup copies of the Central Securities Depository databases. Configuration settings have been made for higher performance.

Data exchange and work in the Unified Software and Hardware Complex is organized through external channels. In addition, work was carried out to support a secure VPN communication channel for the operation of the Unified Software and Hardware Complex.

In order to ensure information security, the Kaspersky Total Security antivirus software license is regularly updated to meet modern requirements.

In order to organize and provide a high-quality response to requests received from individuals and legal entities, a "Call-Center" was launched. In order to ensure a certain level of security, managed network switches were installed to further divide the network.

Physical servers (IS, DEVSrv, FSCSD, KERIO) were also migrated to virtual ones.

The electronic document management system E-Ijro has been introduced, which provides better record keeping at the enterprise.

## PERSONNEL POLICY

The personnel policy of the Central Securities Depository is aimed at maximum support of highly qualified specialists, work with talented and promising personnel, improvement of the system of motivation and stimulation of labor.

Regular events are held to improve the skills of their staff, training in modern technologies and foreign languages. First of all, special attention is paid to deepening and updating the knowledge and skills of employees in such areas as training specialists in the securities market, corporate governance, information technology and reporting on international financial reporting standards. Currently, 6 employees of the Central Securities Depository have a qualification certificate of a securities market specialist of the 1st category, 11 employees have a qualification certificate of a securities market specialist of the 2nd category. In addition, this year 10 employees received qualification certificates of securities market specialists of the 1st and 2nd categories.

Based on the results of training on the SMART SWIFT platform, 8 employees received certificates for working in the SWIFT system.

Currently, five employees of the Central Securities Depository study in correspondence departments of higher educational institutions in Tashkent. Work continues to search for the most gifted candidates from among university graduates for employment. During the reporting period, the questionnaires of more than 50 students were reviewed. In addition, the Central Securities Depository also regularly conducts English language training for employees.

## **INTERNATIONAL COOPERATION**

The Central Securities Depository, being a member of the Association of Eurasian Central Securities Depositories (AECSD), continued to work in the AECSD group for international cooperation. On February 1, 2023, an online meeting of the participants of the working group took place, during which the issues of reforming the AECSD, topics and formats of upcoming seminars and conferences were considered.

In order to provide access to the British experience in the field of capital, establish cooperation with leading investment banks in the UK and receive practical recommendations on preparing for an IPO, an online seminar "Capital Markets Workshop" was held in March 2023, organized with the participation of the British Embassy in Uzbekistan, in which representatives of the Central Securities Depository took an active part. During the seminar, the issues of conducting an IPO and issuing Eurobonds, as well as attracting international capital through the London Stock Exchange, were considered.

During the reporting period, a meeting was held with a delegation of Kazakhstan Stock Exchange JSC (KASE), during which issues of interaction of stock exchanges with central securities depositories, settlement systems and other issues related to the infrastructure of the stock market were considered.

In May-June 2023, meetings were held with representatives of investment companies ATON and ALOR BROKER. These meetings were organized to exchange experience and discuss promising areas of development of the financial market of Uzbekistan, where the parties expressed confidence in the importance and prospects of the development of the financial market of Uzbekistan.

The Central Securities Depository also held a meeting with representatives of Citibank, the purpose of which was to discuss issues of attracting foreign investors and improving the infrastructure of the securities market, the introduction of modern technologies in accordance with international standards.

In September 2023, the Central Securities Depository hosted a meeting with a representative of the St. Petersburg Currency Exchange aimed at developing cooperation in the field of investments and financial services.

Also, in September, representatives of the Central Securities Depository took part in the V-International conference "Capital Market of the Republic of Uzbekistan", organized by Cbonds-Congress.

During the conference, representatives of the Central Securities Depository held talks with a number of foreign financial institutions and investment companies, during which they exchanged views on establishing mutually beneficial cooperation, further development of the exchange infrastructure, as well as attracting foreign investors to the capital market.

On September 21-22, 2023, Dushanbe hosted the XIX International Conference and the Annual General Meeting of participants of the Association of Central Securities Depositories of Eurasia (AECSD). The event covered a wide range of issues related to central depositories, financial market infrastructure and integration in the AECSD space.

In November 2023, an annual training seminar was held in Almaty (Kazakhstan) for representatives of central securities depositories who are members of the AECSD. The event was organized by the Central Securities Depository of Kazakhstan.

During the seminar, participants made reports and presentations in thematic blocks: "IT architecture of central depositories: inhouse development vs. ready-made solution", "Managing the continuity of activity of the central depository", "Providing access to local capital markets", etc. Participants of the AECSD seminar also took part in the International Exchange Forum on the topic "The Role of Exchanges in the Transformation of Financial Markets", held as part of the XI Congress of financiers of Kazakhstan.