Currently, there are **32 specialized depositories licenses** valid in Russia including:

- 21 specialized depositories
- 8 specialized depositories - banks
- 3 specialized depositories - investment companies

5 **TOP SPECIALIZED DEPOSITORIES CONSOLIDATE***

- **96%** Private pension funds on service
- **90%** Insurance companies on service
- **77%** Mutual funds on service

*Expert assessment as at autumn 2017*
SPECIALIZED DEPOSITORY FUNCTIONS IN RUSSIA

- Custody
- Safekeeping of property
- Accounting for asset transactions
- Monitoring and coordinating transactions for disposal of property
- Calculation of net asset value (NAV)
- Keeping a register of investment fund units holders
- Compilation of mandatory and optional reporting
Supporting internal operations of management companies in relation to internal control and AML/ATF

Outsourcing of management companies’ switches to new industry standards

Establishing greenfield mutual funds + supporting their operations

Accounting and reporting + supporting mutual funds' processes

Advising on incorporating and licensing management companies

Advising on internal operations of management companies

*Within the INFINITUM Company Group framework, these services are provided by INFINITUM Consulting LLC.*
Rapidly Changing Market Environment

Increased attention to end investors
- decreasing share of intermediaries
- direct access of investors to trading
- client clearing

Companies' need for outsourcing non-core processes

Increasing demand for market data and research

Developing financial technologies and technological revolution
- Financial technology support at level of the Central Bank of Russia
- Transformation of financial institutes into technological companies
- Regulatory technologies are new approaches to governance and supervision for adequate management of financial institutions' risks

Creation of the national financial technology infrastructure:
- Remote identification for financial and public services
- Creation of the instantaneous retail payment platform
- Creation of market places with financial products and services for individuals
- Development of the national payment system and radically new quality of the country's payment infrastructure
Increasing control and supervision

Continuously changing and complex regulatory requirements

AML/AFT Law Enforcement Practice

Implementation of the Single Electronic Reporting XBRL Format

Non-credit financial institutions switching to UCA and GAAP
CONCEPTUAL DEVELOPMENT PRIORITIES

Proportional regulation

- Major
- Moderate
- Minor

Development of outsourcing in the financial market
Complicating non-core business processes → significant resources → decreasing profitability

Advantages:
- Non-credit financial institutions focus on their core competencies
- There is no doubling of reporting and accounting functions
- Costs are decreasing
- Competition is developing

Required:
- Outsourcing legal framework
- Requirements to outsourcing companies
- Supervisory procedure
Proposals:

- Registering qualified investor mutual funds for the Fund Administrator that may be a market major (a major management company or specialist custodian)
- Trusteeship agreement is executed with the private manager or a group of managers (including small managing companies)
- Managers are responsible for their managerial outcomes
- All other functions (including tax governance, participant clearing, internal control, AML/ATF, etc.) are performed by the Fund Administrator responsible for such functions

Advantages:

- Individual trusteeship (including covert trusteeship) is via the mutual fund
- Investors receive tax benefits
- Managers' activities are controlled

Result:

- Developing competition - private managers and small manager companies can enter the qualified investor market without material costs
THANK YOU FOR YOUR ATTENTION!