



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP

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ACCEPTING FOREIGN SECURITIES FOR SERVICING

SERVICING FOREIGN SECURITIES (FS)

NSD services the following types of foreign securities:

- Shares
- Bonds
- Depositary Receipts
- ETF units

As of the moment, NSD services:

9,505

bond issues (including
structured notes)

2,658

share issues

796

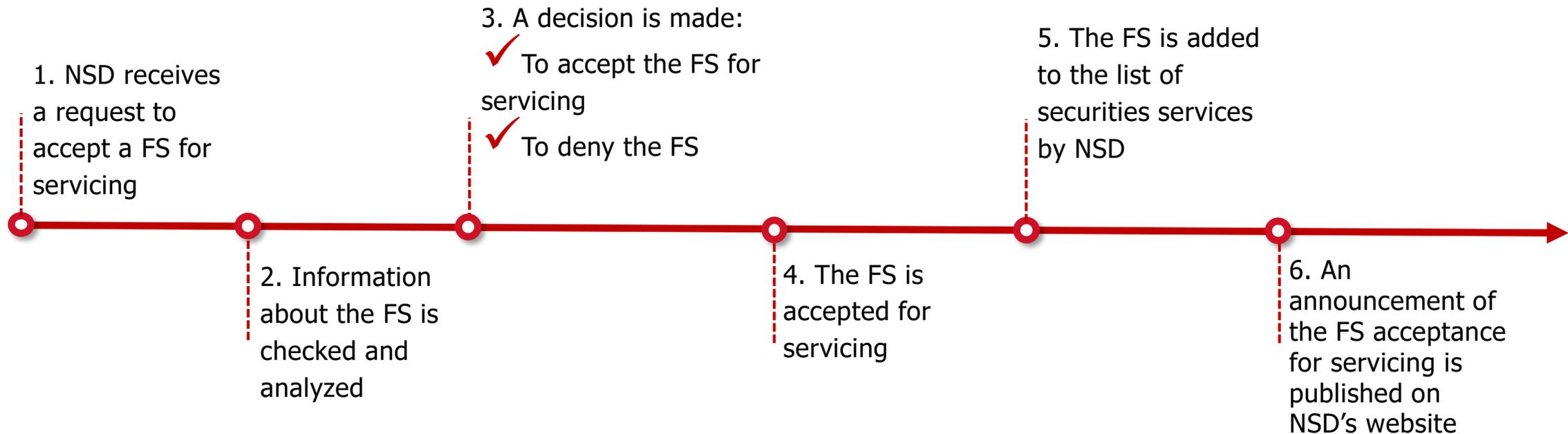
ETF units

372

depositary
receipts

As compared to 2017, the number of foreign securities issues serviced by NSD increased more than 2.5 times.

KEY STAGES FOR ACCEPTING A FOREIGN SECURITY FOR SERVICING



CHECKING FOREIGN FINANCIAL INSTRUMENTS

Key criteria to be met by a foreign financial instrument to be accepted for servicing by NSD:

- ✓ An instrument should have ISIN and CFI codes
- ✓ It should meet the requirements of Bank of Russia Ordinance No. 4561-U "On the Qualification Procedure for Foreign Financial Instruments as Securities," dated 3 October 2017
- ✓ It should be serviced by upstream foreign depositories with which NSD has opened correspondent accounts
- ✓ Its should not have a default status
- ✓ Issuance documents of such foreign financial instrument should not provide an option to credit foreign financial instruments non-qualified as securities as part of corporate actions involving such foreign financial instrument

Mandatory checks performed when accepting a foreign financial instrument for servicing include:

- ✓ Checking compliance
- ✓ Assessing possible tax risks
- ✓ Assessing the specifics of corporate action processing
- ✓ Assessing the specifics of settlements

If any problems arise during the checking process, information shall be forwarded to a unit in charge to perform additional analysis and make a decision to accept the security for servicing or not.

INFORMATION SOURCES

USED FOR CHECKING DATA ABOUT THE FS:

- ✓ Official websites of upstream foreign depositories, data received from them during consultations, telephone and/or email communications
- ✓ The issuer's official website
- ✓ An official website of the regulator of the issuer's jurisdiction country
- ✓ Bloomberg News Agency
- ✓ Issuance documents submitted by the initiator of the acceptance of the FS for servicing
- ✓ Other open information sources

If any discrepancies in information about the FS are found in these sources, NSD uses information of the upstream foreign depository verified by other information sources

REFUSAL TO ACCEPT THE FINANCIAL INSTRUMENT FOR SERVICING

Key reasons based on which NSD may refuse to accept the foreign financial instrument for servicing:

- ✓ Insufficient information about the foreign financial instrument and its issuer
- ✓ The foreign financial instrument does not meet the Regulation on the Qualification Procedure
- ✓ The issuer is in the process of liquidation
- ✓ If the foreign financial instrument is repaid within less than 60 calendar days from the moment of sending an application for servicing
- ✓ If NSD has possible risk of failure to perform obligations (related to servicing the foreign financial instrument) to its clients, upstream depositories, and authorities of the countries of this financial instrument's jurisdiction

THE PROCEDURE FOR ACCEPTING FS FOR SERVICING AND SPECIFICS OF INFORMING

When the FS is accepted for servicing:

- ✓ B A form is generated in NSD's information system; the form includes parameters of the FS according to upstream foreign depositories' data. FS forms are placed in the open access on NSD's website
- ✓ FS are placed in the List of serviced securities placed on NSD's official website
- ✓ An announcement of the acceptance of FS for servicing is published on NSD's website

* Foreign financial instruments non-qualified as securities (NQFI) are accepted for servicing by NSD only if they are credited in NSD's account with the upstream foreign depository as a result of the corporate action with FS serviced by NSD. NQFI are recorded separately, beyond NSD's record keeping.

Information about the following is not placed on NSD's website:

- ✓ Foreign financial instruments which are not qualified as securities
- ✓ FS in NSD nominee accounts with upstream foreign depositories with the statuses "Unpublished security" or "Confidential information" in these depositories
- ✓ FS with other specifics of accounting and servicing by NSD

** If a decision to accept a FS for servicing with limited services provided by NSD (for example, if the list of acceptable depository transactions on the FS is limited) is made, information on these limitations is reflected in the FS form.

SERVICING FOREIGN SECURITIES

Updating information

Information in forms of FS serviced by NSD is updated:

- ✓ If information from upstream foreign depositories is received, including as part of corporate actions performed by the issuer
- ✓ If NSD updates data related to the parameters of corporate actions involving FS information about which has not been received by NSD from upstream foreign depositories via SWIFT messages

Limiting the scope of services provided to FS

A number of limitations may be applied to FS serviced by NSD, including:

- ✓ Banning the crediting of FS via upstream foreign depositories
- ✓ Banning transactions involving FS performed within NSD
- ✓ Banning the crediting FS if additional documents have not been presented

Among key reasons for imposing such limitations on FS serviced by NSD are the following:

- ✓ Information about the issuer's default on FS received from an upstream foreign depository
- ✓ A report received from NSD's compliance service

Information about limitations imposed on the FS and their causes:

- ✓ Is reflected in the FS form placed on NSD's official website
- ✓ Is sent to all depositors with balances of this FS as of the date when the limitation is imposed

SERVICING FOREIGN SECURITIES

Securities for qualified investors

According to Federal Law No. 39-FZ "On the Securities Market," dated 22 April 1996, foreign issuers' securities which are not admitted to public placement and (or) public circulation in the Russian Federation are subject to requirements and limitations set by the Federal Law for trading in securities intended for qualified investors.

With regard to the serviced FS, NSD:

- ✓ Inputs the appropriate note in the FS form if the FS has not been admitted to trading in Russian stock exchanges
- ✓ Checks if the FS is admitted to trading in Russian stock exchanges or trading in the FS is discontinued
- ✓ Inputs the appropriate note in the FS form if the FS has been admitted to trading in Russian stock exchanges or trading in the FS is discontinued
- ✓ Places the relevant information on NSD's official website

DISCONTINUING SERVICES RELATED TO FOREIGN SECURITIES

In case of the absence of a foreign security's balances, NSD may stop servicing the foreign security in the following cases:

- ✓ No transactions involving the FS were performed within recent 6 months
- ✓ The FS has been repaid or debited following the corporate action, including the issuer's liquidation
- ✓ If CFI is changed, and based on this the financial instrument is not qualified as a security
- ✓ If the foreign security has a default status

THANK YOU!



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 - Perception of market services offered by the Company and its subsidiaries
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 - Changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets
 - Competition increase from new players on the Russian market
 - The ability to keep pace with rapid changes in science and technology environment, including the ability to use advanced features that are popular with the Company's and its subsidiaries' customers
 - The ability to maintain continuity of the process of introduction of new competitive products and services, while keeping the competitiveness
 - The ability to attract new customers on the domestic market and in foreign jurisdictions
 - The ability to increase the offer of products in foreign jurisdictions
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