



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP

September 05, 2019

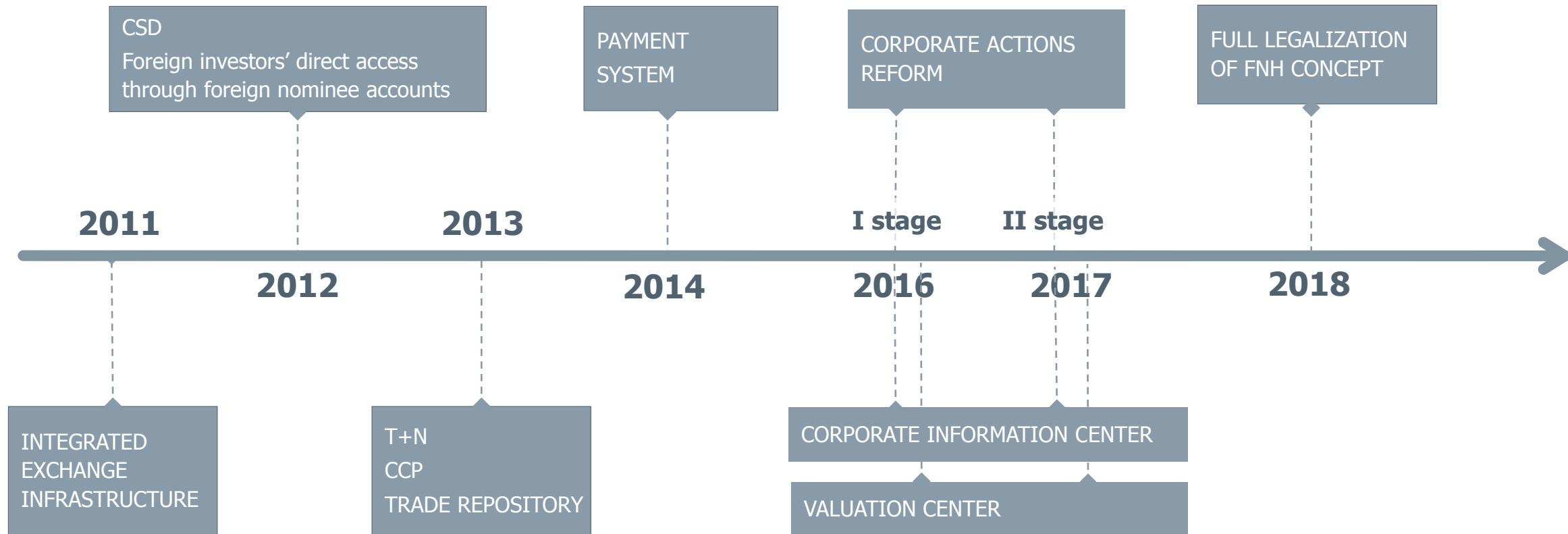
Bishkek, Kyrgyz Republic

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ACCESS TO INTERNATIONAL MARKETS

NSD EXPERIENCE

DEVELOPMENT OF FINANCIAL MARKET INFRASTRUCTURE



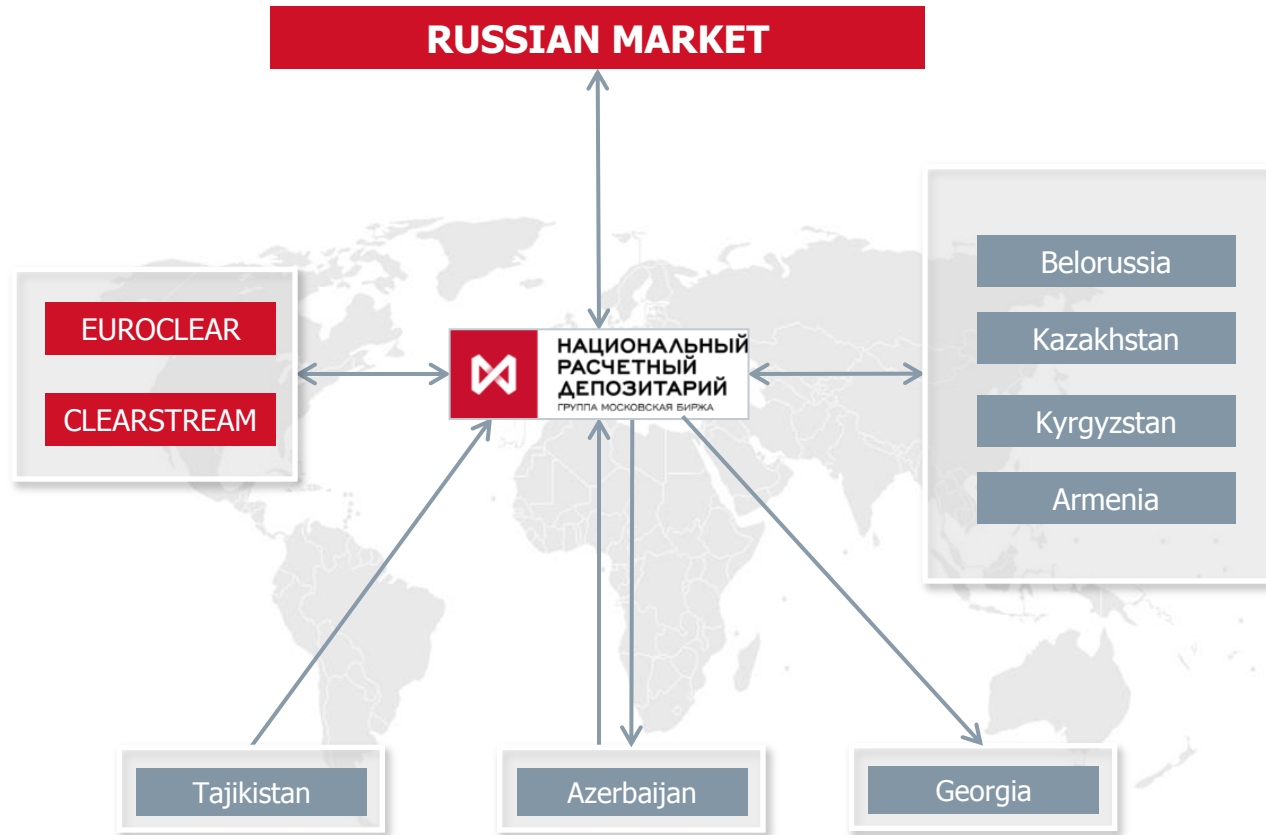
NSD IS A SECURE AND RELIABLE PROVIDER OF INFRASTRUCTURE SERVICES

KEY CONCERNS	BENEFITS
Legislation-based CSD Mandate	<ul style="list-style-type: none"> • NSD is legally recognized as CSD • Regulatory control and supervision of CSD
Centralized system for handling of securities	<ul style="list-style-type: none"> • Mandatory electronic data interchange between CSD and all its counterparties • Mandatory settlement at CSD: exclusive right to open CSD nominee accounts at registrars
17F-7 Eligibility	<ul style="list-style-type: none"> • Eligible securities depository - «Green light» for US funds
Foreign Nominee (FN): true status	<ul style="list-style-type: none"> • True status about the owner of the securities or intermediary
Finality	<ul style="list-style-type: none"> • CSD records prevail over registrar records • Mandatory reconciliation between CSD and registrars on a daily basis
Risk limiting safeguards	<ul style="list-style-type: none"> • Mandatory high risk management and business continuity standards • Backup office and data processing office existence • Observance of ISAE 3402 (type II), CPMI-IOSCO • Complex insurance of banking operations (BBB+ECC+PL) • Insurance coverage: USD 65 million
Information security	<ul style="list-style-type: none"> • Participation in swift customer security program • Developed approach to organize control procedures, applicable and adapted for new technologies
FATCA & AML & KYC	<ul style="list-style-type: none"> • Guidance under international standards, compliance with all key requirements

BENEFITS

ACCESS TO INTERNATIONAL MARKETS

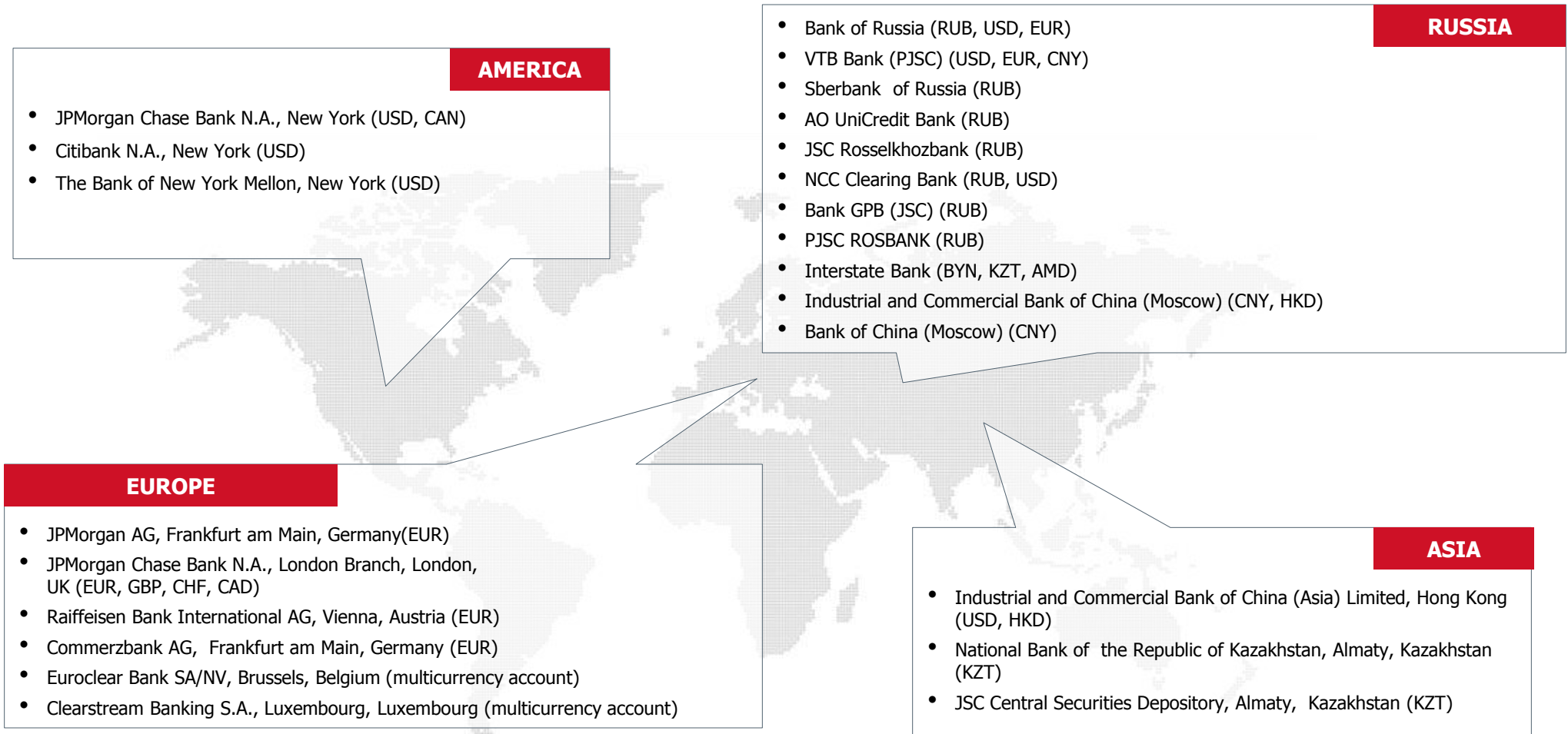
NSD CORRESPONDENT NETWORK



BENEFITS

- SINGLE ACCESS TO EUROPIAN AND CIS MARKETS
- OMPETENCE IN THE ORGANIZATION ACCESS CSDs / ICSDs * TO LOCAL MARKETS
- MODERN STANDARDS OF ELECTRONIC INTERACTION
- EXPERTISE IN THE ORGANIZATION OF INTERNATIONAL FINANCIAL CENTER
- SERVICES IN RUSSIAN AND ENGLISH LANGUAGES
- EFFICIENCY AND SIMPLICITY OF SETTLEMENT
- TRANSPARENT FEES

GEOGRAPHY OF NSD CASH CORRESPONDENT NETWORK



REGULATORY FRAMEWORK FOR CORRESPONDENT NETWORK



CSD

- Reliable post-trading infrastructure
- Custody of securities, stock exchange calculations and OTC transactions
- Corporate actions
- Issuer services, tax agency

Regulatory framework for opening securities accounts

- Federal legislation
 - No. 414-FZ "On the Central Depository" dated December 7, 2011
 - № 39-ФЗ "On the Securities Market" dated 04.22.1996
 - № 156-FZ "On investment funds" from 12/31/2017
- Bank of Russia Guidelines
 - No. 4905-U of 09/12/2018 "On the requirements for the activities of the central depository in terms of the organization of risk management related to the activities of the central depository ..."
 - No. 4050-U of 06/22/2016 "On approval of the list of organizations that keep records of rights to securities in which depositories have the right to open accounts ..."
- Standards of the Basel Committee on Banking Supervision
- Standards and recommendations of international organizations CPMI and IOSCO
- Other normative legal acts of the Russian Federation, normative acts of the Bank of Russia, as well as NSD internal documents



PAYMENT SYSTEM

- The largest payment system that ensures reliability and convenience of payments
- Money transfers in settlements in financial markets, conversion services, currency control, cash account maintenance

Regulatory framework for opening banking accounts

- Federal legislation
 - № 395-ФЗ "On banks and banking activities", 02.12.1990
 - № 161-ФЗ "About the national payment system", 06/27/2011
 - No. 115-ФЗ "On Counteracting the Legalization of Incomes...", 07.08.2001
- Bank of Russia documents:
 - Instruction dated 05.30.2014 No. 153-I "On Opening and Closing Bank Accounts ..."
 - Regulation dated 10.15.2015 No. 499-P "Provision on identification by clients of credit organizations ..."
 - Ordinance No. 3624-U, dated April 15, 2015, "On the requirements for a risk and capital management system ..."
 - Instruction No. 178-I of December 28, 2016, "On Establishing the Sizes (Limits) of Open Currency Positions ..." Standards of the Basel Committee on Banking Supervision
- Standards and recommendations of international organizations CPMI and IOSCO
- Other normative legal acts of the Russian Federation, normative acts of the Bank of Russia, as well as NSD internal documents

STAGES OF ESTABLISHING CORRESPONDENT RELATIONS



CSD

Securities accounts

- ✓ Initiation
 - Identifying investor demand / Availability of a business case
 - Availability of appropriate regulation and control of the securities market
 - Determining the transparency and security of the infrastructure
 - Use of standard market practices in the market
 - EDI and standardization
- ✓ Counterparty Analysis (Due diligence)
 - Account Opening Conditions
 - Assessment of the reliability and efficiency of financial stability
 - KYC & AML & Compliance
- ✓ Development of a roadmap for account opening
- ✓ Analysis of operational processes
 - Analysis of the operating regulations of the counterparty
 - Messaging Format Analysis
 - Testing with counterparty
 - Approval of procedures
- ✓ Contract work
 - KYC & AML & Compliance
 - Coordination of all documents within NSD
 - Signing a contract
 - Opening an account
- ✓ Launch
 - System development
 - Testing in production
 - Finalization of internal regulations and tariffs
 - Informing customers
 - Go live



PAYMENT SYSTEM

Banking accounts

- ✓ Initiation
 - Availability of a business case
 - Analysis of options for potential counterparties: credit ratings, terms of service and tariffs
 - Selection of a potential counterparty
- ✓ Counterparty Analysis (Due diligence)
 - Account Opening Conditions
 - Assessment of the reliability and efficiency of financial stability
 - KYC & AML & Compliance
- ✓ Development of a roadmap for account opening
- ✓ Analysis of operational processes
 - Analysis of the operating regulations of the counterparty
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CROSS-BORDER SETTLEMENT

The safekeeping of securities and the settlement of over-the-counter transactions through direct accounts are carried out by the National Settlement Depository in:

- Clearstream Banking and CSD of Kazakhstan starting 2005
- Euroclear Bank and CSD Belarus starting 2008
- CSD Armenia starting 2011
- CSD Kyrgyzstan starting 2013

SECURITIES SERVICES

- Internal settlement in **CSDs/ ICSDs**
- Bridge (cross-border) settlement
- Settlement on local markets
- **FOP** and **DVP settlement**
- Corporate Actions services
- Tax services
- Individuals clients accounts in **ICSDs**

SECURITIES TRANSACTIONS

NSD LOCAL MARKETS

- Great Britain
- Germany
- Hong Kong
- Italy
- Slovakia
- Slovenia
- USA
- Finland
- France
- Switzerland
- Armenia
- Belarus
- Kazakhstan
- Kyrgyzstan
- Russia

SECURITIES TYPES

- OFZ
- Corporate bonds
- Government bonds
- ADR&GDR
- Equities
- Other securities upon request

CURRENCY

- USD
- EUR
- CHF
- GBP
- RUB
- CNY
- HKD
- Other currencies upon request

BOND ISSUER SERVICES

ISIN, CFI and FISN code assignment
(with RU prefix)

Bond issue certificate custody

Bond issue placement

- Exchange: for issues admitted to public offering under Russian law
- OTC-market: for Eurobonds

Corporate actions

- Holding meetings
- Payout interest
- Collecting a list of bondholders

Settlements with bonds on the issuer's accounts when placing and circulating

Notifications on the issue service and conducting of corporate actions

Benefits of working with NSD

- Attracting Russian and foreign investors
- Ruble and foreign currency liquidity for settlements with creditors
- Benchmark for subsequent placements of corporate borrowers

Data on bond issues of foreign issuers and Eurobonds of the Ministry of Finance of the Russian Federation with certificate storage in NSD

ISSUER	NUMBER OF ISSUES, PCS.			ISSUE VOLUME, BILLION		
	RUB	USD	EUR	RUB	USD	EUR
Foreign issues (including IFR) ¹	20			128		
Ministry of Finance of the Russian Federation (Eurobonds RU) ²		5	1		19,41	1,75

¹ Bonds approved for placement under Russian law (Article 51.1. Law on the Securities Market No. 39-FZ), including the 2010 and 2018 release of the Ministry of Finance of Belarus

² Issues of bonds registered under foreign law with storage of certificates in NSD

OUR BENEFITS

Safekeeping of securities rights using the NSD infrastructure allows minimizing both the risks associated with securities transactions and the costs of performing these transactions, including the costs of establishing correspondent relations with CSDs / ICSDs.

CONVENIENCE AND ACCESSIBILITY

- Developed correspondent network
- Easy access to local markets
- A wide range of services in both CSDs / ICSDs and NSD
- The ability to work both directly and through the account operator
- High level of customer service
- Ease use of services
- Services in Russian and English
- Competitive rates
- Ability to conduct banking transactions in various currencies
- Convenient access to information on financial instruments, corporate actions
- Collateral Management Services

TECHNOLOGY AND SAFETY

- The use of modern secure channels of electronic interaction (SWIFT, API, web-services, etc.)
- Use of international message format standards, including ISO20022 / 15022
- Message processing in an end-to-end automated way (STP)
- NSD Systems Compliance with International Information Security Standards
- Modern efficient approaches to business continuity management

EFFICIENCY AND RELIABILITY

- Competence and experience in organizing CSD / ICSD access to the local market
- Participation in the project to create the International Financial Center
- Over 10 years of CSD / ICSD experience
- Thomas Murray's NSD rating is AA-, extremely low risk exposure with a stable outlook
- Compliance with CPMI IOSCO principles
- Implementation of calculations in the mode of FOP and DVP
- Tax administration services
- Corporate actions services
- Simple procedure for accepting securities for service

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 - Perception of market services offered by the Company and its subsidiaries
 - Volatility (a) of the Russian economy and the securities market and (b) sectors with a high level of competition that the Company and its subsidiaries operate
 - 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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THANK YOU!

