



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP

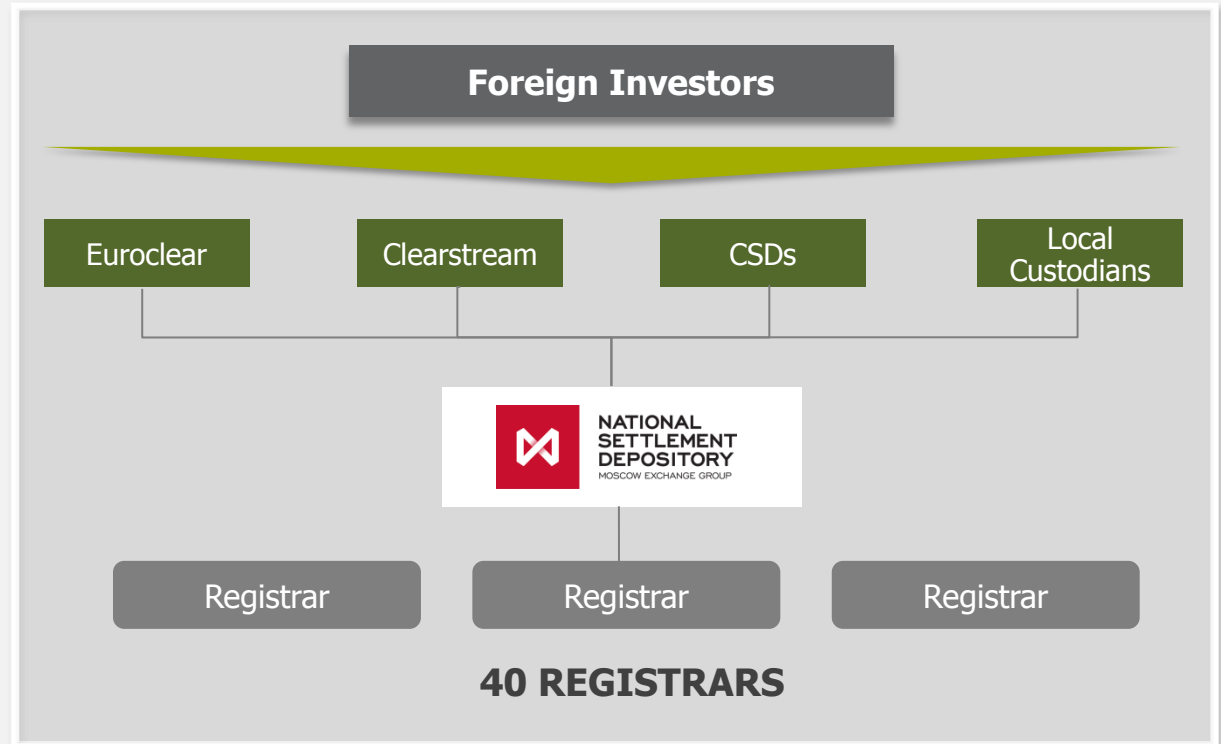
September, 2015

RUSSIAN POST-TRADE INFRASTRUCTURE **NSD ROLE**

ACCESS TO THE RUSSIAN MARKET

REGULATOR

The Bank of Russia



EDI links between NSD and registrars are mandatory according to the law on CSD

FACTS AND FIGURES

The Russian CSD

01.09.15

Systemically important CSD, Settlement Depository and Repository

More than 18 years on depository services market

Member of the **Moscow Exchange Group**

8M15 YTD

The largest settlement depository in Russia, the CIS and Eastern Europe

Provides both bank and custody services to the clients

Settlement depository for the **Moscow Exchange**

Operator of **systemically and nationally important** payment system

Diversified assets on deposit

A European tariff model

Servicing the Moscow Exchange currency exchange market

Local Operating Unit for assigning Legal Entity Identification codes

Participant of the major working groups organized by Russian regulators

First trade repository in Russia with over 1 177 clients as of September 01, 2015

Assets under Custody*, USD bln

448

Number of custody accounts, pcs.

3 687

Number of settled securities transactions, ths pcs.

1 588

Value of settled securities transactions, USD bln

2 192

Number of settled cash transfers, ths pcs.

672

Value of settled cash transfers**, USD bln

2 844

Value of settled trades in Collateral Management, USD bln

405

Value of registered trades in Repository, USD bln

4 349

NSD CORPORATE GOVERNANCE

Shareholders

- Moscow Exchange (> 99%)
- 36 minority shareholders

Majority shareholder



MOSCOW EXCHANGE

Minority shareholders with the right to take a seat in Supervisory Board



NATIONAL SETTLEMENT DEPOSITORY
MOSCOW EXCHANGE GROUP

Supervisory Board
15 directors including 5 independent

Committees of Supervisory Board

- Budget Committee
- Audit Committee
- Nomination and Remuneration Committee
- Technological Policy and Development Committee

Customer Committees and Committees of NSD's Supervisory Board

- National Settlement Depository Customer Committee
- Customer Committee for Quality Control and Risk Management
- Customer Committee for Settlement and Depository Services and Tariffs
- Customer Committee for Registrar and Depository Relations
- Risk Management Committee
- Tender Committee
- Product and Project Committee
- Repository Committee
- Risk Management Committee for Payment System
- Committee on the Development of Corporate Actions and Corporate Information Center attached to NSD Executive Board

Among members

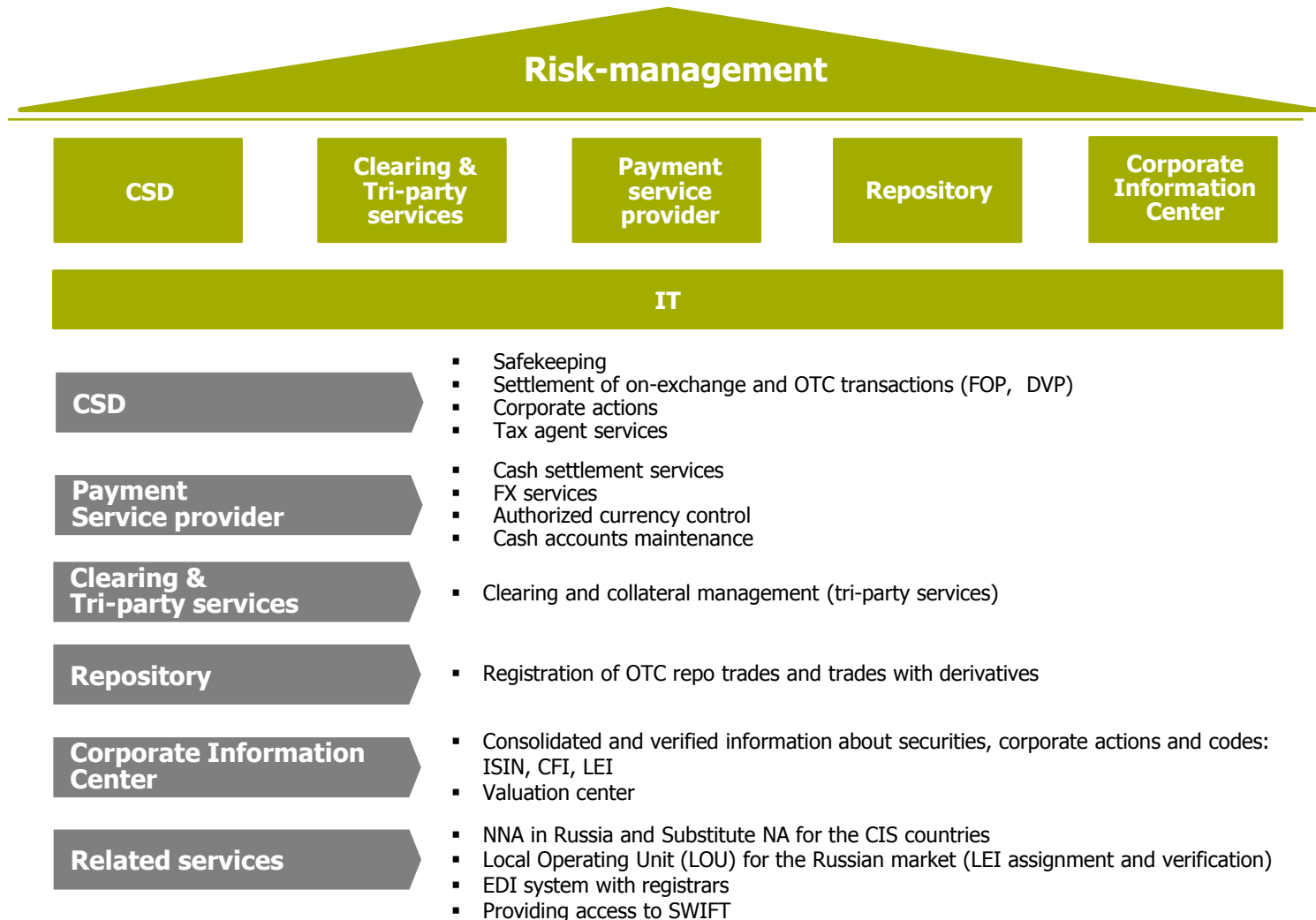
- Deutsche Bank
- Raiffeisen Bank

- Raiffeisen Bank
- Deutsche Bank
- Barclays Capital

- Euroclear
- Clearstream

- Barclays Capital
- Citibank
- Deutsche Bank
- JP Morgan
- Raiffeisen Bank Rosbank (SG Group)
- Unicredit Bank
- Credit Suisse
- Computershare
- SEB
- ING
- Merrill Lynch
- BNP Paribas
- Goldman Sachs

FIVE BUSINESS STREAMS



RISK MANAGEMENT

NSD is recognized as

- Systemically important CSD
- Systemically important Settlement Depository
- Systemically important Trade Repository
- Nationally important Payment System

- On-site mirroring of processing and storing facilities
- Remote back-up processing center
- Fiber optic communication lines between main and remote site for on-line sync
- Advanced UPS and access control systems
- Thorough software testing
- Compliance with BS 25999
- Compliance with ISAE 3402 (ex. SAS-70)
- Regular testing of settlement and operating continuity

- CSD rating by Thomas Murray
- Complex insurance of banking activities (BBB+ECC+PL)
- NSD is insured by one of the major Russian insurance companies Ingosstrakh PLC (for the period 31.01.2015 – 30.01.2016).
- Insurance coverage is USD 65 million

THOMAS MURRAY RATING

Overall rating	AA-
Asset commitment risk	AA-
Liquidity risk	A+
Counterparty risk	AA-
Financial risk	AA
Operational risk	AA-
Asset servicing risk	AA-
Asset safety	AA-
Governance & Transparency	AA-



KEY EVENTS – 6M 2015 – 1/2

INFRASTRUCTURE:

- Thomas Murray Data Services affirmed NSD's rating at AA-, Stable Outlook.

CORPORATE ACTIONS:

- NSD and the Independent Directors Association organized a conference "Corporate Actions Reform: Challenges and Practice" for market participants.
- A special website devoted to the corporate actions reform was launched – corpaactions.ru. It includes a detailed description of all aspects of the reform: from legal changes and timeframe of the reform to the technological details and information. In January-March, there were 3,346 visits to the website (including 506 visits to the English version); 60 questions were asked.
- Interacting with issuers, registrars and depositors, NSD will use international standards providing an exchange of structured standardized messages in the electronic form in ISO formats and an opportunity of STP at all stages of document processing.
- A launch of the new technology of conducting shareholder meetings which includes notifications about the meetings and e-proxy voting in the international ISO formats (20022/15022). Major issuers, including Sberbank and Gazprom, used this service.

CLEARING:

- NSD began providing to the clients an opportunity of DVP-1 settlements on securities using the Bank of Russia's real time gross settlement system (BESP). The focus group includes JSC Russian Agricultural Bank, JSC SMP Bank, LLC HCF Bank, JSC MDM Bank, LLC Morgan Stanley Bank and JSC SEB Bank.

PAYMENT SYSTEM:

- A conversion payment service was launched; it integrates two operations (foreign currency sale & purchase and money transfer) into a single operation. It reduces the number of instructions and payment documents submitted by clients.

REPOSITORY:

- The Bank of Russia officially postponed the introduction of mandatory reporting of OTC derivative contracts from 1 April to 1 October 2015.

KEY EVENTS – 6M 2015 – 2/2

Information services:

- NSD and Interfax launched Reference United Data (RU DATA), an integrated system of the corporate information collection, verification and distribution. The new product is a reference database which for the first time in the Russian market unified a full volume of the accessible updated information and the record keeping system's data on Russian issuers and their financial instruments. RU DATA also includes information provided by the NSMA Valuation Center.
- NSD implemented four new information modules based on the GoldenSource 360° EDM technological platform: Shares, Bonds, UIT units and Organizations. An NSD's client can receive information regarding all securities accepted for servicing by NSD, data on a certain list of issuers of the client's interest and on the client's own securities portfolios on deposit with NSD.

Risks and business continuity:

- NSD concluded a complex insurance agreement for 1 year term. The insurance cover sum was US\$ 65 million. The insurance policy covers all NSD professional activities within the framework of its professional securities market participant's licenses, including clearing and depository activities along with provision of banking operations in accordance with the license for banking activities.
- NSD tested its Disaster Recovery Plan (DRP) to ensure prompt switching and recovery of the systems providing money settlements and the systems allowing to conduct depository operations.
- Thomas Murray provided an independent assessment of NSD's level of observance of the CPMI-IOSCO Principles for Financial Market Infrastructures. Of the 24 Principles, NSD "fully" observes 6, "broadly" observes 10, "partly" observes 2, and there are 6 Principles not applicable to NSD's operations. There are no Principles that NSD does not observe.
- NSD held two tests of its Disaster Recovery Plan (DRP) in respect of the office IT systems and the SWIFT system (the planned test and the extraordinary one).

Appointments:

- Eddie Astanin and Maria Ivanova joined the Board of Directors of the National Securities Market Association.
- Alexander Nazarov was appointed Director of NSD's Research and Development Department.

International activities:

- NSD and China Central Depository and Clearing Co., Ltd., China's central securities depository servicing governmental securities, signed a Memorandum of Understanding. The parties agreed to share experience and information, to develop cooperation in the sphere of depository and settlement operations, operational interactions using corresponding accounts, corporate actions processing and information services.
- Eddie Astanin was elected as Russia's candidate for the Board of Directors of SWIFT.

TASKS OF THE REFORM

Single source of reliable information about corporate actions

Unified approach to corporate actions processing

Opportunity to use e-voting at the meeting

Reduced expenses for reporting about corporate actions and participating in corporate actions



Opportunity to exercise securities rights using the record keeping institutions

International record keeping institutions' participation in exercising securities rights

Increase in Russian stock market's investment attractiveness

Reduction of paper documents circulation

LEGAL FRAMEWORK

The reform is carried out in compliance with the Federal Law **№ 210-FZ** “On Making Amendments to Certain Laws of the Russian Federation and Repeal of Some Provisions of Certain Laws of the Russian Federation” dated 29.06.2015, which makes amendments to the following federal laws:

NAME OF THE FEDERAL LAW	AMENDMENTS COME INTO EFFECT ON
“On Joint-Stock Companies” “On the Securities Market”	1st July 2016
“On the Central Securities Depository”	1st July 2015

KEY ELEMENTS OF THE REFORM

CHANGED APPROACH
TO THE DRAWING UP
OF A LIST OF SECURITY
HOLDERS

NEW PROCEDURE
FOR EXERCISING SECURITY
HOLDERS' RIGHTS IN
THE COURSE
OF CORPORATE ACTIONS



NEW METHODS
OF PARTICIPATION
IN GENERAL MEETINGS
OF SECURITY HOLDERS

ESTABLISHMENT
OF A CORPORATE
INFORMATION CENTER

CORPORATE INFORMATION CENTER (CIC)

CHANGES

CIC is recognized as the **official** information source

Issuers (entities legally responsible for obligations on securities) with opened nominee CSD accounts submit information about their corporate actions to the **central securities depository** (CSD).

Issuers (entities legally responsible for obligations on securities) submit information on their corporate actions in the **structured** form using formats established by CIC.

HOW CHANGES AFFECT MARKET PARTICIPANTS

Market participants' labor costs and expenses related to information check are reduced

Placement of information on independent resources protects investors and market participants from unreliable actions of issuers (entities legally responsible for obligations on securities) which replace information previously placed on their resources

Information necessary for investors and market participants is placed on the single resource

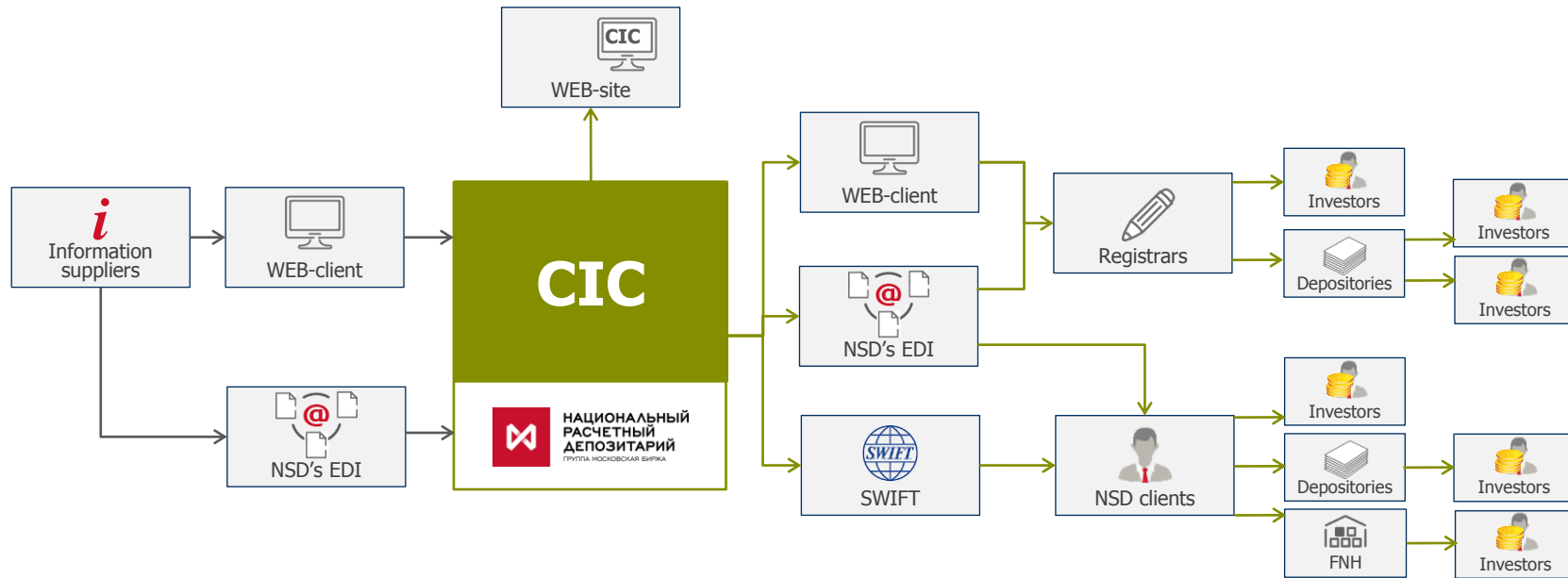
The CSD status in the securities market and the mandatory use of electronic communications channels in interactions with market participants allow to distribute information simultaneously in a format convenient for a recipient.

Absence of conditions for misrepresentation of information transformed in any message formats used by market participants (ISO15022/ 20022, XML and other)

Structured information can be quickly integrated in the securities market participants' databases for further processing and use



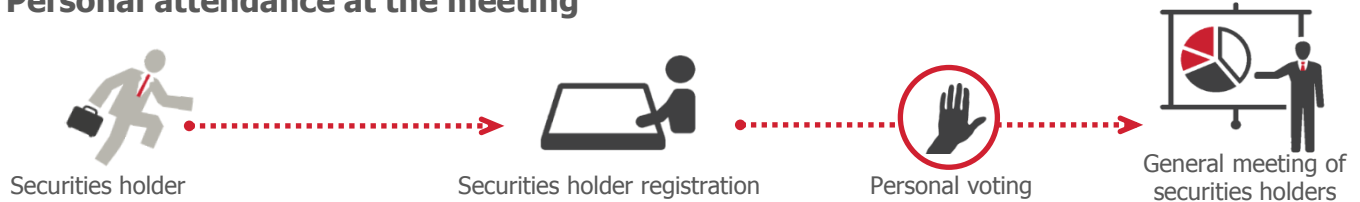
INFORMATION DISTRIBUTION PRINCIPLES



- Information can be accessed by all market participants
- Information is distributed practically simultaneously via electronic channels
- Information received in the well-structured form is easily processed and used

WAYS TO PARTICIPATE IN A SHAREHOLDER MEETING

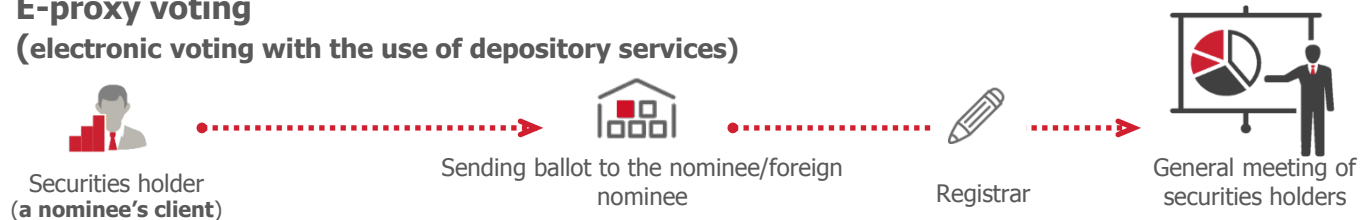
1 Personal attendance at the meeting



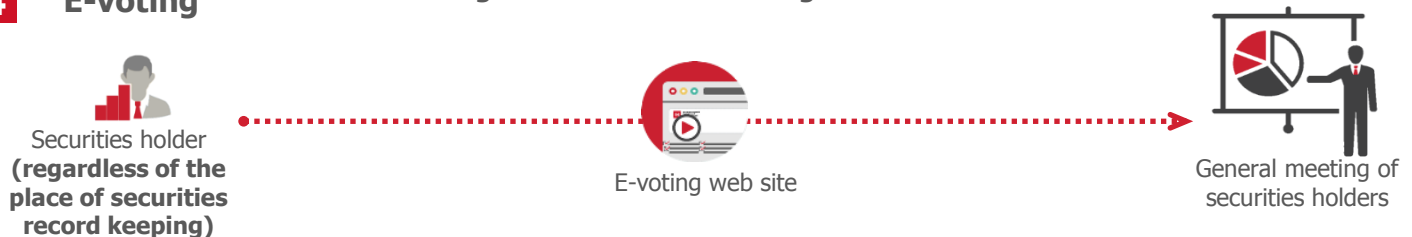
2 Sending paper ballot



3 E-proxy voting (electronic voting with the use of depository services)



4 E-voting Personal voting in electronic form using the web site




E-VOTING

VOTING ON THE WEB SITE



ISSUER

- Shall add the opportunity to complete the electronic ballot to the Articles of Association
- Shall establish a web address of the site used for voting while preparing for the general meeting
- Shall select services accessible for securities holders 



Securities holder



Voting



Registration for participating in the meeting

A shareholder can take part in a meeting by filling an electronic ballot on the web site before the meeting or by registering for participation in the meeting on the web site and voting in the online regime



Viewing the video



Listening the webcast (including the multi-language one)



**Additional services
for securities
holders**



Sending questions



Reviewing materials of the meeting



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SETTLEMENT AND DEPOSITORY SERVICES DEVELOPMENT

PROJECT	PROJECT MISSION
Electronic matching	Providing a system that allows to execute a preliminary matching of internal FOP and DVP instructions. NSD will provide via electronic channels (Luch and SWIFT) information for pairing of such instructions. Moreover NSD has developed new «Hold&Release» mechanism and plans to implement of short (8digits) numbers for securities accounts. These shall simplify the matching process on clients' side
DVP via RTGS	NSD develops a joint project with the Bank of Russia allowing to conduct settlements on DVP1 transactions using correspondent accounts with the Bank of Russia and securities accounts with NSD
Instructions priority	In order to increase settlement efficiency NSD plans to provide market participants with an opportunity to designate priorities to DVP and FOP instructions by means of priority code with further opportunity to change earlier assigned priorities. NSD also works on linked transactions service providing participants with asset segregation facilities.
Back to back	NSD clearing system provides market participants with an opportunity to settle simultaneously several consecutive internal DVP deals where one or several intermediary settlement participants may have no assets or insufficient assets to settle their deals separately, thereby increasing settlement efficiency and operations liquidity.

COLLATERAL MANAGEMENT AND TRI-PARTY SERVICES

PROJECT	PROJECT MISSION
On-exchange repos with NSD services	To provide repo users with an opportunity to enter into basket repo transactions with Bank of Russia on Moscow Exchange in RUB and USD or St. Petersburg Currency Exchange in RUB. Market participants will have access to NSD services associated with collateral management and the unified clearing pool.
Repos with general collateral certificates	To provide an opportunity to market participants to conclude repo transactions with the securities guaranteed by underlying general collateral (securities, cash) via central counterparty or with the Bank of Russia
Securities lending at ICSDs	To provide market participants with an opportunity to lend temporarily free foreign securities to ICSDs clients taking advantage from lending fee and removed custody safekeeping fee.
OTC derivatives with the NSD's Collateral Management System	To provide market participants with an opportunity to contribute securities as a collateral for transactions with standardized derivative financial instruments. Clients will have access to NSD services associated with the collateral portfolio optimization
Bridge between NCC and NSD clearing pools	To maximize netting opportunities for market participants via trades transfer between NCC and NSD clearing pools

TRADE REPOSITORY

PROJECT	PROJECT MISSION
Optimization of the Repository technologies	<ul style="list-style-type: none"> ▪ Adapting technologies to a new regulations ▪ Finalizing message formats for all types of instruments registered in the Repository ▪ Providing participants with new technologies to verify and register trade data ▪ Introduction of Legal Entity Identifiers as a mandatory element for reporting by the market participants (Done)

The Bank of Russia's plans to amend the legislation governing the procedures for reporting OTC repo transaction and derivative trades

DEVELOPMENT PROSPECTS

- Starting from October 1, 2015 it will be mandatory to report on all types of OTC transactions with derivatives
- Master agreements will no longer be the only requirement for reporting which will increase number of transactions reported to the Repository
- Development of the analytical database for the Bank of Russia
- Development of the automatic reporting service to the Repository on the new types of repos with collateral management
- Development of relations with foreign repositories to report on cross-border transactions with derivative financial instruments
- Providing market participants with statistical and analytical information in the aggregate form on the basis of reported transactions
- Simplifying the reporting by optimizing the format of repository messages

DIFFICULTIES

- It is necessary to modify the Repository's software and legal documents to comply with the changing legislation, taking into account the tight deadlines and the NSD's release policy
- Negative attitude of market participants to the concept of mandatory registration of OTC trades

CENTRALIZED SYSTEM OF UIT RECORD KEEPING **OBJECTIVES, CONDITIONS AND ADVANTAGES**

OBJECTIVE

Preparation of conditions and infrastructure for a transition to the open architecture of sales of investment products in respect to the primary market of UIT units.

CONDITIONS FOR THE PRODUCT LAUNCH

- Absence of the open architecture of sales of investment products
- Absence of unified updated formats and document circulation standards in the collective investment market
- Need to make the collective investment industry more attractive
- Need in greater transparency of information disclosure in the collective investment market
- Need to expand investment opportunities of the individual investment account project
- Development of NSD as the CSD, a higher level of correspondence with international standards

ADVANTAGES

- Centralization of the record keeping system
- Centralization of information flows
- Standardization and creation of the unified formats of the collective investment market
- Opportunity to scale the Centralized System of UIT Record Keeping up to foreign brokers
- Implementation of the short settlement cycle
- Reduction of aggregate expenses for operations with investment units for a final investor

FATCA

REGISTRATION

Registration using the IRS portal, GIIN receipt, formation of the Expanded affiliated group (if applicable)

CERTIFICATION

Initial / regular certification on the IRS website in accordance with the FATCA requirements

FATCA'S KEY REQUIREMENTS FOR NSD AS A FINANCIAL ORGANIZATION INCLUDE:

IDENTIFICATION

Identification of new clients / classification of existing one in compliance with the FATCA requirements

WITHHOLDING

Information exchange within the framework of the tax withholding process for the FATCA purposes

MONITORING

Monitoring clients' data for ensuring timely updates of the status assigned by FATCA



AML & KYC

In compliance with the Federal Law #115-FZ dated August 7th, 2001 on Anti-Money Laundering and Countering Terrorism Financing and Bank of Russia requirements, National Settlement Depository (NSD) elaborated and implemented the "Rules of internal control of NSD, aimed at Anti-Money Laundering and Countering Terrorism Financing".

NSD appointed an AML officer responsible for practical implementation and realization of the Rules.

NSD doesn't establish relationships with shell banks-nonresidents, that incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group.

One of the basic requirements of the Russian AML legislation is identification of its clients and correspondents, both on initial stage of account opening/ establishment of correspondent relationship, and periodically, during the whole period of the relationship with a particular client of a correspondent. This procedure is known as "Know Your Customer" or KYC. Apart from collecting specific documents/information directly from a client/correspondent, NSD facilitates its KYC process by using specially approved public source, KYC Registry developed by S.W.I.F.T.

KYC Registry is a database accumulating standardized and systematized information on financial organizations from across the world, to check its counterparties and clients. The KYC Registry allows NSD (and other users) to assess information required to establish new correspondent relations and to monitor existing ones, as well as for safe data exchange with correspondent banks. Along with other sources, NSD will use KYC Registry data to check clients and to establish correspondent relations with counterparties.

THANK YOU!



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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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