



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP

June 07, 2019

Dushanbe, Tajikistan

Arman Melkumyan

ESTABLISHING CORRESPONDENT RELATIONSHIPS WITH FOREIGN FINANCIAL INSTITUTIONS

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

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

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



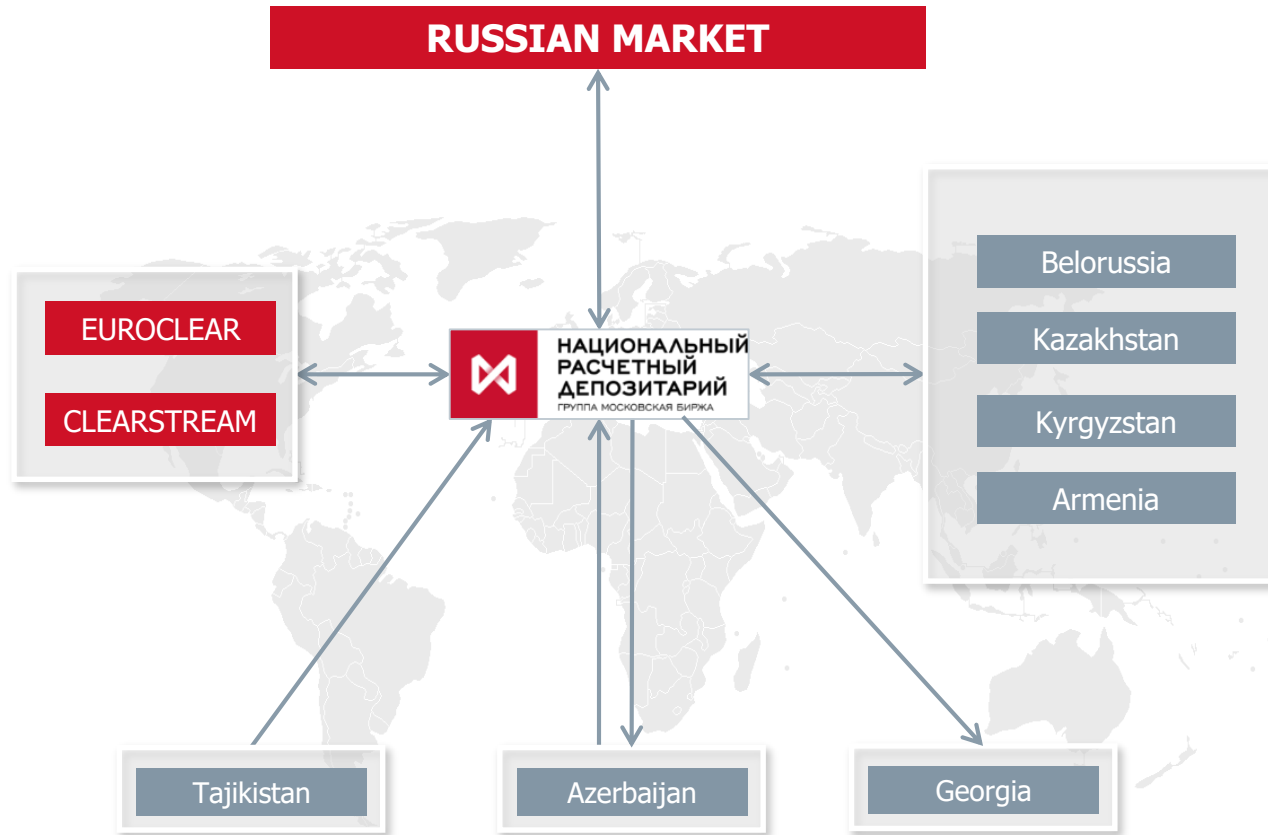
PAYMENT SYSTEM

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
 - 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

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

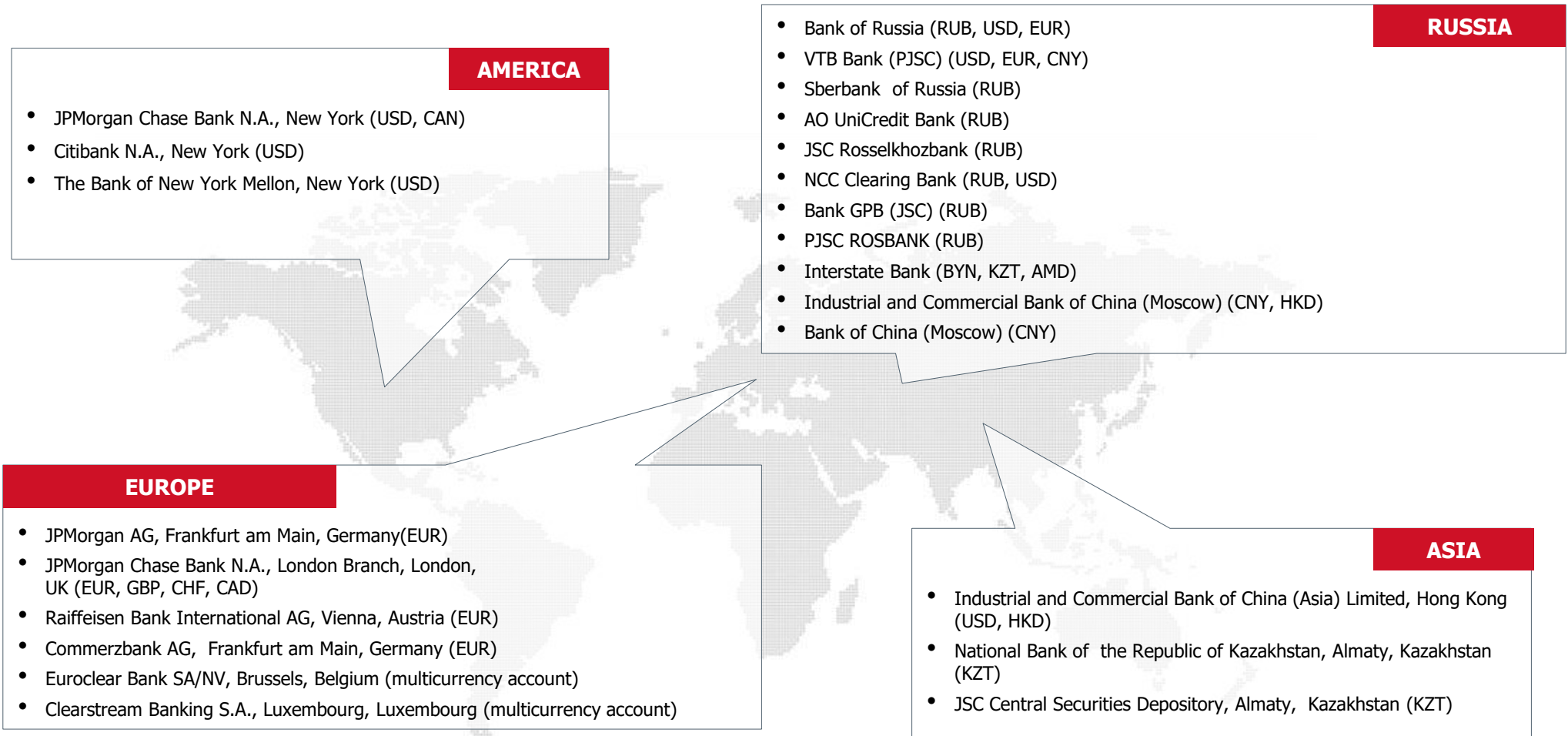
EXPERTISE IN THE ORGANIZATION OF INTERNATIONAL FINANCIAL CENTER

SERVICES IN RUSSIAN AND ENGLISH LANGUAGES

EFFICIENCY AND SIMPLICITY OF SETTLEMENT

TRANSPARENT FEES

GEOGRAPHY OF NSD CASH CORRESPONDENT NETWORK



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

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

DISCLAIMER

- This presentation has been prepared and issued by NSD (the "Company"). Unless otherwise stated, the Company is the source for all data contained in this document. Such data is provided as at the date of this document and is subject to change without notice
- This document does not constitute or form part of, and should not be construed as, an offer or invitation for the sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any offer, contract, commitment or investment decision relating thereto, nor does it constitute a recommendation regarding the securities of the Company
- The information in this document has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information or opinions contained herein. None of the Company, or any of its subsidiaries or affiliates or any of such person's directors, officers or employees, advisers or other representatives, accepts any liability whatsoever (whether in negligence or otherwise) arising, directly or indirectly, from the use of this document or otherwise arising in connection therewith
- This presentation includes forward-looking statements. All statements other than statements of historical fact included in this presentation, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future. Important factors that could cause our actual results, performance, achievements or industry results to differ materially from those in the forward-looking statements include, among other factors:
 - 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
- Forward-looking statements speak only as of the date of this presentation and we expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation as a result of any change in our expectations or any change in events, conditions or circumstances on which these forward-looking statements are based

THANK YOU!

