June 2021, Moscow
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CORPORATE ACTIONS AND THEIR AUTOMATION
STANDARD PHASES OF AN AUTOMATION PROCESS

R&D, including within working groups together with clients
Agreement upon formats with clients
Formulation of business requirements
Process Flowchart development
Analysis (formulation of functional requirements)
Development
Testing
Beta testing
External client-side testing
CA AUTOMATION PERIODS AT NSD

Period 1
CA notification

Period 2
CA reform

Period 3
Further development and automation of remaining CAs

2014

2016

2019+
CHANGES IN THE CUSTODY INFRASTRUCTURE

PREVIOUSLY

- Shareholders and the issuer interacted with each other directly
- Paper-based data interchange
- A complicated participation process both for Russian and foreign investors
- No guarantee that securities being repurchased/purchased/redeemed will be paid for, and a complicated process of proving authority

NOW

- Information on corporate actions is provided through registrars and a chain of depositories/custodians
- The drawing of a list of securities holders for participation in corporate actions is no longer needed
- All corporate actions are conducted in a centralized manner
- Electronic data interchange between the CSD and participants, using ISO formats
- Ensuring that money is received before securities being repurchased/purchased/redeemed are debited
- NSD is recognized as an official source of information
GENERAL DATA INTERCHANGE SCHEME
BETWEEN NSD AND MARKET PARTICIPANTS

- Possibility for participants to automate their internal processes and straight-through processing of data
- Participants are provided with an IT solution for the conduct of corporate actions and participation in them

- **registrars** and **clients (securities holders)** can interact with NSD in the STP mode, as well as using NSDirect
- **issuers** can interact with NSD directly, using NSDirect, as well as through their authorized representatives
ADVANTAGES

- Improved transparency and effectiveness of the Russian securities custody system
- Standardized system of corporate action notification and information dissemination
- Single platform for corporate actions processing
- Guaranteed settlement system (‘delivery versus payment’) used in corporate actions processing
- International standards of corporate actions processing
- Automation of internal processes relating to corporate actions processing
AUTOMATED CORPORATE ACTIONS

- Corporate action notification using the ISO 20022 and ISO 15022 standards
- General meetings of securities holders (CA: MEET, XMET, BMET), e-proxy voting and e-voting, general meeting convocation requests, and nomination of candidates
- Securities repurchase/purchase/redemption (CA: BIDS, TEND, BPUT) and priority issue (CA: PRIO)
- Security holder disclosure (CA: DSCL)
- Corporate actions with non-Russian securities held at ICSDs
- Mandatory CAs of the 'Conversion' group
AUTOMATION OF CORPORATE ACTIONS
SCHEDULED FOR 2021-2022

- Migration to the Bank of Russia’s new regulatory framework (Bank of Russia’s Regulations No. 751-P dated 11 January 2021, effective from 1 October 2021)
- Automation of mandatory CAs of the ‘Reorganization’ group and other mandatory CAs
- Withholding agent services in a BPUT CA
- NSD’s adaptation to SRD II
APPENDIX

Detailed Information Concerning Automation of Corporate Actions Scheduled for 2021-2022
CHANGES CONNECTED WITH THE ENTRY INTO FORCE OF BANK OF RUSSIA’S REGULATIONS NO. 751-P

UPCOMING CHANGES

- Switch to the new structured codes of paragraphs of Regulations No. 751-P from codes of paragraphs of Regulations No. 546-P
- Switch to the structured codes of paragraphs of Regulations No. 751-P in CA Notifications sent to clients (securities holders) in connection with bond-related CAs ('Coupons/Redemptions’ group)
- A prohibition to accept information regarding a meeting if the issuer has a sole shareholder
- Implementation of a new CA Type for private offering
- Implementation of an option to receive information from an issuer regarding discharge of obligations by accord and satisfaction or by novation
AUTOMATION OF MANDATORY CAs (1)
TO-BE-AUTOMATED CAS OF THE ‘REORGANIZATION’ GROUP

- MRGR - Merger
- MRGR - Company takeover
- SOFF - Demerger
- SOFF - Spin-off
- EXOF - Reorganization through transformation
AUTOMATION OF MANDATORY CAs (2)
OTHER CAS TO BE AUTOMATED

- EXOF - Exchange of shares
- EXOF - Exchange of UIT units
- WRTH - Worthless (write-off of worthless securities)
- REDM - Redemption of UIT units
- OTHR - Partial redemption of UIT units
AUTOMATION OF MANDATORY CAs (3)
UPCOMING CHANGES

- Implementation of an option to receive information regarding CAs in ISO 20022 formats
- Introduction of structured sub-types for each reorganization type
- Transmission of information regarding a transaction suspension/resumption date in a structured tag for the relevant CA type (for those CAs where this is applicable)
- Transmission of information regarding the blocking of securities in a structured tag (for CA OTHR - Partial redemption of UIT units)
- Transmission of information to clients regarding the number of securities debited/credited, broken down by owner, in ISO 20022 and ISO 15022 formats
After the issuer makes the cash transfer, the issuer sends NSD a CACO message (CA Cash Movement Confirmation) to confirm the amount paid under the particular instruction, broken down by amount types that may be subject to different tax rates.

NSD either transfers cash funds directly to the client (securities holder), or sends the client a CACO message containing information received from the issuer.
WITHHOLDING AGENT SERVICES IN A BPUT CA (2)

For paragraph 17.1 of Federal Law 39-FZ – Early (put) redemption of bonds

<table>
<thead>
<tr>
<th>Nominal value or indexed nominal value</th>
<th>Amounts due in addition to the nominal value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accrued interest</td>
</tr>
</tbody>
</table>

For reference (security parameters): **nominal value** (for bonds with indexed nominal value) and **discount** (for discount bonds, discount and coupon bonds, and discount bonds with indexed nominal value)

For paragraph 17.2 of Federal Law 39-FZ - Repurchase of bonds by the issuer

<table>
<thead>
<tr>
<th>Transaction/repurchase price</th>
<th>Amounts due in addition to the transaction/repurchase price</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Accrued interest</td>
</tr>
</tbody>
</table>

For reference (security parameters): **nominal value** and **indexed nominal value** (for bonds with indexed nominal value) and **discount** (for discount bonds, discount and coupon bonds, and discount bonds with indexed nominal value)
NSD’S ADAPTATION TO SRD II (1)

SRD II (the “Directive”) is a European Union regulation aimed to improve shareholder engagement in corporate governance at issuers incorporated in European Economic Area (EEA) member countries, regardless of where the shareholder is located and where his securities are held, and to improve the transparency of shareholder information for issuers.

The Directive applies to equity securities listed in EEA member countries.

The Directive is mainly focused on regulation of the process of securities holder identification by issuers and regulation of the process of general meeting notification of securities holders by issuers and securities holder participation in general meetings. The Directive’s requirements apply to securities depositories (including CSDs) involved in securities custody.
The following message types are proposed to be used by NSD in its communications with clients (securities holders):

<table>
<thead>
<tr>
<th>Process</th>
<th>Message</th>
<th>Message in the ISO 20022 format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder identification</td>
<td>Shareholder identification disclosure request</td>
<td>seev.045</td>
</tr>
<tr>
<td></td>
<td>Shareholder identification disclosure cancellation request</td>
<td>seev.046</td>
</tr>
<tr>
<td>Meetings</td>
<td>Meeting announcement</td>
<td>seev.001</td>
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<tr>
<td></td>
<td>Meeting cancellation</td>
<td>seev.002</td>
</tr>
<tr>
<td></td>
<td>Confirmation of entitlement</td>
<td>seev.003</td>
</tr>
<tr>
<td></td>
<td>Meeting instruction</td>
<td>seev.004</td>
</tr>
<tr>
<td></td>
<td>Meeting instruction cancellation</td>
<td>seev.005</td>
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<tr>
<td></td>
<td>Meeting instruction status</td>
<td>seev.006</td>
</tr>
<tr>
<td></td>
<td>Confirmation of recording and counting of the vote</td>
<td>seev.007</td>
</tr>
</tbody>
</table>
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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