FOREIGN NOMINEE HOLDER ACCOUNTS AT NSD AND CREATING LINKS WITH FOREIGN CSDS
CONTENT

FNH ACCOUNT IN RUSSIA AND NSD 3
NSD CORRESPONDENT NETWORK 9
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FNH ACCOUNTS IN RUSSIA AND NSD
DEVELOPMENT OF FINANCIAL MARKET INFRASTRUCTURE

CSD
Foreign investors’ direct access through foreign nominee accounts

NATIONALLY IMPORTANT PAYMENT SYSTEM

CORPORATE ACTIONS REFORM

INFRASTRUCTURE FOUNDATION OF THE RUSSIAN FINANCIAL MARKET ECOSYSTEM

2012
2013
2014
2016-2017
2018
2019 +

COLLATERAL MANAGEMENT. TRADE REPOSITORY

CORPORATE INFORMATION CENTER. VALUATION CENTER. STATUS OF THE HEAD DEPOSITORY FOR MINFIN EUROBONDS ASSIGNED

Value of securities on client securities accounts*, RUB trillion

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,0</td>
<td>21,8</td>
<td>25,1</td>
<td>31,7</td>
<td>36,4</td>
<td>39,4</td>
<td>45,0</td>
<td>52,7</td>
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</table>

Changes in OFZ balances in FN2 securities accounts with NSD, RUB trillion

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>0,6</td>
<td>0,8</td>
<td>0,8</td>
<td>1,0</td>
<td>1,5</td>
<td>2,2</td>
<td>1,7</td>
<td>2,8</td>
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</table>

Changes in MinFin Eurobonds balances in FN** securities accounts with NSD, RUB trillion

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>0,1</td>
<td>0,4</td>
<td>0,8</td>
<td>1,0</td>
</tr>
</tbody>
</table>

A considerable growth of FN share – from 17.4% (31.12.12) to 31.2% (31.12.19)

* Securities balances at the end of the day of the reporting period
** FN – foreign nominees
RUSSIAN SETTLEMENT INFRASTRUCTURE

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

THE BANK OF RUSSIA

REGISTRARS

32 REGISTRARS*

* as of 31 December 2019
## NSD IS A SECURE AND RELIABLE PROVIDER OF INFRASTRUCTURE SERVICES

<table>
<thead>
<tr>
<th>KEY CONCERNS</th>
<th>BENEFITS</th>
</tr>
</thead>
</table>
| Legislation-based CSD Mandate | • NSD is legally recognized as CSD  
• Regulatory control and supervision of CSD |
| Centralized system for handling of securities | • 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 | • Eligible securities depository - «Green light» for US funds |
| Foreign Nominee (FN): true status | • True status about the owner of the securities or intermediary |
| Finality | • CSD records prevail over registrar records  
• Mandatory reconciliation between CSD and registrars on a daily basis |
| Risk limiting safeguards | • Mandatory high risk management and business continuity standards  
• Backup office and data processing office existence  
• Observed observance of ISAE 3402 (type II), CPMI-IOSCO  
• Complex insurance of banking operations (BBB+ECC+PL)  
• Insurance coverage: USD 65 million |
| Information security | • Participation in swift customer security program  
• Developed approach to organize control procedures, applicable and adapted for new technologies |
| FATCA & AML & KYC | • Guidance under international standards, compliance with all key requirements |
USING FOREIGN NOMINEE HOLDER (FNH) ACCOUNTS

- FNH can keep all clients’ assets on a single omnibus account
- FNH can also segregate positions of its clients:
  - by opening FNH account for each client if it’s needed (there are no limitation for opening multiply number of nominee holder accounts by the one legal entity) or
  - by opening different sub-accounts in the name of its clients within the single omnibus account

It is also possible to aggregate some assets of different clients on one nominee holder account/sub-account and keep other assets of these clients on segregated account/sub-accounts or altogether on the single account/sub-account.

1 All assets on the single omnibus account
2 Segregation of FNH’s clients’ assets within separate omnibus accounts
3 Segregated and aggregated safekeeping of clients’ assets within the omnibus accounts
ROUTEING POSSIBILITIES & REPORTING FOR FNH CLIENTS

Option 1: Direct interaction

FNH

Option 2: Full service AO option

FNH

Account operator

FNH does not deal with NSD directly, all messages are routed through AO

Option 3: Enhanced service AO option

FNH

Account operator

Settlement confirmations, additional reporting

FNH does not deal with NSD directly, all messages are routed through AO, and FNH would receive additional reporting from the NSD

Reporting

• Intra-day and EoD reporting is available
• Specific reporting requirements shall be determined upon finalisation of particular settlement structure, account set-up, other specifics
NSD CORRESPONDENT NETWORK
ACCESS TO INTERNATIONAL MARKETS

NSD CORRESPONDENT NETWORK

RUSSIAN MARKET

EUROCLEAR
CLEARSTREAM

Belorussia
Kazakhstan
Kyrgyzstan
Armenia

Tajikistan
Azerbaijan
Georgia

BENEFITS FOR WORKING THROUGH NSD

SINGLE ACCESS TO EUROPEAN AND CIS MARKETS
EFFICIENCY AND SIMPLICITY OF SETTLEMENT
MODERN STANDARDS OF ELECTRONIC INTERACTION
TRANSPARENT FEES

One way access  Mutual access

*CSDs – Central Securities Depositories
ICSIDs – International Central Securities Depositories (Euroclear and Clearstream)
## OPERATIONS WITH SECURITIES

### ACCESS TO LOCAL MARKETS

<table>
<thead>
<tr>
<th>SECURITIES</th>
<th>CURRENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>Armenia</td>
</tr>
<tr>
<td>Germany</td>
<td>Belorussia</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Kazakhstan</td>
</tr>
<tr>
<td>Italy</td>
<td>Kirgizia</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Russia</td>
</tr>
<tr>
<td>Slovenia</td>
<td>USD</td>
</tr>
<tr>
<td>USA</td>
<td>EUR</td>
</tr>
<tr>
<td>Finland</td>
<td>CHF</td>
</tr>
<tr>
<td>France</td>
<td>GBP</td>
</tr>
<tr>
<td>Switzerland</td>
<td>RUB</td>
</tr>
<tr>
<td></td>
<td>CNY</td>
</tr>
<tr>
<td></td>
<td>HKD</td>
</tr>
<tr>
<td></td>
<td>Other currencies on request</td>
</tr>
</tbody>
</table>
STAGES OF ESTABLISHING CORRESPONDENT RELATIONS

INITIATION
- Investors demand
  - Regulation and legislation check
  - Infrastructure and market practices check

DUE DILIGENCE
- Account opening conditions
  - Assessment of financial stability
  - KYC, AML & Compliance

ANALYSIS OF OPERATIONAL PROCESS
- Messaging format analysis
  - Operational regulations analysis
  - Testing

CONTRACT WORK
- Negotiation and signing
  - Account opening

LAUNCH
- System development
  - Finalization of internal regulations and tariffs
    - Informing customers
    - Testing in production
  - Go live with ongoing support and annual Due Diligence
THANK YOU
ANNEX
APPENDIX I
GENERAL INFORMATION
A NOMINEE HOLDER

• A “nominee holder” shall mean a depository, whose securities account is being used for the purpose of keeping records of rights to any securities, with respect to which the nominee holder is not an owner, and which are recorded by the nominee holder for the benefit of its clients.

• The transfer of rights to securities on the books of a nominee holder (in between clients of the same nominee holder) shall not be shown on the securities account of the nominee holder.

• No claims on the obligations of the nominal holder should be applied to the assets of his clients kept in the account of the nominee holder.

• A nominee holder shall act based on and upon the instruction of its client (pls. see page 7).

• Specifics of exercising rights to securities by the persons whose title to securities is recorded by a nominee holder indicated in pages 8-9.

*Terms ‘depository' and 'custodian' are equally used for the purposes of this presentation.
## SECURITIES UNDER CUSTODY IN NSD*

<table>
<thead>
<tr>
<th>SECURITIES TYPE (CBR CLASSIFICATION)</th>
<th>NUMBER OF ISSUES (ISINS)</th>
<th>ASSETS UNDER CUSTODY</th>
<th>SHARE IN TOTAL VALUE, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOTAL</td>
<td>VALUE (MLN RUB)</td>
<td></td>
</tr>
<tr>
<td>Russian Shares</td>
<td>5 128</td>
<td>22 492 067</td>
<td>42.71%</td>
</tr>
<tr>
<td>Russian corporate bonds and IFO’s bonds eligible for settlement in Russia</td>
<td>1 824</td>
<td>11 782 323</td>
<td>22.37%</td>
</tr>
<tr>
<td>Russian government bonds (OFZ)</td>
<td>45</td>
<td>8 969 102</td>
<td>17.03%</td>
</tr>
<tr>
<td>Foreign corporate bonds and IFO’s bonds</td>
<td>10 586</td>
<td>3 401 916</td>
<td>6.46%</td>
</tr>
<tr>
<td>Bank of Russia bonds</td>
<td>3</td>
<td>1 936 705</td>
<td>3.68%</td>
</tr>
<tr>
<td>Russian MinFin’s Eurobonds</td>
<td>22</td>
<td>1 913 444</td>
<td>3.63%</td>
</tr>
<tr>
<td>Clearing participation certificates</td>
<td>4</td>
<td>762 722</td>
<td>1.45%</td>
</tr>
<tr>
<td>Municipal and sub-federal bonds</td>
<td>124</td>
<td>606 073</td>
<td>1.15%</td>
</tr>
<tr>
<td>ADR/GDR and Dutch DR</td>
<td>408</td>
<td>192 577</td>
<td>0.37%</td>
</tr>
<tr>
<td>Foreign Shares</td>
<td>3 064</td>
<td>446 459</td>
<td>0.85%</td>
</tr>
<tr>
<td>Foreign government and Central banks bonds</td>
<td>562</td>
<td>76 533</td>
<td>0.15%</td>
</tr>
<tr>
<td>UITS of foreign mutual funds</td>
<td>888</td>
<td>51 311</td>
<td>0.10%</td>
</tr>
<tr>
<td>UITS of Russian mutual funds</td>
<td>730</td>
<td>36 027</td>
<td>0.07%</td>
</tr>
<tr>
<td>Mortgage participation certificates</td>
<td>20</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Unqualified financial instruments</td>
<td>12</td>
<td>100</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>23 420</strong></td>
<td><strong>52 667 359</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

* According to management information data as of 01.01.2020
EXAMPLES OF SETTLEMENT

Securities transfer between two NH’s omnibus accounts with aggregated clients’ assets

Securities transfer between two NH’s accounts when one of the accounts is segregated into sub-accounts for assets of different clients

Matching & Settlement
APPENDIX II
CORPORATE ACTIONS
• The CIC is recognized as an OFFICIAL source of information in accordance with Federal Law No. 39-FZ “On the Securities Market” dated 22 April 1996

• information on corporate actions is provided by ISSUERS (or parties liable on securities) directly to the CIC

• information on corporate actions is PROVIDED in a **structured** form, using the formats required by the CIC (ISO 20022)
**Mandatory Corporate Actions**
- Cash Dividend (DVCA);
- Stock Dividend (DVSE);
- Liquidation Dividend (LIQU);
- Interest Payment (INTR);
- Partial Redemption (PRED);
- Full Call/Early Redemption (MCAL);
- Final Maturity (REDM);
- Bonus Issue (BONU);
- Conversion (CONV);
- Stock Split (SPLF);
- Reverse Stock Split (SPLR);
- Spin-off (SOFF);
- Decrease in Value (DECR);
- Increase in Value (INCR);
- Merger (MRGR);
- Pari-passu (PARI);
- Exchange (EXOF);
- Worthless (WRTH).

**Voluntary Corporate Actions**
- General Meeting / Extraordinary Meeting (MEET, XMET);
- Bond Holder Meeting (BMET);
- Priority Issue (PRIO);
- Put Redemption (BPUT);
- Tender / Purchase Offer (TEND);
- Repurchase Offer (BIDS).

**NB:** Although the majority of corporate actions are processed in a structured ISO based format via electronic means of communication, notifications and corporate actions processing of certain corporate actions are yet to be automated by the NSD.

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**Corporate Actions Processing**
- Processing any and all corporate actions in a centralized manner, through custodians, CSD and registrars.
- Custodians are authorized to act on behalf of their clients under a depository agreement (no PoA needed).
- Source documents are kept by a custodian, acting on behalf of the respective securities owners.
- Increased automation of corporate actions processing.

**Disclosure Procedure**
- The list of securities owners is required for proper performance of issuer’s obligations.
- The list is to be provided upon issuer’s or the Central Bank of Russia’s request.
- The list shall be completed within 15 business days.
- The list shall contain information about beneficial owners, collective investment beneficiaries, DR holders, etc.
APPENDIX III
MARKET ENTRY, FOREIGN INVESTMENT RESTRICTIONS
TAXATION
MARKET ENTRY AND FOREIGN INVESTMENT RESTRICTIONS

Market entry restrictions for foreigners

- None. Foreigners can open Cash accounts with Russian banks, Custody accounts with local custodians or securities accounts with registrar
- Foreign nominee concept has been allowed since 2013

Foreign investment restrictions

- Foreign investors are permitted to invest in Russia under the same terms and conditions as local residents
- Foreign investor should notify local authorities if its holding will breach a particular percentage threshold (5, 10, 15, 20, 25, 30, 50, 75 or 95% of voting rights)
- Certain restrictions are imposed by the Federal Law No. 57-FZ dated April 29, 2008 «On Foreign Investments in Companies of Strategic Importance for State Security and Defense»
- Certain restrictions may also be imposed by companies in their by-laws. Russian authorities tend to monitor foreign ownership levels and may occasionally request an owner, a registrar or a custodian to disclose details of ownership
- Restrictions associated with investment in companies within the financial sector. For example:
  - Investors are obliged to get prior approval from the Bank of Russia when purchasing 20% of a bank's or non-banking credit organization's stake and must notify the Bank of Russia when purchasing over 1% of outstanding capital in a credit organization
  - Insurance companies which are subsidiaries of foreign investors or where more than 49% of the outstanding capital belongs to foreign investors are not allowed to engage in certain types of insurance activity
- There are no general restrictions on foreign ownership on Russian corporate and state bonds, however such restrictions may be stipulated in the terms and conditions of each particular bond issue

1 - The rights of foreign investors are guaranteed by the Federal Law No. 160-FZ dated July 9, 1999 "On Foreign Investments in the Russian Federation", which states that foreign investments are allowed in all kinds of activities except those expressly off-limit or restricted under existing regulations.
2 - For the purpose of ensuring the country's defense and state security. The Federal Law Federal Law No. 57-FZ dated April 29, 2008 «On Foreign Investments in Companies of Strategic Importance for State Security and Defense» determines deals and steps required for receiving approval for the acquisition of a controlling stake by foreign investors in a strategic company in the specific situations provided by the above said Law. Deals which have been executed in contradiction with the Federal Law No. 57-FZ are considered null and void. Decisions by the executive bodies of a strategic company, which were taken after a foreign investor had illegally taken control over a strategic company, may be cancelled following the decision of the courts. The courts are also in a position to remove the right to vote from a foreign investor at a general shareholders meeting in the event of multiple violations of the Federal Law No. 57-FZ.
3 - A special quota for the licensing of banks with foreign capital entitling the Bank of Russia not to issue licenses to banks with foreign capital once the quota limit has been exceeded.
4 - A 50% quota is set for the amount of foreign capital in the aggregated capital of insurance companies operating in Russia.
TAXATION

Taxation
NSD acts as a withholding agent when paying out income on securities to foreign organizations or foreign nominees from the following types of Russian securities:

- **Russian federal government securities** (subject to mandatory centralized safekeeping, with any registration date)
- **Russian regional securities** (subject to mandatory centralized safekeeping, with any registration date)
- **Municipal securities** (subject to mandatory centralized safekeeping, with any registration date)
- **Corporate bonds** (issued by Russian organizations, subject to mandatory centralized safekeeping, with the state registration date after 1 January 2012 (including discount bonds))
- **Stocks of Russian issuers** (a decision to pay dividend on which is made after 1 January 2014)

Authorized tax representative
A foreign nominee holder may appoint a tax representative by issuing a power of attorney (to be apostilled and legalized).

Tax Disclosure Rules and Regulations

- NSD's official web site at www.nsd.ru ('Tax Management' section, 'Foreign nominees' subsection) contains detailed information regarding all tax procedures applicable at NSD: Rules, Regulations, Forms, power of attorney templates, Reference Lists, Fee Schedule, document formats with description, tax authorities' clarifications, connectivity and testing process descriptions, payment procedures, and regulator's clarifications.

Tax disclosure
Foreign nominees are required to submit to NSD a aggregated tax disclosure statement electronically:

- No need to submit any documents certifying the right of actual income recipients (beneficial owners/beneficiaries) to have tax exemptions or benefits (however, can be requested in the course of a tax audit of NSD);
- Quick tax refund (adjustment) is possible based on updated information provided, within 25 business days following the income payment date.
- It is also possible to apply for tax refund directly to the Russian tax authorities;
- Russian and foreign organizations which are actual beneficiaries of income and have the right for tax exemptions and reliefs on securities kept on owner securities accounts could provide the withholding agent (NSD) the appropriate documents providing the mentioned right.

Tax disclosure timing
- for bonds: 5 business days of the date on which NSD has disclosed information on the payment of distributions on Russian bonds to NSD's clients (nominees or trustees being professional securities market participants), in the real time newswire of INTERFAX and on NSD's official web site;
- for stocks: 7 business days of the record date.

Local Tax Rate for OFZ

Federal government interest is tax exempt
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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

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