



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP



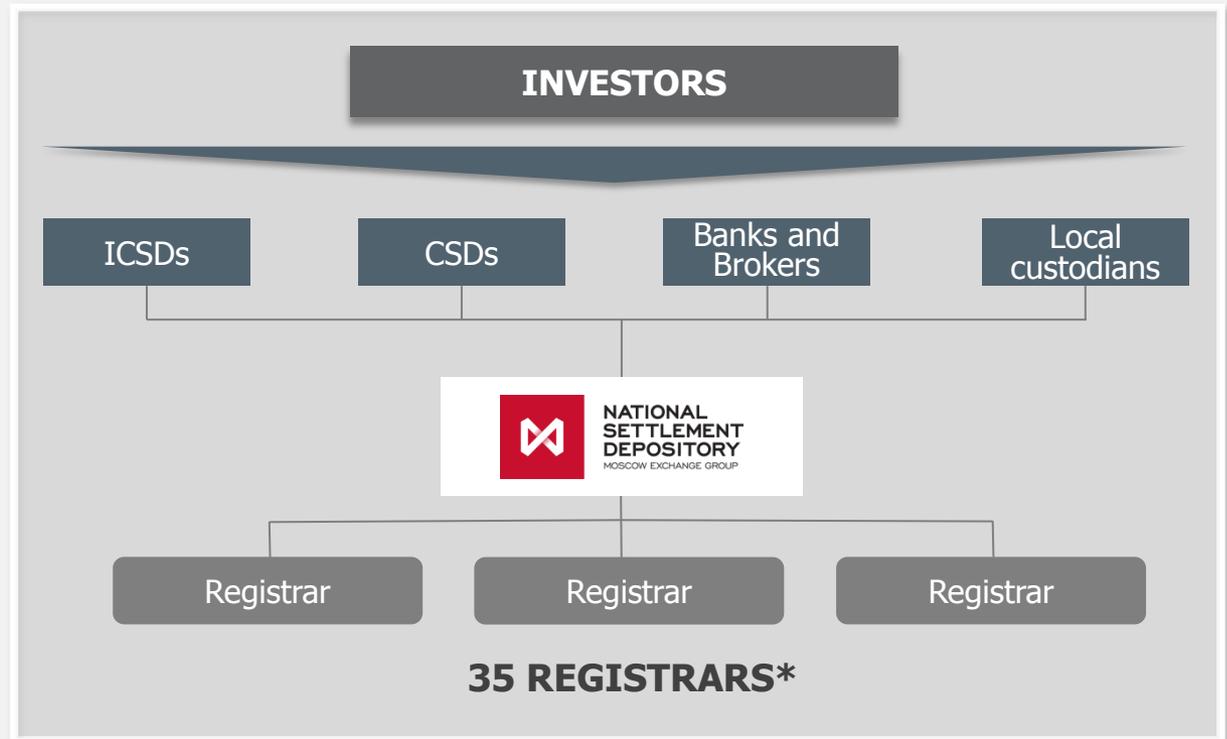
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National Settlement Depository

INVESTOR PROTECTION AND ASSET SAFETY

RUSSIAN SETTLEMENT INFRASTRUCTURE

REGULATOR

The Bank of Russia



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

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ASSET SAFETY: MARKET PRACTICES

- Clear assets ownership through the custody and settlement chain, ultimately to the level of the CSD if required. Segregation of assets
- Legal conventions that properly define the beneficial owner and legal owner of securities
- Dematerialization of assets – lower risk of assets' theft or loss
- No liens on assets to prevent loss of assets in case of insolvency of a custodian
- Limited access to the clients' accounts
- Regular reconciliation of records of ownership between the CSD, custodians and registrars
- Regular independent assessment of processes' efficiency and counterparty risk performed by auditors and rating agencies

ASSET SAFETY:

KEY RISKS AND NSD'S RESPONSE MEASURES

RISKS

- Fraudulent transactions
- Unauthorized activities
- Cyber attacks
- Loss of securities (in case of storage in material forms)
- Unclear legislation (on ownership, segregation, settlement finality etc.)
- Manual/non-STP processes
- Incorrect data in IT systems
- Custodian Insolvency
- Sanctions' and country risks

RESPONCE

- Robust risk framework, policy and procedures. Strong risk culture
- Comprehensive and modern approach for fraud and cyber threats prevention
- Immobilized and dematerialized forms of securities
- Key aspects of relationship on the market prescribed by legislation
- Efficient operational controls assured by independent assessment (ISAE 3402)
- Segregated clients assets
- Cash settlement in Central Bank money
- Strong compliance procedures
- Wide insurance policy (BBB, ECC, PI)



MORE TRANSPARENCY ON THE MARKET: NEW REGULATORY INITIATIVE

System for financial transactions' registration

Data:

All types of financial transactions of all investors

System for financial transactions' registration:

A sustainable infrastructure with adequate operational and technical capabilities

Beneficiaries:

Regulator – higher transparency, ownership rights protection

Business entities – data for business analyses and marketing

Investors – single reliable source of information, ownership rights protection

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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