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Letter of Compliance with the IOSCO Principles for Financial Benchmarks

Hereby Moscow Exchange ensures its compliance with the Principles of Financial Benchmarks set by International Organization of Securities Commission (IOSCO) effective as of today, 15 January 2015.

As an administrator of world recognized financial benchmarks, the Moscow Exchange has undertaken internal audit procedures and prepared a report which describes how its financial benchmarks for the Russian equity, fixed income, FX and money markets are determined, calculated, administered and disseminated.

As the cornerstone of the Russian financial market infrastructure, Moscow Exchange is committed to continuous implementation of the best global practices in its operations to ensure transparent environment for the wide range of local and international investors.

Please kindly send any comments or question on the matter to index@moex.com.

Sincerely,

Alexander Afanasiev
Chairman of the Executive Board and CEO

Andrey Shemetov
Deputy Chairman of the Executive Board

Moscow Exchange Indices and Indicators Management Statement for the IOSCO Principles for Financial Benchmarks

January 15, 2015

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Governance

A Benchmark should have appropriate governance arrangements in place to protect the integrity of the Benchmark and to address conflicts of interests.

Moscow Exchange's ("MOEX") governance regime comprises a number of constituents intended to protect the integrity and fairness of its Benchmarks.

MOEX's financial indices and indicators are managed and controlled by the corporate business unit, the Index Management Division. Its operational structure presupposes separate functional lines: market research and methodological approach development, issuance, review, operational support, IT support, client support, data dissemination, licensing and corporate governance. It has a strong responsibility and control framework for all aspects of the Benchmark determination process, establishing transparent governance and oversight. Equity Benchmarks, Fixed Income Benchmarks & FX Benchmarks are maintained by the independent governance body «Index Committee» who controls key MOEX Benchmarks according to the rapidly changing reality of the market with governance policies, documents, and procedures.

1. Overall Responsibility of the Administrator

The Administrator should retain primary responsibility for all aspects of the Benchmark determination process. For example, this includes:

- a) Development: The definition of the Benchmark and Benchmark Methodology;
- b) Determination and Dissemination: Accurate and timely compilation and publication and distribution of the Benchmark;
- c) Operation: Ensuring appropriate transparency over significant decisions affecting the compilation of the Benchmark and any related determination process, including contingency measures in the event of absence of or insufficient inputs, market stress or disruption, failure of critical infrastructure, or other relevant factors; and
- d) Governance: Establishing credible and transparent governance, oversight and accountability procedures for the Benchmark determination process, including an identifiable oversight function accountable for the development, issuance and operation of the Benchmark.

MOEX is primary responsible for its Benchmarks development, determination, dissemination and governance processes. All aspects of overall responsibility of MOEX are handled entirely by MOEX's Index Management Division, which is under the control of MOEX's Management Board, Index Committee, MOEX Internal Audit and Control Department. All these bodies ensure that the MOEX's Benchmarks are robust, credible and transparent financial indicators and control them efficiently according to the terms of reference.

MOEX has all necessary appropriate governance arrangements for maintenance of the Benchmarks and retains responsibility for the whole determination process: development, determination and dissemination, operation, transparent governance,

oversight and accountability procedures; all necessary ground rules are available. The ground rules for the MOEX financial indices and indicators are updated on an ongoing basis in order to reflect Russian market conditions and are matched to local and foreign legislation principles.

Time of publications and dissemination procedures are defined into respective methodology of Benchmarks which are available on MOEX's website <http://moex.com/en/>. On same manner MOEX provides details definition for its Benchmarks via MOEX's website and via partners (e.g. data vendors) information terminals.

Additionally, dissemination responsibilities and duties are defined in MOEX's Market Data Policy. A strong control framework contributes accurate and timely compilation and publication and distribution of Benchmarks.

Credible governance and oversight functions help with smoothing and adopting the IOSCO Principles to the Benchmark determination process.

2. Oversight of Third Parties

Where activities relating to the Benchmark determination process are undertaken by third parties - for example collection of inputs, publication or where a third party acts as Calculation Agent - the Administrator should maintain appropriate oversight of such third parties. The Administrator (and its oversight function) should consider adopting policies and procedures that:

- a) Clearly define and substantiate through appropriate written arrangements the roles and obligations of third parties who participate in the Benchmark determination process, as well as the standards the Administrator expects these third parties to comply with;
- b) Monitor third parties' compliance with the standards set out by the Administrator;
- c) Make Available to Stakeholders and any relevant Regulatory Authority the identity and roles of third parties who participate in the Benchmark determination process; and
- d) Take reasonable steps, including contingency plans, to avoid undue operational risk related to the participation of third parties in the Benchmark determination process.

This Principle does not apply in relation to a third party from whom an Administrator sources data if that third party is a Regulated Market or Exchange.

This Principle does not apply as long as MOEX is an Administrator and Russian Regulated Market at the same time. MOEX is regulated by Central Bank of Russia and activities relating to the Benchmark determination process are regulated by Decree of the FFMS of Russia No. 10-78/pz-n dated December 28, 2011, "On approval of Regulation on organization of trading in the securities market". The MOEX's oversight function is implemented in accordance with these policies and procedures.

MOEX has written arrangements with third parties involved in the Benchmark determination process (e.g. Index Committee). MOEX as a regulated market determines

Benchmarks mainly based on market data generated by third parties on MOEX's trading venues. MOEX maintains and makes available the Benchmarks definitions and Methodologies published on the MOEX website and any changes may be implemented only upon approval of the Index Committee consisted of - key market stakeholders on MOEX, and of MOEX Management Board. MOEX market data is provided to third parties (e.g. data vendors) for further public distribution in accordance with the commercial contracts of MOEX on market data. Thus, MOEX follows the "Moscow Exchange Market Data Policy", where third party relationships have been ratified.

On a daily basis MOEX Index Management Division controls determination process to ensure the quality and timely disclosing the Benchmark data, e.g. Benchmarks values and reference data. All published Benchmark data is monitored with the requirements and standards set out by MOEX and checked thoroughly to decrease operational risks related to the Benchmark determination process.

3. Conflicts of Interest for Administrators

To protect the integrity and independence of Benchmark determinations, Administrators should document, implement and enforce policies and procedures for the identification, disclosure, management, mitigation or avoidance of conflicts of interest. Administrators should review and update their policies and procedures as appropriate.

Administrators should disclose any material conflicts of interest to their users and any relevant Regulatory Authority, if any.

The framework should be appropriately tailored to the level of existing or potential conflicts of interest identified and the risks that the Benchmark poses and should seek to ensure:

- a) Existing or potential conflicts of interest do not inappropriately influence Benchmark determinations;
- b) Personal interests and connections or business connections do not compromise the Administrator's performance of its functions;
- c) Segregation of reporting lines within the Administrator, where appropriate, to clearly define responsibilities and prevent unnecessary or undisclosed conflicts of interest or the perception of such conflicts;
- d) Adequate supervision and sign-off by authorised or qualified employees prior to releasing Benchmark determinations;
- e) The confidentiality of data, information and other inputs submitted to, received by or produced by the Administrator, subject to the disclosure obligations of the Administrator;
- f) Effective procedures to control the exchange of information between staff engaged in activities involving a risk of conflicts of interest or between staff and third parties, where that information may reasonably affect any Benchmark determinations; and
- g) Adequate remuneration policies that ensure all staff who participate in the Benchmark determination are not directly or indirectly rewarded or incentivised by the levels of the Benchmark.

An Administrator's conflict of interest framework should seek to mitigate existing or potential conflicts created by its ownership structure or control, or due to other interests

the Administrator's staff or wider group may have in relation to Benchmark determinations. To this end, the framework should:

- a) Include measures to avoid, mitigate or disclose conflicts of interest that may exist between its Benchmark determination business (including all staff who perform or otherwise participate in Benchmark production responsibilities), and any other business of the Administrator or any of its affiliates; and
- b) Provide that an Administrator discloses conflicts of interest arising from the ownership structure or the control of the Administrator to its Stakeholders and any relevant Regulatory Authority in a timely manner.

MOEX maintains all necessary documented policies and procedures for the identification, disclosure, management and avoidance of conflicts of interest. MOEX endeavours to prevent any personal interests, protecting confidential information, complying internal documents and regulations, such as:

- MOEX List of measures preventing conflicts of interest;
- MOEX Rules of Internal Control;
- MOEX List of Confidential Information;

MOEX endeavours to mitigate potential conflicts of interest which may inappropriately influence the Benchmarks. The Legal Department and the Compliance Department oversee MOEX Benchmarks compliance with its development, governance, quality according to international standards and procedures. Internal control is implemented independently of other company officials and departments, and its results are used to produce a report for exchange bodies on the exchange's compliance with legislative and internal requirements, as well as an evaluation of the effectiveness of the exchange's risk management system. Internal control also covers compliance with legislation on insider information and market manipulation.

MOEX segregates index governance and maintains quality assurance procedures and distribution oversight. A robust control framework considers potential conflicts of interest and tries to evaluate risks, measure the influence and prevent it by all means.

Diversification of reporting lines to clearly define responsibilities prevent unnecessary conflicts of interest, adequate supervision and procedures to control the exchange information between staff engaged; all these points are handled efficiently at MOEX.

MOEX does not have conflicts of interest in its ownership structure as the Central Bank of Russia and OJSC Sberbank, owning 12% and 10% respectively, do not control and influence the Benchmark; the majority of shares are in free-float. MOEX does not have conflict of interest in Benchmark determination process and inclusion/exclusion of MOEX's securities in. Benchmark determination process is managed and based on methodology and controlled by Index Committee. Inclusion of MOEX shares (e.g. Benchmark for the Russian equity market) associated and only with the large volumes of trades, and as a result, MOEX shares are constituents of the respective Benchmarks.

MOEX's staff are not rewarded based on the level of the Benchmark and no any relative bodies have a remuneration based on the level of Benchmarks. Confirmation is available from any representative of Human Recourses Department of MOEX by request.

Besides, it should be noted that the guidelines for determining conflict of interest of management, board, and stakeholders are defined in detail in the legislation of the Russian Federation. Relevant business units of MOEX, responsible for compliance are closely

monitoring compliance with the legislation of the Russian Federation related to the identification of cases of conflict of interest arising from operating activities of MOEX.

4. Control Framework for Administrators

An Administrator should implement an appropriate control framework for the process of determining and distributing the Benchmark. The control framework should be appropriately tailored to the materiality of the potential or existing conflicts of interest identified, the extent of the use of discretion in the Benchmark setting process and to the nature of Benchmark inputs and outputs. The control framework should be documented and available to relevant Regulatory Authorities, if any. A summary of its main features should be Published or Made Available to Stakeholders.

This control framework should be reviewed periodically and updated as appropriate. The framework should address the following areas:

- a) Conflicts of interest in line with Principle 3 on conflicts of interests;
- b) Integrity and quality of Benchmark determination:
 - i. Arrangements to ensure that the quality and integrity of Benchmarks is maintained, in line with principles 6 to 15 on the quality of the Benchmark and Methodology;
 - ii. Arrangements to promote the integrity of Benchmark inputs, including adequate due diligence on input sources;
 - iii. Arrangements to ensure accountability and complaints mechanisms are effective, in line with principles 16 to 19; and
 - iv. Providing robust infrastructure, policies and procedures for the management of risk, including operational risk.
- c) Whistleblowing mechanism: Administrators should establish an effective whistleblowing mechanism to facilitate early awareness of any potential misconduct or irregularities that may arise. This mechanism should allow for external reporting of such cases where appropriate.
- d) Expertise:
 - i. Ensuring Benchmark determinations are made by personnel who possess the relevant levels of expertise, with a process for periodic review of their competence; and
 - ii. Staff training, including ethics and conflicts of interest training, and continuity and succession planning for personnel.

Where a Benchmark is based on Submissions: Administrators should promote the integrity of inputs by:

- a) Ensuring as far as possible that the Submitters comprise an appropriately representative group of participants taking into consideration the underlying Interest measured by the Benchmark;
- b) Employing a system of appropriate measures so that, to the extent possible, Submitters comply with the Submission guidelines, as defined in the Submitter Code of Conduct and the Administrators' applicable quality and integrity standards for Submission;
- c) Specifying how frequently Submissions should be made and specifying that inputs or Submissions should be made for every Benchmark determination; and

d) Establishing and employing measures to effectively monitor and scrutinise inputs or Submissions. This should include pre-compilation or pre-publication monitoring to identify and avoid errors in inputs or Submissions, as well as ex-post analysis of trends and outliers.

Integrity and quality: MOEX has implemented an appropriate control framework that provides robust infrastructure, policies, procedures and all the necessary arrangements. It demonstrates the high quality of the operational management system, oversight, internal audit, and index governance.

Conflict of interest: MOEX's control framework is in accordance with Principle 3 noted above.

Whistleblowing mechanism: MOEX established an effective whistleblowing mechanism allowing for external reporting where appropriate.

Expertise: MOEX conducts a process for periodic review of staff competence and a number of training courses devoted to:

Internally:

- Confidential information,
- Conflicts of interest,
- Securities disclosure,
- Business ethics,
- Data market disclosure,
- Benchmark topics.

Externally:

- Open courses and business education programs.

MOEX maintains quality assurance procedures which include analysis of inputs/outputs, detected mistakes, the comparison of outputs, trend-analysis of the Benchmark.

5. Internal Oversight

Administrators should establish an oversight function to review and provide challenge on all aspects of the Benchmark determination process. This should include consideration of the features and intended, expected or known usage of the Benchmark and the materiality of existing or potential conflicts of interest identified.

The oversight function should be carried out either by a separate committee, or other appropriate governance arrangements. The oversight function and its composition should be appropriate to provide effective scrutiny of the Administrator. Such oversight function could consider groups of Benchmarks by type or asset class, provided that it otherwise complies with this Principle.

An Administrator should develop and maintain robust procedures regarding its oversight function, which should be documented and available to relevant Regulatory Authorities, if any. The main features of the procedures should be Made Available to Stakeholders. These procedures should include:

- a) The terms of reference of the oversight function;
- b) Criteria to select members of the oversight function;
- c) The summary details of membership of any committee or arrangement charged with the oversight function, along with any declarations of conflicts of interest and processes for election, nomination or removal and replacement of committee members.

The responsibilities of the oversight function include:

- a) Oversight of the Benchmark design:
 - i. Periodic review of the definition of the Benchmark and its Methodology;
 - ii. Taking measures to remain informed about issues and risks to the Benchmark, as well as commissioning external reviews of the Benchmark (as appropriate);
 - iii. Overseeing any changes to the Benchmark Methodology, including assessing whether the Methodology continues to appropriately measure the underlying Interest, reviewing proposed and implemented changes to the Methodology, and authorising or requesting the Administrator to undertake a consultation with Stakeholders where known or its Subscribers on such changes as per Principle 12; and
 - iv. Reviewing and approving procedures for termination of the Benchmark, including guidelines that set out how the Administrator should consult with Stakeholders about such cessation.
- b) Oversight of the integrity of Benchmark determination and control framework:
 - i. Overseeing the management and operation of the Benchmark, including activities related to Benchmark determination undertaken by a third party;
 - ii. Considering the results of internal and external audits, and following up on the implementation of remedial actions highlighted in the results of these audits; and
 - iii. Overseeing any exercise of Expert Judgment by the Administrator and ensuring Published Methodologies have been followed.

Where conflicts of interests may arise in the Administrator due to its ownership structures or controlling interests, or due to other activities conducted by any entity owning or controlling the Administrator or by the Administrator or any of its affiliates: the Administrator should establish an independent oversight function which includes a balanced representation of a range of Stakeholders where known, Subscribers and Submitters, which is chosen to counterbalance the relevant conflict of interest.

Where a Benchmark is based on Submissions: the oversight function should provide suitable oversight and challenge of the Submissions by:

- a) Overseeing and challenging the scrutiny and monitoring of inputs or Submissions by the Administrator. This could include regular discussions of inputs or Submission patterns, defining parameters against which inputs or Submissions can be analysed, or querying the role of the Administrator in challenging or sampling unusual inputs or Submissions;
- b) Overseeing the Code of Conduct for Submitters;
- c) Establishing effective arrangements to address breaches of the Code of Conduct for Submitters; and
- d) Establishing measures to detect potential anomalous or suspicious Submissions and in case of suspicious activities, to report them, as well as any misconduct by Submitters of which it becomes aware to the relevant Regulatory Authorities, if any.

MOEX develops and maintains robust procedures regarding its oversight function, providing healthy conditions in all aspects of the Benchmark determination process. MOEX's oversight function is carried out by the Index Committee. The Index Committee evaluates constituents, risks to the Benchmark, makes decisions on included/excluded lists of instruments, and MOEX retains responsibility for the whole maintenance process of the Benchmarks, ensures that the indices and indicators are developed according to the methodology, and implements any changes to the Methodology. Meetings with stakeholders (Index Committee) are held at least quarterly. The terms of references are available upon request.

MOEX's Index Management Division oversees all aspects of the Benchmark determination process according to IOSCO Principles, from the internal data quality assurance mechanism to benchmark calculation oversight. Benchmark calculation is automated and based on technological platforms developed and owned by MOEX.

In addition, MOEX uses expert judgment for the determination of Benchmarks which reflected in the maintenance of records of Index Committee decisions. This Principle is intended to make the manner in which Benchmark data and expert judgment may be used for the determination of the Benchmark transparent. Benchmark methodologies are tolerant for the use of Expert Judgement and the way to use such judgment is described in the Benchmark methodology.

Consultations are undertaken with Key Stakeholders on behalf of the MOEX Index Committee, the consideration and approval of procedures for termination of the Benchmark include documented guidelines that set out how MOEX should consult with Stakeholders about such cessation, thus MOEX meets all the requirements of Principle #5.

Quality of the Benchmark

6. Benchmark Design

The design of the Benchmark should seek to achieve, and result in an accurate and reliable representation of the economic realities of the Interest it seeks to measure, and eliminate factors that might result in a distortion of the price, rate, index or value of the Benchmark.

Benchmark design should take into account the following generic non-exclusive features, and other factors should be considered, as appropriate to the particular Interest:

- a) Adequacy of the sample used to represent the Interest;
- b) Size and liquidity of the relevant market (for example whether there is sufficient trading to provide observable, transparent pricing);
- c) Relative size of the underlying market in relation to the volume of trading in the market that references the Benchmark;
- d) The distribution of trading among Market Participants (market concentration);
- e) Market dynamics (e.g., to ensure that the Benchmark reflects changes to the assets underpinning a Benchmark).

MOEX designs its Benchmarks:

- To represent the economic realities of the Russian financial market objectively and reliably,
- To eliminate all the factors distorting prices of securities, rates, the value of the Benchmark, and
- In accordance with requirements stated in the regulatory acts for financial markets.

All the factors taken into account by present principle meet the requirements of IOSCO. Spot Benchmarks require the high criteria of selection the most liquid Russian securities on MOEX's main trading venue (T+2 order book) of the largest and dynamically shaping Russian market with economic activities related to the main sectors of the Russian economy presented on MOEX. Issue size and liquidity (trading volume) of the Russian market provides observable, transparent pricing. Observable and transparent pricing is highly required for the present Russian market in order to increase trading volume and the liquidity of securities. The benchmark level shows market trends and remains a key economic indicator of the Russian Financial market; MOEX's FX Market is a rouble liquidity centre and the oldest regulated domestic FX trading venue, operating since 1992. The Central Bank of Russia sets the official RUB exchange rate based on exchange trading results.

The Ground Rules of Indices are described in The Methodology of the MOEX Indices/Indicators Calculation.

MOEX monitors the behaviour of the issuers to exclude anomalous behaviour and decrease market fluctuations. Securities are added to and removed from the List of constituent Stocks/Bonds when the List of constituent Stocks/Bonds is reviewed. The Index Committee reviews the List of constituent Stocks/Bonds and finally confirms the Benchmarks four times per year on a regular basis, except for the cases provided for in this Methodology.

The Index Committee is responsible for maintaining the FX issue regulated by the Methodology document before its implementation and confirming that its constituents are sufficient to represent the Interest. The Committee's Members also estimate the size and liquidity of the relevant market, market concentration and trends. All such facts are discussed, reviewed and finally approved by the Committees.

7. Data Sufficiency

The data used to construct a Benchmark determination should be sufficient to accurately and reliably represent the Interest measured by the Benchmark and should:

- a) Be based on prices, rates, indices or values that have been formed by the competitive forces of supply and demand in order to provide confidence that the price discovery system is reliable; and
- b) Be anchored by observable transactions entered into at arm's length between buyers and sellers in the market for the Interest the Benchmark measures in order for it to function as a credible indicator of prices, rates, indices or values.

This Principle requires that a Benchmark be based upon (i.e., anchored in) an active market having observable Bona Fide, Arms-Length Transactions. This does not mean that every individual Benchmark determination must be constructed solely of transaction data.

Provided that an active market exists, conditions in the market on any given day might require the Administrator to rely on different forms of data tied to observable market data as an adjunct or supplement to transactions. Depending upon the Administrator's Methodology, this could result in an individual Benchmark determination being based predominantly, or exclusively, on bids and offers or extrapolations from prior transactions. This is further clarified in Principle 8.

Provided that subparagraphs (a) and (b) above are met, Principle 7 does not preclude Benchmark Administrators from using executable bids or offers as a means to construct Benchmarks where anchored in an observable market consisting of Bona Fide, Arms-Length transactions.²³

This Principle also recognizes that various indices may be designed to measure or reflect the performance of a rule-based investment strategy, the volatility or behaviour of an index or market or other aspects of an active market. Principle 7 does not preclude the use of non-transactional data for such indices that are not designed to represent transactions and where the nature of the index is such that non-transactional data is used to reflect what the index is designed to measure. For example, certain volatility indices, which are designed to measure the expected volatility of an index of securities transactions, rely on non-transactional data, but the data is derived from and thus "anchored" in an actual functioning securities or options market.

The data used to construct the MOEX Benchmark determination is based on transactional data and non-transactional data of MOEX trading venues such as the spot trading venue, derivatives trading venue and FX trading venue. All elements have been formed or derived by free market pricing, by the competitive forces of market supply and demand, and are observed by members of the Russian market, as they play a key role as reliable Russian market Benchmarks.

The sufficiency of data is evaluated by Market Data Department. All approaches are thoroughly determined in the Methodologies of the MOEX Indices/Indicators Calculation published on the MOEX website.

Furthermore, the sufficiency of data for FX Fixings determination is assessed and evaluated by relevant groups according to their area of responsibility and finally described in the FX Fixings Methodology.

FX Fixings Methodology document was discussed and approved by the leading participants of Currency Market Committee and this fact could guarantee that the Fixing determination process corresponds to the market demand and all data used to construct the Benchmark determination is sufficient.

8. Hierarchy of Data Inputs

An Administrator should establish and Publish or Make Available clear guidelines regarding the hierarchy of data inputs and exercise of Expert Judgment used for the determination of Benchmarks. In general, the hierarchy of data inputs should include:

- a) Where a Benchmark is dependent upon Submissions, the Submitters' own concluded arms-length transactions in the underlying interest or related markets;

- b) Reported or observed concluded Arm's-length Transactions in the underlying interest;
- c) Reported or observed concluded Arm's-length Transactions in related markets;
- d) Firm (executable) bids and offers; and
- e) Other market information or Expert Judgments.

Provided that the Data Sufficiency Principle is met (i.e., an active market exists), this Principle is not intended to restrict an Administrator's flexibility to use inputs consistent with the Administrator's approach to ensuring the quality, integrity, continuity and reliability of its Benchmark determinations, as set out in the Administrator's Methodology. The Administrator should retain flexibility to use the inputs it believes are appropriate under its Methodology to ensure the quality and integrity of its Benchmark. For example, certain Administrators may decide to rely upon Expert Judgment in an active albeit low liquidity market, when transactions may not be consistently available each day. IOSCO also recognizes that there might be circumstances (e.g., a low liquidity market) when a confirmed bid or offer might carry more meaning than an outlier transaction. Under these circumstances, non-transactional data such as bids and offers and extrapolations from prior transactions might predominate in a given Benchmark determination.

All data inputs are anchored in actual market activity and entirely meet the requirements of the Hierarchy of Data Inputs.

The Benchmarks use:

- Prices of trades executed during the trading period within the Main trading session on the Main trading venue market;
- Securities' closing prices.

For the purpose of removing non-market fluctuation in securities prices, a fluctuation value for each trade to the weighted average price of the preceding 10 trades shall be calculated. If the fluctuation value of a price of last trade exceeds the set value of the weighted average price of preceding 10 trades, the preceding price value that meets the following requirement shall be applied instead of the last trade's price. A More detailed description can be found in the Methodology of the MOEX Indices/Indicators Calculation, published on MOEX's website. Furthermore, the FX Benchmarks Data Hierarchy is described in the FX Fixings Methodology document, but in general for FX Fixing calculation purposes, MOEX uses only actual market data (indirect orders and trades executed based on indirect orders).

9. Transparency of Benchmark Determinations

The Administrator should describe and publish with each Benchmark determination, to the extent reasonable without delaying an Administrator publication deadline:

- a) A concise explanation, sufficient to facilitate a Stakeholder's or Market Authority's ability to understand how the determination was developed, including, at a minimum, the size and liquidity of the market being assessed (meaning the number and volume of transactions submitted), the range and average volume and range and average of price, and indicative percentages of each type of market data that

have been considered in a Benchmark determination; terms referring to the pricing Methodology should be included (i.e., transaction-based, spread-based or interpolated/extrapolated);

b) A concise explanation of the extent to which and the basis upon which Expert Judgment if any, was used in establishing a Benchmark determination.

Taking into consideration main points of this Principle, the Methodology of the MOEX Indices/Indicators Calculation is the most important factor providing all the necessary information devoted to the entire determination process of the Benchmarks: general provisions and the procedure for determination, calculation, the procedure for reviewing the Constituent List and finally the procedure for Benchmarks calculation control.

This document covers transparency and objectivity of Benchmarks Determination entirely. It facilitates Stakeholders and Market Authorities to understand the Benchmark determination process in proper way.

On MOEX's website, MOEX publishes FX Fixings Methodology Document which provides all required information for Stakeholders and Market Authority concerning the objective of the Fixing, its calculation process and other aspects of the Fixing determination process.

As MOEX's FX Fixings are based on the indirect orders and trades, they correspond most liquid on-exchange currency instruments (USD/RUB_TOM, EUR/RUB_TOM, EUR/USD_TOM, CNY/RUB_TOM), the size and liquidity of the market assessed could be clearly estimated.

10. Periodic Review

The Administrator should periodically review the conditions in the underlying Interest that the Benchmark measures to determine whether the Interest has undergone structural changes that might require changes to the design of the Methodology. The Administrator also should periodically review whether the Interest has diminished or is non-functioning such that it can no longer function as the basis for a credible Benchmark.

The Administrator should Publish or Make Available a summary of such reviews where material revisions have been made to a Benchmark, including the rationale for the revisions.

Periodic review and maintenance of the Methodologies together with all amendments, supplements and modifications made to the Methodologies is developed by MOEX's Index Committee. It reviews all conditions of the Key Benchmarks, such as the Methodology, issues, risks, the List of constituents, four times per year on a regular basis, except for the cases provided for in the Methodology. Appropriate reviews are available on the website.

Design and relevance of the FX Benchmarks is determined according to the FX Fixings Methodology, which is maintained by the Index Committee and MOEX Index Management Division.

The FX Fixings Methodology Document was developed and came into force only a year ago (in 2013), and the process of periodic review is not still effective. MOEX reviews the Methodology on the basis of inquiries received from Market participants or Stakeholders or urgently in line with market changes.

Despite these facts, in addition to its daily governance and maintenance, MOEX plans to review Methodology on an annual basis to ensure that the FX Fixings Benchmarks continue to achieve its stated objectives, analysing a variety of criteria about whether the data and Methodology are still effective.

Quality of the Methodology

11. Content of the Methodology

The Administrator should document and Publish or Make Available the Methodology used to make Benchmark determinations. The Administrator should provide the rationale for adopting a particular Methodology. The Published Methodology should provide sufficient detail to allow Stakeholders to understand how the Benchmark is derived and to assess its representativeness, its relevance to particular Stakeholders, and its appropriateness as a reference for financial instruments.

At a minimum, the Methodology should contain:

- a) Definitions of key terms;
- b) All criteria and procedures used to develop the Benchmark, including input selection, the mix of inputs used to derive the Benchmark, the guidelines that control the exercise of Expert Judgment by the Administrator, priority given to certain data types, minimum data needed to determine a Benchmark, and any models or extrapolation methods;
- c) Procedures and practices designed to promote consistency in the exercise of Expert Judgment between Benchmark determinations;
- d) The procedures which govern Benchmark determination in periods of market stress or disruption, or periods where data sources may be absent (e.g., theoretical estimation models);
- e) The procedures for dealing with error reports, including when a revision of a Benchmark would be applicable;
- f) Information regarding the frequency for internal reviews and approvals of the Methodology. Where applicable, the Published Methodologies should also include information regarding the procedures and frequency for external review of the Methodology;
- g) The circumstances and procedures under which the Administrator will consult with Stakeholders, as appropriate; and
- h) The identification of potential limitations of a Benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs.

Where a Benchmark is based on Submissions, the additional Principle also applies:

The Administrator should clearly establish criteria for including and excluding Submitters. The criteria should consider any issues arising from the location of the Submitter, if in a different jurisdiction to the Administrator. These criteria should be available to any relevant Regulatory Authorities, if any, and Published or Made Available to Stakeholders. Any provisions related to changes in composition, including notice periods should be made clear.

The Methodology of MOEX Indices/Indicators Calculation is publicly available on MOEX's website. It provides a clear description of the entire Benchmark determination process to Stakeholders and Market Participants and meets most of the requirements of this Principle.

It contains:

- General provisions and procedure for Index calculation,
- Calculation formula (including the calculation of prices, the free float, the Divisor value, the weighting coefficient values),
- Procedure for reviewing the Constituent List,
- Principles of drawing up the Constituent List,
- Treatment of corporate events,
- Procedure for Indices calculation control and terms of Publication.

All these compose the majority of criteria and procedures used to develop the Benchmarks, including key terms definitions, input selection, procedures of potential limitations of the Benchmarks and consultations with Stakeholders on behalf of the Index Committee.

The Methodology does not imply any estimation models evaluating market stress or procedures for dealing with error reports according to this Principle.

Nonetheless, the key MOEX Benchmark Methodology entirely meets the requirements of Decree of the FFMS of Russia No. 10-78/pz-n dated December 28, 2011, "On approval of Regulation on organization of trading in the securities market" entered into force.

MOEX makes the FX Fixing Methodology publicly available on its website and guarantees that it provides sufficient information and details to allow Stakeholders and Market Participants clearly to understand the Fixing determination process.

The methodology contains the calculation formula and definitions of key terms so that the Market Participants who bear the risk associated with the use of a particular FX Benchmark can determine for themselves the limitations and suitability of such a Benchmark and decide if it suits their needs.

12. Changes to the Methodology

An Administrator should Publish or Make Available the rationale of any proposed material change in its Methodology, and procedures for making such changes. These procedures should clearly define what constitutes a material change, and the method and timing for consulting or notifying Subscribers (and other Stakeholders where appropriate, taking into account the breadth and depth of the Benchmark's use) of changes.

Those procedures should be consistent with the overriding objective that an Administrator must ensure the continued integrity of its Benchmark determinations. When changes are proposed, the Administrator should specify exactly what these changes entail and when they are intended to apply.

The Administrator should specify how changes to the Methodology will be scrutinised, by the oversight function.

The Administrator should develop Stakeholder consultation procedures in relation to changes to the Methodology that are deemed material by the oversight function, and that are appropriate and proportionate to the breadth and depth of the Benchmark's use and the nature of the Stakeholders. Procedures should:

- a) Provide advance notice and a clear timeframe that gives Stakeholders sufficient opportunity to analyse and comment on the impact of such proposed material changes, having regard to the Administrator's assessment of the overall circumstances; and
- b) Provide for Stakeholders' summary comments, and the Administrator's summary response to those comments, to be made accessible to all Stakeholders after any given consultation period, except where the commenter has requested confidentiality.

All changes to the Methodologies are approved by the Index Committee and implemented afterwards according to the Internal Procedures of MOEX. MOEX publishes material changes and amendments to the Methodology on its website, including an effective date of such changes; in this way, MOEX informs Stakeholders about any changes.

MOEX also develops Stakeholder consultation procedures. The Index Committee represent the 1st level of Stakeholders. It thus develops Stakeholder consultation procedures and summarises opinions and comments on the impact of proposed material changes.

13. Transition

Administrators should have clear written policies and procedures, to address the need for possible cessation of a Benchmark, due to market structure change, product definition change, or any other condition which makes the Benchmark no longer representative of its intended Interest. These policies and procedures should be proportionate to the estimated breadth and depth of contracts and financial instruments

that reference a Benchmark and the economic and financial stability impact that might result from the cessation of the Benchmark. The Administrator should take into account the views of Stakeholders and any relevant Regulatory and National Authorities in determining what policies and procedures are appropriate for a particular Benchmark.

These written policies and procedures should be Published or Made Available to all Stakeholders.

Administrators should encourage Subscribers and other Stakeholders who have financial instruments that reference a Benchmark to take steps to make sure that:

a) Contracts or other financial instruments that reference a Benchmark, have robust fall-back provisions in the event of material changes to, or cessation of, the referenced Benchmark; and

b) Stakeholders are aware of the possibility that various factors, including external factors beyond the control of the Administrator, might necessitate material changes to a Benchmark.

Administrators' written policies and procedures to address the possibility of Benchmark cessation could include the following factors, if determined to be reasonable and appropriate by the Administrator:

a) Criteria to guide the selection of a credible, alternative Benchmark such as, but not limited to, criteria that seek to match to the extent practicable the existing Benchmark's characteristics (e.g., credit quality, maturities and liquidity of the alternative market), differentials between Benchmarks, the extent to which an alternative Benchmark meets the asset/liability needs of Stakeholders, whether the revised Benchmark is investable, the availability of transparent transaction data, the impact on Stakeholders and impact of existing legislation;

b) The practicality of maintaining parallel Benchmarks (e.g., where feasible, maintain the existing Benchmark for a defined period of time to permit existing contracts and financial instruments to mature and publish a new Benchmark) in order to accommodate an orderly transition to a new Benchmark;

c) The procedures that the Administrator would follow in the event that a suitable alternative cannot be identified;

d) In the case of a Benchmark or a tenor of a Benchmark that will be discontinued completely, the policy defining the period of time in which the Benchmark will continue to be produced in order to permit existing contracts to migrate to an alternative Benchmark if necessary; and

e) The process by which the Administrator will engage Stakeholders and relevant Market and National Authorities, as appropriate, in the process for selecting and moving towards an alternative Benchmark, including the timeframe for any such action commensurate with the tenors of the financial instruments referencing the Benchmarks and the adequacy of notice that will be provided to Stakeholders.

MOEX maintains the Benchmark cessation process, but there are no official written policies and procedures for cessation of Benchmarks due to market structure changes, product definition change or any other conditions which cause the Benchmarks to cease to

be representative (such issues could be specified in each certain agreement with Stakeholders).

Benchmarks are usually terminated by recommendation of the Index Committee and the decision of MOEX in accordance with the Charter and license agreement.

Public disclosure of transition assessments is not available.

14. Submitter Code of Conduct

Where a Benchmark is based on Submissions, the following additional Principle also applies:

The Administrator should develop guidelines for Submitters ("Submitter Code of Conduct"), which should be available to any relevant Regulatory Authorities, if any and Published or Made Available to Stakeholders.

The Administrator should only use inputs or Submissions from entities which adhere to the Submitter Code of Conduct and the Administrator should appropriately monitor and record adherence from Submitters. The Administrator should require Submitters to confirm adherence to the Submitter Code of Conduct annually and whenever a change to the Submitter Code of Conduct has occurred.

The Administrator's oversight function should be responsible for the continuing review and oversight of the Submitter Code of Conduct.

The Submitter Code of Conduct should address:

- a) The selection of inputs;
- b) Who may submit data and information to the Administrator;
- c) Quality control procedures to verify the identity of a Submitter and any employee(s) of a Submitter who report(s) data or information and the authorization of such person(s) to report market data on behalf of a Submitter;
- d) Criteria applied to employees of a Submitter who are permitted to submit data or information to an Administrator on behalf of a Submitter;
- e) Policies to discourage the interim withdrawal of Submitters from surveys or Panels;
- f) Policies to encourage Submitters to submit all relevant data; and
- g) The Submitters' internal systems and controls, which should include:
 - i. Procedures for submitting inputs, including Methodologies to determine the type of eligible inputs, in line with the Administrator's Methodologies;
 - ii. Procedures to detect and evaluate suspicious inputs or transactions, including inter-group transactions, and to ensure the Bona Fide nature of such inputs, where appropriate;
 - iii. Policies guiding and detailing the use of Expert Judgment, including documentation requirements;
 - iv. Record keeping policies;
 - v. Pre-Submission validation of inputs, and procedures for multiple reviews by senior staff to check inputs;
 - vi. Training, including training with respect to any relevant regulation (covering Benchmark regulation or any market abuse regime);
 - vii. Suspicious Submission reporting;
 - viii. Roles and responsibilities of key personnel and accountability lines;

- ix. Internal sign off procedures by management for submitting inputs;
- x. Whistle blowing policies (in line with Principle 4); and
- xi. Conflicts of interest procedures and policies, including prohibitions on the Submission of data from Front Office Functions unless the Administrator is satisfied that there are adequate internal oversight and verification procedures for Front Office Function Submissions of data to an Administrator (including safeguards and supervision to address possible conflicts of interests as per paragraphs (v) and (ix) above), the physical separation of employees and reporting lines where appropriate, the consideration of how to identify, disclose, manage, mitigate and avoid existing or potential incentives to manipulate or otherwise influence data inputs (whether or not in order to influence the Benchmark levels), including, without limitation, through appropriate remuneration policies and by effectively addressing conflicts of interest which may exist between the Submitter's Submission activities (including all staff who perform or otherwise participate in Benchmark Submission responsibilities), and any other business of the Submitter or of any of its affiliates or any of their respective clients or customers.

MOEX has developed guidelines for Submitters ("Submitter Code of Conduct") – "Moscow Exchange Market Data Policy", which is available to any relevant Regulatory Authorities or Stakeholders on the website. This document contains the terms for provision, distribution and other use by related parties of market data about trades on the markets of MOEX and other trade organisers that have permitted MOEX to use their trade data in data products.

The Submitter Code of Conduct includes:

Terms and definitions,

Data contract types and other documentation regulating provision of market data,

Permitted usage of market and training data,

Data audit,

Data fee waivers,

Notification of changes,

Liability for breach of conditions of MOEX's Market Data Policy.

This document covered the majority of aspects of this Principle, including conflicts of interest, whistleblowing policies, and expert judgment keeping. Nonetheless, there is no written information about training and suspicious Submission reporting.

15. Internal Controls over Data Collection

When an Administrator collects data from any external source the Administrator should ensure that there are appropriate internal controls over its data collection and transmission processes. These controls should address the process for selecting the source, collecting the data and protecting the integrity and confidentiality of the data. Where

Administrators receive data from employees of the Front Office Function, the Administrator should seek corroborating data from other sources.

Oversight of the Benchmark's operational infrastructure is handled by MOEX's Index Management Division and the Index Committee. This decreases operational risks and provides a high level of internal control over data collection and transmission processes. The advantage of the MOEX Data Collection is its internal source thus MOEX controls the process for selecting the source, collecting the data and protecting the integrity and confidentiality of the data. Its internal control system is based on ensuring that the exchange's operations comply with legislation governing organised trading and associated legislative acts, as well as with the company charter and internal regulations.

The additional measure of internal control is Data audit (described in the Moscow Exchange Market Data Policy). It is implemented to ensure observance of distribution principles and usage of market data specified in contracts concluded between the exchange or a distributor and interested parties; to prevent distribution and usage of market and/or training data that has not been agreed with the exchange; and the creation of equal and fair conditions for all categories of users and distributors of market data.

MOEX has established an appropriate control framework for the process of determining and distributing data (described in Principle 4).

Accountability

16. Complaints Procedures

The Administrator should document and Publish or Make Available the Methodology used to make Benchmark determinations. The Administrator should provide the rationale for adopting a particular Methodology. The Published

The Administrator should establish and Publish or Make Available a written complaints procedures policy, by which Stakeholders may submit complaints including concerning whether a specific Benchmark determination is representative of the underlying Interest it seeks to measure, applications of the Methodology in relation to a specific Benchmark determination(s) and other Administrator decisions in relation to a Benchmark determination.

The complaints procedures policy should:

- a) Permit complaints to be submitted through a user-friendly complaints process such as an electronic Submission process;
- b) Contain procedures for receiving and investigating a complaint made about the Administrator's Benchmark determination process on a timely and fair basis by personnel who are independent of any personnel who may be or may have been involved in the subject of the complaint, advising the complainant and other relevant parties of the outcome of its investigation within a reasonable period and retaining all records concerning complaints;

- c) Contain a process for escalating complaints, as appropriate, to the Administrator's governance body; and
- d) Require all documents relating to a complaint, including those submitted by the complainant as well as the Administrator's own record, to be retained for a minimum of five years, subject to applicable national legal or regulatory requirements.

Disputes about a Benchmarking determination, which are not formal complaints, should be resolved by the Administrator by reference to its standard appropriate procedures. If a complaint results in a change in a Benchmark determination, that should be Published or Made Available to Subscribers and Published or Made Available to Stakeholders as soon as possible as set out in the Methodology.

Stakeholders or other external parties can send complaints; queries or questions directly to MOEX by e-mail, telephone or using a special dedicated Client Request Form on MOEX's website. The Form contents are forwarded to index@moex.com and delivered to the MOEX Index Management Division. All complaints and queries are logged for tracking. MOEX staff respond to every request. MOEX Index Management Division provides two level of client support; the 1st level support provides general comments and answers on incoming requests, while the 2nd level support provides detailed comments and references adapted to each incoming request.

17. Audits

The Administrator should appoint an independent internal or external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated criteria and with the Principles. The frequency of audits should be proportionate to the size and complexity of the Administrator's operations.

Where appropriate to the level of existing or potential conflicts of interest identified by the Administrator (except for Benchmarks that are otherwise regulated or supervised by a National Authority other than a relevant Regulatory Authority), an Administrator should appoint an independent external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated Methodology. The frequency of audits should be proportionate to the size and complexity of the Administrator's Benchmark operations and the breadth and depth of Benchmark use by Stakeholders.

MOEX has appointed two main bodies to conduct Internal Control and Audit at the MOEX:

Primary body:

The Strategy Department as manager and Internal Audit Department as executive are responsible for the ongoing implementation of internal control. MOEX's internal control system is based on ensuring that the MOEX's operations comply with legislation governing organised trading and associated legislative acts.

Internal control is implemented independently of other company officials and departments, and its results are used to produce a report for MOEX bodies on the exchange's compliance with legislative and internal requirements, as well as an evaluation of the effectiveness of governance and the exchange's risk management system, it also covers compliance with legislation on insider information, conflicts of interest and market manipulation.

Secondary body:

The Review Commission controls the exchange's financial and operating activities. It assesses financial and operating activities based on the exchange's annual results, and audits data in the annual report and annual accounting statements. The Review Commission creates a summary of the annual accounts and balance, without which the balance may not be approved at the annual general meetings. Its members are elected at the annual general meeting for the year until the next annual general meeting.

All these internal reports are conducted to cover the quality and transparency of governance and oversight function at MOEX.

Conflicts of interest are described in details in Principle 3.

18. Audit Trail

Written records should be retained by the Administrator for five years, subject to applicable national legal or regulatory requirements on:

- a) All market data, Submissions and any other data and information sources relied upon for Benchmark determination;
- b) The exercise of Expert Judgment made by the Administrator in reaching a Benchmark determination;
- c) Other changes in or deviations from standard procedures and Methodologies, including those made during periods of market stress or disruption;
- d) The identity of each person involved in producing a Benchmark determination;
- e) Any queries and responses relating to data inputs.

All market data, Submissions and any other data and information sources relied upon for Benchmark determination are available upon request, as MOEX maintains historical market data for Benchmarks and underlying instruments.

MOEX also keeps records of all changes to the Benchmark Determination Process and Methodology approved by MOEX's Index Committee and Board of Directors. The protocols of such meetings and voting results are signed by the chairman of corresponding authority and maintained afterwards by the Corporate Governance Department.

All data required in this Principle is retained by MOEX for at least 5 years and real-time data is retained for a minimum 2 weeks in accordance with applicable legal or regulatory requirements.

If these records are held by a Regulated Market or Exchange the Administrator may rely on these records for compliance with this Principle, subject to appropriate written record sharing agreements.

When a Benchmark is based on Submissions, the following additional Principle also applies:

Submitters should retain records for five years subject to applicable national legal or regulatory requirements on:

- a) The procedures and Methodologies governing the Submission of inputs;
- b) The identity of any other person who submitted or otherwise generated any of the data or information provided to the Administrator;
- c) Names and roles of individuals responsible for Submission and Submission oversight;
- d) Relevant communications between submitting parties;
- e) Any interaction with the Administrator;

- f) Any queries received regarding data or information provided to the Administrator;
- g) Declaration of any conflicts of interests and aggregate exposures to Benchmark related instruments;
- h) Exposures of individual traders/desks to Benchmark related instruments in order to facilitate audits and investigations; and
- i) Findings of external/internal audits, when available, related to Benchmark Submission remedial actions and progress in implementing them.

19. Cooperation with Regulatory Authorities

Relevant documents, Audit Trails and other documents subject to these Principles shall be made readily available by the relevant parties to the relevant Regulatory Authorities in carrying out their regulatory or supervisory duties and handed over promptly upon request.

Relevant documents, Audit trails and other documents subject to these Principles are available to the relevant Regulatory Authorities upon written request.

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