

Trading and clearing issues for non-resident and controlled resident clients under new regulation

Background

| | Before 24 June 2022 | After 24 June 2022 | From 05 August 2022 |
|--------------------------|---|--|--|
| Key regulatory documents | <ul style="list-style-type: none">• Presidential Decree No. 79 dated 28 February 2022 No. 81 dated 01 March 2022 No. 95 dated 05 March 2022 No. 100 dated 08 March 2022 No. 126 dated 18 March 2022• Decisions of the Board of Directors of the Bank of Russia dated 08 March 2022 (rescinded) dated 14 March 2022 dated 18 March 2022 (rescinded) dated 01 April 2022 | + Decision of the Board of Directors of the Central Bank dated 24 June 2022 | + Presidential Decree No. 520 dated 5 August 2022 + Notification No. ИИ-018-34/102 dated 8 August 2022 on organisation of trading for non-residents |
| In brief | all non-residents, both friendly and unfriendly, operate through type C securities accounts | friendly non-residents which are not under the control of a unfriendly non-resident have been exempted from the type C securities account framework. Starting from 24 June, these clients are not required to open type C securities accounts, except those which keep records of ownership. | Unfriendly non-residents and persons under their control have been restricted from making transactions in shares/holdings/contributions of strategic companies |

Presidential Decree No. 520: Key Provisions

- Trades (transactions) entailing, directly or indirectly, the establishment, change, termination or encumbrance of ownership, use and/or disposal of **securities of Russian legal entities** specified in the Decree have been restricted until 31 December 2022, provided that such securities are held by **foreign persons associated with foreign states that commit unfriendly acts against the Russian Federation, Russian legal entities and individuals, as well as persons controlled by such foreign persons**
- the said prohibition is applicable to **shares of strategic companies and their subsidiaries, subsoil users, as well as Russian banks and companies involved in the Fuel and Energy Sector**, etc. from the Lists approved* by the Russian President;
- **transactions concluded in violation of the Decree are null and void**: as a separate consequence of nullity, the Decree stipulates that the securities received under any trade do not grant their holders the rights stipulated by Russian law.

Issues to be addressed in order to implement the provisions of Presidential Decree No. 520:

- Classification and principles of classification as foreign entities and entities controlled by them (unfriendly persons)
- Drawing up the list of strategic enterprises

Principles of client classification under the Presidential Decrees

Unfriendly persons are foreign persons associated with foreign states which commit unfriendly acts in relation to Russian legal entities and individuals (including if such foreign persons have citizenship of these states, their place of registration, place of predominant business activity or place of predominant profit derived from their activity is these states), and persons which are under control¹ of such foreign persons, irrespective of their place of incorporation or their place of predominant business activity

Member classification methodology:

- Existing documents in the files of the members are analysed [115FZ];
- Other documents are requested from members for the purpose of classification and their further typing in accordance with the Presidential Decrees.

Exclusions under Decrees until 05 August 2022: persons which have been authorised or which meet* the following requirements at the same time:

- The person is controlled by Russian legal entities or individuals (ultimate beneficiaries are the Russian Federation, Russian legal entities or individuals), including if this control is exercised through foreign legal entities associated with such foreign states; and
- information on control is disclosed by Russian legal entities or individuals referred to in paragraph a of this clause, and Russian tax authorities in accordance with the requirements of Russian law.

* **Exception is not applicable to Decree No. 520**

Drawing up the list of strategic enterprises

•2. The prohibition set out in [paragraph 1 of this Decree shall apply to trades \(transactions\):](#)

•a) in shares constituting authorized capitals of joint stock companies included in the [list of strategic enterprises and strategic joint stock companies approved by Presidential Decree No. 1009 of 4 August 2004 "On Approval of the List of Strategic Enterprises and Strategic Joint Stock Companies"](#);

→ See Appendix 1

•b) in shares or holdings (contributions) that constitute the authorised capital of business entities in which the joint stock companies mentioned in [subparagraph a of this paragraph directly or indirectly own shares or holdings \(contributions\)](#)

Dealing with issuers

•c) in shares or rights and obligations held by participants of the Production Sharing Agreement for the Sakhalin-1 Project (Chayvo, Odoptu and Arkutun-Daginskoye oil and gas condensate fields on the Sakhalin Island shelf) and the Kharyaga Oil Field Development and Production Sharing Agreement;

•d) in shares or holdings (contributions) in the authorised capitals of business entities that produce equipment for the fuel and energy sector companies and provide maintenance and repair services for such equipment, business entities that produce and supply heat and (or) electricity, and business entities that process oil and crude oil and produce refined products thereof. The list of such companies is approved by the President of the Russian Federation as advised by the Government of the Russian Federation;

→ The Government of the Russian Federation shall submit to the President of the Russian Federation for approval

•e) in shares or holdings (contributions) making up authorised capitals of Russian credit organisations, as listed and approved by the President of the Russian Federation as advised by the Government of the Russian Federation and agreed with the Central Bank of the Russian Federation;

•f) in shares or holdings (contributions) making up the authorised capitals of business entities which are users of:

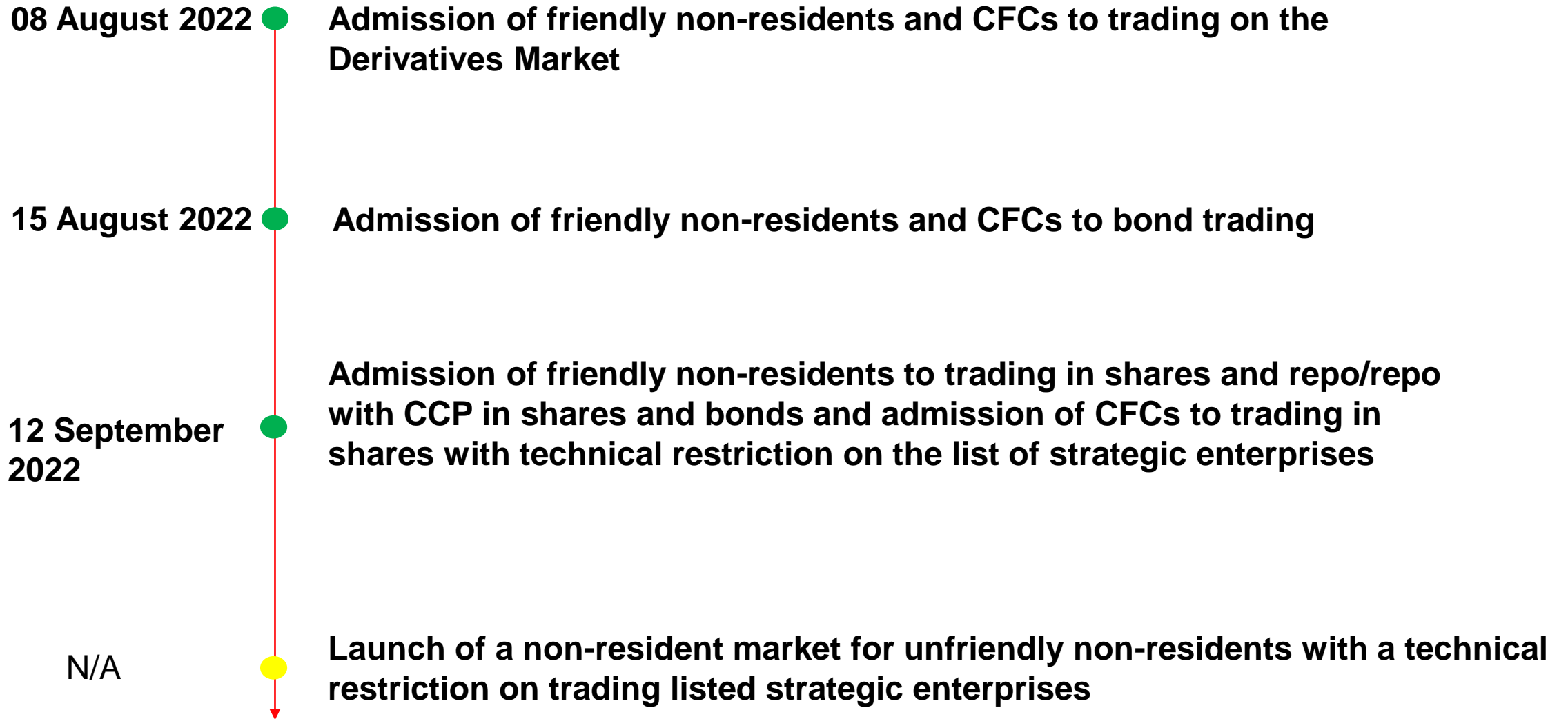
•subsoil areas located in the territory of the Russian Federation and containing deposits of hydrocarbon raw materials (with recoverable reserves of not less than 20 million tons of oil, not less than 20 billion cubic meters of natural gas or not less than 35 million tons of coal), uranium, high-purity quartz, rare-earth yttrium group, nickel, cobalt, tantalum, niobium, beryllium and copper;

•subsoil areas located on the territory of the Russian Federation, which are primary diamond deposits, primary (ore) deposits of gold, lithium and platinum group metals;

Dealing with issuers

•subsurface areas of inland sea waters, territorial sea and continental shelf of the Russian Federation.

Preliminary implementation timeline



Approach to prevent delivery under futures contracts on shares of strategic enterprises

Equity Market ASTS

From 12 September 2022, the Equity Market ASTS has have the control of compliance with the requirements of Decree No. 520 in respect of the client level:

- Control of prohibited persons (CFCs)
- Control of eligible instruments (securities) allowed for trading

Such control is carried out on the side of ASTS, including in respect of delivery transactions in respect of deliverable instruments of the Derivatives Market

Spectra

If a trading member, including at the client's expense, opts to deliver and Equity Market ASTS rejects the trade because the requirements of Decree No. 520 are not met, then:

- The delivery transaction in ASTS will not be executed
- In Spectra, the trading member will be charged the penalty in the amount of IM applicable to the contract under which the delivery has not been made

In addition, at the moment Spectra has already implemented controls on the admission of members' clients to trading: only friendly non-residents and CFCs can trade (based on information provided by members)

Responsibilities of trading members/clearing members/depositors in determining client status

In accordance with clause 10 of Article 08.01 of the Admission Rules, Trading Members are fully responsible for the relevance and accuracy of the information provided by them containing the data required for registration of the Clients, as well as for violation by the Trading Member of the procedure for submission of this information.

According to clause 4.17 of the Clearing Rules in accordance with article 431.2 of the Russian Civil Code, ...the person also represents that conclusion of any Trades under or in connection with the Clearing Rules, both with and in respect of such person (including, but not limited to, conclusion of closing out or balancing trades), as well as performance of any other actions under the Clearing Rules by or in respect of such person, will not under any circumstances result in violation of any legal provision either in respect of this person or in respect of any property that is the subject of such trades. The representations referred to in this clause of the General Part of the Clearing Rules are given by the person applying for admission to clearing service / Clearing Member / Trading Member contracted to keep clearing registers, each of which may act both in its own interests / at its own expense, and in the interests / at the expense of other persons, i.e. being a broker, trust manager, asset management company or having other status that involves acting in the interests and/or at the expense of another person, including the status determined in accordance with the applicable personal law. The representations are material to the parties to the Clearing Services Agreement/Clearing Registers Agreement....

In accordance with the Procedures for Interaction between the Depository and the Depositors in the Implementation of the Terms and Conditions of Depository Operations by NSD
...by submitting to the Depository an Instruction to debit/credit a trade section opened in the Nominee Securities Account and intended for registration of securities of the Depositor's clients who have a type C securities account with the Depository, the Depositor confirms that the relevant transaction is executed in the Depository in the type C securities accounts.
Transactions in respect of securities held by non-residents are executed subject to clause 3.28 of the Procedures.

NOT FOR RELEASE OR DISTRIBUTION OR PUBLICATION IN WHOLE OR IN PART IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA OR JAPAN.

•This presentation has been prepared and issued by Public Joint Stock Company "Moscow Exchange MICEX-RTS" (the "Company"). Unless otherwise stated, the Company is the source for all data and assumptions contained in this document. Such data and assumptions are provided as at the date of this document and is subject to change without notice. Certain industry, market and competitive position data contained in this document come from official or third party sources believed to be reliable but the Company does not guarantee its accuracy or completeness. The Company does not intend to have any duty or obligation to update or to keep current any information contained in this presentation.

•Neither the presentation nor any copy of it may be taken or transmitted into the United States of America, its territories or possessions, or distributed, directly or indirectly, in the United States of America, its territories or possessions as defined in Regulation S under the US Securities Act 1933, as amended (the "Securities Act), except to "qualified institutional buyers" as defined in Rule 144A under the Securities Act. Any failure to comply with this restriction may constitute a violation of United States securities laws. The presentation is not an offer or sale of securities in the United States. Moscow Exchange Group has not registered and does not intend to register any securities in the United States or to conduct a public offering of any securities in the United States.

•This presentation does not constitute an advertisement or a public offer of securities in any jurisdiction. It is not intended to be publicly distributed in any jurisdiction. This document is only being made available to interested parties on the basis that: (A) if they are UK persons, they are persons falling within Articles 19 or 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; or (B) they are outside the United Kingdom and are eligible under local law to receive this document. Recipients of this document in jurisdictions outside the UK should inform themselves about and observe any applicable legal requirements.

This presentation is not a prospectus for purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in any relevant Member State and any relevant implementing measure in the relevant Member State) (the "Prospectus Directive"). In any EEA Member State that has implemented the Prospectus Directive, this presentation is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

This presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

•This document does not constitute or form part of, and should not be construed as, an offer or invitation for the sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any offer, contract, commitment or investment decision, nor does it constitute a recommendation regarding the securities of the Company.

•The information in this document has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information, assumptions or opinions contained herein. None of the Company, or any of its subsidiaries or affiliates or any of such person's directors, officers or employees, advisers or other representatives, accepts any liability whatsoever (whether in negligence or otherwise) arising, directly or indirectly, from the use of this document or otherwise arising in connection therewith.

•This presentation includes forward-looking statements. All statements other than statements of historical fact included in this presentation, including, without limitation, those regarding MOEX financial position, business strategy, management plans and objectives for future operations are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future. Important factors that could cause our actual results, performance, achievements or industry results to differ materially from those in the forward-looking statements include, among other factors:

–perception of market services offered by the Company and its subsidiaries;

–volatility (a) of the Russian economy and the securities market and (b) sectors with a high level of competition that the Company and its subsidiaries operate;

–changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets;

–competition increase from new players on the Russian market;

–the ability to keep pace with rapid changes in science and technology environment, including the ability to use advanced features that are popular with the Company's and its subsidiaries' customers;

–the ability to maintain continuity of the process of introduction of new competitive products and services, while keeping the competitiveness;

–the ability to attract new customers on the domestic market and in foreign jurisdictions;

–the ability to increase the offer of products in foreign jurisdictions.

•Forward-looking statements speak only as of the date of this presentation and we expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation as a result of any change in our expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding such future performance.