

APPROVED BY:

the decision of the Supervisory Board of
Moscow Exchange

_____ 2018 (Minutes No. _____)

Chairman of the Supervisory Board

_____ O.V. Vyugin

**REGULATORY RISK MANAGEMENT POLICY
OF PUBLIC JOINT-STOCK COMPANY
"MOSCOW EXCHANGE MICEX-RTS"**

Moscow
2018

1. General Provisions

1.1. This Regulatory Risk Management Policy of the Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (hereinafter, the "Policy") has been elaborated in accordance with Federal Law No. 325-FZ of 21 November 2011 "On Organised Trading" (hereinafter, the "Law on Organised Trading") and regulations of the Bank of Russia adopted in accordance with it, Federal Law No. 39-FZ of 22 April 1996 "On Securities Market" and regulations of the Bank of Russia adopted in accordance with it, Federal Law No. 224-FZ of 27 July 2010 "On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation" (hereinafter, the "Law on Insider Trading"), the Bank of Russia Ordinance No. 4792-U of 7 May 2018 "On the Requirements to the Organisation and Procedure of Implementation of Internal Control and Internal Audit by Trade Organisers", the Charter of the Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (hereinafter, "Moscow Exchange", "Exchange"), Internal Control Regulation of Moscow Exchange.

1.2. The main elements of the risk management system and the principles of its operation, as well as risk management tools are defined in the Rules for Organising the Risk Management System pertaining to the activity of the trading organiser Moscow Exchange, the Anti-Corruption Policy of OJSC Moscow Exchange, the List of measures for Preventing Conflicts of Interest in the Exchange Trading Activities of Public Joint-Stock Company "Moscow Exchange MICEX-RTS", and other internal documents regulating the risk management activities of the Exchange.

1.3. This Policy applies to all business units and all employees of the Exchange.

1.4. In case of adoption of new or amendments to the existing requirements of the law and regulatory acts of the Russian Federation in the area of regulatory risk, this Policy shall be valid to the extent that it does not contradict them, until the introduction of relevant amendments to it.

1.5. Terms and definitions used in this Policy:

Conflict of interests is a situation in which indirect or direct personal interest, actual or potential benefit of an Exchange employee affects or may affect the bona fide and effective performance of their duties and may lead to adverse consequences for the Exchange, its clients and partners during the organised trading.

Regulatory risk is the risk of expenses/losses and/or other adverse consequences for the Exchange as a result of non-compliance of activities carried out by the Exchange under the exchange license with the requirements of federal laws and regulations adopted in accordance with them, rules of organised trading, constituent and internal documents of the trading organiser and as a result of the application of enforcement action by the Bank of Russia.

Entity of regulatory risk management means the management bodies of the Exchange, head of a business unit and individual employee, whose activities relate to and may impact the regulatory risk management.

Regulatory risk event (CRE) is a situation having arisen as a result of action/omission of the entities of regulatory risk management, as well as the circumstances that have led/could lead to expenses/losses of the Exchange and/or other adverse consequences as a result of non-compliance of the Exchange, or non-compliance of the Exchange's activities with the requirements of the laws of the Russian Federation on organised trading, the Charter and internal documents of the Exchange and/or application of the established enforcement action by the Bank of Russia with regard to the Exchange.

ICS is the Internal Control Service of Moscow Exchange.

COSO concept is the General internal control model developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), which defines the internal control of the organisation as a process, which is implemented by the Board of Directors, top management and other personnel of the organisation, and which is designed to provide "reasonable assurance" regarding the achievement of goals in the following categories:

- Effectiveness and efficiency of operations;

- Reliability of financial statements;
- Compliance with laws and regulations.

The terms and definitions not set forth in this Policy shall be used in their meanings defined by the laws of the Russian Federation and internal documents of the Exchange.

2. Regulatory Risk Management

2.1. The process of regulatory risk management is based on the distribution of authority between the management bodies of the Exchange, as well as the business units and employees of the Exchange.

2.2. The internal control system of the Exchange is based on the COSO internal control concept and is built in accordance with the Three Lines of Defense model by allocating the responsibilities in the area of the risk management and internal control among the management bodies, units exercising the control and coordinating functions and the internal audit unit.

The first line of defense is represented by all employees of the business functions and operational units of the Exchange, whose key functions are to identify, assess and manage the risks inherent to daily activities, as well as to elaborate and implement policies and procedures governing the existing business processes.

The second line of defense is represented by the units exercising control functions over the compliance of the activities carried out by Moscow Exchange with the requirements of federal laws and regulations adopted in accordance with them, the rules of organised trading, as well as the constituent and internal documents of the Exchange, the efficiency and productivity of financial and economic activities, the efficiency of asset and liability management, including the safety of assets, efficiency of risk management of the trading organiser in the following areas of activity:

- Ensuring the reliability, completeness, objectivity and timeliness of preparation and submission of the accounting/financial statements, statistical and other reports by the trading organiser;
- Ensuring the effectiveness of financial and economic activities;
- Ensuring the information security of the trading organiser, including the protection of interests/goals of the trading organiser in the information sphere;
- Ensuring the compliance of the trading organiser with the laws of the Russian Federation, constituent and internal documents of the trading organiser;
- Excluding any involvement of the trading organiser and employees of the trading organiser in the illegal and unfair activities, including the legalisation/laundrying of proceeds from crime and the financing of terrorism;
- Excluding any misuse of insider information and/or market manipulation;
- Excluding any conflict of interests, including by identifying and monitoring the conflict of interests, as well as preventing the consequences of conflicts of interests,

and exercising continuous monitoring and management of risks. These units provide support to the first line of defense units on the issues of identifying regulatory risks, elaborating and implementing control procedures, clarifying the requirements of the applicable laws, preparing monitoring reports for the management bodies.

The third line of defense is represented by the management bodies of the Exchange and the Internal Audit Service, which assess the efficiency and productivity of the following in accordance with the internal documents of the Exchange:

- Corporate governance of the trading organiser;
- Business processes of the trading organiser;
- Internal control of the trading organiser;
- Risk management system of the trading organiser;
- Methods applied to ensure the safety of property of the trading organiser.

2.3. The regulatory risk management is implemented on an ongoing basis by the Internal

Control Service (hereinafter, the "ICS") and includes the following:

- Organising the processes aimed at identification, analysis, assessment, monitoring and management of the regulatory risk;
- Developing and monitoring the implementation of measures aimed at preventing and averting the consequences of regulatory risk realisation;
- Monitoring the activities of the first line of defense for the purposes of regulatory risk management;
- Identifying the sources of regulatory risk;
- Determining the probability of events related to the regulatory risk;
- Keeping records of events related to the regulatory risk;
- Analyzing the circumstances and causes of events having led to the regulatory risk realisation;
- Determining the quantitative assessment of potential consequences resulting from events related to the regulatory risk;
- Informing the sole executive body on probable and/or actual events of regulatory risk.

2.4. In the process of regulatory risk management, ICS collaborates with all employees/business units of the Exchange to promptly address the issues related to the regulatory risk management. The collaboration is implemented on the basis of oral requests, requests via e-mail, as well as by holding operational meetings.

2.5. The information on risk events is shared with the officials responsible for the management of various non-financial (strategic, loss of business reputation, operational) and financial (credit, liquidity, market) risks on the basis of approved internal documents of the Exchange and in accordance with clause 2.4. of this Policy.

2.6. The employees of the Exchange assist ICS in the performance of its functions.

2.7. ICS uses the results of internal/external audit, reports on operational risk events and inspections of the Bank of Russia as an additional source of information on the regulatory risks that clarifies the impact of the risks on the Exchange's activities or the assessment with regard to the efficiency of control measures.

2.8. ICS collaborates with the Department of Operational Risks, Information Security and Business Continuity in the process of regulatory risk management of the Exchange, as well as in the course of the regular risk assessment of the Exchange in terms of the significance of such risks in order to build a unified and effective risk management system (RMS) of the Exchange.

2.9. Together with the heads of business units, the employees of ICS determine/ develop measures aimed at eliminating/minimising the regulatory risk.

3. Regulatory Risk Identification

3.1. The employees of business units of the Exchange determine, on their own, the potential areas of regulatory risk based on the tasks and functions assigned to the business unit when implementing its internal procedures within its competence.

3.2. The sources of regulatory risk may be as follows:

- Non-compliance of the Exchange's activities with the requirements of the laws of the Russian Federation, including the regulations of the Bank of Russia governing the activities for organised trading, in case of untimely amendments to the internal documents of the Exchange in connection with changes in the laws of the Russian Federation and the regulations of the Bank of Russia;
- Failure to meet the deadlines for reporting to the Bank of Russia;
- Non-compliance with the procedure and deadlines for disclosure of information;
- Non-compliance with the requirements to the amount of, procedure and deadlines for calculating the organiser's own funds;
- Failure to comply with the Bank of Russia improvement notices/demands;
- Introduction of new financial instruments and services by the Exchange, and expansion

of the scope of activities;

- Other sources of regulatory risk.

3.3. In case of regulatory risk events, the employees inform ICS of the following in accordance with the internal documents:

- Occurrence of regulatory risk events, as well as the facts that could lead to such events, in accordance with the internal documents of the Exchange;
- Violations of the laws of the Russian Federation and the requirements established by the internal documents of the Exchange;
- Other information related to the regulatory risk.

3.4. ICS keeps records of the regulatory risk event in the Operational Risk Database (ORD), a system for operational risk management, which automates the process of collecting, assessing, clarifying, and monitoring the operational risk events (ORE) and the CRE, and serves as the tool for providing the information on ORE and CRE to the Risk Managers (employees responsible for organising the operational and regulatory risk management in the company) (SAS GRC – Statistical Analysis System Governance, Risk and Compliance). The information included in ORD is used for further analysis of regulatory risk events and factors, in the procedures for assessing the regulatory risk and efficiency of control procedures, and for building the plans for implementation/adjustment of control procedures, and adjustment of the Regulatory risk Map.

3.5. The regulatory risk events recorded in ORD are approved by the Risk Manager – Head of ICS.

3.6. This includes the following activities:

- Analyzing the received information on regulatory risk events to identify the business owner and agree further actions aimed at reducing, transferring, accepting, avoiding that regulatory risk;
- Identifying the technical owner of regulatory risk and agreeing the list of measures aimed at reducing the level of risk, subject to such decision by the business owner;
- Monitoring the progress of works to minimise the regulatory risk and the level of the residual risk;
- Elaborating recommendations on the allocation of authority between the units and management personnel, as well as the necessary resources, for operation of the risk management system.

3.7. Risk analysis and assessment, determination of the probability of events related to the regulatory risk of the trading organiser, and the quantitative assessment of potential consequences of events related to the regulatory risk of the trading organiser are to be implemented in accordance with Annex No. 2 to this Policy.

4. Regulatory Risk Monitoring

4.1. The following indicators are used to monitor the activities of the Exchange in terms of detecting and identifying the regulatory risk:

- Increase or decrease of claims/ demands/ improvement notices /enforcement actions issued/adopted by the Bank of Russia with regard to the Exchange and related to the Exchange's activities in organised trading;
- Increase/decrease of complaints/claims/statements made by the clients;
- Increase/ decrease of the number of violations of the laws of the Russian Federation on the organised trading;
- Increase/ decrease of the number of violations of the laws of the Russian Federation on misuse of insider information and market manipulation;
- Increase/ decrease of the number of violations of the laws of the Russian Federation on laundering of proceeds from crime and financing of terrorism;
- Increase/decrease of identified cases involving non-compliance of internal documents of the Exchange with the requirements of the laws of the Russian Federation;

- Increase/decrease of identified cases involving non-compliance of the procedures with internal documents of the Exchange;
- Increase/decrease of identified conflicts of interests, cases of corruption;
- Increase/ decrease of non-compliance with professional ethics standards and established rules of corporate conduct;
- Other indicators.

4.2. The severity of the impact of the regulatory risk on the activities of the Exchange is assessed by quantitative and/or qualitative analysis of the received information stipulated in clause 4.1. of this Policy, taking into account the following parameters:

- Comparison with previous periods;
- Area of the Exchange activities;
- Characteristics of the Exchange products/services;
- Information channels;
- Corrective measures and their efficiency;
- Identification of typical problems.

4.3. The classification of regulatory risk events is carried out and the severity of consequences resulting from the regulatory risk events is assessed by using the data of Annexes No. 1 and No. 2 to this Policy. Therein, the data of Tables No. 1 and No. 2 provided in Annex No. 2 to this Policy are used to determine the probability of events related to the regulatory risk with regard to organising the trading and the quantitative assessment of potential consequences related to these events.

5. Measures for Minimising the Regulatory Risk

5.1. The following measures are used by the Exchange to minimise the regulatory risk:

- Standardising key technological processes (defining the order, procedures, technologies for operations, conclusion of contracts);
- Establishing the procedure for agreeing/endorsing the internal documents of the Exchange providing for the participation of ICS in the agreement/endorsement of internal documents of the Exchange;
- Involving the stakeholders from business units in expert assessments/ elaboration of functional assignments to implement new technologies/products/services;
- Monitoring the amendments to the laws of the Russian Federation, regulatory acts of the Russian Federation, including the regulations of the Bank of Russia, as well as monitoring of draft laws and regulatory acts of the Russian Federation, including the draft regulations of the Bank of Russia, for the purposes of elimination of the potential for regulatory risk, and timely introduction of changes to the internal documents of the Exchange;
- Updating, on a timely basis, the internal documents of the Exchange;
- Implementing the Know Your Client principle to ensure the compliance with the laws of the Russian Federation (including in terms of counteracting the legalisation (laundering) of proceeds from crime and financing of terrorism), including the establishment of requirements in internal documents to trading members and securing the right of the Exchange to prevent (suspend and terminate) the access to trading for legal entities (trading members) that do not comply with the requirements established by the Exchange;
- Improving the qualifications of the Exchange employees;
- Ensuring the operational interaction of the Exchange with the Bank of Russia on issues related to the regulation of activities on organised trading, as well as obtaining the necessary recommendations and clarifications;
- Allocating the competencies/authority of the members of the Executive Board/employees of the Exchange;

- Monitoring the procedures for verifying the compliance with the established procedure for concluding the contracts in trading organised by the Exchange, and the established procedure for informing the relevant heads of units on identified violations, errors and shortcomings;
- Carrying out timely analysis of complaints and claims by trading members and their clients, as well as infrastructure organisations, and elaborating measures to address them, as well as carrying out timely analysis of comments made by the Bank of Russia;
- Having a separate business unit for monitoring the regulatory risk, coordinating and participating in the development of a set of measures aimed at reducing the level of regulatory risk, as well as other functions in accordance with the internal documents;
- Including in the labour and civil contracts concluded with the employees of the Exchange, as well as other internal documents of the Exchange the obligation to comply with the laws of the Russian Federation, the Charter of the Exchange, comply with the measures aimed at preventing conflicts of interests and corruption offenses in Moscow Exchange, requirements to counter the illegal use of insider information and market manipulation.

6. Regulatory Risk Reporting

6.1. The reports on regulatory risk are prepared in accordance with the internal documents and shall include the following:

- Reports on the activities of ICS (quarterly ICS reporting);
- Information on the implementation by the trading organiser of processes and activities for managing the regulatory risk in organising the trading (annual regulatory risk reporting);
- Information on probable and/or actual significant regulatory risk events in organising the trading;
- Conclusion on compliance/non-compliance of Internal Control Regulation with the requirements of the laws of the Russian Federation on organised trading, constituent and internal documents of the trading organiser.

6.2. The quarterly ICS reports are submitted to the Chairman of the Executive Board no later than the last working day of the month following the reporting quarter. These reports include the recommendations on regulatory risk management in organising trading, information on measures aimed at reducing or eliminating the regulatory risk in organizing of trading, and on the results of monitoring the activities of business units (employees of business units) of the trading organiser carried out as part of regulatory risk management in organizing trading.

6.3. The annual reports on regulatory risk, containing information on the results of processes and activities implemented by the Exchange to manage the regulatory risk in organising trading, on measures to reduce the regulatory risk, as well as those aimed at improving the regulatory risk management, are submitted to the Supervisory Board no later than 90 days after the end of the reporting year.

6.4. In case of detection of probable and/or actual significant regulatory risk events, when the realisation of such risk may significantly affect further activities of the Exchange (cancellation of the license, suspension of operations, etc.), the head of ICS informs the Chairman of the Executive Board of the Exchange of the regulatory risk no later than the working day following the day of detection of these events. Therein, the information on probable and/or actual significant regulatory risk events in organising trading shall include recommendations on the measures necessary to prevent and/or avert such events.

6.5. The conclusion on compliance/non-compliance of the Internal Control Regulation with the requirements of the laws of the Russian Federation on organised trading, constituent and internal documents of the trading organiser is to be submitted to the Chairman of the Executive Board of the Exchange on an annual basis no later than 90 days after the end of the reporting year.

Classification of regulatory risk events

Classification of regulatory risk events	Examples
1. Violation of the laws on the activity related to the performance of organised trading	<p>Non-conformity of trading members (firms) with the requirements set by the rules of organised trading, failure by trading members (firms) and other persons to comply with these rules;</p> <p>Non-conformity of goods and securities admitted to organised trading and their issuers (obligors) with the requirements set by the rules of organised trading;</p> <p>Failure by an issuer and other persons to comply with the terms of contracts, under which securities were admitted to organised trading;</p> <p>Violation of the requirements to governing bodies and employees of a trading organiser;</p> <p>Violation of the requirements to the equity of a trading organiser and the capital adequacy ratio;</p> <p>Other violations.</p>
2. Violation of the laws on misuse of insider information and market manipulation	<p>Violation of the requirements to the maintenance of the list of insiders;</p> <p>Violation of the procedure for the monitoring of organised trading;</p> <p>Absence or non-conformity of documents on insider information with the established requirements;</p> <p>Violation of the internal control rules in terms of misuse of insider information and market manipulation;</p> <p>Other violations.</p>
3. Violation of the laws on anti-money laundering and combating the financing of terrorism	<p>Violation of the requirements to the monitoring of organised trading;</p> <p>Violation of the requirements to customer identification;</p> <p>Other violations.</p>
4. Violation of the laws on admission of securities to public offering, circulation and listing, and the requirements to the rules of inclusion of securities in quotation lists and their exclusion from quotation lists.	<p>Non-conformity of the terms of inclusion of securities in quotation lists with the established requirements;</p> <p>Non-conformity of the procedure for assigning an identification number to an issue of exchange-registered bonds (commercial papers) with the established requirements;</p> <p>Untimely exclusion of securities from lists of securities admitted to trading;</p> <p>Untimely suspension of security trading;</p> <p>Other violations.</p>
5. Violation of the established requirements to the admission to organised trading.	<p>Non-conformity with the established requirements to the admission/cessation of admission to organised trading;</p> <p>Violation of the rights of trading members (firms);</p> <p>Violation of the established procedures for the registration</p>

	of customers of trading members (firms) and assignment of unique codes enabling to identify registered persons; Other violations.
6. Violation of the established requirements to the submission of reports.	Violation of the established timeline for the submission of reports; Violation of the completeness and accuracy of reports; Violation of the established procedure for the submission of reports; Other violations.
7. Violation of the rules of organised trading, constituent and internal documents of the Exchange.	Non-conformity of terms of and the procedure for registration of applications submitted for the performance of transactions with the established requirements; Non-conformity of terms of and the procedure for execution of contracts at organised trading with the established requirements; Non-conformity of the procedures for suspension/renewal of trading with the established requirements; Non-conformity of the procedures for keeping a register of contracts executed at organised trading with the established requirements; Non-conformity of the procedures for keeping a register of applications submitted by trading members (firms) for the conclusion of contracts at organised trading with the established requirements; Other violations.
8. Other violations of the laws.	Corruption offences; Violation of the Code of Business Ethics; Violation of the requirements on conflict of interests; Fraud; Other violations.

Annex No. 2
to the Regulatory Risk
Management Policy
Of public joint-stock company
"Moscow Exchange MICEX-RTS"

Table 1. **Qualitative assessment of the severity level of potential consequences of a**

regulatory risk event

Impact of risk	Description		
	Expected amounts of a compliance fine (RUB)	Compliance impact	Examples
1 - Minimum	less than 30,000	<p>Minimum impact of a regulatory risk event on the Exchange. Characterised by the absence of violations of obligations to counterparties, as well as the reputation risk, but certain measures are required to reduce the probability of emergence of regulatory risk in the future.</p> <p>No violation of the legislation of the Russian Federation or internal regulations.</p>	-Detection of a regulatory risk event requiring additional control.
2 - Insignificant	30,000 – 300,000	<p>Insignificant impact of a regulatory risk event on the Exchange. Characterised by the absence of violations of obligations to counterparties, as well as the reputation risk, but certain measures are required to reduce the probability of emergence of regulatory risk in the future.</p> <p>No violation of the legislation of the Russian Federation or internal regulations.</p>	-Detection of a regulatory risk event requiring prompt response measures.

3 - Moderate	more than 300,000, but less than 700,000 (Justified claim actions of less than 500,000)	Moderate impact of a regulatory risk event on the Exchange. Characterised by violation of economic interests, non-fulfillment or untimely fulfillment of obligations to counterparties, as well as the reputation risk. Violation of the requirements of the legislation of the Russian Federation/internal regulations/application of penalties by the Bank of Russia.	<p>-Receipt of an improvement notice from the Bank of Russia on elimination of violations specifying the timeline for the elimination thereof.</p> <p>-Receipt of recommendations from the Bank of Russia on inadmissibility of future violations.</p>
4 - Significant	700,000 – 2,000,000 (Justified claim actions for more than RUB 10 million, but less than or equal to RUB 100 million)	Significant impact of a regulatory risk event on the Exchange. Characterised by violation of economic interests, non-fulfillment or untimely fulfillment of obligations to counterparties, as well as the reputation risk. Violation of the requirements of the legislation of the Russian Federation/internal regulations.	- Application by the Bank of Russia to the Exchange, in the exercise of supervisory powers, of measures stipulated by Article 25 of the Federal Law No. 325-FZ of 21 November 2011 "On Organised Trading" in the form of penalty.
5 - Highly significant	> 2 mln Justified claim actions for more than RUB 100 million, as well as claim actions made public	Critical impact of a regulatory risk event on the Exchange. Characterised by the use by the Bank of Russia of sanctions to the Exchange, financial expenses, substantial reputation risk, possibility of termination or suspension of activities (certain operations). Violation of the requirements of the legislation of the Russian Federation/internal regulations.	<p>- Failure to comply with improvement notices of the Bank of Russia on the elimination of violations within the timeline established by the Bank of Russia;</p> <p>- Repeated failure, within one year, to comply with an improvement notice of the Bank of Russia;</p> <p>- Repeated violation, within one year, of the timeline for the submission of reports stipulated by federal laws and regulatory acts adopted by the Bank of Russia on the basis thereof in the course of the activity related to conducting organised trading.</p>

			<p>- Repeated violation, within one year, of the timeline for the submission of reports (reporting documentation) in the course of the activity related to conducting organised trading;</p> <p>- Repeated violation, within one year, of the requirements to information disclosure stipulated by federal laws, regulatory acts of the Bank of Russia.</p> <p>- Repeated application by the Bank of Russia to the Exchange, in the exercise of supervisory powers, of measures stipulated by Article 25 of the Federal Law No. 325-FZ of 21 November 2011 "On Organised Trading" in the form of penalty.</p>
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Table 2. Determination of the probability of a regulatory risk event.

Risk probability	Timeline	Interest scale
1 - Remote	Less than once in 3 years	<10%
2 - Low	Once in 3 years - once a year	10-20%
3 - Medium	More than once a year, but less than once in 2 months	21-50%
4 - High	Once in 2 months - once a month	51-90%
5 - Very high	More than once a month	>90%

Table 3. Matrix of probability and impact of primary (inherent level) regulatory risk.

Risk probability	Impact of risk				
	1 - Minimal	2 - Insignificant	3 - Moderate	4 - Significant	5 - Highly significant
1 - Remote	Low	Low	Low	Low	Low
2 - Low	Low	Low	Moderate	Moderate	Moderate
3 - Medium	Low	Moderate	Moderate	Moderate	High
4 - High	Low	Moderate	Moderate	High	High
5 - Very high	Low	Moderate	High	High	High

As a result of the risk assessment, one of the risk significance levels is assigned to the regulatory risk. The levels are distributed as follows:

- “low” risks; the regulatory risk owner must assess the need for response measures; acceptable value of the level of risk wherein measures to reduce relevant regulatory risks are not necessary.
- “moderate” risks; the risk owner must form response measures; these regulatory risks are allowed to be accepted when the cost of their mitigation exceeds the possible adverse consequences. The decision to accept these regulatory risks may be made by the Business Owner of the risk.
- "high" risks; the regulatory risk owner needs to determine the quick response measures. Measures for mitigation of respective risks are compulsory. The decision on acceptance of these risks is made by the Chair of the Executive Board of the Exchange.

Table 4. **Control procedures efficiency assessment.**

Control procedures efficiency	Description
1 - No control/inefficient control	<ul style="list-style-type: none"> - Controls are absent or there are significant flaws in their organisation. - Key control procedures are completely inefficient. - Control does not enable to detect a significant part of losses. - Control has significant flaws in terms of documentation, it is not reviewed. - Areas of responsibility are insufficiently defined. - Control is not sufficiently integrated in the process.
2 - Low efficiency control	<ul style="list-style-type: none"> - There are significant deficiencies of controls or absence of significant procedures is observed. - Most of the analysed risk is not covered by the control procedures. - Risk mitigation is inefficient. - There are flaws in terms of documentation, regular reviews of control. - Areas of responsibility are not defined. - Insufficient integration into the process. - Manual control.
3 - Satisfactory control	<ul style="list-style-type: none"> - There are drawbacks of controls or absence of insignificant procedures is observed. - Most of the analysed risk is covered by control, risk mitigation is efficient. - There are some flaws in terms of documentation, regular revisions. - Areas of responsibility are partially defined. - Some weaknesses in the integration into the process.
4 - Efficient control	<ul style="list-style-type: none"> - Controls are efficient, documented, transparent, and understandable. - Significant part of the analysed risk is covered by controls specifically designed for a particular risk. - Control is well documented, integrated into the process. - Areas of responsibility are clearly distributed between the units/among the responsible employees. - Control is regularly analysed and reviewed. - Control is automated, if possible.
5 - Highly efficient control	<ul style="list-style-type: none"> - Controls are highly efficient. - Documented, transparent, and understandable. - Significant part of the risk is fully covered by controls specifically designed for a particular risk.

	<ul style="list-style-type: none"> - Control is well documented, integrated into the process. - Areas of responsibility are clearly distributed between the units/among the responsible employees. - Control is regularly analysed and reviewed. - Control is automated, if possible. <p>If a highly efficient control is introduced, it is necessary to analyse how “expensive” and labour-intensive it is and whether it is necessary on such a scale (especially for low and moderate risks).</p>
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Table 5. Residual risk level assessment.

Measure		Primary risk level		
		Low	Moderate	High
Control procedures efficiency	1 - No control	Low	Moderate	High
	2 - Low efficiency control (manual control or procedural post control)	Low	Moderate	High
	3 - Satisfactory control (manual and procedural post control)	Low	Moderate	Moderate
	4 - Efficient control (preventive manual one)	Low	Low	Moderate
	5 - Highly efficient control (preventive, automated)	Low	Low	Low