



**NATIONAL  
SETTLEMENT  
DEPOSITORY**  
MOSCOW EXCHANGE GROUP

NSD Roadshow  
New York – Boston  
October 23-25, 2013

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Chairman of the Executive Board  
National Settlement Depository

# **ACCESS TO THE RUSSIAN MARKET**

# CONTENT

1. CSD has been established
2. Key developments
3. Strategic vision



# CSD LAW: HIGHLIGHTS

**Came into force on  
1 January 2012**

CSD legal status and  
operational requirements

**Established:**

Procedure for granting  
the CSD status

Government control and  
oversight of CSD activity

## OBTAINING THE CSD STATUS:

<b>1</b>	NSD submitted the application set to FFMS in order to obtain the CSD status	Completed
<b>2</b>	FFMS reviewed NSD documentation and activity to ensure its compliance with the CSD status requirements	Completed
<b>3</b>	NSD obtained the CSD status	Completed (6 November 2012)
<b>4</b>	Opening CSD/ICSD foreign nominee accounts	Completed
<b>5</b>	<b>Opening CSD nominee accounts in registrars of securities shareholders</b>	<b>Starting from 1 April 2013</b>

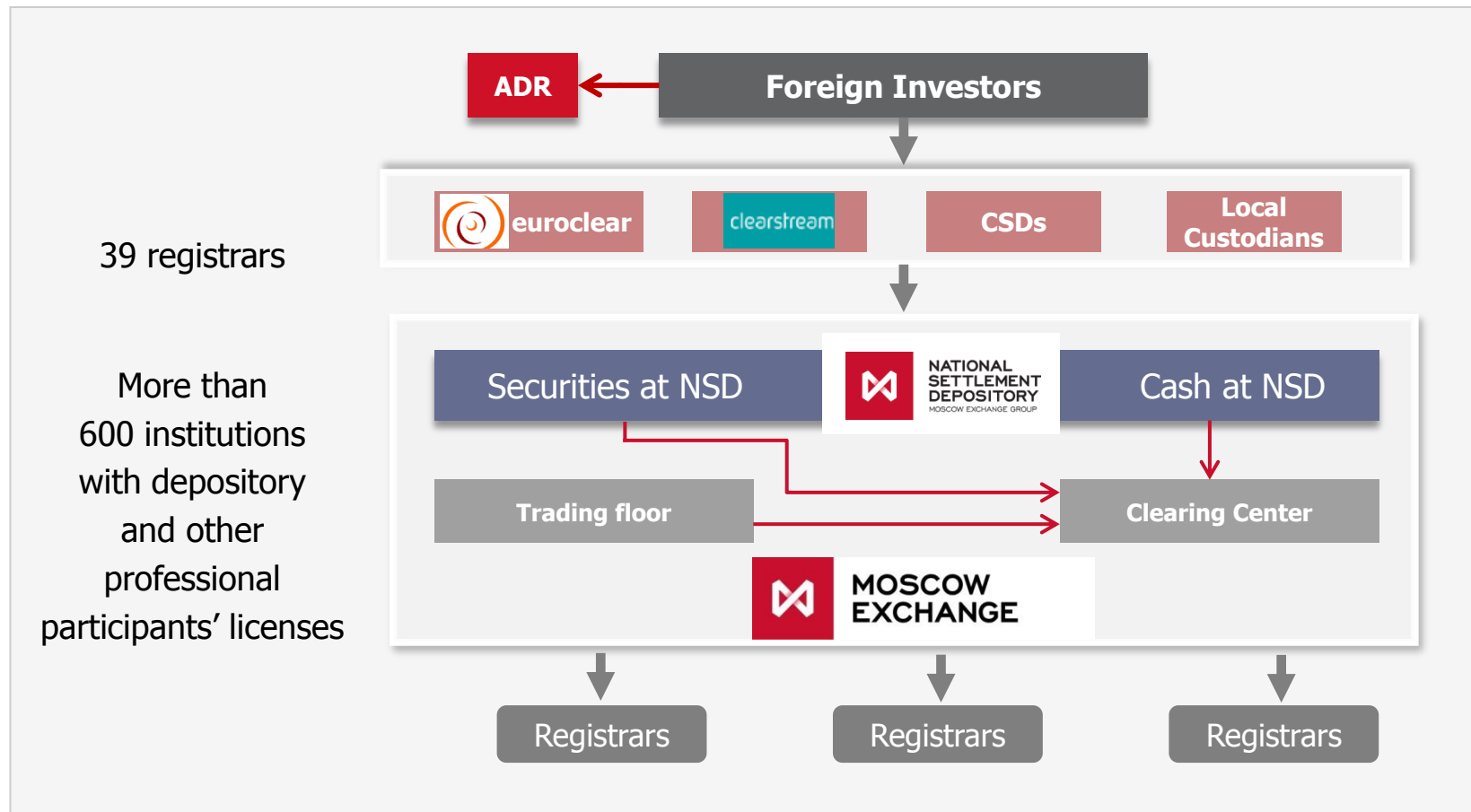
## BENEFITS:

- **Lower costs:** Fixed settlement fees (no more high bps registrar fees)
- **Shorter settlement cycles:** defragmented post-trade environment
- **Simplified settlement:** 'spaghetti' system with multiple options eliminated
- **17f-7 eligibility** => green light for US funds
- **Lower risks:** One place of settlement - NSD
- CSD has exclusive **rights to open nominee accounts** at registrars
- **Finality of settlement:** issue solved
- **Foreign Nominee:** investors participate directly in corporate actions
- **EDI mandatory for registrars:** no more paper flows



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# ACCESS TO THE RUSSIAN MARKET FOR THE FOREIGN INVESTORS AFTER CSD LAW INTRODUCTION



# NSD KEY FIGURES AND **FACTS**

## The Russian CSD

More than 15 years on depository services market

Member of the **Moscow Exchange Group**

**The largest settlement depository** in Russia, CIS and Eastern Europe

Provides both bank and custody services to the clients

Settlement depository for the **Moscow Exchange**

Operator of systemically important payment system

**Diversified assets** on deposit

European tariff model

Servicing the Moscow Exchange currency exchange market

Local Operating Unit for assigning Legal Entity Identification codes

Participant of the major working groups organized by the Russian regulators

**30.09.2013**

Assets under custody,  
USD, bln **634**

Number of custody  
accounts **3 695**

Capital, USD, mln **211**

Num. of securities  
transactions,  
mln (2012) **2.47**

Vol. of securities  
transactions,  
USD trln (2012) **4.82**

Num. of cash  
transactions,  
mln (2012) **1.39**

Vol. of cash  
transactions,  
USD trln (2012) **9.08**



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USD ex.rate is 32.3451 RUB as of  
30.09.2013

# RISK MANAGEMENT AND CSD RATING

- On-site mirroring of processing and storing facilities
- Remote back-up processing center
- Fiber optic communication lines between main and remote site for on-line sync
- Advanced UPS and access control systems on both sites
- Thorough software testing
- Compliance with BS 25999
- Compliance with ISAE 3402 (ex. SAS-70)
- Regular testing of settlement and operating continuity

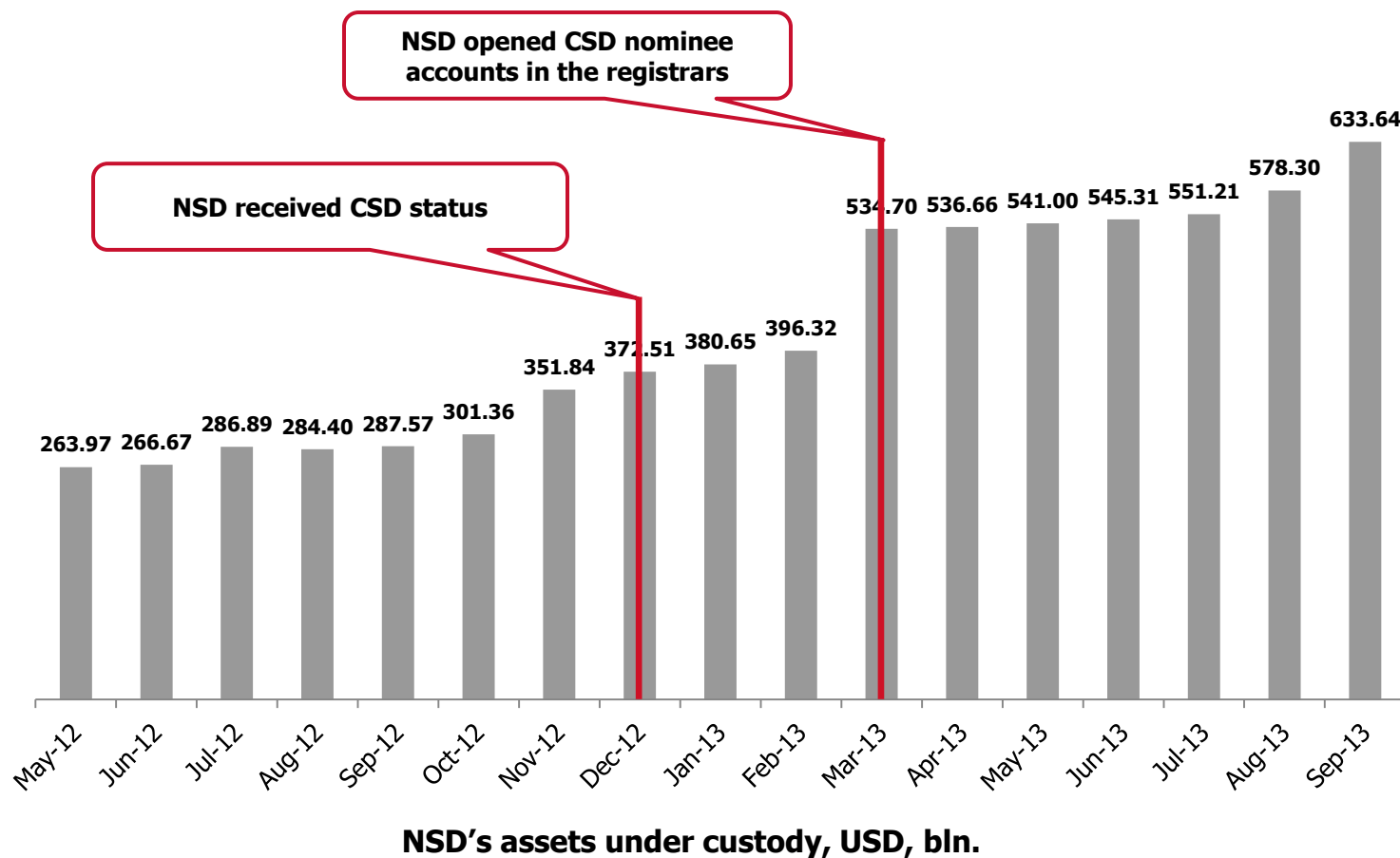
- CSD rating by Thomas Murray
- Complex insurance of banking activities (BBB+ECC+PL)
- NSD is insured by one of the major Russian insurance companies AlfaStrakhovanie PLC (for the period 31.01.2013 – 31.01.2014).
- Insurance coverage is USD 65 million

## THOMAS MURRAY RATING

Overall rating	AA-
Asset commitment risk	A+
Liquidity risk	A+
Counterparty risk	AA-
Financial risk	AA
Operational risk	AA-
Asset servicing risk	AA-

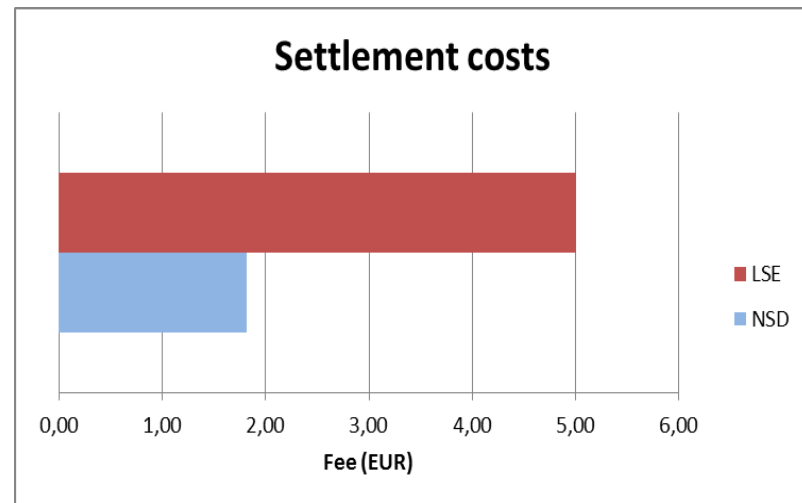
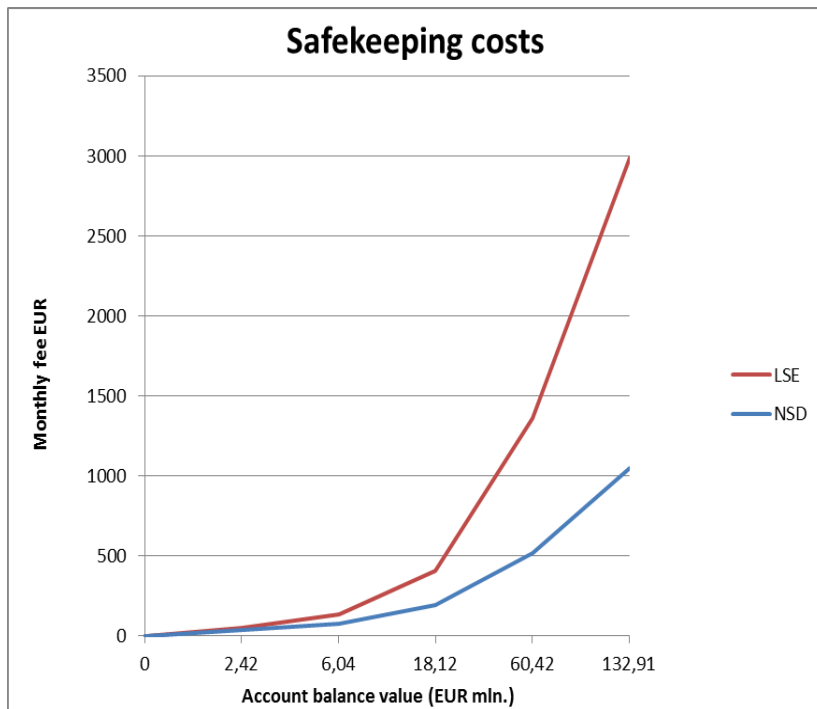


# ASSETS UNDER CUSTODY DYNAMICS



USD ex.rate is 32.3451 RUB as of 30.09.2013

# CASE: SAFEKEEPING AND SETTLEMENT FEES\*



- For NSD figures safekeeping and settlement fees for Russian equities were applied
- For LSE figures safekeeping and settlement fees for global depository receipts were applied

\*Estimated figures, exact fees can be calculated according to concrete ISIN (depending on issuer country), as of April 2013



# EUROCLEAR AND CLEARSTREAM FOREIGN **NOMINEE** **SECURITIES ACCOUNTS WITH NSD**

## **Euroclear Bank S.A./N.V., (Belgium)**

Opened on 27.12.12

- FOP and DVP OTC settlement
- On-exchange settlement launched on March, 26, 2013

## **Clearstream Banking S.A., (Luxembourg)**

Opened on 13.02.13.

- FOP and DVP OTC settlement

- As of today, Euroclear Bank S.A./N.V. and Clearstream Banking S.A. provide services on OFZ market only
- Corporate bonds will be available for operations as soon as the issue with disclosure and taxation for foreign nominee is resolved
- The form of reporting for tax agent is to be defined by the Russian Tax Authorities



# RUSSIAN CASE STUDY

## IMPACT OF ICSDs NOMENEE ACCOUNTS

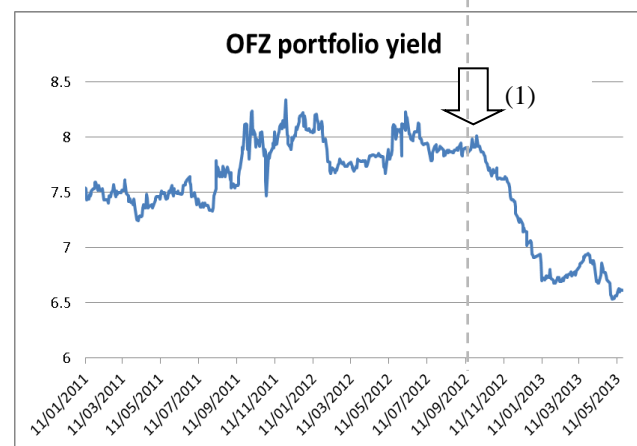
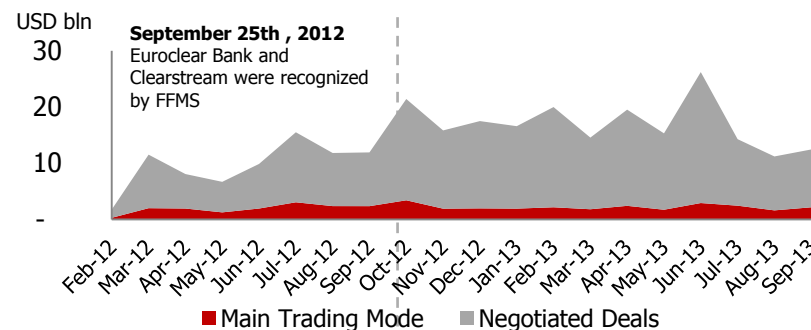
### STOCK EXCHANGE IMPACT:

- April 2012 drop in liquidity on fear that ICSDs will not be able to enter Russian market
- Moscow Exchange OFZ trading volumes have increased since announcement of ICSDs link

### MINISTRY OF FINANCE – changes in cost of borrowing:

- 150 bps drop in yields over 5 months following ICSDs entry

OFZ secondary trading volumes on Moscow Exchange have increased since ICSDs launched their services



Source of yield info: Ministry of Finance, Russia

(1) ICSDs entered the market

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# WITHHOLDING TAX – KEY INFORMATION

## TAX disclosure, calculation and withholding in 2014<sup>1</sup>

Types of Securities	Tax Calculation and Withholding by NSD in 2014	Information Disclosure in 2014 for the Purposes of the Russian Tax Code
Russian federal government securities to mandatory centralized safekeeping, all	-	-
Russian subfederal bonds to mandatory centralized safekeeping, all	-	-
Russian municipal bonds to mandatory centralized safekeeping, all	-	-
Russian corporate bonds subject to mandatory centralized safekeeping, registered after 01/01/2012 only	+	+
Equities of Russian issuers	+	+



# EXPECTED CHANGES TO INFORMATION DISCLOSURE BY FOREIGN NOMINEES IN 2014

## Individuals and Legal entities

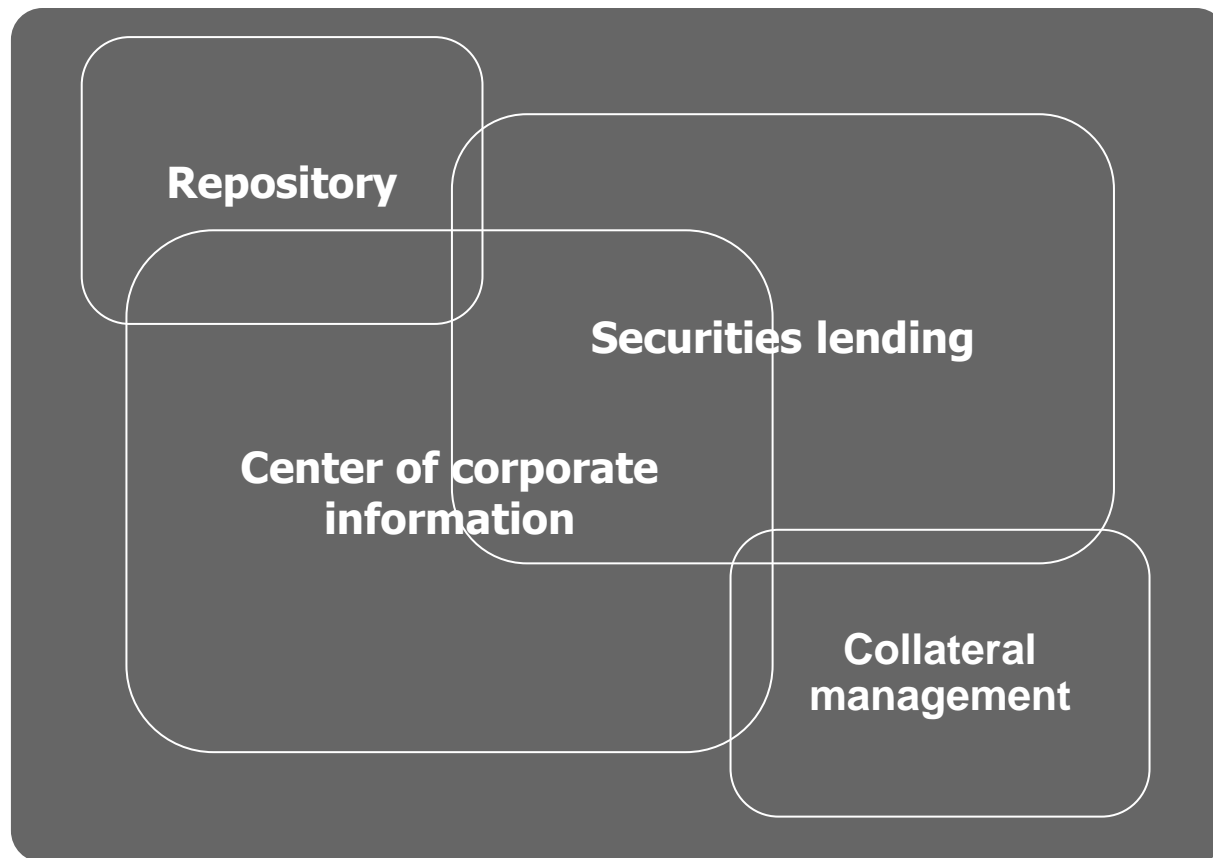
It is expected that information on individuals and legal entities to be disclosed by a foreign nominee should contain summarized information on the quantity of securities, broken down by:

- countries of which such entities are tax residents
- grounds for the application of tax benefits provided for by the Tax Code or double taxation treaties

**30% withholding tax rate will be applied to income under non-disclosed holdings**

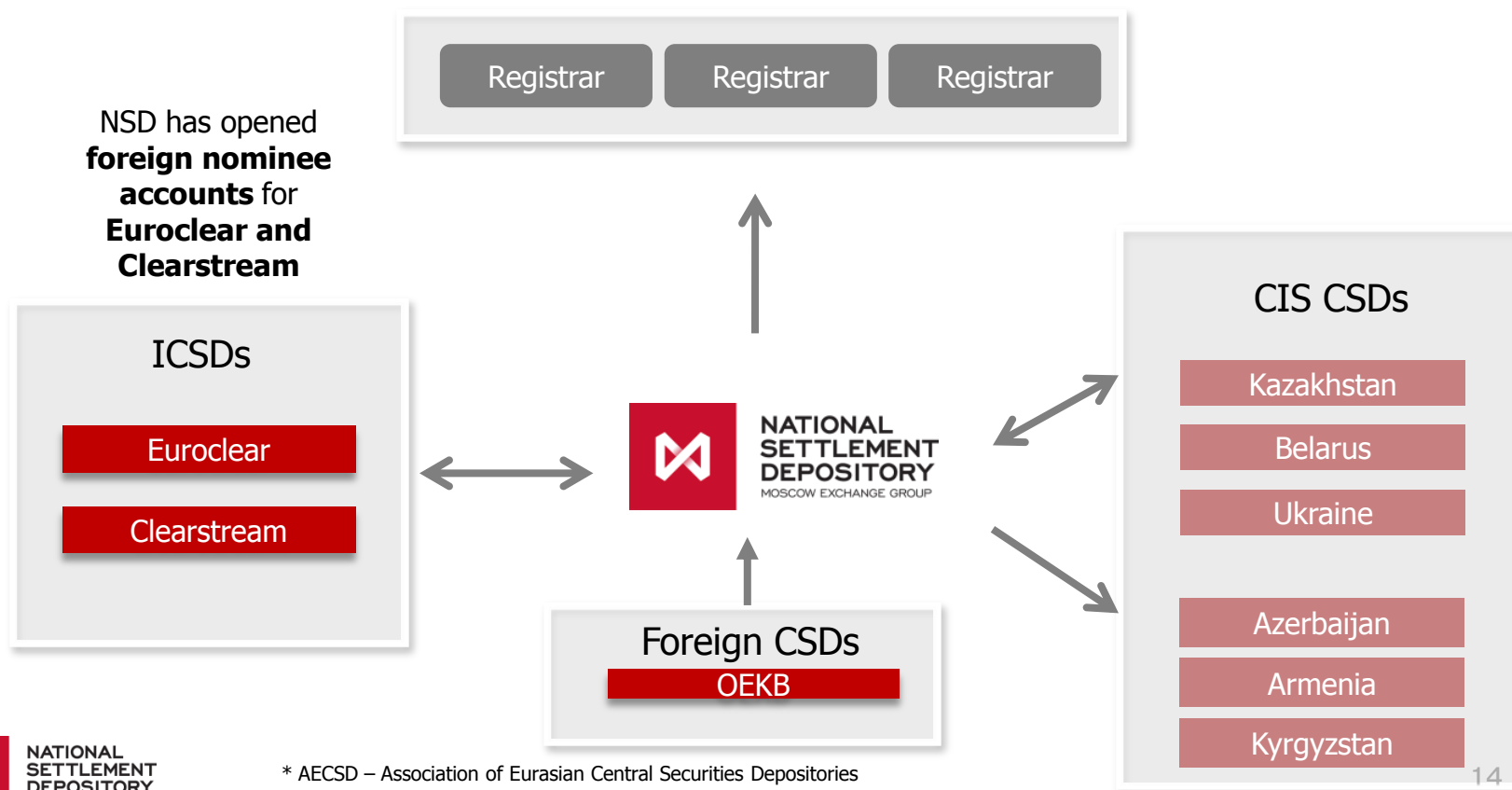
- As a withholding agent, NSD has the right not to withhold tax on income on securities kept on a securities account a foreign organization holds with NSD, or withhold such tax at a reduced rate, provided that under the double taxation treaty between the Russian Federation and the relevant foreign country income of a foreign organization or a Russian non-resident individual is exempt from taxation in the Russian Federation
- Under Article 312 of the Russian Tax Code, in order to apply a double taxation treaty, a foreign organization has to provide NSD with a confirmation that such foreign organization is a permanent resident of the country with which the Russian Federation has the double taxation treaty. Such conformation has to be certified by a competent authority of the relevant foreign country

# STRATEGIC DEVELOPMENT PROJECTS FOR 2013



# NSD – REGIONAL **LIQUIDITY HUB**

- NSD – starting point for reaching Russia and CIS for foreign investors
- Regional settlement hub based on the joint efforts of CSDs – AECSD\* members
- Profound local expertise of laws, regulations, corporate governance
- Simplification of access to CIS markets and securities



\* AECSD – Association of Eurasian Central Securities Depositories

# THANK YOU!



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  - Perception of market services offered by the Company and its subsidiaries
  - Volatility (a) of the Russian economy and the securities market and (b) sectors with a high level of competition that the Company and its subsidiaries operate
  - Changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets
  - Competition increase from new players on the Russian market
  - The ability to keep pace with rapid changes in science and technology environment, including the ability to use advanced features that are popular with the Company's and its subsidiaries' customers
  - The ability to maintain continuity of the process of introduction of new competitive products and services, while keeping the competitiveness
  - The ability to attract new customers on the domestic market and in foreign jurisdictions
  - The ability to increase the offer of products in foreign jurisdictions
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