

**APPROVED**  
**Bank of Russia's Notice of Registration**  
**No. 14-6-10/7266 dated 10 September 2020**

**APPROVED**  
**by NSD's Supervisory Board**  
**Minutes No. 10/2020**  
**dated 31.07.2020**

**REGULATIONS**  
**ON THE CENTRAL SECURITIES DEPOSITORY CUSTOMER**  
**COMMITTEE**

## **1. GENERAL PROVISIONS**

1.1. These Regulations on the Central Securities Depository Customer Committee prepared in accordance with the Federal Law "On the Central Securities Depository", Bank of Russia's regulations, and the Articles of Association of National Settlement Depository ("NSD" or the "CSD") describe the responsibilities of the Central Securities Depository Customer Committee (the "Committee"), the process of election of its members, and its operational procedures.

1.2. The Committee shall act in accordance with these Regulations, NSD's Articles of Association, resolutions of NSD's Supervisory Board, NSD's internal regulations, laws, and Bank of Russia's regulations.

1.3. The Committee shall be established by a resolution of NSD's Supervisory Board and shall be NSD's standing advisory body.

1.4. These Committee Regulations (the "Regulations") and any amendments hereto shall be approved by NSD's Supervisory Board.

## **2. RESPONSIBILITIES OF THE COMMITTEE**

2.1. The Committee shall be responsible for reviewing the following internal regulations of the CSD:

2.1.1. Terms and Conditions of Depository Operations of NSD;

2.1.2. Electronic Data Interchange Rules, including message formats to be used by NSD;

2.1.3. Procedure for execution of transactions and paperwork in the course of NSD's depository operations;

2.1.4. Risk Management Rules for risks associated with NSD's activities;

2.1.5. Guidelines on handling complaints and enquiries of NSD's clients;

2.1.6. Fee Schedule for CSD's depository services for securities with respect to which the CSD holds a CSD nominee account or with respect to which the CSD performs mandatory centralized recordkeeping (mandatory centralized safekeeping) of securities, as well as for depository transactions in securities, corporate actions relating to securities, and electronic data interchange between the CSD and its clients (securities holders).

2.2. NSD's internal regulations listed in clause 2.1 above may only be presented to NSD's Supervisory Board for consideration, provided that they have been reviewed by the Committee.

## **3. COMMITTEE'S MEMBERS AND THEIR ELECTION**

3.1. The Committee shall have 25 members elected by the CSD.

3.2. Committee members shall work in their personal capacity, voluntarily, and for free.

3.3. The Committee shall be elected by the CSD for one year on the basis of proposals received from NSD's clients (securities holders), exchange (organized market) operators, clearing houses involved in clearing of securities trades, and registrars

(hereinafter collectively referred to as "CSD's customers") nominating certain individuals for election to the Committee as their respective representatives ("representatives").

3.4. To receive nominations of representatives for election to the Committee, the CSD shall post information on the commencement of the Committee election process (the "Committee Election Notice") on the CSD's official web site (the "Web Site") no later than 30 business days before the expiry of the year next to the date of election of the then current Committee, or, where all of the Committee members are removed before the expiry of their term in office, no later than 5 business days after the date of their removal.

3.5. The period of time during which the CSD accepts nominations for election of representatives to the Committee shall be at least 20 business days after the date when the Committee Election Notice is posted on the Web Site. A nomination shall be submitted along with a representative's consent to be elected to the Committee and to have his/her personal data processed, as well as along with any other details required to comply with the requirements applicable to Committee composition.

3.6. The Committee shall be elected in compliance with the following requirements:

3.6.1. No more than one representative of each CSD's customer may be elected to the Committee.

3.6.2. The Committee members shall include:

- at least one representative of exchange (organized market) operators that do not fall under the category listed under the second paragraph of clause 3.6.5 below;
- at least one representative of clearing houses involved in clearing of securities trades, which do not fall under the category listed under the second paragraph of clause 3.6.5 below; and
- at least three representatives of registrars.

3.6.3. At least the three-fourths of the Committee members shall be representatives of different categories (groups) of NSD's clients (securities holders), as categorized in accordance with the Appendix hereto which sets out the Methodology of NSD's Clients (Securities Holders) Classification for the Purposes of Election of the Central Securities Depository Customer Committee (the "Methodology"), subject to the number of transactions processed by NSD in clients' accounts and the value of clients' assets held in custody at NSD.

3.6.4. The Committee members shall include representatives of each group described in the Methodology, providing that at least three-fourths of NSD's clients shall be represented.

3.6.5. The following persons shall not, in aggregate, account for more than one-fourth of the total number of Committee members:

- NSD's affiliates;
- employees of NSD's affiliates;
- employees and/or affiliates of any legal entity of which any member of NSD's Supervisory Board is an employee or affiliate;
- employees and/or affiliates of any legal entity being a member of the same group as any legal entity of which any member of NSD's Supervisory Board is an employee and/or affiliate.

3.6.6. The Committee members may not include the following individuals:

- 3.6.6.1. individuals who have been members of the Committee for two consecutive years before the Committee election date;
- 3.6.6.2. individuals who do not have a higher education and expertise and experience required by these Regulations;
- 3.6.6.3. NSD's employees;
- 3.6.6.4. individuals who have valid agreements with the CSD under which they provide services to the CSD;
- 3.6.6.5. individuals who are representatives of any CSD's customer that is a CSD's subsidiary; and
- 3.6.6.6. individuals referred to in sub-paragraphs 2 to 5 of paragraph 3 of Article 5 of Federal Law No. 414-FZ dated 7 December 2011 "On the Central Securities Depository".

3.6.7. Each time the Committee is newly elected, at least one-third of its members shall be rotated.

3.6.8. Committee members shall be required to have expertise in the field of the securities market and at least three years of experience with a financial institution.

3.7. For the purposes of reviewing nominations submitted in accordance with clause 3.5 of these Regulations and assessing whether or not representatives so nominated meet the eligibility requirements set out in these Regulations, NSD's Supervisory Board shall establish an interim commission comprising members of NSD's Supervisory Board and NSD's employees. The interim commission shall compile a list of representatives nominated, subject to the requirements applicable to Committee composition set out in clause 3.6 of these Regulations, within 7 business days after the deadline for nominating representatives for election to the Committee. In the event provided for by clause 3.9 of these Regulations, the interim commission shall notify NSD's Executive Board of the need for the CSD to nominate candidates to the Committee.

3.8. Where no or insufficient representatives are nominated by CSD's customers for election to the Committee, NSD may extend the deadline for nominating representatives.

3.9. Where Committee members who meet the requirements applicable to Committee membership set out in these Regulations cannot be newly elected out from the representatives nominated, the CSD shall, on its own, nominate candidates for election to the Committee, provided that such candidates have submitted the documents referred to in clause 3.5 of these Regulations. When nominating candidates, NSD shall be governed by the requirements applicable to Committee composition and set out in these Regulations. Candidates to be nominated by the CSD shall be nominated by a decision to be taken by NSD's Executive Board within 10 business days following the receipt of the interim commission's notice referred to in clause 3.7 of these Regulations.

3.10. For the purpose of election of the Committee, NSD's Supervisory Board may vote either for the entire list of candidates, or for each candidate individually.

Where voting for the purpose of election of the Committee is performed by voting for the entire list of candidates, the relevant resolution shall be deemed to have been passed if approved by majority vote of NSD's Supervisory Board members participating in the meeting.

Where voting for the purpose of election of the Committee is performed by voting for each candidate individually, those candidates who receive the most votes of NSD's

Supervisory Board members participating in the meeting shall be deemed to have been elected to the Committee.

3.11. The CSD shall be required to resolve on removal of a Committee member(s) and election of a replacement Committee member(s) if:

- 3.11.1. a CSD's customer recalls its representative from the Committee;
- 3.11.2. a Committee member fails to attend three or more meetings of the Committee during a year and fails to submit his/her written opinion on the Committee meeting agenda items; or
- 3.11.3. the requirements set out in clause 3.6.1 and/or clause 3.6.4 of these Regulations are not complied with.

3.12. Where a Committee member is removed under clause 3.11.1 above, the CSD's customer who nominated that Committee member may nominate a new representative for election to the Committee. A resolution to remove a Committee member shall be passed at the first meeting of NSD's Supervisory Board following the receipt of the notice from the CSD's customer recalling its representative from the Committee and nominating a new representative for election to the Committee, but in any event no later than 30 business days following the receipt of the notice of recall.

3.13. The Committee Chairperson or Deputy Chairperson shall, within 5 business days following the date when he/she has become aware of the circumstances referred to in clause 3.11.2 or 3.11.3 above, give notice to that effect to NSD. A resolution to remove the relevant Committee member shall be passed at the first meeting of NSD's Supervisory Board following the receipt of the notice referred to in this clause.

3.14. Resolutions to remove a Committee member(s) and to elect a new member(s) to the Committee shall be passed by majority vote of NSD's Supervisory Board members participating in the meeting.

A Committee member shall be deemed to have been removed as soon as NSD's Supervisory Board passes the relevant resolution.

3.15. The CSD shall be required to resolve on early removal of all Committee members and election of new Committee members if:

3.15.1. the actual number of Committee members becomes less than the three-fourths of the number of Committee members required by these Regulations;

3.15.2. the number of Committee members referred to in clause 3.6.5 of these Regulations is more than one-fourth of the total number of Committee members; or

3.15.3. the Committee composition does not meet the requirements applicable to Committee composition, which are set out in clauses 3.6.2 and/or 3.6.3 and/or 3.6.6.3 of these Regulations.

3.16. Where any of the circumstances referred to in clause 3.15 of these Regulations arises, NSD's Supervisory Board shall, on the basis of information received from the Committee Chairperson or Deputy Chairperson and within 75 business days following the date when the relevant circumstance arose, pass a resolution to remove all of the Committee members and to elect new Committee members in the manner and subject to the requirements provided for by these Regulations.

3.17. Where the circumstances referred to in clause 3.15 of these Regulations are remedied no later than 60 business days following their occurrence, the Committee members shall not be removed and new Committee members shall not be elected.

3.18. Organizational and technical support to the Committee shall be provided by the Committee Secretary appointed by the Chairperson of NSD's Executive Board from among NSD's employees, and the Committee Secretary may be removed by the Chairperson of NSD's Executive Board. Where the Committee Secretary is temporarily absent, the Chairperson of NSD's Executive Board shall designate an NSD's employee to serve as Committee Secretary on a temporary basis.

#### **4. COMMITTEE CHAIRPERSON AND DEPUTY CHAIRPERSONS**

4.1. The Committee Chairperson shall be elected from among the Committee members by majority vote of the Committee members.

4.2. A Deputy Chairperson(s) of the Committee shall be nominated by the Committee Chairperson and elected from among the Committee members by majority vote of the Committee members. The number of Deputy Chairpersons shall be determined by a Committee's decision.

4.3. A decision to remove the Committee Chairperson or a Deputy Chairperson(s) shall be taken by majority vote of the Committee members.

4.4. The Committee Chairperson shall organize the Committee's work and have the following responsibilities:

- Supervise Committee's activities;
- Approve meeting agendas, dates, times, and places;
- Approve the list of non-members to be invited to attend a Committee meeting;
- Convene Committee meetings and arrange for the discussion of agenda matters at Committee meetings;
- Preside over Committee meetings;
- Sign minutes of Committee meetings;
- Determine the rules of procedure of the Committee and ensure compliance therewith;
- Allocate responsibilities to the Committee members;
- Attend Committee meetings and have a decisive vote in the event of a tie vote;
- Represent the Committee in its interaction with NSD's Supervisory Board and executive bodies, as well as with any other bodies or persons; and
- Have any other responsibilities relating to Committee's activities in accordance with these Regulations and NSD's other internal regulations.

4.5. Where the Committee Chairperson is absent, his/her responsibilities shall be performed by the Deputy Chairperson of the Committee or, where there is more than one Deputy Chairperson, by a Deputy Chairperson designated by the Committee Chairperson. Where a Committee meeting is attended neither by the Chairperson, nor by the Deputy Chairpersons, the Committee members present at the meeting shall, by majority vote, elect one of them to preside over the meeting.

## **5. RIGHTS AND RESPONSIBILITIES OF COMMITTEE MEMBERS**

5.1. A Committee member may:

5.1.1. Propose any matter falling under the scope of the Committee's authority for putting on a meeting agenda;

5.1.2. Receive information on Committee's activities; and

5.1.3. Participate in Committee meetings, and discuss and vote on agenda items.

5.2. A Committee member shall:

5.2.1. Be involved in Committee's work personally and for free;

5.2.1. Exercise his/her rights and perform his/her responsibilities with respect to NSD reasonably and in good faith;

5.2.2. Not use any information received while performing his/her responsibilities as a Committee member to cause damage to NSD's business reputation;

5.2.3. Refrain from any action that may cause losses to NSD and/or its clients;

5.2.4. Comply with the requirements set forth by NSD's internal regulations, as well as with the requirements set forth by Russian laws and regulations and Bank of Russia's regulations;

5.2.5. Provide NSD, in a timely fashion and in full, with any information required for NSD to comply with the requirements to Committee composition;

5.2.6. Attend Committee meetings, and, where the member is not able to attend a meeting, submit a written opinion on agenda items, subject to the requirements set out in clause 8.5 of these Regulations; and

5.2.7. Have any other responsibilities provided for by these Regulations.

## **6. CONVOCAATION OF, AND MAKING ARRANGEMENTS FOR, COMMITTEE MEETINGS**

6.1. Committee meetings shall be in-person meetings convened as and when necessary. The first meeting of any newly elected Committee shall be convened by the Committee Secretary, and its agenda shall be approved at the first Committee meeting by majority vote of the Committee members attending the meeting.

6.2. A meeting agenda shall contain the following details:

- Format of the meeting (in-person meeting);
- Date, place, and time of the meeting;
- Wordings of the meeting agenda items;
- Any other necessary information required for the meeting to be held; and
- Signature of the Committee Chairperson or Deputy Chairperson.

6.3. As a rule, Committee meetings shall be held at the location of the Company's office.

6.4. A Committee meeting shall be convened either by the Committee Chairperson or, where he/she is absent, by a Deputy Chairperson, in each case either on his/her own initiative or at the request of a member of NSD's Executive Board, or a member of NSD's Supervisory Board, or a Committee member, or an individual referred to in

clause 7.4 of these Regulations. Any matters which fall under the scope of the Committee's authority and which are proposed by the Bank of Russia or by the Federal Antimonopoly Service shall be required to be put on the agenda of a Committee meeting.

Along with proposals regarding agenda matters, all necessary materials required to address the relevant agenda matters can be sent. Any such proposals and materials shall be sent to the Committee Secretary by mail, courier service, or e-mail at least 7 business days prior to the meeting date.

6.5. The Committee Chairperson or Deputy Chairperson may reject convocation of a Committee meeting where the matter proposed to be discussed at the meeting falls outside the scope of the Committee's authority provided for by these Regulations.

6.6. When making arrangements for a Committee meeting, the Committee Secretary shall collect and arrange materials for the Committee meeting and ensure that those are sent to the Committee members in a timely fashion.

On the basis of the proposals received, the Committee Secretary shall draft an agenda of the Committee meeting and submit it to the Committee Chairperson or Deputy Chairperson for approval.

6.7. The Committee Secretary shall send the following by e-mail to the Committee members and individuals referred to in clause 7.4 of these Regulations:

- a notice of the date of the forthcoming Committee meeting, to be sent at least 10 business days prior to the meeting date; and

- a copy of the meeting agenda approved by the Committee Chairperson or Deputy Chairperson and the materials required to address the meeting agenda items, to be sent at least 3 business days prior to the meeting date.

6.8. Where any matters are to be addressed by the Committee on an urgent basis, a notice and necessary materials referred to in clause 6.7 of these Regulations may be sent within a shorter period, if so decided by the Committee Chairperson or Deputy Chairperson.

6.9. Where any circumstances occur which make it impossible to hold, or hinder the holding of, a Committee meeting of which the Committee members have been notified, the Committee Chairperson or Deputy Chairperson may adjourn the meeting to another date and/or time.

6.10. In the event of changes in the date and/or time of a Committee meeting, a notice to that effect shall be given to all Committee members at least one business day before the meeting date.

## **7. COMMITTEE MEETINGS**

7.1. The member presiding over a Committee meeting shall arrange for the holding of the Committee meeting in accordance with the meeting agenda approved.

7.2. At a Committee meeting, it shall only allowed to discuss any matter that has not been put on the meeting agenda if all of the attending Committee members so agree.

7.3. Committee meetings may be held using communication technologies (such as conference calls, video conferencing, etc.). Participation of Committee members in a



meeting using communication technologies shall be equivalent to their physical attendance at the meeting.

7.4. A Committee meeting may be attended by representatives of the Bank of Russia and the Federal Antimonopoly Service who shall not have the right to vote.

7.5. The following individuals may be invited to attend a Committee meeting: Executive Board members, Deputy Chairpersons of the Executive Board, heads of NSD's business units, individuals who have prepared any materials or documents on the matters to be discussed at the meeting, NSD's employees, and other individuals.

7.6. As soon as the consideration of each agenda item is completed, the member presiding over the Committee meeting shall announce the voting results and the decision taken on the agenda item.

7.7. The quorum at a Committee meeting shall be at least three-fourths of the elected Committee members. Where the quorum is not present at a Committee meeting, the member presiding over the meeting shall declare the meeting to have failed and decide to adjourn the meeting to be held with the same agenda or to put the agenda matters that should have been discussed at the failed meeting on the agenda of the next scheduled Committee meeting.

## **8. DECISION-MAKING PROCESS**

8.1. A decision to approve the fee schedule referred to in clause 2.1.6 of these Regulations shall be taken by a three-fourth majority vote of the Committee members participating in the meeting.

8.2. A decision to approve any of the documents referred to in clauses 2.1.1 to 2.1.5 of these Regulations shall be taken by majority vote of the Committee members.

8.3. For the purpose of taking any decision at a Committee meeting, each Committee member shall have one vote. A Committee member may not delegate his/her vote to any other person, including to any other Committee member. In the case of a tie vote, the Committee member presiding over the meeting shall have the decisive vote.

8.4. A Committee member not present at a Committee meeting shall be required to submit his/her written opinion on the Committee meeting agenda items.

8.5. For the purposes of establishing whether the quorum is present at a Committee meeting and determining the voting results for any agenda item, a written opinion submitted by a Committee member not present at the meeting shall be taken into account, provided that the following conditions are met:

- the written opinion on the agenda item must be submitted before the start of the meeting, either in the original form, or by fax, or by e-mail;
- the Committee member must unambiguously make clear his/her position on the agenda item by stating, in his/her written opinion, one of the voting options for the draft resolution ("in favour", "against", or "abstention"); and
- the written opinion must be signed by the Committee member and contain the Committee member's last name and initials.

A written opinion containing any corrections or reservations with respect to a proposed draft decision shall be disregarded when establishing whether the quorum is present and determining the voting results. Provided that, during the Committee

meeting, any changes have been made to a draft decision put to the vote, the written opinion on that draft decision shall be disregarded.

When establishing whether the quorum is present at a Committee meeting and determining the voting results, written opinions shall be taken into account separately for each agenda item, and this shall be reflected in the minutes of the meeting.

## **9. MINUTES OF A COMMITTEE MEETING**

9.1. The minutes of a Committee meeting shall be prepared by the Committee Secretary within three (3) business days of the meeting date and signed by the member who presided over the Committee meeting.

9.2. The minutes of a Committee meeting shall contain the following details:

- format, place, and time of the meeting;
- a list of individuals who attended the meeting;
- meeting agenda;
- decisions put to the vote, draft decisions, and voting results;
- decisions taken;
- information on whether there are written opinions available submitted by Committee members not present at the meeting; and
- comments and/or recommendations made by invitees to the Committee meeting, provided that those invitees have requested that their comments and/or recommendations be reflected in the minutes.

9.3. Original minutes of Committee meetings shall be held in custody by the Committee Secretary and/or in NSD's archives. Minutes of Committee meetings shall be consecutively numbered in a chronological order.

9.4. A copy of Committee meeting minutes shall be posted on NSD's web site. Excerpts from Committee meeting minutes shall be signed by the Committee Secretary and, if so instructed by the Committee Chairperson, Deputy Chairperson, or the Chairperson of NSD's Executive Board, may be provided by the Committee Secretary to Committee members and NSD's interested business units upon their written request, as well as to any other interested persons, if so directed by the Chairperson of NSD's Executive Board, within 7 business days following the date of receipt of any such request or, as the case may be, direction from the Chairperson of NSD's Executive Board.

## **10. LIABILITY OF COMMITTEE MEMBERS**

10.1. Committee members shall be held liable, in accordance with the laws of the Russian Federation, for failure to perform or improper performance of their responsibilities, including for untimely or improper provision of any information required for NSD to comply with the requirements applicable to Committee composition, as a result of which NSD has been held liable for failure to comply with the applicable laws and regulations and/or sustained losses.

**METHODOLOGY OF NSD'S CLIENTS (SECURITIES HOLDERS)  
CLASSIFICATION FOR THE PURPOSES OF ELECTION  
OF THE CENTRAL SECURITIES DEPOSITORY CUSTOMER COMMITTEE**

This Methodology describes the process to be followed by NSD to ensure that different groups of clients (securities holders) are represented in the Central Securities Depository Customer Committee (the "Committee"), subject to the number of transactions processed by NSD in clients' accounts and the value of clients' assets held in their accounts with NSD ("securities balances").

1. NSD's clients<sup>1</sup> shall be classified into groups in accordance with this Methodology.
2. For the purpose of classifying a client into a particular group, weighted average securities balances (in RUB) and the number of book-entry transactions<sup>2</sup> in each month of the relevant year<sup>3</sup> shall be taken into account, excluding non-Russian securities; provided that, for the classification purposes, Russian securities shall include Eurobonds issued by the Russian Ministry of Finance, the principal place of safekeeping for which is NSD, i.e. Eurobonds with ISINs starting with RU.
3. For each client, monthly weighted average securities balances (in RUB) and a monthly average number of book-entry transactions shall be calculated.  
For both metrics, outliers shall be marked using the classical approach to outlier detection, the z-scores method, with a z-score to be calculated for each client in the sample, using the following formula:
  - $Z_i = \frac{Y_i - \bar{Y}}{s}$ , where  $Z_i$  is a z-score for sample unit  $i$ ;
  - $Y_i$  – the value of securities balances / number of transactions for client  $i$  in the sample;
  - $\bar{Y}$  - the mean value for the sample of securities balances or transactions, respectively;
  - $s$  – the standard deviation for the sample of securities balances or transactions.

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<sup>1</sup> For the purposes of this Methodology, NSD's clients who do not have a license (whose license has been revoked or cancelled) shall be disregarded, provided that the availability of a license is a pre-condition of entering into a securities account agreement.

<sup>2</sup> For the purposes of this Methodology, securities balances in securities accounts opened for clearing houses involved in clearing of securities trades, which are referred to in clause 3.6.2 of these Regulations, and book-entry transactions in those securities accounts shall be disregarded.

<sup>3</sup> The relevant year shall mean the period of 12 calendar months preceding the date when information on the commencement of the new Committee election process is posted on NSD's official web site.

The clients in the sample who have a z-score above 2.5 shall be treated as potential outliers and classified into the group of "Largest clients".

4. Disregarding the group of "Largest clients", transactions and securities balances for each client shall be taken into account. Transactions (separately) and securities balances (separately) shall be ranked in descending order and divided into 4 quartiles using the medians. As a result, for both transactions and securities balances there shall be 4 rankings: High (securities balances/number of transactions), Medium, Low, and Minimum.
5. Then, the rankings shall be subjected to a cross-section analysis, a matrix of clients shall be built (16 client segments, excluding the group of "Largest clients"), and, for each segment, the median securities balance, the median number of transactions, and the number of clients in the group shall be determined.
6. Based on the determinations made, the client segments shall be clustered into groups according to the proximity of the figures calculated.
7. The resulting non-overlapping groups shall include:
  - Group 1. Largest clients: systemically important credit institutions whose details are disclosed on the Bank of Russia's web site, and outliers - largest clients separately in terms of transactions and separately in terms of securities balances, with a z-score above 2.5.<sup>4</sup>
  - Group 2. Clients with a large securities balance and a large number of transactions.
  - Group 3. Clients with a medium securities balance and a medium number of transactions.
  - Group 4. Clients with a medium securities balance and a small number of transactions.
  - Group 5. Clients with a small securities balance and a small number of transactions.
8. When classifying clients into groups, the following clients shall be disregarded:
  - Clients with a large securities balance and a minimum number of transactions;
  - Clients with a medium securities balance and a minimum number of transactions;
  - and
  - Clients with a minimum securities balance and a minimum number of transactions.
9. Where the Committee has 25 members, the groups shall have the following number of their representatives in the Committee:

	Number of representatives
Group 1	13
Group 2	3
Group 3	3
Group 4	1
Group 5	1

<sup>4</sup> Outliers shall be distinguished after exclusion of systemically important credit institutions, by taking account of those clients who have securities balances, but have no transactions, and vice versa.

10. Where it is impossible to ensure that a particular group has the required number of representatives in the Committee due to any reason beyond NSD's control (including if clients forming that group have failed to nominate their representatives; and/or if representatives nominated have failed to give their consent to their election to the Committee; and/or if election of any representative to the Committee will result in NSD's failure to comply with the requirements applicable to Committee composition), the following rules shall apply to choose representatives for election to the Committee:
- first, candidates from the next-in-order group (the "next group") comprising clients with lesser securities balances and transaction numbers, as compared to the group the number of whose representatives is below the required number, shall be considered;
  - if it is impossible to have the missing number of representatives from the next group, candidates from any group may be considered; and
  - if no candidate is nominated by Group 5, NSD may, at its own discretion, nominate a candidate from among the clients referred to in paragraph 8 of this Methodology.