



NATIONAL  
SETTLEMENT  
DEPOSITORY  
MOSCOW EXCHANGE GROUP

# MARKET PROFILE RUSSIA

2021



INFRASTRUCTURE OF THE RUSSIAN  
FINANCIAL ECOSYSTEM

## NATIONAL SETTLEMENT DEPOSITORY, NSD

Legal name:	National Settlement Depository
Ownership structure:	99.997% – Moscow Exchange 0.003% – Others
Web-sites:	<a href="http://www.nsd.ru">www.nsd.ru</a> , <a href="http://www.aecsd.org">www.aecsd.org</a> , <a href="http://www.isin.ru">www.isin.ru</a> , <a href="http://www.lei-code.ru">www.lei-code.ru</a> , <a href="http://www.nsddata.ru">www.nsddata.ru</a> , <a href="http://www.e-vote.ru">www.e-vote.ru</a>
Address:	12, Spartakovskaya St., Moscow, 105066, Russia

## CONTACTS

### CLIENT RELATIONS & SUPPORT / NETWORK MANAGEMENT

Client on-boarding and relationship management (current issues, products and services, etc.):

- Elmira Kudriaeva, T +7 495 232-05-14, ext. 4070, E [kudriaeva.ER@nsd.ru](mailto:kudriaeva.ER@nsd.ru)

Client Services: (settlement, corporate actions, cash transfers, income payments, etc.)

- Nikita Zverev, T +7 495 234-48-27, ext. 5894, E [zverev.no@nsd.ru](mailto:zverev.no@nsd.ru)

Network Management (international relations, banking and securities correspondent accounts management):

- Arman Melkumyan, T +7 495 234-48-27, ext. 4417, E [melkumyan@nsd.ru](mailto:melkumyan@nsd.ru); [networking@nsd.ru](mailto:networking@nsd.ru)

## MEMBERSHIP IN INTERNATIONAL ASSOCIATIONS

- World Forum of CSDs, WFC
- Association of Eurasian Central Securities Depositories, AECSD
- European Central Securities Depositories Association, ECSDA
- International Securities Services Association, ISSA
- Association of National Numbering Agencies, ANNA

## KEY FACTS ABOUT RUSSIA

All financial assets are available to foreign investors<sup>1</sup>

International reserves<sup>2</sup> >USD 580.5 BLN  
Foreign debt to GDP 32%

**DOING BUSINESS IN 2020**  
28<sup>th</sup> place (31st in 2019)

**HIGH-YIELDING AND UNDERPRICED ASSETS**  
MSCI Russia P/E 16.8x vs MSCI World P/E 30.4x.  
One of the highest dividend yield: 7.1%

**SECURE AND RELIABLE FINANCIAL INFRASTRUCTURE**  
Systemically important infrastructure recognized by the Bank of Russia

**RUSSIAN ECONOMY**  
The sixth largest in the world

**USD 186.2 BLN (22.7%)**  
OFZ market volume and share in portfolios of non-residents<sup>3</sup>

**INVESTMENT GRADE SOVEREIGN CREDIT RATING (BBB-) S&P.**  
**(BBB) FITCH. (BAA3) MOODY'S**

No capital restrictions.  
RUB is fully convertible

**DIVERSIFIED ECONOMIC STRUCTURE**

Stable economic situation

1 Minor restrictions on foreign investments in banks, insurance and strategic enterprises.

2. Foreign reserves as of 09.04.2021.

3. As of 31.03.2021.

4. OFZ market volume and OFZ share in portfolios of non-residents as of 01.03.2020.

## G30 COMPLIANCE

Trade comparison by T+1 for direct market participants	yes
Trade comparison for indirect participants	yes
Central securities depository	yes
Trade netting system	yes
Delivery vs. payment	yes
Same day funds	yes
Securities lending and borrowing	no
ISIN	yes

## ACCESSING RUSSIAN MARKET IS EASY

- No restrictions on investments in Russian local securities
- No approval is required to start investing
- RUB is fully convertible since 2006
- RUB can be acquired on MOEX for USD, EUR, HKD, CNY and other currencies
- Opening an account with ICSD, global or local custodian
- Access through a Russian broker to MOEX may allow to trade all asset classes

# REGULATORY BODIES AND LEGAL FRAMEWORK OF THE RUSSIAN SECURITIES MARKET

## REGULATORY BODIES

Russia's securities market is regulated by governmental authorities of the Russian Federation and self-regulatory organizations.

- Central Bank of the Russian Federation (Bank of Russia);
- Ministry of Finance of the Russian Federation (The Russian Finance Ministry);
- Federal Antimonopoly Service of the Russian Federation (FAS);
- Self-regulatory organizations.

## KEY MARKET REGULATIONS

REGULATION	MAIN FOCUS
Civil code of the Russian Federation	Regulatory framework for civil-law relations Definition of 'securities'
Federal law "On the Securities Market"	Securities, trades, stock exchanges, custodians, registrars
Federal law "On Banks and Banking Activities"	Banks and banking
Federal law "On Protection of the Rights and Legitimate Interests of Investors in the Securities Market"	Protection of end investors' rights and interests
Federal law "On the Central Securities Depository"	Central securities depository's operations
Federal law "On Joint-Stock Companies"	Joint-stock companies
Federal Law "On Anti-Money Laundering and Combating the Financing of Terrorism"	Anti-money laundering policy
Bank of Russia's Directive "On Recognition of Individuals as Qualified Investors"	Qualified investors
Federal Law "On Making Financial Transactions through a Financial Platform"	Registrar of Financial Transactions
Federal Law "On Bank Deposit Insurance in the Russian Federation"	Registrar of Financial Transactions

## SELF-REGULATORY ORGANIZATIONS

Self-regulatory organizations (SRO) are non-governmental organizations, founded by professional participants of the Russian securities market. They establish rules and standards that are mandatory for their members in order to protect their interests.

There are currently three major self-regulatory organizations: NFA, NAUFOR and PARTAD.

## MARKET PARTICIPANTS

All market participants act on the basis of licenses issued by the Central Bank of the Russian Federation. There are specific requirements (including capital requirements) for every license type and there are certain limitations for combinations of licenses held by professional participant.

The following organizations and individuals are participants of the Russian securities market:

- **REGULATOR** – Central Bank of the Russian Federation;
- **CENTRAL SECURITIES DEPOSITORY (CSD)** – the legal entity servicing on-exchange and OTC transactions in all types of debt and equity securities of Russian issuers and providing settlement services to professional market participants of the Russian securities market;
- **REGISTRARS** – legal entities maintaining registers of share owners and providing basic settlement services;
- **CUSTODIANS** – legal entities providing safekeeping, title transfer and settlement services;
- **BROKERS and DEALERS** – legal entities trading securities and derivatives on behalf of their clients and on their own behalf;
- **EXCHANGES** – legal entities providing trading facilities;
- **CLEARING ORGANIZATIONS** – legal entities providing clearing and netting facilities for market participants;
- **ASSET MANAGERS** – legal entities providing asset managing services for client's portfolios of securities, including trust management services;
- **SPECIALIZED DEPOSITORIES (Fund Administrators)** – legal entities that control the socially important markets of collective investments;
- **TRADE REPOSITORIES** – legal entities registering and safekeeping data on OTC repo and derivative trades;
- **REGISTRAR OF FINANCIAL TRANSACTIONS** – a trade repository having the Central Securities Depository status or being a legal entity wholly owned by the Central Securities Depository and engaged in trade repository operations with respect to financial transactions;
- **INVESTORS**.

## FINANCIAL INSTRUMENTS

General form of securities serviced by NSD: Dematerialized (book-entry) – 99.9%.

The list of securities traded in the Russian market includes all main securities types: Equities, Fixed income instruments; Other securities (Instruments of mutual funds market, ETFs, Mortgage-backed securities, promissory notes, etc.).

Derivatives are considered to be contracts according to the Russian legislation and are not recognized as securities.

General Collateral Certificate (GCC) is a security type issued by National Clearing Center in exchange for client's collateral posted to special accounts (so-called "asset pools").

### IDENTIFICATION OF SECURITIES

The following securities identifiers are used on the Russian market:

- State registration number allocated by the Bank of Russia and the Ministry of Finance during the security issue process
- The unique code of the issue (identification number) of exchange-traded bonds is assigned by Moscow Exchange
- The unique code of the issue (Identification number of issue) of commercial bonds is assigned by the CSD
- All numbers/codes reflect the type of security and the unique code of the issue. The structure of the code may vary according to the instrument type
- ISIN and FISN codes
- CFI codes

Other identification codes may exist in the market, including stock exchange identifiers and other internal codes allocated by local custodians.

# TRADING

## TRADED INSTRUMENTS

<b>EQUITIES</b> <ul style="list-style-type: none"> <li>ordinary shares</li> <li>preferred shares</li> </ul>	<b>MONEY MARKET INSTRUMENTS</b> <ul style="list-style-type: none"> <li>certificate of deposits</li> <li>REPO transactions</li> </ul>
<b>DEBT SECURITIES</b> <ul style="list-style-type: none"> <li>government bonds</li> <li>regional bonds</li> <li>municipal bonds</li> <li>corporate bonds, incl. commercial papers</li> <li>Eurobonds</li> </ul>	<b>DERIVATIVES</b> <ul style="list-style-type: none"> <li>options</li> <li>futures</li> </ul>
<b>OTHER INSTRUMENTS</b> <ul style="list-style-type: none"> <li>exchange traded funds</li> <li>UIT units</li> <li>depository receipts</li> <li>commodities</li> <li>mortgage participation certificates</li> <li>general collateral certificates</li> </ul>	

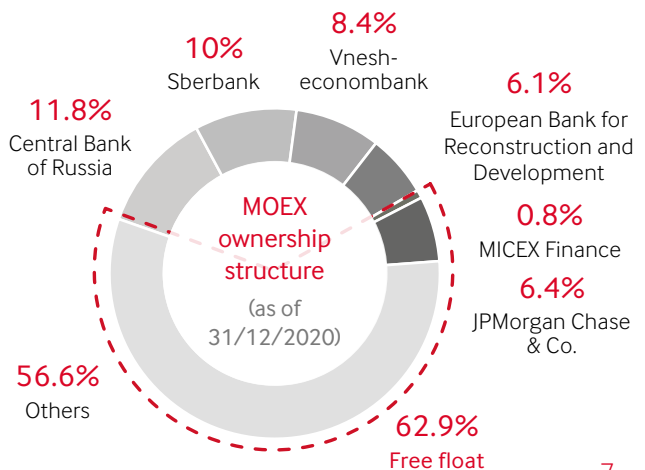
## STOCK EXCHANGES

The main stock exchange in the Russian financial market is Moscow Exchange (MOEX) which processes vast majority of on-exchange transactions. The MOEX Group now comprises a number of companies providing a wide range of exchange, settlement and clearing services:

Moscow Exchange; National Settlement Depository; National Clearing Centre; and National Mercantile Exchange.

The MOEX Group's share of the total value of local on-exchange securities and derivatives trading is about 99.9%.

The following markets are operated by Moscow Exchange: Securities (Equity & Bond) Market; Derivatives Market; FX Market; Money Market (incl. REPO); and Precious Metals Market.



## CLEARING

Legal name:	Central Counterparty National Clearing Centre
Ownership structure:	100% – Moscow Exchange
Clearing members:	Russian banking organisations, licensed brokers, dealers, trustees; Following types of membership are available: clearing member, clearing bank.

## SCOPE OF SERVICES

CCP NCC is a subsidiary of the Moscow Exchange Group, performing functions of a clearing organization and the central counterparty in the financial market. Since December 2017, CCP NCC has been rendering clearing services in the MOEX FX market, and since November 2011 – in the Group's securities market. In 2014, the Bank of Russia recognized CCP NCC as a systemically important central counterparty.

As of 1 November 2015, MOEX implemented a new structure of the central counterparty's (CCP) protection level applicable to all markets of the stock exchange. Limit of liability of CCP in the stock-exchange market and currency market is the same as in the derivatives market. Also MOEX started contributing to the Guarantee Fund equally to the other market participants.

## RISK MODEL

The risk management system consists of the following measures:

- The system limits trading order parameters – when exceeded these are automatically declined
- The value of initial margin depends on the trade regime and settlement code
- A fund created from clearing fees (at least RUB 100 million)
- Settlement principle – strict DVP
- Defined settlement procedure in the event of insolvency
- Disclosure and fines for participants not complying with the terms and conditions of a trade
- Monitoring of participants' actions, trades and risks arising with price fluctuations



## SETTLEMENT

### LAW “ON THE CENTRAL SECURITIES DEPOSITORY”

Extended discussions regarding the establishment of the CSD in the Russian market led to the adoption of Federal Law of the Russian Federation No. 414-FZ “On the Central Securities Depository” dated 7 December 2011.

CSD status could be assigned to one legal entity only.

NSD is legally recognized as CSD of the Russian Federation.

KEY CONCERNS	BENEFITS
Legislation-based CSD mandate	<ul style="list-style-type: none"> <li>Regulatory control and supervision over the CSD</li> </ul>
Centralized system for handling of securities	<ul style="list-style-type: none"> <li>Mandatory electronic data interchange between the CSD and all its counterparties</li> <li>Mandatory settlement at the CSD: exclusive right to open CSD nominee accounts with registrars</li> </ul>
17f-7 eligibility	<ul style="list-style-type: none"> <li>Eligible securities depository – “Green light” for US funds</li> </ul>
Foreign Nominee (FN): valid status	<ul style="list-style-type: none"> <li>Valid status of information about the owner of securities or intermediary</li> </ul>
Finality	<ul style="list-style-type: none"> <li>CSD records prevail over registrar records</li> <li>Mandatory reconciliation between the CSD and registrars on a daily basis</li> </ul>
Risk limiting safeguards	<ul style="list-style-type: none"> <li>Mandatory high risk management and business continuity standards</li> <li>Secondary site and backup data center existence</li> <li>Observance of ISAE 3402 (type II) and CPMI-IOSCO Principles for Financial Market Infrastructures</li> <li>Complex insurance of banking operations (BBB+ECC+PL)</li> <li>Insurance coverage: USD 65 million</li> </ul>
Information security	<ul style="list-style-type: none"> <li>Participation in SWIFT’s Customer Security Programme</li> <li>Developed approach to organize control procedures, applicable and adapted to new technologies</li> </ul>
FATCA, AML & KYC	<ul style="list-style-type: none"> <li>Guidance under international standards, compliance with all key requirements</li> </ul>

# ACCOUNT MANAGEMENT

## ACCOUNT STRUCTURE

NSD provides services to professional securities market participants only. NSD's clients include resident and non-resident legal entities, major Russian banks, brokers and financial companies, foreign nominee holders.

Custody accounts may be opened either for the owners of Russian securities or the nominee holders. In accordance with the amendments to Article 25 of Federal Law No. 414-FZ "On the Central Securities Depository" which took effect in August 2018, foreign nominee accounts can be opened in the name of global custodians and other foreign depositories that are entitled to act in the name and on behalf of its underlying clients and have the right to record and transfer the rights to their clients' securities in accordance with the laws of the country of incorporation.

Prior to the above said amendments NSD could open foreign nominee securities accounts only for foreign CSDs and ICSDs referenced in the list approved by the Bank of Russia.

Segregation of accounts: customers' (nominee), proprietary assets and portfolios under management are to be segregated on different types of accounts with custodians and/or registrars books.

Clients may open the following types of securities accounts:

- Owner securities account
- Nominee securities account
- Trustee securities account
- Foreign nominee securities account
- Trading securities account
- Clearing securities account
- Issuer securities account

## DVP / FOP

### DVP BIS SETTLEMENT MODEL

MODEL 1 (On-exchange, OTC)	MODEL 2 (On-exchange, OTC)	MODEL 3 (On-exchange)
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### SETTLEMENT CYCLE

	EQUITIES	FIXED INCOME
Settlement date	On-exchange: T+2 OTC: T+3	On-exchange: T+1 (Government bonds) T+2 (other bonds) OTC: T+3
Free of payment (FOP)	Yes, for OTC trades	

## RESTRICTIONS ON FOREIGN INVESTMENTS

### MARKET ENTRY RESTRICTIONS FOR FOREIGNERS

- None. Foreigners can open cash accounts with Russian banks, custody accounts with local custodians or securities accounts with registrars
- Foreign nominee concept has been allowed since 2013

### FOREIGN INVESTMENT RESTRICTIONS

- Foreign investors are permitted to invest in Russia under the same terms and conditions as local residents (Federal Law No. 160-FZ dated 9 July 1999 "On Foreign Investments in the Russian Federation")
- Foreign investor should notify local authorities if its holding will exceed a particular percentage threshold (5, 10, 15, 20, 25, 30, 50, 75 or 95% of voting rights)
- Certain restrictions are imposed by the Federal Law No. 57-FZ dated 29 April 2008 "On Foreign Investments in Companies of Strategic Importance for State Security and Defense"<sup>1</sup>
- Certain restrictions may also be imposed by companies in their by-laws. Russian authorities tend to monitor foreign ownership levels and may occasionally request an owner, a registrar or a custodian to disclose details of ownership
- Restrictions associated with investment in companies within the financial sector. For example:
  - Investors are obliged to get prior approval from the Bank of Russia when purchasing 20% of a bank's or non-banking credit institution's stake and must notify the Bank of Russia when purchasing over 1% of outstanding capital in a credit institution
  - Insurance companies which are subsidiaries of foreign investors or where more than 49% of the outstanding capital belongs to foreign investors are not allowed to engage in certain types of insurance activity
- There are no general restrictions on foreign ownership on Russian corporate and state bonds, however such restrictions may be stipulated in the terms and conditions of each particular bond issue

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<sup>1</sup> For the purpose of ensuring the country's defense and state security, Federal Law No. 57-FZ dated 29 April 2008 "On Foreign Investments in Companies of Strategic Importance for State Security and Defense" determines deals and steps required for receiving approval for the acquisition of a controlling stake by foreign investors in a strategic company in the specific situations provided by the above said Law. Deals which have been executed in contradiction with the Federal Law No. 57-FZ are considered null and void. Decisions by the executive bodies of a strategic company, which were taken after a foreign investor had illegally taken control over a strategic company, may be cancelled following the decision of the courts. The courts are also in a position to remove the right to vote from a foreign investor at a general shareholders meeting in the event of multiple violations of the Federal Law No. 57-FZ.

## CORPORATE ACTIONS

### TYPES OF CORPORATE ACTIONS

Russia is a record date driven market. There is no ex-date concept and the owner of securities, entitled for a corporate action, is determined based on the settled position at the close of business (COB) on the record date. Market claims are settled on the basis of bilateral agreements.

The following corporate actions are the most common in the Russian market:

#### MANDATORY

- Bonus Issue (BONU)
- Cash dividend (DVCA)
- Conversion (CONV)
- Decrease in Value (DECR)
- Exchange (EXOF)
- Full Call/Early Redemption (MCAL)
- Increase in Value (INCR)
- Interest Payment (INTR)
- Liquidation Dividend (LIQU)
- Final Maturity (REDM)
- Merger (MRGR)
- Pari-passu (PARI)
- Partial Redemption (PRED)
- Reverse Stock Split (SPLR)
- Spin-off (SOFF)
- Stock Split (SPLF)
- Stock dividend (DVSE)
- Worthless (WRTH)
- Disclosure (DSCL)

#### VOLUNTARY

- Bond Holder Meeting (BMET)
- General Meeting / Extraordinary Meeting (MEET, XMET)
- Priority Issue (PRIO)
- Put Redemption (BPUT)
- Repurchase Offer (BIDS)
- Tender / Purchase Offer (TEND)

## RESULTS OF CORPORATE ACTIONS REFORM

NSD is recognized by law as a Centre of Corporate Information. In accordance with Bank of Russia's Regulations No. 546-P dated 1 June 2016 "On the List of Information Concerning the Exercise of Rights Attached to Securities and to Be Disclosed by Issuers to the Central Securities Depository, Method and Timing of Disclosure, and Requirements to the Central Securities Depository's Granting of Access to Such Information" («Regulations No. 546-P»), the issuer is obliged to provide the Central Securities Depository with information related to exercising rights attached to securities. For more details, please see Regulations No. 546-P.

The Reform also led to the creation of an authorized Corporate Information Centre on the basis of NSD. This obliged securities issuers to inform NSD on all forthcoming material events and corporate actions electronically using ISO 20022 message format, thus avoiding paper flow in accordance with international standards.

To facilitate timely communication of accurate corporate actions data, NSD now serves as a golden source of information for each corporate event, thereby minimizing the need for sub-custodians or other intermediaries to collect corporate information from multiple sources and to identify any discrepancies in information that may be found across these sources.

As a securities depository, NSD acts as withholding agent when paying out income on securities to foreign organizations or foreign nominees, as well as when paying out income to Russian organizations on shares or bonds held in owner securities accounts.

Foreign nominees are required to submit to NSD a summary tax disclosure statement electronically, without the need to submit any documents certifying the right of actual income recipients (beneficial owners/beneficiaries) to have tax exemptions or benefits.

Russian and foreign organizations which are beneficial owners of income and have the right to tax exemptions and reliefs on securities kept in owner securities accounts could provide the withholding agent (NSD) the appropriate documents providing the mentioned right.

Standard tax rates may be reduced under double taxation treaties, which are currently in place with 80 countries.

## NSD – INFRASTRUCTURE OF THE RUSSIAN FINANCIAL ECOSYSTEM

**SYSTEMICALLY IMPORTANT** infrastructure recognized by the Bank of Russia (Secure and reliable provider of infrastructure services)

- CSD
- Settlement depository
- NSD Payment System
- Trade Repository
- Registrar of Financial Transactions

**LARGEST SETTLEMENT DEPOSITORY** in Russia, the CIS and Eastern Europe

- Provides both cash payment and custody services to clients
- Clearing Centre for OTC DVP trading
- De-facto central securities depository for government (100%) and corporate (99.9%) bonds
- Official source of corporate information of public companies
- The only source of fair values for RUB-denominated bonds that is officially recognized by the Bank of Russia

### LOBBYING AND ADVOCACY VOICE

- Participant of the major working groups organized by Russian regulators
- Promotion of market developments and shaping through various customer committees and the International Consulting Committee

### REGISTRATION, MAINTENANCE AND VALIDATION OF IDENTIFICATION CODES

- National Numbering Agency (NNA) for ISIN and CFI codes
- Substitute Numbering Agency for the CIS countries
- Local Operating Unit (LOU) for assigning Legal Entity Identification (LEI) codes

### NETWORK

Currently, NSD has accounts with international central securities depositories (Euroclear and Clearstream) and central securities depositories of 6 countries, as well as correspondent accounts with a number of the largest foreign and Russian banks. NSD performs safekeeping of securities of issuers from about 40 countries.

## PAYMENT SERVICES

### PAYMENT SYSTEM

Cash transfers for on-exchange or OTC trades, as well as in connection with Bank of Russia's refinancing of credit institutions and Bank of Russia's open market operations.

The NSD Payment System was registered on 26 December 2012. The NSD Payment System was recognized as nationally and systemically important payment system by the Bank of Russia.

As NSD Payment System operator, NSD provides all types of payment infrastructure services, namely services of the Payment System operating center, payment clearing center, and settlement center. The NSD Payment System is highly reliable, as its operator monitors and analyses risks in real time and maintains the guaranteed continuity of its operation and level of service.

### BANK ACCOUNT SERVICES FOR CORPORATE CLIENTS

NSD executes settlement transactions in the securities market and provides related services that help financial market participants enjoy a number of additional settlement-related benefits.

## TRI-PARTY SERVICES

### COLLATERAL MANAGEMENT

NSD provides sophisticated and reliable collateral management services which meet demands of various kinds of financial market participants such as governmental institutions, banks, brokers. Our technological solution is integrated with trading terminals of Moscow Exchange, Bloomberg, Saint-Petersburg Currency Exchange and appreciates advantages of synergy with depository, clearing, settlement and trade repository services supported by NSD.

NSD offers flexible collateral management tool for OTC interdealer repo transactions which supports wide range of possible setups including trades with securities basket, open date repo, floating rates.

### SECURITIES LENDING

Not legally recognized on the market. The development of the securities lending is being actively discussed by the participants, but no drafted provisions are available. "Repos" are the transactions which are most closely associated with the securities lending, however the nature and the legal basis of those transactions are completely different, and they constitute two related purchase and sale transactions, rather than a true securities lending arrangement.

### SHORT SELLING

Currently not available in the market. There are no regulatory provisions available.

## TRADE REPOSITORY SERVICES

NSD was the first company to introduce, in 2013, trade repository services in the Russian market. In September 2014, NSD's Trade Repository was recognised by the Bank of Russia as the only systemically important trade repository in the Russian market.

As of May 2021, NSD's Trade Repository provides services to approximately 1,000 clients, including banks, brokers, dealers, asset management companies, and insurers, as well as non-professional financial market participants and foreign companies.

Today, NSD's Trade Repository:

1. offers a high-tech solution that enables market participants to record their OTC trades and repos on a 24/7 basis;
2. offers a variety of communication channels, depending on the clients' needs (Web-client, Web-service, File Gateway);
3. is available to different participant categories: Clients / Observers (if the participant is not required to report data to the Trade Repository) / Reporting Agents;
4. offers clients an opportunity to choose a convenient data reporting format (either trade-by-trade or bulk reporting) and an option to 'automatically' close their trades;
5. provides a LEI assignment and verification service;
6. assigns UTIs (unique transaction identifiers);
7. offers an opportunity to receive statements in a convenient format;
8. offers the Reporting Agent service to enable clients to report information to the Russian and European trade repositories through NSD acting as intermediary (Reporting Agent); and
9. provides analytical data on OTC repo trades and derivative trades in a format convenient to clients (including through Moscow Exchange's channels).

NSD's Trade Repository develops value-added services to make the reporting process simpler and more convenient for clients. To control the quality of data reported to the Trade Repository and notify clients of any discrepancies or inaccuracies in their reports, NSD offers the format and logical control service.

Since Q3 2019, the Trade Repository offers its clients the 'Reporting Agent' service that enables corporations and professional market participants to report trades to be reported in accordance with the laws to NSD in any format for subsequent recording of such data in the Trade Repository by NSD acting as Reporting Agent.

In Q4 2019, Trade Repository's clients were offered an opportunity to control their trades the reporting of which has been delegated by them to Reporting Agents, by way of transaction statements automatically issued at the close of business for transactions made by their Reporting Agents.



## REGISTRAR OF FINANCIAL TRANSACTIONS

In Q3 2020, NSD's Trade Repository started providing services as **Registrar of Financial Transactions ("RoFT")** that maintains a register of legally relevant information regarding transactions made through financial platforms.

The RoFT is the key element of the financial marketplace and accumulates information on all transactions made through financial platforms. Details of trades registered with the RoFT are available to individuals through the **Public Services Portal**. Individuals are charged no fee for the issuance of statements via the Public Services Portal.

In accordance with Federal Law No. 211-FZ dated 20 July 2020 "On Making Financial Transactions through a Financial Platform", financial platform operators are required to report financial transactions to the RoFT.

The register of **financial platform operators** is available on the **Bank of Russia's official web site**.

## INFORMATION SERVICES

The range of information services provided by NSD allows market participants to get authentic information and gives the opportunities to customize the requested information.

- **API NSD** – a database which contains information about issuers and their securities; it includes a corporate action calendar; the database is presented in a well-structured form, it provides information on a regular basis and can be integrated into users' systems.
- **DISC NSD** – information on securities serviced by NSD and organizations associated with these securities (issuers, registrars, and authorized depositories), corporate action calendars and events in the organizations, announcements.
- **VALUATION CENTER** – calculation of fair values of financial instruments serviced by NSD on the basis of the method developed by SRO NFA under the support of the Bank of Russia, Moscow Exchange and market participants.
- **LIBRARY OF ISSUE-RELATED MATERIALS** – provision of scanned and hard copies of issuance documents on bonds with mandatory centralized custody at NSD authenticated by NSD's seal.
- **DISTRIBUTION OF INFORMATION TO NSD CLIENTS** – distribution of notices related to non-mandatory corporate actions and other information of interest to NSD clients.

## COMMUNICATION STANDARDS AND CONNECTIVITY

The following communication methods are generally used between market participants and their clients on the Russian market:

- **PAPER FORMS** – still widely used by the registrars and custodians (during their communication with private investors). Supported by all market participants as a back-up.
- **ELECTRONIC DOCUMENTATION** – all major market participants support this communication method, however, there is no common standard for electronic communications and every market participant runs his/her own versions of the EDI system.
- **SWIFT COMMUNICATION** – all major market custodians in the market also support SWIFT communication. SWIFT is widely used for communication with foreign clients and between large local players.

In case of interaction with the CSD, market participants are required to use the EDI system in accordance with the law.

Having miscellaneous groups of clients, NSD is actively developing various communication channels:

- **FILE GATE** – a software for automatic exchange of xml-files generated in client's software according to NSD formats
- **NSDIRECT** – applications with a web-based interface used as electronic channel providing access to NSD's various services
- **TRANSIT 2.0** – is a leading-edge, convenient and secure platform that enables corporate clients to standardize the process of interchanging financial messages and electronic documents with their banks

Both ISO 20022 and ISO 15022 formats are introduced and applied for electronic interaction between NSD and its clients.

NSD provides Service Bureau services to Russian and foreign financial institutions connecting them to SWIFT and the Bank of Russia's **Financial Messaging System (SPFS)**.

## KEY EVENTS OF THE POST-TRADE

### INFRASTRUCTURE 2020

- NSD's Development Strategy 2019-2024 was prepared and approved by NSD's Supervisory Board.
- Achievements in the key strategic areas of focus:

#### SETTLEMENT AND CUSTODY INFRASTRUCTURE

##### **Operational reliability and cyber security:**

- Steps were taken to ensure business continuity and cyber security in a remote working environment
- The project aimed at building failure-free and resilient IT infrastructure was completed

##### **Service development:**

- The launch of non-Russian securities trading on the Moscow Exchange was supported
- DVP-2 settlements in Bank of Russia's money were launched
- NSD connected to Euroclear's FundSettle platform

#### NEW SERVICES AND CUSTOMER SEGMENTS

##### **Service development:**

##### Platform solutions

- **Registrar of Financial Transactions:** the functionality required to achieve business objectives was implemented and deployed to the production environment
- **Transit 2.0:** the RUB payment functionality was deployed to the production environment
- The **SPFS** Service Bureau status was obtained

##### **Settlement infrastructure for new markets:**

- Settlements in the commodity market (sugar, wheat) and payments through the Bank of Russia's Faster Payments System were launched

##### **Collateral Management System (CMS):**

- Launch of Bank of Russia's floating-rate repos with an AI mechanism designed to choose a collateral basket (securities)

#### DATA ASSETS

##### **Service development:**

- Extension of the Valuation Center's methodologies' coverage to 95% of the debt securities market: non-rated bonds, corporate Eurobonds, Russian government Eurobonds, and floaters

##### **Big Data analytical services and solutions development:**

- Calculation of OFZ bond holdings by non-Russian residents and monitoring their changes

NSD is taking **all measures** to ensure the business continuity, the safety of customers and employees, and the protection of their health in the face of the global spread of the coronavirus disease (COVID-19).

## MARKET IN FIGURES

	2015	2016	2017	2018	2019	2020
Capitalization, RUB bln	28,769	37,823	35,914	40,017	49,022	51,427
Capitalization to GDP, %	35%	44%	39%	38%	45%	48%
Total trading volume, RUB trln	685.4	850.3	887.6	861.1	798.3	947.2
Securities Market	20.6	23.9	35.4	40.7	40.7	54.5
Derivatives Market	93.7	115.3	84.5	89.3	82.4	129.9
FX Market	310.8	329.9	347.7	348.4	308.3	328.4
Money Market	213.8	333.9	377.1	364.2	346.3	426.8
Others	46.5	47.3	42.8	18.5	20.6	7.6
Assets under custody, RUB trln	31.7	36.4	39.4	45.0	52.7	63.6
Total transactions volume (NSD), RUB trln	250.9	319.8	401.3	473.9	532.9	657.0
OTC	79.2	80.9	102.8	77.8	94.8	131.0
On-exchange	171.7	238.9	298.5	396.1	438.1	526.0
Number of brokers	631	446	382	326	286	264
Number of dealers	648	477	422	359	314	295
Number of asset managers	539	345	277	226	203	188
Number of custodians	502	397	349	300	273	256
Number of registrars	39	35	35	34	32	32
Total number of traded instruments / issuers	1,855 / 736	1,867 / 692	1,903 / 667	1,872 / 642	2,209 / 640	2,722 / 704
Number of bonds traded issues / issuers for traded bonds	1,042 / 349	1,100 / 337	1,175 / 335	1,188 / 330	1,108 / 254	1,807 / 351
Number of unit investment funds	550	565	548	463	475	486
Total assets under management, RUB bln	559.7	611.1	690.5	749.5	899.0	1,151.1
AUM of open and interval funds, RUB bln	111.5	135.3	221.6	318.7	460.9	673.1



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