



**NATIONAL
SETTLEMENT
DEPOSITORY**
MOSCOW EXCHANGE GROUP

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FOREIGN NOMINEE HOLDER ACCOUNTS AT NSD AND CREATING LINKS WITH FOREIGN CSDS

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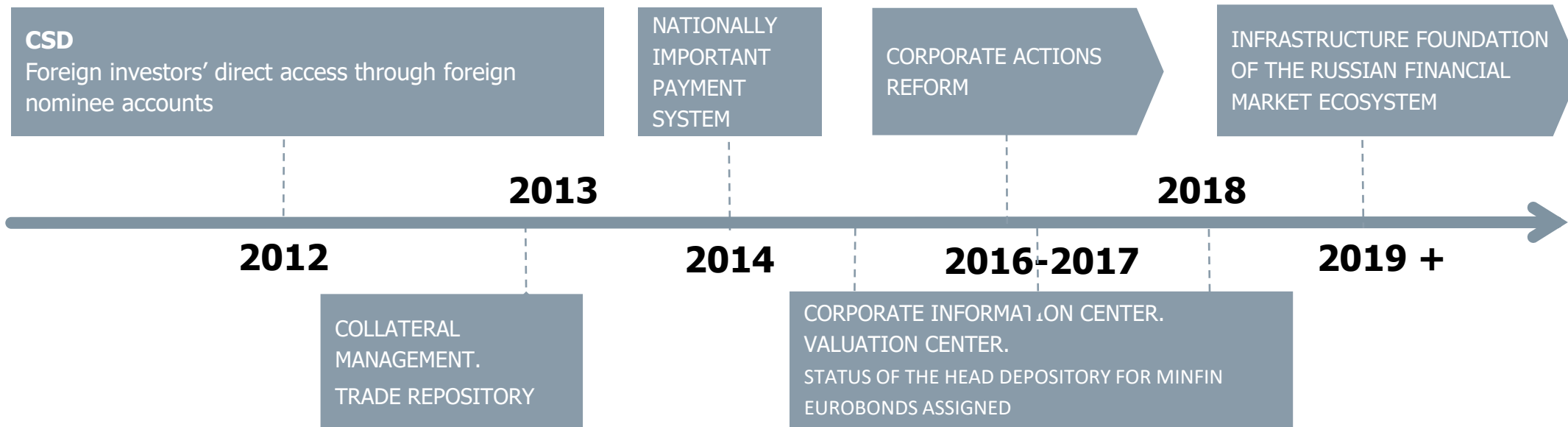
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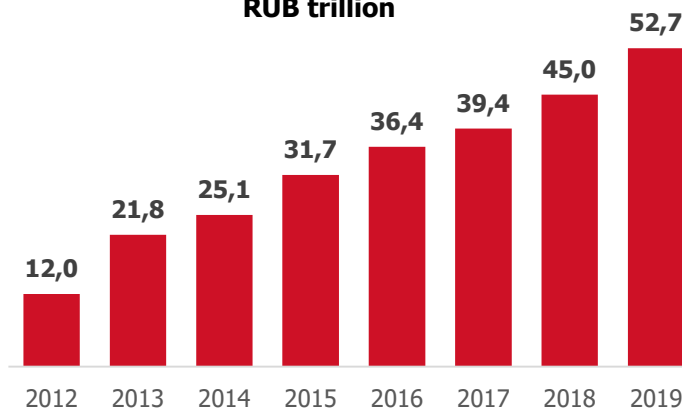
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FNH ACCOUNTS IN RUSSIA AND NSD

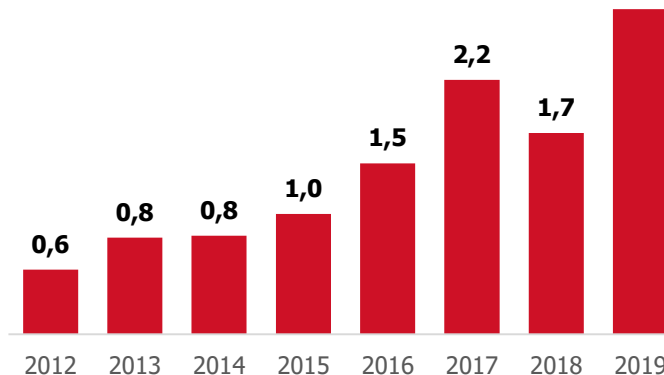
DEVELOPMENT OF FINANCIAL MARKET INFRASTRUCTURE



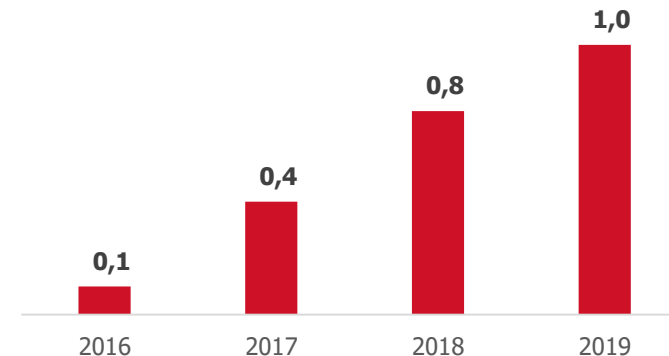
Value of securities on client securities accounts*, RUB trillion



Changes in OFZ balances in FN2 securities accounts with NSD, RUB trillion



Changes in MinFin Eurobonds balances in FN** securities accounts with NSD, RUB trillion



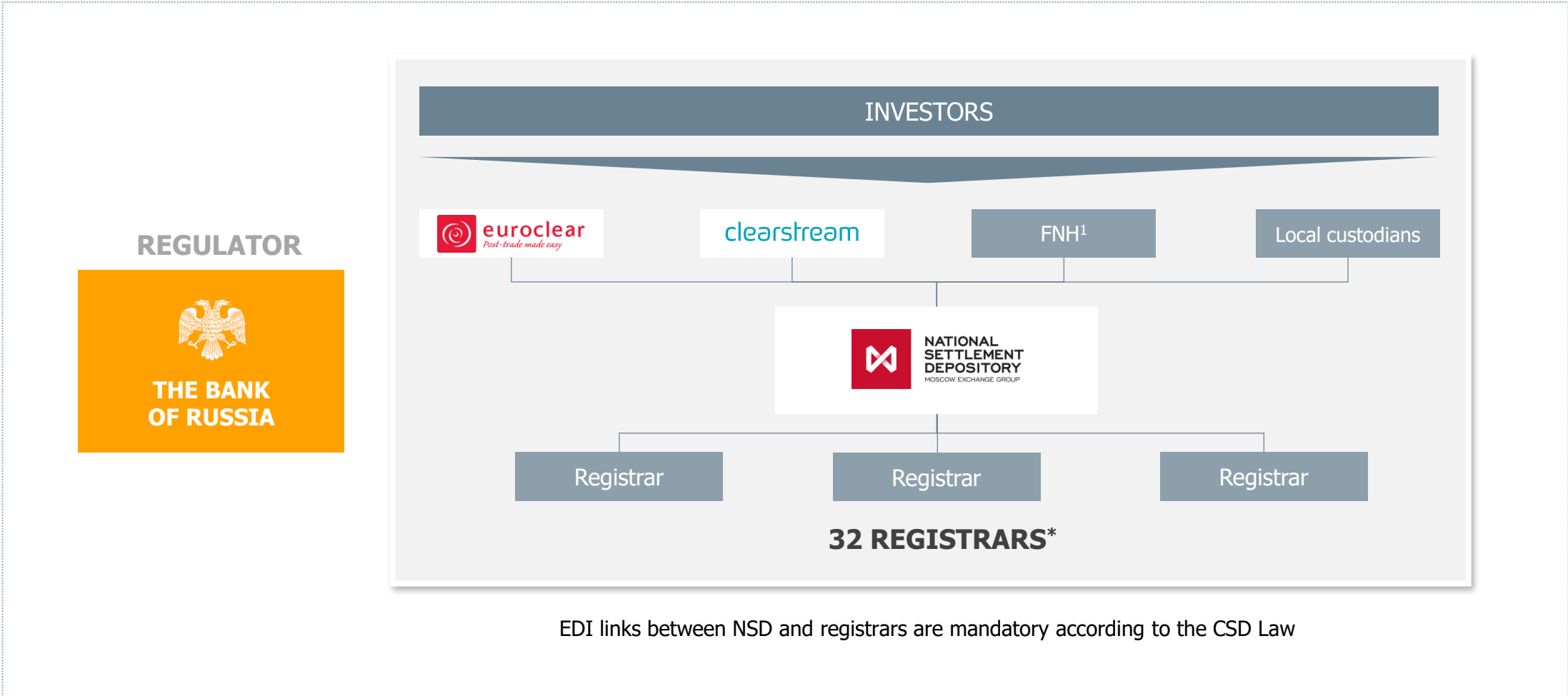
A considerable growth of FN share – from 17.4% (31.12.12) to 31.2% (31.12.19)

A considerable growth of FN share – from 6.0% (31.12.16) to 53.6% (31.12.19)

* Securities balances at the end of the day of the reporting period

** FN – foreign nominees

RUSSIAN SETTLEMENT INFRASTRUCTURE



NSD IS A SECURE AND RELIABLE PROVIDER OF INFRASTRUCTURE SERVICES

KEY CONCERNS	BENEFITS
Legislation-based CSD Mandate	<ul style="list-style-type: none"> • NSD is legally recognized as CSD • Regulatory control and supervision of CSD
Centralized system for handling of securities	<ul style="list-style-type: none"> • Mandatory electronic data interchange between CSD and all its counterparties • Mandatory settlement at CSD: exclusive right to open CSD nominee accounts at registrars
17F-7 Eligibility	<ul style="list-style-type: none"> • Eligible securities depository - «Green light» for US funds
Foreign Nominee (FN): true status	<ul style="list-style-type: none"> • True status about the owner of the securities or intermediary
Finality	<ul style="list-style-type: none"> • CSD records prevail over registrar records • Mandatory reconciliation between CSD and registrars on a daily basis
Risk limiting safeguards	<ul style="list-style-type: none"> • Mandatory high risk management and business continuity standards • Backup office and data processing office existence • Observance of ISAE 3402 (type II), CPMI-IOSCO • Complex insurance of banking operations (BBB+ECC+PL) • Insurance coverage: USD 65 million
Information security	<ul style="list-style-type: none"> • Participation in swift customer security program • Developed approach to organize control procedures, applicable and adapted for new technologies
FATCA & AML & KYC	<ul style="list-style-type: none"> • Guidance under international standards, compliance with all key requirements

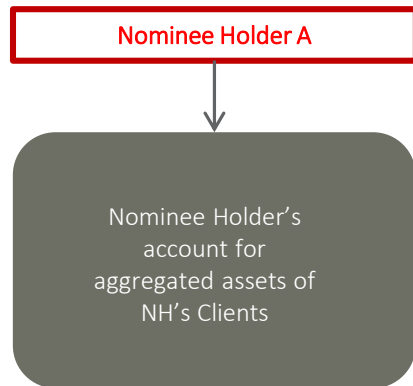
BENEFITS

USING FOREIGN NOMINEE HOLDER (FNH) ACCOUNTS

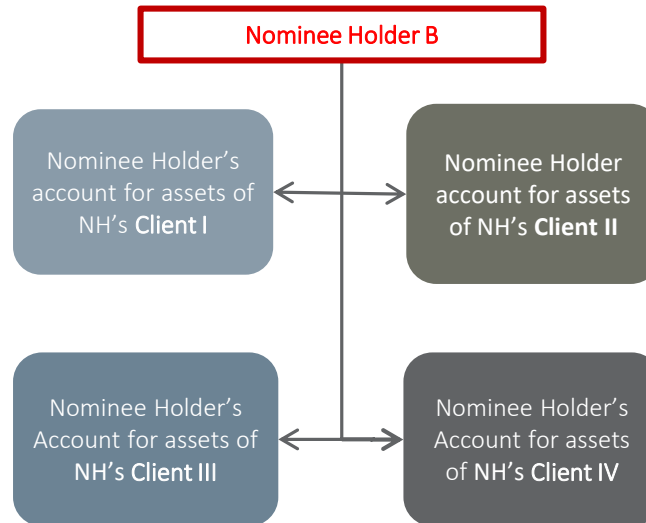
- FNH can keep all clients' assets on a single omnibus account¹
- FNH can also segregate positions of its clients:
 - ✓ by opening FNH account for each client if its needed (there are no limitation for opening multiply number of nominee holder accounts by the one legal entity)² or
 - ✓ by opening different sub-accounts in the name of its clients within the single omnibus account³

It is also possible to aggregate some assets of different clients on one nominee holder account/sub-account and keep other assets of these clients on segregated account/sub-accounts or altogether on the single account/sub-account.

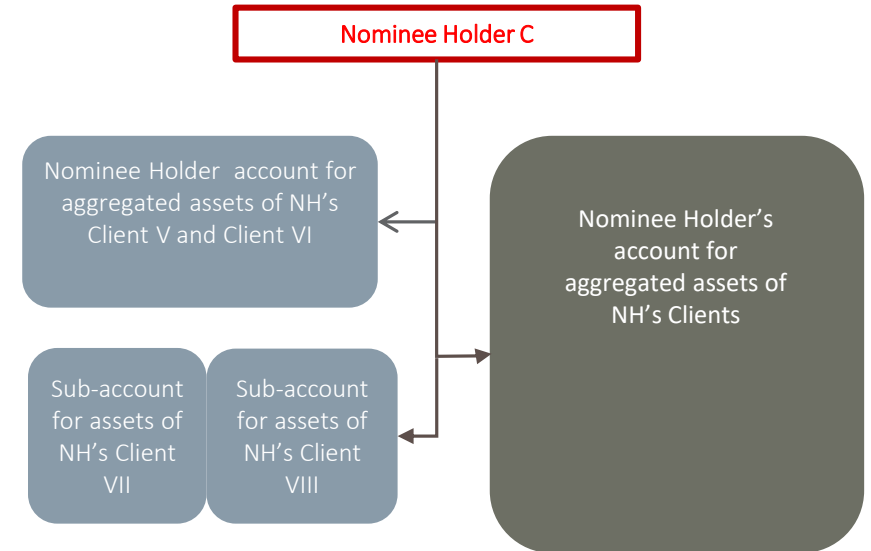
¹All assets on the single omnibus account



²Segregation of FNH's clients' assets within separate omnibus accounts



³Segregated and aggregated safekeeping of clients' assets within the omnibus accounts



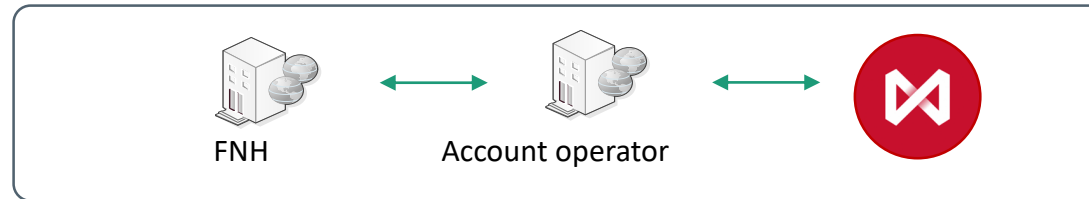
ROUTING POSSIBILITIES & REPORTING FOR FNH CLIENTS

Option 1: Direct interaction



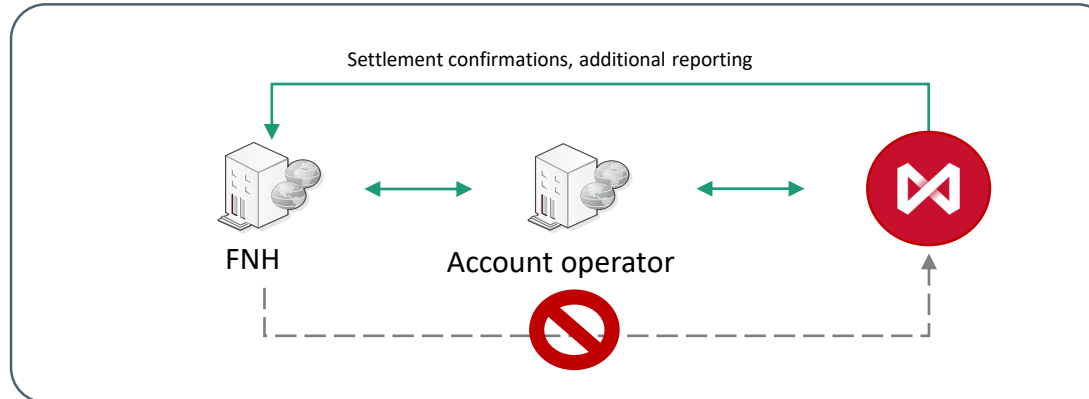
FNH deals with NSD directly: settlement, CA, TAX, disclosure, etc.

Option 2: Full service AO option



FNH does not deal with NSD directly, all messages are routed through AO

Option 3: Enhanced service AO option



FNH does not deal with NSD directly, all messages are routed through AO, and FNH would receive additional reporting from the NSD

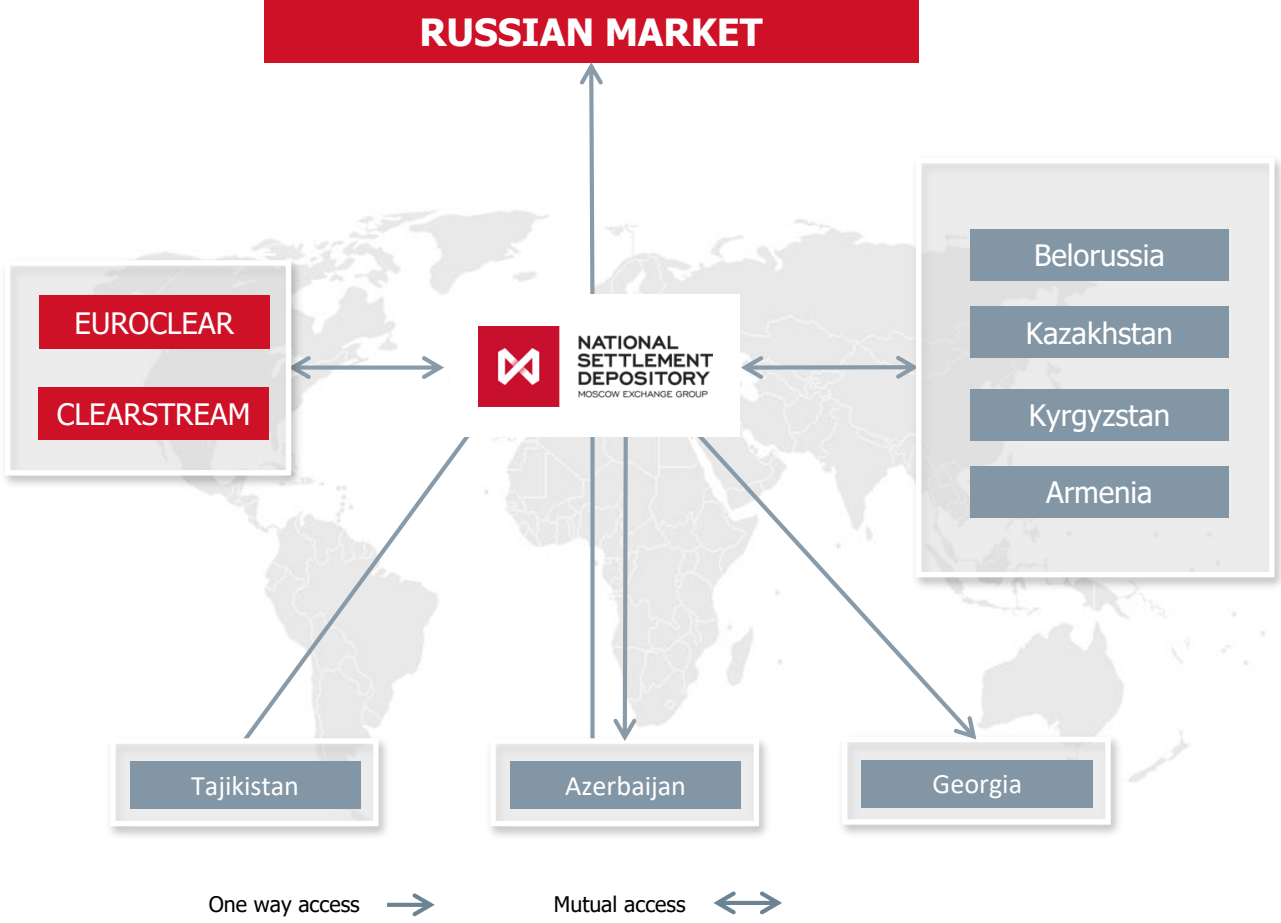
Reporting

- Intra-day and EoD reporting is available
- Specific reporting requirements shall be determined upon finalisation of particular settlement structure, account set-up, other specifics

NSD CORRESPONDENT NETWORK

ACCESS TO INTERNATIONAL MARKETS

NSD CORRESPONDENT NETWORK



BENEFITS FOR WORKING THROUGH NSD

- SINGLE ACCESS TO EUROPEAN AND CIS MARKETS
- EFFICIENCY AND SIMPLICITY OF SETTLEMENT
- MODERN STANDARDS OF ELECTRONIC INTERACTION
- TRANSPARENT FEES

*CSDs – Central Securities Depositories
ICSDs – International Central Securities Depositories (Euroclear and Clearstream)

OPERATIONS WITH SECURITIES

ACCESS TO LOCAL MARKETS

- Great Britain
- Germany
- Hong Kong
- Italy
- Slovakia
- Slovenia
- USA
- Finland
- France
- Switzerland
- Armenia
- Belorussia
- Kazakhstan
- Kirgizia
- Russia

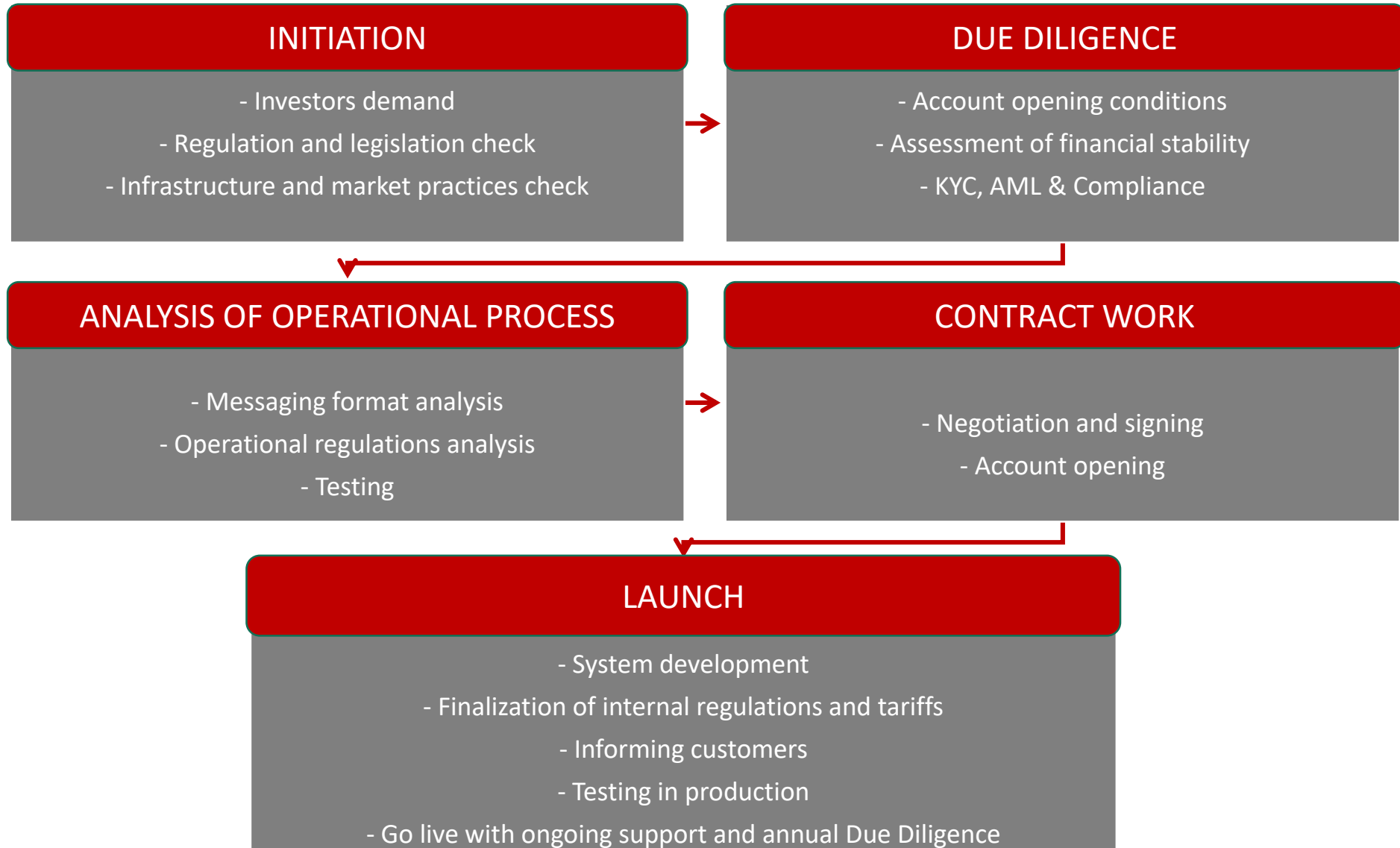
SECURITIES

- External bonds
- Corporate bonds
- Government bonds
- American and Government Depositary Receipts
- Shares
- Other securities on request

CURRENCIES

- USD
- EUR
- CHF
- GBP
- RUB
- CNY
- HKD
- Other currencies on request

STAGES OF ESTABLISHING CORRESPONDENT RELATIONS



THANK YOU



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ANNEX

APPENDIX I

GENERAL INFORMATION

A NOMINEE HOLDER

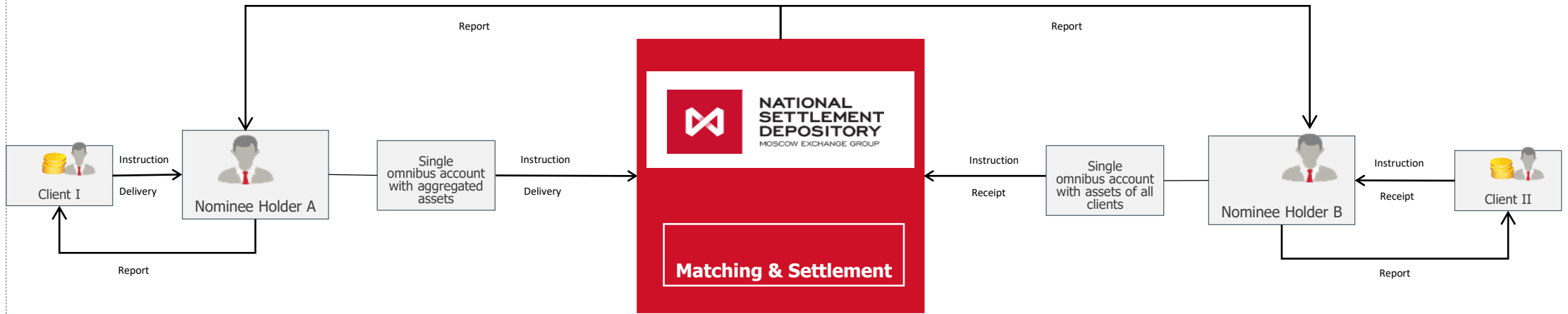
- A “**nominee holder**” shall mean a depository, whose securities account is being used for the purpose of keeping records of rights to any securities, with respect to which the nominee holder is not an owner, and which are recorded by the nominee holder for the benefit of its clients
- The transfer of rights to securities on the books of a nominee holder (in between clients of the same nominee holder) shall not be shown on the securities account of the nominee holder
- No claims on the obligations of the nominal holder should be applied to the assets of his clients kept in the account of the nominee holder
- A nominee holder shall act based on and upon the instruction of its client (pls. see page 7)
- Specifics of exercising rights to securities by the persons whose title to securities is recorded by a nominee holder indicated in pages 8-9

SECURITIES UNDER CUSTODY IN NSD*

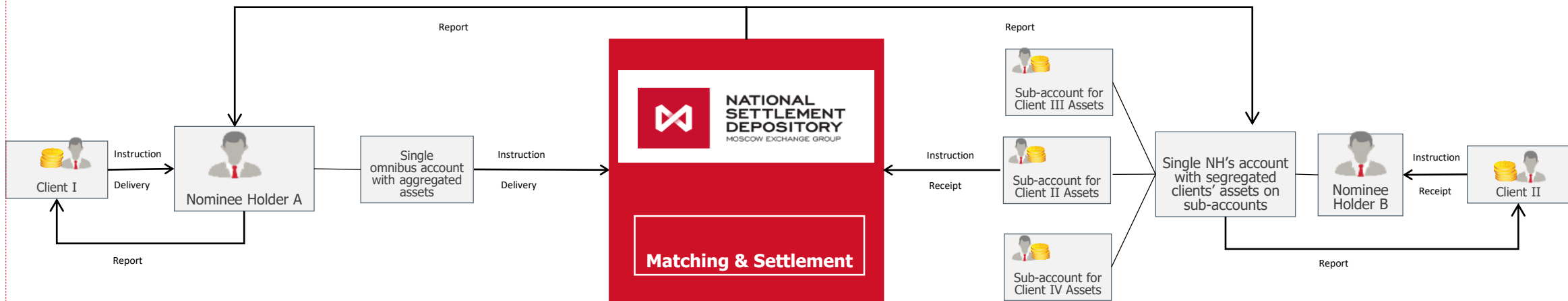
SECURITIES TYPE (CBR CLASSIFICATION)	NUMBER OF ISSUES (ISINS)	ASSETS UNDER CUSTODY	
	TOTAL	VALUE (MLN RUB)	SHARE IN TOTAL VALUE, %
Russian Shares	5 128	22 492 067	42.71%
Russian corporate bonds and IFO's bonds eligible for settlement in Russia	1 824	11 782 323	22.37%
Russian government bonds (OFZ)	45	8 969 102	17.03%
Foreign corporate bonds and IFO's bonds	10 586	3 401 916	6.46%
Bank of Russia bonds	3	1 936 705	3.68%
Russian MinFin's Eurobonds	22	1 913 444	3.63%
Clearing participation certificates	4	762 722	1.45%
Municipal and sub-federal bonds	124	606 073	1.15%
ADR/GDR and Dutch DR	408	192 577	0.37%
Foreign Shares	3 064	446 459	0.85%
Foreign government and Central banks bonds	562	76 533	0.15%
UITS of foreign mutual funds	888	51 311	0.10%
UITS of Russian mutual funds	730	36 027	0.07%
Mortgage participation certificates	20	-	0.00%
Unqualified financial instruments	12	100	0.00%
Total:	23 420	52 667 359	100.00%

EXAMPLES OF SETTLEMENT

Securities transfer between two NH's omnibus accounts with aggregated clients' assets



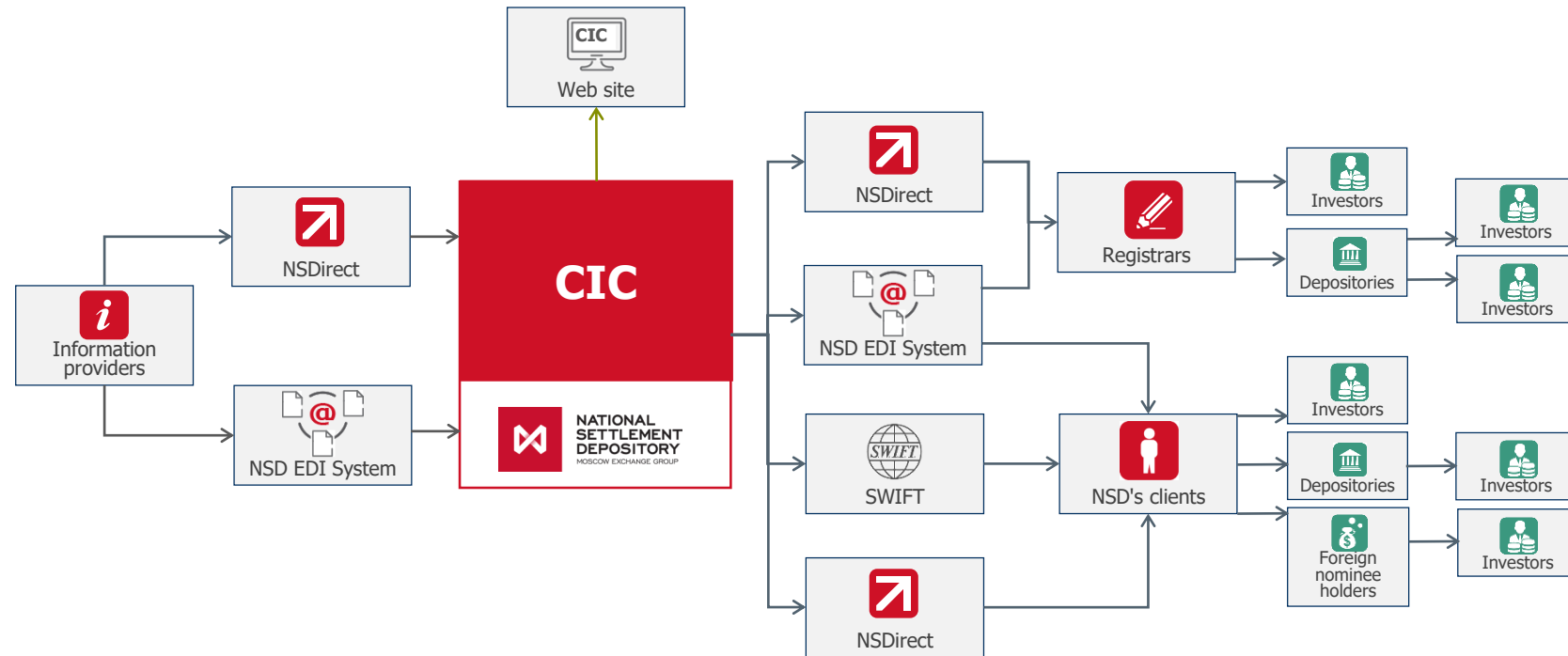
Securities transfer between two NH's accounts when one of the accounts is segregated into sub-accounts for assets of different clients



APPENDIX II

CORPORATE ACTIONS

CORPORATE INFORMATION CENTER



- The CIC is recognized as an OFFICIAL source of information in accordance with Federal Law No. 39-FZ "On the Securities Market" dated 22 April 1996
- information on corporate actions is provided by ISSUERS (or parties liable on securities) directly to the CIC
- information on corporate actions is PROVIDED in a **structured** form, using the formats required by the CIC (ISO 20022)

CORPORATE ACTIONS : PROCESSING & EXECUTION

MOST COMMON TYPES OF CORPORATE ACTIONS

MANDATORY CORPORATE ACTIONS

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

VOLUNTARY CORPORATE ACTIONS

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

NB: although the majority of corporate actions are processed in a structured ISO based format via electronic means of communication, notifications and corporate actions processing of certain corporate actions are yet to be automated by the NSD

MOST RECENT CORPORATE ACTIONS' HIGHLIGHTS

- new ways for participation in shareholders/bondholders general meetings including e-proxy voting and e-voting services
- new approach for owner disclosure process
- new procedure for execution of voluntary corporate events including the cascade method of payments and data processing

CORPORATE ACTIONS PROCESSING

- Processing any and all corporate actions in a centralized manner, through custodians, CSD and registrars
- Custodians are authorized to act on behalf of their clients under a depository agreement (no PoA needed)
- Source documents are kept by a custodian, acting on behalf of the respective securities owners
- Increased automation of corporate actions processing

DISCLOSURE PROCEDURE

- The list of securities owners is required for proper performance of issuer's obligations
- The list is to be provided upon issuer's or the Central Bank of Russia's request
- The list shall be completed within 15 business days
- The list shall contain information about beneficial owners, collective investment beneficiaries, DR holders, etc.

APPENDIX III MARKET ENTRY, FOREIGN INVESTMENT RESTRICTIONS

TAXATION

MARKET ENTRY AND FOREIGN INVESTMENT RESTRICTIONS

Market entry restrictions for foreigners

- None. Foreigners can open Cash accounts with Russian banks, Custody accounts with local custodians or securities accounts with registrar
- 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 residents¹
- Foreign investor should notify local authorities if its holding will breach 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 April 29, 2008 «On Foreign Investments in Companies of Strategic Importance for State Security and Defense»²
- 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 organization's stake and must notify the Bank of Russia when purchasing over 1% of outstanding capital in a credit organization³
 - 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 activity⁴
- 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

1 - The rights of foreign investors are guaranteed by the Federal Law No. 160-FZ dated July 9, 1999 "On Foreign Investments in the Russian Federation", which states that foreign investments are allowed in all kinds of activities except those expressly off-limit or restricted under existing regulations.

2 - For the purpose of ensuring the country's defense and state security. The Federal Law Federal Law No. 57-FZ dated April 29, 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.

3 - A special quota for the licensing of banks with foreign capital entitling the Bank of Russia not to issue licenses to banks with foreign capital once the quota limit has been exceeded.

4 - A 50% quota is set for the amount of foreign capital in the aggregated capital of insurance companies operating in Russia.

TAXATION

Taxation

NSD acts as a withholding agent when paying out income on securities to foreign organizations or foreign nominees from the following types of Russian securities:

- **Russian federal government securities** (subject to mandatory centralized safekeeping, with any registration date)
- **Russian regional securities** (subject to mandatory centralized safekeeping, with any registration date)
- **Municipal securities** (subject to mandatory centralized safekeeping, with any registration date)
- **Corporate bonds** (issued by Russian organizations, subject to mandatory centralized safekeeping, with the state registration date after 1 January 2012 (including discount bonds)
- **Stocks of Russian issuers** (a decision to pay dividend on which is made after 1 January 2014)

Authorized tax representative

A foreign nominee holder may appoint a tax representative by issuing a power of attorney (to be apostilled and legalized).

Tax Disclosure Rules and Regulations

- NSD's official web site at www.nsd.ru ('Tax Management' section, 'Foreign nominees' subsection) contains detailed information regarding all tax procedures applicable at NSD: Rules, Regulations, Forms, power of attorney templates, Reference Lists, Fee Schedule, document formats with description, tax authorities' clarifications, connectivity and testing process descriptions, payment procedures, and regulator's clarifications.

Tax disclosure

Foreign nominees are required to submit to NSD a aggregated tax disclosure statement electronically:

- No need to submit any documents certifying the right of actual income recipients (beneficial owners/beneficiaries) to have tax exemptions or benefits (however, can be requested in the course of a tax audit of NSD);
- Quick tax refund (adjustment) is possible based on updated information provided, within 25 business days following the income payment date.
- It is also possible to apply for tax refund directly to the Russian tax authorities;
- Russian and foreign organizations which are actual beneficiaries of income and have the right for tax exemptions and reliefs on securities kept on owner securities accounts could provide the withholding agent (NSD) the appropriate documents providing the mentioned right.

Tax disclosure timing

- for bonds: 5 business days of the date on which NSD has disclosed information on the payment of distributions on Russian bonds to NSD's clients (nominees or trustees being professional securities market participants), in the real time newswire of INTERFAX and on NSD's official web site;
- for stocks: 7 business days of the record date.

Local Tax Rate for OFZ

Federal government interest is tax exempt

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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
- Forward-looking statements speak only as of the date of this presentation and we expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation as a result of any change in our expectations or any change in events, conditions or circumstances on which these forward-looking statements are based