



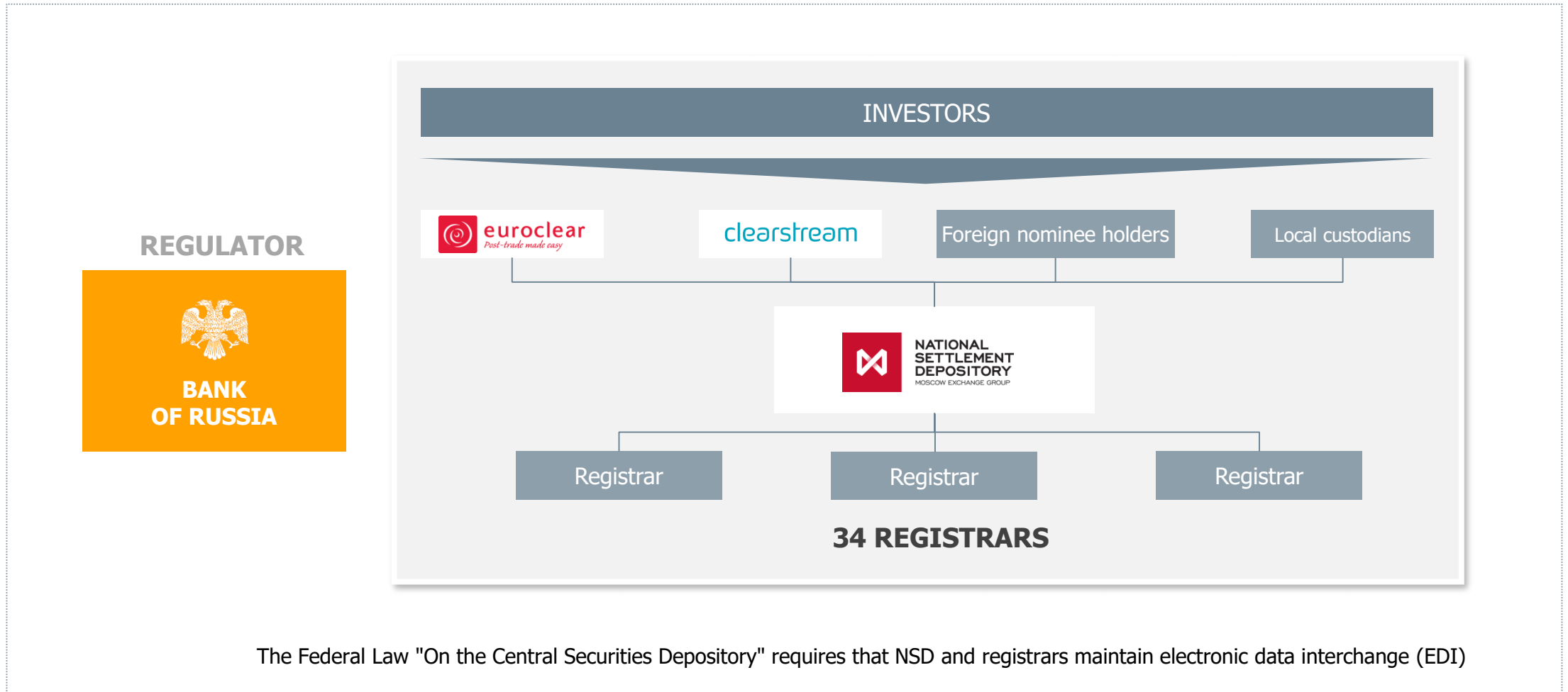
**NATIONAL
SETTLEMENT
DEPOSITORY**
MOSCOW EXCHANGE GROUP

NSD's SERVICES

Pavel Erykalov,
Head of Product Development, NSD
Dushanbe, 7 June 2019

ABOUT NSD

RUSSIA'S SETTLEMENT INFRASTRUCTURE



OUR BUSINESS



CSD

- Reliable post-trade infrastructure
- Securities safekeeping and settlement of on-exchange and OTC trades
- Corporate actions
- Issuer services and withholding agent services



PAYMENT SYSTEM

- Largest Payment System that offers reliable and convenient payment services
- Money transfers for settlement purposes in financial markets, currency conversion services, foreign exchange control, cash account services



CLEARING AND TRI-PARTY SERVICES

- Clearing and collateral management for securities transactions
- Integration with stock exchanges and OTC platforms
- A single platform and integrated automation of processes



INFORMATION SERVICES

- Consolidated information on securities and corporate actions
- Analytics for reporting purposes
- A unique source of price information



IT SERVICES

- Innovative technologies, high level of comfort for market participants
- SWIFT Service Bureau services provider
- Electronic data interchange (EDI) and Transit services

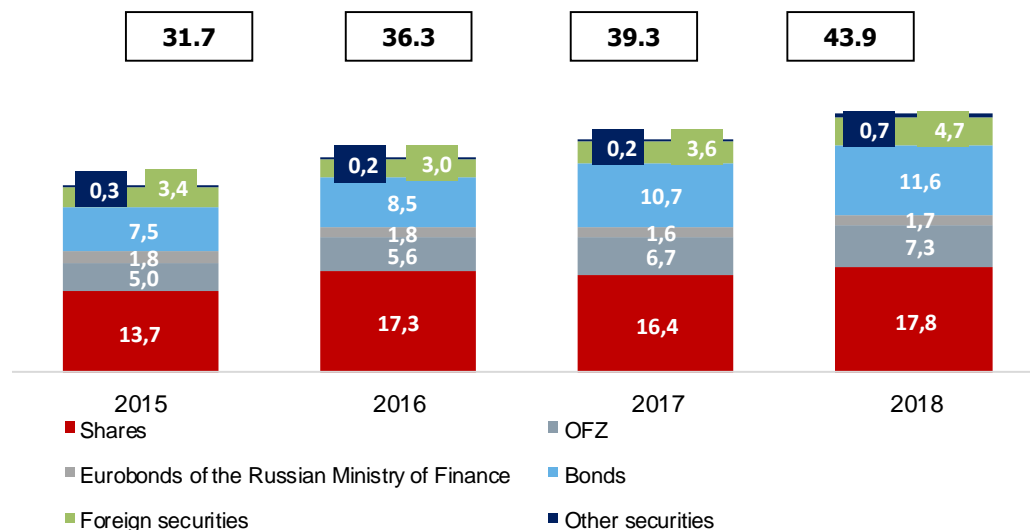


TRADE REPOSITORY

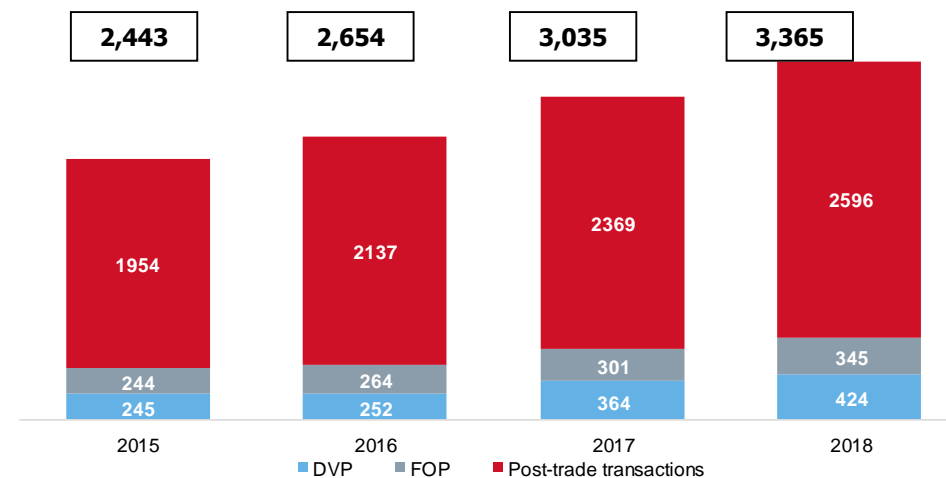
- The first, largest and systemically important Trade Repository in Russia
- The range of services that contribute to business process optimization
- Registration of OTC repo and derivatives trades

SETTLEMENT AND DEPOSITORY SERVICES. STATISTICS

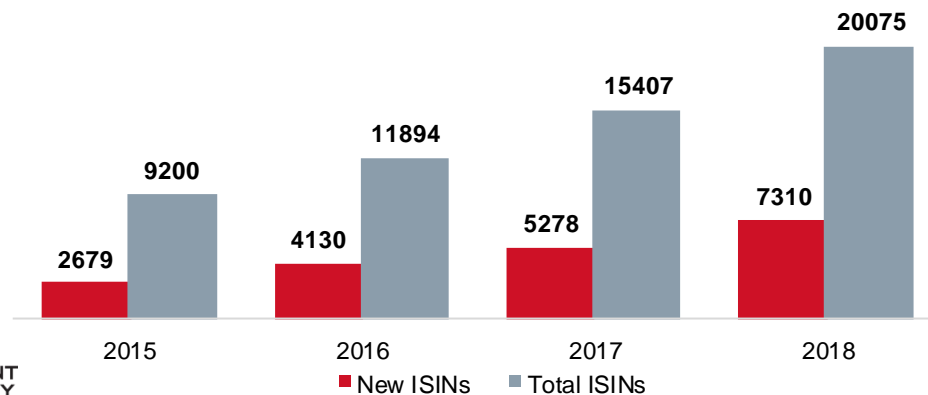
Value of securities held in clients' securities accounts, RUB trillion
(balances as at the end of the reporting period)



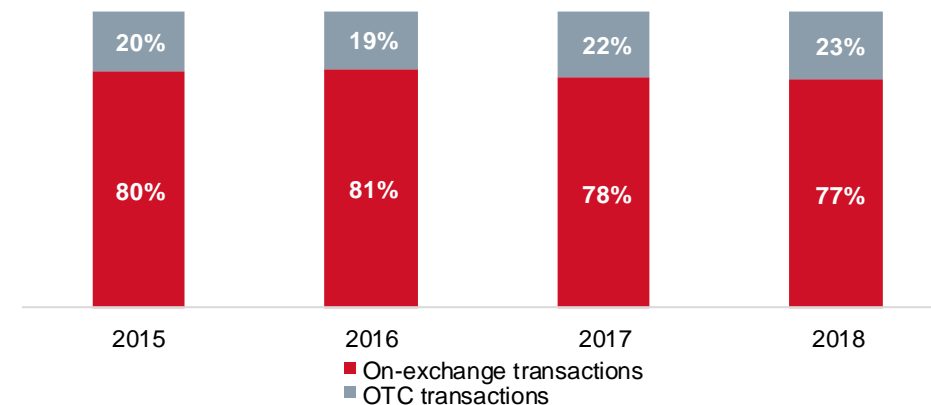
Number of transactions, '000



Number of issues (ISINs)



On-exchange vs OTC transactions (total for the reporting period)

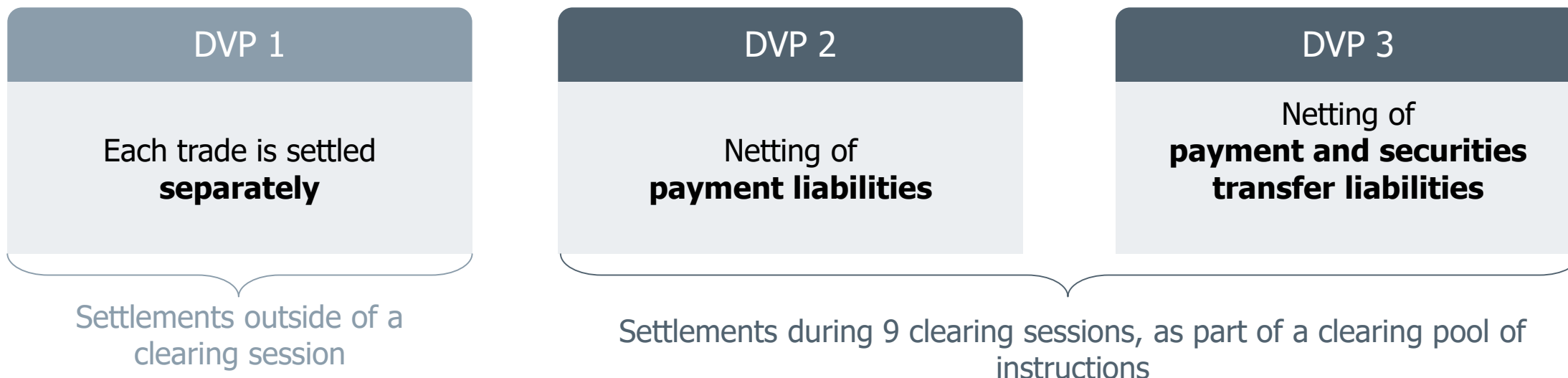


OTC TRADES CLEARED BY NSD

DVP SETTLEMENTS

[More on the service](#)

DVP (delivery versus payment) – the principle of trade settlement wherein securities are transferred at the same time as the payment is made



ACCOUNTS	SECURITIES ACCOUNT WITH NSD	
	DVP MODEL	CURRENCY
Bank account with NSD	DVP 1, 2, 3	RUB, USD, EUR, CNY, HKD, GBP, CHF
Bank account with Citibank N.A., NY/ JP Morgan Chase Bank N.A., NY	DVP 1, 2, 3	USD

ADVANTAGES



Convenient time schedules: trades can be settled upon completion of the trading session at Moscow Exchange



Reduced risk of default by both parties to the trade



Variety of settlement models:
DVP-1, DVP-2, DVP-3



Single clearing instruction for money and securities settlements



Settlements for all types of securities in custody at NSD



Possibility to quickly transfer securities for trading

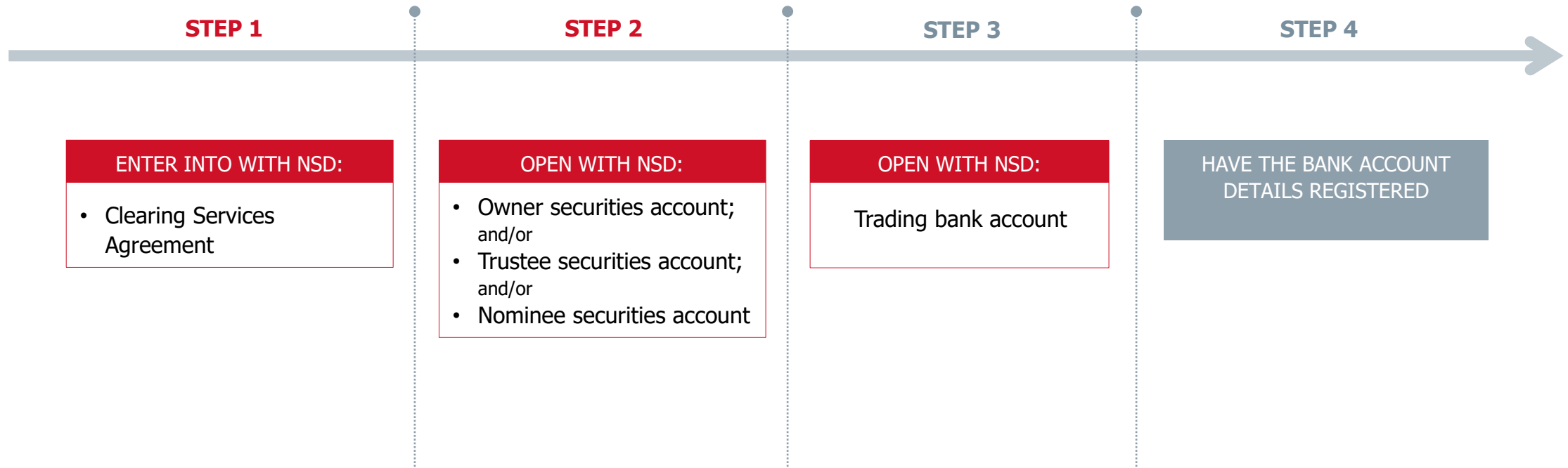


Full straight-through processing (STP) of settlements

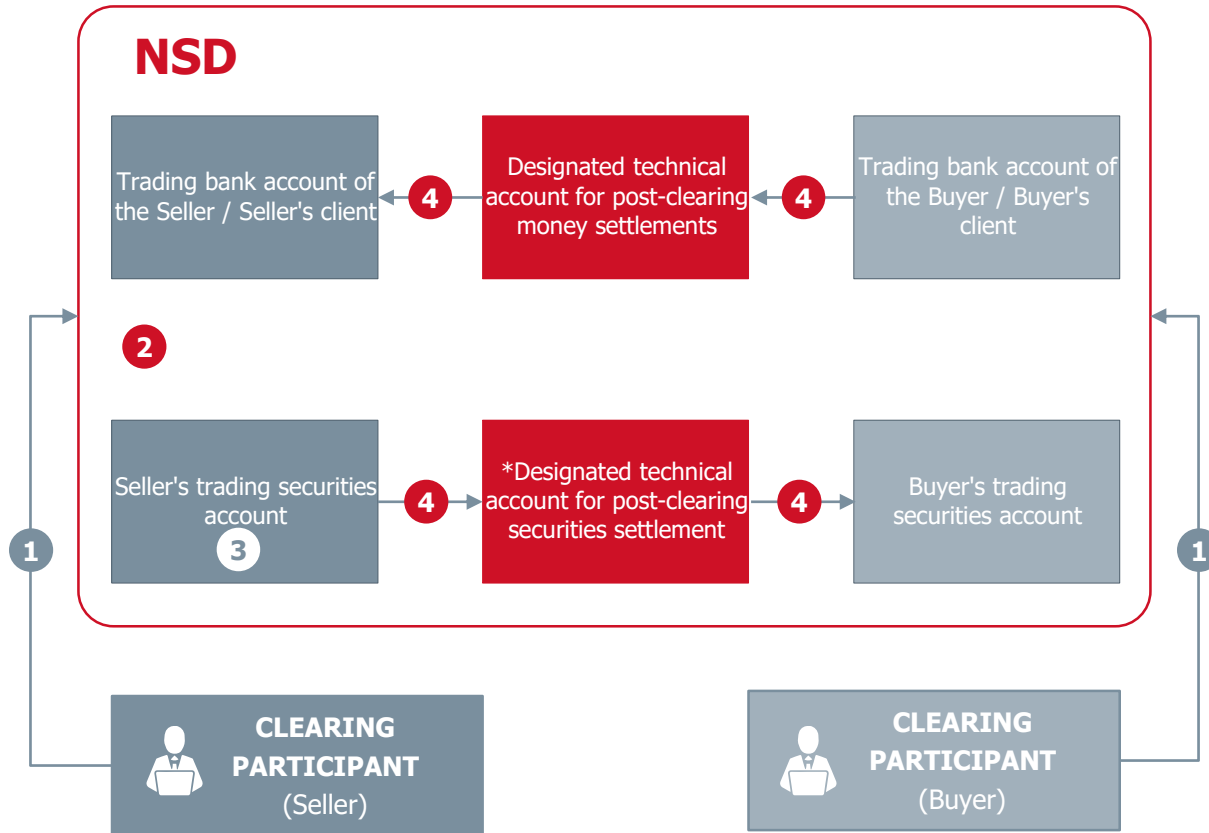


Competitive fixed fees that do not depend on the trade amount

HOW TO USE THE SERVICE?

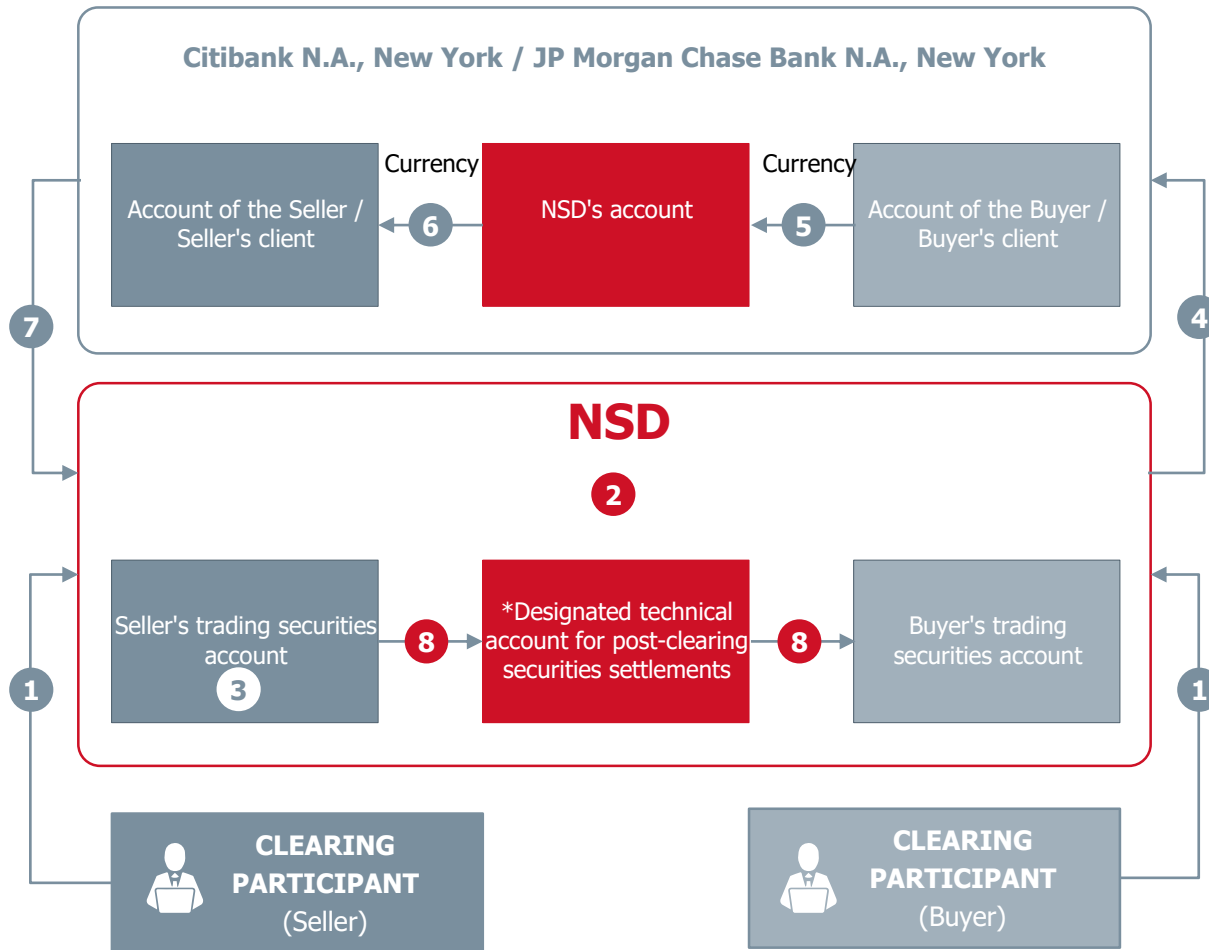


DVP: SETTLEMENTS VIA ACCOUNTS WITH NSD



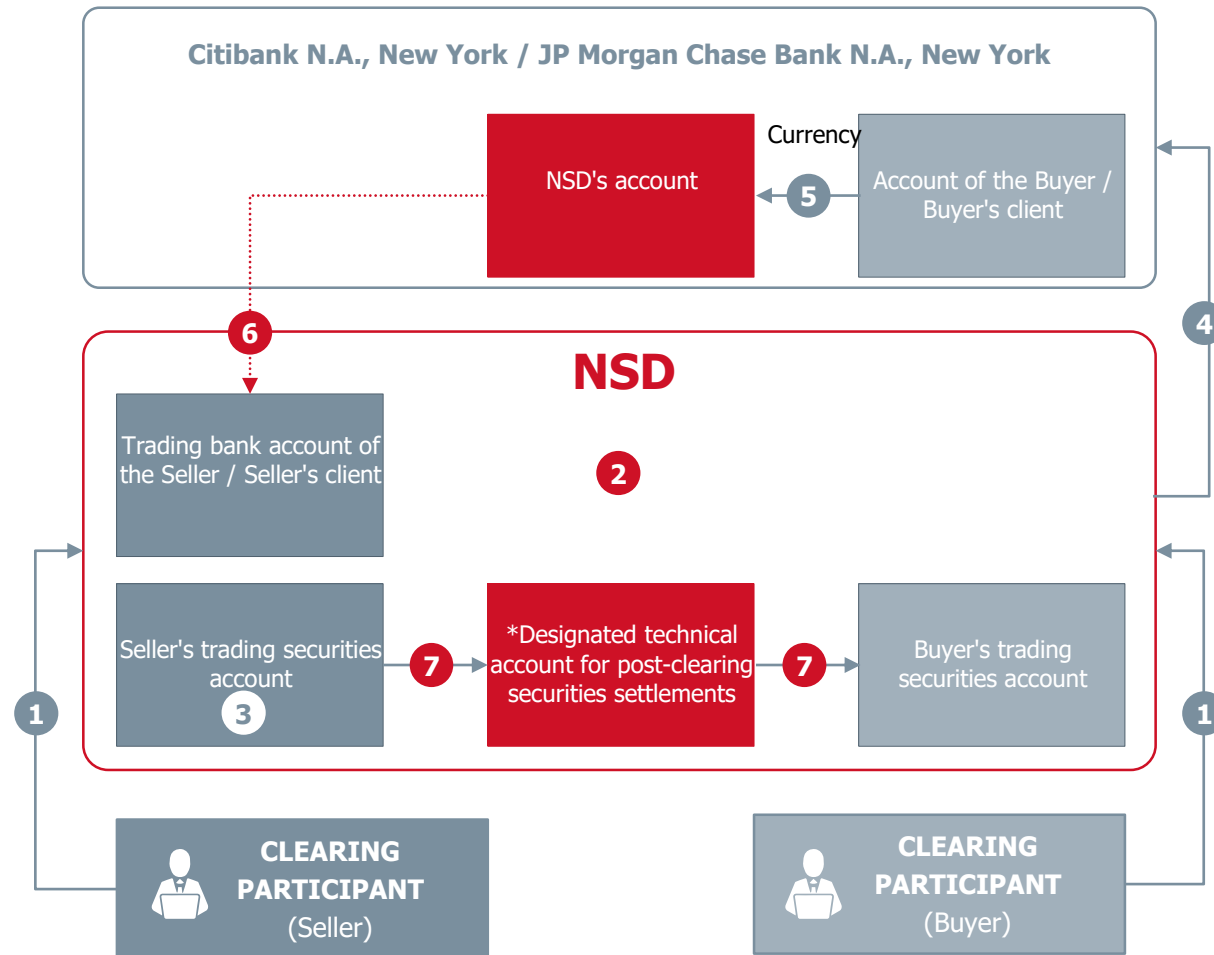
1. The clearing participants (Seller and Buyer) give matching instructions to NSD for DVP settlements
2. NSD nets the liabilities/claims for the pool of matched instructions
3. The securities are blocked
4. NSD conducts, at the same time, money and securities settlements

DVP: SETTLEMENTS VIA ACCOUNTS WITH FOREIGN BANKS



1. The clearing participants (Seller and Buyer) give matching instructions to NSD for DVP settlements
2. NSD nets the liabilities/claims for the pool of matched instructions
3. The securities are blocked
4. NSD, acting under a power of attorney, gives an instruction to transfer money from the account held by the Buyer/Buyer's client with the foreign bank
5. Citibank N.A., NY, or JP Morgan Chase Bank N.A., NY, transfers money from the account of the Buyer/Buyer's client to NSD's account
NSD gives a payment instruction to transfer money from the correspondent account with Citibank N.A., NY, or JP Morgan Chase Bank N.A., NY, to the account of the Seller / Seller's client
6. NSD receives a confirmation that the money has been credited to the account of the Seller / Seller's client
7. NSD conducts securities settlements

DVP: SETTLEMENTS VIA AN ACCOUNT WITH A FOREIGN BANK AND AN ACCOUNT WITH NSD

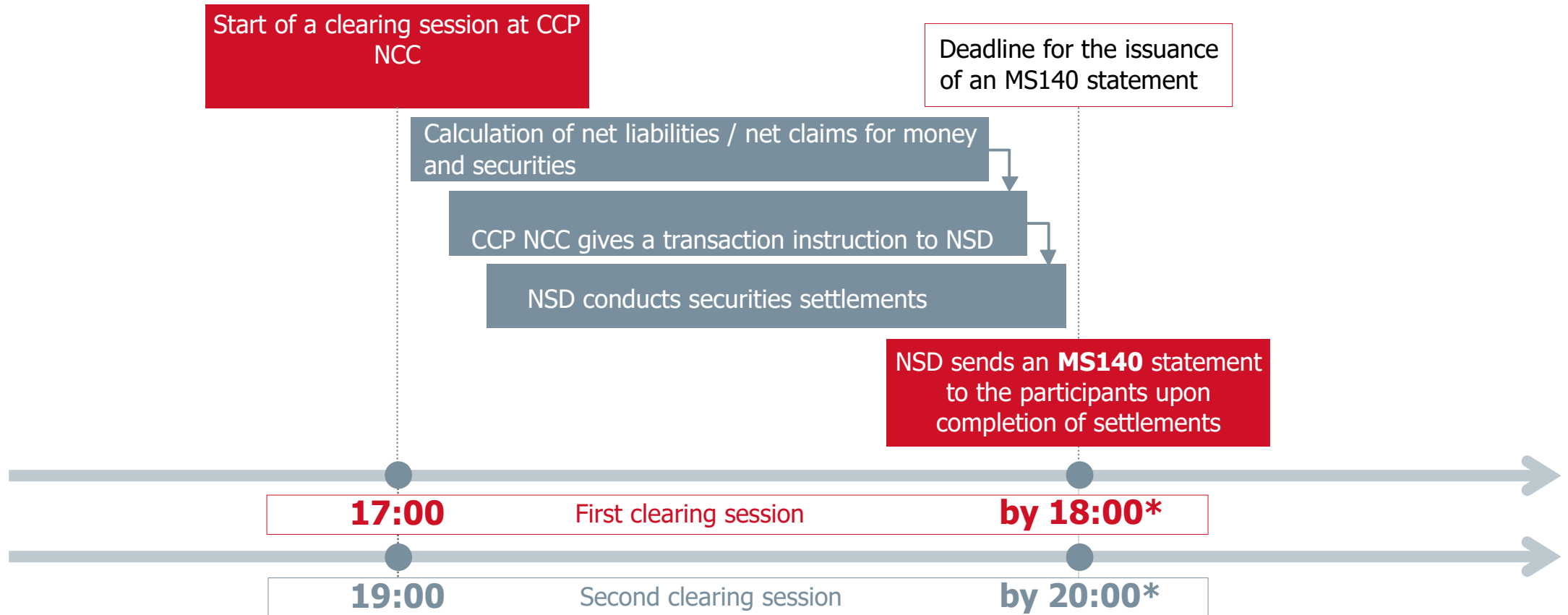


1. The clearing participants (Seller and Buyer) give matching instructions to NSD for DVP settlements
2. NSD nets the liabilities/claims for the pool of matched instructions
3. The securities are blocked
4. NSD, acting under a power of attorney, gives an instruction to transfer money from the account held by the Buyer/Buyer's client with the foreign bank
5. Citibank N.A., NY, or JP Morgan Chase Bank N.A., NY, transfers money from the account of the Buyer/Buyer's client to NSD's account
6. NSD records the transfer of money from the correspondent account with Citibank N.A., NY, or JP Morgan Chase Bank N.A., NY, to the trading bank account held by the Seller / Seller's client with NSD
7. NSD conducts securities settlements

SECURITIES CLEARING FOR ON-EXCHANGE TRADES

NSD'S POST-CLEARING STATEMENTS

The mechanism of post-clearing settlement of trades:



NSD charges a settlement fee following each clearing session.

POST-CLEARING SETTLEMENT OF TRADES

NSD settles trades and sends MS140 statements at the end of each clearing session at CCP NCC:

By 18:00*

A statement issued post clearing of trades the liabilities under which are part of the first clearing pool for post-trade settlements

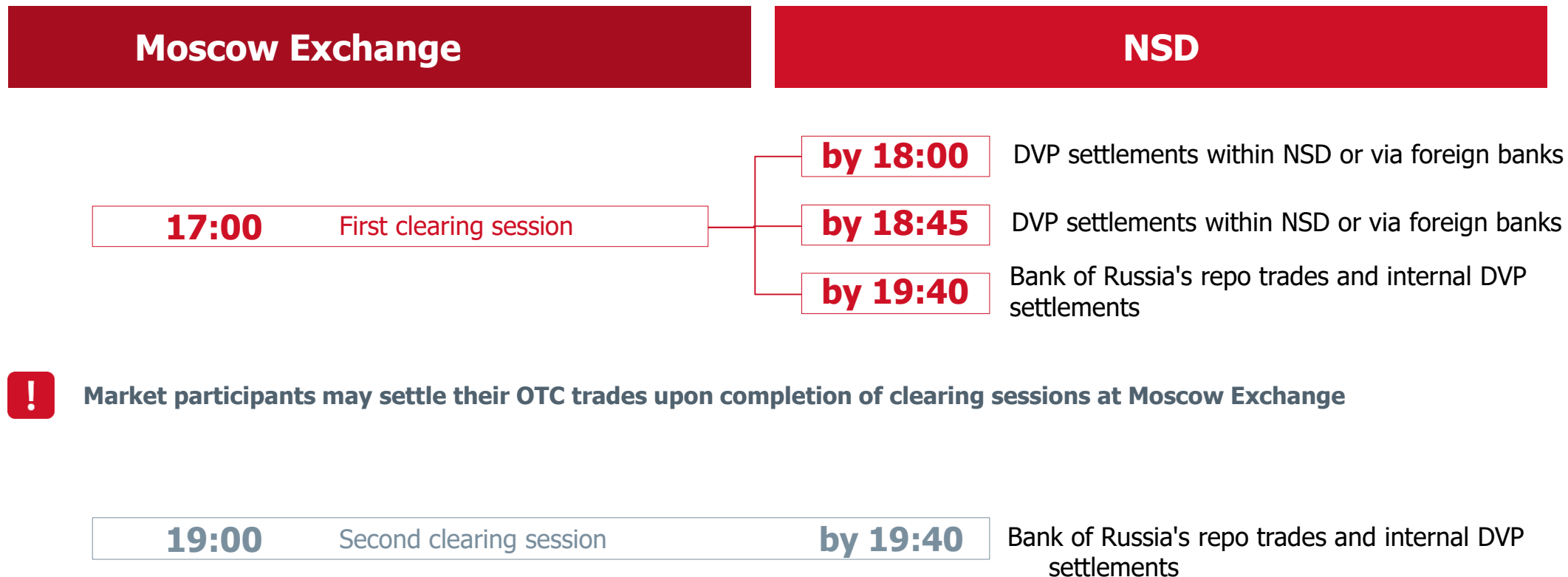
By 20:00*

A statement issued post clearing of trades the liabilities under which are part of the second clearing pool for post-trade settlements

No trades covered by the first clearing pool are included in a statement issued post settlement as part of the second clearing pool

A statement issued by the settlement organization upon completion of settlements under the the Consolidated Statement of Cash Liabilities and Claims

SETTLEMENT OF OTC TRADES UPON COMPLETION OF SETTLEMENT OF TRADES AT MOSCOW EXCHANGE

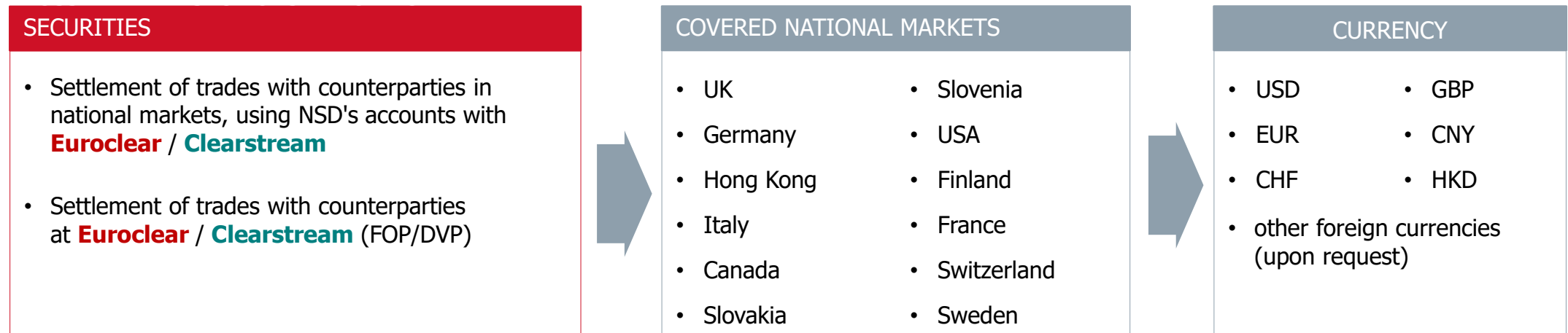


TRANSACTIONS AT ICSDs

TRANSACTIONS AT ICSDs

[More on the service](#)

- Settlements within **Euroclear** / **Clearstream**
- Settlements via the **Euroclear** / **Clearstream** bridge
- Settlements in national markets
- DVP settlements in main currencies
- Corporate actions processing



Additional services

- Providing tax benefits for U.S. securities / possibility to provide tax benefits for securities of issuers from other countries
- Possibility to open individual accounts at clients' requests
- Possibility of back-to-back settlements and prioritization of settlement instructions

ADVANTAGES



CONVENIENCE

- A wide range of transactions both at ICSDs and NSD
- Possibility to use Eurobonds for repo trades with the Bank of Russia
- Easy access to organized trading
- Scheme involving an account/sub-account operator



EFFECTIVENESS

- Assistance in having CFIs assigned
- Tax benefits available for U.S. securities and depositary receipts
- Simple procedure for acceptance of securities for servicing³
- Preparation of forex control-related documents for DVP transactions at ICSDs



RELIABILITY

- Securities and money are transferred at the same time
- Thomas Murray rating assigned to NSD: AA- (very low overall risk), with stable outlook



AFFORDABILITY

- Competitive fees



TECHNOLOGICAL EFFECTIVENESS

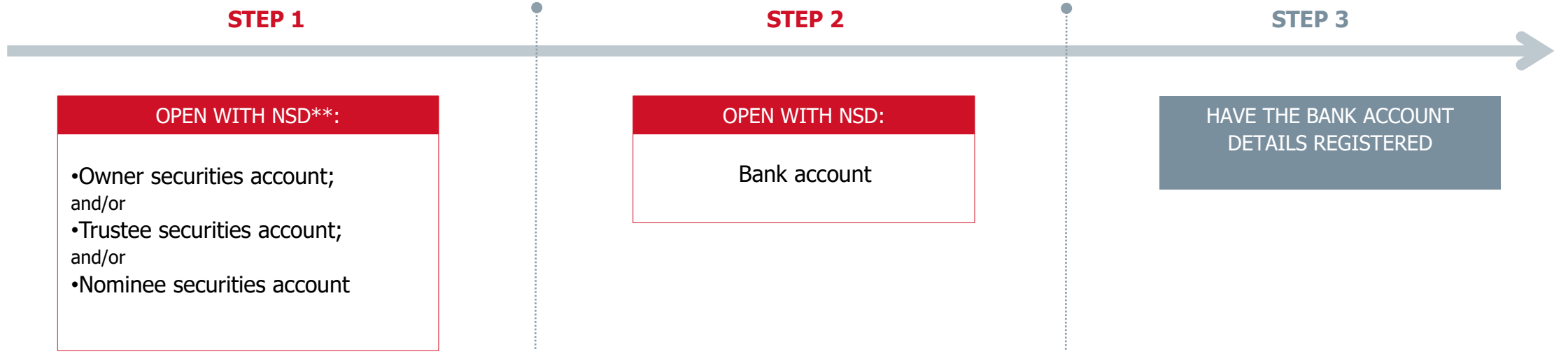
- Single settlement instruction (full STP)

¹ In accordance with paragraph 3.5 of the Regulations on Activities of Specialized Depositories (No. 474-P, approved by the Bank of Russia on 10 June 2015), a specialized depository may not engage other securities depositories for the purpose of safekeeping of securities certificates and/or recording of clients' rights to securities, other than the central securities depository, or securities depositories involved in mandatory centralized safekeeping of securities, or foreign organizations put on the list referred to in paragraph 4 of Article 25 of the Federal Law "On the Central Securities Depository", or securities depositories that satisfy the criteria set out in paragraph 1.2 of Bank of Russia's Directive No. 2732-U dated 17 November 2011.

² In accordance with Bank of Russia's Directive No. 3329-U dated 21 July 2014 "On the Equity Capital Requirements for Professional Securities Market Participants and Management Companies of Investment Funds, Unit Investment Trusts, and Private Pension Funds".

³ NSD makes available tax benefits for income from foreign securities under Double Taxation Treaties for all jurisdictions where similar services are provided by upstream securities depositories/custodians with which NSD has accounts to hold securities owned by its clients.

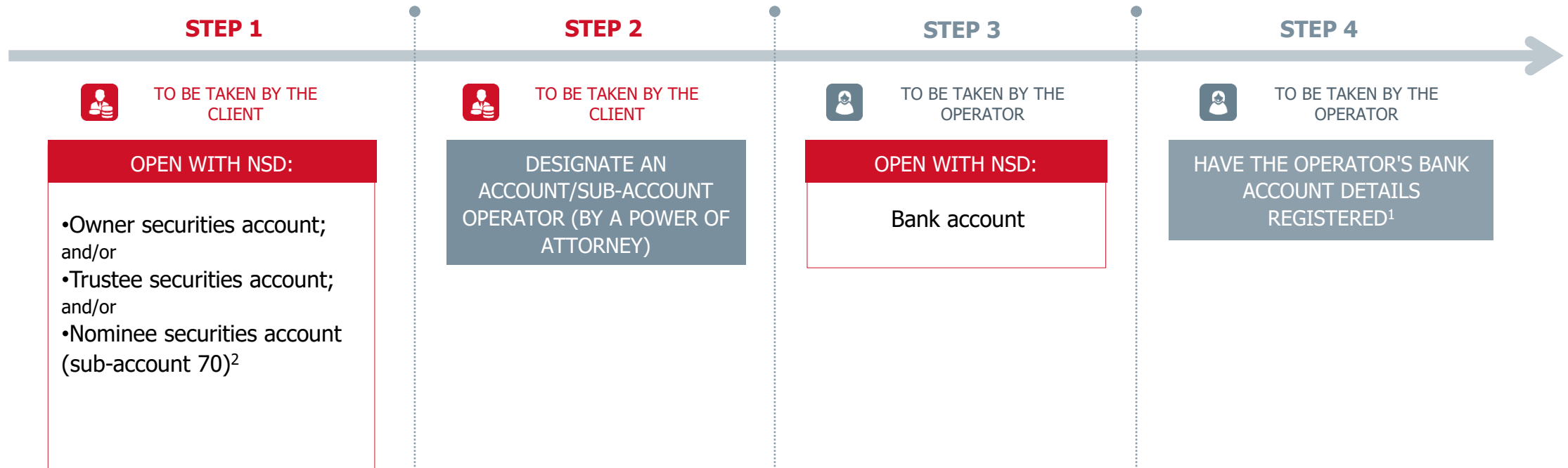
HOW TO USE THE SERVICE?



Where a client **intends to designate an operator** for his securities account/sub-account, this scheme is not applicable; the applicable scheme is described on the next slide

SCHEME INVOLVING AN OPERATOR

For DVP transactions through a securities account/sub-account operator

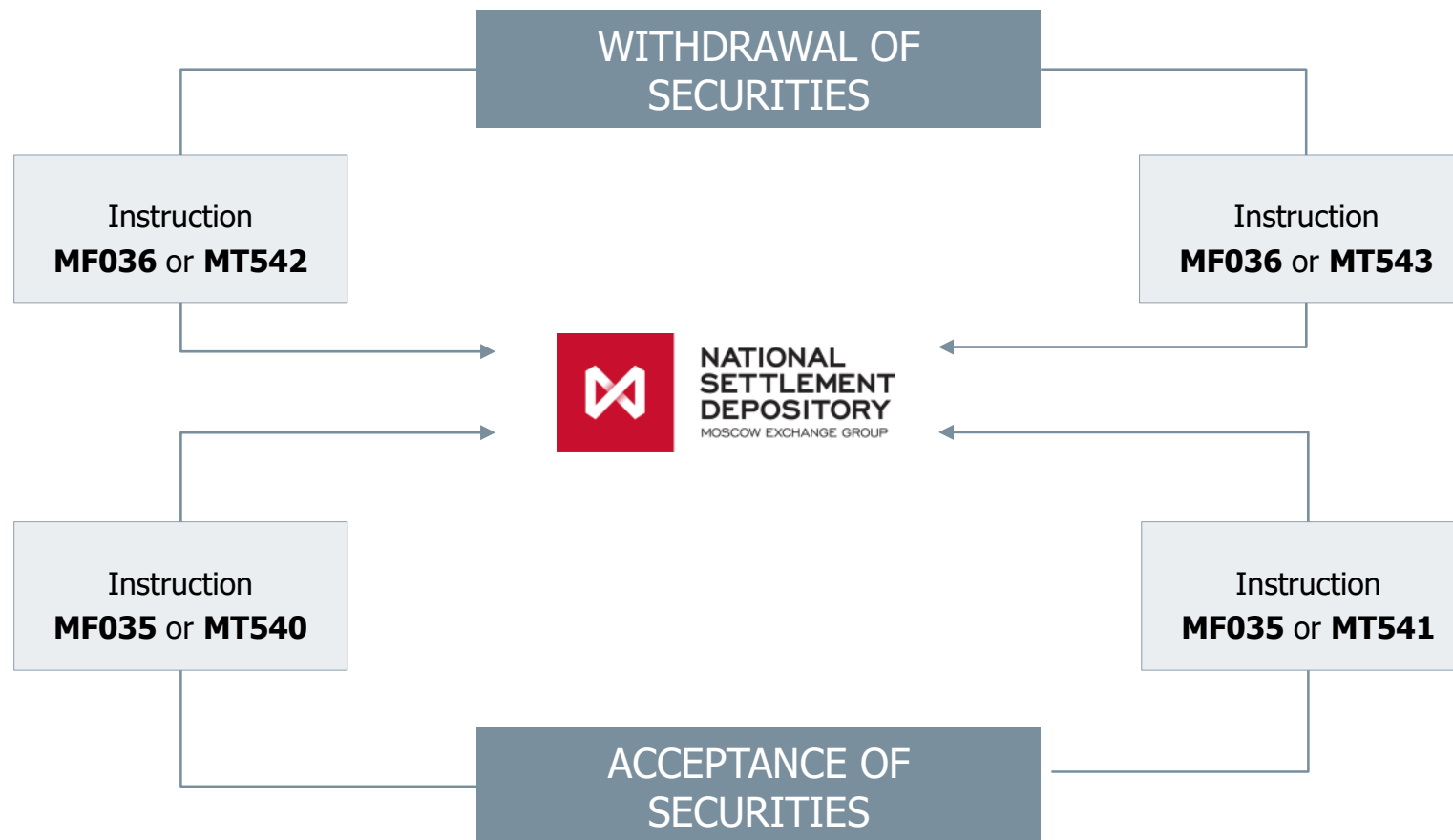


¹ If securities owned by a client's particular customer need to be segregated in the nominee securities account.

² The securities account/sub-account operator, or securities account fiduciary, may have his bank account with NSD registered only with respect to the securities account / sub-account (in the latter case, for the operator only) for which he is designated to act as operator/fiduciary. For this purpose, a bank account registration application and an instruction (Form AF005) for registration of the bank account details, along with a notice of bank account details (Form GF088) (transaction code – 07, purpose code – 10), need to be submitted.

The scheme involving an operator is described in more detail on NSD's web site (section "[Opening Securities Accounts](#)").

MAKING TRANSACTIONS VIA EUROCLEAR / CLEARSTREAM



NSD'S ADDITIONAL SERVICES

NSD'S ADDITIONAL SERVICES [1/2]

DEPOSITORY SERVICES



Transactions at CSDs of CIS countries



Instruction prioritization



Conversion of depository receipts



DVP settlements in Central Bank money



Linked transactions



Collective investments at NSD



Individual accounts with ICSDs



Back-to-back settlements



OTC-system of Moscow Exchange



Hold & Release



INDIVIDUAL ACCOUNTS WITH ICSDs

FIRST RESULTS



Service launch -
December 2017



Service functionality **testing**
together with **Euroclear Bank**:

- securities and money settlements
- corporate actions processing



8 clients have opened 10 IAs with the ICSD

Transaction types available:

- FOP, DVP, securities transfers between accounts
- money transfers between accounts
- participation in CAs

DEVELOPMENT PLANS

Functionality extension

- Servicing of U.S. securities in individual accounts of nominee holders: **Done**
- Servicing of DRs on Russian securities, tax disclosures and income payments for individual accounts: **Done**

Access to IAs with other ICSDs

- Extension of the list of ICSDs (Clearstream), with which NSD may open individual accounts for its clients

Collection and analysis of client feedback to improve the service



ADVANTAGES

The service "**Individual Accounts with ICSDs**"» ("IAs with ICSDs") allows for segregated holding of clients' securities through NSD's multiple accounts with Euroclear Bank.

CONVENIENCE



- **Possibility to fund a money account to cover the difference between securities receipts and deliveries**
- Segregation of assets in NSD's separate account at an ICSD
- A wide range of transactions both at ICSDs and NSD
- No securities blocking for CAs at the level of NSD. Securities are only blocked at the level of the ICSD

RELIABILITY



- Securities and money are transferred at the same time
- Thomas Mug assigned to NSD: AA- (very low overall risk), with stable outlook

EFFECTIVENESS



- **Shortage of assets does not prevent giving an instruction to the ICSD**
- Tax benefits available for U.S. securities*
- Possibility to use two money accounts for brokers (a special broker account and a special depository account) linked to the same account with the ICSD

AFFORDABILITY



- Competitive fees

TECHNOLOGICAL EFFECTIVENESS



- Single settlement instruction (full STP)



TRANSACTIONS IN FOREIGN SECURITIES

POSSIBLE TRANSACTIONS IN FOREIGN SECURITIES

- Settlement of trades with counterparties at **Euroclear** / Clearstream (bridge settlement)
- Settlement of trades with counterparties in national markets
- Transfers between IAs with ICSDs and Omnibus accounts*

COVERED NATIONAL MARKETS

- UK
- Germany
- Hong Kong
- Italy
- Canada
- Slovakia
- Slovenia
- USA
- Finland
- France
- Switzerland
- Sweden

CURRENCY

- USD
- EUR
- CHF
- other foreign currencies (upon request)
- GBP
- CNY
- HKD

PERMITTED INSTRUCTION TYPES

- **36** – transfer of securities to a counterparty's account with the ICSD or in the national market
- **37** – transfer of securities from a counterparty's account with the ICSD or in the national market
- **20** – transfer of securities within the same securities account
- **10** – transfer of securities to the Client's other securities accounts of the relevant type



DVP SETTLEMENTS IN CENTRAL BANK MONEY

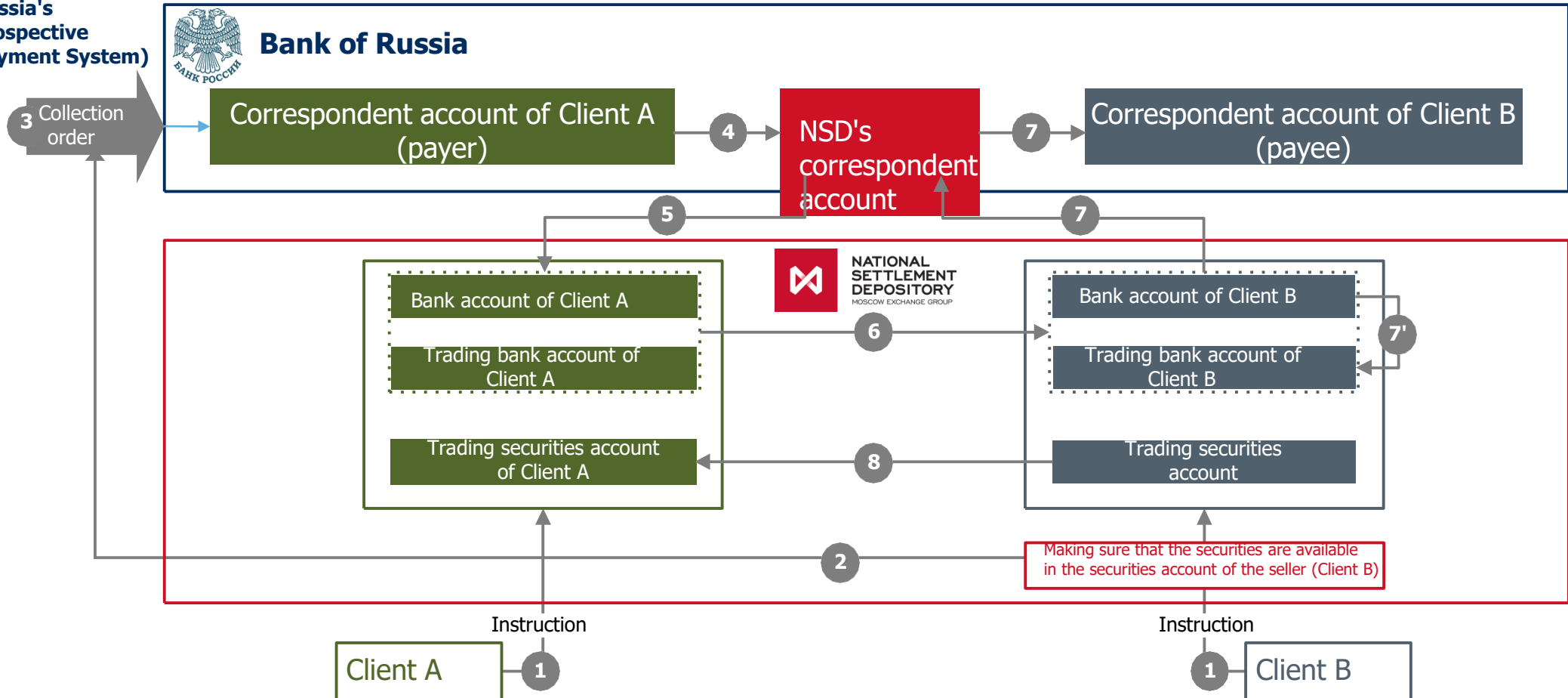
ADVANTAGES

- Submission of DVP-1 instructions via SWIFT or LUCH
- Money transfers to and from NSD's clearing participants' accounts with the Bank of Russia
- Collection orders with respect to clearing participants' bank accounts with the Bank of Russia are issued by NSD
- Execution of transactions without having a trading bank account with NSD
- Execution of transactions between counterparties one of which has an account with NSD, and the second one has an account with the Bank of Russia



TRANSACTION FLOWCHART

Rapid transfer service (Bank of Russia's Prospective Payment System)





BACK-TO-BACK SETTLEMENTS

Back-to-back settlements is a solution that involves netting of parties' liabilities as part of a global pool of instructions, thanks to which it is possible to settle instructions the separate settlement of which would have been impossible due to non-availability of assets required for settlement.

Back-to-back settlements are made during NSD's clearing sessions.

BANK ACCOUNTS WITH NSD

**10:00, 12:00, 13:00, 14:00, 15:00,
16:00, 18:00, 18:45, 19:40**

BANK ACCOUNTS WITH FOREIGN BANKS

10:00, 13:00, 15:00, 18:00, 18:45

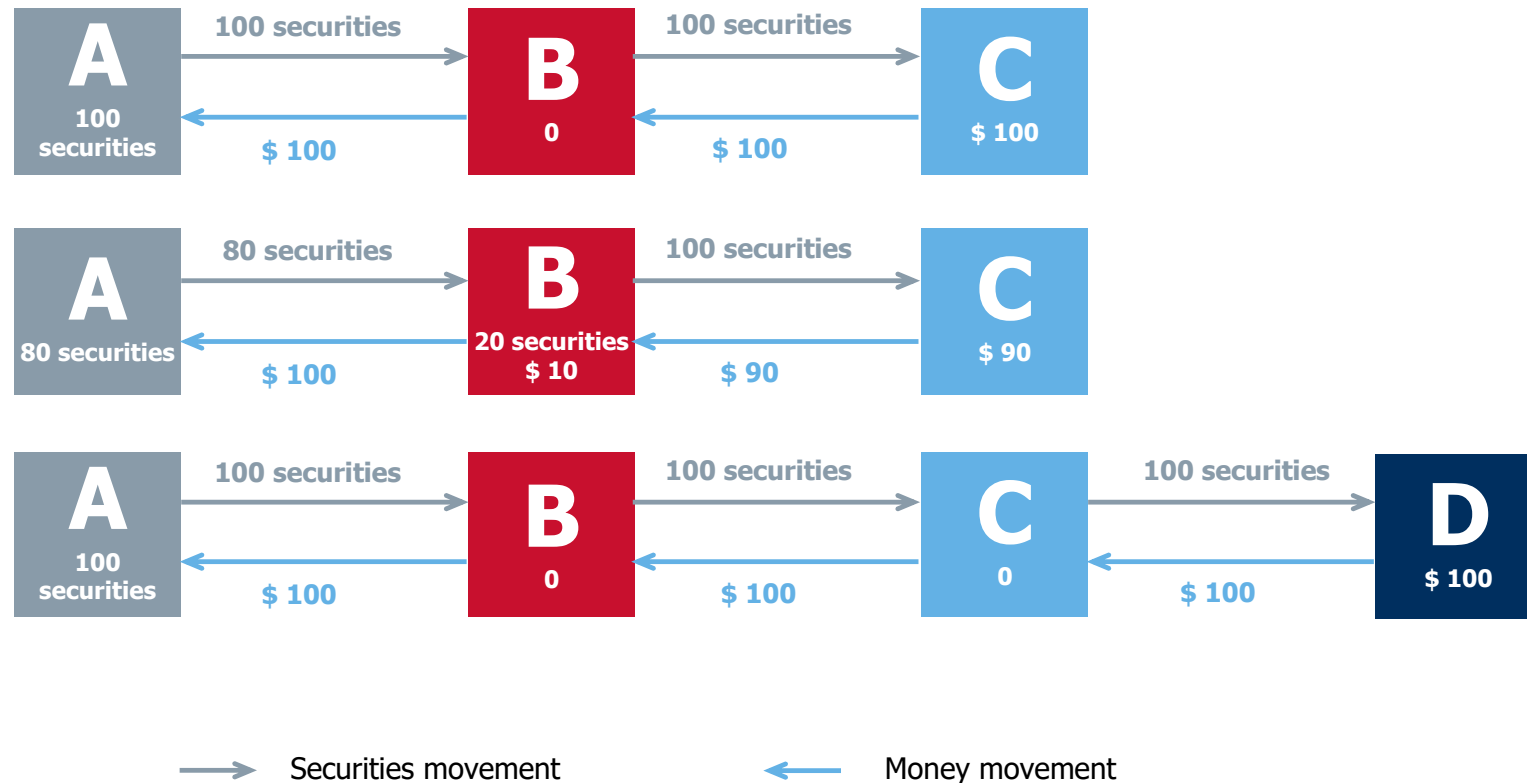
Back-to-back settlements are applicable to 'delivery versus payment' (DVP) instructions:

ACCOUNTS	SECURITIES ACCOUNT WITH NSD	
	DVP MODEL	CURRENCY
Bank account with NSD	DVP 2, 3	RUB, USD, EUR, CNY, HKD, GBP, CHF
Bank account with a foreign bank	DVP 2, 3	USD



BACK-TO-BACK SETTLEMENT SCHEMES

NSD's clearing system allows for making back-to-back settlements using a scheme wherein several consecutive trades to buy and sell securities are made, in which one or more than one intermediary settlement participant may have no or insufficient assets required to separately execute each such trade.

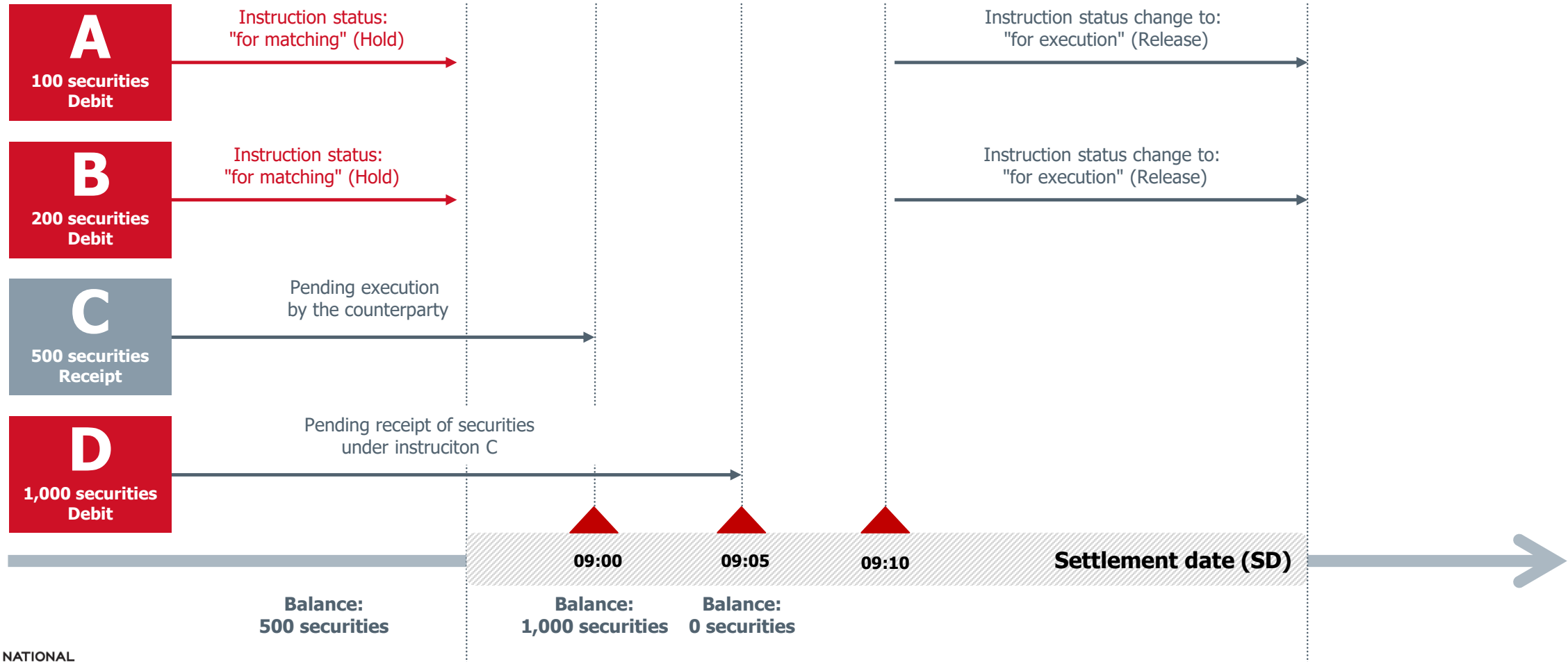




USE OF THE HOLD & RELEASE SERVICE [1/2]

INSTRUCTION EXECUTION SEQUENCE MANAGEMENT

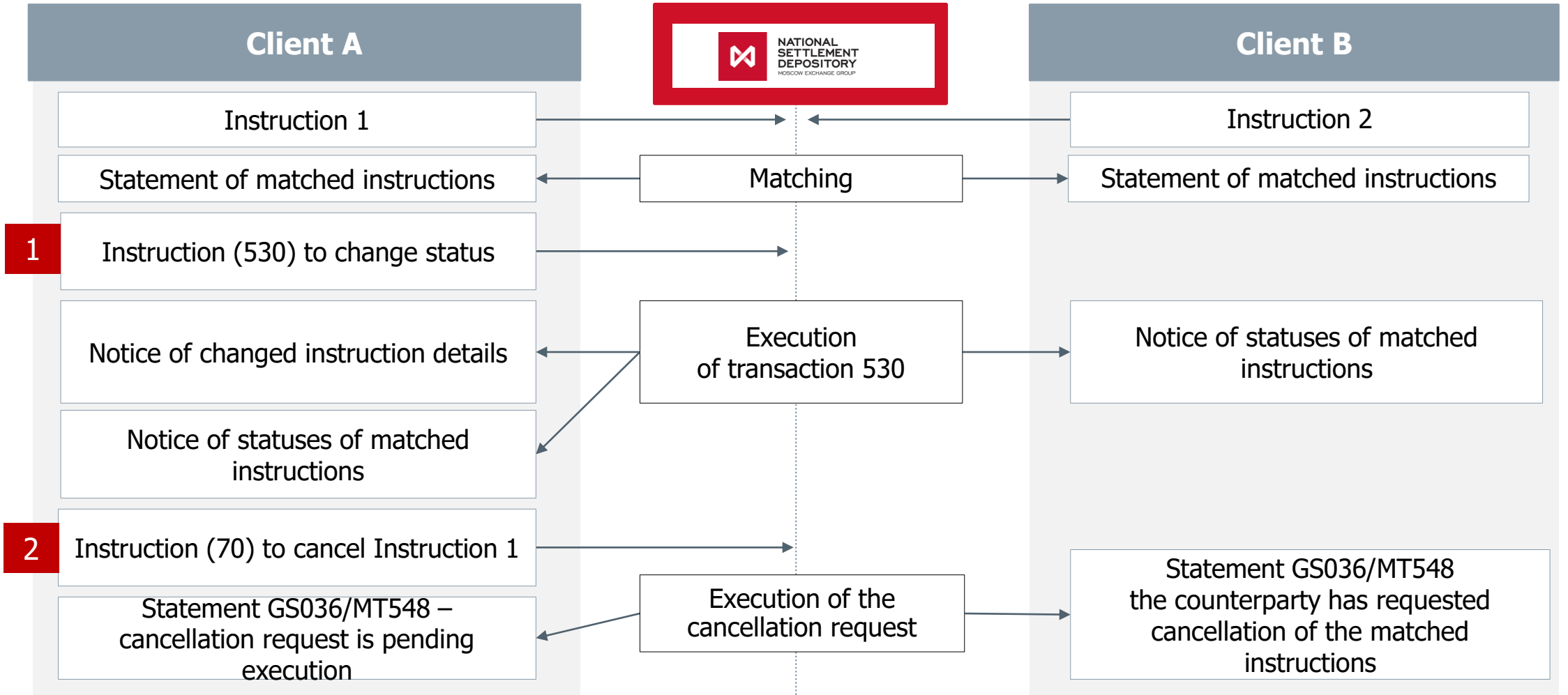
Instruction D to debit 1,000 securities is the first-priority instruction.





USE OF THE HOLD & RELEASE SERVICE [2/2]

A POSSIBILITY TO SUSPEND EXECUTION





INSTRUCTION PRIORITIZATION

The prioritization service allows a client to determine the execution priority of clearing instructions or instructions to deliver securities on a DVP or FOP basis.

HIGH PRIORITY

- Securities are reserved for execution of instructions with the highest priority. Securities reserved for execution of the first instruction in the queue may not be used for execution of any other instructions.

MEDIUM PRIORITY

- Medium-priority instructions are executed following the execution of all high-priority instructions. Securities are also reserved for execution.
- If the first instruction in the queue cannot be executed, the securities reserved for its execution may be used for execution of the following same-priority instructions.
- If it is impossible to execute medium-priority instructions, the securities reserved for their execution become available for execution of low-priority instructions during the last clearing session (DVP2 and DVP3), or after the last clearing session (DVP1 and FOP). The next day, securities are reserved again.

LOW PRIORITY

- DVP and FOP instructions with the priority ranked by settlement date/time and then by instruction registration date/time, subject to availability of sufficient securities for delivery. If the securities available are insufficient for execution of the first delivery instruction in the queue, the system will switch to processing further instructions.



LINKED TRANSACTIONS

LINKED TRANSACTIONS is a service that allows a client to create a pool of linked instructions, within which the sequence of execution of the instructions is determined in accordance with the pre-defined conditions.

POOL is a group of instructions with the same pool number (ID) and the clearly determined sequence of their execution. The sequence of instructions execution is determined by the client by specifying a pool type.

Advantages for clients

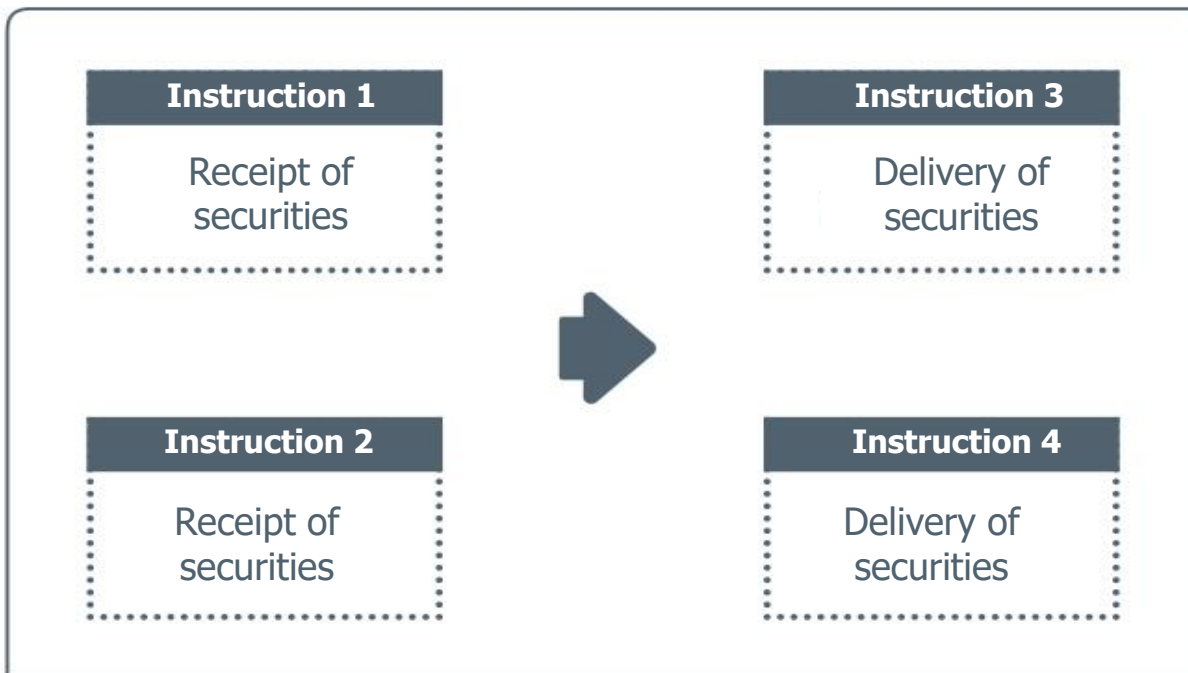
Possibility to manage assets effectively:

- securities received as a result of execution of linked instructions to purchase securities are reserved and may only be used for execution of linked instructions to deliver securities ("linked securities");
- money received as a result of execution of linked instructions to deliver securities are reserved and may only be used for execution of linked instructions to purchase securities.



LINKED TRANSACTIONS. **DCR POOL**

DCR POOL (Delivery Contingent on Receipt): delivery of securities following their receipt



The securities received upon execution of Instructions 1 and 2 are used to execute Instructions 3 and 4 being part of the pool.

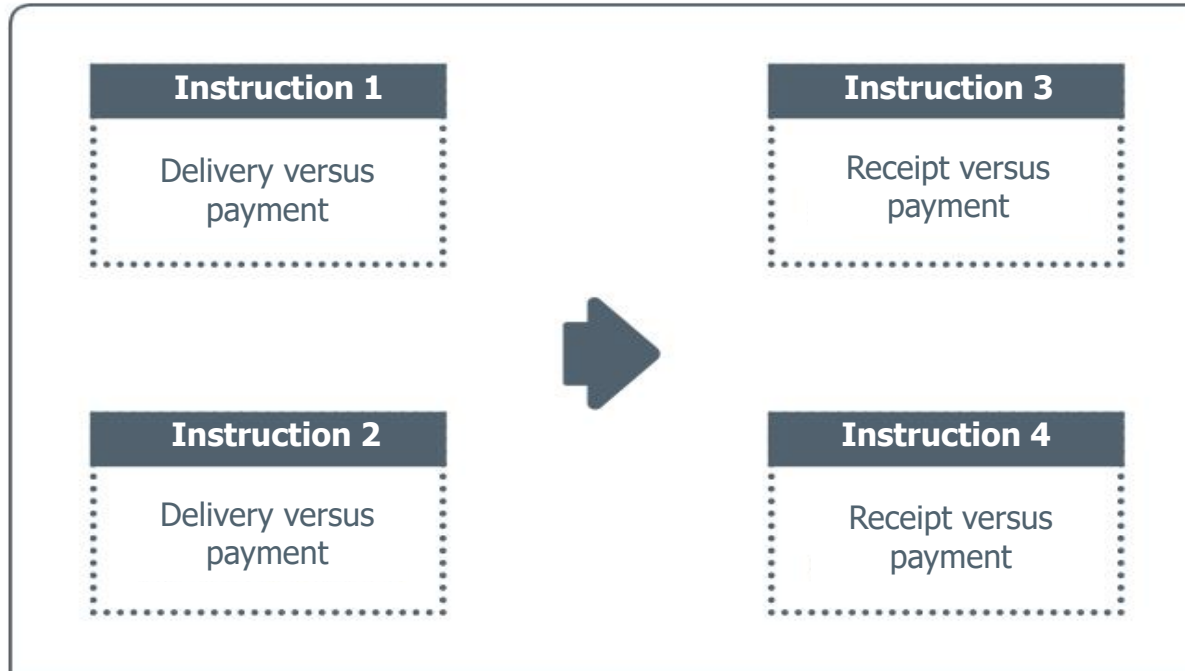
THE PRINCIPAL PURPOSE OF THIS POOL TYPE

is to use the SECURITIES received upon execution of specific securities receipt instructions to execute specific instructions to deliver securities



LINKED TRANSACTIONS. **RCD POOL**

RCD POOL (Receipt Contingent on Delivery): receipt of securities following their delivery



THE PRINCIPAL PURPOSE OF THIS POOL TYPE

is to use the MONEY received upon execution of specific securities delivery instructions to execute specific instructions to receive securities

The securities received upon execution of Instructions 1 and 2 are used to execute Instructions 3 and 4 being part of the pool.



OTC SYSTEM: A NEW FUNCTIONALITY FOR THE OTC SEGMENT

OTC SYSTEM is a MOEX Board sub-system for indication of interest and making quotations for financial instruments

PURPOSE OF THE OTC SYSTEM:

- To create the best mechanism for price search in the OTC debt market
- Coverage of all trading technologies available in the debt market using the MOEX e-platform

POTENTIAL USERS:

all legal entities (professional securities market participants and other financial institutions, corporate clients, private pension funds, insurers, and asset management companies)



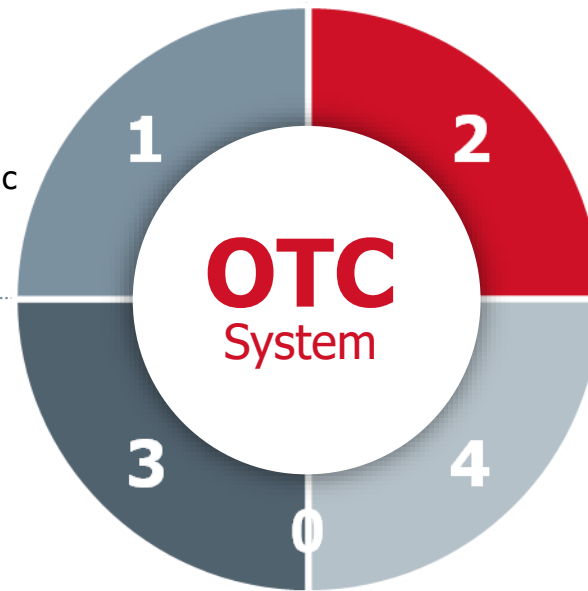
MOEX OTC SYSTEM CAPABILITIES

Full integration with the MOEX infrastructure

- Order forwarding to organized trading (Negotiated Deals Mode)
- DVP settlements at NSD
- Clearing of OTC trades at CCP NCC
- Integration with the 'Center of Electronic Contracts' system
- External market data

Flexible interaction within the System

- Anonymously/Publicly
- Negotiated deal orders / Auction orders
- Soft interest indications and firm orders
- Client's own white and black lists of counterparties
- Counterparty selection algorithm



Exchange and OTC market instruments

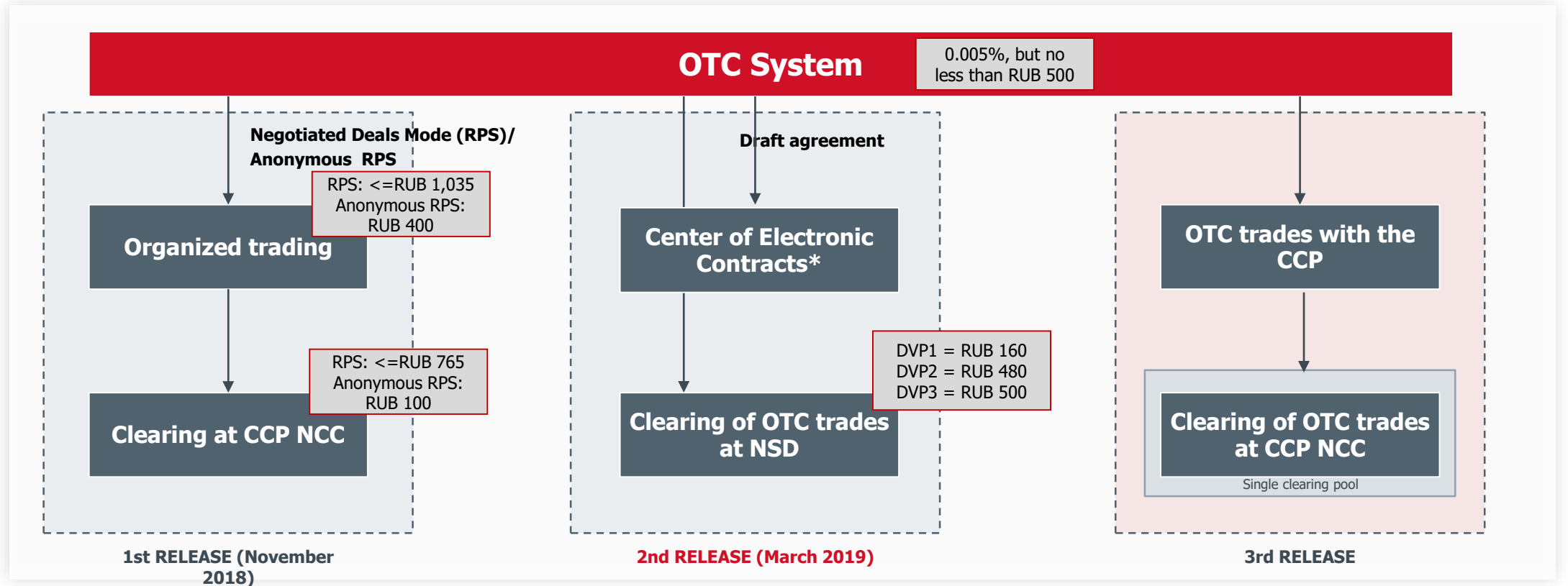
- 1,500+ bonds listed at MOEX
- 4,500+ Eurobonds covered by NSD's services

Accessible by a wide range of participants

- Access via WEB-terminal and MICEX Trade SE
- Free connection and use (fee is charged for agreements only)



INFRASTRUCTURE SOLUTION



* Optionally



DATA TRANSFER TO DCS WEB-CLIENT

The OTC System offers the data transfer option to enable a participant to issue its clearing instructions via its DCS Web-client.

ADVANTAGES FOR PARTICIPANTS:

- Less manual operations are needed on the side of clearing participants
- Reduced risk of operational error
- Reduced risk of late submission of a clearing instruction
- Speeded-up data transfer from a trader to the depository

NSD'S ADDITIONAL SERVICES [2/2]

AUXILIARY SERVICES



Information services



Assignment
of ISINs and CFIs



Transit of electronic
documents



NSD's SWIFT Service
Bureau



Tax management

ISSUER SERVICES



Issuance of
commercial papers



E-VOTING

CONTACTS

Personal account managers:

Tel.: +7 495 956-27-90, +7 495 956-27-91

Managers responsible for client relations and promotion/quality improvement of services:

Tel.: +7 495 232-05-14

E-mail: sales@nsd.ru

Address: 12 Spartakovskaya Street, 105066 Moscow

Web sites: www.nsd.ru, www.isin.ru

THANK YOU!



APPENDIX

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- The information contained herein has not been independently verified. This document does not contain any representations or warranties, either express or implied, and information or opinion contained herein should not be relied upon as being true, accurate, or complete. Neither the Company, nor its subsidiaries or affiliates, nor its or their respective directors, employees, advisors, or agents accept any liability (either in negligence or otherwise), directly or indirectly related to the use of, or otherwise arising from, this document.
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 - Perception of market services provided by the Company and its subsidiaries;
 - Volatility in (a) the Russian economy and securities market, and (b) highly competitive sectors in which the Company and its subsidiaries operate;
 - Changes in (a) domestic or international laws or tax regulation, or (b) government programs related to financial or securities markets;
 - Increasing competition from new players in the Russian market;
 - Capability to keep pace with quick changes in the technological environment, including capability to make use of advanced functionalities popular with Company’s and its subsidiaries’ clients;
 - Capability to maintain consistency in the process of introduction of new competitive products and services, and maintain competitiveness;
 - Capability to obtain new clients both in the domestic market and in foreign jurisdictions; and
 - Capability to increase the number of products offered in foreign jurisdictions.
- The forward-looking statements are made exclusively as at the date hereof, and we expressly disclaim any obligation to update or review any forward-looking statements herein, whether as a result of any changes in our expectations, or any changes in any conditions or circumstances on which such forward-looking statements are based.