



**NATIONAL
SETTLEMENT DEPOSITORY**

MICEX-RTS GROUP

Depository Environment: Russia, CIS and beyond

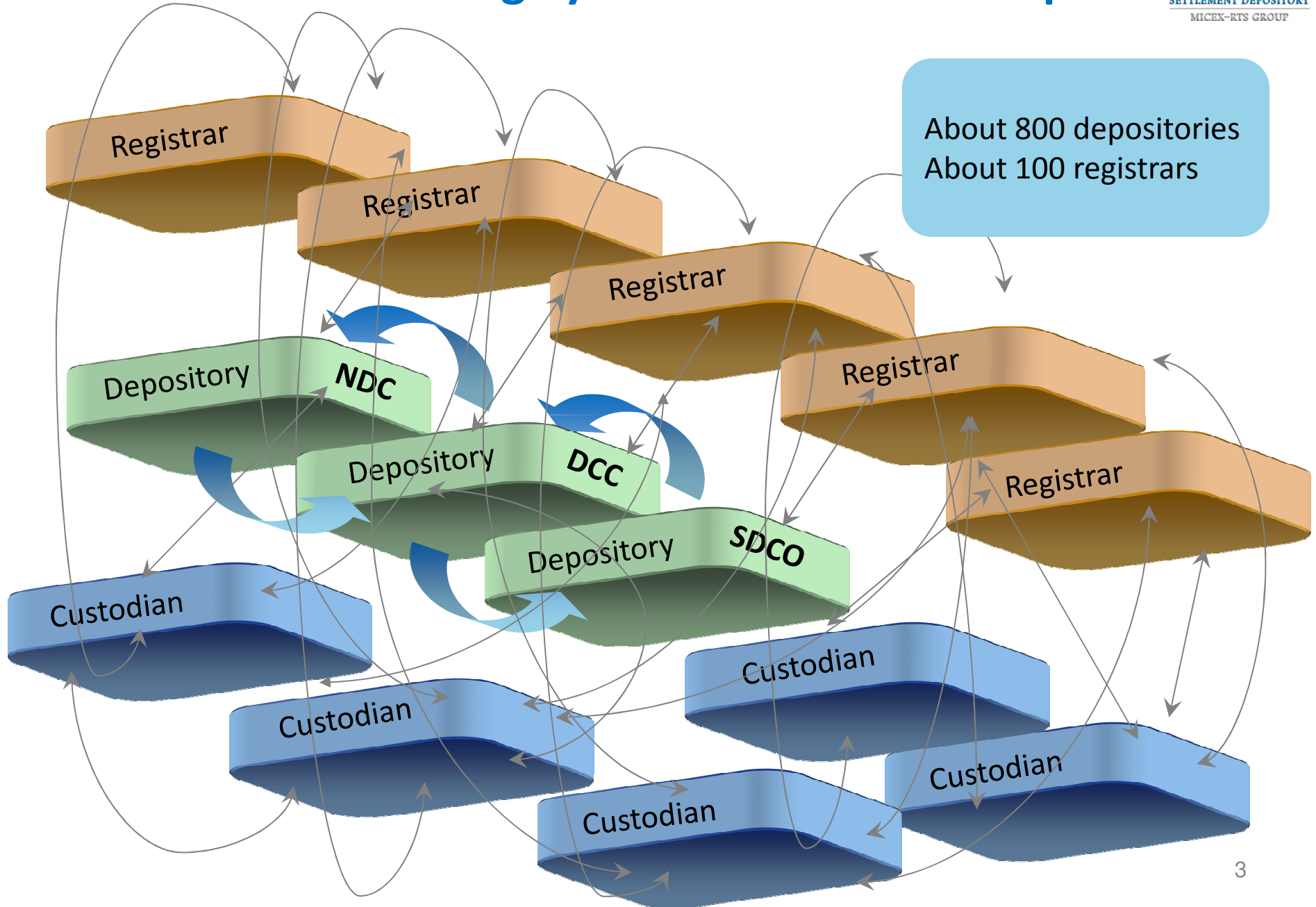
Boris Cherkasskiy

ACSDA

Cartagena, March 29, 2012

RUSSIA

Securities Accounting System in Russia in the past



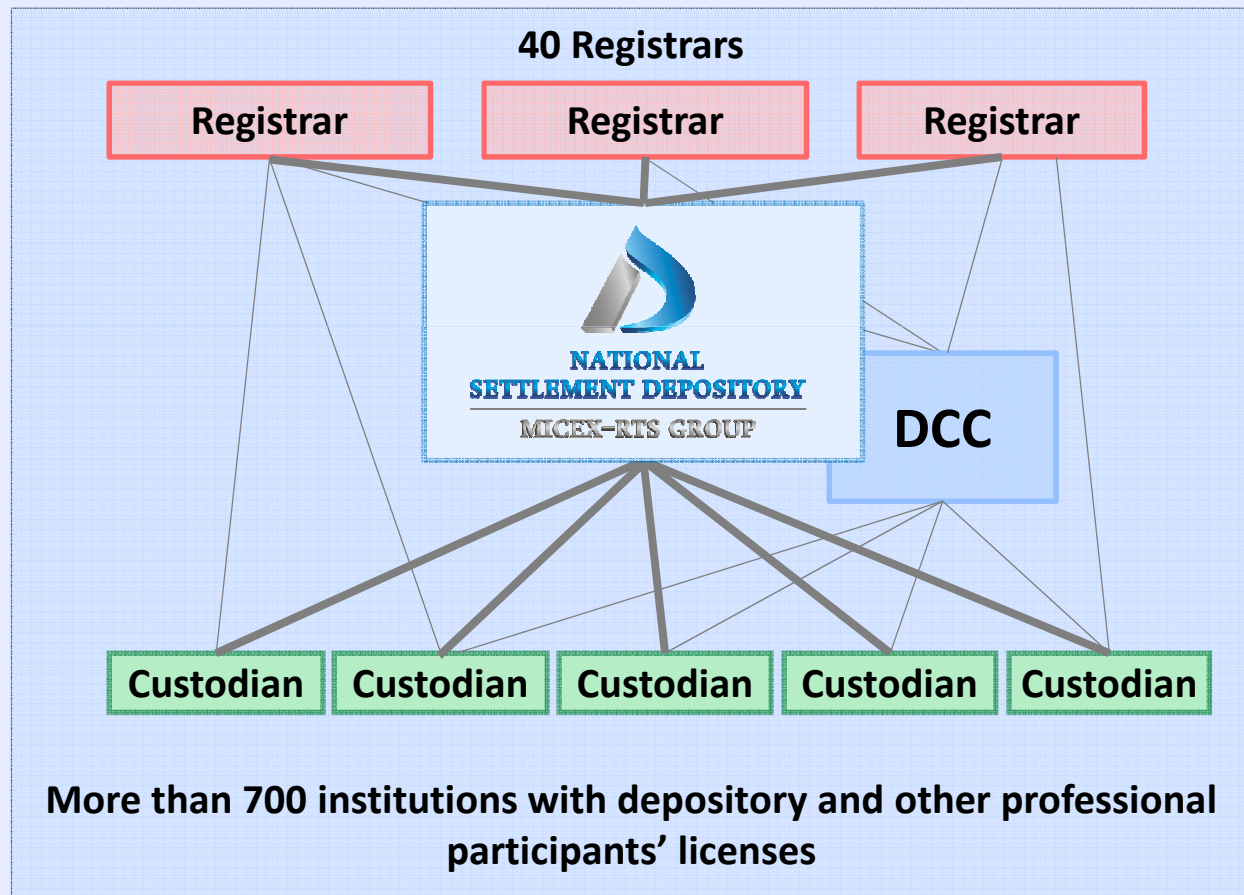
In 2011 NSD is the leading depository on the Russian Securities Market

NSD implemented electronic links with the main registrars.
Over 93% of operations with registrars were settled via EDI in 2010.

Regulators

The Federal Financial
Markets Service of
the Russian
Federation
(the FFMS of Russia)

The Bank of Russia



CSD law was adopted at the end of 2011

- The Law “On Central Securities Depository” and the relevant amendments to the Law “On the Securities Market” came into force on 1 January 2012
- The Law regulates CSD’s activities and its interaction with registrars
- Only the CSD is allowed to open nominee accounts with registrars for traded securities
- After 1 July 2012 foreign CSDs and ICSDs are allowed to open foreign nominee (omnibus) accounts with the CSD



NSD – the CSD of the Russian Federation

- Only one depository can have the status of the CSD
- NSD meets all legal requirements for the CSD
- In fact NSD is the only contender to get the status of the CSD
- NSD is expected to get the status of the CSD in July-August 2012



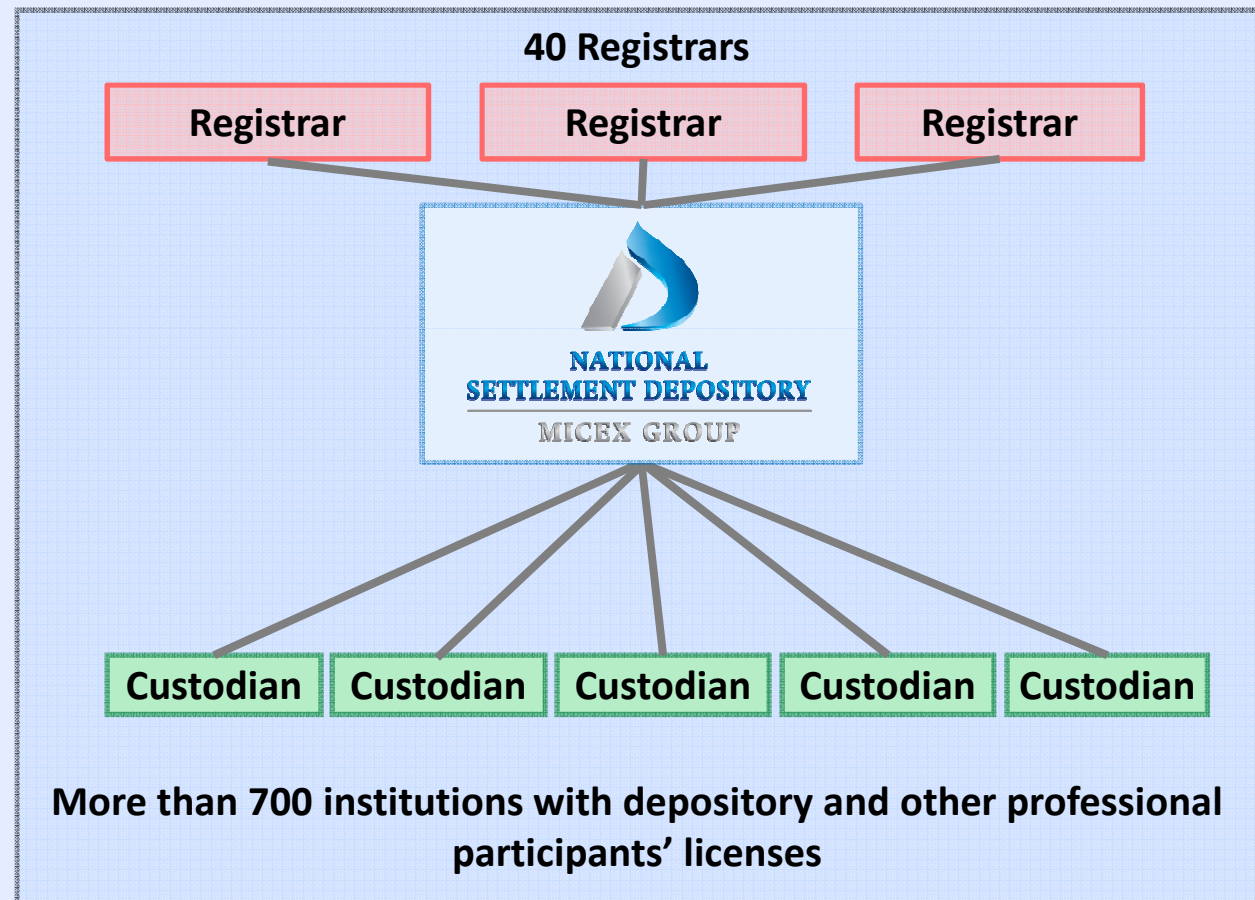
NSD – the CSD of the Russian Federation (2)

NSD has a banking license and is under regulation of the Bank of Russia. Electronic links with all registrars. Finality of settlement

Regulators

The Federal Financial
Markets Service of
the Russian
Federation
(the FFMS of Russia)

The Bank of Russia



NSD is an Eligible Securities Depository that meets all the Requirements of Rule 17f-7 under the 1940 Act

1. NSD is an ESD because it is incorporated in Russia and it operates a system for the central handling of book-entry of Russian securities, including all Russian debt securities and all Russian equity securities traded on MICEX-RTS and MICEX SE, as per Rule 17f-7(b)(1)(i);
2. NSD is an ESD because it is regulated by a foreign financial regulatory authority, the Federal Service for Financial Markets (FSFM of Russia), as per Rule 17f-7(b)(1)(ii);
3. NSD is an ESD because it holds assets for the custodian on behalf of the registered fund under safekeeping conditions that are no less favorable than conditions that apply to other participants, as per Rule 17f-7(b)(1)(iii);
4. NSD is an ESD because it maintains records that identify the assets of each participant and segregate the system's own assets from the assets of participants, as per Rule 17f-7(b)(1)(iv);
5. NSD is an ESD because it provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account, as per Rule 17f-7(b)(1)(v); and
6. NSD is an ESD because it is subject to periodic examination by regulatory authorities or independent accountants, as per Rule 17f-7(b)(1)(vi).

All additional AGC requirements are answered

- Special CSD regulation
- Finality of CSD settlement
- Special status of CSD nominee accounts
- Obligatory reconciliation between the CSD and registrars
- CSD records prevail registrars' records



Key figures perspective

NSD. Key figures and facts today

NSD	01.01.12
Assets under custody USD, bln	252
Number of transactions per year, mln (2011)	2.72
Volume of transactions, USD, trln (2011)	2.98

The largest settlement depository for Russia, the CIS and Eastern Europe

- De-jure CSD for government securities
- De-facto CSD for sub-federal, municipal and corporate bonds
- Settlement depository for three Russian exchanges

The new CSD. Expected key figures

NSD + DCC	End of 2012
Assets under custody USD, bln	421
Number of transactions per year, mln	3.5
Volume of transactions, USD, trln	3.89

The largest CSD in CIS and Eastern Europe

- Single CSD
- Central point of settlement infrastructure

*Including issuers' accounts

Tomorrow (in 3 years)

NSD is to develop into the regional ICSD for the CIS countries

Regional ICSD

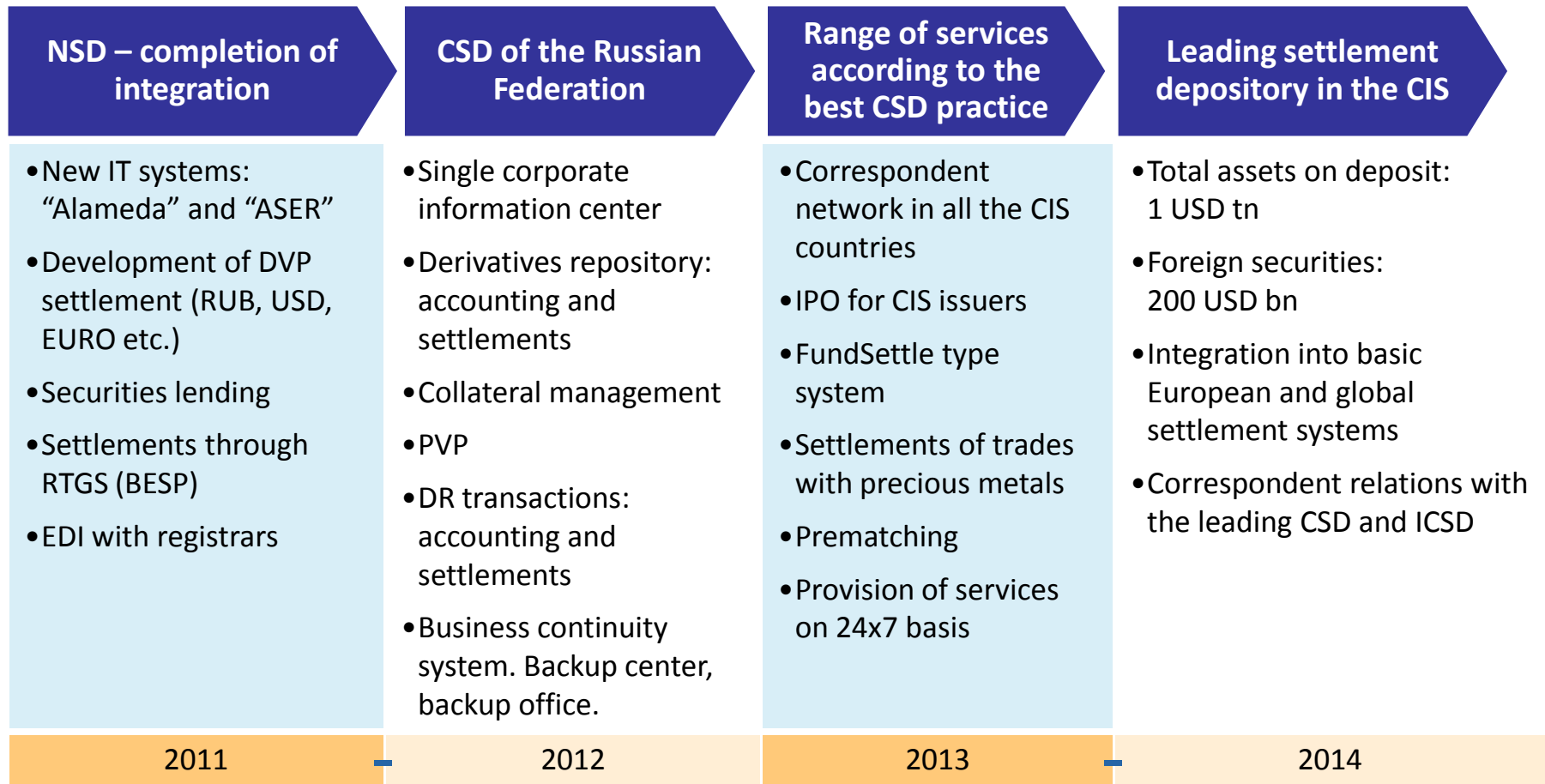
- An official status of the CSD in Russia
- The only Russian settlement depository – integrated with DCC
- Eligible depository according to 17f-7 (SEC 1940 Act)
- Technological development
- Corporate governance adequate to the CSD role
- Risk control
- Business continuity
- Comfortable business environment for foreign CSD, ICSD and central banks on the Russian and CIS markets
- Multi-currency settlements with securities transactions on DVP basis. PVP service
- Custody for most of liquid equities of the CIS issuers
- Single center for corporate information in Russia & the CIS
- Export of technological solutions to the CIS countries
- USD 1 trillion assets in custody
- Up-to-date range of services according to the best ICSD practice
- English interface and help desk
- Integration with depository and exchange systems of the CIS countries as well as with the major European and Global settlement systems
- The hub for safekeeping and settlement of transactions with foreign securities owned by domestic investors

2011 - 2012

2013 - 2014

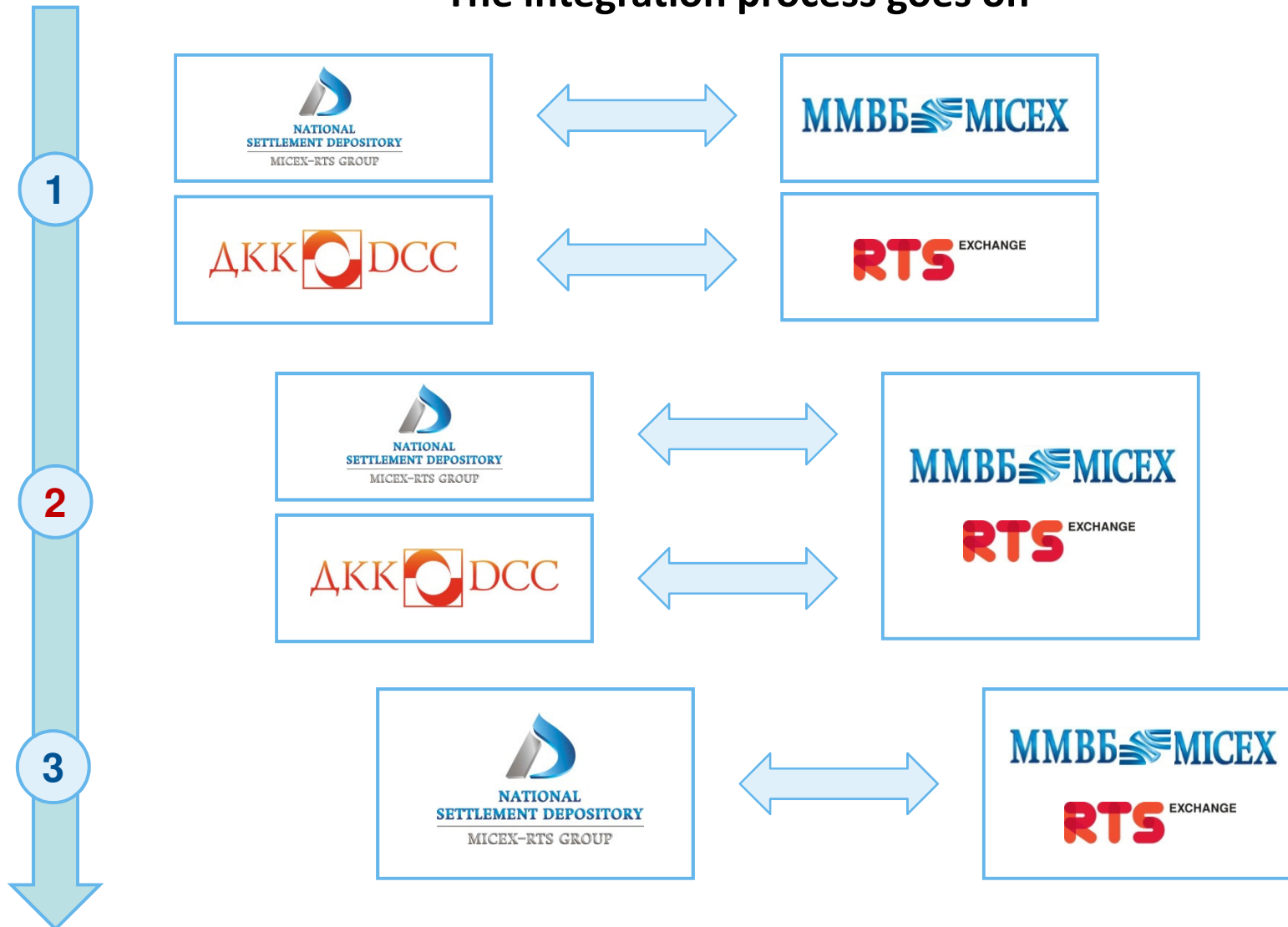
Road Map

Detailed road map is based on the milestones set



NSD+DCC = Integration of Settlement Systems

The integration process goes on



In line with the global trend

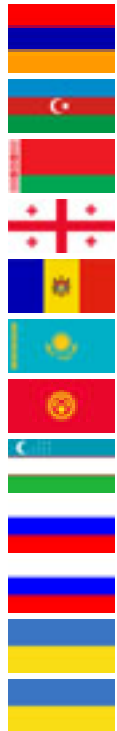


CIS



The Association of Eurasian Central Securities Depositories (AECSD)

AECSD – Association Members

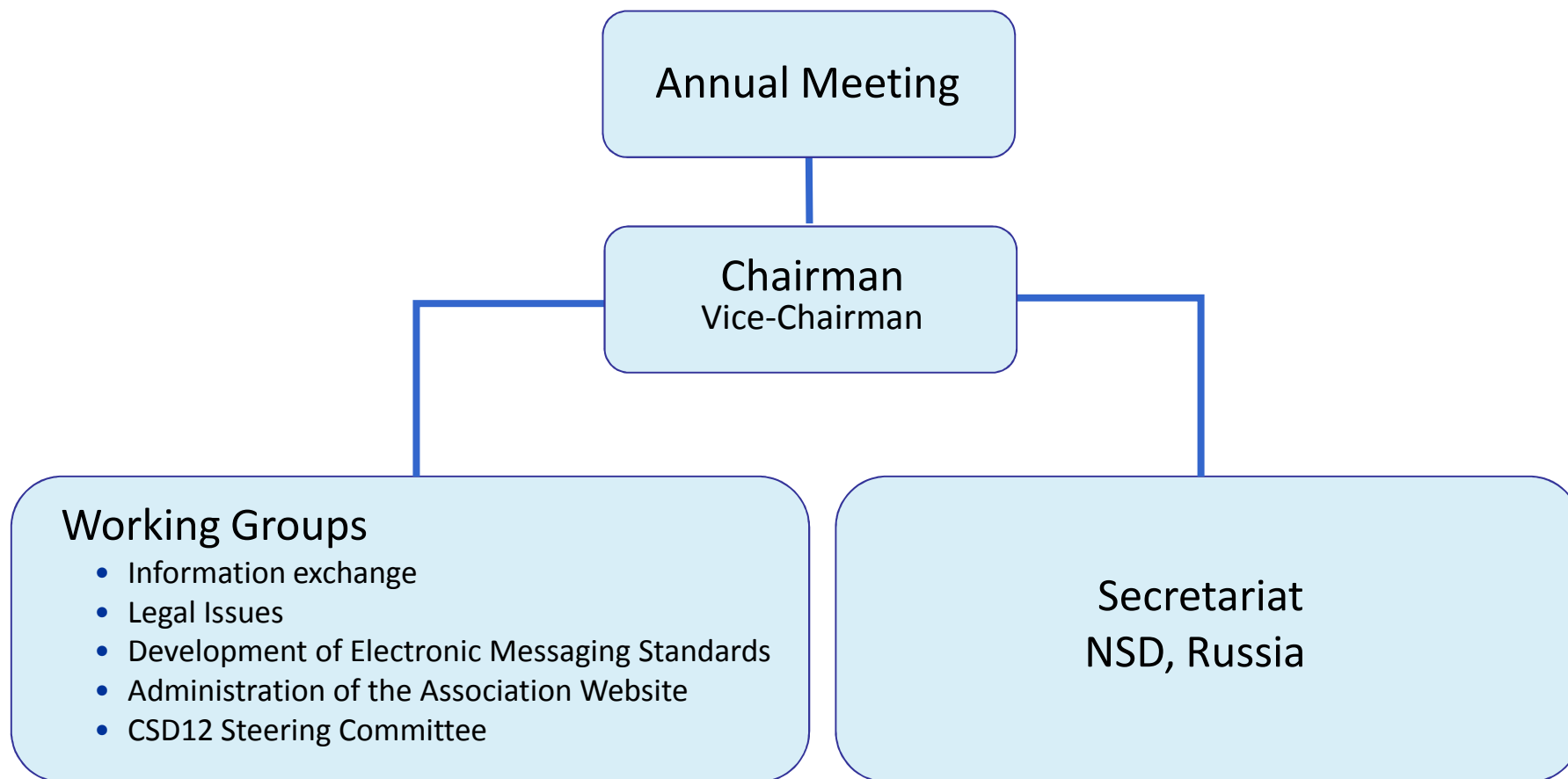


- Central Depository of Armenia
- The National Depository Centre (Azerbaijan)
- Republican Central Securities Depository (Republic of Belarus)
- Georgian Central Securities Depository
- National Securities Depository of Moldova
- Central Securities Depository (Kazakhstan)
- Central Depository (Kyrgyzstan)
- State CSD of the Republic of Uzbekistan
- Depository Clearing Company (Russian Federation)
- The National Settlement Depository (Russian Federation)
- The National Depository of Ukraine
- Ukrainian Securities Depository

Was established in 2004

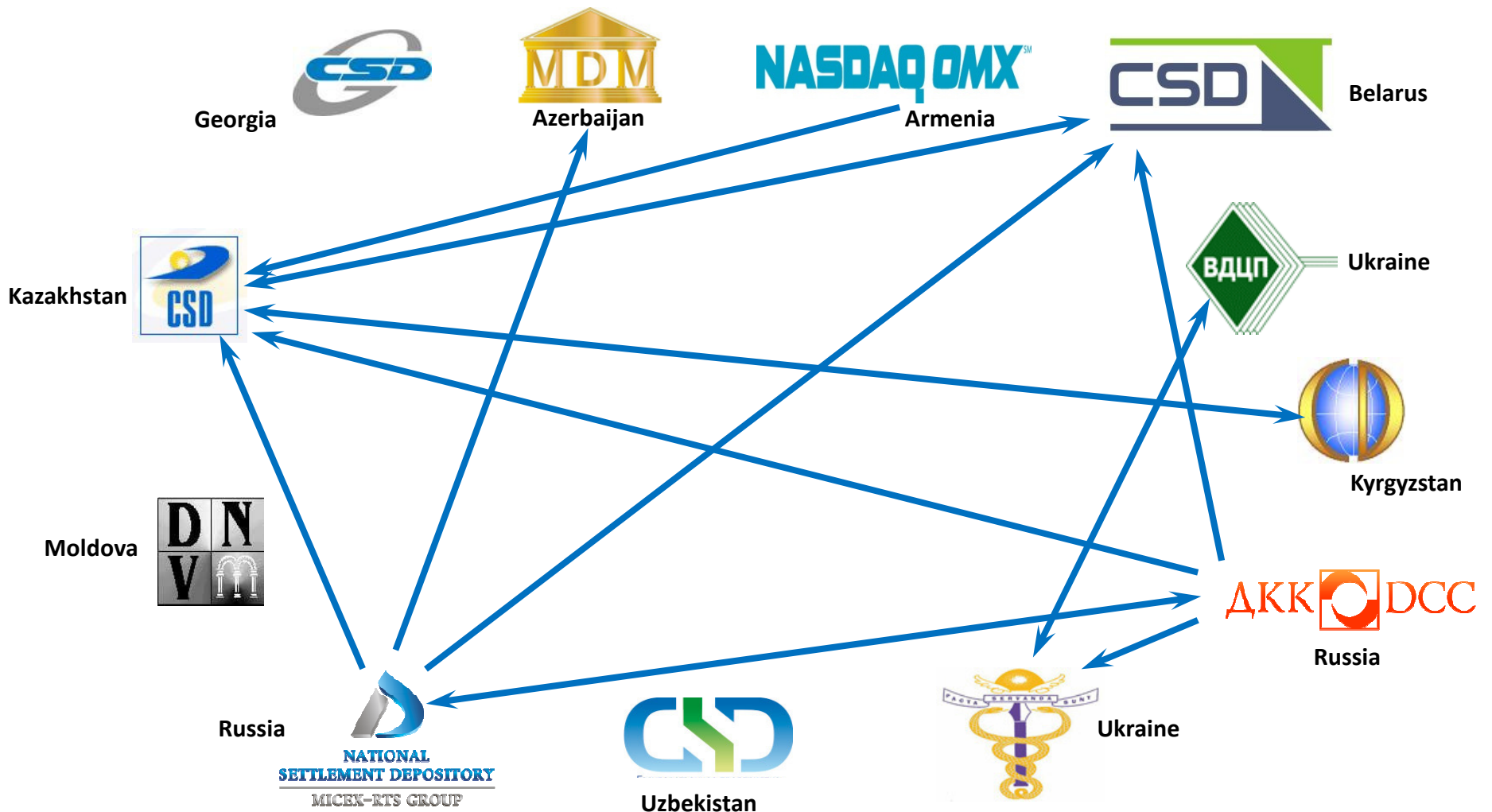
The Association Members 12 Depositories from 10 CIS Countries

AECSD Governance Structure

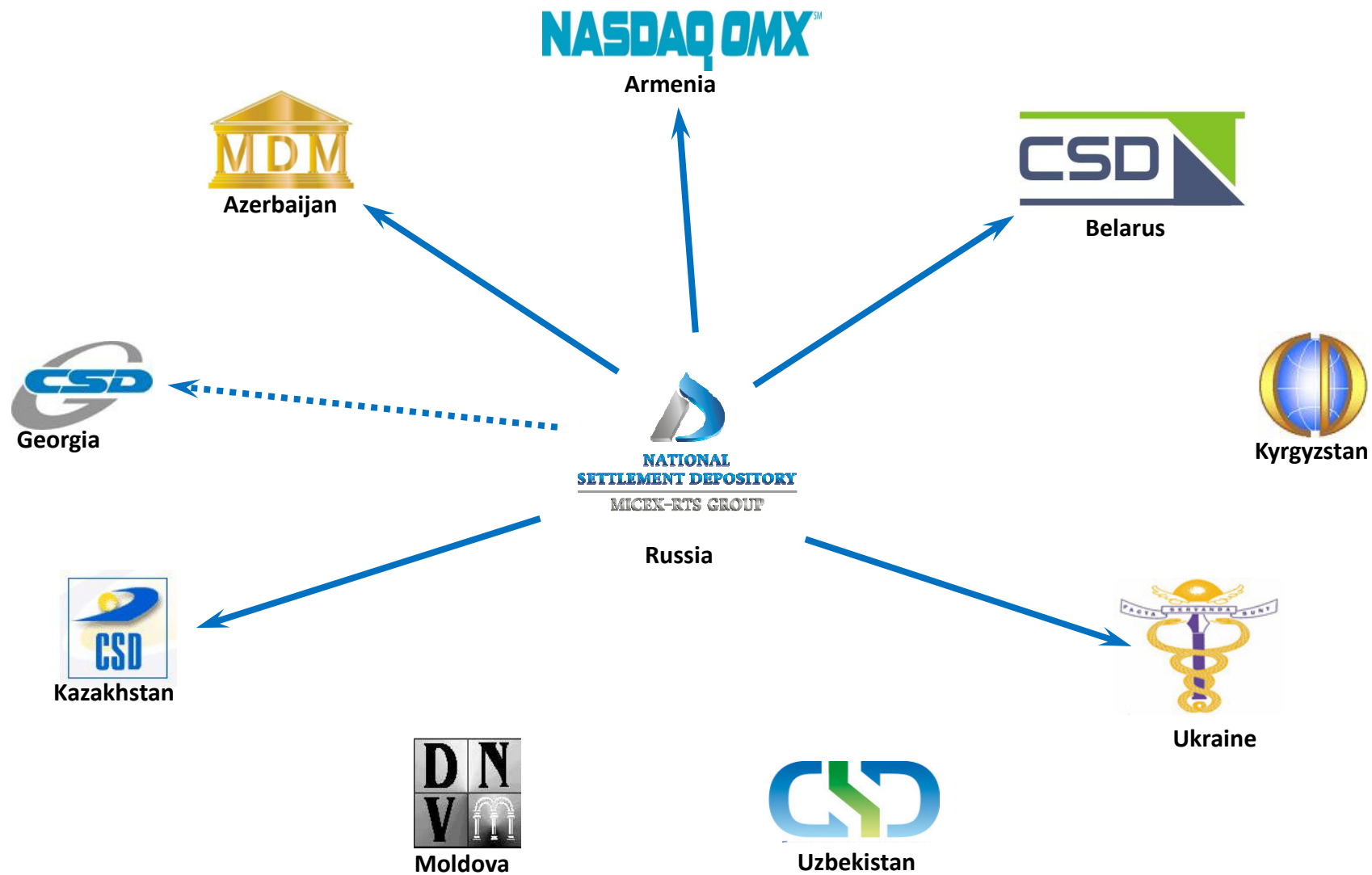


The Chairman and Vice-Chairman are elected annually under AECSD Charter.

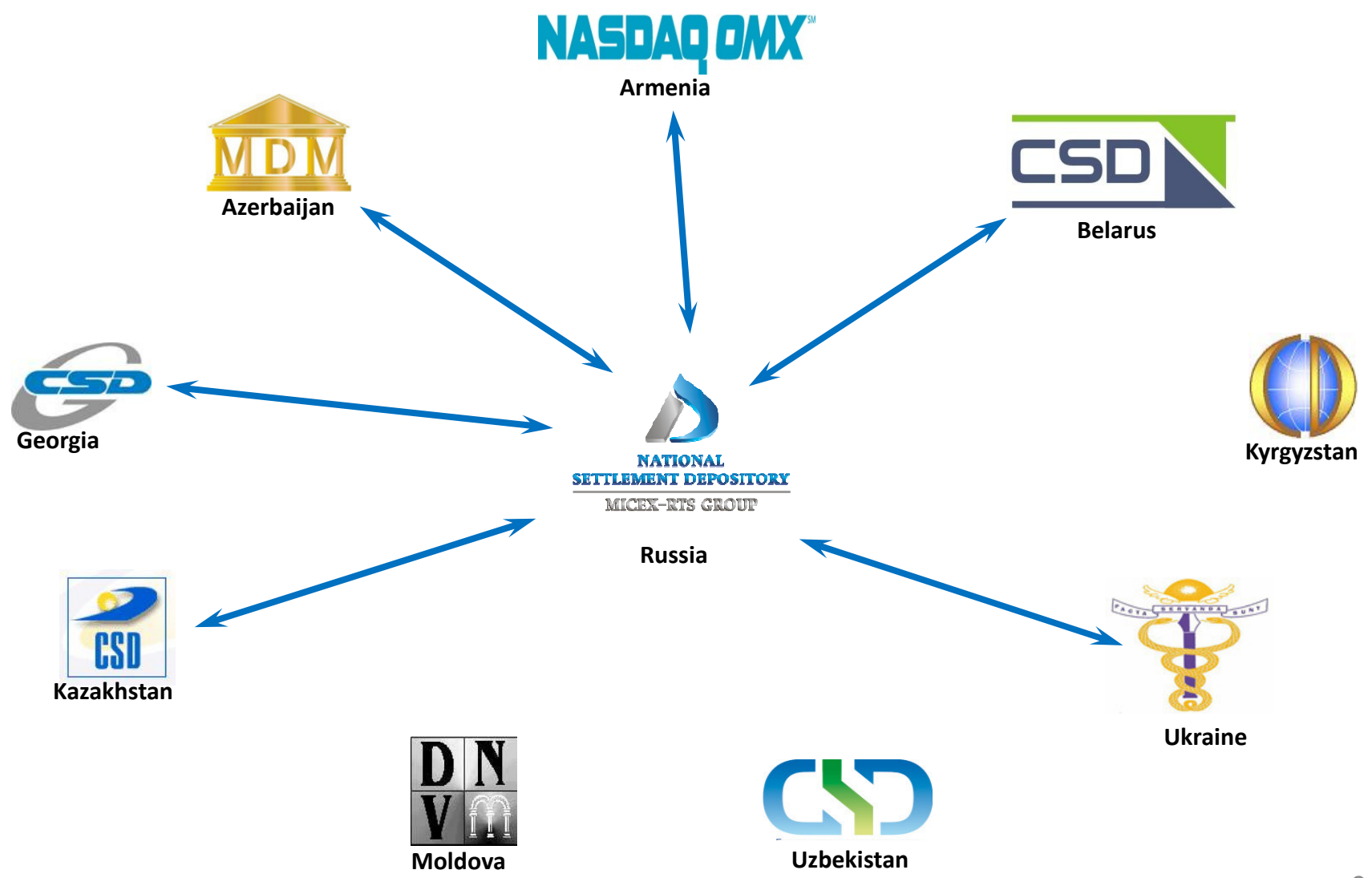
Correspondent Relations Map



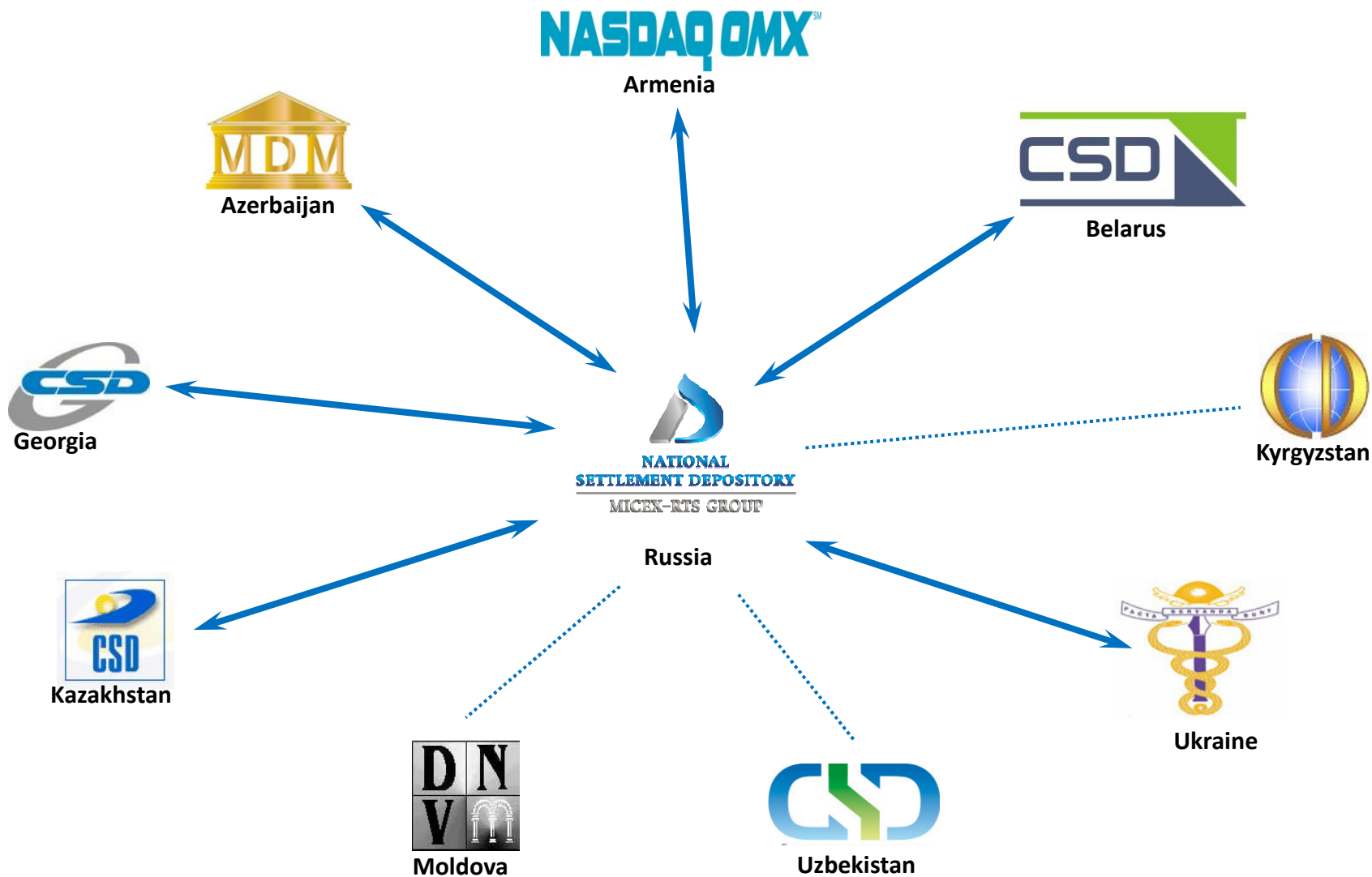
NSD-CIS Correspondent Relations Map now



NSD-CIS Correspondent Relations Map after July 2012



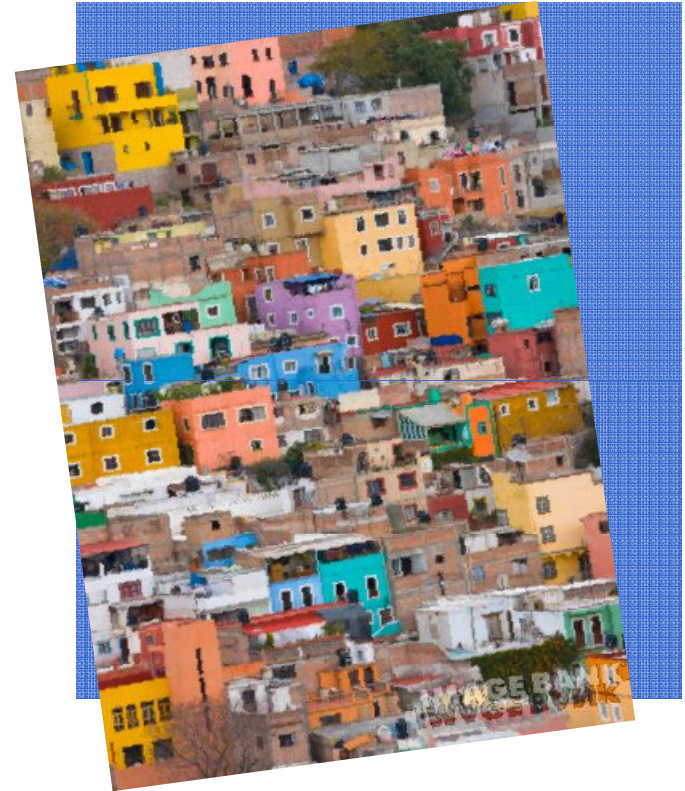
NSD-CIS Correspondent Relations Map after 2012



And beyond...

The 90s – Golden Age for Central Securities Depositories

- ▶ End of 80s – Report of the Group of Thirty
- ▶ Central Securities Depository concept becomes acknowledged
- ▶ Many CSDs were established during these years
- ▶ National settlement systems are established around CSDs though there isn't any standard construction
- ▶ It's nice to be a monopolist, even a small one
- ▶ ICSDs are giants in a country with people of different statures, but mostly not very tall



Life in the time of changes

- ▶ Financial integration of Europe. Euro, ECB, cash settlement systems (Target, Target2), Giovannini Barriers, MiFID, Code of Conduct, new European CSD regulation – craving for centralization.
- ▶ Euroclear + Clearstream were unable to become a European CSD. There is a strong demand for effective cross-border settlement, and the nature abhors the vacuum.
- ▶ ECB: what's special about CSDs that is impossible for us to do?!
- ▶ The uprise of the project of an international settlement network T2S – great and terrible. But T2S is not a European CSD as well. Furthermore, the project requires sufficient capital investment and has not been launched yet. The launch dates are postponed.



How can CSDs survive

- ▶ Monopoly is over. No more need to be afraid of competition
- ▶ Efficiency, client focus, services, fees
- ▶ Banking service, clearing (without a CCP), reporting, related services
- ▶ CSD – an element of state sovereignty
- ▶ It is necessary to form not only political groups but also operational and technological ones. This is the only way to survive
- ▶ To find a reasonable level of integration allowing to remain independent. To achieve efficiency by combined efforts
- ▶ Link^{UP}Market – a soft integration scheme: there is much to think about
- ▶ Regional centers integrated into international settlement networks
- ▶ CSDs should take a key position in the future world of settlement and depository services





**TOGETHER WE CAN
MOVE THE MOUNTAINS!**

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