
Risk management

KEY RISKS

The Moscow Exchange Group has built an integrated risk management system, however each of the Group company faces its own inherent risks associated with the specific field of its activities. Thus, the Moscow Exchange, being the parent company of the Group, assumes the risks of a market operator.

That said, the Group's principal risk taker is none other than Non-banking credit institution - Central Counterparty National Clearing Centre (short name "CCP NCC") on the grounds that it operates as clearing house, a central counterparty for all main markets of the Moscow Exchange Group, and an operator of deliveries in the Commodities Market.

The Group's comprehensive risk management system extends to the NSD, the infrastructure powerhouse of the Russian financial market, whose priorities lie in the reliable operation and stable development of the following key areas:

- ▶ Central securities depository;
- ▶ Clearing system;
- ▶ Commodities' repository;
- ▶ Tripartite services;
- ▶ Corporate information center.

SYSTEM FOR MANAGING RISKS TO THE CURRENT STRATEGY

The principles and approaches employed by the Group in installing and operating the risk management system (RMS) are based on best international practices implemented in compliance with national and international risk and capital management standards. The Group holds an annual audit of its compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures, the COSO Enterprise Risk Management Framework, and the guidelines of the Basel Committee on Banking Supervision on procedures to be employed by credit institutions in the sphere of risk and capital management. In 2019, the CCP NCC, the principal risk taker of the Group, retained its DNV Business Assurance Management System Certificate ISO 9001:2015, an international standard denoting best global practice in the field of business and quality management. The Bank was audited by Det Norske Veritas and Germanischer Lloyd (DNV GL), an international certification company. DNV GL's standards establish clear

requirements for management of business processes to serve as the basis for a predictable and stable level of quality of products and services.

In 2019, NCC's initial and variation margin assessment model successfully underwent validation. The model was validated by multinational professional services firm PwC in line with the Bank of Russia's Regulation No. 658-P On the Requirements for a Qualified Central Counterparty, the Procedure for Recognition of Central Counterparty Management Quality as Satisfactory; on the Grounds and the Decision-Making Procedure for Recognition of Central Counterparty Management Quality as Unsatisfactory; on the Procedure for Informing the Central Counterparty of the Decision dated 1 November 2018. In its report submitted following the validation process, PwC assigned NCC with high risk protection rating.