

NATIONAL SETTLEMENT DEPOSITORY

The National Settlement Depository (NSD) is Russia's central securities depository, offering its clients a wide range of services, including depository services, repository and clearing services, settlement and cash services, information services, collateral management services and technology services.

The NSD Strategy through 2024, as approved by the NSD's Supervisory Board, forms part of the Group's Strategy 2024, which is designed to support the synchronized and synergized development of all Group companies.

The Strategy highlights three key areas for the NSD's growth:

- ▶ settlement and depository infrastructure;
- ▶ new market and client segments;
- ▶ information assets.

Central securities depository

The volume of assets held on NSD accounts increased by 17.1% to RUB 52.67 trln in 2019. The total amount of issued securities being serviced by the NSD increased by 16.6% to 23.4 thousand. In addition, the number of securities issued by foreign issuers and Russian Ministry of Finance Eurobonds increased by 23.3% to 15.5 thou, while the number of Russian securities increased by 5.7% to 7.9 thousand.

RUB 52.67 trln
assets held on NSD accounts

The volume of federal loan bonds (OFZ) on foreign nominees' accounts increased by 61.7% YoY and reached RUB 2.8 trln as of the end of 2019.

Collateral management

The volume of funds placed by the Federal Treasury through tri-party repo trades with a basket of OFZs in 2019 increased by 15% year-on-year to RUB 19.9 trln. The year was characterized by a small decrease in structural liquidity surplus in the banking sector compared with 2018, and by gradual reduction of interest rates. The Federal Treasury reacted flexibly to market conditions and placed more than third of all monetary funds through floating-rate repo trades.

In 2019, the City of St Petersburg became the first Russian constituent region to join the NSD's collateral management system (CMS). The city's Finance Committee placed a total of RUB 87.1 bln during the year. Using repo with the NSD's CMS allows Russian regions to increase the range of instruments for investing available budget funds, minimize risks associated with placements on unsecured bank deposits, widen access to repo agreements to a greater number of credit organizations, and thereby increase the profitability of budget liquidity management operations.

The number of Single Account service users doubled to 21. This service allows for the automation of standard assets transfer between clients' positions in the NCC and NSD.

Repository

In 2019, the number and volume of transactions included in the register of agreements by the NSD's repository increased to 15,196 transactions, or RUB 559 trln, up 21% and 28%, respectively, on 2018. FX instruments and repo agreements remain the key drivers in repository reports.

15.2 mln transactions
registered by NSD repository

The Reporting Agent service implemented during 2019 allows clients with no experience of preparing reports for repository, corporations or professional participants to outsource the preparation of repository reports for the NSD.

Corporate actions center

During 2019, issuers held 4,082 meetings of holders of their securities using E-voting. There were 334 corporate actions related to securities repurchases totaling RUB 237 bln, and 48 corporate actions related to exercising preferential rights.

In 2019, the number of corporate actions totaled 16,134, up 6% on 2018. In 2019, there were 32,007 corporate actions related to foreign securities, up 27% on 2018, primarily driven by the NSD's acceptance of newly issued securities. The corporate action categories where the largest increases were recorded were coupon payments and dividends on securities.

In 2019, 19 general meetings of shareholders were held using e-voting.

Settlement and payment system

In 2019, the number of OTC transactions settled using delivery versus payment (DVP) increased by 31.6% to 286.5 thousand. The volume of transactions increased by 17.2% year-on-year to RUB 9.38 trln.

+36.1%

growth in OTC trades with DVP settlement

There was a significant increase interest from clients in securities trading using Free of Payments Settlements (FOP) and DVP via NSD accounts with international central securities depositories (ICSDs). FOP grew by 12% while DVP increased by 72%. In 2019, clients carried out 156 thousand operations, compared to 117 thousand in 2018.

In 2019, the volume of cash transfers in Russian rubles and foreign currency decreased by 10% on 2018 to RUB 302.4 trln, due to a reduction in the number of transfers in Russian rubles. The volume of cash transfers in foreign currency almost tripled.

In 2019, the number of transactions, including in Russian rubles, totaled 1.20 mln, down 7%. The number of transactions in foreign currency increased by 34%.

The currency basket for settlements by NSD clients was expanded. The number of corporate clients making settlements using bank accounts in the NSD's payment system increased.

The NSD became the first central depository to join the SWIFT GPI global service. This service allows information about a transaction to be received during the payment transmission via the chain of banks involved in a settlement.

Technological services

In 2019, the NSD successfully completed certification by the SWIFT Service Bureau as part of the Shared Infrastructure Programme (SIP). SIP compliance confirms the high level of security and reliability of operations via the NSD's Service Bureau.

Seven new clients joined the NSD's Service Bureau during the year, bringing the total number at the end of the year to 71. Service Bureau clients sent 5,057 SWIFT messages via the NSD, up 27% on 2018.

71

total number of NSD's Service Bureau clients

As of the end of 2019, 15 corporations and 11 banks (including eight core banks) has joined the Transit 2.0 platform. Transit 2.0 includes a transfer system in Russian rubles; foreign currency transfers and foreign currency controls are partially developed.

Financial instruments identification

The NSD is the National Numbering Agency for Russia and the Substitute Numbering Agency for CIS countries, assigning ISIN, CFI and FSIN international codes to financial instruments. In 2019, the NSD assigned ISIN, CFI, and FSIN codes to 1,592 Russian financial instruments and 43 CIS financial instruments.

In May 2019, the NSD successfully underwent annual re-accreditation to confirm its Local Operating Unit (LOU) status.

As a LOU, the NSD serves 29 jurisdictions including Russia and other CIS countries, as well as countries across Europe and elsewhere. Market participants in these countries can ask the NSD to assign and service LEI codes. The NSD continues to expand its list of serviced jurisdictions based on client requests. In 2019, the NSD assigned 83 LEI codes and verified 530 LEI codes.

The NSD's activities as a Numbering Agency and LOU support the introduction of international codification standards on Russian and CIS markets, thereby increasing their transparency and integration into global market infrastructure, as well as facilitating and optimizing financial market operations.