

**CLEARING ORGANIZATION SUPPLEMENT S-1
TO FOREIGN BOARD OF TRADE APPLICATION FOR REGISTRATION**

Bank National Clearing Centre (Joint-stock company)
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Information on the Legal Entity:

The full Legal Entity's company registered name is Bank National Clearing Center (Joint-stock company) (hereinafter, the "NCC"). The NCC acts in accordance with the Charter approved by the resolution of the Sole Shareholder (the Moscow Exchange) on August 25, 2014 (as last amended on November 24, 2015).

Primary State Registration Number is 1067711004481 on May 30, 2006, assigned by Federal Tax Service of Russia (see – [Appendix 8](#) to Supplement S-1 to FBOT Form).

Signatures:



Alexey S. Khavin

Chairman of the Executive Board of the NCC

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Exhibit A — General Information

Exhibit A(1)

Location, history, size, ownership and corporate structure, governance and committee structure and current or anticipated presence of staff in the United States.

I. History of the NCC

May 2006 – National Clearing Centre CJSC (NCC) was established.
November 2009 – the NCC became a member of the European Association of Central Counterparty Clearing Houses (EACH). This decision was made by the EACH Executive Committee on the basis that the NCC as a clearing organization, performing the functions of the Central Counterparty, complies with the Recommendations for Central Counterparties of the Technical Committee at the International Organization of Securities Commissions (IOSCO) and with Risk Management Standards developed by EACH for central counterparties (CCPs).
September 2011 – the NCC became a member of the Global Association of Central Counterparties (CCP12).
November 2011 – MICEX's clearing functions were transferred to the NCC. MICEX clearing license was terminated.
December 2012 – Clearing and risk-management functions conducted by RTS CC's on the Moscow Exchange Derivatives Market was transferred to the NCC. The Moscow Exchange Group completed the centralization of clearing activity on the basis of the NCC.
December 2012 – Fitch Ratings Agency assigned the NCC long-term Issuer Default Ratings (IDRs) of BBB- with a Stable Outlook and a Viability Rating (VR) of "bb+".
December 2012 – the NCC was granted a certificate of compliance with ISO 9001:2008 Quality Management System International Standard (DNV Business Assurance Management System Certificate ISO 9001:2008). The certificate was issued by Det Norske Veritas International Certification Authority according to the results of the certification audit carried out by it at the NCC. As stated in the certificate, it is valid for services in clearing activity, including the functions of a central counterparty.
October 2013 – the NCC became the first Qualified Central Counterparty in Russia – this status was granted by the Bank of Russia.
October 2013 – the Moscow Exchange launched the OTC Derivatives Market with a Central Counterparty. Central Counterparty function conducted by the NCC.
December 2013 – Fitch Ratings upgraded the NCC Long-term Issuer Default Ratings (IDRs) to 'BBB' from 'BBB-' with a Stable Outlook, and the Viability Rating (VR) to 'bbb' from 'bb+'.
August 2014 – the NCC's charter capital was increased from RUB 750 mln. to RUB 16.67 bln. (from USD 20.7 mln. to USD 461.7 mln. ¹) as the result of acquisition of the RTS CC and the Non-Bank Credit Organization Settlement Chamber RTS.
September 2014 – the NCC (as a Central Counterparty) was granted the status as systemically important financial institutions by the Bank of Russia.
December 2014 – the company name changed on Bank National Clearing Centre (Joint-stock company) ² .
November 2015 – the NCC submitted the application to the ESMA for recognition as a third-country CCP pursuant to EMIR.

II. General Information of the NCC

The NCC is a legal entity established in accordance with the legislation of the Russian Federation and performs its business activity in the form of a joint stock company. The NCC is entitled to act, as well as set up branches and open representatives offices both, in the territory of the Russian Federation.

¹ As of USD/RUB rate settled by the Bank of Russia on August 07, 2014 (the date of acquisition).

² See – Appendices 14-16 to the Supplement S-1 to FBO Form (Amendments #1-3 to the Charter of NCC).

The NCC is a subsidiary of the Moscow Exchange Group (hereinafter – “Moscow Exchange”, “MOEX”). The structure of the authorized capital is as follows: 100% of the NCC authorized capital is owned by the Public Joint-Stock Company “Moscow Exchange MICEX-RTS.”

Since December 2007, the NCC has been providing clearing services and conducting the Central Counterparty function for MOEX FX Market; since November 2011 for its Securities Market and since December 2012 for its Derivatives Market.

The NCC’s banking license enables it to significantly improve the reliability and efficiency of the Group’s clearing and settlement system because as a bank, the NCC, on the one hand, is subject to strict regulation and supervision from the Bank of Russia, and, on the other hand, it can access the Bank of Russia’s refinancing instruments and obtain interbank market funds.

The NCC has been a member of the European Association of Central Counterparty Clearing Houses (EACH) since 2009 and has been a member of the Global Association of Central Counterparties (CCP12) since 2011.

III. Size

The authorized capital amount is RUB 16.67 bln. (≈ USD 264 mln.) as of September 30, 2016. Proprietary funds constitute RUB 47.37 bln. (≈ USD 750 mln.) as of September 30, 2016.

IV. Management Structure

The management structure of NCC is built on the Russian law regime of corporate governance for joint-stock companies as well as specific governance rules for banks and clearinghouses. NCC includes the following governance bodies:

- (1) General Shareholders’ Meeting in which powers are conducted by the sole shareholder, Moscow Exchange;
- (2) Supervisory Board (annually elected by the sole shareholder and responsible for strategic development and oversight), which has established, among others, the following committees:
 - the Risk Committee; and
 - the Nominations and Remunerations Committee.
- (3) the executive bodies accountable to both the General Shareholders’ Meeting and the Supervisory Board:
 - (i) the Executive Board (which is elected by the Supervisory Board except for the CEO, as discussed below, for a term determined by the Supervisory Board but not exceeding five years, and is responsible for everyday management of NCC and execution of the Supervisory Board’s decisions), which is supported by:
 - the Risks Commission, which meets on a monthly basis and focuses on continuous coordination of risk management at the executive level of NCC; for that purpose, the Risks Commission is composed of the CEO, the Chief Risk Officer and heads of key divisions of NCC that incur risk, including the clearing department and the treasury;
 - (ii) the Chief Executive Officer, who is Chairman of the Executive Board and electes by the Supervisory Board; the following division is reporting to the CEO:
 - the Asset Management Committee.

The Charter of NCC delineates the scope of authority of each of the General Shareholders Meeting, the Supervisory Board, the Executive Board and the CEO in accordance with Russian law (whether corporate laws generally or governance rules relevant to such institutions as NCC):

- (1) The General Shareholders Meeting comprises the highest management body of the NCC. According to the Article 47³ of the Federal Law No.208-FZ “On Joint Stock Companies”, MOEX as the NCC’s Sole Shareholder acts in powers of the General Shareholders Meeting.
- (2) The Supervisory Board is the management body of the NCC and it’s in charge of general management of the MOEX, except for matters referred by the Federal Law No.208-FZ “On Joint Stock Companies” to be the exclusive competence of the General Shareholders Meeting.

The role of the Supervisory Board includes overall management of the NCC, except for issues that are under the orbit of the General Shareholders Meeting.

The main functions of the Supervisory Board:

³ In a company where all voting shares are owned by one shareholder decisions on issues relating to the scope of responsibility of the general meeting of shareholders shall be made solely by this shareholder in writing.

- definition of the strategy and priority areas of development of the NCC's activity;
 - approval of the decisions to issue securities and report on the results of the NCC's securities issues;
 - formation of the Executive Board of the NCC;
 - approval of the NCC's budget;
 - approval of the internal documents of the NCC;
 - approval of transactions with related parties and major transactions related to the acquisition and disposal of assets, in the cases established by the legislation of the Russian Federation;
 - approval of the NCC's Clearing Rules;
 - approval of the NCC's tariffs (as part of the NCC's Clearing Rules⁴).
- (3) The NCC's day-to-day activities are carried out by the executive bodies – the Chairman of the Executive Board and the Executive Board. The executive bodies accountable to the General Shareholders Meeting and the Supervisory Board.

The Executive Board is the main decision-making instrument for carrying out current NCC's activities, except for matters that are the responsibility of the General Shareholders Meeting, the Supervisory Board and the Chairman of the Executive Board.

The following issues are the responsibility of the Executive Board:

- implementing decisions of the NCC's General Shareholders Meeting and the Supervisory Board;
- creating the necessary conditions for the General Shareholders Meeting and the Supervisory Board of the NCC;
- deciding on publication of financial statements;
- determining information constituting a trade secret;
- approving of internal documents of the NCC relating to the implementation of the current activities of the NCC;
- other issues of current activities of the NCC, not covered by the legislation of the Russian Federation to the competence of the General Shareholders Meeting, the Supervisory Board and Chairman of the Executive Board.

The Chairman of the Executive Board:

- without Power of Attorney acts on behalf of the NCC, including: representing the NCC's interests, executing transactions and signing documents on behalf of the NCC;
- decides on the opening (closing) of internal divisions of the NCC;
- approves staff, issue orders and directives that are binding for all employees of the NCC;
- issues the Power of Attorney, establishes procedures for signing contracts and agreements;
- performs the functions of the employer in labor relations in accordance with the Labor Code of the Russian Federation;
- approves the job descriptions of the NCC.

See – Appendix 1 to Supplement S-1 to FBOT Form (Charter of NCC).

V. Corporate structure

The corporate structure of the NCC includes the following departments which provide the functions to enable the NCC to perform its activities as a bank and clearing organization with Central Counterparty functions:

1. Information Technology Department:
 - administration of Central Counterparty Systems (Office for Central Counterparty Systems development);
 - Office for Database Administration and Server Systems;
 - administration of Banking Technology (Office for Implementation and Support of Banking Technologies, Office for Banking Telecommunications);
 - legal administration (Office for Legal Supply of Bank Operations on Financial Markets).
2. Clearing Department:
 - administration of Clearing Development (Office for Clearing Methodology, Office for Clearing Technology Development, Office for Reengineering of Clearing Business Processes, Office for Support of Clearing Projects Development);

⁴ See – Appendix 11 to S-1 Supplement to FBOT Form

- administration of Clearing Supply (Office for Clearing at FX and Money Market, Office for Clearing at Equity Market, Office for Clearing at Derivatives Market, Office for Clearing at Commodity Market);
 - administration of Clearing Members Support (Office for Interaction with Clearing Members, Office for Support of Legal Cases of Clearing Members, Office for Identification of Clearing Members and Clearing Member Clients).
3. Treasury Operation Centre:
- administration of Trading Operations (Office for Operations in Securities, Office for Operations at Money Market and Refinancing);
 - administration of Control and Liquidity Maintenance (Group for Market Default Management).
4. Risks Analysis and Control Department:
- administration of Credit Risks Evaluation;
 - administration of Market Risks Evaluation;
 - Group for Risks Monitoring on Derivatives Market;
5. Risk Modelling and Reporting Department:
- administration of Bank's Financial Stability Evaluation;
 - administration of Consolidated Reporting and Stress Testing of Risks.

Additionally, the following corporate bodies are directly subordinated to the Chairman of the Executive Board:

- Internal Control Service;
- Financial Monitoring Service;
- Information Safety Service.

The following corporate bodies are directly subordinated to the Supervisory Board:

- Internal Audit Service.

NCC is an integral part of the Moscow Exchange group, and some of the operational functions of NCC are performed by other group entities. However, the existing outsourcing arrangements do not affect the effectiveness of NCC's management or financial stability, as the core functions including risk management are performed by NCC.

The outsourcing arrangements are thus categorized below as "intra-group" and external.

(a) Intra-group outsourcing

- Outsourcing of Legal Support to Moscow Exchange

Scope: the Legal Department and Corporate Governance of Moscow Exchange (100% parent of NCC) performs the same function for NCC in legal matters arising in the regular course of NCC's business, including: clearing operations across all markets; capital markets and currency regulations; corporate law; labor law matters; administrative matters such as rent and hiring of auditors.

- Integrated IT systems within the Moscow Exchange group

Scope: since the clearing IT platform of NCC is an integral part of the trading and clearing IT platforms of Moscow Exchange, an integrated IT clearing system is provided to NCC by Moscow Exchange on a contractual basis, which also includes access to the electronic document flow system of Moscow Exchange, as well as IT support by Moscow Exchange.

Principal obligations of Moscow Exchange:

- (i) To provide IT services needed by NCC to carry out clearing activities, including:
 - access by NCC to resources of software and hardware facilities of Moscow Exchange (within the limit of available resources);
 - preservation of NCC's data; and
 - procuring the exchange of electronic documents and the necessary data between NCC, the operators of organized trading markets, clients and the CBR;
- (ii) To allow NCC to exercise ongoing control over the performance by Moscow Exchange of its obligations under the Agreement, including by providing NCC with physical and technological access to the relevant systems.

(b) External outsourcing

(i) External outsourcing arrangement No. 1

Scope: testing of NCC's software related to the CCP clearing is outsourced to a third-party IT company, which includes adaptation of software to business processes of NCC.

Main undertakings of NCC: NCC shall cooperate with a third-party IT company on the orders of NCC for testing of NCC's software.

(ii) External outsourcing arrangement No. 2

Scope: development and technical support of NCC's banking system (which is partially integrated into the clearing software module) is outsourced to a third-party company.

Main undertakings of NCC: NCC shall provide information and relevant documentation related to the services ordered by NCC.

Under all the above outsourcing arrangements, the service providers are obliged to protect the confidential information of NCC and the clearing members.

VI. Committee Structure

The NCC has 3 (three) committees: Risk Committee, Nominations and Remunerations Committee and Asset Management Committee.

(1) Risk Committee focused on high-level supervision and enhancement of the risk management framework of NCC.

The Risk Committee of the Supervisory Board plays an important role in the risk management of NCC and is established in line with the statutory requirements applicable to clearinghouses. As such, the Risk Committee receives periodic reports from NCC's officers on major types of risks; pre-approves investment policies, risk-mitigating measures, stress-testing procedures, a business continuity plan and a recovery plan prior to their consideration by the entire Supervisory Board; and assesses the remuneration policy in light of the scale of operations and associated risks.

The Risk Committee is composed of 6 (six) members. At present, over 50% of the members of the Risk Committee (i.e., three out of five) are representatives of clearing members, including one member who is a representative of the CBR, as prescribed by law.

(2) Nominations and Remunerations Committee, which facilitates oversight and implementation of the remuneration policy and key nominations and must ensure the full Supervisory Board's involvement in these matters; the scope of the Committee's powers extends to members of the Supervisory Board, the Executive Board including the Chief Executive Officer (CEO), as well as key officers of the risk-taking and compliance divisions. The Nominations and Remunerations Committee is composed of 4 (four) members.

(3) Asset Management Committee responsible for determining key parameters of NCC's investments, including the list of eligible assets and their qualitative and quantitative parameters, limits applicable to counterparties and interest rates for investing and borrowing liquidity. The Asset Management Committee is composed of 5 (five) members.

See [Exhibit C](#) to Supplement S-1 to FBOT Form for more information.

VII. Current or Anticipated Offices in the United States

Currently the NCC does not plan to have any offices in the United States, nor does it not provide clearing services or any other related functions in the United States. The NCC's representatives periodically attend the industry conferences/trade shows and educational programs in USA such as:

- Global Banking Symposium (organized by J.P. Morgan);
- FIA Futures&Options Expo (organized by FIA Futures Industry Association);
- Sibos Conference (organized by SWIFT).

Exhibit A(2)

Articles of Association, constitution, or other similar organizational documents.

See – Appendices 1, 14, 15,16 to Supplement S-1 to FBOT Form (Charter of NCC with Amendments).

Exhibit A(3)

(1) Membership and trading participant agreements.

See – [Appendix 3](#) to FBOT Form (Service Agreement on Organized Trading).

“Trading Participant” is defined as a “Clearing Member” in the Moscow Exchange Derivatives Trading Rules and the NCC Clearing Rules. By virtue of becoming an NCC Clearing Member, one also becomes a Trading Participant on the MOEX Derivatives Market.

(2) Clearing agreements.

See – [Appendix 4](#) to FBOT Form (Clearing Agreement).

MOEX is not a Clearing Member, NCC doesn't provide clearing services to MOEX. Consequently, there is no agreement on providing NCC clearing services to MOEX. But clause 3.17 of the Clearing Rules (Part I “Common Part”) provides that the NCC interacts with MOEX on the grounds of agreement determining the procedure and terms of cooperation in organization of the trading by MOEX, and also in case of performance by NCC of the clearing and other functions associated with performance of clearing under the trades executed during the trading at MOEX. Such cooperation and agency services agreement is concluded between MOEX and NCC. In particular, the cooperation part of this agreement requires approval of the MOEX's derivatives contracts from the NCC, determines procedures for cooperation between MOEX and NCC during the trading and clearing, including exchange of information. The agency part of this agreement presumes that the NCC conducts a calculation and transfer the exchange fee in favor of the MOEX.

For more information, see also – [Exhibit A\(1\)\(V\)](#) “Corporate Structure”

Exhibit A(4)

The national statutes, laws and regulations governing the activities of the Clearing Organization and its members:

See – Appendix 7 to FBOT Form (NCC's CEO Commitment #2).

Exhibit A(5)

The current rules, regulations, guidelines and bylaws of the Clearing Organization.

See – Appendix 2 (Clearing Rules. Part I “Common Part”) and Appendix 10 to Supplement S-1 to FBOT Form (Clearing Rules. Part V “Derivatives Market”).

Exhibit A(6)

Evidence of the authorization, licensure or registration of the clearing organization pursuant to the regulatory regime in its home country jurisdiction(s) and a representation by its regulator(s) that it is in good regulatory standing in the capacity in which it is authorized, licensed or registered.

The following documents evidence the NCC's registration with the State:

1. Certificate of Registration of the Legal Entity series 77 No.010075586 on May 30, 2006 issued by Federal Tax Service of Russia (Primary State Registration Number is 1067711004481).
2. Certificate on State Registration of Credit Institution No.3466 on May 30, 2006 issued by the Bank of Russia.

The following documents evidence the NCC's authorization to engage in the types of activities identified below:

Type of activity: Clearing Activity

- License number: 077-00003-000010
- Date of issue of the License: December 18, 2012
- Authority (organization) that issued the respective license: Federal Service for Financial Markets
- License term: for an indefinite term

See – [Appendix 3](#) to Supplement S-1 to FBOT Form (Clearing License).

Type of activity: Banking Operations (provides the right to carry out banking operations with funds in rubles and foreign currency)

- License number: 3466
- Date of issue of the license: March 17, 2015
- Authority (organization) that issued the respective license: the Bank of Russia
- License term: for an indefinite term

See – [Appendix 4](#) to Supplement S-1 to FBOT Form (Banking License).

Exhibit A(7)

A summary of any disciplinary or enforcement actions or proceedings that have been brought against the Clearing Organization, or any of the senior officers thereof, in the past five years and the resolution of those actions or proceedings.

No disciplinary or enforcement actions have been imposed on the NCC or any of its senior officers for the last 5 (five) years.

Exhibit A(8)

An undertaking by the Chief Executive Officer(s) (or functional equivalent[s]) of the Clearing Organization to notify Commission staff promptly if any of the representations made in connection with this supplement cease to be true or correct, or become incomplete or misleading.

See – Appendix 5 to Supplement S-1 to FBOT Form (NCC's CEO Commitment #1).

Exhibit B — Membership Criteria.

(1) A description of the categories of membership and participation in the Clearing Organization and the access and clearing privileges provided to each by the Clearing Organization.

In accordance with the Federal Law No.7-FZ “On Clearing, Clearing Activity and Central Counterparty” (hereinafter, “Federal Law “On Clearing”), the NCC provides clearing services to the Clearing Members on the basis of the contracts for service executed with them. The NCC has 1 categorie (“B”) and 3 (three) sub-categories of Clearing Members on MOEX Derivatives Market. The Clearing Members are grouped in a given category based on the amount of contribution made to the Guarantee Fund.

The Clearing Member’s eligiability to access on different Derivatives Market’s segments is defined according to the following chart:

Sub-Category of Clearing Member	Access to Derivatives Market		
	Equity Contracts	FX and Money Contracts	Commodity Contracts
I	√	√	√
II		√	√
III			√

The required amount of the contribution to the Guarantee Fund for each Clearing Member is calculated in view of the sub-category within the procedure set by the Methodology for Calculation of the Contribution Amount to the Guarantee Fund (Appendix No.1 to the Clearing Rules (Part V “Clearing Rules for the Derivatives Market”) (see – [Appendix 10](#) to Supplement S-1 to FBOT Form).

(2) A description of all requirements for each category of membership and participation and the manner in which members and other participants are required to demonstrate their compliance with these requirements. The description should include, but not be limited to the following:

(i) Professional Qualification. A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the clearing organization confirms compliance with such requirements.

The NCC does not have any requirement regarding professional qualifications for members. However, to issue a license for professional activity on financial market, the Bank of Russia verifies that an applicant satisfies the requirements regarding professional experience and that such applicant possesses a certificate for the relevant activity.

(ii) Authorization, Licensure and Registration. A description of any regulatory or self-regulatory authorization, licensure or registration requirements that the clearing organization imposes upon, or enforces against, its members and other participants including (but not limited to) any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the clearing organization, and a description of the process by which the clearing organization confirms compliance with such requirements.

In order to become a Clearing Member, any entity must:

- conclude the Contract for Clearing Services with the NCC;
- provide copies of all licenses for activities subject to licensing, including the one for banking operations issued by the Bank of Russia (if any);
- connect to MOEX Electronic Data Interchange System and the NCC Electronic Document Transfer System;
- fulfill the NCC requirements for information and report submission;
- fulfill the NCC requirements for financial stability to the Clearing Member;
- make a contribution to the Guarantee Fund in the amount set according to the sub-category assigned to the Clearing Member.

(iii) Financial Integrity.

a) Requirements relating to financial stability for Clearing Members that are credit institutions (banks):

Clearing Members that are credit institutions (banks) should comply with the following requirements:

- comply with the mandatory ratios settled by the Bank of Russia;

- in the activities of Clearing Members, there should be no basis for the implementation of measures to prevent bankruptcy in accordance with the legislation of the Russian Federation on insolvency (bankruptcy) as well as the causes for the revocation of the Bank of Russia license to conduct banking operations in accordance with the legislation of the Russian Federation, - the Banking Act.

Requirements for credit institutions mentioned above are contained in the Instruction of the Bank of Russia No.139-I "On Mandatory Ratios of Banks." This Instruction sets numerical values and the methodology for calculating the following mandatory standards of banks:

- capital adequacy;
- liquidity;
- maximum extent to any one borrower or group of related borrowers;
- maximum size of large credit risks;
- the maximum size of loans, guarantees and sureties granted by the bank to its members (shareholders);
- aggregate size of risk to bank insiders⁵;
- use of its own funds (capital) to purchase shares (stakes) in other entities.

In this Instruction, mandatory standards are used to ensure that accuracy, objectivity, diligence, and dominance of economic substance over form allow for a qualitative assessment of the operation.

The NCC is entitled to refuse admission to the clearing services for the Clearing Members/credit institutions that fail to meet the requirement to have in their balance sheet, as of the latest reporting date, any positive financial result for the current year defined as the difference between the balance on the current year revenue accounts and the balance available on the current year expenditure accounts.

- b) Requirements relating to financial stability for Clearing Members that are non-credit institutions (non-banks):

Clearing Members that are non-credit institutions must (i) have a positive balance as of the latest reporting date; and (ii) have no causes in the Clearing Members' activity for applying bankruptcy prevention measures according to the legislation of the Russian Federation on insolvency (bankruptcy).

When applying for membership, resident legal entities should provide the following to the NCC⁶:

- Application form of the Clearing Member (Client) (registration card);
- Copy of Certificate of State Registration of the Legal Entity;
- Current versions' copies of constitutive documents and all amendments thereto;
- Copy of the Certificate of Registration with the Tax Authority;
- Copies of the licenses for the right to carry out activity subject to licensing;
- Set of documents of the sole executive body;
- The member's reports (profit and loss statement of the credit institution, calculation of equity (capital) amount and other documents depending on specific character of the institution);
- Application form of FATCA and set of documents concerning FATCA requirements.

When applying for membership, non-resident legal entities should provide the following to the NCC⁶:

- Application form of the Clearing Member (Client);
- Current versions' copies of constituent documents and all amendments thereto;
- The document confirming state registration of the legal entity;
- The document confirming registration of the legal entity with the tax authority within the Russian Federation (if any);
- License or another document issued by the authorized state body of the non-resident legal entity for the right to carry out activity in accordance with the requirements of legislation of the non-resident's country;
- Set of documents concerning persons authorized to act on behalf of the legal entity;
- Application form of FATCA and set of documents concerning FATCA requirements.

The NCC shall be entitled to refuse admission to the Clearing Services for the non-credit institutions that fail to meet the requirement to have in their financial statement, as of the latest reporting date, any positive financial result of the current year defined as income after taxation.

⁵ According to the official Explanation of the Bank of Russia No. 31-OR on December 17, 2004, the bank insider is a person who is able to influence the bank's decision on granting loans by such bank, including (but not limited to): members of the Executive Board, sole executive body, chief accountant, their spouses, the bank staff and other persons.

⁶ See Appendix No.04 to the Clearing Rules. PART I. Common part for the full list of documents to be submitted by resident legal entities.

c) Requirements to report submission:

To confirm their financial status, Clearing Members should submit the reports mentioned below to the NCC. NCC also has the ability to request financial information from Clearing Members upon request. Clearing Members are required to provide information to NCC about their financial standing on a periodical basis (per month / quarter / year, etc.). Consequently, any changes in financial standing are seen in documents provided in the next period. Nevertheless, if financial standing should be filled in the Registration Card (at the present time it is equity capital), the Registration Card with updated data should be provided. Clearing Members are required to notify NCC of changes to their financial standing quarterly.

Resident legal entities that are credit institutions should provide the following to the NCC on a periodic basis⁷:

- ✓ Monthly:
 - Balance Sheet;
 - Information on obligatory standards and other performance indicators;
 - Calculation of own funds (capital) (according to Basel III);
 - Certificate on numerical value of the standard of maximum risk ratio for each borrower or a group of related borrowers.
- ✓ Quarterly:
 - Statement of financial performance results of the credit institution;
 - List of affiliated persons.

Resident legal entities that are non-credit institutions should provide the following to the NCC on a periodic basis⁷:

- ✓ Monthly:
 - Calculation of own funds (capital) for professional participants of financial market;
 - Information about participating in legal procedures as bearer of responsibility;
 - Report on securities;
 - Report on OTC deals;
 - Information about brokerage, depositary and securities management activities.
- ✓ Quarterly:
 - Balance Sheet;
 - Statement of financial performance results;
 - Information about major debtors and creditors;
 - Information about investment in securities issued by non-residents;
 - Report on foreign assets and liabilities flows;
 - Information about the affiliated persons and ownership structure of the professional participant.

The Bank of Russia and Ministry of Finance set the forms of reporting. These are standard forms the companies must comply with in providing reports to regulators.

Non-residents must provide the following to the NCC on a periodic basis⁷:

- ✓ Annually:
 - Audited financial statements under IFRS or US GAAP in Russian or English.
- ✓ Quarterly:
 - Financial Statements under IFRS or US GAAP in Russian and English;
 - Document containing information about financial performance, data on the size and structure of assets and liabilities, financial performance results, size of equity (capital) (in accordance with the form set by the internal document of the NCC placed at the NCC's website); and
 - Document containing information about actual and acceptable values of mandatory operating indicators established by the competent body of the country of registration of the non-resident (where such mandatory operating indicators are established in accordance with the national law of the country of registration of the non-resident).

⁷ See Appendix No.05 to the Clearing Rules. PART I. Common part for the full list of reports (including terms of its submission) to be submitted by credit institutions.

The NCC analyzes the indicators contained in such statements. In addition to assessing compliance with external standards set by regulators, the NCC conducts its own analysis and assessment of the financial condition of Clearing Members on the basis of determining the techniques of internal ratings of counterparties (Methodology on Determination of Counterparty's Internal Ratings). The NCC assigns an internal rating to each Clearing Member. Internal ratings are not disclosed and used only by the NCC for the risk-management system's improvement.

See – [Appendix 9](#) to Supplement S-1 to FBOT Form (Procedure for Submission of Information).

Exhibit C — Board and/or Committee Membership

(1) A description of the requirements applicable to membership on the governing board and significant committees of the Clearing Organization

I. Executive Board

The NCC's day-to-day activities are carried out by the following executive bodies: the Chairman of the Executive Board and the Executive Board. The executive bodies accountable to the General Shareholders Meeting and to the Supervisory Board.

The Executive Board consist of 4 members as of December 2016. Composition is disclosed on the NCC's website: <http://www.nkcbank.com/viewCatalog.do?menuKey=39>.

The Executive Board includes all issues of NCC's current activity, except for matters relating to the competence of the General Shareholders Meeting, the Supervisory Board and the Chairman of the Executive Board.

The Executive Board is subject to the following rules:

- the Chairman of the Executive Board is elected by the Supervisory Board for the term up to 5 (five) years.
- formation of the Executive Board and early termination of its authorities shall be performed by the decision of the Supervisory Board. The decision of the Supervisory Board shall also define quantitative and personal composition of the Executive Board.
- rights and obligations of the Chairman of the Executive Board, as well as the members of the Executive Board, shall be stated by the legislation of the Russian Federation, the Charter and the contract executed by each of them with the NCC. The contract shall be signed on behalf of the NCC by the Chairman of the Supervisory Board or by the person authorized by the Supervisory Board.
- Supervisory Board may decide at any time on early termination of the authorities of the Chairman of the Executive Board or its members, and may cancel the contracts executed with them and make a decision on formation of new executive bodies of the NCC.

According to Federal Law No.7-FZ "On Clearing," the following persons should not serve as a Chairman of the Executive Board or as a member of the Executive Board or as a member of the Supervisory Board in a clearing organization:

- persons who have performed the functions of the sole executive body, have been included into the collective executive body or have performed the functions of the head of the internal control service of financial entities at a time when these entities committed violations for which their licenses were cancelled (withdrawn) or violations for which such licenses were suspended and the stated licenses were cancelled (withdrawn) due to the failure to eliminate such violations, if less than 3 (three) years have passed since the date of such cancellation or if in respect of the stated persons there are adopted court decisions in effect having revealed unlawful actions (whether willful or fraudulent) committed by the stated persons while bankrupt;
- persons for which the term of administrative punishment in the form of disqualification has not yet expired;
- persons having a criminal record related to economic activity or a crime against public order;
- persons whose qualification certificate has been cancelled and less than 3 (three) years has passed since the date of such cancellation.

II. Supervisory Board

The composition of the Supervisory Board is determined by the decision of the General Shareholders in accordance with requirements of the Federal Law No.208-FZ "On Joint-Stock Companies." Election of the Supervisory Board members shall be performed by cumulative voting. The General Shareholders Meeting shall elect supervisory Board members for a term up to the next annual General Shareholders Meeting.

The members of the Supervisory Board must comply with qualification requirements and requirements to business reputation set by Federal Laws and statutory instruments of the Bank of Russia adopted in accordance with them. Persons elected to the Supervisory Board may be reelected an indefinite number of times but by the decision of General Shareholders Meeting, the term of a Supervisory Board member may be terminated early as well.

Only individuals are eligible to be members of the Supervisory Board. A member of the Supervisory Board must not be the NCC's shareholder. Executive Board members should not constitute more than

¼ (one-fourth) of the Supervisory Board's composition. The Chairman of the Executive Board should not be the Chairman of the Supervisory Board.

The Chairman of the Supervisory Board is elected by members of the Supervisory Board among themselves by the majority of votes of the total number.

The Federal Law No.7-FZ "On Clearing" sets 4 (four) certain restrictions regarding the members of the Supervisory Board (as aforementioned in [Part I "Executive Board" Exhibit C](#) to Supplement S-1 to FBOT Form).

Members of the Supervisory Board must comply with the competence and reputational requirements provided in the Banking Law, Article 11.1 ("Governing bodies of a credit organisation") and the implementing regulations of the CBR. Prior to taking the office, their candidacies must be approved by the CBR, which assesses their compliance with the above competence and reputational requirements.

As a general threshold, Supervisory Board members must possess necessary experience commensurate with the position and with the scope of the company's operations. By law, the CEO cannot be the chairman of the Supervisory Board, but he/she can be a member of the Supervisory Board.

NCC's Supervisory Board consists of 9 (nine) members (composition on December 2016 is disclosed on the NCC's website: <http://www.nkcbank.com/viewCatalog.do?menuKey=38>):

- four members are representatives of clearing members;
- three members are representatives of Moscow Exchange and are all members of the Supervisory Board of Moscow Exchange (including one member who is simultaneously the CEO of Moscow Exchange);
- one is an independent member; and
- one is the CEO of NCC.

As a general matter, the risk-management procedures of NCC are an integral part of the risk-management procedures of the Moscow Exchange group as a whole. At a senior level, the coordination of risk-management between NCC and its parent, Moscow Exchange, is procured through three members (i.e., one third) of NCC's Supervisory Board who are simultaneously board members of Moscow Exchange.

The group's governance structure implements the principle of separation of risk-taking and risk-management functions. At the level of NCC, such separation is implemented as follows:

- risk-taking of NCC is primarily concentrated in the Centre of Treasury Operations, which manages NCC's liquidity and assets, including collateral supporting the clearing operations, and reports directly to NCC's CEO;
- risk-management of NCC is performed by the Chief Risk Officer of NCC (who is a member of NCC's Executive Board and, as such, is accountable to NCC's Supervisory Board and to the sole shareholder), with the support of the Risk Analysis and Control Department.

To mitigate conflicts of interests, NCC's Supervisory Board adopted the "Policy on controlling conflict of interests", as well as "The list of measures aimed at decreasing the risks associated with NCC's clearing activities" as an "umbrella" documents on the management of conflict of interests at NCC. Additional controls are set up within the core business processes of NCC.

III. Committees

The most significant Committees of the NCC are the following:

1. Risk Committee

Risk Committee of the Supervisory Board plays an important role in risk management of NCC and is established in line with the statutory requirements applicable to clearinghouses (see Clearing Law, Article 22 ("Risk Management System of a Clearinghouse")). As such, the Risk Committee receives periodic reports from NCC's officers on major types of risks; pre-approves investment policies, risk-mitigating measures, stress-testing procedures, a business continuity plan and a recovery plan prior to their consideration by the entire Supervisory Board; and assesses the remuneration policy in light of the scale of operations and associated risks.

The Risk Committee is a permanent advisory body of the Supervisory Board formed to improve the risk management system of the NCC and to increase the financial stability of the NCC. The Committee members are elected by a simple majority of votes out of the general number of elected members of the Supervisory Board. The Risk Committee shall contain a number of members as defined by the Supervisory Board but shall include not less than 5 (five) and not more than 15 (fifteen) members. The

Chairman of the Supervisory Board and the Chairman of the Executive Board shall be included into the Committee.

The following persons may be elected to the Committee:

- representatives of the Clearing Members (not more than one representative from one clearing member);
- Supervisory Board's members;
- representatives of the Bank of Russia and of self-regulating organizations;
- representatives of the companies included into the Group; and
- the NCC's employees.

Committee members should have the qualification, knowledge and experience necessary to perform the tasks and functions within the Committee. Representatives of the Clearing Members shall constitute not less than half of the Committee composition.

The Committee's authorities shall be valid within the term of authorities of the Supervisory Board until the election of a new composition of the Supervisory Board at the Annual General Shareholders Meeting or by the extraordinary General Shareholders Meeting in case of early termination of the Supervisory Board authorities.

If necessary, representatives of the NCC executive bodies and other persons having sufficient knowledge, professional skills and competence for solving the issues considered by the Committee may be invited to the Committee meetings.

2. Investment Committee

The Investment Committee of the NCC is a collective operating body that develops the policy of the NCC regarding asset formation and management in accordance with the decisions of the authorized bodies of the NCC.

Asset Management Committee responsible for determining key parameters of NCC's investments, including the list of eligible assets and their qualitative and quantitative parameters, limits applicable to counterparties and interest rates for investing and borrowing liquidity. The Asset Management Committee is composed of 5 (five) members.

The Committee includes the NCC's employees at the following positions: Chairman of the Executive Board;; Chief Accountant; Head of Treasury. Also the Committee includes the MOEX's employees at the following positions: Chief Financial Officer, the Deputy Chairman of the Executive Board supervising activity of subdivisions carrying out operations with assets (Managing Director of Money and FX Markets, Member of the Executive Board).

(2) A description of how the Clearing Organization ensures that potential governing board and committee members meet these standards.

[REDACTED]

(3) A description of the Clearing Organization's provisions to minimize and resolve conflicts of interest with respect to membership on the governing board and significant committees of the clearing organization.

[REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

[REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(4) A description of the Clearing Organization's rules with respect to the disclosure of material non-public information obtained as a result of a member's performance on the governing board or on a significant committee

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

Exhibit D – Settlement and Clearing

Exhibit D(1)

A description of the clearing and settlement systems, including (but not limited to) the manner in which such systems interface with the Foreign Board of Trade's trading system and its members and other participants.

1. General Information

MOEX Group has a unified automated technological system which is functionally divided into clearing and trading systems. For more information, see Exhibit D to FBOT Form.

The NCC's settlement entity and settlement depository functions are performed by the National Settlement Depository ("NSD"). The NSD is the Central Depository of the Russian Federation included into MOEX Group. The NSD's Central Depository status has been assigned by the Bank of Russia (Order No.12-2761/PZ-I on November 06, 2012).

Licenses:

Type of activity: Depository Activity

- License number: 177-12042-000100
- Date of issue of the license: February 19, 2009
- Authority (organization) that issued the respective license: the Federal Service for Financial Markets
- License term: for an indefinite term

Type of activity: Clearing Activity

- License number: 077-00004-000010
- Date of issue of the License: December 20, 2012
- Authority (organization) that issued the respective license: Federal Service for Financial Markets
- License term: for an indefinite term

Type of activity: Banking Operations

- License number: 3294
- Date of issue of the license: July 26, 2012
- Authority (organization) that issued the respective license: the Bank of Russia
- License term: for an indefinite term

Type of activity: Data Encryption Services

- License number: 0009523
- Date of issue of the license: September 27, 2013
- Authority (organization) that issued the respective license: the Federal Security Service
- License term: for an indefinite term

The NSD is a member of Association of National Numbering Agencies (ANNA) as Russia's National Numbering Agency and the Substitute Numbering Agency assigning for the CIS, authorized to assign the international ISIN and CFI codes.

The NSD is a pre-LOU member of Global LEI System (GLEIS), authorized to assign the LEI codes by the Regulatory Oversight Committee (ROC).

2. Procedure for registration of Clearing Members

The NCC registers Clearing Members in accordance with requirements imposed by the Bank of Russia. The Clearing Members shall be registered on the basis of the information received from the Clearing Member.

Clearing Members are assigned by the NCC an individual code (hereinafter, "Clearing Member Code") and, upon contribution to the Guarantee Fund made by the Clearing Member, a Settlement Firm code. Multiple Brokerage Firms may be registered for one Clearing Member (within one Settlement Firm code). The Brokerage Firm may be one of the following types:

- Own Brokerage Firm;
- Client Brokerage Firm;
- Segregated Brokerage Firm;

- Trust Brokerage Firm.

Each Brokerage Firm is linked to the Settlement Code⁸ corresponding to the type of the Brokerage Firm:

- own – for accounting of Clearing Member’s cash;
- client – for accounting of Clearing Member Client’s cash;
- trust – for accounting of cash in trust of Clearing Member.

The Segregated Brokerage Firm should be linked to the separate Settlement Code with type “Client.”

Furthermore, there is a possibility for registration Segregated Client, that means linking separate Client Brokerage Firm and separate client Settlement Code.

One Clearing Member may be assigned with:

- one Clearing Member Code;
- several Settlement Firm Codes, the Brokerage Firm Codes and Settlement codes, as well the Clearing Register Section Codes⁹.

3. Clearing Registers¹⁰

The NCC shall perform internal accounting provided by Federal Law No.7-FZ “On Clearing” at clearing registers.

Within each Settlement Firm code, the following Clearing Registers (or Clearing Registers Sections) should be opened to the Clearing Member with the NCC:

- cash collateral register (in Russian rubles and foreign currency) – is used for keeping of the Collateral Assets’ accounting in Russian rubles or in foreign currency;
- depo collateral register - is opened to the Clearing Member, to the Clearing Member’s Client or to the Authorized Account Owner and is used for accounting for the value of the securities, received from the Settlement Depository;
- positions accounting register – is used for registration of the Clearing Member’s obligations and claims admitted for clearing under the derivative contracts. The liquidation section is opened within the register of position accounting and is used for accounting of positions received by Clearing Member as a result of transfer from the Defaulting Clearing Member if these positions can not be closed out in the market;
- risk management positions accounting register – is used for registration of the Clearing Member’s net obligations / net claims under the Risk Management Orders;

The NCC may open an additional own and/or clients and/or trust sections for each Clearing Member.

Each code of the Clearing Registers (or section of Clearing Registers) mentioned above consists of 7 (seven) symbols: XXYYZZZ.

The first two symbols “XX” is the Settlement Firm Code.

The second two symbols “YY indicate the Brokerage Firm Code.

The third group with three symbols “ZZZ” is the code of the Clearing Register Section specified by the Clearing Member in the applications for opening the own or clients Clearing Register Sections.

4. Trading accounts for Collateral Assets accounting and securities settlements¹¹

The NCC shall use the following types of trading depo accounts opened with the Settlement Depository for the NCC:

- trading depo account of a holder;
- trading depo account of a nominal holder;
- trading depo account of a foreign nominal holder;
- trading depo account of a trustee;

⁸ The Settlement Code is an accounting register in the NCC’s internal accounting system that contains the portfolio of positions margined and settled together. The value of the Settlement Code consists of the last five digits in the numbers of accounts opened for the Clearing Member in the Clearing Centre’s accounting system.

⁹ The Clearing Register Section Codes’ determining procedure is described below (see part 3 “Clearing Registers” of the Exhibit D-1 in S-1 Form to FBOT Application).

¹⁰ See Article 9 of the Clearing Rules “PART I. Common part” and Article 5 of the Clearing Rules. “PART V. Clearing Rules for the Derivatives Market” for details.

¹¹ See Article 8 of the Clearing Rules. “PART I. Common part” for details.

- trading depo account of a broker;
- emission account;
- trading depo account of treasurer.

The NCC shall use trading sections of these depo accounts intended for accounting of the Collateral Assets in securities.

6. Interaction between the Clearing Members and the NCC

The electronic document exchange between the Clearing Members and the NCC is performed by means of the Electronic Document Transfer System (“EDTS”). Documents sent by the Clearing Member to the NCC using the Clearing System shall be electronic messages signed by the Clearing Member’s handwritten signature equivalent (HSE). The documents and information received by the Clearing Member from the Clearing System shall be electronic messages signed by HSE of the NCC.

7. General interaction between the NCC and the MOEX¹²

Each settlement day before start of the Trading Day, the NCC shall transfer the following information to MOEX:

- concerning registered Segregated Clients and Segregated Brokerage Firms;
- Trading Limit value (for each Settlement Code assigned to the Clearing Member and each Brokerage Firm Code);
- concerning sections of clearing registers for each Settlement Firm; and
- parameters of the guarantee system, obligations and Collateral of the Clearing Member.

According to the results of the day clearing session, the NCC shall provide the following information to MOEX:

- scope of obligations registered in each section of the positions accounting register ;
- collateral calculated for each section of the positions accounting register, for each Brokerage Firm and each Settlement Code;
- changes in the funds in Russian rubles registered as the Collateral Assets for the group of the cash collateral register sections with the same Brokerage Firm Code;
- changes in the amount of the estimated value of the securities and foreign currency recorded as the Collateral Assets; the marginal proportion of which is less than or equal to 100%, cumulatively as for the group of sections of depo collateral register/cash collateral register having the same Brokerage Firm Code;
- limit of trade price fluctuations within one settlement period for each futures contract;
- basic amount of the collateral for each futures contract;
- lower and upper limits of price fluctuations for each futures contract; and
- changes in the values of trading limits for each Settlement Code or each Brokerage Firm.

If trading limits or additional parameters have been changed, the NCC shall immediately inform of such changes to MOEX. Before starting each intraday and evening clearing session, the MOEX shall inform the NCC of the settlement price for each derivative contract except restrictions on deviation from the previous settlement price.

8. Procedure for interaction of the NCC with MOEX¹²

When submitting an order by the Trading Participant, the MOEX should send the data on the placed order to the NCC via the trading system. Upon receipt of the information on the placed order, the NCC shall immediately verify whether it is possible to declare the order valid (starting with evaluating the sufficiency of the Collateral Assets). If a transaction is verified, the NCC shall via the trading system send a confirmation regarding the possibility of the order declaration to MOEX or in case of a negative result it shall send a refusal to declare the order.

In other cases, the NCC shall send to MOEX a notification on the need to delete the active orders via the trading system. MOEX shall immediately inform the NCC on revocation /deletion of the active order via the trading system.

For the offsetting Active Orders for which the conditions set by the Derivatives Trading Rules are met, the NCC shall execute the trade with each of the Trading Members that place such Orders.

The price of executed contracts and their quantity are defined in compliance with the Derivatives Trading Rules (see – Part IX “Information that must be included on orders” of Exhibit D(1)(2) to FBOT Form). Upon registration of a trade in the trading system, the MOEX transfers the data on the contracts executed

¹² See Section IV of the Clearing Rules. “PART V. Clearing Rules for the Derivatives Market” for details.

to the NCC via the trading system. Upon the receipt of the stated information the NCC allows clearing for the obligations under the contracts executed.

8. Procedure for interaction of the NCC and the Settlement System (Settlement Organization)

Collateral Assets, Collateral for Stress and the Guarantee Fund are placed at the Clearing Member's Trading Accounts and the NCC's Clearing Account with the NSD.

Obligations for payment of the variation margin/premium are admitted to clearing services and are included in the clearing pool of relevant intraday or evening clearing session. Collateral is used for settlement of obligations of the Clearing Members.

The recording and transfer of the variation margin is performed by using the Clearing Registers used by the NCC. Clearing Members are entitled to withdraw cash received as variation margin by cash transfer from the NCC's Clearing Account to Clearing Member's clearing account.

9. Procedure for clearing sessions¹³

Within a settlement day, the NCC shall carry out intraday and evening clearing sessions. For each clearing session there is a clearing pool that includes the obligations to be settled during such clearing session.

In the course of the intraday clearing session, the NCC shall:

- terminate the recording of the obligations for option contracts, the expiration date for which have come and the right of claim for which has not been exercised by their holders;
- settle obligations under option contracts included into the clearing pool of the intraday clearing session;
- settle obligations under Derivatives due exercise date, if intraday exercise is settled by Specifications or Time specifications;
- change the registering of the obligations under the derivatives contracts on the positions register while mandatory position closing;
- define the scope of obligations recorded at each positions accounting register section of the Clearing Member;
- set the estimated value of the securities and foreign currency forming the Collateral Assets;
- settle obligations for payment of the variation margin/premium included into the clearing pool of the intraday clearing session;
- record the cancellation (termination) of obligations under derivative contracts at of the positions accounting register sections of the Clearing Members;
- settle obligations of the Clearing Members for payment of the commission fees of the NCC, the MOEX and the Technical Centre;
- change the recording of obligations under the derivatives contracts for the positions accounting register section on the basis of the Clearing Member's application;
- set lower and upper limits of price fluctuations for each futures contract;
- calculate the Collateral;
- calculate the trading limit; and
- produce reports for the Clearing Members and their clients to which the Settlement code (codes) of the Settlement Firm is assigned.

In the course of the evening clearing session, except for the actions listed in the previous clause, including settlement of the relevant obligations added to the clearing pool of the evening clearing session, the NCC shall:

- carry out the performance of settlement derivative contracts with the current date of expiration;
- perform calculation and withdrawal of compensation payments (fines, penalties) from the Clearing Member as stipulated in the Clearing Rules and/or Specifications;
- define the estimated value of the securities and the foreign currencies recorded as the Collateral Assets;
- assign the Settlement Firm Codes to the Clearing Members;
- carry out opening and closing of the Clearing Registers (Clearing Registers Sections) for the Clearing Members to which Settlement Firm Code (Codes) are assigned;
- do other actions according to the Clearing Rules.

10. Reports of the NCC according to the results of the clearing session.

¹³ See Subsection V-II of the Clearing Rules. "PART V. Clearing Rules for the Derivatives Market" for further information.

Pursuant to the relevant regulatory requirements, the NCC must send reports on clearing results to the Clearing Members for deals executed through the organizer of trading within the main trading session not later than 20:00 local time.

The NCC shall therefore submit reports regarding the following subjects to the Clearing Members¹⁴:

- reports on the concluded derivatives contracts that contain the information on the trade obligations admitted to clearing;
- reports on the obligations under derivatives contracts that contain the information on the obligations determined in clearing;
- reports on the funds in Russian roubles, foreign currency, and securities, being the Collateral which contain the information on the amount of the Collateral Assets and what's changed;
- report on the operations on the cash collateral register sections and the depot collateral register sections;
- report on the positions accounting register sections;
- report on the trading accounts allocated to the positions accounting register section;
- report on the fee for ineffective transactions, and the fee for erroneous transactions;
- consolidated financial statements; and
- report on statement of change in financial position containing Collateral Assets value and flow, including information about the usage of Collateral Asset.

11. The Risk Management System applied by the NCC in the MOEX Derivatives Market.

a) List of measures aimed at risk management for Clearing:

- financial stability requirements for the Clearing Members (see Exhibit B(2)(iii) to FBOT Form);
- initial margin requirements of the Collateral Assets and Collateral for Stress for the Clearing Members;
- Limits of Trade Price Fluctuations (hereinafter, "Limits") for each futures contract;
- procedures for changing the Limits in the course of the trading session under the premise of significant price movements¹⁵;
- preliminary control of sufficiency of the Collateral Assets of the Clearing Member upon placement of orders for conclusion of the derivatives contracts;
- calculation and control over the trading limit for the derivatives contracts;
- mark-to-market of the Collateral Assets and positions of the Clearing Member and verifying collateral sufficiency to ensure settlement of obligations under the derivatives contracts executed by the Clearing Member. If the Clearing Member's Collateral Assets are insufficient, the NCC shall request a Marginal Call (to augment the Collateral Assets) (2 (two) times per each settlement day);
- forming the Guarantee Fund to ensure settlement of obligations under the derivatives contracts. The Guarantee Fund is set by the NCC in Russian rubles out of contributions to the Guarantee Fund of all Clearing Members for whom the Settlement Firm Code is assigned to;
- presence of the interim clearing interval during the trading day (intraday clearing session);
- use of software module by Clearing Members and Trading Participants, which allows independent risk calculations for clients using the NCC methodology. Additional functions of the module:
 - ✓ opportunity to group the clients according to risk netting;
 - ✓ analysis of the position risk profile in terms of instrument groups;
 - ✓ what-if analysis;
- detailed default management procedures.

All contributions made by Clearing Members shall be returned to the respective owners if their access to the respective markets is terminated and they have no outstanding liability to the NCC.

b) Collateral

There are following types of Collateral¹⁶:

- Collateral Assets – individual collateral of the Clearing Members (individual clearing coverage) (Russian rubles, as well as foreign currency and securities included into the List of Foreign

¹⁴ The complete list, forms and formats of the reports of the NCC submitted by the Clearing Members are set by the NCC's internal documents in accordance with Section VI of the Clearing Rules. "PART V. Clearing Rules for the Derivatives Market".

¹⁵ For more information regarding the methods of setting and change in the Limits of Trade Price Fluctuations – see [Appendix 12](#) to Supplement S-1 to FBOT Form (Methodology for Setting Price Variation Limits for Derivatives)).

¹⁶ For more information regarding to "individual clearing coverage" and "collective clearing coverage" – see part (3)(a) "General provisions of the Federal Law 7-FZ" and part (3)(d) "Risk Management in performance of clearing" Clause I(B) of Appendix 7 to FBOT Form.

- Currency and Securities Accepted as Collateral Assets). Used for obligations' settlement directly (as part for calculation of the margin requirements);
- Collateral for Stress – an addition initial margin requirement to supplement extra large individual positions of the Clearing Members (individual clearing coverage) (Russian rubles, as well as foreign currency and Russian Government Bonds). Used for obligations' settlement secondarily (as a part of debt repayment procedure); and
- collective clearing collateral (collective clearing coverage) (the Guarantee Fund).

The NCC shall set:

- the list of securities and foreign currencies accepted as Collateral;
- procedure for setting the limit to the maximum amount of securities and the maximum amount of foreign currency used as collateral per Settlement Firm; and
- the discount rates (“haircuts”) applied to fair value of securities and foreign currencies accepted as collateral, as well as the procedure for defining the fair value.

The NCC shall register securities as Collateral on the basis of the data on the amount of securities recorded at the Depository Trading Accounts opened with the Settlement Depository.

c) Defining the Collateral Assets amount

The Collateral Assets amount shall be defined on the basis of:

- Basic Collateral Assets Amount for each derivative contract (initial margin)¹⁷; and
- Evaluation by the NCC of the risk for non-fulfillment of the obligations, per total scope of the obligations, under derivative contracts registered for the Settlement Codes based on the sections of the positions accounting register (portfolio risk evaluation).

The NCC shall calculate the Collateral Assets:

- per the total scope of obligations under derivative contracts recorded at one section of the positions accounting register;
- per total scope of obligations under derivative contracts recorded at the group of sections of the positions accounting register that has the same Brokerage Firm; and
- per total scope of obligations under derivative contracts recorded as the amount of Collateral Assets of all Brokerage Firms at the group of sections of the positions accounting register that share the same Settlement Code.

Information about the Collateral Assets shall be reflected by the NCC in the reports submitted to the Clearing Members.

d) Portfolio Margining Procedure

The MOEX's procedure for portfolio margining has been developed on the basis of international experience and in view of the special characteristics of the Russian market. Currently, this procedure calculates the amount of Collateral Assets required to cover the portfolio risk consisting of futures and options on the same underlying. It is possible to aggregate the margin requirement both on the basis of the portfolio placed in a client account and on the basis of the broker's own position.

The margin requirement is calculated using a scenario analysis methodology (SPAN-like methodology). The software allows the NCC to calculate the required amount on the basis of instrument characteristics received from the MOEX (or established independently) simultaneously for separate customers. Brokers can use an interface to review their own portfolio risks based on the same calculations.

e) Variation Margin and Premium

Variation margin is calculated according to the specification of the derivatives contract. The relevant Clearing Member or the NCC is responsible for payment of variation margin. If the variation margin value is positive, the NCC is liable to pay the variation margin to the Clearing Member. If the variation margin is negative, the Clearing Member is subject to pay the amount equal to the absolute value of the calculated variation margin to the NCC. Variation margin obligations are included into the clearing pool of the respective intraday or evening clearing session. The Collateral Assets shall be used for performance of such obligations of the Clearing Member.

f) Procedure for Occurrence and Fulfillment of the Margin Calls¹⁸

¹⁷ For more information, see – Appendix 17 to S-1 Supplement to FBOT Form (Principles of Initial Margin Calculation)

¹⁸ See Subsection V-III of the Clearing Rules. PART V. Clearing Rules for the Derivatives Market for details.

Clearing Members need to satisfy Margin Calls not later than 45 (forty five) minutes prior to the beginning of the next intraday or evening clearing session. If the Clearing Member has not fulfilled the requirement registered for the Settlement Code within the set term, the NCC shall:

- send a notice to the MOEX regarding the need to suspend any contract execution on behalf of such Clearing Member under the Settlement Code which has unfulfilled Margin Call; and
- if there are active orders submitted on behalf of such Clearing Member in the MOEX trading system, the NCC shall send to the MOEX an instruction to its cancellation.

Furthermore, the NCC mandatory closes positions under the Settlement Code on which the unfulfilled Margin Call is registered.

If, following the forced liquidation procedure the Clearing Member still has outstanding obligations exceeding the available cash in Russian roubles recorded for the Settlement Code, the remaining obligations are recorded as the Debt of the Clearing Member to the NCC under such Settlement Code.

To repay this Debt, the NCC uses foreign currency and/or securities recorded as the Collateral Assets for the Brokerage Firms linked to this Settlement Code.

If upon the procedure the Clearing Member still has outstanding obligations, funds are used to repay the Debt in the following order:

- 1) free Collateral Assets of the Defaulting Clearing Member recorded under the Own Settlement Codes of the Defaulting Clearing Member on the Derivatives Market;
- 2) free Collateral and assets in Collateral Pool (in case of the Securities Market) of the Defaulting Clearing Member recorded under the Own Settlement Codes on the other markets in accordance with the NCC Clearing Rules;
- 3) Collateral of the Defaulting Clearing Member on the Market where the Debt had arisen, recorded under the Own Settlement Codes of the Defaulting Clearing Member, which became available as a result of close out of the positions recorded under these Settlement Codes;
- 4) Collateral of the Defaulting Clearing Member, recorded under the Own Settlement Codes of the Defaulting Clearing Member on the other Markets, which became available as a result of close out of positions recorded in accordance with the NCC Clearing Rules for the Securities Market and/or for the FX Market – upon the selection of the NCC);
- 5) Collateral for Stress of the Defaulting Clearing Member, recorded in accordance with the NCC Clearing Rules for the Derivatives Market;
- 6) contribution to the Guarantee Fund of the Defaulting Clearing Member, recorded in accordance with the NCC Clearing Rules for the Derivatives Market;
- 7) Collateral for Stress of Defaulting Clearing Member, recorded in accordance with the NCC Clearing Rules for the Securities Market and/or NCC Clearing Rules for the FX Market – upon the selection of the NCC;
- 8) contributions to the Guarantee Fund of the Defaulting Clearing Member, recorded in accordance with the NCC Clearing Rules for the Securities Market and/or NCC Clearing Rules for the FX Market – upon the selection of the NCC;
- 9) NCC allocated capital set for Derivatives Market at the level of RUB 1.5 bln. (more than USD 23.7 mln.)¹⁹ (skin-in-the-game);
- 10) NCC additional allocated capital set for all Markets at the level of RUB 3 bln. (more than USD 47.4 mln.)¹⁹;
- 11) contributions to the Guarantee Fund of the non-defaulting Clearing Members, recorded in accordance with the NCC Clearing Rules (subject to provisions of clause 26.16 of the Clearing Rules (Part I “Common Part”)²⁰). Contributions of the non-defaulting Clearing Members to the Guarantee Fund of the Derivatives Market will be used in equal proportions;
- 12) MOEX contribution to the Guarantee Fund within RUB 5 bln. (more than USD 79 mln.)¹⁹ – upon the NCC’s request.

¹⁹ As of USD/RUB rate settled by the Bank of Russia on September 30, 2016.

²⁰ Contributions to the Guarantee Fund of the non-defaulting Clearing Members are used if the sum of the Debts of the Defaulting Clearing Members to the NCC exceed the amount of allocated capital of the NCC (exceeds RUB 1.5 bln. (more than USD 23.7 mln. – as of USD/RUB rate settled by the Bank of Russia on September 30, 2015.)

Exhibit D(2)

A certification, signed by the Chief Executive Officer (or functional equivalent) of the Clearing Organization, that the clearing system observes (1) the current Recommendations for Central Counterparties that have been issued jointly by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions, as updated, revised or otherwise amended, or (2) successor standards, principles and guidance for central counterparties or financial market infrastructures adopted jointly by the Committee on Payment and Settlement Systems or the International Organization of Securities Commissions (RCCPs).

See – Appendix 7 to Supplement S-1 to FBOT Form (NCC's CEO Commitment #2)

Exhibit D(3)

A detailed description of the manner in which the Clearing Organization observes each of the RCCPs or successor standards and documentation supporting the representations made, including any relevant rules or written policies or procedures of the Clearing Organization. Each RCCP should be addressed separately within the exhibit.

The NCC conducted an internal assessment of compliance with Recommendations for Central Counterparties CPMI-IOSCO in November 2015, which was updated in June 2016 (see – [Appendices 6 and 6a](#) to Supplement S-1 to FBOT Form, which in their structure fully replicates the CPMI-IOSCO Principles for Financial Infrastructures. It is a set of PFMI questionnaires (<http://www.bis.org/cpmi/publ/d106.pdf>) and NCC Bank answers to them).

Furthermore, after approval the new standard “Principles for Financial Market Infrastructures (PFMI)” by CPMI-IOSCO in April, 2012, the Bank of Russia has developed and adopted their own regulations, which contains requirements for the activities of Central Counterparties. This document is the Instruction of the Bank of Russia No.2919-U "On Quality Evaluation of the Credit Organization, functioning as a Central Counterparty." The requirements contained in CBR Ordinance №2919 include the majority of CPMI – IOSCO Principles for Financial Market Infrastructures.

The NCC conducted an internal assessment of compliance with the Instruction in 2013 and filed a petition to the Bank of Russia to recognize the quality control as satisfactory. The Bank of Russia recognized the quality control as satisfactory with respect to the NCC on October 18, 2013 based on the Results of Internal Management Quality Assessment, which was prepared by the NCC in accordance with requirements of the Instruction No.2919-U (see – [Appendix 13](#) to Supplement S-1 to FBOT Form (Results of the NCC Internal Management Quality Assessment as of 2013)).

Information on the recognition of the quality management of the NCC as satisfactory is published on the Bank of Russia web-site, as well as in the Bulletin of the Bank of Russia № 59 (1455), on October 31, 2013.

See – [Appendix 17](#) to FBOT Application (CBR’s Confirmation).

Exhibit E — The Regulatory Regime Governing the Clearing Organization in Its Home Country or Countries

With respect to each relevant regulatory regime or authority governing the clearing organization, attach, as Exhibit E, the following:

General Overview:

The NCC's clearing activity and its activity as a currency exchange market are governed by the Bank of Russia. The Bank of Russia has administrative influence over the NCC's activity and has the ability and resources to supervise and regulate the NCC's activity efficiently.

The Bank of Russia's status, purposes, functions and powers are stipulated in the Constitution of the Russian Federation and the following Federal Laws: "On the Central bank of the Russian Federation (the Bank of Russia)," "On Banks and Banking Activity," "On Securities Market," "On Organized Trading," "On Clearing," "On Central Depository," "On protection of rights and legitimate interests of Investors on Securities Market," "On Investment Funds," "On Non-State Pension Funds" and "On combating unlawful use of Insider Information and Market Manipulation," "On Joint-Stock companies," "On Features of Implementation of Financial Operations with Foreign Citizens and Legal Entities," "On the prevention of Money Laundering and Terrorism Financing".

The powers of the Bank of Russia with respect to clearing activity are set forth in Federal Law No.7-FZ "On Clearing." According to that Federal Law, the Bank of Russia shall:

- regulate clearing activity, including through adoption of statutory legal acts regulating clearing activity and other statutory legal acts;
- establish unified requirements for clearing organizations performing the functions of the central counterparty;
- exert control over performance by the central counterparty of its functions;
- set requirements for the clearing procedure;
- carry out registration of clearing rules and other documents of clearing organizations subject to registration and set procedures for their registration;
- carry out licensing of clearing activity;
- set the procedures and conditions of accreditation for credit institutions that are not clearing organizations, allowing to carry out CCP functions, as well as the procedure for the accreditation withdrawal;
- carry out accreditation of CCPs and organizations performing functions of an operator of the goods delivery;
- set the requirements and procedures for calculating equity funds of the clearing organizations that are not credit institutions, and set other requirements aimed at risks reduction for such organizations while carrying out clearing activity;
- set requirements aimed at risk reduction for clearing activities and requirements regarding the organization of internal control by the clearing organization combining its activity with the activity of the credit institution;
- develop a method of stress testing for risk management system of the CCP;
- carry out stress testing of the risk management system of the central counterparty;
- define the rules for information disclosure by clearing organizations and the rules for information submission to the clearing members;
- set the scope, procedure, terms and forms of submission of reports, data and notices to Bank of Russia by clearing organizations, central counterparties;
- set requirements and procedures for storage and protection of the information related to clearing activity and the term of its storage if the storage procedure and terms of the stated information have not been set by other statutory legal instruments;
- approve programs for examination qualification for the certification of natural persons in the sphere of clearing activity and define the conditions and procedure for accreditation of entities performing the stated certification in the form of grading the qualification examinations and the issue of qualification certificates, as well as performing accreditation of such entities, define the types and forms of qualification certificates and maintain the register of the certificated persons;
- cancel qualification certificates in case of repeated or gross violation of Federal Law No.7-FZ "On Clearing" requirements and statutory legal instruments adopted in accordance with it;
- carry out inspections for compliance purposes of the entities that certify an individuals in the sphere of clearing activity and withdraw the accreditation if the stated conditions have been violated;

- monitor clearing organizations' compliance with the requirements of the Federal Law No.7-FZ "On Clearing" and statutory legal instruments adopted in accordance with it;
- inspect clearing organizations and central counterparties within the procedure set by Bank of Russia statutory legal instruments;
- take measures to terminate and prevent violations of the Federal Law No.7-FZ "On Clearing" and regulations promulgated thereunder;
- make a recourse to the arbitration court with a demand for liquidation of legal entities engaged in activities, stipulated by the Federal Law No.7-FZ "On Clearing," without the appropriate licenses, and in other cases stipulated by federal laws;
- exchange confidential information, including personal data, with the relevant body (organization) of a foreign state based on agreement with such body (organization) that stipulates the mutual exchange of such information, on condition that the government of the relevant body (organization) requires the protection of provided confidential information at a level that is no less than the level of protection for provided confidential information established by the laws of the Russian Federation, and if the relationship for exchange of information is governed by international treaties of the Russian Federation in accordance with the terms thereof;
- exercises other functions stipulated by the Federal Law No.7-FZ "On Clearing" and other federal laws.

Exhibit E(1)

A description of the regulatory regime/authority's structure, resources, staff and scope of authority

See Exhibit F(1) to FBOT Form.

Exhibit E(2)

The regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the Clearing Organization.

The Federal Law No.7-FZ "On Clearing" establishes the legal framework of execution of clearing, requirements for legal entities performing clearing activities and functions of a Central Counterparty, as well as the legal basis of the state regulation of clearing activities and state control over its implementation.

Pursuant to the Russian Federation Presidential Decree the Federal Financial Markets Service was abolished on September 1st, 2013, and according to the recent amendments to the Federal Laws and Legislative Acts (*i.e.*, adoption of the Federal Law No.251-FZ "On Amendments to Certain Legislative Acts of the Russian Federation in connection with the transfer to the Central Bank of the Russian Federation the authority to regulate, control and supervise the financial markets"), the power to regulate, control and supervise the Russian financial markets were transferred from the Federal Financial Markets Service ("FFMS") to the newly formed structural units of the Bank of Russia.

As a result, the Bank of Russia is currently exercising the regulation, control and supervision both of credit and non-credit financial institutions. Therefore, the Bank of Russia has all the necessary authority to regulate, control and supervise the activities of clearing organizations, regardless of whether the clearing organization has been created in the form of a credit institution or clearing institution, since both types of institutions are within the competence of the Bank of Russia. It should also be noted that, in addition to the Bank of Russia, the regulation and supervision of financial markets is exercised, within its authority, by the Federal Service for Supervision of Consumer Rights, which supervises and controls compliance with the mandatory requirements of the laws of the Russian Federation in terms of protecting consumer rights and in the area of consumer market, as well as by the Federal Service for Financial Monitoring in terms of monitoring compliance of legal entities and individuals with the laws of the Russian Federation on countering the legalization (laundering) of criminally obtained proceeds and financing of terrorism, and prosecuting legal entities and individuals who violated the laws of the Russian Federation in this area.

In accordance with article 25 of the Federal Law "On Clearing " the Bank of Russia is authorized to regulate and control the clearing activities and the activities of entities exercising the functions of a central counterparty, including by licensing the clearing activities and providing the accreditation of entities exercising the functions of a central counterparty, and also has been vested with other powers. In particular, according to its vested authority, the Bank of Russia licenses clearing activities.

Adding to this, there are Directions of The Central Bank of Russia No 2919-U Of December 3, 2012, "On the Assessment of the Management Quality of a Credit Institution Acting as a Central Counterparty," which establish a procedure for assessing the management quality of a credit institution acting as a central counterparty based on its application to recognize its management quality as satisfactory, for use by credit institutions acting as clearing participants with regard to their requirements to the central counterparty, the management quality of which has been recognized as satisfactory, the approaches provided for by the regulation on banks' required ratios, when calculating such required ratios.

See also [Appendix 7](#) to FBOT Form (NCC's CEO Commitment #2).

Exhibit E(3)

A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(1) The authorization, licensure or registration of the clearing organization.

In accordance with Federal Law No. 7-FZ “On Clearing” as modified by Federal Law No.251-FZ (See – [Exhibit E\(2\)](#) to Supplement S-1 to FBOT Form), the license for carrying out clearing activity shall be issued by the Bank of Russia for an indefinite term. This license shall be conditional on compliance with certain conditions related to:

1. organizational and legal form;
2. presence of one or several separate structural subdivisions established for carrying out clearing activity in case of combination of the stated activity with other types of activity;
3. proprietary funds;
4. special requirements for persons beneficially owning (directly or indirectly) 5 percent or more of the voting shares of the entity;
5. qualification requirements for the sole executive body, members of the board of directors (supervisory board), members of the collective executive body, head of the internal control service, chief accountant and in case of combining clearing activity with other types of activity also to the head of the structural subdivision established for carrying out clearing activity;
6. clearing rules;
7. arrangement of internal control; and
8. measures aimed at risk reduction for clearing activity.

Under the Federal Law No.7-FZ “On Clearing” applicant for a Clearing License must submit the following documents to Bank of Russia:

1. application;
2. questionnaire;
3. document confirming the registration of the legal entity;
4. copies of the constituent documents together with any amendments;
5. copies of the document confirming registration of the license applicant with the tax authority;
6. copies of the documents evidencing the election of:
 - Sole Executive Body;
 - members of the Board of Directors (Supervisory Board) and members of the Collective Executive Body (if established);
 - Head of Internal Control Service;
 - Chief Accountant;
 - Head of Structural Subdivision established for carrying out clearing activity in case of combining clearing activity with other types of activity; and
 - Head of Internal Audit Service.
7. a document containing data on persons beneficially owning (directly or indirectly) 5 percent or more of the voting shares of the applicant;
8. a document containing information about the entities above and copies of the documents certifying the compliance with the requirements to such entities stated in the Federal Law No.7-FZ;
9. clearing rules approved by the applicant establishing a procedure for internal control, preparation and performance and establishing measures aimed at risk reduction for the clearing organization;
10. a calculation of the applicant’s equity funds;
11. a copy of the accounting balance sheet as of the latest reporting date (not required of applicants that are credit institutions);
12. detailed information on the loan funds and accounts receivable as of the latest reporting date (not required of applicants that are credit institutions);
13. copies of the income statement as of the latest reporting date (not required of applicants that are credit institutions);
14. statement on structure of financial investments (not required of applicants that are credit institutions) as of the date of equity funds calculation;
15. audited financial statements;
16. copies of the documents confirming the state registration of all share issues of the company and the latest report on the results of share issue (for a joint-stock company);
17. document confirming payment of state duty for license granting; and
18. document defining measures taken by the clearing organization in case of emergency.

The following shall be served as causes for refusal to grant of a license:

1. incomplete or doubtful information in the documents submitted by the license applicant;

2. lack of compliance in the documents submitted by the license applicant to the requirements of Federal Law "On Clearing" and the Bank of Russia's statutory legal instruments adopted in accordance therewith;
3. failure to submit the information (upon additional request of the Bank of Russia) confirming the compliance with the license requirements and conditions; or
4. non-compliance with license requirements and conditions.

The Bank of Russia shall make a decision whether to grant or to refuse to grant of a license within 2 (two) months from the date of submission of the document package.

(2) The financial resource requirements applicable to the authorization, licensure or registration of the Clearing Organization and the continued operations thereof

According to legislative requirements, Clearing Organizations must have minimum capital equal to RUB 100 mln. (≈ USD 1.6 mln.). Proprietary Funds of the NCC is several times more than the amount required by the legislation (amount to RUB 47.37 bln. (≈ USD 750 mln.) as of September 30, 2016).

The NCC as a credit institution is also subject to the requirement of Federal Law "On Banks and Banking Activity" setting the minimum authorized capital for operating credit institutions to the amount of RUB 180 mln. (≈ USD 2.8 mln.). Since January 1, 2015 the requirements to the minimum authorized capital is increased to RUB 300 mln. (≈ USD 4.7 mln.). The NCC's authorized capital is RUB 16.67 bln. (≈ USD 263 mln.) as of September 30, 2016.

(3) The regulatory regime/authority's program for the ongoing supervision and oversight of the Clearing Organization and the enforcement of its Clearing Rules

The Bank of Russia may send official requests to the NCC on submission of the information within the scope of control and supervision over the NCC's activity (See [Exhibit E\(3\)\(5\)](#) to Supplement S-1 to FBOT Form).

The Bank of Russia periodically assess NCC's compliance with legislative and other regulatory requirements, performing:

- regular assessment of governance quality at the NCC as a credit organization and central counterparty, including management of conflict of interests;
- annual assessment of governance quality of the NCC's Supervisory Board and others management bodies govern the NCC;
- periodic assessment of certain NCC's activities (1-2 times per year).

(4) The extent to which the current RCCPs are used or applied by the regulatory regime/authority in its supervision and oversight of the clearing organization or are incorporated into its rules and regulations and the extent to which the regulatory regime/authority reviews the clearing systems for compliance therewith

The NCC conducted an internal assessment of compliance with Recommendations for Central Counterparties CPMI-IOSCO in November 2015 (see – [Appendix 6](#) to Supplement S-1 to FBOT Form (NCC's Internal Assessment as of June 2016)).

Furthermore, after approval the new standard "Principles for Financial Market Infrastructures (PFMI)" by CPMI-IOSCO in April, 2012, the Bank of Russia has developed and adopted their own regulations, which contain requirements for the activities of Central Counterparties. This document is the Instruction of the Bank of Russia No.2919-U "On Quality Evaluation of the Credit Organization, functioning as a Central Counterparty."

The NCC conducted a self-assessment of compliance with the Instruction in 2013 and filed a petition to the Bank of Russia to recognize the quality control as satisfactory. The Bank of Russia recognized the quality control as satisfactory with respect to the NCC on October 18, 2013.

See – [Appendix 17](#) to FBOT Form (CBR's Confirmation).

The fundamental approach for regulation of the Russian regulated securities and derivatives market reflects and complies with IOSCO principles. Specifically, the Bank of Russia intends that laws and statutory instruments are based on principles aimed at increasing market transparency, reliability of the trading system, equality of the participants and the growth in the financial stability of the market participants. Moreover, the Bank of Russia relies on international experience, generally accepted world standards in its activity and approaches, and welcomes the implementation of advanced technologies and approaches of infrastructure organizations (exchanges, clearing organizations, and settlement depositories) and market participants to execute by their internal procedures.

Additionally, the NCC was accepted as a member of the European Association of Central Counterparty Clearing Houses (EACH) in November, 2009. The decision to adopt the NCC as a member was taken at

a meeting of the EACH based on the view that the NCC as a clearing organization complies with the RCCPs and with risk management standards developed by EACH for CCPs.

The NCC also became a member of the Global Association of Central Counterparties (CCP12) in September, 2011.

(5) The extent to which the regulatory regime/authority reviews and/or approves the rules of the Clearing Organization prior to their implementation

A clearing organization's rules and any amendments thereto must be sent to the Bank of Russia along with the following documents:

- application for document registration (amendments and addenda thereto);
- any amendments and addenda introduced thereto or its new version;
- wording of the amendments and arguments to support the introduced amendments;
- evidence of the rules' approval by an appropriate executive body (by the Supervisory Board); and
- confirmation of state duty payment;
- copy of minutes of the Supervisory Board elaborating on the recommendations regarding the document suggested for registrations and indicating the names of those, who voted in favor of such document adoption.

Upon receipt of such documents, the responsible executive officer of Bank of Russia shall review the sent documents package for:

- completeness and information credibility;
- compliance with the Russian legislation on clearing and clearing activity;
- contradictions revealed as compared to other internal documents of the clearing organization, organizer of trading.

The clearing rules (amendments thereto) shall become effective not earlier than upon 5 (five) days after the information in this document is publicly disclosed on the NCC's website. The Bank of Russia may verify the reliability of information contained in the documents submitted for registration under the procedure set by Bank of Russia, including by requesting the respective documents. The Bank of Russia is obliged to register or refuse to register the rule not later than 30 (thirty) days after the date of receipt of the respective document.

(6) The regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, sanction, and enforce rules applicable to the Clearing Organization

Under the Federal Law "On Clearing," the Bank of Russia is eligible to:

- carry out scheduled inspections not more than once a year. There are two types of scheduled inspections by Bank of Russia – inspections of NCC as a bank and inspections of NCC as a clearing organization. In the first case, Bank of Russia covers banking activities of NCC. In the second case, it covers clearing activities. Clearing activities inspection covers not only regulatory obligations but functioning of clearing system, departments' cooperation, etc.;
- carry out unscheduled inspections in case of any signs of violations, including on the basis of complaints (applications, petitions) from the citizens and legal entities or from the mass media;
- receive necessary documents from clearing organizations and CCPs, their employees, including confidential information, as well explanations in oral or in written form. If access to the information is restricted or prohibited in accordance with federal laws, the demand (request) for submission of such information may be sent by the head of the Bank of Russia within the set procedure and form only in case of the inspection held; and
- apply to the bodies performing the investigation activities with a request on taking investigation measures.

Bank of Russia is eligible to:

- send to NCC improvement notice;
- forbid or set limits on certain clearing activities within 6 months;
- revoke a license.

(7) The financial protection afforded customer funds

The NCC assumes responsibility for protection of Clients funds. See also [Exhibit F\(3\)\(2\)](#) to FBOT Form.

The MOEX and the NCC provide a service for the segregation of accounts to Derivatives Market's Trading Participants.

Segregating an account means:

- opening the segregated clearing register or a segregated group of clearing registers (in terms of the Clearing Rules “Segregated Brokerage Firm”; hereinafter, “SBF”) for a client or a group of clients; or
- opening the segregated clearing register which is Clients Brokerage Firm for a Segregated client.

The assets of a SBF or Segregated client cannot be used to satisfy obligations when somebody else’s positions are being mandatorily closed out by the MOEX, except for the positions of the SBF or Segregated client itself. The assets of a SBF can only be withdrawn to accounts assigned to this particular SBF and only by the Authorized Account Owner of the accounts assigned to the SBF.

a) Separate accounting of assets

The Initial Margins of the positions of a SBF or Segregated client are calculated separately from the positions of other clients or the Clearing Member itself. This means that a SBF or Segregated client can use its available funds to open new positions or withdraw such funds even if there is a Margin Call at the Clearing Member’s level (including when the NCC suspends the Clearing Member from trading).

A ban on trading can only be invoked against a SBF or Segregated client if the:

- Initial Margin for the SBF’s or Segregated client’s open positions is higher than the funds available in the account;
- Clearing Member has a Margin Call that results in a mandatory liquidation of the Clearing Member’s positions and the consequent need to mandatorily liquidate the SBF’s or Segregated client’s positions (for SBF – after the usage of the Guarantee Fund reserves too).

b) Separate safekeeping of assets (Collateral)

Separate safekeeping:

- of securities – is available within a standard depository services package (NSD sets up accounts for the owner of the securities);
- of cash (including foreign currency) – is available through assigning accounts for withdrawal of cash to the SBF’s or Segregated client’s register/registers.

The SBF itself or any other approved (by the SBF) legal entity (for example, a big international credit organization) may act as an Authorized Account Owner of accounts for withdrawal of cash. Both Russian residents and non-residents may be Authorized Account Owners. An Authorized Account Owner must sign an agreement with the NCC. An Authorized Account Owner can assign accounts to a SBF, submit instructions to send/withdraw cash and trigger transfer of the SBF’s positions to another Clearing Member, if necessary.

c) Transfer of positions and Collateral²¹.

The NCC is entitled to transfer opened Clearing Member’s positions recorded as the positions of the SBF or Segregated client of such Clearing Member (hereinafter – Basic Clearing Member) and simultaneously transfer the Collateral recorded as the Collateral of the SBF or Segregated client to another Clearing Member (hereinafter, “Recipient Clearing Member”).

Any positions and Collateral Assets shall be transferred by the NCC under the Application for transfer of positions and Collateral (hereinafter - Application) submitted by the Authorized Account Owner allocated to the SBF, or by Segregated client itself.

The Application confirms that the consent of the Clients of the Basic Clearing Member for transfer of positions and Collateral to the Recipient Clearing Member has been received by the Authorized Account Owner or Segregated client. Transfer positions and Collateral shall be made by the NCC after receiving accept from Recipient Clearing Member.

Within 5 (five) trading days after transfer by the NCC, the Recipient Clearing Member shall be obliged to register the Clearing Member’ Clients on behalf and/or at expense of which trades are concluded.

²¹ See Articles 41-42 of the Clearing Rules PART V. Clearing Rules for the Derivatives Market and Article 30 of the Clearing Rules (Part I “Common part”) for details.

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Exhibit F(2)

A description of the Clearing Organization's rules and how they are enforced, with reference to any rules provided as part of Exhibit A(5) that require the clearing organization to comply with one or more of the PFMI

Clearing Rules shall be approved by the clearing organization and shall be subject to registration with the Bank of Russia (See – [Exhibit E\(3\)\(5\)](#) to Supplement S-1 to FBOT Form).

The NCC's Clearing Rules shall contain the following information in accordance with the requirements of the Federal Law No.7-FZ "On Clearing":

- 1) requirements to clearing members;
- 2) indication that clearing is performed with or without participation of a central counterparty, as well as name of the entity performing functions of the central counterparty if this entity is not the clearing organization which has approved the clearing rules;
- 3) procedure and conditions of obligation admission to clearing;
- 4) procedure for clearing, including the order and conditions of adding the obligations to the clearing pool (exclusion of obligations from the clearing pool);
- 5) rights and obligations of the clearing organization, clearing members and person performing functions of the central counterparty;
- 6) procedure for performance of obligations according to the clearing results;
- 7) methods of enforcement of obligations accepted for clearing;
- 8) in case of using trading and/or clearing accounts — types of trading and/or clearing accounts and procedure for operations therewith;
- 9) a list of internal accounting forms for obligations permitted for clearing used by the clearing organization, internal accounting forms for the property intended for performance of such obligations and property being the collateral subject, including individual and collective clearing collateral (clearing registers, sections of clearing registers and other internal accounting forms), their designation and the procedure for their maintaining;
- 10) conditions for liability insurance for the person performing the functions of the central counterparty, for obligations permitted for clearing if the stated liability has been insured;
- 11) procedure for submission of reports on clearing results by the clearing organization to clearing members;
- 12) address of the website at which the information is disclosed by the clearing organization;
- 13) specification of measures aimed at risk management while clearing and at distribution of obligations for risk management between the clearing organizations and the person performing functions of the central counterparty;
- 14) amount and procedures for paying for the services of the clearing organization;
- 15) other provisions.

Information on compliance of the NCC with PFMI is contained in [Exhibit E\(3\)\(4\)](#) to Supplement S-1 to FBOT Form.

Exhibit F(3)

A description of the Clearing Organization's disciplinary rules, including (but not limited to) rules that address the following

(1) Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any clearing participant pursuant to fair and clear standards

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[Redacted]

(2) The issuance of warning letters and/or summary fines for specified rule violations

[Redacted]

[Redacted]

- [Redacted]

[REDACTED]

(4) Disciplinary committees of the clearing organization that take disciplinary action via formal disciplinary processes.

[REDACTED]

[REDACTED]

(5) Whether and how the clearing organization articulates its rationale for disciplinary decisions

[REDACTED]

[REDACTED]

(6) The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as deterrents to future violations

[REDACTED]

Exhibit F(4)

A demonstration that the Clearing Organization is authorized by rule or contractual agreement to obtain, from members and other participants, any information and cooperation necessary to conduct investigations, to effectively enforce its rules, and to ensure compliance with the conditions of registration

The Clearing Members shall submit the documents and reports provided by the Clearing Rules to confirm their financial status. The Clearing Members shall submit other documents, which may be requested by the NCC, if necessary, for the purposes not contradicting the current legislation of the Russian Federation (see Article 10 of the NCC Clearing Rules (Part I “Common Part”), attached as Appendix 2 to Supplement S-1 to FBOT Form).

Exhibit G — Information Sharing Agreements among the Commission, the Foreign Board Of Trade, the Clearing Organization, and relevant Regulatory Authorities

Exhibit G(1)

A description of the arrangements among the Commission, the foreign board of trade, the clearing organization, and the relevant foreign regulatory authorities that govern the sharing of information regarding the transactions that will be executed pursuant to the foreign board of trade's registration with the Commission and the clearing and settlement of those transactions. This description should address or identify whether and how the foreign board of trade, clearing organization, and the regulatory authorities governing the activities of the foreign board of trade and clearing organization agree to provide directly to the Commission information and documentation requested by Commission staff that Commission staff determines is needed:

- (i) To evaluate the continued eligibility of the foreign board of trade for registration.*
- (ii) To enforce compliance with the specified conditions of the registration.*
- (iii) To enable the CFTC to carry out its duties under the Act and Commission regulations and to provide adequate protection to the public or registered entities.*
- (iv) To respond to potential market abuse associated with trading by direct access on the registered foreign board of trade.*
- (v) To enable Commission staff to effectively accomplish its surveillance responsibilities with respect to a registered entity where Commission staff, in its discretion, determines that a contract traded on a registered foreign board of trade may affect such ability.*

After regulatory reform of September 2013, the Bank of Russia has become the single authority that regulates, controls and supervises both credit and non-credit financial institutions in the Russian Federation including organizers of trading and clearing organizations.

The Bank of Russia has the right to obtain information (including confidential), contemporaneous records (including bank records of natural and legal persons), and documents sufficient to evaluate the continued eligibility of the domestic boards of trade and clearing house for licensing requirements, enforce compliance with the Russian legislation, reconstruct all securities and derivatives transactions, respond to any potential market abuse and protect public interests. This power is established by the CBR Law²³, the Securities Market Law²⁴, the Investment Funds Law²⁵, the Insider Law²⁶, the Clearing Law²⁷, the Organized Trade Law²⁸, the Banking Law²⁹, and the Investors Protection Law³⁰. This power covers securities issuers and professional participants of financial market, organizations that are under control of the Bank of Russia according to the Investment Funds Law (joint-stock investment funds, management companies and special depositories), credit institutions, clearing houses and domestic organizers of trading, trade repositories³¹ and other organizations and persons enumerated in the CBR Law (non-credit financial institutions)³².

In consonance with Article 51.1 of the Federal Law № 86-FZ of July 10, 2002, "On the Central Bank of Russian Federation (Bank of Russia)" The Bank of Russia is entitled to exchange information and (or) documents, which may be confidential, including those that contain data constituting bank secrecy, with a foreign financial market regulator pursuant to and in compliance with:

1. a multilateral memorandum of understanding concerning consultation and cooperation and the exchange of information of the International Organization of Securities Commissions;

²³ Articles 56, 57, 73, 76.5 of the Federal Law № 86-FZ of July 10, 2002, "On the Central Bank of the Russian Federation (Bank of Russia)"

²⁴ Section 6 Article 51.5, Section 7 Article 44 of the Federal Law № 39-FZ of April 22, 1996, "On Securities Market"

²⁵ Section 3 Article 55 of the Federal Law № 156-FZ of November 29, 2001, "On Investment Funds"

²⁶ Section 1, 9 Article 14, Section 1, 4 Article 16 of the Federal Law № 224-FZ of July 27, 2010, "On Combating Unlawful Use of Insider Information and Market Manipulation and On Amending Certain Legislative Acts of the Russian Federation"

²⁷ Paragraph 3 Section 2, Section 4 Article 25 of the Federal Law № 7-FZ of January 7, 2011, "On Clearing and Clearing Activity"

²⁸ Article 25 of the Federal Law № 325-FZ of November 21, 2011, "On Organized Trade"

²⁹ Section 32 Article 26 of the Federal Law № 395-1 of December 2, 1990, "On Banks and Banking"

³⁰ Section 2 Article 11 of the Federal Law № 46-FZ of March 5, 1999, "On Protection of the Rights and Legitimate of Investors on Securities Market"

³¹ Section 6 Article 51.5 of the Federal Law № 39-FZ of April 22, 1996, "On Securities Market"; Section 31 of Procedure for keeping register of contracts concluded under general agreement (single contract), for provision of information required to keep the register and information therefrom, and for filing register of contracts concluded under general agreement (single contract) with securities market federal executive body approved by FFMS of Russia № 11-68/pz-n of December 28, 2011

³² Article 76.1 of the Federal Law № 86-FZ of July 10, 2002, "On the Central Bank of the Russian Federation (Bank of Russia)"

2. an international treaty of the Russian Federation;
3. a bilateral treaty with a foreign financial market regulator envisaging exchange of information, if the legislation of the corresponding foreign state stipulates the level of security for information provision at least matching the level of information security envisaged by the Russian Federation legislation.

In addition, the Bank of Russia is the legal successor of the FFMS of Russia regarding the establishment (equity participation) of legal entities; participation (membership) in organizations (forums, groups, committees), including international and foreign ones; treaties and agreements with foreign financial market regulators, international and foreign bodies and institutions in accordance with the article 49 of the Federal Law № 251-FZ of July 23rd, 2013.

In 2000 the CFTC and the Commodities Exchanges Commission of the Ministry of the Russian Federation for Antimonopoly Policy and support of Entrepreneurship (CEC) signed a Joint Statement between the CFTC and the Commodities Exchanges Commission of the Ministry of the Russian Federation for Antimonopoly Policy and support of Entrepreneurship (CEC) Regarding Cooperation, Consultation and the Provision of Technical Assistance (Joint Statement) which entered into force on December 10th, 2000.

Since the signing of the Joint Statement, the responsibilities of the CEC have been transferred to the Federal Financial Markets Service (FFMS of Russia) pursuant to the Russian Federation Presidential Decree № 314 of March 9th, 2004.

Subsequently, the responsibilities of the FFMS of Russia have been transferred to the Bank of Russia in accordance with the Federal Law № 251-FZ of July 23rd, 2013. Additionally, pursuant to the Russian Federation Presidential Decree № 645 of July 25th, 2013, the FFMS of Russia was abolished as of September 1st, 2013. As a result, the Bank of Russia has become a legal successor to the FFMS of Russia in respect to the above Joint Statement.

The Bank of Russia, to ensure that the arrangements under the Joint Statement will continue to operate effectively in respect of the Bank of Russia has sent an official letter dd. 24.06.2014 No.06-51-1/4970 to the CFTC by which it confirms that:

- the Bank of Russia as a legal successor to the FFMS of Russia is to be treated as if it was a signatory to the Joint Statement;
- references to the FFMS of Russia are to be treated as references to the Bank of Russia.

The Bank of Russia is an ordinary member of the International Organization of Securities Commissions (IOSCO). On February 16, 2015, the Bank of Russia signed the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMoU). The Bank of Russia has been included to the Appendix A of the IOSCO MMoU, and has become the 105th IOSCO MMoU signatory and full participant of the information exchange with other financial market regulatory authorities, which are signatories to the IOSCO MMoU. This will significantly help the Bank of Russia to improve cross-border information sharing process and expand the range of countries and authorities involved in it.

Exhibit G(2)

A statement as to whether the regulatory authorities governing the activities of the Foreign Board of Trade and Clearing Organization are signatories to the International Organization of Securities Commissions Multilateral Memorandum of Understanding. If not, describe any substitute information sharing arrangements that are in place.

On February 16, 2015, the Bank of Russia signed the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMoU). Thus the Bank of Russia has been included to Appendix A of the IOSCO MMoU and has become the 105th IOSCO MMoU signatory and full participant of the information exchange with other financial market regulatory authorities, which are signatories to the IOSCO MMoU. This significantly helps the Bank of Russia to improve cross-border information sharing process and expand the range of countries and authorities involved in it.

Apart from the IOSCO MMoU at present the Bank of Russia is a party to 20 bilateral MoUs on cooperation and information sharing with foreign financial market authorities and 36 bilateral MoUs on cooperation and information sharing with foreign national (central) banks in banking supervision.

Exhibit G(3)

A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations. If not, a statement as to whether and how they have committed to share the types of information contemplated by the International Information Sharing Memorandum of Understanding and Agreement with the Commission, whether pursuant to an existing memorandum of understanding or some other arrangement.

On February 16, 2015, the Bank of Russia signed the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMoU). Thus the Bank of Russia has been included to Appendix A of the IOSCO MMoU and has become the 105th IOSCO MMoU signatory and full participant of the information exchange with other financial market regulatory authorities, which are signatories to the IOSCO MMoU. This significantly helps the Bank of Russia to improve cross-border information sharing process and expand the range of countries and authorities involved in it.

Apart from the IOSCO MMoU at present the Bank of Russia is a party to 20 bilateral MoUs on cooperation and information sharing with foreign financial market authorities and 36 bilateral MoUs on cooperation and information sharing with foreign national (central) banks in banking supervision.