

The image shows the Citi logo, which consists of the word "citi" in a lowercase, grey, sans-serif font. A thick red arc is positioned above the letters "i" and "t", spanning across them.

citi



Russian Post-Trading Infrastructure Optimistic Future: Expected Improvements in 2012 - 2013

Alexei Fedotov, Head of SFS Russia and CIS

Larisa Gorbacheva, SCM, Head of DCC Russia

Otto von Bismarck: Russians Harness The Horse Slowly But Drive Fast

Russian market infrastructure changes were a dream for many years. Absence of a political will was a major show stopper.

The political will is in place. Will now Russia prove the proverb to be true?



CSD Law: Major Milestones

- **2009-2010:** The strategy behind the long-term financial market development until 2020 has been approved. The economic development is to be supported by increasing competitiveness of the Russian financial market and forming an International Financial Centre on this basis. Ministry for Economy Development is working on steps to implement strategy
- The Russian President announced International Financial Centre Project (IFC):
 - The 2020 Strategy: Long-term social and economic development concept introduced by the Government of the Russian Federation featuring “infrastructure development for the international financial centre in Moscow”
 - The MIFC Action Plan: Action plan for the development of an International Financial Centre in Russia by the Government of the Russian Federation
 - Head of MIFC Taskforce appointed: President Medvedev held a session on establishing an IFC in Moscow on 20 April 2010. **Alexander Voloshin**, former Head of the Presidential Executive Office, was appointed Head of MIFC Taskforce.
 - MIFC Taskforce formed: On 7 July 2010, President Medvedev created a MIFC Task force featuring officials from Presidential Executive Office, Federation Council, Ministry of Finance, Ministry for Economic Development, Central Bank of Russia, Supreme Arbitration Court, Federal Service for Financial Markets Russia (FSFM), Moscow government
 - **Igor Shuvalov**, First Deputy Prime minister, was appointed Government Supervisor of MIFC.
 - Seven MIFC Project Groups, co-chaired – by a business-side and a government-side representative, were formed to draft reform proposals for the Taskforce. Over 200 financial market professionals, officials, scientists, contribute to the Project Groups
 - MIFC Project started. MIFC Project Groups commenced work in late 2010. MIFC International Advisory Board appointed On 29 December 2010, President Medvedev appointed the International Advisory Board (IAB) of the MIFC, co-chaired by German Gref, President-CEO of Sberbank and Urs Rohner, CEO of Credit Suisse
- **February 2010:** FSFM and CBR started working on CSD concept. Major custodial banks including CITI approached FSFM and CBR with a request to include banks into working groups and in CSD related discussions. CBR and FSFM conducted with custodial banks a few meetings. Various CSD concepts appeared. All activity stopped in October 2010
- **December 2010:** IFC Project group “Financial infrastructure and financial market regulation” started working
- **February-July 2011:** Project Group developed Draft Law on CSD and draft Law on Changes to Law on Securities Market #39. Strong resistance of Registrar Association (PARTAD) to CSD concept delayed the work.

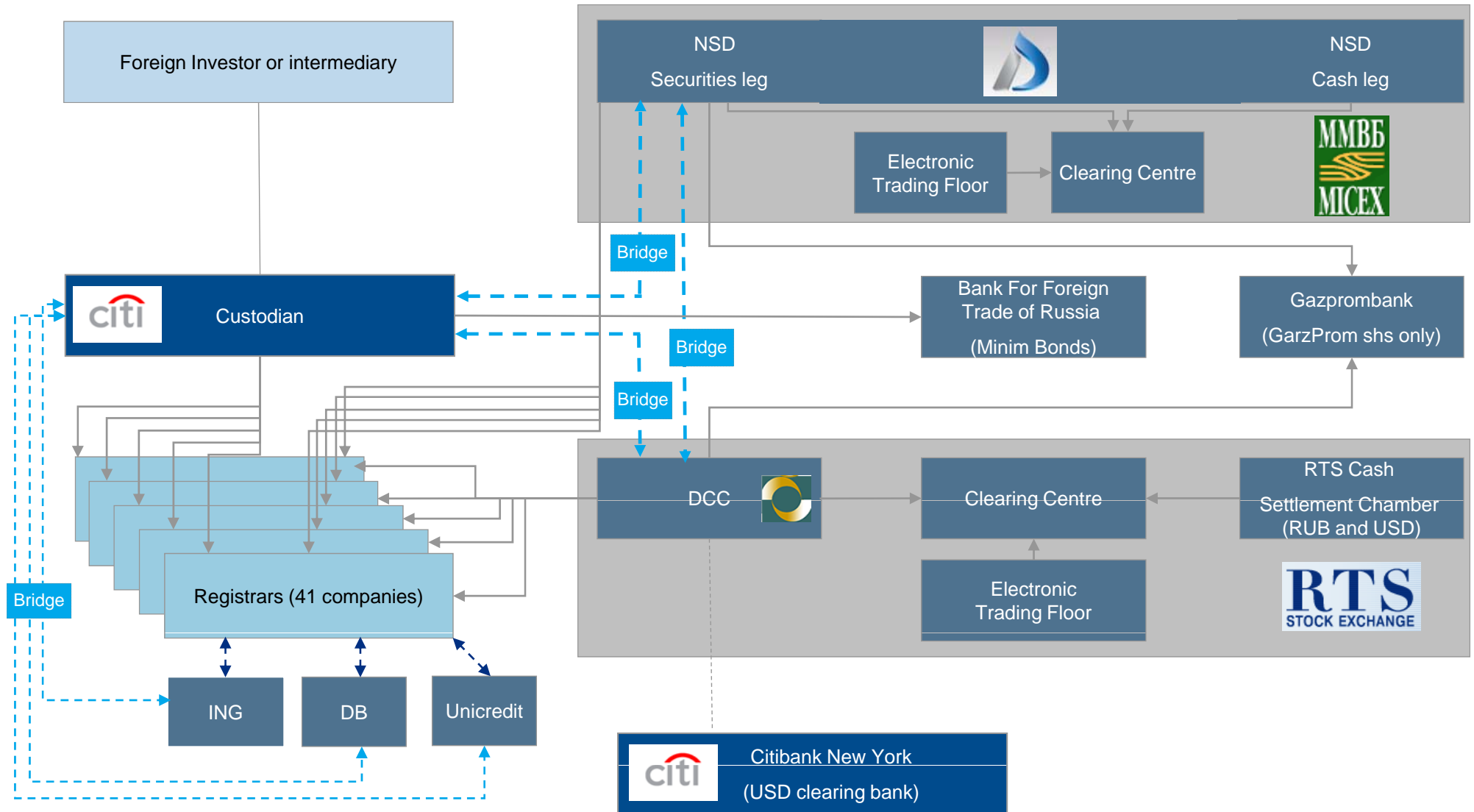
CSD Law: Major Milestones

- **July-August 2011:** Ministry of Finance being encouraged by PARTAD completely redeveloped draft CSD Law created by IFC Project Group. Major market participants wrote strong letters to MInFin claiming that they fundamentally disagree with new draft of CSD Law. MinFin declared that they will ignore claims.
- **September 2011:** FSFM started developing Laws based on Draft Law on CSD and draft Law on Changes to Law on Securities Market #39 previously developed by Project Group
- **October 2011:** Presidential Council on Financial Markets is held by President Medvedev. Presidential Council approves FSFM draft Laws and rejects MinFin draft Laws
- **October 2011:** Draft CSD Law prepared by FSFM is further discussed with the market and is submitted to the Parliament (Duma). Head of the respective financial Duma Committee takes the law under his supervision.
- **October-November 2011:** Market participants took part in discussions of the Law at Duma (Lower Parliament). Duma approved the CSD Law in 3 readings in spite of strong PARTAD resistance
- **28 November 2011:** Law on CSD and Law on Changes to Law on Securities Market #39 were reviewed and approved by Financial Committee of the Federation Council
- **7 December 2011: President has signed off the Law on CSD and the Law on Changes to Law on Securities Market**

Developments and changes ahead of us:

- Law on CSD and Law on Changes to Law on Securities Market #39 to come into force in 2012
- Merger of MICEX and RTS is in progress
- Merger of NSD and DCC has started. NSD is to be the only candidate for CSD role.
- Liberalisation of Government Debt is expected in 2012

Russian Securities Market Structure Today



CSD Law: Core CSD Features

CSD Feature	Potential Impact on Investors
<ul style="list-style-type: none"> • CSD is a non-banking credit institution i.e. settle cash transactions 	<ul style="list-style-type: none"> • CSD can perform true DVP. NSD can potentially comply
<ul style="list-style-type: none"> • CSD must be licensed as a depository (i.e. allowed to perform securities settlement and safekeeping activity) 	<ul style="list-style-type: none"> • NSD complies – holds a depository license
<ul style="list-style-type: none"> • CSD must act as a settlement depository (i.e. settle trades done on a stock exchange) for at least 3 years prior to applying for CSD status 	<ul style="list-style-type: none"> • NSD complies – acts as a settlement depository for more than 3 years
<ul style="list-style-type: none"> • CSD must be a joint-stock company (JSC). CSD equity capital shall not be less than RUB 4 bln (approx. USD 125 mln) 	<ul style="list-style-type: none"> • NSD is currently CJSC. NSD complies - equity capital equals to RUB 8 bln (approx. USD 250 mln)
<ul style="list-style-type: none"> • FSFM must assign a status of CSD to potential candidate, which complies with Las requirements. FSFM checks documents of a candidate and takes a decision within 4 months. 	<ul style="list-style-type: none"> • Law supports single CSD in the market
<ul style="list-style-type: none"> • State regulation of the CSD is performed by the Federal executive authority on financial markets of Russia (FSFM) 	<ul style="list-style-type: none"> • Further detailed regulations to be issued by FSFM
<ul style="list-style-type: none"> • Changes in CSD organisational structure is possible only subject to prior approval of FSFM and CBR. Liquidation is not possible. 	<ul style="list-style-type: none"> • Additional protection measure – investors and participants are protected from unexpected changes in CSD structure

CSD Law: CSD shareholders and management bodies

CSD Shareholders and management bodies	Impact on Investors
<ul style="list-style-type: none"> • The list of CSD shareholders shall contain of locally licensed market participants only. • Shareholders not compliant with the Law requirements must sell shares within 1 year • Shares of CSD can not be transferred into trust. 	<ul style="list-style-type: none"> • Additional protection measure - market participants are able to appoint management and control the CSD activity
<ul style="list-style-type: none"> • CSD must create management bodies: Board of Directors (Supervisory Board), Executive Committee, Single Executive Body (CEO) 	<ul style="list-style-type: none"> • The law fixes multi-layer management structure thus ensuring effective governance
<ul style="list-style-type: none"> • Government and CBR officials can not be appointed as CSD Head or be members of CSD Board of Directors or Executive Committee 	<ul style="list-style-type: none"> • Protects participants from direct influence of Government officials
<ul style="list-style-type: none"> • CSD must create a User Committee 	<ul style="list-style-type: none"> • Additional protection measure - market participants are able to influence and participate in major aspects of CSD activity. In progress.

CSD Law: CSD Risk Management And BCP Requirements

Risk management	Impact on Investors
<p>CSD must establish the risk management system aimed to minimise operational and other risks, as well as:</p> <ul style="list-style-type: none"> • Ensure smooth operating of software • Minimise risks related to conducting by CSD of other types of activities • Ensure business continuity in case of force major events • CSD must develop Rules of Risk Management. The Rules shall be approved by User Committee, Board of Directors and FSFM 	<ul style="list-style-type: none"> • CSD risk management system provides for investor protection mechanisms.
BCP requirements	
<ul style="list-style-type: none"> • Software used by CSD shall ensure its undisturbed operations and data integrity by creating of back-up data copies • CSD must have the main and the back-up data center located in Russia 	<ul style="list-style-type: none"> • Uninterrupted operations of CSD • BCP can not be outsourced to other countries



CSD Law: CSD Audit/Insurance And Legal Liability

Audit and insurance	Impact on Investors
<ul style="list-style-type: none"> • CSD annual financial statement must be audited by an independent auditor. 	<ul style="list-style-type: none"> • Enhanced requirements supported by law, has not been required earlier.
<ul style="list-style-type: none"> • CSD must hold operational audit of its activity at least once in two years. Such audit shall be conducted under international standards. 	<ul style="list-style-type: none"> • Enhanced requirements supported by law, has not been required earlier.
<ul style="list-style-type: none"> • CSD may insure against the risks of violation of its liabilities 	<ul style="list-style-type: none"> • Enhanced requirements supported by law, has not been required earlier.
Liability	
<ul style="list-style-type: none"> • Registrar and CSD are responsible for violations and mistakes, including those caused by equipment breaks • Issuers are cleared from responsibility to cover damage caused by CSD actions or inactions 	<ul style="list-style-type: none"> • Investor protection enforced by law



CSD Law: CSD Audit/Insurance And Legal Liability

Requirements to CSD activity	Impact on Investors
<ul style="list-style-type: none"> • The means of communication between CSD and participants/registrars must be electronic means communication 	<ul style="list-style-type: none"> • The law enforces the use of electronic means of communication. • We expect CSD will use SWIFT along with proprietary systems
<ul style="list-style-type: none"> • CSD must ensure confidentiality of information on accounts and transactions of its clients. 	<ul style="list-style-type: none"> • Protects information on participants
<ul style="list-style-type: none"> • CSD must disclose on its web-site the following information and documents: <ul style="list-style-type: none"> – Articles of Association – CSD General Terms and Conditions – Audited Annual Report and Financial Statement – Regulation on User Committee – Decisions approved by User Committee – Report on operational audit results – Fee schedule – List of stock exchanges serviced by CSD as a settlement depository – Recovery period in case of systems downturn – Shareholder agreement if any 	<ul style="list-style-type: none"> • Provides greater transparency of CSD activity, corporate governance and transparency of financial standing

CSD Law: CSD Documentation And Approval Process

	Approved by	User Committee*	Board of Directors	FSFM	Additional comments
Document					
1	Terms and Conditions of CSD activity	✓	✓	✓	CSD must advise participants on all changes into its terms and conditions not later than in 10 days
2	Internal Control Rules		✓	✓	
3	Internal Control Rules for counteracting terrorism		✓	✓	
4	Ethics code		✓	✓	Shall contain procedures aimed to avoid conflict of interests; misuse by CSD officials of information possessed by CSD, protect commercial secrecy, etc.
5	Rules of electronic communication and formats of electronic messages used by CSD	✓	✓	✓	
6	Operational procedure of CSD's depository activity	✓	✓	✓	Contains rules of processing of documents and segregation of authorities during the processing, keeping and usage of documents
7	Rules of Risk Management	✓	✓	✓	
8	Rules for protection and disclosure of information by CSD		✓	✓	Contains rules of access of CSD officials and employees to information possessed by CSD, and the rules for disclosure of such information
9	Procedure for resolving clients' requests and claims	✓	✓		
10	Fee schedule	✓	✓	✓	
11	Regulation on User Committee		✓	✓	

CSD Law: Additional Activities That CSD Can and Cannot perform

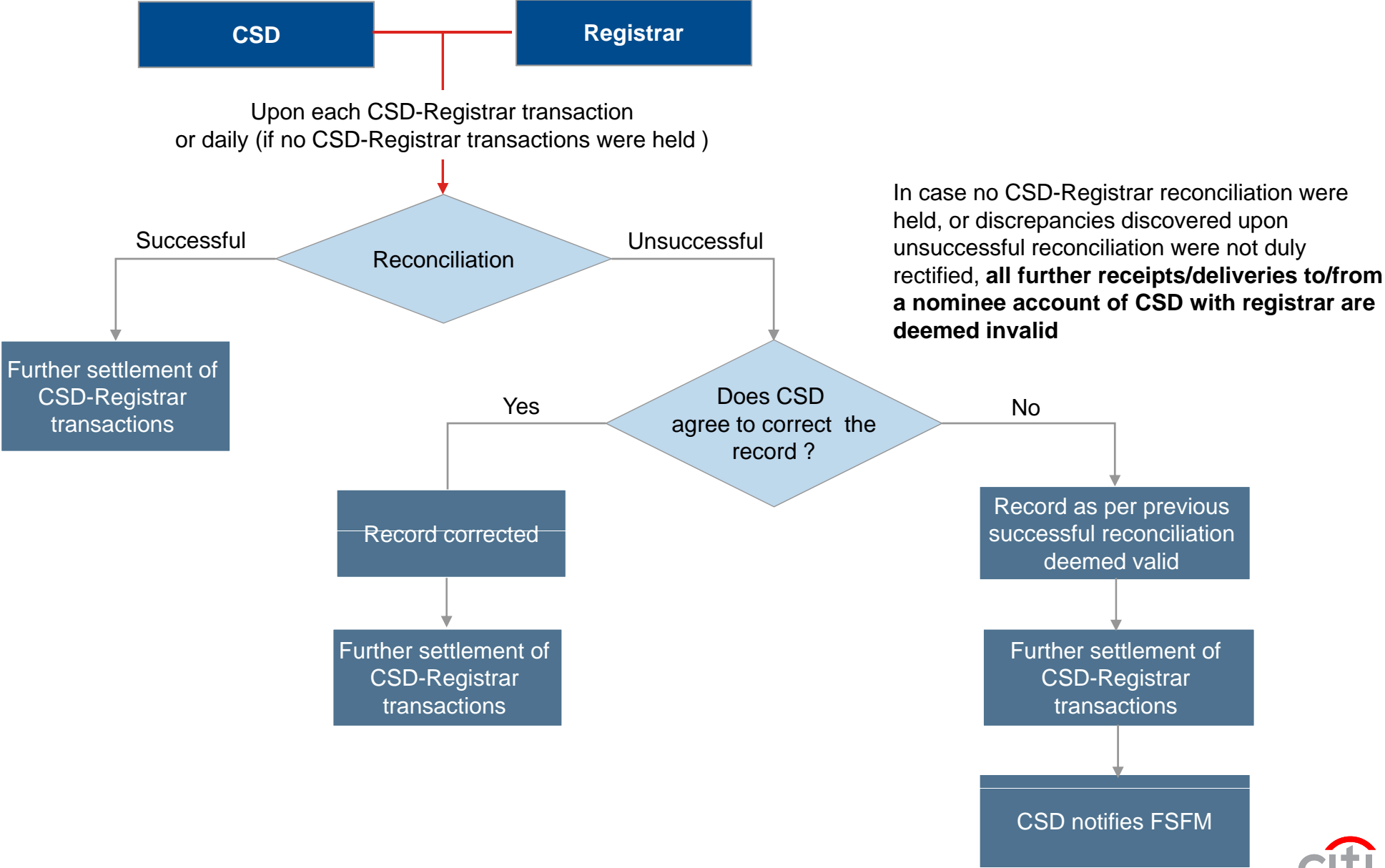
Additional activities of CSD	Impact on Investors
<p>CSD may perform the following additional activities on top of standard safekeeping and settlement:</p> <ul style="list-style-type: none">• Clearing activity• Disclose information on corporate events that issuers must disclose• Act as a numbering agency• Conduct banking operations, including cash transfers• Upon registrar's demand CSD must keep a back-up copy of the shareholders register• Other activities not forbidden by laws and regulations	<ul style="list-style-type: none">• May support full cycle of post-trading activity, including clearing• Is able to concentrate, maintain, archive and disclose all information on securities, including information on corporate actions and securities numbering• May perform true DVP
<p>CSD is prohibited to perform the following activities:</p> <ul style="list-style-type: none">• Act as CCP• Lend its own cash and securities• Use clients' securities as a collateral for/execution of its own obligations or obligations of third parties, without client's consent• Assume responsibilities for execution of third parties' obligations• Exercise proxy voting for clients securities at its own discretion	<ul style="list-style-type: none">• Additional protection to participants' assets and securities rights• Minimising CSD exposure to third parties

Settlement Finality

Settlement Finality On The Books Of CSD, Custodians And Registrars

- **The following transactions are final and irrevocable:**
 - Transactions on the books of registrars (including transactions in the nominee account of CSD with registrars)
 - Transactions on the books of CSD
 - Transactions on the books of custodians
- **Settlement finality is ensured by daily reconciliation between CSD/custodian with registrars:**
 - CSD must reconcile with registrars after each receipt/delivery to/from its nominee account with a registrar or once per day if no transactions were held.
 - Custodians must reconcile with registrars on a daily basis (new requirement).
- **Additional measures to ensure finality of transactions in the nominee account of CSD with registrars**
 - Discrepancies discovered during CSD-Registrar reconciliation can not be rectified without CSD's consent
 - In case no CSD-Registrar reconciliation was held, or discrepancies were not rectified upon unsuccessful reconciliation, all receipts/deliveries to/from a nominee account of CSD with registrar are deemed invalid
 - Transaction settlement between CSD and a counterparty on the books of a registrar is subject to receipt by registrar of matching instructions from both sides (new requirement).

CSD-Registrar reconciliation process



Mandatory Use Of CSD

Mandatory use of CSD is achieved through the following requirements:

- CSD is granted an exclusive right to open a nominee account with shareholders registers of CSD-mandatory securities
- Custodians are prohibited from opening a nominee account with shareholders registers of CSD-mandatory securities
- Transactions between CSD and external counterparties on the books of registrars can be done as NCBO. CBO transfers are restricted.

Mandatory use of CSD is the key factor for recognition of the CSD as eligible place of safekeeping and settlement by foreign investors.

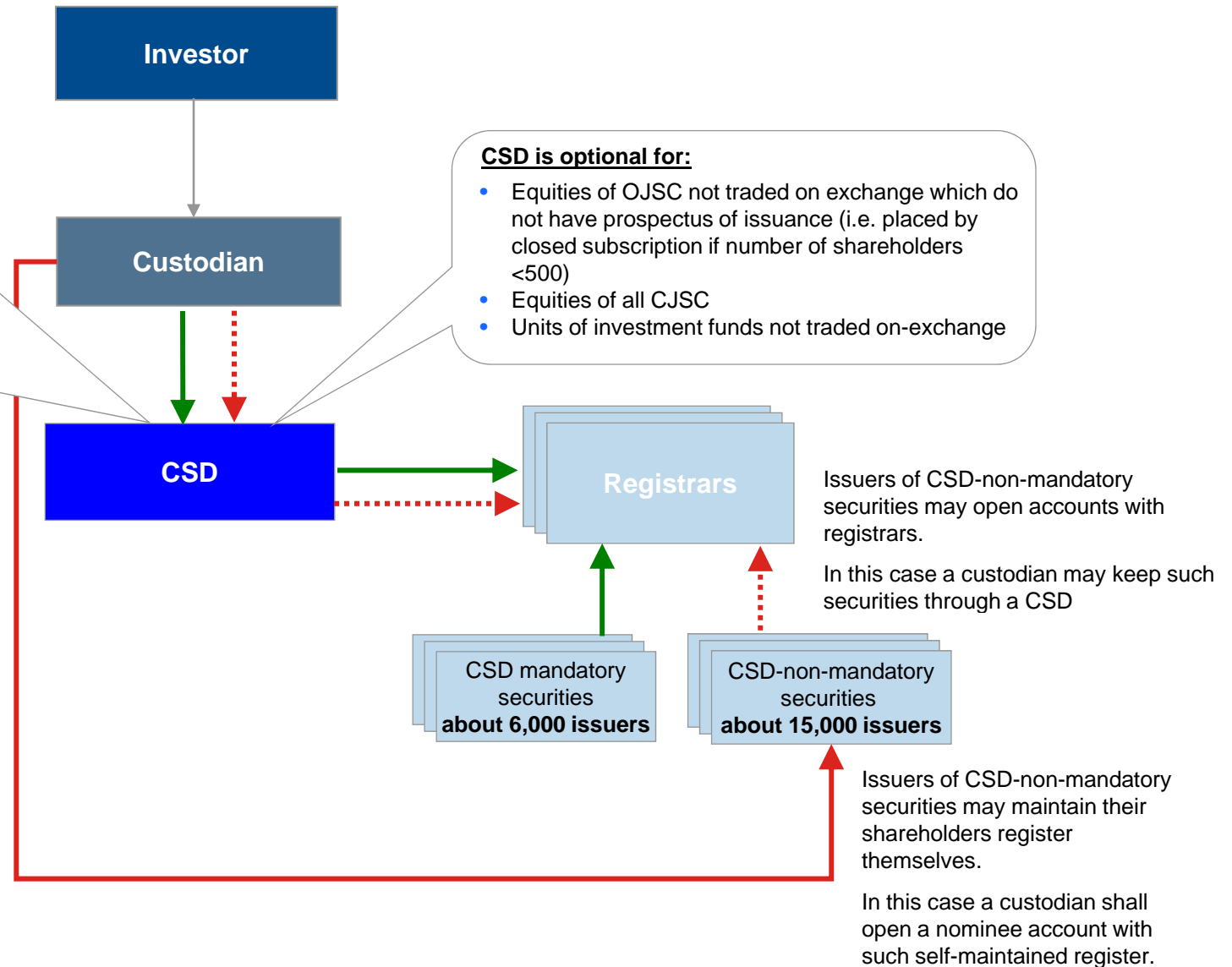
Mandatory Use Of CSD

CSD is mandatory for:

- Equities of OJSC traded on-exchange
- Equities of OJSC not traded on-exchange having prospectus of issuance (i.e. placed by open subscription; placed by closed subscription if number of shareholders >500)
- Units of investment funds traded on-exchange
- All bonds issued in form of a global certificate

CSD is optional for:

- Equities of OJSC not traded on exchange which do not have prospectus of issuance (i.e. placed by closed subscription if number of shareholders <500)
- Equities of all CJSC
- Units of investment funds not traded on-exchange



Foreign Nominee Holder And Foreign Authorised Holder Concepts

Foreign Nominee Holder And Foreign Authorised Holder Concept

	Foreign Nominee Holder (FNH) (i.e. foreign global custodians, custodians, banks, broker-dealers)	Foreign Authorised Holder (FAH) (i.e. foreign trustee)
Shall be resident of one of the following countries*:	<ul style="list-style-type: none"> • members of the Economic Cooperation and Development Organisation, • members or supervisors of the Financial Actions Task Force (FATF), • members of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) • countries who signed an agreement with FSFM of Russia. 	
Acts on behalf of:	<u>Acts on behalf of third parties</u> and for their interests	<u>Acts on its own behalf</u> and for the interests of third parties
Is licensed in its own country to perform the following activities:	To safekeep and settle securities	To perform in its own name any actions with securities, and to exercise the securities rights for the benefit of the third parties
Exercises securities rights based on:	Instructions from clients	On its own behalf
Protection from claims of creditors:	No execution may be levied on the securities held in the FNH/FAH account on the basis of obligations of the FNH/FAH	
Custody Agreement governing law:	Custody agreements between a Russian custodian and any foreign entity, including FNH/FAH shall be governed by Russian law.	

*The list of countries – members of the above mentioned organisations is to be re-confirmed.

Foreign Nominee Holder And Foreign Authorised Holder Concept

	Foreign Nominee Holder (FNH)	Foreign Authorised Holder (FAH)
Disclosure of clients for corporate actions purposes	At Russian custodian's request, FNH is obliged to disclose to custodian information on the beneficial owners of securities held in FNH securities account and the amount of securities held by them. The terms and conditions of such disclosure are governed by the rules applicable to Russian custodians.	FAH is not obliged to disclose its clients. FAH's own name is disclosed.
Disclosure by requests of issuers, courts, FSFM and prosecutors (etc.)	FNH is obliged to disclose information on the beneficial owners of securities held in its securities accounts. The beneficial owners are not entitled to prevent FNH from such disclosure	FAH is obliged to disclose information on the entities in whose interests the securities are held. The entities in whose interests the securities are held are not entitled to prevent FAH from such disclosure
Consequences of violation by FNH/FAH of Russian law requirements on disclosure	<p>Russian custodian is obliged to inform FSFM on violations by FNH/FAH of disclosure requirements</p> <p>FSFM is entitled to require from FNH/FAH to stop violations of disclosure requirements. If violations continue FSFM is entitled to restrict or prohibit settlement of transactions in the respective securities accounts of FNH/FAH for the period up to 6 months.</p> <p>No impact on dividend payments to FNH in case of non-disclosure.</p>	

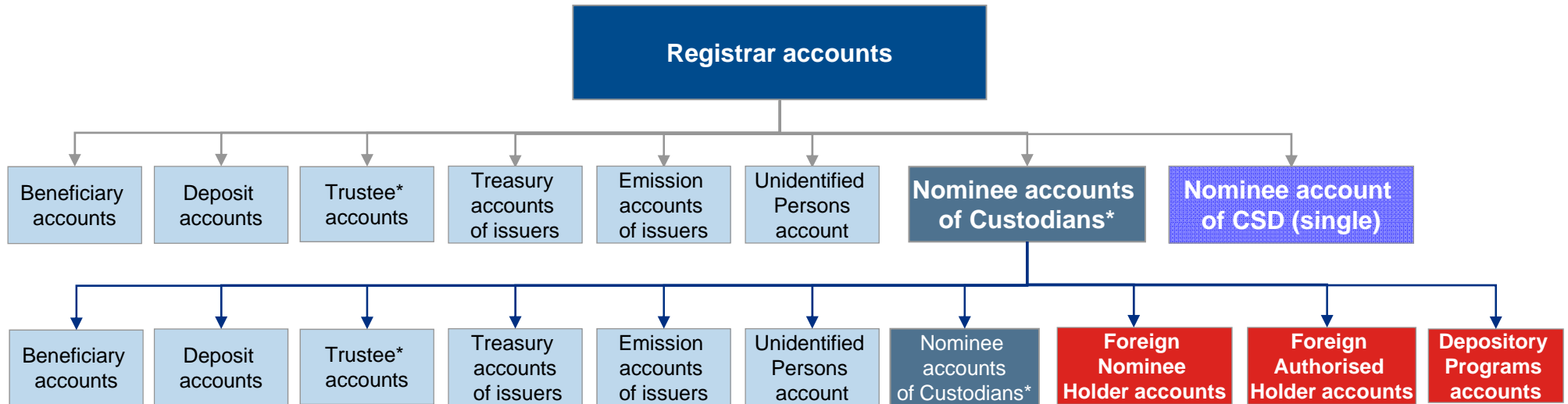
Depository Programme Account Concept

Depository Programme Account Concept

Mandatory use of CSD for DR underlying securities:	The DR underlying securities shall be held by a Depository Bank with a Russian custodian in a special “Depository Programme” account. A Russian custodian is allowed to keep such securities exclusively with CSD.
Protection from claims of creditors:	No execution may be levied on the securities held in a Depository Programme account on the basis of obligations of a Depository Bank.
Execution of voting rights by DR owners:	Depository Bank can vote at AGMs/EGMs exclusively based on instructions of DRs owners. Proxy voting is allowed provided that a Depository Bank has disclosed the names of such DR owners.
Receipt of dividends by DR owners:	Depository Bank can receive dividends on behalf of DR owners provided that a Depository Bank has disclosed the names of such DR owners.
Regular Disclosure of DR owners:	A Russian issuer must compile the list of DR owners at least quarterly. Such list shall contain the names of DR owners and the amount of DRs held by them. The DR owners and the Depository Bank must provide the issuer with the information required to compile the above list.
Disclosure of DR owners by requests of issuers, courts, FSFM and prosecutors (etc.)	Issuer is obliged to disclose information on DR owners by requests of issuers, courts, FSFM and prosecutors (etc.) .
Consequences of violations by Depository Bank of Russian Securities Market law on disclosure	<p>Russian custodian is obliged to inform FSFM on violations by Depository Bank of disclosure requirements.</p> <p>FSFM is entitled to require from Depository Bank to stop violations.</p> <p>If violations continue FSFM is entitled to restrict or prohibit settlement of transactions in the respective Depository Programme account for the period up to 6 months.</p>

Account Structure

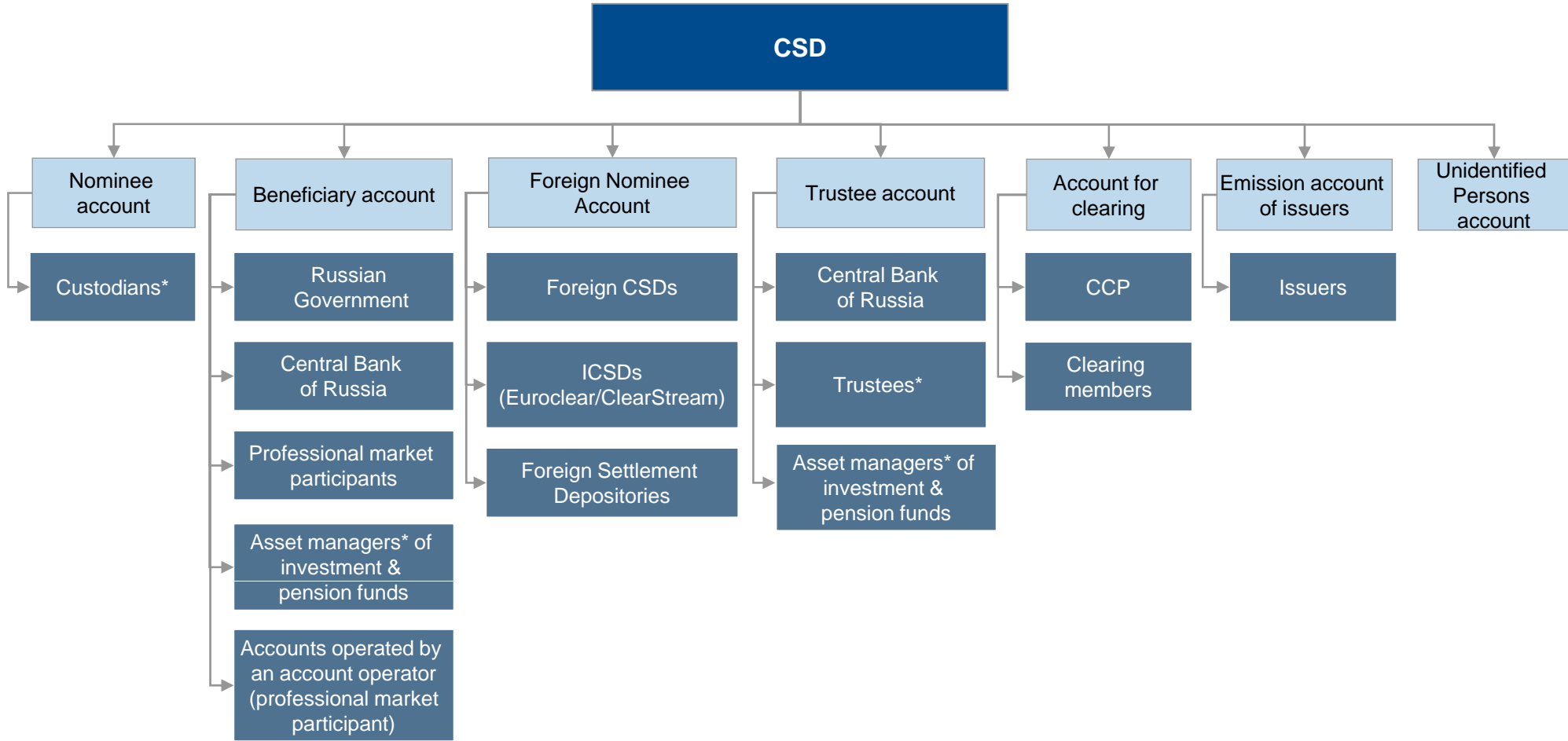
Registrar and Custodian account types



- Nominee account of CSD can be opened only with registrars.
- In each shareholders register only one Nominee account of CSD can be opened.
- Foreign Nominee Holder accounts, Foreign Authorised Holder accounts, Depository Programs accounts can be opened only with locally licensed custodians.
- Beneficial owners (both residents and non-residents), locally licensed custodians, locally licensed trustees and issuers can open accounts both with registrars and custodians.

* Local market participants licensed by FSFM

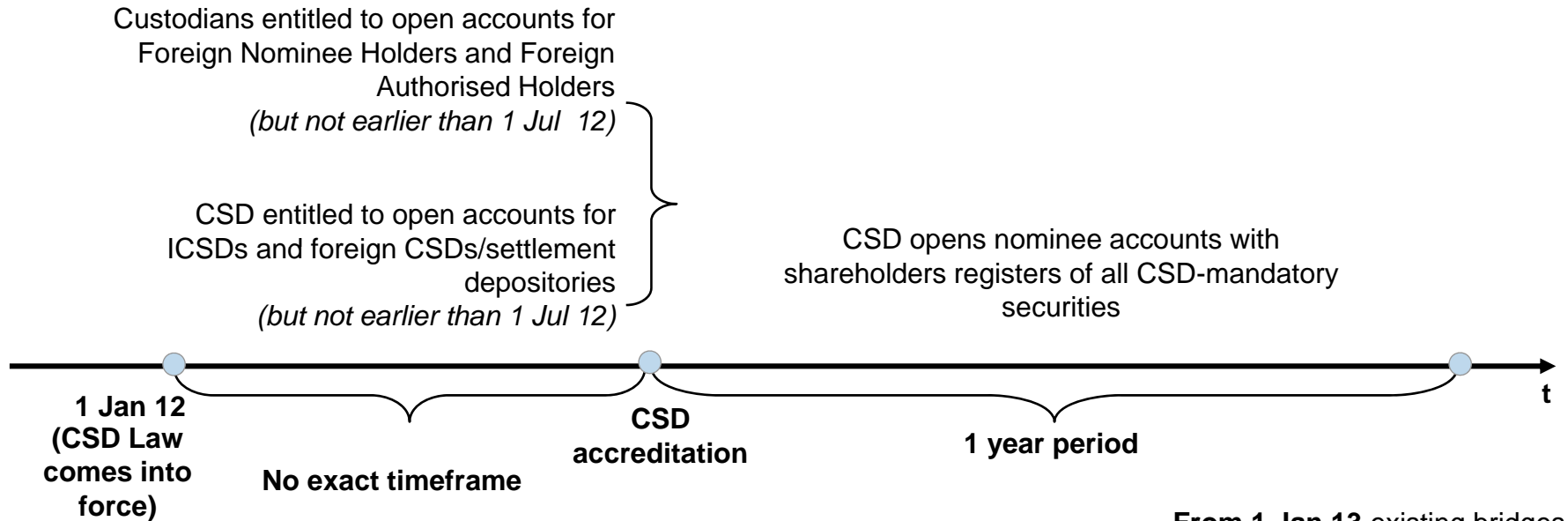
CSD Account Types



* Local market participants licensed by FSFM



Market Changes Timeline



From 1 Jan 13 existing bridges between a CSD and custodians shall cease to exist.

By 1 Jul 12 all issuers of CSD-mandatory securities who keep their shareholders registers themselves must transfer them to registrars.

Russian Government Debt Market
2012 Expected Liberalisation

Russian Government Debt Market 2012 Expected Liberalisation

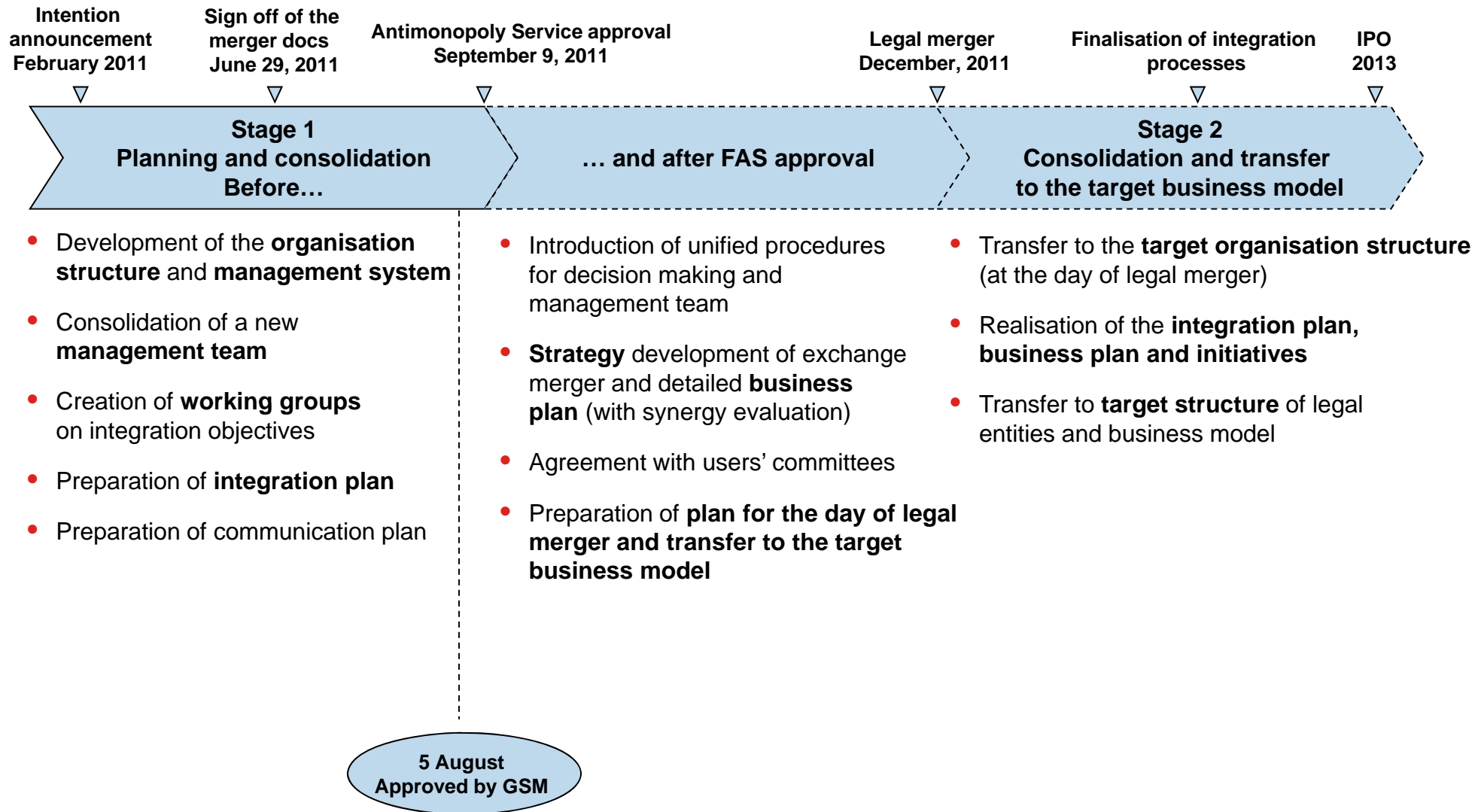
Current restrictions	Expected changes
<ul style="list-style-type: none"> • Investors can access the government debt market through a single institution which all at once performs the following functions: <ul style="list-style-type: none"> • Russian licensed broker acting as Authorised CBR dealer • Russian licensed custodian 	<ul style="list-style-type: none"> • Investors can access the government debt market through a Russian licensed broker (acting as Authorised CBR dealer) and a Russian licensed custodian. However, functions of a broker and a custodian can be performed by separate legal entities.
<ul style="list-style-type: none"> • Trading is concentrated on MICEX. NSD acts as a settlement depository and a de-facto CSD for government and corporate/municipal bonds, as per agreement with CBR. 	<ul style="list-style-type: none"> • On-exchange trading can be effectuated both in current and non-government securities style modes on multiple stock exchanges. OTC trading is allowed
<ul style="list-style-type: none"> • OTC trading is prohibited 	<ul style="list-style-type: none"> • OTC trading is allowed. However, for OTC trade execution an investor must appoint and enter into an agreement with a Russian licensed broker (acting as Authorised CBR dealer).
<ul style="list-style-type: none"> • Trading and settlement is possible in RUB only. 	<ul style="list-style-type: none"> • OTC trading and the respective offshore cash settlement may potentially be done in FCY. On-exchange trading and settlement is subject to rules of stock exchanges, however most probably will remain to be in RUB

Russian Government Debt Market 2012 Expected Liberalisation

Current restrictions	Expected changes
<ul style="list-style-type: none"> Each investor must be registered under a unique “Investor code” by his local licensed broker 	<ul style="list-style-type: none"> Remains unchanged
<ul style="list-style-type: none"> Government bonds held by an investor shall be kept in a segregated securities account, separately from other securities. 	<ul style="list-style-type: none"> Currently remains unclear. To be clarified by CBR and NSD
<ul style="list-style-type: none"> CBO transactions on the books of a custodian are prohibited. 	<ul style="list-style-type: none"> CBO transactions on the books of a custodian and between custodians are expected to be allowed.
<ul style="list-style-type: none"> One investor may open only ONE custody account with a custodian for government bonds safekeeping 	<ul style="list-style-type: none"> One investor would be able to open MULTIPLE custody accounts with a custodian for government bonds safekeeping
<ul style="list-style-type: none"> CBR monitors investors’ transactions and holdings in government bonds 	<ul style="list-style-type: none"> Modified but CBR still have a possibility to inquire information on investors’ transactions from the respective local broker.

RTS-MICEX And DCC-NSD Merger

Russian Securities Market: MICEX-RTS Merger Steps



MICEX And RTS Merger

MICEX and RTS merger is considered to be one of the key steps towards creating an international financial centre in Russia.

Integration will be processed in three stages

Stage one: Until 19 December 2011 – transfer of the RTS stock market to MICEX with the use of existing technology

- The RTS T+0 market will cease to exist on 16 December 2011.
- The RTS Classic market will be transferred to MICEX and will remain unchanged, except for the RTS Classic sections where trading is done with a central counterparty. Such sections will cease to exist effective 1 December 2011.
- The evening trading session on the RTS derivatives market will be eliminated on 16 December 2011 and on 19 December 2011 trading on the derivatives market of the integrated stock exchange will start. After integration, two sections of the derivatives market will continue to operate with different systems of risk valuation, trading rules and access conditions. Clearing for the derivatives market will be performed by the RTS Clearing Centre.
- The RTS Standard will be transferred to MICEX without any changes.
- The scheme and principles of processing through the RTS infrastructure (DCC, RTS Settlement Chamber and RTS Clearing Center) will be kept after the transfer of the RTS Standard and Classic markets to MICEX.
- The time of the MICEX index calculation will be extended to 23:50 Moscow time to also include the RTS Standard evening session prices. This RTS index calculation function will be transferred to MICEX.

MICEX and RTS merger

As a result of the first stage of integration the following infrastructure will be formed:

	Main Market	Standard	Classica
Trading	CJSC "MICEX Stock Exchange"		
Funding			
<ul style="list-style-type: none"> • RUB • Securities • FCY 	NSD	RTS Clearing Centre	DVP through DCC
	NSD (eurobonds)	DCC, SDC	
Clearing	National Clearing Centre	RTS Clearing Centre (CCP)	CC RTS (CCP), DCC (DVP)
Settlement			
<ul style="list-style-type: none"> • RUB • Securities • FCY 	NSD	RTS Settlement Chamber	For FOP - In any bank For DVP - Citibank (NY), J.P. Morgan Chase Bank; or RTS Settlement Chamber
	NSD (eurobonds)	DCC, SDC	

MICEX And RTS Merger

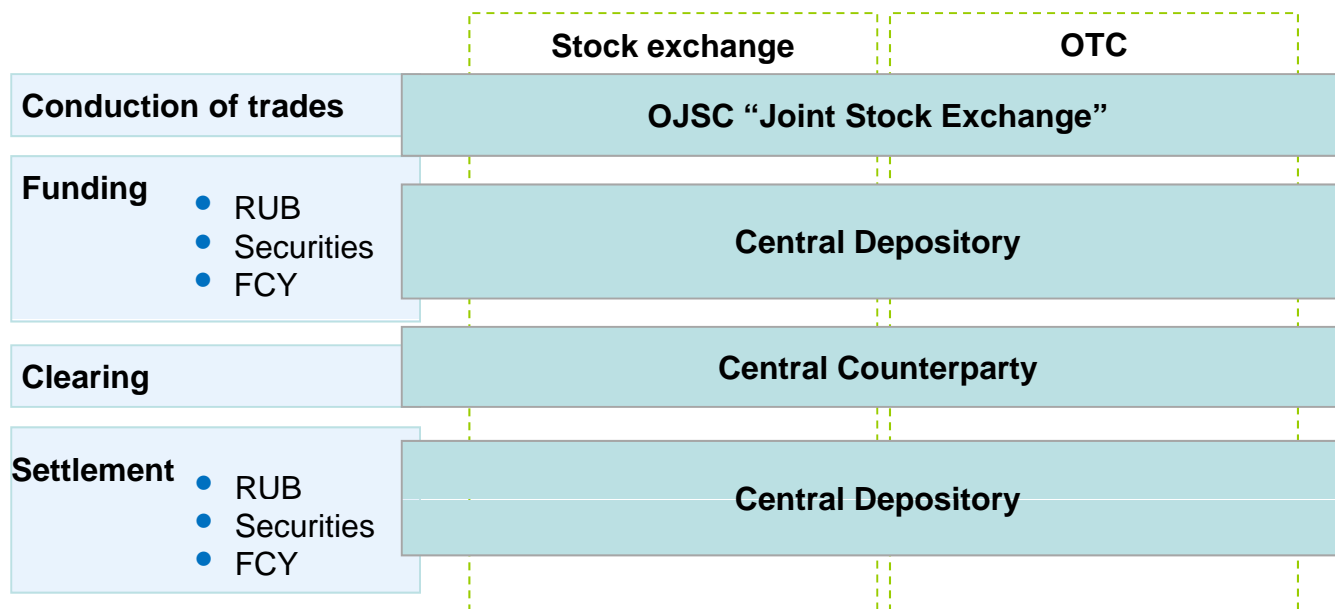
Stage two: 2012 Structure optimisation

In the first quarter of 2012 one trading and clearing platform is expected to be introduced and launched by the mid-year to combine equal tools of the exchanges. By the end of 2012 the unified requirements for access to trading, as well as the "joint position" for trading participants of all sections of the derivatives market of the combined exchange are planned to be implemented.

Stage three: By 2013 Creation of a joined stock exchange

Streamlined technology is expected to be achieved with a single settlement and clearing infrastructure created. Effective mechanisms of trading of non liquid instruments will also be determined.

As a result at the final stage of integration the following infrastructure will be formed:

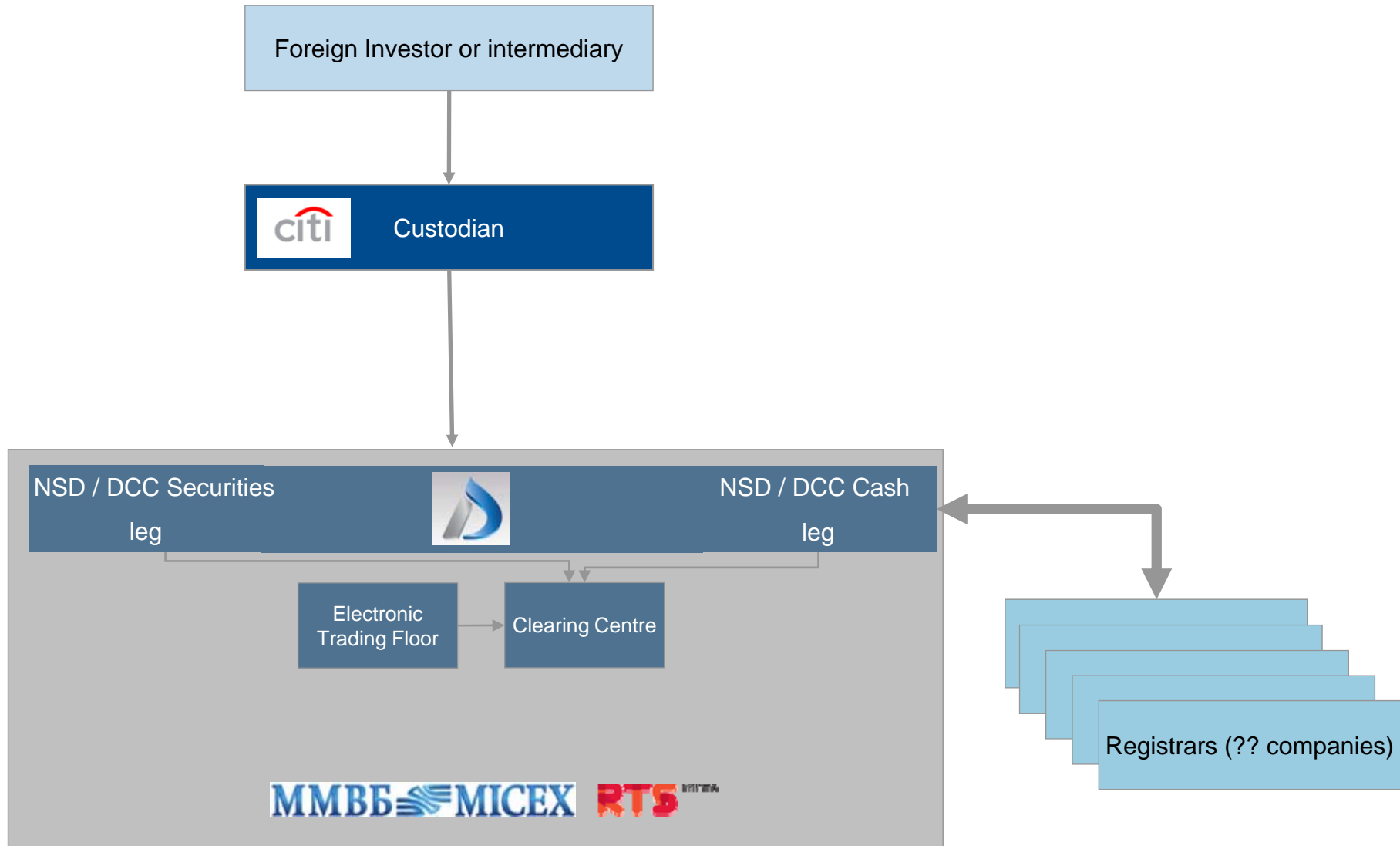


NSD And DCC Merger

Stage	Goals and Objectives	Date
I. Creation of holding company	<ul style="list-style-type: none"> • Creation of a structure that can be recognised as a Central Depository de-facto. Creating a base for the integration process. Acquisition by NSD of DCC shares. Decision on the form of integration with RTS Settlement Chamber. 	31.12.2011
II. Quick improvements	<ul style="list-style-type: none"> • Integration and optimisation of products, services and tariffs. • Implementation of priority measures to improve the efficiency of the holding companies. • Further product and process optimisation. • Preparation of software integration plan. 	30.04.2012
III. Merger into a single company	<ul style="list-style-type: none"> • Legal execution of integration. • Finalisation of integration and start of operations as a single company • Elimination of parallel processes and redundant structures. • <i>1 July 2012 is the date of integration, date when the Joint Company will start operating.</i> 	30.06.2012
IV. Strategic developments	<ul style="list-style-type: none"> • Development of a single company in accordance with the approved strategy. • Acquisition of eligible depository status in accordance with the Rule 17f-7 • Accreditation as a CSD. • Expansion of services and customer base. 	01.01.2015

Expected Market Structure In 1-2 years
Radical Simplification

Expected Market Structure In 1-2 Years: Simplification



Summary And Conclusions

CSD Law

- We expect CSD and Law on Securities Market Law to come into full force in 2013 if signed off by the President in December 2011, a series of Regulations will then follow. FSFM and participants will start working on the Regulations in January 2012. Laws do not provide final clarity without Regulations

Merger of MICEX and RTS

- This will happen regardless of implementation of CSD Law. MICEX and RTS are committed to an IPO in 2013, which is expected to increase liquidity and trading volumes. Besides the merger MICEX and RTS are working on additional measures to boost liquidity (local collective investment, foreign securities, T+N etc).

Merger of NSD and DCC

- The MICEX/RTS IPO in 2013 and CSD Law provides a tight timeframe for NSD and DCC, with plans to close DCC by mid 2012. Participants clearly require NSD - DCC to minimise disturbance to IT systems, operations and legal arrangements

Liberalisation of Government Debt

- Will be a break through after years of a very defensive and restrictive measure implemented by CBR and MinFin. Foreign investors express a very high interest to OFZs.

Summary And Conclusions



- Remains a prominent market leader and innovator, committed to helping clients to adapt to market changes
- Maintains strong connections, alliances and partnerships with MICEX – RTS, NSD – DCC, CBR and FSFM, advocating on behalf of our clients to ensure changes are in their best interest

Questions & Answers

Key Contact Details

Alexei Fedotov	SFS Russia & CIS Head	Tel: +7 495 642 7665	alexei.fedotov@citi.com
Larisa Gorbacheva	Securities Country Manager, Head of DCC	Tel: +7 495 643 1474	larisa.gorbacheva@citi.com
Alyona Krivosheina	Head of the Account Management Team	Tel: +7 495 642 7655	alyona.krivosheina@citi.com
Olga Petrova	DCC Head of Product Management	Tel: +7 495 642 7608	olya.petrova@citi.com

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