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# A new era for Russian Bonds Market

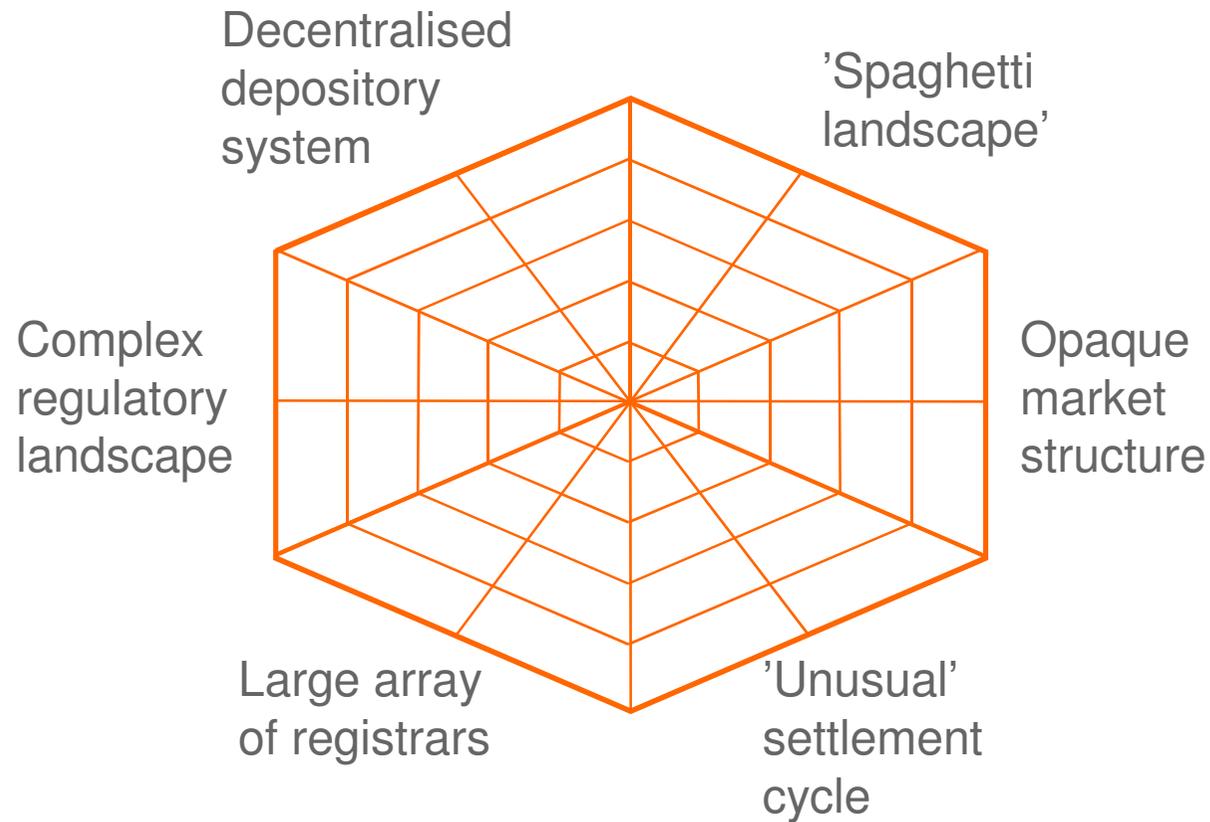
## The view of an international infrastructure

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# Historical access hurdles

The old Russian Enigma: the post-trade infrastructure



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## Assessment and actions

Central decision to drastically change the market;  
start was slow but finally...

- Requirement to have one Central Securities Depository (CSD) handling complex registrar flows
- Necessity to address the cost structure
- Shorter settlement cycles and finality of settlement
- **Creation of foreign nominee concept (July 2012)**
- Regulator function moved from FSFM to Central Bank of Russia
- **Blocking of entire account (Law 39FZ) for non-certified positions is abandoned**
- Centralised tax agent function by NSD for taxable securities issued after January 2012

## Current actions

Fortified by the mandate from the regulator, NSD is launching efforts to

- Create the Centre of Corporate Information (CCI)
- Force issuers to channel centrally Corporate Actions information and assign a unique event identifier
- Authorise depositories to act without POA
- Process corporate actions centrally with international standards and using the traditional custody chain
- Develop REPO offering

## Results - a foreign perspective

Allowing ICSDs to have direct nominee account at NSD (law 415 FZ) has tremendously reassured foreign investors:

- Momentum has been created
- Major concerns around the blocking of undisclosed positions has vanished
- Dazzling increase in foreign holding of Russian bonds starting in 2013

**Tremendous increase in the attractiveness of a market  
with high potential!**

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## Russia: Clearstream Coverage Summary

- Clearstream has a full link (securities and cash) to Russia:
  1. Eligibility of RUB as settlement currency
  2. Indirect link for equities via a custody account,
  2. Direct link for debt securities via a nominee trading account.
- Both accounts are operated by Deutsche Bank Ltd, Moscow.
- Securities eligible in the Russian link are as follows:
  1. Equities,
  2. Government bonds (OFZ),
  3. Municipal bonds (regional government debt securities considered as tax-exempt),
  4. Corporate bonds
- Corporate Actions and Proxy Voting services.

## Remaining hurdles

**Income:** payment timeliness and assurance.

**RUB clearing:** reliance on batch transfer system.

**Corporate Actions:** part of the events are centralised by NSD and only a part of them is announced via ISO (work ongoing)

Law on **disclosure** requirements makes disclosure mandatory upon request of the issuer, the court, Bank of Russia, etc... the process has been enhanced but is still very complex to handle (complex data gathering)

**Taxation:** good progress but there are still issues about DTT application

**No Bridge between ICSDs :** driver for further liquidita

Although a lot of improvement have occurred rapidly on the market, some hurdles still persist...

## Domestic Service: Future Clearstream Service Developments

In addition to current coverage, we aim to offer:

- Bridge eligibility for Russian bonds instruments. Clearstream is driving the discussion for bridge opening with Euroclear and the target date is Q2 2014.
- Equities via our NSD nominee account: as soon as Russian legislation allows (based on last update: possibly as from July 2014).
- And in addition we will continue to push for increased efficiency of RUB clearing towards RTGS



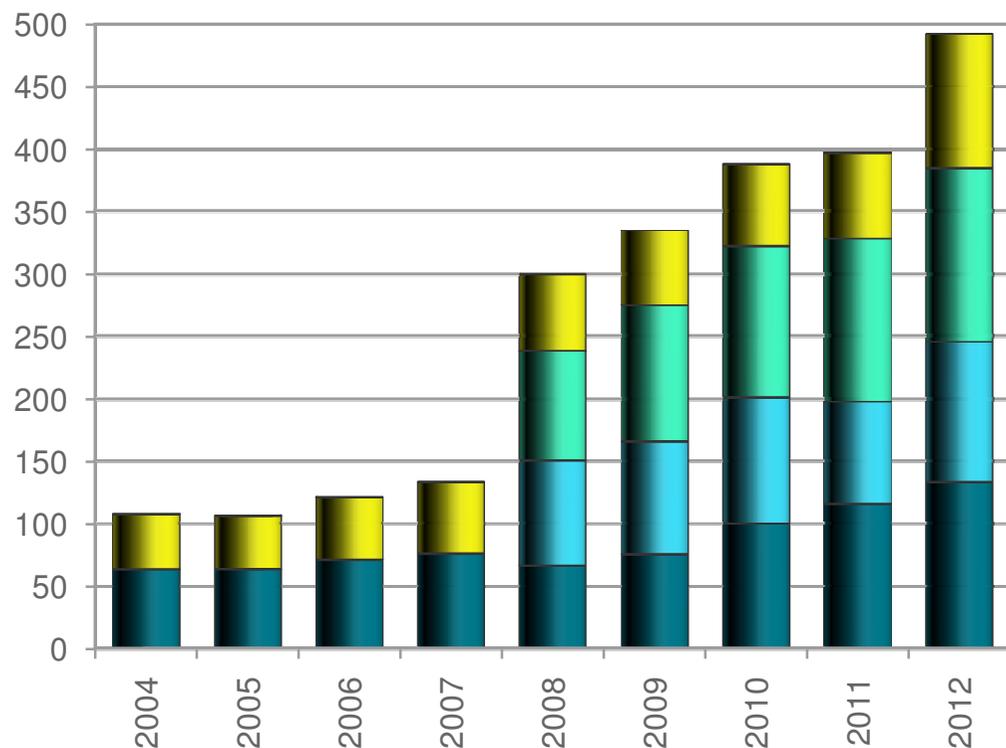
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## Clearstream: Helping to fulfil Russia's international ambitions

- The first ICSD to establish a domestic securities link to Russia in order to support local equities in line with local market practice for settlement. Russian Ministry of Finance bonds were also part of service offering until final redemption in 2011 and were designated 'bridge eligible'. Close support from our sub-custodian, Deutsche Bank Moscow. March 2006
- The first ICSD to establish the Rouble as a settlement currency, following the introduction of the Currency Regulation Law on 1st January 2007. Deutsche Bank Moscow appointed cash correspondent bank. January 2007
- The Rouble is designated as a 'Bridge eligible' currency. February 2007
- The first ICSD to offer Russian Obligatsyi Federal'novo Zaima(OFZ) government bonds ('Federal Loan Obligations') on a free-of-payment basis. January 2012
- Clearstream has launched its direct link to the new Russian CSD, the National Settlement Depository (NSD). February 2013
- First ICSD to offer municipal and regional bonds. May 2013
- Cooperation with local authorities to modify regulatory/legal landscape to ease detention of Russian securities for global players and to increase liquidity of the Russian bonds market Q2/3/4 2014

# Appendix: focus on the Russian Debt Market

Evolution of Debt Market from 2004 to 2012 per issuer category (BIS figures)



Total 2004: USD 107 Bio  
Total 2012: USD 492 Bio

Average 2012

Domestic = 78.1 % of total issuance

- Government : 34.5 %
- Financial Corp: 29.3 %
- Non financial Corp: 36.2 %

International = 21.9 % of total issuance

- International market