



**NATIONAL
CLEARING
CENTRE**
MOSCOW EXCHANGE GROUP



Time of Innovations

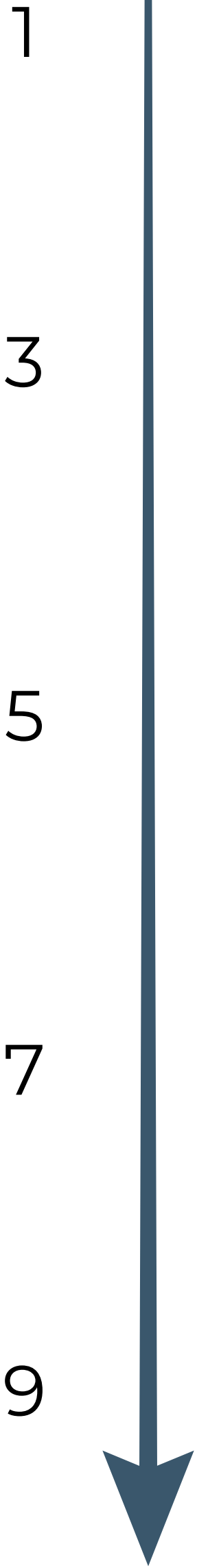
Strategy. Technology. Development

Annual report
2020

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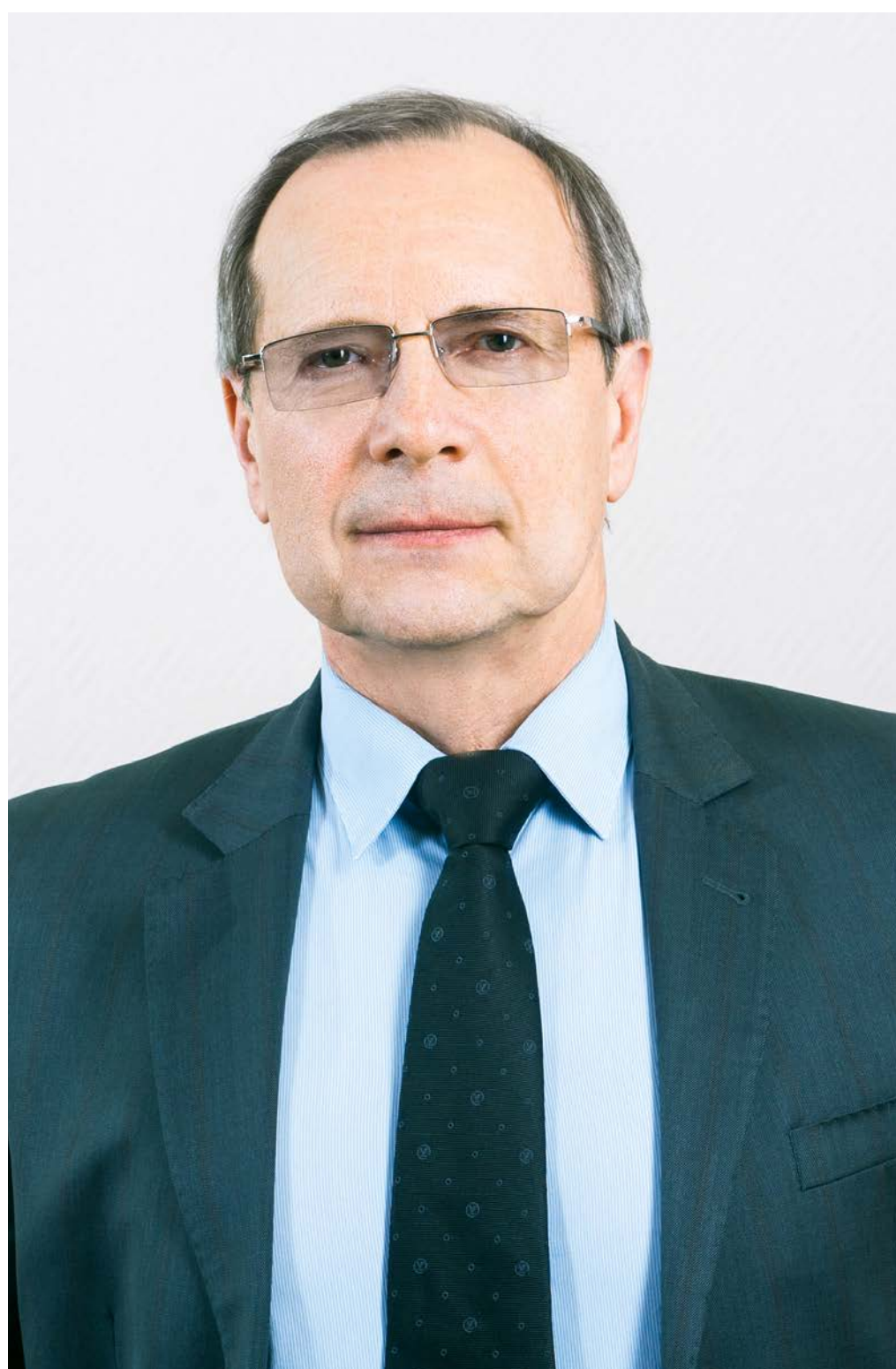
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1. Address of the Chair of the Supervisory Board of CCP NCC



S. P. Lykov,
Chair of the Supervisory Board
of CCP NCC

The past year posed many challenges for the global order: we had to learn quickly to work efficiently in the absolutely new environment of the global pandemic, to reshape business processes, to explore new opportunities and to defend ourselves against new threats. National Clearing Centre (NCC) put a lot of effort to withstand the above hardships, to ensure business continuity of the services rendered to Moscow Exchange Group in this challenging environment.

The year of 2020 was a particularly special year in the history of NCC not only because of the pandemic. The project of NCC's transformation, ensuring the efficient development for the benefit of Moscow Exchange Group and its clients, became one of the ambitious and successfully achieved objectives.

As a part of the project, the Supervisory Boards of Moscow Exchange and CCP NCC defined the approaches to interaction between the organizations in the process



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of NCC's transformation and to building of the most efficient interaction with Moscow Exchange; according to the resolution of NCC's Supervisory Board, the new management team was formed, which objectives were both ensuring the company's sustainable development and maintaining the absolute reliability and continuity of its functioning, preserving the key expertise and experience. Eddi Astanin, Chair of NCC's Executive Board, who had extensive experience of working for Moscow Exchange Group as the Chair of the National Settlement Depository, was entrusted with the implementation of this ambitious project.

One of the most notable achievements in 2020 was the approval by NCC's Supervisory Board of the Strategy for Development of the Risk Management Framework of CCP NCC, which became the significant part of the Risk Management Strategy groupwide. The above document resulted in NCC's establishing the set of the high priority activities aimed at continuous and gradual improvement of the central counterparty's risk resilience.

The Supervisory Board also put great emphasis on the development of the credit institution's internal control framework: in 2020 the Audit Committee of NCC's Supervisory Board was formed to ensure proper planning

aimed at developing the internal audit, internal control, and compliance systems and join efforts with the relevant business units of other companies of Moscow Exchange Group in order to create synergies.

Without doubt, introduction of such large-scale changes by NCC cannot be completed within one year, however, the decisions made in 2020 laid the foundation ensuring the harmonious strategic, technologic and economic development of NCC as one of the key components of Moscow Exchange Group, which is a leading infrastructure platform of the Russian financial system.

*Respectfully yours,
S.P. Lykov, Chair of the Supervisory
Board of CCP NCC*



2. Address of the Chair of NCC's Executive Board



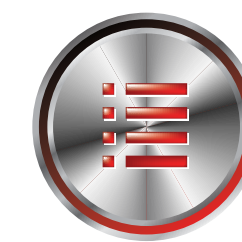
Eddi Astanin,
Chairman of the Executive Board
of CCP NCC

Esteemed Partners and Colleagues!

In 2020, NCC carried out its activity in accordance with the plans set forth by the strategy of Moscow Exchange Group and the objective set by the stakeholders and aimed at transforming the Company into an operationally autonomous, economically efficient, and innovative one developing within the frame work of Group's strategy.

In 2020, we all had to work in the extremely unusual environment due to the pandemic, which led to serious challenges related to our employees' health, increased cyber threats and ensuring of functioning continuity of all systems and services in the highly volatile environment in all financial market segments.

We acquired unique experience of arranging remote work of up to 80% of the staff without compromising work quality, missing the project deadlines and breaching our obligations to clients and partners. The technologies of risk management, default management and clearing of NCC, as a



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central counterparty, passed the stress test successfully.

At the end of the year, the amount of clearing trades reached RUB893 trn, which by 23% exceeds the 2019 figure. The net profit was RUB17 bn, exceeding the 2019 result by 9%. All prudential regulations were met. The collateral in cash and securities amounted to RUB17 trn thus exceeding the 2019 indicator by 34%.

The quality of NCC as a clearing organization and central counterparty was evidenced by the ratings assigned to the Company in 2020. The international rating agency Fitch Ratings confirmed the long-term issuer default rating (IDR) of NCC in foreign currencies at BBB with a Stable outlook and confirmed the long-term issuer default rating (IDR) in domestic currency at BBB with a Stable outlook. The Analytical Credit Rating Agency (hereinafter ACRA) confirmed NCC's national credit rating at AAA(RU) with a Stable outlook.

In 2021, the company's activity will be focused on NCC's IT architecture modernization, implementation of the initiatives to develop risk management (improving the accuracy of risk parameter calculation and reducing procyclicality of margin models, business process automation and creating the control environment (COSO model, and transiting

from processes to risk matrixes)), to develop clearing services in the on-exchange markets of Moscow Exchange Group and in OTC market according to Moscow Exchange Group's strategic objectives.

I would like to sincerely thank NCC employees, the Supervisory Board, clients and partners for concerted and joint actions and to express confidence in the high development potential of NCC as a central counterparty and systemically important infrastructure of the Russian financial market.

*Respectfully yours,
Eddi Astanin, Chairman of the Executive
Board of CCP NCC*





3 Industry Position of NCC

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The general overview of NCC's clearing operations in the on-exchange markets in late 2020

In 2020, CCP NCC (hereinafter NCC, the Company) carried out its activity according to the plans contemplated by the Strategy of Moscow Exchange Group and the objective set by stakeholders and aimed at transforming the Company into an operationally autonomous, economically efficient, and innovative one developing within the framework of Group's strategy. NCC continued rendering clearing services in all markets of Moscow Exchange Group (FX and precious metals, securities market, money market, deposit, derivatives markets, and standardized financial derivatives (SFD) market, as well as commodity market of the National Mercantile Exchange).

During the reporting period, NCC focused its efforts on attaining the objectives in the following main activity areas:

- implementing the priority projects designed to develop the clearing business, inter alia, the projects to automate the processes not being transactions carried out

daily but posing substantial risks to NCC in case of operational errors; to adjust some clearing processes to the environment of external adverse challenges; to strengthen the operational reliability of all clearing systems and processes;

- maintaining the quality level of CCP management in compliance with the national regulatory requirements and international standards; improving further the stress resistance and strengthening the protection of the central counterparty against risks inherent in CCP;
- innovatively developing the IT platform and its architecture to develop and introduce the cutting-edge technology solutions for business process automation to increase the speed of the operating systems, to improve the efficiency, reliability, and to ensure the functioning continuity of all services related to clearing and risk management;



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- developing the corporate governance system, improving lines of control 1, 2 and 3, which includes, inter alia, internal audit, internal control, and compliance;
- implementing the plans of NCC's revenue budgeting by deriving the fee and interest income.

During the reporting period, NCC carried out its activity in the extraordinary environment caused by the pandemic, which affected practically all spheres of life and activity of the country, including the financial one, and posed serious challenges, among others, to the financial market participants, management and employees of credit institutions, trading venues, and financial infrastructure institutes. NCC successfully adapted to the environment, which had changed due to COVID-19, ensuring the reliability and continuity of the business processes, security of all personnel and operation of the Company as a whole.

Due to the pandemic, 2020 was characterized by high volatility of financial markets.

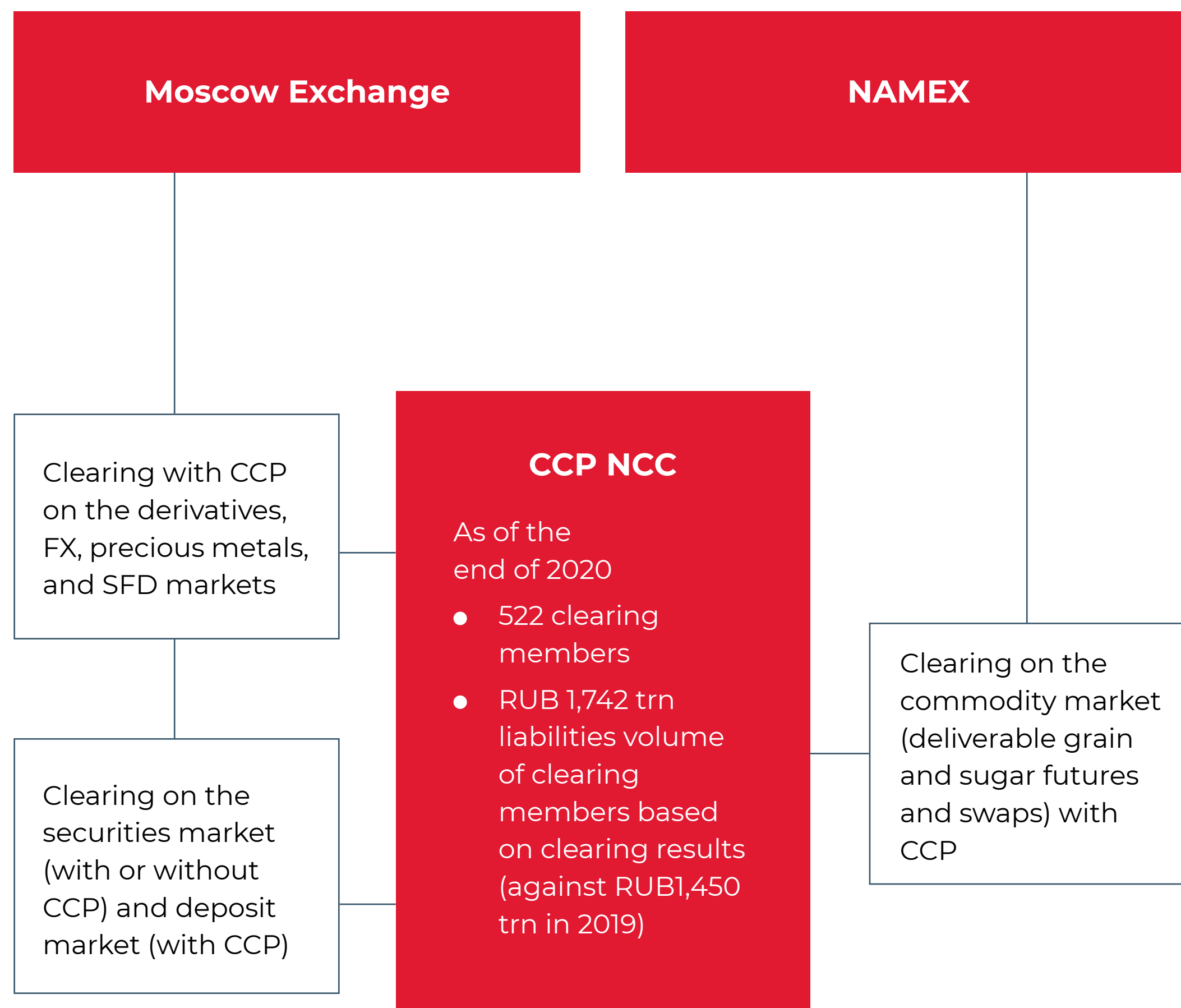
In such environment, especially while WTI oil prices were declining to negative values, NCC, as well as other world infrastructure organizations, had to make certain adjustments to their risk management framework and adapted to the market situation. Joint actions of NCC and Moscow Exchange, while introducing the Bachelier model (in addition to the existing option assessment model based on the Black Scholes model), enabled the market participants to make trades with negative prices for certain basic assets.

Besides, the changes in the collateral requirements caused by high volatility of the markets demonstrated the substantial increase in the participants' risks and the probability of failure to meet their obligations. That required the risk management special attention to and efficiency in establishing the risk management framework parameters and accurate performance of the default management processes, and NCC successfully coped therewith.

NCC's performance in such environment illustrated the Company's ability to withstand the challenges in the global financial markets, readiness willingness to respond thereto effi-



The general overview of NCC's clearing operations in the on-exchange markets in late 2020



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ciently and quickly, while reiterating its stability and reliability as a financial infrastructure institute.

During the reporting period, NCC maintained its position of one of the most highly capitalized clearing houses in the world, the leader of the centralized clearing industry in the Russian financial market. The Company enhanced its competitive advantages in the foreign securities market as a result of assigning of the Qualified Intermediary status by the Internal Revenue Service. This status will enable NCC to perform the tax agent functions for trades, including repo trades with foreign securities made by participants at Moscow Exchange.

In 2020, NCC, being the full-fledged member of the Global Association of Central Counterparties (GACCP) and the European Association of Central Counterparty Clearing Houses (EACCPH), expedited the work in committees and task teams of the above associations having assigned additional employees there-

to. The above enabled the Company to participate in more detail and more effectively in discussion of the international regulators' draft documents on the subjects relevant to NCC, such as CCP's risk management development, requirements for participants, recovery plans and unified standards for disclosure of information on the central counterparty's activity. Along with it, the interaction with foreign colleagues was enhanced in relation to default management in terms of information exchange, assessment, analysis and in-depth case studies.

During the reporting year, NCC took an active part in the work of the Association of Russian Banks, its commissions and committees, thus enabling the Company to keep abreast of the drafted regulatory requirements and legislative initiatives related to various aspects of credit institutions' activity and ensured efficiency in giving effect to the relevant guidelines and regulations.



Past year's most important results and events worth mentioning are as follows:

I. Clearing Business Development

1. To enhance the reliability and sustainability of Moscow Exchange's clearing systems, the Stabilization 2.0: Operational Reliability of Clearing Project was implemented to automate a number of processes not being daily repetitive tasks but posing substantial risks for NCC in case of operational errors. The following objectives were attained:

- the Cash Settlement process was automated;
- the mechanism was created to disable collateral withdrawal based on the settlement account/market/all markets in case of settlement procedure introduction;
- the process for allocating positions of defaulting clearing members among non-defaulting ones was automated;

- portability of assets in the securities and FX markets was automated;
- the process of verification of positive target figures T+ was automated upon change in a clearing member's category in order to manage the default fund requirements;
- the functionality for discounting the clearing center's liabilities were implemented;
- the functionality for verifying the sufficiency of collateral in case of transfer of liabilities and collaterals between different settlement accounts of the same clearing member in the securities and derivatives markets was created.

2. The Separation of Trading Participants and Clearing Members in the Securities Market Project was implemented regarding the enhancements related to automation of the task to open and close settlement accounts and trade accounts of the 2nd and 3rd levels, thus providing more efficient and convenient monitoring of clients' positions by clearing members and enabling them to consolidate



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their assets on one settlement account and trading and clearing account.

3. The Clearing Terminal Development Project was implemented, being more convenient technology service for handling a clearing member's items (settlement accounts, trade accounts, collateral accounts, account details for returning collateral, sub-accounts clusters, clearing register sections, etc.). Using the clearing terminal, the items were managed via the secure data channel established between the clearing member and NCC's accounting systems using two-factor authentication.

4. The facility for inclusion of settlement account of the SFD market into the Unified Pool was implemented. As a result, the SFD market participants were provided with access to the Unified Pool capabilities, i.e. portability of profiles of Russian Rubles, US dollars and Euros between the securities market and the SFD market and usage of securities as an individual collateral.

II. Risk Management Improvement

1. Operational audit of NCC was successfully performed by PwC, international auditing and consulting company, in compliance with Bank of Russia Regulation No 556-P of 11.11.2016 'On the Procedure for Conducting Operational Audit by Central Counterparty' covering such elements of NCC's activity as risk management of the central counterparty and assessment of CCP's model accuracy, stress testing of its risks, determining the central counterparty's dedicated capital and restoring its financial sustainability.

2. Models for determining the futures settlement prices and collateral calculation were supplemented with algorithms for accounting of small positive and negative prices for futures contracts.

3. In addition to Black-Scholes model for calculation of theoretical prices for options, the Bachelier model was introduced to calculate option prices in case of negative prices of underlying assets.



4. NCC's Supervisory Board approved the Road Map of the Strategy for the Risk Management Framework Development till 2024, including its development for all risk types as well as development of risk management infrastructure and support of business and operational initiatives.

5. NCC's Supervisory Board approved new NCC's risk appetite, including risk types and their quantitative and qualitative thresholds as well as more extensively studied mechanisms for informing and escalating, monitoring and controlling.

6. In accordance with the strategic plans of NCC development, the strategic risk management concept was developed and approved by NCC's Executive Board. An extended register was formed and the Company's strategic risks were assessed, the measures for management thereof were determined, the updated indicators for monitoring the above risks type were proposed. NCC's Supervisory Board approved the updated Strategic Risk Management Policy.

7. NCC's Supervisory Board reviewed and approved NCC's new Business Continuity Policy and Strategy and NCC's Business Continuity and Recovery Plan. The fundamental documents were updated based on the assessment of the current state of the business continuity management framework taking into account the external (pandemic) and internal factors. As a part of the updated Business Continuity Policy, the target component of the set of internal guidelines was established and approved. The 2-year road map for organizing and developing the business continuity function was conceived as a part of the updated Strategy materials.

III. Innovative Development of the IT Platform

1. SWIFT GPI Financial Institution Transfer Project was implemented for credit institutions, on the basis of which CCP TRS and Proqrambank.ABS were enhanced for connection of the above systems to GPI Tracker SWIFT, thus improving NCC's operational reli-



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ability, when interfacing with the international financial messaging systems, and enabling the Company to obtain up-to-date information on the processing stages of client payments.

2. The business process was built to implement in-house enhancements of Neoflex Reporting system and adapt to the existing scheme of interaction with the corporate product developer. The full cycle of works (for 28 objectives) was completed – from analytics to commissioning. The automated regression testing facility using multiple instances of Neoflex Reporting system was introduced.

3. SFD market's TCAs were developed: new products – OIS on indexes of SOFR/ESTR/SARON, IRS for RusFar3m were added; the model to support new index calibration and assess metrics for trades therewith was enhanced thus increasing the accuracy of calculating risks and required collateral; the default management was automated for holding Liquidation Auctions, hedging and porting positions.

IV. Corporate Governance Development

1. To achieve a balance of interests of users NCC service and Moscow Exchange's services and to ensure the Company's corporate governance efficiency, while drafting the development plans, carrying out the operating activities and rendering services to users of NCC and Moscow Exchange in compliance with the Company transformation principles approved by the Supervisory Board of Moscow Exchange, **the Memorandum of Understanding between NCC and Moscow Exchange** was drawn and entered into.

2. For improvement of the corporate governance efficiency, the Audit Committee of NCC's Supervisory Board was established. The key objective of the Committee's activity is the assistance to the Supervisory Board in effective implementation of control functions of financial and economic activities, control and analysis of the risk and capital management framework effectiveness, compliance and provision of additional control in the area



of internal and external audit. The Audit Committee was formed with engagement of the Supervisory Board members, being independent directors.

3. *CCP NCC's Asset Management Commission* was established to develop recommendations for the management bodies regarding the list, quality and quantity of assets purchased by the Company and to be included into its portfolio, to establish limits/treasury transaction limits, regarding the plan for generating revenues from transactions with assets, for setting the securities purchase objectives.

V. International rating agency Fitch Ratings confirmed the long-term issuer default rating (IDR) of NCC in foreign currencies at BBB with a Stable outlook and confirmed the long-term issuer default rating (IDR) in domestic currency at BBB with a Stable outlook.

VI. The Analytical Credit Rating Agency (hereinafter ACRA) confirmed NCC's national scale credit rating at AAA(RU) with a Stable outlook. According to ACRA experts, the credit rating and the outlook assigned to CCP NCC were based on its strong and sound business profile,

exceptional position in liquidity and capital buffer, which offset the credit institution's risk profile, and on the fact that the above rating was additionally supported with NCC's critical systemic importance on the Russian financial market.

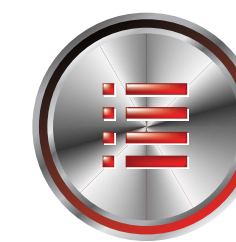
VII. Maintenance of the satisfactory level of NCC's capital was ensured; according to the financial statements, the Company's equity capital (taking into account EARD) was

RUB 73.3 bn

as of 01.01.2021, the net profit before tax (taking into account EARD) was RUB22.0 bn, the accrued dividends were RUB15.9 bn, out of which RUB8.1 bn were paid.

Statistics as of 31 December 2020:

- total number of clearing members was 522 organizations (2019: 537 clearing members), out of which the number of clearing members admitted to the undermentioned markets was as follows:
 - » in the FX and Precious Metals Markets: 400 clearing members (2019: 417 clearing members)



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- » in the Securities Market: 420 clearing members (2019: 424 clearing members)
- » on the derivatives market: 95 clearing members (2019: 101 clearing members)
- » on the SFD market: 52 clearing members (2019: 46 clearing members)
- » in the commodity market of NAMEX: 13 clearing members (2019: 19 clearing members)
- the volume of clearing members' cleared obligations was RUB1,742 trn (2019: RUB1,450 trn), out of which:
 - » with the central counterparty: RUB1,619 trn (2019: RUB1,334 trn)
 - » without the central counterparty: RUB123 trn (2019: RUB116 trn)
- the number of cleared trades was 1,539.8 mln (2019: 763.4 mln trades), out of which:
 - » with the central counterparty: 1,533 million trades (2019: 762 million trades)
 - » without the central counterparty: 6.8 million trades (2019: 1.4 million trades)
- the commission fee received totaled RUB12,991 mln, being 1.3 times higher compared to 2019 (RUB9,489 mln), i.e.:
 - » on the FX market: RUB1,682 mln (2019: RUB1,528 mln)
 - » on the precious metals market: RUB2.8 mln (2019: RUB3.2 mln)
 - » on the securities market RUB2,994 mln (2019: RUB2,009 mln)
 - » on the money market: RUB5,880 mln (2019: RUB4,634 mln)
 - » on the derivatives market RUB1,621 mln (2019: RUB1,013 mln)
 - » on the SFD market: RUB119 mln (2019: RUB185 mln)
 - » on the commodity market of NAMEX: RUB4.2 mln (2019: RUB22 mln)
 - » other fee based income: RUB688 mln (2019: RUB95 mln)

Abbreviations related to on-exchange markets that are used in Charts 1–4 below:

- FX – Foreign Exchange Market
- PM – Precious Metals Market
- SM – Securities Market
- MM – Money Market
- DM – Derivatives Market
- SFD – standardized derivatives market
- CM – Commodity Market of NAMEX



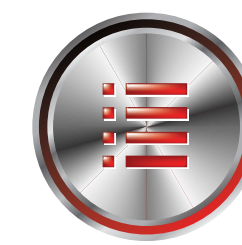


Chart 1: Number of clearing members on the markets (in pieces) and the share (%) of the total number of all clearing members

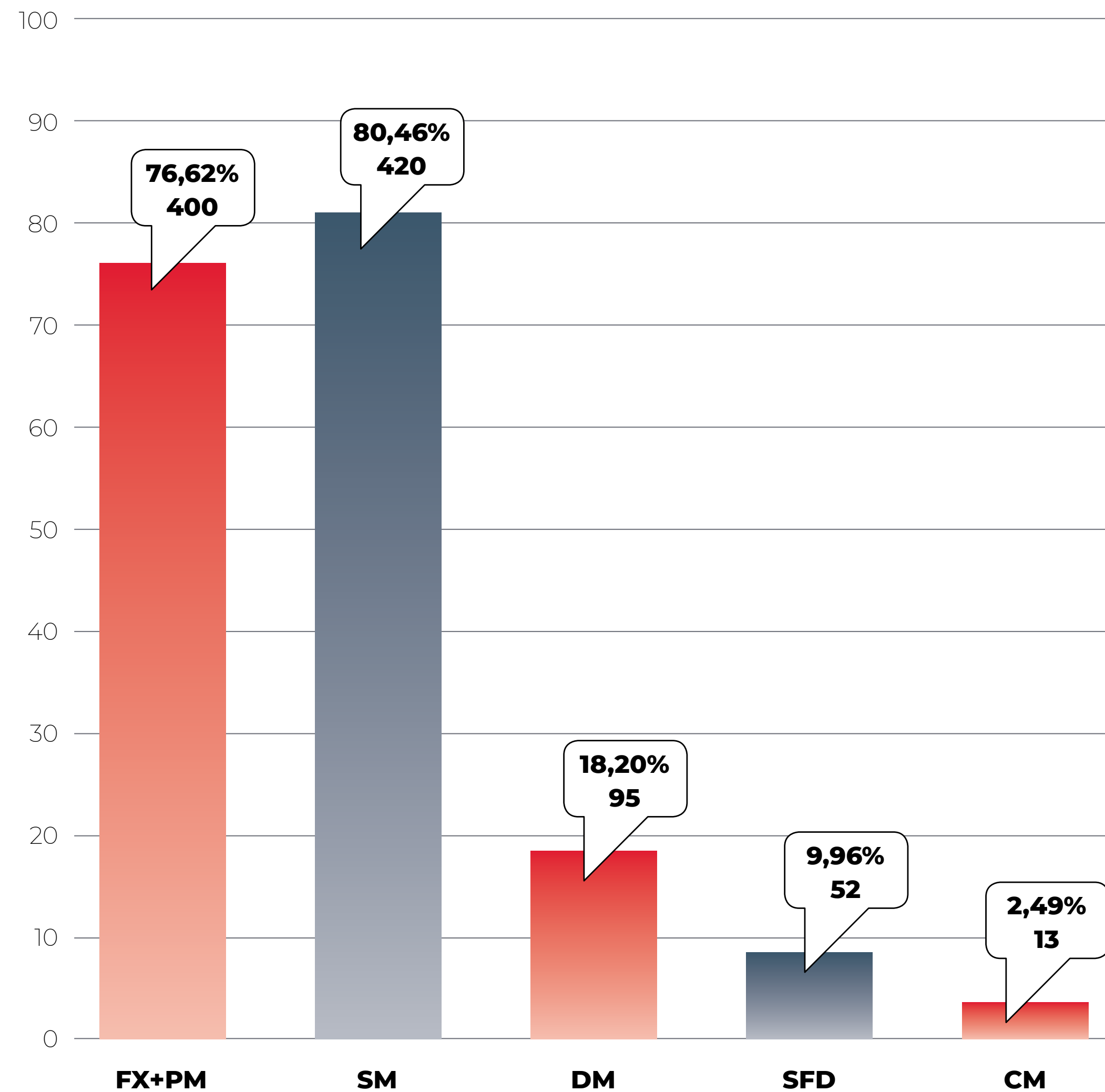


Chart 2: Volume of cleared obligations, RUB bln.

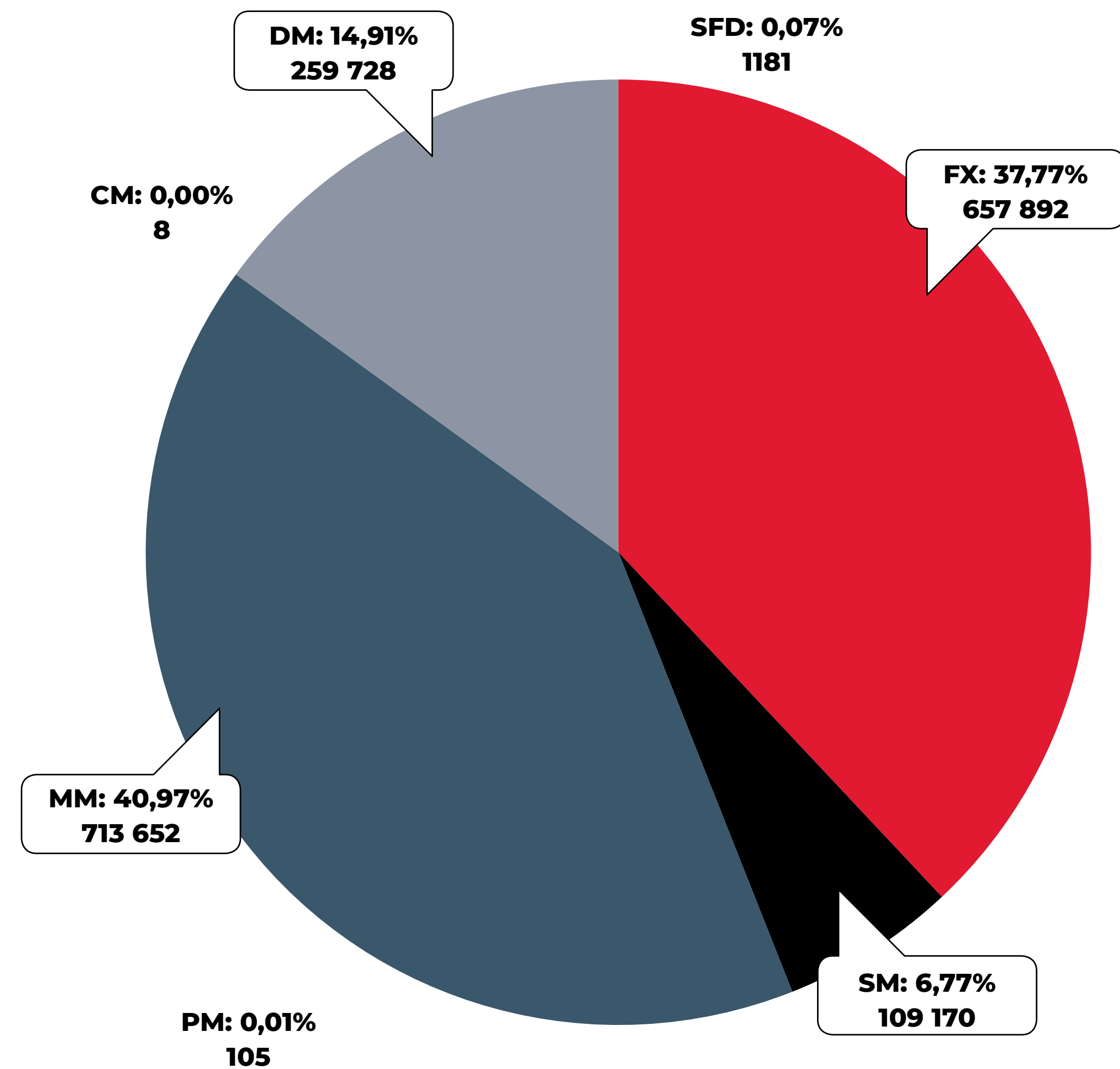




Chart 3: Number of cleared trades, pcs.

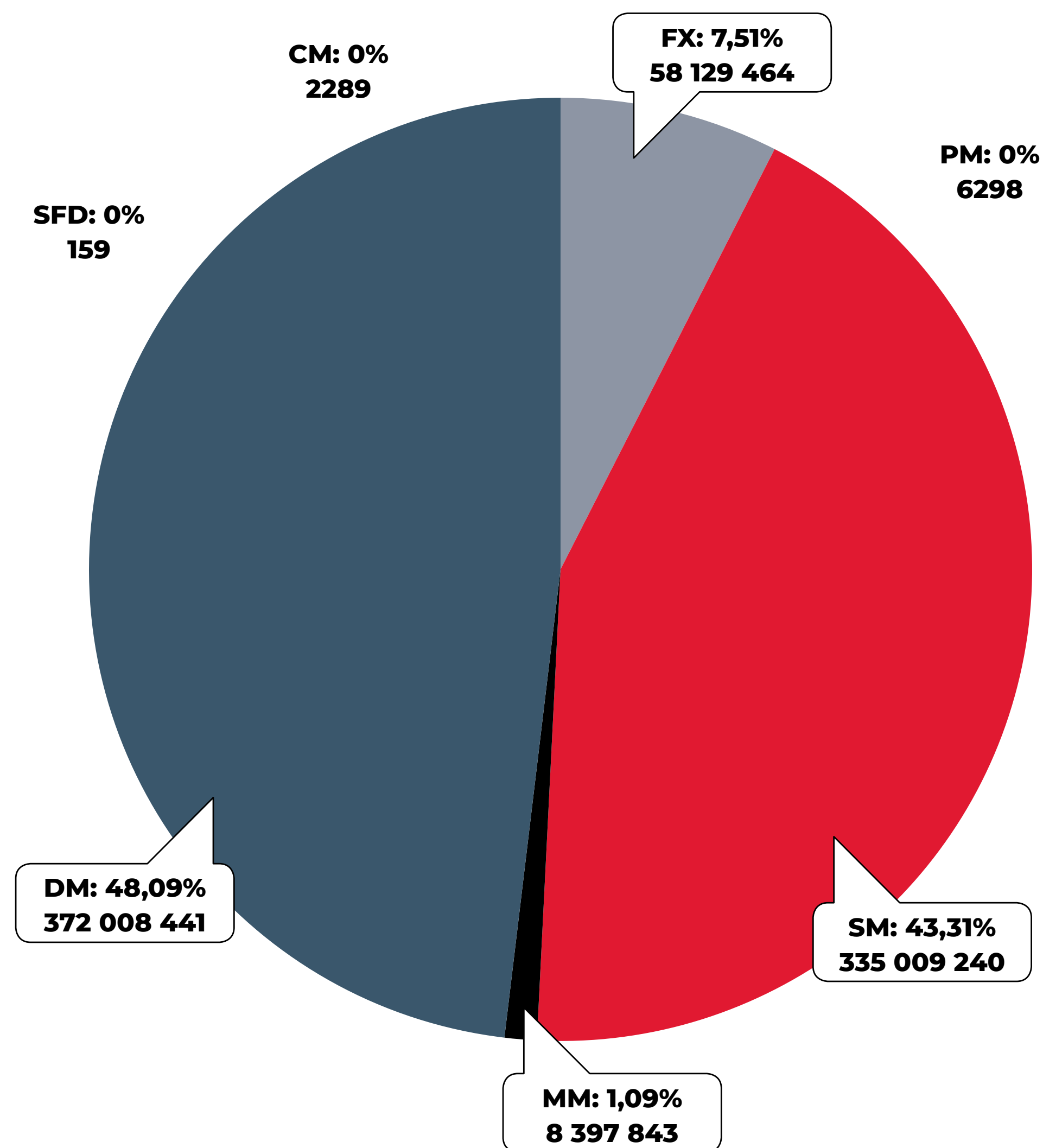
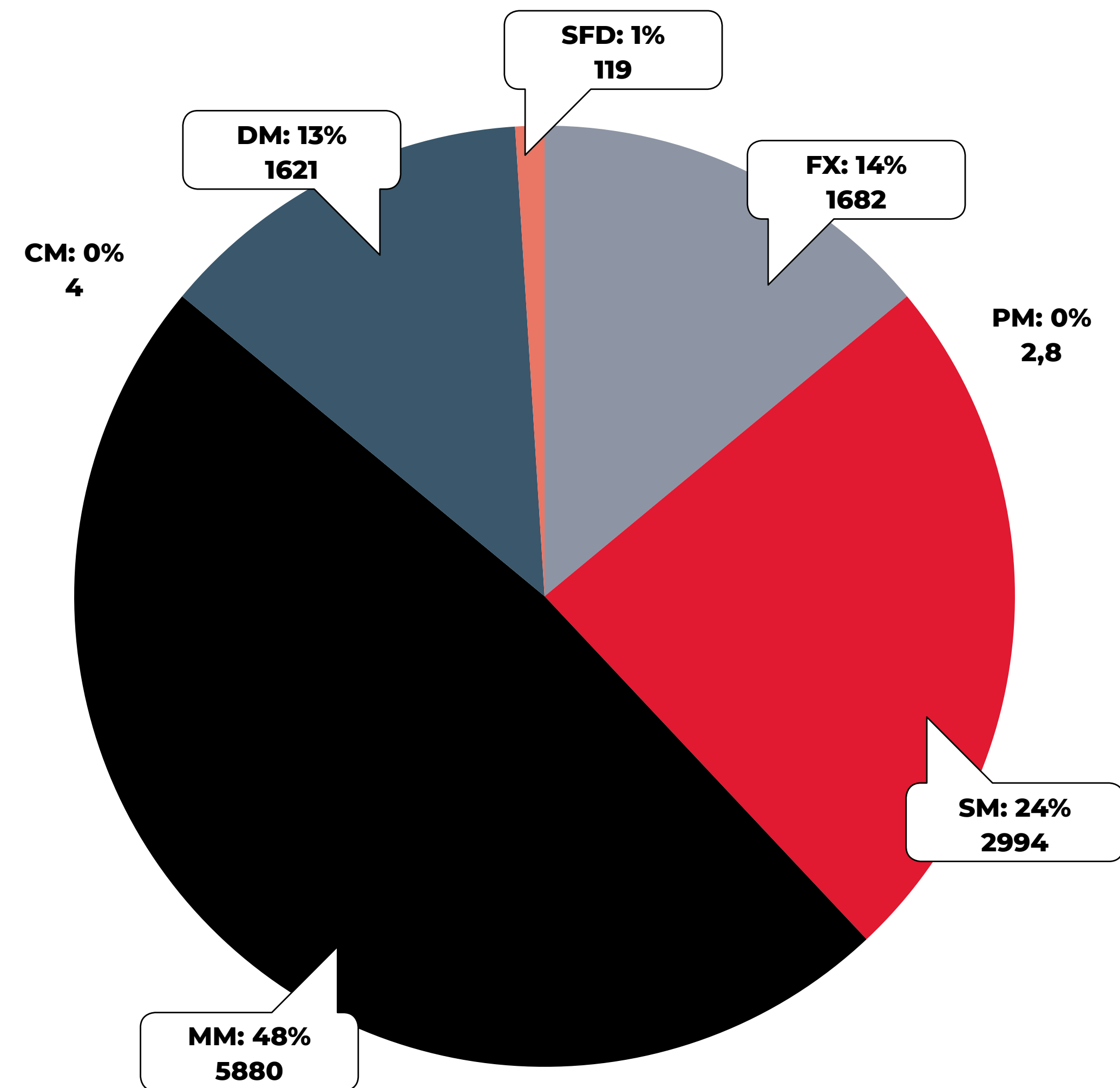


Chart 4: Clearing service fees, RUB mln.





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Results of Development in the Key (Priority) Business Areas

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TIME OF ACHIEVEMENTS

4.1. Clearing Business

4.1.1 Clearing on the FX and Precious Metals Markets

The FX market of Moscow Exchange, the organized on-exchange market, which is the oldest one in Russia, has been holding FX trades since 1992 and precious metals trades since 2013.

NCC has been performing clearing on the FX market since 10 December 2007 and centralized clearing of precious metals trades for Russian Rubles since 2013. Spot trades are cleared and since 2014 fully and partially secured trades with derivatives (swaps and futures) are cleared in compliance with the Clearing Rules.

Trades made on the FX and Precious Metals Markets are cleared and settled by NCC as a central counterparty. NCC acts as a central counterparty for all trades made and ensures performance of obligations to non-defaulting clearing members, thus mitigating the clearing members' risks significantly and eliminating the need to set limits for each other.

Precious metals trades are settled to trading bank accounts in precious metals (hereinafter TBC) of the clearing members maintained with NCC. Precious metals can be used as collateral for trades with other assets. Post-trading transactions include transactions with bullion bars at NCC's storage.

In 2020, in difficult times of crisis, the clearing infrastructure of the FX market showed high quality of rendered services related to the technologies of risk management, reliability of transactions and security of settlements.

In 2020, the trading volume on the FX market was

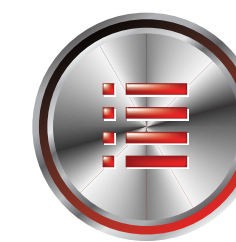
RUB 329 trn,

being 7% higher compared to 2019. The volume of spot trades grew by 44% to

RUB 97 trn

and the volume of swap trades (FX secured loans) decreased by 4% to RUB232 trn.

In 2020, the number of clearing members on the precious metals market grew from 56 to 63, out of them 47 were credit institutions, 14 were broker or investment companies, 3 were mining companies (2 out of which entered the market in 2020).



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In 2020, the commission fee earned by NCC on the FX market amounted to

RUB 1,682 mln

and grew by 10.1% on 2019 (2019: RUB1,528 mln). Such growth was due to the increased volume of FX spot trades with foreign currency caused by high volatility of world currencies in view of the problem existing in the world economy and on the financial markets, which were related to the pandemic spread, decline in the oil prices (March-April), and the US elections (August-September), which caused growth of counterparties' interest in FX spot transactions. The main growth was due to the commission fee for clearing of on-exchange FX spot trades (USD/RUB currency pair).

In November 2020, the clearing members began to provide retail clients with access to the precious metals market thus providing the facility to enter into gold and silver trades at Moscow Exchange.

Due to the growing competition on the part of numerous off-exchange electronic platforms, the main emphasis of the on-exchange market development was made on the tech-

nologic and organizational innovations, such as extended period of trading, international cooperation, links to foreign platforms.

In June 2020, the facility was implemented to perform clearing with the central counterparty and settlements of OTC trades made through electronic OTC platforms. The new service allowed to mitigate credit, settlement and operational risks of OTC trades and to perform cross-margining and netting between on-exchange and OTC trades. The service functioned as a part of the specially created mode "Clearing with CCP" (CPCL) with connection via FIX protocol.

For further development of the OTC FX market, in July 2020 Moscow Exchange purchased the equity interest in NTPro, the leading off-exchange aggregator. It would also allow to expand the line of clearing services for clearing members on the FX market.

For more effective management of risks of clearing member's clients, in June 2020 the functionality of additional pre-trade checks of client SMA instructions was implemented, such functionality is similar to the one existing on Moscow Exchange's securities market.



Since December 2020, the facility to enter into FX and precious metals trades has been provided to management companies of investment funds, UIF and NPF. Currently, not only professional participants of RTsB are admitted directly to the market.

The number of corporations increasing the average daily turnover on the market, who were admitted to trading on the FX market, was also growing continuously. At the end of 2020, 43 corporations, including insurance companies, were provided access thereto.

In 2020, the increasing amount of liabilities cleared was also promoted by overnight FX swap trades made by the Federal Treasury (provision of Russian rubles against collateralized US dollars).

4.1.2. Clearing on the Securities, Deposit, and Credit Markets

On the securities and deposit markets of Moscow Exchange Group, NCC provides its clients with the most extensive range of services, while clearing trades made in different trading modes, either with or without performing the central counterparty's functions. Since No-

vember 2011, NCC has been performing clearing on the securities market and since 2017 has been performing centralized clearing, while acting as CCP under RUB deposit agreements. Till December 2016, CJSC "MICEX Stock Exchange" had acted as the trading organizer. Further this function has been performed by Moscow Exchange. Clearing settlements on the securities market are performed by NCC.

In December 2020, Moscow Exchange launched the credit market trading, which is cleared and settled by NCC. Clearing is performed without CCP's engagement. Settlements are posted to clearing member's own trading accounts, thus enabling credit market participants to manage efficiently the liquidity in all segments of the securities, deposit, and credit markets.

In April 2020, the deposit market participants were provided with the functionality to consolidate deposits on their settlement account. The implementation of the above objective resolved the problem of processing and accounting of a large number of deposit trades, which might arise due to a large number of rather small counterorders in the on-order book mode (blotter) and/or large intraday volume of funds placed by a market participant.



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During the reporting period, the money market functionality was expanded considerably by implementing such objectives and opportunities as a launch of floating rate repo with the Bank of Russia; repo trade made with CCP in case of lack of information on the following coupon (coupon rate being unknown); executing trades with coupon with unknown rate under the interdealer repo; unifying the rate interval of repo and deposits; automating admission of bonds placed at Moscow Exchange to repo with CCP.

In general, 22 companies, including manufacturing, insurance, management companies and non-state pension funds, were admitted to the deposit market trading with CCP during 2020. The total number of participants of the above market reached 130, and the volume of transactions totaled RUB20.7 trn.

Due to implementation of new objectives and facilities on the securities, deposit, and credit market, the amount of the commission fee earned by NCC was

RUB 8,874 mln

(2019: RUB6,643 mln) during the reporting period thus ensuring 33.6% growth.

Stock and repo trades with the central counterparty, including repo trades with general collateral certificates, were the key drivers of growth.

4.1.3. Derivatives Market Clearing

NCC has been providing clearing services on the derivatives market of Moscow Exchange since 2012. The derivatives market is Russia's largest one and one of the world's leading venues for trading in derivative financial instruments combining high liquidity, wide range of products, guarantees of the central counterparty, which functions are performed by NCC. Currently, the Company provides clearing services on the derivatives market with respect to derivative financial instruments, which underlying assets are stock indexes, shares of Russian and foreign issuers, federal loan bonds, foreign currency, interest rates and commodities (oil, precious and non-ferrous metals, agricultural commodities).

In 2020, the daily average trading volume grew by 59% on the previous year. The growth



drivers were FX section contracts (+115% on 2019 ADTV) due to high volatility of RUB last year. Positive dynamics was also observed in the section of derivative contracts for indexes and stocks (+56%). The RTS growth index for the most liquid contracts for USD/RUB futures was +124%, +89%.

Despite significant increase in the trading volume, the amount of open positions decreased. By the end of 2020, the total amount of open positions on the derivatives market reduced to RUB560.5 bn, down 9% compared to the end of 2019. The amount of the commission fee earned by NCC on the derivatives market grew by 60% and was RUB1,621 mln (2019: RUB1,013 mln) mainly due to the growing volumes of trading in foreign futures contracts and index futures.

In 2020, the facility for making trades on SPECTRA TCS with negative prices for Brent futures contracts was implemented. Besides, in addition to the existing option assessment model based on the Black Scholes model, there appeared the facility to switch to an-

other assessment model (Bachelier model) in case of sharp decline in prices.

At the end of the reporting year, the large-scale project – launch of deliverable futures contract on wheat, which was intended to become the first Russian price benchmark of wheat – was implemented together with the commodity market and with support of VTB Capital. Launch of the wheat futures on the derivatives market of Moscow Exchange provides participants of the grain market with instrument to hedge price risks.

4.1.4. Commodities Market Clearing. Performing the Commodity Delivery Operator's Functions

The Commodities Market of Moscow Exchange Group holds organized trades in derivatives (deliverable forward and swap contracts) with commodity as the underlying asset. For settling trades, the participants' commodity accounts are used, which are maintained with NCC, which acts as a central counterparty on the grain and sugar market and as a clearing organization accounting both funds received



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from buyers in payment of the commodity price and default funds.

According to Bank of Russia resolution dated 28.10.2015, NCC was accredited to act as a commodity supply operator. Acting as CSO, NCC accredits elevators and warehouses for storing commodities admitted to on-exchange trading.

The main objectives implemented on the commodity market in 2020 were the objectives related to automation of the process of settling non-fulfilled obligations of clearing members.

The facility was implemented to enter into closing trades on the date T-n (where T is the date of due performance of obligations) according to the procedure in place. Urozhay TCS provides automation of settlement of non-performed cash liabilities by entering into swap agreements on the date T. Collection of fines for entering into closing forward agreements is automated. The facility to switch the settlement account to the settlement mode was implemented and the restrictions set for the settlement mode were introduced.

4.1.5. SFD Market Clearing

The SFD market was established in 2013 in pursuance of the resolutions of the G20 on strengthening of the central counterparty's role on financial markets. NCC has been clearing on the SFD market since 2013 in compliance with the Clearing Rules and performing the Central Counterparty's functions under all SFD contracts.

NCC, as the central counterparty, clears partially secured trades with respect to the following derivatives: swap contracts, futures contracts, forward contracts, and option contracts.

The SFD market continued developing actively and in 2020 the amount of open positions on the market increased almost 2.5 times to

RUB 1.71 trn

(2019: RUB439 bn). The number of clearing members increased by 10% and the total number of clearing members reached 52 (2019: 46 clearing members).

In 2020, the facility to include the settlement account of the SFD market into the



Unified pool was implemented. As a result, the SFD market participants were provided with an access to the Unified pool capabilities, i.e. transfer of profiles of Russian Rubles, US dollars and Euros between the securities market and the SFD market and usage of securities as the individual clearing collateral.

Regarding the product line, new underlying assets were added: key interest rate, SOFR, ESTR, SARON, CHF currencies, OIS on the return rate of currency swap. In addition, the maximum terms of traded contracts were extended from 5 to 10 years.

The objectives were implemented, inter alia, because of preparation of the central counterparty's infrastructure for compliance with Bank of Russia Ordinance N 5352-U dated 16.12.2019 'On cases where agreements, which are derivative financial instruments, are entered into only provided that the other party under such agreements is an entity performing the central counterparty functions' (hereinafter, the Instruction), which came into effect since 1 January 2021. On 1 January 2021, NCC, as the central counterparty, was fully ready to attain the objectives

imposed on NCC pursuant to the above Instruction.

For further development of the clearing business, the plans are as follows:

- to implement the Single Limit Allocation Project designed to enable market participants to make partially secured OTC FX trades in the OTC platforms subject to the uniform limit based on the assets accepted by NCC as collateral and deposited by clearing members to the Unified Pool's TA and settlement accounts maintained in securities market TCS;
- as a part of the project for segregation of the statuses of market participants and clearing members on Moscow Exchange Group's markets, to implement the functionality enabling NCC to act as a tax agent according to the obtained status. It will enable nonresidents to become parties to trades made with NCC on Moscow Exchange Group's markets;
- to build a new margining model on the SFD market by implementing the risk management system (RMS), developed



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in-house together by NCC and Moscow Exchange. It will allow to avoid settlements using Fincad standard libraries and trades margining and assessment of NPV trades in Navigator TCS. Implementation of in-house RMS will allow to calibrate curves using methods, which will be treated as optimum ones. Also there will be a capability to build own infrastructure and prototypes for automatic testing and reducing the risk of errors in model implementation;

- to implement the Early Trading on the FX and Derivatives Markets objectives, to elaborate measures to ensure liquidity of RUB account balances of NCC for allowing potential withdrawal of funds during the morning session. NCC will not have to take any additional measures to ensure the liquidity in US dollars, Euros and Asian currencies, since NCC maintains cash balances in the above currencies on the correspondent accounts with relevant foreign correspondent banks. The regulatory requirement for trouble-free functioning of the SWIFT payment network is met;

- to continue development of the Clearing Terminal service. The key aspects of further expansion of the clearing terminal functionality are as follows: provision of clearing terminal to trading participants, who are not clearing members, to segregated clients, custodians, etc. and reorganization of clearing reports, provision of clearing members with required information on clearing results using the clearing terminal functionalities;
- to continue development of OTC trades clearing: to expand clearing and settlement services on the OTC FX market by automating and unifying the processes of transmitting information on trades made on the OTC FX market;
- to implement the pre-trade checks on the off-exchange trade platforms of the FX market. Participants will be allowed to execute transactions on the off-exchange electronic platforms meeting NCC's risk management requirements with preliminary pre-trade check of the unified limit. Calculation of NCC's limit utilized directly on the trade platform will allow to improve the effectiveness of clients' trade transac-



tions, will provide clients with additional capabilities for liquidity distribution and business expansion regardless of counterparties' credit quality;

- to enhance interaction with the Eurasian organizations for developing the EEU integrated FX market and transactions with national currencies – technological interaction with the exchanges and infrastructure financial institutions of Kazakhstan, Belarus, etc. Also configuration of trade and clearing links with the Asian exchanges and trading systems, namely, with the Kazakhstan Stock Exchange (KASE), the China Foreign Exchange Trade System (CFETS), inter alia, the link with the Shanghai Gold Exchange (SGE), thus enabling Russian clearing members to get access to the world's largest Chinese gold market and to enter into NCC-cleared trades in gold loco Shanghai;
- to launch spot and swap gold trading via the trade clearing link with the largest liquidity providers in London. Trading in gold loco London with the minimum lot of 10 ounces (XAUUSD_SPT, XAUUSD_TOM-NEXT);

- to create a trade and clearing link with the Shanghai Gold Exchange, thus enabling Russian clearing members to get access to the world's largest Chinese Gold Market and to enter into NCC-cleared trades in gold loco Shanghai. Entering into pilot trades in gold at the Shanghai Gold Exchange.

4.2. Proprietary Transactions in Financial Markets

In 2020, NCC executed transactions in financial markets in the extremely changing environment due to the coronavirus pandemic, which also resulted in the increased volatility of financial markets and changing rates of the main currencies of NCC's asset portfolio.

During the reporting period, NCC's liabilities structure continued changing (see **Table 1**). The amount of clearing members' collateral in foreign currencies increased. Increasing collateral was partially due to the growing volumes of CCP-cleared on-exchange trading that was equally relevant



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both to US dollars and Euros. Significant growth of USD collateral was also related to the decline of FRS rate in March 2020. At the same time, the growth of EUR collateral was lower, and since 1 January 2020 even declined after NCC introduced the fees for EUR collateral accounting (the average amount of EUR collateral in 1Q2020 dropped by 28% compared to the amount in 4Q2019). The change in the RUB collateral amount experienced slight changes and, as shown in Table 1, actually stabilized in the last four years.

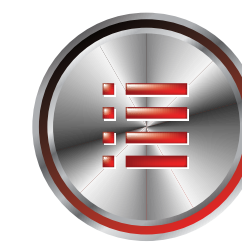
The nature and amount of NCC's transactions with financial instruments was based both on the changing liabilities structure and market factors:

- decrease in US FRS rate in 1Q2020;
- decrease in the rate of the Bank of Russia in 1H2020.

The RUB securities portfolio increased by RUB4.576 mln (5.4%), that being in line with increase in RUB liabilities.

Table 1

Clearing Members' Collateral – Annual Average	RUB, mln	USD, mln	EUR, mln
2015	80,689	6,090	4,891
2016	74,258	4,139	5,128
2017	54,365	3,003	5,349
2018	57,693	2,093	4,182
2019	51,338	1,936	5,541
2020	62,106	3,853	3,295
2020/2019 Change, mln	+10,768	+1,917	-2,246
2020/2019 Change, %	+21%	+99%	-41%

**Table 2**

Amount of EUR Eurobond Portfolio (Annual Average)	USD in RUB Equivalent, mln	EUR in RUB Equivalent, mln
2015	19,056	896
2016	71,765	10,318
2017	69,685	24,300
2018	66,496	36,575
2019	47,736	33,886
2020	71,240	26,109
2020/2019 Change, mln	+23,504	-7,777
2020/2019 Change, %	+49%	- 23%

During 2020, securities portfolio in foreign currencies experienced significant changes in connection with repayment of a large number of issues (54% in USD and 78% in EUR).

Substantial efforts were aimed at recovery of and significant increase in the amount of USD securities portfolio (see **Table 2**) caused both by growth of the liabilities base and the need to offset the decreasing revenue gained from USD transactions on the money market as a result of decreasing market rates.

The limited number of EUR Eurobond issues, which was in conformity with the effective risk profile of NCC, resulted in the portfolio recovery due to sovereign issues with longer duration but with lower amount (in order to limit assumed risks). As a result, the duration of the EUR Eurobond portfolio was extended significantly (from 0.76 years as of 01.01.2020 to 4.16 years as of 01.01.2021).

In 2020, the amount of repo transactions did not practically change on 2019. In this case,

the decrease in market rates on US dollar led to the decline of revenues from repo transactions by 62%.

Amount of Location SWAP transactions with precious metals reduced on 2019 from

4,945 kg to 2,098 kg. However, physical gold acceptance/delivery transactions increased from 2,436 kg to 5,929 kg. Such dynamics were caused by the appearance of new clearing members and the market maker dealing

Table 3

Transactions	Number of Transactions	Change on 2019, %	Volume, RUB mln	Change on 2019, %
FX market				
Carrying over positions (SWAP)	360	-22%	47,816	-66%
Regulating margin calls+ closing positions	6	-50%	75	-93%
Liquidation transaction	4	-67%	358	-92%
Securities Market				
Carrying over positions (REPO +SWAP+S/P), RUB	842	-4%	166,891	284%
Closing positions (Sale/Purchase +LT+T+2), RUB	5	-17%	47	213%
Commodity Market				
Carrying over positions (REPO +SWAP+S/P), RUB	5	25%	3	-85%
Derivatives Market				
Closing positions (margin requirement) RUB	2	-50%	2	-33%
* selling of individual collateral of clearing members		0%	0	0%
TOTAL				
RUB	1,224	-11%	215,192	14%

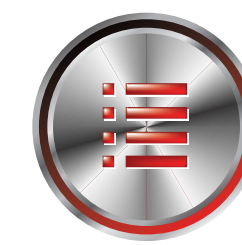
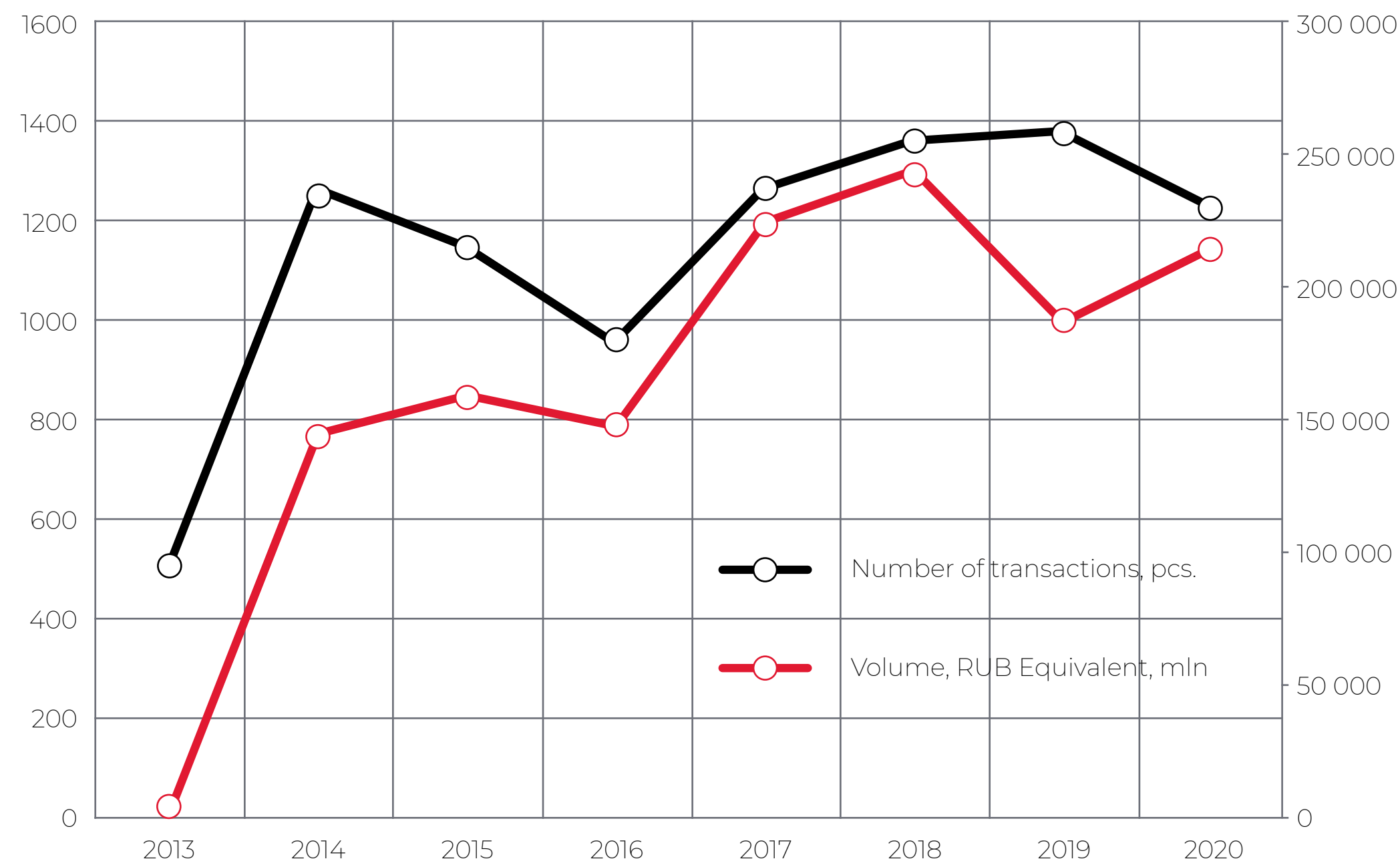


Figure 1. Dynamics of Transactions in Case of Default



in physical gold and the changing tariffs for physical gold acceptance/delivery transactions.

The number of trades on the financial markets, as a part of the default management processes, decreased, first of all due to a decrease in the number of liquidation transactions, being in line with the decreasing number of li-

cense revocations by the Bank of Russia. At the same time, the amount of default management transactions on the securities market increased, that was likely to be associated with significant increase in the trading volumes on the securities market (see **Table 3, Figure 1**).

During the reporting period, as a part of expanding refinancing sources, repo agree-

ments with the Federal Treasury and the Finance Committee of St. Petersburg were activated by connection to trading terminals used to place orders at auctions.

In 2H2020, the key interest rate of the Bank of Russia stabilized and the conditions formed for the regulator's transition in 2021 from the soft monetary policy to the moderate one,

which provided for potential increase in the key interest rate in the second half of the year. Due to the expectations in place, in 2021 NCC's key objectives, regarding transactions on the financial markets, would be RUB assets portfolio restructuring towards moderate maturity for timely portfolio replenishment with higher yield assets and, as a result, increasing revenues.

4.3 Risk Management, Including Measures to Maintain High Quality Management by NCC as CCP Risk Management Framework Compliance with the Regulatory Requirements and International Standards

Functioning as a clearing house, central counterparty, credit institution, and commodity delivery operator (CDO) in Moscow Exchange Group' markets, NCC uses the up-to-date risk management framework (RMF) meeting the regulatory requirements and year after year, endeavors to approximate increasingly the international standards.

To ensure its operational reliability, NCC applies the risk management approaches

in compliance with the requirements of the Bank of Russia, recommendations of the Basel Committee on Banking Supervision, as well as the international standards of the Committee on Payments and Market Infrastructures of the Bank for International Settlements and the Technical Committee of the International Organization of Securities Commissions (CPMI-IOSCO) for systemically important infrastructural organizations.

During the reporting year, NCC made a number of amendments to its internal documents regulating CCP's risk management, generally in connection with improvement of the risk management framework of the Company as a clearing house, central counterparty and commodity delivery operator, and with regard to the scheduled review of internal documents in compliance with the requirements of the Bank of Russia. In particular, the significant amendments were made to the following documents:

- Risk and Capital Management Strategy – in its new restated version, the results of identification of the most significant risks were updated; risk description was updated, the distribution of powers between NCC's business units in the process of risk and capital management was specified, and the updated, more detailed set of quantitative and qualitative risk appetite indices and their thresholds for 2021 were provided taking into account the risk appetite metrics of Moscow Exchange Group and the events occurred during the reporting period;

- Rules on Risk Management Framework Organization – the document was updated with account of the amendments made to the regulations of the Bank of Russia and NCC's internal documents and the changes in the organizational structure of NCC's risk management;
- Stress Testing Methodology – the procedure for determining stress scenarios with respect to trades with liquidity providers was introduced; the procedure for changing the values of stress scenarios was defined when analyzing the validity of market risk stress scenarios; significant risk factors were identified during stress testing and the procedure for their determination and approval was established; usage of stress testing indicators was specified;
- Methodology for determining the dedicated capital of CCP NCC – the new restated version established the enhanced approach to measuring the dedicated capital and additional dedicated capital and to distribution of the dedicated capital between markets;



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- Model Validation Methodology – a number of amendments were made to update the above with account of the regulations of the Bank of Russia and NCC's internal documents.

As noted above in this report, in 2021 the milestone events for NCC's risk management framework included successfully completed operational audit of the Company carried out by PwC, the international auditing and consulting company, and the Road Map of the Strategy for the Risk Management Framework Development till 2024 drawn and approved by NCC's Supervisory Board (RMF Strategy). During the reporting period, the new approach was drafted for risk identification and management using a new, thorough and enhances risk appetite, which comprised the register of key risks, their quantitative and qualitative restrictions with account of the key stakeholders' interests, and the necessary mechanism for informing and escalation.

Managing Risk of Clearing House and Central Counterparty

In 2020, the development of NCC's risk management framework was primarily focused on ensuring the financial sustainability and reliability of NCC as a clearing house, CCP, and commodity delivery operator and was carried out in the following main areas:

- ensuring the adequacy of financial resources for settlements both in normal and extreme market conditions;
- improving the safeguard structure (default waterfall) default;
- improving the risk assessment methodology required for NCC to new clearing products's lunch;
- implementing the measures to maintain compliance of the Company's current activities with the requirements imposed by the Bank of Russia on qualified CCPs, whose management quality was recognized as 'satisfactory' in compliance with Regulation 658-P;



- providing information transparency to enable clearing members to assess risks adequately and supervisory authorities to supervise their activities efficiently.

System for Margining Clearing Members' Trades

NCC uses a variety of models to determine the collateral requirements depending on the specific markets. The model for determining collateral requirements considers the specifics of instruments and, accordingly, is applied with minor differences based on each market specifics.

The scenarios used in the margining models are calibrated on the basis of historical data and consider the potential price movement scenarios for those assets that have not been reflected by the historical data yet, so as to secure at least 99% confidence probability for the required collateral amount in all markets.

CCP Safeguard Structure

While developing the framework for managing all types of risk, NCC continued to im-

prove the structure of CCP safeguard levels aimed at ensuring the reliable and transparent interaction with clearing members and guaranteed maintenance of the Company's financial stability in connection with its performance of CCP's functions.

The **Figure 2** reflects the safeguard structure as of 01.01.2021.

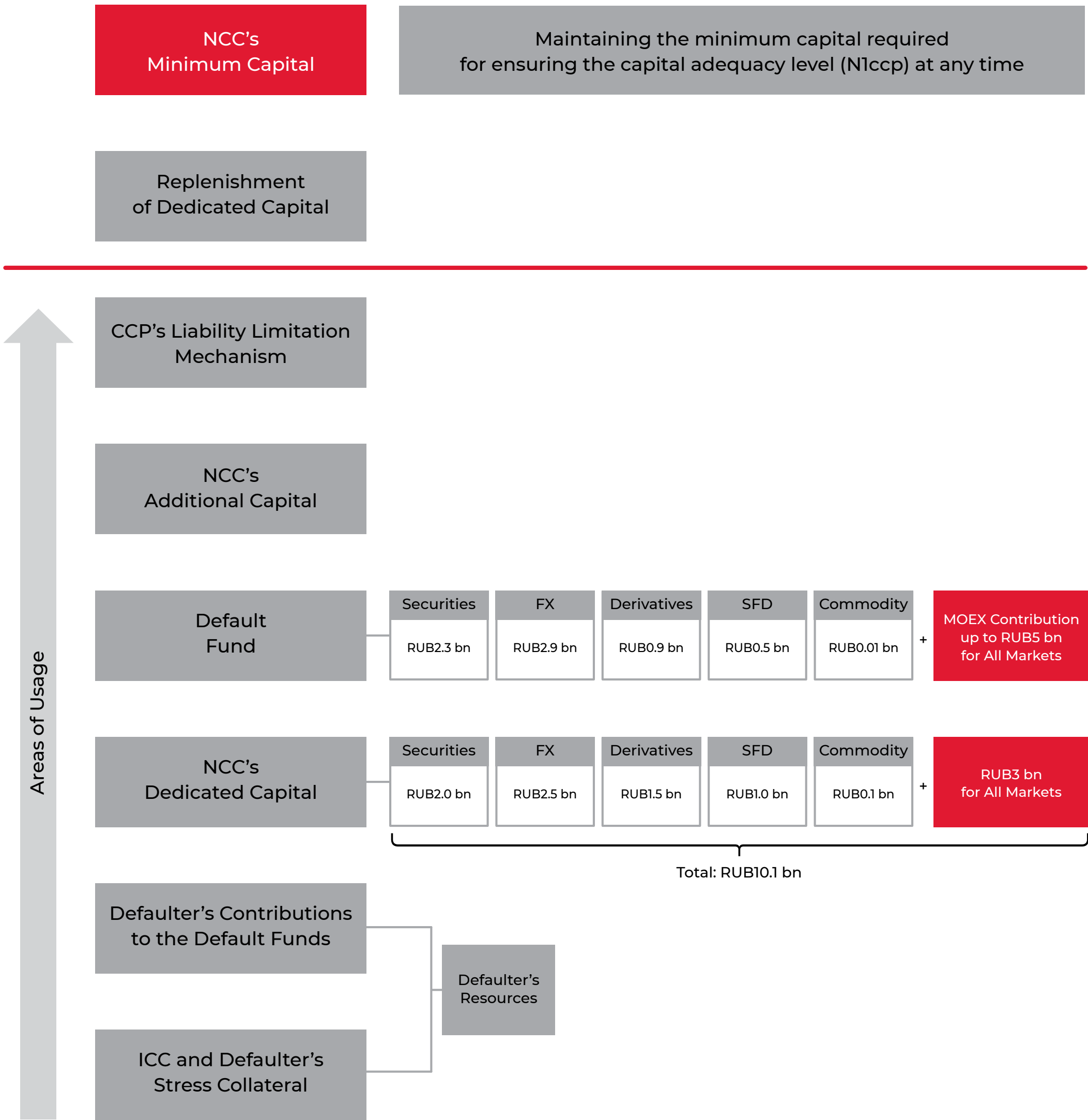
To provide additional protection for non-defaulting clearing members, their contributions to the Default Fund are used only when the amount of total debt of the defaulting clearing members to NCC exceeds the maximum acceptable value. Currently, in all serviced markets of Moscow Exchange Group, the Default Fund may be used to cover losses upon default of a clearing member.

The size of the default funds as of 1 January 2021 is shown in **Tables 4, 5**.

Monitoring Clearing Members' Financial Position

The internal rating system is used as an efficient tool to monitor the financial position of clearing members and counterparties in

Figure 2. reflects the safeguard structure as of 01.01.2021



**Table 4. Size of the Default Funds on Moscow Exchange Markets as of 01.01.2021**

Market	Size of the Default Fund, RUB mln	Amount of a clearing member's contribution, RUB mln
FX Market	2,900	10
Securities, Deposit and Credit market	2,273	10
Deposit Market		1
Derivatives Market	940	10
SFD Market	520	10
Commodity Market	12	1

Table 5. Composition of the Default Funds as of 01.01.2021, RUB mln

Markets	RUB	USD	EUR	Public Securities
FX, SM, DM, SFD, CM	3,314	1,021	1,262	3,355

relation to their asset transactions with NCC. Application of the formalized internal ratings allows to promptly respond to a deteriorating financial position of clearing members and counterparties, to establish limits for asset transactions and set aside adequate provisions for possible losses related to risk-bearing transactions.

The internal ratings are assigned in accordance with the Counterparty Internal Rating Guidelines.

As of 01.01.2021, NCC's internal rating system covered 1,597 organization. The breakdown by types of rated clearing members and counterparties of NCC as of 01.01.2021 is shown in **Table 6**.

Managing Risks Related to NCC's Activities as a Credit Institution

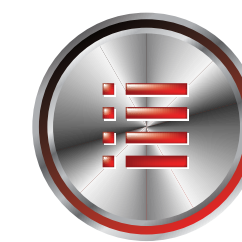
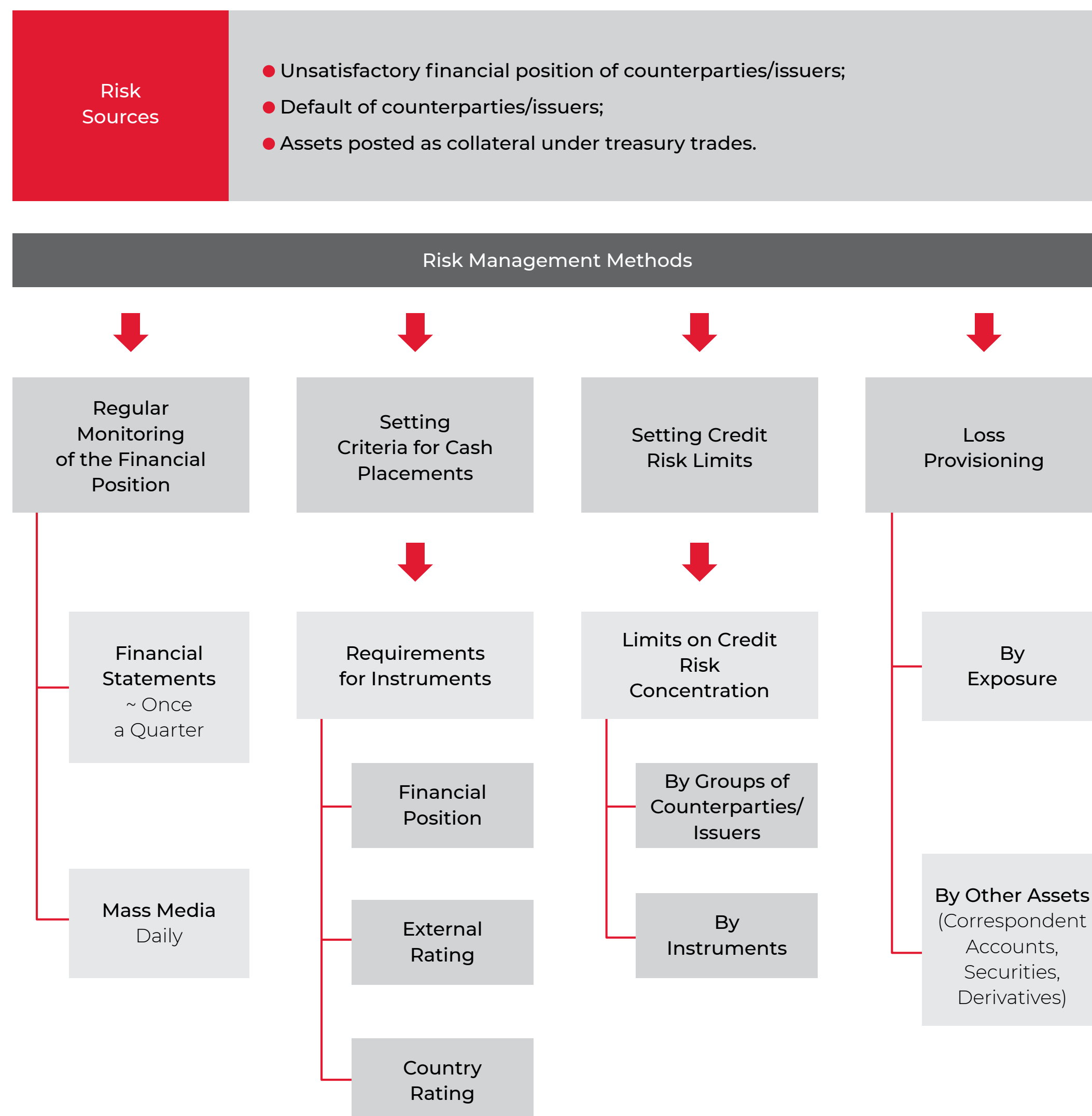
Due to its special status and types of activities, NCC follows a conservative asset management policy in allocation of free cash, taking into account the principle of priority, reliability, and adequacy of the liquidity level over the rate of return.

The key elements for managing risks arising in course of activities of NCC as credit institution, include:

- managing the assets and liabilities portfolio;
- monitoring counterparties' financial position;

Table 6. Breakdown by Types of Participants as of 01.01.2021, %

Issuers, Corporations	32
Business Counterparties	22
Credit institutions, NCOs, State-Owned Corporations, International Organizations	18
Financial Institutions	8
Nonresident Issuers	6
Administrations	5
Commodity Market's Warehouses/Elevators	5
Nonresident Credit Institutions	3
Other Counterparties	1

**Figure 3. Credit Risk Management**

- setting limits;
- provisioning for possible losses to cover risks;
- refusal to bear certain types of risks.

The cornerstone of control of credit risks arising in course of cash placement is the limiting of treasury transactions. The existing limit system ensures limiting of the amount of risks assumed by NCC to the level corresponding to the guaranteed compliance with the regulatory requirements of the Bank of Russia and the Company's Treasury Policy.

As of 01.01.2021, the structure of the assets exposed to credit risk consisted prevalently of the funds placed on correspondent accounts with credit institutions, mainly the major foreign banks and reliable Russian banks. The largest amount of funds was placed on the correspondent accounts with JP Morgan Chase Bank and its subsidiaries due to their function of settlement banks on the on-exchange FX market of Moscow Exchange Group.

The charts below show the asset grouping based on their credit quality in accordance with Fitch, Expert RA, and similar agencies, as well as the distribution of NCC's securities portfolio by sectors (see **Figure 4, 5**).

As of 01.01.2021, due to the high quality of assets, the capital adequacy ratio (Nlccp requirement) was 148% (versus the regulatory minimum of 100%), which confirms expressly NCC's financial sustainability.

Market Risk Management

NCC is exposed to interest rate risk related to securities and financial derivatives sensitive to interest rate fluctuations, and to trades with derivative sensitive to interest rate fluctuations as shown in **Table 7**.

As of 01.01.2021, the interest rate risk amounted to 19.79% of the (equity) capital of NCC (as of 01.01.2020: 16.43%).

NCC was not exposed to the securities market risk as NCC's portfolio did not contain any equity securities. FX risk arose from adverse fluctuations of exchange rates. As of 01.01.2021, open positions in foreign currencies and precious metals exceeded 2% of the (equity) cap-

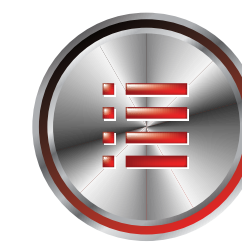


Figure 4. Assets Breakdown by International Ratings, %

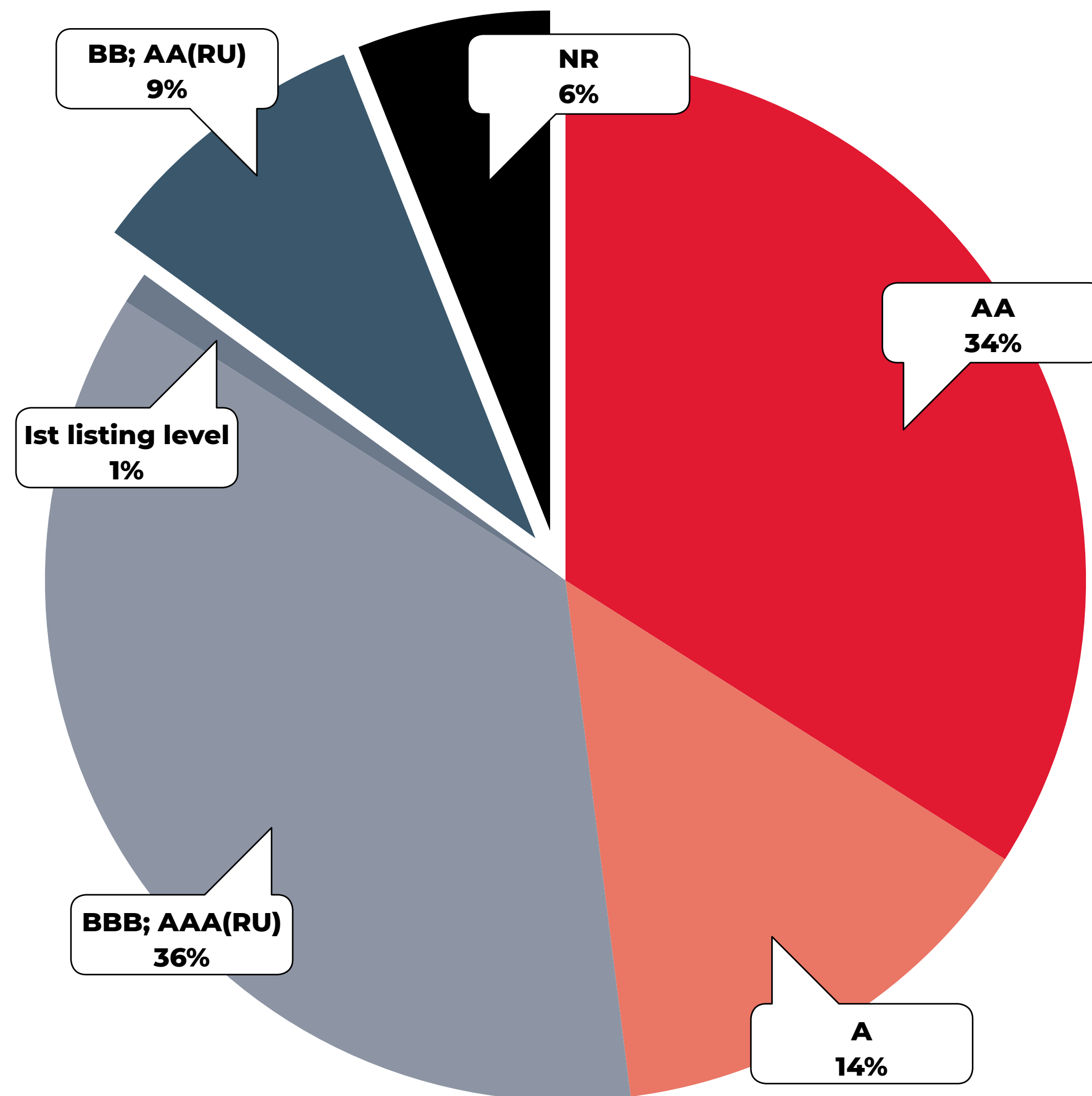


Figure 5. Industry Breakdown of Securities Portfolio, RUB bln

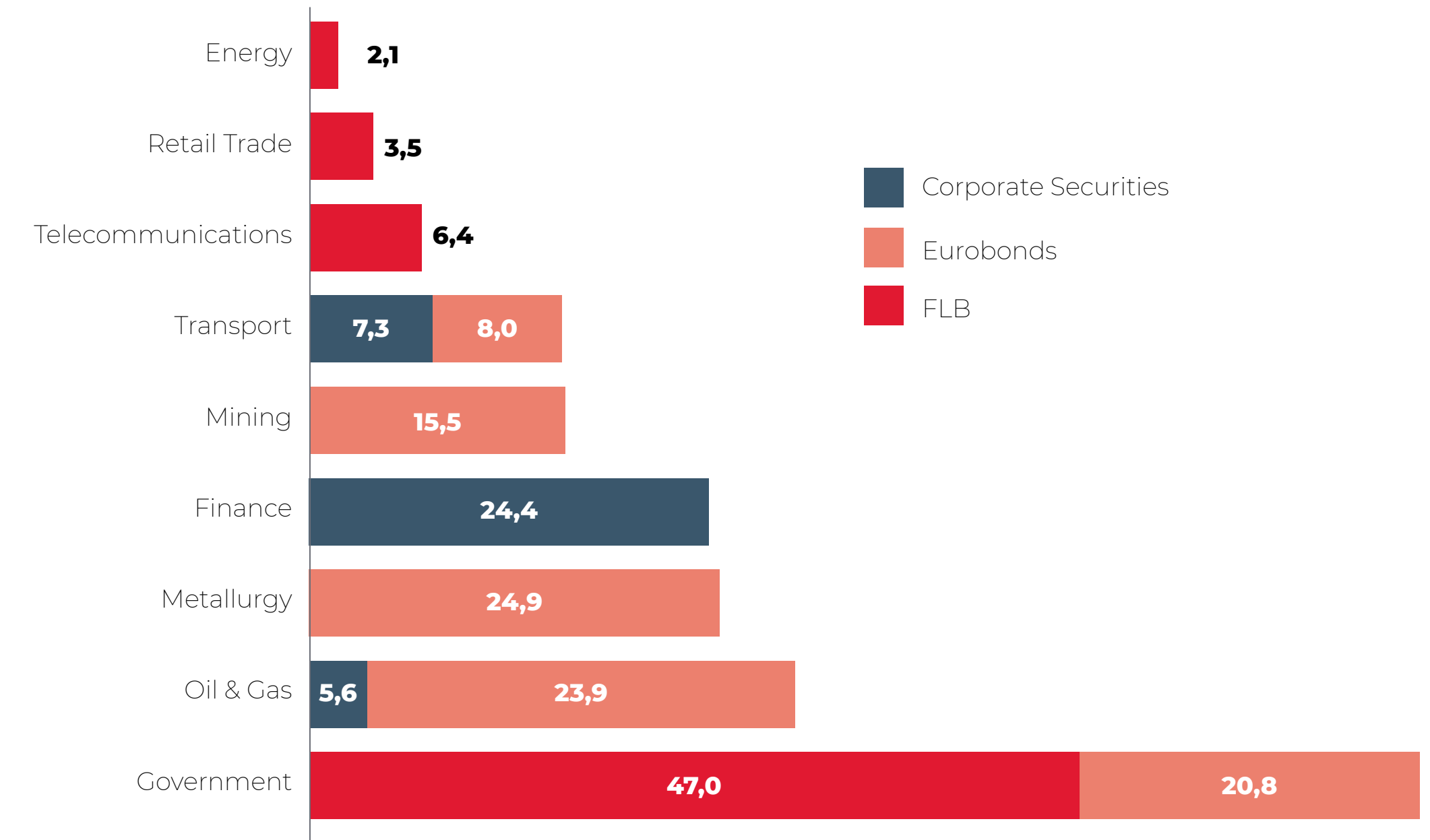


Table 7. NCC's Exposure to Market Risk as of 01.01.2021, RUB thousand

	01.01.2021	01.01.2020
Interest Rate Risk	14,505,005	11,580,148
Overall Interest Rate Risk	3,096,108	1,817,610
Specific Interest Rate Risk	11,408,897	9,762,538
Securities Market Risk	0	0
FX Risk	158,152	0
Interest Rate Risk, % of Capital	19.79	16.43

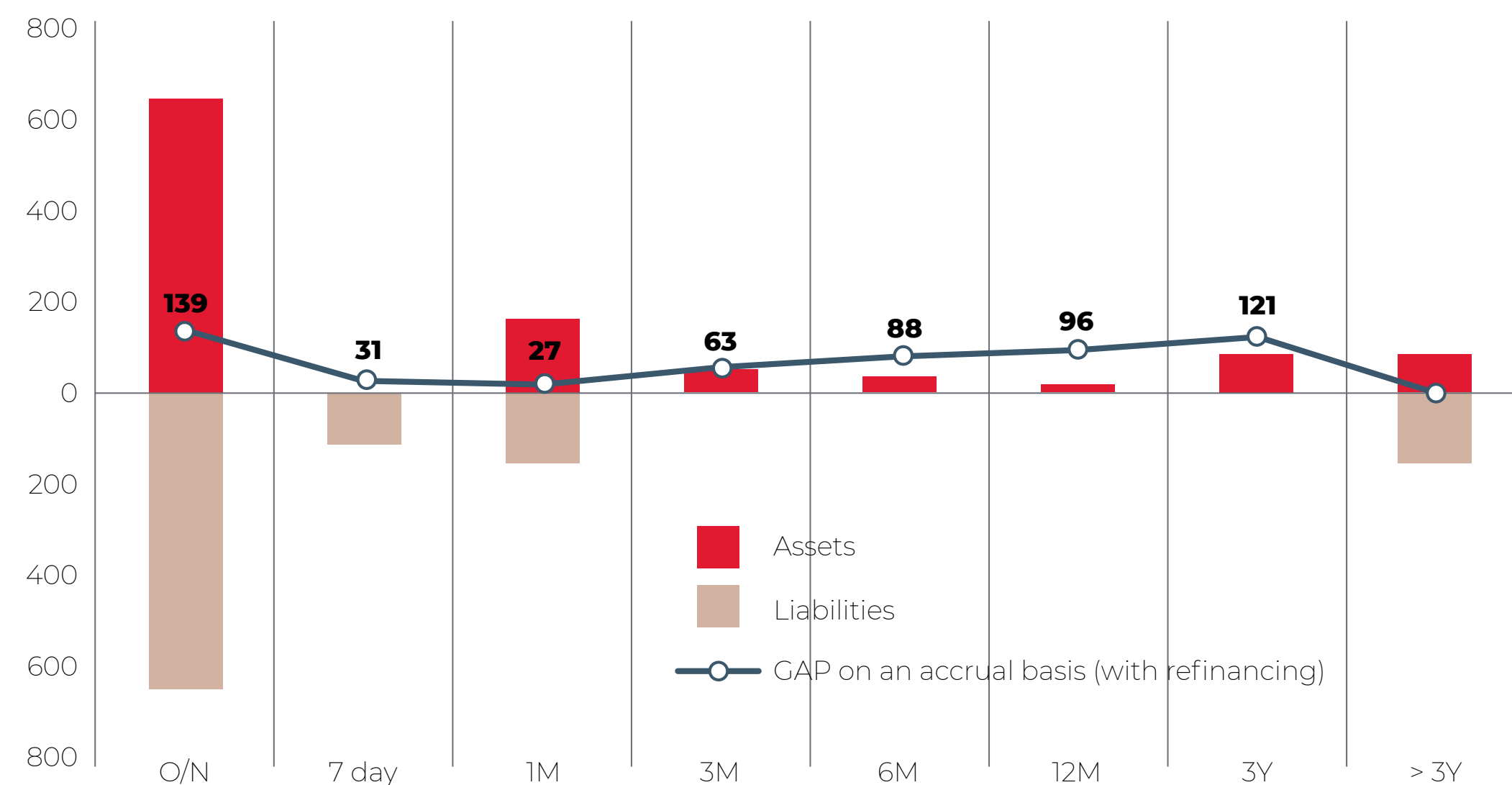
ital, with respect thereto, in compliance with Bank of Russia Regulation No. 511-P 'On the Procedure for the Calculation of Market Risk by Credit Institutions', the exchange rate risk was not included in calculation of the exposure to market risk (as of 01.01.2020 they were less than 2% of the capital, NCC was not sensitive to the FX risk). During 2020, the exposure to market risk was not considered by NCC as the one giving rise to any potential losses that would impair NCC's financial sustainability.

Managing Interest Rate Risk in the Banking Book

NCC manages its interest rate risk in the banking book as part of the market risk management. The interest rate risk in the banking book is assessed on the basis of review of amount and structure of the balance sheet and off-balance sheet claims and liabilities in the banking book.

Throughout 2020, the interest rate risk in the banking book remained within the ac-

Figure 6. Liquidity Risk Indicators as of 01.01.2021
(Assessment Using NCC's Internal Models, RUB bn)



ceptable range of values approved by NCC Executive Board.

Liquidity Risk Management

The liquidity management is aimed at ensuring NCC's ability to perform its obligations timely and in full, both in normal and extreme market conditions without incurring unacceptable losses or reputational risk.

Liquidity state is assessed on the monthly basis by means of liquidity gap-analysis (analysis of assets and liabilities by maturities) and calculation of liquidity shortage (excess) and liquidity shortage (excess) ratio (on an accrual basis) by maturities, taking into account the refinancing instruments.

Monthly monitoring of the liquidity ratios showed that in 2020 there was no shortage of liquidity for all maturities, as shown in the

Figure 6.

Operational Risk Management

NCC's operational risk management framework is a part of its overall risk management framework. Its functioning is intended to ensure that NCC is capable to exist as a going concern and secure smooth opera-

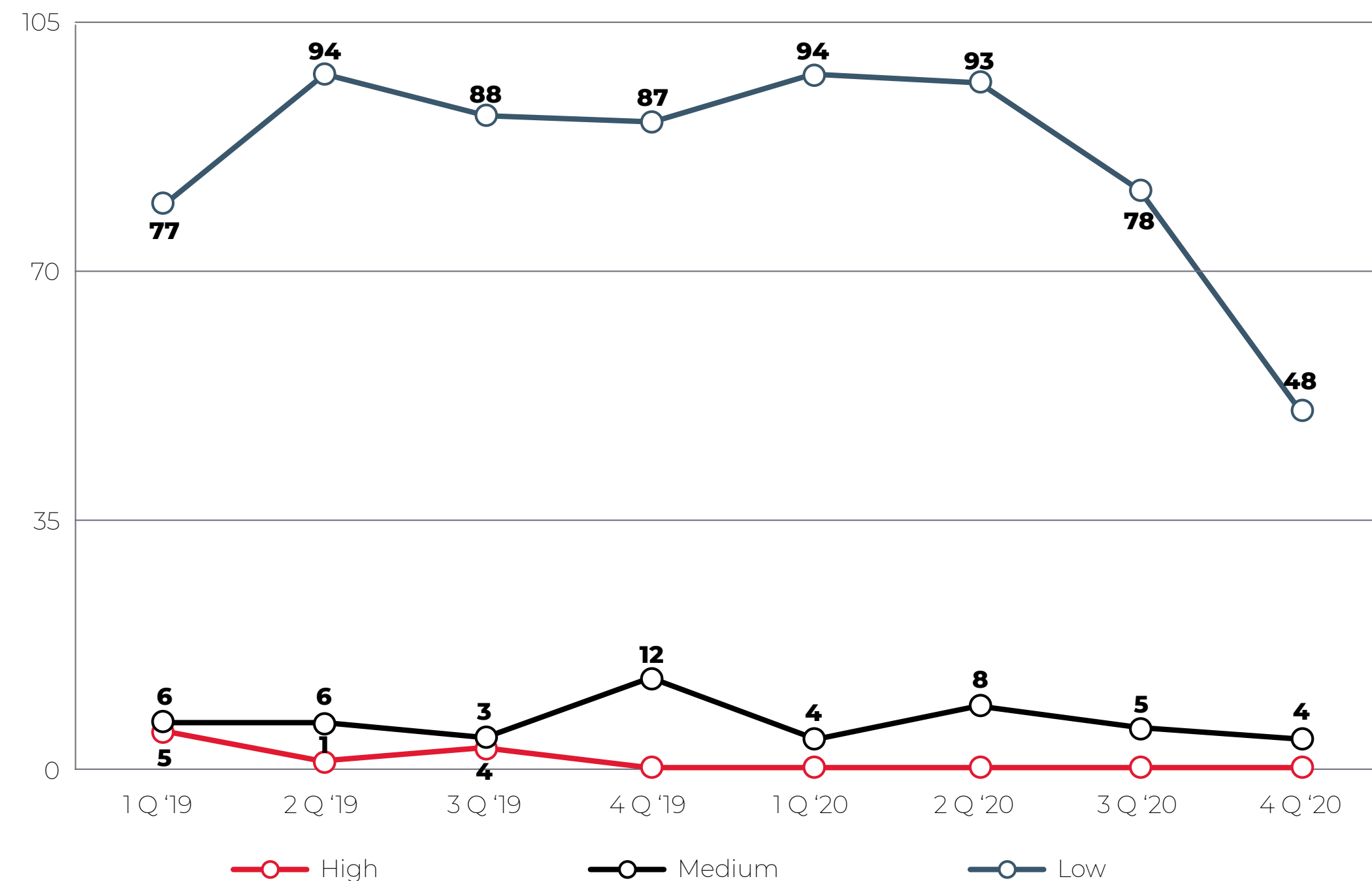
tion of its own frameworks, systems and processes and critical services. The efficiency of functioning of the operational risk management framework is supported by its multi-level structure, including distinct distribution of powers and functions among the relevant subdivisions, committees, and management bodies in compliance with the world management practices. The operational risk management framework is based on the recommendations of the Bank of Russia, the Basel Committee on Banking Supervision, and CP-MI-IOSCO.

In September 2020, for improvement and development of activities related to management of this risk type by NCC, the Operational Risks and Business Continuity Department was created.

The operational risk management process comprises the following key stages:

- collecting data on the operational risk events (ORE) occurred at NCC through accumulation of information in the operational risk events database using the approved algorithm;



Figure 7. Number of Registered Incidents, pcs.

- identifying potential operational risks by means of self-assessment procedures;
- analyzing and assessing the identified operational risks;
- determining measures to remedy the consequences of specific ORE and measures to minimize occurrence thereof in the future;
- informing the management bodies of the events and level of operational risk (monthly or promptly upon occurrence of material OREs) and controlling their implementation of the measures to mitigate the operational risk for any occurred OREs on a quarterly basis;
- reporting on OREs by NCC as CCP filed to the Bank of Russia on a periodic (monthly) basis.



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In 2020, dynamics of operational risk events with medium degree of impact remained at the level of average values of previous years. During the reporting period, no operational risk events with high degree of impact were recorded. NCC's basic operational processes continued to show strong business continuity (**Figure 7**).

NCC regularly analyzes its key processes, which results are used to introduce new technologies, which mitigate its operational risk. Upon launch of new products and services, NCC carries out a comprehensive multifactor analysis of the project, including operational risk assessment. An independent external audit of the information security management system is carried out on a regular basis.

Strategic Risk Management

NCC's strategic goals are defined as a part of Moscow Exchange Group's Strategy approved by NCC's Supervisory Board.

Strategic risk is defined by NCC as the risk of failure to achieve its strategic goals or adverse changes in performance results caused by wrong decisions made in course of managing NCC, including in course of de-

velopment, approval and implementation of the Company's development strategy, improper execution of the decisions made, and the failure of NCC's management bodies to take into account changes in external factors. Therefore, the efficient management of strategic risks is a key to success in achieving the strategic goals while implementing the strategy.

The strategic risk management framework considers risks arising in the process of NCC's activity while combining the functions of a credit institution, clearing house, central counterparty, and commodity delivery operator.

Legal Risk Management

NCC's legal risk management is arranged on the basis of the Company's operation specifics already noted above in this Report. A special focus is placed on the legal risk mitigation measures in course of NCC's performance of the central counterparty functions. NCC's legal risk factors are common to all types of activities, therefore, in order to arrange the legal risk management process, the Company

has built a comprehensive legal risk management framework with account of all lines of its business.

NCC manages its legal risk in accordance with the Regulation 'On Organization of Legal Risk Management Framework in the Company' approved by resolution of NCC's Supervisory Board on 02.10.2019 (Minutes No.7), which takes into account the requirements of the Bank of Russia for legal risk management set forth in Bank of Russia Regulation No. 575-P, 30.12.2016, 'On the Requirements for Risk Management, Rules for Risk Management Arrangement, Clearing Collateral, Placing Property, and Creating Assets of a Central Counterparty, as well as Entities with Which a Central Counterparty is Entitled to Open Trading and Clearing Accounts, and the Methodology for measuring the Central Counterparty's Dedicated Capital', Ordinance No. 3624-U dated 15.04.2015 'On the Requirements for the Risk and Capital Management System of Credit Institution and Banking Group', and Letter No. 92-T dated 30.06.2005 'On Arranging Management of legal risk and reputation risk at Credit institutions and Banking Groups'.

The legal risk management process implies the distribution of powers between different levels of NCC's management bodies (including the Supervisory Board, Risk Committee of NCC's Supervisory Board, Executive Board, CEO), and NCC's structural divisions and employees. At the same time, the system of division of powers between NCC's structural divisions and employees, while identifying, assessing and managing the legal risk, is implemented on the basis of COSO internal control concept according to the three-lines-of-defense model.

In accordance with the internal administrative document, NCC has appointed the Legal Affairs Officer responsible for legal risk management and arrangement of legal risk mitigation efforts. The Legal Affairs Officer directly reports to the Chair of NCC Executive Board and his/her activity is independent of the Legal Department and the subdivisions exercising transactions (trades) associated with legal risk assumption.

The Legal Affairs Officer arranges monitoring of the legislation of the Russian Federation on an ongoing basis, prepares overviews of amendments made to the legislation of the



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Russian Federation, regulations of the Russian Federation, judicial practices and draft regulations of the Russian Federation on the issues related to NCC's activities. Such overviews are distributed among all concerned structural divisions of NCC. The heads of the concerned structural divisions ensure that relevant amendments are promptly made to NCC's internal documents to reflect the amendments made to the legislation of the Russian Federation.

To mitigate the legal risk, NCC has developed the standard forms of agreements and other internal documents and established the procedures for approval of any non-standard agreements, transactions and other trades, other than standard ones, by NCC's Legal Department.

In accordance with its internal documents, NCC collects and analyzes information on the legal risk events and monitors the legal risk. On a quarterly basis, the Legal Affairs Officer drafts and submits legal risk reports to NCC's Executive Board for review and approval thereof. Such legal risk reports are generated on the basis of the legal risk level assessment indicators introduced by

the Regulation on arrangement of legal risk management at NCC and contains the following information: the estimated level of legal risk, results of the legal risk level assessment in dynamics; and the ratio of the legal risk levels to the limits set.

In 2020, the indices of the legal risk assessment level were remaining within the limits set by the resolution of NCC's Executive Board. During the reporting period, closer attention was paid to analysis of claims of clearing members and counterparties and to forming of its legal position on the lawsuits against NCC admitted for consideration by courts, and participation in court proceedings arising from such lawsuits. Risk mitigation measures were promptly taken in relation to each legal risk event, including any lawsuits and claims filed by clients and counterparties against NCC.

In 2020, there were 4 claims against NCC from clients and counterparties and 4 property-related lawsuits against NCC admitted by courts for consideration (in 2019 – 6 claims and 2 property-related lawsuits against NCC). No payments by NCC were adjudicated by judicial bodies in 2020.



Regulatory (Compliance) Risk Management

The regulatory (compliance) risk is the risk of losses arising from NCC's failure to comply with the legislation of the Russian Federation, NCC's internal documents, and as a result of applied sanctions and (or) other retaliation measures on the part of supervisory authorities.

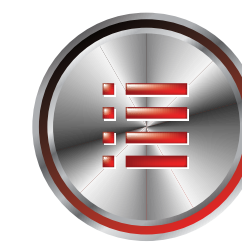
The specifics of regulatory risk as applied to the NCC's activities as a clearing house, central counterparty, and commodity delivery operator lies in the possibility that the Company might bear any expenses (losses) as a result of non-compliance with Federal Law No. 7-FZ dated 07.02.2011 'On Clearing, Clearing Activities and the Central Counterparty', regulations issued by the Bank of Russia, NCC's Articles of Association, and internal documents related to the above activities.

To manage the regulatory (compliance) risk, NCC:

- identifies, analyzes, assesses, monitors the compliance risk related to NCC's activity and manages it, inter alia, develops mea-

sures aimed at preventing and excluding consequences of compliance risk occurrence;

- monitors the activity of NCC's structural divisions (employees of structural divisions), inter alia, their abiding by the deadlines for reporting submission to the Bank of Russia;
- analyzes new products, services launched by NCC and proposed methods for introduction thereof as to compliance risk existence;
- interacts with the Bank of Russia regarding the matters associated with establishment of new requirements related to regulation of NCC and obtaining of the necessary recommendations and clarifications;
- updates NCC's internal documents on a timely basis;
- implements the internal control rules to combat legitimization (laundering) of the



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proceeds of crime and terrorism financing/countering proliferation financing, also encompassing compliance with the regulatory requirements to identify clients, their representatives, beneficiaries, beneficial owners; to document data (information) and submit thereof to the authorized agency, to keep documents and information, to educate and train the personnel;

- develops professional skills of NCC's personnel;
- distributes competencies/powers between Executive Board members / employees of NCC;
- analyzes complaints and claims of clearing members, infrastructure organizations, develops measures for rectification thereof;
- ensures adherence to the timeframes set for information disclosure on the official website and the timeframes for report submission to the Bank Russia;

- prevents and manages the conflicts of interest taking into account the specifics of NCC's activities;
- uses the best compliance practices, standards and rules of professional ethics.

Reputational Risk Management

In 2020, NCC managed the reputational risk (hereinafter RR) in compliance with the regulator's requirements, RR Management Regulation of NCC, RR Calculation Method supplemented with the Risk Events Rubricator (hereinafter the Framework, Rubricator). The activities in this area were carried out by the RR Management Officer using the automated control system (hereinafter RR ACS) aimed at evaluation of documented RR events and impact thereof on the dynamics of change in the current and forecasted levels of the above risk (hereinafter CLR and PLRR, respectively) and the capability, as appropriate, of rapid response to occurring situations posing a threat for the Company's reputation.



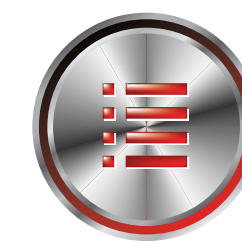
In 2020, reputational risk management was aimed at attaining the following key objectives:

- interacting with NCC's business units and employees who manage financial and nonfinancial risks, providing ongoing monitoring of the incidents and events, which took place both in the Company and in the external environment and which were directly or indirectly related to NCC; assessing and analyzing their association with RR events, and determining the degree of impact on the current and projected levels of the above risk type;
- informing promptly the sole and collective executive bodies and the relevant structural divisions of NCC about any events posing a reputation threat impacting on the negative dynamics in the changing risk level;
- fulfilling of the assignment of the Company's Executive Board to update the RR events Rubricator and develop RR ACS functionality, as well as to comply with the

recommendations of the Internal Audit Service based on the results of audit of the reputational risk management effectiveness.

By their categorization, the RR events, documented during the reporting period, were classified to the groups of internal and external factors. Events pertinent to the internal factors group were mainly caused by occurring operational risk events associates with RR events. The above events had no impact on the RR level, as they had not reached the established sensitivity thresholds – the values causing occurrence of the specific risk event.

The events included in the group of external factors that were revealed during monitoring were mostly associated with emerging negative information in the external environment – mainly about Moscow Exchange and, in a few cases – about NCC. The newsworthy event, giving rise to such publications, were class-action lawsuits lodged by oil traders, who allegedly suffered losses due to decrease of quoted prices for oil futures to negative values due to cessation of trading therein at the exchange. Though the above RR events had produced



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certain impact on the changing RR level, however they were within the set risk appetite limits (300 points) and did not require any rapid response to prevent potential damage.

During the reporting period, according to NCC Executive Board's assignment to update the Rubricator and develop RR ACS functionality, the Reputational Risk Management Officer took the set of measures, inter alia, analysis and research of the information and raw data accumulated during the previous period of risk management, questionnaire survey of internal and external experts to calibrate the value of scores (weight) of RR events, their scales and sensitivity thresholds. Along with it, RR ACS was adapted to the updated Rubricator; the capability to amend the Rubricator was created through front-end application and the function to generate RR ACS reports at the full depth of archival data. The interim results of project implementation and its outcomes were considered at the meetings of NCC Executive Board.

Custody Risk Management

For its payments and settlements, NCC uses the services provided by the counterparty

banks, depositories and settlement institutions (including NCO JSC "National Settlement Depository" (NCO JSC NSD)). NCC uses the infrastructure of commercial banks and third-party depositories in cases where there is no possibility to use the infrastructure of the Bank of Russia and NCO JSC NSD. The quality of such counterparties is assessed in the process of the Company's credit risk management.

To mitigate its custody risks, NCC assesses the quality of depositories in compliance with the Company's Regulation on Provisioning for Possible Losses.

Commercial Risk Management

Commercial risk means any potential deterioration of NCC's financial position (as a for-profit organization) due to the excess of expenses over earnings, provided that they cause losses not associated with occurrence of credit or custody risk.

To manage its commercial risk, NCC applies the following measures:

- develops action plans to restore or orderly reduce the scope of activities in case of



occurrence of common business risk, reputational risk, and strategic risk;

- provides analysis of income and expenses in case of introduction of new instruments and products.

In 2020, the commercial risk management measures were supplemented with the post-investment monitoring of all projects implemented at Moscow Exchange Group, including NCC, and analysis of the risk weighed income of projects before making decision on launch thereof.

Systemic Risk Management

Systemic risks of NCC may originate from simultaneous default of several clearing members or counterparties of NCC, which prevents other counterparties from performing their obligations to the Company properly and when due.

Since NCC is systemically important as a financial market infrastructure facility, its systemic risk may also originate from relationships between the Company and other financial market organizations.

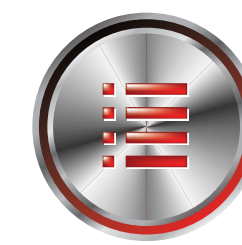
Efficient management of its risks (credit, market, operational, custody, liquidity, etc.) enables NCC to maintain stability in all financial market segments, where it provides its services, thus facilitating the systemic risk mitigation.

Stress Testing of Financial Stability

Stress-testing of NCC's financial sustainability is designed to reduce its risks to the acceptable level enabling it to maintain its stability in all financial market segments where it provides its services.

NCC's risks stress-testing cover the financial risks inherent in its activities, including credit, market and liquidity risks, as well as the risks arising from its combining the functions of the central counterparty and other functions.

NCC performs stress testing in compliance with Bank of Russia Regulation No. 576-P, dated 30 December 2016 'On the Requirements for the Methodologies for Risk Stress-testing and Model Accuracy Assessment of the Central Counterparty, Risk Stress-testing and Model Accuracy Assessment of the Central Counterparty, and the Procedure and Timeframes for



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Providing Information on the Results of Risk Stress-testing of the Central Counterparty to Clearing Members'.

Stress testing of NCC's risks includes direct and reverse stress testing, sensitivity analysis and analysis of validity of the scenarios used.

The results of stress testing performed in 2020 evidence NCC's ability to maintain the common financial sustainability without any threat to its business continuity determined through sufficiency of risk coverage resources, in a range of simulated stress scenarios and their combination. NCC's financial resources (safeguard levels) are sufficient to cover any possible losses (not covered by the collateral), which may arise from non-performance or undue performance of obligations by two major loss-generating clearing members.

As a part of implementation of the roadmap of NCC's risk management framework development till 2025 approved in 2020, the efforts to further improve RMF will be aimed at:

- transiting to process-based risk management – building a unified matrix of NCC's business processes and risks, unified cumulative source of information on NCC's key processes, risks inherent therein, relevant control processes; recording the areas of responsibility in employees' personal documents and taking risk mitigation measures, including the micro strategy for key risk management;
- building MEORiMa, a new risk management platform, to develop automation and transition to online management of key risks of NCC on this platform;
- improving and further developing the risk management methodologies and approaches, inter alia, for the most intensive emerging markets, such as SFD. A methodology, technology platform for building a new risk management framework and SFD collateral monitoring, is planned to be developed and introduced.





5 Business Continuity

BCMS's targets64

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TIME FOR DECISIONS



To ensure business continuity, NCC operates the business continuity management system (hereinafter, BCMS), which is a part of the overall NCC management system and consists of the engineering, technological and organizational measures securing stability of critical business processes performance in emergency situations. BCMS reviews all activities of NCC (according to the operating model) – all business processes and required resources.

BCMS's targets are:

- ensuring NCC's ability to perform the assumed commitments to clients and counterparties;
- ensuring safety of employees and visitors in NCC's premises;
- preventing potential disruption of NCC's normal operation;
- mitigating material and intangible impact on NCC in case of disruption of NCC's normal operation;

- recovery of normal operation within the established recovery time objective (RTO);
- ensuring the compliance of all business continuity arrangements with the requirements of the Russian government agencies and with the regulations and internal documents of NCC.

The measures performed as a part of BCMS are of a systemic nature. BCMS's lifecycle is based on recommendations contained in ISO 22301:2012 – the Deming Cycle (PDCA). BCMS management and provision of necessary resources are supported by the top management and based on the resolutions of NCC's management bodies. To ensure transparency of the business continuity principles, approaches and instruments used, fundamental documents, reports on NCC's operational reliability evaluation and BCMS effectiveness are mandatorily approved by the NCC's Supervisory Board.

BCMS is developed, implemented, exploited, and continuously improved on the basis of the Business Continuity Policy of CCP NCC updated and approved by the resolution of



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NCC's Supervisory Board in December 2020 (hereinafter, the BC Policy), which is the underlying set of rules, requirements, and guidelines in the business continuity area.

The fundamental approaches to the continuity of NCC's priority activities, protection and recovery of the resources necessary for such activity in the emergency situations are defined by NCC as a part of the Business Continuity Strategy, updated and approved by the resolution of NCC's Supervisory Board in December 2020 (hereinafter, the BC Strategy).

In accordance with the BC Policy and BC Strategy, NCC has developed and annually updates CCP NCC's Business Continuity Plan (hereinafter, the BC Plan, its new restated version was approved by the resolution of the Supervisory Board in December 2020), which defines the actions aimed at NCC's business continuity in emergency situations. The BC Plan describes the course of actions and areas of responsibility of structural divisions and crisis management bodies to ensure recovery of the priority (main and critical in terms of disruption) activity of NCC operations upon announcement of the emergency situation till transition to the normal operation. The BC

Plan is updated based on the results of BCMS regular processes: business impact analysis (BIA) and assessment of risks and threats to business continuity.

BCMS is exploited and developed with account of the recommendations and requirements of the regulator documented, inter alia, by the following normative legal acts:

- Bank of Russia Regulation 242-P dated 16.12.2003 'On Organizing Internal Controls in Credit Institutions and Banking Groups';
- Bank of Russia Ordinance of 4258-U dated 30.12.2016 'On the Requirements for the Content, Procedure and Terms for Providing to the Bank of Russia the Plan for Ensuring Continuity of Operations of a Central Counterparty, Amendments to this Plan, the Procedure for Assessing the Plan for Ensuring Continuity of Operations of a Central Counterparty, on the Requirements for the Software and Hardware and Network Communications of a Central Counterparty, and on the Procedure for



Creating, Keeping and Storing Data on the Property and Liabilities of a Central Counterparty and Their Movements';

- Bank of Russia Ordinance 4429-U dated 21.06.2017 'On the Information Disclosed by the Central Counterparty, Requirements for the Procedure and Timeframes for Such Disclosure, and Determining the Rules for Information Provision to Clearing Members';
- Bank of Russia Recommendation No. 20-MP dated 27.07.2015 'Methodical Recommendations on Business Continuity of Systemically Important Financial Market Infrastructures';
- Bank of Russia Recommendation No. 28-MR dated 18.08.2016 'Methodical Recommendations on Business Continuity of Non-Credit Financial Institutions'.

To ensure fault tolerance of IT infrastructure and information systems of NCC and information loss prevention in case of hardware and software failures, NCC establishes the requirements for the geographically distribut-

ed architecture of the main IT solutions. The back-up data center is located at 16 km from the main one. In 2020, test switching of NCC's IT capacities to the back-up data center was successful.

According to the BC Strategy and based on the business requirements, NCC has built backup offices, which start functioning upon unavailability of the main offices. Backup workplaces duplicate infrastructure of the main ones and are implemented according to the 'hot functioning' principle (some employees of the critical business units perform their functions from the backup office on an ongoing basis). Upon announcement of the state of emergency, the backup offices are ready to accommodate employees from the main sites without delay, as they are subject to regular testing, upgrading and updating (both soft- and hardware).

During the reporting period, the basic documents were updated according to the evaluation of the current state of NCC's business continuity management framework with account of the external (pandemic) and internal (recommendations of NCC's internal audit Service, NCC's updated internal documents,



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which came into effect) factors. As a part of updating of the BC Policy, the target structure of internal regulations was established and approved. As a part of the updated BC Strategy, a 2-year road map was also created to organize and develop the business continuity function.

It should be also noted that in 2020, the operational reliability (D0), which determines the level of failure tolerance of NCC's soft- and hardware, remained the same and was 100%.

Countering COVID-19 (coronavirus disease)

To combat the spread of the coronavirus disease and ensure business continuity, NCC has developed and performs, on an ongoing basis, the adequate prevention and response measures, which fully consider the requirements and restrictions introduced by the executive authorities. Moreover, a special focus is placed on the uninterrupted provision of NCC's services and the safety and health of clients and employees.

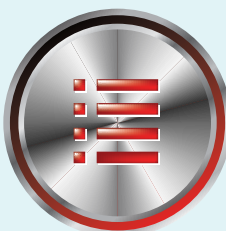
One of the most effective means to combat the spread of coronavirus is transition to the remote work mode, therefore over 80% of

NCC's employees perform their official duties remotely. The employees have been provided with the relevant hardware in compliance with the information security requirements. In addition, statutory sanitary and hygienic and organizational measures have been introduced to mitigate the risk of infection spread.

The threat has been addressed both by way of the introduced measures of counteraction and restrictions and the regular monitoring and assessment of potential developments at the operational and strategic levels. Decisions are made on the basis of the most recent data on COVID-19 both within NCC, as well as Moscow Exchange Group, Moscow, Russia and the world as a whole.

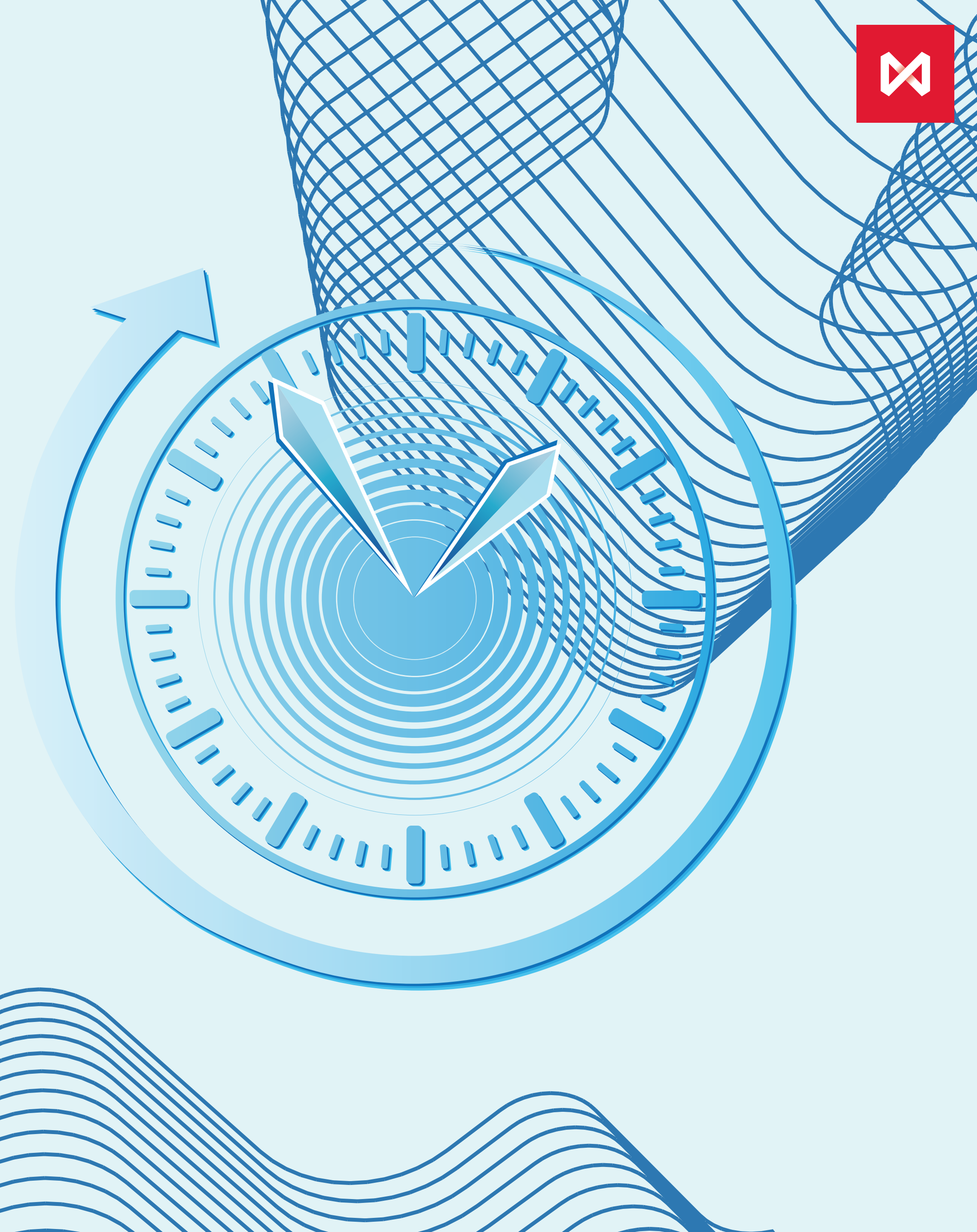
Taking into account the implemented measures and the adapted activity, NCC possesses high-level resilience to the pandemic threats and ensures service provision in full and up to standard. It should be also noted that the tense epidemiological situation has not affected the implementation of the key projects and initiatives aimed at NCC's strategic development.





6 Corporate Governance

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Corporate governance means the principles and rules defining the network of relationships between NCC's shareholder, Supervisory Board, executive bodies and other stakeholders and aimed at defining NCC's goals and tool to achieve the goals.

The corporate governance is intended to appropriately incentivize NCC's Supervisory Board and employees to achieve the goals desired by both NCC and its shareholder, as well as facilitate effective control encouraging NCC to utilize its resources more efficiently.

During the reporting year, the Memorandum of Understanding was entered into by and between NCC and the Moscow Exchange. The Memorandum was drafted to ensure the balance of interests of users of services provided by NCC and Moscow Exchange and to ensure the effectiveness of NCC's corporate governance while generating the development plans, carrying out the operating activities and providing the services to users of NCC and Moscow Exchange.

As a part of the improving effectiveness of NCC's corporate governance in 2020, a number of committees and commissions were established.

6.1. Principles of Corporate Governance

NCC places strong focus on the improvement of its corporate governance and endeavors to comply with the best practices and standards in this area, inter alia, the most significant principles and guidelines set forth in the Corporate Governance Code approved by the Bank of Russia on 21.03.2014, the recommendations of the Bank of Russia and the Basel Committee on Banking Supervision, the principles of corporate governance recognized in international practice and the requirements of the Bank of Russia¹.

NCC has given effect to the Corporate Governance Principles (approved by the Supervisory Board, hereinafter referred to as the "Principles"), which main purpose is to describe NCC's existing corporate governance rules and system to improve business efficiency, increase transparency, maintain financial

¹ Bank of Russia Ordinance No. 5062-U dated 17.01.2019 'On Requirements for the Internal Document on Corporate Governance of a Trade Organizer, Clearing House, Central Counterparty, Central Depository, as well as on the Procedure and Timeframes for the Disclosure of the Contents of the Internal Document on Corporate Governance and Information on the Compliance Therewith'.



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sustainability and appeal to the shareholder, clients (users of services), employees, lenders, the Bank of Russia.

Application of the Principles by NCC is caused by the endeavor to enhance NCC's appeal to prospective clients and users of services, to ensure the stability of NCC as a systemically important component of the financial market and is based on the following principles:

- providing NCC with the governance system meeting its strategic goals, consistent with its corporate values, features of activity and its clients' needs and interests;
- ensuring activity of NCC's Supervisory Board based on:
 - » strategic management;
 - » the Supervisory Board's monitoring of the executive bodies' activity and decision making aimed at rectification of weaknesses of the executive bodies' activity in case of their detection in the result of such monitoring;
 - » evaluating the Supervisory Board's activity and evaluating the quality of

performance by the Supervisory Board's committees and disclosing the results of such assessment;

- » segregating the control functions and managerial duties, determining the individual and collective responsibility of the Supervisory Board members.

The Principals establish the requirement that at least 1/3 of members of NCC's Supervisory Board should be independent directors, define the independent director criteria, affiliation and materiality criteria, which are based on separate provisions of the Corporate Governance Code of the Bank of Russia.

In 2020, the compliance of the independence of the current members of the Supervisory Board with the updated independence and affiliation criteria was reviewed, resulting in recognition of five members of NCC's Supervisory Board to be independent directors.

The Supervisory Board's practice demonstrates strong engagement of its members in the management of NCC's activities and efficient control over the efforts



taken by the Executive Board and CEO of the Company.

All members of the Supervisory Board have higher education and necessary knowledge, skills and competencies to address the long-term strategic goals of NCC development as well as significant experience of engagement in collective management bodies. At the same time, all members of the Supervisory Board meet the necessary skill and reputational requirements imposed by the applicable legislation of the Russian Federation. In their activity, the Supervisory Board members are accountable to the sole shareholder of NCC.

To ensure sound and timely decision-making in the area of nominations and remuneration, the Nomination and Remuneration Committee is functioning as a part of the Supervisory Board. In compliance with the Federal Law on Clearing, Clearing Activities and Central Counterparty and to tighten control over the risk management framework, the Risk Committee is operating as a part of NCC's Supervisory Board. In the reporting year, the Audit Committee of the Supervisory Board was established to ensure

the adequate quality and effectiveness of the corporate governance.

The corporate governance practices existing at NCC enables the Executive Board and CEO to exercise effective management of the daily operations reasonably, in good faith, solely for the benefit of the Company, and to guarantee the accountability of the above bodies to the Supervisory Board and the General Shareholders Meeting (sole shareholder). The Executive Board and CEO arrange adherence to the resolutions approved by the General Shareholders Meetings (sole shareholder) and the Supervisory Board.

The principles and amendments made thereto are published on NCC's official website. NCC also discloses information on the compliance with and the results of implementation of the Principles annually within two months from date of the annual general meeting held by NCC.

One of the tools to control the corporate governance quality is assessment of NCC's corporate governance on an annual basis. In 2020, the regular assessment of NCC's corporate governance was performed, which results were approved by the Supervisory



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Board and documented in the Report on the Assessment of NCC's Corporate Governance, including information on the compliance with and results of implementation of the provisions contained in the Principles of Corporate Governance. Specified information is disclosed on NCC's official website.

One of the key principles of NCC's corporate governance is the timely disclosure of reliable information in compliance with the legislation of the Russian Federation and NCC's internal documents. The information is disclosed pursuant to NCC's Information Policy Regulation based on the principles of regularity and promptness, accessibility for stakeholders, reliability and completeness of the disclosed information.

To protect the rights and legitimate interests of the sole shareholder and provide efficient control of its financial and business operations, NCC has the Revision Committee, whose members are elected by the General Shareholders Meeting. The Revision Committee reports to the General Shareholders Meeting and operates independently from

other management bodies of the Company.

NCC annually engages a professional audit firm, which has no property interests in NCC or its sole shareholder, to audit and confirm the reliability of its financial statements on a contractual basis.

NCC maintains the Code of Business Ethics, which sets forth the principles governing the relations between NCC's employees, including members of its executive bodies, and clients, partners, mass media, public and political organizations, as well as other rules for external communications.

NCC has also approved the Procedure to Prevent Conflicts of Interest setting forth the causes of conflict of interest, measures taken for prevention thereof and procedure for settlement of conflict of interests and the Anti-Corruption Policy establishing the principles governing the Company's activity in compliance with the anti-corruption legislation and the situations showing the signs of corruption risk, as well as the measures aimed at their prevention and combating corruption in the Company's activity.



6.2. 2020 Performance Report of the Supervisory Board

In 2020, the Supervisory Board carried out overall management of NCC's activities; 20 meetings of the Supervisory Board (6 out of which were held by personal attendance) were held, at which over 100 agenda items were considered, inter alia:

Regarding the Strategic Development and Financial and Economic Activities:

- » Overview of the status of coronavirus COVID-19 pandemic.
- » On the approved Strategy to Develop the Risk Management Framework of Moscow Exchange Group till 2024.
- » On the road map to Develop the Risk Management Framework of NCC.
- » On the measures to development the SFD Market.
- » On development of the Commodity Market.
- » On the status of implementation of the link to the Shanghai Gold Exchange.
- » On the Strategy of NCC's Internal Audit Service.
- » On the approval of NCC budget for 2021.
- » On consideration of the agenda item on cyber security of Moscow Exchange Group.

In the Area of Corporate Governance:

- » On approval of nominations to the position of the Chair and members of NCC Executive Board.
- » On the election of the Chair and members of NCC Executive Board.
- » On the functional structure of NCC Executive Board.
- » On the Memorandum of Understanding between CCP NCC and Moscow Exchange.
- » On the recommendations on dividend payout to NCC addressed to NCC's sole shareholder.
- » On the results of corporate governance assessment at NCC.
- » On approval of the compliance of NCC's Supervisory Board members with the independence criteria.
- » On establishment of the Audit Committee of NCC Supervisory Board.
- » On the election of new members of the committees of NCC Supervisory Board.



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- » On the election of the head of NCC Internal Audit Service.
- » On the provisional approval of the 2019 Annual Report of NCC.
- » On the participation of NCC's Supervisory Board members in the Certified Director Program.

Regarding Performance Management:

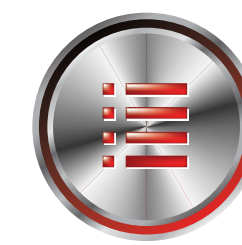
- » On the results of audit by the Bank of Russia.
- » On the results of assessment of the internal control framework.
- » On the results of attaining of the overall corporate key performance indicators (goals) of NCC and individual key performance indicators of the Executive Board Chair and the Executive Board members of CCP NCC for 2019 reporting year and the approval of such key indicators for 2020.
- » Periodic review of the management reporting on NCC's risks, reports of the internal audit and control services, other business units responsible for the business continuity.

- » On the application of the long-term motivation program based on the stock of Moscow Exchange.
- » On the amount of the central counterparty's dedicated capital.
- » On ICAAP compliance results and risk management framework effectiveness at NCC in 2019.
- » On consideration of the report on operational audit of NCC.
- » Studying the impact of securities lending transactions on the risk appetite and limiting.
- » On the approval of the Report on testing of the Recovery and Resolution Plan of NCC.
- » On the report on the monitoring and assessment of NCC's remuneration system.

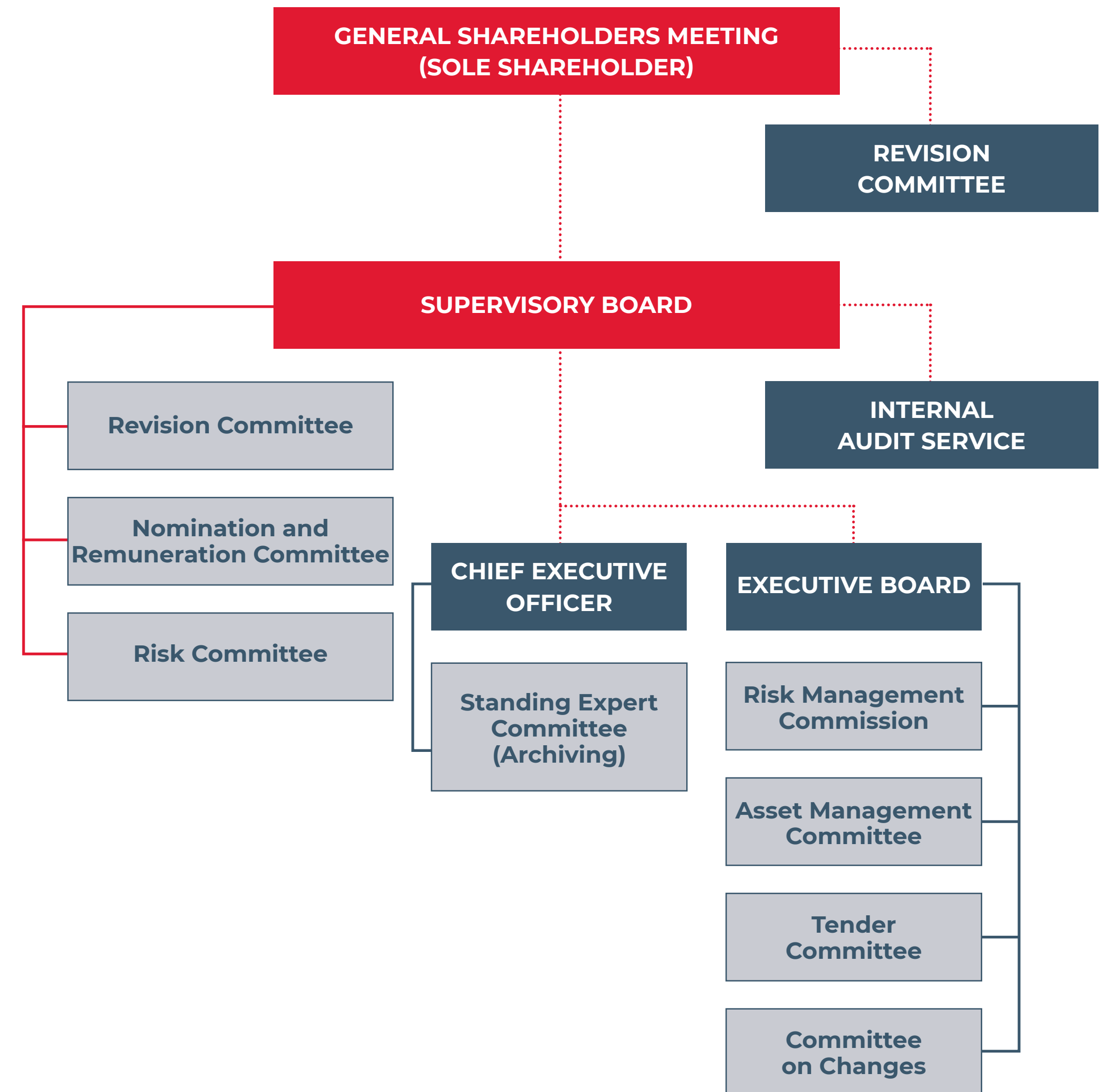
Approval of NCC's Internal Documents:

- » Internal documents of CCP NCC in the area of labor remuneration.
- » Techniques for measuring the dedicated capital of the central counterparty of CCP NCC.
- » Techniques for assessing the accuracy of models at CCP NCC.
- » Stress testing techniques of CCP NCC.





6.3. NCC Corporate Governance Structure



- » Business Continuity and Disaster Recovery Plan of CCP NCC.
- » Business Continuity Policies of CCP NCC.
- » Treasury Policies of CCP NCC.
- » Strategic Risk Management Policy of CCP NCC.
- » Regulations on reputational risk management of Non-banking credit institution – the central counterparty National Clearing Centre (Joint-stock company).
- » Rules for arrangement of the risk management framework of CCP NCC.
- » Business Continuity Strategies of CCP NCC.
- » Risk and Capital Management Strategies of CCP NCC and control risk appetite indices of CCP NCC for 2021.

- » Requirements for executing financial instrument transactions by insiders of CCP NCC and related persons.

In 2020, the Supervisory Board's Committees held:

- » 10 meetings of the Risk Committee (9 out of which were held by personal attendance)
- » 9 meetings of the Nomination and Remuneration Committee (7 out of which were held by personal attendance)
- » 5 meetings of the Audit Committee (all of them were held by personal attendance)

In total, the committees considered over 90 agenda items. The recommendations on some of them were generated for the Supervisory Board.



6.4. NCC Management Bodies

● **General Shareholders Meeting** is a supreme management body;

The General Shareholders Meeting adopts resolutions on the main issues of NCC's activity. Powers of the General Shareholders Meeting are contemplated by Federal Law No. 208-FZ dated 26.12.1995 On Joint-Stock Companies and embedded in NCC's Articles of Association.

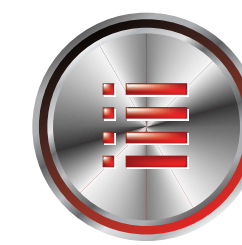
100% of NCC's shares are owned by Moscow Exchange, therefore, any resolutions falling within the competence of the General Shareholders Meeting are adopted by the shareholder solely and are executed in writing.

● **The Supervisory Board** is the management body responsible for overall management of NCC's business, except for the matters falling within the competence of the General Shareholders Meeting (sole shareholder) of NCC in compliance with the Federal Law On Joint-Stock Companies. The Supervisory

Board Members are elected by the General Shareholders Meeting to hold office until the next annual General Shareholders Meeting. The activity of NCC's Supervisory Board is regulated by the Regulation on the Supervisory Board approved by NCC's General Shareholders Meeting (sole shareholder).

● **The Executive Board** is a collective executive body, who provides daily management of NCC's operations. Executive Board members are elected by the Supervisory Board; each member's term of office being determined by resolution of the Supervisory Board but for not more than five years. The activity of NCC Supervisory Board is regulated by the Regulation on the Executive Board approved by the General Shareholders Meeting (sole shareholder) of NCC.

● **CEO** is the sole executive body, who provides daily management of NCC's operations and is elected by the Supervisory Board for a term to be determined by the Supervisory Board but for not more than five years.



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Composition of the Supervisory Board, Information on Its Members and Meetings

On 20 May 2019, when considering the matters within the competence of the General Shareholders Meeting, Moscow Exchange, as the sole shareholder, adopted its resolution on election of the following persons to the Company's Supervisory Board till the Annual General Shareholders Meeting to be held in 2020:

- 1) Andrey Golikov,
- 2) Igor Golutvin,
- 3) Yuri Denisov,
- 4) Vadim Kulik,
- 5) Sergey Lykov,
- 6) Sergey Monin,
- 7) Alexander Udod,
- 8) Alexey Khavin,
- 9) Andrey Shemetov.

Thus, Igor Golutvin, Vadim Kulik, Sergey Monin, Alexey Khavin resigned from the Supervisory Board and Anna Arkhangelskaya, Igor Marich, Olga Trofimova, Andrey Popov, and Natalia Puzyrnikova became members of the Supervisory Board.

On 30 June 2020, when considering the matters within the competence of the General Shareholders Meeting, Moscow Exchange, as the sole shareholder, adopted its resolution on election of the following persons to the Company's Supervisory Board till the Annual General Shareholders Meeting to be held in 2021:

- 1) Anna Arkhangelskaya,
- 2) Andrey Golikov,
- 3) Yuri Denisov,
- 4) Sergey Lykov,
- 5) Igor Marich,
- 6) Olga Trofimova,
- 7) Andrey Popov,
- 8) Natalia Puzyrnikova,
- 9) Alexander Udod,
- 10) Andrey Shemetov.



Background Information on the Supervisory Board Members in 2020²:

Anna Arkhangelskaya

Born in 1976, higher education, graduated from the Moscow State Legal Academy in 1999, qualification – lawyer, specialty – jurisprudence.

Information on professional experience and duties for five years preceding the date of election to the Supervisory Board:

01.01.2014–07.07.2020, Ernst & Young Valuation and Advisory Services Limited Liability Company. Director of the Business Consulting Department, Division for regulatory compliance of financial institutions. Duties: managing services of business consulting on compliance of financial institutions.

Information on membership in management bodies of other legal entities:

31.08.2020 – up to now, member of Moscow Industrial Bank’s Board of Directors (independent director).

Andrey Golikov

Born in 1969, higher education, graduated from the M.V. Lomonosov Moscow State University in 1991, qualification: engineer, specialty: mechanical science. In 2016, he received IoD Diploma in Company Direction of the Institute of Directors (IoD) of the United Kingdom.

Information on professional experience and duties for five years preceding the date of election to the Supervisory Board:

Information on membership in management bodies of other legal entities:

24.04.2003 – up to now, Deputy Chairman of the Supervisory Board of Public Joint-Stock Company Moscow Exchange MICEX-RTS.

² Data on membership in the management bodies is specified as of 31.12.2020. Data on Igor Golutvin is provided as of 31.03.2020. Data on Vadim Kulik is provided as of 31.03.2020. Data on Sergey Monin is provided as of 31.03.2020. Data on Alexey Khavin is provided as of 31.03.2020.



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20.04.2011–22.04.2015, Co-Chairman of the Board of Directors of National Securities Market Association (self-regulatory non-profit organization).

31.05.2018–02.06.2020, member of the Supervisory Board of NSD (National Settlement Depository).

13.04.2017 – up to now, Co-Chairman of the Board of Directors of National Finance Association (self-regulatory non-profit partnership).

19.12.2016 – up to now, member of the Supervisory Board of Russian National Reinsurance Company (RNRC) JSC.

30.06.2017 – up to now, member of the Board of Directors of Commercial bank “Absolut Bank”.

21.12.2017 – up to now, member of the Supervisory Board of Bank Otkritie Financial Corporation (Public Joint-Stock Company).

29.05.2008–28.06.2013, 30.06.2014 – up to now, member of the Supervisory Board of CCP NCC.



Igor Golutvin³

Born in 1979, higher education, graduated from the M.V. Lomonosov Moscow State University in 2002, qualification: physicist, specialty: physics. In 2004, he graduated from the Institute of Theoretical and Experimental Physics with the science degree: Ph.D. in Physics and Mathematics. In 2010, he graduated from the Training, Counselling and Professional Center of IFTs (International Financial Centre), qualification: specialist in financial markets in the area of brokerage and dealer activity, securities management.

Information on professional experience and duties for five years preceding the date of election to the Supervisory Board:

04.04.2008–11.04.2013, Head of the Derivatives Sub-Division within the Open Market Trading Transactions Division of the Fixed-Income Instrument Transactions Department of VTB Cap-

³ As of the date of termination of powers of the member of the CCP NCC Supervisory Board.

ital CJSC, was responsible for developing currency and interest rate derivatives, launching new products, and configuring and developing risk management systems.

11.04.2013–31.08.2017, Co-Head of the Complex Transactions Sub-Division within the Open Market Trading Transactions Division of the Fixed-Income Instrument Transactions Department of VTB Capital CJSC, was in charge of CVA portfolio management in relation to transactions in derivatives, hedging market and credit risks, and portfolio yield optimization.

01.09.2017–19.04.2018, Head of Structural Solutions of VTB Capital JSC, was responsible for developing and supporting the derivative solutions business.

19.04.2018–07.10.2019, Deputy Head of the Division for Global Commodity and Raw Market Transactions of the Fixed-Income Instrument Transactions Department of VTB Capital JSC, was responsible for developing the company’s business related to global commodity and raw market transactions.

21.04.2008–05.04.2013, Head of the Derivatives Sub-Division within the Debt & FX Markets Trades Division of VTB Bank (on a part-time basis).

05.04.2013–19.04.2018, Managing Director – Vice-President of the Debt & FX Markets Trades Division of VTB Bank (on a part-time basis).

19.04.2018–07.10.2019, Managing Director of the Division for Global Commodity and Raw Market Transactions of the Investment Products Department – Vice-President of VTB Bank (on a part-time basis).

16.07.2018–07.10.2019, Head of Commodity and Raw Markets of the Department for Counselling on Transactions on the Financial Income Instrument Market of VTB Capital IB Holding, Limited (on a part-time basis).

Information on membership in management bodies of other legal entities:
28.06.2012–30.06.2020, member of the CCP NCC’s Supervisory Board.



Yury Denisov

Born in 1970, higher education, graduated from the Moscow State Institute of International Relations at the Ministry of Foreign Affairs in 1993, qualification: economist in the area of international economic relation with a knowledge of a foreign language, specialty: international economic relations.

Information on professional experience and duties for five years preceding the date of election to the Supervisory Board:

10.08.2009–01.03.2010, Senior Vice President of the Financial Department of VTB Bank, was responsible for management of assets and liabilities, supervised treasury activity of VTB Group and trading on the money, FX, precious metals and derivatives markets.

22.09.2010–31.05.2011, Deputy CEO of the Moscow Interbank Currency Exchange. Supervised risk management, clearing and treasury activities, and management of assets and liabilities.

16.05.2019 – up to now, Chairman of the Executive Board of the Moscow Exchange. Heads the company and performs functions of the sole executive body.

Information on membership in management bodies of other legal entities:

25.06.2013–28.04.2020, member of the Supervisory Board of Public Joint-Stock Company Moscow Exchange MICEX-RTS.

14.10.2003–08.04.2015, Co-Chairman of the Council of National Foreign Exchange Association.

31.05.2018 – up to now, member of the CCP NCC’s Supervisory Board.

09.10.2019 – up to now, member of the Executive Board of the Russian Union of Industrialists and Entrepreneurs.

29.05.2008 – up to now, member of the Supervisory Board of CCP NCC.

15.06.2010–29.06.2011, 13.05.2016–20.05.2019, Chair of the Supervisory Board of CCP NCC.

29.06.2011–13.05.2016, 17.07.2020 – up to now, Deputy Chair of the Supervisory Board of CCP NCC.



Vadim Kulik⁴

Born in 1972, higher education, graduated from D. Mendeleev University of Chemical Technology of Russia in 1995, specialty: Chemical Technology of Modern Energetics Materials.

Information on professional experience and duties for five years preceding the date of election to the Supervisory Board:

03.06.2011–14.01.2013, Vice-President – Director of the Risk Department of Sberbank, participated in the management of market and operational risks, as well as retail and non- retail credit risks. Implemented risk management processes in subsidiary banks in the CIS countries.

15.01.2013–23.05.2013, Senior Vice-President, member of the Management Board of Sberbank, was responsible for risk management and IT support.

24.05.2013–15.02.2017, Deputy Chairman of the Management Board, member of the Management Board of Sberbank, supervised risk management, IT support, and operating activities of the Bank.

16.05.2017–02.10.2017, First Deputy Chairman of the Management Board, member of the Management Board of Otkritie Holding JSC, supervised IT support of the financial business units of subsidiaries.

30.10.2017–21.12.2017, Adviser to the Chairman of the Management Board of Gazprombank.

22.12.2017–14.06.2019, Deputy Chairman of the Management Board, member of the Management Board of Gazprombank. Participated in the implementation of the IT development policy at the head office and branches, coordinated development of standards and regulation of the bank products operational support, participated in centralization and coordination of all risk management frameworks, policies and processes in the area.

⁴ As of the date of termination of powers of the member of the CCP NCC Supervisory Board.



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02.09.2019–28.10.2019, Adviser to President – Chairman of the Management Board of VTB Bank. Drafted ongoing and long-term action plans in the manner and cases prescribed by the regulations and administrative documents of the Bank, fulfilled instructions of the Bank’s management and the immediate superior within the established timeframe.

29.10.2019 – up to now, Vice President, Deputy Chairman of the Management Board of VTB Bank. Participates in implementation of the IT development policy at the head office and branches, coordinates standards development and bank products operational support regulation.

01.12.2017 – up to now, the Director of the Digital Competence Centre of the Russian Presidential Academy of National Economy and Public Administration under the Government of the Russian Federation (on a part-time basis). Arranges comprehensive support of educational and scientific projects aimed at forming digital competencies of students and professors of the Academy.

Information on membership in management bodies of other legal entities:

28.09.2012–29.03.2017, member of the Board of Directors of DenizBank A.S.

25.04.2013–25.01.2017, member of the Board of Directors of Sberbank Technology.

22.01.2014–14.03.2017, member of the Board of Directors of Sberbank Leasing.

29.06.2017 – up to now, member of the Supervisory Board of Russian National Reinsurance Company.

22.12.2017–14.06.2019, member of the Management Board of Gazprombank.

10.01.2018–26.06.2019, member of the Board of Directors of Speech Technology Centre.

29.10.2019 – up to now, member of the Management Board of VTB Bank.

24.11.2017–30.06.2020, member of the Supervisory Board of CCP NCC.



15.07.2014–26.10.2015, member of the Board of Directors of Vnesheconombank Investment Company LLC (“VEB Capital”).

20.05.2019 – up to now, member of the Supervisory Board of CCP NCC.



Andrey Shemetov

Born in 1974, higher education, graduated from the Ordzhonikidze State Academy of Management (nowadays, the State University of Management) in 1996, Qualification: Economist, specialized in the economics and industrial management.

Information on professional experience and duties for five years preceding the date of election to the Supervisory Board:

22.07.2008–09.11.2012, Director General of ATON LLC. Day-to-day supervision over financial and professional activities of the Company to provide optimal business growth and enhance the Company's competitiveness.

12.11.2012–09.03.2016, Deputy Chairman of the Executive Board of the Moscow Exchange. Managed commercial units of the Exchange – securities, derivatives, commodity and primary markets. In charge of the Customer Service, Market Data and Indices departments, foreign and regional branches and representative offices. Supervised the International Presence Department and the innovation and investment market

09.06.2016–10.04.2018, Head of the Global Markets Department and Managing Director of Sberbank CIB CJSC. Managed the Bank's commercial department: trading, sales, analytical management, investment banking management and e-markets. Headed the international offices in London, New York, and Cyprus.

10.04.2018–15.11.2020, Vice-President – Director of the Global Markets Department of Sberbank of Russia. Managed the bank's commercial department: trading, sales, analytical management, investment banking management, and e-markets. Managed the international offices in London, New York, and Cyprus.



Menu



16.11.2020 – up to now, Senior Vice-President for Largest Customers, Corporate & Investment Business Block, Sberbank.

In charge of business units working with major customers (CIB) – Global Markets Department, Key Customers Department, Loan Facilities for Key Customers Department, and Investment Activities Department.

Information on membership in management bodies of other legal entities:

28.06.2013–12.05.2015, Chairman of the Board of Directors of CJSC “MICEX Stock Exchange”.

27.06.2013–19.05.2015, member of the Supervisory Board of Closed Joint-Stock Company “National Mercantile Exchange”.

22.04.2014–08.04.2016, member of the Board of Directors of National Securities Market Association (self-regulatory non-profit organization).

02.06.2014–02.06.2016, member of the Board of Directors of QIWI PLC.

18.06.2012 – up to now, member of the Board of Directors of self-regulating (non-profit) National Association of Securities Market Participants (NAUFOR).

29.06.2016–20.07.2020, member of the Board of Directors of Sberbank CIB JSC.

20.05.2019–up to now, member of the Supervisory Board of CCP NCC.

10.10.2019–20.07.2020, member of the Supervisory Board of SIB (Cyprus) Limited.



Information on CEO and Executive Board Members

From 12 April 2011 to 17 June 2020, Alexey Khavin was the Chair of the Executive Board of NCC. On 18 June 2020, Eddi Astanin was elected to the position of the Chair of NCC Executive Board by resolution of the Supervisory Board of the Company.

Alexey Khavin

Born in 1975, higher education, graduated in 1997 from the Finance Academy under the Government of the Russian Federation, Qualification: Economist, Specialty: Global Economy.

Information on professional experience for the last five years:

12.04.2011–17.06.2020, CEO of CCP NCC.

Information on membership in management bodies of other legal entities:

25.04.2006–08.04.2015, Co-Chairman of the Council of the National Foreign Exchange Association.

24.02.2011 – up to now, Member of the Board of Directors of Sea Launch AG.

20.04.2011 – up to now, Member of the Council of the National Securities Market Association (self-regulating non-profit organization).

31.01.2019 – up to now, Member of the Council of the Russian Banking Association (Association “Russia”).



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Eddi Astanin

Born in 1961, higher education, graduated in 1984 from A.F. Mozhaysky Military Engineering Institute, Qualification: Military engineer-ballistician, Specialty: Ballistics. In 1996, he completed the courses of the Institute for Advanced Training and Retraining in Finance and Banking of the Finance Academy under the Government of the Russian Federation. PhD in Technical Sciences since 1992.

Information on professional experience for the last five years:

11.11.2010–17.06.2020, Chairman of the Executive Board of Non-bank Credit Institution Joint-stock Company National Settlement Depository (NCI JSC NSD).

18.06.2020 – up to now, CEO of CCP NCC.

Information on membership in management bodies of other legal entities:

29.06.2010 – up to now, member of the Supervisory Board of NCI JSC NSD.

11.06.2015 – up to now, member of the Board of Directors of S.W.I.F.T. scr1.

28.03.2018 – up to now, member of the Board of Directors of Closed Joint-Stock Company Settlement and Depository Company.

31.05.2012–28.06.2018, member of the Board of Directors of Stock Company Saint-Petersburg Currency Exchange.

19.05.2011–18.05.2017, member of the Board of Directors of Non-Bank Credit Institution Closed Joint-Stock Company Petersburg Settlement Center.

20.04.2011–13.04.2017, member of the Council of Self-Regulatory Organization “National Securities Association”.

During the reporting year 2020, the composition of the Executive Board changed and the Supervisory Board of the Company adopted the following resolutions:

- On 25.11.2020 (Minutes No. 6), powers of Sergey Gorbachenko, member of the Executive Board, were early terminated (his last day in office was on 04.12.2020),
- On 25.11.2020 (Minutes No. 6), Georgy Uryutov was elected the member of the Executive Board of CCP NCC (for a period of two (2) yeas from the date of election on 05.12.2020).



Therefore, in 2020 the following members of the Executive Board of the Company (apart from the Chairman of the Board) performed their functions as follows:

**Marianna
Gorina**

Born in 1963, higher education, graduated in 1988 from the All-Union Correspondence Accountancy College of the USSR State Bank, Specialty: Accounting and operational equipment in the State Bank, Qualification: Accountant. In 2001, she graduated from the All-Union Correspondence Financial-Economic Institute, Specialty: accounting and audit, Qualification: economist. In 2004, she completed the postgraduate training program on the International Financial Reporting Standards of the International Finance and Banking School, Moscow (Supplementary Vocational Training Institute).

Information on professional experience for the last five years:

17.05.2011 – up to now, Chief Accountant of CCP NCC.

Marianna Gorina does not hold any position in the management bodies of other legal entities.



**Sergey
Gorbachenko**

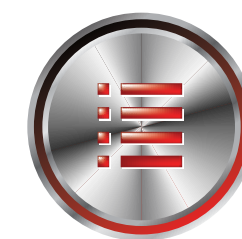
Born in 1966, higher education, graduated in 1989 from the Moscow Engineering Physics Institute, Specialty: Solid State Physics, Qualification: Engineer-Physician.

Information on professional experience for the last five years:

02.07.2012–04.12.2020, Director of the Clearing Department of CCP NCC.

Information on membership in management bodies of other legal entities:

17.05.2018–26.06.2019, member of the Board of Directors of Petersburg Settlement Center Non-Banking Credit Institution Joint Stock Company.



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**Georgy
Uryutov**

Born in 1976, higher education, graduated in 1999 from Moscow Institute of Electronics and Mathematics (Technical University), Specialty: Automated systems of information and control processing, Qualification: Engineer. On 05.07.2006, he also completed Retraining Course 'Financial management' of the Federal state-funded institution of higher education "Academy of national economy" under the Government of the Russian Federation. In May 2012, he was awarded with CIMA dip PM, 'Performance improvement'.

Information on professional experience for the last five years:

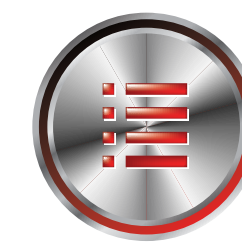
09.04.2012–30.06.2020, director of the Consolidating economic department of NCI JSC NSD.

02.07.2020 – up to now, Financial Director of CCP NCC.

Georgy Uryutov does not hold an office in management bodies of other legal entities.

CEO and members of the Executive Board of CCP NCC did not hold any shares of NCC during the reporting period.





6.5. Commissions and Committees

Committees of the Supervisory Board

» Nomination and Remuneration Committee

The Nomination and Remuneration Committee is intended to foster high quality and timely decisions in the area of nomination and remuneration. The key goal of the Committee is to ensure efficient operation of the Supervisory Board of NCC when addressing any matters required for conformity of the labor remuneration system to the nature and scale of the Company's operations, its performance, level and combination of assumed risks. The Committee drafts proposals on nominations and remuneration of the members of the Supervisory Board and executive bodies of NCC.

» Risk Committee

The main objective of the Committee is to contribute to improvement of the Company's risk management framework, as a clearing organization and a central counterparty, in order to increase the Company's financial sustainability and ensure continuity of its clearing activities. In compliance with the Laws, the Committee's members are representatives of clearing members (two thirds), independent members of NCC's Supervisory Board, and representatives of the clearing members' clients.

» Audit Committee

The key objective of the Committee's activity is assistance to the Supervisory Board in effective implementation of control functions of financial and economic activities, control and analysis of the risk and capital management framework effectiveness, compliance; in ensuring of objectivity in the area of internal and external audit and solution of other related objectives of NCC. The members of the Audit Committee are the Supervisory Board members, who are independent directors.

Commissions and Committees of NCC

» Risk Management Commission

The Commission is a collective consultative advisory body under NCC Executive Board, which reports to the Executive Board and considers risk management issues. The Commission is established to draft recommendations in the risk management, while NCC carries out the activities of a central counterparty, Treasury, and commodity supply operator.

» Asset Management Commission

The Commission is a collective consultative advisory body of NCC, which reports to NCC Executive Board. The Commission participates in the organization and improvement of the asset creation and management policy pursuant to the resolutions of NCC's management bodies.

» Committee on Changes

The committee is a collective consultative advisory body of NCC, which reports to NCC Executive Board. The committee was established to improve the mechanism to control and manage changes in the application systems and IT infrastructure of NCC.

» Tender Committee

The committee is a collective consultative advisory body of NCC, which reports to NCC Executive Board. The committee presents recommendations on selection of a counterparty for intended purchase (performance of works, rendering of services, delivery of commodities, transfer of property rights or results of intellectual activity) and on approval of the optimal decision on such purchase.

» Expert Panel

The standing commission is engaged in organizing and carrying out methodical work to evaluate NCC's documents, to select and prepare thereof for transfer to permanent archive storage.

6.6. Authorized Capital and Shareholding Structure

When establishing the Company, the General Meeting of Founders approved its Authorized Capital totaling RUB235,000,000.00 and divided into 235,000 registered ordinary shares with par value of RUB1,000.00 each.

Between 2006 and 2013, CCP NCC's authorized capital increased from RUB235,000,000.00 to RUB15,170,000,000.00

via placement of additional registered uncertified ordinary shares in NCC. Further increase of the authorized capital was connected with reorganization of CCP NCC in 2014 through merger and two additional issues of ordinary registered uncertified shares in CCP NCC in the aggregate number of 1,500,000 (not exceeding the number of authorized shares) through conversion of shares of the acquired entities: RTS Clearing House, a non-bank credit institution, and RTS Clearing Center (CJSC).

As of the end of the reporting period, the **authorized capital of the Company was**

RUB 16,670,000,000.00

and divided into 16,670,000 registered uncertified ordinary shares with par value of RUB1,000.00 each.

As of 31 December 2020, the shareholder register of CCP NCC contained the entry of **one shareholder only – Public Joint-Stock Company “Moscow Exchange MICEX-RTS”**.

During the reporting period, NCC's shareholder register was maintained by Joint Stock Company “Registration Company STATUS”.



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6.7. Report on Payment of Declared (Accrued) Dividends on Shares

On 23 April 2020, Moscow Exchange, as the sole shareholder of NCC, adopted its resolution on distribution of the part of NCC's retained earnings from the previous years and payment (declaration) of dividends as follows:

1. To allocate the part of the retained earnings of CCP NCC from the previous years in the amount of RUB8,149,963,000.00 for dividend payments.
2. To pay dividends on allocated CCP NCC's shares in the amount of RUB8,149,963,000.00, i.e. RUB488.90 per ordinary share (before payment of the tax on income received as dividend income), from CCP NCC's retained earnings from previous years. To set 11 May 2020 as the date, on which the persons entitled to dividends are determined.
3. To pay dividends on CCP NCC's shares in cash by funds transfer.

Dividends were paid in full on 29 May 2020.

On 09 December 2020, the sole shareholder of NCC adopted the following resolution on allocation of the part of NCC's retained earnings from the previous years and payment (declaration) of dividends:

1. To allocate the part of NCC's retained earnings from the previous years in the amount of RUB7,759,051,500.00 for dividend payments.
2. To pay dividends on allocated CCP NCC's in the amount of RUB7,759,051,500.00, i.e. RUB465.45 per ordinary share (before payment of the tax on income received as dividend income), from CCP NCC's retained earnings from previous years. To set 21 December 2020 as the date, on which the persons entitled to dividends are determined.
3. To pay dividends on shares in CCP NCC in cash by funds transfer.

Dividends were paid out in full on 29 January 2021.



6.8. Remuneration of NCC Supervisory Board Members

On 30 June 2020, Moscow Exchange, the sole shareholder of NCC, passed Resolution No. 48 on the issues falling within competence of the General Shareholders Meeting, to remunerate the members of CCP NCC's Supervisory Board elected by the resolution of the sole shareholder on 20 May 2019 (Resolution No. 44), for performance of their functions in the total amount of RUB40,475,000, calculated in accordance with the Regulation on Remuneration and Compensation of Expenses of the Members of Central Counterparty National Clearing Centre's Supervisory Board approved by the sole shareholder on 20 May 2019 (Resolution No. 44), taking into

account the individual input of members of the Supervisory Board into governance of CCP NCC.

The Regulation on Remuneration and Compensation of Expenses ensures a systemic approach to calculation of the amount of individual remunerations, determines the specific remuneration levels for each role of the Supervisory Board Members, sets a fixed amount of remuneration for independent members and contemplates the terms ensuring proper engagement of the Members in the activity of the Supervisory Board (the remuneration may be reduced in case of repeated non-attendance of meetings).

The remuneration of the members of CCP NCC's Supervisory Board, elected by the sole shareholder's resolution No.48 dated 30 June 2020, would be paid after holding the Annual General Shareholders Meeting of NCC in 2021.



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6.9. Remuneration of CEO and Executive Board Members

NCC Executive Board passes its resolution to establish the amount of individual official salaries of CEO and Executive Board members of NCC based on the recommendations drawn by the Nomination and Remuneration Committee (hereinafter, the Committee). The estimated amounts of individual official salaries of members of the executive bodies are derived, inter alia, with account of research of the remuneration market for comparable positions, information on distribution of responsibilities, level of assumed risks, and complexity of objectives. Annual bonus, being a variable part of labor remuneration and related to performance during the reporting period, is paid to the members of the executive bodies based on the resolutions of NCC's Supervisory Board,

taking into account the Committee's recommendations. The members of NCC's executive bodies are subject to deferral (installment) and subsequent adjustment of at least 40 percent of the variable part of remuneration based on the timeframes for obtaining data on their financial performance (for the period of at least 3 years, except for the activities, which financial performance is determined earlier than specified above), including the possibility to reduce or cancel the variable part of remuneration in case of a negative financial result of NCC, as a whole, or in the respective line of business.

The amount of all payments (salary, bonus, compensation of expenses, and other payments) made to CEO and the members of NCC Executive Board in 2020 totaled

RUB 72,481,000

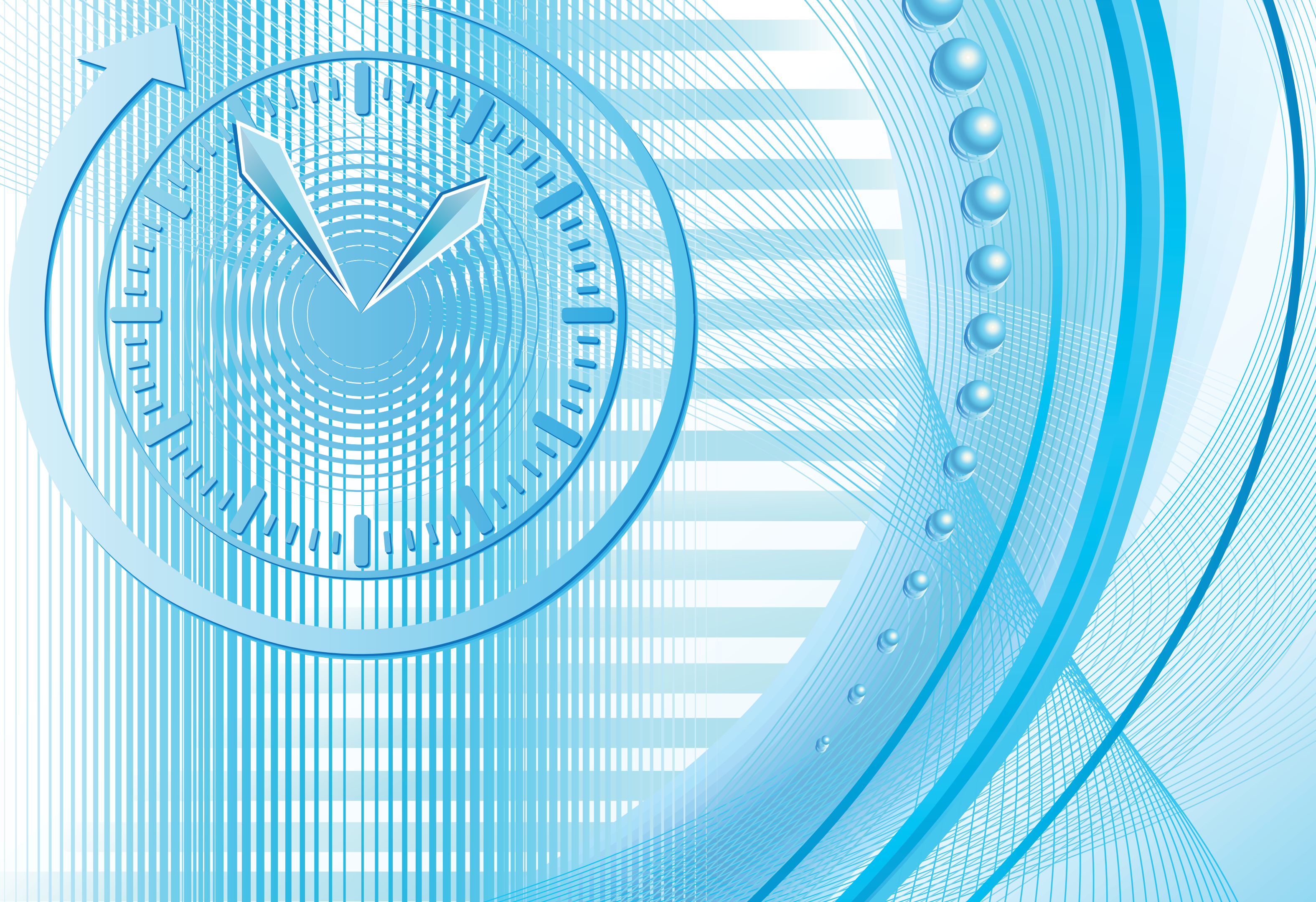
(in 2019: RUB72,151,100, in 2018: RUB85,175,400).





7 Major Financial Performance Results

TIME OF VICTORIES



Major Financial Performance Results, RUB'000 (as of 01.01.2021)

EQUITY (CAPITAL)	73,302,615
NET INCOME, TOTAL	23,681,945
OPERATING EXPENSES	1,680,385
PROFIT BEFORE TAX	22,001,560
ACCRUED (PAID) TAXES	4,206,325
PROFIT AFTER TAX	17,795,235

Table 8. Dynamics of Changes in Financial Performance Results (RUB'000)

Indicators	Change 2020/2019	2020	2019
Interest income, total	-16%	158,345,158	195 533 800
Interest expenses, total	188,395,395	158 345 158	188 395 395
Net interest income from transactions with financial assets assessed at the fair value via profits or losses	-90%	830,538	8,137,840
Fee and commission income	27%	14,606,513	11,489,736
Fee and commission expenses	76%	438,846	249,301
Net income (expenses)	9%	23,681,945	21,783,279
Operating expenses	6%	1,680,385	1,589,180
Profit (loss) before tax	9%	22,001,560	20,194,099
Tax refund (expense)	8%	4,206,325	3,891,483
Profit (loss) for reporting period	9%	17,795,235	16,302,616



Menu

NCC manages its capital on the going concern assumption, with the view to the need to maintain the necessary balance between ensuring financial sustainability in any economic conditions of its business functioning, reduction of market participants' costs, and the high level of return on investment for shareholders.

During the reporting period, NCC managed its capital subject to the objectives set by Moscow Exchange Group's Strategy for 2016-2020 with regard to development of the centralized clearing and improvement of the reliability of the central counterparty.

Considering the need to comply with the regulatory requirements for the capital of

credit institutions, the Company forecasted its capital amount based on the estimated volume of transactions on the on-exchange markets of the Group and the amount of funds deposited by clearing members to secure performance of obligations under trades and also subject to the size of risks assumed by it in connection with implementation of the top-priority projects of Moscow Exchange involving performance of centralized clearing via CCP.

When forecasting the amount and adequacy of its capital, NCC was also taking account of the scheduled dividend payments in accordance with the Group's dividend policy.

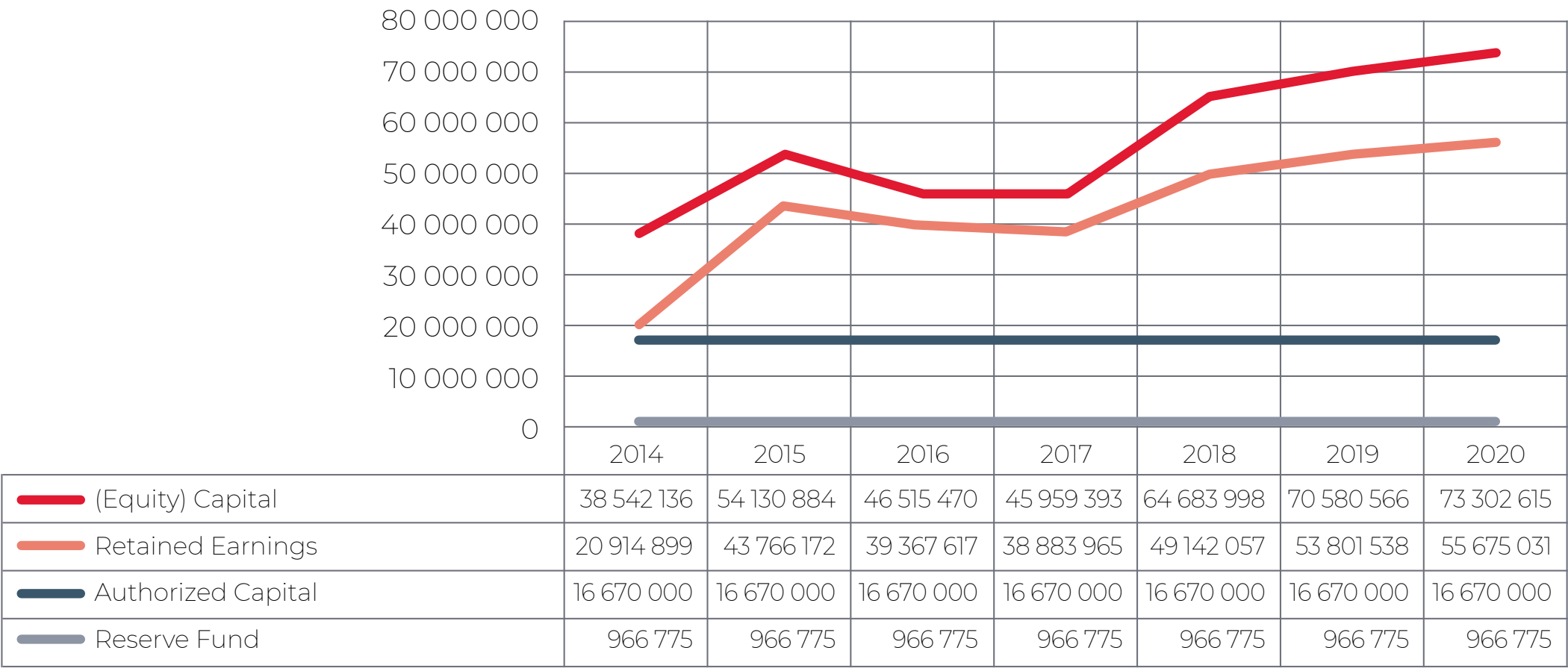
Table 9. Dynamics of Changes in Equity (Capital) of NCC and Its Major Indicators Included in the Capital Calculation (RUB'000)

Item	01.01.2021 (RUB'000)	01.01.2020 (RUB'000)
Equity (capital), total	73,302,615	70,580,566
Including:		
CET1 Capital	55,347,433	54,321,547
Tier 1 capital	55,347,433	54,321,547
Tier 2 Capital	17,955,182	16,259,019

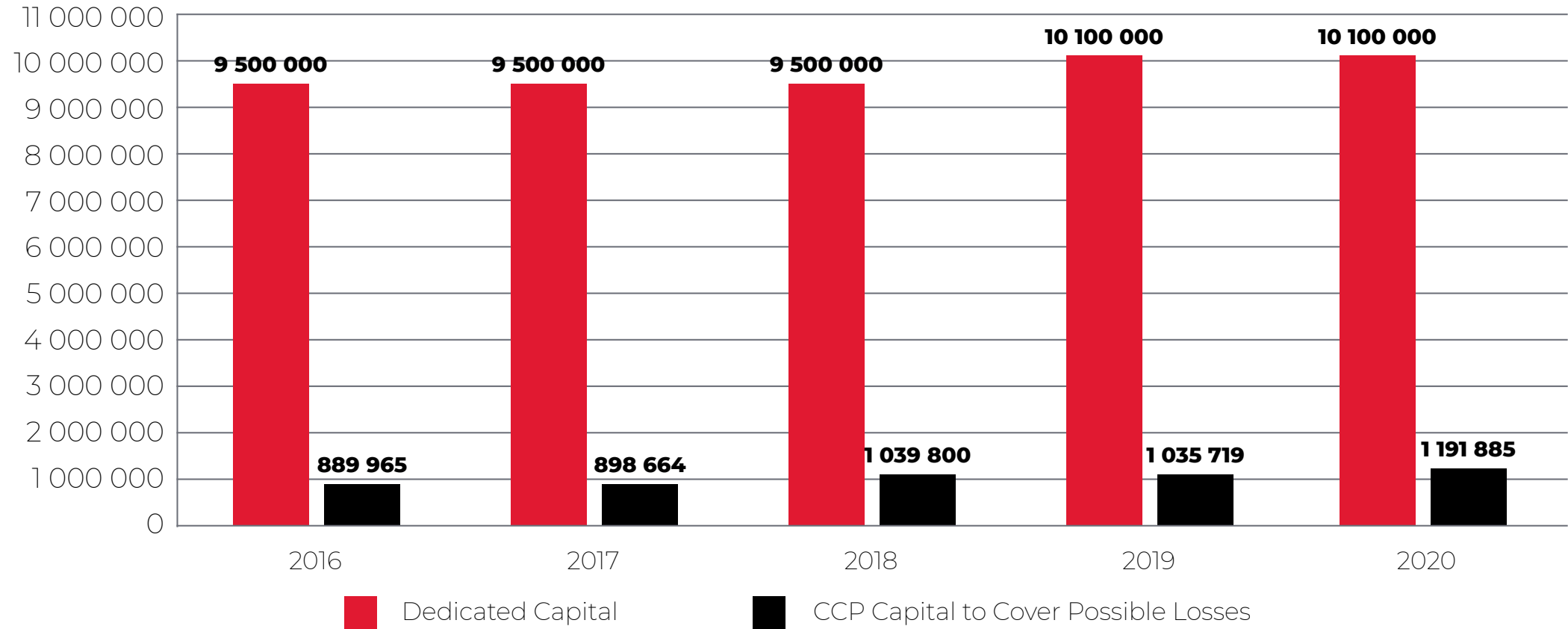


All capital adequacy requirements were met by NCC in full during the reporting period.

NCC meets capital adequacy ratio requirements, in thousand RUB



Dedicated Capital of CCP



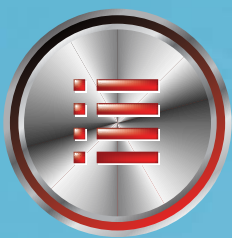
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On 1 November 2015, the Bank of Russia put into effect the amendments to its regulations governing the central counterparty's activity, which require CCP to set aside a part of its equity (capital) to cover possible losses, whether or not caused by clearing members' non-performance of their obligations.

CCP's funds intended to cover losses, which have been allocated in compliance with the applicable laws, regulations of the Bank of Russia, are recorded separately on separate personal accounts for recording retained earnings. The above funds are included in the central counterparty's equity (capital).

Table 10

Part of Retained Earnings Intended:	2020 (RUB'000)	2019 (RUB'000)
to cover possible losses caused by failure of clearing members to perform their obligations (funds used by central counterparty before using the funds contributed by non-defaulting clearing members to the collective clearing collateral) – the central counterparty's dedicated capital	10,100,000	10,100,000
to insure termination and restructuring of the central counterparty's activities	794,590	690,479
to cover possible losses as a result of deterioration of the central counterparty's financial position due to the reduction of its income or increase of its expenses, other than resulting from failure of clearing members to perform their obligations	397,295	345,240



8 IT Infrastructure Development

TIME OF INNOVATIONS



In 2020, the main objective of IT management was to maintain the required factor of accessibility of the information systems critical for business. In order to comply with the requirements for maintaining the reliability factor at the level of 99.98%, in addition to regular maintenance, the package of measures was implemented, including:

- replacement of 16 facilities of the server hardware for 2 most loaded systems, i.e. Programbank.ABS and CCP TRS;
- optimization of the equipment used for the DBMS DB MS SQL Server;
- migration of Oracle DBMS to version 19 across all systems. In total 22 databases.

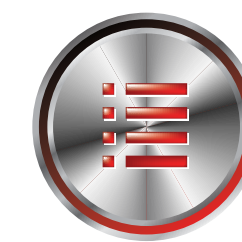
Additionally, the independent stress testing of the central counterparty's trades recording system (hereinafter, CCP TRS) was completed successfully and proved the reliability, susceptibility of the software and hardware suite of the clearing system. Test trade and clearing systems were loaded using the automated software, which generated trades

based on preloaded input data. A large number of test trades were generated, which were imported to CCP TRS software and processed, then the processing results were uploaded to Programbank.ABS. The use of the above stress testing technology allowed to complete tests within a short space of time.

The notable result of IT Platform development in 2020 was the fact, that NCC was one of the first in Russia to accession to the initiative called 'SWIFT Global Payments Innovation' (GPI), regarding gFIT service – gpi Financial Institution Transfer, under the Early Adopter program. As a part of connection to SWIFT gpi, the software packages of CCP TRS and Programbank.ABS were enhanced, thus allowing to connect to the following SWIFT gpi services:

- gCCT – gpi Customer Credit Transfer.
- gFIT – gpi Financial Institution Transfer.

The important innovation project of the year was development of the conceptual risk management architecture of MEORiMa platform, encompassing the analysis and estab-



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lishment of the system, which completely covered all types of settlements and models used to manage both credit and market risk. Essentially, that paved the way for considerable minimization of time to respond to risk events and real-time risk management – these are the objectives to be attained by the platform under development.

During the reporting period, considerable effort was made to implement the proj-

Significant work was completed as a part of the Stabilization 3.0: Control System Development. Highly Critical Recommendations project, which encompassed:

- change in the trade generation technology in Programbank.ABS core system by import from Softwell Navigator. New business processes were developed. Both systems were enhanced and the integration testing was conducted within a short space of time in order to support the above processes. Putting the solution into commercial operation improved control automation;
- completed reengineering of interfacing of Programbank.ABS and CCP TRS software, as a part of which the improvement was made to prevent occurrence of the risk of unauthorized modification of information by the Clearing Department employees – employees' personal access to the catalogue for information exchange between the systems was prohibited, the data was exchanged using API systems.



In 2020 NCC, ensuring the technology aspect of SFD market development, performed a substantial amount of work, in particular:

- all settlement accounts of the SFD market were transferred to the Unified Pool, the process of interest accrual on the collateral as well as interest accrual on the collateral recorded on the settlement account within the Unified Pool was implemented. Hence, transfer of the SFD market to the unified business clearing processes was completed;
- the margining model on the SFD market was updated – the transition from two-phase calibration to single-phase calibration was completed and the set of risk factors was changed;
- changes in FINCAD model were developed using the built-in modeling language to support the calibration of new indexes and to assess the metrics of trades therewith (NPV, sensitivity to risk factors), thus allowing to add new products on the SFD market (OIS on indexes SOFR/ESTR/SARON, IRS on RusFar3m);
- default management on the SFD market was automated – the introduced options included Liquidation Auction and Hedging and Carry-over of Positions;
- TCS was enhanced to improve settlement of payment flows for 5Y-10Y and to schedule fixings and rates on the individual basis;
- the functionality of Blotter with Interest Rate Swaps with the range of tickets in SFD TCS was implemented;
- FIX gateway was deployed for SPFI testbed used by trading participants. Bloomberg provided approval of FIX+FpML protocol format used to handle matched orders received from Bloomberg. The above enhancements enabled the participants to trade on the SFD market using Bloomberg in the common information space.



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Other systems of NCC did not remain unaddressed. IT division provided the technology solutions for further development of the Clearing Terminal system used to render the on-exchange service of portability for cash collateral and asset profiles and development of Neoflex Reporting system.

During the reporting period, the capacity to download data on netting trades with liquidity providers was implemented with a view to provide additional control over the limits set for liquidity providers. At the same time, the capability was implemented to provide the Market Risk Department with the latest information on the timely performance/non-performance by the liquidity provider of its obligations to NCC, including OTC gold

buy/sell trades, loco London, entered into by the clearing members.

In 2020, upgrade of NCC website was continued, to which end its operational audit was performed, the strategy and further development plan were developed. In addition, adjustments were made with regard to its design, adaptation for displaying on mobile devices; the website management system was improved to facilitate its administration.

During the acute phase of the pandemic, NCC had 80% of employees switch to remote working in a short time span (within 2 weeks). At the same time, the fault tolerance and safety of operation of all packages and systems, inter alia, by means of 24/7 technical support, were ensured.

For optimizing work of IT employees of NCC and for mitigating the operational risks, in 2020 the additional algorithms of automated control and monitoring were introduced, namely:

- controlling outgoing and incoming RAS reporting. Due to introduction of the above control, reporting files, to be transmitted to the Bank of Russia via the communications channels, were reconciled automatically every day at the close of business. This algorithm helped to avoid incidents, occurring because of the human factor,



and system errors, when a fine might be imposed because any reporting file was overlooked and not sent in time due to large document flow;

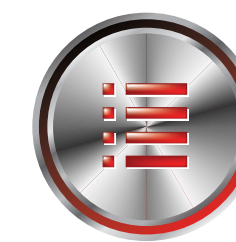
- controlling archives containing reports to the fiscal authorities transmitted via the communication channels of Bank of Russia;

During the reporting period (as to transformation of NCC), the set of organizational and technical measures was performed:

- the Committee on Changes was established with a view to control implementation of IT objectives and projects of NCC;
- technical support was reorganized to be based on the functional principle;
- functions of budgeting, organization of purchases and settlements with suppliers, process of maintenance of IT contracts were organized within NCC IT;

- installing the additional module for collecting statistics, monitoring the reporting transmitted via the communication channels to the Bank of Russia and checking incoming files was completed;
- the automated regression testing facility using multiple instances of Neoflex Reporting system was introduced.

- usage of EXADATA PACK, which was previously used together with Moscow Exchange in Neoflex Reporting system was discontinued. Currently the standard servers and Oracle Database Release 19c are used;
- the process for implementation of own enhancements of Neoflex Reporting system was built. The full cycle of works, from analytics to putting into commercial operation, was completed for 28 objectives.



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Innovative development of IT platform in 2021 will be aimed at the attainment of the following major objectives:

- establishing the system to manage risks and control SFD market collateral: developing and introducing the methodology and technological platform;
- arranging access to external trading venues using the developed API for access to SFD TCA. At the same time, there are plans to arrange translation of prices from the SFD market blotters to Bloomberg and in Micex Trade Info;
- automating calculation of the tax base, tax amount to be transferred to the budget and reports for making trades with nonresidents, in case where NCC is a tax agent;
- as a part of Neoflex Reporting system:
 - » to implement the Tax Monitoring portal providing online interaction with the Russian Federal Tax Service;
 - » to complete automation of all types of tax reporting;
 - » to automate generation of messages to the Federal Financial Monitoring Service (Rosfinmonitoring, RFM) in compliance with Federal Law 115-FZ;
- for further automation of risk management, innovation MEORiMa platform is planned to be established according to the developed conceptual architecture meeting the challenges of high-speed performance and timely processing of large volume of data.





9 Human Capital

TIME OF THE TEAM



NCC's employees are the key component of the Company's capital. The Company considers the employee engagement maintenance, improvement of their professional expertise and social welfare to be its high-priority objective.

In 2020, the average number of the Company's employees was 191, as many as 98% of employees had higher education. The ratio of male employees to female employees was 46% and 54% accordingly. The proportion of women in executive roles was 44%.

The level of NCC employees' remuneration is determined according to their functions and level of their roles, salary level compared to the similar positions held by men and women are equivalent thus evidencing the gender equality and equal opportunities for professional advancement.

To strengthen NCC's management team and introduce new experience, best practices and expertise from the market, during the reporting period about 40% of Top Managers were appointed to the key management positions. It enabled the Company to acquire new, highly professional personnel resource familiar with the modern management tools in the area of risk management, operating activities,

compliance, audit. About 25% of the engaged executives were out of the staff of Moscow Exchange Group.

Corporate Social Support

NCC's social policy is aimed at providing social security, continuous improvement and extension of programs to promote social support of employees. The cornerstone of the benefits package is the voluntary health insurance covering all employees of the Company, critical illness insurance, accidents insurance and rendering financial assistance in connection with various life events of an employee.

In 2020, NCC strived to create a comfortable and safe working environment for employees. The maximum number of functions was switched to remote working. The measures to sanitize workplaces and common areas were taken to protect the employees, who worked at the office and were engaged in maintenance of critical business processes, the employees working at the office were provided with individual protection equipment. Every 2 weeks, employees were tested for COVID-19. The measures taken to distance and reasonably zone the office premises allowed to reduce the number of coronavirus cases. In order to provide social assistance



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to employees who fell sick, NCC's top-management also made the decision to pay sick leave certificates at the rate of 100% of the salary amount in connection with acute respiratory infections regardless of their duration.

In 2020, the measures were taken to retain NCC's key employees, who had been working long and successfully performed the major functions in the Company. The financial incentive scheme was reviewed to that end, a number of employees were redeployed in the Company; the leading experts had the opportunity to take management positions and to realize their full potential for further development of the Company.

Along with it, NCC made some organizational changes, so that the organizational structure and governance system ensured attainment of the objectives set by the stakeholders, in particular, the Company's transformation in a more operationally efficient and reliable business structure. NCC established several full-fledged independent structural units, improved multiple functions and added new ones, inter alia, due to more rational personnel placement and engagement of market experts; introduced the Company's new internal structure meeting the modern requirements.

In 2020, NCC, together with other Companies of Moscow Exchange Group, studied the level of involvement, satisfaction and loyalty of the personnel. According to the study, the involvement level 84%, thus meeting the best targets among the financial industry companies. The Company's key drivers of involvement are trust in executives and good communication between employees, strategy understandable to employees. A number of intra-organizational activity areas were defined to facilitate the strengthening of employees' involvement and, as a result, the efficiency and productivity of each employee.

At the end of 2020, further steps to deal with the personnel were planned, namely:

- trainee programs will be introduced to attract young specialists to NCC and to promote NCC's brand among young people;
- internal training programs will be introduced to develop consistently the managerial competencies and leader potential;
- transfer of unique expertise within the Company will be established to ensure business continuity and to mitigate the risk of dependence on the unique knowledge acquired by one expert;
- the corporate social support programs will be further improved.





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10.1. Internal Control

In 2020, NCC performed the internal control in accordance with Federal Law No. 395-1 dated 02.12.1990 'On Banks and Banking Activity', Federal Law No. 7-FZ dated 07.02.2011 'On Clearing, Clearing Activities and Central Counterparty', Bank of Russia Regulation No. 242-P dated 16.12.2003 'On Organization of Internal Control in Credit Institutions and Bank-

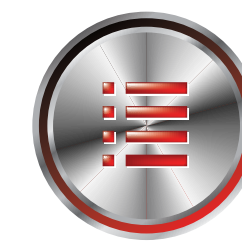
The internal control is exercised to ensure:

- the efficient financial and economic performance of NCC when exercising banking transactions and other trades, performing the functions of a clearing organization and central counterparty, efficient management of assets and liabilities, including safe custody of assets, and management of banking risks/ risks of central counterparty and CSO;
- reliability, completeness, objectivity and timeliness of preparation and submission

ing Groups', and Bank of Russia Ordinance No. 4739-U dated 15.03.2018, 'On the Requirements for Internal Controls and Auditing Conducted by a Clearing Organization' taking into account the nature and scope of carried activities, levels and combination of assumed risks affecting each other in the course of NCC's activities as a credit institution, clearing organization, functioning as a central counterparty and commodity supply operator.

of financial statements, accounts, statistical and other reports;

- information security, i.e. the protection of NCC's interests in the information area as a system of information, information infrastructure, subjects collecting, forming, distributing and using information as well as the system of regulating the relations arising in this respect;



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- compliance with the legislation of the Russian Federation, NCC's Articles of Association and NCC's internal documents;
- prevention of NCC's involvement and its employees' engagement in any illegal activity, including the legalization (laundering) of proceeds from crime and financing of terrorism, in exercising of suspicious transactions;
- mitigation of NCC's risk of losses which may incur as a result of any sanctions and (or) other disciplinary measures taken by the

supervisory authorities, including by reason of its incompliance with the legislation of the Russian Federation or NCC's internal documents, as well as late provision of any governmental authorities or the Bank of Russia with any information required to be so disclosed in compliance with the legislation of the Russian Federation; maintenance of NCC's effective system to combat legalization (laundering) of proceeds from crime and financing of terrorism at the level sufficient to manage the risks of legalization (laundering) of proceeds from crime and financing of terrorism.

NCC's internal control organization also complies with the requirements⁷ established by the federal executive body authorized to control and supervise taxes and levies for the organization of the internal control framework, which goals are as follows:

- carrying out of NCC's financial and economic activities in an orderly and effective manner, inter alia, achievement of financial and operational targets, asset safety;
- reliability, completeness and timeliness of recording of the financial and economic performance results in the financial, tax, and other statements and consideration
- accurate accruing (withholding), full and duly payment (transfer) of taxes, levies, insurance premiums;

⁷ Order of the Russian Federal Tax Service No. MMB-7-15/509@ dated 16.06.2017 'On Approval of Requirements for the Internal Control Framework Organization'.



of such results when assessing (withholding) taxes, levies, insurance premiums; completeness and timeliness of their payment (transfer);

- compliance with the legislation of the Russian Federation, inter alia, facts of economic activity related to any executed and planned trade (transaction) or a series of

related trades (transactions), and related to other occurred facts of business life of the organization;

- monitoring of results of the performed control procedures aimed at timely identification, rectification and prevention of errors (misstatements) in financial, tax and other statements.

Efficiency of the internal control framework run by NCC is ensured by:

- control procedures implemented at all levels of management;
- periodical inspections of compliance of all activity areas with the established policies and procedures;
- ensuring integration of the control procedures in NCC's daily activities;
- follow-up control of closed transactions;
- ensuring separation of functions and prevention of conflicts of interest in performance of duties by the personnel;
- ensuring compliance of its transactions with the legislation of the Russian Federation and regulations of the Bank of Russia;
- ensuring timely provision of necessary information to the relevant employees of NCC;



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- maintaining the required level of security of information systems;
- daily monitoring of high risk transactions;
- carrying out internal audit and different external audits;
- regular control of efficiency of the measures taken by its subdivisions and management bodies based on the inspection results ensuring decrease in the level of the identified risks;
- timely provision of the management bodies with the information on material risks and weaknesses of its internal control framework.

The system of NCC's internal control bodies performing internal control in accordance with their powers defined in the Articles of Association and internal documents of NCC includes:

- NCC management bodies (General Shareholders Meeting, Supervisory Board, Executive Board, and CEO);
- NCC Revision Committee;
- NCC Chief Accountant and his/her deputies;
- Internal Audit Service (IAS). IAS operates under the direct control of NCC Supervisory Board. IAS's main objective is ensuring of independent impartial assessment of efficiency of the internal control, risk management framework and corporate governance;
- Internal Control Service (ICS);
- ICS operates under the direct control of and reports to CEO. The main functions of ICS are mitigation of regulatory risk, con-

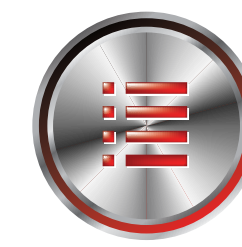


trol over compliance by CCP NCC with the laws on clearing, clearing activities and central counterparty, and the laws on combating unlawful use of insider information and market manipulation;

- Financial Monitoring Service (FMS) is NCC's structural unit for prevention of legalization (laundering) of proceeds from crime and financing of terrorism. In accordance with Clause 2, Article 7 of Federal Law No. 115-FZ dated 07.08.2001 'On Combating Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism', by its order, NCC appointed the authorized officer (head of the Financial Monitoring Service) – a special officer responsible for implementation of internal control regulations to combat legalization (laundering) of proceeds from crime and financing of terrorism (AML/CFT). FMS reports to NCC's Supervisory Board on an annual basis – 2020 report was taken into consideration;
- Credit Risk Department (CRD) is a structural unit of NCC responsible for organi-

zation of the risk management framework (RMF). CRD manages the credit and custodial risks, coordinates the activity of non-financial risk management officers and the activity of the Market Risk Department with respect to the management of NCC's market and liquidity risk;

- Market Risk Department (MRD) is a structural unit of NCC responsible for taking part in organization of RMF and management of NCC's risk with respect to the market and liquidity risk;
- Legal Affairs Officer is a person responsible for the management of legal risk and organization of work aimed at legal risk mitigation. The Legal Affairs Officer acts in compliance with the legislation of the Russian Federation, regulations issued by the Bank of Russia, NCC's Articles of Association and other internal documents and policies;
- Reputational Risk Management Officer is a person responsible for management of



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reputational risk and organization of work aimed at mitigation thereof. The Reputational Risk Management Officer acts in compliance with the legislation of the Russian Federation, the regulations issued by the Bank of Russia, NCC's Articles of Association and internal documents;

- Operational and Strategic Risk Management Officer acts in compliance with the legislation of the Russian Federation, the regulations issued by the Bank of Russia, NCC's Articles of Association and internal documents;

During the reporting year, NCC established the Audit Committee, a permanent consultative advisory body of NCC's Supervisory Board performing the following major functions:

- control and analysis of the matters essential for NCC in the area of financial statements, issues related to the effectiveness of internal control over the financial and economic activities, effectiveness of the system for risk and capital management, compliance and corporate governance;
- insurance of independence and objectivity in the area of internal and external audit, control over their operation efficiency;



- control in the area of counteractions to fraud and malpractice on the part of NCC's employees and third parties aimed against the Company, over regulatory and statutory requirements, and protected interests of the Company;
- assistance in promotion of personal awareness of NCC's Supervisory Board members regarding the financial and economic activities and overall internal control framework of the Company;
- preliminary consideration, analysis, development and provision of opinions and recommendations to NCC's Supervisory Board regarding the matters related to the functions and objectives of the Committee;
- preparation of evaluation of the opinion of NCC's auditor.

The composition of the Committee is determined by NCC's Supervisory Board, it con-

sists of three (3) members of the Company's Supervisory Board, who are independent directors. The Committee members are Anna Arkhangel'skaya (Chairman of the Audit Committee), Andrey Popov, Natalia Puzyrnikova.

The internal audit is one of the major components of NCC's internal control framework. NCC has in place the Internal Audit Service (hereinafter, IAS) – a standalone structural subdivision of internal audit – established to organize and perform the internal audit activity in compliance with the Federal Law 'On Banks and Banking Activity', the Federal Law 'On Clearing, Clearing Activities and Central Counterparty', the Bank of Russia Regulation 'On Organization of Internal Control in Credit Institutions and Banking Groups', and any other applicable laws of the Russian Federation and regulations of the Bank of Russia. IAS activity is also regulated by the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics and reports of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on 'internal control' and 'enterprise risk management'.



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The main objectives of IAS are as follows:

- independent evaluation of the efficiency and effectiveness of the organization and performance of the internal control activity, corporate governance, and financial and economic activities, organization of the risk management framework;
- evaluation of the efficiency of the approaches (methods) used to ensure safeguard of assets, compliance with the law and internal documents, information security, reliability, completeness, objectivity and timeliness of financial statements, statistical and other reports;
- drafting and subsequent control of recommendations on risk reduction, improvement of the risk management framework, and improvement and enhancement of the effectiveness of processes, systems, frameworks, and procedures;
- assistance in development and effective cooperation of the Group's internal audit.

NCC's internal audit activity is to provide independent and objective guarantees and consultations to NCC's shareholders and is aimed at improving NCC's operations. The targeted approach of NCC's internal audit is also to assist NCC's management in achievement of the established goals while using the systematic and consistent approach to the assessment and improvement of the processes of risk management, internal control and corporate governance.

IAS activity is based on such principles as independence, impartiality, constancy of activity, conscientiousness, professional competence and exclusiveness of IAS's activity. The Service operates under the direct control of NCC's Supervisory Board. The head of IAS is appointed to the position and dismissed by the resolution of the Supervisory Board.

In 2020, in compliance with the Articles of Association of NCC and recommendations of the International Standards for the Professional Practice of Internal Auditing (hereinafter, the Standards), the external evaluation of NCC's internal audit function was carried out.



The main goals of the external evaluation, carried out by AO Deloitte & Touche CIS, were analysis of compliance of NCC's IAS activity with the Standards, expectations of the stakeholders and identification of opportunities for further improvement of IAS activity. Based on the evaluation results, IAS activity was rated as partially consistent with the Standards and the Code of Ethics, the analysis also demonstrated that NCC's internal audit function was developing with regard to the majority of existing practices, recommendations for further development and convergence of IAS towards the Standards were submitted.

For implementation of the recommendations of AO Deloitte & Touche CIS and future development of internal audit function at NCC, the 3-year Road Map for transformation and development of NCC IAS was elaborated and approved by NCC's Supervisory Board. Besides, in 2020 the system actions were taken to strengthen IAS team, to improve the annual risk-based planning and monitoring of the recommendations and the methodological approaches to implementation of the process and the risk-based audit, application of the advanced IT methods, internal audit role with

account of the expectations of the main stakeholders. The key actions of the Road Map are planned to be completed by the end of 2021.

During 2020, NCC also initiated and substantially implemented the projects aimed at comprehensive strengthening and improvement of NCC's internal control framework.

As a part of the implementation of the Stabilization 3.0: Development of the System of Controls. Highly Critical Recommendations Project, the following improvements were introduced:

- approaches to the controls related to significant risk management in the area of improvement of certain trades / execution of transactions;
- functioning of the 'hotline', which enabled employees and other persons to inform promptly (including anonymously) about any conflicts of interests and any other compliance incidents and aimed at improving the level of trust and comfort of NCC employees, its clients and partners;
- the program to train NCC employees in the area of compliance providing for concept and improvement of the training for-



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mat, including usage of the multimedia content to lay key emphasis and arrest attention of employees.

Works under the Stabilization 3.0: Development of the System of Controls. Moderately and Highly Critical Recommendations Project will be continued by NCC in 2021.

In 2020, operational audit of NCC was successfully performed by PwC, auditing and consulting company, in compliance with Bank of Russia Regulation No 556-P of 11.11.2016 'On the Procedure for Conducting Operational Audit by Central Counterparty'.

Among other things, the audit covered such elements of NCC's activity as the corporate governance system in terms of internal control and risk management framework, stress testing of its risks and determination of the approaches to restoring of its financial sustainability.

Based on the audit results, the road map for implementation of the auditors' recommendations was developed and approved, which was partially implemented in 2020 and planned to be completed in 2021.

10.2. Audit

Revision Committee

The Revision Committee is a control body performing the functions of internal financial and economic control over NCC's activity. Members of the Revision Committee are elected at the annual General Shareholders Meeting of NCC.

The members of NCC's Revision Committee are:

1. Olga Melentyeva;
2. Maxim Nikonov;
3. Evgeny Zhdanov.

Operation of NCC Revision Committee is regulated by the 'Regulation on the Audit Committee' approved by the General Shareholders Meeting.

Audit

On 30 June 2020, the Annual General Shareholders Meeting passed its Resolution on approval of AO Deloitte & Touche CIS as its auditor under the Russian Accounting Standards (RAS) and the International Financial



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Full name and place of business of the self-regulatory organization of auditors, the member of which the auditor is (was)	Self-Regulatory Organization of Auditors “Russian Union of Auditors” (Association) (SRO RUA) 8 Petrovsky Pereulok, bld. 2, 107031, Moscow
Financial year, for which the auditor carried out the independent audit of the financial accounting and the financial statements in compliance with the Russian Laws and the International Financial Reporting Standards (IFRS)	2017, 2018, 2019, 2020

Reporting Standards (IFRS) for a period till the Annual General Shareholders Meeting of NCC in 2021.

In compliance with the legislation of the Russian Federation, AO Deloitte & Touche CIS is authorized to carry out independent audit of the financial accounting, financial statements and tax statements of NCC and financial performance for the financial year, the internal control framework, preparation and presentation of audit reports on the reliability of NCC’s statements for the financial year

generated according to RAS and IFRS, and, in case of detection of any material weaknesses of the accounting system and internal control, drafting of an information letter addressed to the NCC’s Governance describing the detected weaknesses.

The auditing organization has no significant common interests with NCC and Moscow Exchange Group. Interaction with the auditor is based on the Audit and Review Service Agreement. The purpose of audit is to express opinion on the reliability of the financial state-



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ments of NCC and the compliance of the accounting methods used with the legislation of the Russian Federation. The reliability implies the degree of accuracy of the information contained in the financial statements, enabling the users of such statements to draw correct conclusions concerning the results of the economic activities and financial and proprietary status of NCC, and to make informed decisions based upon such conclusions. During audit, the auditor audits the tax ledgers and tax statements provided by the Company in

the prescribed form of tax statements (tax returns, tax assessment, etc.) and the legitimate use of tax reliefs.

The purpose of the review is to draw a conclusion that during performance of the limited scope of control processes, no facts, which can form the basis to consider that NCC’s interim financial statements for the first half of the year were generated in all material respects according to International Accounting Standard 34 ‘Interim Financial Reporting’, were detected. The audit is a multi-phase process:

- » **Phase 1:** analysis of NCC’s information systems;
- » **Phase 2:** review of the interim financial statements according to IFRS for the first half of the year;
- » **Phase 3:** interim processes; audit of the status of accounting and control, account balances and tax statements for 9 months of the financial year;
- » **Phase 4:** final processes — audit of the status of accounting and control, account balances, financial statements according to RAS and IFRS, and tax statements for twelve-month the financial year.

According to the Audit and Review Service Agreement, the audit organization assumes the obligations of full compliance with

the legal acts of the Russian Federation and other regulations in compliance with Federal Law 307-FZ dated 30.12.2008 ‘On Auditing’,



international standards on audit, and federal auditing standards being in effect in the Russian Federation. In addition, the audit organization shall ensure the safety and return of the documents received during the audit, shall not disclose contents thereof or any other information without NCC's consent, except as otherwise specified by the legislation of the Russian Federation; shall provide the Company, upon its request, with the necessary information on the provisions of the Russian Federation legislation concerning audit, inter alia, tax audit and the regulations, on which the auditor's comments and conclusions are based; audits the documentation on the financial and economic activities of NCC and availability of any assets recorded by such documentation. In case of detection of any incompliances with the tax law and misstatements of the financial and tax statements of NCC, which are of the material nature, the audit organization shall inform the Company's Governance about the liability for such incompliances and the need to amend the financial statements, adjust the tax returns and assessments. The audit organiza-

tion shall determine the forms and methods of audit independently in compliance with the regulations of the Russian Federation and the specific terms and conditions of the Audit Service Agreement. During audit, the Company shall, on request of the auditor, be committed to providing an environment for and assisting the auditors for carrying out timely and complete audit and tax audit. NCC shall provide the specialists of the audit organization with any and all information requested by them and documentation required for audit, provide full explanations and confirmations on the auditors' request, and request data necessary for audit from third parties.

10.3. Disclosure of Information

NCC discloses the information as a credit organization, a clearing company and a central counterparty as well as in course of its performance of functions of the commodities supply operator in compliance with Federal



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Law 7-FZ dated 07.02.2011 'On Clearing, Clearing Activity and Central Counterparty', Federal Law 395-1 dated 02.12.1990 'On Banks and Banking Activities' and any other regulations and regulatory documents.

The main channel of disclosure is NCC's website, on which the information sufficient for forming an objective understanding of material aspects of NCC's activity is posted in the special section 'Disclosure', while taking into account the provisions of the law on the components and list of disclosed information. The website, in particular, publishes the information showing the results, statistics and other data on the Company, including corporate governance, annual results of NCC, financial statements, risk management and clearing activity, tariffs, information protection, etc.

NCC provides 24/7 access to the disclosed information to all stakeholders to review thereof free of charge and other restrictions. As a rule, any material events or actions of NCC are normally disclosed by publication of press releases.

In disclosing its information, the Company also complies with the international standards – requirements for information disclosure by the financial infrastructure institutions developed by the Committee on Payment and Settlement Systems of the Bank for International Settlements (CPSS) together with the Technical Committee of the International Organization of Securities Commissions (IOSCO). According to such requirements, NCC regularly discloses the performance metrics on its website.

NCC discloses its financial statements according both to the Russian and international standards and discloses additional information of its operations, which may be essential for the sole shareholder and other stakeholders, while maintaining a reasonable balance between transparency of the Company and protection of its business interests.

Website publishes the information according to the rules for interaction between business units of NCC in the course of information posting on the website. The document defines the sequence of actions of executive



officers / employees / structural divisions and their interaction when posting (disclosing/publishing) information on NCC's official site and its modification, the competency and responsibility of division concerning the website contents and maintenance.

10.4. Data Protection

During the reporting year, NCC protected the Company's information based on the normative acts and internal documents of NCC.

According to Regulation 382-P 'On the Requirements to Protect Information Related to Funds Transfers and on the Procedures for the Bank of Russia to Control the Compliance with the Requirements to Protect Information Related to Funds Transfers', NCC performed its scheduled evaluation of the compliance of the payment system sections with the established requirements with engagement of Deloitte, an independent auditor. The evaluation rating is 'satisfactory', the compliance level for last two years meets the required level.

Introduction of the stay-at-home restrictions in Moscow since the end of March 2020 demanded sharp change in the approaches to the information protection while working remotely. Therefore, the Information Protection Division took active part in building the remote access systems, conducting regular accesses security tests, organizing continuous operation of the organization in the environment of stay-at-home restrictions while developing the 'flexible office concept' regarding the safety and protection. The stay-at-home restrictions also had significant effect on the processes ensuring the continuous operation of the legally binding electronic document flow and accelerated the processes of conversion of paper document flow into the electronic form while ensuring the legal value, protection of integrity and confidentiality of documents.

Changes in the environment gave rise to NCC's necessity to build a more flexible infrastructure. The result of the above was development, together with IT, of the plans to upgrade its IT infrastructure with account of the provision the information protection at least at the existing level. The plans provide for step-



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by-step upgrade of the infrastructure during two years.

During the reporting period, NCC performed a number of tests regarding protection against penetration into the Company's infrastructure with engagement of a third-party company. The above actions were taken in NCC on an annually basis, however, in 2020 the research scope was increased significantly and covered, inter alia, payment system sections, main back office systems. Based on the results of tests, the objectives were set aimed to develop a procedure for updating the information systems regarding their security configuration. A system of continuous penetration testing using the specialized automated systems is planned to be established.

In 2020, the SWIFT Security Assessment was successfully performed. The assessment demonstrated the full compliance with SWIFT requirements, which was captured on the SWIFT customer portal and available to all SWIFT community members.

In addition, during the reporting year, a number of the objectives, aimed to improve the information protection, were attained, i.e.:

- research was carried out and resulted in introduction of the two-factor authentication in the product environment based on the user registrations by the domain controller. As a result, the employees were transferred to work remotely and use statutory two-factor authentication;
- the Technical Account Management Policy was developed and introduced and the technology for upgrading on an ongoing basis was developed;
- the new version of Kaspersky Security Center with FSB and FSTEC certificates was introduced. All infrastructure of NCC was transferred to Kaspersky Endpoint Security 11 and Kaspersky For Windows Servers 10.6.;
- as a part of compliance with the requirements of information security policies and the Bank of Russia, the new file gateway



technology was implemented between two physically separated network segments and the capacity to prove independent file directories for NCC divisions was configured;

- audit of change in the domain group membership was configured.

The main efforts on further improvement of the information security system will be aimed to implement the Road Map for the information security division's activity, which includes:

- Compliance with the requirements for information protection contained in Regulation No. 683-P, dated 17 April 2019, 'On Mandatory Requirements for Credit Institutions to Ensure Data Protection in Banking to Counter Unauthorized Funds Trans-

fers' and Regulation No. 684-P, dated 17 April 2019, 'On Mandatory Requirements for Non-bank Financial Institutions to Ensure Data Protection in Operations in the Financial Markets to Counter Illegal Financial Transactions'. In this case, the fact, that strict requirements for proper security levels are imposed on NCC as a credit institution and a central counterparty, is taken into account.

- Engagement in IT infrastructure upgrade according to the initiatives of the business and IT divisions aimed at maintaining the security levels.
- Further strengthening of the information security measures taking into account the changing threats, improved cycle of safe development of NCC's information systems.



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