Guidelines on Transferring Asset Profiles between MOEX Markets via the Unified Pool

SECTION I. Managing Unified Pool Collateral

Detailed information on managing Unified Pool collateral can be found in the documents Guidelines on how to work with the Unified Collateral Pool.

1.   Unified Collateral pool technology and cash management via asset profile transfer

1.1.   Unified Pool Settlement Account (hereinafter – UP SA) is used on the Derivatives, FX and Standardised Derivatives markets for transferring asset profiles from the Securities market to the Derivatives/FX/Standardised Derivatives markets.

1.2.   All collateral assets accounted for in the Unified Pool Settlement Account are accounted for in the Securities market Trading system. At the same time, part of the Single Limit from the Securities Market in the form of an asset profile is transferred to the trading systems (TS) of the FX/Derivatives/Standardised Derivatives markets.

1.3.   The transferred asset profiles are accounted for in the TA of the Securities and FX/Derivatives /Standardised Derivatives markets in the Unified Pool Settlement Account and are taken into account when calculating the Single Limit on the relevant market.

1.4.   As a result of the transfer of the asset profile from the Securities market to other markets, an analogue of the collateral appears, which is taken into account in the relevant TA[1].

1.5.   It is possible to transfer profiles of the following types of assets:

- to the FX market and the precious metals market – Russian rubles, foreign currencies and precious metals which can be used to conclude transactions on the FX market and the precious metals market (provided that a collateral account is opened in the corresponding currency/precious metal);

- to the Derivatives market – Russian rubles, as well as securities, foreign currencies and precious metals[2];

- to the Standardised Derivatives market – Russian rubles and foreign currencies which can be used to fulfill obligations on the Standardised Derivatives market.

2.   Ways to transfer the profile

The profile is transferred using one of the following methods:

- via the Clearing terminal;

- by order through the trading terminal of the Securities, FX or Derivatives markets.

2.1.   Submitting an order via the Clearing Terminal.

The procedure:

Menu 'Transfer' → 'Profile transfer' → 'Request for assets profile transfer' → Add Request → Fill in the following fields in the request form:

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[1] The following abbreviations will be used herinafter:
- Trading system of the Securities and FX markets – ASTS
- Trading system of the Derivatives market – Spectra
[2] In accordance with the list, **posted** on the NCC website (NCC | Unified Collateral Pool (nationalclearingcentre.ru)

- *SA* – selecting from the list of active Settlement Accounts linked to the Unified Pool;

- *TA* – Trading Account, selecting from a list of 1st level TAs with the Unified Pool feature;

- *Market* – selecting from the list of markets assigned to the Settlement Account;
- *Asset* – selecting from the list of assets assigned to the Settlement market;
- *CR/SA of the 2nd (3rd) level* – choosing the active Account of the clearing register section for the Derivatives market or the Settlement Account of the 2nd, 3rd level for the Securities and FX markets;
- *Amount* – the debited/credited amount. For the debited market the amount is entered with a minus sign, for the credited market – with a plus sign. When adding /removing a new amount, the value of the *'Balance under currencies'* field – the total amount for each of the entered currencies changes. The balance amount is highlighted in red if not equal to 0.

Figure 1. Request for assets profile transfer in the Clearing Terminal

A market is added by clicking the 'Add market' button and deleted by clicking the 'Delete market' button ⊠.

An asset is added by clicking the 'Add asset' button and deleted by clicking the 'Delete Asset' button ⊠.

The amount is added by clicking the 'Add amount' button and deleted by clicking the 'Delete amount' button ⊠.

When filling in the request form to transfer the profile, it is necessary to check the following:

- Filling in all the required fields;

- Balance under all currencies equals 0;

- The debited amount must equal the sum of detailing.

By clicking the 'Sign and send' button, the operation of adding a request is confirmed. By clicking the 'Cancel operation' button, it is cancelled.

2.2. Submitting orders using the ASTS of the Securities or FX markets.

Choose the menu item 'NCC' → 'Transferring asset profiles' → Fill in the following fields in the request form:

- Trading Account (a Unified Pool Trading Account which includes a UP SA);

- First market: the market from which the asset profile is transferred, by default – the Securities market;
- Push 'Add changes' and fill in the following fields in the form:
  o asset code;
  o clearing register (mandatory for the Derivatives market, optional for the Securities and FX markets);
  o amount of transferred profile (with a minus sign if the profile is transferred from the first market and with a plus sign if the profile is transferred to the first market).
- Second market: the market to which the asset profile is transferred;
- Push 'Add changes' and fill in the following fields in the form:
  o asset code (from the list);
  o clearing register (mandatory for the Derivatives market, optional for the Securities and FX markets);
  o amount of transferred profile (with a plus sign if the profile is transferred to the second market and with a minus sign if the profile is transferred from the second market);

  The clearing register can be indicated:
- on the Securities and FX markets – 2nd or 3rd level SA (optional);
- on the Derivatives market – code of a clearing registers section (a mandatory field);
- not filled in for the Standardised Derivatives market.

Figure 2. Request for transfer of profiles of positions on assets in ASTS of the FX and Securities markets

2.3. Filing orders via the Derivatives market terminal Spectra.

Select the menu item 'Administration' → 'Request for transfer of profiles of positions on assets' → in the open form fill in the fields:
- Unified Pool Trading Account (Trading account which includes a Unified Pool Settlement Account);
- Unified Pool Settlement Account;
- Select the market from which the asset profile is transferred;
- Select the market to which the asset profile is transferred;
- Then make a table of transfers and indicate:

  o clearing register of the first market (mandatory for the Derivatives market, optional for the Securities and FX markets);

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- o asset code;
- o amount of the transferred profile (it is possible to transfer both positive and negative amount, a minus sign means that a negative profile is transferred);
- o clearing register of the second market (mandatory for the Derivatives market, optional for the Securities and FX markets).

Press «+» to add the chosen features in the table for the transferred profiles. Add a new line if necessary.
The clearing register can be indicated:

- in the Securities and FX markets – 2nd or 3rd level SA (an optional field);
- in the Derivatives market – code of a clearing registers section (a mandatory field);
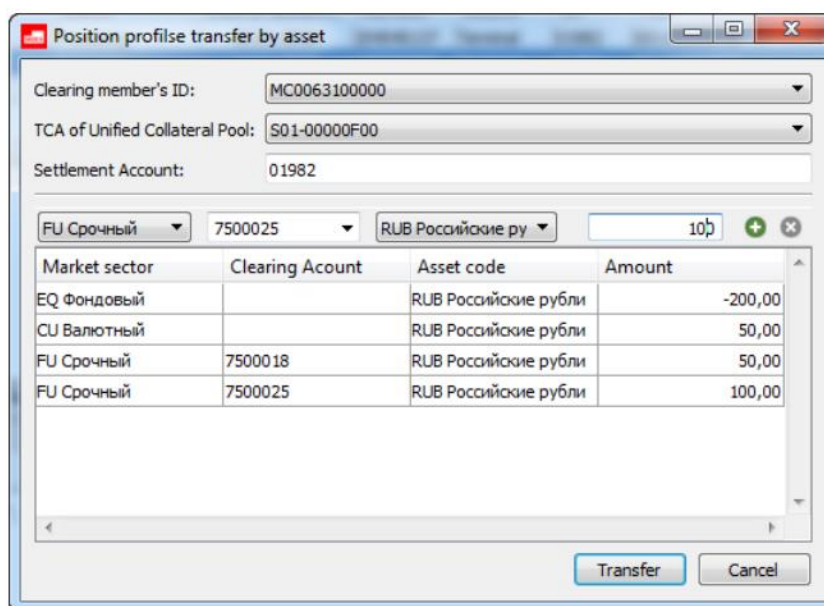- not filled in for the Standardised Derivatives market.

Figure 3. Position profiles transfer by asset in Spectra

2.4.   Transferring asset profiles between markets when crediting the Unified Pool Settlement Account with cash funds.

Two steps for crediting the Unified Pool Settlement Account with cash funds:

- crediting cash funds to the Unified Pool Settlement Account on the Securities market;
- simultaneous transfer of the asset profile to the FX, Derivatives or Standardised Derivatives markets, depending on the code word specified by the Clearing Member in the purpose of the payment (if the code word of the Securities market is specified, the profile is not transferred, the funds remain on the Securities market).

When transferring cash funds to the Unified Pool Settlement Account, in the purpose of the payment the Clearing Member indicates the code word of the market to which the asset profile is being transferred:

- *for the FX market:*
- o **ORK** – the code word dedicated to an asset profile transfer in RUB
- o **UVR** – the code word dedicated to an asset profile transfer in foreign currency

In order to transfer an asset profile to the 2nd or 3rd level SA one must additionally specify the number of the 2nd or 3rd level SA in the format *M2XXXXXYYYYY*, associated with a Unified Pool Settlement Account.

- *for the Derivatives market:*

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- *DKU/XXXXX/XX from DD.MM.YYYY. Code of the clearing register section RRRRRRR* – for transferring an asset profile in RUB

- :72:/BNF/FORTS*RRRRRRR* UNDER AGR *DKU/XXX*

  //XX/XX FROM *DD.MM.YYYY* – for transferring an asset profile in foreign currency

  where

  ДКУ(DKU)/ XXXXX/XX – number of the Clearing Membership Agreement

  ДД.ММ.ГГГГ/ DD.MM.YYYY – day, month and year of the Clearing Membership Agreement conclusion

  RRRRRRR – number of the code of the clearing register section to which the asset profile will be transferred

- *for the Standardised Derivatives market:*
- *OTC* – the code word dedicated to an asset profile transfer in RUB and foreign currency

SECTION II. Methodological Recommendations for Using the Asset Profile Transfer Functionality

1.   The collateral is managed by the Clearing Member. Asset Profile Transfers between markets allow to control the amount of available funds.

If managing Asset Profiles in a timely manner, it is possible to control the amount of the collateral requirements on the Moscow Exchange markets.

Asset Profile transfers are possible between markets in both positive and negative amounts.

In some cases, the reverse transfer of profiles (the transfer of a negative profile) provides a decrease in margin requirements. This section describes some principles and recommendations for managing Asset Profiles on the Moscow Exchange markets.

2.1   Securities market

Fulfillment of obligations under transactions concluded under the Unified Pool Settlement Accounts on the Securities, FX, Derivatives or Standardised Derivatives markets takes place on the Securities market.

Liabilities from the FX, Derivatives and Standardised Derivatives markets transferred to the ASTS of the Securities market, cease to be accounted for in the clearing systems of these markets and the profile changes by the amount of the transferred liabilities.

2.1.1   In order to conduct operations on the FX, Derivatives and Standardised Derivatives markets, funds/assets are transferred between the Securities market and other markets in the form of Asset Profiles.

Figure 4. Request for transfer of profiles of positions on assets in ASTS of the Securities market

2.1.2   Transfer of profiles with the feature 'short sales prohibition' (hereinafter referred to as the SSP).

The feature SSP for a security means that for T+ transactions with such a security, clearing is carried out with full collateral for such a security.

If a security has the feature SSP, then it is possible to transfer the profile in an amount not exceeding the size of the asset balance.

2.1.3   The occurrence of a negative Single Limit on any of the markets leads to blocking the possibility of withdrawing funds on the Securities market. To unlock the possibility of

withdrawing funds, it is necessary to ensure a positive value of the Single Limit on the relevant market. Debt elimination is possible, including by transferring the profile.

2.2. **Derivatives market**

Transferring asset profiles between the Derivatives market and other markets is possible with assets **listed** on the NCC website.

Figure 5. Position profiles transfer by asset in Spectra

The calculation of the Initial Margin on the Derivatives market is carried out considering the availability of the transferred asset profiles which are the basic asset of the corresponding derivatives. The calculation considers the joint margining of the asset profile and positions on concluded contracts for this asset (considering the established net, semi-net, gross margin rules). The initial margin of a Derivative contract secured by the profile of such a basic asset is not blocked.

In case there is an open derivative position and there are shares in the collateral on the Securities market that are the underlying asset of the corresponding derivatives and/or obligations/requirements for these shares, when transferring the profiles of the corresponding shares between the markets, the Initial Margin is calculated considering the netting.

In case there is an open derivative position for the exchange rate of foreign currency against the Russian ruble on the Derivatives market and the corresponding foreign currency and/or obligations/requirements for this foreign currency are secured on the FX/Securities market, when transferring the profile of the corresponding foreign currency between the markets, the Initial Margin is calculated considering netting.

2.2.1. Closing positions of a Derivative contract.

After closing a position on a Derivative contract, the asset profile transferred to the Derivatives market blocks the Initial Margin in Spectra.

In order to release the Initial Margin, the Member must make a reverse transfer of the profile from the Derivatives market to the Securities or FX market in the amount of the closed Derivative position.

2.2.2. Fulfilling obligations on the Derivatives market.

When a Derivative contract expires, the Derivative position disappears, but the asset profile transferred to the Derivatives market blocks the Initial Margin in Spectra.

In order to manage collateral and prevent over-margining, the Member must make a reverse profile transfer, i.e. the asset profile remaining after the execution of the Derivative contract will be reset to zero and stop blocking Initial Margin in Spectra.

Below is an example showing the need to adjust the profile after the execution of Derivative contracts or closing a position on contracts compensated by the transferred profile.

1. The Unified Pool is credited RUB50 000

Securities Market	RUB	SBER
Funds	50 000	0
Obligations	0	0
Asset profiles	0	0

Single Limit = 50 000

Derivatives Market	RUB	SBRF-12.22
Funds	0	0
Obligations	100	0
Asset profiles	0	0

Free Initial margin = 0

2. RUB20 000 are transferred to the Derivatives market

Securities Market	RUB	SBER
Funds	50 000	0
Obligations	0	0
Asset profiles	-20 000	0

Single Limit = 50 000 − 20 000 = 30 000

Derivatives Market	RUB	SBRF-12.22
Funds	0	0
Obligations	0	0
Asset profiles	20 000	0

Free Initial margin = 20 000

3. A Derivative position with the closest expiration date is open for SBER[3] shares and 100 SBER shares are purchased

Securities Market	RUB	SBER
Funds	50 000	0
Obligations	-13 700	100
Asset profiles	-20 000	0

Single Limit = 50 000-20 000-13 700+137*100*0,75=26 575

Derivatives Market	RUB	SBRF-12.22
Funds	0	0
Obligations	0	-1
Asset profiles	20 000	0

Free Initial margin = 20 000 − 1*13 700*25% = 16 575

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4. The obligation to purchase SBER shares is fulfilled. In order to post collateral for the SBER shares Derivative position the SBRF_CLT profile consisting of 100 shares is transferred to the Derivatives market

Securities Market	RUB	SBER
Funds	36 300	100
Obligations	0	0
Asset profiles	-20 000	-100

Single Limit = 36 300 - 20 000 = 16 300

Derivatives Market	RUB	SBRF-12.22
Funds	0	0
Obligations	0	-1
Asset profiles	20 000	1

Free Initial margin = 20 000

1 lot SBRF-12.22 corresponds to 100 SBRF_CLT

5. Fulfilling the SBRF-12.22 Derivative contract and further fulfilling obligations on the Securities market

Securities Market	RUB	SBER
Funds	36 300+13 700	100-100
Obligations	0	0
Asset profiles	-20 000	-100

Single Limit = 36 300+13 700-20 000-100*137*25% = 26 575

Derivatives Market	RUB	SBRF-12.22
Funds	0	0
Obligations	0	0
Asset profiles	20 000	0

Free Initial margin = 20 000-1*13 700*25% = 16 575

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[3] SBER share price is RUB137 per share, risk corridor [102,75; 171,25]. Suppose the share price matches the Derivative on SBRF. The minimal 1st level restrictive Initial Margin rate = 25%. The required Initial Margin for purchasing the contract is RUB3 425. 1 lot SBRF-12.22 = 100 SBER shares.

After filfilling or closing the Derivative position in order to free the Single limit blocked for the tranferred profile, a reverse transfer must be made (asset profile transfer with a minus sign).

6. In order to free the excess blocked Single limit and Initial Margin, profiles must be evened out.

Securities Market	RUB	SBER
Funds	50 000	0
Obligations	0	0
Asset profiles	-20 000	-100+100

Single Limit = 50 000 - 20 000 = 30 000

Derivatives Market	RUB	SBRF-12.22
Funds	0	0
Obligations	0	0
Asset profiles	20 000	1-1

Free Initial margin = 20 000

1 lot SBRF-12.22 corresponds to 100 SBRF_CLT

2.3. FX Market

Transfer of profiles to the FX market is possible for any assets used in transactions on the FX market and the precious metals market (Russian rubles, foreign currencies, precious metals).

Figure 6. Request for transfer of profiles of positions on assets in ASTS of the FX market

If there are foreign currency obligations on the FX market and there is a profile of the corresponding foreign currency transferred from other markets, the calculation of the Single Limit is carried out taking into account netting. At the same time, the calculation of the Single Limit does not take into account currencies that are not accepted as collateral.

2.3.1. Fulfillment of obligations on the FX market.

When fulfilling obligations on the FX market, the profile is automatically transferred from the ASTS of the FX market to the ASTS of the Securities market in an amount equal to the amount of the fulfilled obligations. The profile formed during the execution affects the Single Limit. In order to manage the Single Limit, the Member can perform a reverse profile transfer ('align' the profile).

Below is an example demonstrating the need to 'align' profiles when executing transactions on the FX market.

1. The Securities market was credited RUB200

Securities Market	RUB	USD
Funds	200	0
Obligations	0	0
Asset profiles	0	0

Single Limit = 200

Derivatives Market	RUB	USD
Funds	0	0
Obligations	0	0
Asset profiles	0	0

Single Limit = 0

2. RUB40 were transferred to the FX market

Securities Market	RUB	USD
Funds	200	0
Obligations	0	0
Asset profiles	-40	0

Single Limit = 160

Derivatives Market	RUB	USD
Funds	0	0
Obligations	0	0
Asset profiles	40	0

Single Limit = 40

3. USD1 was bought on the FX market for RUB60 (the risk corridor for USD is [40;80]

Securities Market	RUB	USD
Funds	200	0
Obligations	0	0
Asset profiles	-40	0

Single Limit = 160

Derivatives Market	RUB	USD
Funds	0	0
Obligations	-60	1
Asset profiles	40	0

Single Limit = -60 + 40 + 1*40 = 20

4. a) reflection of the obligations to be fulfilled on the Securities market;

Securities Market	RUB	USD
Funds	200	0
Obligations	-60	+1
Asset profiles	-40	0

Single Limit = 200 − 60 − 40 + 1*40 = 140

Derivatives Market	RUB	USD
Funds	0	0
Obligations	0	0
Asset profiles	40	0

Single Limit = 40

b) the profiles of the fulfilled obligations are reflected on the FX market

Securities Market	RUB	USD
Funds	200	0
Obligations	-60	+1
Asset profiles	-40+60	-1

Single Limit = 200 − 60 − 40 + 60 + 1USD = 160

Derivatives Market	RUB	USD
Funds	0	0
Obligations	0	0
Asset profiles	40-60	+1

Single Limit = 40 − 60 + 1*40 = 20

Events a) and b) happen simultaneously.

5. Fulfilling obligations on the Securities market.

Securities Market	RUB	USD
Funds	140	1
Obligations	0	0
Asset profiles	-40+60	-1

Single Limit = 140 + 1*40 − 40 + 60 − 1*40 = 160

Derivatives Market	RUB	USD
Funds	0	0
Obligations	0	0
Asset profiles	-20	1

Single Limit = -20 + 1*40 = 20

If on that day the Member no longer plans to conclude transactions on the FX market, after fulfilling obligations asset profiles (RUB and USD) must be transferred to the Securities market, because the Single limit is aimlessly blocked for them.

6. To release the aimlessly blocked funds in the Single limit, it is necessary to align the profiles.

Securities Market	RUB	USD
Funds	140	1
Obligations	0	0
Asset profiles	20-20	-1+1

Single Limit = 140 + 1*40 = 180

Derivatives Market	RUB	USD
Funds	0	0
Obligations	0	0
Asset profiles	-20+20	1-1

Single Limit = 0

For assets that are not accepted as collateral (or not fully accepted), the automatically transferred profile of such a currency is not taken into account in the Single Limit when fulfilling obligations. In order to increase the Single Limit, profiles for such currencies must be reset.

2.3.2. Transfer of profiles in the presence of the feature 'short sales prohibition' (hereinafter - SSP).

The feature SSP for a foreign currency means that transactions with such a currency and transactions with settlements in such a currency are cleared with the full collateral for such a foreign currency.

If the feature SSP is set for a foreign currency, it is possible to transfer the profile to an amount not exceeding the size of the asset balances.

To perform trading operations with a foreign currency with the feature SSP, the following points must be considered:

▪ there must be a remainder on the Securities market;

▪ it is possible to transfer the profile to an amount not exceeding the balance on the Securities market, and considering the fact that the SSP rule on the Securities market will not be violated;

▪ sales are possible in the amount not exceeding the value of the transferred profile.

2.4. **Standardised Derivatives Market**

Since all Settlement Accounts of the Standardised Derivatives market are Unified Pool Settlement Accounts, the funds of a Member in the Standardised Derivatives market are transferred asset profiles.

Calculation of the Single limit on the Standardised Derivatives market considers the transferred currency profiles, concluded contracts and active applications of the Member.

The Member controls the sufficiency of collateral by timely transfer of the currency profiles.

The presence of counter obligations and collateral (transferred asset profiles) allows to reduce the number of collateral requirements and thus increase the amount of the Single Limit.

In order to eliminate over margining, the Member may maintain the sufficiency of the Single Limit in accordance with the existing obligations and not transfer the profiles in the amount of obligations under swaps or forwards.

2.4.1. Fulfilling Obligations on the Standardised Derivates market

The procedure for fulfilling the obligations on the Standardised Derivatives market using the Unified Pool Settlement Accounts is similar to the procedure for fulfilling the obligations on the FX market using the Unified Pool Settlement Accounts.

The fulfillment of obligations on the Standardised Derivatives market is carried out on the Securities market. When fulfilling obligations under the transaction, the profile value changes, and the Single Limit in the Trading and Clearing System of the Standardised Derivatives market is recalculated in accordance with the current position of the Member.

In order to control the Single Limit after fulfilling obligations, the Member must 'align' the profile by transferring a positive or negative currency profile to avoid reducing the Single Limit on the Standardised Derivatives market.

To eliminate over margining after the execution of the contract, the Member can control the amount of the transferred profile in accordance with the existing obligations.

Since settlements under Contracts take place on the Securities market, there is no need to transfer the profile equal to the amount of the fulfilled obligations under the Contract.