
NATIONAL SETTLEMENT DEPOSITORY

The National Settlement Depository (NSD) is Russia's central securities depository, offering its clients a wide range of services, including depository services, settlement and cash services, registration of OTC trades, information services, collateral management services and technology services.

The NSD is recognized by the Bank of Russia as a systemically important central securities depository, settlement depository and repository. The NSD payment system is of systemic and national importance. The NSD has accounts in central securities depositories and international settlement and clearing houses in seven countries, as well as correspondent accounts in several top-tier foreign and Russian banks. At present, the NSD is servicing securities of issuers from over 40 countries.

In 2018, the value of assets deposited at the NSD increased by 12% YoY to RUB 43.9 trln. In 2018, the NSD handled 20,100 corporate actions involving Russian securities, up 30% YoY. The number of corporate actions involving foreign securities grew by 48% YoY, to 12,600.

The value of OFZ balances in foreign nominee accounts totaled RUB 1.7 trln, compared to RUB 2.2 trln in 2017.

Central Securities Depository

In 2018, the NSD continued to develop the centralized system for record keeping of mutual fund units (Mutual Fund Platform), aimed at unifying interactions between brokers, asset management companies and specialized depositories/registrars in the collective investment market. The integration of the Mutual Fund Platform with the QUIK software package was successfully completed, which allowed brokers' clients (nominees) to enter the collective investment market. This integration stimulated brokers, asset management companies and investors to conduct transactions with mutual fund units on the primary market. In 2018, eight new clients, including four asset management companies, joined the Mutual Fund Platform.

In 2018, the NSD continued to develop expertise on the use of blockchain technology. For the first time in Russia, bonds were placed using the NSD's blockchain-based smart contracts. In addition, a pilot ICO was performed together with Sberbank and the Bank of Russia. When regulatory changes in this area come into force, a further decision will be made in relation to the development of this service.

The NSD continuously develops services focused on operations with foreign assets and international markets. In 2018, the NSD provided its clients with an opportunity to open individual accounts for settlements at International Central Securities Depositories (ICSDs). At the end of the year, 10 segregated accounts were opened in Euroclear Bank, allowing for the separate accounting of depositors' securities. The main advantage here is the ability to make payments in the "back-to-back" mode, when funding for a trade is carried out using the difference between the receipt and delivery of securities. Further advantages are additional services used by the ICSDs (technical netting, linked transactions, prioritization of instructions), which increase liquidity and allow a trade to be funded immediately prior to settlement rather than in advance.

Collateral Management

In 2018, the value of repo transactions serviced by the NSD's collateral management system (CMS) totaled RUB 17.6 trln, compared to RUB 42.6 trln in 2017. This included Federal Treasury repo transactions with the CMS totaling RUB 17.3 trln. The average open position of repo transactions with the Federal Treasury's quasi-sovereign bonds with the CMS totaled RUB 300 bln, while the average period of repo transactions increased from 2.89 days in 2017 to 6.17 days in 2018.

In April, participants were given access to repo transactions with a floating rate calculated using monetary indicators developed jointly with the Federal Treasury. The new monetary indicators are linked to the RUONIA ruble money market benchmark and take into account banks' contributions to the mandatory reserve fund. This tool allows participants to raise funds for longer periods and makes borrowing cheaper and more attractive. In 2018, MOEX began connecting Federal Treasury repo transactions to its OTC terminal.

In 2018, the world's first trilateral repo transaction was executed with the use of blockchain-based smart contracts. For settlements, the NSD's collateral management services were used, which allow the parties of repo transactions to automate the performance of mark-to-market margins and report on the OTC trade to the repository.

Repository

In 2018, the number of trades registered with the NSD's Repository increased by 10.6% YoY to RUB 12.5 mln. The volume of registered trades amounted to RUB 434.8 trln (compared to RUB 472.3 trln in 2017).

The format and logic verification (FLV) service launched in 2017 helped to significantly improve the quality of information provided by clients to the repository. FLV plays an important role in minimizing the number of inaccurate trade parameters and curbing the submission of information that does not meet reporting deadlines specified by applicable legislation.

Corporate Actions Center

In 2018, 3,969 meetings of securities holders were organized through e-voting technology, 338 corporate actions on the repurchase of securities totaling RUB 65 bln and 40 corporate actions related to the exercise of preemptive rights, which resulted in RUB 6.3 bln worth of securities being purchased.

In 2018, 13 shareholder meetings were held using e-voting technology; the e-voting systems and the registrar's system were used simultaneously at several meetings, providing investors and issuers with the widest possible opportunity to use the e-voting service.

Settlement and Payment System

In 2018, the value of money transfers in Russian rubles decreased by 18% YoY to RUB 288.8 trln, while the value of transfers in foreign currency increased by 20% YoY to RUB 46.9 trln. In 2018, the total value of operations in Russian rubles and foreign currency on clients' bank accounts totaled RUB 335.7 trln.

In 2018, the NSD improved communication channels with clients via an API (a banking webservice). The system now enables the connection of clients' software packages to the NSD's payment services in real time.

Identification of Market Participants

In January 2018, the NSD was the first company in the Russia and CIS region to obtain local operating unit (LOU) status, having passed all stages of the accreditation process by the Global Legal Entity Identifier Foundation (GLEIF). In addition to the Russian Federation, the NSD as LOU serves other jurisdictions, including the CIS, Western and Eastern European countries, and other countries of the world, whose market participants may apply to the NSD for the assignment and service of legal entity identifiers (LEI).

The NSD also acts as the National Numbering Agency for Russia and the Substitute Numbering Agency for the CIS countries that assigns international security code numbers, such as ISIN, CFI and FISN. In 2018, the NSD, as the National Numbering Agency, assigned 1,754 ISIN, CFI and FISN codes to Russian financial instruments, and 34 codes as the Substitute Numbering Agency.

The NSD, as the Numbering Agency and LOU, ensures the implementation of international codification standards in the Russian and CIS markets, which increases market transparency, promotes the markets' integration into the international market infrastructure and simplifies and optimizes operations in the financial market.

Technology Services

In 2018, 13 new users were granted technical access to SWIFT services, bringing the total number of users to 69. The average monthly traffic of Service Bureau clients rose 43% YoY, amounting to 332,000 messages per month. In 2018, the Bank of Asia became the first client of the NSD's SWIFT Service Bureau in the Kyrgyz Republic.

The Transit 2.0 project, a new system for the exchange of financial messages between corporations and banks, created by the NSD based on the previous version of Transit, continued to be actively developed. Until now, its main user base has been professional securities market participants who exchanged electronic documents during depository activities and cash settlements. The updated version of the project significantly expands the user base and capability of users. The system can now be used by corporations and banks for automatic exchange of payment and documentation, including messages in the ISO 20022 international format.