
Risk management

KEY RISKS

Moscow Exchange Group has built an integrated risk management system; however, each Group company faces its own inherent risks associated with the specific field of its activities. Thus, Moscow Exchange, as the parent company of the Group, assumes the risks of a market operator.

That said, the Group's principal risk taker is the National Clearing Centre (NCC) on the grounds that it operates as clearing house and central counterparty for all main markets of Moscow Exchange Group and an operator of deliveries in the Commodities Market.

The Group's comprehensive risk management system (RMS) extends to the NSD, the infrastructure powerhouse of the Russian financial market, whose priorities are the reliable operation and stable development of the following key areas:

- ▶ Central securities depository;
- ▶ Clearing system;
- ▶ Commodities repository;
- ▶ Tripartite services;
- ▶ Corporate information center.

SYSTEM FOR MANAGING RISKS TO THE CURRENT STRATEGY

The principles and approaches employed by the Group in installing and operating the risk management system (RMS) are based on best international practices implemented in compliance with national and international risk and capital management standards. The Group holds an annual audit of its compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures, the COSO Enterprise Risk Management Framework, and the guidelines of the Basel Committee on Banking Supervision on procedures to be employed by credit institutions in the sphere of risk and capital management. In 2018, the CCP NCC, the principal risk taker of the Group, retained its DNV Business Assurance Management System Certificate ISO 9001:2015, an international standard denoting best global practice in the field of business and quality management. The Bank was audited by DNV GL, an international certification company. DNV GL's standards establish clear requirements for management of business processes to serve as the basis for a predictable and stable level of quality of products and services.

In 2018, the Exchange achieved the ISO 27001:2013 (Information Security Management Systems) and ISO 22301:2012 (Business Continuity Management Systems) certification covering the organization of on-exchange trading, clearing and other services on the Equity and Bond, Derivatives, FX and Money Markets. This certification ensures that the Exchange and NCC fully meet over 100 technical and administrative requirements in the area of information security and business continuity.

The integration of risk management functionality in business processes makes it possible to identify risks and assess their materiality in a timely manner, and to ensure an efficient response by mitigating potential adverse effects and/or by reducing the probability that they will materialize. Tools for mitigation include insurance, hedging, limit requirements and transaction collateral requirements.