

CSDs: DCC (Russia), NSD (Russia)

Date: 17 Aug 2011

SMI Markets: Russia

CMIRR Markets: Russia

Draft Law on CSD Concept – Update

Further to our previous newsflash, the Ministry of Finance has published the latest version of the draft law on the Central Securities Depository (CSD). The salient points of the law are as follows:

- CSD can open nominee accounts only with registrars or settlement depositories;
- The minimum capital requirement for the CSD is RUB 2 billion;
- CSD is required to process daily reconciliation with registrars;
- CSD will be required to conduct operational audit at least once a year in accordance with the international standards;
- CSD will not be allowed to perform any clearing activities;
- Foreign nominee concept will be allowed in Russia.

CSD Risk Impact

DCC (Russia)

CSD Rating: A+

CSD Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = AA-

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = Positive

The draft law set a minimum capital requirement of RUB 2 billion for CSD. The capital of DCC was RUB 1.186 billion (as at 31 December 2011), so, the regulation (if it was finalised in its present form) would require DCC to raise capital.

The introduction of the foreign nominee concept in the Russian market should reduce operational risk exposures due to the simplification of reconciliation from beneficial owner level to omnibus level accounts, as well as cutting safekeeping costs for foreign investors. The requirement of an annual operational audit will also positively impact Operational Risk.

However, the latest version of the draft law on the CSD does not tackle the main issue raised by the market, i.e. the lack of definition of a CSD, as a central system for handling of securities under SEC Rule 17(f)7.

NSD (Russia)

CSD Rating: A+

CSD Flash Impact: Stable

Impacted Risk Type: Financial Risk

Current Rating = AA

Flash Impact = Stable

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = Positive

NSD is already compliant with the minimum capital requirement of RUB 2 billion since its capital was RUB 8.193 billion as at 31 December 2010.

The introduction of the foreign nominee concept in the Russian market should reduce operational risk exposures due to the simplification of reconciliation from beneficial owner level to omnibus level account, as well as cutting the safekeeping costs for foreign investors. The requirement of an annual operational audit will also positively impact Operational Risk.

However, the latest version of the draft law on the CSD does not tackle the main issue raised by the market, i.e. the lack of definition of a CSD, as a central system for handling of securities under SEC Rule 17(f)7.

Market Information Impact

Russia

This information affects the data contained in the Local Market Administrative Organisations, Settlement and Safekeeping/Post Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Russia

Market Rating: BBB

Market Flash Impact: Positive

Impacted Risk Type: Financial Risk

Current Rating = A-

Flash Impact = Positive

Impacted Risk Type: Operational Risk

Current Rating = BBB

Flash Impact = Positive

The financial capacity of the future CSD will be strengthened due to higher minimum capital requirements.

The introduction of the foreign nominee concept in the Russian market should reduce operational risk exposures due to the simplification of reconciliation from beneficial owner level to omnibus level account, as well as cutting the safekeeping costs for foreign investors. The requirement of an annual operational audit will also positively impact Operational Risk.

However, the latest version of the draft law on the CSD does not tackle the main issue raised by the market, i.e. the lack of definition of a CSD, as a central system for handling of securities under SEC Rule 17(f)7.

Related Flash: [Draft Law on CSD Concept – Update, 04/07/2011 \(click to view\)](#)

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