

Work-stream status: Green Amber Red

Derivatives

- The Committee welcomes the effective appointment of NSD as the sole trade repository. It also supports the use of master legal agreements under the Russian Civil code which should be enforceable soon upon receipt of a clean legal opinion leading to greater opportunities to trade and hedge risk and more efficient use of capital under Basel III when it is introduced in 2013.
- The Derivatives Committee believes that the guidelines, as proposed in the BIS consultative document: 'margin requirements for non-centrally-cleared derivatives', may have a fundamental negative impact in shaping the derivatives market in Russia. Participating organisations, including key international banks, law firms, academia and consultancies with specialist knowledge of the Russian and international derivatives markets, therefore produced a paper in September 2012 with suggestions to the Russian Central Bank and our Russian MIFC counterparts such that it could add value to their response.
- The group would like to highlight that the effectiveness of collateral agreements in bankruptcy needs to be ensured and that the judiciary needs to be properly equipped to be able to deal with the complexities involved in the dispute resolution surrounding derivatives.

Securities

- The most notable accomplishment was the passing of the Central Securities Depository law on 1 January 2012 and the 6 November 2012 news that the Russian financial markets regulator Federal Financial Markets Service granted the National Securities Depository (NSD) status as the country's Central Securities Depository (CSD). This is probably the most important liberalisation measure in the domestic market since the rouble became convertible. Implementation will bring greater efficiencies, transparency and lower risk to the securities markets through centralising and simplifying trading and post trade services. It will help Russia compete on the international stage, and we look forward to the introduction of access for foreign nominee accounts and the approval of ICSDs e.g. Euroclear and Clearstream, CSDs, and global custodians.
- We would like to highlight the outstanding work Moscow Exchange senior management have done in promoting Russia's attractive investment climate and rapidly improving financial regulations.
- Plans to bring the settlement regime in line with key international markets are welcomed by participants.
- Russia is progressing steadily along the path of FTSE country classification towards potential promotion from a Secondary Emerging Country to Advanced Emerging and ultimately, Developed status.
- We are aware NAUFOR has prepared a large-scale regulatory reform of securities registration and placement procedures that will make the Russian domestic primary market safer and more competitive. We welcome this work and strongly encourage implementation of best global standards in Russia's primary market.

Education, Training and Qualifications

- The Education Qualifications and Training (ETQ) work-stream has been working closely with its proactive new Russian counterpart, Professor Oleg Preksin of the Financial University, to spur activity in Moscow. The programme coordinators have created a ten-point action plan with colleagues in both centres to help develop an education, training and professional qualifications programme for MIFC which is appropriate both for the Russian market and regulators and for the global financial community. The most important next step at the outset of 2013 is to ensure there are appropriate resources to help develop each of these into concrete actions.
- The need for improved 'human capital' to help with the rapid and successful launch of MIFC is clear. This will cover professional qualifications, educational links between the Financial University and UK counterparts, and training towards membership of professional bodies. Professor Preksin has suggested a survey to identify precise requirements amongst national and international firms and regulators in Moscow, in terms of types, qualities and quantities of human capital required. This survey will help to identify the gaps and to fine-tune the roadmap that will determine the future activities of the ETQ work-stream.
- A further key objective is to ensure that senior regulators – at the Central Bank of Russia, the Federal Financial Markets Service and the Ministry of Finance – and those responsible for the development of qualifications at both the Council of the Federation and the National Agency for Development of Qualifications are fully involved in and supportive of the likely ETQ requirements to ensure the swift and successful development of the MIFC.

Branding, Marketing and PR	
<p>Chairman of Brand, Marketing and PR work-stream, David Burnside, had a meeting with Senator Mikhail Margelov in London in September to review global communications plans for MIFC. Subsequently, a comprehensive communications proposal has been resubmitted to Senator Margelov, which included communications plans across the following territories: UK and Europe, Russia and CIS, APAC, Africa, Latin America, the Gulf States and Israel. Subject to authorisation, <u>a worldwide communications campaign is now ready for all appropriate markets.</u></p>	
Regulation and Supervision	New
<ul style="list-style-type: none"> • The work of the Regulation & Supervision work-stream (formerly the Regulatory & Administrative Environment work-stream) was the subject of a Report by its Chairman that was finalised in May 2012, in advance of the Third Meeting on the MIFC Liaison Group on 2 July 2012. It examines the overall RAE framework in the context of the MIFC and identifies key determining factors for the effective development of financial markets in Moscow. These included the features of the regulatory and supervisory system that need to accompany these factors, taking into account relevant international frameworks. • <u>The Russian authorities initiated a review of financial market regulation in Russia and are considering several proposals for creation of a so-called financial “mega-regulator”.</u> Scenarios under consideration include the FFMS joining the Central Bank, the Central Bank creating a separate agency with delegated FFMS powers and extending the authority of the FFMS. • Given the importance of the appropriate regulatory and supervisory framework for the long-run development of Moscow as an IFC, <u>the Russian authorities made a request for the group to provide an international perspective on the optimal financial market regulatory framework in Russia.</u> The work-stream has therefore been re-named “Regulation and Supervision”. The UK side remains available to assist and <u>looks forward to identifying the precise subjects on which the Russian side would wish the work-stream to focus</u> at the Fourth Liaison Group meeting on 11 December, including the possibility of organising an MIFC Regulation and Supervision conference in January / February 2013. 	
Alternative Dispute Resolution	
<ul style="list-style-type: none"> • The MIFC ADR work-stream chaired by Khawar Qureshi QC produced an interim report in December 2011 and a Final Report in June 2012 which highlighted matters in respect of which ADR capability could be enhanced within the MIFC and Russia more generally. Both reports were presented to the Russian authorities and the subject of seminar presentations in Moscow and London. • The ADR work-stream remains available to assist further as required and is awaiting guidance from the Russian authorities on whether it should provide any further input. 	
Public Private Partnerships	
<ul style="list-style-type: none"> • Andrei Baev has been appointed as the new UK Chairman of the Public Private Partnerships work-stream. The incoming chairman has strong links with Russian businesses and extensive experience of dealing with projects in Russia spanning Infrastructure, Oil & Gas and Power. • The UK side of the Liaison Group is working closely with Vnesheconombank and Alexander Bazhenov, the Russian Chairman of the PPP work-stream, to support the development of an efficient PPP mechanism for the construction of a physical IFC in Moscow <u>and looks forward to receiving the MIFC PPP project proposal, which Vnesheconombank is currently finalising.</u> 	