

Summary from Chairman Howard Snell on behalf of the Securities Stream

This update highlights the great progress made and suggestions for the next months. There has been a number of encouraging business practices that meet international standards and make it easier for all to do business in a way that will support Russia's privatisation programme and help Moscow flourish as an International Financial Centre.

- The most notable accomplishment is the passing of The Central Securities Depository law on January 1, 2012. 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. We support and encourage the speedy development of a trade repository for financial products as proposed by the National Securities Depository. NSD held in April its inaugural International Consulting Committee including representatives from Securities Stream member firms, and we support NSD's plans for change that would make accessing the Russian market easier for international institutions.

- I would like to highlight the outstanding job MICEX-RTS President Ruben Aganbegyan and his team have done in engaging with this Securities Stream including a presentation in person by MICEX-RTS Ekaterina Novokreshchenykh and a successful MICEX-RTS seminar in London for 200 in April featuring a broad spectrum of speakers from the investment community. These promote Russia's attractive investment climate and rapidly improving financial regulations. We note MICEX delivered ahead of schedule the introduction of its closing auction, and, through our parallel requests, FTSE, the global index company, led the creation with other providers in 2012 of an Index Industry Association that can co-ordinate the adoption of auction-driven closing prices within their index series: this will be expedited by recognition of Russian authorities that the MICEX-RTS closing auction become a record of reference. Plans like the phased extension of settlement from T+0 to T+3 starting with the 35 most liquid names as early as November are welcomed by participants. To build on this positive momentum, we look forward to more detail in a project plan to understand when proposed changes will take place as the industry begins to prepare for implementation.

- 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. MICEX + RTS + NAUFOR co-ordinated answers to updated FTSE country questionnaires with the result that Russia earned more criteria upgrades than any other country since we together raised FTSE Country Classification at our June 2011 inaugural MIFC Joint Liaison Group. This is an excellent example of cooperation among Russian and UK counterparts, and, to build on the positive momentum, we encourage focus on the outstanding areas for improvement on the quality of markets matrix, see Appendix.

- Development of a local Pensions system is integral to building a domestic institutional investment base comprising Pension funds, Insurance companies, and Sovereign Funds. We believe this is so important that we suggest an inclusion of this issue as part of a dedicated MIFC work stream for Long-Term Finance Solutions.

- We discussed measures to develop the Russian IPO/SPO market. It was very encouraging to hear that disclosure will be permitted in English with IFRS financial statements and that steps will be taken to bring standards of disclosure and corporate governance in line with best practice. As a practical suggestion, we believe it would greatly facilitate the process of listing an issuer, in the context of an international IPO, if it is possible to use English as the working language for the review of the disclosure document prior to its approval.

- We are aware NAUFOR has prepared a large-scale regulatory reform of securities registration and placement procedures that will make Russian domestic primary market safer and more competitive. NAUFOR's work, commissioned by the Moscow IFC Working Group, resulted in a number of amendments to the securities laws that are expected to be laid before Duma during its autumn session later this year. We welcome this work and strongly encourage implementation of best global standards in Russia's primary market.

- The derivatives market has potential to increase activity in longer dated options maturities – currently 95% of liquidity is in the next month/quarterly contract – this can contribute to increased liquidity in the cash equities market due to the resulting hedging of these options. To support an increased number of underlying securities for futures and options, appointing market makers could help towards the provision of necessary

liquidity. Similarly, support for Contracts For Difference (CFDs) can complement liquidity as CFD providers naturally hedge CFDs with the underlying cash equity.

Appendix

Figure 1. FTSE Country Classification quality of markets matrix shows Russia's positive progress in recognition.

FTSE operates a country classification structure within which countries are categorised as Developed, Advanced Emerging, Secondary Emerging and Frontier status within its global benchmarks. Russia currently is classified as Secondary Emerging.

Following the June 2011 inaugural Russia UK Moscow International Financial Centre Joint Liaison Group, MICEX-RTS became an enhanced point contact for FTSE by communicating updated evidence collected cooperatively from MICEX-RTS, NAUFOR – the National Association of Securities Market Participants in Russia, and relevant stakeholders including the legal and brokerage community. The positive result is that the March 2012 FTSE Country Classification Committee further upgraded ratings of Quality of Markets criteria, and the table below shows the advancement of the Russia market such that the number of 'Not Mets' declined, i.e. improved, from 9 to 3 since the revised engagement in 2011 catalysed by the MIFC JLG.

Outstanding areas for improvement include:

'Formal stock market regulatory authorities actively monitor market'

'Fair and non-prejudicial treatment of minority shareholders'

'Non or selective incidence of foreign ownership restrictions'

CRITERIA	DEVELOPED	ADVANCED EMERGING	Mar-12	Sep-11	Sep-10	SECONDARY EMERGING	FRONTIER
World Bank GNI Per Capita Rating			Upper Middle	Upper Middle	Upper Middle		
Credit Worthiness			Investment	n/a	n/a		
Market and Regulatory Environment							
Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	X	X	Restricted	Restricted	Pass	X	X
Fair and non-prejudicial treatment of minority shareholders	X	X	Not Met	Not Met	Restricted		
Non or selective incidence of foreign ownership restrictions	X	X	Not Met	Not Met	Not Met		
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	X	X	Pass	Pass	Pass	X	X
Free and well-developed equity market	X	X	Restricted	Not Met	Not Met		
Free and well-developed foreign exchange market	X	X	Pass	Restricted	Not Met		
Non or simple registration process for foreign investors	X	X	Restricted	Restricted	Pass		
Custody and Settlement							
Settlement - Rare incidence of failed trades	X	X	Pass	Pass	Pass	X	X
Custody-Sufficient competition to ensure high quality custodian services	X	X	Restricted	Restricted	Pass	X	
Clearing & settlement - T + 3, T + 5 for Frontier	X	X	Restricted T+4	Restricted T+4	T+7	X	X
Stock Lending is permitted	X		Not Met	Not Met	Not Met		
Settlement - Free delivery available	X		Restricted	Not Met	Not Met		
Custody - Omnibus account facilities available to international investors	X	X	Restricted	Not Met	Not Met		
Dealing Landscape							
Brokerage - Sufficient competition to ensure high quality broker services	X	X	Restricted	Restricted	Not Met	X	
Liquidity - Sufficient broad market liquidity to support sizeable global investment	X	X	Pass	Pass	Pass	X	
Transaction costs - implicit and explicit costs to be reasonable and competitive	X	X	Pass	Pass	Pass	X	
Short sales permitted	X		Restricted	Restricted	Restricted		
Off-exchange transactions permitted	X		Pass	Pass	Pass		
Efficient trading mechanism	X		Pass	Pass	Pass		
Transparency - market depth information / visibility and timely trade reporting process	X	X	Pass	Pass	Pass	X	X
Derivatives							
Developed Derivatives Market	X		Restricted	Not Met	Not Met		
Size of Market							
Market Capitalisation \$mn (0.002% of GEIS LMS invest mkt cap)			770,609	949,149	374,988		
Total Number of Listed Companies (min 3)			283	249	304		