

# NAUFOR

Russian National Association of  
Securities Market Participants

## NAUFOR and Regulation of Russian Securities Market

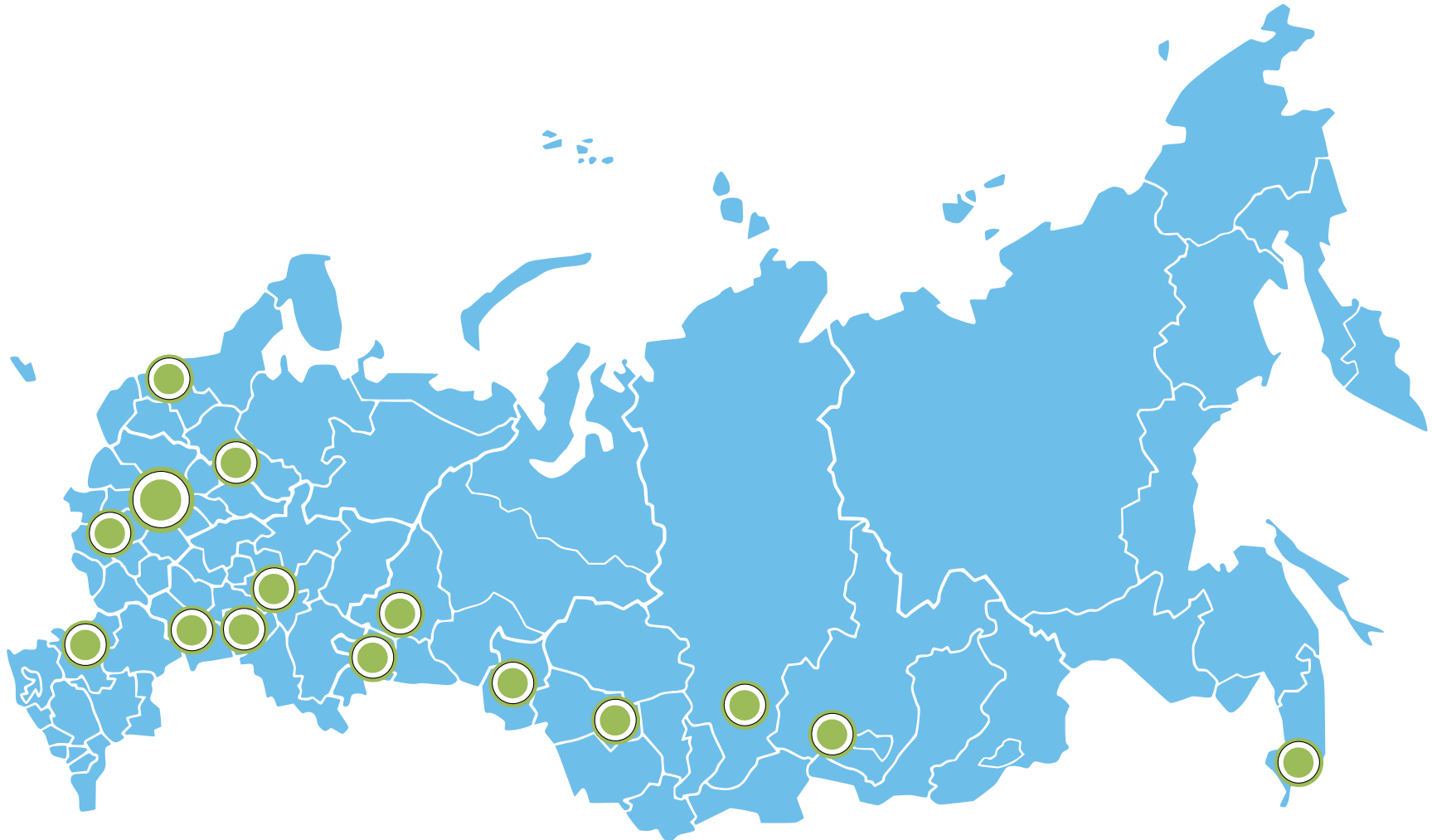
November 6, 2009

# National Association of Securities Market Participants

- In 1995 NAUFOR was founded as the first SRO to support Russian securities market
- NAUFOR was established and operates under the Securities Market Federal Law and is authorized by the Federal Financial Markets Service
- Today Association unites 400 member firms
- Regulation – Oversight – Enforcement
- About 1/3 of total market population submit reporting to NAUFOR
- Certification of industry professionals
- Dispute Resolution
- Member of IOSCO
- 70 full-time employees
- Headquarters in Moscow and 14 Regional Offices

**NAUFOR**

# 14 NAUFOR Regional Offices Across the Country



**NAUFOR**

# Membership

- NAUFOR member firms hold licenses for acting as a broker, dealer, securities trust manager, depository
- Non-Banks (320) and Commercial Banks (80)
- Companies based in Moscow (80%) and in other regions of Russia (20%)
- Local companies and subsidiaries of global companies
- 2 Russian Settlement Depositories (NDC, DCC)

# Governance of the Association

- Council of NAUFOR (Members General Meeting) is the supreme authority in governance of the Association. Council endorses main areas of work and elects Board of Directors
- Board of Directors consists of 16 representatives of member companies and 6 independent directors. Board of Directors approves plan of Association's work, financials, documents of Association including rules and standards, appoints Executive Board and its Chairman
- Chairman of Executive Board is responsible for routine management of NAUFOR

# NAUFOR Standing Committees

- Legal Committee
- Risk Management Committee
- Disciplinary Committee
- Broker Committee
- Asset Management Committee
- Depository Committee
- Debt Instruments Committee
- Accounting and Taxation Committee
- Working Group on Internal Control



# NAUFOR Rules and Standards

Federal Legislation – Federal Regulation – SRO Rules and Standards

- “NAUFOR Code”
  - General Standards for Business Conduct (submitted for approval)
  - Risk Management Standards (enforced)
  - Internal Control Standards (enforced)
  - Standards for Market Abuse Prevention (enforced)
  - Standards for Business Conduct for Brokers (under development)
  - Standards for Business Conduct for Underwriters (under development)
  - Standards for Business Conduct for Asset Managers (under development)
  - Standards for Business Conduct for Depositories (enforced)
- Various standards and model documents (enforced)

# Ideal Model

- NAUFOR Research “Russian Securities Market and Creation of International Financial Center. Ideal Model of the Russian Securities Market in a Long-term Perspective (Until 2020)”
- 3 Parts:
  - Current Conditions
  - Ideal Model Parameters
  - Recommendations on Achieving the Ideal Model
- Ideal Model is incorporated to:
  - Governmental Strategy for Financial Market Development (by Federal Financial Markets Service)
  - Concept of Developing an International Financial Center in Russia (by Ministry of Economic Development)



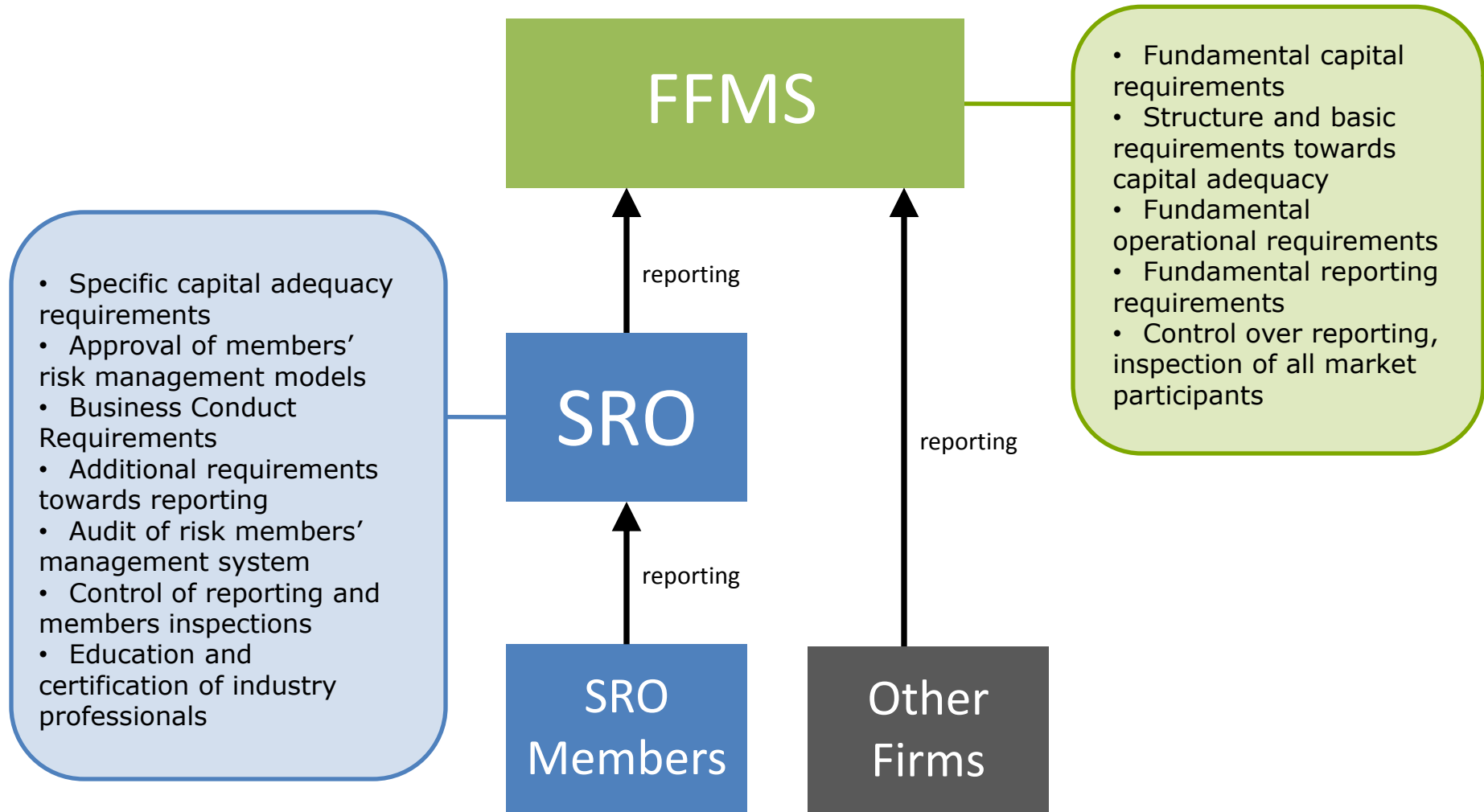
# Nearest Regulatory Plans

- Prudential Oversight (Governmental Strategy for Financial Market Development)
- Measures to reduce risks in the market (Governmental Strategy for Financial Market Development and Concept of Developing an International Financial Center in Russia )
- Mandatory membership in SRO for a broker, dealer, trust manager that deals with public (Governmental Strategy for Financial Market Development)
- Simplification of securities issue procedures and SRO Control over securities public offerings (Governmental Strategy for Financial Market Development and Concept of Developing an International Financial Center in Russia )

# NAUFOR Initiatives

- Model of FFMS-NAUFOR Risk-Based Oversight
- United Exchange-NAUFOR Risk Management System

# NAUFOR Blueprint of the Risk-Based Oversight



# NAUFOR Blueprint of the United Risk Management System

- Applying trading limits for market members consistent with SRO classification of members (other market members get 'maximum risk' limits)
- Disclosure of suspicious trading activity and reporting to SRO

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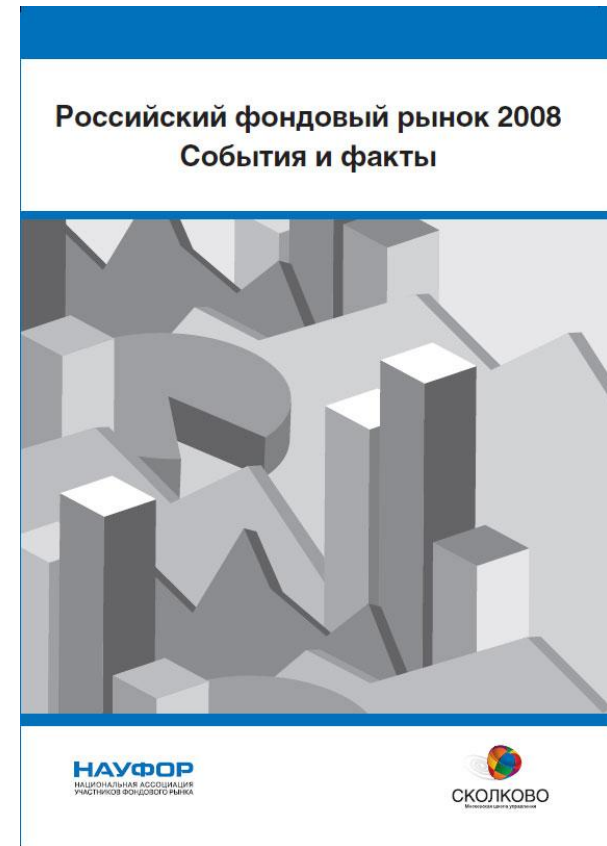
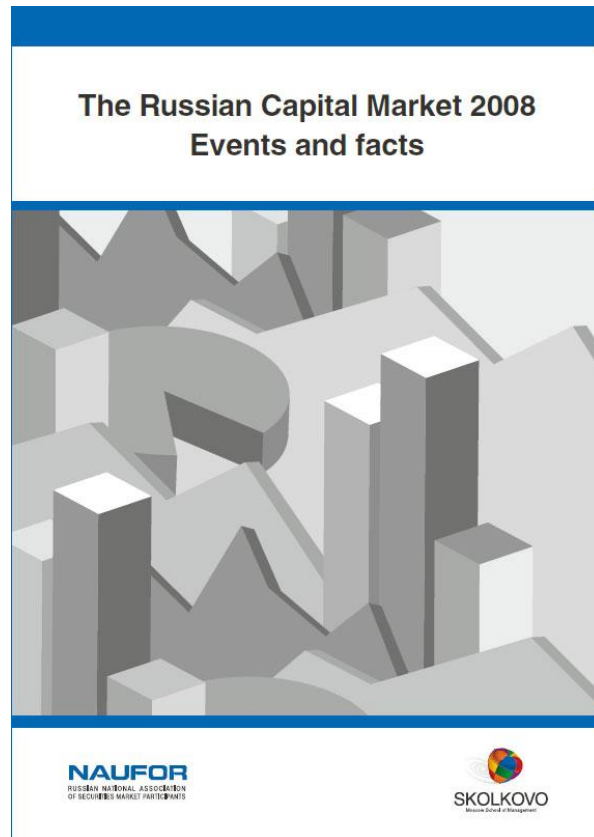
SRO

RTS

- Evaluation of risks and classification of members based on their reporting and inspections
- Investigation of suspicious trading activity in regard to manipulation, insider trading, conflict of interest etc.)

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# [www.naufor.org](http://www.naufor.org)



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