



Thomas Murray Affirms the Central Securities Depository Rating for the Depository Clearing Company at A+ with 'N/A' Outlook

Monday 20th February, 2012

PRESS ANNOUNCEMENT

LONDON - Thomas Murray, the specialist custody rating, risk management and research firm has affirmed The Depository Clearing Company's (DCC) rating as A+, which translates as 'low Overall Risk'. The rating is made up of the following components:

CSD Rating	Overall Rating	Asset Commitment Risk	Liquidity Risk	Counterparty Risk	Financial Risk	Operational Risk	Asset Servicing Risk
	A+	AA-	A+	A+	AA-	AA-	AA-

The overall rating of 'A+' reflects the continuing efforts made by DCC during the past year in minimising risk. Thomas Murray has affirmed the ratings for the component risks with no change.

DCC's rating of 'A+' relates to a low risk exposure profile. An outlook of 'N/A - Not Applicable' has been assigned by Thomas Murray. The outlook reflects the future integration of DCC into NSD which is scheduled for July 2012. Consequently, the individual Public CSD rating for DCC will be withdrawn upon integration.

DCC has continued to provide a high level of service and effective operations during a period of uncertainty as its parent, RTS Group, has undergone a merger with its rival Russian exchange group, MICEX. The merger of the groups was announced in February 2011, received approval from the Federal Anti-monopoly Service of the Russian Federation in September 2011, and was concluded to form a single company named Open Joint Stock Company (OJSC) MICEX-RTS in December 2011.

The merger process has, however, inhibited the development of major new services and initiatives within DCC during this time, which have been deferred, abandoned or not been fully adopted by participants.

A list of developments that have been completed last year and the consequent effect on risk ratings is detailed below:

- Introduction of tolerance limits for DVP settlement with maximum USD 25 limit. Consideration accounted for in assessment of matching, but minor impact on market practice has not resulted in any change to the Liquidity Risk rating
- Introduction of Transaction Reference field as a free field, which can be used for providing extra information in instructions. Consideration accounted for in assessment of processing and reporting, but minor impact on market practice has not resulted in any change to the Operational Risk rating
- Business Continuity arrangements have been reviewed and enhanced by the move to a more secure building and the increase of alternative office capacity. This has resulted in an upgrade in the rating of DCC's business continuity

capabilities, but this has been insufficient to upgrade the Operational Risk rating

- The external operational audit conducted by KPMG in 2010 was not renewed in 2011, hence, full reliance cannot be placed on its accuracy. Consequently, the assessment of DCC's operational audit has been downgraded, but this has been insufficient to downgrade the Operational Risk rating
- RTS Clearing Centre has extended the range of eligible cash collateral accepted to include USD. Combined with enhanced information provided concerning the margining model and Clearing Fund stress-testing scenarios, the assessment of the on-exchange/CCP settlement assurance arrangements has been upgraded, although this has been insufficient to upgrade the Counterparty Risk rating
- In July 2011, the Settlement Chamber linked to the BESP (Banking Electronic Speedy Payments) system at the CBR which provides an option (by client choice) for immediate cash settlement rather than cash settlement in one of the payment system batches. This has been noted in the Asset Commitment Risk section but is insufficiently used to have any material impact on the Asset Commitment Risk rating
- Eight additional reports have been added to the EDI service, having a minor impact on the assessment of DCC's reporting capabilities. This was, however, insufficient to upgrade the Operational Risk rating.

Simon Thomas, CEO and Chief Ratings Officer of Thomas Murray, said, "Thomas Murray has noted the difficult environment DCC has had to work in over the last 12 months, and DCC staff should be applauded for continuing to service their clients in a highly professional manner. We hope that the strong service culture provided by DCC continues into the new integrated central depository, and are hopeful that it will deliver an efficient, low risk solution for the Russian capital market".

Mikhail Laufer, President of The Depository Clearing Company, said, "The Depository Clearing Company has valued working with Thomas Murray over the last few years. The annual rating process has been invaluable in identifying areas for improvement which has helped shape our service development strategy and risk policies."

The CSD rating assesses the risk exposures for investors associated with the processes the CSD has in place to facilitate the safekeeping and the clearing and settlement of securities, where applicable. It assesses six key risks. The methodology considers the capabilities of the depository and the quality and effectiveness of its operational infrastructure. It also assesses the depository's willingness and ability to protect its participants or clients from losses. As part of the rating, the scope and quality of the depository's services is assessed. The ratings are on a consistent global scale, using the familiar AAA to C ratings scale. Once the rating is assigned there is an ongoing surveillance process to monitor the depository.

Separately, Thomas Murray maintains proprietary assessments of over 130 CSDs globally as part of the Thomas Murray Depository Risk Assessment services. These reports are available via Thomas Murray at www.thomasmurray.com.

 [Click here to view the Public CSD Rating for Russia's Depository Clearing Company.](#)

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About Thomas Murray

Thomas Murray is a specialist custody rating, risk management and research firm specialising in the global securities services industry. Thomas Murray was established in 1994. The company tracks and analyses over 250 custodians globally and monitors the risk of over 100 capital market infrastructures. The company has a strong position as a provider of public and private ratings and risk assessments on global custodians, domestic custodian banks and capital market infrastructures.

www.thomasmurray.com

About the Depository Clearing Company (DCC)

DCC was established on 29 October 1993 under the Federal Commission on Securities Market project sponsored by US AID. It began operations in 1993. DCC provides depository, settlement and some clearing services for equities traded on "Classica" and "Standard" markets of the MICEX-RTS Stock Exchange. It is supervised by the Federal Service for Financial Markets of the Russian Federation.

www.dcc.ru

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