

Dear colleagues,

We really appreciate the opportunity to comment on the consultative report on Principles for Financial Market Infrastructures prepared by the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO). As a member of the European Association of Central Counterparty Clearing Houses (EACH) our bank took part in preparing the comments provided by EACH and we give our full support to the ideas as provided by the Association.

In addition to the response given by EACH to CPSS-IOSCO Consultative report on Principles for financial market infrastructures we would like to outline some items which are of great importance for us as a CCP.

We would like to point out the issue of managing and containing customers' risks in Principle 3 "Risk Management Framework". In our opinion it is not applicable to CCPs activity. We consider the idea of sharing responsibility among CCP's participants for their customers to be industry's best practices. At the same time we fully understand the responsibility of CCPs to manage systemic risk estimating the size or concentration of positions held by a CCP's participants and their customers.

As for the number of defaults in Principle 4 "Credit Risk" we have a practice of using 1 or 2 participants' default in our estimates depending on the market. In our stress test in FX market we include 2 participants' default with the largest credit exposure. In derivatives market we include 1 participant's default with the largest credit exposure. Cash equities and fixed income markets are fully collateralized at 100% as well as delivery versus payment system in these markets is applied.

Regarding Principle 5 "Collateral" we would like to complete Explanatory note (Paragraph 3.5.1.) "Similarly, a CCP should collect sufficient collateral, in the form of margin, to cover fully its participants' open positions with a high degree of confidence (see principle 6 on margin)" with the text "as well as in the form of additional financial resources according to the provisions of principle 4 on credit risk". The same approach was announced at the meeting in Moscow on June 9 which was devoted to the new principles for FMIs and their implementation where Daniela Russo (European Central Bank) supported this proposal. , Principle 5 "Collateral" presumes that all financial resources of an FMI could be used to cover

risks under normal and stress scenarios, that is margin and other additional financial resources.

We completely agree with the opinion expressed by EACH on Principle 6 “Margin”. Applying stress-testing of margin coverage could lead to excessive margining and therefore we support the exclusion of stress-testing from Principle 6. We also consider margin to cover the risk under normal market conditions. We can expect that the results of stress test to be always above the margin available. However we fully support the idea of stress testing in regard of Principle 4 “Credit Risk”.

There is also an important issue of using simulated positions in stress-testing estimates. In our opinion actual market positions should be applied during stress-testing regarding the definition of such testing estimated the risk under plausible stress scenarios.

In conclusion, we would like to note that Russian new clearing legislation (the law “On Clearing and Clearing Operations”) contemplates both CCP clearing and non-CCP clearing, also regulating the operation of a central counterparty.

At present, in furtherance of the provisions of the law, the Russian financial regulators (the Bank of Russia and FFMS of Russia) are drafting the by-laws regulating CCP operation, rules and procedures. In particular, in accordance with the law, FFMS of Russia shall establish unified requirements to CCPs and their operations and, upon approval of the Bank of Russia, develop the methodology of stress testing for the CCP risk management system.

With best regards,

Deputy Chairman of the Board, member of the Board

Alexandr Sarchev