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**FINAL REPORT**  
**Trading Systems and Clearing and Settlement in the**  
**Russian Federation**

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Submitted by  
**Barents Group LLC**

2001 M Street, NW  
Washington, DC 20036  
USA

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## 1 INTRODUCTION

This project was the last in a series of USAID-funded projects to build Russia's central equity market infrastructure. At first glance, modern and low-risk securities markets consist of systems that

- ◆ Pool order flow and allow efficient price discovery (typically represented by a stock exchange), and,
- ◆ Rapidly provide cash to the seller and the shares to the buyer

However, successful capital markets are more than a simple collection of systems. They are created by strong institutions that set up the rules of fair play, and minimize risk and disruption to market participants. Although more work will be done over the next few years to perfect the Russian equity market's systems and institutions, this project and its predecessors have left their imprint in the form of three crucial organizations that will form the core of the market's continued development.

The overall long-term goals of the project were to build capital markets infrastructure that (1) marshaled market and regulatory forces to restructure Russian industry by changing the behavior of the management of Russian enterprises, and (2) mobilized domestic savings and foreign capital for investment in Russian industry. Concrete steps were taken in the direction of achieving these goals through the creation of central capital market institutions.

At the end of the project, all key task order goals were met.

- ◆ **NAUFOR** has become the national broker/dealer SRO, and is working closely with the FCSM to implement a program of compliance and surveillance that will tighten up the activities of the Russian broker/dealers, while simultaneously lowering the cost of regulation.
- ◆ **The Russian Trading System** is clearly the leading market for shares of privatized companies in Russia, with a national footprint and influence.
- ◆ **The Depository Clearing Company** is on track to become Russia's Central Depository for securities, in competition with the national depository organized by MICEX.

At the conclusion of the project, each of these institutions was pointed in the direction of modern market principles, and away from the disorder, corruption, and inefficiency that surrounded them in the overall economy and society. This success of this project (and those of its predecessor and sister projects) is an achievement of which USAID and other donors can be justifiably proud.

This final report is organized as follows:

- ◆ Project Background
- ◆ Objectives And Accomplishments (project details)
- ◆ Next Steps And Lessons Learned

## 2 PROJECT BACKGROUND

The task order for *Trading Systems and Clearing and Settlement Organizations in the Russian Federation* was the last in a series of projects to build Russia's central equity market infrastructure. USAID's post-privatization stream of assistance was aimed at the creation of an enabling environment conducive to a free and fair market economy. The Russian Federal Commission on the Securities and Capital Markets (RFCSCM), with the assistance of the Resource Secretariat sponsored by USAID and other donors, actively contributed to this goal through the development of a basic capital market infrastructure. Only by activating domestic and foreign investments will a true restructuring, driven by the demands of the market, begin to take shape. The capital markets infrastructure, designed by the Resource Secretariat and put in place by USAID and other donor nations, is the conduit through which this future investment will flow.

The institutions required for a modern capital market are complex and varied. Two of the most crucial functions are trading and clearing and settlement.

- ◆ Trading institutions, traditionally organized as stock exchanges with trading floors, collect orders from investors and pool order flow and allow efficient price discovery. Stock exchanges are typically *self-regulatory organizations* that set their own rules and discipline their own members, with oversight from a government regulator.
- ◆ Clearing and settlement organizations (now often referred to in emerging markets as "Central Depositories") maintain the process of rapidly transferring cash to sellers and shares to buyers, and transferring cash from buyers to sellers, all while minimizing risks to counterparties.

USAID focused many early efforts on building these institutions in the Russian Federation.

### TRADING SYSTEMS

KPMG's second task order for the *Secondary Markets Development* (task order 14-0067-KPMG (5/1/95 - 8/31/95)) put the basic foundation of the equity markets in place. An extensive evaluation and analysis of the Russian market, its participants, and different world trading systems, led to the selection of a quote-driven over-the-counter electronic trading system similar to the United States NASDAQ system.

The Secondary Market Development Project had the following goals:

- ◆ *Establish regional trading organizations*. Establish at least four participant-driven regional trading organizations (SROs) that would organize regional markets for privatized shares.
- ◆ *Establish an over-the-counter trading system*. Work with the organizations and market participants to develop economically viable mechanisms for securities trading.
- ◆ *Develop trading rules and guidelines and a self-regulatory capacity*. Work with market participants and regulators to establish guidelines and industry practices in the area of securities trading, support the creation of self-regulatory capabilities.
- ◆ *Link the trading system and procedures to existing infrastructure*. Work with market participants and regulators to define interfaces with other parts of the securities industry, specifically clearing and settlement, broker/dealer back office operations, and securities regulation.

Each of these goals was achieved.

- ◆ A pilot version of the system operated for eight months in Moscow, with over 30 of Russia's largest securities brokerage companies as users, providing quotations and trading the shares of 83 privatized companies. Trading on the pilot system resulted in more efficient markets, through the timely dissemination of better information about quotations, and in the narrowing of bid/offer spreads. By June 1995, spreads in the more liquid issues were down to approximately 3 percent.
- ◆ During the operation of the pilot trading system in Moscow, additional telecommunications hubs were established in the emerging regional financial capitals (St Petersburg, Ekaterinburg, and Novosibirsk). By July 1995 individual brokers in these financial centers were electronically integrated with Moscow brokers, resulting in a national market system (the Russian Trading System).
- ◆ To trade on the trading system, brokers were required to join one of four regional broker/dealer self-regulatory organizations. The broker-members of the SROs developed founding charters for these organizations, and the charters have been agreed upon, and implemented. In addition, guidelines and standards have been drafted for member participation, trading practices, and rules of fair play. Enforcement directors (at the SRO level) and compliance officers (at the individual member firm level) have been hired or appointed to encourage and enforce compliance with the new rules.

## CLEARING AND SETTLEMENT

A second task order (task order 13-0062-KPMG, 5/1/95 - 6/30/95), addressed the problem of shareholder recordkeeping and clearing and settlement. KPMG Barents created CSOs in St Petersburg (the Settlement Depository Center or SDC) and Vladivostok (the Primorsky Central Depository or PCD). Governance rules were established, procedures for book-entry cash and securities settlement have been developed, staff has been recruited and trained, and computer systems to implement book-entry clearing and settlement were procured.

Specific accomplishments in Vladivostok included

- ◆ Work with the PCD to develop procedures for full CSO guideline functionality, and to institute all required features on a pilot basis.
- ◆ Advice to senior management to ensure strategic continuity in order to carry the PCD and the VISE to a state of long-term viability.
- ◆ Work with senior management of the PCD to establish a commitment to the concept of the Depository as a customer-, member-, and market-driven organization, responsive to member's concerns, and adaptable to the needs of the market.
- ◆ The development of an organizational structure for the PCD, including recruiting and training plans.
- ◆ Work with the VISE/PCD systems development group to develop standard policies and procedures for software development, laying the foundation for efficient future enhancements to the systems. Hardware and software were procured to increase the PCD's capacity.

In St Petersburg, accomplishments at the Settlement and Depository Center (SDC) included

- ◆ The establishment of a representative CSO organization, with 40 members representing all of St Petersburg's major brokers, banks, registrars, and exchanges.
- ◆ The development of computer system software to clear and settle funds and securities held in the nominee name of the SDC.
- ◆ The completion of procurement and installation of computer hardware.
- ◆ The development of system procedures for the clearance and settlement of trades and associated procedural training.

- ◆ The development of a plan to clear and settle trades executed through the over-the-counter trading system, for issues not held in nominee name
- ◆ The establishment of a Re-registration service, including forms and procedures, to re-register trades on behalf of members The SDC has been a leader in the establishment of standardized procedures for the re-registration of securities
- ◆ The participation of the SDC in the primary and secondary markets for St Petersburg Municipal bonds

This task order also included the provision of funding and technical assistance to the Depository Clearing Corporation (DCC) in Moscow over the period from August 1, 1995, through the end of the contract DCC was created under the Deloitte & Touche Task Order #8-0043-DTT, contract #CCN-0005-C-00-3116-00

### 3 OBJECTIVES AND ACCOMPLISHMENTS

#### TRADING SYSTEMS

As described above, two trading systems were the target of assistance the Russian Trading System in Moscow, and the Vladivostok Stock Exchange. At the conclusion of the project in March 1997, a clear trend emerged the regional markets that had existed at the beginning of the project were merging to form a national market. The two successful competitors for shares of privatized companies were the Russian Trading System and the Moscow International Currency Exchange (MICEX). Individual exchanges like the VISE could not compete with the resources or liquidity provided by the expanding national networks.

The following three sections describe trading system objectives under this task order.

- ◆ *Broker/dealer self-regulatory organizations* describes the activities originally designed to support the four existing broker/dealer SROs and which resulted in the creation of NAUFOR, the national broker-dealer association.
- ◆ *Russian Trading System* describes the activities required to support the expansion of the Russian Trading System to new SRO members, and the technical assistance to the "Technical Corporation" that will own and operate the trading system.
- ◆ *Vladivostok International Stock Exchange* describes the separate activities to support the Vladivostok International Stock Exchange.

#### Broker/dealer Self-Regulatory Organizations

##### *Task Order Goals*

Expand the number of members of SROs and to move the SROs closer to international standards in terms of rules, compliance, and credibility and to continue to move them toward financial and operational viability.

- √ Analyze of the potential locations for 2 new SROs. Carry out diagnostic evaluations of the capital markets of the three regions described above will be carried out and the results and recommendations for SRO region selection will be presented to the RFCSCM. The RFCSCM will then approve the final selection of the two regions.
- √ Organize membership and found new SROs. Following the selection of the two new regions, teams will work in the two regions, organize initial meetings of a core group of leading brokers, and assist in the creation of the legal organization, including assisting with the charter and foundation agreements.
- √ Recruit and hire new SRO staff. Staff for the two new regional SROs will be recruited, including a President, Enforcement Director, and Support Staff as required.
- √ Develop compliance and surveillance procedures at new and existing SROs. In conjunction with the membership of the new SROs, compliance, arbitration, and disciplinary procedures will be created for the new SROs, and compliance officers will be appointed at the regional firms. At all SROs, surveillance procedures and other compliance activities will also be refined.
- √ Add new members to new SROs. The project team will assist the SROs to add new members.
- √ Create regional training and information centers for all participating SROs. At all SROs, a training coordinator will be recruited and hired. The training coordinator will be provided with a limited amount of training materials and will coordinate training activities for SRO members as required. It is expected that the coordinator would coordinate training activities under this task order, other USAID funded task orders, and other donor financed activities.
- √ Assist SROs to create and revise trading rules. The project team will assist the SROs to develop and revise trading and other organization rules as required. The new rules will include provisions for inter regional trading.

## 1 Selection of regions

While the existing SROs included the major financial centers of Siberia and Northwestern Russia, visible gaps were left by the exclusion of Far Eastern Russia and the Volga Region Both of these territories have the financial institutions, industries, capital, natural resources and the populations to be important contributors to a national capital markets system In addition, each region was both identifiable to its members, and "separate" from its neighbors

Throughout the fall of 1995, KPMG Barents teams visited cities across the three regions under consideration The specific regions visited included

- ◆ The Russian Far East (Vladivostok / Nakhodka / Khabarovsk etc )
- ◆ The Northern Volga Region (Nizhny Novgorod / Kazan / Ulyanovsk / Togliatti / Samara / Penza etc )
- ◆ The Southern Volga Region (Rostov-on-Don / Saratov / Volgograd / Astrakhan / Voronezh)

Visits to the North Volga region, the South Volga region, and the Far East showed that the brokers in each region were ready and eager to join the RTS and become regional SROs At the same time, experience in the existing regions showed that the budget allocation to support two regional SROs was in fact sufficient to support three As a result, **KPMG Barents recommended that all three regions become regional SROs This recommendation was approved by the RFCSCM**

At the same time, the four existing SROs were actively seeking to expand their membership For example, the Ekaterinburg-based organization expanded to cover the entire Urals Region, and included Perm, Chelyabinsk, Ufa, Nizhny Tagil, Tyumen, Kurgan, Orenburg, and Magnitogorsk These cities had common economic structures and had been cooperating with each other under regional privatization programs Similarly, the Novosibirsk-based association looked to the cities across Siberia, such as Omsk, Tomsk, Krasnoyarsk and Irkutsk, to form a true Siberian Regional Organization The Moscow and St Petersburg SROs also added members from nearby cities in their respective regions

As part of these expansion efforts, KPMG Barents teams also visited these "sub-regions" in Siberia and Northwest Russia, to explain the role of the regional SROs and the broker's responsibilities and fees to join the RTS, and to answer any other questions the members had

## 2 Organization of New SROs

The new regional associations formed quickly KPMG teams assisted the regional associations with sample charters and membership rules The formation of the SRO in the Russian Far East was delayed because of apparent interference from the Vladivostok International Stock Exchange, which apparently feared competition By November 1995 all three organizations were founded

## 3 Hiring new SRO staff

With support from the project's budget, new SRO staff were appointed in each region Paid staff included a President, Enforcement Director, and an administrative assistant

## 4 Compliance Training

Mr Richard Dvorin, compliance / enforcement advisor, created a new set of training materials, and delivered compliance training seminars in each region to the new member broker/dealers In each seminar the importance of the compliance process was stressed, and the compliance, arbitration, and disciplinary procedures introduced in other regions were introduced to the new SROs

## 5 Revised Trading Rules and Inter-Regional Trading

In November 1995, the four existing SROs (along with the three new regional SROs, which had not been formally admitted to RTS membership) merged to form **NAUFOR**, a national broker-dealer organization. This development was an inevitable consequence of the decision to create a single "trading space" for the regional organizations. Since the four regions could see each other's quotes on the screen, they were forced to develop a single set of rules to cover trading, inter-regional trading, and membership.

The formation of NAUFOR was a landmark event for the Russian capital markets. A truly national SRO had been created with the reach and clout that will be required to police the Russian equity market.

Deliverable	Completed?	Comments
Prepare analysis of the potential locations for 2 new SROs	√	Three regions analyzed
Create two new RFCSCM-approved broker SROs in the Russian Far East and/or the Volga Region, deliverables include the charter, foundation agreements, and budgets	√	Three regions selected
New SRO staff will be in place, including a President, Enforcement Director, and Support Staff as required	√	In place by October 31
Develop compliance, arbitration, disciplinary, and surveillance procedures at new and existing SROs	√	Basic RTS / SRO procedures in place
Compliance officers will be appointed at all new member firms	√	
Up to 30 new members will be added to four original SROs	√	37 members added
A training coordinator will be hired at each SRO, and information centers will be created for all participating SROs	√	
Revised trading rules will be created for all SROs	√	Revised trading rules on the basis of the creation of national RTS market

## Russian Trading System

### Task Order Goals

The objectives of continued technical assistance to the Russian Trading System will be to (a) Expand the current Russian Trading System network to new members and new regions (b) Refine the current systems and software (c) continue on the job and formal training of the technical corporation and (d) Move the System toward full financial independence and business viability

The Russian Trading System will require assistance during 1995 96 in several specific areas including

- 1 The training of at least six Technical Corporation staff in RTS network management and software development
- 2 The development of RTS user accounting and billing procedures for members
- 3 The establishment of procedures for marketing and dissemination of information to investors media advertisers and information vendors
- 4 The development and documentation of procedures for information dissemination
- 5 The continued refinement and enhancement of trading software

Additionally the RTS telecommunications expansion will continue in the following ways

- 6 At least 30 additional brokers will be added to existing nodes
- 7 Additional telecommunications nodes/hubs will be added to the two regions selected for SRO expansion and at least 30 members will be added in those regions
- 8 Network and computer capacity will be added to the system as required after the experience of operating the system for up to four months

### Results All task order goals were achieved

#### 1 Technical Corporation Training

The project provided considerable training in the areas of software development The RTS requested specific training in the documentation and "reverse-engineering" of the Portal-based system that had been received without documentation from Nasdaq during the previous project With the assistance of a Barents technical advisor, tools were developed to automatically generated data flow diagrams and other relationships among the different components of the software In addition, the project paid for a local staff member of RTS to produce user, administrative, and technical documentation about the system

At the end of the project, the RTS was well on its way to the development of a world-class trading system

#### 2 The development of RTS user accounting and billing procedures

The project team (Mr Alex Berg and Mr Richard Cowles) advised on the RTS fee structure, user accounting, and billing One key initial issue was the development of a fee structure for new members in new regions, and the development of separate fees for 'view-only' members

The RTS accounting staff that was hired to support operations proved to be extremely competent and little technical assistance was required in this area

#### 3 The establishment of procedures for marketing and dissemination of information to investors, media, advertisers and information vendors

This task was accomplished through the development of an RTS web site Local staff member Mr Andrei Vishnitsky built a complex web site dedicated to the provision about RTS Although the site was originally designed to provide information to non-members of the system, it immediately proved to be an extremely popular method for the distribution of member information, such as rules, schedules, announcements, and other news

Maintenance of the web site was transferred to the RTS technical center before the conclusion of the project

#### 4 The development and documentation of procedures for information dissemination

In accordance with the task order the project team advised the RTS on the development of relationships with international financial information providers At the conclusion of the contract, the RTS had established contracts with Reuters, Bloomberg, and two other local information providers, with the result that over \$100,000 per month was generated in fees!

Barents provided advice on the structuring of the contracts and advice during the negotiation process

#### 5 The continued refinement and enhancement of trading software

Enhancements to the trading software during the period of project implementation included

- ◆ Continued debugging and “stabilization” of the code to increase its capacity and decrease its downtime At the conclusion of the project, the RTS Technical Center declared the software almost completely debugged, and used the documentation developed in step 1 above to begin the process of building a new trading system
- ◆ New interfaces with the DCC for clearing and settlement
- ◆ “Feeds” required for the information vendors

The system was not translated into Cyrillic, because the RTS members requested that it remain in English

#### 6 Enhancement of the RTS network

Enhancements and support to the RTS network over the period of project implementation included

- ◆ Connection of 37 brokers to the RTS network, from the new regions and elsewhere
- ◆ The continued support of network channels to St Petersburg, Ekaterinburg, and Novosibirsk The dispersion of new members indicated that it was not necessary to build new telecommunications hubs in the new regions
- ◆ In addition, the project procured a new Stratus XRT fault-tolerant computer to improve the speed and responsiveness of the system

Deliverable	Completed?	Comments
Complete the transfer of the rights and responsibilities for the Russian Trading System from KPMG Barents Group to the Technical Corporation by April 30 1996	√	All management responsibilities transferred Equipment transfer delayed until end of project at request of RTS
Various enhancements to trading system	√	Enhancements made Cyrillic translation not made at request of RTS Technical Center

Deliverable	Completed?	Comments
Expand the Trading System by adding a total of at least 30 members in the existing four hubs	√	37 members added
Expand the Trading System by installing at least 2 additional telecommunications hubs	√	Members added without hub requirement Membership was too dispersed to incorporate the hub and spoke model
Prepare detailed quarterly monitoring reports for the Commission and the Resource Secretariat	√	Reports no longer required on advice from Resource Secretariat

## Vladivostok International Stock Exchange (VISE)

### Task Order Goals

The objective of the technical assistance to VISE will be devoted to helping it achieve long-term financial viability

- ◆ Develop a business plan for strategic development and financial viability A business plan will be prepared
- ◆ Assist in VISE organization development, including the development of organization charts operating procedures and other related aspects of VISE operations
- ◆ Assist staff with systems development on software and hardware policies and procedures
- ◆ Assist the expansion of the VISE Expand the geographical reach and capacity of VISE into the regions and add new members and remote trading locations
- ◆ Establish an in house training center A training coordinator will be recruited and hired The training coordinator will be provided with a limited amount of training materials and will coordinate training activities for SRO members as required It is expected that the coordinator would coordinate training activities under this task order other USAID funded task orders and other donor financed activities

**Results All task order results were achieved However, the growth of the VISE in the future will be hampered by its competitive position**

#### 1 Development of a business plan

A business plan was prepared for the VISE It stressed the need to build a more transparent and more efficient stock exchange to act as an alternative to the RTS and other markets

However, management of the VISE was distracted Mr Victor Sakharov and several members of his senior staff left Vladivostok for Moscow to participate in the development of a "Depository Union" to provide national clearing and settlement services

Because of the market conditions in the Far East and these problems with management do not bode well for the future success of the VISE

#### 2 Assist in VISE organization development

Assistance to the VISE's organizational development included

- ◆ The creation of an organization chart to support the strategic plan,
- ◆ Refinement to operating procedures and marketing materials

#### 3 Assist staff with systems development on software and hardware policies and procedures

In addition to the basic organizational procedures, most of the project's resources were devoted to developing documentation and manuals for the VISE (and PCD) computer systems Ms Christine Baldwin developed a user manual and administration manual, and Mr Stanley Shell provided ad-hoc assistance on software development methodologies

#### 4 Assist the expansion of the VISE

This task was not successful, in spite of considerable efforts by Mr Stanley Shell, who visited several Siberian cities and worked to market the services of the VISE Considerable distrust of the VISE developed on the part of broker/dealers for Mr Sakharov, who was seen as a political figure and not a service provider

#### 5 Establish an in-house training center

Ms Christine Baldwin worked under the direction of Mr Stanley Shell to create training materials for the VISE's training department. The department's main activity became the production of a monthly bulletin describing the VISE's activities, which made a very valuable contribution to the outreach and marketing efforts of the exchange.

Deliverable	Completed?	Comments
Develop, finalize and submit the business plan for the overall self sufficiency of the VISE to USAID and the RFCSCM	√	Strategic / business plan delayed until October 1996
Have in place a functioning training unit within the VISE providing internal and external training, the latter as may be applicable	√	Training center created
By the end of the task order, catalog all software support provided under the task order	√	
Prepare additional marketing material for the VISE, and develop a VISE users manual	√	Marketing material included monthly stock exchange bulletin

## CLEARING AND SETTLEMENT SYSTEMS

As noted in the task order, outside observers agreed that reducing the risks associated with the clearing and settlement of securities was essential to the creation of a liquid and efficient capital market in Russia. A capital market that provides for the trading of securities but cannot support an effective and credible means to effect the resulting exchange of securities and funds is of little value or interest to investors, domestic or foreign.

This task order provided support to four pieces of the clearing and settlement infrastructure:

- ◆ The Depository Clearing Company (DCC), the clearing / settlement / depository in Moscow,
- ◆ The Primorsky Central Depository (PCD), the clearing / settlement / depository integrated with the Vladivostok Stock Exchange,
- ◆ Three other CSOs in St. Petersburg, Ekaterinburg, and Novosibirsk,
- ◆ The Registrar Support Center in Moscow.

Many factors have impeded the growth of clearing and settlement capability in Russia, including:

- ◆ Continued legal problems with the concepts of nominee ownership, resulting in the reluctance of many market participants to hold Russian shares "on deposit", and the resulting necessity to clear and settle trades on a manual basis until these legal problems are resolved,
- ◆ continued problems with inter- and intra-regional funds settlement,
- ◆ the development of interregional trading systems, which required the CSOs to work together to settle inter-regional trades,
- ◆ the requirement of many international institutional investors to meet US SEC guidelines for foreign depositories (regulation 17f-5) in order to invest in the Russian Federation.

### Depository Clearing Company

The objective of this component of the project was to fund the DCC during the period August 1, 1995 through the end of the project, leading to the DCC's overall institutional self-sufficiency.

The tasks to support the development of the DCC began with several inauspicious developments. First, as a result of political involvement with the board of directors of the DCC, Mr. Victor Oliferenko was appointed as the director of the DCC in October 1995. As a non-expert in the capital markets, Mr. Oliferenko was a disaster for the organization, and essentially held back the development of a strong central CSO for over a year. Following consultations with USAID, the project team provided limited technical assistance to the DCC, but limited its direct support and involvement. The project team worked with members of the board of directors to create a management structure that was more amenable to potential membership, and at the next shareholders meeting in August 1996, Mr. Michael Lilyavski was appointed as president. Much lost ground was made up at the end of the project when Mr. Oliferenko was replaced.

#### Task Order Goals

The contractor will provide funding and technical assistance to the DCC within the limits of the USAID approved budget. This budget provides for:

- i Resident Advisors. Two resident advisors (a principal advisor and an advisory chief of staff) will provide support to the DCC.
- ii Legal assistance. Outside legal services will be procured for:
  - obtaining US regulatory approval under rule 17f-5
  - completing legal due diligence reviews
  - evaluating applicable regulatory issues
- ii Operational support. The project will provide operational support as needed to the DCC, including rent.

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**Results After initial disappointments, the last six months of the project launched the DCC in the direction of becoming Russia's Central Depository**

**1 Technical Assistance**

As noted above, the appointment of Mr Oliferenko for most of the first year of the project essentially left the DCC project without a counterpart As a result, with the concurrence of USAID, the recruitment of one resident advisor for the DCC was postponed Mr Patrick Collins joined the project team in October to provide assistance with the development of strategy and a strategic plan, but the lack of a true counterpart limited his effectiveness, and he returned to the US to await changes in management

Results from the first year included

- ◆ Work to reformulate the board of directors, and to change management in the direction of the interests of shareholders and members,
- ◆ The development of a financial plan for the DCC, to be used in the process of securing additional financing from the IFC,
- ◆ The limited development of software to provide improved communication capability with the RTS,
- ◆ Work to improve the re-registration service of the DCC

Following Mr Oliferenko's departure in September, the project team adopted a new and ultimately successful strategy Barents Group recruited a very strong group of Russian staff, from various capital market institutions and brokerage firms, to jumpstart the DCC's growth This team, led by Igor Moryakov, quickly assumed the key positions of head of clearing and settlement, head of depository, and senior vice president (Mr Moryakov) This team had formulated its plans over the previous year, and was ready to implement a new strategic plan This included

- ◆ Rapid outreach to the DCC's current and potential membership, and particularly to the RTS, resulting in a new atmosphere of cooperation As a result, by the end of the project, the RTS and its membership had adopted the DCC as its depository and clearing and settlement organization of choice This was a landmark for the Russian capital markets
- ◆ A commitment to become a national CSO to support RTS This set the DCC on a growth path of providing settlement services to settle trades between regional brokers and Moscow brokers The lack of quick and easy settlement between Moscow and the regions had greatly hindered the development of brokers outside of Moscow The DCC stepped into the void left by the inactivity of the regional depositories (see below)
- ◆ Meetings with the IFC to obtain financing for further growth Using the financial plan developed for the DCC, senior management was able to make several steps towards obtaining a long-term credit from the IFC

**2 Legal assistance**

The project funded a study by a US law firm (Decker, Rhoads, and Price, who had recently obtained a "no-action letter" from the US SEC for Chase Manhattan in Russia) The study addressed the question of obtaining a no-action letter for the DCC The study arrived at the important conclusion that changes in the US SEC interpretations of the regulation have pushed the responsibility for each investment fund's decision to place shares into a foreign depository back onto the trustees of each investment fund

**3 Operational support**

The project also supported the DCC through rent and other payments

Deliverable	Completed?	Comments
Contract / hire a "principal advisor"	√	Delayed until September 1996, when expatriate advisor was replaced by several Russian advisors
Contract / hire an "advisory chief of staff"	√	Patrick Collins
Fund legal subcontractors	√	

## Primorsky Central Depository (PCD)

### Task Order Structure

i *Completion of comprehensive business plan* The assistance will include the development of strategic and financial plans including a marketing plan a refinement of the overall strategic mission and the preparation of a formal financial plan leading to financial independence and credibility

Technical assistance to the PCD to implement the business plan will consist of

ii *Organizational Support* such as

a *The development of internal policies and procedures*

b *Provide marketing assistance to complete the conversion of the PCD into a customer driven organization*

c *Technical assistance to registrars*

iii *Develop a global nominee capability* Before large US (and foreign) pension and mutual funds can efficiently invest in Russia the depository holding their positions must satisfy several requirements (regulation 17f 5) of the US SEC for foreign depositories Technical assistance will be provided to the PCD to meet these requirements

iv *Refine automated funds settlement procedure*

iv *Licensing with RFCSCM*

**Results** Technical assistance was provided, but because of the lack of attention of PCD management, it was not readily adapted by its members Its future like that of the VISE remains uncertain

Technical assistance was provided to the PCD in all areas provided outlined in the Task Order Mr Stanley Shell provided organizational support across the organization Procedures and systems were improved, and business and financial plans were developed The PCD received a license from the FCSM However, several problems developed during the task order that hindered the project's and the PCD's effectiveness

- ◆ In late 1995, Mr Victor Sakharov of the PCD, in conjunction with the leaders of the other regional depositories, and with the apparent support of some factions within the FCSM, signed a letter announcing the creation of a "depository union" The purpose of the depository union was consistent with one of USAID's goals of establishing inter-regional clearing and settlement Each of the regional depositories, including the PCD, would use a central union as a clearing organization to move shares and money to settle trades The creation of the Union and the departure to Moscow of Mr Sakharov and most of the PCD's senior staff severely hindered the PCD's future independent development (see below)
- ◆ The PCD was less than fully committed to the goal of developing a business and financial plan, and much of the information contained in the plan was based on Barents estimates or informal information derived from a variety of sources
- ◆ Technical assistance was provided to bring the PCD systems and procedures to the level that would allow automatic funds settlement However, continuing problems with selecting a settlement bank and other "political" problems meant that funds settlement was not implemented by project end in October 1996
- ◆ General strategy assistance was provided in the area of building a global nominee capability

Deliverable	Completed?	Comments
By November 1, 1995, prepare written drafts of a Depository Manual and a PCD User's Manual	√	Second version completed in October 1996
By January 1, 1996, present a written strategy and suggested procedures for a global nominee capability for the PCD	√	Strategy completed
By March 1, 1996, implement automated funds settlement on the PCD	√	See above
By the end of 1995, prepare written strategic and financial plans for the PCD	√	See above

## Regional CSOs (St Petersburg, Ekaterinburg, Novosibirsk)

### Task Order Goals

During the remainder of 1995 and 1996 technical assistance will be provided to the CSOs to assist them in achieving long term financial viability

- i Develop a written plan of action to achieve the status of eligible foreign depositories
- ii Develop interregional standards for the integration of the operational procedures and business conditions of the CSOs
- iii Expand into surrounding regions and by adding members
- iv Create and test market new products
- v Licensing with RFCSCM During the period of the task order the RFCSCM is expected to develop procedures to license clearing and settlement organizations The project team will assist the RFCSCM with the licensing procedures with the goal of obtaining an operating license

**Results In spite of the assistance provided to the three regional CSOs, market conditions caused them to drift towards irrelevance**

### 1 Plan to become an eligible foreign depository

Because of the creation of the Depository Union (see below), this task was judged to be unnecessary, and, with the concurrence of the USAID project officer, was not carried out

### 2 Develop interregional standards for the integration of the operational procedures and business conditions of the CSOs

In late 1995, Mr Victor Sakharov of the PCD, in conjunction with the leaders of the other regional depositories, and with the apparent support of some factions within the FCSM, signed a letter announcing the creation of a "depository union" The purpose of the depository union was consistent with one of USAID's goals of establishing inter-regional clearing and settlement Each of the regional depositories, including the DCC, would use a central union as a clearing organization to move shares and money to settle trades

Mr Stanley Shell assisted the Union with the development of procedures, rules, and software requirements These procedures and rule, in the form of a strategic plan, were presented to the FCSM by the Union, and apparently approved

However, because the financially powerful Moscow brokers would not support the new union, because of its extremely political nature, the large and unresolved problems with inter-depository credit risk, and the large likelihood that the new Union would not be financially self-sufficient

Because of the political nature of the organization, and because the DCC was now making an outreach to regional members to join the DCC and thus become a truly national depository, the project team decided, in conjunction with USAID, to minimize its support for the Depository Union

### 3 Expand into surrounding regions and by adding members

The non-DCC members of the Depository Union attempted to add many members to the project However, because the DCC did not participate, the Union did not gain critical mass that did not participate in the main market activity

#### 4 Create and test market new products

See above

#### 5 Licensing with RFCSCM

All regional CSOs and the DCC were licensed over the period in question

Deliverable	Completed?	Comments
Obtain Commission approval of a written plan of action for the CSOs to follow in achieving the status of eligible foreign depositories, and begin implementation of the plan	√	Plan developed by Barents advisor Mr Stanley Shell, and implemented by the Depository Union
Prepare written standards for the integration of the operational procedures and business conditions of the CSOs	√	Depository Union rules and procedures developed
Prepare written procedures for linking the CSOs with all viable trading systems		Depository Union rules and procedures still in process at project-end
Prepare detailed quarterly monitoring reports (due on the same dates as above) for the Commission and the Resource Secretariat	√	Cancelled per resource secretariat

## **Registrars**

This project did not provide support to Partad or the registrar support center. Instead, remaining funds from the *Secondary Market Development* task order were used to complete USAID's assistance to the task order. The British Know-How Fund provided additional funding following the conclusion of USAID's assistance. PARTAD and the RSC continue to provide valuable assistance to the FCSM and the registrar community.

## 4 NEXT STEPS AND LESSONS LEARNED

### LEVEL OF SUCCESS IN ATTAINING STATED DELIVERABLES

As noted in the detailed task and deliverables section above, the project largely met its Task Order objectives. In its work with the large Moscow-based institutions, the project team and its counterparts greatly exceeded its original goals. Although this result was not expected at the beginning of the task order, each organization is now on track to be a national institution.

- ◆ **NAUFOR** has become the national broker/dealer SRO, and is working closely with the FCSM to implement a program of compliance and surveillance that will tighten up the activities of the Russian broker/dealers, while simultaneously lowering the cost of regulation.
- ◆ **The Russian Trading System** is clearly the leading market for shares of privatized companies in Russia, with a national footprint and influence.
- ◆ **The Depository Clearing Company** is on track to become Russia's Central Depository for securities, in competition with the national depository organized by MICEX.

Although this situation was not expected it is easy to explain. The Russian capital markets, like markets in the US and around the world, had matured to the point where regional stock exchanges and supporting infrastructure were no longer financially viable. Many regional entities grew up during the period of mass privatization. After privatization and the period of high transaction volume associated with consolidation, the regional entities no longer had any natural market. The market coalesced around the major players and source of capital: Moscow.

Once the Moscow institutions decided to reach out and embrace regional participants (with the support and encouragement of the project team), the regional CSOs and the institutions in Vladivostok were at a large disadvantage, and have begun an inevitable process of consolidation.

As a result, those elements of the project that supported our regional counterparts were less successful than those in Moscow.

### ANY OPPORTUNITIES FOR FURTHER WORK

The logic of the above situation is clear: future work on the capital markets infrastructure should be dedicated to encouraging the regional outreach of the Moscow institutions, while at the same time working to bring them up to world-class standards. The clear first candidate for additional technical assistance is the DCC, which is truly coming into its own as a central depository.

We would recommend giving the DCC approximately one year to build on its current success, and then developing a program of targeted assistance to DCC's systems and procedures.

### PERCEIVED PROBLEMS IN THE SYSTEMS DEVELOPED

The flip side of the coin is that we would no longer recommend supporting any regional capital market institutions. The regional institutions are no longer viable in the current environment, and should be encouraged to be incorporated or absorbed into the Moscow-based institutions.

**5 APPENDICES**

**NAUFOR / RUSSIAN TRADING SYSTEM  
BRIEFING BOOK**

SEPTEMBER 27, 1996



**KPMG BARENTS GROUP  
23 DOSTOEVSKOGO  
MOSCOW, RUSSIA**

**2001 M STREET N W  
WASHINGTON, DC 20036**

**Appendix 1 Additional Information on the Russian Trading System**

<b>Participants Of The Russian Trading System</b> (As Of 7/30/96)				
<b>Code</b>	<b>Region</b>	<b>Name</b>	<b>Mode</b>	<b>Phone Number</b>
ABSI	Moscow	ABSOLUT INVEST	QUERY ONLY	7 095-941-8483
AFDS	Sibena	ASSOCIATION FDS	QUERY ONLY	7-3832 23-0860
AIOC	Moscow	AIOC CAPITAL	DEALER	7 095-956-1050
AKTV	Moscow	AKTIV	DEALER	7 095-265-9073
ALFA	Moscow	ALFA BANK	DEALER	7 095-204-9231
ALFC	Moscow	ALFA CAPITAL	DEALER	7-095-928-9494
ALMT	Moscow	ALLIANCE MENATEP	DEALER	7-095-956-6263
ALRI	Moscow	ALPHA RINACO	DEALER	7-095-928-7032
ALVO	Urals Region	ALVO INVESTMENT CO	DEALER	7 3432-61-0628
ANLZ	Moscow	ANALYZE	DEALER	7-095-192-9872
ANTI	Moscow	ANT INVEST	QUERY ONLY	7-095-926-5994
ARMN	Moscow	ARMAN EAST EUROPE	QUERY ONLY	7-095-151-1931
ASTR	St. Petersburg	ASTROTRADER	DEALER	7-812 210 4504
ATMA	Sibena	ATMA	QUERY ONLY	7-3832 76-2782
ATON	Moscow	ATON	DEALER	7-095-917-4040
BACK	Sibiria	BACKSON INVEST	DEALER	7 3832 10-3926
BALT	St Petersburg	BALTIYSKY BANK	DEALER	7-812 119-8360
BDBM	Moscow	BUSINESS DEVELOPMENT BANK	QUERY ONLY	7-095-915-3990
BFAG	St Petersburg	BALTIC FINANCIAL AGENCY	DEALER	7-812 293-0597
BINV	Moscow	BITZA INVEST	DEALER	7-095-279-9062
BIZO	Moscow	BIZON	QUERY ONLY	7 095-204-0038
BRRL	Moscow	BARREL	DEALER	7-095-200-6200
BRUN	Moscow	BRUNSWICK	DEALER	7 095-258-5200
BSBK	Urals Region	BSB	DEALER	7 3422 34-1467
BSIC	Moscow	BUSINESS SERVICES INC	DEALER	7 095-929-3140
CINV	Moscow	CENTER INVEST SECURITIES	DEALER	7 095-564-8295
CMFG	Moscow	CREDIT MOSCOW	QUERY ONLY	7 095-237 5582
CRST	Moscow	CAPITAL REGENT SECURITIES	DEALER	7 095 956 5950
CRTL	St Petersburg	CARTEL	DEALER	7 812 312 1639
CSFB	Moscow	CS FIRST BOSTON	DEALER	7 095-967 8311
CSML	Moscow	CREDIT SWISS MOSCOW LTD	DEALER	7 095 967 8856
DEPO	Moscow	DEPOSITORY A	DEALER	7 095 202 7304
DEVZ	St Petersburg	DEVIZ	DEALER	7-812 528-0242
DMNB	Moscow	COMMERCIAL BANK DIAMANT	QUERY ONLY	7-095-926-4393
EAFK	Sibena	EUROASIA FC	DEALER	7 3832 10-3828
ECAP	St Petersburg	ENERGY CAPITAL	DEALER	7 812 247 5350
EKOS	Sibena	EKOS FINANCIAL BROKER	DEALER	7 395-91 50794
ELTR	St Petersburg	ELTRA INV COMPANY	DEALER	7-812 310-2198
EMIN	Moscow	EUROPE MANAGEMENT INVEST	DEALER	7-095-232 3211
ENIN	Moscow	ENERGOINVEST ME	QUERY ONLY	7-095-913-9132
ERGO	Moscow	CB ERGOBANK	QUERY ONLY	7-095-230-5748
ETRB	Moscow	EUROPEAN TRADE BANK	QUERY ONLY	7 095 924-0194
EUFN	Moscow	IC EUROPEAN FINANCES	DEALER	7 095 923-3451

**Participants Of The Russian Trading System**  
(As Of 7/30/96)

Code	Region	Name	Mode	Phone Number
EVFN	Moscow	CB EVROFINANCE	QUERY ONLY	7-095-152-4840
EVSBB	Moscow	EUROSIBBANK	DEALER	7-095 288-7162
FCON	Moscow	IC FINANCIAL CONTINENT	DEALER	7-095-152-8768
FICR	Moscow	FINANCE AND CREDIT	DEALER	7 095-213-5218
FICT	St Petersburg	TRANSFER CENTRE	DEALER	7 812 251-7928
FLSM	St. Petersburg	LENSTROYMATERIALY SPB	DEALER	7 812 325-6379
FNCN	Moscow	FINANCIAL CONSULTANT	DEALER	7 095-230-0596
FNEL	Moscow	FINEL	DEALER	7-095-928-4176
GAFI	Moscow	GA FINANCE INC	DEALER	7-095-212-8000
GAGE	Moscow	GOLDEN AGE	DEALER	7-095-194-3601
GFMA	Moscow	FINANCIAL MANAGEMENT GROUP	DEALER	7-095-956-6128
GLBX	Moscow	GLOBEXBANK	QUERY ONLY	7-095-202 6360
GLST	St Petersburg	GLAVSTROYINVEST SECURITIES	DEALER	7 812 312 6491
GRFN	Moscow	GRIFFIN	QUERY ONLY	7 095-974-2984
GRNT	Moscow	GRANT	DEALER	7 095-232 3602
GRTE	Sibena	GARANT	QUERY ONLY	7-3952 27 1030
GSSC	Moscow	GAMBIT SECURITIES BC	DEALER	7 095-290-7715
GUTA	Moscow	GUTA INVEST	DEALER	7-095-250-0106
IBFD	Sibena	BAIKALSKY FONDOVIY DOM	DEALER	7 3952 34-0430
ICFI	Moscow	INT CO FOR FINANCE INVEST	DEALER	7 095-204-7873
ICSI	Sibena	ICSI	QUERY ONLY	7 3832 23-0311
IFAW	St. Petersburg	NORTH WEST INV FIN AGENCY	DEALER	7 812 271-9641
IFCO	Moscow	INVESTMENT FINANCIAL CO	QUERY ONLY	7 095-242 9910
IICO	Moscow	INTERNATIONAL INVEST COMPAN	QUERY ONLY	7 095-124-5602
IKFG	Urals Region	ASKO KAPITAL	QUERY ONLY	7 3532 70-2239
INDX	Moscow	INDEX XX	DEALER	7 095 201-6291
INFI	Urals Region	MANAGMENT COMPANY ASKO	DEALER	7 3432-41 5661
INGB	Moscow	ING BANK EURASIA	QUERY ONLY	7 095-926-5233
INKO	Moscow	INKOM CAPITAL	DEALER	7 095-755-6852
INST	Moscow	INTRAST LTD	QUERY ONLY	7 095-132 6944
INTL	Moscow	INTELLECT BANK	QUERY ONLY	7 095 246-3438
IPSG	Sibena	INVEST PARTNER CO	DEALER	7 3462 22 2702
ISPR	Sibena	INTERSPREAD INVEST	DEALER	7 3832 11 9070
IUFC	Urals Region	INVESTMENT AGENCY UFC	DEALER	7 3432 22 1670
KNBK	Moscow	KARINA BANK	DEALER	7 095 229 8176
KNTR	Urals Region	KON TRAST	DEALER	7 35222 2 3953
KPST	Moscow	CAPITAL STRATEGY	QUERY ONLY	7 095 202 5509
KURS	St Petersburg	KURS	DEALER	7 812 296-5915
LINK	Urals Region	LINK INK	DEALER	7 3432 57 3670
LRMN	Moscow	LERMAN AND CO	DEALER	7 095-156-9654
LSMP	Moscow	LENSTROYMATERIALY MOS	DEALER	7 095 236 5006
MAPO	Moscow	MAPO BANK	DEALER	7 095-250-2177
MBGT	Moscow	MOSBUSINESSBANK	QUERY ONLY	7 095-921 5966
MBWB	Moscow	MOSCOW BUSINESS WORLD BANK	QUERY ONLY	7 095-238-1334
MENA	Moscow	MENATEP BANK	DEALER	7 095-928-4235
MEZH	Moscow	MEZHCOMBANK	DEALER	7 095-926-5229

**Participants Of The Russian Trading System**  
(As Of 7/30/96)

Code	Region	Name	Mode	Phone Number
MGTO	Moscow	MEGATRASTOIL	DEALER	7-095-974-3639
MICO	Moscow	MOSCOW INVESTMENT CORPORAT	QUERY ONLY	7-095-956-2393
MIVF	Moscow	MOSCOW INVISTMENT FUND	DEALER	7-095-291-1035
MOST	Moscow	MOST INVESTMENT	DEALER	7-095-209-4393
MPCB	Moscow	MOSCOW PARIS COMM BANK	QUERY ONLY	7-095-926-4800
MSPT	Moscow	MOSCOW PARTNERS	DEALER	7-095-913-7173
MZFD	Moscow	MEZHREGIONALNY INVEST FOND	QUERY ONLY	7 095-213-5577
NAFT	Moscow	NAFTA INVEST IC	QUERY ONLY	7-095-913-8458
NCHB	Moscow	NEFTECHIMBANK	QUERY ONLY	7 095-284-8866
NIKO	Moscow	NIKOR	QUERY ONLY	7-095-269-1610
NKOL	Moscow	NIKOIL	DEALER	7-095-705-9048
NRBM	Moscow	NATIONAL RESERVE BANK	QUERY ONLY	7-095-956-2106
NUAT	Moscow	NUF ATOMIK LTD	DEALER	7-095-299-6581
NWFC	Moscow	NEW FINANCE CONCEPTION	DEALER	7 095-911-6733
NWIC	St Petersburg	NORTH WESTERN IND INV CO	QUERY ONLY	7-812-310-2440
OBIM	Moscow	OBIBANK	QUERY ONLY	7 095-254-4053
OGNI	Moscow	CB OGNI MOSKVI	QUERY ONLY	7-095-912 5762
OLIM	Moscow	OLIMP INVESTMENT COMPANY	QUERY ONLY	7-095-926-2630
OLMA	Moscow	OLMA INVESTMENT FIRM	DEALER	7-095-299-9756
OLMP	Moscow	OLIMPIYSKY C OMMERCIAL BANK	DEALER	7-095-299-6957
OLSO	Urals Region	OLIMP	DEALER	7 3452 24-3200
ONIX	Sibena	ONIX	DEALER	7 3832-22 6504
OPMB	Moscow	OPM BANK	DEALER	7-095-245-6082
ORBR	St Petersburg	ORIMI BROKER LTD	DEALER	7-812 279-8972
PARI	Sibena	PARITET	DEALER	7 3952 33 5168
PCOR	St Petersburg	PIFKORP	DEALER	7 812 251 7983
PETR	Moscow	PETER THE GREAT	QUERY ONLY	7 095-965-9860
PFCO	Moscow	PERM FUND COMPANY	QUERY ONLY	7 3422 39 0091
PION	Moscow	PIONEER SECURITIES	DEALER	7 095-956-6056
PRDE	Sibena	PRIDE INVESTMENT COMPANY	DEALER	7 3832 10-2699
PRMA	Moscow	PREMA INVEST	DEALER	7 095 928 9587
PROF	Moscow	PROFIT HOUSE	DEALER	7-095-248-4936
PRSP	Moscow	PROSPECT	DEALER	7 095-564-8207
PRTB	Moscow	PROMRADTECHBANK	DEALER	7 095 967 1432
PVNN	Sibena	VOLGA PAUFOR	QUERY ONLY	7 8312 34 2550
RAIB	Moscow	RUSSIAN AMERICAN INV BANK	QUERY ONLY	7 095-258-3650
RAIN	Moscow	RAIN STOCK	DEALER	7 095-236-3310
RATE	Moscow	RATING INVEST	DEALER	7 095-143-0278
RBDC	Moscow	ROSSIYSKY BROKERSKY DOM	DEALER	7 095-267-4482
RBIN	Moscow	RUS BROKINVEST	QUERY ONLY	7 095-978 5196
RBKM	Urals Region	RABIKOM	DEALER	7 3512-66 1501
RCNL	Moscow	RACIONAL	QUERY ONLY	7 095-460-0810
RDCE	Urals Region	REGIONAL DEPOSITORY CENTER	QUERY ONLY	7 3432 22 0650
REIN	Moscow	REGION INVEST	QUERY ONLY	7 095-232 3106
RENC	Moscow	VIC RANAISSANCE CAPITAL	DEALER	7 095-258 7709
REND	St Petersburg	RENDEZVOUS	DEALER	7 812 314-8353

**Participants Of The Russian Trading System**  
(As Of 7/30/96)

Code	Region	Name	Mode	Phone Number
RIBM	Moscow	RUSSIAN INDUSTRIAL BANK	QUERY ONLY	7-095-203-2070
RICA	Urals Region	RICAP	DEALER	7 3432 22 1070
RIFN	Sibena	RIF	DEALER	7 3832 21 7201
RMGS	Moscow	RYE MAN AND GOR SECURITIES	DEALER	7-095-258-6262
RNCB	Moscow	ROS NATSIONALNY COM BANK	DEALER	7-095 232 9026
RNKO	Moscow	RINACO PLUS	DEALER	7-095-258-5656
ROIN	St Petersburg	RO INVEST	DEALER	7-812 327 8411
ROMI	Moscow	ROMEX INVEST	DEALER	7 095 206 4445
ROMM	St Petersburg	ROMEX INVEST SPB	DEALER	7 812 224-1895
ROSA	Urals Region	ROSACTIV	DEALER	7 3432 59-7076
ROSK	Moscow	ROSSIYSKY CREDIT	DEALER	7 095-248-2285
RTEC	Urals Region	REGION TEC	DEALER	7 3532-41-3355
RTPB	St. Petersburg	RUSKOBANK	QUERY ONLY	7 812 314-6321
RUGB	Moscow	RUSSIAN GENERAL BANK	QUERY ONLY	7-095-200-4092
RUIN	Moscow	RUSSIAN INVESTORS	DEALER	7-095-208 2755
RUSO	Moscow	RUSSOBANK	DEALER	7-095-915-2911
SAHA	Sibena	SAHAINVEST SERVICE	QUERY ONLY	7-095-925-4240
SAIN	Sibena	SIBATOMINVEST INVESTMENT CO	DEALER	7 3952 34-3299
SBRF	Moscow	SBERBANK RF	QUERY ONLY	7 095-971 7636
SCCB	St. Petersburg	SCORPION SECURITIES INC	DEALER	7 812 251 7928
SCFN	Sibena	SK FINANCE	DEALER	7 3832 22 2158
SCNT	Moscow	SOJUZCONTRACT INVEST	DEALER	7-095-203-5326
SDBR	Moscow	SD BROKER	DEALER	7 095-921-8479
SFCO	St. Petersburg	NORTHERN FINANCIAL COMPANY	DEALER	7 812-327 8957
SHBC	Sibena	SIBERIAN HOLDING	DEALER	7 3832 23-7959
SLMN	Moscow	SALAMANDRA	QUERY ONLY	7 095-978-6251
SOFT	Moscow	ACB SOVFINTREID	QUERY ONLY	7 095-912 9296
SOLD	Moscow	SOLID	DEALER	7 095-974-6481
SOUZ	Moscow	VOUCHER INV FUND SOYUZ	QUERY ONLY	7 095-291 3090
SOVN	Moscow	SOVINTORG IC	QUERY ONLY	7 095-206-8929
SPIN	Sibena	SIBPROFINVEST	QUERY ONLY	7 3452 32 0514
STAT	Moscow	STATUS INC	DEALER	7 095 214 4969
STBN	Urals Region	STOCK AND BONDS INC	DEALER	7 3432-45-7705
SYAN	Moscow	FIC SYANYE	QUERY ONLY	7 095-156-9067
TECH	Moscow	TECHNOBANK	QUERY ONLY	7 095 252 4838
TFKO	Moscow	TRINFIKO	DEALER	7 095 232 1875
TIMC	Moscow	TIMC	QUERY ONLY	7 3822 231-471
TMVK	Moscow	TOMOV AND CO	DEALER	7 095-935 5040
TORI	Moscow	TORIBANK	DEALER	7 095-262-4957
TROY	Moscow	TROYKA DIALOG	DEALER	7 095-258-0525
TRSN	Urals Region	TRUST N	QUERY ONLY	7 35376-2 6061
TUBK	Moscow	TVERUNIVERSALBANK	QUERY ONLY	7 095-430-8976
TYUM	Moscow	TYUMEN NEFT INVEST	QUERY ONLY	7 3452 25 2142
UATS	Urals Region	TEKSY STOCK	DEALER	7 3432 23-6089
UCBS	Moscow	UNITED CITY BANK	DEALER	7 095-967 1070
UFCE	Urals Region	URAL FINANCIAL CENTER	DEALER	7 3432 22 3262

**Participants Of The Russian Trading System**  
(As Of 7/30/96)

Code	Region	Name	Mode	Phone Number
UFGR	Moscow	UNITED FINANCIAL GROUP	DEALER	7-095-967-3727
UIHC	Urals Region	VYBOR	DEALER	7 3512-65-4932
UNFN	Moscow	UNIFIN INVEST	QUERY ONLY	7-095-124-1013
UNRB	Moscow	REGIONAL ALLIANCE BANK	QUERY ONLY	7 095-258-3551
UNTS	Moscow	UNITRUST	DEALER	7-095-236-5257
UNVS	Moscow	UNIVEST	DEALER	7 095-135-0072
URFP	Sibena	SOUTHERN RUS FINANC CHAMBER	QUERY ONLY	7 8632 62-4183
USTA	Urals Region	URALS SECURITY AGENCY	DEALER	7 3432 55-9476
VECO	Moscow	INVESTMENT COMPANY VECO	QUERY ONLY	7-095-978-5985
VFPO	Moscow	VASH FINANSOVY POPECHITEL	QUERY ONLY	7-095-256-5203
VIKA	Moscow	EAST EUROPEAN SECURITIES CO	DEALER	7-095-257 1188
VOZR	Moscow	VOZROZHDENIYE BANK	DEALER	7-095-247 9071
YALO	Moscow	YALOSBANK	DEALER	7-095-291-2621
YUKS	Moscow	YUKOS INVEST LTD	QUERY ONLY	7-095-216-0597
ZERB	Moscow	ZERICH BANK	DEALER	7-095-287 8215

**Issues Listed On RTS**  
As Of 7/30/96

RTS Issue Identifier	Name
APAT	Apatit Murmansk
AVIA	Aviastar
AVST	Avtovas
BSSC	Baltic Sea Shipping Company
CHGZ	Chernogorneft
CHMF	Cherepovetsky Metal Factory
CHNG	Chelyabenergo
COND	Condpetroleum
EESR	United Energy System
ELEC	Elektrosila
ENCO	Electrosvyaz Nso
FESH	Far East Shipping Company
GAZA	Gaz Auto Plant
GAZP	Gazprom
GUMM	Gum
IRGZ	Irkutskenergo
IZHZ	Izhorskie Zavody
KARO	Karelsky Okatysh
KCBK	Kotlassky Cbk
KIRZ	Kirovsky Zavod
KMAZ	Kamaz
KNFT	Komineft
KRMZ	Kramz
KRNG	Krasnoyarskenergo
KROT	Krasny October
KRVB	Krasny Vyborzhez
LKOH	Lukoil Holdings
LOMO	Lomo
LSNG	Lenenergo
MECH	Mechel
MFGS	Megion Neftegas
MGTS	Mos Gor Telefonaya Set
MSNG	Mosenergo
MUEL	Murmanskelektrosvajz
MUSH	Murmanskoe Morskoe Parohodstvo
NALU	Novokuznetsk Aluminium
NFMF	Novolipetsk Ferrous Metals
NKEL	Norilsk Nickel
NOKN	Nok Novosibirsk
NTMK	Nizhnetagilsky Metall Zavod
NVNG	Novosibirskenergo
NVTL	Novosibirskaya Gts
NYGS	Noyabrskneftegas
NZGZ	Nizhnevartovskneftegaz
OCMK	Ocm Kamensk Uralsky

**Issues Listed On RTS**

As Of 7/30/96

RTS Issue Identifier	Name
ORNB	Orenburgneft
PFGS	Purneftegaz
PMNG	Permenergo
PMOT	Perm Motors
PNTZ	Pervouralsky Novotrubny Zavod
PRIM	Pnmorskoje Seashipping Co
PRNF	Permneft
RTKM	Rostelecom
SAGO	Samarenergo
SAMO	Samotiomeft
SEKB	Sevkabel
SKGZ	Sakhalinmomeftegaz
SMKO	Sameko
SMMT	Spb Mezhdunarodny Telefon
SMTF	Spb Morskoy Torgovy Port
SNGS	Surgutneftegas
SNTZ	Sinarsky Trubny Zavod
SPTL	St Petersburg Telephone
STBK	St Petersburg Bank 1000 Rub/Nv
SVER	Sverdlovskenergo
SVTZ	Seversky Trubny Zavod
SZRP	Severozapadnoe Rech Parohodstv
TATN	Tatneft
TOMG	Tomskneft
TZUM	Tzum Trading Center
UELM	Uralelectromed
UETM	Uralelectrotyazhmash
VJGZ	Varjeganeftegaz
VKOL	Vnukovo Airline
VLGT	Volgatanker
VSMO	Verkhnesaldinskoye Ob edinenie
YFGA	Yuganskneftgas
ZILL	Amo Zil

---

**RTS Users manual*****Before you start*****Minimum requirements**

To use the Russian Trading System, Microsoft Windows 3.1 or higher environments are necessary

The following hardware configuration is recommended

- IBM PC AT compatible computer with a 386, 486 or Pentium microprocessor
- At least 4 MB (preferably 8 MB) RAM
- A floppy 3.5" disk drive
- A VGA or SVGA monitor
- A Microsoft Windows compatible mouse

***While starting work in the RTS, the following actions shall be performed*****To start Windows**

- At the command prompt, type **win** and then press ENTER

**To start MD Term**

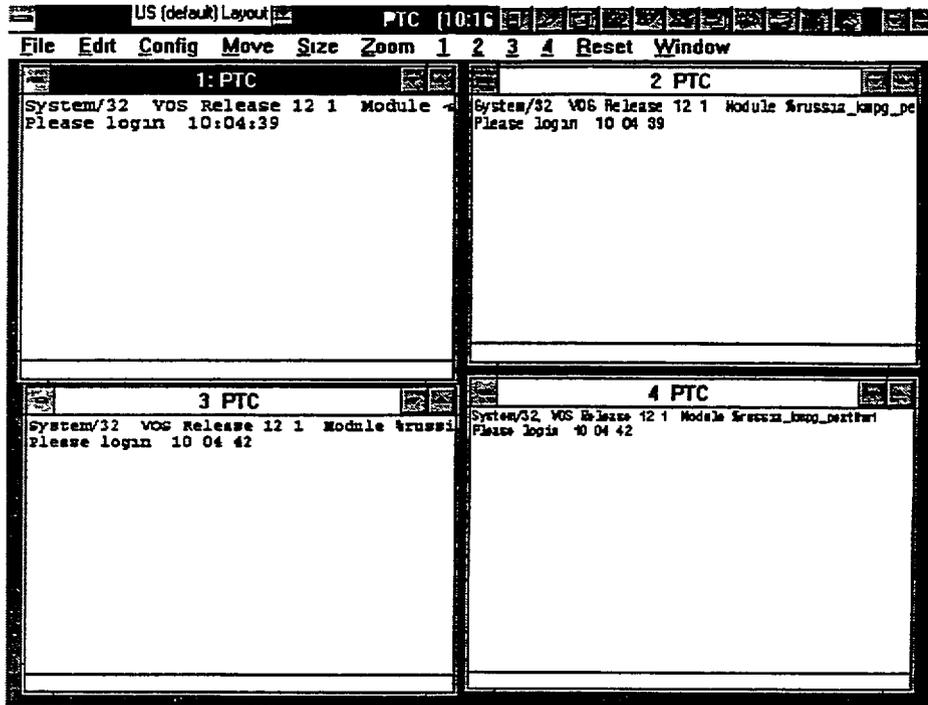
- Select **MD Term Windows group** in the **Program Manager**  
Double click on the **MD Term** window

**To connect with the main host**

- On the top menu panel choose "**Config**" to invoke the pull down menu
- then click "**Dial**" "**Dial**" window displays
- choose the appropriate line and click "**Dial**" again

**To obtain access to the RTS**

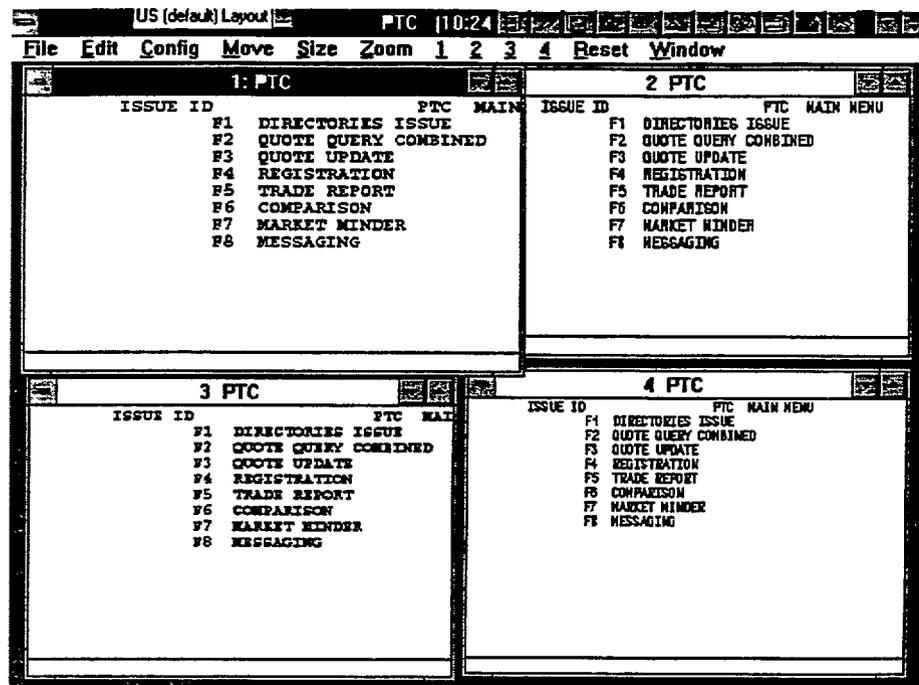
- After successful connection with the host computer the system will display the @ symbol in the left part of the screen. Beside the @ system enter rts and press ENTER.



- After you receive the invitation "Please login" type your login (ex login bkr\_md1) and then press ENTER
- the system will ask you for the password type in your password and press ENTER

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While starting the system, the first screen the system will display in each window is the BROKER/DEALER MAIN MENU which lists all system functions with the indication of corresponding function keys



#### F1 - DIRECTORIES

**Directory Service** provides the information on the *issues*, *participants*, *currency* and the *locations* listed in the system. Besides, this function provides you with an opportunity to create Market Minder in order to follow markets in certain groups of securities (MM Maintenance)

#### F2 - QUOTE RETRIEVAL

**Quote Retrieval** displays quotes in a particular issue ranked by *bids*, *asks* or *combined*

#### F3 - QUOTE UPDATE

**Quote Update** enables the user to enter, change or delete quotes in a particular issue

#### F4 - REGISTRATION/WITHDRAWAL

**Registration** is necessary for the trader to perform any operations in a particular issue. **Withdrawal** is used to cancel registration

#### F5 - TRADE REPORT

**Trade Report** While using this function, the seller (or buyer executing a transaction with a customer - non-participant of the system) reports on the executed transaction

**F6 - COMPARISON**

**Comparison** enables the purchasing party to affirm the trade after which it will be automatically sent for settlement. This function is also used to cancel the trade both by the buyer and by the seller

**F7 - MARKET MINDER**

**Market Minder** This function allows to review current quotes in the existing groups of issues which are created and updated with the help of **F1 - DIRECTORIES** Market Minder Maintenance

**F8 - MESSAGING**

**View News** provides the users with the ability to send messages and negotiate trades

**Navigation**

- Navigation between the field on a screen is carried out by using "Tab" key
- To return to a previous screen use "-" (minus key)
- To cycle through the option fields use "right and left arrow keys" (←,→)
- When entering data on the Quote Update, Trade Report, Registration, and Comparison Retrieval screens use **Enter** (on number pad)
- To page down, press **Shift** and **F9** simultaneously

*To pick up an issue*

- Using "right and left arrow keys" (←,→) cycle Directory Service option field to ISSUE
- Press F1 the system will display all issues listed in the system in the alphabetic order, indicating their ID, Description, CUSIP, and currency code the issue is traded in

US (default) Layout PTC 10:39

File Edit Config Move Size Zoom 1 2 3 4 Reset Window

2 PTC				
08/03/95	PTC	ISSUE DIRECTORY		10 33 22
ISSUE ID	NAME	CUSIP		CURR
ACBK	ARKHANGELSKY CBK	6P8675432		UGD
AKTP	ARKHANGELSKY MORSKOY TONG PORT	6P8546732		UGD
ANGZ	ANGARSKHEFTEDRGSDINTEZ	112347869		UGD
APAT	APATIT HURHANSK	136577897		UGD
AVBK	AVTOVAZBANK 1000 RUB/WV	RU3479578		UGD
AVIA	AVIASTAR	136719583		UGD
AVST	AVTOVAS	049255607		UGD
AVTB	AVTOBANK 100 000 RUB/WV	112654176		UGD
BELD	BELOZERNEFT	211347844		UGD
BOGO	BOGOSLOVSKY ALUMINUM	219876950		UGD
BRLF	BRATEK TIMBER COMPLEX	276643285		UGD
BRBK	BRATEK ALUMINUM	243719542		UGD
BSCC	BALTIC SEA SHIPPING COMPANY	277897757		UGD
CHGZ	CHEMNOGORNEFT	081356641		UGD

4 PTC				
08/03/95	PTC	PARTICIPANT DIRECTORY		10 35 37
USER ID	NAME	AUTHORIZATION		TELEPHONE #
DEPH	DEPOSITORY A	DEALER		7-095-202 7304
EAPCN	EURASIA FC	DEALER		7 3832 22 1636
ELAPS	ENERGY CAPITAL	DEALER		7 812 247 3330
ELTCS	ELTRA INV COMPANY	DEALER		7 812-310 2491
ETRBN	EUROPEAN TRADE BANK	DEALER		7-095-201-3177
ETSPS	ETC ASSOCIATION ST PETERSBURG	QUERY ONLY		7 812 251 8805
FICTS	TRANSFER CENTRE	DEALER		7 812 251 7928
FLMWS	LEKSTROYMATERIALY	DEALER		7 812-312 7013
FNLHL	FC FINEL	DEALER		7-095-929-0253
GAGEN	GOLDEN AGE	DEALER		7-095-194-3801
GEMAN	SINGERMA	DEALER		7 3832 20 7429
GRNTH	GRANT FINANCIAL GROUP	DEALER		7-095 953 3011
GUTAW	GUTA BANK	DEALER		7-095 230 0106
ICFDM	INT CO FOR FINANCE AND INVEST	DEALER		7-095 204 9825
IFAMS	NORTH WEST INV AND FIN AGENCY	DEALER		7 812 271 9641

- Using "up and down arrow keys" (↑,↓) position the cursor next to the issue you would like to trade, and then

*To retrieve quotes*

- Press **F2** the system will display all markets in the particular issue ranked either in the bid, ask, or combined order

The screenshot shows a terminal window titled 'PTC QUOTE RETRIEVAL' (window 2). The menu bar includes 'File Edit Config Move Size Zoom 1 2 3 4 Reset Window'. The main display area shows the following information:

COMBINED PTC QUOTE RETRIEVAL PAGE 1 OF 5  
 RTKH NAME PROTELECOM  
 PREVIOUS CLOSE 4 26 TODAY'S VOLUME 5 000  
 LAST SALE PRICE 4 64 QUANTITY 5 000 DATE 09/09/95  
 INSIDE BID PRICE 4 500 INSIDE ASK PRICE 4 650

BID RANKING	REG	SIZE	ASK RANKING	REG	SIZE
TROYH 4 500	B 3	10000	NKDLH 4 650	B 5	5000
GRNTH 4 410	J 3	5000	ROSKH 4 700	J 3	5000
RNGGH 4 400	S 3	10000	YALDH 4 700	J 5	5000
YALDH 4 300	J 3	5000	RNKDH 4 735	B 3	10000
ROSKH 4 290	J 3	10000	GUTAH 4 750	B 3	5000
GUTAH 4 250	B 3	5000	GAGEN 4 750	B 3	5000
ANLZH 4 250	B 3	5000	ANLZH 4 750	J 3	5000

At the bottom of the window, a function key menu is visible: F1-ISSUE DIR F2-QUOTE F3-UPD F4-REG F5-TRADE F6-COMPARISON F7-REINDER F8-HGG.

Below this window, two other windows are partially visible: '1 PTC' (PTC MESSAGING) and '4: PTC' (PTC REGISTRATION / WITHDRAWAL).

- Quote order can be selected by cycling QUOTE QUERY option field in the BROKER/DEALER MAIN MENU with the help of "right and left arrow keys" (← →), or in the upper left corner of the QUOTE RETRIEVAL screen

*To register in the issue*

- Having selected the issue by entering ISSUE ID in the BROKER/DEALER MAIN MENU or using **F1** DIRECTORIES ISSUE, position the cursor next to the issue ID
- Press **F4** for registration the Registration screen will appear
- Using "right and left arrow keys" (← →), cycle the ACTION option field to Registration and then
- If you agree with the information presented on the screen, press ENTER
- The bottom line displays the following message "Registration accepted", that means you can trade in this issue
- If you would like to change data on the screen, use "TAB" key for navigation, and type in the new data (telephone #, etc)
- If you intend to cancel registration in this issue use "right and left arrow keys" (← →) and cycle the ACTION option field to DELETE, then press ENTER.

*To enter/ update quotes*

- Having selected the issue by entering ISSUE ID in the BROKER/DEALER MAIN MENU or using F1 DIRECTORIES ISSUE, position the cursor next to the issue ID
- Press F3 the system displays QUOTE UPDATE screen,

US (default) Layout PTC [10:51]

File Edit Config Move Size Zoom 1 2 3 4 Reset Window

2 PTC

ISSUE	MARKET MINDER		ISSUE	GROUPNAME		ISSUE	ASK
	BID	ASK		BID	ASK		
APAT	3 25	6 00	KNFT	3 02	3 40	NZGZ	9 05 11 41
AVIA	0 60	1 00	KROT	6 50	8 00	ORNB	1 70 2 12
BRLP	35 00	40 00	LKDH	5 00	5 70	PFGG	2 80 3 40
CHGZ	7 55	8 31	LKDK	97 00	39 50	RTKH	4 55 4 65
COND	1 95	2 69	HFGG	1 50	1 63	SNGG	0 17 0 20
EEGR	10 10	10 50	NSGG	0 21	0 29	TONG	5 00 5 49
JRGZ	5 60	6 00	NKEL	6 30	6 10	VJGZ	2 01 2 45
KNAZ	2 85	3 20	NYGG	5 00	5 45	YFGA	11 55 12 00

F1-ISSUE DIR F2-QUOTE F3-UPD F4-

4: PTC

PTC QUOTE UPDATE

COMBINED  
 TEST1 NAME Stock for trading  
 PREVIOUS CLOSE 4 5  
 LAST SALE PRICE 4 5

TODAY'S VOLUME  
1 000  
DATE 07/31/95

BID BANKING	SIZE	ASK BANKING	SIZE
GAGH 4 60 S 3	5000	CAPM 4 500 J 7	10000
ORNS 4 630 S 3	20000	BIMM 4 601 S 3	10000
AFISN 4 810 S 3	10000	NIVPH 4 700 J 7	3000
BIMM 4 600 S 3	10000	GAGH 4 800 S 3	10000
DEPH 4 550 J 1	30000	OLNPH 4 800 J 5	10000

\*\*\* \* \* \* \* \*\*\*\*\* \*\* \*\*\*\*\* \*\* \* \*\* \* \*\*\*\*\* \*\* \* \* \* \* \*  
 TEST1 BID REG SIZE ASK REG SIZE  
 CURRENT 4 480 S 3 5 000 6 100 S 3 5 000  
 UPDATED 4 480 S 3 5 000 6 100 S 3 5 000

F1 ISSUE DIR F2-QUOTE F3 UPD F4 REG F5-TRADE F6-COMPARISON F7-MINDER F8-HSQ

1 PTC

09/03/95 PTC MESSAGING

OPEN

- In the bottom field of this screen you can enter your bid price, size, and ask price  
 Note price field is a combination of two fields whole and decimal price fields which can be navigated with the TAB key
- Using "right and left arrow keys" (←,→), cycle the REG option field to one of the given options
  - “B” - denoting that settlements may be effected exclusively in Russian rubles, or
  - “S” - for settlements exclusively in the US dollars
  - “J” - for settlements in any currency (Russian ruble or US dollar) to be determined by the transaction initiator
- Enter re-registration date
- Then press ENTER and the system will automatically update quotes in the Quote Retrieval, Quote Update and Market Minder windows
- To withdraw quotes without canceling registration, delete your quotes in the UPDATE line with the help of "Back Space" key and press ENTER.

After the trade is negotiated (either over the phone or by using screen-based negotiation function) the seller (or buyer if he/she trades with the non-member of the Association) shall enter the trade report

*To enter trade report*

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- Having selected the issue by entering ISSUE ID in the BROKER/DEALER MAIN MENU or using F1 DIRECTORIES ISSUE, position the cursor next to the issue ID
- Press F5 the system will show the trade report screen

US (default) Layout PTC 10:57

File Edit Config Move Size Zoom 1 2 3 4 Reset Window

2: PTC

PTC SHORT FORM TRADE REPORT

COMBINED  
 RTNCH NAME ROSTELECOM  
 PREVIOUS CLOSE 4 26 TODAY'S VOLUME 5 000  
 LAST SALE PRICE 4 64 QUANTITY 5 000 DATE 08/03/95

	BID RANKING		SIZE		ASK RANKING		SIZE
GRNTH	4 600	J 3	5000	NKDLH	4 650	B 5	5000
RBDCH	4 560	J 3	5000	ROSKH	4 700	J 3	5000
TRDTH	4 500	B 3	10000	YALDH	4 700	J 5	5000
NSPTH	4 450	B 3	10000	RNKDH	4 735	B 3	10000
RNGCH	4 400	B 3	10000	GUTAH	4 750	B 3	5000

\*\*\*\*\*  
 RTNCH ACT QTY PRICE CONTRA  
 CLR N LOC SETTLE 08/10/95 CAP P INSTRUCT PART REF#

F1-ISSUE DIR F2-QUOTE F3-UPD F4-REG F5-TRADE F6-COMPARISON F7-HINDER F8-MEG

---

1 PTC

08/03/95 PTC MESSAGING

OPEN

---

4 PTC

ISSUE	PTC BID	MARKET ASK	HINDER	ISSUE	GROUPWAVE BID	ASK	HANBY	ISSUE	BID	ASK
APAT	3 25	8 00	KWFT	3 02	3 40	NEGZ	9 05	11 41		
AVLA	0 00	1 00	KWDT	6 30	8 00	ODNB	1 70	2 12		
BELF	35 00	40 00	LEDM	5 00	5 70	PFDS	2 80	3 30		
CBZ	7 35	8 31	LEOK	37 00	39 30	RTN	4 38	4 65		
COMD	1 95	2 69	NEFS	1 50	1 83	SMCS	0 17	0 20		
EESR	10 10	10 50	NSNG	0 28	0 29	TONG	5 00	5 50		
TRZ	5 60	6 00	NKEL	6 30	6 80	VJGZ	2 01	2 45		
RMAZ	2 85	3 20	MYGS	5 00	5 45	YFGA	11 55	12 00		

- In the bottom field of the screen enter:  
 PRICE  
 QTY  
 CONTRA  
 PART, REF# (optional to be used in the internal records)
- Note Price field is a combination of two fields whole and decimal price fields which can be cycled with the 'Tab' key
- Using "right and left arrow keys" (← →), cycle your position in the option fields  
 ACT - action "P" - purchase, "S" - sell, "SS" - short sale, "TR" - transfer  
 CAP - capacity "P" - principal, "A" - agent, "R" - riskless principal  
 CLR - clearing cycle to "Y" - yes if you choose using clearing or "N" - no  
 LOC - clearing location cycle to DCC, or any other clearing house code  
 INSTRUCT - instructions for delivery "G" - guaranteed delivery, if you choose using clearing, "N" - with no special instructions
  - Settlement date is assigned by the system by default 7 working days from the date of trade execution, but it may be changed upon agreement of the parties
  - After all necessary information fields are filled in, press ENTER. the system will show ACCEPTED message, with the indication of the number, status of the transaction, as well as change the last sale line in the Quote Update, Quote Retrieval and Trade Report windows

To affirm trade

Press F6 the system will show COMPARISON RETRIEVAL screen

US (default) Layout PTC 10:10

File Edit Config Move Size Zoom 1 2 3 4 Reset Window

1 PTC

08/23/95 PTC COMPARISON RETRIEVAL 15 49 00

TRANSACTION NUMBER SETTLEMENT DATE

STATUS ALL ACTION S ISSUE IDENTIFIER

CONTRA CURRENCY

2: PTC

08/23/95 PTC COMPARISON 15 52 20

SETTLEMENT DATE 08/21/95 STATUS ALL ACTION S

ISSUE IDENTIFIER CONTRA CURRENCY

STA	ACT	QTY	PRICE	CURR	CONTRA	TRANS#	FUNC
ISSUE ID	TEST1		NAME	Stock for training		CUSIP	676767056
COM S		3 000		5 0	USD NIKAM		7262119
ISSUE ID	TEST1		NAME	Stock for training		CUSIP	676767056
COM S		3 000		5 0	USD NIKAM		7262121
ISSUE ID	TEST1		NAME	Stock for training		CUSIP	676767056
COM S		5 000		4 9	USD NIKAM		7262117
ISSUE ID	TEST1		NAME	Stock for training		CUSIP	676767056
UNC S		4 000		4 9	USD NIKAM		7262124 <input type="checkbox"/> FFIRM

- Enter data in the information fields
  - ISSUE IDENTIFIER
  - CONTRA
  - SETTLEMENT DATE
  - TRANSACTION NUMBER
- Using "right and left arrow keys" (← →), cycle the STATUS option field to one of the given options
  - ALL - All trades
  - ADV - Advisory trades entered by the counteragent and was not compared by the viewing party
  - COM - Compared trades
  - CXL - Both parties canceled the trade, that was compared before
  - CPX - Seller canceled the trade
  - ONE - One-sided trade (non-RTS contra)
  - TFR - Free Transfer
  - DEL - One-sided trades, uncomparing trades and Free transfers, canceled by the viewing party
  - OUT - Outstanding trades, that are not sent for clearing
  - VXL - Buyer canceled the trade
  - UNC - Uncomparing trades

- 
- After entering the required data in the information fields, press ENTER
  - The system will show COMPARISON screen, and the cursor will be positioned next to the option field which you have to cycle either to
    - AFFIRM - To affirm the trade
    - DELETE - to cancel the trade
    - SCAN - To scan the details of the trade
  - Press ENTER. the system will display "ACCEPTED", after that the trade may be sent to clearing

The system provides you with an opportunity to create Market Minder in order to follow markets in certain groups of securities

*To create Market Minder in certain groups of securities*

- Using "right and left arrow keys" (←,→), cycle the option field to MM MAINTENANCE in the BROKER/DEALER MAIN MENU next to DIRECTORIES
- Press F1 the system will display Market Minder Screen

The screenshot shows a multi-windowed application interface. At the top, there's a menu bar with 'File', 'Edit', 'Config', 'Move', 'Size', 'Zoom', and 'Reset Window'. Below this, there are three main windows:

- 2 PTC:** A table with columns for 'ISSUE', 'PTC BID', 'MARKET ASK', 'HINDER', 'ISSUE', 'GROUPNAME', 'NAME', 'ISSUE', 'BID', and 'ASK'. It lists various securities like APAT, AVIA, BRBP, etc.
- 1 PTC:** A smaller window showing '08/03/95' and 'PTC MESSAGING' with the word 'OPEN' below it.
- 4: PTC:** A window titled 'PTC MARKET MINDER MAINTENANCE' showing a list of 'ISSUE ID' and 'NAME' for various companies like ARKRADEL'SKY CBK, ANTP, etc. Below this list are columns for 'CURRENT GROUP', 'NAME', and several 'PRICE' fields.

- Enter the group name (optional) in the GROUP information field
  - Press F1 - to enter the group in the list the system will display the issue list in the upper field of the screen
  - Using "up and down arrow keys" (↑,↓) to search and (→) to mark, select issues from the list
  - Press F3 the system will enter these issues in the created group
- Note Select the issues form the first page press F3 only than continue selection from the next pages by using Shift F9
- Press F7 to review current quotes in the created group
  - The system will show dynamically updated markets in these issues
  - In order to delete created group enter the group name in the F1 MM MAINTENANCE screen and press F2
  - To delete issues from the created groups mark the issue using the right arrow key (→) and press F4

*To review created groups*

- In the BROKER/DEALER MAIN MENU, in the ISSUE ID information field enter the group name and press F7

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The RTS provides users with a function of message exchange that allows the system participants to negotiate through the screen

### *To exchange messages*

*Always keep the message window open!*

- Press **F8** the system will show the Message screen
- Enter the firm ID where you send your message in the OPEN field
- Press key (↓)
- In the message line type in your message in English or Russian, but in Latin letters (like in E-mail)
- Press **F3** to send your message  
In the present version the message field is restricted by the line length. You can resume negotiations only after receiving answer from the counter party
- To complete the negotiation session, press **F2**

### *To retrieve messages from the system administrator*

- Using "right and left arrow keys" (←,→), cycle the option field to VIEW NEWS in the BROKER/DEALER MAIN MENU next to MESSAGING
- Press **F8** the system will display the NEWS screen. To return to the MAIN BROKER/DEALER MENU use "-" key (on the number pad)

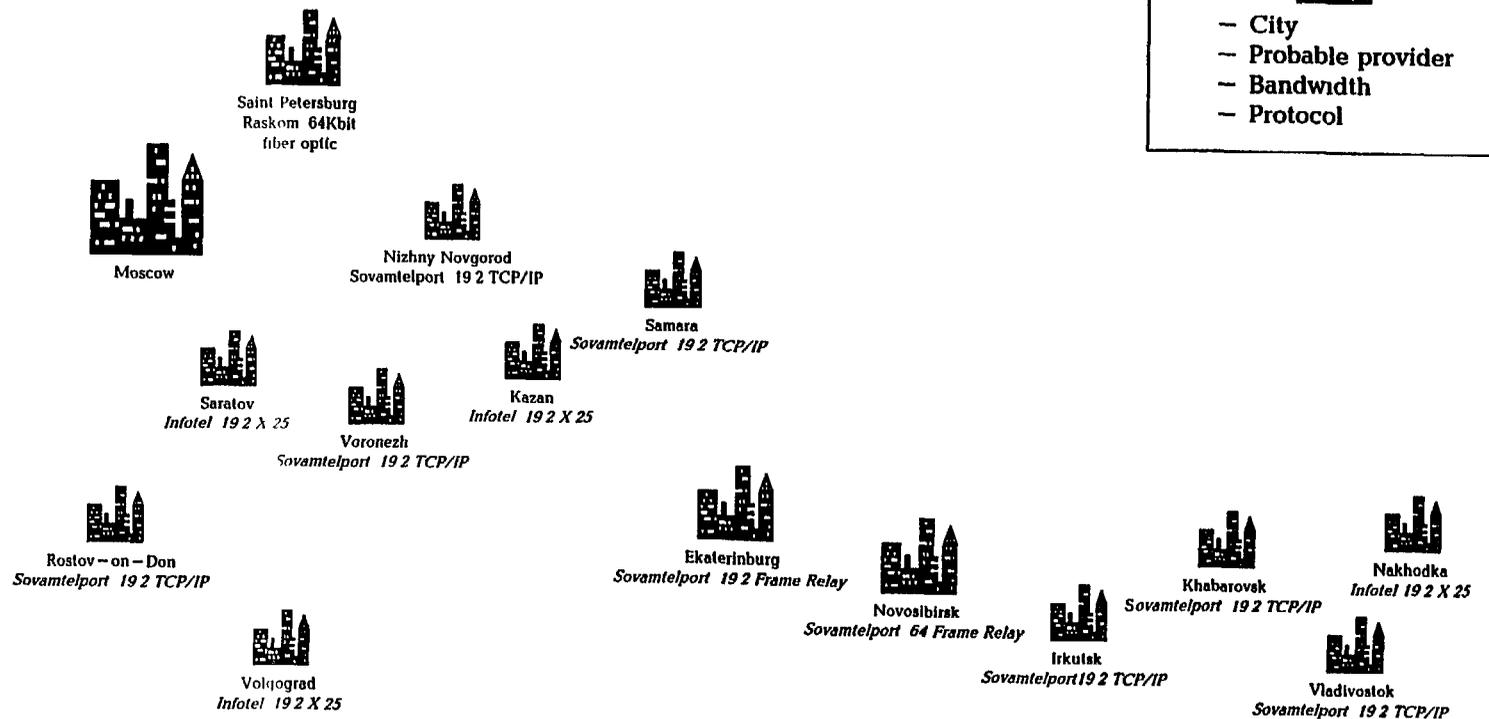
### *To quit RTS*

- From the top menu panel choose **Config**, then choose **Hangup**
- Go to **File** and choose **Exit**
- Click on **Yes** in the confirmation window
- You may also save windows configuration on your screen by clicking on the **Yes** button in the confirmation window

*Russian Trading System Network  
(Mid 1996)*



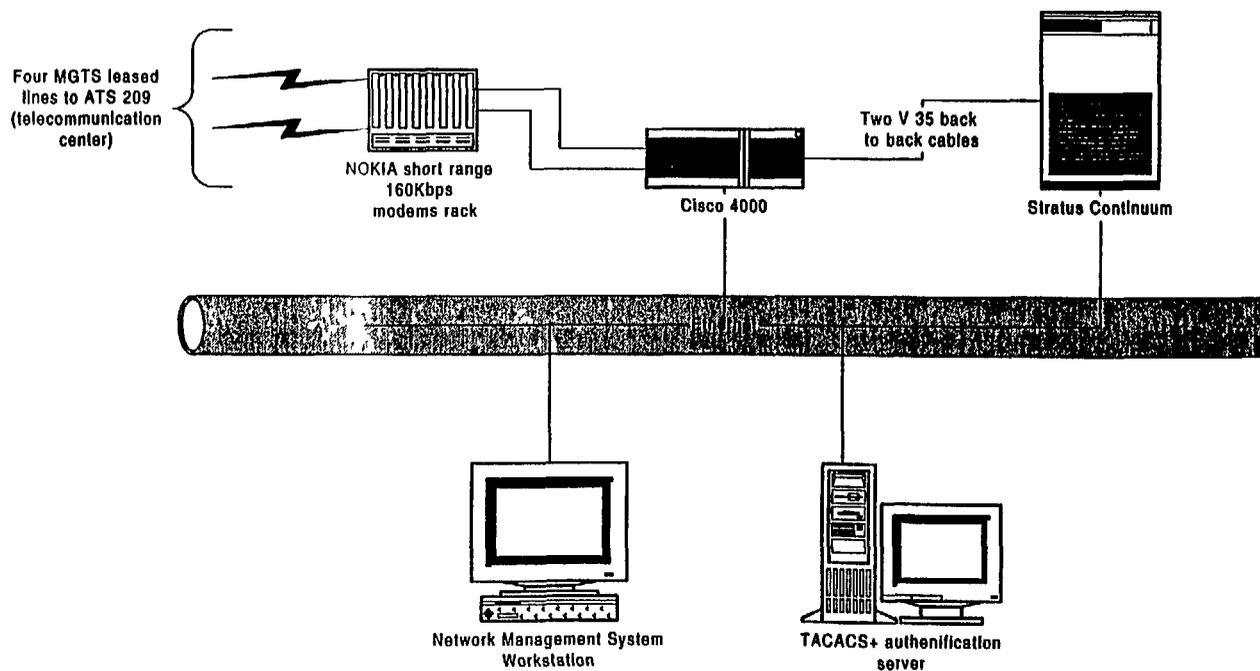
# Russian Trading System Development Plan



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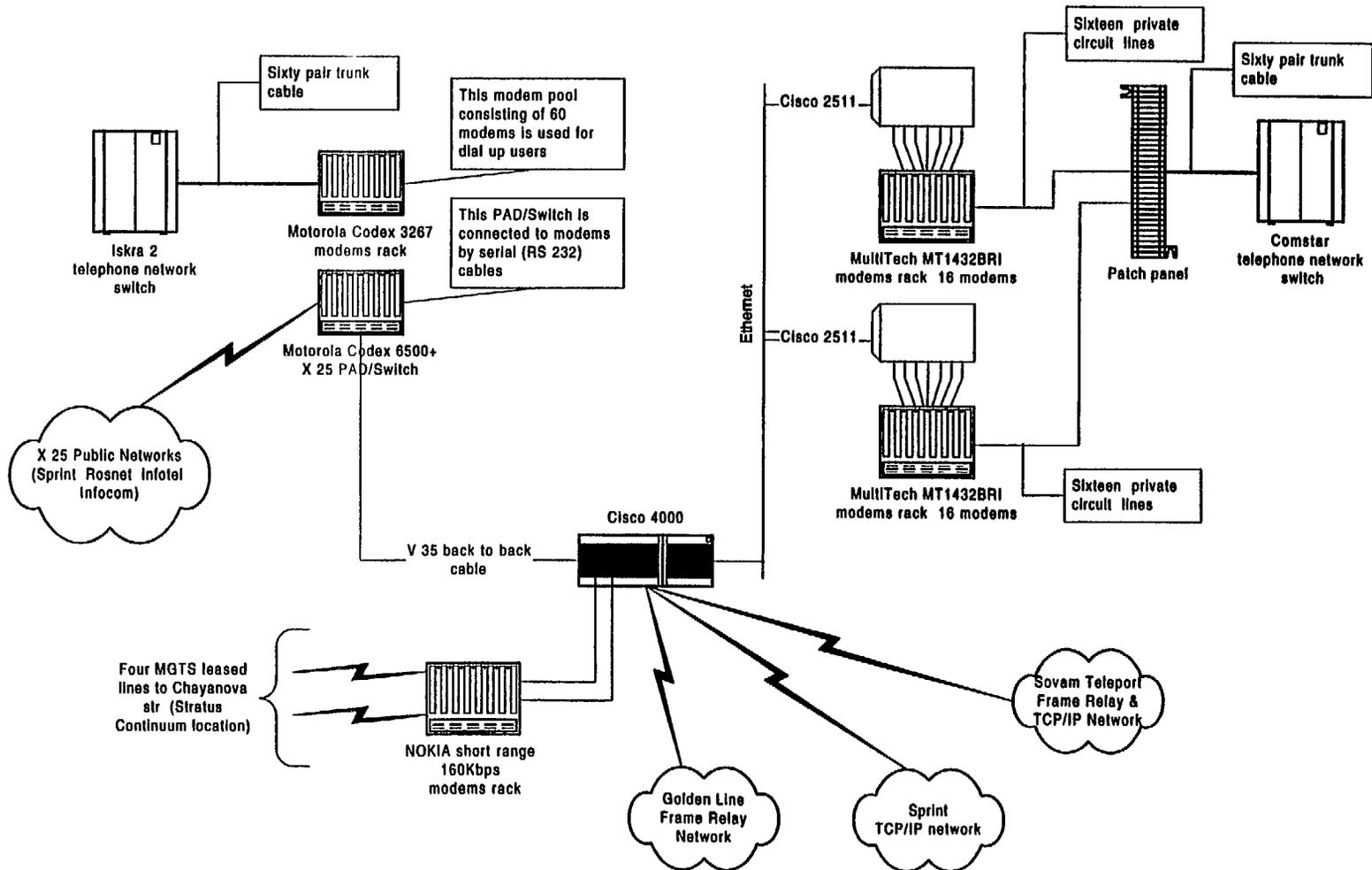
# Russian Trading System Development Plan

## Enhanced server location, Moscow, Chayanova, 15



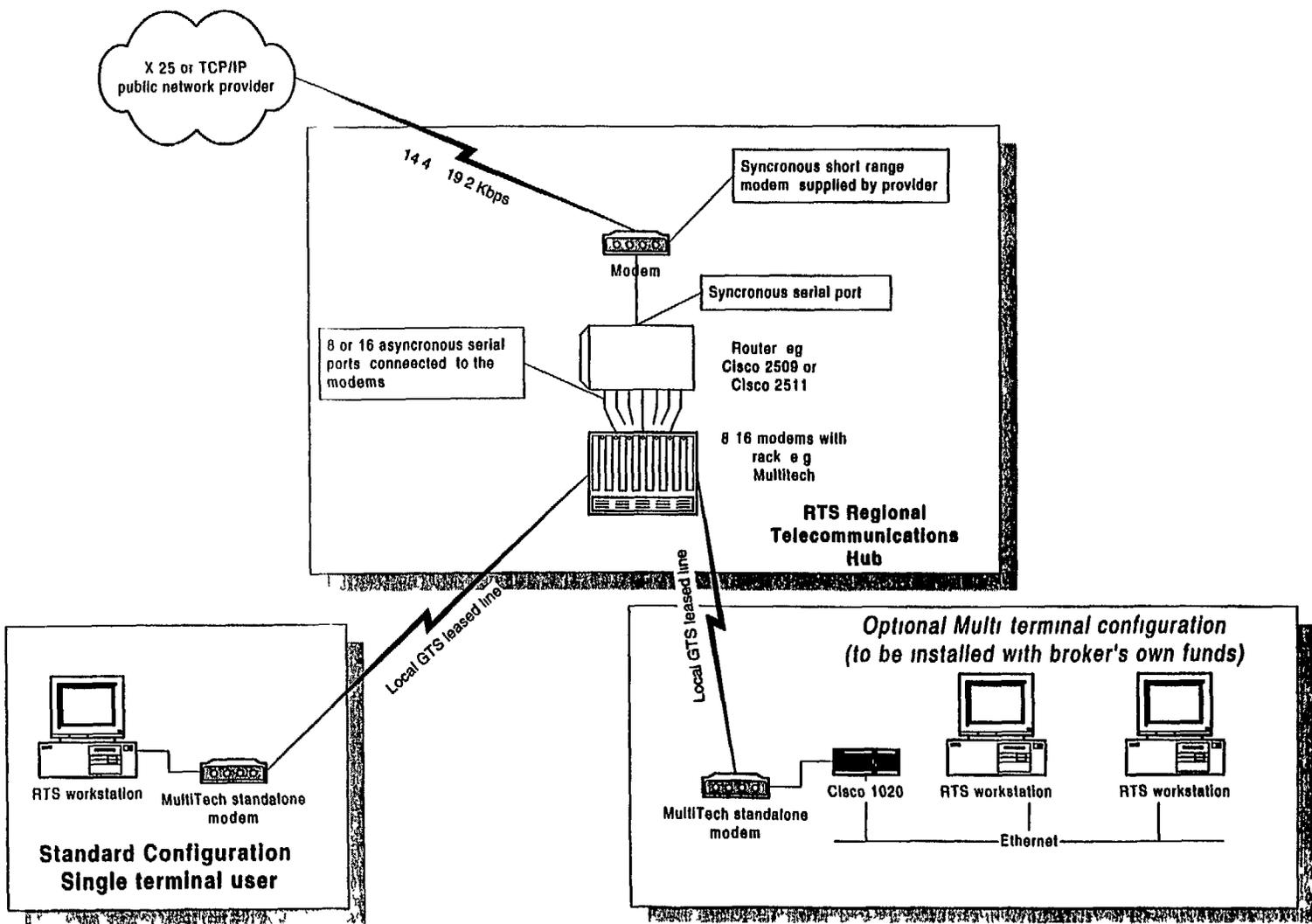
19

# Russian Trading System Development Plan Enhanced Moscow telecommunication center (ATS-209)



# Russian Trading System Development Plan

## Detail of Regional Hub



<b>Russian Trading System Activity</b>			
<b>Market Date</b>	<b>Index at Close</b>	<b>Number of Reported Trades</b>	<b>Reported Volume (\$ Millions)</b>
7/29/96	153 89	106	\$4 6
7/26/96	147 82	101	\$7 2
7/25/96	147 94	173	\$6 8
7/24/96	146 42	223	\$10 3
7/23/96	155 57	133	\$7 0
7/22/96	159 51	139	\$8 1
7/19/96	163 15	126	\$10 0
7/18/96	161 38	195	\$11 0
7/17/96	164 04	119	\$4 8
7/16/96	173 92	240	\$12 4
7/15/96	174 59	245	\$14 2
7/12/96	159 90	208	\$11 4
7/11/96	156 08	362	\$25 0
7/10/96	168 79	295	\$12 8
7/9/96	181 57	184	\$8 2
7/8/96	190 15	305	\$14 8
7/5/96	216 39	182	\$11 6
7/4/96	227 79	342	\$26 9
7/2/96	209 36	282	\$20 2
7/1/96	198 63	253	\$18 6
6/28/96	204 13	347	\$23 5
6/27/96	227 70	403	\$37 3
6/26/96	213 82	399	\$35 8
6/25/96	205 03	323	\$25 5
6/24/96	195 64	256	\$17 0
6/21/96	180 66	249	\$32 0
6/20/96	171 70	318	\$22 9
6/19/96	171 28	177	\$13 5
6/18/96	179 00	361	\$31 0
6/17/96	170 13	309	\$24 8
6/14/96	146 86	213	\$17 3
6/13/96	148 56	177	\$25 0
6/11/96	151 63	182	\$13 3
6/10/96	150 40	205	\$16 6
6/7/96	140 73	152	\$12 7
6/6/96	138 12	124	\$9 0
6/5/96	136 86	143	\$7 8
6/4/96	144 69	110	\$6 1
6/3/96	149 15	111	\$8 0
5/31/96	146 91	153	\$13 9
5/30/96	141 04	174	\$12 9
5/29/96	149 55	215	\$14 3
5/28/96	164 49	363	\$30 8
5/27/96	144 76	238	\$15 9
5/24/96	131 67	283	\$20 7
5/23/96	121 18	203	\$13 1
5/22/96	116 18	266	\$19 9

<b>Russian Trading System Activity</b>			
<b>Market Date</b>	<b>Index at Close</b>	<b>Number of Reported Trades</b>	<b>Reported Volume (\$ Millions)</b>
5/21/96	113 67	159	\$9 7
5/20/96	110 88	121	\$7 8
5/17/96	109 34	162	\$12 8
5/16/96	109 97	95	\$5 9
5/15/96	109 23	198	\$11 6
5/14/96	112 82	242	\$16 9
5/13/96	116 84	269	\$19 7
5/12/96	110 66	68	\$3 7
5/8/96	111 03	101	\$7 0
5/7/96	109 42	160	\$9 9
5/6/96	105 81	95	\$6 8
5/5/96	103 52	19	\$0 8
4/30/96	103 98	86	\$4 4
4/29/96	104 28	112	\$4 2
4/26/96	105 15	158	\$9 4
4/25/96	108 63	305	\$22 7
4/24/96	98 70	257	\$18 8
4/23/96	94 08	181	\$11 2
4/22/96	91 41	81	\$4 1
4/19/96	89 65	157	\$10 7
4/18/96	92 30	168	\$9 0
4/17/96	95 08	176	\$10 5
4/16/96	93 19	270	\$25 5
4/15/96	87 43	100	\$7 1
4/12/96	86 57	95	\$4 9
4/11/96	85 73	117	\$6 3
4/10/96	83 90	132	\$7 0
4/9/96	84 25	117	\$6 8
4/8/96	83 02	63	\$4 5
4/5/96	81 50	97	\$4 5
4/4/96	83 95	190	\$13 3
4/3/96	84 67	276	\$23 0
4/2/96	80 58	254	\$19 0
4/1/96	77 56	119	\$6 7
3/29/96	75 63	65	\$2 7
3/28/96	75 16	66	\$3 4
3/27/96	75 91	107	\$5 2
3/26/96	77 93	122	\$7 3
3/25/96	76 23	66	\$3 3
3/22/96	74 73	121	\$6 1
3/21/96	71 95	155	\$8 2
3/20/96	68 91	131	\$6 4
3/19/96	67 28	74	\$3 3
3/18/96	66 69	100	\$4 7
3/15/96	67 92	54	\$3 1
3/14/96	68 46	59	\$3 0
3/13/96	67 70	98	\$6 0

<b>Russian Trading System Activity</b>			
<b>Market Date</b>	<b>Index at Close</b>	<b>Number of Reported Trades</b>	<b>Reported Volume (\$ Millions)</b>
3/12/96	69 57	76	\$3 7
3/11/96	69 93	30	\$1 1
3/7/96	69 94	38	\$1 8
3/6/96	70 10	45	\$1 2
3/5/96	70 15	220	\$2 2
3/4/96	69 22	45	\$1 7
3/1/96	70 23	55	\$2 7
2/29/96	71 31	63	\$2 7
2/28/96	72 47	44	\$2 2
2/27/96	72 79	64	\$3 2
2/26/96	73 70	37	\$1 4
2/23/96	74 40	89	\$4 5
2/22/96	70 84	120	\$5 3
2/21/96	72 23	113	\$5 9
2/20/96	74 53	52	\$2 9
2/19/96	76 15	52	\$2 4
2/16/96	77 34	53	\$3 1
2/15/96	77 86	50	\$1 7
2/14/96	77 84	49	\$2 6
2/13/96	77 69	100	\$4 6
2/12/96	78 79	93	\$4 8
2/9/96	80 42	71	\$4 0
2/8/96	80 88	62	\$2 3
2/7/96	80 81	84	\$4 5
2/6/96	83 56	89	\$6 1
2/5/96	83 56	84	\$6 1
2/2/96	83 56	133	\$11 6
2/1/96	81 19	83	\$9 4
1/31/96	80 71	38	\$2 0
1/30/96	80 95	73	\$4 5
1/29/96	80 36	32	\$1 7
1/26/96	80 20	77	\$3 6
1/25/96	77 97	116	\$6 2
1/24/96	81 74	99	\$6 5
1/23/96	82 83	87	\$4 1
1/22/96	85 27	49	\$2 0
1/19/96	85 04	66	\$3 7
1/18/96	83 59	43	\$3 1
1/17/96	81 65	162	\$7 0
1/16/96	87 57	82	\$5 2
1/15/96	90 73	37	\$1 9
1/12/96	89 99	63	\$4 1
1/11/96	91 19	82	\$5 9
1/10/96	90 78	119	\$8 2
1/9/96	87 35	60	\$4 8
12/28/95	82 92	5	\$0 1
12/26/95	81 85	4	\$0 1

34

<b>Russian Trading System Activity</b>			
<b>Market Date</b>	<b>Index at Close</b>	<b>Number of Reported Trades</b>	<b>Reported Volume (\$ Millions)</b>
12/25/95	81 49	8	\$0.2
12/22/95	80 37	28	\$1 0
12/21/95	81 01	38	\$1 7
12/20/95	83 84	59	\$3 3
12/19/95	83.20	60	\$2 9
12/18/95	81 04	62	\$3 7
12/15/95	82 04	46	\$3 4
12/14/95	82 04	105	\$8 5
12/13/95	78 04	45	\$2 8
12/9/95	76 37	20	\$0 6
12/8/95	76 45	55	\$3 3
12/7/95	76 14	64	\$4 2
12/6/95	74 86	56	\$3 9
12/5/95	73 91	78	\$3 3
12/4/95	71 90	54	\$3 4
12/1/95	70 95	57	\$1 9
11/30/95	70 47	100	\$5 2
11/29/95	71 12	47	\$2 8
11/28/95	72 42	62	\$5 9
11/27/95	72 35	28	\$1 8
11/24/95	72 56	39	\$1 6
11/23/95	73 69	39	\$1 5
11/22/95	73 75	56	\$2 5
11/21/95	72 19	59	\$2 7
11/20/95	72 59	43	\$2 0
11/17/95	71 28	51	\$2 5
11/16/95	70 98	32	\$1 4
11/15/95	71 52	25	\$1 0
11/14/95	71 87	26	\$1 0
11/13/95	72 18	32	\$1 2
11/10/95	71 54	31	\$1 3
11/9/95	71 76	53	\$3 7
11/8/95	71 27	12	\$0 5
11/4/95	70 53	12	\$0 3
11/3/95	69 98	28	\$0 6
11/2/95	68 09	70	\$3 1
11/1/95	72 70	59	\$2 6
10/31/95	73 56	30	\$0 8
10/30/95	74 88	7	\$0 1
10/27/95	75 86	67	\$5 7
10/26/95	78 11	100	\$6 6
10/25/95	79 14	65	\$4 5
10/24/95	79 08	29	\$1 5
10/23/95	79 16	39	\$2 0
10/20/95	79 35	36	\$2 5
10/19/95	79 26	27	\$2 4
10/18/95	79 00	29	\$1 1

<b>Russian Trading System Activity</b>			
<b>Market Date</b>	<b>Index at Close</b>	<b>Number of Reported Trades</b>	<b>Reported Volume (\$ Millions)</b>
10/17/95	78 66	40	\$2 2
10/16/95	78 10	39	\$2 4
10/13/95	77 48	48	\$3 1
10/12/95	76 48	21	\$0 9
10/11/95	75 80	19	\$1 9
10/10/95	76 42	30	\$1 2
10/9/95	77 27	30	\$1 5
10/6/95	74 16	51	\$1 6
10/5/95	75 03	51	\$2 2
10/4/95	72 06	61	\$3 0
10/3/95	78 39	75	\$3 6
10/2/95	83 00	28	\$1 6
9/29/95	86 09	42	\$1 2
9/28/95	89 07	31	\$1 3
9/27/95	88 17	18	\$1 0
9/26/95	87 98	43	\$1 7
9/25/95	91 16	29	\$1 4
9/22/95	94 03	45	\$1 7
9/21/95	96 27	72	\$3 7
9/20/95	99 19	73	\$4 3
9/19/95	99 54	31	\$1 6
9/18/95	99 84	49	\$2 9
9/15/95	99 30	34	\$1 9
9/14/95	98 80	32	\$1 0
9/13/95	99 16	21	\$1 2
9/12/95	100 24	28	\$1 7
9/11/95	100 84	18	\$1 3
9/8/95	101 30	39	\$2 2
9/7/95	101 30	24	\$2 3
9/6/95	99 74	34	\$1 9
9/5/95	100 42	32	\$4 1
9/4/95	99 80	27	\$1 1
9/1/95	100 00	51	\$3 2

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**THE FOUNDATION AGREEMENT  
OF THE NATIONAL ASSOCIATION  
OF STOCK MARKET PARTICIPANTS**

Moscow  
1995

## I The Founders

- 1 The PROFESSIONAL ASSOCIATION OF STOCK MARKET PARTICIPANTS legal address 103051 Moscow Ul Sadovaya-Karetnaya, 20, registered in the MRCh on September 5 1994 S/a #050701902 in the MOSTBANK commercial bank, MFO 997168 participant 8C,
- 2 The URAL ASSOCIATION OF FINANCIAL BROKER - DEALERS non-commercial organization legal address 620014 Yekaterinburg, Ul Malisheva, 28, registered in the YeRCh on September 13 1994 S/a #606001 cor/a 700161380 in URALVNESHTORGBANK in CSCC MFO 253006 code 871077, INN 667104535,
- 3 The ASSOCIATION OF STOCK DEALERS OF SIBERIA non-commercial organization legal address 630076 Novosibirsk - 76, Ul Frunze 5 registered in NRCh on September 16 1994 S/a #606521 cor/a 800161697 MFO 224772 ÈÐAA in VNESHTORGBANK of Novosibirsk, SCC of CB MD MFO 224024
- 4 The UNIFIED TRADING SYSTEM S -Petersburg association of securities market participants a non-commercial organization legal address 198103, Saint-Petersburg 44 registered in the Registration Chamber of the S -Petersburg Mayor's office on January 30 1995 S/a #6009002321 in the Zheleznodorozhny department of the Baltiysky bank cor/a 800161175

acting pursuant to Article 121 of the Civil Code of the Russian Federation and Article 11 of the Federal law On Non-Commercial Organizations have agreed to set up on a voluntary basis a Professional Association of Stock Market Participants of Russia (hereinafter referred to as the "Association") with a view to promoting securities market development in the Russian Federation through developing and implementing unified rules and standards and providing for the use of them by Association members in their practices

The Association is created as a non-commercial institution and in its activities shall not pursue a goal to get profits in order to distribute them among the founders and Association members as their income. In the case profits are obtained as a result of Association activities they are subject to being used for the Charter purposes

The founders have agreed that the legal entities which are Members of the Professional Association of Stock Market Participants (Moscow) the Ural Association of Financial Broker - Dealers (Yekaterinburg) the Association of Stock Dealers of Siberia (Novosibirsk), the Unified Trading System association of securities market participants (Saint-Petersburg) as of the time of foundation of the Association shall automatically become the Association Members following the time of its state registration

## II Tasks of the Association

The Association is a voluntary union of legal entities setting forth the following tasks

- 1 To promote, by uniting the efforts of the Association Members, the standardization of principles and practices of securities market participants, implementation of professional ethical norms and provision for compliance by Association Members with the legislation of the Russian Federation in the field of the securities market,
- 2 To develop and implement rules directed to preventing unfair actions on the part of stock market participants and providing for fair and equitable trading principles in the interests of investors,
- 3 To act as a connecting link in the relationships with state power and management bodies on issues touching upon the interests of investors and other securities market participants (applications consulting, and other forms)
- 4 To encourage increased self-discipline of the Association Members, to examine facts of non-compliance with the established standards and rules and act as an arbitrator in settling disputes between Association Members and third parties and between Association Members,
- 5 To give informational methodological technical, and legal support to Association members

### III Types of activities

To implement the goals and tasks, Association shall perform the following types of activities

- 1 Develop principles and rules of securities transactions, technical standards instructions methodological manuals mandatory for use by Association members
- 2 Develop standards of professional practices and norms of professional ethics for the Association Members
- 3 Develop a mechanism and take measures promoting compliance with the above norms and standards by the Association Members
- 4 Develop information data bases on issues concerning securities market organization and functioning and its participants
- 5 Represent the interests of Association members in state power and management bodies of the Russian Federation
- 6 Provide free consulting services to the Association Members
- 7 Take measures for developing and creation of informational communication trading, settlement - and - clearing and other systems for securities transaction implementation
- 8 Develop standards for information exchange between securities market participants as well as between securities market participants and third parties

- 9 Implement current support of the technological systems being implemented
- 10 Develop rules and act as an arbitrator for settling disputes between Association Members and between Association Members and third parties
- 11 Examine and promote implementation of the experience of Russian and foreign securities market participants
- 12 Develop programs of training and upgrading the professional skills of Association Members and other securities market participants
- 13 Prepare and issue training materials advertising prospects, different kinds of scientific and technical documents, organize publication of scientific papers lectures and training in different aspects of its activities
- 14 Cooperate with securities market participants who are not Association Members as well as with their unions and associations
- 15 Carry out any other activity not forbidden by the current legislation of the Russian Federation

#### **IV Association Membership**

Members of the Association may be legal entities which are according to the current legislation of the Russian Federation securities market professional participants having their own capital in the amount of not less than 50 (fifty) thousand US dollars (in ruble equivalent) recognizing and complying with the Charter the by-laws of the Association and decisions of the Association bodies

#### **V Initiative group**

To perform actions connected with the development and adoption of necessary documents for setting up the Association a special group including interested representatives of the Moscow St Petersburg Novosibirsk and Yekaterinburg non commercial institutions has been set up

#### **VI Distribution of powers between Association Members and Association**

The group created should stipulate the following distribution of powers between the Association Members and Association itself in the Association Charter

- 1 The amount of Association entrance fee shall constitute the equivalent of five thousand US dollars but not less than twenty five million rubles and should be paid fully in rubles at the Central Bank of Russia exchange rate as of the date the decision about admission to the Association membership was made The payment shall be effected by transferring the amount into the settlement account of Association within five business days following the date the Board of Directors made the decision about admission to the Association Membership

- 2 The membership fee amount shall be the equivalent of five hundred US dollars but not less than two and a half million rubles The membership fee shall be paid every quarter by transferring the full amount into the settlement account of the Association in rubles at the Central Bank of Russia exchange rate as of the transfer date
- 3 The Association undertakes to use its funds and property for the charter purposes only and on the basis of the Association budget The profits of Association may be used only for achieving the purposes stipulated by the Association Charter and shall not be subject to distribution among the Founders and Members of the Association as their income The funds and property assigned to the Association for purposeful use shall be spent strictly as designed
- 4 The Association shall not be responsible for the obligations of its Members The Association Members shall bear subsidiary responsibility for the charter obligations of the Association in the amount of two percent of the amount of the entrance fee paid to the Association

#### **VII Additional provisions**

The Association shall be a legal entity from the time of its state registration according to the legislation of the Russian Federation, have separate assets, acquire in its name property rights and personal non-property rights associated with them and bear obligations may act as claimant and defendant in court, arbitration court, and in-house arbitration, have an independent balance sheet, a round seal and stamps with its name, other necessary requisites registered in the established order The Association shall open and use ruble and foreign exchange accounts in bank institutions

The Association shall be responsible for its obligations with the assets belonging to it to which pursuant to the legislation of the Russian Federation claim may be made

The Association shall not be responsible for the obligation of the state, its bodies and institutions nor the state, its bodies and institutions shall be responsible for the obligations of the Association

Approved by the decision  
of the NAUFOR Board of Directors  
of April 25, 1996

**CHARTER**  
**OF THE NATIONAL ASSOCIATION OF STOCK MARKET PARTICIPANTS**

Moscow • St Petersburg • Ekaterinburg • Novosibirsk  
1996

65

**SECTION I**

**GENERAL PROVISIONS**

- 1 1 The National Association of Securities Market Participants hereinafter referred to as Association has been created by the decision of founders in compliance with Article 121 of the Civil Code of the Russian Federation
- 1 2 Association is a non-commercial organization and it doesn't pursue the goal of deriving profits for distribution as income among founders and members of Association
- 1 3 Association carries out its activities in conformity with the current legislation of the Russian Federation and the present Charter
- 1 4 Association is considered to be a legal entity from the Association state registration date according to the legislation of the Russian Federation which has separate property acquires in its name property and derived personal non-property rights and contracts obligations can act as plaintiff and defendant in the court in the outside or in-house Arbitration has a separate balance sheet, round stamp and stamps with its name other relevant requisites registered in the established order Association opens and uses ruble and hard currency accounts in bank institutions on the territory of the Russian Federation as well as outside it The liability of Association for its obligations can be enforced against its property which can be claimed under the legislation of the Russian Federation Association is not liable for obligations of its members The members of Association bear subsidiary obligation as to its liabilities in the amount of 1% (one per cent) of the entrance fee paid to Association Association is not liable for obligations of the State its bodies and organizations equally as the State its bodies and organizations are not liable for obligations of Association
- 1 5 Association is created for an unlimited period of time
- 1 6 Association expands its activities on the territory of the Russian Federation and beyond its borders
- 1 7 The headquarters of Association is situated in Moscow Association may found its representative offices and branches in the Russian Federation and outside it Branches shall be founded at the sites of Association members (beginning with a certain number which should be not less than ten) The functions and powers of branches shall be identified by the Provisions of the latter Provisions of Branches should stipulate at a minimum, the functions of admitting new members to Association their registration supervision of their activities and financial state and compliance with the rules and norms of professional ethics

Execution of branch functions may be entrusted to a regional non-commercial organization (hereinafter referred to as RNO) which objects tasks and activities do not contradict those of Association For this purpose a special agreement should be signed which shall identify RNO powers with regard to Association members as well as relationships between the parties including financial relationships A RNO which signs an agreement with Association shall fulfill all the functions delegated to it under the agreement Professional securities market participants located in the RNO region of action may at their own discretion be either only Association or RNO members or members of both organizations simultaneously The requirement that RNO membership is mandatory to join Association shall not be allowed

1 8 The full name of Association in Russian is "Национальная Ассоциация Участников Фондового Рынка"

The abbreviation of the name of Association in Russian is "НАУФОР"

Full name of Association in English is the Professional Association of Securities Market Participants

The abbreviation of the name of Association in English is NAUFOR

1 9 Legal address of Association is 125195 Moscow Leningradskoye shosse 110/2 room # 57

## SECTION II

### *GOALS, TASKS AND TYPES OF ACTIVITIES OF ASSOCIATION*

2 1 The goal of Association is to provide conditions for professional securities market participants activity work out professional ethics standards on the securities market, protection of interests of securities owners and other clients of professional securities market participants considered to be members of Association establish rules and standards for securities transactions providing efficient activity on the securities market

2 2 Association sets the following tasks

2 2 1 With joint efforts of Association members to promote standardization of principles and practices of securities market participants introduce norms of professional ethics and guarantee compliance by members of Association with the legislation of the Russian Federation in the field of securities market

2 2 2 To elaborate and introduce rules aimed at prevention of fraudulent actions of the participants of the securities market and guarantee fair and equal principles of trade for the benefit of investors

2 2 3 To act as a link in the relationships with governmental and managerial agencies on issues involving interests of investors and other participants of the securities market (circulation consultations and other forms)

2 2 4 To contribute to a rise of self-discipline of members of Association to monitor facts of violation of established standards and rules and act as an arbitrator in settling disputes arising between Association members and third parties and Association members

2 2 5 To provide information methodological, technical and legal support to Association members

2 3 In order to realize its goals and tasks Association shall carry out the following types of activities

2 3 1 Works out principles and rules of securities transactions technological standards instructions which are mandatory for Association members

- 2 3 2 Works out standards for securities transactions and supervises their compliance
- 2 3 3 Develops a procedure to check compliance with the established rules and standards by Association members, including setting up of supervision body and working out of procedure for acquaintance with results of other Association members check-ups
- 2 3 4 Establishes issue and registration procedures used by Association members in securities transactions
- 2 3 5 Elaborates rules limiting price manipulations in securities transactions
- 2 3 6 Sets up information data bases on organization and functioning of securities market as well as its participants
- 2 3 7 Represents interests of Association in governmental and managerial bodies of the Russian Federation
- 2 3 8 Provides free consulting services to both members and non-members of Association
- 2 3 9 Takes measures to work out and set up information, communications trading settlement and clearing and other systems for realization of securities transactions Works out standards for information exchange among the securities market participants as well as among securities market participants and third parties
- 2 3 10 Carries out control over implementation of sanctions and actions applicable to Association members
- 2 3 11 Works out rules and acts as an arbitrator in the settlement of disputes between Association members and Association members and third parties
- 2 3 13 Studies and promotes the expertise of Russian and foreign participants of the securities market
- 2 3 14 Develops training and professional skills development programs for members of Association and other participants of the securities market
- 2 3 15 Develops and publishes training materials advertisement brochures different types of scientific and technical documentation organizes publication of scientific works lectures and training in different aspects of its activities
- 2 3 16 Cooperates with participants of the securities market who are not members of Association as well as with their unions and associations
- 2 3 17 Carries out any other activities not prohibited by the current legislation of the Russian Federation
- 2 4 Association in order to achieve its goals and fulfill its tasks is entitled to
- get information on the results obtained upon inspections of the members activities
  - elaborate rules and standards for professional activity of its members and securities transactions as well as supervise their compliance
  - elaborate financial requirements for Association members

- develops training programs and plans train officials and personnel of organizations carrying out professional activity on the securities market, determine professional skill of the persons specified and issue qualification certificates to them
- open accounts in bank institutions and other credit organizations
- set up branches (subsidiaries) and representations,
- act as a founder of other legal entities created to perform activities which do not contradict the present Charter
- conclude any deals (except securities trades on behalf of Association) assume obligations act on powers of attorney and issue powers of attorney to other persons
- act as plaintiff in courts and arbitration courts contest in courts and arbitration courts actions of other persons
- obtain in the established order long-term and short-term credits in the bank institutions
- carry out its activities in conjunction with other persons
- dispose of its property and funds
- hire citizens to work in the trends of its activities enterprises and organizations on the basis of employment contracts and other civil law contracts
- have any other rights as provided for by the current legislation of the Russian Federation

### SECTION III

#### *FOUNDERS OF THE ASSOCIATION*

- 3 1 Association is founded by legal entities which enjoy full legal capacity on the territory of the Russian Federation and which are professional securities market participants who made a decision to found it
- 3 2 List of founders
- 1 ALVO investment company' private  
Legal address 620100 Yekaternburg ul Kuibysheva 145-59  
State registration certificate # 01842 of 11/11/92
  - 2 Alexandr investment company private  
Legal address 197374 St Petersburg Konnogvardeisky bulvar 4  
State registration certificate # 2473 of 23/03/93
  - 3 Bakson Invest financial company private  
Legal address 630099 Novosibirsk ul Vokzalnaya magistral 15  
State registration certificate # 1344 of 28/11 94
  - 4 Evro-Aziatskaya financial company private  
Legal address 630008 Novosibirsk, ul Nikituna 68  
State registration certificate # 5279 Of 12/05/94
  - 5 YERMAK investment company public  
Legal address 614000 Perm Komsomolsky prospect, 11  
State registration certificate # 1060 of 27/11/92
  - 6 Incom Capital public financial company  
Legal address 123458 Moscow ul Tvardovskogo 23  
State registration certificate # 579343 of 05/06/95

- 7 "IC LINK" public investment company  
Legal address 620219 Elista, ul Lenina, 249 room 505  
State registration certificate # 865 of 11/11/94
- 8 Interspred-Invest' financial company private  
Legal address 630005, Novosibirsk ul Gogolya, 21a  
State registration certificate # 3761 of 24/05/93
- 9 Cartel company private  
Legal address 191065 St - Petersburg Admiralteisky pr 6  
State registration certificate #1092-p of 28/10 93
- 10 Lenstroimaterialy" broker company public  
Legal address 191065 St -Petersburg ul Millionnaya,8  
State registration certificate # 1379 of 07/05/92
- 11 Peterburgskaya investment and financial corporation ' public company  
Legal address 190000 St -Petersburg per Grivtsova, 5  
State registration certificate # 1245 of 17/09/92
- 12 Promradtekhbank' JS bank for development  
Legal address 101959 Moscow ul Myasnitkaya, 35/  
State registration certificate # 007838 of 27/01/92
- 13 RIF' investment company public (' Development Investments Finances )  
Legal address 630004 Novosibirsk ul Frunze 5  
State registration certificate IP # 316 of 13/05/93
- 14 SOVFINTRADE JS commercial bank private  
Legal address 113611 Moscow ul B Yushunskaya, 1a, build 3  
State registration certificate # 020578 of 22/09/94
- 15 Upravlyayushchaya kompaniya private  
Legal address 620067 Yekaterinburg per Tramvayn 6  
State registration certificate # 1849 of 16/05/96
- 16 Energocapital public company  
Legal address 195197 St -Petersburg Polyustrovsky pr 46  
State registration certificate # 3491 of 07/10/93
- 17 YunTrust private company  
Legal address 107392 Moscow ul B Cherkizovskaya, 9 build 2 apart 29  
State registration certificate # 311379 of 08/06/92

#### SECTION IV

#### ASSOCIATION MEMBERSHIP

Members of Association may be legal entities which carry out broker-dealer activity as professional securities market participants in compliance with the current legislation of the Russian Federation

The Association members have all rights and bear all responsibilities entailing Association membership which are established by the Charter and other documents of the Association and decisions of its bodies. The Association members have the same rights and bear the same responsibilities as founders of Association except when otherwise directly provided for in the legislation of the Russian Federation

4.2 Status of a registered person may be assigned to citizens (physical persons) who in compliance with the legislation of the Russian Federation are involved in broker/dealer activities as professional securities market participants. Registered persons have all the rights and responsibilities of an Association member except when otherwise directly provided for in the legislation of the Russian Federation or decision of Association body

4.3 Status of associated member of Association may be assigned to

- a) legal entities including credit organizations intending to carry out broker/dealer activities as professional securities market participants,
- b) citizens (physical persons) registered in compliance with the Russian legislation as entrepreneurs who intend to carry out broker/dealer activities as professional securities market participants

Status of associated member of Association is considered to be temporary and may be granted only until the time a person specified is issued a special permit-license to carry out a respective activity in compliance with the procedure established by the legislation of the Russian Federation. In case the issue of a license which is an indispensable condition for a status of Association member or registered person to be obtained is refused the associated membership shall be terminated in compliance with the procedure established in the Association documents

Associated members of Association have all the rights and responsibilities of Association member except when otherwise directly provided for in the legislation of the Russian Federation or decision of Association body

4.4 In case Association membership is canceled the powers of its representatives in Association bodies shall be automatically ceased

4.5 Admission to Association membership shall be executed automatically upon application submitted by a candidate to the Association in writing within seven calendar days following the Association state registration date only if this candidate meets the requirements of Item 4.1 of the present Charter and is a member of one of RNOs. RNOs members who do not meet requirements specified in Item 4.1 of the present Charter however intend to carry out broker/dealer activities as professional securities market participants are entitled to apply within the period specified for a status of associated member of Association which in this case shall be automatically provided

Later on admission to Association membership shall be executed upon decision of the National Membership Committee in accordance with the procedure established by the present Charter and membership rules in Association

4.6 Members of Association have the right

- to participate in Association activities
- to submit proposals and comments on issues related to Association activities its bodies and members

- to use their membership in Association for advertising in the order established by the Board of Directors
- to use data banks, technical facilities, and systems belonging either to the Association or organizations founded by it
- to apply to the Association with inquiries related to the fulfillment by Association of its goals and tasks
- to leave Association at the completion of the fiscal year In this case it shall bear subsidiary responsibility for the obligations of Association in the amount of 1% of the entrance fee within two years from the time of retirement
- to appeal against the decisions of Association bodies in the established order

4 7 All members of Association shall have equal rights

4 8 Members of Association are obliged to

4 8 1 observe provisions of the present Charter and by-laws of the Association

4 8 2 observe principles rules and standards of the professional practices and professional ethics adopted by Association in relation to both other Association members and third parties

4 8 3 prevent abuse of Association membership and unfair conduct

4 8 4 consider decisions of the Council of the Association and the Board of Directors mandatory and fulfill them

4 8 5 recognize the competence of the In-House Arbitration of Association as to the settlement of disputes of civil law character which arose or may arise in securities transactions and acknowledge for this purpose the counterparty requirements to submit disputes for arbitration to the In-House Arbitration of Association by performing actions stipulated in the Regulations of the In-House Arbitration of Association

4 8 6 pay membership fees in a timely manner

4 9 Admission and membership fees and other property transferred to Association shall not be reimbursed in case of membership cancellation or expulsion from membership of Association

4 10 Expulsion from Association membership shall be effected upon a decision of the Board of Directors made upon presentation of the National Membership Committee  
Reasons for expulsion from Association membership are as follows

- a) non-payment of membership fees during a quarter
- b) non-compliance by a member of Association with the requirements of the present Charter or Rules of Association
- c) non-observance by a member of Association of the standards of professional practices or norms of professional ethics established by Association

The list of reasons given here is considered to be exhaustive

The rule of voluntary resignation from Association (Item 4 6 of the present Charter) shall be applied in relation to responsibility of a member expelled from Association for obligations of Association

## SECTION V

### ASSOCIATION BODIES

5 1 Association bodies shall be as follows

- General meeting of Association members - i e Association Council
- Board of Directors
- President of Association
- Audit committee
- In-House Arbitration of Association
- National Committees

5 2 Council of Association

The highest body of Association is the General meeting of Association - the Association Council which includes all members of Association

The Association Council shall

- 5 2 1 Make alterations of and amendments to the Charter of Association
- 5 2 2 Approve the guidelines for admission to and expulsion from the Association membership
- 5 2 3 Approve the initial amount of admission and membership fees and make decisions on their raise
- 5 2 4 Approve long-term and current schedules of Association activities
- 5 2 5 Approve the Provisions of the Board of Directors and form the Board of Directors
- 5 2 6 Elect members of the Audit Committee
- 5 2 7 Approve nominees for the President of Association and his/her deputies
- 5 2 8 Hear and approve reports of the President of Association the Chairman of the Board of Directors and the Chairman of the Audit Committee
- 5 2 9 Approve the Provisions and Regulations of the In-House Arbitration
- 5 2 10 Approve the arbitration panel of the In-House Arbitration of Association
- 5 2 11 Approve the main rules and principles of professional practices and professional ethics of Association members
- 5 2 11 Approve documents containing all kinds of administrative measures and penalty amounts imposed by Association on its members
- 5 2 13 Make decisions on reorganization or liquidation of Association
- 5 2 14 Performs other functions stipulated in the present Charter and legal documents of the Association  
Association Council meetings shall be convened by the Board of Directors no less than once a year A meeting of the Association Council shall be considered valid if no less than half of Association members are represented and if documents confirming that all members of Association have been notified about convocation of the said meeting are available on the date of the Association Council meeting The interests of a member of Association in the Association Council shall be represented on the basis of a power of attorney issued in the established order Advance notice on a meeting should be given no later than 15 days before the meeting date Introduction of items into the agenda of an Association Council meeting

shall be initiated by the Board of Directors Audit Commission as well as Association members constituting no less than 20% of all Association members

An extraordinary meeting of the Association Council may be convened by a decision of the Audit Commission Board of Directors made at the meeting by a simple majority of its members or at the request of not less than 20% of the total number of Association members  
Agenda for an extraordinary meeting of the Association Council shall be compiled by the initiator of the meeting and cannot be changed

At the meetings of The Association Council each Association member shall have one vote  
Associated members of the Association attend the meeting of the Association Council with a consultative vote  
Decisions of the Association Council on issues stipulated by Items 5 2 1 and 5 2 2 of the present Charter shall be made by a two thirds majority of Association members present at the meeting  
An Association Council decision on over-riding a veto imposed by the Board of Directors may be taken by a two thirds of the Association Council members present at the meeting

Decisions on issues related to professional aspects of the activities of members of Association are taken basing on a conclusion of a respective National Committee

- 5 3 In the period between sessions of the Council of Association the Board of Directors shall run the activities of Association  
The Board of Directors shall consist of the Chairmen of the National Committees and Heads of legal entities - Association members elected at an Association Council meeting from among the most authoritative and active representatives of legal entities - Association members  
The Board of Directors shall consist of no less than seventeen members elected for a period of one year

The first composition of the Board of Directors shall be formed from among RNO representatives (no less than seventeen members) based on the principle of crossed regional quotas  
According to the said principle eight seats shall be reserved for PAUFOR members and nine seats for the Unified Trading System Ural Association of Financial Broker/Dealers and Association of Dealers of Siberia, i e three seats per each  
The Chairmen of the National Committees (except Chairman of the National Disciplinary Committee) are considered in the framework of regional quotas depending on whether the legal entities which they represent belong to one of the above mentioned RNOs  
The procedure for nominating members of the Board of Directors of Association shall be identified by each RNO independently  
RNO members are recommended to provide for representation of different types of professional securities market participants within the framework of each quota

The forming procedure and number of members for the next composition of the Board of Directors shall be determined in the present Charter and Provision of the Board of Directors

#### Board of Directors shall

- dispose of the property and funds of Association
- convene the Council of Association for ordinary and extraordinary meetings
- approve the budget of Association
- make decision on reduction of the amount of admission and membership fees established by the Association Council
- approve membership rules of Association developed on the basis of basic membership principles accepted by the Association Council

- make decisions on expulsion from the members of Association
- approve the by-laws of activities of Association in the order stipulated in the present Charter Provisions of the Board of Directors and National Committees
- control over compliance with Association rules by members of Association
- establish requirements for nominees for the President position and his/her deputies carry out preliminary selection and submit the nominees for the Council of Association approval
- control the activities of President of Association his deputies and in case of necessity suspend their powers
- approve the staff of Association
- make decisions on creating National Committees of Association and approve the appointment of their Chairmen
- hear and approve reports of National Committees Chairmen
- approve regulations on National committees with subsequent mandatory approval by the Association Council
- hear and approve reports by Chairmen of National committees
- make decisions on creating representation offices and branches
- make decisions on creating legal entities by Association with a subsequent mandatory approval by the Association Council
- appoint independent auditor,
- carry out other functions in conformity with the present Charter and decisions of the Association Council

According to the general rule Board of Directors meetings are considered to be valid in the case if no less than half of its members are present Board of Directors decisions shall be made by a simple majority vote The Board of Directors members comprising totally one third of the votes shall have the right to veto any decision of the Board of Directors A veto may be over-ridden by a decision of the Board of Directors Representation of the interests of a member of the Board of Directors at a Board of Directors meeting shall be based on a power of attorney issued to a representative of any Association member in the established order

Decision on expulsion from Association membership shall be made exclusively upon presentation by a respective National Committee approved by a two thirds majority of its members

In case the expulsion decision is vetoed it may be over-ridden by a recurrent ballot at the next meeting however not earlier than fifteen days prior to the meeting of the Board of Directors

The Board of Directors shall independently identify the order of session organization and decision making procedure and elect Chairman of the Board of Directors from among its members for a term of one year

#### The Chairman of the Board of Directors shall

- prepare meetings of the Board of Directors and preside over them
- fulfill other functions envisaged by the present Charter decisions of the Council of Association decisions of the Board of Directors or the by laws of Association

#### 5 4 Association President

The President shall act on the basis of an employment agreement concluded by the Board of Directors and be guided by the present Charter decisions of the Council of Association Board of Directors and the rules of Association

The President of Association shall

- act on behalf of Association within his competence without a proxy dispose of its property and funds within the limits established by the Board of Directors represent it in state power and management bodies and in relationships with third parties both in the Russian Federation and abroad,
- provide for the implementation of the decisions of the Board of Directors as to the management of the property and funds of Association
- develop a draft budget of Association
- develop current and future plans of Association activities and submit them for the Association Council approval
- participate in the meetings of the Association Council and Board of Directors with a right to consultative vote,
- supervise activities of the Administration of Association
- on behalf of Association conclude contracts including employment contracts
- recruit and dismiss employees of Association
- report to the Board of Directors and the Association Council
- bear responsibility for informing all Association Council members about decisions made by Association bodies and control over their compliance
- bear responsibility for informing Association members about regular and extraordinary meetings of the Association Council
- perform other functions in compliance with the present Charter decisions of the Council of Association and the Board of Directors

5.5 Audit Committee

The Audit Commission shall be a controlling body of Association accountable to the Association Council and carry out internal audit in the Association  
The Commission shall supervise administrative and financial activities of the President Administration as well as use of the budget and asset of Association. The Commission shall submit to the Council of Association a report on the financial activities of Association at least once a year. The formation procedure, term of office, operational rules for the Audit Commission performance and requirements made to its members shall be established by the Board of Directors and approved by the Association Council.

5.6 In-House Arbitration of Association

The In-House Arbitration of Association shall be set up by the decision of the Association Council and shall act on the basis of its Provisions and Regulations. The Provisions and Regulations of the In-House Arbitration of Association shall be approved by the Association Council.

5.7 National Committees

National Committees shall be set up in order to work out rules of the Association norms and standards of professional practices of its members, methodological recommendations, instructions as well as to solve other Charter tasks of the Association.

The following Committees shall be established in the Association:

- National Trading Committee
- National Listing Committee
- National Information Committee

- National Financial- and- Operational Committee
- National Regulations Committee,
- National Membership Committee
- National Disciplinary Committee

The Board of Directors has the right to set up other National Committees National Committees (except National Trading and National Disciplinary Committees) shall be established on the basis of equal representation of RNOs National Committees (except for Trading and Listing Committees) shall be set up from among representatives of an Association member having access to the Trading system in the dealing mode (hereinafter referred to as "Trading participant ") within the first year from foundation date of Association unless otherwise provided for in the present Charter or a Committee Provision

Later on terms of office formation procedure and activities of National Committees shall be determined in compliance with the Provisions for National Committees of Association and relevant provisions developed for each of them

According to the general rule decisions at National Committees meetings shall be made by a simple majority of votes During the first year from Association foundation date if representatives of members of a minimum two RNOs disagree with a decision made by the National Committee either of them shall have the right to require for the issue to be considered at a Board of Directors meeting

The National Committees may recruit experts to participate in their work

#### 5 7 1 National Trading Committee

The first composition of the National Trading Committee shall be formed within one calendar month from the state registration date of Association for a period of one year It shall be formed proportionate to a number of Trading System participants who have access to the Trading System in a dealing mode and are registered in each RNO The National Trading Committee shall also include representatives of Trading Participants having access to the Trading System in the query mode (hereinafter referred to as Non-Trading Participants ) one representative from each RNO The first composition of the National Trading Committee shall be represented by the following Trading Participants six seats for legal entities which are PAUFOR members (Moscow) four - for legal entities who are respectively members of the Unified Trading System Fund (St Petersburg) 1 e Ural Association of Financial Brokers/Dealers (Ekaterinburg) and Association of Stock Dealers of Siberia (Novosibirsk) two seats for each respectively Later on (at the expiration of one year) the National Trading Committee shall be formed by the Council of Association from among the most authoritative and active representatives of organizations - members of Association

At National Trading Committee meetings decisions on matters pertaining exclusively to the activities of Trading Participants shall be made only by Trading Participants and only by two thirds of majority votes Decisions on questions touching upon the interests of all participants of the Trading System shall be made by a simple majority of votes with one Trading Representative and one Non-Trading Representative from each RNO taking part in the voting

#### National Disciplinary Committee

- 5 7 2 The National Disciplinary Committee shall be formed by the Board of Directors with the purpose to control over compliance by the Association members with the decisions of managerial bodies of the Association Charter requirements Charter agreement and other

legal documents of the Association establishing rights and obligations of the Association members

The Chairman of the National Disciplinary Committee shall be an employee of the Association

The formation procedure case consideration procedure powers of the Chairman of the Disciplinary Committee and Disciplinary Actions Committee headed by him shall be determined in the Provisions of the National Disciplinary Committee approved by the Board of Directors

## SECTION VI

### *SOURCES OF FORMATION AND USE OF THE FUNDS AND PROPERTY OF ASSOCIATION*

- 6 1 The property of Association shall be formed when it is created by its founders and is replenished from the admission and membership fees of Association members as well from other sources allowed by the legislation of the Russian Federation
- 6 2 Association has the following sources of funding
- membership fees and other regular or lump-sum revenues from the founders members of Association and third parties
  - voluntary fees and gifts,
  - other revenues in compliance with the Russian Federation legislation
- 6 3 The earnings of Association received from activities of a legal entity whose founder is the Association may be used only for achieving the goals as defined by the present Charter and shall not be subject to distribution among the founders and members of Association as their income
- 6 4 The funds and property of Association shall be spent only for the purposes outlined by the Charter and in compliance with the budget approved by the Board of Directors
- 6 5 The funds and property transferred to Association for purposeful use shall be spent strictly as planned

## SECTION VII

### *ORDER OF INTRODUCING CHANGES OF AND AMENDMENTS TO THE CHARTER OF ASSOCIATION*

- 7 1 Changes of and amendments to the Charter of Association may be submitted to the Council of Association for approval by the Board of Directors or by not less than 25% of the Association members
- 7 2 The registration of changes and amendments to the Charter of Association shall comply with the current legislation of the Russian Federation

**SECTION VIII**

***ACCOUNTING AND ACCOUNTABILITY OF ASSOCIATION***

- 8 1 Association shall perform book, operational and statistical accounting and accountability in the order established by the current legislation of the Russian Federation. The annual balance sheet of the Association shall be confirmed by auditing with the results being communicated to all members of the Association at the meeting of the Association Council.
- 8 2 Association shall bear responsibility for the safety of documents (governance financial and economic staff documents and others).
- 8 3 The fiscal year of Association is deemed to begin on January 1 and end on December 31 of the calendar year.

**SECTION IX**

***TERMINATION OF ASSOCIATION ACTIVITIES***

- 9 1 The reorganization (merger take over split-off division transformation) or liquidation of Association shall take place according to a decision of the Council of Association or a court order.
- 9 2 In the case of reorganization of Association all its rights shall be transferred to its successor (successors).
- 9 3 The liquidation of Association shall be performed by a Liquidation Commission set up by the body which made decision to liquidate it.
- 9 4 When liquidating Association the following priority of settlement with creditors shall be implemented in compliance with the current legislation of the Russian Federation. The assets remained shall be distributed according to the decision by the Council of Association either to other non-commercial institutions or for purposes similar to those of the Association in no case shall be distributed among members (founders) of the Association.
- 9 5 All the documents of Association (governance financial-economic staff documents and others) shall be transferred in the order established by the Association Council to the organization successor and in the absence of such to the archives of the Mosgorarchiv association for state custody.
- 9 6 The liquidation is deemed to be complete and Association terminated upon entering a respective record thereof in the State Ledger of Legal Entities.

**SIGNATURES OF FOUNDERS**

Approved by the decision  
of the NAUFOR Board of Directors  
of July 18, 1996

**TRADING RULES**  
**OF THE NATIONAL ASSOCIATION OF STOCK MARKET PARTICIPANTS**

Moscow • St Petersburg • Ekaterinburg • Novosibirsk  
1996

The present Rules determine the procedure and terms of trade conclusion and execution between NAUFOR members

The present Rules have been worked out on the basis of the current legislation of the Russian Federation NAUFOR foundation and other documents, decisions of the NAUFOR Board of Directors and Trading Committee

The following terms are used in the present Rules

**"NAUFOR technical corporation (TC)"** - organization which is the owner of the Russian Trading System

**"Russian Trading System (TS, RTS)"** - an aggregate of hardware software data bases own telecommunication facilities other equipment which provide functioning of the OTC securities market,

**"trading session"** - trading hours from 11 00 till 18 00 Moscow time on business days for Novosibirsk and Yekaterinburg - from 11 00 till 17 00 Moscow time on business days

**"NAUFOR member"**- organization - member of National Association of Stock Market Participants

**"query only mode** - the RTS working mode which enables the user to have information of all asks and bids however doesn't allow him to display his quotes in the TS or report trades effected by him

**"dealing mode"** - a working mode in the RTS which enables the user to have information on all asks and bids and allows him to display his quotes in the TS and report trades concluded by him

**"information participant"** - a NAUFOR member having access to the TS in dealing mode

**"trade participant"**- a NAUFOR member having access to the TS in dealing mode

**"trader"** - an employee of the NAUFOR member authorized by the latter to display quotes to initiate trade conclusion and conclude trades

**quote , one-sided quote"** bid or ask containing the issue ID and major conditions of the trade

**"two sided quote"** - simultaneous display of bid and ask for a security of one issue

**"indicative quote"** - a quote that does not imply any commitment of a person who displayed it to conclude a trade in the order and under conditions stipulated by the present Rules and his quote

**"firm quote"** a quote that implies commitments of a person who displayed it to conclude a trade in the order and under conditions stipulated by the present Rules and his quote

**"price"** - digital expression of the sum in US dollars which a NAUFOR member who displayed it would like to obtain or is ready to pay for one share of one issue

**"trading lot"** - a certain amount of securities, which a NAUFOR member would like to buy or sell

**"amount of the trading lot"** - a sum expressed in US dollars which a NAUFOR member would like to obtain or is ready to pay for a certain amount of securities of one issue. It is determined by multiplying the price by one trading lot (amount)

**"liquid shares"** - a list of shares approved by the decision of the National Trading Committee included in Appendix #2 to the present Rules

**"major conditions of the trade"** - price, securities amount, settlement currency, settlement procedure (prepayment and predelivery) and number of days necessary for registration of securities ownership right transfer, considered to be a subject of the trade

**"trade initiator"** - a NAUFOR member initiating negotiations with another NAUFOR member with the view to conclude a trade,

**"trade"** - an agreement, which subject is buy/sell of securities

**"party of the trade"** - a NAUFOR member who intends to conclude or has concluded a trade

**"registered trade"** - a trade displayed in the TS by one party and approved by another, a trade assigned a "COM" status

**"counteragent"** - in the present Rules, a legal entity for whom a NAUFOR member acts as an agent, also being a legal entity which is controlled by a NAUFOR member

**"DCC"** - Depository-clearing company

**"Enforcement Director"** - a regular NAUFOR employee providing control over compliance with the requirements of the present Rules and other NAUFOR normative documents by the NAUFOR members

**"system operator"** - a regular TC employee providing everyday control over the system functioning

**"maturity date"** - a day when financial resources were drawn from the Buyer's bank correspondent account

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**SECTION I**

**QUOTATIONS**

1 1 Quotes in the TS may be displayed only by a trade participant

A trade participant under whose name the quote is displayed in the TS is considered to be the TS participant who displayed the quote in the TS

1 2 Display of a quote in the TS by a trade participant during a trading session implies undertaking by him of an obligation

a) to conclude and execute a trade

b) to guarantee its conclusion and proper execution in the order and under conditions stipulated by the present Rules

1 3 Except cases stipulated apart by the present Rules all quotes in the TS during trading sessions shall be firm for all trade participants

1 4 Requirements to quotes are stated in Item 1 and 2 of Appendix 2 to the present Rules

In addition all the quotes in the TS shall obligatory contain one of the following symbols of the trade payment currency

- B - denoting that settlements may be effected exclusively in Russian roubles or

- S - for settlements exclusively in US dollars or

- J - for settlements in any currency (Russian roubles or US dollars) with regard to the requirements of the current legislation of the Russian Federation the payment currency in this case is determined by the trade initiator

1 5 Conditions specified in the quote are considered to be such conditions that remained in the TS user terminal of a trade initiator at the starting moment of negotiations concerning trade conclusion

Reference of a trade participant who displayed a quote in the TS at the starting moment of negotiations to the fact of concluding a trade with another trade participant in this quote and to the lack of time in this connection to change his quote is admitted only if a display of a two-sided trade report is confirmed by the Chairman of the Disciplinary Committee

1 6 The TS participant under whose name this quote is advertised in the TS shall be responsible for the conformity of quotations in the TS to the requirements stipulated

1 7 When a TS participant displays quotes in the TS during the trading session he undertakes commitments to conclude a transaction or guarantee its proper execution in the order and under conditions stipulated in the present Rules

**SECTION II**

**TEMPORARY RELEASE FROM RESPONSIBILITIES ON  
QUOTATIONS IN THE TS**

- 2 1 During a trading session a trade participant may be temporarily released from responsibilities arising from the quotations displayed by him in the TS if only
- 2 1 1 use of the TS is hampered or impossible due to technical faults of the TS itself or its terminal and
- 2 1 2 he informed the system operator or Enforcement Director of a NAUFOR representative office about it in any possible way
- 2 2 The time registered by the TS operator in the TS log is considered to be the time from which the TS participant is released from responsibilities arising from the quotations displayed by him in the TS
- 2 3 Should a situation stipulated in Item (1) of Article 2 1 of the present Rules occur a TS operator upon receipt of the message shall withdraw all his quotes
- 2 4 For any trade participant quotations of other trade participants are firm during the whole period of his release from responsibilities on the quotations displayed by him in the TS however the latter in concluding a trade with him shall have the right to establish a commission amount of the total trade amount
- 2 5 Upon termination or removal of causes resulted in the difficulty or unavailability to use the TS a trade participant shall immediately inform the TS operator about it and after that the period of his release from responsibilities under the present Rules on the quotations in the TS terminates and he shall bear responsibility for the quotations required to be displayed
- 2 6 Any messages stipulated in the present section shall be entered in the TS by the operator within five minutes after their arrival

**SECTION III**

**TRANSACTION CONCLUSION IN THE TS**

- 3 1 Unless otherwise mutually agreed by the parties a settlement procedure (prepayment and pre-delivery) shall be determined by a NAUFOR member - non-initiator of the trade *During trading sessions trades in the TS may be concluded both at indicative and firm quotes*
- 3 2 A NAUFOR member - a trade initiator has the right to immediately refuse a trade conclusion on prepayments terms However in case a consent is given and NAUFOR member is offered a trade conclusion on regular terms (pre-delivery terms) refusal of a

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concluded trade by a NAUFOR member is considered to be a violation of the present Rules

- 3 3 In case an information member having no access to the TS addresses a trade member with the intention to conclude a trade the latter is bound to report quotation displayed by him in the TS in case a trade participant doesn't quote a certain security he shall act as a broker and offer a trade to a trade participant having the best quote displayed in the TS

While concluding a transaction between information member and trade participant, the latter has the right to establish a commission amount of the total trade amount

- 3 4 While concluding a transaction a NAUFOR member has the right

- a) to act on his behalf and for his own account
- b) to act on his behalf and for his client's account (commission agreement)
- c) to act on behalf of his client and for client's account, in this case a NAUFOR member shall indicate his client's name in a standard buy/sell agreement

A physical entity may act as a counterparty only upon the other party's consent

- 3 5 In cases stipulated in Items (b) and (c) of Article 3 3 of the present Rules a NAUFOR participant shall guarantee a proper execution of the following items proposed by the counterparty

1 requirements of the present Rules concerning transaction conclusion and execution as well as

2 all liabilities arising for him from the securities buy/sell agreement

Such backing implies an unconditional obligation of a NAUFOR member to execute instead of his counterparty all the liabilities of the latter upon direct request of the other party made in case the requirements stated in this Article are not fulfilled or not properly fulfilled by the counterparty

At the request of one of the parties a NAUFOR member acting by the customer's instruction shall furnish a written warranty (or his bank's letter of guarantee) in favour of the other party including obligation to bear responsibility for compliance with all (or part) of the terms of the Agreement on the part of his customer

- 3 6 The trade is considered to be concluded at the moment of reaching an agreement by the parties concerning its major conditions

Conditions, procedure and period of trade execution fixed in the quote and in the present Rules are effective between the Parties by default

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Either Party has the right to propose changes in the conditions established in the quotation and under the present Rules (order procedure) of trade execution however has no right to back off from their compliance if the other Party insists on them

- 3 7 A refusal from the trade concluded or its improper fulfilment is admitted only upon mutual consent of parties or in the cases stipulated in the buy/sell agreement or other NAUFOR documents
- 3 8 In the cases stipulated by Article 3 5 of the present Rules in case of a mutual agreement of the parties if not stated otherwise the parties shall sign a Standard securities buy/sell agreement (NAUFOR Agreement)

#### SECTION IV

#### DOCUMENT PREPARATION, RE-REGISTRATION AND SETTLEMENT PROCEDURE

- 4 1 In case of mutual agreement of the parties if not stated otherwise and a trade is concluded on securities pre-delivery terms the following document settlement and re-registration procedure shall be applied
- 1 The parties shall perform the below stated procedure by the end of the business day following the transaction conclusion day T+1 - for the parties located in one region and T+2 - for the parties located in different regions keeping to the following order
- the Seller shall prepare and sign a securities buy/sell agreement (Pre-delivery agreement Appendix #1) and
  - submit to the Purchaser for signing the original of the prepared agreement and other documents required for the securities considered to be the subject of this agreement to be re-registered
  - the Purchaser shall sign (legalize) the submitted documents either in the presence of the Purchaser representative (within one hour) or if not possible later and then
  - deliver them to the Seller on his own by the end of the same day
  - the Seller shall register the Agreement keeping to the following requirement, registration date shall coincide with the agreement signature date moreover to meet this requirement upon his discretion registration may be performed prior to signing of the agreement by the Purchaser
  - the Purchaser shall submit the Seller on the trade conclusion day the documents as well as information required for the buy/sell agreement to be prepared

Reference of either party to the violation by the other party of the provisions of the present Article shall not be the reason for backing off from the trade or for cancellation of the agreement signed by the parties

Responsibility for compliance with the provisions of the present Article by the PASMP members is envisaged in Special Provisions

2 While executing transactions concluded in the TS the parties shall keep to the following re-registration and settlement procedure

- re-registration of securities shall be performed by the Seller or a third party
- re-registration period - depending on the issuer is stated in Item 4 of Appendix #2 to the present Rules
- re-registration costs (overheads included) - shall be paid by the Seller
- maturity date - (the day the funds are withdrawn from the Purchaser's bank correspondent account) within two banking days following the submission day the document (fax included) certifying re-registration of securities in the name of the Purchaser but not earlier than T+3+n where n - is re-registration time for the securities considered to be the subject of the Agreement, unless otherwise stated by the parties

3 The Purchaser shall submit to the Seller a copy of the payment document (by fax or on his own) prior to expiration of the trade execution time. The Buyer has the right to require and the Purchaser shall submit the aforesaid document with the original execution mark made by the bank

4 In case the Seller fails to receive money on his settlement (current) account on the T+n+4 day - for the parties located in one region and T+n+5 - for the regions located in different regions he has the right to require and the Purchaser undertakes to submit a document confirming withdrawal of the funds from the Purchaser's bank correspondent account

In case of a subsequent search of the money undertaken by the Seller the Purchaser on his part shall take all reasonable actions available to him

In case a trade is concluded on the prepayment terms and if not otherwise mutually agreed by the parties the following document issue Settlement and re-registration procedure shall be applied

4.2 In case of mutual agreement of the parties if not stated otherwise the trade is concluded on prepayment terms the following document settlement and re-registration procedure shall be applied

1 the parties shall perform the below stated procedure by the end of the business day following the transaction conclusion day T+1 - for the parties located in one region and T+2 for the parties located in different regions keeping to the following order

- the Seller shall prepare and sign a securities buy/sell agreement (pre-payment agreement, Appendix #1a) and
  - submit to the Purchaser for signing the original of the agreement prepared by him
  - the Purchaser shall sign the submitted documents either in the presence of the Purchaser representative (within one hour) or if not possible later and then
  - deliver them to the Seller on his own by the end of the same business day
  - the Seller shall register the Agreement keeping to the following requirement the registration date shall coincide with the agreement signature date moreover to meet this requirement, upon his discretion registration may be performed prior to signing of the agreement by the Purchaser
- 2 The Purchaser shall pay the agreement amount and notify the Seller of the payment effected the next day following the agreement signature date T+2 (T+3) by faxing a copy of the payment order with the bank execution mark being made
- 3 The payments shall enter the Seller's bank correspondent account the next day following the day of payment (for NAUFOR members in concluding transactions between themselves) and the third day of payment (for the rest NAUFOR members) T+5 (T+6)
- 4 The Seller upon payments receipts on his bank correspondent account, shall undertake securities re-registration. The time required for securities re-registration shall be established in compliance with Item 4 of Appendix #2
- 5 In case the Seller fails to receive money within the time specified in Item 4.2 (4) he shall have the right to require and the Purchaser shall submit a document confirming withdrawal of the funds from the Purchaser's bank correspondent account

Any reference of either party to the violation by the other party of the provisions of Article 4.1 or 4.2 shall not be considered a reason for backing off from the trade or cancellation of the agreement approved by the parties

In case a signing of the agreement is suspended due to the violation by one of the parties of the provisions of Article 4.1 or 4.2 the guilty party shall be liable to pay the other party the amount equivalent to 0.5% of the trade amount per each exceeding the time limit

- 4.3 In case either of the parties fails to sign the agreement within 10 days after trade conclusion the other party shall have the right to reject the trade with the penalty equivalent to 20% of the trade amount to be paid by the party in fault

The agreement not signed within 30 days after trade conclusion date is considered to be cancelled and the guilty party shall be liable to pay a penalty in the amount equivalent to 100% of the trade amount

- 4 4 Upon mutual agreement of the parties reached not later than the transaction conclusion date re-registration of securities which are the subject of the transaction may be entrusted to a third party However it does not denote release of the parties from their responsibility for timely and proper preparation of documents for re-registration or settlements and compliance with the other terms of the trade

## SECTION V

### TRANSACTION REPORTING

- 5 1 The TS participants shall enter in the TS the reports on all transactions effected by them between themselves on the securities approved for listing within the TS Price amount of securities settlement date counteragent s name as well as reference to DCC shall be indicated in the report in case DCC reregisters securities
- 5 2 In compliance with the TS requirements the report in the system shall be entered by the Seller The Purchaser on his part shall enter confirmation

## SECTION VI

### TRADE REGISTRATION PROCEDURE IN THE TS

- 6 1 A trade shall be registered in the TS within ten minutes after a trade conclusion
- 6 2 The following trade registration procedure is established first the Seller shall enter a trade report (functional key F5 - TRADE REPORT ) then within ten minutes the Purchaser shall compare terms of a trade entered by the Seller and confirm a trade (functional key F6 - Comparison )
- 6 3 Should the Purchaser in comparing a trade reveal that even one of the terms entered is wrong he shall immediately inform the Seller of the occurrence and enter a proper trade report (functional key F5 - TRADE REPORT ) The Seller shall delete a wrong trade and confirm a trade entered by the Purchaser within ten minutes upon notice receipt (functional key F6 - Comparison )
- 6 4 In case the Seller fails to report a trade in ten minutes as of the trade conclusion time the Purchaser shall be assigned the priority right to enter a trade report

## SECTION VII

### RESPONSIBILITY FOR VIOLATION OF THE RULES

- 7 1 The responsibility for violation of the present Rules is determined by the Code

- 7.2 The Parties are temporarily released from responsibility for violation of their obligations under the present Rules or the agreement in case of the Acts of God (force majeure)

The Acts of God (force-majeure circumstances) include the circumstances which occurred after signing of the securities buy/sell agreement, i.e. those which

- 1 can not be foreseen
  - 2 effect but can not be prevented with the reasonable actions of the due party based on the open information
  - 3 make it impossible for either of the parties to fulfill its obligations relating to transaction,
  - 4 occur due to
    - closure of the shareholder s register
    - standard acts decisions or instructions enforced by the state authorities
    - strikes social riots military actions
    - flooding earthquake fire and other natural calamities beyond the reasonable control however officially accepted as force-majeure
- 7.3 In case of undue fulfilment of any obligations by either of the Parties the other party is allowed to deduct a penalty or fine of the trade sum subject to payment exclusively upon written consent of the parties drawn up as additional protocol to the Securities Buy/Sell Agreement
- 7.4 TS participant s refusal to transact with CSFB or CSFB refusal to transact with a TS participant on the conditions different from standard is not recognized to be a refusal

## SECTION VIII

### URGENT MEASURES PROCEDURE

- 8.1 Urgent measures imply actions directed at the protection of interests of all TS participants and investors from the point of view of compliance with mutual obligations NAUFOR standard documents and the current legislation of the Russian Federation
- 8.2 Urgent measures may include a temporary suspension of trading in the RTS

8 3 Urgent measures may be taken upon the decision of the NAUFOR Board of Directors made by 75% of the Board of Directors members. The results of the voting should be confirmed by a member of the Board in writing (by fax included)

The decision shall mandatory indicate the reasons for urgent measures taking their character and validity period

If it is necessary to extend the validity period of urgent measures the decision is made in the order stipulated for their imposition.

8 4 Urgent measures terminate

- automatically - upon expiration of the period for which they were taken
- in any other case - by the majority of votes of the Board of Directors members

8 5 The results of the voting (Item 8 3 , 8 4 ) should be confirmed by a member of the Board of Directors in writing (by fax included)

8 6 The decision shall be immediately brought to the notice of all the parties concerned. Chairman of the NAUFOR Board of Directors is responsible for informing

## SECTION IX

### INTERPRETATION OF THE RULES

Interpretation of the Rules shall be made by the NAUFOR Disciplinary committee

## SECTION X

### CHANGES AND AMENDMENTS PROCEDURE

The text of the present Rules as well as Appendix 1 can be changed and amended only by decision of the NAUFOR Board of Directors

Any changes or amendments to Appendix 2 can be made at the National Trading committee decision in accordance with the established procedure

APPENDIX # 2

The present Appendix is worked out based on the Rules of Trade and is considered to be its integral part

1 During the trading session the following requirements are established for all TS quotations

A Minimum amount of the trading lot for all quotations displayed in the TS shall be no less than 5000 (five thousand) US dollars

B During trading sessions a TS participant shall continuously keep minimum three one-sided quotes

C Maximum spread within asks and bids shall not exceed 10 (ten) percent of the ask and bid (or quotes in the first line of the display in case the best quote of the given security is one-sided) The time the quote is displayed is of no importance A NAUFOR member whose TS quotation exceeds the stipulated bounds after another participant displayed his quotation shall either change it in compliance with the present Rule or withdraw it (For example if the best bid is 10 and the best ask - 14 the rest quotations shall be within the following limits bid - no less than 9 ask - no more than 15,40)

D Depending on quote price displayed for a certain security a trading lot shall be multiple to

- in case a one security price is less than 1 USD
- in case a one security price is higher or equivalent to 1 USD but less than 10 USD
- in case a one security price is higher or equivalent to 10 USD but less than 100 USD
- in case a one security price is higher or equivalent to 100 USD

E A price for the quotation displayed shall contain no more than three digits e.g.

- 0 0562
- 0 3450
- 8 2600
- 21 3000
- 654 0000

2 During trading sessions the minimum amount of a trading lot for all quotes displayed within the TS for the shares listed below shall be no less than ten thousand USD

1 Rostelecom

12 Noyabrskneftegaz

2 Mosenergo

13 Surgutneftegaz

3	Komineft	14	Chernogorneft
4	RAO EES	15	Kondpetroleum
5	Norilsky Nikel	16	Dalnevostochnoye parokhodstvo
6	Kamaz	17	Megionneftgaz
7	Lukoil holding	18	Nizhnevartovskneftgaz
8	Irkutskenergo	19	Orenburgneft
9	Purneftegaz	20	S -Petersburg telephonnaya set
10	Yuganskneftgaz	21	Varyeganneftgaz
11	Tomskneft		

3 Re-registration time for all securities registered in Moscow is three days (as of the agreement signature date) while for regional registrars - seven days trade participants displaying quotes for 'Yuganskneftgaz' securities shall indicate the number of days required for the ownership right to be transferred

- no more than 3 - for the sub-register in Moscow
- no more than 7 - for the register in Yugansk
- - - in case the initiator of the transaction (depending on his needs) can make his choice between the number of days specified above

In case the number of days required for re-registration is exactly referenced the parties are not entitled to insist on the securities transaction requiring different re-registration time

4 To register the ownership right transfer the following terms are applied to the securities issuers listed below

- Surgutneftegas - no more than 10 days
- other

Approved by the decision  
of the NAUFOR Board of Directors  
of June 5, 1996

**LISTING RULES OF THE NATIONAL  
ASSOCIATION OF SECURITY MARKET PARTICIPANTS**

Moscow • St Petersburg • Ekaterinburg • Novosibirsk  
1996

Approved by the decision  
of the NAUFOR Board of Directors  
of June 5 1996

### NAUFOR Listing Rules

These Rules establish and describe the procedure of access of the securities of Russian issuers to being traded on the Russian Trading System

These Rules have been developed pursuant to the current legislation of the Russian Federation decisions of the NAUFOR (the National Association of Security Market Participants) Board of Directors and the National Listing Committee of NAUFOR (hereinafter referred to as «the Committee»)

The following terms are used for the purposes of these Rules

*the List* - a document containing the list of Russian issuers' security allowed to be traded on the Trading System in compliance with the order and conditions stipulated by these Rules

*capitalization of the issuer* - an indicator of the current market cost of the issuer's assets calculated as the product of the number of security into the maximal bid quote according to the Russian Trading System (RTS) data or the data of ten confirmed trades between NAUFOR members presented by the applicant

*the trading system* - a set of computing facilities software data bases own telecommunications facilities other equipment providing for the functioning of the OTC security market

*listing* - a procedure of including securities in the List and controlling over their compliance with the established requirements,

*a Trading System participant* - a NAUFOR member having access to the TS in the dealing mode

*a regional Committee representative* - a NAUFOR Listing Committee member

*an applicant* - a Trading System participant who initiates access of a security to being traded on the Trading System

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## SECTION I

### GENERAL PROVISIONS

- 1 1 The inclusion of a security in the List is the recognition of the compliance of the security with the requirements of respective NAUFOR documents diligent compliance by the issuer of the security with the requirements of the current legislation of the Russian F
- 1 2 ederation with regard to investors (shareholders) concerning the disclosure of information as well as contributes to the solution of the following tasks
  - A reveals the most open and informationally accessible issuers
  - B increases the investors' information on the security circulating in the RTS
- 1 2 A security can be allowed to be traded on the Trading System only if it was listed according to the order established by NAUFOR to be further discussed
- 1 3 Listing implies performance of the following actions
  - ◇ filing and consideration of an application for a particular security to be included in the List,
  - ◇ analysis of compliance of the documents submitted with the established requirements
  - ◇ making a decision to list the security,
  - ◇ procedures of maintaining the security on the List
  - ◇ control over compliance with the established requirements

## SECTOION II

### CONDITIONS FOR LISTING SECURITY

- 2 1 Listed in the Trading System for trading are securities whose issuance for circulation is registered pursuant to the current legislation of the Russian Federation and which meet the following requirements
  - 2 2 2 The particular security should be of interest to NAUFOR members and there should be a possibility for it to freely circulate in the market
  - 2 2 3 The issuer s security register should be maintained by the registrar in compliance with the requirements of the current legislation of the Russian Federation

- 2 2 4 There should be at least one Trading System participant who assumes the responsibilities to continually quote the security for purchase and sale
- 2 2 5 The total volume of the registered issue of security should be equal to an amount not less than 500,000 (five hundred thousand) US dollars and the issuer's capitalization should account for not less than 5,000,000 (five million) US dollars

### SECTION III

#### THE ORDER OF FILING AND CONSIDERATION OF APPLICATIONS FOR LISTING SECURITIES

- 3 1 Filing an application
  - 3 1 1 The basis for considering the question of listing securities shall be an application in writing filed with the Chairman of the Committee forwarded by the Applicant
  - 3 1 2 Documents duly certified by the Applicant shall be submitted together with the application. The list of necessary documents is given in Appendix 1 which is an integral part of these Rules
  - 3 1 3 The above documents shall be submitted by the Applicant to the regional Committee representative
  - 3 1 4 The Applicant shall bear responsibility for intentional distortion of the documents submitted in the order stipulated by the RF CC and NAUFOR normative documents
  - 3 1 5 The Committee is entitled if necessary to address state power and management bodies the Issuer and/or Applicant with inquiries about the Issuer
- 3 6 The order of application consideration
  - 3 2 7 The regional Committee representative shall consider the documents submitted within one calendar week and forward the full package of documents submitted to him to the Committee Chairman
  - 3 2 8 The Committee is obligated to make a decision within 30 (thirty) days of the date of receipt of the documents from the Applicant, to list or not to list the security
  - 3 2 9 In case the Committee makes a positive decision the security shall be assigned a registration code and a special CUSIP code identifying the issuer

- 3 2 10 *The decisions of the Listing Committee about listing security should be approved by the NAUFOR Board of Directors and shall come into force by the decision of the latter only*
- 3 2 11 A Committee decision to refuse to list a security may be appealed by the Applicant in the order established by the NAUFOR procedures

#### SECTION IV

##### THE PROCEDURES OF MAINTAINING SECURITIES ON THE LIST

- 4 1 The procedure of maintaining a security on the List is to *permanently* control compliance with the conditions stipulated in Sections 2 and 5 of these Rules
- 4 2 The execution of the procedure is assigned to the Executive Director of the Committee and by agreement with the NAUFOR President, other staff employees of NAUFOR and its Technical Center
- 4 3 The Executive Director of the Committee shall report the results of control to the NAUFOR President and Committee Chairman not less than once every two weeks
- 4 4 Control over compliance with Item 5 1 3 shall be based on the official statistical information of the NAUFOR Technical Center
- 4 5 Control over compliance with Item 2 2 4 shall be based on the official information published by the Issuer in accordance with the RF Law «On the Security Market» as well as on information provided by the Issuer or its authorized person pursuant to the NAUFOR procedures
- 4 6 The Committee is entitled to request from the issuers and registrars of listed securities information within the scope of documents listed in Appendix 1 of these Rules and the RF Law «On the Security Market»
- 4 7 Any NAUFOR member is entitled to provide information to the Committee on violations of the current legislation or the NAUFOR Rules by an Issuer Depository or Registrar of hits security. Any information may be verified by the Committee through independent sources
- 4 8 After an adequate verification but not later than 1 month of the time of receipt of information indicated in item 4 7 the question of consideration of the violation fact should be submitted to a Committee meeting
- 4 9 The place for keeping documents listed in Appendix 1 of these Rules shall be the NAUFOR office

**SECTION V**

**DELISTING**

- 5 1 The decision on delisting shall be made by the Committee. The grounds for considering delisting may be
- 5 1 2 violation by the Issuer of the current legislation on security and the security market, as well as of the shareholder rights confirmed by a court ruling
  - 5 1 3 the Issuer or its representative not providing the necessary information required by the listing rules,
  - 5 1 4 absence on the TS of at least one bid quote and at least on ask quote within thirty business days
- 5 5 *The decisions of the Listing Committee on delisting security must be approved by the NAUFOR Board of Directors and shall come into force only by a decision of the latter*
- 5 6 *The Executive Director of the Committee is obligated in the case the Committee makes a decision to delist a security to post a message in the RTS information window about the delisting of the security indicating the date and reason for delisting*

**SECTION VI**

**THE ORDER OF AMENDMENTS TO AND ALTERATIONS OF RULES**

- 6 1 The Rules shall be amended and altered by a decision of the PAUFOR Board of Directors based on a decision of the Listing Committee

**SECTION VIII**

**APPENDIX #1**

**A standard list of documents**

**needed for securities to be listed**

- 1 An application for listing securities filed with the Committee Chairman from a Trading System participant with mandatory support of two-sided quotes within one month
- 2 The Issuer s issue prospectus
- 3 Copies of the Issuer's foundation documents
- 4 Documents confirming the permission of the authorized executive body to implement the security issuance in the case this is established by legal acts
- 5 The composition of the Issuer's Board of Directors and the executive body
- 6 Information on the registrar describing the conditions of ownership registration including agreement to registration by nominee holders
- 7 Information on the depository describing the conditions of depository service provision
- 8 A sample of the security if the issue is in the certificate form
- 9 The balance sheet of the Issuer and the statement of gains and losses for the last fiscal year and the end of the last quarter prior to submission of the documents to the Committee
- 10 The list of shareholders possessing one and more per cent of the shares
- 11 Other current documents of the Issuer which effect or may effect the market status of his securities

**SECTION VIII**

**APPENDIX #2**

Sample

(is produced in the Applicant's letterhead)

To Mr A L Kashin

Chairman

NAUFOR National Listing Committee

**Application for listing securities in the NAUFOR Trading System**

Please consider a possibility to list the following security in the NAUFOR Trading System

*Type of security*

*Nominal value*

*Issuer its location and industry*

*Issue number and volume total volume of issues information on state registration of all issues of the security ISIN code (if applicable)*

*Name of the registrar its location*

*Name of the depository its location*

*Information on trading the security on security exchanges or in other trading systems*

*Other information the Applicant deems proper to provide*

I believe that the security fully meets the NAUFOR Listing Rules requirements and is of interest to the NAUFOR members

*Also hereby I assume an obligation to support a two-sided quote of the security on the Russian Trading System within at a minimum one month beginning with the time the security is officially listed in the Trading System*

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June 5 1996

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Together with this Application I am sending you documents necessary for making a decision on listing the security

During all the time of supporting a two-sided quote I am ready to supply the NAUFOR National Listing Committee with information about all changes in the parameters of the security that might considerably effect the market situation

*Reference information* full name of the security department head (senior trader) the RTS participant code, participation in any regional association, information concerning earlier obligations to support two-sided quotes other pertinent information

Please contact \_\_\_\_\_ if any questions related to the Application arise

Supplement in \_\_\_\_\_ pages

Signature

Stamp

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**RULES OF FAIR PRACTICE  
OF THE NATIONAL ASSOCIATION  
OF SECURITIES MARKET PARTICIPANTS**

Moscow  
1995

**SECTION I**

**GENERAL PROVISIONS**

- 1 1 The present Rules of Fair Practice of the National Association of Securities Market Participants (further in the text - "Rules") are designed in compliance with the Article 2 2 2 of the Charter of the Association which presupposes as one of the objectives of the Association "to elaborate and introduce the rules aimed at prevention of fraudulent acts of the participants of securities market and to guarantee fair and equal principles of trade in the interests of investors"
- 1 2 A full list of terms and their definitions is contained in Supplement #1 of these Rules
- 1 3 The Committee for disputes settlement or other body designated by the Council of the Association (herein referred to as 'Committee') shall be guided by the present Rules in settlement disputes between Members of the Association as well as between the Association and its Members, the Committee is authorized to interpret its provisions and provide fulfillment of the Rules by the Members
- 1 4 These rules are mandatory to all Members of the Association The rules also apply to all physical and legal entities associated with or employed by a member whose employment responsibilities relate directly to conduct in the securities business Such persons include individuals engaged in the following activities (a) solicitation of customers, (b) preparing and executing trades, (c) preparing of sales and advertisement literature and (d) the training, management, or supervision of persons engaged in the aforementioned activities (further in the text - Members of the Association and Associated Persons)
- 1 5 A member that is expelled from the Association ceases to be entitled to the rights and privileges granted by these rules as of the effective date of such expulsion
- These rules do not apply to persons who are employed by a member solely to perform clerical or ministerial functions
- These rules do not apply to founders and persons who have an investment stake in the member s business but are not involved in the day-to-day operation of the member s business
- 1 6 The Committee shall decide whether a suspended member or an Associated Person is entitled to the rights and privileges granted by these rules before the decision on expulsion is approved by the Board of Directors

**SECTION II**

**BUSINESS CONDUCT OF MEMBERS**

- 2.1 Every member of the Association and Associated Persons must observe high standards of commercial honor and just and equitable principles of trade in conducting securities trading and all other types of securities business
- 2.2 It is not possible to list every action or inaction that may constitute a violation of subsection 2.1. However, the following are examples of conduct that may constitute a violation:
- a) failure to honor trades consummated with another member or a customer,
  - b) failure to honor a firm bid or ask quote for a standard unit of trade displayed in the System
  - c) failure to deliver funds or securities belonging to a customer within time periods prescribed by these rules or by a contract
  - d) failure to follow the procedure of disputes settlement determined by the Association
  - e) falsification of books and records pertaining to the member's or the Associated person's securities business, including submission of false data with a view to influence the market
  - f) failure to maintain adequate reporting procedure determined by the States Authorities or by the Association for its members and Associated Persons
  - g) failure to segregate funds and securities belonging to customers from those belonging to the member or an Associated person itself,
  - h) misappropriation of a customer's funds or securities and
  - i) execution of a trade for customer's account without customer's authorization or in a manner inconsistent with customer's authorization

**SECTION III**

**BEST EXECUTION OF CUSTOMER ORDERS**

- 3.1 In any transaction with or for a customer, a member and an Associated Person must exercise reasonable diligence to locate the best price in the inter-dealer market for the security and execute the order so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Failure to exercise reasonable

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diligence will constitute conduct inconsistent with just and equitable principles of trade

3.2 To determine whether a member or an Associated Person has exercised reasonable diligence the following factors will be considered

- the character of the inter-dealer market for the security, as indicated by unit price price volatility, the number of dealers quoting the stock in The Association's System and the best firm bid or firm offer in the stock at the time of execution
- the size of the customer's order relative to size associated with the best firm bid or firm offer displayed in the System immediately before the trade was executed,
- overall market conditions around the time of execution and
- the steps actually taken by the member or Associated Person to obtain the best execution price for the customer's order

#### SECTION IV

##### PROMPT RECEIPT AND DELIVERY OF SECURITIES

4.1 Before accepting a customer's order to purchase a security a member or Associated Person must first determine that the customer (or the customer's agent) agrees to receive securities against payment in an amount equal to any execution including a partial execution of a larger order. This provision does not preclude acceptance of a customer order on an "all or none" basis

4.2 Before accepting a customer's order to sell securities, one of the following conditions must exist

- a) the member or Associated Person has possession of the security or
- b) the customer has an account with the member or Associated Person in a particular type of security

#### SECTION V

##### FAIR DEALING WITH CUSTOMERS

5.1 Every member of the Association or an Associated Person assumes a fundamental responsibility for fair dealing with customers

- 5.2 A member or an Associated Person must not recommend the purchase, sale, or exchange of any security to a customer unless the member has a reasonable basis to believe that the transaction is suitable for the customer.
- 5.3 Prior to recommending a transaction to a customer (other than an institutional customer) a member or Associated Person must make a reasonable effort to obtain certain information from the customer such as the following:
- the customer's current financial status
  - the customer's willingness to accept risk
  - the customer's investment objectives, and
  - such other information that the member considers reasonable and necessary to determine the suitability of various investments for individual customers
- 5.4 A member or an Associated Person must not recommend highly speculative securities to a customer unless it determines that such an investment is suitable given the customer's financial resources and willingness to accept risk.
- 5.5 A member or an Associated Person must refrain from recommending or encouraging excessive trading in a customer's account for the purpose of increasing the amount of commissions.
- 5.6 Absent written authorization from the customer, a member or an Associated Person is prohibited from exercising investment discretion (i.e., determining the transaction size, unit price, timing, and the specific security to be bought or sold) over the account of a customer.
- 5.7 A member or an Associated Person is prohibited from executing any trade for a customer account without the customer's authorization.
- 5.8 A member or an Associated Person is prohibited from borrowing or using a customer's funds or securities without the customer's authorization.
- 5.9 A member or an Associated Person must refrain from recommending the purchase of securities in amounts that exceed the reasonable expectation of the customer's ability to pay.

Approved by the decision  
of the NAUFOR Association Council  
of September 1995

**ADVERTISING RULES**

Moscow  
1995

The present Rules regulate advertising activity of the NAUFOR member. The present Rules have been worked out on the basis of the current legislation of the Russian Federation, NAUFOR foundation and other documents, decisions of the Association Council and the NAUFOR Board of Directors.

The present Rules are mandatory for execution by all NAUFOR members.

## SECTION I

### GENERAL PROVISIONS

- 1.1 Any contacts of a NAUFOR member with third parties that are intended to solicit business shall be based on principles of fair dealing and good faith.
- 1.2 The information made available to the third parties must provide a basis for evaluating the facts conveyed about any particular security, class of securities as well as investment strategy.
- 1.3 Members are prohibited from publishing, circulating or otherwise distributing any public communication intended to solicit business that the member knows or should know that it contains any untrue statement of a material fact. Additionally, no material fact or qualification may be omitted if such omission would cause the communication to be misleading.
- 1.4 Members are prohibited from using exaggerated, unwarranted or misleading statements. In preparing advertising scripts and sales literature, a member must acknowledge the risks inherent in investing in securities. Such risks include fluctuating market prices, the uncertainty of dividends, eventual absence of returns and fluctuations in currency values.
- 1.5 The present norms are mandatory for any representative of a member of the Association.

A member of the Association can not be released from the responsibility for the compliance with the present rules when any forms of public relations have taken place on his behalf by the third party which is not a member of the Association.

## SECTION II

### SPECIFIC REQUIREMENTS

- 2.1 All texts of advertisements must be reliable and contain the required information about a respective member of the Association.

2.2 In making a specific investment recommendation a member must have a reasonable basis for the recommendation, disclose the security's price or price range at the time the recommendation is made and disclose the existence of any of the following situations

- that the member of the Association makes a market in the security being recommended
- that the member and/or its directors officers or partners own options, rights or warrants to purchase the security being recommended, unless the such ownership is nominal,
- that the member participated in a public offering of the security being recommended in the last two years

The member must also agree to furnish upon request, any information compiled in support of its recommendation

2.3 A member may publish or circulate material that does not make any specific recommendation but offers to supply a list of all recommendations made by the member during the last year or longer

The list to be provided must contain the following elements (a) the name of each security recommended (b) the date and type of recommendation made (i.e. purchase or sale) (c) the price or price range at the time the recommendation was first made and (d) the price or price range within which the recommendation was intended to be followed

2.4 With regard to any particular investment or investment strategy, a member's communications with the public must not contain promises of specific results exaggerated or unwarranted claims or projections or forecasts of events for which no reasonable basis currently exists. Moreover all forecasts must be clearly identified as such

2.5 To the extent that a member employs tables charts graphs and similar devices in its advertising or sales literature the source of this information must be disclosed if the source is not the member itself

### SECTION III

#### COMPLIANCE

3.1 Every member firm is responsible for complying with the rules of advertising

- 3.2 To ensure compliance every member firm must establish internal review procedures. At a minimum such procedures must include the following elements:
- the member must designate an appropriate person within the firm to review each piece of advertising or sales literature prior to its distribution,
  - if the material satisfies the requirements of the Association's advertising rules the designated person must certify and approve his/her assessment in a written form maintained by the member to demonstrate compliance with the Association's advertising rules
  - if the designated person cannot certify compliance the material cannot be published or distributed until it is modified to conform to the Association's advertising rules
- 3.3 If a member's advertising and sales literature conform to the established requirements they can be distributed with an indication of belonging to a member of the Association.

**NAUFOR STANDARD BUY/SELL AGREEMENT**

Moscow • St Petersburg • Ekaterinburg • Novosibirsk  
1996

**Securities Buy/Sell Agreement # \_\_\_\_\_**

Moscow

\_\_\_\_\_ 199

\_\_\_\_\_ hereinafter referred to as the "Buyer", in the person of \_\_\_\_\_, acting on the basis of \_\_\_\_\_, on the one Side, and \_\_\_\_\_, hereinafter referred to as the "Seller" in the person of \_\_\_\_\_ acting on the basis of \_\_\_\_\_ on the other Side referred to collectively as the "Parties", have concluded the present Agreement for the following

**1 SUBJECT OF AGREEMENT**

- 1 1 The Seller undertakes to transfer to the Buyer's ownership, and the Buyer undertakes to accept and pay for the following securities (Securities) of the issuer (the Issuer) to be further indicated on the terms and conditions of the present Agreement

kind of security	
issuer	
par value	
state registration code	
quantity	

- 1 2 The price of one share is \_\_\_\_\_ USD  
(\_\_\_\_\_ USD)
- 1 3 The trade amount is \_\_\_\_\_ USD  
(\_\_\_\_\_ USD) and is given in ruble measurement
- 1 4 The securities transaction tax (0.3% of the trade amount - It 13) from each Party is equivalent \_\_\_\_\_ to \_\_\_\_\_ USD  
(\_\_\_\_\_ USD) and is given in ruble measurement at the exchange rate of the Central Bank of Russia as of the date of present Agreement registration

- 1 5 All in all the Buyer has to transfer to the Seller the trade amount (It 1 3 ) calculated at the Moscow Interbank Currency Exchange (MICEX) exchange rate as of the payment date and the securities transaction tax amount (It 1 4 )
- 1 6 The Seller is assigned, pursuant to the present Agreement, to perform necessary actions to register securities ownership transfer (as well as provide an extract from the Issuer s Shareholder Register)
- 1 7 The term necessary for the Seller to perform actions for registering securities ownership transfer and providing to the Buyer the original or a fax copy of the Issuer s Register s document confirming the transfer of the securities indicated in It 1 1 from the Seller to the Buver shall be within \_\_\_\_\_  
( \_\_\_\_\_ ) business days following the date of signing the present Agreement

If the Buver does not meet the provisions of It 3 2 the term indicated in the above Item shall be extended for the delay time

## 2 SETTLEMENT PROCEDURES

- 2 1 The Buyer is obligated to pay the trade amount and compensate for the cost of the securities transaction tax, pursuant to It 1 5 of the present Agreement, within 2 (two) business days following the date of submission by the Seller to the Buyer of the original or a fax copy of the document of the Issuer s Registrar confirming the transfer from the Seller to the Buyer of Securities indicated in It 1 1 proving the ownership right of the Buyer to the Securities transferred
- 2 2 The Buyer is obligated to provide to the Seller (to fax or hand in personally) a copy of the document about settlement execution, pursuant to It 1 5 bearing a bank s notation of the settlement
- 2 3 It is the Seller who acts as the registrar of the trade under the present Agreement and, correspondingly as the agent to pay the securities transaction tax for both Parties to the tax authorities The Seller is obligated, within three business days following the trade registration date to pay to the tax authorities the tax of 0 6 per cent of the trade amount  
(The actions for registering the trade under the present Agreement shall be performed by the Seller)
- 2 4 The Parties shall incur costs for registering ownership transfer in the Issuer s Shareholder Register in equal shares the Seller paying for all costs in conjunction with the ownership transfer registration and the Buyer reimbursing to the Seller 50% (fifty per cent) of the costs confirmed by documents within 2 (two) business days following the date of receipt of the respective documents The transfer of funds *may* (**must**) be made by the Buyer simultaneously with the payment of amounts according to It 1 5

## 3 SECURITIES OWNERSHIP TRANSFER REGISTRATION

- 3 1 The Seller is obligated within the term indicated in It 1 7 to perform necessary actions established by the current legislation of the Russian Federation for registering the transfer ownership right to the Securities indicated in It 1 1 of the present Agreement in the Issuer s

Shareholder Register from the Seller to the Buyer and provide to the Buyer the original or a fax copy of the document of the Issuer's Registrar confirming the transfer from the Seller to the Buyer of the Securities indicated in It 1 1

- 3 2 On the date of concluding the present Agreement, the Seller is obligated to inform the Buyer about the documents needed for registering securities ownership transfer

The Buyer is obligated within 1 (one) business day following the date of signing the present Agreement to provide to the Seller all necessary documents for registering securities ownership transfer

- 3 3 In the event the Seller, in order to speed up trade settlement, provides to the Buyer a fax copy of the document certifying the ownership right to the Securities transferred the Seller is obligated to provide to the Buyer the original of such document within a reasonably feasible term but not later than 7 (seven) calendar days following the fax copy transfer date

- 3 4 The Seller has the right to assign to a third party to perform actions necessary for securities ownership transfer Such circumstance shall not release the Seller from his responsibility for the transaction

- 3 5 The Buyer shall enter the securities ownership right at the time of registration of the transaction by the Buyer performed on the basis of the present Agreement

#### 4 SELLER'S GUARANTEE

- 4 1 The Seller shall guarantee that the Securities indicated in the present Agreement are not pledged as collateral or restricted by any other rights of third parties and are not under arrest

- 4 2 Except for the case of cancellation of the present Agreement, the Seller is obligated to transfer any dividends interests yields or other distributions on the Securities indicated in It 1 1 of the present Agreement calculated by the Seller after the registration of the trade executed on the basis of the present Agreement to the Buyer within 2 (two) business days following the date of receipt of such income

#### 5 RESPONSIBILITIES OF PARTIES

- 5 1 In the case the Buyer delays the fulfillment of the provisions of It 3 2 of the present Agreement the Buyer shall be obligated to pay the Seller a fine of 0 5% (five tenths of a per cent) of the trade amount under the present Agreement for each business day of delay

- 5 2 In the case the Seller delays the fulfillment of the provisions of It 3 2 of the present Agreement the Seller shall be obligated to pay the Buyer a fine of 0 5% (five tenths of a per cent) of the trade amount under the present Agreement for each business day of delay

- 5 3 In the case the Buyer delays the fulfillment of the provisions of It 2 1 or 3 2 (Item 2 1) of the present Agreement the Buyer shall be obligated to pay the Seller a fine of 0 5% (five tenths of a per cent) of the trade amount under the present Agreement for each business but not more than 10 (ten) per cent all in all

- 5 4 In the case the Seller delays the fulfillment of the provisions of It 3 1 of the present Agreement, the Seller shall be obligated to pay the Buyer a fine of 0 5% (five tenths of a per cent) of the trade amount under the present Agreement for each business day of delay but not more than 10 (ten) per cent all in all

- 5 5 In the case the Buyer delays the fulfillment of the provisions of It 2 4 of the present Agreement, the Buyer shall be obligated to pay the Seller a fine of 0 5% (five tenths of a per cent) of the amount of costs certified by documents, for the securities ownership transfer registration in the Issuer's Shareholder Register for each business day of delay
- 5 6 In the case the Seller delays the fulfillment of the provisions of It 3 3 of the present Agreement, the Seller shall be obligated to pay the Buyer a fine of 0 5% (five tenths of a per cent) of the trade amount under the present Agreement for each business day of delay but not more than 10 (ten) per cent all in all
- 5 7 The payment of a fine under the present Agreement shall not release the defaulting (violating) Party from the fulfillment of the obligations under the present Agreement, unless the other Parties agrees otherwise In the case the defaulting Party delays the fulfillment of the obligations for more than 30 calendar days from the date of the present Agreement registration the Agreement shall be deemed broken and the defaulting Party shall be obliged to pay the damaged Party a fine of 100% (hundred per cent) of the trade amount (It 1 3 )

## 6 AGREEMENT CANCELLATION

- 6 1 In the case the Buyer does not fulfill It. 2 1 or 3 2 at the expiration of 5 (five) business days from the expiration of the terms indicated in its 2 1 and 3 2 , respectively the Seller has the right to rescind the present Agreement unilaterally, the Buyer being obliged to pay the Seller in addition to the fine according to It 5 1 (5 3 ) of the present Agreement, a fine of 10 (ten) per cent of the trade amount within 2 (two) business days from the date the Buyer was notified about the cancellation of the present Agreement In the case the Buyer does not fulfill It 2 1 of the present Agreement, the Securities shall be returned to the Seller and re-registered in the Issuers Shareholder Register in the name of the Seller unconditionally on the basis of a Protocol of Agreement Cancellation

*All costs due to the fulfillment of the Protocol shall be paid by the Buyer*

- 6 2 In the case the Seller does not fulfill It 3 1 of the present Agreement at the expiration of 5 (five) business days from the expiration of the terms indicated in Its 3 2 the Buyer has the right to rescind the present Agreement unilaterally the Seller being obliged to pay the Buyer in addition to the fine according to It 5 1 (5.3 ) of the present Agreement a fine of 10 (ten) per cent of the trade amount within 2 (two) business days from the date the Seller was notified about the cancellation of the present Agreement
- 6 3 In the case the Seller does not fulfill It 4 1 of the present Agreement, which shall be confirmed by the Issuer s Shareholder Register the Buyer has the right to rescind the present Agreement unilaterally the Seller being obliged to pay the Buyer a fine of 10 (ten) per cent of the trade amount within 2 (two) business days from the date the Seller was notified about the cancellation of the present Agreement

## 7 FORCE MAJEURE

- 7 1 Neither Party shall bear responsibility in the case of non-fulfillment, untimely or non-diligent fulfillment by it of any of its responsibilities under the present Agreement if the above non-fulfillment, untimely and non-diligent fulfillment are due exclusively to the occurrence and/or action of force majeure circumstances
- 7 2 The Party effected by force majeure circumstances shall immediately but not later than 3 (three) business days after the occurrence of force majeure circumstances inform in writing

the other Party about the circumstances and their consequences (with a return notification of the information receipt) and shall take all possible measures with a view to diminish as much as possible, the adverse consequences caused by the above force majeure circumstances

The Party effected by force majeure circumstances also should without delay but not later than 3 (three) days business days, inform the other Party in writing about the cessation of the circumstances

- 7.3 Non-notification or untimely notification of the other Party by the Party for which it became impossible to fulfill the obligations under the present Agreement about the occurrence of force majeure circumstances shall entail loss of the right to refer to the circumstances
- 7.4 The occurrence of force majeure circumstances may cause extension of the term of execution of the present Agreement for a period of their action, unless stipulated by the Parties otherwise
- 7.5 The release of the responsible Party from the responsibility for non-fulfillment, untimely and/or non-diligent fulfillment some non-fulfillable obligation under the present Agreement shall not entail the release of this Party from the responsibility for the fulfillment of its other responsibilities not recognized by the Parties as non-fulfillable under the present Agreement

## 8 OTHER PROVISIONS

- 8.1 All alterations of amendments and addenda to the present Agreement shall be made in writing and duly signed by the authorized representatives of the Parties
- 8.2 All disputes and conflicts between the Parties arising from the execution of the present Agreement shall be settled through negotiations. If it is impossible to reach agreement, the dispute should be settled on the basis of the provisions of the Arbitration clause of the Professional Association of Stock Market Participants (PAUFOR) which is an integral part of the present Agreement
- 8.3 The present Agreement comes into force from the time it is signed and shall be valid until the Parties have fulfilled the obligations ensuing from the provisions of the present Agreement
- 8.4 The present Agreement has been signed in three copies having the same legal power one of which is kept by the Buyer the second by the Seller and the third in the Issuer's shareholder Register

## 9 ADDRESSES AND OTHER INFORMATION OF PARTIES

**Buyer**

legal address \_\_\_\_\_

mail address \_\_\_\_\_

telephone/telex \_\_\_\_\_

bank information \_\_\_\_\_

number and date of issue of license for securities operations \_\_\_\_\_

\_\_\_\_\_ securities transactions \_\_\_\_\_

**Seller:**

legal address \_\_\_\_\_

mail address \_\_\_\_\_

telephone/telex \_\_\_\_\_

bank information \_\_\_\_\_

number and date of issue of license for securities operations

\_\_\_\_\_ securities transactions \_\_\_\_\_

**Buyer**

**Seller**

The buy/sell Agreement is registered

Registration body \_\_\_\_\_

Place of registration the city if \_\_\_\_\_

Reg \_\_\_\_\_ of \_\_\_\_\_ 199\_\_

Registrar's signature \_\_\_\_\_