

Attn.: Organisations acting as pricing centres

No. IN-06-51/15, dated 29 March 2016

Information letter 'On Quality Assessment of Pricing Centre Operations'

In accordance with its objectives in financial market development, the Bank of Russia assesses quality of operations in financial instrument appraisers. Information about this assessment can be used by interested parties alongside other sources of information about the value of financial instruments, approaches and methods of financial instrument appraisal, except for organisations bound by Russian laws (including Bank of Russia regulations) to appraise financial instruments and provide information on the value of financial instruments to interested persons (hereinafter referred to as pricing centres).

Pricing centres willing to undergo operational quality assessment shall file an application to the Bank of Russia (Financial Market Development Department) bearing their corporate name, address (location), TIN, PSRN, phone number and email, as well as specification of the financial instrument (financial instruments) to be appraised by the pricing centre. Documents to be attached to the application are as follows:

For a pricing centre not acting as a trade organiser – copies of founding documents, tax certificate, PSRN certificate, and an abstract from the Unified State Register of Legal Entities. If these documents were previously submitted to the

Bank of Russia, pricing centres shall resubmit only amended documents for operational quality assessment;

Financial instrument appraisal methodology (hereinafter referred to as the methodology) (for each financial instrument or a group of financial instruments);

An opinion letter on compliance of financial instrument appraisal with the methodology issued by an independent organisation;

Documents listing the sources of information used in financial instrument appraisal;

Copies of agreements between the pricing centre and persons engaged in financial instrument appraisal-related functions, including provision of information used in financial instrument appraisal (if any), on behalf of the pricing centre;

Copies of the pricing centre's documents stipulating the pricing centre's service conditions, methodology quality monitoring, the procedure for methodology approval and introduction, the pricing centre's operations to collect, process, store and disclose information (including the criteria for selection of sources of information used in financial instrument appraisal), the pricing centre's operations to ensure uninterrupted operations of the pricing centre, the procedure for handling complaints and proposals from interested persons, operations of the pricing centre-affiliated independent panel of professional community representatives engaged, among others, in advising on methodology amendments, supervising the price centre's handling of complaints and proposals from interested persons (hereinafter referred to as the expert council), procedures designed to prevent abuse, procedures for detecting and managing risks of conflicts of interest in collection and processing of information about financial instruments, methodology development and financial instrument appraisal.

Applications and other documents shall be submitted in soft copy signed by the sole executive body of the pricing centre or in hard copy signed with an enhanced qualified electronic signature.

Operational quality of pricing centres is supposed to be assessed within a reasonable period but no longer than two months after the receipt of a pricing centre's application for assessment of its compliance with the following criteria:

Publicly available information about the composition and changes in the composition of the expert council;

Publicly available methodology, information about the procedure for approval and introduction of the methodology and changes in the methodology, and the price centre's documents stipulating the procedures for ensuring uninterrupted operations of the pricing centre, operations of the expert council, the procedure for the pricing centre to disclose information associated with financial instrument appraisal, the pricing centre's handling of complaints and proposals of interested persons, and monitoring of methodology quality that provides, among others, for regular testing of outcomes of financial instrument appraisal based on historical data and rendering the outcomes of these tests publicly available;

A publicly available list of financial instruments appraised by the pricing centre, and information on each financial instrument included in this list, including data on sources of information used in financial instrument appraisal;

A publicly available opinion letter issued by an independent organisation on compliance of financial instrument appraisal with the methodology (among others, compliance of sources of information with the methodology for software algorithms and exclusion of algorithms not provided for by the methodology in the software);

Publicly available information on the pricing centre's service conditions which stipulate, among others, the procedure for the price centre to provide information on the value of financial instruments for which a trade organiser calculates market value or quotes as of the end of the previous trading day simultaneously with the provision of information on values of these market prices and quotes (including terms for information provision and forms and channels of information provision, and service rates), information on the list of contractors of

the pricing centre engaged in financial instrument appraisal on behalf of the pricing centre, including provision of information used in financial instrument appraisal if the pricing centre uses information from these persons in financial instrument appraisal, and information on changes in the list of such contractors;

Availability of the pricing centre's archives, containing the information associated with financial instrument appraisal, to the Bank of Russia and interested persons.

The Bank of Russia will post information on its decision to recognise the quality of operations of the pricing centre as satisfactory (with the indication of the financial instrument (financial instruments) appraised by the pricing centre) no later than five business days after the decision is taken, and will indicate the date of the decision.

If the Bank of Russia website contains information on recognising the pricing centre's operations as satisfactory, the pricing centre is advised to submit documents covering these changes to the Bank of Russia when it amends the documents previously submitted to the Bank of Russia as an attachment to the application.

It is planned that the Bank of Russia will revise its decision on recognising the quality of the pricing centre as satisfactory on an annual basis (hereinafter referred to as the assessment revision).

Should the Bank of Russia recognise the quality of the pricing centre's operations as unsatisfactory after the assessment revision, it will post the respective information on its website and send it to the pricing centre with an explanation of its decision no later than the first business day after the day of the decision.

This letter shall be published on the Bank of Russia website.

S.A. Shvetsov