

ACRA ASSIGNS A+(RU) TO CC «CLEARING CENTRE MFB» (JSC), OUTLOOK STABLE

SVETLANA GROMOVA

Expert, Financial Institutions Ratings Group

+7 (495) 139 04 80, ext. 221

svetlana.gromova@acra-ratings.ru

MIKHAIL POLUKHIN

Director, Financial Institutions Ratings Group

+7 (495) 139 03 47

mikhail.polukhin@acra-ratings.ru

The credit rating of CC «Clearing Centre MFB» (JSC) (hereinafter, CC MFB, or the Organization) is based on its adequate business profile, strong liquidity and capital adequacy positions, and satisfactory risk profile. Since October 1, 2020, CC MFB has held the status of a non-banking financial institution — a central counterparty — on the basis of a banking license from the Bank of Russia, and performs clearing functions within the SPB Exchange group (hereinafter, the Group). Best Efforts Bank PJSC provides the functions of a broker and settlement depository of the Group performing operations related to the fulfillment of obligations to transfer securities based on the results of clearing.

SBP Exchange PJSC holds an almost 100% stake (96.7% as of September 17, 2021) in CC MFB. According to the announced strategy, SPB Exchange PJSC plans to conduct an initial public offering of ordinary shares (IPO) on its own platform by the end of this year and has additional plans to submit an application to the SEC for listing on an American exchange in H1 2022.

KEY ASSESSMENT FACTORS

The adequate business profile assessment (bbb+) is primarily based on CC MFB's exclusive role as the clearing organization and central counterparty that carries out clearing for transactions performed on the trading platform of SPB Exchange PJSC. The bulk of operations of SPB Exchange comes from transactions involving securities of foreign issuers, the trading dynamics of which demonstrate rapid growth — 75% in 9M 2021 (as of September 30, 2021 — USD 292 bln), the number of quoted instruments has exceeded 1,600 (shares, depository receipts). The business profile assessment is negatively affected by the high concentration of operating income of CC MFB, almost 100% of which comes from proceeds from providing clearing services.

ACRA expects the Group's plans to further increase its market share, including through an increase in the number of foreign securities offered to investors, as well as the launch of derivatives market instruments, will continue to maintain the importance of CC MFB for the implementation of the Group's strategy, and will also help improve diversification. The Organization's corporate governance is sufficiently high quality for it to carry out the strategy.

Strong capital adequacy. The Agency notes the very high level of capital adequacy of the central counterparty (N1cc), which has averaged more than 402% over the past 12 months, despite the minimum permissible regulatory level of 100%. This allows the Organization to ensure a margin of coverage for risks associated with central counterparty activities, as well as the risks of potential impairment of its balance sheet assets. The assessment of this factor is supported by the averaged profitability indicator calculated by ACRA (70.7% for the period since 2019) coupled with a low CTI ratio (24% for the past three reporting periods). In addition, the Organization plans to perform a capital injection using funds raised from the IPO.

The Agency positively assesses the results of stress testing of regulatory capital adequacy, which takes place monthly as part of the procedure to stress test the central counterparty's risks.

Satisfactory risk profile. The counterparty risk of CC MFB is minimized by eligibility requirements for clearing members, flexible risk parameters and requirements for depositing funds for individual and collective clearing collateral. The Organization uses a cascading mechanism of the central counterparty's protection levels in the event of default of clearing members. ACRA assesses quality of risk management as satisfactory and consistent with the chosen area of development and scale of the Organization's activities.

The risk profile assessment is limited by the concentration on claims to a single group of counterparties (amounting to RUB 3.8 bln as of June 30, 2021, or 157% of Tier 1 capital), as well as the exposure to operational risk inherent to this type of activity.

The liquidity position is assessed as strong due to the specifics of the Organization's activities. The value of the liquidity ratio of the central counterparty (N4cc), which reflects the ability to cover potential losses due to highly liquid resources of the central counterparty in the event of default by the two largest clearing participants in terms of net obligations, amounted to 19.6% which is significantly lower than the established maximum allowable level equal to 100%.

KEY ASSUMPTIONS

- CC MFB retaining its status as the clearing organization for the central counterparty;
- No significant financial obligations (debt);
- Continued surplus liquidity position.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Consistent strengthening of market position, expansion of key areas of business.

A negative rating action may be prompted by:

- Significant decline in the capital adequacy of CC MFB;
- Significant deterioration of liquidity position due to a reduction in the size of the comfortable margin of liquidity or deterioration of the credit quality of highly liquidity assets on the Organization's balance sheet;
- Major losses due to materialization of operational risks.

RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **a+**.

Adjustments: none.

Support: none.

ISSUE RATINGS

No outstanding issues have been rated.

REGULATORY DISCLOSURE

The credit rating was assigned under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Banks and Bank Groups under the National Scale for the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

A credit rating has been assigned to CC «Clearing Centre MFB» (JSC) for the first time. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on data provided by CC «Clearing Centre MFB» (JSC), information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the IFRS financial statements of CC «Clearing Centre MFB» (JSC) and the financial statements of CC «Clearing Centre MFB» (JSC) drawn up in compliance with Bank of Russia Ordinance No. 4927-U dated October 8, 2018. The credit rating is solicited, and CC «Clearing Centre MFB» (JSC) participated in its assignment.

In assigning the credit rating, ACRA used only information, the quality and reliability of which was, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

ACRA provided no additional services to CC «Clearing Centre MFB» (JSC). No conflicts of interest were discovered in the course of credit rating assignment.

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Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)
75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

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