



**NAUFOR**

# IN BREIF

2024

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President of NAUFOR

As before, in 2024 NAUFOR remained a representative of the industry interests in state bodies and, as an SRO, a guardian of a good faith behavior in the national financial market. However, the institutionalization was the NAUFOR's main task in 2024.

The main focus of this institutionalization has been the development of a control function, namely, the reform of the Disciplinary Committee which has become more independent and the disciplinary procedure fine-tuning which has become more flexible and encouraging to eliminate violations and their consequences.

Membership fees reform was also a significant task of NAUFOR's institutionalization. It made it possible to discontinue annual special funding and thus strengthened the Association's financial stability.

# General information

The National association of securities market participants (NAUFOR) is a self-regulatory organization (SRO) uniting the following financial institutions for which membership in SRO is mandatory:

- Brockers
- Dealers
- Asset managers
- Investment fund management companies
- Investment advisors (including individual entrepreneurs)
- Custodians
- Specialized depositories
- Registrars
- Joint-stock investment funds

NAUFOR is the only SRO in Russia uniting brokers, dealers, registrars, asset managers, investment fund management companies and specialized depositories.

**NAUFOR key activities:**

1. Participation in drafting laws and regulations.
2. Development of the activity standards for NAUFOR members (NAUFOR approves internal standards and participates in drafting basic standards).
3. Conducting control over its members’ compliance with standards.

NAUFOR is also responsible for investment advisory auto-consultation and auto-execution software approval, engaged in financial market specialists’ qualification assessment, methodological support of its members, training and certification of investment advisors, and conducts advanced training courses in the areas of internal control, risk management systems and information security.

**NAUFOR’s mission is to create regulatory environment that allow the development of association members’ industries and the financial market as a whole. Creation of such environment implies, along with participation in normative regulation, protection of the interests of investors - clients and potential clients.**

ONAUFOR office is located in Moscow, NAUFOR representative offices are located in St. Petersburg, Kazan and Yekaterinburg. NAUFOR has 69 employees.

NAUFOR organizational chart





NAUFOR members

By the end of 2024, NAUFOR had 686 members with another 5 organizations being its associate members. During the year, 56 new organizations joined NAUFOR, 13 companies extended their membership to additional types of financial market activities, and 19 companies terminated their membership in NAUFOR for various reasons, including license withdrawal, voluntary withdrawal or reorganization.

Number of NAUFOR members	
Brokers	253
Dealers	279
Asset managers	179
Custodians	257
Investment fund management companies	310
Registrars	31
Specialized depositories	28
Investment advisors	101
Joint-stock investment funds	2

Out of 686 members, 498 are non-credit financial organizations, 179 are banks, and 9 members are individual entrepreneurs.

Drafting Standards in 2024

Members of the financial market self-regulatory organizations are subject to mandatory standards of activity: basic standards approved by the Bank of Russia and internal standards approved by self-regulatory organizations.

Standards are an element of the two-tier (state regulations and standards) Russian financial market regulation which allows the Bank of Russia and self-regulatory organizations to share control over compliance with the requirements to the financial organizations’ activities. Basic standards must comply with state regulations while internal standards must comply with state regulations and basic standards.

The standards are currently in effect:

For all NAUFOR members:

Internal standard «Code of Business Ethics»

For brokers:

Basic standard for the brokerage financial market operations;  
Basic standard for protecting the rights and interests of individuals and legal entities-clients of SRO’s members conducting brokerage;  
Internal Standard «Requirements for the information documents on financial instruments to be provided to individuals by brokers»; Internal standard «Informing the client about risks»;  
Internal standard «Reporting to the client»;  
Internal standard «Conflict of interest prevention»;  
Internal standard “Finding client’s gained knowledge and experience regarding financial instruments operations and provided services»;  
Internal standard “Requirements for interaction with individuals when offering financial instruments and services for unsecured transactions”

For asset managers:

Basic standard for the asset management financial market operations;  
Basic standard for protecting the rights and interests of individuals and legal entities-clients of SRO’s members conducting the asset management activity.  
Internal standard «Informing the client about risks»;  
Internal standard «Reporting to the client»;  
Internal standard «Conflict of interest prevention»;  
Internal standard “Finding client’s gained knowledge and experience regarding financial instruments operations and provided services»;  
Internal standard “Requirements for interaction with individuals when offering financial instruments and services for unsecured transactions”

For custodians:

Basic standard for the custody financial market operations;  
Basic standard for protecting the rights and interests of individuals and legal entities- clients of SRO’s members conducting the custody activity.  
Internal standard “Requirements for interaction with individuals when offering financial instruments and services for unsecured transactions”

For specialized depositories:

Internal standard «A specialized depository procedure for the approval of a report on termination of the unit-restricted investment fund»;  
Internal standard «Consent proceedings by a specialized depository on trust management rules (amendments) of a unit-restricted investment fund»;  
Internal standard «The special features of grace period records entered to mortgage coverage register».

For investment advisors:

Basic standard for the investment advisory financial market operations;  
Basic standard for protecting the rights and interests of individuals and legal entities-clients of SRO’s members conducting the investment advisory activity;  
Internal standard «Requirements for the investment advisory services provision by the means of auto-execution software».  
Internal standard “Requirements for interaction with individuals when offering financial instruments and services for unsecured transactions”

For investment fund management companies:

Basic standard for protecting the rights and interests of individuals and legal entities-clients of SRO members conducting the activity of joint-stock investment funds, the activity of management companies of joint-stock investment funds, unit investment funds and non-state pension funds;  
Internal standard for unit investment fund management companies activities;  
Internal standard for the unit investment fund net assets value calculation and investment unit value calculation;  
Internal standard «Principles of indicators applying for indicator-based unit investment fund»;  
Internal standard “Requirements for interaction with individuals when offering financial instruments and services for unsecured transactions”

For registrars:

Basic standard for the registrars financial market operations;  
Basic standard for protecting the rights and interests of individuals and legal entities – clients of SRO members conducting registrar activity;  
Internal standard «Registration of issue of shares»;  
Internal standard for transfer agency activity;  
Internal standard «Message transmission formats for securities holders register»;  
Internal standard «Registrar software-based interaction formats applicable to communication with nominee holders and the central depository».

NAUFOR is constantly working to improve the existing standards and to develop new ones, including those within the framework of the basic standards committees formed by the Bank of Russia.

In 2024, two amendments were approved to NAUFOR’s internal standard «Requirements for the information documents on financial instruments to be provided to individuals by brokers».

# Control over members

NAUFOR oversees 11 basic and 17 internal standards for financial market activities. NAUFOR develops and improves procedures for monitoring and inspecting of its members as one of its priority areas of work.

NAUFOR conducts scheduled inspections at least once every five years. The list of members included in the inspection schedule for the coming year is published in advance so companies can prepare.

Unscheduled inspections are conducted in response to client complaints filed against a financial organization or requests from the Bank of Russia. NAUFOR also conducts unscheduled inspections, including the ones in “secret customer” form, at its own discretion.

When deciding to conduct an unscheduled inspection, NAUFOR considers the organization’s systemic or social significance, number of customers, and number of complaints (risk-based approach):

	Кол-во клиентов (пайщиков) компании			
Inspection types	up to 2 000	2 000 – 20 000	20 000 – 1 mln	From 1 mln
Thematic (offering financial instruments, testing, investment profiling, etc.)	Not held	Annually	From 2 times a year	From 2 times a year
By type of activity (conducted in the quarter following the quarter, in which the indicator was exceeded)	Not held	If number of complaints exceeds 1% of clients (investment unit owners)	If number of complaints exceeds 1% of clients (investment unit owners)	If number of complaints exceeds 0,1% of clients (investment unit owners)

NAUFOR conducts scheduled inspections based on priority control areas determined by the NAUFOR President in agreement with the Bank of Russia.

NAUFOR priority control areas:

The basic standard for the brokerage financial market operations.

Conduct trading operations on the best execution principle.  
Internal document in possession that establishes the policy for conducting trading operations on behalf of clients.  
Complying with the condition of acting as a party to a securities lending transaction on behalf of the borrower or assuming responsibility for the borrower’s performance of such a transaction.  
Establishing terms and conditions for the use of clients’ funds and securities in the broker’s interest. Informing clients about emerging risks. Features of not qualified investors orders execution. Providing clients with the information specified in clause 4.1 of the Basic Standard.

**The basic standard for the asset management financial market operations.**

The terms and conditions for determining the client’s investment profile and informing the client about risks (according to the text of the standard); Disclosure on manager’s official website or provision of information to clients about the standard asset management strategy intended for clients who are not qualified investors; Informing the client about the absence of guaranteed returns; Review of the client’s investment profile and/or standard investment profile by the manager upon expiration of the specified investment horizon; Obtaining the client’s consent to their investment profile and/or standard investment profile; Disclosure of information about changes to the standard investment profile; Compliance with the conditions and procedure for determining actual risk; Exercise of rights to securities.

**The basic standard for the investment advisory financial market operations.**

Correct designation of information provided to clients; availability of information in the client questionnaire as required by the basic standard, compliance with the conditions and procedure for determining the client’s investment profile, obtaining consent to the investment profile; disclosure of information about the investment advisor’s conflict of interest; compliance with the procedure for providing individual investment recommendations; compliance of the individual investment recommendation provided by the investment advisor with the client’s investment profile.

**The basic standard for protecting the rights and interests of individuals and legal entities-clients of SRO’s members conducting the investment advisory activity.**

Appropriate information provision to clients.

**The internal standard «Requirements for the investment advisory services provision by the means of auto-execution software».**

Compliance with benchmarks and accuracy in following the strategy; informing clients about investment advisory services using auto-execution software, about all types of expenses associated with obtaining individual investment recommendations through auto-execution software, about all types of remuneration paid by the investment advisor to third parties in connection with the provision of investment advisory services through an auto-execution software, full information about the strategy, as well as the possibility and procedure for using borrowed funds; the availability of internal documents establishing rules for minimizing changes in trading volume and price impact when providing auto-execution software services.

**Internal standard «Requirements for financial instruments offering to individuals» (related to brokerage and asset management activities).**

Compliance with the principles of financial instruments offering; promises made to pay dividends on shares, as well as income on other securities and derivatives; requirements for the implementation of the financial instrument offering and for the financial instrument information document.

**Internal standard «Requirements for the information documents on financial instruments to be provided to individuals by brokers».**

Compliance with requirements for providing individuals with financial instruments information.

**The basic standard for protecting the rights and interests of individuals and legal entities-clients of SRO’s members conducting brokerage.**

Compliance with the standard requirements by conducting “secret customer” inspections; compliance with rules for the information provision to clients, obligation of financial market participants to ensure compliance with the requirements by third parties acting on their behalf and in their interests; testing individuals who are not qualified investors; informing individuals about financial instruments.

**The basic standard for protecting the rights and interests of individuals and legal entities-clients of SRO’s members conducting the asset management activity.**

Compliance with the standard requirements by conducting “secret customer” inspections; compliance with rules for the information provision to clients of financial services, obligation of financial market participants to ensure compliance with the requirements by third parties acting on their behalf and in their interests.

**The basic standard for protecting the rights and interests of individuals and legal entities-clients of SRO members conducting the activity of joint-stock investment funds, the activity of management companies of joint-stock investment funds, unit investment funds and non-state pension funds.**

Compliance with requirements for the minimum amount of information and the procedure for its distribution, provision, and disclosure to clients; ensuring compliance by third parties acting on behalf of, in the name of, and at the expense of the investment fund management company (joint-stock investment fund) with the requirements for concluding a trust management agreement, including the acquisition of investment fund investment units or shares of a joint-stock investment fund.

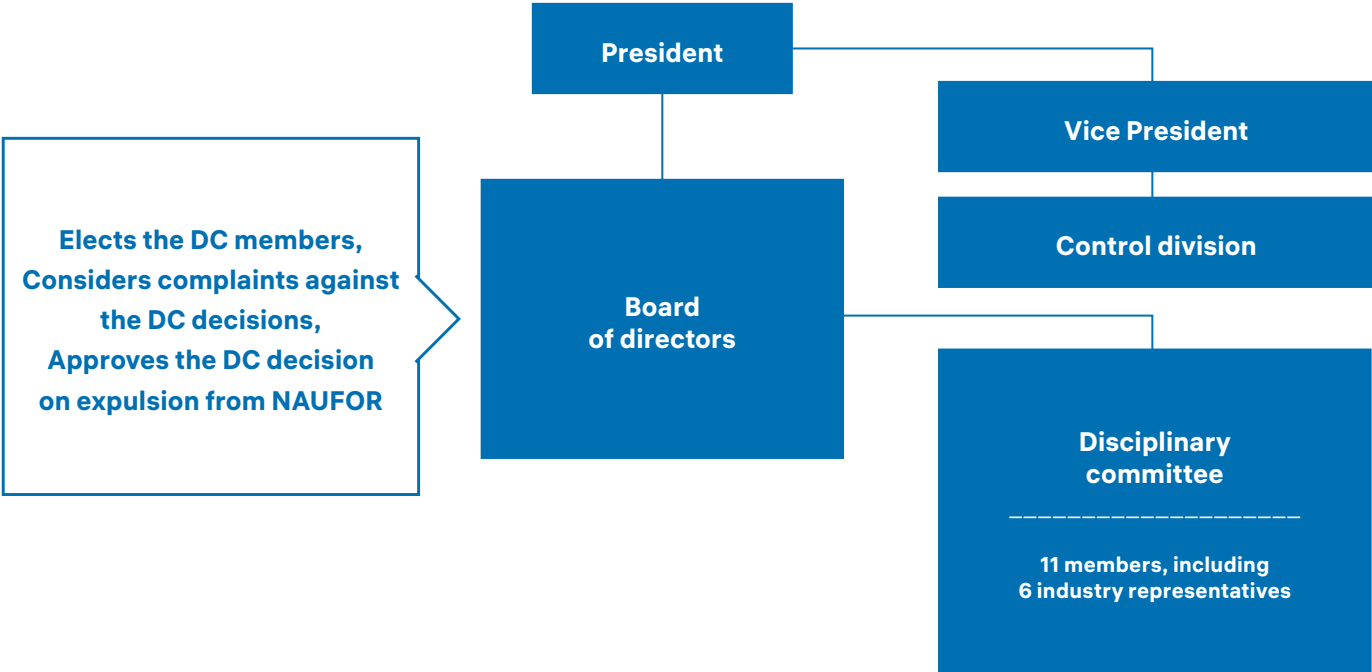
**The basic standard for the custodian financial market operations.**

The existence of internal custodian documents establishing (defining) the procedure for performing custody operations and describing the custodian’s document flow, the procedure for custody operations accounting, procedures aimed at distinguishing access rights and ensuring the confidentiality of information, the procedure for protecting information; the duration of the custodian’s operating day; rules for coding custody accounts or other passive accounts; the system for maintaining accounting registers; the order and procedures for identifying depositors, their representatives, and beneficiaries; the procedure for making entries when opening/closing sections of a custody account; compliance by the custodian with the procedure for maintaining accounting registers; grounds for conducting custody operations; features of conducting operations on trading custody accounts and clearing accounts (sub-accounts) of custody accounts (grounds for crediting/debiting securities to trading custody accounts, methods of conducting operations); compliance by the custodian with procedures when providing services for the accounting of foreign securities, if the place of storage of such securities is a foreign organization operating under foreign legislation (when providing); procedures for making entries when recording encumbrances (termination of encumbrances) on securities and/or restrictions (removal of restrictions) on the disposal of securities.

**The basic standard for the registrar financial market operations.**

Registrar’s possession of internal documents establishing (describing) the procedure for distinguishing access rights and ensuring the confidentiality of information; procedures implemented to ensure the distinction of access rights and the confidentiality of information; measures for the preservation and protection of information, including ensuring its integrity, availability, and confidentiality; compliance with procedures for making entries when the registrar performs operations on the financial market.

Organization of control and disciplinary proceedings in NAUFOR



The Disciplinary Committee is a specialized permanent body of control formed annually by the Board of Directors

In 2024, NAUFOR carried out a reform of disciplinary proceedings. The independence of the Disciplinary Committee from the NAUFOR’s control unit was increased, mitigating and aggravating circumstances of violations were clarified, disciplinary sanctions and other disciplinary measures were separated, and the powers of the Board of Directors in appealing decisions of the Disciplinary Committee were also clarified.

One of the most important changes was the new procedure for initiating disciplinary proceedings. Since 2024, a request to initiate disciplinary proceedings may not include some violations if these violations:

- were the subject of objections that were found to be justified;
- have already been eliminated, or necessary and sufficient measures have been taken to prevent them in the future;
- have not caused harm, or the harm caused has been compensated;
- were identified as a result of the consideration of a complaint that was withdrawn;
- violations that, in accordance with the practice of the NAUFOR Disciplinary Committee established at the time of the application, are not considered as such.

At the same time, materials on all identified violations are sent to the Disciplinary Committee chairman who has the right to initiate disciplinary proceedings for violations that are not included in the application for disciplinary proceedings.

The reform of disciplinary proceedings also included a clear division of disciplinary measures into punitive sanctions such as reprimand, warning, fine, or expulsion, and other disciplinary measures, such as the order to eliminate or prevent a violation. Disciplinary measures must now be proportionate to the disciplinary violation and its consequences, as well as to the scale of the NAUFOR member’s activities.

In 2024, NAUFOR conducted 295 inspections of its members’ activities, including 117 scheduled inspections and 178 unscheduled inspections with compliance with the requirements of the priority control areas under control. These areas included providing financial service recipients with information when opening an account, conducting transactions based on the best execution principle, and testing and determining investment profiles. Forty-four of the unscheduled inspections were conducted in the «secret customer» form.

Violations were identified in 35% of scheduled inspections, 6% of filed complaint inspections, and 31% of other unscheduled inspections.

In 2024, the Disciplinary Committee held 49 meetings. Due to the reform of disciplinary proceedings, many violations were resolved without being referred to the Committee. In 45 cases, measures were taken against NAUFOR members who committed violations:

Measures applied by NAUFOR in 2024

	Б/Д	ДУ	ИС
Number of violations	66	115	83
Reprimands	8	13	4
Warnings	3	2	1
Order for action / Order to eliminate violations	5	3	4
Fines	5	3	3

Four appeals were filed with the Board of Directors regarding the Disciplinary Committee’s decisions in 2024. As a result of the review, all of the Disciplinary Committee’s decisions remained in force.

In April 2024, NAUFOR supplemented its review of control practices on providing information on financial instruments with examples of violations that occurred in cases of online interactions. The review included information on violations identified in the online provision of information to investors by financial organizations, as well as the use of pre-filled document forms.



# Investment advisory software approval

During 2024, four software samples were approved and four software samples had their approval revoked. At the end of 2024, the information about 23 investment advisory software tools were included in the NAUFOR’s approved software registry.

# Training and certification

NAUFOR is a Qualification Assessment Center, a body authorized by the Financial Market Professional Qualifications Council to conduct an independent assessment of qualifications for:

- a broker-dealer specialist;
- an asset management specialist;
- a custodian specialist;
- a clearing specialist;
- a stock exchange trade specialist;
- a junior financial advisor;
- a financial advisor;
- a financial education specialist (tutor).

In 2024, NAUFOR, as a Qualification Assessment Center, conducted 191 exams in which 407 applicants took part and issued 282 qualification certificates. 2,397 qualification certificates were issued in 2023 as part of NAUFOR certificates recognition activity. NAUFOR also recognizes previously issued financial qualification certificates. 1849 qualification certificates were issued in 2024 as part of NAUFOR certificates recognition activity.

In 2024, 24 seminars with 533 participants were held for specialists in financial consulting, brokerage and dealer activities, asset management activities, custody activities with the issuance of a standard certificate. Additionally, four seminars with 118 participants on internal control were held.

Through its subsidiary, NAUFOR Consulting Center LLC, the association conducted 24 professional development training seminars in the field of accounting, financial market taxation and AML/CFT, which were attended in person by 89 students and had an extra audience of 817 online participants.

Since 2022, NAUFOR has been conducting training and certification of investment advisory specialists aimed to obtain NAUFOR certificate and advanced training certificate. This voluntary program was developed by NAUFOR in order to improve the investment advisors’ qualification level and designed for investment company employees engaged in investment advisory activities, as well as for individual entrepreneurs.

Nine in-person seminars were held under this program in 2024. A total of 138 participants received advanced training certificates and NAUFOR qualification certificates.

# Methodological support

## Development of a recommended template containing key information about an investment advisory agreement

In March 2024, NAUFOR published a recommended form for a document containing key information about investment advisory agreements. The form is intended to provide individuals who are considering entering into such an agreement with reliable information about it, including its terms and conditions and the associated risks.

## Establishing criteria for recognizing transactions that may be indicative of manipulation

In spring 2024, NAUFOR published a list of criteria for identifying transactions showing signs of insider trading or market manipulation. This list was prepared in accordance with the Compilation of Typologies of Unfair and Illegal Practices Related to Transactions with Financial Instruments on the Securities Market, which was previously developed by the NAUFOR working group. These criteria aim to provide NAUFOR members with methodological support to help them comply with legislative and regulatory requirements concerning the prevention of the misuse of insider information and market manipulation. This includes identifying potentially non-standard transactions for legal entities participating in organized trading. The criteria contain recommendations for identifying such transactions, including threshold value determination.

## NAUFOR recommendations regarding the determination of fair value of securities in investment fund portfolios

In June 2024, NAUFOR published methodological recommendations for determining the fair value of securities. The guidelines address the use of the CAPM model and the calculation of the beta coefficient when stock exchanges restrict permissible settlement codes in «T+» mode for transactions involving shares of foreign issuers and depositary receipts. This occurs in cases related to the upcoming redomiciliation of an issuer, participation in the exchange of «frozen» assets, or the transfer of securities from a Russian or international issuer received in connection with the issuer’s redomiciliation to an investment fund management company’s account before all settlement codes are available.

These recommendations simplify the determination of fair value during redomiciliation. Notably, they allow investment fund management companies to avoid hiring an appraiser and facilitate the application of the NAUFOR internal standard methodology for calculating NAV.

## Methodological recommendations for a specialized depositary to verify the trust management rules of a unit-restricted investment fund

In June 2024, NAUFOR published methodological recommendations on reviewing trust management rules (changes in the rules) of a unit-restricted closed-end or interval investment funds. The guidelines were developed in line with NAUFOR’s internal standard «Consent proceedings by a specialized depositary on trust management rules (amendments) of a unit-restricted investment fund» and take into account the practice of specialized depositaries.

The document has made it possible to apply uniform approaches in the market when verifying the relevant rules.

Based on these recommendations, a specialized depositary may develop an internal document on the verification of trust management rules of a unit-restricted closed-end or interval investment fund.

## Guidelines for specialized depositories on the termination of unit investment funds

In July 2024, methodological recommendations were published regarding the termination of a unit investment fund by a specialized depositary. These guidelines explain some legal requirements and detail the procedure for special depositories when carrying out non-core activities related to the termination of unit investment funds. This includes issues related to the sale of fund assets and the satisfaction of creditors’ claims.

The NAUFOR committee on the activities of special depositories approved the document.

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