



**MOSCOW  
EXCHANGE**

07/04/2017 London

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Head of DCM

Primary Market

**Russian Fixed Income Market:**

**The Integration Into  
International Financial System**

# Moscow Exchange global positions

One of the largest in fixed income (2016)<sup>1</sup>

Rank	Exchange	Country	Trading vol. (USD bln)	Incl. REPOs
1	BME	Spain	6 875	✓
<b>2</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>3 764</b>	<b>✓</b>
3	Korea Exchange	Korea	2 843	×
4	LSE Group	UK	1 976	×
5	Johannesburg SE	South Africa	1 850	✓
6	Nasdaq OMX	USA	1 712	✓
7	Oslo Borse	Norway	713	✓
8	Bolsa de Valores de Colombia	Colombia	417	×
9	Shanghai SE	China	398	×
10	Taipei Exchange	Taiwan	268	×

Top 3 in derivatives (2016)

Rank	Exchange	Country	Contracts traded (mln)
1	CME Group	USA	3 942
2	NSE India	India	2 135
<b>3</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>1 963</b>
4	Shanghai Futures Exchange	China	1 681
5	Deutsche Boerse	Germany	1 592
6	Dalian Commodity Exchange	China	1 537
7	BM&FBOVESPA	Brazil	1 358
8	CBOE	USA	1 124
9	Nasdaq OMX	USA	998
10	Zhengzhou Commodity Exchange	China	901

Top 24 in equities (2016)<sup>2</sup>

Rank	Exchange	Country	Mkt Cap (USD bln)	Securities listed	Trading vol. (USD bln)
1	ICE&NYSE	USA	19 573	2 307	17 318
2	Nasdaq OMX	USA	8 965	3 835	11 781
3	Shenzhen SE	China	3 217	1 870	11 606
4	Shanghai SE	China	4 104	1 182	7 492
5	Japan Exchange	Japan	5 061	3 541	5 618
6	LSE Group	UK	3 496	2 590	2 286
7	Euronext	EU	3 493	1 051	1 766
8	Korea Exchange	Korea	1 282	2 059	1 673
9	HKEx	Hong Kong	3 193	1 973	1 350
10	Deutsche Boerse	Germany	1 732	592	1 306
...	...	...	...	...	...
<b>24</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>636</b>	<b>245</b>	<b>129</b>

Top 12 public exchanges by market capitalization<sup>3</sup>

Rank	Exchange	Country	Mkt Cap (USD bln)
1	CME	USA	39.9
2	ICE&NYSE	USA	34.2
3	HKEx	Hong Kong	29.2
4	Deutsche Boerse	Germany	16.7
5	LSE Group	UK	13.5
6	Nasdaq OMX	USA	11.2
7	BM&FBovespa	Brazil	10.4
8	Japan Exchange	Japan	7.6
9	ASX	Australia	7.2
10	CBOE	USA	6.2
11	SGX	Singapore	5.7
<b>12</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>5.1</b>



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Source: Moscow Exchange, WFE, Bloomberg

1. Due to different methodologies applied, data on fixed income trading may not be directly comparable among exchanges

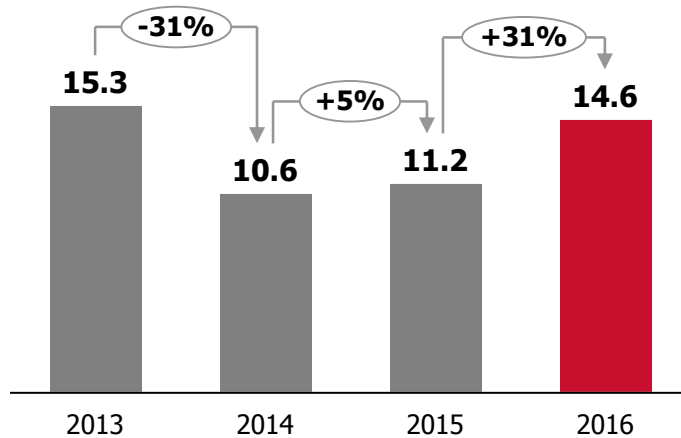
2. Top equity trading exchanges are ranked by trading volume. Ranking without BATS (excluded due to absence of data for market capitalization and number of listed companies)

3. Market capitalization of public exchanges based on Bloomberg data as of January 24, 2017

# Moscow Exchange Bond market (ADTV 2016: USD 868 mln)

## Bonds trading value

RUB trln

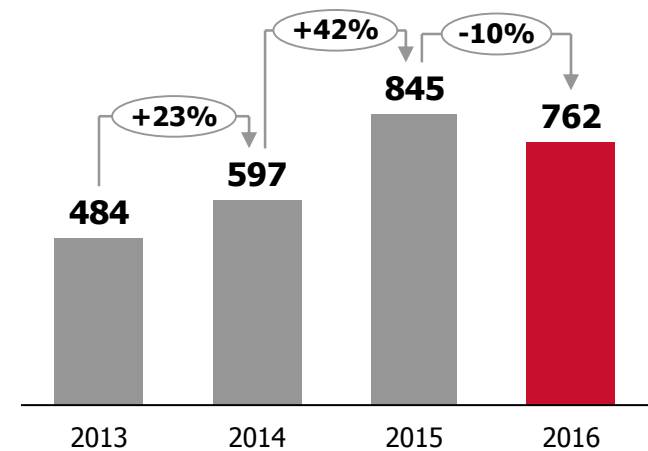


## Onshore bond market

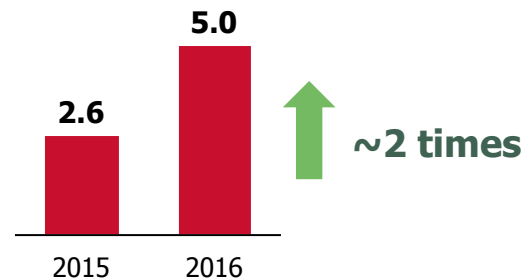
✓ Almost 100% listed and RUB denominated

## Retail investors trading value

RUB bln



**Bonds primary market,**  
RUB trln

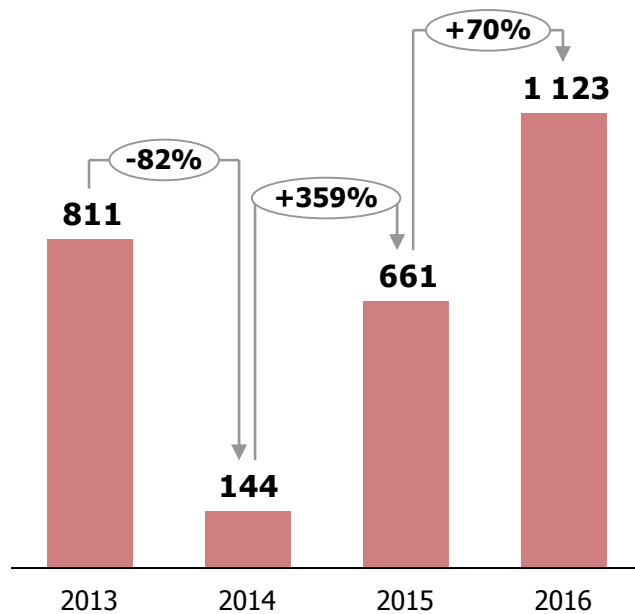


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# Moscow Exchange Bonds Primary Market

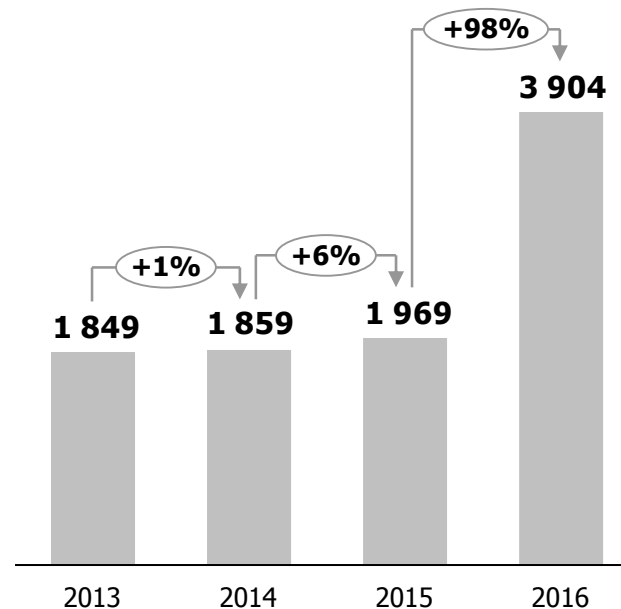
## Sovereign bonds primary market

RUB bln



## Corporate and municipal bonds primary market

RUB bln



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# Instruments Admitted for Trading on the Bond Market on Moscow Exchange

**A large variety of fixed income instruments are traded on the Moscow Exchange from plain vanilla to sophisticated structured bonds**

- ▶ Sovereign bonds
- ▶ Subfederal&Municipal bonds
- ▶ Corporate bonds
  - ▶ Bonds
  - ▶ Exchange-traded bonds
  - ▶ Exchange-traded bond programs
- ▶ Eurobonds
- ▶ Infrastructure and project bonds, ABS, MBS

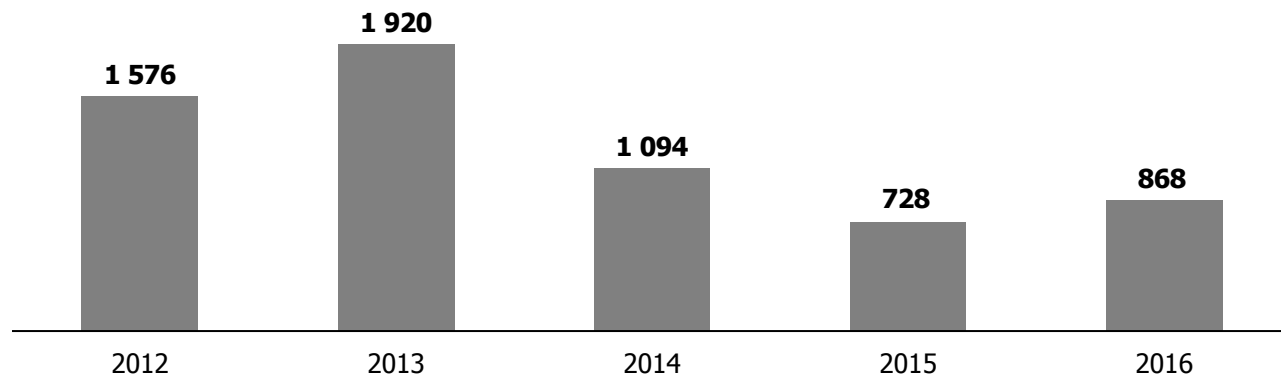
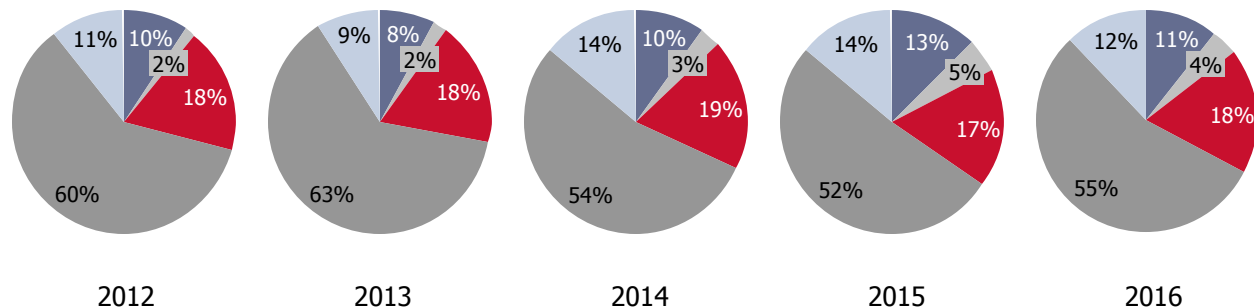
# Investor structure on Bond market

**Volume  
breakdown by  
investor types**

**ADTV**

USD mln

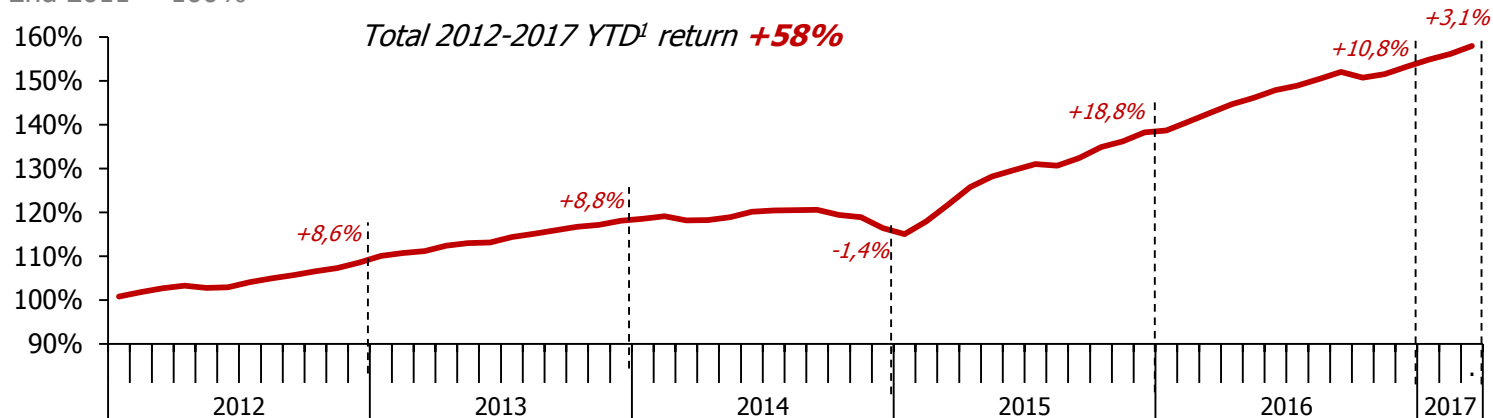
■ Russian funds  
■ Russian retail investors  
■ Foreign investors  
■ Russian banks and brokers prop. Trading  
■ Russian corporates



# Russian Bond market returns

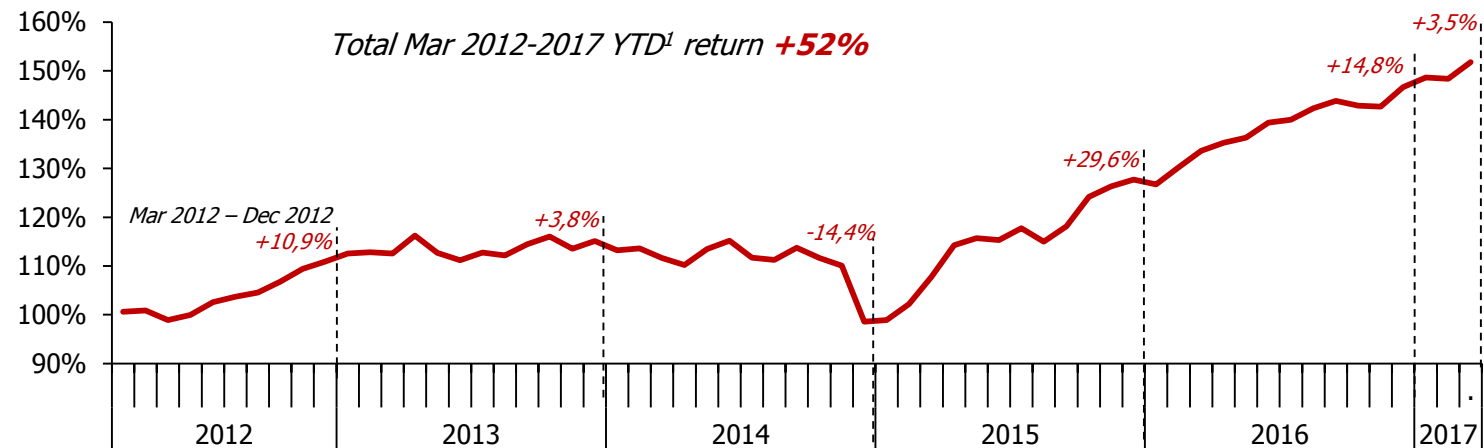
## Corporate bonds index dynamics

End 2011 = 100%



## Government bonds index dynamics

01.03.12 = 100%



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Source: Moscow Exchange  
1 - As of 30.03.2017

## Yields of selected local bonds on Russian Fixed Income market

Bond	Yield	M.Duration
<b>Government Bonds</b>		
OFZ 26204	8.94%	0.94
OFZ 26214	8.13%	2.85
<b>Corporate Bonds</b>		
MTS BO-01 (BB+/Ba1/BB+)	9.00%	0.89
MTS BO-02 (BB+/Ba1/BB+)	9.23%	1.23
ROSBANK A8 (-/Ba1/BBB-)	9.73%	1.28
MEGAFON (BB+/Ba1/BB+)	9.40%	0.47





# Investing in Local Bonds is Easy

Accessing Russian market has never been so convenient before, as now it is with the up-to-date infrastructure and legislation

- ✓ Full Accessibility for international investor
- ✓ Modern market infrastructure
- ✓ Significantly lower costs of ownership
- ✓ No restrictions on investments in local securities
- ✓ No approval is required to start investing
- ✓ Ability to hold and settle in local securities Euroclear and Clearstream
- ✓ USD DVP supported by all the major custodians
- ✓ No restrictions on RUB currency
- ✓ Cross trading is now allowed via a CCP
- ✓ Investment in local equities can be done either in RUB or USD
- ✓ Payments can be proceeded outside of Russia



# Moscow Exchange International Infrastructure Overview

## Key goals were achieved after creation of the Moscow Exchange

Creation of Central Securities Depository (NSD)	November 2012
Euroclear and Clearstream offer settlement services for Russian sovereign and corporate bonds; equities	2013-2014
A number of global banks offer Direct Market Access (DMA) to securities trading on MOEX. This refers more to equity trading however there is technical possibility to implement this for bonds	2014



# Execution-Only Access

## Execution-only scheme implies passing the following steps:

### 1. Opening an account with a **Global Custodian** who performs the following functions:

- Safekeeping securities and providing settlement services (including pledging and blocking of securities)
- Providing information regarding corporate actions and assisting depositors in exercising their rights

#### Timeline

It normally takes 3-4 weeks depending on the exact custodian and amount of required documentation

#### Set Up

Global Custodians can either operate through a local custodian or International Central Securities Depository. Trading can be done either in RUB or USD. Payments will be proceeded outside of Russia

### 2. Establishing trading lines with **Execution Broker**:

- Broker would set up trading & risk limits and accept orders accordingly
- Pre-funding in accordance with exchange requirements is provided on the brokerage side and is generally included in execution commission

#### Timeline

It usually takes 1-2 weeks to sign the Masters Purchase and Sale Agreement and establish trading limits

#### Set Up

Both local and international banks and brokers provide high and low touch access to the Moscow Exchange. Investor can set up a trading line with legal entity outside of Russia. List of available brokers is disclosed on MOEX **website**



# Prime Brokerage Access

**Opening prime brokerage account is possible with most of the major local and international banks and brokers**

**This option might be interesting for retail investors and small funds**

<b>Timeline</b>	It can take 3-4 weeks in order to finalize the on-boarding process and from several days to weeks to configure required connectivity
<b>Set Up</b>	Both local and international banks and brokers provide high and low touch access to the Moscow Exchange. Electronic services providers are disclosed on MOEX <b>website</b>

An Investor who has chosen to trade directly on the Moscow Exchange via a Prime Broker can benefit from getting access to the whole range of exchange traded products:

- Equities & ETFs
- Fixed Income
- Futures & Options
- FX spot & swap

Prime Broker provides stock lending and funding services Investors can also benefit from configuring tailor-made settlement and trading options like auto-FX for RUB-traded securities with USD settlement



## Settlement depositories of upper level (settlement details)

Name of the depository	Depository code in NSD	BIC code of the depository (SWIFT)	Owner of account	Account number for debit/credit of securities	Information on the depository	Eligible securities
Clearstream Banking S.A. (Clearstream Banking)	CLEARSTREAM	CEDELULL	NSD	73170	<a href="http://www.clearstream.com">www.clearstream.com</a>	Securities eligible in Clearstream Banking and NSD
Euroclear Bank S.A./ N.V. (Euroclear Bank)	EUROCLEAR	MGTCBEBE	NSD	46055	<a href="http://www.euroclear.com">www.euroclear.com</a>	Securities eligible in Euroclear Bank and NSD

## Eligible instruments

- ✓ government bonds (OFZs)
- ✓ corporate, municipal, sub-federal bonds issued after 1st Jan 2012
- ✓ foreign bonds issued under Russian law (RU ISIN)
- ✓ domestic equities

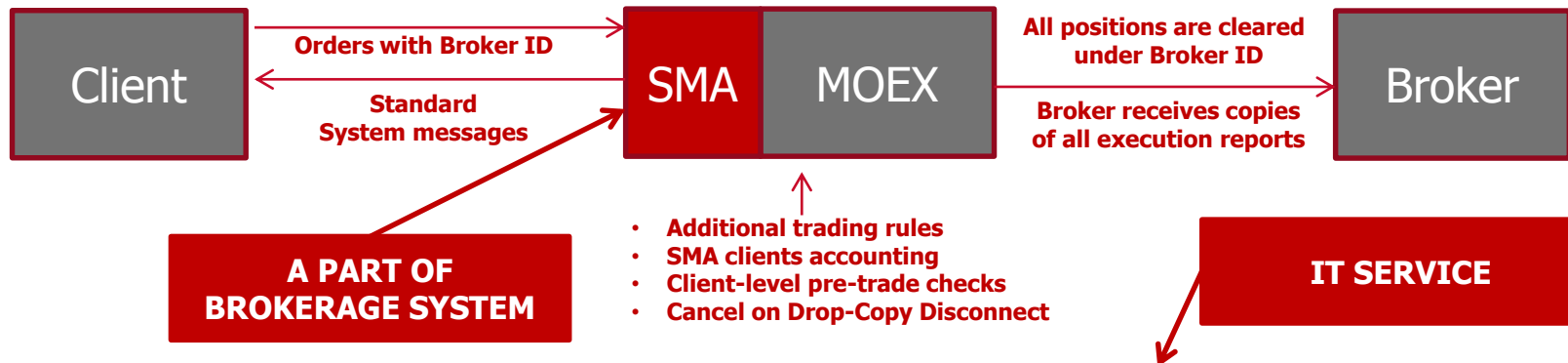
**Denomination currency : RUB/USD**



# To Be Introduced this Summer: Sponsored Market Access

## DMA vs SMA

Direct Market Access (DMA)	Sponsored Market Access (SMA)
<ul style="list-style-type: none"> <li>Trading member's client is registered in the Trading member's broker system.</li> <li>The client has login and technical access to the broker system.</li> <li>The client instructs its broker via sending messages to the broker system.</li> <li>The broker has login and technical access to MOEX Trading system.</li> <li>Risk management (pre-trade) checks are done on the broker system level.</li> <li>Broker's backend system receives execution reports from the broker system and the Exchange.</li> </ul>	<ul style="list-style-type: none"> <li>The Trading member's client is registered in MOEX Trading System.</li> <li>The Trading member's client has login and technical access to MOEX Trading system.</li> <li>The client sends instructions to the Trading System.</li> <li>The broker has separate mandatory access to the Trading System in order to receive client transactions reports.</li> <li>Risk management is partially implemented in MOEX Trading System and partially at the broker system level.</li> <li>Broker's backend system receives execution reports from the broker system and the Exchange.</li> </ul>



## COMPETITORS VIEW



London  
Stock Exchange

Sponsored Access allows Trading Participants to provide direct trading access to non-Participants through their membership, with the assistance of risk control mechanisms.

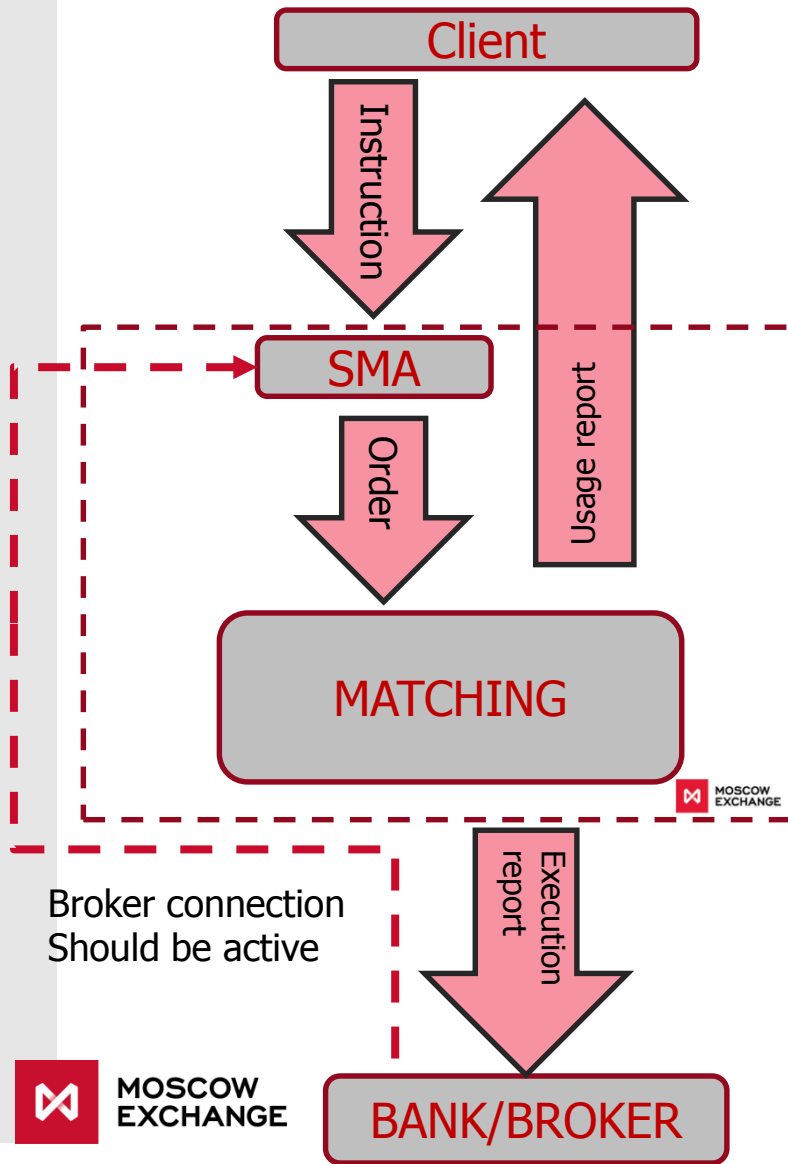


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NASDAQ OMX

Sponsored Access allows Nasdaq trading members to give their clients the ability to connect directly to the Nasdaq matching engine and trade under their membership identity.

# Access to MOEX Markets



- **Sponsored access – direct connection to the Exchange infrastructure**
- The client can submit trading instructions to the Trading member (sponsoring company) to be executed as orders at the Exchange. These instructions are converted into orders under control and full responsibility of the broker (sponsored company).
- Sponsored client receives access to Trading system via personal id (SMA\_ID).
- This mechanism provides transparent procedure to register broker's clients at the Exchange.
- To its Trading members the Exchange provides special risk management tools to control the order flow generated by clients.
- Trading position is controlled at the settlement account level.
- Cross-trades can be enabled for registered sponsored clients.
- Sponsored client can use direct connection to the Exchange, i.e. use colocation or ConnectME connectivity.

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–perception of market services offered by the Company and its subsidiaries;

–volatility (a) of the Russian economy and the securities market and (b) sectors with a high level of competition that the Company and its subsidiaries operate;

–changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets;

–competition increase from new players on the Russian market;

–the ability to keep pace with rapid changes in science and technology environment, including the ability to use advanced features that are popular with the Company's and its subsidiaries' customers;

–the ability to maintain continuity of the process of introduction of new competitive products and services, while keeping the competitiveness;

–the ability to attract new customers on the domestic market and in foreign jurisdictions;

–the ability to increase the offer of products in foreign jurisdictions.

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