MOSCOW EXCHANGE

OPEN MARKET

Annual Report 2017

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Annual report provisionally approved by the Supervisory Board of Moscow Exchange 26 March 2018.

About MOEX

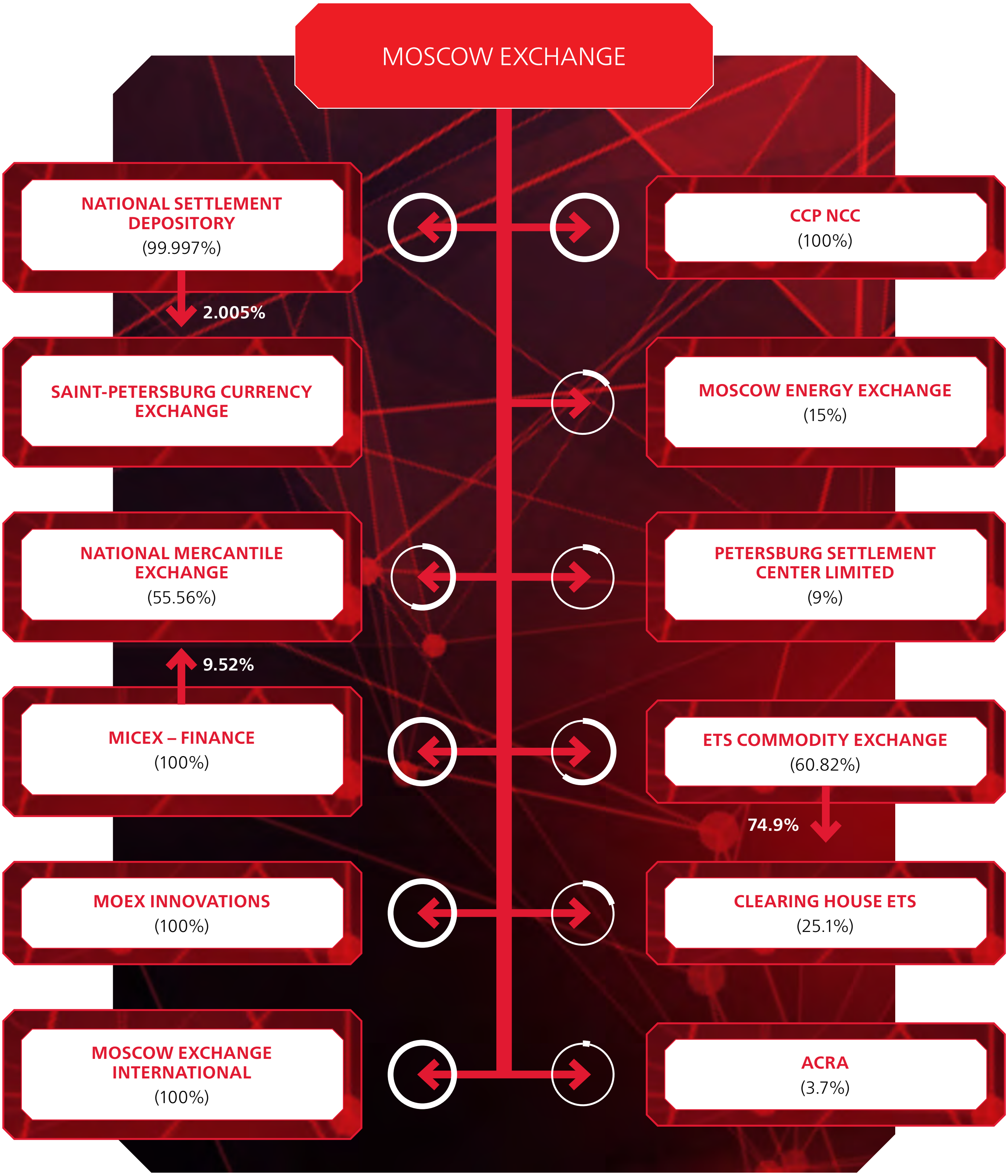
Moscow Exchange Group manages Russia's main trading platform for equities, bonds, derivatives, currencies, money market instruments and commodities.

The Group comprises:

- PJSC Moscow Exchange MICEX-RTS, which operates the Equity & Bond Market, FX & Money Market, Derivatives Market and Precious Metals Market;
- NCO CJSC National Settlement Depository (NSD), the central securities depository;
- JSC Non-Banking Credit Institution - Central Counterparty National Clearing Centre (CCP NCC, or NCC);
- JSC National Mercantile Exchange (NAMEX), which operates the Commodities Market; and
- MOEX Innovations, which develops innovative technologies and works with fintech start-ups.

Moscow Exchange holds majority stakes in all key subsidiaries, including a 100% stake in NCC a 99.997% stake in the NSD, and a 62% stake in the NAMEX.

Moscow Exchange was formed in December 2011 from a merger of Russia's two main exchange groups: MICEX Group, the oldest domestic exchange and operator of the leading equities, bonds, foreign exchange and money markets in Russia; and RTS Group, which at that time operated Russia's leading derivatives market. This combination created a vertically integrated exchange for trading of all major asset classes. In February 2013, Moscow Exchange completed an initial public offering on its own platform (ticker: MOEX). As of 31 December 2017, the company's market capitalisation was RUB 248.7 billion, and the free float was 57.5%.



MOSCOW EXCHANGE
NATIONAL SETTLEMENT DEPOSITORY
(99.997%)
2.005%
SAINT-PETERSBURG CURRENCY EXCHANGE
NATIONAL MERCANTILE EXCHANGE
(55.56%)
9.52%
MICEX – FINANCE
(100%)
MOEX INNOVATIONS
(100%)
MOSCOW EXCHANGE INTERNATIONAL
(100%)
CCP NCC
(100%)
MOSCOW ENERGY EXCHANGE
(15%)
PETERSBURG SETTLEMENT CENTER LIMITED
(9%)
ETS COMMODITY EXCHANGE
(60.82%)
74.9%
CLEARING HOUSE ETS
(25.1%)
ACRA
(3.7%)

Business model

CLIENTS

Legal entities

25 thousand

Professional brokerage companies

545

Online client account

Retail investors

1.8 mln

MARKETS

INFORMATION PRODUCTS

Advantages of cycle-protected business model
Fee & commission income

CLIENT SERVICES

EQUITY & BOND MARKET

- Russian and foreign shares
- Sovereign bonds (OFZ)
- Regional and corporate bonds
- Sovereign and corporate Eurobonds
- Depositary receipts
- Shares or investment units of mutual funds
- Mortgage participation certificates
- Exchange-traded funds ETFs

DERIVATIVES MARKET

FUTURES AND OPTIONS ON:

- Indices (MOEX Russia Index, RTS Index, RVI)
- Russian and foreign shares
- OFZ and sovereign Eurobonds
- Currency pairs
- Interest rates
- Oil and sugar
- Metals (gold, silver, platinum, palladium, copper)

FX MARKET

SPOT AND SWAP TRADING IN:

- USD – RUB
- EUR – RUB
- CNY – RUB
- HKD – RUB
- GBP – RUB
- CHF – RUB
- TRY – RUB
- BYN – RUB
- KZT – RUB
- EUR – USD

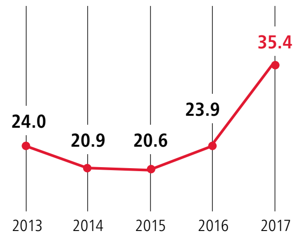
MONEY MARKET

- Repo with the CCP
- GCC repo
- Inter-dealer repo
- Direct repo with the CBR
- Repo with collateral management system
- Deposit operations with the CCP
- Deposit and credit operations

COMMODITIES MARKET

- Gold
- Silver
- Grain
- Sugar

Trading Volumes,
RUB trln



Equity market

2017
↑ 1.3%

2016
↓ 3.2%

2015
↓ 7.0%

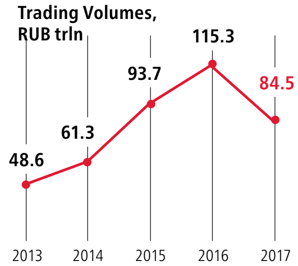
Bond market

2017
↑ 33.7%

2016
↑ 25.4%

2015
↑ 14.3%

Trading Volumes,
RUB trln

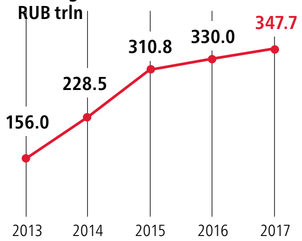


2017
↓ 2.0%

2016
↑ 39.5%

2015
↓ 10.1%

Trading Volumes,
RUB trln

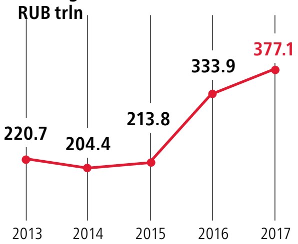


2017
↓ 11.9%

2016
↑ 0.4%

2015
↑ 27.0%

Trading Volumes,
RUB trln

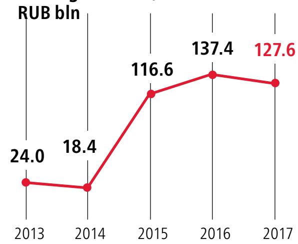


2017
↑ 16.8%

2016
↑ 24.8%

2015
↑ 19.8%

Trading Volumes,
RUB bln



POST-TRADING SERVICES

- Clearing (NCC)
- Depository and settlement services (NSD)

Depository and settlement services

2017
↑ 17.4%

2016
↑ 3.0%

2015
↑ 9.0%

OPERATING INCOME

Total

38,538.9

RUB MLN

Fee & commission income

21,207.6

RUB MLN

Interest and other finance income

17,285.3

RUB MLN

Other operating income

46.0

RUB MLN

Statement from the Chairman of the Supervisory Board

Alexey Kudrin

Dear stakeholders,

It is my pleasure to present the Supervisory Board's report on Moscow Exchange's key achievements in 2017. The management team and employees successfully delivered on the core targets set by the Supervisory Board for the year, including fee and commission income growth, return on capital and the Exchange's systems reliability.

The Company also successfully delivered on its mission to attract capital into the Russian economy. In 2017, Russian companies raised RUB 3.1 tn via securities offerings on Moscow Exchange's platform. And the country's budget garnered RUB 2.2 tn in proceeds from issuing government bonds (OFZs) via the Exchange.

One key area of focus for the Exchange is to grow the domestic investor base. This means creating conditions to attract pension funds and other institutional investors to our trading markets, as well as growing investments by retail investors. The Exchange hosts classroom and online training sessions for private investors and convenes conferences in Moscow and the Russian regions.

Another strategic objective for Moscow Exchange is to attract foreign investment into Russian securities. To that end, the Company has established convenient and reliable infrastructure to access the Russian market, and in 2017 we continued to promote this infrastructure among a wide range of international investors. The Exchange Forum, which is the umbrella name for investment conferences organized by Moscow Exchange, is convened annually in key financial centers around the globe: Moscow, Shanghai, London and New York. The event serves to communicate to the global financial markets community positive developments in the Russian economy, our markets and at the companies listed on the Exchange.

Moscow Exchange maintains an ongoing dialogue with its clients – the participants on its trading markets. Seventeen user committees and two expert panels are actively engaged in discussing relevant matters for each market and client group. In 2017, a new Deposit Market Committee was established as part of the Exchange's successful project to facilitate direct access of companies to trading markets.

When it comes to corporate governance practices, Moscow Exchange aims to lead by example. Five members of our 12-member Supervisory Board are independent, and four key Board committees (Audit, Strategy Planning, Nomination and Remuneration and Technical Policy) are chaired by independent directors. This degree of involvement of independent directors in the Board makes corporate governance more transparent and effective.

In the reporting year, the Exchange for the first time used the e-voting system developed by NSD at its Annual General Meeting of Shareholders. The new platform enables us to involve more shareholders in the Company's governance processes, and my hope is that it will gain ground among Russian issuers.

In 2017, the Exchange paid its first interim dividend. I hope that this approach will be welcomed by shareholders and will reduce share price volatility around the record date. In 2017, Moscow Exchange plans to pay out a total of 89% of its net income in dividends. Returning profits to shareholders serves as a testament to the high quality of corporate governance and is a major driver of the Company's equity story.

Moscow Exchange actively fosters the professional environment by supporting the Russian Union of Industrialists and Entrepreneurs, the Independent Directors Association and the National Association of Securities Market Participants (NAUFOR). The Exchange also actively engages with universities and other institutions of higher education: our employees lecture and teach seminars at leading Russian universities, we partner with a dedicated department at National Research Nuclear University MEPhI, we sponsor finance contests among students and we donate funds to certain university projects. In 2017, the Exchange targeted young talent by putting in place an internship program for 38 university students pursuing degrees in the fields of finance or information technology. Upon conclusion of the program, the most successful interns were offered permanent positions at the Exchange.

Moscow Exchange strives to help people in need and support educational projects, consistently allocating resources in these areas. The Company's charitable donations in 2017 amounted to almost RUB 30 mn.

On behalf of the Board, I would like to express our gratitude to the shareholders and clients of Moscow Exchange for their trust and support. We are looking forward to a successful 2018 at the Exchange.

Chairman of the
Supervisory Board

Kudrin A.

Statement from the Chief Executive Officer

Alexander Afanasiev

Dear stakeholders,

I am pleased to announce that we set new records in many important areas in 2017. The Exchange earned the highest fee and commission income in its history, once again underscoring the strength of our business model and our diversified product offering. A record number of private investors opened brokerage accounts. Trading volumes for many exchange-traded instruments – including bonds repo with the central counterparty and repo using general collateral certificates, FX swaps and commodity derivatives – also set new records. Moscow Exchange helped channel some RUB 5.3 trln into the Russian economy, nearly twice as much as in 2016.

Throughout the year, the Exchange focused on priority areas for the Russian financial market, such as increasing the domestic retail investor base, providing a consistently high quality of service to all market participants, putting in place reliable infrastructure and fostering innovation. I am pleased to report that we excelled in all of those areas.

Last year, the retail market saw major positive changes. Some 250,000 private investors opened new brokerage accounts, the share of active clients increased by 25% and the number of individual investment accounts exceeded 300,000. New investors naturally prefer less risky debt instruments, but we expect them to gradually become more involved in the Equity and Derivatives Markets as they become more experienced.

To encourage individuals to invest in financial markets, we have partnered with leading brokerage firms to create and develop an online marketplace. This is designed to be an ecosystem for private investors that provides access to a full range of exchange products, training opportunities and market expertise.

In 2017 the Exchange hosted FINFAIR, its first large-scale retail event in Moscow, to promote exchange-based investments and raise levels of financial literacy. More than 5,000 people keen to learn more about opportunities offered on the financial markets attended the event. In addition, each year we hold competitions for private investors: the Invest Trial and the Best Private Investor contests. The Moscow Exchange School is also going strong, holding more than 600 workshops in 2017 and giving over 25,000 private investors the knowledge and skills they need to manage an investment portfolio on the Exchange's markets.

Despite the challenging geopolitical environment, the number of international investors coming to the Exchange continues to increase, clearly illustrating that the quality of our infrastructure, transparency, attractive fundamentals of the assets traded and the Russian market's upside potential outweigh possible fears of investors.

Over the past few years, Moscow Exchange has implemented significant upgrades to its IT systems and modernised testing mechanisms. This has helped to make our technological infrastructure more reliable and to minimise disruptions.

Another area of constant focus is attracting new categories of participants to the Exchange's markets. In 2017, we completed a project to give large corporates direct access to the FX and Money Markets, which helped to improve the quality of the on-exchange market and generate additional liquidity.

We work to raise the attractiveness of the Exchange for innovative companies and medium-sized businesses. In 2017, we took another step in this direction by leveraging the experience gained from the Innovation and Investment Market to establish the Growth Sector for small and mid-cap companies. The first placements have already been completed, and we also intend to invest in a number of awareness-raising initiatives to inform Russian entrepreneurs about opportunities offered by the capital markets.

In 2017, the Exchange started implementing one of its key projects: the Unified Collateral Pool, which is designed to help participants cut costs and free up substantial surplus funds, and thereby increase overall liquidity in the Exchange's markets.

Moscow Exchange is committed to being at the forefront of innovation in the financial markets. In 2017, we established a new company – MOEX Innovations – to help bring to life some of these high-potential projects. The Exchange also plans to invest heavily in innovative services, primarily those related to big data and distributed ledger technologies.

We are also continuing to expand the range of products we offer. In 2017, the Exchange rolled out new instruments including weekly options, FX fixings and deposits with the central counterparty as well as launched trading in sugar.

We would not have been able to achieve these superior results without our clients, shareholders and the regulator, and I would like to take this opportunity to thank all of them for their help and support throughout the year.

Chief Executive Officer

Afanasiev A.

INSTITUTIONAL INVESTORS


SPONSORED MARKET ACCESS
INNOVATIVE BUSINESS

Strategic Report

Industry Overview

Overview of the Exchange Industry

Exchanges are organised markets designed to provide centralised facilities for the trading of financial instruments, including securities issued by companies, governments and other entities, as well as commodities and derivatives. Exchanges typically generate core revenue by collecting fees from issuers for the admission to trading of their securities, fees from financial intermediaries who deal in the financial instruments traded on the exchange and the sale of market data and technological solutions.

In many countries, depository, clearing and settlement services are provided by independent organisations, although there is an increasing consolidation trend, with several leading exchanges adopting a vertical structure and integrating most or all of these activities within a single group. Thus, for vertically integrated exchanges, additional revenue streams include, among others, clearing and settlement charges, custody and depository fees and interest income earned from client funds held on the exchange group's balance sheet.

The exchange industry is generally supervised by a financial regulatory agency; in some cases, exchanges may also exercise quasi-governmental authority as a self-regulatory organisation (SRO) responsible for policing their members and affiliated markets.

GLOBAL TRENDS IN FINANCIAL INSTRUMENTS AND EXCHANGE TECHNOLOGIES

One of the key global trends in 2017 was bringing new financial instruments onto exchanges. Recently, the exchange infrastructure encompassing regulated trading and centralized clearing services has been servicing more and more traditional OTC instruments such as swaps, repos, spot currency and bonds. This is driven in part by changes in regulatory regimes that place a burden on the capital of banks dealing with some instruments and introduce a requirement for compulsory centralized clearing for certain instruments and compulsory margin deposits for transactions in others. Additionally, the largest exchanges strive to diversify their businesses and thus aim to launch new instruments on their own platforms and acquire new marketplaces that can complement their product offerings. For example, they promoted exchange-traded futures contracts imitating OTC derivatives.

It is notable to mention the emergence of cryptocurrencies as an underlying exchange-traded asset. In 2017, two of the largest US exchanges, CME and Cboe, began trading in bitcoin futures contracts.

Exchange technologies have been evolving substantially as well:

- Exchanges are developing multiple trading technologies within one marketplace to meet the needs of different groups of customers. The continuous auction method remains the predominant trading mechanism; however, discrete auctions, negotiated trading (including RFQ) and dark pools are becoming widespread. Exchanges also widely employ market maker programs.
- The provision of DMA and SMA services is increasingly becoming standard in the industry, and these services continue to gain popularity among customers. This is representative of a more general trend toward disintermediation.
- Algorithmic and high-frequency trading trading as well as co-location services continue to evolve.

The key changes in clearing include:

- The expansion of centralized clearing to OTC markets (swaps, repos, etc.) and end clients (segregation, portability, etc.). G20 leaders agreed that standardized OTC derivatives contracts should be processed through CCP clearing. The initiative is aimed at improving stability of the financial markets. A similar regulatory regime has already been introduced in the US, EU, China, Japan and other countries. The regulation requires segregation and portability of end clients' positions. Segregation allows separate maintenance of accounts of clients and clearing members; portability provides the opportunity to transfer, in case of default, client obligations and collateral from one clearing member to another.
- The improvement of risk management (prevention of systemic risks; portfolio margining; etc.).

Recent settlement trends are:

- Shortening the settlement cycle. T+2 settlement is becoming the global standard for equity trading.
- Asset consolidation services for collateral management.
- Use of Distributed Ledger Technology. Such technologies are mainly at the level of experiments and prototypes at this time; however, the potential to reduce costs make them desirable to both small and large exchanges.

The industry is also seeing a prominent trend to enhance market data offerings with, for example, indices intended for passive investment and tailored to meet the needs of a specific fund. This is due to a growing demand for such products from customers as well as competition between exchanges for non-trade services. Artificial intelligence/machine learning as well as big data analysis are widely used to create market data products. Exchanges are leveraging in-house resources or establishing partnerships and execute M&A transactions.

MOSCOW EXCHANGE COMPETITORS

The key competitors of Moscow Exchange are the London Stock Exchange, the New York Stock Exchange, NASDAQ, EBS FX Platform (ICAP Group), the Chicago Mercantile Exchange (CME Group), Deutsche Börse and the Hong Kong Stock Exchange.

The LSE is both one of the largest global exchange groups and the major overseas venue for trading in global depositary receipts of Russian companies. When a company chooses to join the LSE, it can list shares on the Main Market or the Alternative Investment Market (AIM). The LSE boasts an advanced electronic trading system that supports several market types. The LSE Group also owns Turquoise, a trading platform competing with Moscow Exchange in Russian equities and index derivatives segment stock and index derivatives segment.

The NYSE is one of the world's largest exchange groups and it hosts trading in global depositary receipts of Russian corporate issuers. It has been in competition with Moscow Exchange since 1996, when the NYSE became the first international exchange to list depositary receipts of a Russian company.

Top-10 fixed income exchanges in 2017[1]

	Exchange	Country	Trading volume, USD bn	Including repo
1	LSE Group	UK	9,196	×
2	Moscow Exchange	Russia	4,818	√
3	BME	Spain	4,804	√
4	Korea Exchange	Korea	2,144	×
5	Johannesburg SE	South African Republic	2,083	√
6	Nasdaq OMX	USA	1,704	√
7	Oslo Borse	Norway	1,041	√
8	Shanghai SE	China	355	×
9	Bolsa de Valores de Colombia	Colombia	312	×
10	Tel-Aviv SE	Israel	241	×

Source: Moscow Exchange, WFE, LSE

Top-13 publicly traded exchanges by market capitalisation[2]

	Exchange	Country	Market capitalisation, USD bn
1	CME	USA	51.8
2	HKEx	Hong Kong	45.7
3	ICE&NYSE	USA	43.6
4	Deutsche Boerse	Germany	23.0
5	LSE Group	UK	17.7
6	Brasil Bolsa Balcão	Brazil	15.2
7	CBOE	USA	14.8
8	Nasdaq OMX	USA	13.4
9	Japan Exchange	Japan	10.0
10	ASX	Australia	8.4
11	SGX	Singapore	6.1
12	Euronext	EU	4.7
13	Moscow Exchange	Russia	4.6

[1] Bond market data may be incomparable across the marketplaces due to difference in methods.
[2] Market capitalisation of public exchanges as of 31 December 2017 according to Bloomberg.

NASDAQ is one of the leading global exchange groups trading in global depositary receipts of Russian corporate issuers.

The ICAP's EBS FX Platform is the world's major inter-dealer broker and one of the global FX trading market leaders. In addition to FX instruments, ICAP also provides venues for other developed and developing market instruments, including commodity derivatives, bonds, shares and depositary receipts as well as interest rate-based derivatives. The EBS is MOEX's main competitor in spot trading of the USD-RUB and EUR-RUB currency pairs.

The CME is one of the largest derivative exchanges globally with a wide offering of derivative instruments based on various asset classes, including equity indices, interest rates, FX exchange rates, commodities, and real estate. CME Group provides matching, CCP clearing and settlement services. It is MOEX's primary competitor in the segment of USD-RUB futures and options.

Deutsche Börse, one of the major exchange groups in Europe and globally, is a vertically integrated holding comprising the Xetra trading system, the Clearstream settlement depository and the EUREX derivatives exchange. EUREX offers a trading venue for RDX futures (RDX is an index for depositary receipts issued by the Russian blue chips calculated by Wiener Börse).

HKEx is one of Asia's leading exchange groups. It has been competing with the Moscow Exchange since 2010, when RUSAL (an off-shore company incorporated in Jersey) listed its shares on HKEx.

Warsaw Stock Exchange (WSE) is one of the biggest exchanges in Central and Eastern Europe. It comprises three markets: the Main Market, NewConnect for young and innovative companies and Catalyst for municipal, corporate and mortgage-backed bonds.

Top-10 derivatives exchanges in 2017

	Exchange	Country	Trading volume, contracts, mln
1	CME Group	USA	4,089
2	NSE India	India	2,482
3	Brasil Bolsa Balcão	Brazil	1,638
4	Deutsche Boerse	Germany	1,597
5	Moscow Exchange	Russia	1,585
6	CBOE	USA	1,274
7	Nasdaq OMX	USA	1,101
8	Korea Exchange	Korea	1,015
9	ICE&NYSE	USA	742
10	BSE India	India	608

Source: Moscow Exchange, WFE

Top-25 exchanges for equities in 2017[1]

	Exchange	Country	Market capitalisation, USD bn	Number of issuers	Trading volume, USD bn
1	ICE&NYSE	USA	22,081	2,286	14,535
2	Nasdaq OMX	USA	10,039	3,933	12,138
3	Shenzhen SE	China	3,622	2,089	9,112
4	Shanghai SE	China	5,090	1,396	7,563
5	Japan Exchange	Japan	6,223	3,604	5,813
6	LSE Group	UK	4,455	2,498	2,330
7	HKEx	Hong Kong	4,226	2,118	1,957
8	Euronext	EU	4,371	1,255	1,943
9	Korea Exchange	Korea	1,731	2,134	1,920
10	Deutsche Boerse	Germany	2,245	499	1,482
...	...	...	...	...	...
25	Moscow Exchange	Russia	619	234	144

Source: Moscow Exchange, WFE

[1] The largest equity exchanges by equity trading volume (EOB only). The data does not include data on BATS (as figures on its market cap and number of companies on the market is not available).

Mission And Corporate Values

MISSION

Moscow Exchange Group's mission is to promote economic growth in Russia and contribute to the restructuring of the Russian economy by expanding capital-raising opportunities for issuers and facilitating a client-friendly, safe and transparent environment for domestic and international investors.

The Group's updated strategy is focused on achieving this mission. The goals and tasks set out in the strategy support the company's corporate values. In 2015, the company established four main corporate values, the adherence to which will help achieve the Group's goals.

OUR CORPORATE VALUES

WE ARE RESPONSIBLE FOR THE FUTURE OF THE COMPANY. We share a common goal, we are accountable for our results and for the future of the company.

WE STRIVE FOR EXCELLENCE AND ARE OPEN TO CHANGE. We are ready for changes, continually striving for excellence, innovation and adhering to best practices.

WE WORK IN PARTNERSHIP WITH OUR CUSTOMERS. We listen to our clients and stakeholders, we understand their needs and offer them the best solutions.

WE VALUE TRANSPARENCY AND INTEGRITY. We are supportive and have confidence in each other as we pursue our common goal.

Strategic Priorities 2015-2020

KEY OBJECTIVES OF THE GROUP'S STRATEGY FOR 2015-2020	KEY AREAS OF FOCUS
DIVERSIFICATION Substantially increase revenues from classic infrastructure services and create new trading markets	• Market data and information services • Technical services • Indices • Listing • OTC derivatives clearing • On-exchange trading of standardised products
OPTIMISATION Improve operational efficiency and streamline the Group's business processes	• Strengthening corporate culture • Optimisation and harmonisation of business processes • Improving the customer experience • Implementation of a cost savings program • Tariff optimisation
STANDARDISATION Complete upgrade of key elements of the Russian financial market infrastructure in accordance with evolving international standards	• Alignment of local financial market practices with international standards in terms of key aspects relevant for foreign investors • Developing the NSD product offering • Streamlining of exchange interfaces for market participants and investors in line with best global practices • Promoting better corporate governance at Russian companies
MARKET DEVELOPMENT Develop the local investor base and facilitate greater liquidity of the Russian financial markets	• Support of the regulator in implementing reforms • Development of the local investor base • Development of the Bond Market (bondisation) • Customisation of Repo and derivatives products • Attracting new issuers • Implementation of liquidity protection programs
INTEGRATION Develop an advanced comprehensive system for managing risks, collateral pool and settlements extending to all Group markets	• Development and harmonisation of the risk management system across all markets • Unified clearing and settlement pool • Single collateral pool and new collateral management services • New triparty post-trading services

PROJECTS COMPLETED IN 2017

- Launch of trading in FX fixing instruments
- Creation of the Growth Sector to attract SMEs to raise capital via the exchange
- Launch of weekly options on USD/RUB futures contracts and the RTS Index
- Launch of trading in sugar and swaps contracts on grain
- Changes in the index methodology, raising security liquidity requirements and enabling a floating number of shares in the indices

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- Batch client registration introduced in all markets
- More functionality added to the Trading Participant Online Account service that allowed paperless document submission
- Derivatives Market tariff reform completed to align tariffs and fees across MOEX markets
- A corporate competency model was developed to ensure business results are achieved.
- The annual employee recognition program Building the Future was enhanced.

- MSCI, the global index provider, started using MOEX's closing auction prices to calculate its indices
- Clients of trading members on the FX and Equity & Bond Markets were offered Sponsored Market Access (SMA)
- The listing reform was completed with the quality of corporate governance practices in public Russian companies substantially improved
- E-voting service was developed to provide shareholders with remote access to meetings
- Valuation Centre established by the NSD was accredited by the Bank of Russia

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- Launch of DMA for corporates on the Money and FX Markets. By the end of 2017, 34 corporates were registered on the Money Market and 20 corporates on the FX Market
- Streamlining bond issuance procedures
- A new bond type: bond for public
- Extension of maturities of GCC repos and deposits with the CCP to up to one year
- Non-government pension funds can now invest in the IIM-Prime segment's issuers
- About 400 events were held for retail investors, including Invest Trial and Best Private Investor competitions as well as FINFAIR, a large scale retail event in Moscow
- Internet portal for new retail investors, place.moex.com, was launched
- Moscow Exchange Forums were held in Moscow, New York, London and Shanghai

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The first phase of the Unified Collateral Pool project, enabling unified account technology, was completed. Market participants can now benefit from:

- An option to substitute cash posted as collateral for securities on the FX and Derivatives Markets;
- Cross market collateral management;
- Synchronization of clearing and settlement sessions;
- Netting of RUB settlement across markets.

Risk Associated with Implemention of Strategy

STRATEGIC AREAS	FINANCIAL RISKS / IMPACT ON KPIS
DIVERSIFICATION	Launch of new products may lead to an increase in assets that are exposed to credit and market risks, which will adversely affect capital adequacy. At the same time, product diversification opens up opportunities for managing interest-rate and liquidity risks, while also mitigating concentration risk.
OPTIMISATION	Optimization of business processes in the field of risk management improves risk protection.
STANDARDISATION	Development of risk and collateral management methods and technologies results in stricter requirements for accuracy and reliability of financial risk assessment models, and also improves risk protection.
MARKET DEVELOPMENT	Deepening of the market through expansion of the investor base may potentially increase the credit risk level, especially in view of the expected rise in assets exposed to credit risk. At the same time, attracting new investors will enable the Company to better manage liquidity risk and mitigate the concentration risk of exposure to individual counterparties.
INTEGRATION	Gradual alignment of Russian financial market infrastructure with international recommendations imposes financial and non-financial risks due to foreign investors being granted access to trading and clearing platforms.

NON-FINANCIAL RISKS / IMPACT ON KPIS

MOVING TO NEW TECHNOLOGY APPLIED TO OPTIMISE THE EXISTING TECHNOLOGIES AND PROCESSES, ATTRACTING NEW INVESTORS (INCLUDING INDIVIDUALS) AS WELL AS LAUNCHING NEW PRODUCTS MAY LEAD TO:

- higher operational risks due to new products and processes being embedded into the existing infrastructure
- increased HR risks associated with inability of staff to fully meet the requirements of new technologies and new business processes
- the current system of controls being rendered ineffective, disrupting the operation of Moscow Exchange's key systems and processes
- development of new products increases external exposure of the company's IT infrastructure, which increases the risk of interference with the Exchange's systems and brings new challenges to maintaining the company's cybersecurity

There are risks concerning the inability to effect changes to legislation and/or obtain regulatory approval.

Key Projects

UNIFIED COLLATERAL POOL

BENEFITS OF THE UNIFIED COLLATERAL POOL INCLUDE:

- single trading and clearing account for the participant's collateral across all the markets;
- alignment of requirements for assets accepted as collateral;
- reduced volumes of cash settlements as a result of obligations and claims netting across all markets with the CCP;
- cross-margining to help reduce collateral requirements and costs for participants.

Historically, Moscow Exchange's three major markets (Equity and Bond, FX, and Derivatives Markets) have evolved independently, with each having its own rules, trading and clearing systems and risk management framework. Even with the central counterparty in place, the markets had separate clearing functions, requiring participants to have separate accounts for each market and to comply with non-aligned requirements for assets accepted as collateral. Moreover, the lack of cross-margining (the ability to transfer margin between different positions in contracts with the same underlying asset) between markets and netting of settlements (offsetting payment and delivery obligations due for settlement across all markets) led to higher guarantees for participants and hindered the introduction of new services by Moscow Exchange.

As a way to reduce the costs of trading on MOEX's markets and to help contribute to greater trading volumes, Moscow Exchange is implementing the Unified Collateral Pool, a cross-market project designed to build a single clearing procedure across the Group.

When implemented, the project will enable market participants to fully benefit from MOEX's unique position and from the ability to use a single platform to trade in a variety of asset classes. Participants will also enjoy a major reduction in their costs and will free up liquidity to drive trading volumes up across all markets. In addition, the new functions will lay the foundation for new products and services, helping participants to acquire new clients.

The project is being run in several stages:

- in June 2016, Moscow Exchange implemented cross-margining in the FX market covering inter-product spreads on positions in EUR/USD, USD/RUB, and EUR/RUB transactions
- in May 2017, Moscow Exchange completed unification of settlements in the FX and Equity & Bond Markets and introduced cross-margining for the Equity & Bond Market to cover inter-product spreads in OFZ and corporate bonds
- in December 2017, participants were allowed to keep a single account and to use the assets of that account for settlements and as collateral for transactions across MOEX markets
- the final stage of the project is expected to be completed in 2018, when participants will be able to use cross-margining in all markets and to fully net their obligations in settlements

GROWING THE RUSSIAN RETAIL INVESTOR BASE

Moscow Exchange undertakes in-house projects to promote financial education and increase financial literacy, as well as it actively contributes to government initiatives in this area. The company's ultimate purpose is to attract retail investors to the Russian on-exchange market.

In 2017, the Exchange partnered with leading Russian brokerages to launch place.moex.com, an online marketplace to promote exchange-traded instruments to private investors. The portal contains information on the most tradable instruments for new investors and provides an option to enter the on-exchange market by opening a broker account. The marketplace will be streamlined in 2018 to become an ecosystem for private investors offering a full range of exchange-traded products, as well as educational opportunities and access to market expertise.

The Exchange holds contests to illustrate the full range of operations that can be carried out with financial instruments and to promote on-exchange investment. The Invest Trial contest has been held since 2015 to allow new investors to acquire investing experience without risking their own money and to earn real income. In 2017, the competition attracted 36,000+ participants. The prize money available in the contest totalled RUB 8 million.

The Best Private Investor contest for experienced investors has been run since 2003 to highlight opportunities and the income that can be generated on the Exchange using a trained and knowledgeable approach. Almost 5,000 investors took part in the contest in 2017 with total assets of more than RUB 8 billion. Total prize money available in the contest amounted to RUB 9 million.

An information resource called Asset Manager Ranking launched in 2016 enables private investors to compare the performance of Russian investment management firms. The project is the only one of its kind, with the returns on investment of asset managers verified by Moscow Exchange. In 2017, the number of participating firms increased to nine names with assets under management almost tripling to RUB 1.8 billion. 15 management firms with total assets under management of RUB 2.5 billion are expected in 2018.

Moscow Exchange School has successfully operated since 2014, conducting online and interactive workshops to give individual investors knowledge and skills in personal finance management. In 2017, more than 600 seminars were held. Over 25,000 private investors received information and were able to simulate managing an investment portfolio through MOEX's markets.

As part of its efforts to increase financial literacy, the Exchange hosted the first large scale retail event in Moscow, FINFAIR. The event was aimed at anyone who wanted to find out more about financial market opportunities, including how to better manage their personal finances and plan family budgets, as well as risks and knowledgeable investing through various exchange-traded instruments. The event included more than 70 workshops, seminars, lectures and presentations on 35 topics from 80 speakers from leading Russian financial institutions. More than 5,000 guests attended the event.

CORPORATE ACTIONS REFORM

As part of the reform, NSD developed an e-voting system for holders of securities to take part in shareholder meetings using remote means of communication. In 2017, Sberbank became the first Russian issuer to give shareholders the opportunity to join the annual general meeting through remote access. During the year, the e-voting system was also used at extraordinary meetings of shareholders held by Alrosa and Moscow Exchange.

To use the e-voting solution, shareholders need no special equipment: the platform is accessible from just about anywhere, provided there is Internet connection. If investors hold shares in several companies that rely on the e-voting tool, they can use the single platform's services at no additional costs. This is a ready-to-use solution that companies can integrate with their IT systems and also with those of their registrars.

E-voting service enables shareholders to:

- register for meetings and vote online (by filling in an electronic ballot)
- follow the meeting online via video webcast or in text format (issuer's option)
- access the meeting's agenda and materials
- stay online with the issuer during the meeting

Corporate actions reform was a necessary move to address key flaws in the previous corporate actions procedure: paper-based workflow and difficult access to reliable corporate information. The key objective was to enable investors to participate in meetings, buybacks and other corporate actions by using the latest technologies.

With the e-voting system in place, issuers and their counting boards have online data on how shareholders have voted. To facilitate the counting of votes and passing of resolutions, issuers can easily see the votes cast by those present in person and by those connecting through remote means. Document flows among issuers, registrars, and central depositories rely on international (ISO-based) standards introduced by NSD as part of the corporate actions reform. This ensures end-to-end automation of processes in all stages of shareholder meetings.

The e-voting system is a convenient tool for all businesses, ranging from large corporations with tens and hundreds of thousands of shareholders to small-sized issuers. E-voting is especially important for companies whose shareholders are based across or outside of Russia.

LISTING REFORM

KEY LISTING INNOVATIONS IN 2017:

- free float introduced as a new requirement for inclusion of shares in quotation lists;
- enhanced requirement for IFRS reporting: issuers must now present their financial statements for three preceding years;
- stricter requirements for corporate governance practices of Russian issuers, in particular the number of independent directors and the position of the corporate secretary; updated requirements for the audit, remuneration and nomination committees and internal audit unit (including composition and functions).

Initiated by Moscow Exchange in June 2014, listing reform was a major project designed to enhance corporate governance practices at Russian public companies, upgrade listing and issuer requirements, and improve the transparency and appeal of the Russian securities market as a way to ensure protection for private and institutional investors.

Issuers were granted more than two years of transition to reflect the new listing requirements in their corporate governance. The new enhanced criteria are based on the recommendations of the Bank of Russia's Corporate Governance Code.

Following a review of issuers and securities, Moscow Exchange downgraded the listing level of 20 shares of 18 issuers from 31 January 2017. In addition, shares of 10 issuers were downgraded at the issuer's request. Starting 31 January 2017, the downgrade also affected 27 bond issues of 13 companies that failed to meet the credit rating criteria for inclusion in the MOEX top quotation list.

In October 2017, Moscow Exchange introduced new corporate governance requirements designed to complete the listing reform and to harmonise the Listing Rules and the Corporate Governance Code. These requirements come in addition to the Board of Directors' independence criteria related to directors' links to shareholders, issuers, competitors, counterparties or the state, and criteria applying to the functions of the corporate secretary. Moscow Exchange will assess the issuers' progress in meeting the new corporate governance requirements following corporate annual general shareholders meeting meetings in 2018.

The listing reform helped to considerably improve the level of corporate governance at Russian public companies, which have put in a lot of effort to introduce best practices in corporate governance and reporting in order to build trust with investors.

Listing reform outcomes:

in companies from the top quotation list, the number of independent directors under the new requirements has increased 1.5 times, to 222;

share of independent directors under the new requirements has risen from 23% to 32%;

share of issuers that meet the criterion of having a dividend policy in place has increased from 80% to 100%;

share of issuers that meet the audit committee criteria, including composition and new functions, has grown from 4% to 100%;

share of issuers that meet the criteria relating to the human resources and remuneration committee, including composition and new functions, has grown from 2% to 100%.

Innovations

Moscow Exchange aims to be in the front line of innovation in the financial industry. In 2017, the Exchange committed its innovative technologies business line and work with fintech start-ups to a new subsidiary company, MOEX Innovations. The Exchange plans to invest up to RUB 1.2 bln into innovation-focused companies and projects.

The new company will consider different forms of support for innovations, including awarding grants for technology development, purchasing technologies, direct investing into fintech companies, and co-investing with venture capital funds.

In late 2017, a test version of a new analytical newsletter intended for Russian and international institutional investors was launched. It may serve as an additional source of information for analysis of exchange-traded financial instruments. It constitutes analytical reports based on statistical analysis of data on orders and trades. The Exchange plans to improve the product in 2018 based on customer feedback.

In 2017, the Group tested a blockchain-based technology in relation to its post-trade services. NSD completed the development of a settlement platform intended for issuing bonds via blockchain technology. The first blockchain-based trades were made to place commercial bonds of MegaFon and Raiffeisenbank. NSD also pioneered a blockchain-based technology, a prototype for the e-proxy voting system to be used at meetings of bondholders.

340 start-up companies took part in a corporate accelerator program. The annual conference on innovative technologies in investments InvestTECH was convened. Additionally, Moscow Exchange acted as a partner for the annual forum on innovative financial technologies, FINOPOLIS, hosted by the Bank of Russia. In late 2017, the Exchange became a member of the Fintech Association, an organization that is aimed primarily at developing infrastructure initiatives on the Russian financial market.

NSD API was created for automatic cash settlements by members directly to NSD, bypassing SWIFT. Some large clients have already connected to the settlement API.

Key priorities for MOEX Innovations will be the following technologies, products and services:

- innovative analytical products;
- use of blockchain technologies in post-trading systems;
- innovative services to boost private investments in on-exchange markets;
- development of innovative trading solutions.

PERFORMANCE REVIEW

SWAP

GRAIN PRODUCERS

RETAIL INVESTORS

Financial Results Review

In 2017, the Exchange reported record fee and commission income as MOEX continued to deliver on its strategy by launching new products and instruments and attracting more participants to its markets. Fee income as a proportion of operating income rose continuously during the year, reaching 60% in the last quarter and exceeding 55% for the year as a whole. Lower interest rates resulted in an expected decrease of 27.1% in interest income. Given these divergent trends, operating income decreased by 11.5% YoY.

Costs grew by 9.6% YoY. More than half of this was attributable to non-cash depreciation and amortisation expenses following large-scale capital expenditures in 2016 associated with the migration to a new data center and other measures to improve the reliability of the Exchange's trading and clearing platforms. Excluding D&A expenses, operating costs increased by just 5.2% YoY.

Changes in the cost and revenue structure led to a further reduction in the cost-to-income ratio, underscoring that greater operating efficiency was the key driver of higher fee income, rather than increased costs.

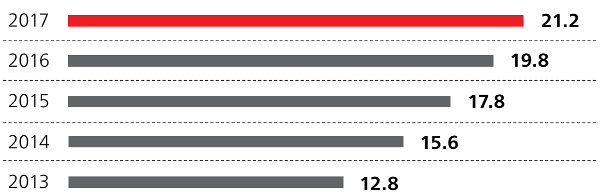
EBITDA contracted by 16.5% YoY; the EBITDA margin remained strong at 72.8%. Net profit declined 19.6% YoY. Basic earnings per share were RUB 9.02.

> We successfully executed on our strategy to increase fee and commission income. In 2017, we posted record financial performance in a number of areas. This was the result of hard work by the MOEX team and a particular focus on cost control. In 2018, we are continuing to strengthen the business by developing existing products and implementing new initiatives.
>
> **Maxim Lapin**
> Chief Financial Office

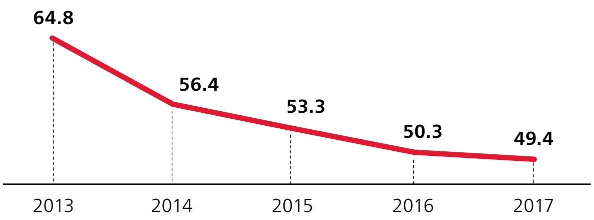
Financial highlights, RUB mln

	2013	2014	2015	2016	2017	Δ 2017/2016
Operating Income	24,606.0	30,394.0	45,990.0	43,567.2	38,538.9	–11.5%
Fee and commission income	12,792.1	15,586.0	17,784.0	19,797.6	21,207.6	7.1%
Net interest and other finance income	11,754.9	14,279.4	28,084.9	23,695.0	17,285.3	–27.1%
Other operating income	58.9	528.7	121.1	74.6	46.0	–38.3%
Operating Expenses	9,857.0	10,373.3	11,271.9	12,259.4	13,431.8	9.6%
EBITDA	16,393.1	21,616.1	36,519.0	33,602.1	28,059.6	–16.5%
EBITDA margin, %	66.6	71.1	79.4	77.1	72.8	–4.3 p.p.
Operating Profit	14,749.0	20,020.8	34,718.1	31,307.8	25,107.1	–19.8%
Net Profit	11,581.7	15,993.2	27,852.1	25,182.6	20,255.2	–19.6%
Basic earnings per share, RUB	5.2	7.2	12.5	11.2	9.0	–19.6%

Fee and commission income evolution , RUB bn



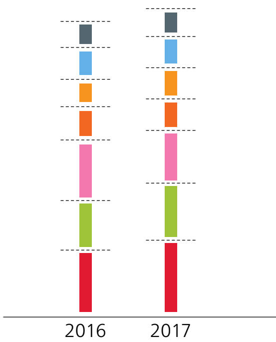
Cost-to-income ratio[1], %



Analysis of FY 2017 Financial Results

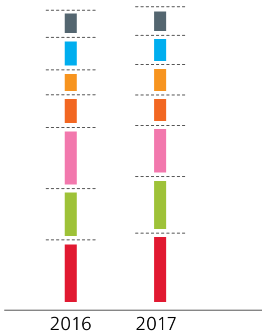
Fee and Commission Income

In 2017, all but two of MOEX's markets reported growth of fee and commission income. Fee income decreased only on the FX and Derivatives Markets amid low volatility. The Money Market accounted for 27% of total fee and commission income, up from 24% in 2016. Depository and settlement services also increased its share of the total, from 18% to 20%. Despite this, fee and commission income remained well diversified.



Fee and commission income structure , RUB mln

	2016	2017	Δ 2017/2016	Δ 2017/2016
Money Market	4,836.2	5,650.0	813.8	16.8%
Depository and Settlement Services	3,564.0	4,183.9	619.9	17.4%
FX Market	4,344.9	3,827.0	–517.9	–11.9%
Derivatives Market	2,052.3	2,012.0	–40.3	–2.0%
Bond Market	1,483.0	1,982.5	499.5	33.7%
Other fees and commissions[2] and listing fees	1,928.4	1,942.0	13.6	0.7%
Equities Market	1,588.8	1,610.2	21.4	1.3%



Fee and commission income structure, %

	2016	2017
Money Market	24	27
Depository & Settlement Services	18	20
FX Market	22	18
Derivatives Market	10	9
Bond Market	7	9
Other fees and commissions[2] and Listing	10	9
Equities Market	8	8

[1] Operating costs excluding deprecoation.
[2] Other fees and commissions include sale of software and technical services, information services and other fee income.

SECURITIES (EQUITY & BOND) MARKET

Trading volumes on the Equities Market amounted to RUB 9.19 trln (compared to RUB 9.28 trln in 2016). Equity Market fee and commission income increased by 1.3% YoY to RUB 1.61 bln.

Bond Market turnover, exclusive of overnight bonds, was up 25.3% YoY to RUB 16.56 trln; inclusive of overnight bonds, turnover was up 79.4% to RUB 26.23 trln. Growth was driven by favourable macroeconomic conditions (as lower interest rates fueled bond offerings) and the Exchange's initiatives to facilitate access to the market. Bond Market fee and commission income increased 33.7% YoY to RUB 1.98 bln.

Listing and other service fees were RUB 392.3 mln, down 5.5% YoY, mostly due to a lower number of bond offerings, while the average bond issue size increased.

FX MARKET

Total trading volumes on the FX Market increased by 5.4% YoY and reached RUB 347.67 trln. Spot trading volumes declined by 26.9% YoY, impacted by lower rouble volatility. Trading volumes in the swap and forward segment increased by 20.9% YoY. Swaps accounted for 77.5% of total FX Market trading volumes. Fee and commission income from the FX Market amounted to RUB 3.83 bln, down by 11.9% YoY, as the effective commission for swaps is lower than for spot trades.

MONEY MARKET

Total Money Market trading volumes were up 13.0% YoY to RUB 377.14 trln. Fees and commissions from the Money Market increased by 16.8% YoY and reached an all-time high of RUB 5.65 bln.

DERIVATIVES MARKET

Total trading volumes on the Derivatives Market declined by 26.7% YoY to RUB 84.50 trln, due to lower volatility in FX and the RTS Index, the underlying assets of the market's most heavily traded products. Commodity futures trading volumes continued to grow for the third consecutive year and were up 6.9% YoY to RUB 16.28 trln; options trading volumes also grew, rising 18.9% to RUB 6.87 trln. The product mix shifted to favour higher-fee products (commodity futures and options), supporting overall fees from the Derivatives Market (RUB 2.01 bln, down 2.0% YoY).

DEPOSITORY AND SETTLEMENT SERVICES

Depository and Settlement Services contributed RUB 4.18 bln to operating income (+17.4% YoY) driven mainly by increased assets under custody (average assets were up 11.1% YoY to RUB 36.8 trln).

OTHER FEE AND COMMISSION

Other fee and commission increased by 2.4% YoY to RUB 1.55 bln. Sales of data and information services brought in RUB 769.7 mln, up 2.4% YoY. Income from sales of software and technical services accounted for RUB 630.7 mln (down 0.9% YoY). Other fee and commission income was RUB 149.3 mln, up 19.4% YoY.

Interest & other finance income

Net interest and other finance[1] income declined 27.1% YoY to RUB 17.29 bln due to lower RUB interest rates and a decline in funds available for investment. The average investment portfolio during the year was RUB 748.59 bln (2016: RUB 904.86 bln).

[1] Net interest and finance income is calculated as a sum of Interest and finance income, Net gain/(loss) on financial assets available-for-sale, FX gains less losses less Interest expense.

Expenses

Operating costs were RUB 13.43 bln, up 9.6% YoY. Administrative and other operating expenses were up 15.3% YoY to RUB 7.28 bln, primarily due to higher costs on depreciation, amortization and maintenance of equipment (RUB 4.07 bln, up 24.9% YoY) that were impacted by large-scale capital spending in 2016. Administrative expenses exclusive of costs on depreciation, amortization and maintenance of equipment grew by 5.1%. Personnel expenses rose by 3.5% YoY to RUB 6.15 bln.

Expenses structure, RUB million

	2016	2017	Δ 2017/2016	Δ 2017/2016
Administrative and other operating expenses	6,312.3	7,278.9	966.6	15.3%
Depreciation of property and equipment	1,032.2	1,464.3	432.1	41.9%
Amortization of intangible assets	1,262.1	1,488.2	226.1	17.9%
Equipment and intangible assets maintenance	966.0	1,120.1	154.1	16.0%
Professional services	317.5	426.3	108.8	34.3%
Taxes (other than income tax)	476.1	540.0	63.9	13.4%
Market makers fees	477.1	522.2	45.1	9.5%
Other administrative and other expenses	280.5	308.5	28.0	10.0%
Registrar and foreign depository services	273.6	292.2	18.6	6.8%
Rent and office maintenance	479.8	475.3	–4.5	–0.9%
Communication services	132.8	123.3	–9.5	–7.2%
Information services	207.2	187.7	–19.5	–9.4%
Advertising costs	407.4	330.8	–76.6	–18.8%
Personnel expenses	5,947.1	6,152.9	205.8	3.5%
Employees benefits except for share-based payments	4,794.4	4,932.7	138.3	2.9%
Payroll related taxes	897.4	952.3	54.9	6.1%
Share-based payment expense on equity settled instruments	255.3	242.2	–13.1	–5.1%
Share-based payment expense on cash settled instruments	–	25.7	25.7	nm

CAPITAL EXPENDITURES

Capex amounted to RUB 1.94 bln, all of which was spent on purchases of equipment and software as well as software development.

CASH AND CASH EQUIVALENTS

The cash position[2] at year-end 2017 amounted to RUB 82.65 bln. The company had no debt as of 31 December 2017.

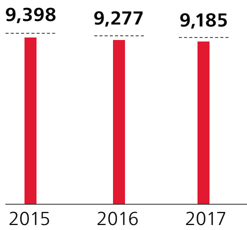
[2] Cash position is calculated as the sum of cash and cash equivalents, financial assets at fair value through profit and loss, due from financial institutions, investments available for sale less balances of market participants, distributions payable to holders of securities and margin account.

Markets

Equity & Bond Market

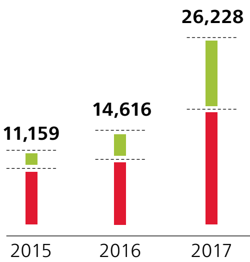
Moscow Exchange's Equity & Bond Market is the main liquidity center for Russian stocks and fixed income instruments. The securities traded on the market include shares, government bonds (OFZ), regional and corporate bonds, sovereign and corporate Eurobonds, depositary receipts, investment units, mortgage participation certificates (MPCs) and exchange-traded funds (ETFs).

The reform of the Russian market infrastructure over the last several years has helped bridge the gap between Moscow Exchange and leading international venues in terms of quality of the trading and clearing services. In 2013, the Equity & Bond Market switched to a new trading technology used by the largest financial centers, embracing partially collateralized and deferred settlement schemes. Today the Exchange is the primary venue for raising capital by Russian corporates and the government.



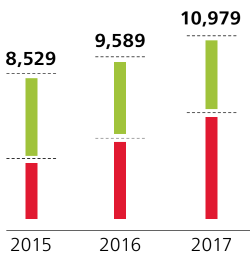
Equity market trading volumes, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**9,398**	**9,277**	**9,185**	**–1.0%**



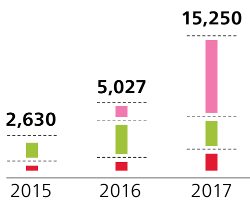
Bond market trading volumes, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**11,159**	**14,616**	**26,228**	**79.4%**
Secondary trading	8,529	9,589	10,979	14.5%
Placements	2,630	5,027	15,250	203.3%



Secondary trading, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**8,529**	**9,589**	**10,979**	**14.5%**
OFZ/OBR	3,577	4,961	6,570	32.4%
Corporate & other bonds	4,952	4,628	4,408	–4.7%



Placements, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**2,630**	**5,027**	**15,250**	**203.3%**
OFZ/OBR	661	1,123	2,217	97.3%
Corporate & other bonds	1,969	2,503	3,367	34.5%
Overnight bonds	–	1,401	9,665	589.9%

Trading Volumes

The total trading volume on the Equity & Bond Market in 2017 increased by 14.5% to RUB 25.7 tn (excluding overnight bonds). Bond trading volume rose by 25.3% to RUB 16.6 tn, while the volume of traded equities amounted to RUB 9.2 tn, a 1% decline versus 2016.

Bond issuance more than tripled to reach RUB 15.3 tn in 2017, including RUB 2.2 tn of government bonds (OFZs) and RUB 13.0 tn of regional and corporate bonds (with overnight corporate bonds accounting for RUB 9.7 tn).

In 2017, 16 public equity offerings were completed for a total amount of RUB 258.3 bn. At the end of 2017, total equity market capitalization reached RUB 35.9 tn (USD 623.2 bn).

Attracting retail investors

Attracting individual clients to the Equity & Bond Market is one the Exchange's priority tasks. In 2017, the number of private investors with brokerage accounts increased by 18.4% to 1.3 million, while the number of active clients with at least one transaction during the year growing by 24.9% to 375,200. A wider range of instruments, easier access to financial services, regulatory innovations and tax incentives all worked to spur investor interest in the Equity & Bond Market. For example, in 2017, the annual ceiling limit for deposits in individual investment accounts was raised from RUB 400,000 to RUB 1 million, driving the overall number of individual investment accounts registered with the Exchange up to 302,000 at the end of 2017 (vs. 195,000 in 2016). The Bond Market, which has traditionally been viewed as a venue for professional participants, also introduced some important innovations targeting private investors. Beginning in 2018, individuals are eligible for interest income tax exemptions as regards corporate bonds of Russian issuers trading on an organized market. In anticipation of the relevant this change, private investors increased their exposure to debt instruments.

On top of that, in 2017, private investors were offered new instruments designed specifically for the retail segment, including OFZs for individuals (OFZ-n) and bonds of VTB Bank, Russian Agricultural Bank and Sberbank. In 2017, approximately 110,000 private investors executed bond transactions (up 2.6 times year-on-year) while the share of private investors in the corporate bond and OFZ markets grew from 1.5% to 2.8% and from 6.1% to 9.1%, respectively.

Financial market services become increasingly accessible for individuals, as private investors are now able to open brokerage accounts from home. As of the end of 2017, 31 brokerage and investment management companies offered customers an opportunity to open accounts remotely via online portals, including 16 firms that provided an option to open remote accounts via the Interagency Electronic Interaction System (IEIS).

In late 2017, MOEX launched a marketplace for private investors (place.moex.com), an online platform where newcomers can access comprehensible information about the most popular exchange traded instruments and gain access to the market.

MOEX also launched a dedicated bond portal to provide both potential and existing private investors with detailed market information, including news, payment schedules and calculators to determine the cost of issuance and placement.

Liquidity support

The Exchange actively liaises with the professional community. To boost liquidity in the Equity & Bond Market, a number of market-making programs were initiated.

In August 2017, MOEX launched its Best Bid / Best Offer Program, an equity market-making initiative with participants undertaking to maintain the supply of and demand for securities by quoting best bid and offer prices. In 2017, the average buy/sell spread under the program decreased by 0.36 bps, while the quoted volume of orders at best prices increased by 15.8%.

In March 2017, the Exchange launched an OFZ market-making program targeting a wide range of traders and their clients as an add-on to the existing OFZ liquidity support program designed for larger trading members.

In May 2017, the Exchange also increased the OFZ market price tick value tenfold (from 0.0001% to 0.001%) in an attempt to improve the market microstructure. Within a few days of the change, the trade-to-order ratio grew eightfold (from 1% to 8%), while the OFZ turnover ratio added 18%.

Attracting non-residents

In December 2017, the Exchange made available to clients of trading members, including non-residents, a Sponsored Market Access (SMA) technology providing direct access to trading on the Equity & Bond Market. Enabling pre-trade checks as part of the SMA functionality gives trading members and their clients access to a flexible risk management system, significantly reducing the time required to execute an order.

As of the end of 2017, a total of 10 SMA IDs were used by five trading members. By facilitating transactions in the Russian securities market, SMA will contribute to an expanded client base and increased liquidity in the Equity & Bond Market.

New instruments

Starting from August 2017, market participants can trade in foreign currency ETFs with settlements in USD (T+0) or RUB (T+2). With the new service, Russian investors preferring FX investment instruments are no longer required to convert them into rubles to trade ETFs on the Exchange, which ensures a simpler investment process and reduces transaction costs.

In March 2017, inter-product spreads were introduced in the OFZ market, relaxing collateral requirements for opposite positions and allowing participants to save RUB 110 mn in collateral.

302,000

Individual investment accounts at year-end 2017

GROWTH SECTOR

a segment facillitating investments in small- and medium-sized businesses

Global recognition of Exchange prices

The continued development of the Russian financial market infrastructure was recognized by the global community in 2017. On 30 October 2017, the international index provider MSCI began using MOEX's closing auction prices to calculate indices that include listed Russian securities, an endorsement of the Exchange's closing auction share prices. As a result, the share of closing auction trades in the Exchange's total trading volumes almost doubled, reaching 4.26% in November-December 2017.

Introduced in September 2013, the closing auction is aimed at increasing liquidity. The closing auction prices have been used to calculate Moscow Exchange's own indices since the spring of 2014. In 2015, UK index provider FTSE began using the Exchange's closing auction prices to calculate indices that include listed Russian securities.

Attracting SMEs

Providing SMEs with access to capital markets is one of MOEX's key priorities. Since 2009, the Exchange has successfully operated the Innovation and Investment Market (IIM), which facilitates investments in innovative Russian businesses, with IIM issuers having raised over RUB 100 bn through public offerings to date.

The IIM sector offers investors tax benefits, such as no tax on investment income from securities of issuers with a market capitalization below RUB 10 bn, provided that the investor holds the securities for at least a year. There are plans to increase the threshold to RUB 25 bn.

In 2017, total trading volume on the IIM sector doubled year-on-year to reach RUB 23.1 bn, with 23 securities listed. As of the end of 2017, the market capitalization of companies in the IIM sector rose by 28% to RUB 363.8 bn.

To ease access of Russian high-tech companies to capital markets, in 2017 the Ministry of Economic Development of the Russian Federation and Moscow Exchange launched a joint project aimed at developing and implementing support mechanisms for potential IIM issuers, including by way of establishing pre-IPO funds and raising finance from anchor investors.

It also became possible for non-governmental pension funds to invest pension savings in shares of innovative companies included in the premium segment of the Innovation and Investment Market (IIM-Prime). The IIM-Prime segment is designed to increase investor interest in the largest, most reliable and most promising innovative Russian companies.

Updating the method for calculating our benchmark ruble-denominated index – the MOEX Russia Index – as well as rebranding it, were key projects in 2017. We completed the listing reform and now have issuers with high corporate governance standards in our Level 1 List. Our key goals for 2018 are continuing to increase the volume of corporate bond placements and attracting retail investors to trade on the Exchange.

Anna Kuznetsova

Managing Director for Equity and Bonds Market

To encourage IT companies to enter the IIM, in 2017 the Exchange jointly with the RUSSOFT and APKIT professional associations formed a working group comprised of Russian IT leaders whose companies planned to access the public market.

To foster independent analytical coverage, MOEX presented two analytical reports in 2017: Investment Potential of the Russian IT Market (in partnership with RUSSOFT and J'son & Partners Consulting) and Overview of Promising Alternative Energy Technologies (Frost & Sullivan).

Going beyond innovative businesses, in 2017 Moscow Exchange decided to use its experience and expertise gained in the IIM sector to establish the Growth Sector, a new market segment for public trading of SME securities, in order to boost investment in the real economy, expand the list of instruments traded in the financial market and enhance diversification opportunities for investors.

The project is run with the support of the Industrial Development Fund (IDF), Russian Direct Investment Fund (RDIF), SME Corporation, Russian Export Center (REC), the Ministry of Economic Development of the Russian Federation, Ministry of Industry and Trade of the Russian Federation and the Bank of Russia. Thanks to the partnership with development institutions, first-time issuers can quickly benefit from effective support tools, including securities-based lending with IDF and anchor investments from RDIF. On top of that, Growth Sector issuers enjoy lower free float requirements, with RUB 500 mn for ordinary shares and RUB 250 mn for preferred shares on the Level 2 List.

Going forward, the Exchange plans to expand benefits and opportunities for bond issuers in the Growth Sector. In November 2017, the Growth Sector saw its first public offering, a RUB 3.5 bn IPO of Globaltruck. Also included in the sector are shares of CZPSN-Profnasteel and Obuv Rossii, three issues of exchange-traded bonds Obuvrus and four issues of exchange-traded bonds of Polyplast.

Listing

In 2017, the Exchange continued to automate and streamline procedures for issuing securities, as well as to develop recommendations for issuers with securities on MOEX quotation lists.

For Russian companies thinking of a domestic public offering, Moscow Exchange and Freshfields Bruckhaus Deringer, a leading international law firm, drew up recommendations on the composition and scope of information to be disclosed by issuers in their prospectuses. The recommendations were prepared to inform issuers about international practices related to disclosures and to form a unified approach to prospectus disclosures.

The Exchange also suggested guidelines on the development and implementation of dividend policies by public companies. The guidelines reflect the principles of the Corporate Governance Code and best practices, and provide the views of institutional portfolio investors on how to implement dividend policies. Their purpose is therefore to help Russian issuers meet the relevant requirements of the listing rules and provide them with a tool to include clear and coherent provisions on determining dividend payments into their dividend policies.

RUB 3.1
TRILLION
was raised by Russian companies in 2017 via the Exchange

The Exchange also continued to digitalize its listing services for issuers. In particular, issuers' online accounts now feature new Electronic Listing and Ticket System services. They contribute to more streamlined business processes related to listing, faster preparation and preliminary approval of documents, and more transparent and effective interaction between issuers and the Exchange.

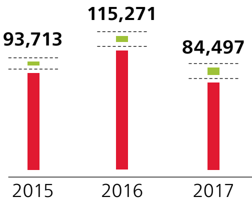
In addition, MOEX introduced automated preparation of documents for exchange-traded bonds: exchange-traded bond programs, issue terms and the issuer's resolution to issue exchange-traded bonds, using the issuer's online account. A new tool to assist in the drafting of offering documents allows users to produce a ready-to-use text based on a template, reducing labor costs and eliminating the risk of typographical errors.

To further simplify the issuing procedure, the Exchange allows the admission of bonds to trading without a securities prospectus.

As of the end of 2017, 1,903 securities from 667 issuers were admitted to trading, including 284 shares from 230 issuers and 1,439 bonds from 417 issuers. MOEX quotation lists now include 845 securities from 274 issuers.

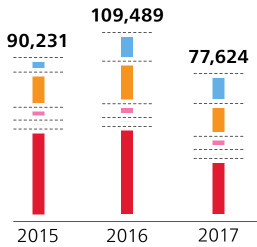
Derivatives Market and Standardized Derivatives

Moscow Exchange's Derivatives Market is Russia's leading venue for derivatives trading. It combines a high level of liquidity, broad product offering, a performance guarantee from the central counterparty (National Clearing Center – CCP NCC) and state-of-the-art trading technology. Currently, market participants can trade financial instruments on indices, Russian and foreign shares, Russian government bonds (OFZ), foreign currencies, interest rates and commodities (oil and precious and industry metals).



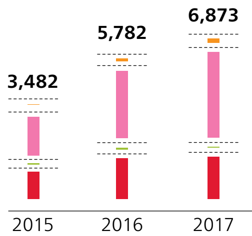
Derivatives market trading volumes, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**93,713**	**115,271**	**84,497**	**–26.7%**
Futures	90,231	109,489	77,624	–29.1%
Options	3,482	5,782	6,873	18.9%



Futures, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**90,231**	**109,489**	**77,624**	**–29.1%**
FX	62,478	64,561	39,460	–38.9%
Interest	25	27	17	–37.6%
Single stock	3,054	3,529	3,383	–4.1%
Indices	20,291	26,138	18,486	–29.3%
Commodities	4,383	15,234	16,278	6.9%



Options, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**3,482**	**5,782**	**6,873**	**18.9%**
FX	1,412	2,119	2,184	3.1%
Single stock	60	87	35	–59.4%
Indices	2,002	3,434	4,440	29.3%
Commodities	7	142	213	49.8%

Trading volumes

In 2017, total trading volumes on the Derivatives Market were RUB 84.5 tn. Futures volumes decreased by 29% year-on-year to RUB 77.6 tn and options volumes rose by 19% year-on-year to reach RUB 6.9 tn. Open interest in FX futures as of the end of December 2017 rose by 57.2% year-on-year to RUB 281.4 mn.

The average daily open interest in futures increased by 10% year-on-year to RUB 414.4 bn.

Open interest by non-resident participants rose by 13% to RUB 308 bn.

The growing volumes of options trading and the increase of open interest in futures demonstrate the rising share of Russian and international institutional investors (banks, assets management companies and funds) who use exchange-traded derivatives to hedge risks.

In particular, open interest from non-resident clients increased by 13% year-on-year to RUB 308 bn. The share of open interest accounted for by non-resident participants increased from 44.5% to 47.5% in 2017.

At the same time, retail investors who trade via their brokers – a key business segment for the Exchange – continued to expand. In 2017, private investors accounted for 41.6% of the total trading volume.

The commodities section of the Derivatives Market saw the strongest growth of futures volumes for the second year running as volatility of global commodities markets and the Exchange's programs to promote liquidity have made commodity futures attractive to market participants. Trading volumes in Brent oil futures increased by 9.5% year-on-year to RUB 14.4 tn.

Options trading volumes were supported mainly by index options. Options trading volumes increased by 29.3% year-on-year to RUB 4.4 tn.

New Instruments

A broader, expanded product offering fueled the growth of options trading volumes in 2017.

Market participants were offered weekly options on the most liquid instruments, USD/RUB FX and RTS Index futures contracts. The new instruments complemented MOEX's monthly and quarterly options offering. They help participants implement short-term trading strategies. The trading volume of the weekly options was RUB 858 bn in 2017 (13% of the total trading volume of options in the same underlying assets).

Additionally, options on GBP/USD and USD/JPY FX futures contracts began trading in October 2017.

47.5 %

The share of non-residents in the total turnover

Liquidity

To support trading volumes and improve order book quality, the Exchange introduced certain liquidity promotion programs; in 2017, more than 50% of instruments were supported by market makers. In particular, liquidity promotion programs were introduced for all derivatives contracts launched in 2017.

New programs aimed at incentivizing market makers were also introduced for FX, commodity and index futures. In September 2017, liquidity programs were started for two MOEX Russia Index futures with different nominal values. They encouraged growth of trading volumes in the instruments thanks to large-size orders of market makers and incentives for participants to generate passive turnover.

Technology

Moscow Exchange continioulsy streamlines risk management for the Derivatives Market and related services. In 2017, it began calculating floating margin rates for RUONIA futures and launched a service to provide notices on the expected margin amount following changes in risk parameters.

As part of the strategic initiative to create the Unified Collateral Pool, an option was offered to receive and transmit asset profiles from the Derivatives Market to the FX and Equity & Bond Markets.

By introducing the single point for transaction monitoring, the Exchange managed to remove a way for engaging in arbitrage between transaction protocols. As a result, the TWIME-based order entry process has accelerated versus other protocols in 99.98% of entries.

As part of the Unified Collateral Pool project, participants of the Derivatives, FX and Equity & Bond Markets were offered an opportunity to use a unified margin account and choose assets for collateral. Derivatives Market participants now benefit from new options to post securities as collateral and the resulting reduction of operational costs. This helps boost trading volumes in derivatives. The project's next phases in 2018 will enable lower margin requirements for calendar spreads and secured positions in derivative instruments.

Enhancement of a new Derivatives Market access protocol, TWIME, delivered the fastest access to the market, opened up new opportunities for market participants and reduced their infrastructure costs. The TWIME-based order entry process has accelerated versus other protocols in 99.98% of entries.

Transforming Tariffs & Fees

2017 saw the completion of a tariff reform for derivatives that was initiated in 2016 in order to harmonize tariffs across various Moscow Exchange markets and also across groups of derivatives contracts. The new approach implies charging tariffs as a percentage of a transaction's value set specifically for every group of contracts.

Communication with Partners

In October 2017, Moscow Exchange signed an agreement with St. Petersburg International Mercantile Exchange (SPIMEX). The two organizations committed to work together to promote a regulated market for commodities and commodities derivatives. MOEX and SPIMEX will jointly conduct marketing activities to attract new trading members. The partnership will also help design new commodities assets and derivatives on the Russian on-exchange market.

Standardised Derivatives Market

MOEX's Standardized Derivatives Market was created in 2013 in response to a G20 resolution on strengthening the role of the central counterparty in financial markets and the need to transfer trading in standardized derivative financial instruments to exchange marketplaces.

In 2017, demand for interest rate and FX risk management instruments rose on the back of consolidation in the Russian banking sector lower market rates. This encouraged the growth of market liquidity.

Trading volume in the Standardized Derivatives Market increased to RUB 108 bn in 2017. FX, interest rate swaps and FX flex options interest rate swaps were the most heavily traded instruments. In 2017, the number of market participants increased to 42 from 33 in 2016.

The Exchange continued improving the technology behind the Standardized Derivatives Market and enhanced the market platform performance and modified the algorithm for adding interest on margin accounts. This allowed participants to reduce their costs and enjoy higher standards of on-exchange trading.

FX Market

Moscow Exchange is the oldest regulated trading venue in Russia, and has offered FX trading since 1992. The on-exchange FX market is the primary liquidity center for the rouble, and as such is a crucial element in Russia's national financial system. In 2017, the Exchange's share of the Russian FX market was 65% for USD/RUB and 72% for EUR/RUB trading.

Trading Volumes

In 2017, FX Market trading volumes totaled RUB 347.7 tn, up 5% year-on-year. The average daily trading volume increased by 23% to USD 23.7 bn.

In 2017, the share of currency conversion transactions reduced from 32% to 23%, while swaps trades increased from 68% to 77%. The decrease in volumes and reduced weight of foreign exchange conversions in the total turnover resulted in lower volatility in the USD/RUB exchange rate. Furthermore, after the Bank of Russia's reduction of the key rate from 10% to 7.75% in 2017, foreign investment inflows into Russian rouble-denominated bonds showed a slight decline with a subsequent decrease in demand for conversion operations from international investors.

As at the end of 2017, there were 454 trading members of Moscow Exchange's FX Market, including 374 banks, 60 professional securities market participants (brokers and asset management companies) and 20 large non-financial companies, representing a new category of trading members. The number of banks admitted to the market reduced (from 407 in 2016) on the back of continued consolidation of the Russian banking sector.

Expansion of the Client Base

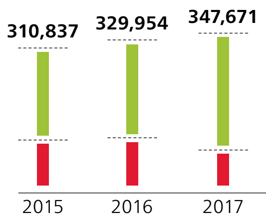
For the first 20 years of its existence, Moscow Exchange's FX Market was a purely inter-bank marketplace. Only Russian credit organizations (including international banks' subsidiaries) were admitted to trading.

In 2012, the Exchange began transforming its business model: it facilitated a service to allow client access to the market and admitted brokers to trade alongside banks that let end clients such as Russian individuals and legal entities as well as international participants join the market.

The development of Direct Market Access (DMA) services helped improve market liquidity and raise MOEX's share total domestic RUB FX trading, which increased from 30% to 65% for USD/RUB in five years.

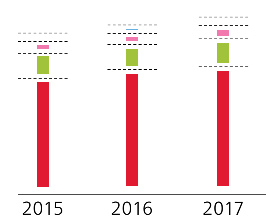
In 2017, the Exchange took the next step forward in broadening its client base and offered DMA to Russian corporates not qualified as credit institutions or professional market participants. 20 companies became trading members by the end of 2017, with total turnover reaching RUB 265 bn (USD 4.6 bn).

Direct access for corporates to the on-exchange FX market helps increase market liquidity, while corporates can benefit from lower transaction costs and risks as well as higher transparency of currency trading.



FX market trading volumes, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**310,837**	**329,954**	**347,671**	**5.4%**
Spot	103,335	107,169	78,380	–26.9%
Swaps	207,502	222,785	269,291	20.9%



Currency pairs, RUB billion

	2015	2016	2017	Δ 2017/2016
USD – RUB	257,984	278,334	285,962	2.7%
EUR – RUB	43,400	43,065	48,231	12.0%
EUR – USD	8,571	7,669	12,869	67.8%
Other	882	886	608	–31.3%

65

%

The MOEX's share of the USD/RUB FX market

Attracting International Investors

In 2017, Moscow Exchange continued to actively develop projects and services to increase encourage non-residents' access to the FX Market, namely DMA, Sponsored Market Access (SMA), separation of trading member and clearing member statuses and provision of International Clearing Membership (ICM).

As at the end of 2017, the FX Market's client base included 10,600 registered non-resident clients from over 100 countries. In 2017, non-residents accounted for approximately 40% of spot turnover. Turnover generated by non-residents through SMA/ICM exceeded RUB 10 tn.

In December 2017, clients of Thomson Reuters gained access to aggregate quotes of Moscow Exchange's FX Market via Thomson Reuters' FX Trading platform following the setup of the trading link. The new functionality allows users to see quotes of Moscow Exchange, Thomson Reuters Matching Orderbook and counterparty banks' liquidity on one desktop and trade at the best available prices, trades on the Exchange directly via the FX Trading platform.

Liquidity Enhancement

In addition to bringing new clients to the market, Moscow Exchange is working to improve trading volumes by stimulating liquidity and advancing order book quality.

In May 2017, Moscow Exchange reduced the required minimum displayed amount of an iceberg order to one million dollars (from five million dollars) thereby broadening the circle of participants trading big lots. Following the move, the share of trades arising from iceberg orders increased from 7% to 15%.

In June 2017, a new market making program was rolled out to support the most popular FX instrument on MOEX, USD/RUB with next day settlement. The program has attracted 12 market makers and helped narrow the bid/ask spread (by 0.2 kopecks to 1.4 kopecks per USD 1 million, and by 1 kopeck to 2.6 kopecks per USD 5 million) and increase the average trade size (by 10 lots to 105 lots).

In December 2017, the trading session was extended until 18:00 MSK (17:00 MSK before) for USD/RUB trading with same day settlement; the fees were cut for all long-tenor instruments (with maturities of over one week); the tick size was reduced for spot EUR/USD instruments and a new order type called "volume weighted average price order" (the "VWAP order") was offered.

New Product Offerings

As part of its efforts to streamline its product offering, Moscow Exchange launched the Fixing Electronic Matching Service, which allows execution of trades at the MOEX FX USD/RUB and EUR/RUB fixings set daily at 12:30 MSK. CCP NCC, MOEX's clearinghouse, provides clearing and settlement of trades.

The new offering provides Russian and international banks with a hedge against the currency risk of OTC trading in rouble non-deliverable forwards NDfs.

In September 2017, the project's first phase was completed with matching on the fixing date (T+0) offered. An option for matching on the day before the fixing date (T-1) will be rolled out at a later stage. In 2017, 18 members traded at the FX fixings for a total of USD 18.2 bn (RUB 104 bn).

In December 2017, as part of the Unified Collateral Pool project, the Moscow Exchange launched a new technology that allows FX Market participants to use the account and collateral, inclusive of securities eligible as collateral, from the Equity & Bond Market.

We successfully delivering on our strategy to expand the range of instruments available on the market, improve liquidity and provide access for the widest possible circle of customers with minimum risks and costs. We launched new derivatives contracts, enhanced FX and repo instruments and facilitated access for international investors. New facilities to trade on all markets from a single account and manage unified collateral, as well as cross-market margin requirements, has made trading more efficient and encouraged trading volume growth.

Igor Marich

Managing Director for Derivatives and Money Markets

Money Market

Moscow Exchange's Money Market is one of the most important segments of the Russian financial market as a wide array of banks, professional securities market participants, government agencies and now also corporations rely on it for day-to-day cash liquidity management, and the Bank of Russia implements monetary policy via the market.

Inter-dealer repo had been the most widely traded instrument on the Money Market for many years. Inter-dealer repos require mutual counterparty limits without guarantees of the central counterparty (the CCP). However, the crisis of 2008-2009, which triggered mass defaults on the inter-dealer repo market, demonstrated the need for the CCP. This encouraged Moscow Exchange Group to introduce and promote repo with the CCP.

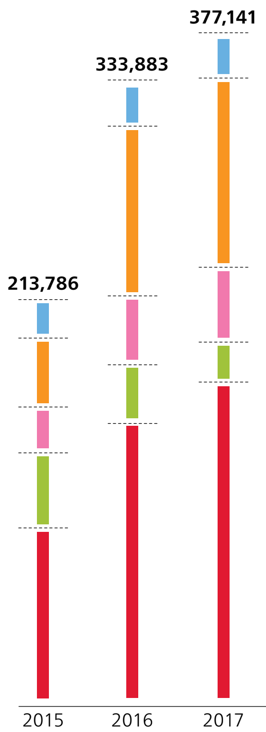
Repo with the CCP is now the most widely traded segment on the Money Market. Since 2016, the Exchange has offered CCP-cleared repo in general collateral certificates (GCC), and since 2017, provided direct access to GCC repo for Russian companies following the launch of deposits with the CCP.

Trading Volumes

Total Money Market trading volumes climbed to a new record of RUB 377.14 tn (+13.0% YoY) in 2017. On-exchange repo trading volumes increased by 14.6% YoY to RUB 339.51 tn, accounting for 90% of total market volume; trading volume of deposit and credit transactions was RUB 37.6 tn.

Repo with CCP (excluding GCC repos) posted growth of 28% YoY and reached a record RUB 225.4 tn; the average daily trading volume hit an all-time high of RUB 894.3 bn. Repo with the CCP accounted for 66% of on-exchange repo trading volumes.

GCC repo through CCP was the fastest growing repo product: volumes increased 19.1 times YoY in 2017 to RUB 6.2 tn.



Money market trading volumes, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**213,786**	**333,883**	**377,141**	**12.9%**
On-exchange repo	180,991	296,226	339,509	14.6%
Direct repo with the Bank of Russia	73,626	54,662	35,574	–34.9%
Shares and DRs	2,369	494	0	–
OFZ	21,385	7,947	5,584	–29.7%
Corporate & other bonds	49,872	46,221	29,991	–35.1%
Interdealer repo	40,646	65,393	72,397	10.7%
Shares and DRs	14,221	14,642	18,447	26.0%
OFZ	5,800	6,239	4,126	–33.9%
Corporate & other bonds	20,625	44,512	49,824	11.9%
CCP-cleared repo	66,718	176,171	231,537	31.4%
Shares and DRs	26,561	42,040	44,929	6.9%
OFZ	17,810	43,316	51,380	18.6%
Corporate & other bonds	22,347	90,491	129,059	42.6
GCC-repo	0	324	6,170	1,805.8
Credit market	32,795	37,657	37,631	–0.1

Direct Access to Deposits with the CCP

In July 2017, the Exchange rolled out the year's major innovation on the Money Market – deposits with the CCP. This enabled Russian companies not qualified as credit institutions or professional market participants to receive direct access to the CCP-cleared GCC repo segment of the Money Market. By the end of 2017, 34 companies operated on the market, with trading volumes totaling more than RUB 2.5 tn.

With the new product, corporates received an opportunity to place deposits with the CCP at repo market rates. NCC, acting as CCP, guarantees settlement of transactions and matches deposit orders from corporations with General Collateral Certificates-repo orders.

Corporates joining the Money Market bring additional liquidity to the on-exchange repo market thanks to inflow of new, longer-term money. At the same time, corporates benefit from more efficient and safe placement of their funds.

Expanding the Range of Instruments

The Exchange continiously works on the expansion of its product offering and improvement of the services to faciliatate client operations. In December 2017, the Exchange launched GCC repo and deposit transactions with the CCP with maturities of up to one year.

The Exchange continued adding new names to the list of securities admitted to repo: in 2017, 526 securities were admitted to repo with the CCP and 78 securities to inter-dealer repo. Trading volume in the newly-added securities totaled RUB 25 tn in 2017.

Repo with collateral management by NSD, RUB billion

In June 2017, the Exchange offered on-exchange repo with the Bank of Russia with collateral management and settlement by NSD. The combination of MOEX's repo platform and NSD's automated collateral management system provided market participants with additional benefits such as an option to choose from a basket of securities as well as convenience of trade entry and flexible collateral management via the Exchange's terminal.

M-Deposits

The M-Deposits segment provides an option for corporate clients to run deposit auctions on the Exchange and thereby efficiently manage their liquidity position. In 2017, trading volume in the segment rose by 5% YoY to RUB 377 bn.

In June 2017, the Exchange introduced standard documentation for M-Deposits that included a deposit contract specification and deposit auction rules. The documents allow operators and market participants to deal without entering into the master agreement.

In December, floating rate deposit auctions run by the Federal Treasury were launched. Banks can make long-term deposit transactions with the Federal Treasury without being exposed to interest rate risk.

Moscow Exchange is also the marketplace for deposit and credit operations of the Bank of Russia, the Pension Fund of the Russian Federation and Vnesheconombank.

Commodities Market

Moscow Exchange Group has created a marketplace to trade deliverable commodities in two asset categories: precious metals and agricultural products. Precious metals are traded on the MOEX FX Market platform, while trading in agricultural products is operated by the National Mercantile Exchange, a part of Moscow Exchange Group. Authorised by the Ministry of Agriculture, the National Mercantile Exchange has been involved in government commodity and procurement interventions in the grain market since 2002.

On-exchange Agricultural Product Trading

Agricultural products (grain and sugar) are traded on the Urozhai trading and clearing platform, which enables functionality and specifications to be adapted to industry trade and logistics standards, and allows the swift launch of trade with a wide range of underlying assets. The technology allows direct market access for brokers as well as partners and end clients.

Grain trading was launched on the Exchange in December 2015. Initially it included deliverable forward contracts with wheat as the underlying asset, with barley and corn being added in 2016.

In March 2017, the Exchange launched sugar trading to allow producers to hedge against price risks and plan their operations more effectively, and to improve pricing transparency on the Russian sugar market. At the same time, the Exchange introduced a full range of functions: deliverable wheat forwards were complemented by sugar forwards and wheat swaps to open opportunities for trading members and their clients to borrow against commodities in stock.

In 2017, wheat swaps turnover amounted to RUB 5.2 bn, wheat forwards turnover reached 8 500 t (RUB 55 mn) and sugar forwards stood at 8 500 t (RUB 227 mn). At the end of 2017, nine brokers, five agricultural holdings and more than 130 clients traded on the market.

Partners of the Exchange's agricultural commodity trading program include Russia's largest agricultural holdings, processing firms, wheat traders and exporters. By the end of 2017, the number of delivery bases, i.e. storehouses accredited by CCP NCC, was 43 elevators (wheat, corn and barley) and nine sugar storage facilities in three federal districts.

In Q4 2017, the Federal Antimonopoly Service's Exchange Committee formed an agrarian subcommittee to develop the agrarian sector of on-exchange commodities market.

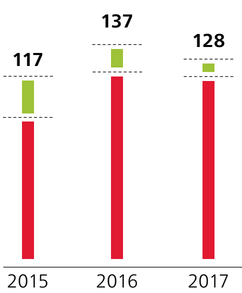
Precious Metals Market

The Exchange has offered trading in deliverable instruments on gold and silver since October 2013. Gold and silver are traded on the FX Market platform using a unified system of margining and risk management. CCP NCC acts as the central counterparty and provides clearing and settlement services on the market. Metals are delivered to clearing members' precious metal accounts opened with CCP NCC. Post-trade services include dealing with bullion at NCC's depository in Moscow and an option to use precious metals held in members' accounts with correspondent banks in London and Zurich as collateral.

In 2017, MOEX's total turnover in spot and swap instruments on precious metals was RUB 121.9 bn (RUB 125.0 bn in 2016).

Since November 2017, the Bank of Russia actively bought gold on the Exchange alongside its usual purchases of the metal on the OTC market. 49 banks including the Bank of Russia and 13 brokerage firms now trade on the market.

Trading Volumes



Commodities market trading volumes, RUB billion

	2015	2016	2017	Δ 2017/2016
Total	**117**	**137**	**128**	**–7.1%**
Precious metals	94	125	122	–2.4%
Grain and sugar	22	12	6	–54.1%

Post-trade services

Clearing

In 2017, Moscow Exchange continued delivering on projects and tasks that focus on developing clearing services and risk management improvements in line with applicable Russian legislation and international best practices.

Since 2007, the NCC (part of the Moscow Exchange Group) has been acting as a clearing house and a central counterparty (CCP) for the Russian financial market. Its primary goal is to maintain stability in the relevant segments of the financial market by putting in place an advanced risk management system that meets the highest international standards. The NCC enjoys the status of a qualifying central counterparty and is recognised as a systemically important CCP.

Technology Improvement

In 2017, the TRAN technology was implemented; clearing participants now can automatically receive and process information on any changes of position in cash funds or securities in the trading and clearing system, including data on:

- obligations to transfer income under REPO trades;
- transfer of cash and securities between accounts;
- debiting or crediting of cash and securities accounts;
- obligations to pay fees/penalty/compensation;
- obligations/claims to pay variation margin on the FX Market;
- termination of obligations and transfer of assets under past-due settlement trades;
- transfer of obligations/claims under settlement codes of the unified pool from the FX and Derivatives Markets to the Equity and Bond Market.

Corporate Procedures

In 2017, NCC was granted the status of a «non-banking credit institution – central counterparty». This formed part of the reform pursued by the Bank of Russia to improve CCP regulation and is fully in line with the global trends, as most countries introduce special legislation to regulate the activities of central counterparties.

Following the award of this new status, NCC developed and approved new versions of key internal regulations. It also obtained a banking licence for a "non-banking credit institution – central counterparty" and renewed its clearing licence.

NCC is one of the most highly capitalized clearing houses globally. The central counterparty is successfully performing its main function – to guarantee settlement of obligations in all segments of MOEX's markets. We are constantly working to streamline our risk management system and offer new clearing services to encourage market participants to operate via the central counterparty.

Alexey Khavin

Chief Executive Officer, NCC

Risk Management

In 2017, NCC continued implementing and improving internal procedures for capital adequacy assessment to bring its risk management system in line with the requirements of the Bank of Russia and international standards. The rules of NCC's risk management system include a description of procedures to identify, monitor and control risks, list risk mitigation measures and provide criteria for applying such measures. Under the Risk and Capital Management Strategy, risk appetite benchmarks were developed to set quantitative and qualitative limits for material risk exposures in the upcoming year in line with the approved strategic goals.

As part of its commitment to develop the risk management system, NCC implemented an updated stress and back-testing methodology bringing its operations in line with the Bank of Russia's «non-banking credit institution – CCP» requirements. The updated methodology implies daily back-testing of collateral adequacy, and stress-testing of NCC (as the CCP) for various risk factors.

An automated reputational risk management system was put into operation to enable real-time monitoring, assessment and analysis of events from across the business lines with a view to controlling changes in exposure to this type of risk.

Ratings

In 2017, Fitch Ratings confirmed NCC's long-term local currency Issuer Default Rating (IDR) at BBB and viability rating at bbb (one notch higher than Russia's sovereign rating), while its foreign currency IDR was affirmed at BBB- (on par with Russia's sovereign rating).

The Analytical Credit Rating Agency (ACRA) confirmed NCC's national scale rating at AAA(RU) with a Stable outlook. According to the ACRA, NCC's credit rating and outlook are explained by its strong and stable business profile, exceptional liquidity and capital adequacy position, as well as by the fact that the rating is additionally supported by the systemic importance status that the Bank enjoys in the Russian financial market.

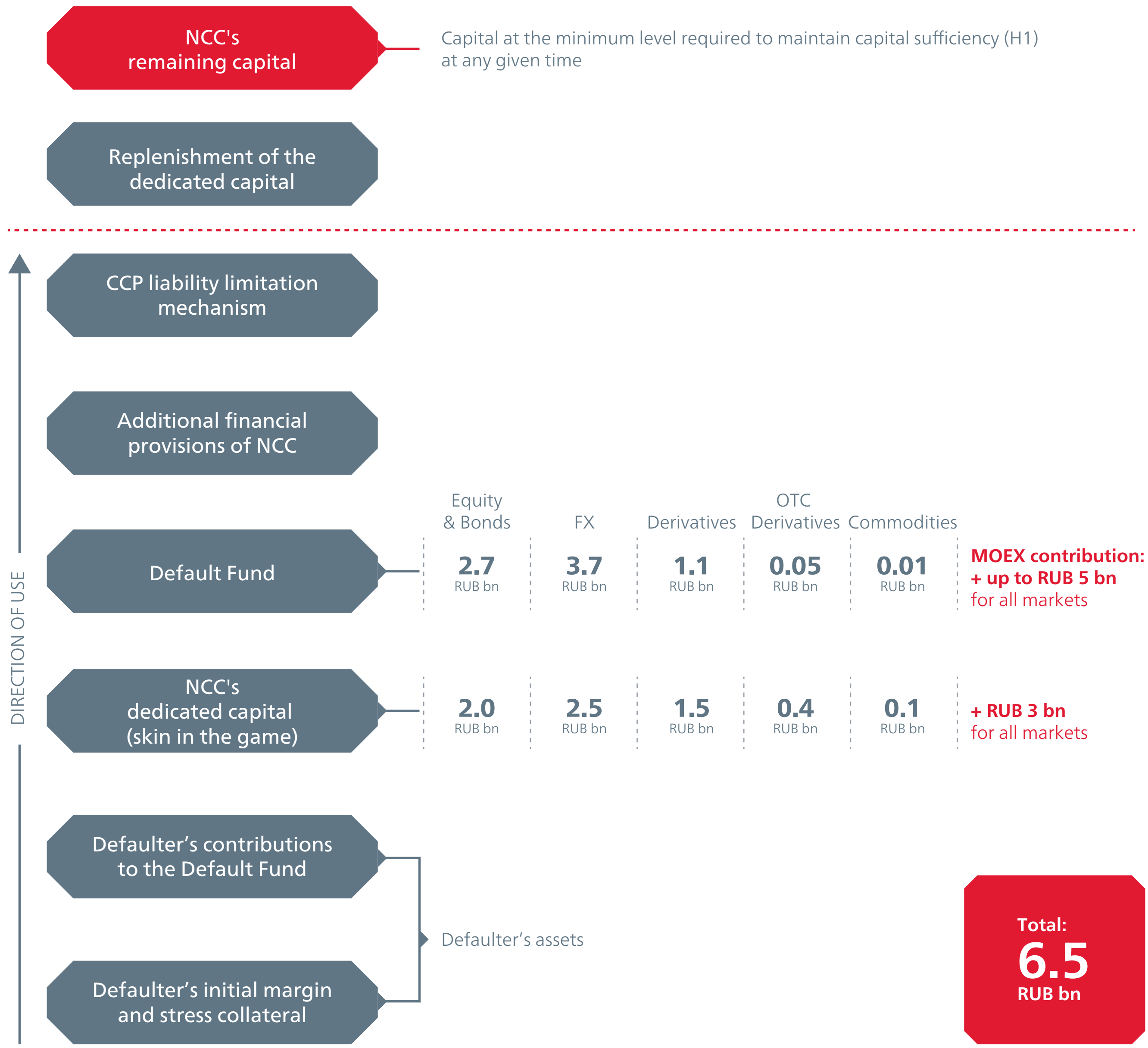
Central Counterparty Safeguard Structure

In 2017, the CCP safeguard structure put in place by the Exchange back in 2015 saw further improvements:

- the CCP's liability limitation framework was changed by introducing a procedure for liability discounting;
- Clearing members' contributions to the Guarantee Funds increased to align contributions in the FX, Precious Metals, Equity & Bond and Derivatives Markets and bring them up to RUB 10 mn;
- inter-product spreads for OFZ and corporate bonds were introduced to increase the accuracy of collateral calculations for clearing members with open positions in bonds.

Alignment of CCP safeguard structures across the Exchange markets is aimed at boosting the reliability and viability of the central counterparty and ensuring that NCC remains financially robust irrespective of the market conditions. The safeguard structure put in place meets the highest international CCP standards.

CCP safeguard structure



National Settlement Depository

The National Settlement Depository (NSD) is Russia's central securities depository, offering settlement and depository services for financial market players. Established as the main depository for government securities, the NSD soon became the largest depository by value of assets held on deposit and Russia's only settlement depository servicing all types of Russian issue-grade securities.

The NSD is recognised by the Bank of Russia as a systemically important central securities depository, settlement depository and repository. The NSD payment system is considered to be of systemic and national importance.

In 2017, the value of assets deposited at the NSD rose by 8% to RUB 39.4 tn. The value of OFZ balances in foreign nominee accounts increased by 49% to RUB 2.2 tn. In 2017, the NSD handled 15,800 corporate actions involving Russian securities, with more than 4,000 meetings of securities holders organized through the e-voting system. The number of corporate actions involving foreign securities grew by 84%, to more than 14,600.

Repository

2017 saw further progress in the work of the NSD's Repository. The number of trades registered with the Repository increased by 4.4 times to more than 11 million, with a total value of RUB 472.3 tn (compared to RUB 403.9 tn in 2016).

In September 2017, the NSD's Repository extended its operating day to 24 hours in order to enhance automation and ensure end-to-end data processing.

The format and domestic launched in 2017 helped to significantly improve the quality of information provided by clients to the Repository. FLV plays an important role in minimizing the number of inaccurate trade parameters and curbing the submission of information that does not meet reporting deadlines specified by applicable legislation.

Collateral Management

In 2017, the value of repo transactions serviced by the NSD's collateral management system (CMS) declined by 10% to RUB 42.6 tn. The number of the Federal Treasury's repo transactions with the CMS went up by 12% to reach RUB 41.9 tn.

In December 2017, the NSD launched Liquidity Management, a new solution to automate money transfers between clients' trading bank accounts opened for clearing at the NSD and NCC. The service also offers regular liquidity transfers to the NSD's clearing bank account using the client's settlement code. The solution helps clients cut costs associated with managing cash positions at the NSD and NCC.

Information Services

In 2017, the NSD's Valuation Centre obtained accreditation from the Bank of Russia. Early in the year, the Valuation Centre started broadcasting data via Bloomberg. In September, the Centre launched a solution for calculating the fair value of rouble bonds based on a new methodology covering 750 issues by Russian issuers with ratings assigned by international rating agencies.

Teaming up with Interfax Group to implement RU DATA helped the project gain significant traction and increase business volumes by 2.25 times.

In 2017, the NSD completed a large-scale project to launch a new line of information services through the roll-out of nsddata.ru, a new technology platform of the Corporate Information Centre.

The new line's key product is a flexible service for the customized delivery of data on securities, relevant organizations and corporate actions to the API NSD customer account. The new platform also offers upgraded DISC NSD and Valuation Centre capabilities and an opportunity to leverage additional information services of the central depository.

Technical and Settlement Services

The NSD puts great emphasis on developing a reliable IT platform, enabling partnership programs and ensuring top-level information security. In 2017, the Depository turned its technical services capabilities into a standalone strategic line of business.

Technical access to the SWIFT connection service was granted to 19 new users, bringing the total number to 67. The average daily traffic of Service Bureau clients rose by 48% YoY, hitting 11,257 messages per day.

In 2017, the NSD created and approved a concept for developing a financial message transit service based on the NSD's electronic document flow platform. Project implementation will expand the list of transit participants by supporting document interchange between corporate clients and banks using ISO 20022 messages.

In 2017, the value of money transfers grew by 10% YoY to RUB 389.8 tn, while the number of transactions went up by 2% YoY to 1.19 million.

International Cooperation

The NSD and CSD Working Group on DLT, an association of central securities depositories (CSD), signed a Memorandum of Understanding (MOU) focusing on the CSDs' joint efforts to promote the application of blockchain technology in the post-trade sector. Today, dealing with securities, especially in areas requiring multi-party communications (for example, those involving corporate actions), implies complex multi-stage procedures (such as manual processing) that incur significant additional costs. The signed MOU sets out requirements for blockchain-based e-voting technology with regard to generally accepted ISO 20022 message exchange standards and principles.

We have created an effective domestic post-trade infrastructure for safekeeping of assets, processing of corporate actions and company information and providing settlement and collateral management services. Our infrastructure is fully integrated into the global financial system; and the reliability and quality of NSD's services are in line with international standards. Our priority is to provide straightforward and convenient access to our services for customers as well as effective risk management.

Eddie Astanin

Chief Executive Officer, NSD

Information Products

Indices

New name for the benchmark Russian stock index

The name change of the Russian equity market's benchmark index was a landmark event of 2017: the MICEX Index was renamed as the MOEX Russia Index.

The new name will support MOEX brand awareness and value, and contribute to a more cohesive perception of the Exchange and the Russian financial market among domestic and international professional and retail investors.

The new name of the index was officially announced at the annual Exchange Forum in April 2017 and came into effect at the end of 2017, along with the new Moscow Exchange index calculation methodology. Index baskets were first reviewed under the new methodology on 22 December 2017.

The key changes to the methodology are as follows:
- the number of component stocks in the main indices (MOEX Russia and RTS) is no longer fixed at 50 stocks and will vary going forward;
- liquidity requirements for inclusion in the main indices were tightened, with issuers obliged to make IFRS disclosures;
- industry classification of issuers was revised, with the focus shifting from production process to company performance and final products. The updated classification is more aligned with international standards used by the world's leading index providers.

The changes to the index calculation methodology were developed jointly with market players to make the Exchange indices more convenient to use for funds and managing companies working with related financial products.

In addition, a new version of the pension index calculation methodology developed in cooperation with the pension savings market to suit new legislative requirements and the current market environment came into effect in December:
- decreasing the share of the equity subindex;
- increasing the share of the OFZ subindex;
- introducing limits on maximum specific weight of credit institutions' bond capitalisation;
- tightening bond liquidity requirements.

New Indicators

Given the rising investor interest in structured exchange products and the launch of exchange-traded investment funds scheduled for 2018, the Exchange developed a new service for calculating the indicative Net Asset Value (iNAV) for asset managers and participants engaged in the roll out and support of structured financial products. The new instrument provides a consistent flow of quotes for structured financial products to all stakeholders, enhancing transparency, increasing the frequency of updates on the indicative value of structured products and having a positive impact on their intraday liquidity.

International Recognition of Indicators

The results of the annual external audit by Ernst & Young confirmed that the Index Management Division complies with the 19 principles of the International Organisation Of Securities Commissions (IOSCO).

MOEX
RUSSIA INDEX

a new name of the Russian stock market benchmark

The audit covered:
- FX Fixings, including the MOEX USD/RUB FX Fixing;
- families of equity indices;
- government and corporate bonds indices;
- pension indices;
- repo and swap rate indicators.

The report confirms the transparency of MOEX's index management procedures; the high quality of the Exchange's indicator generation, calculation, and disclosure processes; and the effectiveness of the Exchange's internal controls over the development, calculation and release of financial indicators and market benchmarks.

Exchange Update

In 2017, Moscow Exchange rolled out a new cloud-based service for accessing historical trading data from the Exchange's markets. It offers customised processing tools and graphical representations of the data and related analytical indicators.

Moscow Exchange also developed new principles for defining Non-Display Usage of the Exchange's market data and new pricing approaches for this type of data, reflected in new versions of the Moscow Exchange's Information Policy and Tariffs for its Information Services approved in 2017. These changes helped to further align the terms of using the Exchange's market data for traders and other clients benefitting from the Exchange's information services.

Client Service

The Exchange aims to improve its client services to ensure a more convenient and cost-efficient customer experience and to streamline document flows.

Customer Online Account

In 2017, more functionality was added to the Trading Participant Online Account. In particular, an option was made available to request and generate keys with Moscow Exchange acting as a certification centre. This eliminated the need for the clients to submit paper forms when applying for keys.

The Group enabled an option to view and download trading and clearing reports for the FX and Equity & Bond Markets, with the remaining markets to be added in 2018.

Moscow Exchange has also considerably upgraded its service, enabling clients to send electronic documents via the Online Account and giving them the opportunity to switch to paperless document submission using a digital signature in compliance with applicable legislation and Moscow Exchange's own regulations. This option is available for requests and instructions, and for KYC-related documents, which significantly cuts the time required for document processing and makes the process more customer-friendly.

Improvements were made to the home page containing key details of the trading participant, including statuses assigned at the stock markets, as well as to the SMA access section, allowing restrictions to be set for the selected SMA ID.

Moscow Exchange developed and launched a new section enabling professional securities market participants, managing companies, joint-stock investment funds, non-state pension funds and insurance companies to submit their financial statements in XBRL format.

As a result, the number of service users increased by 12% compared to 2016. The most popular sections are the client registration and financial documents sections.

Centralised Customer Registration Service

In 2017, Moscow Exchange fine-tuned its service of centralised customer registration on the FX, Equity & Bond and Derivatives Markets, making it possible to register customers under the 9F category (foreign legal entities without an INN number engaged in securities management in accordance with their personal law).

In addition, work got underway to make online customer registration available and enable clients to start making transactions in less than 30 minutes after their broker accounts were opened.

Document Flow Optimisation

With the unified approach applied to trading access procedures, document management in the Money Market saw further improvements in 2017, including depersonalisation of traders, merging of documents and transition to electronic interaction with the Federal Treasury. These changes will significantly simplify access procedures and reduce clients' costs.

New Customer Onboarding

A new convenient tool was added in 2017 to monitor interaction with new customers (onboarding). Using Microsoft CRM, Moscow Exchange implemented a solution to track Exchange access statuses for non-resident customers and corporations. The solution enables all stakeholders to monitor and update statuses in a shared information space, making communication much faster and easier and reducing onboarding time. To keep record of customer onboarding, Moscow Exchange plans to complete the transition to this CRM in 2018.

Information Technology

In 2017, the Exchange continued to bolster its core technology and infrastructure.

MOEX completed the second phase of the upgrade of its trading and clearing systems, with a modular and scalable design. The performance of MOEX's IT platforms – ASTS (Equities and Bond Markets, FX market) and SPECTRA (Derivatives Market) – has improved by 1.5-to-2 times since 2016, and is in line with global standards, able to handle up to 100,000 messages per second. The systems' modular design and streamlined components have enhanced reliability and contributed to a record 99.99% uptime.

A modular and cost-effective platform was created to store and distribute big data based on Hadoop solutions, and has been applied in business projects.

The Exchange also facilitated the Exchange Information Fabric (EIF) integration platform, which supports interaction of applications across the Group and helps implement complex projects such as the Unified Collateral Pool. The EIF Data Grid incorporates Apache Ignite, an open-source platform like Hadoop that is free of vendor and licensing fees.

In 2017, the Exchange also tested alternative databases as potential substitutes for expensive commercial products for a number of applications using an open source solution. The Exchange plans to roll out these alternatives in 2018-2019.

As part of the development of MOEX's web platform, Single Sign On technology was created and launched to enable clients to use a single ID and a common authentication process to access all web services.

In Q1 2017, the Exchange completed migration of client equipment to the cutting-edge Tier III DataSpace1 data center. The new DC operates at MOEX's colocation area and provides the highest level of reliability, accessibility and security to clients seeking HFT opportunities on the Exchange. Next-generation solid state drives (SSDs) were also successfully tested and are scheduled for roll-out in 2018.

Investments in the modernization and development of our trading and clearing platform allowed us to achieve a substantial increase of its performance (up to 50%) and the highest possible system reliability. The newly created IT architecture allows us to offer innovative business applications and services that open up new opportunities for customers.

Sergei Poliakoff
Chief Information Officer

Outlook for 2018

In 2018, Moscow Exchange will continue delivering on its strategy of extending its product offering, streamlining technology and providing new services and capabilities for market participants and their clients in order to attract Russian and international investors and boost market liquidity.

Expansion of the client base

As part of efforts to widen the client base of the Derivatives and Equities and Bond Markets, the Exchange plans to separate trading member and clearing member statuses, as it did for the FX Market. Non-resident market participants will be enabled to trade on the markets in the same way as clients of trading members, and to clear and settle trades on their own.

The Exchange will also continue to actively develop Sponsored Market Access (SMA) on the FX and Equities and Bond Markets and to attract new international participants.

Work will be undertaken to develop and adopt a new connectivity model for non-resident clients using international points of presence (in the UK, Germany and the US) as well as international telecommunication networks (ESP/NSP) designed for financial data distribution. The new model will enable clients to reach MOEX's information and trading services via existing communication lines to ESP/NSP networks without the need to establish connectivity to the Exchange's infrastructure. This will reduce the time spent by non-residents to enter the Russian financial market and associated costs on network and other IT services.

New instruments and services

Moscow Exchange offers one of the most diverse product ranges among the world's leading exchanges. It also continuously improves its offering, with new instruments expected on all markets in 2018.

The Exchange plans to give Russian investors additional opportunities to invest in international financial instruments by introducing an after-hours trading session on the Equities and Bond Market to synchronise trading hours with US markets.

The range of exchange-traded funds (ETF) will be improved by bringing new ETF providers to the market.

The launch of deliverable gold futures contracts and cash-settled futures contracts on precious metals is also expected.

The range of assets eligible for the Money Market's general collateral certificate (GCC) pools will be increased. New pools – GC Expanded and GC OFZ – were created for GCC repos in late January 2018 to complement the existing GC Bonds and GC Shares pools. The GC Expanded pool includes all bonds admitted to repo with the CCP, including bonds not eligible as collateral for NCC. The GC OFZ pool accepts sovereign bonds (OFZs) and Russian roubles.

In January 2018, an option was introduced to settle transactions in all GCC in US dollars. It is expected that deposits with the CCP with settlement in foreign currency will be launched by the end of 2018.

On 15 January 2018, Moscow Exchange began calculating and publishing a new gauge of Money Market performance, the MOEXREPO GCC indicator, based on CCP-cleared repo transactions using general collateral certificates (GCC). The indicator measures the value of secured money as free of counterparty risk and characteristics of certain securities, helping to quickly compare rates across different segments of the liquid CCP repo market.

The Exchange will continue to streamline the key Money Market instrument – repo with the CCP – by extending transactions' maturities and admission of new securities.

G10, CIS and Eurasian Economic Union currencies will be added to the product line. As part of this work, trading in the Turkish Lira/Russian Rouble (TRY/RUB) currency pair was launched in January 2018.

In 2018, it is expected that the Commodities Market will see an increased number of participants and new accredited storages, as well as launch of trading in new underlying assets.

The Exchange will facilitate the method and modes for precious metals trading as well as promote cooperation with Chinese marketplaces in on-exchange gold trading.

Enhancement of market transparency

To improve the quality of securities traded on the market, the Exchange plans to introduce additional admission requirements, including daily median trading volume, for stocks included and maintained on the Exchange's lists.

Disclosure requirements for issuers will be strengthened. Management companies of mutual funds listed on the Exchange will be obliged to publish information in the newsfeed, i.e. the "one window" for financial market information disclosure.

Furthermore, the Exchange plans to require that equity issuers listed on the Exchange disclose additional IR data on their websites. The new requirements will also include creation of a specific website section for shareholders and investors as well as publication of the effective dividend policy and dividend payments over the last five years. The Exchange will recommend that issuers publish materials for investors in English; post results and materials related to events held for investors and shareholders; and update the investor event calendar and use e-voting at AGMs.

We are now facing the important task of transforming the Exchange's operating platform into a flexible and scalable tool that supports growth of our business. We started this work in 2017 and will continue to roll out changes over the next 2-3 years. The objective is to modernize the operating business processes and update the supporting IT platform.

Dmitry Shcheglov
Chief Operating Office

The migration to online communication between the Exchange and issuers will continue and include introduction of technologies to use digital signatures, electronic data interchange when registering documents related to issues of securities, and the "one window" service for communication between issuers, the Exchange and the NSD.

A new procedure for security pre-listing is planned for launch in 2018 that will allow preliminary review of documents to check compliance with the listing requirements.

In 2018, the Exchange will offer a new information product with data on repo and deposit transactions from the Money Market.

Another new product to be presented in 2018 will be flash reporting of non-regular trades to trading members who need tighter internal control over their compliance with legislation and national financial market regulation.

Archive (historical) market data on equities will be supplemented with market data on bonds to boost interest in this segment of the Equities and Bond Market from prospective participants and investors thanks to the opportunity to conduct deeper analysis of historical data in fixed income instruments.

In January 2018, Moscow Exchange announced its intention to adhere to the principles of the FX Global Code. The Code represents a set of principles generally recognised as good practice in the wholesale foreign exchange market. It covers six major areas – Ethics, Governance, Execution, Information Sharing, Risk Management and Compliance – as well as Confirmation and Settlement Processes. The world's largest electronic FX trading platforms, including Thomson Reuters and Bloomberg, many central banks and big international banks have committed to the Code. The Exchange operates the world's largest electronic platform for rouble trading, and its accession to the FX Global Code is necessary to secure the loyalty of its international clients. In December 2017, the translation into Russian of the FX Global Code was released by the Bank of Russia in cooperation with ACI Russia.

Boosting liquidity

In 2018, Moscow Exchange's key project, the Unified Collateral Pool, will reach its final stage, during which cross margining – i.e. transfer of asset and currency profiles from Equities and FX Markets to the Derivatives Market – as well as netting across the markets will be rolled out.

The Exchange will also upgrade its risk management system to enable participants to manage their collateral assets more effectively.

The Bond Market will introduce an OTC platform that will offer search for counterparties and matching of trade terms. This platform will be used for other OTC contracts in future.

The Indicative Quote System (IQS) will be deployed on the Derivatives Market to allow participants to submit orders without initial margin blocked. The initiative aims to drive trading volumes in low liquid instruments.

As part of the bond index modernization, a new bond index will be introduced in 2018. It is designed to serve as the benchmark for creating exchange-traded bond funds. The index will comprise the most liquid Russian bonds with high credit ratings.

The Exchange will start using credit ratings assigned by Russian agencies in the evaluation of a bond's credit quality. This will help improve representativeness of the MOEX bond index family and allow effective assessment of market risks.

The methodology for calculating the free float will be updated to introduce a new approach to measuring stakes of sovereign funds, equity funds and insurance firms.

The Exchange plans to establish trading links with international FX platforms, and to attract and distribute liquidity through the development of OTC services. Current projects the Exchange is working on include bringing liquidity in G10 currencies into the Exchange via key global banks providing FX liquidity, as well as distribution of on-exchange USD/RUB liquidity to a number of big global electronic FX platforms to enable their clients to trade using MOEX's FX quotes through their custom terminal interfaces.

Technology improvement

In 2018, Moscow Exchange will offer the first prototype of a blockchain-based platform designed for post-trade service of digital assets. The platform architecture is intended to identify holders of e-wallets, register and keep records of digital assets originating from an ICO and provide the settlement service. The service's release date depends on how soon the relevant legal framework is established.

Further upgrades of the online marketplace for retail investors at place.moex.com will offer clients online account servicing with options for news subscriptions, seting up alerts for price changes and modelling real and virtual investment portfolios.

Client accounts offering the Group's general functions and services will also be deployed, enabling clients to receive incorporation documents, obtain EDI keys, order information services, etc.

Online client account services will have two-factor validation to simplify interaction with the Exchange.

In 2018-2020, the Exchange will continue expanding its co-location zone and develop new co-location IT services. The technical base and tariff proposal for such services have been designed with account of recommendations from trading members and clients.

A new version of the trading platform with hardware-independent trading and clearing engines will be put into commercial operation on the FX Market and technically prepared for rollout on the Equities and Bond Market. This project is the final stage of the segregation of trading and clearing components of Moscow Exchange. It gives new opportunities for scaling up trading volumes, creating highly reliable system configurations and reducing time-to-market thanks to having independent modules.

In 2018, the Exchange plans to upgrade its IT systems and business processes to facilitate the launch of a unified cross-market model for providing and pricing technical access services. The model will also include unified monitoring procedures for granting technical IDs and a unified system of billing technical services through integration with the NCC's services. The Exchange will continue to streamline its comprehensive schemes for monitoring clients' orders of information and technical services via online services in order to accelerate the admission procedure as much as possible.

The IT platform for index calculation will be updated and integrated with the Exchange's services as follows:

- Multi-asset indices and indicators will be maintained within one IT platform. This will help reduce operational risks and labour costs on updates;
- The service used to subscribe to index data will be advanced to include distribution of index values, commercial reports and analytical data on indices.

An online chat with limited functionality will be launched for interbank market participants. The chat will serve as the forum for negotiating and making agreements on OTC trades. The product will complement the service offering provided by the Exchange's infrastructure and strengthen the loyalty of customers.

Human Resources

HR Policy

The Exchange seeks to become a first-choice employer, offering its employees equal opportunities to harness their skills, talents and potential regardless of age, race, gender or social background.

Moscow Exchange's HR policy has three main objectives:
- to attract, incentivize and retain highly qualified specialists and managers;
- to facilitate continuous professional development of employees; and
- to create an atmosphere conducive to fulfillment of the Group's strategic objectives by unlocking its HR potential and achieving performance excellence.

In accordance with the applicable laws of the Russian Federation and the Code of Business Ethics adopted in 2016, the Group shall tolerate no labor discrimination, be it restricting an employee's labor rights and freedoms or giving advantages on the basis of gender, race, color, nationality, language, background, financial, marital, social or professional status, age, place of residence, religion, beliefs, membership in non-governmental organizations, social group or any other factor not related to the employee's professional qualifications. The Exchange shall also respect each employee's culture, opinions and lifestyle and refrain from any actions that may lead to intimidation, hostility, offences or humiliation in the workplace.

The Code of Business Ethics is published on the Exchange's intranet portal and incorporated by reference in all job descriptions and employment contracts. On top of that, the Group's mandatory training includes a business ethics course providing examples of acceptable behavior. As part of the onboarding program, all new employees are provided with a New Employee's Handbook that includes a business ethics section. Matters related to business ethics, conflict of interest or use of insider or confidential information are also explained to newcomers by the Internal Control Service as part of the onboarding program.

In its systematic effort to build an effective organizational structure, Moscow Exchange implements cutting-edge management practices and technologies, including through continuous improvement of HR management processes and training of employees across business lines.

In 2017, the Group's HR strategy was revised. As Moscow Exchange pays special attention to the protection and comfort of its employees, it plans to develop and implement initiatives that would give its workers greater flexibility in terms of their workplace, schedule and working hours.

The Group continues to develop its HR Digital platform, an HR environment intended to underpin policy implementation with advanced HR technologies, ensure deeper automation of transaction-related HR business processes, support management decision-making and strengthen the role of managers.

THE 70/20/10

Learning model: focus on self-study and on-the-job experience

Personnel structure by category[1]

Employees excl. those with a second job in the Group[2]	2014		2015		2016		2017	
	Male	Female	Male	Female	Male	Female	Male	Female
Senior executives	10	6	11	5	17	4	17	4
Heads of functional units	263	191	247	179	243	176	256	176
Specialists	472	595	499	568	533	609	564	589
Labourers	37	0	33	0	31	0	31	0
Total	**782**	**792**	**790**	**752**	**824**	**789**	**868**	**769**
		1,574		**1,542**		**1,613**		**1,637**

Personnel structure by age[1]

Employees excl. those with a second job in the Group[2]	2014		2015		2016		2017	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 25	50	60	65	46	42	29	56	32
26–35	265	306	272	300	278	283	304	274
36–55	370	393	367	375	392	421	395	411
Over 56	97	33	86	31	112	56	113	52
Total	**782**	**792**	**790**	**752**	**824**	**789**	**868**	**769**
		1,574		**1,542**		**1,613**		**1,637**

Staff turnover

	2014		2015		2016		2017	
	Turnover rate, %		Turnover rate, %		Turnover rate, %		Turnover rate, %	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 25	10.4	24.9	31.0	33.3	5.6	2.7	16.1	15.6
26-35	9.6	8.0	9.7	8.7	13.8	6.2	10.9	10.6
36–55	6.5	3.6	4.2	4.3	7.9	3.3	7.1	4.6
Over 56	1.8	0	3.7	5.1	3.0	9.2	7.1	9.6
Total	**7.0**	**6.2**	**7.1**	**7.1**	**9.2**	**4.7**	**9.0**	**7.5**
		6.6		**7.1**		**7.0**		**8.3**

[1] As at the end of the period.
[2] Excl. employees with a second job in the Group (incl. maternity leaves).

Average number of training hours

Corporate training

			Total training hours				
			Training breakdown by gender		Training breakdown by employee category		
	Average annual number of training hours per employee	Corporate (skills) training	Male	Female	Senior executives	Heads of functional units	Specialists
2014	27.15	13,928	6,904	7,008	–	10,024	3,888
2015	11.08	13,472	6,944	6,528	256	6,016	7,200
2016	10.72	16,418	9,051	7,367	658	7,829	7,931
2017	10.51	17,208	7,280	9,928	1,176	5,336	10,696

Professional training

			Total training hours				
			Training breakdown by gender		Training breakdown by employee category		
	Average annual number of training hours per employee	Professional training	Male	Female	Senior executives	Heads of functional units	Specialists
2014	6.76	7,110	–	–	–	–	–
2015	31.94	25,912	12,837	13,075	488	9,158	16,266
2016	16.40	25,124	13,638	11,486	568	8,240	16,326
2017	11.20	18,337	9,773	8,564	754	6,431	11,141

	Total training hours	Average annual number of training hours per employee
2016	41,542	27.12
2017	35,545	21.71

Organizational Structure

The Exchange pays close attention to constant improvements in efficiency of its business processes and management system.

In 2017, it developed new standard market division structures, under which sales and product development are defined as key business lines to ensure greater efficiency across the markets and streamline the business processes. These organizational changes are scheduled for the first quarter of 2018.

These changes are also designed to introduce a flatter management structure at the Group's business divisions, which is in line with the goals of implementing cross-market strategic projects and growing career opportunities for employees.

The Exchange will continue improving the efficiency of its organizational structure by adopting best-in-class practices and approaches, including those aimed at enhancing career and professional development opportunities for employees.

No headcount optimization was carried out in 2016–2017, nor is it scheduled for 2018.

Remuneration Policy

The Moscow Exchange provides a competitive level of remuneration to attract, retain and incentivize employees. The Exchange's remuneration principles set out the fixed (base salary) and variable (annual bonus) components of remuneration. Amounts of these components depend on employee grade and salary market data. The variable part of remuneration correlates with the performance of the Group and each individual employee, both of which are evaluated as part of the performance management process.

The Supervisory Board of Moscow Exchange approved corporate targets for 2017, including financial performance, progress on key projects as well as reliability and continuous operation of the Exchange's systems.

Corporate targets for NCC and NSD differ from those of the Exchange due to the specific nature of NCC and NSD's business (as a central counterparty and the central securities depository, respectively) and different legal requirements for credit organizations. As a result, the corporate targets for NCC and NSD are reviewed on a standalone basis and approved by their respective supervisory boards.

The Supervisory Board of the Exchange also approved the principles and parameters of a stock-based long-term remuneration program intended to help the Group retain key personnel and motivate them to contribute to the long-term sustainable development of the Group.

In addition, the Group put in place a system of benefits, including several types of insurance and financial assistance plans.

In 2017, special attention was given to performance management as the key factor in determining annual bonuses and salary increases. Starting from 2018, performance will also influence career planning after the value-based assessment and the value-based competence model were integrated in 2017.

The future plans include gradual transition from annual assessment to ongoing feedback.

A STRONG CORPORATE CULTURE IS BUILT ON THE EXCHANGE'S VALUES

We are responsible for the future of the Company

We strive for excellence and are open to change

We work in partnership with our clients

We value transparency and integrity

To integrate these values into its everyday business, the Group incorporated them into all key processes and communication tools:

- Values and competences feedback
- Internal communications
- Top management as a role model for embracing the values
- Audit of regular business processes to ensure compliance with the values
- Personnel training
- Assessment of the newly employed personnel based on the refined values
- Non-financial incentives for employees
- Talent management
- HR brand development
- Recognition program with values-based categories
- Corporate clubs

Training and Development

The three key priorities of the Exchange's employee training and development strategy are improvement of management skills, ensuring continuity of knowledge and experience and supporting the business in fostering innovative solutions in line with global trends.

The training and development framework includes both educational programs and tools for workplace development and self-learning. MOEX is encouraging more employees to take charge of their own education, providing them with advanced technology and the necessary resources and opportunities. In 2017, the Exchange started rolling out the 70-20-10 education concept that emphasizes self-learning and workplace development (70%) along with learning from others' experience (20%) and hands-on training sessions (10%).

In 2017, more than 700 employees completed in excess of 2,200 e-courses which included both mandatory courses as part of the efforts to ensure business continuity and courses intended to improve soft skills. In total, 750 employees took part in various educational programs and trainings. As part of the drive to improve business processes, Group employees completed 21 cross-functional internship programs.

Professional and compulsory education is among the Exchange's priorities. The company focuses also on the development of employee competences along with leadership and project management skills necessary to deliver strategic projects. These educational initiatives account for up to 50% of the total time spent by employees on training programs. To facilitate the process, the Exchange established a corporate university. In 2017, the number of corporate university programs rose to five, with the Projects, Business and Top Management Faculties being added to the already existing Management and Professional Faculties. 50 employees entering the Project Faculty program develop their skills in project management and design thinking. The Professional Faculty launched an Internal Coaches project, under which the Group's employees hold master classes, training and workshops to share unique knowledge with their co-workers. In 2017, nine Exchange employees were elevated to the status of internal coaches holding ten trainings on various subjects for 100 employees.

In 2017, 50 Group employees completed a year-long Management Faculty program targeting management competencies of various levels.

Educational programs for senior executives include both individual and collective trainings. To ensure continuous growth of senior management, the Exchange opened the Top

Fostering a strong corporate culture is one of Moscow Exchange Group's strategic priorities, with specific objectives as follows:

1. Development of the most efficient employee behavior models to address business challenges.
2. Strengthening of employee engagement in the implementation of the Group's strategy.
3. Enhancing effective staff interaction (vertical, horizontal and cross-functional).

The three key priorities of the Exchange's employee training and development strategy are:

1. Improvement of management skills.
2. Ensuring continuity of knowledge and experience.
3. Supporting the business in fostering innovative solutions in line with global trends.

Management Faculty, with programs developed by a leading European business school.

Training efficiency assessment is one of the Group's priorities. After completing training, internship and mentoring programs, graduates complete a feedback form to help evaluate the overall experience, training quality and applicability of the knowledge they acquired. The modular programs of the Projects Faculty and the Management Faculty imply mandatory cross-modular activities such as individual and collective homework to hone knowledge, as well as coaching sessions to test new skills in ongoing projects and real-life teamwork.

In 2018, the key programs of the corporate university will be as follows: Projects Faculty (project leadership development), Management Faculty (management succession pool and mid-level management development), Top Management Faculty (senior management development), Professional Faculty (development of employees for current and future professional tasks), and Internal Coaches (sharing the unique knowledge within the Group).

In 2017, the Exchange upgraded its talent management program seeking to put in place a consistent performance and capabilities assessment process to provide long-term individual plans for professional and career development. The program places particular emphasis on succession discussions and building a pool of potential successors to key positions. The Group runs a succession planning program for members of the executive bodies, including at subsidiaries, to define a pool of successors to key positions and put in place individual successor development plans.

Social Support

Providing social support superior to the mandatory minimums prescribed by law is a part of the Group's social policy designed to ensure social security for employees and improve workforce performance, quality and loyalty. Corporate social support is provided under the Regulations on Corporate Social Support to Employees of Moscow Exchange approved by the Group's executive bodies in 2016. . Healthcare, maternity protection and childcare are the key concerns of the Group's social support policy.

All Group companies provide voluntary health insurance (VHI), international health insurance and personal accident and health insurance plans for all employees.

In addition, employees can have their family members included in the VHI program at the expense of the Group (subject to the predefined individual limit). Employees with two or more children can use an extra annual limit to insure their children (including adopted children and children under parental custody) under the VHI program if the household's average monthly income does not exceed a certain level. Employees also have an opportunity to insure their family members under international health insurance programs using corporate rebates.

The Group provides financial aid to employees who have become parents through adoption or legal guardian status, lost a family member or otherwise become eligible for such aid under the Regulations. The Exchange has a permanent social support committee to handle such issues as providing financial assistance (and determining the size thereof) to employees and members of their families who suffered an accident or emergency (including those affecting their health) not covered by existing insurance plans.

Employees with work experience of six months or more are entitled to additional temporary incapacity payments if they fall ill or need to care for an ailing family member, while those with a track record of at least two years can also claim additional maternity leave payments.

Recreation areas, kitchenettes and a gym are provided in the Group's offices, which are also equipped with water coolers, coffee and vending machines.

The Exchange promotes a healthy lifestyle among its employees and implements anti-epidemic measures to prevent outbreaks of influenza and viral respiratory infection. A "Health Days" campaign has been launched. Employees are also entitled to special corporate discounts at leading fitness centers and can join a number of sporting clubs (running, triathlon, football, hockey, etc.).

Additionally, the Group established and successfully runs corporate clubs for entertainment and intellectual development, including the intellectual game series What? Where? When?, culinary club MOEX Kitchen and literary club MOEX Readers. These initiatives serve to promote corporate culture and create a favorable environment for employees, including by prioritizing their health.

The Group strictly adheres to the labor laws providing social guarantees to certain categories of employees (including those with a family) and granting additional days off to parents with disabled children and additional unpaid leave to employees with babies.

Health and Safety

Ensuring occupational health and safety with no negative impact on performance is among the Group's priorities.

Assuming full responsibility for protecting the lives and health of employees, the management of the Exchange and the wider Group applies high health and safety standards and undertakes to:

- comply with the labor laws of the Russian Federation and state regulations on occupational safety;
- ensure safe working conditions and protect the lives and health of all employees by taking consistent and continuous steps (actions) to prevent accidents, deterioration of health and occupational injuries and diseases, including through labor risk management;
- inform every employee about dangers, threats and professional risks identified in the workplace;
- provide for high-quality and timely training to maintain excellence in occupational safety and continuously improve employees' competencies in this area;
- implement an economic policy encouraging the creation of working conditions meeting the requirements of the state occupational safety regulations;
- provide employees with modern collective and individual protection equipment;
- ensure comprehensive control over compliance with state occupational safety regulations both in the individual workplace and across business units;
- provide the necessary resources and incentives to engage employees (or their authorized representative bodies) in occupational safety management and encourage them to bring the working conditions into line with the occupational safety requirements;
- provide personal stimulus for every employee to participate in the creation of safe (to the fullest extent possible) working conditions by enforcing a stricter safety discipline;
- perform special working conditions assessments and workplace inspections of progress on sanitary and anti-epidemic (prevention) initiatives in a timely manner;
- ensure the availability of complete and accurate information on working conditions and the wider occupational safety situation at Moscow Exchange both from the employer to the employee and from the employee to the employer (or its representative); and
- constantly improve the occupational safety management system to ensure it meets the current needs of the Exchange.

Management assumes responsibility for the implementation of occupational safety initiatives by setting relevant targets and goals, planning and financing their achievement, and undertaking to respect the Company's values and urge every employee to do the same.

To provide the best working and recreational conditions for employees, the Exchange and the Group carry out special working conditions assessments and check the implementation of and compliance with sanitary and anti-epidemic (prevention) initiatives in the workplaces in a timely manner, which helps to maintain employee productivity at a sustainably high level.

To keep employees updated on the working conditions and exposure to professional risks, the Exchange put in place the following communication toolkit:

- inclusion of relevant provisions in employment contracts;
- ensuring the results of special working conditions assessments are made available to the employees;
- posting of special working conditions assessment summaries in the relevant workplaces;
- use of online information resources and websites of Group companies; and
- posting of relevant information in public areas for employees.

The Group organizes an extensive range of briefings on occupational, electrical and fire safety, civil defense and emergencies. In 2017, induction occupational safety briefings were attended by 142 new employees of the Exchange. All employees attend initial, refresher and unscheduled workplace safety briefings and are tested in occupational safety regulations on a regular basis as required by applicable laws.

In 2017, an internal occupational safety audit was performed leading to the revision of occupational safety by-laws.

In 2017, 96 managers of the Group completed training in a specialized education center and were tested in occupational safety regulations.

All safety-related instructions and regulations are available on the corporate intranet portal, where employees can also find articles on occupational health and e-learning safety courses.

To organize occupational health monitoring, the Exchange approved:

- a procedure for mandatory (in line with the applicable regulations) and voluntary medical examinations and mental health assessments; and
- a list of jobs (positions) subject to medical examinations and mental health assessments.

The Group arranges annual influenza vaccinations for employees. Moreover, employees are provided with antiseptics and medical face masks during outbreaks of influenza and viral respiratory infections. Germicidal air purifiers were purchased.

In November 2017, the Exchange staged a Health Week, giving its employees an opportunity to take vision tests, attend a First Aid class, receive healthy lifestyle tips and participate in a variety of workshops.

Should an employee feel unwell or require immediate medical assistance, they can visit one of the corporate doctors based in the Moscow offices.

To ensure and maintain safe working conditions and prevent occupational injuries and diseases, the Group put in place an accident prevention framework with response procedures including the approved and developed accident response and management plans, and also adopted procedures for investigating and reporting on any such occupational injuries and diseases.

In 2013–2017, only one accident was reported at the Exchange (it occurred in 2017). The state labor inspector investigating the accident found no fault on the part of the Exchange.

In 2018, the Exchange plans to launch new and upgraded e-courses on occupational, electrical and fire safety and first aid education programs for all employees.

In addition, the Exchange plans to provide psychological support to employees, monitor their mental health, take relevant preventive steps and implement other initiatives in this area. Employees already have an opportunity to report issues to their managers or the HR and Compliance teams, and receive the required support, help and advice.

Moscow Exchange and the Community

Communication with Professional Community

The Moscow Exchange is actively engaged in a dialogue with existing and potential investors and market participants through its consultative bodies and working groups, as well as investment conferences, forums and specialised trainings. This promotes further expansion of MOEX's client base, boosts liquidity in the on-exchange and facilitates investments in the Russian economy.

Moscow Exchange Council

The Moscow Exchange maintains an ongoing dialogue with market participants through its advisory and consultative bodies with a view to receiving feedback from its clients in respect of new products and services, improving the Exchange's infrastructure and developing proposals for changes to financial market regulations.

MOEX's main consultative body is the Moscow Exchange Council, whose primary objective is to put forward strategic proposals to further develop the Russian financial market, as well as to represent traders and clients in order to ensure full and comprehensive recognition of their needs in resolving any issues connected with the organisation and development of the financial market infrastructure. The Moscow Exchange Council comprises major traders, self-regulatory organisations, managing companies, investment banks, and the Bank of Russia.

In late 2017, the Supervisory Board approved the new Exchange Council, which now comprises 25 members. Andrey Zvezdochkin, CEO of ATON Investment Company, was elected Chairman of the Moscow Exchange Council.

The Council held four meetings in 2017 to review:

- key tariff initiatives;
- development of interest rate derivatives;
- appeals of financial services' consumers filed with the Bank of Russia;
- upgrade of the ranking system of MOEX traders.
- unified Collateral Pool project;
- development of information and analytical products;
- use of ratings for the listing of bonds.

Expert Council on Listing

Established in late 2016, the Expert Council on Listing is a consultation body set up with a view to deepening the analysis and improving the quality of securities as part of initial listing and subsequent listing maintenance.

In 2017, the Expert Council on Listing comprised 37 members, including appraisers, auditors, bankers, lawyers, analysts, investors and methodologists. Meetings of the Expert Council are held in the form of working groups made up of 7 to 9 dedicated experts appointed by the Chairman of the Expert Council to consider the agenda items. In 2017, the Expert Council on Listing held 23 meetings.

The key function of the Expert Council on Listing is to develop recommendations for the Moscow Exchange on matters of listing, delisting, changing the listing level of securities and strengthening the listing requirements. Decisions made by the Expert Council are not mandatory, but intended to augment the Exchange's expertise.

User Committees

There are 19 user committees (based on financial market participant groups and issuers) operating under the auspices of the Moscow Exchange and the NSD.

In 2017, a new Deposit Market Committee was established following the launch of the Deposits with the CCP section as part of the Money Market.

Most user committees are formed on an annual basis and composed of representatives of professional market participants, including banks, brokers and investment companies, as well as issuers and non-financial companies. They are mainly tasked with the preparation of proposals to amend the existing laws and other regulations, to review regulatory matters associated with public trading and issue of securities, information disclosure in the securities market, and corporate governance. In addition, they develop proposals for managing securities trading, improvements in clearing and settlement technology, and the expansion of portfolio of available tools and services. Matters put forth for review by the Moscow Exchange Council are usually actively debated in user committees.

For convenience of committee members, clients and market participants, the Moscow Exchange publishes a monthly digest report of its user committees with the information and resolutions proposed for consideration by the Moscow Exchange Council and user committees.

Information on the activities of the committees and the Moscow Exchange Council is publicly available and can be accessed on the MOEX website.

IR Academy

In 2016, the Moscow Exchange launched an IR Academy, a large-scale education project for investor relations and corporate communications professionals, as well as analysts. The Academy offers training on all nuances of the profession, from the IR evolution to modern digital technologies employed by the industry.

The IR Academy serves as a forum for investor relations specialists and a centre for developing IR guidelines and standards.

It’s courses help companies to structure their investor relations upon entering the public market. The IR Academy provides training for managers of public companies on best corporate governance and disclosure standards, as well as guidance on improving corporate practices and increasing transparency.

Since the launch of the IR Academy in September 2016, 11 workshops were held hosting around 80 speakers.

Development of Corporate Governance in Russia

For over 20 years now, the annual report competition organised by the Moscow Exchange together with the RCB Media Group has been one of the most important events in the sphere of corporate governance and investor communication in Russia. The contest facilitates transparency and efficient disclosure for the benefit of investors and clients. The 20th anniversary annual report competition drew 132 companies, including 19 first-timers.

For the second year running, the Moscow Exchange supported the Russian Public Companies Corporate Governance Index, the annual survey by the Independent Directors Association. The Index reflects the quality of corporate governance in the companies on the basis of two sources of information: a survey of professional community, and publicly available data on the company's operations, which then serve as the basis for individual and consolidated indicators of corporate governance quality. The project has been designed with a view to helping companies to refine their corporate governance practices, to ensure fuller disclosure and to improve their investor communications.

Moreover, in 2017, the Independent Directors Association in conjunction with the Moscow Exchange held its 11th annual Director of the Year award ceremony that celebrates the achievements of directors who promote best corporate governance practices in Russia. Annual ratings of best directors are composed and later serve as the roster for choosing the winners and awardees.

Effective Relationships with the Market Participants / Investment Community

For many years, the Exchange has been staging events and supporting the largest professional conferences in the financial market. Since 2009, it has been setting up the Exchange Forums across the world's major investment centres, such as London, New York, Shanghai and Moscow, annually drawing over 2,000 representatives of global institutional investors and banks, heads of trading operations in the financial markets and portfolio managers. The Exchange Forums provide a unique platform for a dialogue among government representatives, investment funds, banks and heads of Russian companies, improving the appeal of the Russian financial market for the investment community and drumming up domestic and international investor interest in the Russian exchange market.

In 2017, the Exchange was a partner of the business programme organised by the St Petersburg International Economic Forum (SPIEF), as well as events hosted by the self-regulatory organisations, namely, the Russian Stock Market and Asset Management conferences of the National Association of Securities Market Participants (NAUFOR) and a repo forum set up by the National Finance Association. The Exchange supported the Russian Business Week organised by the Russian Union of Industrialists and Entrepreneurs, the Russian Bond Congress, the largest annual conference on the fixed income securities market staged by the Cbonds agency, as well as a number of regional conferences and forums.

MOEX storives to bolster exports of Russian companies, including through the exchange-traded financial instruments. As part of these efforts, it entered into a cooperation agreement in the sphere of educational, research and information activities with the School of Export of the Russian Export Centre. The partnership provides for the development of a training course on hedging currency risks, creation of educational programmes and recruitment of teachers with expertise and practical experience in stock trading for further training of export-oriented SMEs.

International cooperation

The Exchange places great emphasis on the cooperation with international financial organisations with a view to embracing global best practices and experience.

In May, MOEX signed a strategic cooperation agreement with the Shanghai Stock Exchange aimed at promoting the Russian and Chinese financial markets and creating joint exchange products. In March, MOEX and the official Chinese delegation of the Dalian Commodity Exchange (DCE), the world's largest trading platform for commodity derivatives, signed a memorandum of understanding aimed at fostering cooperation in commodity derivatives markets.

In October, the Exchange hosted Investments and Funding as Part of the One Belt One Road Initiative, a joint Russian-Chinese conference organised in Moscow together with the Shanghai Clearing House (SHCH). Panel sessions focused on the practical aspects of trading on the Russian and Chinese financial and exchange markets: the Russian and Chinese financial market infrastructure linkages, investment and financing in commodity markets in relation to the One Belt One Road initiative, as well as opportunities for investors and issuers in the Russian and Chinese public capital markets.

In April, at the annual Exchange Forum, MOEX signed a memorandum of understanding with the Astana International Financial Centre (AIFC) to share experience and information on the exchange-traded financial instruments. The memorandum will facilitate further integration of Russia and Kazakhstan within the Eurasian Economic Union.

In June, the Exchange signed a memorandum of understanding with the Kazakhstan Stock Exchange (KASE) aimed at the integration of Russian and Kazakhstan stock markets. It involves mutual access to exchange markets for professional participants; sharing and disclosure of information on the exchange trades, financial instruments and issuers of the Russian and Kazakhstan exchanges, as well as on the upgrade of financial technologies and instruments; cooperation on the IT infrastructure development and implementation of the global best practices as regards exchange trade, pre- and post-trading procedures.

MOEX is a member of the World Federation of Exchanges (WFE) and of the Futures Industry Association (FIA). In 2017, the Exchange took part in the WFE and FIA international conferences in Frankfurt, London, Boca Raton and Bangkok. MOEX was also an active participant of the WFE working groups, including those studying the world exchanges' practices of attracting retail investors to exchange markets.

Employer brand, cooperation with universities

In 2017, Forbes named the Moscow Exchange one of the World's Best Employers. The ranking covered 500 employers globally, with only four Russian companies making it to the top list.

To improve its brand awareness and image as an employer, in 2017, the Exchange came up with an integrated value proposition: "MOEX is a place where everyone can fulfil their potential and go to the limit of their capabilities by creating innovative technologies and dealing with global-scale challenges". The value message is supported by a communication question to the potential employee ("Where is the limit of your capabilities?") and a slogan ("Shaping the development, creating the future"). Furthermore, a creative concept of the employer brand was developed to promote the value message.

In 2017, the Group targeted young talent by putting in place an internship programme for 38 finance and IT students giving them an opportunity to participate in the Exchange's projects and undergo comprehensive training in personal development and efficiency. The best students were offered a position at the Exchange.

The Exchange's experts regularly participate in joint programmes with leading Russian universities. In 2017, MOEX speakers held a series of master classes in MGIMO, the Moscow State University, Higher School of Economics, Financial University under the Government of the Russian Federation and Moscow Engineering Physics Institute. 2017 also saw the launch of the Securities and Financial Engineering educational programme aimed at improving the financial literacy and run jointly with the Financial University. Over the past few years, the Group's employees have been running a special course on financial risk management at the Faculty of Computational Mathematics and Cybernetics of the Moscow State University. Jointly with the New Economic School, MOEX conducts academic research related to the development of markets and financial instruments. For 20 years, IT specialists have been receiving training at the MEPhI faculty specialising in exchange trading technologies.

In 2017, a new advanced training programme Exchange Trading Basics was launched. It was developed by the Moscow Exchange together with the finance and banking department of the Russian Presidential Academy of National Economy and Public Administration.

In conjunction with the Financial University under the Government of the Russian Federation, the Moscow Exchange held Fincontest, a special academic competition on financial markets. In addition to various tests on corporate finance, securities market and financial analysis, the competition gives its participants an opportunity to start their professional carrier. More than 2,500 students took part in the competition, and after a multi-stage screening process four of them were offered internship at the Moscow Exchange. Moreover, the competition presents an opportunity to interact with market professionals through a series of master classes held by the Exchange employees.

The Exchange was a partner of the 16th All-Russian Securities Market Student Olympiad, which drew 16 teams from 15 universities across 6 Russian federal districts.

The Exchange also supported the 12th All-Russian Olympiad in financial markets and basic consumer knowledge for high school students, Youth Republic: the Basics of Financial Education summer camp for high school students in the Nizhny Novgorod Region and the All-Russian Thesis Competition on financial topics.

In 2017, the Exchange's employees took part in the Council's outreach events, including the 3rd All-Russian Congress of Financial Volunteers and the Financial Literacy Week in the Republic of Kalmykia.

In addition, the Exchange cooperated with the Academic Council of the Russian Academy of Sciences on the economic history matters and worked with the Centre for Economic History of the Moscow State University.

In 2017, the study of the Russian financial market resulted in the publishing of "Down to the foundations, and then...", a book describing the Russian securities during the revolutionary period and the Soviet era.

In 2018, the Group will continue targeting young talent and developing internship programmes in accordance with best practices. In April 2018, the Exchange will launch three internship programmes:

- MOEX Future Leaders – a year-long internship for undergraduates who are serious about a career in the financial market and are working to become true leaders. Over the year, interns will get to work at several divisions across the Moscow Exchange and gain versatile experience.
- MOEX Study & Work – a programme for students who wish to do research focused on the Exchange under the supervision of seasoned professionals.
- MOEX Summer – a three-month internship over the summer holidays that will introduce students to the Exchange and give them their first work experience.

Stock Exchange History

Since 2002, the Exchange has maintained an exhibition on the history of the Russian stock exchange dating back to the 12th century. In 2017, the exposition attracted over 3,000 visitors, including schoolchildren and students. It also serves as a platform to host contests, olympiads, and financial and career guidance projects.

Charitable Assistance

Charity program are carried out in accordance with the Company's charity Policy, which was approved by the Executive Board of Moscow Exchange on 6 September 2012. The Group's charitable activities prioritize financial support of long-term social initiatives through specialist foundations. The Executive Board annually approves the list of projects based on recommendations of the Charity Policy Committee.

Moscow Exchange focuses its charitable initiatives on the following key areas:

- development, education and medical treatment of children;
- aid to those injured in catastrophes and natural disasters;
- support for veterans and the elderly.

The Exchange does not support organizations that discriminate based on gender, sexual orientation or nationality.

The Exchange does not, directly or indirectly, finance organizations whose activities are in any way associated with human rights violations or manufacturing and proliferation of weapons of mass destruction, and it does not take part in projects that carry risks of environmental pollution.

The Group cooperates with several reputable charitable foundations, which receive the bulk of its charity allocations. Mediation by partner non-profit organizations ensures that help reaches a large number of people in need while also guaranteeing transparency of expenditures. In 2017, the Group's charity expenses amounted to RUB 29.9 mn.

Criteria for project selection

In making project selection or financing extension decisions, the Exchange applies the following criteria.

Project's ability to address a socially relevant problem in Russia.

Measurable assessment of the project's impact.

Opportunity for the employees to take part in the project.

Support of Educational Programs

In 2017, as part of the Exchange's continued cooperation with the New Teacher Charity Foundation for Education Support and Development that began in 2016, it allocated RUB 5 mn to support the Teacher for Russia program, which is a Russian project that sends talented youth and graduates of Russia's leading higher education institutions to teach in regular schools. The program is designed to provide access to quality education for children from areas with a challenging social environment, to raise the prestige of the teaching profession for the best Russian graduates and attract talented teachers to the school system, to launch the regular school transformation process and to implement new educational formats and technologies. At present, the program involves 170 teachers.

The Exchange's donations provide 15 mathematics and economics teachers from the Tambov, Voronezh and Kaluga regions with methodological support and scholarships.

Aid for Children

Starting in 2014, the Exchange has partnered with the Gift of Life foundation, which focuses on helping children with cancer and other life-threatening illnesses. In 2017, the Exchange allocated RUB 7 mn to support the foundation's most important program – Voluntary Donation, which makes sure people donate enough blood to hospitals.

In 2017, NSD allocated over RUB 2 mn to Touching the Heart (Dmitry Malikov's foundation), Strana Chudes and Radost Detstva to purchase medicines, high-tech hearing aids, a wheelchair, a commode chair and therapy for children.

The Group continued to implement a joint long-term project with Our Children Foundation running an integrative educational summer camp for children who live in social institutions and in families. In 2017, thanks to NSD's donation of around RUB 1 mn, ten children participated in the program. They went to the town of Kabardinka where they took part in master classes and psychological workshops helping to develop communication skills and to foster independence and responsibility in decision-making. Additionally, a group of children aged 7 to 17 who had suffered serious diseases enjoyed a stay at the Sheredar recreation and rehabilitation center.

In 2017, NSD continued financing the Danilovtsy volunteer movement and donated RUB 385,900. Volunteers organized events for cancer patients at the Rogachev Children's Hematology Center, Burdenko Neurosurgery Institute and Russian Children's Clinical Hospital.

Aid for the Terminally Ill and Their Families

In order to foster the development of hospice care in Russia, the Exchange works with Vera Charity Foundation, which supports over 20 hospices in Moscow and the Russian regions.

In 2017, the Exchange donated RUB 6 mn to programs and activities aimed at providing material, medical and social aid to families with terminally ill children, hospices for children and adults and regional healthcare establishments that render palliative care, as well as to the state-run Moscow Full-Service Palliative Care Centre of the Moscow Department of Health.

Rehabilitation after Stroke

Since 2014, the Exchange has cooperated with ORBI, the first and only foundation for combating stroke. The two organizations work to raise awareness of stroke prevention measures and to help stroke survivors get back to their normal lives, which also takes a financial burden off the government.

In 2017, the Exchange donated RUB 0.5 mn to help people who had suffered a stroke and their families. The funds were distributed between two programs:
- creation of occupational therapy simulation rooms at medical facilities engaged in rehabilitating patients with acute cerebrovascular diseases;
- organization of the Together Against Stroke campaign that aims to raise public awareness of stroke prevention and to foster healthy lifestyles.

Support for Veterans and the Disabled

In honor of the 72nd anniversary of the victory in World War II, the Group provided financial aid to veterans: one-time payments were received by 119 World War II veterans and disabled soldiers, home front workers, siege survivors and prisoners of concentration camps. The total amount of payments amounted to RUB 6.2 mn.

29.9

RUB MN

was allocated to charitable assistance in 2017

NSD donated RUB 266.8 thousand to the Starost v Radost foundation to cover the wage of a nurse at a housing facility for the elderly.

In addition, in 2017 NSD rendered financial support of RUB 300,000 to the Duet Wheelchair Dance Club for the purpose of organizing the Open Moscow Cup and the Melody of Summer wheelchair dancing festival.

Corporate Volunteer Program

Exchange employees have the opportunity to take part in charitable activities by volunteering or making a donation. Announcements of socially significant activities are included in the daily Company News morning newsletter, and reports and photo essays about events are posted on the Corporate Philanthropy intranet page, where employees can also register to participate in volunteer events or make a donation, as well as advertise alternative charitable projects. In 2017, the Group's offices hosted Donor Days (132 employees donated blood) and charity fairs. The events were supported by the Blood Service, Gift of Life and Volunteers Helping Orphans. The Group also organized campaigns to raise funds for the treatment of children suffering from cancer and the rare skin disease epidermolysis bullosa. Total funds donated by employees in all campaigns exceeded RUB 310,000 and were allocated to the Gift of Life and BELA Butterfly Children charitable foundations.

Environmental efficiency

Moscow Exchange's environmental footprint is rather light. Nonetheless, the Group works diligently to reduce it further and runs its business in an environmentally responsible manner.

The Exchange's activities that impact the environment are governed by the MOEX Environmental Monitoring and Industrial Control Program, which was adopted in 2017. Its key objectives are monitoring and preventing pollution, continuously reducing the environmental footprint, monitoring compliance with environmental protection programs and legislation and assessment of business processes at Moscow Exchange to ensure they are aligned with environmental regulations.

In 2017, Moscow Exchange developed Waste Generation and Disposal Limits that apply to the disposal of waste across the Group's operations. The document determines the points of waste accumulation and collection, its types and hazard classes. The Moscow Department for Environmental Management and Protection approved the document that sets waste generation and disposal limits effective for five years (until February 2023).

The Exchange maintains separate collection of waste by type, hazard class, and other parameters to ensure proper waste disposal and recycling. All employees engaged in waste collection, accumulation and storage have a working knowledge of health and safety requirements and use appropriate safety clothing and personal protective equipment. Waste of hazard classes I and II (mercury and fluorescent lamps, and used batteries, respectively) is handled by appropriately trained and skilled employees who are at least 18 years of age.

Waste collection, accumulation and disposal are performed on a consistent basis. For example, solid and food waste is disposed of daily, paper and cardboard – as often as necessary, but at least once a month, air filters – on a quarterly basis, etc. All Moscow Exchange offices have battery collection and disposal points that have been in place for at least two years. Used oil and air filters, mercury lamps, parts of office and electronic equipment, such as monitors, keyboards and cartridges, are all sent to specialist contractors for disposal.

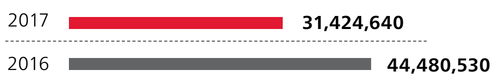
In 2017, the Group took steps to improve its office environment with new landscaped areas in the courtyard and on the seventh and ninth floor balconies of the head office, and bike parking facilities in the adjacent territory.

Water

In 2017, the Exchange significantly reduced its water consumption thanks to the reconstruction of the fitness club in Bolshoy Kislovsky Pereulok acting that acts as a sub-consumer of its water supply system.

Total Water Offtake, liters

Total Water Discharge[1], liters

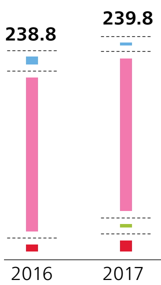


[1] Total discharge includes canalization and wastewater effluents. Discharge location: Mosvodostok (Moscow municipal discharge facilities), no pre-treatment required.

Waste

Total Waste Mass, tons

Category	2016	2017	Δ 2017/2016
Category 1	0.2	0.2	8.6%
Category 2	0	0	–
Category 3	9.9	4.4	–55.6%
Category 4	208.2	209.0	0.4%
Category 5	20.5	26.2	27.7%
Total	**238.8**	**239.8**	**0.4%**



Disposal, Dumping and Recycling Methods, tons

Method	2016	2017	Δ 2017/2016
Total	**238.8**	**239.8**	**0.4%**
Re-use	9.6	15.5	61.0%
Release of valuable components including energy	0	4.6	–
Placing in landfills	218.0	216.0	–0.9%
Other methods (deactivation and recycling)	11.2	3.7	–66.7%

Energy efficiency

Energy efficiency ,RUB thousand [2]

Resource	2016	2017	Δ 2017/2016	Δ 2017/2016
Gasoline	2,732.4	2,796.3	63.9	2.3%
Diesel fuel	172.9	144.9	–28.0	–16.2%
Electricity	53,010.7	54,192.3	1,181.6	2.2%
Heat	7,053.8	6,438.4	–615.4	–8.7%
Total	**62,969.9**	**63,571.9**	**602.0**	**1.0%**

In 2017, gasoline costs increased due to higher prices. At the same time, diesel costs decreased on the back of fewer miles traveled by vehicles that run on diesel.

Electricity consumption in kilowatt hours (kWh) was lower thanks to energy saving initiatives and relatively cool summer weather, but electricity costs ended up higher due to an increase in tariffs. Lower heating costs in 2017 were the result of a later start of the heating season and a relatively warm winter.

[2] Excluding VAT.

Environmental Safety Costs

Total environmental protection expenditures and investments, RUB thousand[1]

Costs for waste and discharge treatment and environmental remediation costs	2016	2017	Δ 2017/2016
Production and consumption waste disposal charge (tax)	75.6	78.4	3.6%
Environmental impact charge (tax)	80.7	74.1	-8.1%
Cost of pollutant wastewater discharges to the municipal sewerage	23.4	27.8	18.9%
Disposal of fluorescent lamps	41.9	59.0	40.7%
Disposal of office equipment	59.3	71.7	20.8%
Disposal of other waste (oil, air and oil filters, paper, cardboard, ferrous scrap metals)	225.9	326.7	44.6%
Disposal of bulk waste	154.7	64.0	–58.6%
Contract to obtain certification for waste of hazard classes I–IV and registration in the State Control information system of the Federal Service for Supervision of Natural Resources (Rosprirodnadzor)	0	130.0	–
Contract for report preparation and filing with Rosprirodnadzor	112.0	35.0	–68.8%
Contract to develop Waste Generation and Disposal Limits	0	245,0	–
Contract to develop the Environmental Monitoring and Industrial Control Program; waste disposal regulations for hazard classes I and II; collection, accumulation, storage, accounting and disposal regulations for production and consumption waste as well as related health and safety regulations	0	150,0	–
Total	**773.5**	**1,261.6**	**63.1%**

Environmental impact prevention and environmental management system costs, RUB thousand[1]

	2016	2017	Δ 2017/2016
Total	**397.0**	**625.0**	**57.6%**

[1] Excluding VAT.

Energy consumption by fuel type[2]

Fuel	2016[3] Natural value	2016[3] J, MJ	2017 Natural value	2017 J, MJ	Aggregate energy consumption reduction, MJ
Gasoline, liters	78,862.1	2,604,069.8	80,720.5	2,643,800.0	39,730.2
Diesel fuel, liters	5,347.7	189,189.4	4,524.4	159,600.0	–29,589.4
Electricity, kilowatt hour	11,342,061.3	40,831,420.6	10,651,437.0	38,345,173.0	–2,486,248.0
Heat, gigacalorie	5,135.5	21,517,590.0	4,548.1	19,807,500.0	–1,710,090.0

In 2017, electricity consumption decreased thanks to automatic shutdown of hallway lighting and office space ventilation during off-duty hours at the Exchange's four buildings. In winter, server air conditioning units operate in free cooling mode, and summer 2017 was relatively cool, which generated further energy savings.

Engineering equipment operations scheduled at NSD property sites provide energy savings by switching off 90% of the general ventilation and cold supply systems in office premises at night and on weekends. During the winter season, air conditioning systems in server rooms are switched to free cooling mode.

In 2016 and 2017, 503 fluorescent lamps at NSD (about 11% of the total) were replaced with LED lamps, while all new refurbishment projects of the Exchange property sites included LED lighting from the start. In 2016 and 2017, 195 LED lamps (6% of the total) were installed at such sites.

Lower heating costs compared to 2016 were the result of a later start to the heating season and a relatively warm winter.

Diesel fuel consumption in 2017 increased due to more frequent use of the diesel power generator as a result of cuts from the municipal grid. At the same time, diesel vehicles mileage dropped thanks to a reduced number of paper documents sent to customers as the Exchange partially transitioned to electronic workflow.

[2] The company did not use other energy types (including nuclear energy, electromagnetic energy, oil, fuel oil, natural gas, coal, shale or peat) in the reporting period.
[3] Discrepancies between this report and the 2016 Annual Report are attributed to energy and heat consumption (recorded on the premises at Vozdvizhenka St. 4/7) and gas consumption (recorded on vehicles used by CCP NCC) given in the report for 2017. Data for the period preceding the reporting year has been recalculated for consistency. The Exchange leases the premises located at Vozdvizhenka St.; energy saving activities are provided by the landlord.


GROWTH SECTOR
SMALL BUSINESS

Corporate Governance System

Moscow Exchange Corporate Governance Model and Practice in Brief

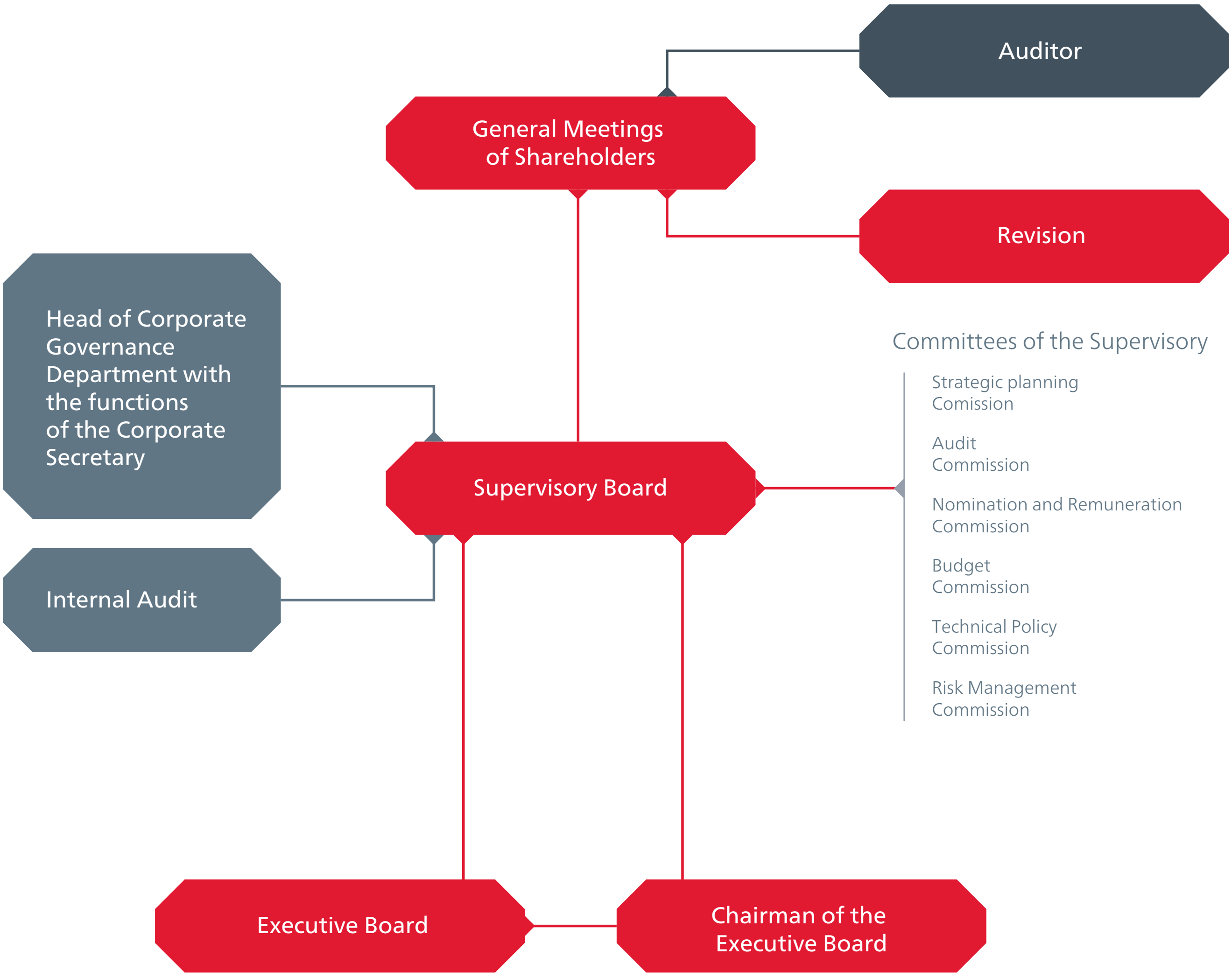
Moscow Exchange is one of the largest Russian public companies included in the MSCI Russia Index. The Bank of Russia, the country's financial markets regulator, is a shareholder of Moscow Exchange. And the Exchange, as a market infrastructure operator, establishes binding rules for all other issuers. Due to these factors, the Exchange has to demonstrate higher corporate governance standards and serve as a model for other issuers. The corporate governance system has been consistently strengthened over recent years since the Exchange became a public company. Current major goals are to enhance the Exchange's effectiveness and competitiveness and ensure positive perception of the corporate governance system by shareholders, investors and representatives of the business community.

The Exchange constantly reviews and responds to changes in legislation and practices in the area of corporate governance in Russia and abroad, and it also adheres to the Federal Law on Organized Trading that includes requirements for the corporate governance system of the market operator, principles and recommendations set out in the Corporate Governance Code of the Bank of Russia, the Listing Rules; the G20/OECD Principles of Corporate Governance; global codes of conduct and principles set out in the global standards for corporate social responsibility and sustainable development as well as the GRI Standards.

Since shares of Moscow Exchange are admitted to trading and kept in the quotation list of Moscow Exchange's first (highest) level, the following actions were taken in 2017 in order to comply with the corporate governance requirements set out in the Listing Rules and the Corporate Governance Code of the Bank of Russia:

- four independent directors were elected to the Supervisory Board, and one director received independent director status in the reporting period;
- independent directors meet the independence criteria established by the Listing Rules;
- the Audit Committee consists only of independent members of the Supervisory Board; a majority of the members of the Nomination and Remuneration Committee are independent directors while the Chairman of the committee is the Senior Independent Director.

Corporate Governance Structure



- Company's management and control bodies
- Officers and business units functionally reporting to the Supervisory Board
- Not a corporate body
- Committees of the Supervisory Board

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of Moscow Exchange. General Meetings adopt resolutions on strategic issues. The scope of questions related to the terms of reference of the General Meetings of Shareholders is determined by the Federal Law on Joint-Stock Companies and the Charter of Moscow Exchange.

In accordance with past practice, Moscow Exchange's Annual General Meeting of Shareholders (AGM) was held on 27 April 2017 to adopt the following resolutions:

- approving Moscow Exchange's annual report and accounting (financial) statements for 2016;
- cancelling the following special purpose funds previously established by the General Meeting of Shareholders of Moscow Exchange:
  - Exchange development fund;
  - Reserve fund for the FX Market;
  - Reserve fund for the Equity & Bond Market;
  - Reserve fund for the Standardized OTC Derivatives Market;
  - Guarantee clearing fund for the Equity & Bond Market;
  - Guarantee clearing fund for the Derivatives Market (equity derivatives);
  - Guarantee clearing fund for the FX Market;
  - Guarantee clearing fund for the Standardized OTC Derivatives Market;
  - Capital development fund;
  - Emergency fund;
  - Risk fund for financial investment;
  - Social development fund;
- electing members of the Supervisory Board and the Revision Commission;
- approving new editions of Moscow Exchange's Charter and Provisions on the General Meeting of Shareholders, Supervisory Board and the Revision Commission;
- making decisions on the payment of remuneration to the members of the Supervisory Board and the Revision Commission for the 2016/2017 corporate year;
- approving transactions with Moscow Exchange's subsidiaries and regular business partners that are, in accordance with the current legislation, considered related-party transactions;
- approving Deloitte & Touche CIS, a division of one of the world's largest international accounting firms, as the company's auditor for 2017;
- adopting a resolution on profit distribution and dividend payments for 2016, with the dividend amount standing at RUB 7.68 per ordinary share;
- approving the decrease of Moscow Exchange's share capital by cancelling repurchased shares.

INTERIM DIVIDENDS

Shareholders at an EGM voted to pay out interim dividend of RUB 2.49 per share

Supervisory Board

Role of the Supervisory Board

The Supervisory Board is a key component of the corporate governance system that generally manages the activities of Moscow Exchange.

The Supervisory Board is accountable to the General Meeting of Shareholders. The members of the Supervisory Board are elected by the General Meeting, and their powers may be terminated at any time by the General Meeting.

Members of the Supervisory Board take part in the Annual General Meeting of Shareholders. The Chairman of the Supervisory Board presides at Annual General Meetings of Shareholders, where any shareholder may ask questions or address the Chairman on agenda items, ensuring the necessary degree of objectivity in considering the agenda.

When developing Moscow Exchange's strategy, the Supervisory Board takes into account the shareholders' vision for the development of the Company. The Supervisory Board considers appeals filed by shareholders and, if necessary, gives appropriate instructions to senior management..

The terms of reference for the Supervisory Board are established in the Charter and are clearly separate from those of the executive bodies responsible for ongoing management of Moscow Exchange. In particular, the Supervisory Board:

- determines Moscow Exchange's vision, mission and strategy;
- is responsible for the strategic management and long-term sustainable development of Moscow Exchange;
- establishes Moscow Exchange's strategic goals and key performance indicators.

The Supervisory Board's work schedule for a period of 12 months is confirmed at the first meeting of the newly elected Supervisory Board held after the Annual General Meeting of Shareholders (AGM). The work schedule includes the main activities of Moscow Exchange, which are correlated with Moscow Exchange's strategic planning cycle and existing business cycles. In preparing the work schedule, proposals of members of the Supervisory Board and senior executives on priority issues are taken into account.

The agenda of each in-person meeting of the Supervisory Board includes three to five substantive matters for decision-making as well as reports from management. Matters related to the implementation of priority projects, budget performance and instructions of the Supervisory Board are considered as frequently as required.

In-person meetings of the Supervisory Board are those where directors are present, and such meetings are generally held in Moscow. The first meeting of the newly elected Supervisory Board takes place in person, generally on the same day that the General Meeting of Shareholders elects the new Supervisory Board.

Information on the activities of the Supervisory Board, including its members, meetings and committees, is disclosed on Moscow Exchange's website in the form of press releases and statements of material fact, as well as in Moscow Exchange's annual reports, ensuring transparency in the operation of the Supervisory Board.

Structure of the Supervisory Board

Members of Moscow Exchange's Supervisory Board are seasoned professionals who have the skills and experience to oversee the Company's strategy.

Since AGM, on 27 April 2016, Moscow Exchange's Supervisory Board has been comprised of 12 members (there were previously 15 members on the Board).

The Supervisory Board is managed and administered by the Chairman of the Supervisory Board, who is elected by the members of the Supervisory Board from among themselves, by a majority vote.

For preliminary consideration and development of recommendations related to important matters, the Supervisory Board has established the following committees:

- the Strategic Planning Committee;
- the Audit Committee;
- the Nomination and Remuneration Committee;
- the Budget Committee;
- the Technical Policy Committee; and
- the Risk Management Committee.

The Committees are formed annually from among the members of the Supervisory Board. Four out of six committees are chaired by independent directors; the Audit Committee is comprised of independent directors only. Additional IT experts who are not Supervisory Board members are invited to participate in the Technical Policy Committee.

Members of Moscow Exchange's Supervisory Board are seasoned professionals who have the skills and experience to oversee the Company's strategy. Members are, variously, experts in financial market infrastructure, the international organized trading industry, IT in the financial services sector, operational and financial risk management as well as financial reporting and budgeting processes. They also have competencies in human resources management and modern approaches to incentivizing top management.

Following the election at the 2017 Annual General Meeting of Shareholders, the Supervisory Board included four independent directors who met all criteria for independence as set forth in the Listing Rules (no relationship to the Company, its major shareholders, major competitors or counterparties; no relationship with the government), seven non-executive directors and the Chairman of the Executive Board of Moscow Exchange. In 2017, one director was qualified as an independent director notwithstanding his formal association with the National Association of Securities Market Participants (NAUFOR) (Oleg Vyugin is currently a member of the NAUFOR Board of Directors) for which the Exchange is a major counterparty.

Information on any conflicts of interest (related also to membership in management bodies of Moscow Exchange's competitors) on the part of members of the Supervisory Board or the Executive Board is provided by the members in accordance with the statutory procedure.

Supervisory Board Members

Supervisory Board members as of 1 January 2017		Supervisory Board members elected on 27 April 2017	
Independent directors			
1	Rainer Riess (Senior Independent Director)	1	Rainer Riess (Senior Independent Director)
2	Maria Gordon	2	Maria Gordon
3	Anatoly Karachinsky	3	Anatoly Karachinsky
4	Duncan Paterson	4	Duncan Paterson
5	Yury Denisov (independent director until 27 April 2017)	5	Oleg Vyugin (independent director from 28 September 2017)
6	Wang Yuan		
Non-executive directors			
7	Alexey Kudrin	6	Alexey Kudrin
8	Andrey Golikov	7	Andrey Golikov
9	Valery Goreglyad	8	Valery Goreglyad
10	Bella Zlatkis	9	Bella Zlatkis
11	Sean Glodek	10	Anatoly Braverman
		11	Yury Denisov
Executive director			
12	Alexander Afanasiev	12	Alexander Afanasiev

Members Of Moscow Exchange's Supervisory Board Elected by the Annual General Meeting On 27 April 2017[1]

Alexey Kudrin

Chairman

Date/place of birth: 12 October 1960, Dobele, Latvia (USSR).

Alexey Kudrin graduated from Leningrad State University in 1983. Specialization: Political Economy.

He also received a degree in Economics.

- From 2000 until 2011, he served as Deputy Prime Minister and Minister of Finance of the Russian Federation.
- Since 2011, he has been the Dean of the Faculty of Liberal Arts and Sciences at St Petersburg State University.
- He is the Deputy Chairman of the Supervisory Board at Sberbank of Russia, Chairman of the Civil Initiatives Committee and a member of the Board of Directors at the New Economic School.
- He was first elected to Moscow Exchange's Supervisory Board on 26 June 2014.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Andrey Golikov

Deputy chairman

Chairman of the Budget Committee, member of the Strategic Planning Committee and Technical Policy Committee

Date/place of birth: 14 March 1969, Volzhskiy, Volgograd region.

Andrey Golikov graduated from Lomonosov Moscow State University, Department of Mechanics and Mathematics in 1991.

In 2016, he completed a Diploma in Company Direction at the Institute of Directors (IoD).

- He held various positions, from 2009 to 2011, at Sberbank, including the Head of the Treasury and Financial Markets, and was a member of the Executive Board.
- Since 2017, he has been a member of the Board of Directors at Absolut Bank.
- He is a member of the Supervisory Board at Russian National Reinsurance Company, Otkritie Bank, CCP NCC and NFA.
- He was first elected to Moscow Exchange's Supervisory Board on 24 April 2003.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

[1] Data as of 31 December 2017. Professional Background data is given for the last five years.

Alexander Afanasiev

Non-Executive Director

Date/place of birth: 12 January 1962, Moscow.

Alexander Afanasiev graduated from the Moscow Financial Institute in 1984. Specialty: International economic relations.

He has a degree in Economics.

- From 1998 to 2011, he served as the Deputy Chairman of the Management Board at Bank WestLB Vostok, a subsidiary of the German banking group WestLB AG.
- In 2011, he joined the Executive Board of Moscow Exchange.
- Since 2012, he has served as the CEO of Moscow Exchange.
- He is a member of the CCP NCC Supervisory Board, a member of NSD Supervisory Board and a member of the Management Board of the Russian Union of Industrialists and Entrepreneurs.
- He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He owns 2,948,385 shares, or a 0.1295196% equity interest, in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Maria Gordon

Independent director

Member of the Audit Committee

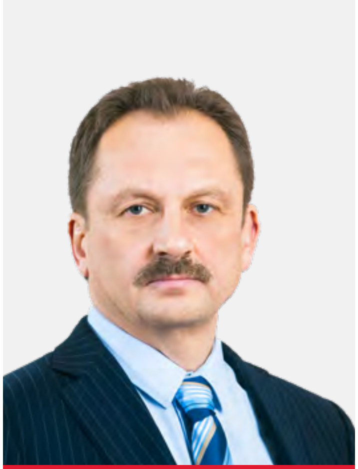
Date/place of birth: 13 February 1974, Vladikavkaz, Republic of North Ossetia.

In 1995, she received a Bachelor's degree in Political Science from the University of Wisconsin (USA). In 1998, she received a Master of Arts degree in Law and Diplomacy from the Fletcher School of Law and Diplomacy at Tufts University (USA).

- Between 2010 and 2014, she was the Chief Emerging Markets Equity Portfolio Manager at Pacific Investment Management Co. (PIMCO).
- She is a member of the Supervisory Board at ALROSA.
- She is a member of the Supervisory Board at Polyus.
- She was elected to Moscow Exchange's Supervisory Board on 27 April 2016.

She does not own any shares in Moscow Exchange.

She reported no transactions.



Valery Goreglyad

Non-Executive Director

Member of the Budget Committee and the Risk Management Committee

Date/place of birth: 18 June 1958, Glusk, Mogilev region.

He graduated from the Moscow Aviation Institute in 1981 with a Mechanical Engineering Qualification (Aircraft Production).

In 2017, he graduated from the Russian Presidential Academy of National Economy and Public Administration with a degree in Jurisprudence.

He holds a Doctor of Science degree in Economics.

- From 2010 to 2013, he served as the Deputy Chairman of the Account Chamber of the Russian Federation.
- Since 2013, he has been the Chief Auditor of the Bank of Russia.
- He is a Professor at the Higher School of State Audit at Moscow State University.
- He is a member of the Supervisory Board at Russian National Reinsurance Company, Russian Union for Collection and Fund of Banking Sector Consolidation Asset Management Company and a member of the Board of Directors at Rosgosstrakh.
- He was first elected to Moscow Exchange's Supervisory Board on 26 June 2014.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Yury Denisov

Non-Executive Director

Chairman of the Risk Management Committee, member of the Strategic Planning Committee and the Nomination and Remuneration Committee

Date/place of birth: 31 May 1970, Moscow.

He graduated from the Moscow State Institute of International Relations in 1993 with a qualification in International Economic Relations.

- From 2010 to 2013, he was the Executive Board Deputy Chairman at Moscow Exchange.
- Since 2008, he has been a member of the Supervisory Board at CCP NCC and currently chairs the Supervisory Board.
- He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Anatoly Braverman

Non-Executive Director

Member of the Risk Management Committee, the Strategic Planning Committee and the Budget Committee

Date/place of birth: 5 August 1985, Moscow.

He graduated from the Higher School of Economics in 2007 with a degree in Economics & Finance. He completed an individual postgraduate course titled "Oil refining technologies: Key processes, modern condition and future development" at Gubkin Russian State University of Oil and Gas.

- From 2011, he has been the First Deputy CEO at the Russian Direct Investment Fund (RDIF).
- From 2012 to 2017 he was a member of the Board of Directors at Causie Investments Ltd.
- He is a member of the Board of Directors at RCIF Asset Management Ltd., RCIF Partners GP Ltd., Infrastructure Satellite Systems and Hyperloop Technologies, Inc.
- He was first elected to Moscow Exchange's Supervisory Board on 27 April 2017.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Oleg Viyugin

Independent director

Member of the Strategic Planning Committee and the Nomination and Remuneration Committee

Date/place of birth: 29 July 1952, Ufa.

He graduated from Lomonosov Moscow State University with a degree in Mathematics in 1974.

PhD in physics and mathematics.

- He was Chief Advisor for Russia and CIS to Morgan Stanley Bank LLC from 2013 until 2015.
- From 2007, he has been a professor in the Finance Department at the Higher School of Economics.
- He is a member of the Council of the Strategic Development Center and AGAT Youth Entrepreneurship Fund, the Chairman of the Board of Directors at NAUFOR and SAFMAR Financial Investment, a member of the Board of Directors at Skolkovo Ventures, Rosneft and Unipro, a member of the Presidium of the National Council on Corporate Governance and the Deputy Chairman of the Supervisory Board at NSD.
- He was first elected to Moscow Exchange's Supervisory Board on 27 April 2017.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Bella Zlatkis

Non-Executive Director

Date/place of birth: 5 July 1948, Moscow.

She graduated from the Moscow Finance Institute in 1970 with a specialization in Finance and Credit.

She holds a PhD in Economics.

- She has been Deputy Chair of Sberbank's Executive Board for more than 10 years. Earlier, she held posts at the Ministry of Finance for more than 30 years.
- Since 2011, she has been a member of NSD's Supervisory Board, and is currently the Chairwoman.
- She was first elected to Moscow Exchange's Supervisory Board on 19 May 2011.

She does not own any shares in Moscow Exchange.

She reported no transactions involving shares of Moscow Exchange in 2017.

Anatoly Karachinsky

Independent director

Chairman of the Technical Policy Committee

Date/place of birth: 12 July 1959, Moscow.

He graduated from the Moscow Institute of Railroad Transport Engineering in 1981 with a specialization in Computer Science.

- He is currently the President and the Chairman of the Governing Board at IBS Group.
- He chaired the Supervisory Board of the IBS Group for more than 10 years.
- He is a member of the Competitiveness and Entrepreneurship Council of the Russian Government, a member of Government Commission on High Technology and Innovations, a member of the State Duma Expert Council on Electronic Education. He is the Chairman of the Board of Directors at Luxoft Holding Inc and NewspaperDirect Inc (Canada), the Chairman of the Supervisory Board at Medialogia, the Chairman of the Board of Directors at IBS IT Services and a member of the Executive Board at the Russian Union of Industrialists and Entrepreneurs.
- He was first elected to Moscow Exchange's Supervisory Board on 20 June 2012.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Duncan Paterson

Independent director

Chairman of the Audit Committee, member of the Strategic Planning Committee

Date/place of birth: 11 January, 1951, Woking, Surrey, UK.

He is a Fellow of the Institute of Chartered Accountants in England and Wales (year of qualification: 1973). In 1978, he graduated from the London School of Economics and Political Science with an MSC in Accounting and Finance.

- Current position: Non-executive Chairman, GH Financials Limited, London UK.
- Professional background: Managing partner at MA Partners, Senior Managing Director at Wilco International, Business Development Director at ACT Financial Systems, COO at County NatWest Investment Management, CFO at Security Pacific Hoare Govett.
- He was elected to Moscow Exchange's Supervisory Board on 27 April 2016.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Rainer Riess

Senior Independent director

Chairman of the Strategic Planning Committee, Chairman of the Nomination and Remuneration Committee, member of the Audit Committee

Date/place of birth: 20 January 1966, Darmstadt, Germany.

He graduated from the University of Miami in 1993 with an MBA, and he also received a Master of Economics degree in 1994 from Wolfgang Goethe University (Frankfurt).

- From 1995 to 2013, he served as Managing Director at Deutsche Börse AG.
- From 2008 to 2013, he served as Deputy Chairman of the Management Board at Frankfurt Stock Exchange.
- He is a managing partner and the owner of Addwis GmbH (Frankfurt), and he is also the Director General at the Federation of European Securities Exchanges AISBL (FESE).
- He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

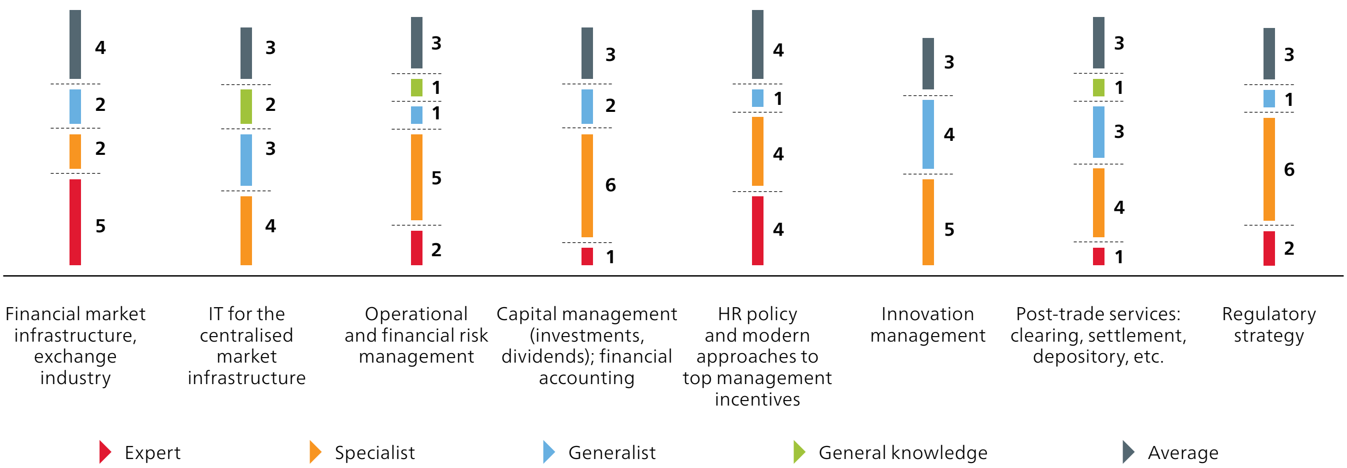
66

YEARS

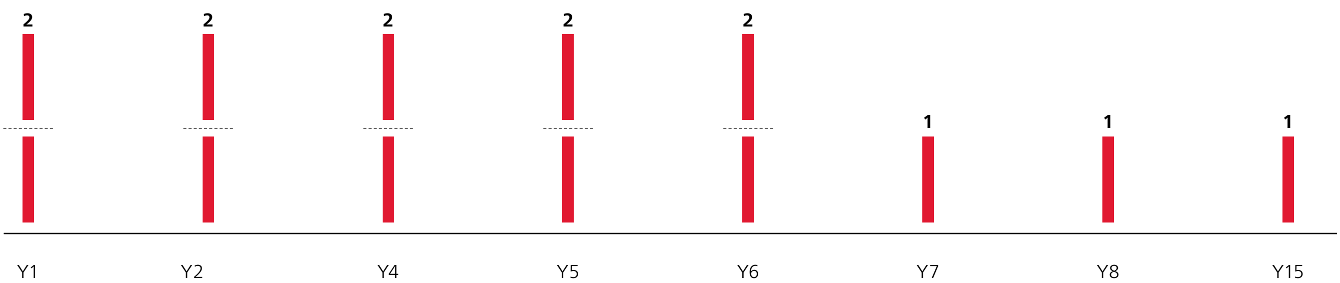
the cumulative length of service of all members

Members of the Supervisory Board as well as members of the executive bodies do not have deemed interest in shares of the Exchange.

Supervisory Board members’ competencies



Length of service on the Supervisory Board



Supervisory Board's Activity in 2017

The Board held 15 meetings from 1 January 2017 through 31 December 2017 (including five in-person meetings).

Five meetings were held before and 10 meetings after the date of the AGM, i.e. 27 April 2017.

Director	Number of meetings attended	% of total meetings attended
Alexey Kudrin	14	93
Alexander Afanasiev	15	100
Anatoly Braverman	10	100
Yuan Wang (until 27 April 2017)	5	100
Oleg Vyugin	10	100
Sean Glodek (until 27 April 2017)	5	100
Andrey Golikov	15	100
Maria Gordon	14	93
Valery Goreglyad	13	87
Yury Denisov	15	100
Bella Zlatkis	15	100
Anatoly Karachinsky	14	93
Duncan Paterson	15	100
Rainer Riess	15	100

Many issues on the agenda of Supervisory Board meetings were first considered by the relevant committees for a more detailed discussion and to give the Supervisory Board recommendations prior to voting.

Key issues that the Supervisory Board discussed in 2017 included:

- strategy:
  - adoption of MOEX's business continuity strategy;
  - implementation of the IT Development Program;
- business development:
  - establishing a subsidiary for investments in innovative companies;
  - approval of the Derivatives Market's fees and trading membership fees for the Equity & Bond and Deposit Markets;
  - approval of fees for transactions in foreign currency;
  - creation of the Deposit Market Committee;
- key documents of Moscow Exchange:
  - listing Rules;
  - approval of Trading Rules for the FX and Precious Metals Market, the Equity & Bond Market and the Derivatives Market;
  - admission Rules;
  - approval of the Admission Rules and Trading Rules for the Equity & Bond and Deposit Market;
- corporate governance:
  - decision to pay out interim dividend;
  - review of the Supervisory Board self-assessment;
  - review of the Report on compliance with the Corporate Governance Code of the Bank of Russia;
  - discussion of the Exchange's corporate governance practices;

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INDEPENDENT DIRECTORS

Were in the Supervisory Board in 2017

- risk management:
  - review of reports from the Internal Control Office on audit of compliance of the Exchange as the market operator with Law "On Counteracting the Illegitimate Use of Insider Information and Market Manipulation and on Amendments to Certain Laws of the Russian Federation";
  - adoption of a business continuity policy for Moscow Exchange;
  - approval of the business continuity plan for Moscow Exchange;
  - approval of the Audit Methodology for the Internal Control Office;
  - intensive efforts were undertaken in cooperation with the Audit Committee and an external independent advisor to audit the internal control system. The advisor confirmed the adequecy of teh current internal control system and proposed a number of measures to further improve the practices.

Procedures for Appointment, Induction and Training of Members of the Supervisory Board

In accordance with the Federal Law on Joint-Stock Companies, shareholders holding in aggregate no less than 2% of voting shares in Moscow Exchange have the right to nominate candidates to the Supervisory Board of Moscow Exchange. The number of candidates cannot exceed the number of members of the Supervisory Board. The Charter of Moscow Exchange provides that such proposals should be submitted no later than 60 days after the end of each fiscal year.

The Supervisory Board of Moscow Exchange was to consider the above nominations and decide whether to include them on the list of nominees for election at the General Meeting of Shareholders no later than five days after the date specified for the submission of the proposals, i.e. before 5 March 2017.

At the end of the day on 1 March 2017, Moscow Exchange received proposals on the nomination of 14 candidates to the Supervisory Board to be elected at the Annual General Meeting of Shareholders in 2017, and all of them were included on the list of nominees for the General Meeting of Shareholders.

As part of the induction of directors, there is an induction programme for members of the Supervisory Board. The programme includes the following:

- familiarisation of Supervisory Board members with Moscow Exchange's key internal documents and the resolutions adopted at the meetings of shareholders and of the Supervisory Board;
- an overview of the history of the Russian stock market and basic information about the strategy and operations of Moscow Exchange:
- meetings with the Chairman of the Supervisory Board and the Chairman of the Executive Board of Moscow Exchange;
- a meeting with the Director of the Corporate Governance Department;
- a meeting with the Group's management team during the one-day introductory course held within two months of the date of the election of the Supervisory Board;
- a meeting with the chairpersons of any committees whose members are also members of the Supervisory Board.

Activity of Committees in 2017

Information on Supervisory Board Members' Attendance at Committee Meetings

From 1 January 2017 to 31 December 2017, there were:

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- In 2017, **the Strategic Planning Committee** held five meetings in total, along with the Strategy Away Day; two meetings were held before and three meetings after the date of the AGM, i.e. 27 April 2017.

Director	Number of meetings attended	% of total meetings attended
Rainer Riess Chairman	5	100
Anatoly Braverman (since 27 April 2017)	3	100
Wang Yuan (until 27 April 2017)	2	100
Oleg Viyugin (since 27 April 2017)	3	100
Sean Glodek (until 27 April 2017)	2	100
Andrey Golikov	5	100
Yury Denisov	4	80
Duncan Paterson	4	80

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- In 2017, **the Audit Committee** held six meetings in total, including four full-time meetings; three meetings were held before and three meetings after the date of the AGM, i.e. 27 April 2017.

Director	Number of meetings attended	% of total meetings attended
Duncan Paterson Chairman	6	100
Maria Gordon	6	100
Rainer Riess	6	100

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- In 2017, **the Nomination and Remuneration Committee** held 13 meetings in total, 10 of which were in-person meetings; two meetings were held before and 11 meetings after the date of the AGM, i.e. 27 April 2017.

Director	Number of meetings attended	% of total meetings attended
Rainer Riess Chairman	13	100
Yury Denisov	12	92
Maria Gordon (until 27 April 2017)	2	100
Oleg Viyugin (since 27 April 2017)	11	100

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In 2017, **the Budget Committee** held nine meetings in total, six of which were in-person meetings; three meetings were held before and six meetings after the date of the AGM, i.e. 27 April 2017.

Director	Number of meetings attended	% of total meetings attended
Andrey Golikov Chairman (since 27 April 2016)	9	100
Anatoly Braverman (since 27 April 2017)	6	100
Sean Glodek (until 27 April 2017)	3	100
Valeriy Goreglyad	8	89

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In 2017, **the Technical Policy Committee** held two in-person meetings in total (after the date of the AGM, i.e. 27 April 2017).

Director	Number of meetings attended	% of total meetings attended
Anatoly Karachinsky Chairman	2	100
Andrey Golikov	2	100

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In 2017, **the Risk Management Committee** held five in-person meetings in total; one meeting was held before, and four meetings were held after the date of the AGM, i.e. 27 April 2017.

Director	Number of meetings attended	% of total meetings attended
Yury Denisov Chairman	5	100
Valeriy Goreglyad	5	100
Sean Glodek (until 27 April 2017)	–	–
Anatoly Braverman, (since 27 April 2017)	4	100

AUDIT COMMITTEE

The primary purpose of the Audit Committee is to ensure the efficient work of the Supervisory Board of the Exchange in making decisions on issues concerning control over financial and economic activities.

The Committee's key objectives are:
- control, analysis and participation in consideration of issues in the area of the bookkeeping reporting (financial statements);
- control, analysis and assessment in the area of risk management and internal control;
- ensuring independence and impartiality in the area of internal and external audit;
- control in the area of prevention of and response to mala fide actions of the company's employees and third parties;
- facilitation of the actual participation of the members of the Supervisory Board of the Moscow Exchange in controlling the Exchange and the Moscow Exchange Group companies' business activities and their personal awareness of such activities;
- preview, analysis, preparing and providing opinions and recommendations to the Supervisory Board of the Exchange on issues with regard to functions and objectives of the Audit Committee;
- preparation of assessment of the Exchange auditor's opinion and submission of such assessment as the materials for the AGM of the Exchange.

Committee members:
- Duncan Paterson, Chairman;
- Rainer Riess; and
- Maria Gordon.

In 2017, the Audit Committee held six meetings (of which four were in-person meetings), where 28 agenda items were discussed.

The main issues considered by the Audit Committee in 2017 were: Moscow Exchange Group external auditor performance; consolidated financial statements and Internal Audit Service reports.

Particular attention was given to the project on the general internal control system and information security and business continuity programs implementation.

In 2017, the Audit Committee recommended the shareholders elect a new external auditor, and the AGM resolved accordingly. In September 2017, the Audit Committee and the new auditor of the Exchange, Deloitte, discussed the audit strategy in relation to 2017 financial statements, and in December, they discussed interim audit findings.

The Committee also reviewed the auditor's report on the 2016 accounting (financial) statements for the Exchange and presented relevant recommendations to the Supervisory Board on 2016 year performance-based bonuses to be paid to the Head of the Internal Audit Service and the Internal Audit Service team.

The Committee held meetings with external auditors and highly appreciate the effectiveness of the audit procedures.

NOMINATION AND REMUNERATION COMMITTEE

The primary purpose of the Nomination and Remuneration Committee is to foster effective decision-making by the Supervisory Board of Moscow Exchange on matters concerning the operations of the Exchange and of other companies, directly or indirectly controlled by the Exchange, related to the nomination of and remuneration to the members of supervisory boards and executive management bodies, other key managers and members of revision committees.

The key objectives of the Nomination and Remuneration Committee are preliminary review, development and provision of recommendations and conclusions to the Supervisory Board of the Exchange, to supervisory boards of the Moscow Exchange Group regarding the following matters:

- staff planning (succession planning), enhancement of professional composition and performance efficiency of supervisory boards;
- efficient and transparent remuneration to the members of supervisory boards and the collegial executive body, as well as the person, performing the functions of the sole executive body (hereinafter, the "members of executive management bodies") and to other key managers;
- priorities of the Exchange and the Moscow Exchange Group activities in relation to nomination of and remuneration to the members of supervisory boards and executive management bodies, other key managers as well as the members of revision committees;
- policies and standards on choosing nominees to supervisory boards and executive management bodies, aiming at attracting qualified specialists;
- identifying and measuring key performance indicators for top managers.

Committee members:

- Rainer Riess, Chairman;
- Oleg Viyugin; and
- Yury Denisov.

In 2017, the Nomination and Remuneration Committee held 13 meetings, where 56 agenda items were discussed.

The main issues considered by the Nomination and Remuneration Committee in 2017 were: planning the composition of the supervisory boards of the Exchange, NSD and CCP NCC; verifying the independence of candidates and members of the Supervisory Board of the Exchange; the Supervisory Board members self-assessment and training; nominating candidates to the Supervisory Board; assessing the rationale for reviewing the size of remuneration payable to directors and members of the revision committee; developing recommendations on formulating and measuring key corporate performance indicators (targets) for Moscow Exchange Group and key individual performance indicators for members of executive bodies, the Director of Corporate Governance and other key managers of Moscow Exchange Group companies; management succession planning; extending the powers of the Executive Board members; and the stock option plan for the management. In the reporting year, the Committee was focused on the matters related to developing recommendations on candidates for the role of the Chairman of the Executive Board, whose office expires on the day of AGM in 2018, extension of office of the Chairman of NSD Executive Board and the Chairman of CCP NCC Executive Board, as well as to searching a new CFO for the Exchange.

STRATEGIC PLANNING COMMITTEE

The primary purpose of the Strategic Planning Committee is to enhance efficiency of Exchange's operations, as well as that of its subsidiaries and affiliates, including companies under its direct or indirect control in both the medium and the long term.

The key objectives of the Committee are:
- agreeing strategic goals, control over strategy implementation, adjustment of the existing development strategy;
- agreeing priority areas of business;
- developing recommendations on dividend policy;
- evaluation of the efficiency of business in the medium and long term;
- consideration relating participation in other entities;
- evaluation of voluntary and mandatory offers on acquisition of shares in the Exchange;
- review of a financial model and a model of evaluation of business and the value of its business segments;
- consideration in relation to reorganisation and liquidation;
- consideration in relation to changes in the organisational structure;
- consideration in relation to reorganisation of business processes.

Committee members:
- Rainer Riess, Chairman;
- Anatoly Braverman;
- Oleg Viyugin;
- Andrey Golikov;
- Yury Denisov; and
- Duncan Paterson.

In 2017, the Strategic Planning Committee held five meetings, where 36 agenda items were discussed.

The main issues considered by the Committee in 2017 were: innovation management, inclusive of establishing a subsidiary focused on investing into innovations and fintech companies, as well as participation in Fintech Association; strategy implementation; strategy implementation control, inclusive of retail investor strategy development and NSD strategy development; possibility to develop and promote market data products; and crypto assets as a new business opportunity.

RISK MANAGEMENT COMMITTEE

The primary purpose of the Risk Management Committee is to contribute to improvements in managing operating, legal, reputational, strategic and other nonfinancial risks that the Exchange and Moscow Exchange Group companies may face, with a view to enhancing the stability and effectiveness of Exchange's operations.

The Committee works closely with the Risk Committee of CCP NCC, which analyses financial and non-financial risks of the credit institution as part of Moscow Exchange Group.

Committee members:
- Yury Denisov, Chairman;
- Valery Goreglyad; and
- Anatoliy Braverman.

In 2017, the Risk Management Committee held five meetings, where 24 agenda items were discussed.

In 2017, the Risk Management Committee considered and developed recommendations for the Supervisory Board on the matters related to regular review of risk reports, inclusive of reports on business continuity, operational and other risks; information security and business continuity strategy development; findings of the internal processes and controls audit across Moscow Exchange Group; regulatory changes in relation to CCP NCC operations and their effect on the Group operations in overall.

BUDGET COMMITTEE

The Budget Committee's primary purpose is to ensure control on the part of the Supervisory Board over accumulation and spending the cash funds intended for financial support of operations for the Exchange and companies that are part of Moscow Exchange Group.

The key objectives of the Committee are:

- setting the key principles for budgeting and budget spending of the Exchange and the Group companies;
- setting up the targeted budget of the Moscow Exchange and separate business units and Group companies timely and accurately;
- securing day-to-day management of budgeting of the Moscow Exchange and the Group companies;
- assessing the effectiveness in budgeting of the Moscow Exchange and Moscow Exchange Group.

Committee members:

- Andrey Golikov, Chairman;
- Anatoly Braverman; and
- Valery Goreglyad.

In 2017, the Budget Committee held nine meetings, where 43 agenda items were discussed.

The main issues considered by the Budget Committee in 2017 were: planning and control over consolidated budget execution; determination of the size of dividends in accordance with the dividend policy, also in relation to subsidiaries of the Exchange; setting fees across Exchange markets and assessing the effectiveness of marketing periods; development of recommendations regarding premises owned by Moscow Exchange; and budgetary control in relation to Moscow Exchange's priority projects. One of the most notable recommendations was to pay out interim divided by HI 2017 performance results.

TECHNICAL POLICY COMMITTEE

The Committee's primary purpose is to develop and enhance the efficiency of the Exchange and Moscow Exchange Group operations by preparing recommendations and expert opinions for the Supervisory Board of the Exchange and for the Boards of Directors (Supervisory Boards) and their committees of Moscow Exchange Group companies regarding technical policy and the development of IT and software solutions at the Exchange and Moscow Exchange Group companies.

The key objectives of the Committee are:

- fostering efficient collaboration between Moscow Exchange and Moscow Exchange Group companies with on-exchange securities and commodities markets participants using the Exchange's software and hardware facilities on the matters regarding technical policy and the development of IT and software solutions;
- optimising the processes for complete and comprehensive assessment of on-exchange securities and commodities markets participants' demand for IT and software solutions development; and
- coordinating the activities related to technical policy matters within Moscow Exchange Group and ensuring the centralised policy on matters falling within the committees' remit.

Committee members:

- Anatoly Karachinsky, Chairman;
- Andrey Golikov;
- Vladimir Gibenko;
- Vladimir Kurlyandchik;
- Alexander Chetverukhin;
- Mikhail Khasin; and
- Yury Yartsev.

In 2017, the Technical Policy Committee held two meetings, where four agenda items were discussed.

In 2017, the Technical Policy Committee considered and developed recommendations for the Supervisory Board on the following matters: the Group IT development program, operations and IT developments audit findings, IT safety and business continuity, and the choice of a prospective solution for Big Data processing.

Performance Assessment of Supervisory Board and Committees

Assumptions and Grounds for Assessment

In accordance with the recommendations of the Russian Corporate Governance Code and the best international practices, Moscow Exchange Supervisory Board assesses its performance and competencies on an annual basis.

In 2017, the Nomination and Remuneration Committee reviewed the pool of Supervisory Board members' competencies. Before 2017, directors were expected to have the following competencies: IT in finance; stock exchanges worldwide; financial market infrastructure; operational risk management; financial risk management; financial analysis and budgeting; financial reporting and audit; and HR policy and modern approaches to top management incentives. Following the review, the pool of essential competencies includes: financial market infrastructure; exchange industry; IT for the centralised market infrastructure; operational and financial risk management; capital management (investments, dividends); financial accounting; HR policy and modern approaches to top management incentives; innovation management; post-trade services; and regulatory strategy.

Assessment Goals and Objectives

The assessment of the Supervisory Board in intended to monitor how well the Board evolves in its role and evaluate the performance of the Committees, independent directors and the Chairman of the Supervisory Board. One of the important aspects of the assessment is receiving extensive feedback from the Supervisory Board members. As part of the assessment process, they provide feedback on compliance of their knowledge and skills with the pool of priority competencies for the Supervisory Board.

To achieve these goals, several tasks were carried out, including:

- an assessment of the role and functions of the Supervisory Board and its committees in Moscow Exchange's corporate governance system;
- determination of the degree of balance of the Supervisory Board and committees' membership structures;
- an assessment of the quality of interaction between the Supervisory Board, on the one hand, and the committees and management, on the other, as well as the quality of interaction among Supervisory Board members and committee members;
- an assessment of the quality of the design of the Supervisory Board and committees' activities;
- Supervisory Board and commission members' focus on priority tasks;
- formulation of initiatives aimed at improving the Supervisory Board and committees' activities;
- an assessment of the necessary number of experts in the Supervisory Board who have competencies needed for effective performance by the Board.

A specific feature of the assessment process carried out in 2017 was its automation, i.e. the use of a customised automated web entry form by the directors. This helped receive more constructive feedback as extensive comments from directors were required to multiple-choice answer questions.

Assessment participants

Nine out of twelve directors took part in the self-assessment process. All participants answered the questions and provided comments to most complicated points.

Assessment Results

Assessment participants believed that the Supervisory Board had made progress in most areas of its work over recent years, however, there were also aspects that needed improvement.

In general, the following Supervisory Board's activities were positively assessed compared to the previous years:

- the key role played by the Supervisory Board and committees in the budgeting process and risk management process;
- active proceedings of Supervisory Board committees;
- the significant input of Independent Directors in Supervisory Board and committee activities;
- the open nature and richness of discussions in the course of Supervisory Board and committee meetings.

Areas for improvement identified from the assessment can be divided into three categories: critical matters, issues on the watch list and proposals from the directors. The following areas received the most attention by the directors:

- the necessity to improve the succession planning process for the Supervisory Board. It is suggested that the Nomination and Remuneration Committee interacts more intensively with the Chairman and members of the Supervisory Board as well as shareholders;
- insufficient expert competence of Supervisory Board members in IT, operational risk management and innovation management. It is suggested that Board members have further courses covering these areas;
- infrequence of in-person discussions of strategic issues at the level of the Supervisory Board as against the Strategic Planning Committee. It is suggested that the in-person meeting agenda includes, on a regular basis, strategic issues related also to the results of the Strategy Day as well as issues on risk management. It is also suggested that HR-related matters of Moscow Exchange Group are discussed in advance;
- not all directors take an active part in the discussions at the meetings. They need to be more involved in the process.

Supervisory Board members believed that they should place a greater focus on the following areas:

- implementation of a more structured system for monitoring progress in delivering the strategy;
- enhancement of the senior management succession plan; courses from business schools for senior managers;
- the improvement of the transparency of process to nominate candidates for election to the Supervisory Board committees;
- the Chairman of the Supervisory Board is advised to strictly follow the procedure and moderate more actively the discussion;
- receiving feedback on items put on the agenda to the in-person meeting of the Supervisory Board;

The directors also provided feedback on certain private aspects of the Supervisory Board's activities that, if corrected, would enhance their personal effectiveness.

Senior Independent Director's Report 2017

The independent directors of the Moscow Exchange ("MOEX"), together with the other directors and the company secretary, are committed to ensuring that the Supervisory Board of the MOEX provides sound, consistent and effective leadership. The MOEX Corporate governance system is based on Russian Joint-Stock Company Law, listing rules, Russian Corporate Governance Code ("the Code") and best international corporate governance practices. However, the Supervisory Board believes that good governance and clear leadership are about more than adherence to the Code or to any particular guidance. The members of the Supervisory Board take responsibility for promoting the success of MOEX whilst managing risk and ensuring the high ethical standards and behaviors expected of all employees at MOEX.

During 2017 the independent directors were satisfied with the quality of planning of Board meetings, the timeliness and fullness of information disclosure to the Board as well as the overall information provided for decision-making, which was complete and reliable. Meaningful preliminary discussions were usually undertaken and key issues were given sufficient consideration in face-to-face meetings.

MOEX has an active induction program for new Board members and the ongoing education of directors is encouraged. Governance improvements are regularly discussed at the Board meetings. The working atmosphere in the Board continued to be very collegial and constructive and in the best interests of the company. Overall the proceedings of the Board were very open, allowing sufficient time for strategic discussions and decisions.

Independent directors were actively involved in the work of the Supervisory Board Committees during the year. All independent directors were represented on the following principal Committees: Audit, Nomination and Remuneration, Strategic Planning, and Technical Policy. Each of these Committees, with the exception of the Budget and Risk Management Committees, were chaired by an independent director. As well as giving independent directors in-depth information about the organization, this gives them the opportunity to shape and constructively influence important areas of the business and thereby better inform the Board's decision making.

The Audit Commission gave additional focus this year to the efficacy of the internal control systems across the MOEX Group. The steps taken included an externally facilitated review with senior executive management to assure proper internal control systems are in place throughout MOEX. As a result the Audit Committee approved a number of proposals for enhancements to the scope and approach of the internal control systems. Additionally the Committee ensured the careful selection of, and the smooth transition to, a new external auditor.

The Nomination and Remuneration Committee's main focus was on the internal and external succession planning of the Executive Board and as part of this prepared the process for the CEO election in 2018. It was actively involved in the process of recruiting a new CFO, who was appointed in September 2017. The NRC also carried out a detailed review of Supervisory Board succession planning, including the required skills and competencies. Finally the Key Performance Indicators for senior management and compensation (fixed, variable and long-term incentive program) were intensively discussed and agreed.

The Strategic Planning Committee was focused on scrutinizing progress on the development of the agreed strategic projects as well as discussing new opportunities and trends, especially in FinTech, crypto-assets, regulation, and market data, as well as international developments. A successful Strategy Day was held in in June 2017, prepared by the Committee and the Executive Management. This helped to inform and clarify MOEX's future strategic priorities. A special subsidiary was established in 2017 to manage new innovative products, particularly in the market data business.

The Technology Committee scrutinized and affirmed the three year Information Technology Development Program, as well as key policies and guidelines. Areas covered included core technology choices such as hardware rotation policy, network architecture, use of NoSQL databases, use of cloud deployments, core process improvement, such as Software Development Life Cycle, and matters of cybersecurity and operational stability.

According to the survey carried out by an independent research agency, investors have a positive view towards MOEX governance as well as investors relations.

The Risk Management Committee (operating as a joint Risk Commission with NCC) discussed all major financial risks such as credit, interest rate, liquidity, currency and risks, operational risks, the risk appetite, the new Unified Collateral Pool, Cross Margining, the risk model, stress testing, implementation of the new Russian CCP regulation (i.e. the change to a non-banking license, new CCP ratios, etc.) as well as other non-financial risks to MOEX.

The Budget Committee monitored the implementation of the 2017 budget and established a very efficient and constructive relationship with the new CFO. The Committee scrutinized in detail the 2018 budget, enabling a transparent Board discussion with a major focus on product development, cost efficiency and capital expenditures. The Commission also reviewed in detail the new tariff initiatives for 2017/2018.

The independent directors are aware of, and keep in constant view, their accountability to the Moscow Exchange stakeholders. As the Senior Independent Director, I regard myself as available to shareholders at any time. All directors are updated regularly on shareholders' views. Following analyst or investor meetings, detailed briefings are provided to the Supervisory Board, including feedback from those present. Analysts' reports are also circulated to the directors throughout the year.

Towards the end of the year 2017 an independent research agency was commissioned to carry out an investor perception study for the Moscow Exchange. According to the survey investors have a positive view towards MOEX governance as well as investors relations. They see the introduction of new products and the broadening of the client base as key growth drivers that help to realize further infrastructural development and diversify away from the reliance on interest income.

The Supervisory Board conducted a self-assessment again this year and agreed on the targets for the Supervisory Board for years 2017-2018. Shareholders can also provide feedback in relation to the individual performance of the directors at this year's Annual General Meeting in April when all the directors will be standing for re-election.

The independent directors are satisfied that the Moscow Exchange corporate governance controls have been effective throughout the year ended 31 December 2017.

Corporate Secretary

According to a resolution adopted by the Supervisory Board, the Corporate Governance Department is vested with the functions of Moscow Exchange's Corporate Secretary. The Corporate Governance Department is headed by its Director, who reports to the Chairman of the Executive Board administratively and, functionally, to the Chairman of the Supervisory Board. Resolutions on his/her appointment/dismissal and remuneration are taken by the Supervisory Board, which provides the necessary degree of autonomy within the framework of Moscow Exchange's management bodies.

The main objectives of the Corporate Governance Department and its function as Corporate Secretary include:

- playing a role in strengthening the corporate governance system and practices of all of the companies that make up Moscow Exchange Group;
- coordination of the Company's activities for the protection of the rights and interests of the Company's shareholders and, if necessary, of the shareholders/members of other Moscow Exchange Group companies;
- effective communication with shareholders of Moscow Exchange and, if necessary, with shareholders/members of other Moscow Exchange Group companies;
- supporting the effective work of the Supervisory Board and of the consultative bodies of the Company's Supervisory Board (hereinafter, the "Committees of the Supervisory Board"), as well as, where appropriate, the supervisory boards/boards of directors of the companies of Moscow Exchange Group;
- participation in disclosure of information about Moscow Exchange.

The Director of the Corporate Governance Department organizes annual monitoring of corporate governance practices within Moscow Exchange Group and an internal assessment of the Supervisory Board's performance.

Alexander Kamensky has been Director of the Corporate Governance Department of Moscow Exchange since December 2013.

Alexander Kamensky

Corporate Secretary

Alexander Kamensky was born in Moscow in 1982.

He graduated (cum laude) from the Law Faculty of Moscow Lomonosov State University in 2005 with a degree in Jurisprudence. He is also a graduate of the Leadership Program at the INSEAD Business School. In 2014, he received a Director Certificate from the UK's Institute of Directors.

He won the Director of the Year prize awarded by AID and RSPP in the Corporate Secretary category in 2015, the 12th ARISTOS-2014 Award as the Best Corporate Governance Director and the Top-1000 Russian Managers 2017 Award also as the Best Corporate Governance Director. In 2014-2017, he was ranked first in the top 1,000 Russian managers of financial companies in the Corporate Governance Directors category.

Experience:

- Since 2013: Director of the Corporate Governance Department and the Corporate Secretary of Moscow Exchange;
- 2012-2013: Head of the Corporate Governance Centre and the Corporate Secretary of PJSC MDM Bank;
- 2011-2012: Corporate Governance Manager and the Corporate Secretary of Enel Russia;
- Number of shares /equity interest in Moscow Exchange: 4 shares/0.00000018%.

In 2017, he purchased 743,413 and sold 743,417 shares of Moscow Exchange.

He does not own any shares in the Exchange's subsidiaries or affiliates. He has no family relations with any members of the management and/or supervisory bodies of Moscow Exchange. He has been a member of the Council of the National Union of Corporate Secretaries since 10 October 2016.

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
06 April 2017	Share sale/purchase	8	0.000000351432	159514	0.007007288
18 May 2017	Share sale/purchase	159514	0.007007288	154504	0.006787204
19 May 2017	Share purchase	154504	0.006787204	157004	0.006897026
22 May 2017	Share sale/purchase	157004	0.006897026	157004	0.006897026
23 May 2017	Share sale/purchase	157004	0.006897026	150004	0.006589523
25 May 2017	Share sale/purchase	150004	0.006589523	152504	0.006699346
26 May 2017	Share sale/purchase	152504	0.006699346	152504	0.006699346
29 May 2017	Share sale	152504	0.006699346	140004	0.006150233
30 May 2017	Share sale/purchase	140004	0.006150233	140004	0.006150233
31 May 2017	Share sale/purchase	140004	0.006150233	140004	0.006150233
01 June 2017	Share sale/purchase	140004	0.006150233	137004	0.006018446
02 June 2017	Share sale/purchase	137004	0.006018446	137004	0.006018446
05 June 2017	Share sale/purchase	137004	0.006018446	136004	0.005974517
07 June 2017	Share sale/purchase	137004	0.005974517	100004	0.004393074
08 June 2017	Share sale/purchase	100004	0.004393074	120004	0.005271654
13 June 2017	Share sale	120004	0.005271654	100004	0.004393074
14 June 2017	Share sale/purchase	100004	0.004393074	100004	0.004393074
15 June 2017	Share sale/purchase	100004	0.004393074	145004	0.006369878
19 June 2017	Share sale	145004	0.006369878	140004	0.006150233
20 June 2017	Share sale/purchase	140004	0.006150233	117504	0.005161831
21 June 2017	Share purchase	117504	0.005161831	122504	0.005381476
22 June 2017	Share sale/purchase	122504	0.005381476	117504	0.005161831
23 June 2017	Share sale/purchase	117504	0.005161831	117504	0.005161831
26 June 2017	Share sale/purchase	117504	0.005161831	117504	0.005161831
27 June 2017	Share sale/purchase	117504	0.005161831	117504	0.005161831
28 June 2017	Share sale/purchase	117504	0.005161831	113464	0.004984358
29 June 2017	Share purchase	113464	0.004984358	117504	0.005161831
04 July 2017	Share sale/purchase	117504	0.005161831	117504	0.005161831
05 July 2017	Share sale/purchase	117504	0.005161831	117504	0.005161831
06 July 2017	Share sale	117504	0.005161831	40004	0.001757335
05 Sep 2017	Share sale	40004	0.001757335	25004	0.0010984
06 Sep 2017	Share sale	25004	0.0010984	20004	0.000878755
08 Sep 2017	Share sale/purchase	20004	0.000878755	25004	0.0010984
11 Sep 2017	Share sale/purchase	25004	0.0010984	20004	0.000878755
18 Sep 2017	Share sale	20004	0.000878755	4004	0.000175892
03 Oct 2017	Share sale	4004	0.000175892	4	0.000000175716

Revision Commission

The members of the Revision Commission are elected at the AGM. The Commission is comprised three members.

The Commission members elected by the AGM on 27 April 2017 were:

No.	Name, title	Nominating shareholder
1.	Vladislav Zimin, Economic advisor, Corporate relations, Bank of Russia	Bank of Russia
2.	Olga Romantsova, Executive Director, Head of Financial Market Operations Audit, Internal Audit, Sberbank	Sberbank
3.	Mikhail Kireev Vice President, Investment Department, RDIF	RDIF Asset Management-6

According to current legislation, the Commission performs an oversight function with regard to the Exchange's financial and business operations, conducts inspections for a specific purpose and assesses the accuracy of information to be provided in annual reports and included in the Company's annual financial statements under Russian accounting standards.

Development of the Corporate Governance System

In 2016, the Supervisory Board formulated goals for 2016-2017 based on the findings of a third-party consultant that assessed the Supervisory Board and committee activities. In particular, the following priority tasks were defined with the relevant activities held in 2017:

- To make internal documents compliant with Moscow Exchange Corporate Governance Code and update the terms of reference of the Supervisory Board and executive bodies – new editions of Moscow Exchange's Charter, Provisions on the General Meeting of Shareholders, the Supervisory Board and the Executive Board were adopted at the AGM in 2017;
- to reinforce the strategy process – the Strategic Planning Committee considered issues of updating the strategies of the Exchange's key subsidiaries, NSD and CCP NCC; these efforts will be continued in 2018;
- to update the dividend policy – the Supervisory Board discussed payment of an interim dividend; following the discussion an Extraordinary General Meeting of Shareholders was convened and held to discuss the interim dividend for H1 2017;
- to develop information interaction among the Supervisory Board, the committees and management – the practice to standartise the format in which issues are put on the agenda of the Committees and the Supervisory Board spread wider;
- to improve the succession planning system – in 2017, the Nomination and Remuneration Committee and the Supervisory Board considered repeatedly the succession to the role of the Chairman of the Executive Board, decided to reappoint the chief executive offices of NSD and CCP NCC for another term of office as well as strengthen the management team of the Exchange with the appointment of new Chief Financial Officer.

In 2017, the Supervisory Board outlined the following goals (priorities) for its work in 2017-2018:

- consideration of the increase in the share of income from the sale of market and corporate data for the period until 2020;
- consideration of approaches to innovation management in Moscow Exchange Group;
- adoption of the practice to pay out an interim dividend and carry out quality analysis of communication of the Exchange with shareholders and investors;
- analysis and adjustment, if necessary, of Moscow Exchange strategy until 2029.

Moscow Exchange Corporate Governance Code

In 2015, Moscow Exchange approved its Corporate Governance Code (hereinafter, "the Code"). The Code complies with Russian laws and:

- the principles and recommendations of the Corporate Governance Code of the Bank of Russia;
- the OECD Corporate Governance Principles;
- the corporate governance principles recommended by recognised international organisations.

The Code also describes the objectives and principles of corporate social responsibility for Moscow Exchange, the principles of interaction with service users and other stakeholders, as well as the principles of corporate governance in Moscow Exchange Group companies.

A specific feature of the Code is that it contains development plans for the implementation of corporate governance principles. This feature means that the Code is not a declarative document but rather a practical tool that will enable Moscow Exchange to further improve its corporate governance framework.

The Code contains general provisions on Moscow Exchange's activities, management's commitment to the best corporate governance practices, a description of the corporate governance principles and system and a description of how Moscow Exchange implements specific principles of corporate governance (corporate governance practices):

- in interacting with shareholders;
- in the practices of the Supervisory Board, executive bodies and the Corporate Secretary;
- in its risk management and internal control system;
- when disclosing information and implementing major corporate actions related to Moscow Exchange.

Information Policy

The Exchange is committed to ensuring that its activities are as transparent as possible for its shareholders, investors and other stakeholders. Following the recommendations of the Corporate Governance Code of the Bank of Russia and the development plans of the Exchange, and taking into account the requirements of the legislation on information disclosure by issuers whose securities are admitted to trading, the Exchange adopted a new Information Policy in December 2015 (http://fs.moex.com/files/11122/) (in Russian). In 2016, the Information Policy was amended in line with the recommendations of the Corporate Governance Code.

The Information Policy is a set of information-disclosure rules followed by the Exchange (including members of its management bodies, officials and employees) when providing information to shareholders and stakeholders.
In particular, the Information Policy determines:
- key information-disclosure objectives and binding principles for the Exchange as a securities issuer;
- groups of disclosed information, including a list of information that the Exchange may disclose voluntarily, and the disclosure procedure;
- the procedure for Moscow Exchange's interaction with stakeholders, including with individuals who are authorised to communicate on behalf of the Exchange;
- the procedure for granting access to information and documents belonging to Moscow Exchange.

The Information Policy is aimed at providing stakeholders with additional opportunities to exercise their rights and to improve the efficiency of information exchange between the Exchange and all stakeholders

Methodology Used by Moscow Exchange to Assess the Principles of Corporate Governance Set Out in the Bank of Russia Corporate Governance Code

The recommendations set out in Letter No. IN-06-52/8 issued by the Bank of Russia on 17 February 2016 on Disclosure, in a Public Joint-Stock Company Annual Report, of a Report on Compliance with the Principles and Recommendations of the Corporate Governance Code were used by the Exchange as the methodology for its assessment of the principles of corporate governance set out in the Bank of Russia Corporate Governance Code.

As part of this assessment, an analysis was undertaken to determine whether the Exchange's corporate governance practices and internal procedures were aligned with the principles and recommendations of the Bank of Russia Corporate Governance Code.

The findings of the assessment are presented in the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code (hereinafter, the "Report"), which is part of this annual report.

The Exchange is making continuous efforts to align its corporate governance practices with the Corporate Governance Code. An analysis of the 2016-2017 results-based assessment showed that, if compared with 2015, there were more principles and recommendations of the Corporate Governance Code that the Exchange achieved compliance with: in particular, 62% of principles and recommendations were complied with in 2015, 71% in 2016, and 87% in 2017. In 2017 there were no principles where the Exchange was fully incompliant with, compared to 4% in 2015, and 1% in 2016.

Directors' Liability Insurance

Since 2013, Moscow Exchange's directors and officers (including independent directors), as members of the Company's management bodies, have been insured for liability. The aim of this insurance is to provide compensation for potential damages caused by unintended negligent actions or failures to act on the part of the insured individuals in the exercise of their administrative activities.

Under the insurance contract concluded in 2017, the insurance premium is USD 88,300, and the insured amount is USD 50 mln (the total additional insured amount is USD 5 million for independent directors). The insurer is Ingosstrakh.

The terms of the insurance contract, including the insurance coverage, are consistent with best global practices.

External Auditor

- Auditor's name: Deloitte & Touche CIS
- INN: 7703097990
- OGRN: 1027700425444
- Address: 5, Lesnaya St., Moscow 125047 Russia
- The auditor is the member of Self-Regulating Organization "Russian Union of Auditors" (RUA)
- The organization is located at 8 Petrovskiy pereulok, bld. 2, Moscow 107031 Russia

Auditing team:

- Sergei Neklyudov, Leading Partner;
- Ekaterina Ponomarenko, Partner, Quality Control;
- Anna Zdanevich, Audit Director;
- Anna Naydunova, Senior Audit Manager;
- Natalia Kaprizina, Partner, Internal Control Audit;
- Julia Goncharova, Senior Manager, Internal Control Audit;
- Anton Shul'ga, Partner, Valuation;
- Denis Mekhedov, Manager, Valuation
- Alexander Sinitsyn, Partner, Tax Audit
- Inna Chekashkina, Senior Manager, Tax Audit.

The fee for the audit of the annual accounting (financial) statements of Moscow Exchange and of the consolidated statements of Moscow Exchange Group for 2017 was RUB 11,328,000, including VAT.

Deloitte & Touche CIS rendered no other services to Moscow Exchange in 2016-2017 beyond audit services.

External Auditor Selection Procedure

In accordance with the Regulations on the Auditor Selection Commission, Moscow Exchange selects auditors every three years. The number of consecutive audit years by one organisation usually does not exceed six years, or two auditor selection periods. In 2016, the Exchange selected an auditor for 2017-2019. Deloitte & Touche CIS won the tender.

The best candidate is chosen by the Auditor Selection Commission in accordance with the Regulations on the Evaluation of Proposals for the Selection of Auditor for the Moscow Exchange and Technical Requirements for the audit, which are approved by the Supervisory Board's Audit Commission.

Technical Requirements determine the scope of matters the auditor reviews during an audit, as well as the Exchange's requirements for the audit firm taking part in the competitive tender.

Before reviewing the bids for the audit of the Moscow Exchange and Group companies, the Commission prepares an opinion on the bidders' eligibility pursuant to the Russian law, which also takes into account factors that may affect the independence and objectivity of the auditor. Only those candidates that comply with the requirements for the auditor's independence under Article 8 of the Federal Law No. 307-FZ On Auditing are admitted to the tender.

The auditor selection process is based on a review of technical and price characteristics of the bids to identify the best terms for the audit of the financial (accounting) statements of the Moscow Exchange and Group companies. The Auditor Selection Commission reviews bids in two stages, assessing technical characteristics first and then pricing, based on which it determines the winning candidate.

During the review of technical characteristics the following is assessed: audit methodology, quality of the auditor's report on the internal control framework to the Exchange's governing bodies, bidders' professional expertise and draft agreement for the audit of the Exchange and companies in the Group.

As regards pricing, the total audit fees for the current reporting period and for the two subsequent ones, as well as at the fee payment schedule are considered.

Based on its review of the bids, the Auditor Selection Commission determines the winning bid and recommends the candidate to the Supervisory Board's Audit Commission, which in its turn recommends that the Supervisory Board should propose to the General Meeting of Shareholders of the Exchange to approve the candidate as the auditor.

The final decision on the auditor selection is made by the Annual General Meeting of Shareholders.

Remuneration Payable to Members of the Supervisory Board

The current remuneration system for members of the Supervisory Board is defined by the Policy on Remuneration and Compensations for the Members of the Supervisory Board approved by the Supervisory Board (Minutes No. 12 as of 28 December 2016) and the Regulations on Remuneration and Compensation Due to Members of the Supervisory Board approved by the Annual General Meeting of Shareholders (Minutes No. 54 as of 27 April 2016). The documents are available at https://www.moex.com/s798. The Nomination and Remuneration Committee, which is responsible also for the development and revision from time to time of the Supervisory Board Member Remuneration Policy, as well as control over policy implementation and performance, is actively engaged in improving this system on the basis of best practices in corporate governance and the successful experience of other public companies and global exchange groups. The Policy and the Regulations are applicable to members of the Supervisory Board only. While no changes or amendments were made to those documents in the reporting year, and the remuneration system was not assessed by external entities, the Nomination and Remuneration Committee carried out an expert benchmarking assessment of the existing remuneration adopted by companies of a similar capitalization, and proposed no changes for 2018.

According to the Policy, the remuneration and compensation system for the members of the Supervisory Board is underpinned by the following key interrelated principles:

- remuneration and compensation are calculated and documented transparently, and are available for review by any stakeholder;
- information regarding the remuneration and compensation system for the Supervisory Board members, including individual remuneration, is disclosed in a full and timely manner;
- remuneration is intended to motivate the Supervisory Board to perform effectively;
- each member's contribution to the Supervisory Board's performance is assessed according to their functions, responsibilities, workload and involvement.

The level of remuneration paid to Supervisory Board members is sufficient to attract, motivate and retain professionals with the relevant skills and qualifications. The Nomination and Remuneration Committee of the Moscow Exchange Supervisory Board provides recommendations on changes to the level of remuneration payable to Supervisory Board members under the Regulations based on the expert assessment of the levels of remuneration adopted by other Russian companies with similar capitalization as well as Moscow Exchange's peers.

The Policy and the Regulations define all types of payments, benefits and perquisites provided to members of the Supervisory Board and specify no additional short- or long-term incentives for them.

In order to ensure independent decision making, Supervisory Board remuneration is not aligned with the Company's performance or share price and do not include stock option plans. Members of the Supervisory Board enjoy no pension contributions, insurance plans (apart from the Supervisory Board member liability insurance and the conventional insurance associated with travelling to perform duties as a director or to participate in Supervisory Board activities), investment plans or other benefits or perquisites, unless specified in the Policy and the Regulations. The Exchange does not provide loans to members of the Supervisory Board or engage them to provide services under civil law contracts.

Remuneration related to performance of Supervisory Board functions is not paid to government officials and employees of the Bank of Russia. Employees and managers of the Exchange are not also paid for performance as a member of the Supervisory Board of the Exchange and its subsidiaries.

Remuneration for performance as a Supervisory Board member is comprised of base and supplementary components.

The base payment of a Supervisory Board member depends on whether such member is independent or not, and is equal to:
- RUB 5.5 mn for an independent member of the Supervisory Board;
- RUB 4 mn for a non-independent member of the Supervisory Board.

The following differentiated additional remuneration is paid to Supervisory Board members for performance of additional duties requiring extra time and effort of the Chairman of the Supervisory Board, Deputy Chairman of the Supervisory Board, Chairman of a Supervisory Board Committee or a member of a Supervisory Board Committee:
- RUB 6 mn for the Chairman of the Supervisory Board;
- RUB 3 mn for the Deputy Chairman of the Supervisory Board;
- RUB 2.5 mn for the Chairman of a Supervisory Board Committee;
- RUB 1.25 mn for a member of a Supervisory Board Committee.

If a member of the Supervisory Board acts as the Chairman and/or a member of more than one Supervisory Board Committee, they are remunerated for the performance of duties as the Chairman and/or a member in each of those cases.

As per a decision of the Annual General Meeting of Shareholders, members of the Supervisory Board may be additionally remunerated for their participation in forums or conferences held on the initiative of, or involving, the Exchange and intended to enhance the Exchange's cooperation with investors or financial market participants. The exact amount of such additional remuneration is determined with due regard to the significance, duration of the event and remoteness of the venue, and may not exceed RUB 400,000.

The amount of the base payment and supplementary remuneration due to Supervisory Board members is fixed and reflects the expected time expended to perform duties as a Supervisory Board member; it does not depend on actual attendance of Supervisory Board or Supervisory Board Committee meetings (including unscheduled meetings). However, the amount may be reduced by 25% or 50% in the event that a member of the Supervisory Board attended less than 75% or 50% of the meetings of the Supervisory Board or Committee, respectively. If a member of the Supervisory Board participated in one third of all Supervisory Board meetings or less, or attended one fourth of the in-person Supervisory Board meetings or less, the Annual General Meeting of Shareholders may resolve to pay any remuneration to such member of the Supervisory Board.

In the event of early termination of powers, the remuneration payable to each member of the Supervisory Board is based on their actual tenure. In this case, any other payments or compensation are not provided.

Apart from the remuneration for their work on the Supervisory Board and on Supervisory Board Committees, pursuant to the approved Policy, Supervisory Board members are entitled to reimbursement (compensation) of travel expenses related to their participation in in-person Supervisory Board or Supervisory Board Committee meetings and General Meetings of Shareholders, as well as other events which they attend in their capacity as Supervisory Board members. In addition, Supervisory Board members who need to travel to meetings and other events held outside their place of residence are entitled to reimbursement (compensation) of hospitality expenditures.

Amounts of remuneration and compensation paid to each member of the Supervisory Board in 2017, RUB thousand

No.	Name	Basic remuneration	Additional remuneration	Compensation for expenses, in total
1	Kudrin, Alexey Leonidovich	4,000	6,000	0
2	Afanasiev, Alexander Konstantinovich	0	0	0
3	Goreglyad, Valery Pavlovich	0	0	0
4	Glodek, Sean Ian	4,000	2,613.5	122.7
5	Golikov, Andrey Fedorovich	4,000	8,000	0
6	Denisov, Yury Olegovich	4,560.4	3,870.1	0
7	Zlatkis, Bella Ilyinichna	4,000	0	0
8	Karachinsky, Anatoly Mikhailovich	5,500	3,317.4	0
9	Wang, Yuan	5,500	1,585.5	1,742.8
10	Riess, Rainer	5,500	4,447.4	1,586.5
11	Gordon, Maria Vladimirovna	5,500	2,500	1,882.8
12	Paterson, Duncan	5,500	1,490.9	1,578.9
	Total	**48,060**	**33,825**	**6,914**

Supervisory Board members are entitled to the same classes of travel and accommodation as members of the Exchange's executive bodies in accordance with relevant internal documents on reimbursement of expenses incurred during business travel.

In order to maintain the necessary level of skills of Supervisory Board members, the Nomination and Remuneration Committee of the Moscow Exchange Supervisory Board may recommend paying for professional training and refresher courses.

The exhaustive list of reimbursable expenses is defined in the Regulations.

The remuneration paid in 2017 to members of the Supervisory Board for their performance in the period from the election date in 2016 to the termination of their powers in 2017 (the corporate year) have been determined in accordance with the Policy.

The resolution on the payment of remuneration to the Supervisory Board members for performance of their functions during their term of office and on the amount of remuneration payable to each individual director elected on 27 April 2016 was made at the Annual General Meeting of Shareholders held on 27 April 2017.

Prior to that, the amount of remuneration to the Supervisory Board members had been reviewed by the Nomination and Remuneration Committee of the Supervisory Board, and by the Supervisory Board of the Moscow Exchange.

	2017	**2016**	**2015**
Remuneration for membership in management bodies of subsidiaries	**Total**	**Total**	**Total**
0	10,000	8,020	3,424.6
0	0	0	0
0	0	0	0
0	6,736.2	6,348.5	2,500
5,250	17,250	12,711.5	6,537.1
6,000	14,430.5	9,086.5	6,412.1
4,750	8,750	7,375	5,125
0	8,817.4	6,500	3,500
0	8,828.3	7,971.4	4,251.1
0	11,533.9	9,746.3	4,939
0	9,882.8	340.6	0
0	8,569.8	362.9	0
16,000	**104,799**	**68,463**	**36,689**

Chairman and Members of the Executive Board[1]

Moscow Exchange is currently managed by the Chairman of the Executive Board, the sole executive body, and the Executive Board, the collegial executive body of Moscow Exchange.

The Chairman of the Executive Board leads and arranges the work of the Executive Board.

Alexander Afanasiev

Chairman of the Executive Board

CHAIRMAN OF THE EXECUTIVE BOARD

Date/place of birth: 12 January 1962, Moscow.

Alexander Afanasiev graduated from Moscow Financial Institute in 1984. Specialty: International economic relations.

He has a degree in economics.

- From 1998 to 2011, he was Deputy Chairman of the Management Board at Bank WestLB Vostok, a subsidiary of the German banking group WestLB AG.
- Since 2011, he has been a member of the Executive Board of Moscow Exchange.
- He was first elected as Chairman of the Executive Board by the Annual General Meeting of Shareholders held on 20 June 2012 (Minutes No 44) for the period from 21 June 2012 through the Annual General Meeting of Shareholders in 2015.
- The Annual General Meeting of Shareholders held on 28 April 2015 (Minutes No 53) re-elected him Chairman of the Executive Board for the period from 29 April 2015 until the next Annual General Meeting of Shareholders in 2018.
- He is a member of the Supervisory Board at CCP NCC, a member of the Supervisory Board at NSD and a member of the Management Board at the Russian Union of Industrialists and Entrepreneurs.

Period of service with the Exchange: 2011 to date.

He owns 2,948,385 shares, or a 0.1295196% equity interest, in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

[1] Data as of 31 December 2017.

Anna Kuznetsova

Managing Director of the Equity & Bond Market

MEMBERS OF THE EXECUTIVE BOARD

Anna Kuznetsova was born on 20 September 1974 in Gorodishche, Stary Oskol district, Belgorod region.

In 1996, she graduated from the faculty of mechanics and mathematics of the M. V. Lomonosov Moscow State University, and in 1998 from its faculty of economics.

Ms. Kuznetsova holds a PhD in physics and mathematics.

- From 1999 to 2001, she worked for NAUFOR and was involved in the creation of the National Quotation System and development of the Complex Information Disclosure System.
- From 2001 to 2004, Ms. Kuznetsova worked for RTS. Starting from 2003 she served as Head of the New Markets Development Department at NP RTS.
- In 2004–2006, Ms. Kuznetsova worked as Executive Director of REGION Brokerage Company where she was in charge of the organization of work and interaction between the Company's subdivisions.
- From 2006 to 2008, she served as Vice President of the Not-for-profit partnership "Russian Trading System" Stock Exchange and Deputy CEO of OJSC RTS. In 2008-2013 Ms. Kuznetsova was Deputy CEO, and starting from 2013 and until 2016 she was the CEO at MICEX Stock Exchange.
- Since 21 July 2016 she is a member of the Executive Board and the Managing Director of Equity & Bond Market of Moscow Exchange.

She was elected a member of the Executive Board of Moscow Exchange by resolution of Supervisory Board from 21 July 2016 (Minutes No.5) with the term of office from 22 July 2016 throughout 23 July 2018.

Period of service with the Exchange: 2001 to date.

She owns 220,000 shares, or a 0.0096644% equity interest, in Moscow Exchange.

She reported no transactions involving shares in Moscow Exchange in 2017.

Igor Marich

Managing Director of the Money and Derivatives Markets

Igor Marich was born on 1 April 1974 in Moscow.

In 1998 he graduated with high academic honors from the Finance Academy under the Government of the Russian Federation.

- Between 1994 and 1999 he held various positions in ELBIM Bank.
- He joined the Exchange (then MICEX) in 2000 to lead the Derivatives Market. He also was involved in development and rollout of new instruments for MICEX Group markets. He was also actively engaged in the creation and further development of Moscow Exchange's repo market and roll-out of bank deposit and lending operations on Moscow Exchange.
- In 2011 he took the lead of the Exchange's FX and Money Market.
- Between 2013 and 2016 he held the position of Managing Director of the FX and Money Markets. Since 22 July 2016, he has served as Managing Director of the Money and Derivatives Markets.
- He is a member of the Board of Directors at MB Innovations.
- He was elected a member of the Executive Board of Moscow Exchange by the resolution of Supervisory Board from 21 July 2016 (Minutes No.5) with the term of office from 22 July 2016 throughout 23 July 2018.

Period of service with the Exchange: 2000 to date.

He owns no shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Dmitry Shcheglov

Chief Operating Officer

Dmitry was born on 1 September 1975 in Orekhovo-Zuevo, Moscow region.

He graduated from the Stankin Moscow State Technology University in 1998 with a degree in Automation and Control. PhD in Technical Sciences.

In 2016, he completed an Executive MBA at Moscow School of Management Skolkovo.

- He started his career in 1998 with the Exchange where he worked as an expert of the Trade System and Clearing Support Section, Derivatives Market Division. Later, he occupied various positions in the FX Market Division (Department) of Moscow Exchange. He had a direct role in setting up the National Clearing Centre and transferring the FX market clearing functions to this new organisation. In 2009, he organised the operation of the Moscow Exchange Operational Centre.
- Staring from 2011, he was Deputy Head of the Integration Project Centre.
- In 2012, he was appointed Executive Director of Operations.
- Since 2013, he has been the Chief Operating Officer of Moscow Exchange.
- He joined Moscow Exchange in 1998, and he is now the Chief Operating Officer.
- In 2013-2016, he was the Deputy CEO of MICEX Stock Exchange.
- Since 2017 he has been Chairman of the Board of Directors at MB Innovations.
- He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 29 March 2013 (Minutes No 35) for a period of two years starting from 1 April 2013.
- On 5 March 2015, the Supervisory Board resolved (Minutes No 12) to re-elect him as a member of the Executive Board for the period from 2 April 2015 until 3 April 2017, this date inclusive.
- On 2 March 2017, the Supervisory Board resolved (Minutes No 15) to re-elect him as a member of the Executive Board for the period from 4 April 2017 until 2 April 2020, this date inclusive..

Period of service with the Exchange: 1998 to date.

He owns 90,261 shares, or a 0.00397% equity interest, in Moscow Exchange.

Below are the transactions involving shares in Moscow Exchange that he was involved in 2017

		Before transaction		After transaction	
Date of transaction	**Type (substance) of transaction**	**Number of shares**	**Equity interest (%)**	**Number of shares**	**Equity interest (%)**
3 May 2017	Share purchase	62,390	0.00274	729.057	0.032
3 May 2017	Share sale	729,057	0.032	370.261	0.01625
23 May 2017	Share sale	370,261	0.01625	90.261	0.00396

Sergei Poliakoff

Chief Information Officer

Sergei Poliakoff was born on 6 October 1960 in Moscow.

He graduated in 1991 from New York University with an MSc in Information Technology.

- He started his career at Bell Labs where he was part of Unix OS development team. Before joining Moscow Exchange, he held senior management positions at Morgan Stanley, QS Financial Markets, Deutsche Bank and NatWest Securities.
- From 2006 to 2011, he was the CDO at Quadriserv Inc, USA.
- He took a major part in developing AQS, the first and unique all electronic, CCP-based securities lending and centrally-cleared repo market system. He is a co-author of a number of patents in the sphere of automated equity market structures.
- Since 2013, he has been Chief Information Officer at Moscow Exchange.
- He is a member of the Board of Directors at MB Innovations.
- He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 23 May 2013 (Minutes No 42) for a period of two years starting from 24 May 2013.
- On 22 May 2015, the Supervisory Board resolved (Minutes No 2) to re-elect him as a member of the Executive Board for the period from 25 May 2015 until 12 November 2015, inclusive.
- On 6 November 2015, the Supervisory Board resolved (Minutes No 9) to re-elect him as a member of the Executive Board for the period from 13 November 2015 until 13 November 2017, this date inclusive.
- On 28 September 2017, the Supervisory Board resolved (Minutes No 7) to re-elect him as a member of the Executive Board for the period from 14 November 2017 until 27 December 2018, this date inclusive.

Period of service with the Exchange: 2013 to date.

He owns 2,409 shares, or a 0.0001058% equity interest, in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Maxim Lapin

Chief Financial Officer

Maxim Lapin was born on 28 October 1979 in Shuya, Ivanovo region.

He holds a degree in Economics from Lomonosov Moscow State University (2003).

In 2007, he graduated from Columbia Business School with an MBA in Finance.

- In 2009-2014, he was Director of Planning and Analysis at Sibur.
- Previously, he was Business Development Director at steelmaker MMK.
- In August 2017, he joined Moscow Exchange as an adviser.
- On 28 September 2017, the Supervisory Board resolved (Minutes No 7) to elect him as a member of the Executive Board for the period from 2 October 2017 until 2 October 2019, this date inclusive.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2017.

Remuneration Payable to Members of the Executive Board

The remuneration system for members of Moscow Exchange's executive bodies is regulated based according to the Policy on Remuneration and Compensation for Members of Executive Bodies approved by the Supervisory Board in December 2016. This Policy establishes remuneration principles and approaches, procedures for determining the amount of remuneration and the types of payments, benefits and perquisites.

The Policy's main principles consist of:
- Attracting and retaining professional and effective members of executive bodies capable of implementing the Exchange's strategy and other business priorities, as well as increasing shareholder value.
- Providing competitive remuneration sufficient to attract, motivate and retain competent and qualified members of the executive bodies.
- Maintaining an optimal balance when awarding compensation between the performance of Moscow Exchange as a whole and the personal contribution of each member of the executive body.

The Remuneration Policy is transparent and available to investors online (http://www.moex.com/s1358).

The remuneration payable to executive body members is comprised of fixed (salary) and variable parts. The variable part constitutes a significant portion of total annual remuneration and consists of short- and long-term components. The short-term variable component represents an annual bonus linked to the performance of Moscow Exchange and an executive body member's personal contribution. The long-term variable component is determined as per the share-based long-term incentive programme.

The short-term variable component is linked to performance via the key performance indicators reviewed and approved annually and encompassing both corporate and individual KPIs. In 2017, their proportion was 40% and 60%, respectively.

To increase personal responsibility of each executive body member, the Supervisory Board may defer the payment of a portion of bonuses to members of executive bodies until it receives information on their financial and other achievements; the delayed portion may be reduced or cancelled in case of a failure to attain a positive result in the relevant business line. 60% of the approved bonuses for 2017 shall be paid in 2018; 40% of the bonuses shall be paid in equal instalments with a delay of one and two calendar years (20% after one calendar year, and the remaining 20% after another calendar year) based on the Supervisory Board's resolutions. This procedure allows the Company to account for the risks associated with decisions made by executive body members.

To improve motivation and accountability of Moscow Exchange executive body members, to ensure their interests are aligned with those of shareholders and to link remuneration to the Exchange's long-term performance, the Company runs a share-based long-term incentive programme as per principles and parameters approved by the Supervisory Board. Under this programme, the right to dispose of the shares covered vests in stages of one, two and three years, subject to continued employment.

Similar to other employees of the Moscow Exchange, members of executive bodies are entitled to the following benefits:
- voluntary medical insurance and international medical insurance;
- life and accident insurance;
- material aid;
- payment of the official salary for a certain number of days of incapacity for work per year.

In addition, members of the executive bodies are provided with a corporate car and a business mobile phone plan and are entitled to reimbursement of hospitality and travel expenses.

No severance pay is determined or paid in instances where a member of an executive body resigns or is dismissed on grounds related to disciplinary action or their employment is terminated as a result of a guilty act (or omission) committed by the member.

The amount of compensation payable in the event of executive body members' early termination of powers (following the relevant resolution of the Supervisory Board) subject to no fraudulent actions on their part shall not exceed the fixed portion of their annual remuneration. If a member of an executive body is dismissed on other grounds, compensation is only paid in instances and in the amount specified by the Labour Code of the Russian Federation.

The remuneration payable to each executive body member, payment terms and procedures, along with conditions for early termination of contracts, including severance pay, compensation or any other payments in excess of those required by the law, as well as conditions for payment thereof, are reviewed and approved by the Supervisory Board based on recommendations issued by the Board's Nomination and Remuneration Committee.. To prevent a conflict of interest, the chairman of the executive body (CEO) refrains from voting on executive body members' employment contracts.

The Supervisory Board, together with the Nomination and Remuneration Committee, supervises the implementation of the Remuneration Policy and amends it, as necessary. Having reviewed the Remuneration Policy and assessed the remuneration system for members of the executive bodies in 2017, the Nomination and Remuneration Committee found the balance between the fixed and the variable components to be effective and decided to retain the current version of the Policy.

Members of Moscow Exchange's executive bodies are not remunerated for serving on governance bodies of Moscow Exchange Group companies.

The total remuneration paid to the Executive Board members in 2017:

Remuneration payable to members of executive bodies, RUB thousand

Type	Amount
Remuneration for serving on a governance body	0
Salaries	150,389
Bonuses	174,522
Fees	0
Reimbursement for expenses	4,430
Other	1,985
Total	**331,326**

Internal Control System

Moscow Exchange Group has in place an internal control system based on advanced practices and COSO principles, including the Three Lines of Defense Model. According to the model, duties related to risk and control are distributed between the senior management (1st Line of Defense), control and coordination functions (2nd Line of Defense) and internal audit (3rd Line of Defense). The roles are assigned and powers are determined by senior managers of the Group.

The first line identifies, evaluates and manages the risks as well as creates and implements policies and procedures regulating on-going business processes. The second line (internal control, operational risk, information security and business continuity, financial control, economic security, etc.) continuously monitors the internal control system, establishes the common concept for detecting and evaluating risks and taking measures to mitigate actual and potential risks as well as advising and supporting the first line in risk management, control procedures and compliance. The third line (internal audit) provides the Group's management bodies with an independent and impartial assessment of internal control performance.

Risks are identified, evaluated and monitored across the Group in accordance with a unified approach for risk evaluation. Control procedures are in place that reduce risks affecting the Group's business to acceptable levels.

Risks as detected and assessed, as well as measures taken to reduce them, are reported to the management bodies on an on-going basis. This includes reporting the efficiency evaluation in respect to risk management and internal control system.

In 2017, an independent audit of the MOEX internal control system was carried out. Upon completion of the audit, the system was evaluated as Matured. The current internal control system complies with the Group's profile, business scale and environment.

The Group continues enhancing its internal control system to ensure it remains compliant with high industry standards.

Risk Management

Key Risks

The Moscow Exchange Group has built an integrated risk management system, however each of the Group company faces its own inherent risks associated with the specific field of its activities. Thus, the Moscow Exchange, being the parent company of the Group, assumes the risks of a market operator.

However, the Group's principal risk taker is none other than Bank National Clearing Centre (Joint-stock company) (short name "NCC") on the grounds that it operates as clearing house, a central counterparty for all main markets of the Moscow Exchange Group, and an operator of deliveries in the Commodities Market.

The Group's comprehensive risk management system extends to the NSD, the infrastructure powerhouse of the Russian financial market, whose priorities lie in the reliable operation and stable development of the following key areas:

- Central securities depository;
- Clearing system;
- Commodities' repository;
- Tripartite services;
- Corporate information centre.

System for Managing Risks to the Current Strategy

The principles and approaches employed by the Group in installing and operating the risk management system (RMS) are based on best international practices implemented in compliance with national and international risk and capital management standards. The Group holds an annual audit of its compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures, the COSO Enterprise Risk Management Framework, and the guidelines of the Basel Committee on Banking Supervision on procedures to be employed by credit institutions in the sphere of risk and capital management. In 2017, the CCP NCC, the principal risk taker of the Group, retained its DNV Business Assurance Management System Certificate ISO 9001:2015, an international standard denoting best global practice in the field of business and quality management. The Bank was audited by DNV GL, an international certification company. DNV-GL's standards establish clear requirements for management of business processes to serve as the basis for a predictable and stable level of quality of products and services.

The integration of risk management functionality in business processes makes it possible to identify risks and assess their materiality in a timely manner, and to ensure an efficient response by mitigating potential adverse effects and/or by reducing the probability that they will materialise. Tools for mitigation include insurance, hedging, limit requirements and transaction collateral requirements.

The Group's Risk Management System operates on the following principles:

Comprehensive Coverage is premised on identifying risk factors and risk objects, determining risk appetite based on a comprehensive analysis of existing and proposed business processes (products), implementing universal RMS working procedures and elements, consistently applying methodological approaches in resolving similar risk assessment and risk management tasks, and assessing and managing key operational risks in close connection with the non-key operational RMS.

Continuity is premised on regular, coherent, target-driven procedures, such as assessment of existing risks, including monitoring risk parameters, review of key RMS parameters and how they are determined, including limits and other restrictions in respect of clearing members' transactions, analyzing RMS technologies and operational rules, holding stress tests and preparing reports for management.

Transparency is manifested by the Group providing relevant information regarding the RMS to clearing members / counterparties. Clearing members, including potential members, have access to methodological documents describing the RMS, including methodological approaches to risk assessment, as well as to key aspects of the procedures employed in monitoring the financial stability of clearing members / counterparties. At the same time, the assessment results of a specific clearing member or counterparty, as represented in the form of internal ratings, or limits, as well as other restrictions established in respect of treasury or administrative operations, are never made public and are never subject to disclosure.

Independent Assessment means that a comprehensive assessment and review of each risk is undertaken by separate divisions / employees who are independent from the divisions responsible for taking on risks or counterparties. These divisions / employees cannot be charged with any responsibilities that may give rise to a conflict of interest.

Paper Trail means that RMS guidelines, procedures and rules should be developed and negotiated with the divisions involved in risk assessment and management procedures, and approved by the relevant governing bodies.

Prudence suggests that the Group bases its decision-making on a prudent combination of RMS reliability and profitability in choosing methods of risk assessment and management, and in determining the acceptable level of risk (risk appetite).

Materiality means that, in implementing various RMS elements in its operations, the Group is guided by the relationship between the costs that implementation of risk analysis, control and management mechanisms will require, and the potential outcome of such implementation, as well as the costs of the development and implementation of products, services or tools carrying the relevant exposure.

As part of the risk management strategy, and with a view to achieving strategic objectives, credit entities of the Group establish and annually review their risk appetite, which defines the risk limit assumed by them by reference to strategic objectives they have been set.

The current version of the Group's strategy includes five priority areas:

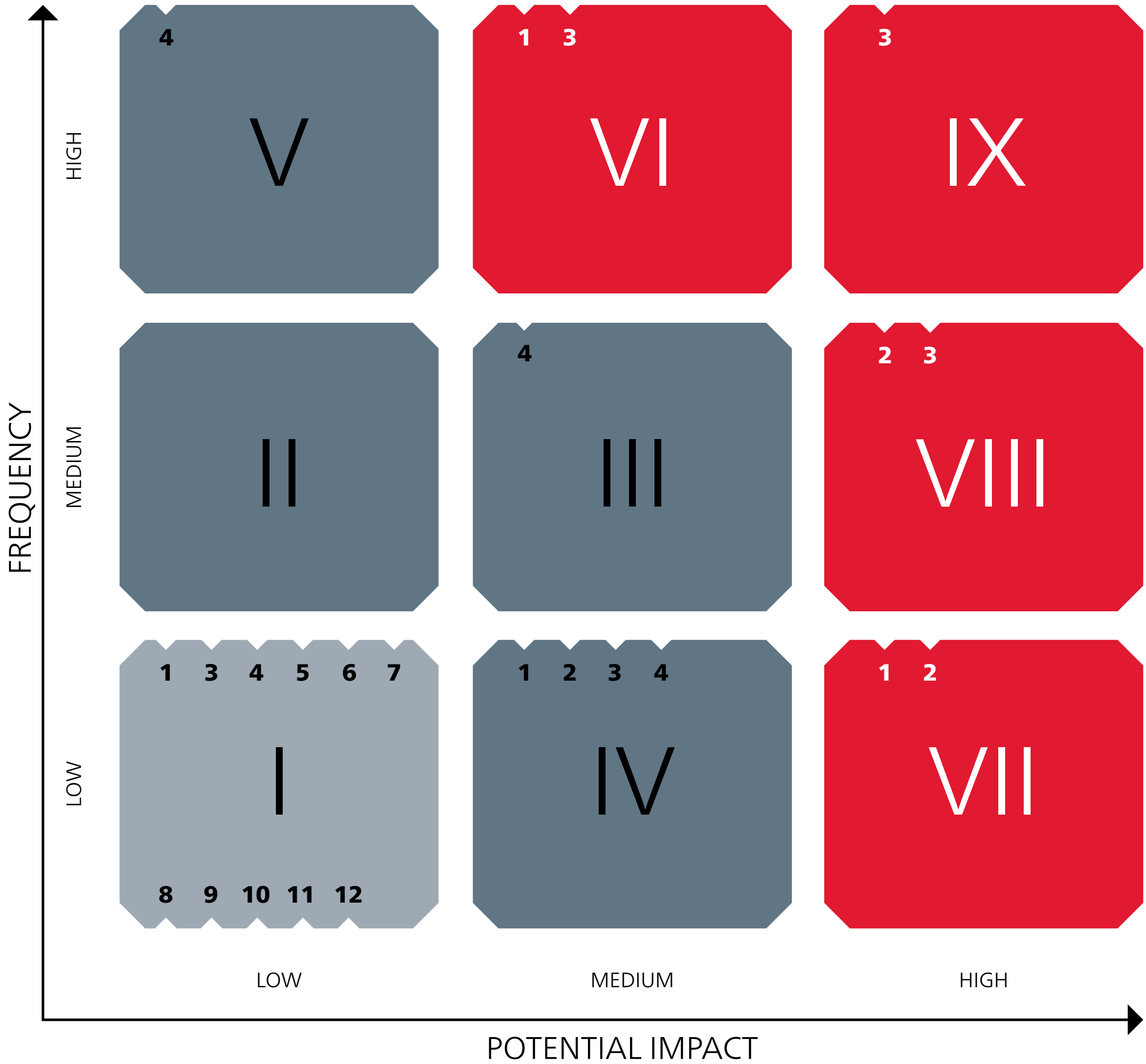
1. Diversification. Strategic objective: to substantially increase income from classic infrastructure services, and to create new trading markets.
2. Optimization. Strategic objective: to improve operational efficiency and streamline the Group's business processes.
3. Market deepening (growth from the further development of the Russian financial markets). Strategic objective: to develop the local investor base, and to facilitate greater liquidity in Russia's financial markets.
4. Integration of risk management products and collateral. Strategic objective: to develop an advanced and integrated system managing risks, collateral pool and settlements, and extending to all Group markets.
5. Standardisation of Russian infrastructure. Strategic objective: to complete the upgrade of key elements of Russian financial market infrastructure in accordance with evolving international standards.

These priority areas serve as the basis for calculating threshold values for specific target indicators. Compliance with these indicators is regularly reviewed and communicated to the Supervisory Board.

Risk Map

The risk map is based on an annual risk identification procedure.

The risk map based on the updated risk identification procedure of 2017 is shown below. The same type of risk may be represented by different events that vary in their potential impact and frequency of occurrence. If events of the same risk type fall into different matrix sectors, the risk significance is categorised via a simple majority based on the sector colour:



1 – credit risk
2 – operational risk
3 – market risk
4 – liquidity risk
5 – bank book interest risk
6 – compliance risk
7 – reputational risk
8 – reputational risk
9 – custody risk
10 – commercial risk
11 – systemic risk
12 – strategic risk

Financial Risks

Risk	Actions
Credit risk (incl. CCP risk and concentration risk) Group's assets are subject to credit risk which is defined as the risk of possible losses caused by failure of a Group's counterparty to perform or properly perform its obligations to it.	The Group controls the credit risk by employing the following procedures: • establishing single or group counterparty limits, subject to a comprehensive assessment of their financial position, the analysis of the macroeconomic environment they are operating in, the level of their information transparency, business reputation, as well as other financial and non-financial factors; • using an internal rating system providing a weighted assessment of the counterparty's financial position, and the level of the credit risk assumed in its respect; • controlling the credit risk concentration in accordance with the current regulatory requirements; • establishing strict requirements for the types and quality of the acceptable collateral, including liquid securities, as well as cash in Russian roubles and in foreign currency. In order to reduce the credit risk associated with the CCP's operations, the Group has implemented a multi-level safeguard structure triggered upon a clearing member's failure to perform or properly perform its obligations, in compliance with regulatory requirements and strict international standards.
Market risk The market risk may emerge from the defaulting clearing member's need to close major positions / sell the collateral, which in case of a low market liquidity may adversely affect the price, at which such position can be closed / or the collateral can be sold.	The primary objective in managing the market risk upon investing idle cash is to improve the risk/profitability correlation, and to minimise any losses should any adverse events occur. With this view the Group: • diversifies its securities portfolio (by maturity, issuer's industry profile); • sets up maximum expiration periods for investments in securities; • sets up maximum volumes of investment in securities (by the total volume, by types of investments, and issuers); • classifies debt obligations and securities by risk groups; • establishes provisions for potential losses under securities should they be not marked to market. The market risk emerging as part of trading or clearing operations, is primarily managed by: • identifying, monitoring, and timely reviewing risk parameters, taking into account regular stress test results; • establishing individual collateral rates taking into account concentration limits, profiles of the instruments traded at each of the markets, and possible volatility change scenarios; • back testing collateral rates, and controlling collateral adequacy. In managing the market risk emerging as part of trading or clearing operations, the Group: • devises mechanisms permitting to close positions of defaulting clearing members within two trading days; • sets discounts for the assets accepted as collateral, with the view to covering possible changes in their values in the period from their most recent re-evaluation until the time of their sale; • sets concentration limits that define clearing member's position volume, upon reaching which the underlying collateral is subject to heightened requirements; • evaluates clearing members' collateral adequacy subject to market liquidity; • develops procedures for resolving a situation, when a terminated obligation of a clearing member is secured by property other than the subject of the underling obligation; • maintains a system of additional financial collateral meant to cover losses not secured by clearing member's clearing or any other collateral.
Liquidity risk Risk of potential losses following an adverse change in the value of the instruments comprising the bank book, caused by changes in interest and/or yield rates.	The liquidity management system includes the following elements: • distribution of powers in managing liquidity; • specific liquidity management and control procedures; • information system to accumulate and review liquidity-related information; • a set of guidelines, performance indicators, and plans of initiatives designed to ensure efficient liquidity management and control; • internal management accounts underlying any decision adopted in respect of the liquidity efficient control and management.
Bank book interest risk Risk of potential losses following an adverse change in the value of the instruments comprising the bank book, caused by changes in interest and/or yield rates.	In order to measure the impact of the interest risk over the fair value of financial instruments, the Group holds regular assessment of potential losses, which may be caused by negative change of the market terms. The risk management division regularly monitors the financials of the Group and its principal members, assesses the sensitivity of the market value of the investment portfolio and of the proceeds to the interest risk.

Non-Financial Risks

Risk	Actions
Operational risk Risk of potential losses caused by inconsistency of internal operational procedures to the nature and scope of the business, and/or statutory requirements, their nonobservance by employees, lack of functionality, inadequacy of information, technological and other systems and/or their failure, as well as by external events.	The principal operational risk management (mitigation) methods include ▸ development of organisational structure, internal operational rules and regulations, distribution of powers, approval (negotiation) and reporting of undertaken operations, all of which will permit to avoid (minimise) the probability of operational risk factors; ▸ development of control measures following the analysis of statistical data undertaken with the view to identifying typical operational risks on the basis of recurrent events; ▸ monitoring compliance with the adopted rules and procedures; ▸ technological automation of undertaken operations, and development of information protection systems; ▸ insurance, including both traditional property and personal insurance (insuring buildings, other property against destruction, damage, loss caused by a natural disaster and other accidents, as well as by actions of third parties or employees; insuring employees against accidents and personal injuries), as well as insurance of specific professional risks, both on a comprehensive basis and against separate types of risks; ▸ development of the system of business continuity measures to apply in the operational cycle, including emergency plans (business continuity and/or disaster recovery plans).
Continuity risk Risk of discontinued critical services.	With the view to ensuring normal operations in emergency situations: ▸ the Group has put together a reserve complex including reserve office and firmware capabilities located at a safe distance from the principal office; ▸ the Group has developed business continuity and disaster recovery plans (BCDR Plans) that define critical business processes, priority actions in an emergency situation, timing and volumes of recovery operations, and business processes to enjoy priority recovery, as well as mandatory steps to be taken after the emergency situation subsides.
Legal risk Risk of losses caused by breach of contractual obligations, litigations, criminal and administrative liability of Group members and/or their governing bodies acting in their official capacity.	Legal risk management procedures include: ▸ regular monitoring of laws, and verification of internal procedures as to their compliance with actual regulations; ▸ establishing quantitative and volume restrictions for claims, and controlling compliance with the established restrictions; ▸ analysing the legal basis for new products and services; ▸ updating internal regulations with the view to avoiding fines. Losses associated with legal risks shall be reflected in the operational risk database.
Regulatory risk Risk of losses caused by inconsistency of Group's operations with the laws, its Charter, and internal regulations.	The regulatory risk is managed by the Internal Control Function, which takes the following steps to prevent losses caused by realisation of the regulatory risk: ▸ monitors the laws; ▸ is in constant communication with regulatory authorities on matters of new regulations; ▸ identifies regulatory risk in the existing and scheduled procedures; ▸ analyses best practices in implementing internal control measures.
Reputational risk Risk of losses caused by a negative public opinion of the Group's operational (technical) stability, quality of its services and its activities in general.	In order to avoid losses associated with the realisation of the reputational risk, the Group continuously monitors media space for information about the Group and analyses its internal processes applying the impact assessment methodology to each identified event or factor. The primary source of the reputational risk is the realisation of the operational risk, especially when such information becomes public. Thus, all actions taken to prevent and to mitigate the operational risk work simultaneously towards the reduction of the reputational risk.
Strategic risk Risk of expenses (losses) sustained by the market operator as a result of mistakes (defects) made in deciding on the operator's business and development strategy.	Principal methods of strategic risk management include: ▸ building up a process for strategic planning and management commensurate with the Exchange's calibre and operations; ▸ preventing any decisions, including strategic, to be taken by a non-appropriate body from the hierarchic point of view; ▸ exercising general control over the performance of the risk management system; ▸ determining the process for major transactions, for development and implementation of prospective projects as part of the general concept of the Moscow Exchange Group's development; ▸ controlling the consistency of the risk management parameters with the Exchange's current condition and its development strategy.

Risk Management Strategy

All principal risk takers among the companies of the Group have a developed Risk and Capital Management Strategy. The principles and processes introduced by the Strategy seek to build, use and develop a comprehensive system of capital and risk management to ensure business continuity both in normal and stressed economic conditions, to enhance transparency of the risk and capital management processes, as well as to identify and assess significant risks in a timely manner, support capital planning and take due account of risks in the decision making process.

With a view to maintaining efficiency of the regular risk management processes:

- Group governing bodies and divisions regularly exchange information on matters connected with the recognition, identification, assessment and control of risks;
- Group governing bodies, divisions and employees have been engaged in a system of distribution of powers and responsibilities to implement key risk management principles;
- risks are regularly identified;
- responsibility for managing certain types of risks is allocated to dedicated employees;
- models are developed to quantify risks and to ensure they are comprehensively catalogued;
- measures are taken to mitigate risk factors;
- the Group's operations are tested for sensitivity against certain risk factors which are taken into account in risk assessment models;
- the Group holds regular (at least once a month) stress tests for the adequacy of equity (capital) and clearing margin, including:
  - a complex scenario-based stress analysis that takes into account simultaneous change of several risk factors;
  - back stress testing;
- management accounts are systematically drawn up and sent to Group governing bodies, including on matters connected with the recognition, identification, assessment and control of risks;
- the CCP NCC Supervisory Board Risk Committee, the Moscow Exchange Risk Committee and the NSD Management Board Risk Committee duly discharge their functions;
- the internal control system has been set up;
- financial resilience recovery plans and plans for engagement of additional resources have been developed.

Moscow Exchange has also established a separate market operator's risk management subsystem that enables it to identify and assess risks in a timely manner and to develop mitigation measures.

This system incorporates continuous monitoring of emergencies and assessment of their potential impact on the technical processes of the Exchange's markets, as well as updating the integrated operational and financial risk management system in line with adopted decisions and procedures. Further development of the risk management system is planned to reduce the vulnerability of business processes and their recovery time, to improve system redundancy based on spacing and duplication of resources, and to improve the reliability of communication systems between traders, the Exchange and depository and settlement organizations.

In addition, the Exchange has also set up a separate structural unit responsible for managing its risks as a market operator. This unit aims to identify and assess risks in a timely manner and to develop mitigation measures. The Exchange has developed and approved the Regulations on Managing the Risks of a Market Operator, which establish, in particular:

- the principles of the risk management system related to the Company's operations;
- the principles and objectives of risk management related to the activities of a market operator.

The Regulations on Managing the Risks of a Market Operator:

- classify the risks inherent to the Exchange;
- establish the procedure and timeline for an audit of the efficiency of the risk management system;
- provide basic guidance and approaches to identifying, assessing and monitoring risks;
- establish the procedure and timeline for informing the Exchange's governing bodies, executives and divisions of identified risks;
- detail a list of measures to be taken by the Exchange to ensure confidentiality of risk-related information, including confidentiality of risk reports;
- establish the frequency of stress testing, as well as the requirements for scenarios used for such testing.

Short-term Risk Outlook

FINANCIAL RISKS –
since the Group's strategy requires the development of new products, establishment of new trading markets, and the expansion of the investor base, the management of financial risks will be key for the Company.

HR RISKS –
this type of risk will remain neutral, given that most ongoing activities are long-term; however, staff turnover remains low.

REGULATORY AND LEGAL RISKS –
since the Exchange's strategic objectives include the standardization of the Company's financial infrastructure and the development of its product line, regulatory and legal risks will continue to have a high impact on the Exchange's activities; however, taking into account ongoing activities, we do not expect a significant increase in the regulatory and legal risk.

REPUTATIONAL RISKS –
we expect reputational risk to decrease on the back of several major marketing activities planned for the near future that will contribute to enhancing Moscow Exchange's image.

OPERATIONAL RISKS –
the Stabilization and Reliability program being implemented will reduce operational risk; however, the full effect of the program will be visible only in the long term.

INFORMATION SECURITY RISKS –
plans to upgrade the Exchange's key information systems will keep information security risks elevated.

For Shareholders and Investors

Equity Capital

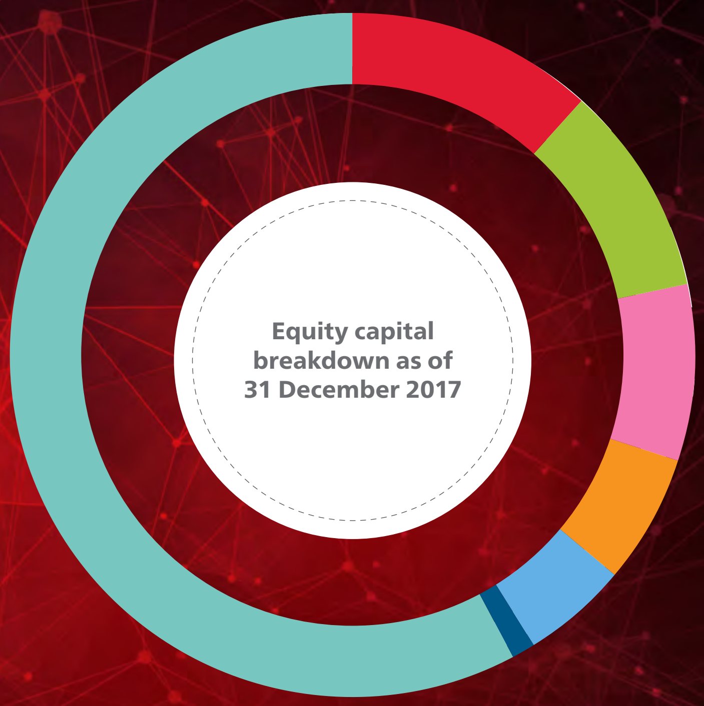
Type, category and form	Ordinary registered uncertified shares
State registration number	1-05-08443-H
Par value of one share	RUB 1.00
Outstanding shares	2,276,401,458
Equity capital	RUB 2,276,401,458
International Securities Identification Number (ISIN)	MOEX / RU000A0JR4A1

As of 31 December 2017, Moscow Exchange's nominal capital was RUB 2,276,401,458, equaling the total number of outstanding ordinary registered shares. According to the company Charter, each share is allocated one vote at the AGM. MOEX has not issued ordinary or preferred shares with differing par values.

In 2017, the total number of outstanding shares was reduced by 2,235,035 shares (0.098%) by cancelling repurchased shares. The decision to reduce the number of outstanding shares was approved by the AGM on 27 April 2017. The cancelled shares were repurchased in 2016 from shareholders who voted against or abstained from voting on the corporate restructuring that consolidated wholly owned subsidiaries MICEX Stock Exchange and MB Technologies into Moscow Exchange.

MOEX's shares trade on Moscow Exchange's Equity and Bond Market under the "MOEX" trading code. MOEX shares are included in Quotation List A, Level 1 and are included in several MOEX indices. MOEX is a constituent of the MOEX Russia Index and the RTS Index. MOEX shares are also included in the MICEX10INDEX of the ten most liquid blue chip stocks admitted to trading on MOEX and the Blue Chip Index composed of the top 15 largest companies. These indices are calculated based on liquidity, the free float ratio and the capitalization of shares. MOEX shares are also included in Moscow Exchange's sectoral index for Banking and Finance and the equity sub-index of the Retirement Index.

MOEX shares are included in a number of global indices. The international index provider MSCI includes MOEX's shares for the purpose of calculation of the MSCI Russia Index and the MSCI Emerging Markets Index. As at 31 December 2017, the weight of MOEX shares in the MSCI Russia Index was 1.55%. MV Index Solutions included MOEX's shares in the MVIS Russia Index. As at 31 December 2017, the weight of MOEX shares in the index was 2.29%. The shares are also a constituent of country, regional and sectoral family indices of S&P, FTSE and STOXX.



Shareholder	Share
The Central Bank of the Russian Federation	**11.780%**
Sberbank of Russia	**10.002%**
Vnesheconombank	**8.404%**
EBRD	**6.070%**
RDIF Asset Management-6	**5.003%**
MICEX-Finance	**1.233%**
Free float	**57.509%**
OppenheimerFunds, Inc – indirect ownership	5.016%
The Capital Group Companies, Inc – indirect ownership	5.007%
Other	47.486%

In 2017, there were changes in the composition of shareholders that own at least 5% of Moscow Exchange's shares. RDIF Asset Management-6, a part of Russian Direct Investment Fund (RDIF), became a shareholder owning at least 5% of votes with its stake in the equity capital increasing to 5.003% (from 4.998%) following the decrease of the equity capital in July 2017. Stakes of other shareholders also increased due to the increase of the equity capital.

Shareholders that own at least 5% of Moscow Exchange shares

Shareholders owning at least 5% of votes	31 December 2016		31 December 2017	
	Number of shares	Equity interest	Number of shares	Equity interest
Bank of Russia	268,151,437	11.768%	268,151,437	11.780%
Sberbank of Russia	227,682,160	9.992%	227,682,160	10.002%
Vnesheconombank	191,299,389	8.395%	191,299,389	8.404%
EBRD	138 172 902	6,064%	138 172 902	6,070%
Russian Direct Investment Fund	Not disclosed as the ownership was below 5%	–	113,893,490	5.003%
OppenheimerFunds, Inc[1]	Not disclosed as the ownership was below 5%	–	114,172,962	5.016%
The Capital Group Companies, Inc[1]	Not disclosed as the ownership was below 5%	–	113,973,153	5.007%

In 2017, international institutional investors such as OppenheimerFunds, Capital Group Companies and JPMorgan Chase & Co joined the list of Moscow Exchange's major shareholders and increased their stakes in the company to over 5%.As at 31 December 2017, OppenheimerFunds, Inc and Capital Group Companies, Inc held stakes in MOEX equivalent to 5.016% and 5.007%, respectively. On 18 December 2017, JPMorgan Chase & Co decreased its stake to 4.991% from 5.027% and therefore, it was not regarded as a shareholder owning more than 5% of votes in Moscow Exchange as at 31 December 2017. However, the shareholder announced it had increased its stake to 5.057% in early January 2018.

The Moscow Exchange's executive bodies have no other information on any equity interests in the share capital of over 5% apart from those disclosed in this section of the report.

According to the information available to the Exchange, no shareholders possessing 5% of its shares or less have an extent of control disproportionate to their holding of the Exchange's share capital.

As at 31 December 2017, there were a total of 15,565 Moscow Exchange shareholders.

As at 31 December 2017, MICEX-Finance, a controlled entity, held 28,072,870 shares (1.233% of the capital).

In the reporting period, Moscow Exchange did not execute any special transactions with its shareholders. All transactions were market-based and had terms similar to those of transactions made with the Company's other counterparties.

[1] Indirect ownership or joint control

Registrar

Registry society STATUS keeps the register of Moscow Exchange's shareholders.

Full company name:	Joint Stock Company "Registry society "STATUS"
Address:	32/1 Novorogozhskaya street, 109544 Moscow, Russia
Registration details:	State registration certificate No.066.193 from 20 June 1997, certificate to confirm the legal entity from 4 July 2002
Primary State Registration Number (OGRN):	1027700003924
License:	Registrar Licence No.10-000-1-00304 from 12 March 2004 (without limitation of the period of validity) issued by the Federal Financial Market Service
Contact details:	General enquiries: (495) 974-83-50 Shareholder service enquiries: (495) 974-83-47 E-mail: info@rostatus.ru Fax: (495) 678-71-10 E-mail: Office@rostatus.ru

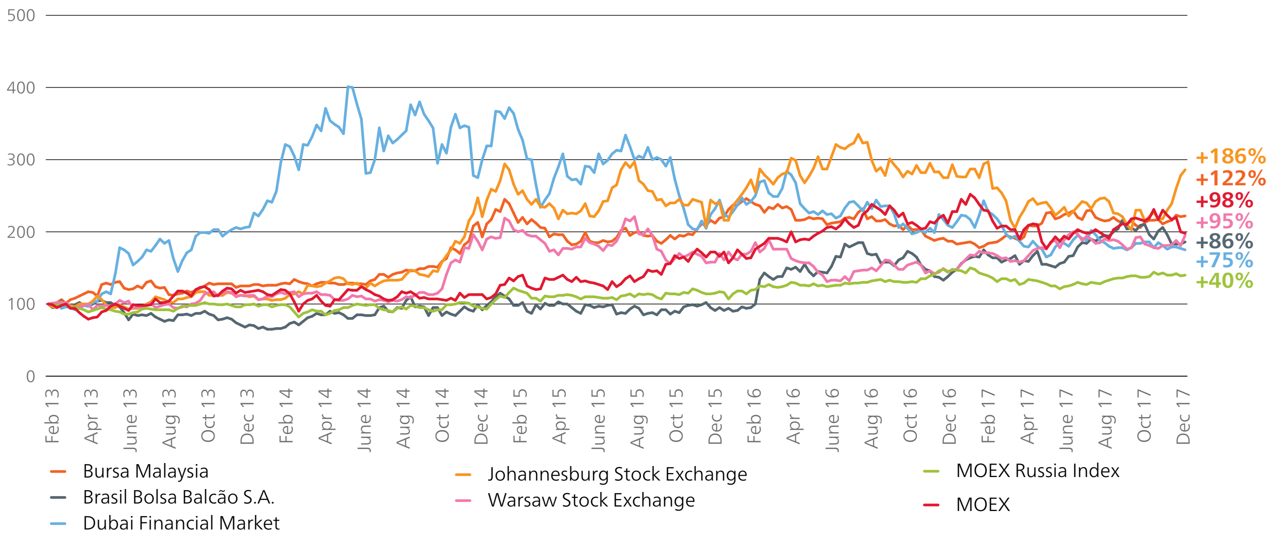
For more details, please visit the company's website www.rostatus.ru.

MOEX Share Performance

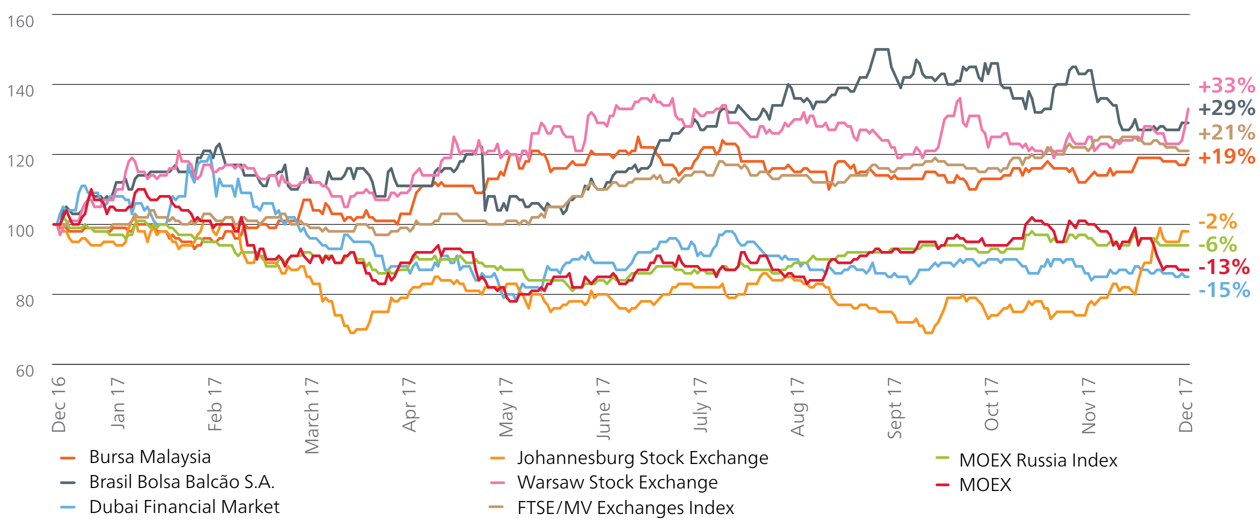
As at the end of 2017, Moscow Exchange's capitalization was RUB 248.7 bn (vs. RUB 283.2 bn as at the end of 2016). Since MOEX's IPO in February 2013 (RUB 55 per share), the share price has almost doubled, with the closing price on 29 December 2017 standing at RUB 108.97.

Liquidity in the company's shares continued to increase throughout 2017. ADTV increased to RUB 946 mn (2016: RUB 802 mn), reinforcing MOEX's position as one of the most liquid stocks traded on Moscow Exchange.

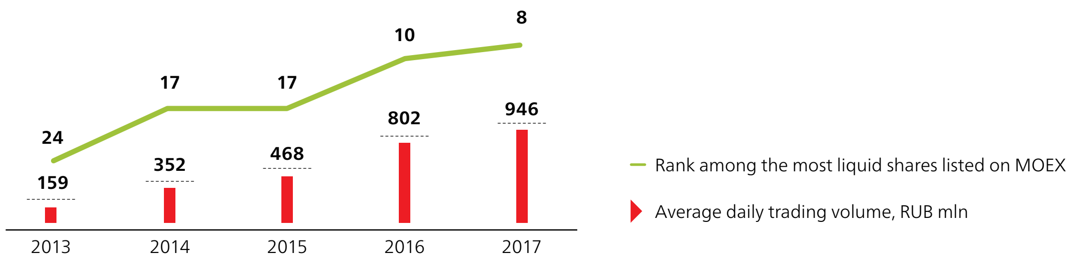
Performance of MOEX shares, MOEX Russia Index and international peers in 2013-2017



Performance of MOEX shares, MOEX Russia Index and international peers in 2017



ADTV and liquidity position



Dividends

For 2016, Moscow Exchange's Annual General Meeting of Shareholders resolved to distribute RUB 17.48 bn in dividends (RUB 7.68 per ordinary share), equivalent to 69.4% of the 2016 IFRS consolidated net income. The Dividend Policy approved by the MOEX Supervisory Board in December 2015 requires that dividends equal at least 55% of IFRS net income. The company announces and pays dividends according to the Dividend Policy.

In 2017, Moscow Exchange paid an interim dividend for the first time. At an EGM held on 14 September 2017 Moscow Exchange shareholders voted to pay out a total of RUB 5.67 billion (RUB 2.49 per share) as a dividend for the first half of 2017. Paying interim dividends is in line with best practices and allows for more even distribution of cash flow that the company returns to shareholders and is expected to facilitate lower share price volatility around the ex-dividend date.

Dividend payments in 2013–2017

Announced on	Amount of dividend per share declared, RUB	Total pre-tax amount of dividends declared	Percent of net profit under IFRS	Payment period established by the AGM	Actual payment date
25 June 2013 Minutes No. 49 of the AGM	1.22	RUB 2,901,756,766.66	35.4%	Within 60 days of the dividend resolution date	Registrar: 22 August 2013 Register: 26 August 2013
26 June 2014 Minutes No. 52 of the AGM	2.38	RUB 5,423,154,853.34	46.83%	By 25 July 2014 for nominee holders; by 15 August 2014 for other registered holders	24 July 2014 for nominee holders; 7 August 2014 for other registered holders
28 April 2015 Minutes No. 53 of the AGM	3.87	RUB 8,818, 323,227.91	55.12%	By 25 May 2015 for nominee holders; by 16 June 2015 for other registered holders	25 May 2015 for nominee holders Register: 16 June 2015
29 April 2016 Minutes No. 54 of the AGM	7.11	RUB 16,201, 105,465.23	58.17%	By 30 May 2016 for nominee holders; by 20 June 2016 for other registered holders	By 27 May 2016 for nominee holders Register: by 20 June 2016
28 April 2017 Minutes No. 56 of the AGM	7.68	RUB 17,482, 763,197.44	69.42%	By 29 May 2017 for nominee holders; by 20 June 2017 for other registered holders	By 29 May 2017 for nominee holders Register: by 20 June 2017
14 September 2017 Minutes No. 57 of the AGM	2.49 (interim dividend)	RUB 5,668,239,630.42	55.04%	By 12 October 2017 for nominee holders; by 2 November 2017 for other registered holders	By 12 October 2017 for nominee holders Register: by 2 November 2017

Investor Relations

Moscow Exchange engages with existing and prospective investors to provide them with an overview of activities of the company and raise awareness of the company's business with the aim of continually diversifying the shareholder base. Investor relations activities are scheduled in such a manner that any investor can contact MOEX management with questions at least once a year and receive timely information for making reasonable investment decisions. It is one of Moscow Exchange's priorities to adhere to the highest standards of information disclosure in its roles as public company and operator of Russia's key financial markets infrastructure.

In 2017, Moscow Exchange's management held 355 investor meetings and took part in 17 international investor conferences, including the Moscow Exchange Forums in Moscow, New York and London. It also held a number of investor roadshows across continental Europe, the UK, the US and mainland China.

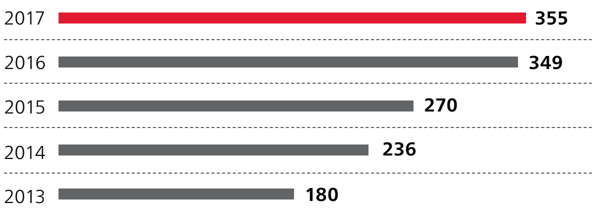
225 institutional investors contacted Moscow Exchange management with business issues in 2017 compared with 192 in 2016; two-thirds of these investors contacted the management at least two times over the course of the year. According to Nasdaq IR Insight, these investors owned above 44% of MOEX's free float. 34% of business contacts were institutional investors from the US, 28% from the UK, 14% from Russia, 12% from Europe and 13% from other countries.

The company also places strong emphasis on engaging with individual investors. Since 2014, it has run an annual Shareholder Day, an event in the form of a conference call with representatives of senior management. At the Shareholder Day held on 20 April 2017, the management gave details about the Exchange's performance in 2016 and plans for the future, as well as took part in a Q&A session answering questions regarding the company's business, corporate governance and upcoming general meeting of shareholders. The event was attended by about 340 participants. A similar Shareholder Day has also been scheduled for 2018.

In 2017, as part of the Reinvent MOEX seminar programme, Moscow Exchange staged three management meetings with investors and analysts to give them a deeper understanding of the Group's business. In 2017, the seminars aimed to provide insight into the new status of NCC, the Group's clearing subsidiary, as a non-bank credit institution – central counterparty; the company's initiatives for corporates that are not professional trading members; and MOEX's IT policy. Reinvent MOEX seminars for investors and analysts have been held every year since 2014. Three such seminars are scheduled for 2018.

In 2017, Moscow Exchange's head of IR received an award for Best Investor Relations Officer in the Specialty and Other Finance category at the IR Magazine Russia & CIS Awards. The awards were granted on the basis of the independent Extel Pan-European 2017 Survey that polls global institutional investors and analysts. The Exchange has been awarded by IR Magazine for four years running.

Number of investor meetings



Investors' Opinion on Investor Relations at Moscow Exchange

Since 2014, Moscow Exchange has annually commissioned a perception study to learn more about perception of the Company among investors and analysts. In 2017, the study was conducted by independent UK-based company Closir. It covered 25 respondents from Russian and international investment banks and funds.

Parameters	No response	Good	Very good	Excellent
Knowledge of business	12%	0%	24%	64%
Quality of IR materials	4%	0%	44%	52%
Trust and transparency	4%	4%	52%	40%
Time efficiency	16%	0%	8%	76%
Benevolence/ commitment to support	12%	0%	0%	88%
Access to the management	16%	0%	12%	72%

Analysts

MOEX's performance is closely monitored by leading Russian and international investment banks and research houses. They publish regular reports on the Company's shares as well as provide stock recommendations and financial forecasts.

Sell-side covering analysts

Company	Analyst	Phone	Email
Citigroup	Mariya Semikhatova	+7 (495) 643 1462	maria.semikhatova@citi.com
Deutsche Bank	Ivan Kachkovski	+44 (20) 7541 1735	ivan.kachkovski@db.com
Goldman Sachs	Andrey Pavlov-Rusinov	+7 (495) 645 4241	andrey.pavlov-rusinov@gs.com
HSBC Bank Plc	Andrzej Nowaczek	+44 (20) 7991 6709	andrzej.nowaczek@hsbcib.com
JP Morgan	Nikita Blokhin	+7 (495) 967 7037	nikita.s.blokhin@jpmorgan.com
	Alexander Kantarovich	+7 (495) 967 3172	alex.kantarovich@jpmorgan.com
Merrill Lynch	Olga Veselova	+7 (495) 662 6080	olga.veselova@baml.com
Raiffeisen Centrobank	Andrey Polischuk	+7 (495) 221 9849	andrey.polischuk@raiffeisen.ru
	Sergey Garamita	+7 (495) 721 9900	sergey.garamita@raiffeisen.ru
Aton	Mikhail Ganelin	+7 (495) 213 0338	mikhail.ganelin@aton.ru
BCS	Olga Naydenova	+ 7 (495) 785 5336	onaydenova@bcsprime.com
VTB Capital	Svetlana Aslanova	+7 (495) 663 4788	svetlana.aslanova@vtbcapital.com
	Mikhail Shlemov	+7 (495) 663 4701	mikhail.shlemov@vtbcapital.com
Gazprombank	Andrey Klapko	+7 (495) 983 1800	andrey.klapko@gazprombank.ru
Otkritie	Andrey Mikhailov	+7 (495) 777 5656	andrey.mikhailov@otkritie.com
Sberbank CIB	Andrew Keeley	+44 (20) 7936 0439	andrew_keeley@sberbank-cib.ru
	Elena Tsareva	+7 (495) 258 0561	elena_tsareva@sberbank-cib.ru
Wood & Company	Jerzy Kosinski	+48 222 221 564	jerzy.kosinski@wood.com
	Marta Jezewska-Wasilewska		marta.jezewska-wasilewska@wood.com

As at 31 December 2017, the consensus forecast for MOEX shares based on the forecast of 11 analysts stood at RUB 133 per share.

CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of Public Joint-Stock Company "Moscow Exchange MICEX-RTS"

Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Entity: Public Joint-Stock Company "Moscow Exchange MICEX-RTS"

Primary State Registration Number: 1027739387411, record made in the State Register of Legal Entities on 16.10.2002.

Address: Russia 125009, Moscow, Bolshoy Kislovsky per., 13

Audit Firm: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register

№ 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Carrying value of intangible assets and goodwill The measurement of intangible assets and goodwill was determined to be a key audit matter, because management makes complex and subjective judgements over useful life of software and client base, as well as over existence of indicators of goodwill and intangible assets impairment. The carrying values of intangible assets and goodwill are significant for the users of consolidated financial statements. We focused on the following areas: - key assumptions used in determination of useful lives of the Group's intangible assets on initial recognition and subsequently; - capitalisation of software enhancement costs incurred by the Group; - key assumptions used in analysis of whether indications of impairment of intangible assets exist. Information on accounting for intangible assets and goodwill is disclosed in Notes 17 and 18 to the consolidated financial statements, respectively.	We obtained understanding of the management's methodology and process of initial and subsequent measurement of intangible assets and estimation of their useful lives. These procedures include understanding of relevant controls over the estimation and annual review of intangible assets useful lives, capitalisation of software costs, analysis of indications of impairment, assessment of recoverable amounts of cash-generating units (the "CGU's"), and recognition of impairment of intangible assets. We checked that management's estimates in respect of useful lives of assets are in line with the historical usage of similar assets and consistent with general industry practices. We checked that the authorised changes to the assets' useful lives were applied prospectively to all assets within the same type. On a sample basis, we assessed the nature of costs capitalised as part of intangible assets during the reporting period and tested that software enhancement costs meet capitalisation criteria. As part of assessment of recoverability of goodwill and client base, we checked the allocation of these assets to the appropriate CGU. We reviewed the management's analysis in respect of existence of indications of impairment. We checked the calculation of the recoverable amount of each CGU performed by the Group's management, and challenged key assumptions and judgements used in future cash flows forecasts and sensitivity of recoverable amount to changes in key assumptions. In particular, we focused on analysis of the value in use, projected cash flows, and historical accuracy of management forecasts against actual results. In certain cases, our accounting estimates were different from the management's estimates. This was caused, inter alia, by inherent uncertainty about the future events and conditions which are disclosed in consolidated financial statements and did not have material effects on these consolidated financial statements. We checked completeness and accuracy of disclosures in the consolidated financial statements, and their compliance with IFRS.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Information Technology systems and related controls We focused on this area because functioning of the financial accounting and reporting systems are reliant on integrity of complex information technology (the "IT") systems, and on the effectiveness of related control procedures. There is a risk that automated accounting procedures and IT related manual controls are not properly designed or operating ineffectively. We focused on testing of trading and clearing systems, as the most significant proportion of revenue is recognised based on automated data generated by these systems.	We assessed the effectiveness of general IT controls. We tested design and operating effectiveness controls over IT systems which support automatic financial accounting and reporting processes. In respect of these systems we examined controls over access security, change management, and operation of IT systems and identified key general IT controls implemented by the management which address risks of material misstatement of the Group's financial statements. In certain cases based on results of our procedures, we identified certain deficiencies in general IT controls. However, the combination of tests of compensating controls and direct substantive testing performed provided us with sufficient evidence to rely on the Group's IT systems for the purposes of our audit.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2016, were audited by another auditor, who expressed an unmodified opinion on those financial statements on March 2, 2017.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, which constitute the key audit matters included herein.

Neklyudov Sergei Vyacheslavovich
Engagement partner

Deloitte & Touche
2 March 2018

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2017

(in millions of Russian rubles)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Fee and commission income	4	21 207,6	19 797,6
Interest and other finance income	5	16 040,2	22 730,6
Interest expense	6	(829,8)	(118,5)
Net gain on financial assets available-for-sale		1 015,8	1 425,3
Foreign exchange gains less losses	7	1 059,1	(342,4)
Other operating income		46,0	74,6
Operating Income		**38 538,9**	**43 567,2**
Administrative and other operating expenses	8	(7 278,9)	(6 312,3)
Personnel expenses	9	(6 152,9)	(5 947,1)
Operating Profit before Tax		**25 107,1**	**31 307,8**
Income tax expense	10	(4 851,9)	(6 125,2)
Net Profit		**20 255,2**	**25 182,6**
Attributable to:			
Equity holders of the parent		20 265,7	25 178,1
Non-controlling interest		(10,5)	4,5
Earnings per share			
Basic earnings per share, rubles	24	9,02	11,22
Diluted earnings per share, rubles	24	8,98	11,16

Chairman of the Executive Board
Afanasiev A.K.

March 2, 2018
Moscow

Chief Financial Officer, Executive Board Member
Lapin M.V.

March 2, 2018
Moscow

The notes 1-31 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2017

(in millions of Russian rubles)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Net profit		**20 255,2**	**25 182,6**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(1,2)	(26,6)
Net income resulting from revaluation of investments available-for-sale		1 323,9	1 686,7
Net gain on investments available-for sale reclassified to profit or loss		(1 015,8)	(1 425,3)
Income tax relating to items that may be reclassified		(61,6)	(52,3)
Other comprehensive income that may be reclassified subsequently to profit or loss		**245,3**	**182,5**
Total comprehensive income		**20 500,5**	**25 365,1**
Attributable to:			
Equity holders of the parent		20 515,1	25 378,1
Non-controlling interest		(14,6)	(13,0)
Total comprehensive income		**20 500,5**	**25 365,1**

The notes 1-31 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at December 31, 2017

(in millions of Russian rubles)

	Notes	December 31, 2017	December 31, 2016
Assets			
Cash and cash equivalents	11	273 248,6	380 516,6
Financial assets at fair value though profit or loss	12	413,6	0,4
Due from financial institutions	13	63 606,9	63 842,7
Central counterparty financial assets	14	2 430 083,8	1 733 263,8
Investments available-for-sale	15	215 132,2	218 496,2
Property and equipment	16	6 636,2	7 706,4
Intangible assets	17	18 307,9	18 357,9
Goodwill	18	15 971,4	15 971,4
Current tax prepayments		306,8	51,9
Deferred tax asset	10	243,4	1 776,5
Other assets	19	3 818,9	1 954,1
Total assets		**3 027 769,7**	**2 441 937,9**
Liabilities			
Balances of market participants	20	466 860,2	574 590,1
Central counterparty financial liabilities	14	2 430 083,8	1 733 263,8
Distributions payable to holders of securities		2 507,8	2 952,3
Margin account		384,6	–
Current tax payables		–	990,5
Deferred tax liability	10	2 943,3	3 165,6
Other liabilities	21	3 711,2	3 592,0
Total liabilities		**2 906 490,9**	**2 318 554,3**
Equity			
Share capital	22	2 495,9	2 498,1
Share premium	22	32 105,5	32 286,2
Treasury shares	22	(1 908,1)	(2 271,9)
Foreign currency translation reserve		(18,5)	(21,4)
Investments revaluation reserve		1 357,0	1 110,5
Share-based payments		524,0	413,1
Retained earnings		86 546,4	89 177,8
Total equity attributable to owners of the parent		**121 102,2**	**123 192,4**
Non-controlling interest		176,6	191,2
Total equity		**121 278,8**	**123 383,6**
Total liabilities and equity		**3 027 769,7**	**2 441 937,9**

The notes 1-31 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended December 31, 2017

(in millions of Russian rubles)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Cash flows from / (used in) operating activities:			
Profit before tax		25 107,1	31 307,8
Adjustments for:			
Depreciation and amortisation charge	8	2 952,5	2 294,3
Net change in deferred commission income		150,6	(12,5)
Revaluation of derivatives		(407,3)	–
Share-based payment expense	9	267,9	255,3
Unrealized loss on foreign exchange operations		16,0	151,7
Gain on disposal of investments available-for-sale		(1 015,8)	(1 425,3)
Net change in interest accruals		(1 573,4)	764,4
Net loss on disposal of property and equipment and intangible assets		60,9	9,5
Impairment of investments available-for-sale		11,6	–
Impairment of intangible assets	8	15,0	–
Impairment of other assets	19	8,8	2,8
Loss on disposal of assets held for sale	8	–	52,4
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Due from financial institutions		(2 697,4)	(30 590,7)
Financial assets at fair value through profit or loss		0,4	–
Central counterparty financial assets		(711 775,2)	(1 214 754,5)
Other assets		(1 734,4)	(152,6)
Increase/(decrease) in operating liabilities:			
Balances of market participants		(127 231,6)	(429 489,5)
Central counterparty financial liabilities		711 775,2	1 214 754,5
Distributions payable to holders of securities		(444,5)	(3 186,1)
Margin account		384,6	(417,7)
Other liabilities		279,1	(132,3)
Cash flows used in operating activities before taxation		(105 849,9)	(430 568,5)
Income tax paid		(4 848,2)	(8 720,9)
Cash flows used in operating activities		**(110 698,1)**	**(439 289,4)**

The notes 1-31 form an integral part of these consolidated financial statements.

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Cash flows from / (used in) investing activities:			
Purchase of investments available-for-sale		(162 317,9)	(183 585,0)
Proceeds from disposal of investments available-for-sale		165 877,7	116 623,9
Purchase of property and equipment and intangible assets		(2 102,1)	(3 548,3)
Proceeds from disposal of property and equipment and intangible assets		29,2	5,3
Proceeds from sale of investments in associates		–	34,2
Disposal of subsidiaries, net of cash disposed	8	–	46,5
Cash flows from / (used in) investing activities		**1 486,9**	**(70 423,4)**
Cash flows from / (used in) financing activities:			
Dividends paid		(22 897,1)	(15 994,8)
Uncalled dividends (paid) / returned		(162,1)	162,3
Sale of treasury shares		49,5	355,1
Acquisition of non-controlling interest in subsidiaries		–	(5,5)
Acquisition of treasury shares		–	(236,9)
Cash flows used in financing activities		**(23 009,7)**	**(15 719,8)**
Effect of changes in foreign exchange rates on cash and cash equivalents		24 952,9	(85 847,9)
Net decrease in cash and cash equivalents		**(107 268,0)**	**(611 280,5)**
Cash and cash equivalents, beginning of the year	**11**	**380 516,6**	**991 797,1**
Cash and cash equivalents, end of the year	**11**	**273 248,6**	**380 516,6**

Interest received by the Group during the year ended December 31, 2017, amounted to RUB 14 474,2 million (December 31, 2016: RUB 23 497,0 million).

Interest paid by the Group during the year ended December 31, 2017, amounted to RUB 832,3 million (December 31, 2016: RUB 116,0 million).

The notes 1-31 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2017

(in millions of Russian rubles)

	Share capital	Share premium	Treasury shares	Investments revaluation reserve	Share-based payments
December 31, 2015	**2 498,1**	**32 471,1**	**(2 921,8)**	**901,4**	**504,6**
Net profit	–	–	–	–	–
Other comprehensive income	–	–	–	209,1	–
Total comprehensive income for the year	**–**	**–**	**–**	**209,1**	**–**
Transactions with owners					
Dividends declared (Note 23)	–	–	–	–	–
Share-based payments	–	(99,9)	801,8	–	(91,5)
Repurchase of treasury shares	–	(85,0)	(151,9)	–	–
Sale of business in Ukraine	–	–	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–
Total transactions with owners	**–**	**(184,9)**	**649,9**	**–**	**(91,5)**
December 31, 2016	**2 498,1**	**32 286,2**	**(2 271,9)**	**1 110,5**	**413,1**
Net profit	–	–	–	–	–
Other comprehensive income	–	–	–	246,5	–
Total comprehensive income for the year	**–**	**–**	**–**	**246,5**	**–**
Transactions with owners					
Dividends declared (Note 23)	–	–	–	–	–
Share-based payments	–	(31,0)	211,9	–	110,9
Cancellation of treasury shares	(2,2)	(149,7)	151,9	–	–
Total transactions with owners	**(2,2)**	**(180,7)**	**363,8**	**–**	**110,9**
December 31, 2017	**2 495,9**	**32 105,5**	**(1 908,1)**	**1 357,0**	**524,0**

The notes 1-31 form an integral part of these consolidated financial statements.

Foreign currency translation reserve	Reserves relating to assets held for sale	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
(16,5)	**(72,1)**	**79 991,0**	**113 355,8**	**253,8**	**113 609,6**
–	–	25 178,1	25 178,1	4,5	25 182,6
(4,9)	(4,2)	–	200,0	(17,5)	182,5
(4,9)	**(4,2)**	**25 178,1**	**25 378,1**	**(13,0)**	**25 365,1**
–	–	(15 994,7)	(15 994,7)	(0,1)	(15 994,8)
–	–	–	610,4	–	610,4
–	–	–	(236,9)	–	(236,9)
–	76,3	–	76,3	(40,6)	35,7
–	–	3,4	3,4	(8,9)	(5,5)
–	**76,3**	**(15 991,3)**	**(15 541,5)**	**(49,6)**	**(15 591,1)**
(21,4)	**–**	**89 177,8**	**123 192,4**	**191,2**	**123 383,6**
–	–	20 265,7	20 265,7	(10,5)	20 255,2
2,9	–	–	249,4	(4,1)	245,3
2,9	**–**	**20 265,7**	**20 515,1**	**(14,6)**	**20 500,5**
–	–	(22 897,1)	(22 897,1)	–	(22 897,1)
–	–	–	291,8	–	291,8
–		–	–	–	–
–	**–**	**(22 897,1)**	**(22 605,3)**	**–**	**(22 605,3)**
(18,5)	**–**	**86 546,4**	**121 102,2**	**176,6**	**121 278,8**

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2017

(in millions of Russian rubles, unless otherwise indicated)

1. Organization

Public Joint-Stock Company Moscow Exchange MICEX-RTS (Moscow Exchange) is a stock exchange based in Moscow, Russian Federation. It was established as closed joint-stock company "Moscow Interbank Currency Exchange" (MICEX) in 1992. In December 2011 the company was reorganized into the form of open joint-stock company and renamed to Open Joint-Stock Company MICEX-RTS. In July 2012 the name of the company was changed to Open Joint-Stock Company Moscow Exchange MICEX-RTS. On April 28, 2015 at Annual General Meeting of Shareholders of Moscow Exchange (AGM) the company's new business name as Public Joint Stock Company Moscow Exchange MICEX-RTS was approved to meet revised standards of the Russian Civil Code. The new business name and respective changes to the Charter of Moscow Exchange took effect from May 13, 2015, the day the registration authority recorded new version of the Charter.

The legal address of Moscow Exchange: 13 Bolshoy Kislovsky per., Moscow, the Russian Federation.

Moscow Exchange Group ("the Group") is an integrated exchange structure that provides financial market participants with a full set of competitive trading, clearing, settlement, depository and information services. The Group operates on the following markets: foreign currencies exchange market, government securities and money market, market of derivative financial instruments, equities market, corporate and regional bonds market, commodities market.

Moscow Exchange is the parent company of the Group, which includes the following entities:

Name	Principal activities	December 31, 2017	December 31, 2016
		Voting rights, %	Voting rights, %
NCO JSC National Settlement Depository (former NCO CJSC National Settlement Depository) (NSD)	Depository, clearing, repository and settlement services	99,997%	99,997%
Central Counterparty National Clearing Centre (former Bank National Clearing Centre JSC) (NCC)	Banking and clearing operations	100%	100%
OJSC Evraziyskaia Trading System Commodity Exchange (ETS)	Commodities exchange operations	60,82%	60,82%
LLC MICEX Finance (MICEX Finance)	Financial activities	100%	100%
MICEX (CYPRUS) LIMITED	Financial activities	–	100%
MOEX Innovations LLC	Fintech start-ups, financial activities	100%	–
JSC National Mercantile Exchange (former CJSC National Mercantile Exchange) (NAMEX)	Commodities exchange operations	65,08%	65,08%

NSD is the central securities depository of the Russian Federation. NSD is the Russian national numbering agency and the substitute numbering agency for the Commonwealth of Independent States (CIS), authorized to assign the international ISIN, CFI and pre-LEI codes. NSD holds licenses for depository, repository, clearing and settlement operations issued by the Central Bank of Russia (CBR).

NCC performs functions of a clearing organization and central counterparty on the financial market and holds licenses for clearing operations and banking operations for non-banking credit institutions - central counterparties issued by the CBR. In November 2017 NCC was assigned a new status of a non-banking credit institution. From the moment of foundation in May 2006 to the assignment of a new status, the NCC functioned as a bank with the name Bank National Clearing Centre JSC.

MICEX Finance is established for facilitating financial activities of the Group. MICEX (CYPRUS) LIMITED was engaged with the same activities. In October 2017 MICEX (CYPRUS) LIMITED was liquidated. The Registrar of Companies issued the dissolution certificate.

ETS is a commodity exchange, which has a license for organisation of trading in commodities in Kazakhstan.

MOEX Innovations established in September 2017 concentrates on start-ups development in the fintech sphere.

NAMEX is a commodity exchange operating in Russia.

Moscow Exchange and all subsidiaries are located in Russia, except for ETS which is located in Kazakhstan.

The Group has 1 662 employees as at December 31, 2017 (December 31, 2016: 1 635 employees).

2. Basis of Presentation and Significant Accounting Policies

Statement of compliance

These Consolidated Financial Statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Basis of presentation

These Consolidated Financial Statements are presented in millions of Russian rubles, unless otherwise indicated. These Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value.

Moscow Exchange and its subsidiaries registered in the Russian Federation maintain their accounting records in accordance with Russian Accounting Standards ("RAS"). Foreign subsidiaries of the Group maintain their accounting records in accordance with the accounting standards of the countries in which they operate. These Consolidated Financial Statements have been prepared on basis of the statutory accounting records and have been adjusted to conform to IFRS.

Inflation accounting

The Russian economy was considered hyperinflationary until December 31, 2002. As such, the Group applied IAS 29 Financial Reporting in Hyperinflationary Economies. The effect of applying IAS 29 is that non-monetary items, including components of equity, were restated to the measuring units current at December 31, 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

Basis for consolidation

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in profit or loss, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Recognition of revenue

FEE AND COMMISSION INCOME

Fees and Commissions are recognised when services are provided.

Revenue for services provided over a period is recognised pro rata over the contractual term and consists of commission income on operations with long-term exchange instruments, listing fees, depositary fees, and other.

RECOGNITION OF INTEREST INCOME

Interest income is recognised on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset has been written down as a result of impairment, interest income is thereafter recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

Interest earned on central counterparty financial assets is presented net of interest expense incurred in respect of the offsetting financial liabilities within gains or losses on financial assets carried at fair value.

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position include cash on hand, unrestricted balances on correspondent and deposit accounts with banks with maturity up to one business day. Accrued interest on the above balances that is receivable in more than one business day is excluded from cash and cash equivalents the purpose of consolidated statement of cash flows. Amounts that are subject to restrictions on their availability, including minimum reserve deposits with the CBR, are not included in cash and cash equivalents.

Financial assets

The Group recognises financial assets and liabilities in its Consolidated Statement of Financial Position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments (HTM), "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial assets that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend earned on the financial asset. Fair value is determined in the manner described inNote 27.

HELD-TO-MATURITY INVESTMENTS
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. HTM investments are measured at amortised cost using the effective interest method less any impairment.

LOANS AND RECEIVABLES
Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

AVAILABLE-FOR-SALE FINANCIAL ASSETS
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the Consolidated Statement of Profit or Loss. However, interest calculated using the effective interest method is recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected.

For financial assets, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- probability that the debtor will enter bankruptcy or financial reorganisation; or
- disappearance of an active market for that financial asset as a result of financial difficulties.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans, receivables and investments held-to-maturity, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account.

DERECOGNITION OF FINANCIAL ASSETS
Financial assets are derecognised when the right to receive cash-flows from the assets has expired, or has been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

OFFSETTING OF FINANCIAL ASSETS
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Central counterparty financial assets and liabilities

NCC acts as a central counterparty (CCP) and guarantees settlements of certain exchange transactions. Receivables and payables on such deals that may be offset against a clearing member are reported net in accordance with IAS 32 and are recognised in the Consolidated Statement of Financial Position at the net fair value based on daily settlement prices.

Sales and purchases of securities and currency via the CCP are recognised and simultaneously derecognised at the settlement date.

For the products that are marked to market the Group recognises gains and losses on open positions of clearing members on each exchange day. The variation margin is used to settle gains and losses on open positions resulting from market price fluctuations on a daily basis. The variation margin does not comprise collateral as it is a daily offsetting of gains and losses in cash. Products that are marked to market are therefore not reported in the Consolidated Statement of Financial Position.

Receivables under repurchase transactions (repo) are classified as loans and receivables and carried at amortised cost. Payables under repo are carried at amortised cost.

Collateral of central counterparty

As the Group guarantees the settlement of certain traded contracts, it has established a multi-level collateral system. The central pillar of the collateral system is the daily determination of the overall risk per clearing member (margin) to be covered by cash and securities collateral.

Securities collateral is not derecognised by the clearing member providing the collateral. As the transfer of securities does not meet the conditions for derecognition, the securities are not recognised as assets.

In addition to these daily collateral payments, market participants must make contributions to the risk-covering fund which is described inNote 20.

Financial liabilities and equity instruments issued

CLASSIFICATION AS DEBT OR EQUITY
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities classified as "at FVTPL" include CCP financial liabilities under currency transactions and certain derivatives.

OTHER FINANCIAL LIABILITIES

Other financial liabilities, including banks deposits and balances of market participants, loans payable, distributions payable to holders of securities and other liabilities, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Distributions payable to holders of securities comprise dividends and coupon amounts received by the Group from the issuers of securities on behalf of customers of the Group, for which the Group also provides depository services. The normal settlement period for distribution of dividends and coupon amounts to its customers is three days. Amounts of dividends and coupons payable to clients are stated at their contractual values.

DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

Precious metals

Precious metals are represented by physical precious metals and accounts in precious metals. Precious metals are recorded on the reporting date at CBR prices, which approximate fair values. Corresponding accounts in precious metals are recorded within Due from financial institutions and physical precious metals are recorded within Other assets. Clients' accounts in precious metals are recorded within Balances of market participants. Precious metals are not financial instruments and therefore excluded from financial risk management disclosures in accordance with IFRS 7..

Property and equipment

Property and equipment is carried at historical cost less accumulated depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method:

Buildings and other real estate	2%
Furniture and equipment	20–33%

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives at the annual rates of 10% - 25%. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is recognised on a straight-line basis at the annual rate of 4%. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

INTERNALLY DEVELOPED INTANGIBLE ASSETS

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalised and an internally generated intangible asset is recognised only if it is probable that it will generate economic benefits exceeding costs beyond one year and the development costs can be measured reliably. An internally generated intangible asset is recognised only if the Group has the technical feasibility, resources and intention to complete the development and to use the product. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

DERECOGNITION OF INTANGIBLE ASSETS

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Assets classified as held for sale

Assets and liabilities are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Taxation

CURRENT INCOME TAX

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Management of the Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DEFERRED TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets and liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

OPERATING TAXES

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the Consolidated Statement of Profit or Loss.

Share-based payments

The Group grants the right to some employees to purchase equity instruments on the terms set in individual contracts.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity within Share-based payments reserve, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period (Note 9).

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingencies

Contingent liabilities are not recognised in the Consolidated Statement of Financial Position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the Consolidated Statement of Financial Position but disclosed when an inflow of economic benefits is probable.

Fiduciary activities

The Group provides custodial services to its customers which include transactions with securities on their custody accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's Consolidated Financial Statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations. Revenue for provision of fiduciary services is recognised as services are provided.

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into RUB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interest as appropriate).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating and financial results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As at December 31, 2017, the Group comprised four operating segments (Note 29).

Adoption of new and revised standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for reporting periods ending on December 31, 2017.

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

AMENDMENTS TO IAS 7 DISCLOSURE INITIATIVE

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group has no liabilities arising from financing activities both as at December 31, 2017 and as at December 31, 2016.

AMENDMENTS TO IAS 12 RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS TO IFRSS 2014-2016 CYCLE

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

New and revised IFRSs in issue but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, Management of the Group has assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement

- Amounts due from financial institutions and central counterparty financial assets and liabilities carried at amortised cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;
- Listed bonds classified as available-for-sale investments carried at fair value as disclosed in Note 15: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the bonds in the open market, and their contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed bonds will continue to be subsequently measured at FVTOCI upon the application of IFRS 9 , and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed bonds are derecognised or reclassified except those the contractual terms of which are not solely payments of principal and interest;
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost and listed bonds that will be carried at FVTOCI under IFRS 9 will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for amounts due from financial institutions, cash and cash equivalents and receivables as required or permitted by IFRS 9. Management of the Group considers that they have low credit risk given their strong external credit rating and hence expect to recognise 12-month expected credit losses for these items. In relation to Central counterparty financial assets (Note 14), Management of the Group has assessed that they are fully collateralised, regularly stress tested and covered by guarantee funds.

In general, given low credit risk of the Group's financial assets, measured at amortized cost, and carried at FVTOCI, Management of the Group estimates the total effect of expected loss provision will be no higher than RUB 400 million.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Management of the Group does not anticipate that the application of IFRS 15 will have a significant impact on the financial position of the Group.

IFRS 16 LEASES

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

AMENDMENTS TO IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   - the original liability is derecognised;
   - the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
   - any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. Management of the Group does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

AMENDMENTS TO IAS 40 TRANSFERS OF INVESTMENT PROPERTY

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

Management of the Group does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

AMENDMENTS TO IFRS 10 AND IAS 28 SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. Management of the Group does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRIC 22 FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

Management of the Group does not anticipate that the application of this IFRIC will have a material impact on the Group's consolidated financial statements.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Entities can apply the Interpretation either fully retrospectively (if it is possible without the use of hindsight) or to apply modified retrospective approach without restatement of comparatives.

Management of the Group does not anticipate that the application of this IFRIC will have a material impact on the Group's consolidated financial statements.

AMENDMENTS TO IFRS 9 PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

The narrow-scope amendments remedy an unintended consequence to the notion of 'reasonable additional compensation'. The amendments allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the SPPI condition if specified criteria are met.

In addition to that, the IASB considered the accounting for financial liabilities that are modified or exchanged that do not lead to derecognition and as a result included in the Basis for Conclusion two paragraphs on that matter. In those paragraphs the Board observes that the accounting in such cases is the same as it is for modifying a financial asset. If the gross carrying amount is changed it will lead to an immediate gain or loss in profit or loss.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

Management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

AMENDMENTS TO IAS 28 LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES

The amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint ventures that form part of an entity's net investment in these investees. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

Management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS TO IFRSS 2014 - 2016 CYCLE

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Group. The package also includes amendments to IFRS 12 which is mandatorily effective for the Group in the current year.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. Management of the Group does not anticipate that the application of the amendments in the future will have any impact on the Group's consolidated financial statements as the Group is neither a first-time adopter of IFRS nor a venture capital organisation.

ANNUAL IMPROVEMENTS TO IFRSS 2015-2017 CYCLE
Annual Improvements to IFRSs 2015-2017 Cycle makes amendments to several standards.

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All amendments are effective for annual periods beginning on or after 1 January 2019.

Management of the Group does not anticipate that the application of these amendments will have a material impact on the Group’s consolidated financial statements.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group’s accounting policies the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Details of the goodwill impairment testing are set out in Note 18.

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

USEFUL LIVES OF INTANGIBLE ASSETS
The Group annually examines the estimated useful life of its intangible assets. When determining the asset’s useful life, the factors taken into account include the anticipated use of the asset, its typical life cycle, technical obsolescence, etc. Regarding amortization of intangible assets, see Note 17.

VALUATION OF FINANCIAL INSTRUMENTS

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:
- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.

SHARE-BASED PAYMENTS
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the instrument and volatility and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

4. Fee and Commission Income

	Year ended December 31, 2017	Year ended December 31, 2016
Money market	5 650,0	4 836,2
Depository and settlement services	4 183,9	3 564,0
Securities market	3 985,0	3 487,1
Foreign exchange	3 827,0	4 344,9
Derivatives	2 012,0	2 052,3
Information services	769,7	751,8
Sale of software and technical services	630,7	636,3
Other	149,3	125,0
Total fee and commission income	**21 207,6**	**19 797,6**

Income from securities market comprises fees and commissions from equities trading, bonds trading, listing and service fees:

	Year ended December 31, 2017	Year ended December 31, 2016
Bonds	1 982,5	1 483,0
Equities	1 610,2	1 588,8
Listing and other service fees	392,3	415,3
Total fee and commission income from securities market	**3 985,0**	**3 487,1**

5. Interest and Other Finance Income

	Year ended December 31, 2017	Year ended December 31, 2016
Income/(loss) on securities at fair value through profit or loss		
Interest income	–	0,9
Net loss on securities at fair value through profit or loss	(4,9)	(4,5)
Total loss on securities at fair value through profit or loss	**(4,9)**	**(3,6)**
Interest income on financial assets other than at fair value through profit or loss		
Interest income on investments available-for-sale	12 391,7	15 512,4
Interest on cash and cash equivalents and due from financial institutions	3 653,4	7 221,8
Total interest income on financial assets other than at fair value through profit or loss	**16 045,1**	**22 734,2**
Total interest and other finance income	**16 040,2**	**22 730,6**

6. Interest Expense

	Year ended December 31, 2017	Year ended December 31, 2016
Interest expense on interbank loans and deposits	514,4	3,5
Interest expense on stress collateral	166,1	101,0
Interest expense on repo agreements and other	149,3	14,0
Total interest expense	**829,8**	**118,5**

7. Foreign Exchange Gains Less Losses

	Year ended December 31, 2017	Year ended December 31, 2016
Foreign exchange swaps	1 065,4	(170,5)
Net other foreign exchange losses	(6,3)	(171,9)
Total foreign exchange gains less losses	**1 059,1**	**(342,4)**

The Group enters into foreign exchange swaps for the purposes of short-term investments and liquidity management.

8. Administrative and Other Operating Expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Amortisation of intangible assets (Note 17)	1 488,2	1 262,1
Depreciation of property and equipment (Note 16)	1 464,3	1 032,2
Equipment and intangible assets maintenance	1 120,1	966,0
Taxes, other than income tax	540,0	476,1
Market makers fees	522,2	477,1
Rent and office maintenance	475,3	479,8
Professional services	426,3	317,5
Advertising and marketing costs	330,8	407,4
Registrar and foreign depositary services	292,2	273,6
Information services	187,7	207,2
Communication services	123,3	132,8
Business trip expenses	71,4	81,8
Loss on disposal of property, equipment and intangible assets	60,9	9,5
Charity	29,9	28,3
Security expenses	29,5	30,6
Transport expenses	16,0	20,5
Impairment of intangible assets (Note 17)	15,0	–
Loss on disposal of assets held for sale	–	52,4
Impairment of other assets (Note 19)	8,8	2,8
Other	77,0	54,6
Total administrative and other operating expenses	**7 278,9**	**6 312,3**

During the year ended December 31, 2016 the Group recognised a loss of RUB 52,4 million on sale of the disposal group held for sale under IFRS 5 "Non-current assets held for sale and discontinued operations". It consists of the loss on sale of the investment in associate UEX in the amount of RUB 13,0 million and subsidiary PFTS in the amount of RUB 39,4 million.

At the date of disposal PFTS' assets amounted RUB 83,8 million and liabilities were RUB 3,4 million. The total consideration from sale was RUB 49,0 million paid in cash. Cash disposed with the subsidiary amounted RUB 2,5 million. Net cash inflow on disposal of the subsidiary was RUB 46,5 million.

Professional services comprise consulting, audit, legal services and other.

9. Personnel Expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Employees benefits except for share-based payments	4 932,7	4 794,4
Payroll related taxes	952,3	897,4
Share-based payment expense on equity settled instruments	242,2	255,3
Share-based payment expense on cash settled instruments	25,7	–
Total personnel expenses	**6 152,9**	**5 947,1**

Rights to purchase equity instruments granted to some employees give to holders a choice either to only purchase the full number of shares at exercise price or also to sell back shares at the market price for the same ruble value. A majority of the rights vest when the employee continues to be employed by the Group at the vesting date. The maximum contractual term of the contracts is four years. The maximum contractual term of the contracts granted in 2017 is three and a half years. The fair value of the rights is measured at the grant date using a binomial model taking into account the terms and conditions upon which the instruments were granted.

In 2017 the new program of cash settled instruments was introduced. The amount of cash consideration to be received by the employees is linked to the future market price of the Group's shares. A majority of the rights vest when the employee continues to be employed by the Group at the vesting date. The maximum contractual term of the contracts is three and a half years. The fair value of the rights is remeasured at each reporting date using a binomial model.

The following table illustrates the number and weighted average exercise prices (WAEP), and movements in rights to purchase equity settled instruments:

	Number	**WAEP**
Outstanding at January 1, 2016	**48 399 029**	**61,49**
Granted	3 000 000	119,75
Exercised (Note 22)	(13 582 037)	50,01
Forfeited	(250 001)	46,90
Expired	(6 433 649)	50,01
Outstanding at December 31, 2016	**31 133 342**	**74,60**
Granted	19 041 180	113,34
Exercised (Note 22)	(3 117 055)	64,25
Forfeited	(1 483 335)	75,10
Expired	(2 649 615)	64,25
Outstanding at December 31, 2017	**42 924 517**	**93,16**

WAEP for exercised rights in the table above is calculated based on the contractual exercise price.

507 530 cash settled instruments were granted during the year ended December 31, 2017. The weighted average remaining contractual life is 1,32 years.

The number of equity rights exercisable as at December 31, 2017 is 13 083 329 with WAEP of RUB 74,09 (December 31, 2016: 9 000 000 with WAEP of RUB 67,25).

The weighted average fair value of equity rights granted during the year ended December 31, 2017 was RUB 20,75 (December 31, 2016: RUB 29,09). The weighted average fair value of cash settled rights granted during the year ended December 31, 2017 was RUB 97,77.

The range of exercise prices and weighted average remaining contractual life of equity rights are as follows:

		December 31, 2017		**December 31, 2016**
Exercise price	**Number outstanding**	**Weighted average remaining contractual life**	**Number outstanding**	**Weighted average remaining contractual life**
46,9 – 62,0	166 667	–	2 416 673	0,07
62,0 – 77,0	17 066 668	0,13	20 466 669	0,60
77,0 – 92,0	4 000 002	0,40	5 250 000	0,96
107,0 – 122,0	21 691 180	1,72	3 000 000	2,26
	42 924 517	**0,96**	**31 133 342**	**0,78**

The following table lists the inputs to the models used:

		Equity settled		**Cash settled**
Assumption	**Year ended December 31, 2017**	**Year ended December 31, 2016**	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Expected volatility	22,4%	25,8%	22,7%	–
Risk-free interest rate	7,8%	8,3%	6,9%	–
Weighted average share price, RUB	114,13	123,58	109,23	–
Dividend yield	4,8%	4,4%	5,2%	–

The volatility assumption is based on implied volatilities of quoted shares of similar stock exchanges.Equity settled instruments are measured at grant date and cash settled instruments are remeasured at each reporting dates.

10. Income Tax

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate and which may differ from IFRS.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences relate mostly to different methods of income and expense recognition, as well as to recorded values of certain assets.

The tax rate used for the reconciliations between tax expense and accounting profit is the corporate tax rate of 20% payable by corporate entities in the Russian Federation on taxable profits under the tax law in that jurisdiction.

The analysis of the movement temporary differences for the year ended December 31, 2017 is presented below:

	December 31, 2016	Recognised in profit or loss	Recognised in investments revaluation reserve	Recognised in translation effect	December 31, 2017
Tax effect from deductible temporary differences					
Financial assets at fair value though profit or loss	6,5	–	–	–	6,5
Investments available-for-sale	1 627,1	(1 474,4)	–	–	152,7
Property and equipment and intangible assets	8,5	3,7	–	–	12,2
Other assets	10,5	6,9	–	(0,1)	17,3
Tax loss carried forward	6,2	5,9	–	–	12,1
Other liabilities	466,2	55,0	–	–	521,2
Total tax effect from deductible temporary differences	**2 125,0**	**(1 402,9)**	**–**	**(0,1)**	**722,0**
Tax effect from taxable temporary differences					
Financial assets at fair value though profit or loss	–	(82,7)	–	–	(82,7)
Investments available-for-sale	(12,4)	65,6	(61,6)	–	(8,4)
Property and equipment and intangible assets	(3 478,2)	185,6	–	–	(3 292,6)
Other assets	(23,1)	(13,9)	–	–	(37,0)
Other liabilities	(0,4)	(0,8)	–	–	(1,2)
Total tax effect from taxable temporary differences	**(3 514,1)**	**153,8**	**(61,6)**	**–**	**(3 421,9)**
Deferred tax expense	**–**	**(1 249,1)**	**(61,6)**	**(0,1)**	**–**
Deferred income tax assets	**1 776,5**	**(1 402,9)**	**–**	**(0,1)**	**243,4**
Deferred income tax liabilities	**(3 165,6)**	**153,8**	**(61,6)**	**–**	**(2 943,3)**

The analysis of the movement temporary differences for the year ended December 31, 2016 is presented below:

	December 31, 2015	Recognised in profit or loss	Recognised in investments revaluation reserve	Sold	Recognised in translation effect	Decembe 31, 2016
Tax effect from deductible temporary differences						
Financial assets at fair value though profit or loss	6,5	–	–	–	–	6,5
Investments in associates and investments available-for-sale	–	1 627,1	–	–	–	1 627,1
Property and equipment and intangible assets	9,5	(1,0)	–	–	–	8,5
Assets held for sale	3,2	0,3	–	(3,5)	–	–
Other assets	11,1	0,4	–	–	(1,0)	10,5
Tax loss carried forward	12,1	(5,9)	–	–	–	6,2
Other liabilities	450,1	16,1	–	–	–	466,2
Total tax effect from deductible temporary differences	**492,5**	**1 637,0**	**–**	**(3,5)**	**(1,0)**	**2 125,0**
Tax effect from taxable temporary differences						
Investments in associates and investments available-for-sale	(1 777,5)	1 772,6	(7,5)	–	–	(12,4)
Property and equipment and intangible assets	(3 604,6)	126,4	–	–	–	(3 478,2)
Other assets	(11,1)	(12,0)	–	–	–	(23,1)
Other liabilities	(1,9)	1,5	–	–	–	(0,4)
Total tax effect from taxable temporary differences	**(5 395,1)**	**1 888,5**	**(7,5)**	**–**	**–**	**(3 514,1)**
Deferred tax income/(expense)		**3 525,5**	**(7,5)**	**(3,5)**	**(1,0)**	
Deferred income tax assets	**114,7**	**1 637,0**	**–**	**(3,5)**	**(1,0)**	**1 776,5**
Deferred income tax liabilities	**(5 017,3)**	**1 888,5**	**(7,5)**	**–**	**–**	**(3 165,6)**

Reconciliation of income tax expense and accounting profit for the year ended December 31, 2017 and 2016, are explained below:

	Year ended December 31, 2017	Year ended December 31, 2016
Profit before income tax	**25 107,1**	**31 307,8**
Tax at the statutory tax rate (20%)	5 021,4	6 261,6
Tax effect of income taxed at rates different from the prime rate	(319,4)	(375,8)
Non-deductible expenses for tax purposes	149,9	236,6
Write-off of deferred tax asset	–	3,7
Adjustments in respect of current income tax of previous years	–	(0,9)
Income tax expense	**4 851,9**	**6 125,2**
Current income tax expense	3 602,8	9 650,7
Deferred taxation movement due to origination and reversal of temporary differences	1 255,0	(3 531,4)
Deferred taxation movement due to tax losses carried forward	(5,9)	5,9
Income tax expense	**4 851,9**	**6 125,2**

11. Cash and Cash Equivalents

	December 31, 2017	December 31, 2016
Correspondent accounts and overnight deposits with banks	209 939,5	356 741,6
Organization for Economic Cooperation and Development countries	187 920,8	313 703,2
Russian Federation	21 759,7	42 607,0
Other countries	259,0	431,4
Balances with the CBR	63 304,2	23 693,7
Receivables on broker and clearing operations	–	77,3
Cash on hand	4,9	4,0
Total cash and cash equivalents	**273 248,6**	**380 516,6**

As at December 31, 2017, the Group has balances with six counterparties, each of which is greater than 10% of equity (December 31, 2016: six counterparties). The total aggregate amount of these balances is RUB 231 662,4 million or 85% of total cash and cash equivalents as at December 31, 2017 (December 31, 2016: RUB 330 779,3 million or 87% of total cash and cash equivalents).

12. Financial Assets at Fair Value through Profit or Loss

	December 31, 2017	December 31, 2016
Derivative financial instruments	413,6	–
Bonds issued by Russian Federation	–	0,4
Total financial assets at fair value through profit or loss	**413,6**	**0,4**

Derivative financial instruments with a fair value of RUB 404,3 million are with OECD counterparties.

The table below shows the analysis of derivatives of the Group as at December 31, 2017:

	Fair value of principal amount or agreed amount		Assets - positive fair value	Liabilities - negative fair value
	Receivables	Payables		
Currency swaps	26 308,5	(25 901,2)	413,6	(6,3)

The negative fair value of derivative financial instruments in the amount of RUB 6,3 million is included in other liabilities (Note 21).

As at December 31, 2016, the Group had no open positions under derivative financial instruments.

13. Due from Financial Institutions

Due from financial institutions are presented as follows:

	December 31, 2017	December 31, 2016
Reverse repo receivables from financial institutions	46 935,2	47 887,7
Interbank loans and term deposits	7 345,5	4 633,8
Mandatory cash balances with the CBR (restricted)	6 010,6	3 240,8
Correspondent accounts and deposits in precious metals	3 315,0	3 076,3
Receivables on broker and clearing operations	0,6	–
Term deposits with the CBR	–	5 004,1
Total due from financial institutions	**63 606,9**	**63 842,7**

As at December 31, 2017, the Group has a balance with one counterparty which is greater than 10% of equity (December 31, 2016: one counterparty). The amount of this balance is RUB 36 802,8 million or 58% of the total amount due from financial institutions as at December 31, 2017 (December 31, 2016: RUB 45 089,2 million or 71% of the total amount due from financial institutions).

As at December 31, 2017, the fair value of bonds pledged under reverse repo was RUB 61 777,9 million (December 31, 2016: RUB 62 517,1 million).

Interbank loans and term deposits include restricted amounts on correspondent account with Euroclear Bank S.A./N.V., Brussels, which relate to foreign securities (coupon and principal repayments) owned by the depositary client, in the amount of RUB 6 144,1 million (December 31, 2016: RUB 4 560,7 million). Balances of market participants include balances due to this client in respect of those securities in the amount of RUB 6 144,1 million (December 31, 2016: RUB 4 560,7 million).

14. Central Counterparty Financial Assets and Liabilities

	December 31, 2017	December 31, 2016
Repo transactions	2 428 117,0	1 730 377,0
Currency transactions	1 966,8	2 886,8
Total central counterparty financial assets and liabilities	**2 430 083,8**	**1 733 263,8**

CCP financial assets are receivables under currency and repo transactions and CCP financial liabilities are payables under offsetting transactions, which the Group entered with market participants as a CCP.

As at December 31, 2017 the fair value of securities purchased and sold by the Group under repo transactions is RUB 2 792 270,8 million (December 31, 2016: RUB 1 924 488,1 million).

As at December 31, 2017 and 2016, none of these assets were past due.

CCP financial assets and liabilities under currency transactions represent fair values of overnight currency deals. Gross claims and liabilities with individual counterparties are offset in accordance with IAS 32. Information about financial assets offset against financial liabilities in the statement of financial position is disclosed in Note 31.

15. Investments Available-for-Sale

	December 31, 2017	December 31, 2016
Bonds issued by Russian Federation	119 453,3	135 133,6
Bonds issued by foreign companies	43 529,2	39 809,3
Bonds issued by Russian banks	21 674,7	21 438,0
Bonds issued by Russian companies	21 286,3	21 977,3
Bonds issued by CBR	9 062,5	–
Shares issued by Russian companies	119,3	119,4
Shares issued by foreign companies	6,9	18,6
Total investments available-for-sale	**215 132,2**	**218 496,2**

16. Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Construction in progress	Total
Cost					
December 31, 2015	**222,0**	**5 983,2**	**4 403,6**	**197,1**	**10 805,9**
Additions	–	1,5	1 956,4	–	1 957,9
Reclassification	–	–	145,5	(145,6)	(0,1)
Disposals	–	–	(208,2)	–	(208,2)
Effect of movements in exchange rates	(2,1)	(12,5)	(2,3)	–	(16,9)
December 31, 2016	**219,9**	**5 972,2**	**6 295,0**	**51,5**	**12 538,6**
Additions	–	–	485,8	0,3	486,1
Reclassification	–	(8,8)	51,8	(43,0)	–
Disposals	–	(97,2)	(32,8)	–	(130,0)
Effect of movements in exchange rates	(0,6)	(3,1)	(0,6)	–	(4,3)
December 31, 2017	**219,3**	**5 863,1**	**6 799,2**	**8,8**	**12 890,4**
Accumulated depreciation					
December 31, 2015	**–**	**1 234,6**	**2 775,5**	**–**	**4 010,1**
Charge for the year	–	120,3	911,9	–	1 032,2
Disposals	–	–	(206,3)	–	(206,3)
Effect of movements in exchange rates	–	(1,8)	(2,0)	–	(3,8)
December 31, 2016	**–**	**1 353,1**	**3 479,1**	**–**	**4 832,2**
Charge for the year	–	119,2	1 345,1	–	1 464,3
Disposals	–	(14,4)	(26,7)	–	(41,1)
Reclassification	–	(4,3)	4,3	–	–
Effect of movements in exchange rates	–	(0,6)	(0,6)	–	(1,2)
December 31, 2017	**–**	**1 453,0**	**4 801,2**	**–**	**6 254,2**
Net book value					
December 31, 2016	**219,9**	**4 619,1**	**2 815,9**	**51,5**	**7 706,4**
December 31, 2017	**219,3**	**4 410,1**	**1 998,0**	**8,8**	**6 636,2**

As at December 31, 2017, historical cost of fully depreciated property and equipment amounts to RUB 2 254,2 million (December 31, 2016: RUB 1 797,6 million).

17. Intangible Assets

	Software and licenses	Client base	Intangible assets development	Total
Cost				
December 31, 2015	**2 786,2**	**19 606,7**	**229,0**	**22 621,9**
Additions	1 281,3	–	323,2	1 604,5
Transfer to other assets	–	–	(1,0)	(1,0)
Disposals	(315,3)	–	(1,6)	(316,9)
Effect of movements in exchange rates	(0,1)	–	–	(0,1)
December 31, 2016	**3 752,1**	**19 606,7**	**549,6**	**23 908,4**
Additions	984,9	–	469,3	1 454,2
Reclassification	405,0	–	(405,0)	–
Disposals	(225,5)	–	–	(225,5)
Effect of movements in exchange rates	(0,1)	–	–	(0,1)
December 31, 2017	**4 916,4**	**19 606,7**	**613,9**	**25 137,0**
Accumulated amortisation and impairment				
December 31, 2015	**1 051,4**	**3 541,1**	**–**	**4 592,5**
Charge for the year	477,8	784,3	–	1 262,1
Disposals	(304,0)	–	–	(304,0)
Effect of movements in exchange rates	(0,1)	–	–	(0,1)
December 31, 2016	**1 225,1**	**4 325,4**	**–**	**5 550,5**
Charge for the year	703,9	784,3	–	1 488,2
Impairment (Note 8)	15,0	–	–	15,0
Disposals	(224,3)	–	–	(224,3)
Effect of movements in exchange rates	(0,3)	–	–	(0,3)
December 31, 2017	**1 719,4**	**5 109,7**	**–**	**6 829,1**
Net book value				
December 31, 2016	**2 527,0**	**15 281,3**	**549,6**	**18 357,9**
December 31, 2017	**3 197,0**	**14 497,0**	**613,9**	**18 307,9**

18. Goodwill

As at December 31, 2017 and 2016 the Group’s goodwill amounted RUB 15 971,4 million.

Impairment Test for Goodwill

Goodwill must be tested annually for impairment, or more frequently when there are indicators that impairment may have occurred. Goodwill is recorded at cost less accumulated impairment losses. Impairment losses recognised on goodwill are not reversed.

Goodwill acquired through business combinations is allocated to the following cash-generating units (“CGU”) for impairment testing:

	Net Book Value
Trading services	10 774,1
Clearing	3 738,7
Depositary	1 458,6
Total goodwill	**15 971,4**

The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by Management of the Group covering the eighteen-year period. Discount rate of 11,4% p.a. is applied to cash flows. Value in use calculations for each CGU are based on key assumptions about short and medium term revenue and cost growth and long term economic growth rates (used to determine terminal values).

The values assigned to short and medium term revenue and cost growth assumptions are based on the Group's approved business plan. The assumptions are derived from an assessment of current trends and the Group's long-term strategic objectives.

Based on the results of the impairment tests performed no impairment of the carrying value of the goodwill in any CGU was identified.

Value in use calculations for each CGU are sensitive to changes in discount rates. Management of the Group carried out sensitivity analysis to determine the impacts of changes in this variable on the calculated value in use: change of 150 bps in the discount rate. The sensitivity analysis revealed the cumulative value in use of the segments 10,8% lower or 15,4% higher than the value in use estimated, which does not lead to any significant change of the results of goodwill impairment testing in any CGU.

19. Other Assets

	December 31, 2017	December 31, 2016
Other financial assets:		
Receivables on services rendered and other operations	758,2	861,3
Less allowance for impairment	(23,3)	(41,7)
Total other financial assets	**734,9**	**819,6**
Other non-financial assets:		
Precious metals	2 539,0	561,1
Prepaid expenses	293,4	469,1
Non-current assets prepaid	179,2	25,6
Taxes receivable other than income tax	57,5	53,7
Other	14,9	25,0
Total other assets	**3 818,9**	**1 954,1**

The movements in allowance for impairment of receivables on services rendered and other operations were as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Beginning of the year	**41,7**	**46,6**
Net charge for the year (Note 8)	8,8	2,8
Write-offs	(27,2)	(7,7)
End of the year	**23,3**	**41,7**

20. Balances of Market Participants

	December 31, 2017	December 31, 2016
Accounts of clearing participants	408 127,6	497 323,4
Other current and settlement accounts	41 119,4	50 639,8
Risk-covering funds	6 298,6	3 973,4
Accounts of clearing participants in precious metals	5 854,0	3 637,3
Stress collateral	5 460,6	19 016,2
Total balances of market participants	**466 860,2**	**574 590,1**

Accounts of clearing participants include margins deposited by clearing participants. The purpose of margins is to support clearing settlements on the market and to cover risks arising from open positions of market participants, including operations of market participants, where the Group acts as a central counterparty. If an initial margin requirement exceeds the collateral posted by a market participant in the guarantee fund, the participant is required to cover the deficit by posting additional margin for the unsettled trades or to reduce the open position to an appropriate level. The margins is payable to a market participant when it closes its positions. The Group places guarantee fund amounts on current accounts and deposits with reputable banks or repo receivables (Notes 11, 13).

Market participants also pledge traded securities to the guarantee fund as collateral for their obligations. These securities are blocked at the participants' custody accounts in NSD. These securities are not assets of the Group and are not recognised in the Consolidated Statement of the Financial Position.

Stress collateral is an additional individual clearing collateral used on foreign exchange, securities and derivative markets. Stress collateral is calculated based on the volume of risk on transactions with partial collateral concluded by the clearing participants with the Central Counterparty. Requirements for depositing stress collateral arise for clearing participants who have average daily positions in excess of positions of other participants in the relevant market. NCC is obliged to pay an interest to the clearing participants for the right to use funds deposited as stress collateral.

The risk-covering funds comprise contributions deposited by market participants. The purpose of these funds is to provide additional insurance to the market participants in respect of the ability of the Group to guarantee proper settlements of open positions in case of a market participant default. The minimum contribution amount per one participant is determined by the NCC Supervisory Board and it is approved by the Derivatives Market Committee, the Currency Market Committee, the Securities Market Committee and the Securities Lending & REPO Committee. Risk-covering funds amounts are only used to cover the deficit if a margin posted by a trading participant is not sufficient to cover its losses. Cash received from the market participants in the risk-covering funds is placed with top-rated banks (Notes 11, 13).

21. Other Liabilities

	December 31, 2017	December 31, 2016
Other financial liabilities		
Payables to employees	2 163,2	2 073,7
Trade and other payables	427,6	592,7
Tax agent liabilities regarding distributions payable to holders of securities	211,1	–
Derivative financial liabilities	6,3	–
Dividends payable	0,1	162,3
Total other financial liabilities	**2 808,3**	**2 828,7**
Other non-financial liabilities		
Deferred commission income	533,9	383,3
Advances received	257,5	254,0
Taxes payable, other than income tax	105,7	120,2
Other	5,8	5,8
Total other liabilities	**3 711,2**	**3 592,0**

22. Share Capital and Share Premium

The share capital of Moscow exchange comprises ordinary shares with a par value of RUB 1 each:

	Ordinary shares issued and fully paid (number of shares)	Treasury shares (number of shares)
December 31, 2015	**2 278 636 493**	**(44 771 962)**
Purchase of treasury shares	–	(2 235 035)
Exercised equity instruments (Note 9)	–	13 582 037
December 31, 2016	**2 278 636 493**	**(33 424 960)**
Cancellation of shares	(2 235 035)	2 235 035
Exercised equity instruments (Note 9)	–	3 117 055
December 31, 2017	**2 276 401 458**	**(28 072 870)**

Share premium represents an excess of contributions received over the nominal value of shares issued. The number of authorized shares during the year ended December 31, 2017 and 2016 is 12 097 557 186.

As at July 7, 2017 changes to the Charter of Moscow Exchange came into force. Changes included share reduction through the redemption of 2 235 035 treasury shares with nominal value of 1 RUB each. Share capital reduction was approved by the Annual General Shareholders Meeting on April 27, 2017. The treasury shares were acquired as a result of obligatory buy-out during the merge of CJSC MICEX Stock Exchange and LLC ME Technology with the parent company.

In 2017 the Group distributed to employees 3 117 055 treasury shares under exercised equity instruments (2016: 13 582 037 treasury shares) (Note 9).

23. Retained Earnings

During the year ended December 31, 2017, the Group declared and paid dividends for the year ended December 31, 2016, to the owners of the parent of RUB 17 289,7 million (December 31, 2016: RUB 15 994,7 million for the year ended December 31, 2015). The amount of dividends per share is RUB 7,68 per ordinary share (December 31, 2016: 7,11 per ordinary share). The Group also declared and paid interim dividends for the period ended June 30, 2017, to the owners of the parent of RUB 5 607,4 million. The amount of interim dividends per share is RUB 2,49 per ordinary share.

The Group's distributable reserves are limited to the amount of reserves reported in the statutory financial statements of the Group members. Non-distributable reserves comprise a reserve fund, which is created according to the statutory regulations, to cover risks, including future losses and other unforeseen risks and contingencies, as well as funds of NCC required to comply with regulations of CBR relating to CCP activities.

24. Earnings per Share

The calculation of earnings per share is based on the profit for the year attributable to shareholders of the Group and the weighted average number of ordinary outstanding during the year, calculated as shown below.

	Year ended December 31, 2017	Year ended December 31, 2016
Net profit attributable to ordinary equity holders of the parent	**20 265,7**	**25 178,1**
Weighted average number of shares	**2 247 441 093**	**2 243 085 123**
Effect of dilutive share options	9 139 254	13 356 966
Weighted average number of shares adjusted for the effect of dilution	**2 256 580 347**	**2 256 442 089**
Basic earnings per share, RUB	9,02	11,22
Diluted earnings per share, RUB	8,98	11,16

25. Commitments and Contingencies

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases of premises, parking slots and cars are as follows:

	December 31, 2017	December 31, 2016
Less than 1 year	168,1	164,6
More than 1 year and no more than 5 years	231,3	349,8
Total operating lease commitments	**399,4**	**514,4**

Legal proceedings – From time to time and in the normal course of business, claims against the Group may be received from customers and counterparties. Management of the Group believes that such claims may not have a material impact on its financial and operational activities and that no material losses will be incurred, and accordingly no provision has been made in these Consolidated Financial Statements.

One of the regional brokers, whose license was revoked by CBR at the end of 2015, undergone bankruptcy procedure in autumn 2016. The bankruptcy trustee and the brokers' creditors filed claims with the arbitration court to void several deals concluded by the broker before it went bankrupt. In particular, pursuers sued one of the Group's entities, acting as the central counterparty, challenging the standard clearing procedures on foreclosure of positions of the broker in October 2015. The total amount of securities sold as the result of foreclosure was RUB 844,7 million. According to the legislation, the cash received was used by the central counterparty to settle obligations with non-defaulting counterparties of the related deals. This is the standard clearing mechanism established by laws and regulations and routinely applied by the central counterparty to defaulted market participants. At the court session in February 2018 the judge postponed the litigation to March 2018 to further scrutinize the details of the case. The Management estimates the risk of economic resources outflow as a result of the claim as below average. The Group is confident in its legal position.

Operating environment – The Russian economy has fully adjusted to the decline in oil prices and sanctions imposed on Russia by a number of countries. The current situation is characterized by conservative macroeconomic management exhibited by authorities, robust net external assets' position, low government debt and relatively high monetary flexibility based on free flotation of the Ruble. Interest rates are subsiding and the inflation has been anchored to low single-digits. The economic uncertainty has decreased substantially amid reduced volatility of the Ruble and the country's capital markets. The projected economic growth is mild and appears unlikely to provide meaningful support to business prospects of the Group. Sanctions remain the biggest unknown and a factor of possible adverse developments in the future.

Taxation – Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

As at 31 December, 2017 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

26. Transactions with Related Parties

Intragroup transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Transactions with key management

Key management personnel comprises members of the Executive Board and the Supervisory Board. The total remuneration paid to key management personnel includes short-term benefits (salary, bonuses, payroll related taxes, insurance, health care, etc.), long-term benefits and share-based payment expense.

Included in the Consolidated Statement of Financial Position are the following amounts that arose on transactions with key management personnel:

	December 31, 2017	December 31, 2016
Other liabilities	730,8	476,8
Share-based payments	309,0	255,0

Included in the Consolidated Statement of Profit or Loss are the following amounts that arose due to transactions with key management personnel:

	Year ended December 31, 2017	Year ended December 31, 2016
Short-term employee benefits	435,2	446,4
Share-based payment expense on equity settled instruments	108,9	137,8
Long-term employee benefits	91,7	99,9
Total remuneration of key management personnel	**635,8**	**684,1**

(b) Transactions with government-related entities

As at December 31, 2017 the Russian Federation exercises significant influence over Moscow Exchange.

In the ordinary course of business the Group provides trading, clearing and depositary services to government-related entities, places funds with government-related banks and bonds issued by the Russian Federation and government-related entities. According to p.26 (b) of IAS 24 the Group discloses the following significant outstanding balances and financial results on operations with government-related entities As at December 31, 2017 and 2016 and for the years ended December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	185 947,8	117 204,7
Financial assets at fair value though profit or loss	–	0,4
Due from financial institutions	7 190,8	8 303,6
Investments available-for-sale	158 324,9	175 722,5
Other assets	214,3	112,7
Liabilities		
Balances of market participants	174 570,7	208 084,5
Distributions payable to holders of securities	1 551,0	2 163,1
Other liabilities	1,8	0,5

	Year ended December 31, 2017	Year ended December 31, 2016
Fee and commission income	6 823,1	4 968,4
Interest and other finance income	10 630,1	14 864,7
Interest expense	(687,7)	(60,8)
Net gain on financial assets available-for-sale	706,0	986,1
Administrative and other operating expenses	(166,9)	(115,1)

As at December 31, 2017 operations with government-related entities within central counterparty financial assets and liabilities amounted to 11,4% of total balance. (December 31, 2016: 7,8%).

(c) Transactions with associates

As at December 31, 2017 and as at December 31, 2016 no amounts that arose on transactions with associates were included in the Consolidated Statement of Financial Position.

Included in the Consolidated Statement of Profit or Loss were the following amounts that arose due to transactions with associates:

	Year ended December 31, 2017	Year ended December 31, 2016
Administrative and other operating expenses	–	(13,7)

27. Fair Value Measurements

The Group performs a fair value assessment of its financial assets and liabilities, as required by IFRS 13 Fair Value Measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures fair values for financial assets recorded on the statement of financial position at fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The foreign currency forward contracts are measured based on observable spot exchange rates and the yield curves of the respective currencies.

The fair value of the unquoted debt securities has been determined using a discounted cash flow model, by reference to quoted market prices for similar instruments.

The fair value of unquoted equity instruments has been determined based on market approach using price/net assets ratio for similar companies.

The table below analyses financial assets and liabilities measured at fair value at December 31, 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised:

				December 31, 2017
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value though profit or loss	–	413,6	–	413,6
Central counterparty financial assets and liabilities (currency transactions)	1 966,8	–	–	1 966,8
Investments available-for-sale	189 324,7	25 681,3	126,2	215 132,2
Derivative financial liabilities	–	(6,3)	–	(6,3)

Financial assets and liabilities measured at fair value at December 31, 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised:

				December 31, 2016
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value though profit or loss	0,4	–	–	0,4
Central counterparty financial assets and liabilities (currency transactions)	2 886,8	–	–	2 886,8
Investments available-for-sale	205 222,4	13 135,8	138,0	218 496,2

The following table shows a reconciliation for year ended December 31, 2017 and December 31, 2016, for fair value measurements in Level 3 of the fair value hierarchy:

	AFS
Balance at December 31, 2015	**145,6**
Loss recognized in net loss on financial assets available-for-sale	(6,9)
Foreign exchange loss	(0,7)
Balance at December 31, 2016	**138,0**
Loss recognized in net loss on financial assets available-for-sale	(11,8)
Balance at December 31, 2017	**126,2**

Management of the Group considers that the fair value of financial assets and liabilities not carried at fair value in Consolidated Statement of Financial Position approximates their carrying value.

Transfers between level 1 and 2

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows total amount of transfers of financial assets between level 1 and level 2. Transfers from level 2 to level 1 (from level 1 to level 2) occurred due to fact that markets for certain financial assets became (ceased to be) active during the period.

	Transfers between Level 1 and Level 2	
	Year ended December 31, 2017	**Year ended December 31, 2016**
From Level 1 to Level 2		
Investments available-for-sale	3 757,6	6 894,7
From Level 2 to Level 1		
Investments available-for-sale	898,4	114,9

28. Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Supervisory Board monitors the return on capital, which the Group defines as net profit divided by total equity, excluding non-controlling interests. The Supervisory Board also monitors the level of dividends to ordinary shareholders.

The capital structure of the Group consists of the shareholder's equity, which includes capital issued, reserves and retained earnings. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. Although maximization of return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the longer term strategic objectives. The policies in respect of capital management and allocation are regularly reviewed by the Supervisory Board through approval and review within annual budgets.

The Group entities are subject to capital requirements established by the CBR in respect of the minimum amount of own funds for each entity depending on the nature of their activities. NSD and NCC as credit institutions have to maintain a ratio of capital to risk weighted assets (statutory capital ratio N1) above the prescribed minimum level, which is 12% for non-banking credit institutions (NCC and NSD).

Regulatory capital ratios for the major Group companies were as follows:

	Own funds		Own funds requirements		Capital adequacy ratio	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Moscow Exchange	51 247,9	52 555,0	100,0	100,0	–	–
NCC	45 903,5	46 214,2	300,0	300,0	18,42	19,42
NSD	8 945,3	8 805,2	4 000,0	4 000,0	28,54	22,78
NAMEX	178,6	211,0	100,0	100,0	–	–

The Group companies had complied in full with all its externally imposed capital requirements at all times.

29. Operating Segments

The Group distinguishes the following operating segments for management purposes depending on the types of products and services:

Operating segment "Trading services" includes the Group's trading services in foreign exchange, securities, derivatives and money markets, listing and other trading services.

In the Foreign Exchange Market of Moscow Exchange spot and swap transactions are performed with different maturities in the following currencies: USD, EUR, CNY, HKD, GBP, CHF, UAH, KZT and BYR. Deliverable forward contracts for currency pairs are also traded in the foreign exchange market, and transactions with precious metals are performed (gold and silver).

In the Money Market Moscow Exchange provides repo services with shares and bonds of the following types: repo with the CCP, including repo with General Collateral Certificates with CCP (GCC-repo), inter-dealer repo, direct repo with the CBR. Participants can also perform depositary-credit operations, in particular, funds placement auctions on bank deposits.

In the Securities Market of Moscow Exchange primary and secondary trades in shares, Russian government bonds (OFZ), municipal and corporate bonds, foreign state and corporate eurobonds, depositary receipts, fund shares, ETFs are performed.

In the Derivatives Market of Moscow Exchange the following derivative instruments are traded: futures contracts on indices, Russian and foreign shares, Russian government bonds (OFZ) and eurobonds Russia-30, currency pairs, interest rates, precious metals, crude oil and sugar, and option contracts on futures.

Listing services – inclusion and maintenance of securities in the List of securities admitted to on-exchange trading.

Operating segment "Clearing" includes mainly CCP clearing services and other clearing services.

The CCP guarantees stability in the serviced market segments through the risk-management system implementation, and provides clearing services to the market participants. The CCP guarantees that all obligations to all non-defaulting parties of the contracts signed with the CCP, regardless of whether obligations to the CCP are met or not, are fulfilled.

Operating segment "Depositary" includes depositary and settlement services provided to participants in the on-exchange and OTC markets, OTC transaction registration services (repository services), collateral management services and information services.

Operating segment "Other services" includes the Group's results from information products, software and technical services provision and unallocated income and expense.

Software, technical and information services include a wide range of professional instruments used for access to the Exchange markets, electronic trade based on modern exchange trade technologies, real time market data, trading results data and indices.

Less than 1% of the Group's income from external clients is earned outside of the Russian Federation. Less than 1% of the Group's non-current assets are situated outside of the Russian Federation. The business of the Group on the territory of the Republic of Kazakhstan does not have any significant influence on the financial statements of the Group. Therefore, it is not distinguished as a separate operating segment.

Financial results of the operating segments are defined before the income tax expense. Therefore, the income tax is not allocated to operating segments.

It became feasible to allocate operating profits to operating segments due to the introduction of the ERP system.

Segment reports and the segment financial results provided to Management of the Group for analysis are prepared according to the International Financial Reporting Standards and are adjusted for intersegment transfers. Management of the Group evaluates the segment financial results, using the segment total income and operating profit figures, taking into account differences in products and services of different segments

The information on income and expenses of the Group broken down into operating segments for the year ended December, 2017 is provided below.

					Year ended December 31, 2017
	Trading services	**Clearing**	**Depositary**	**Other services**	**Total**
Income					
Commission income	8 705,0	6 881,6	4 278,2	1 342,8	21 207,6
Net interest income	6 027,7	9 144,9	2 112,7	–	17 285,3
Other operating income	–	–	–	46,0	46,0
Total income	**14 732,7**	**16 026,5**	**6 390,9**	**1 388,8**	**38 538,9**
Expenses					
Personnel expenses	(2 807,0)	(1 087,5)	(1 769,7)	(488,7)	(6 152,9)
Administrative and other operating expenses,	(3 706,3)	(1 043,4)	(1 990,4)	(538,8)	(7 278,9)
Incl. depreciation and amortisation	(1 516,1)	(467,0)	(840,7)	(128,7)	(2 952,5)
Total expenses	**(6 513,3)**	**(2 130,9)**	**(3 760,1)**	**(1 027,5)**	**(13 431,8)**
Operating profit before tax:					
Total income less total expenses	**8 219,4**	**13 895,6**	**2 630,8**	**361,3**	**25 107,1**

As at December 31, 2016, the Group comprised a single operating segment.

Comparative information for 2016 is not disclosed in these financial statements due to its non-availability.

30. Risk Management Policies

Risk management is an integral part of the Group's activities. Moscow Exchange Group distinguishes the following significant risks: liquidity, market, credit, operational. Risk management core objectives include identification of sources of risks, measurement of risk levels, development of risk management policies and implementation of risk controls, including setting limits and further compliance with them.

A description of the Group's risk management policies in relation to each significant risk is as follows.

Liquidity risk

Liquidity risk is the risk of facing the situation where available funds are insufficient to meet current financial liabilities. The main purpose of liquidity management is to ensure Group's ability to perform its obligations not only under normal market conditions but also in cases of unforeseen emergencies without suffering unacceptable losses or risk of damaging its business reputation.

Group's liquidity management procedures cover various forms of liquidity risk:

- operating liquidity risk arising from the inability to timely meet its current obligations due to the existing structure of current cash credits and debits (operating analysis and control of liquidity);
- risk of mismatch between the amounts and dates of repayment of claims and obligations – analysis and assessment of prospective liquidity (GAP analysis);
- risk of unforeseen claims on liquidity, i.e. the consequences of the risk that unforeseen future events may claim more resources than allocated for this purpose (stress testing).

Liquidity risk management plays an important role in the whole risk management system and includes such procedures as: forecasting/monitoring payment flow and liquidity ratios, planning measures to recover the required liquidity level considering unfavourable and crisis situations, ensuring an optimal structure of assets in accordance with the resource base, taking into account the maturities of fund sources and their volumes when allocating assets to financial instruments.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management of the Group expects that the cash flows from certain financial assets will be different from their contractual terms either because the Group has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. In the tables below the financial assets and liabilities are presented on a discounted basis and are based on their expected cash flows.

The presentation below is based upon the information provided internally to key management personnel of the Group.

Undiscounted cash flows on financial liabilities are approximately equal to cash flows presented in the analysis of liquidity risk above.

The Group presents available-for-sale securities included in CBR Lombard list as matured in one month.

	Up to 1 month	1 month to 3 months
Financial assets		
Cash and cash equivalents	273 248,6	–
Financial assets at fair value though profit or loss	413,6	–
Due from financial institutions	7 203,7	31 083,5
Central counterparty financial assets	2 110 096,1	103 121,7
Investments available-for-sale	189 057,9	7 035,7
Other financial assets	569,1	118,7
Total financial assets	**2 580 589,0**	**141 359,6**
Financial liabilities		
Balances of market participants	454 862,1	–
Central counterparty financial liabilities	2 110 096,1	103 121,7
Distributions payable to holders of securities	2 507,8	–
Margin account	384,6	–
Other financial liabilities	729,6	83,5
Total financial liabilities	**2 568 580,2**	**103 205,2**
Liquidity gap	**12 008,8**	**38 154,4**
Cumulative liquidity gap	**12 008,8**	**50 163,2**

	Up to 1 month	1 month to 3 months
Financial assets		
Cash and cash equivalents	380 516,6	–
Financial assets at fair value though profit or loss	0,4	–
Due from financial institutions	8 252,6	47 894,4
Central counterparty financial assets	1 429 932,5	303 331,3
Investments avaliable-for-sale	206 225,0	121,3
Other financial assets	718,8	100,8
Total financial assets	**2 025 645,9**	**351 447,8**
Financial liabilities		
Balances of market participants	566 392,1	–
Central counterparty financial liabilities	1 429 932,5	303 331,3
Distributions payable to holders of securities	2 952,3	–
Other financial liabilities	390,9	1 781,8
Total financial liabilities	**1 999 667,8**	**305 113,1**
Liquidity gap	**25 978,1**	**46 334,7**
Cumulative liquidity gap	**25 978,1**	**72 312,8**

3 months to 1 year	1 year to 5 years	More than 5 years	Maturity undefined	December 31, 2017 Total
–	–	–	–	273 248,6
–	–	–	–	413,6
15 860,6	–	–	6 144,1	60 291,9
216 866,0	–	–	–	2 430 083,8
14 169,1	4 020,9	722,4	126,2	215 132,2
47,1	–	–	–	734,9
246 942,8	**4 020,9**	**722,4**	**6 270,3**	**2 979 905,0**
–	–	–	6 144,1	461 006,2
216 866,0	–	–	–	2 430 083,8
–	–	–	–	2 507,8
–	–	–	–	384,6
808,9	1 186,3	–	–	2 808,3
217 674,9	**1 186,3**	**–**	**6 144,1**	**2 896 790,7**
29 267,9	**2 834,6**	**722,4**	**126,2**	
79 431,1	**82 265,7**	**82 988,1**	**83 114,3**	

3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2016 Total
–	–	–	380 516,6
–	–	–	0,4
58,7	–	4 560,7	60 766,4
–	–	–	1 733 263,8
–	12 011,9	138,0	218 496,2
–	–	–	819,6
58,7	**12 011,9**	**4 698,7**	**2 393 863,0**
–	–	4 560,7	570 952,8
–	–	–	1 733 263,8
–	–	–	2 952,3
366,7	289,3	–	2 828,7
366,7	**289,3**	**4 560,7**	**2 309 997,6**
(308,0)	**11 722,6**	**138,0**	
72 004,8	**83 727,4**	**83 865,4**	

Market risk

Market risk is the risk of losses due to changes in market variables such as interest rates, foreign exchange rates, and prices of financial instruments, as well as due to the low liquidity of the market for the purpose of the liquidation / restructuring of the market position of the defaulted clearing participant. The key components of market risk are interest and currency risks.

Interest rate risk

Interest rate risk is the risk of changes in interest income or the financial instruments price due to the interest rate changes.

The Group's result is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Interest margin may increase, decrease or lead to losses as a result of unexpected movements.

Management of the relevant Group entities is responsible for asset-liability management regarding relevant individual Group entities.

Designated functional units within individual Group entities and at the Group level are responsible for interest rate risk management.

In order to measure the impact of interest rate risk on the fair value of financial instruments the Group conducts periodic assessments of potential losses, which may be triggered by negative changes in market environment. The Risk Management Department conducts periodic monitoring of the current financial results of the Group and its entities, assesses the sensitivity of the impact of interest rate risk on portfolio fair value and income.

The majority of the Group's transactions is represented by fixed income instruments, and hence the contractual maturity dates are also the dates of changes in interest rates.

The impact of changes in fair value of financial assets on the income, losses and equity is conducted based on the interest rates existing as at December 31, 2017 and December 31, 2016, and a reasonably possible changes of 150 bps. Corresponding negative and positive results shown on the yield curve are as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Net profit	**Equity**	**Net profit**	**Equity**
150 bps parallel rise	–	(8 004,8)	–	(4 081,4)
150 bps parallel fall	–	7 815,7	–	3 459,7

Currency risk

Currency risk is the risk of changes in financial instruments value due to the exchange rates fluctuations. The financial state and cash flows of the Group are subject to the influence of such fluctuations. The main source of currency risk are open foreign currency positions.

NCC being part of the Group is a CCP on the of FX market. NCC limits currency risk on FX market through the application of the following instruments: mechanism of currency rates restrictions within trading session, trading limits system, margining system, mechanism of open currency positions assurance, DVP principle, special swap facilities.

NCC defines currency risk in the course of clearing arising from currency pairs volatility. In this regard for market risk management NCC monitors the conditions of internal and external FX markets and sets limits on intraday rate fluctuations within trading sessions in accordance with current market environment.

The Group's exposure to foreign currency exchange rate risk is presented in the tables below:

	RUB	USD	EUR	Other currencies	December 31, 2017, Total
Financial assets					
Cash and cash equivalents	82 764,9	40 506,8	122 736,9	27 240,0	273 248,6
Due from financial institutions	6 839,0	52 264,0	–	1 188,9	60 291,9
Central counterparty financial assets	2 029 680,1	382 205,3	18 198,4	–	2 430 083,8
Investments available-for-sale	123 471,4	60 927,7	30 730,7	2,4	215 132,2
Other financial assets	625,0	56,2	5,4	48,3	734,9
Total financial assets	**2 243 380,4**	**535 960,0**	**171 671,4**	**28 479,6**	**2 979 491,4**
Financial liabilities					
Balances of market participants	121 812,2	138 070,1	173 940,8	27 183,1	461 006,2
Central counterparty financial liabilities	2 029 680,1	382 205,3	18 198,4	–	2 430 083,8
Distributions payable to holders of securities	2 445,8	61,0	1,0	–	2 507,8
Margin account	–	384,6	–	–	384,6
Other financial liabilities	2 649,5	35,2	96,1	21,2	2 802,0
Total financial liabilities	**2 156 587,6**	**520 756,2**	**192 236,3**	**27 204,3**	**2 896 784,4**
Derivatives	**(4 379,4)**	**(15 879,5)**	**21 890,0**	**(1 223,8)**	**407,3**
Open position	**82 413,4**	**(675,7)**	**1 325,1**	**51,5**	

	RUB	USD	EUR	Other currencies	December 31, 2016, Total
Financial assets					
Cash and cash equivalents	59 308,0	125 058,0	190 898,4	5 252,2	380 516,6
Financial assets at fair value though profit or loss	0,4	–	–	–	0,4
Due from financial institutions	9 040,9	48 922,3	2 798,5	4,7	60 766,4
Central counterparty financial assets	1 309 701,6	419 233,3	4 328,9	–	1 733 263,8
Investments avaliable-for-sale	128 650,1	71 484,8	18 358,7	2,6	218 496,2
Other financial assets	654,4	86,6	6,6	72,0	819,6
Total financial assets	**1 507 355,4**	**664 785,0**	**216 391,1**	**5 331,5**	**2 393 863,0**
Financial liabilities					
Balances of market participants	109 037,8	244 943,2	211 719,3	5 252,5	570 952,8
Central counterparty financial liabilities	1 309 701,6	419 233,3	4 328,9	–	1 733 263,8
Distributions payable to holders of securities	2 804,1	34,6	9,0	104,6	2 952,3
Other financial liabilities	2 581,7	171,9	69,1	6,0	2 828,7
Total financial liabilities	**1 424 125,2**	**664 383,0**	**216 126,3**	**5 363,1**	**2 309 997,6**
Open position	**83 230,2**	**402,0**	**264,8**	**(31,6)**	

The following exchange rates are applied during the period:

	December 31, 2017		December 31, 2016	
	USD	**EUR**	**USD**	**EUR**
Minimum	55,8453	59,6124	60,2730	63,0214
Maximum	60,7503	71,9527	83,5913	91,1814
Average	58,3077	66,0215	66,8335	73,9924
Year-end	57,6002	68,8668	60,6569	63,8111

In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. The Group has considered movements in the Euro and the US Dollar over the year ended 31 December, 2017 and year ended 31 December, 2016, and has concluded that the following movements in rates are reasonable levels to measure the risk to the Group:

	December 31, 2017	December 31, 2016
Movement in USD/RUB rate	6%	23%
Movement in EUR/RUB rate	16%	23%

The impact of these movements on post-tax profit and equity for the years ended 31 December, 2017 and 31 December, 2016, is set out in the table below:

	December 31, 2017		December 31, 2016	
	USD	**EUR**	**USD**	**EUR**
	6%	**16%**	**23%**	**23%**
Ruble appreciation	32,4	(169,6)	(74,0)	(48,7)
Ruble depreciation	(32,4)	169,6	74,0	48,7

Credit risk

The Group uses credit risk risk management approaches under requirements of the Russian regulators, based on the best international practices and standards. The Group's assets are exposed to credit risk, which is defined as the risk of losses resulting from a default or improper performance of their obligations to the Group by its counterparties.

The goal of credit risk management is to timely define and efficiently evaluate the level of risk necessary to ensure sustainable growth determined by the Group's development strategy.

The objectives of the Group in credit risk management:

- implement a systemic and enhanced approach to optimize the structure of the assets in order to limit credit risk level;
- enhance the competitive advantages of the Group through implementation of more precise risk measures;
- maintain stability during the introduction of new complex products and services.

The Group controls credit risk by setting limits on a counterparty and groups of related counterparties. Credit risk limits are set on the basis of a comprehensive and in-depth evaluation of the counterparties financial conditions, analysis of the macroeconomic environment of counterparties' activities, the level of information transparency, business reputation and other financial and non-financial factors. The Group has developed and constantly improves an internal ratings system, providing a prudent assessment of its counterparties and the level of accepted credit risk.

Credit risk limits are approved by authorized bodies. Credit risk limits are monitored and reviewed on a regular basis. Also the Group constantly monitors the concentration of credit risk in compliance with applicable prudential requirements.

To reduce credit risk the Group applies specific requirements to the financial conditions of its counterparties and to the types and quality of collateral accepted by the Group. Accepted collateral includes liquid securities and cash contributions in Rubles and foreign currencies. Eligible types of collateral depend on the market and the type of exposure. To mitigate credit risk from its CCP activities the Group has introduced a multi-level default waterfall structure in compliance with the highest international standards and consisting of various lines of defence applicable in case of a clearing participant default.

Maximum credit risk exposure

The Group's maximum exposure to credit risk equals to the carrying value of assets that bear credit risk.

As at December 31, 2017 included into other assets are overdue receivables of RUB 23,3 million (December 31, 2016: RUB 41,7 million).

Financial assets are classified according to the current credit ratings issued by international rating agencies (Fitch Ratings, Standard & Poor's and Moody's Investor Service). The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB-. Financial assets which have ratings lower than BBB- are classed as speculative grade.

As at December 31, 2017 and 2016, balances with the CBR are classified at the sovereign credit rating level of the Russian Federation.

Tables below do not include equity instruments.

The following table details the credit ratings of the financial assets held by the Group as at December 31, 2017:

	AA	A	BBB	Less BBB-	Not rated	December 31, 2017 Total
Financial assets:						
Cash and cash equivalents	40 858,3	31 655,8	86 358,8	114 232,4	138,4	273 243,7
Financial assets at fair value though profit or loss	404,3	–	–	–	9,3	413,6
Due from financial institutions	793,0	–	1 201,4	58 297,5	–	60 291,9
Central counterparty financial assets	–	60,1	6 995,9	2 038 136,7	384 891,1	2 430 083,8
Investments available-for-sale	–	473,7	14 366,4	200 165,9	–	215 006,0
Other financial assets	24,2	2,1	30,6	250,7	427,3	734,9

The following table details the credit ratings of financial assets held by the Group as at December 31, 2016:

	AA	A	BBB	Less BBB-	Not rated	December 31, 2016 Total
Financial assets:						
Cash and cash equivalents	197 020,2	30 601,8	24 490,2	128 396,3	4,1	380 512,6
Financial assets at fair value though profit or loss	–	–	0,4	–	–	0,4
Due from financial institutions	4 560,7	–	8 244,9	47 960,8	–	60 766,4
Central counterparty financial assets	–	–	545,2	1 403 347,5	329 371,1	1 733 263,8
Investments available-for-sale	–	–	98 254,3	118 880,4	1 223,5	218 358,2
Other financial assets	15,9	0,1	28,8	295,9	478,9	819,6

Geographical concentration

All assets of the Group consist of balances on operations in the Russian Federation, except for:

- Correspondent accounts and deposits with top OECD banks, which are reported in cash and cash equivalents (Note 11);
- Balances with top OECD banks, which are reported in balances due from financial institutions of as at December 31, 2017: RUB 10 638,6 million (December 31, 2016: RUB 4 560,7 million) (Note 13);
- Reported in investments available-for-sale are balances in OECD in the amount of RUB 43 533,6 million as of December 31, 2017: (December 31, 2016: RUB 36 233,2 million)
- Balances of market participants from OECD comprise RUB 1 315,5 million as of December 31, 2017 (December 31, 2016: RUB 1 051,2 million).

Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of risk events associated with the internal processes, personnel, technology and infrastructure, and from external factors (other than credit, market and liquidity risks) such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour or IT failure.

The Supervisory Board has overall responsibility for the oversight of operational risk management, reviewing risk management policies and procedures. The risk assessment, reporting and control procedures vary by exposure type, but share a common methodology developed and updated periodically by the risk management personnel.

Both external and internal risk factors are identified and managed throughout the business units within their functional duties. The primary responsibility for the implementation of controls to address operational risk is assigned to management within each business unit.

Operational risk management includes reputational, compliance and legal risks governance as well. Moreover, strategic risk (risk of non-achievement of strategic goals within certain deadline or resources) is also monitored and managed under the operational risk management framework.

Legal risk

Legal risk is associated with losses due to breaches of contractual obligations, trial, criminal and administrative liability of the group entities and/or their management in the performance of their official duties. Losses attributed to legal risk are recorded in risk events database along with operational risk losses.

Legal risk management procedures include:

- monitoring of legislation and internal procedures for compliance with the up-to-date requirements on a regular basis;
- setting quantitative and volume limits for legal claims and control over limits set;
- analysis of legal basis for all new products and services;
- update of internal regulations in order to prevent fines.

Compliance risk

Compliance risk is the risk of losses resulting from Group activities being inconsistent with the law, the Charter and internal regulations. Compliance risk is solely managed by Internal Control department that takes the following actions in order to prevent losses due to compliance risk realization:

- legislation monitoring;
- interaction with the regulatory authorities regarding the specifics of upcoming regulation;
- compliance risk identification in existing and planned internal procedures;
- best-practice analysis of internal control measures.

Reputational risk

Reputational risk is the risk of losses due to the negative public view on the operational (technical) stability of the Group, its service quality and business in general. In order to avoid such losses the Group constantly monitor its appearance in media along with internal processes using the methodology of assessment the impact of each event. The major source of reputational risk is realization of operational risk, specifically when it becomes public. Thus, all actions taken to prevent the Group from operational risk at the same time help to decrease the level of reputational risk.

31. Offsetting of Financial Instruments

Gross claims and liabilities with individual counterparties under CCP currency transactions are offset in accordance with IAS 32.

Direct and reverse repo transactions of CCP with individual counterparties are subject to clearing rules that create a contingent right of set-off that does not qualify for offsetting. Clearing participants are required to deposit collateral in the form of cash or securities for current deals and make contribution to a risk-covering fund, as described in Note 30. Clearing rules give the Group right to use these amounts under certain conditions (e.g. in case of default). However, offsetting criteria is not met as there is no intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Reverse repo transactions with financial institutions are subject to master agreement that gives the Group right to settle amounts relating to these transactions on a net basis under certain conditions (e.g. in case of default), but offsetting criteria is not met as there is no enforceable right to set off in the normal course of business.

The table below shows financial assets and liabilities offset in the statement of financial position, as well as the effect of clearing agreements that do not result in an offset in the statement of financial position:

			December 31, 2017	Related amounts not set off in the statement of the financial position		
	Gross claims	**Gross liabilities**	**Net amount presented in financial statements**	**Financial instruments**	**Cash collateral received**	**Net amount**
Due from financial institutions (Reverse repo receivables from financial institutions)	46 935,2	–	46 935,2	(46 935,2)	–	–
Central counterparty financial assets (repo transactions)	2 428 117,0	–	2 428 117,0	(2 428 117,0)	–	–
Central counterparty financial assets (currency transactions)	3 234,3	(1 267,5)	1 966,8	–	(1 966,8)	–
Central counterparty financial liabilities (repo transactions)	–	(2 428 117,0)	(2 428 117,0)	2 428 117,0	–	–
Central counterparty financial liabilities (currency transactions)	984,7	(2 951,5)	(1 966,8)	–	–	(1 966,8)
Margin account under reverse repo	–	(384,6)	(384,6)	–	–	(384,6)

			December 31, 2016	Related amounts not set off in the statement of the financial position		
	Gross claims	**Gross liabilities**	**Net amount presented in financial statements**	**Financial instruments**	**Cash collateral received**	**Net amount**
Due from financial institutions (Reverse repo receivables from financial institutions)	47 887,7	–	47 887,7	(47 887,7)	–	–
Central counterparty financial assets (repo transactions)	1 730 377,0	–	1 730 377,0	(1 730 377,0)	–	–
Central counterparty financial assets (currency transactions)	9 079,3	(6 192,5)	2 886,8	–	(2 886,8)	–
Central counterparty financial liabilities (repo transactions)	–	(1 730 377,0)	(1 730 377,0)	1 730 377,0	–	–
Central counterparty financial liabilities (currency transactions)	3 060,9	(5 947,7)	(2 886,8)	–	–	(2 886,8)

APPENDICES

Major transactions and related-party transactions

Major transactions

In 2017, Moscow Exchange did not engage in any transactions deemed to be major transactions pursuant to Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995, as well as any transactions deemed to be major according to the Corporate Governance Code.

The Moscow Exchange Charter does not define any other transactions that would be subject to the major transactions approval procedure.

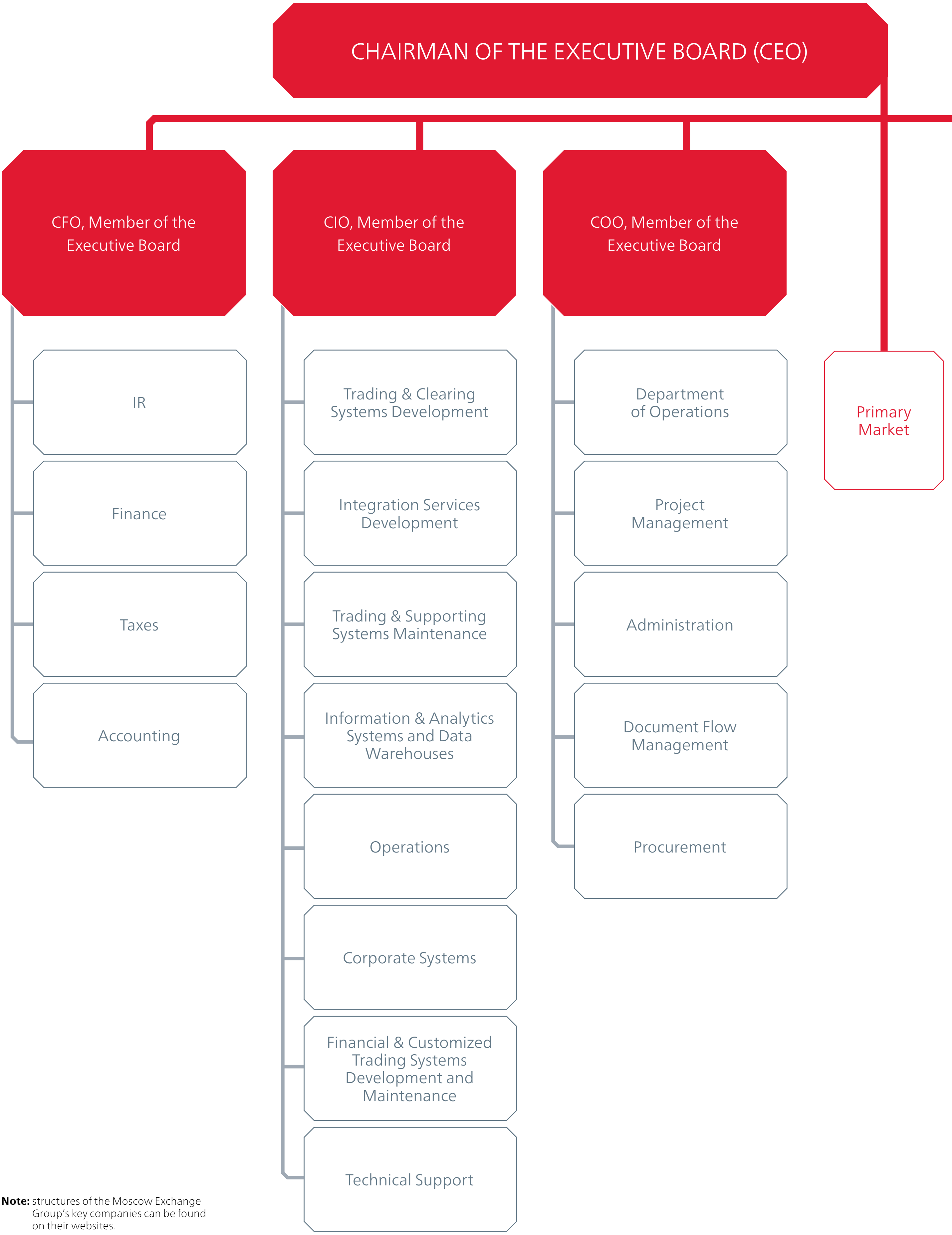
The Report is available on Moscow Exchange's website at http://moex.com/s1457.

Related-party transactions

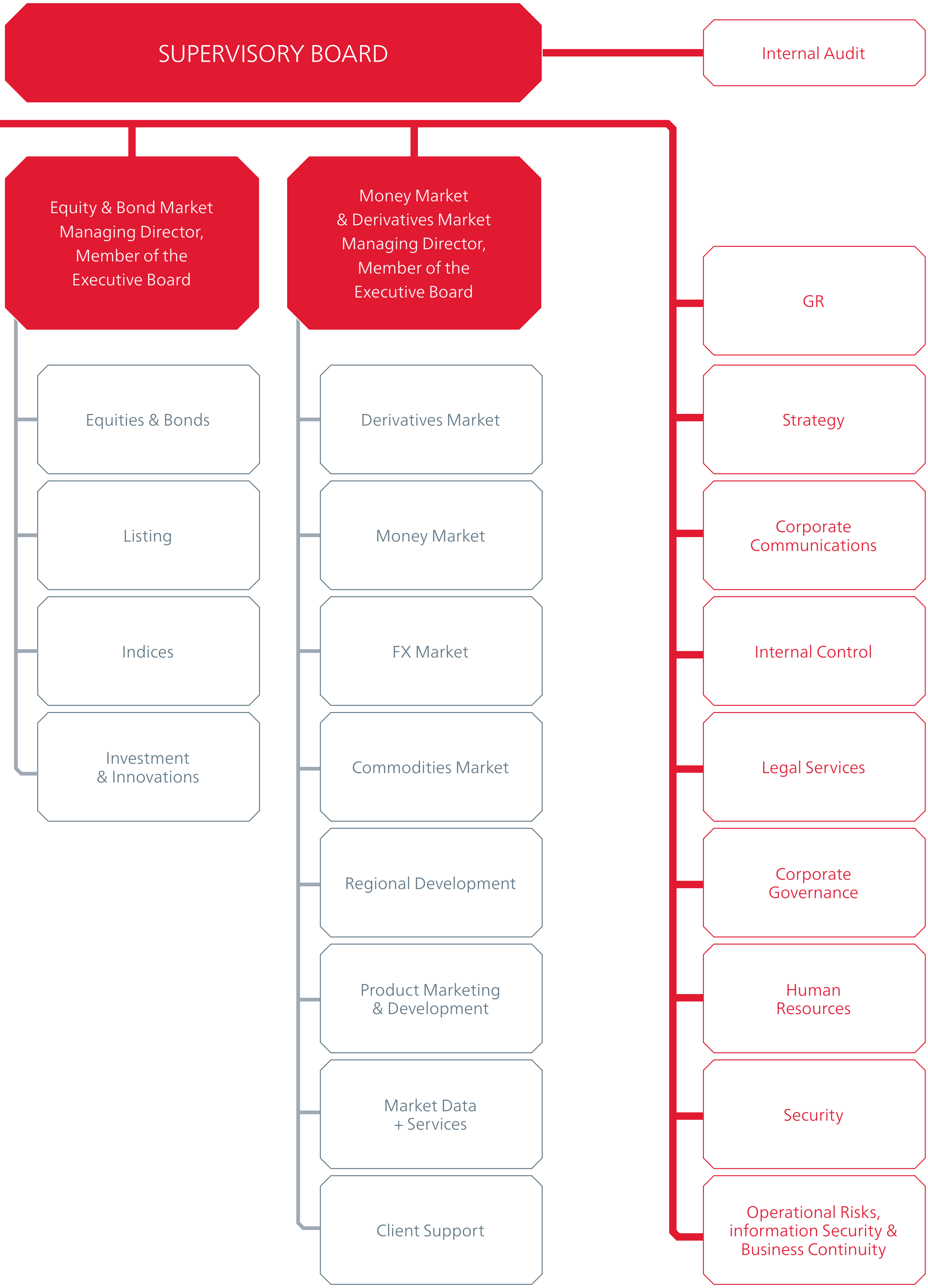
During the reporting year 2017, Moscow Exchange entered into transactions that qualify under the Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995 as related-party transactions requiring approval pursuant to Chapter 11 of the Federal Law on Joint Stock Companies.

The information on transactions executed in 2017 is contained in the Report on the Moscow Exchange's Related-Party Transactions in 2017 (the "Report"), which was approved by the Exchange's Supervisory Board on 26 March 2018 (Minutes No. 15).

Organisational chart of Moscow Exchange



Note: structures of the Moscow Exchange Group's key companies can be found on their websites.


SUPERVISORY BOARD
Internal Audit
Equity & Bond Market Managing Director, Member of the Executive Board
Money Market & Derivatives Market Managing Director, Member of the Executive Board
Equities & Bonds
Listing
Indices
Investment & Innovations
Derivatives Market
Money Market
FX Market
Commodities Market
Regional Development
Product Marketing & Development
Market Data + Services
Client Support
GR
Strategy
Corporate Communications
Internal Control
Legal Services
Corporate Governance
Human Resources
Security
Operational Risks, information Security & Business Continuity

Supply Chain

Procurement Policy

The Group's procurement process is centralized and governed by the Regulations on Moscow Exchange Procurement Activities as well as procedures that dictate procurement interaction between Moscow Exchange and other Group companies. In 2017, a new version of the Regulations was adopted aimed at reducing procurement timeframes. Procedures related to procurement interaction between Moscow Exchange and other Group companies have been in effect since 2016.

Strategic Procurement Priorities

The existing procurement framework helps to make fair choices among the most technologically advanced offers, ensure appropriate transparency in relation to suppliers and promote competition.

The priorities of Moscow Exchange's supply chain management strategy are:

- transparency concerning procurement: any supplier can complete the supplier form on Moscow Exchange's website (http://moex.com/s273); auctions are held on the B2B-centre electronic trading platform;
- equality, fairness, no discrimination or unreasonable restrictions on competition among procurement participants: price negotiations are held only with short-listed bidders with proposals of similar quality;
- no additional competitive commercial stage is allowed after the announcement of the final request for proposals. An exception can be made if the initiator of the tender changes the terms of reference, or if procurement is consolidated, which is considered a new procurement. However, additional commercial negotiations can only be held with the winner;
- consolidation of volumes and awarding of long-term contracts to maximise economic effect;
- aiming to expand the competitive environment by attracting alternative suppliers.

In accordance with the priorities of the strategy, all suppliers – regardless of the size of the business and the country of registration – have equal rights to participate if they comply with the transparent, justified qualification criteria.

Any supplier can complete the supplier form on Moscow Exchange's website (http://moex.com/s273).

Ensuring the effectiveness of procurement

In order to ensure effective procurement, proposals are benchmarked against the cost of service in the previous period, or the best bid is selected from a short list of proposals of similar quality. Costs are benchmarked against the market, and any changes are analysed. Depending on the scope, transactions are approved at the level of the procurement unit, Procurement Commission, Executive Board or Supervisory Board. For each transaction, regardless of its value, procurement records are kept and approved, indicating savings achieved and methods used to measure savings. The Security Department assesses counterparty risks for all suppliers. Audit data are valid for up to one year. Based on audit results, contracts are not awarded to suppliers with a high level of risk. Assessment covers only economic risks.

Procurement volumes

		Tenders	Auctions	Procurement from a single supplier (contractor, provider)	Other procurement methods	
	Total	Open	Open, electronic		Closed	Open, electronic
Total number of tenders, other procurement methods (lots) and purchases from a sole supplier (contractor, provider)	349	0	0	176	106	67
Number of awarded contracts	485	No relevant statistics are collected. The number of contracts does not match the number of procurement events (purchases) as several contracts may be awarded within one event due to scaling up to the group of companies.				
The number of contracts terminated by the parties	36					

Economic effect of tenders

	Total initial (maximum) amount of tender contracts (lots), other procurement methods and the amount of contracts entered into with a sole supplier (contractor, provider)	Total amount of awarded contracts	Savings	
			RUB	%
2015	RUB 2,609,196,573	RUB 2,161,745,917	RUB 447,450,655	17.1
2016	RUB 5,712,297,147	RUB 4,978,420.763	RUB 733,876,384	12.8
2017	RUB 2,742,911,521	RUB 2,320,559,409	RUB 422,352,113	15.4

ESG components

Governance

Corporate governance

Indicator	Page
Board of Directors’ structure	83
Non-executive director	98
Nomination process for the Board of Directors	95
Gender balance	61
Functional responsibilities of the members of the Board of Directors and Committees	87
Board of Directors’ effectiveness	94
Remuneration system and performance assessment system for managers	113
Transparency of managers’ remuneration	113
Ratio of employees’ remuneration to managers’ remuneration	114
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Management and control system / accountability system	124
Company’s involvement in crisis situations with potential negative impact on its reputation	127

Indicator	Page
Risk management system and responsibility distribution in relation	125
Risk map	127
Sensitivity analysis against current risks (stress testing)	128-129
New risks impacting the company’s future development	131
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Anti-bribery and corruption codes of conduct	208
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Customer relationship management

Indicator	Page
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Brand management system	35, 71, 68–75
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Indicator	Page
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Risk assessment across the supply chain	129
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Integration of ESG principles in the supply chain management system	203
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Indicator	Page
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Risk events / incidents	160

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Environmental performance management system	79
Energy consumption	79
Water consumption	76
Direct greenhouse gas emissions	Not relevant

Indicator	Page
Indirect greenhouse gas emissions	Not relevant
Air pollutant emissions	Not relevant
Polluted discharge	76
Waste generation	77
External assurance for environmental indicators	Not conducted
Certification of the environmental management system (EMS)	Not conducted
Risk events / incidents	Not identified
Improvement programme	79

Social

Indicator	Page
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Talent acquisition and retention	64

Indicator	Page
Employee performance assessment	65
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Stakeholder engagement	68
Strategic priorities of charity programmes	73
Types of charity projects and community development initiatives (including indigenous peoples)	73–75
Charitable contributions	73
Risk events / incidents	131
Improvement programme	73

Anti-corruption policy

Moscow Exchange adheres to high anti-corruption and bribery standards. Bribery and corruption risk management is based on key principles defined in the Moscow Exchange Anti-Corruption Policy adopted in 2015. These principles include prohibition of any actions related to corruption and bribery, investigating situations with signs of, or suggesting corruption risk, an analysis of risk related to counterparty exposures and staff training.

The MOEX Anti-Corruption Policy outlines the following:

- the prohibition of giving/taking anything of value (including gifts) in attempt to facilitate decision-making;
- the prohibition of making deals with third persons acting on behalf of, or for Exchange;
- a collegial body must be in place to make decisions on entering into contracts;
- anti-corruption clauses must be inserted into contracts;
- acounterparty due diligence;
- employees should be enabled to declare (also anonymously) the likelihood of corruption risk.

Report on Moscow Exchange Compliance with the Principles and Recommendations of the Corporate Governance Code

This Report on Compliance with the Principles and Recommendations of the Corporate Governance Code was reviewed by the Supervisory Board of Moscow Exchange at the meeting held on the Supervisory Board meeting on 26 March, 2018 and Minutes number 16.

The Supervisory Board confirms that the data quoted herein contain comprehensive and reliable information on the Company compliance with the principles and recommendations of the Corporate Governance Code for the 2017 reporting year.

The Annual Report ______ sections describe the most significant aspects of the corporate governance model and practices at Moscow Exchange, as well as the approach to assessing compliance with the corporate governance principles legitimized in the Corporate Conduct Code.

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
1.1	**The company shall ensure equal and fair treatment of all shareholders when they exercise their right to participate in the company's governance.**			
1.1.1	The company should create most favourable conditions for its shareholders enabling them to participate in the general meeting and develop informed positions on issues on its agenda, as well as provide them with the opportunity to coordinate their actions and express their opinions on issues being discussed.	1. The Company's internal document approved by the General Meeting of Shareholders and governing the procedures for holding the General Meeting is in the public domain. 2. The Company provides an easy-to-access way to communicate with the community, such as the "hotline", email or Internet forum that enables shareholders to express their opinion and to put forward issues to the agenda pending preparation for the General Meeting. These actions were taken by the Company the day before each general meeting held in the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
1.1.2	Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to get properly prepared for participation therein.	1. The notice of the General Meeting of Shareholders was posted (published) on the website at least 30 days prior to the General Meeting date. 2. The notice of the meeting specifies the venue of the meeting and the documents required to get access to the premise. 3. Access to the information on the person who proposed the agenda items and the one who nominated candidates to the Board of Directors and the Internal Audit Commission of the Company was provided to shareholders.	☑ complied with ☐ partially complied with ☐ not complied with	
1.1.3	During the preparation for and holding of the general meeting, the shareholders should be able to freely and timely receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and board of directors, and to communicate with each other.	1. The shareholders were enabled to ask members of the executive bodies and members of the Company's Board of Directors before and during the annual General Meeting in the reporting period. 2. The standpoint of the Board of Directors (including any special opinions included into the minutes) on each agenda item of the General Meetings conducted during the reporting period was included into the materials of the General Meeting of Shareholders. 3. The Company provided the shareholders with the appropriate entitlement with the access to the list of persons eligible to attend the General Meeting, starting from the date of its receipt by the Company, in all cases of holding the General Meetings in the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
1.1.4	There should be no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to place proposals on its agenda.	1. In the reporting period, shareholders were entitled, within not less than 60 days from the end of the respective calendar year, put forward proposals to be included into the agenda of the annual General Meeting. 2. In the reporting period, the Company did not refuse to accept proposals to the agenda or candidates to the Company's bodies due to misprints and other insignificant defects in the shareholder's proposal.	☑ complied with ☐ partially complied with ☐ not complied with	

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
1.1.5	Each shareholder should be able to freely exercise his right to vote in a straightforward and most convenient way.	1. The Company's internal document (internal policy) contains the provisions, whereby each participant in the General Meeting may, before completion of the respective meeting, to require a copy of the ballot completed by the shareholder and certified by the counting board.	☑ complied with ☐ partially complied with ☐ not complied with	
1.1.6	Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	1. When General Meetings of Shareholders are held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time is envisaged for the reports on agenda items and the time to discuss these issues. 2. Nominees to the Company's management and control bodies were available to answer shareholders' questions at the meeting where they were voted upon. 3. The Board of Directors reviewed the use of telecommunications tools to provide shareholders with remote access to participate in the General Meetings in the reporting period, when making decisions related to preparation and holding of the General Shareholders' Meetings.	☑ complied with ☐ partially complied with ☐ not complied with	
1.2	**Shareholders are provided with an equitable and fair opportunity to participate in the company's profits through the distribution of dividends.**			
1.2.1	The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	1. The dividend policy of the Company was developed, approved by the Board of Directors, and disclosed. 2. If the Company's dividend policy uses the Company's reporting measures to determine the amount of dividends, the relevant dividend policy provisions incorporate the consolidated measures of financial statements.	☑ complied with ☐ partially complied with ☐ not complied with	
1.2.2	The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	1. The Company's dividend policy comprises clear-cut indications to financial/ economic circumstances when no dividends are due to the Company.	☑ complied with ☐ partially complied with ☐ not complied with	
1.2.3	The company should not allow deterioration of dividend rights of its existing shareholders.	1. In the reporting period, the Company did not take steps that impaired the existing shareholders' dividend rights.	☑ complied with ☐ partially complied with ☐ not complied with	

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
1.2.4	The company should strive to rule out any ways through which its shareholders can obtain any profit or gain at the company's expense other than dividends and distributions of its liquidation value.	1. To eliminate other methods for shareholders to generate profit (income) at the Company's expense, other than dividends and the liquidation value, the Company's internal documents establish the controls that ensure timely identification and procedure for approval of the transactions with the persons affiliated (related) with substantial shareholders (the persons entitled to dispose of the votes attached to voting shares), where the law does not formally recognize such transactions as related party transactions.	☑ complied with ☐ partially complied with ☐ not complied with	
1.3	**The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders, as well as their equal treatment by the company.**			
1.3.1	The company should create conditions which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders.	1. During the reporting period, the procedures for management of potential conflicts of interests among the existing shareholders are efficient, and the Board of Directors paid enough attention to conflicts among shareholders, if any.	☑ complied with ☐ partially complied with ☐ not complied with	
1.3.2	The company should not perform any acts which will or might result in artificial reallocation of corporate control therein.	1. Quasi-treasury shares are not available or were not used in the voting during the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
1.4	**Shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.**			
1.4.1	The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. Quality and reliability of the business pursued by the Company's registrar to keep the register of the securities' holders meet the Company's and its shareholders' needs.	☑ complied with ☐ partially complied with ☐ not complied with	
2.1	**The Board of Directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, monitor the activity of the company's executive bodies, and carry out other key functions.**			
2.1.1	The board of directors should be responsible for decisions to appoint and remove [members] of executive bodies, including in connection with their failure to properly perform their duties. The board of directors should also procure that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company.	1. The Board of Directors has the powers stipulated in the Articles of Association to appoint, dismiss, and determine conditions of the contracts, with respect to members of executive bodies. 2. The Board of Directors reviewed the report(s) of the sole executive body and members of the collegial executive body on fulfillment of the Company's strategy.	☑ complied with ☐ partially complied with ☐ not complied with	

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
2.1.2	The board of directors should establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.	1. During the reporting period, meetings of the Board of Directors reviewed the progress of execution and updating the strategy, approval of the Company's financial and business plan (budget), and the review of the criteria and measures (including intermediate) to implement the Company's strategy and business plans.	☑ complied with ☐ partially complied with ☐ not complied with	
2.1.3	The board of directors should determine principles of and approaches to creation of the risk management and internal control system in the company.	1. The Board of Directors determines the principles and approaches to the risk management and internal control system in the Company. 2. The Board of Directors assessed the risk management and internal control system of the Company during the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
2.1.4	The board of directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers.	1. The Company has developed and implemented the policy(-ies) approved by the Board of Directors on remuneration and reimbursement of costs incurred by the members of the Board of Directors, the Company's executive bodies and other key managers of the Company. 2. The meetings of the Board of Directors reviewed issues related to the above policy (-ies) during the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
2.1.5	The board of directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	1. The Board of Directors plays a key part in prevention, detection and settlement of internal conflicts. 2. The Company has established the system to identify the transactions related to the conflict of interests and the system of efforts aimed at settlement of such conflicts	☐ complied with ☑ partially complied with ☐ not complied with	1. Complied with. 2. Partly complied with. The Exchange established the system to identify the transactions related to the conflict of interests arising in executing transactions and in the activities of Moscow Exchange in relation to any employees and members of executive governance bodies, as well as the system of efforts aimed at settlement of such conflicts. The Supervisory Board approved the relevant internal document that aims to prevent, identify and settle such conflicts of interest, and in particular sets out the rules to be followed in pursuing any transactions that may result in a conflict. In addition, the corporate secretary exercises a number of powers in relation to preventing and settling corporate conflicts. The main reason that the Exchange does not fully comply with this principle is in progressive implementation of the Corporate Governance Code recommendations. At present, an internal document is being developed with the aim of preventing conflicts of interest among governance bodies and shareholders that will, among other things, determine a system for the identification of transactions related to conflicts of interests, and a system of measures aimed at settling such conflicts. It is expected that this document will be brought before the Supervisory Board for review in 2017.

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
2.1.6	The board of directors should play a key role in procuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.	1. The Board of Directors approved the Regulations on information policy. 2. The Company determined the persons in charge of implementation of the information policy.	☑ complied with ☐ partially complied with ☐ not complied with	
2.1.7	The board of directors should monitor the company's corporate governance practices and play a key role in its material corporate events.	1. During the reporting period, the Board of Directors reviewed the corporate governance practice in the Company.	☑ complied with ☐ partially complied with ☐ not complied with	
2.2	**The Board of Directors should be accountable to the company's shareholders.**			
2.2.1	Information about the board of directors' work should be disclosed and provided to the shareholders.	1. The Company's annual report for the reporting period includes information on the attendance rate of meetings of the Board of Directors and its committees by individual directors. 2. The annual report contains information on the principal findings of the Board of Directors' performance assessment in the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
2.2.2	The chairman of the board of directors must be available to communicate with the company's shareholders.	1. The Company has a transparent procedure that enables shareholders to submit their questions and their standpoint thereon to the Chairman of the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	
2.3	**The board of directors should be an efficient and professional governing body of the company which is able to make objective and independent judgements and pass resolutions in the best interests of the company and its shareholders.**			
2.3.1	Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform its functions efficiently.	1. The procedure for assessing the efficiency of operations of the Board of Directors adopted in the Company comprises, in particular, the assessment of professional qualifications of members of the Board of Directors. 2. In the reporting period, the Board of Directors (or its Nomination Committee) assessed the nominees to the Board of Directors in terms of the required experience, expertise goodwill, lack of the conflict of interests, etc.	☑ complied with ☐ partially complied with ☐ not complied with	
2.3.2	Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	1. Where the General Meeting of Shareholders, the agenda of which included election of the Board of Directors, was held in the reporting period, the Company provided shareholders with the life record data for all the nominees to the Board of Directors, scores assigned to such nominees by the Board of Directors (or its Nominations Committee) and information on conformity of the nominees to the independence criteria, according to the recommendations in paragraphs 102 to 107 of the Code and the nominees' written consent to be elected to the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
2.3.3	The composition of board of directors should be balanced, in particular, in terms of qualifications, expertise, and business skills of its members. The board of directors should enjoy the confidence of the shareholders.	1. As part of the assessment of the Board of Directors in the reporting period, the Board of Directors reviewed its own needs in professional qualifications, experience and business skills.	☑ complied with ☐ partially complied with ☐ not complied with	
2.3.4	The membership of the board of directors of the company must enable the board to organize its activities in a most efficient way, in particular, to create committees of the board of directors, as well as to enable substantial minority shareholders of the company to elect a candidate to the board of directors for whom they would vote.	1. As part of the assessment of the Board of Directors held in the reporting period, the Board of Directors reviewed the conformity of the number of members of the Board of Directors to the Company's needs and the shareholders' interests.	☑ complied with ☐ partially complied with ☐ not complied with	
2.4	**The Board of Directors should include a sufficient number of independent directors.**			
2.4.1	An independent director should mean any person who has required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.	1. During the reporting period, all independent members of the Board of Directors met the independence criteria specified in recommendations 102 to 107 of the Code or were recognized as such by resolution of the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	
2.4.2	It is recommended to evaluate whether candidates nominated to the board of directors meet the independence criteria as well as to review, on a regular basis, whether or not independent board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	1. In the reporting period, the Board of Directors (or the Nominations Committee of the Board of Directors) formed the estimate of independence of each nominee to the Board of Directors and submitted the relevant opinion to shareholders. 2. In the reporting period, the Board of Directors (or the Nominations Committee of the Board of Directors) reviewed the independence of the existing members of the Board of Directors, as indicated by the Company in the annual report as independent directors, at least once. 3. The Company has drafted the procedures that determine the necessary actions to be taken by a member of the Board of Directors, if he/she loses his/her independence, including the obligations to timely notify the Board of Directors accordingly.	☑ complied with ☐ partially complied with ☐ not complied with	

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
2.4.3	Independent directors should account for at least one-third of all directors elected to the board of directors.	1. Independent directors shall account for at least one third of the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	
2.4.4	Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (who do not have any conflict of interests) preliminarily estimate the substantial corporate actions related to a potential conflict of interests, and the findings of such assessment are submitted to the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	
2.5	**The Chairman of the Board of Directors should help the Board carry out the functions imposed on it in a most efficient manner.**			
2.5.1	It is recommended to either elect an independent director to the position of the chairman of the board of directors or identify the senior independent director among the company's independent directors who would coordinate work of the independent directors and liaise with the chairman of the board of directors.	1. The Chairman of the Board of Director is an independent director or a senior independent director is identified among independent directors[3]. 2. Role, rights and duties of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are duly determined in the Company's internal documents.	☑ complied with ☐ partially complied with ☐ not complied with	As the Chairman of the Supervisory Board is not an independent director, the Exchange identified a senior independent director among independent directors.
2.5.2	The board chairman should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairman should also monitor fulfilment of decisions made by the board of directors.	1. Performance of the Chairman of the Board of Directors was estimated as part of the BoD efficiency assessment procedure in the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
2.5.3	The chairman of the board of directors should take any and all measures as may be required to provide the board members in a timely fashion with information required to make decisions on issues on the agenda.	1. The duty of the Chairman of the Board of Directors to take efforts to ensure timely filing of documents to members of the Board of Directors on agenda items of the meeting of the Board of Directors is legitimized in the Company's internal documents.	☑ complied with ☐ partially complied with ☐ not complied with	

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
2.6	**Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.**			
2.6.1	Acting reasonably and in good faith means that board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.	1. The Company's internal documents establish that a member of the Board of Directors is obliged to notify the Board of Directors if he/she has a conflict of interests with respect to any agenda item of the meeting of the Board of Directors or a committee of the Board of Directors, before the start of the discussion of the relevant agenda item. 2. The Company's internal documents envisage that a member of the Board of Directors should refrain from voting on any item where he/she has a conflict of interests. 3. The Company establishes the procedure that enables the Board of Directors to obtain professional advice on issues falling within its competence, at the Company's expense.	☑ complied with ☐ partially complied with ☐ not complied with	
2.6.2	Rights and duties of board members should be clearly stated and documented in the company's internal documents.	1. The Company adopted and published the internal document that clearly determines rights and duties of members of the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	
2.6.3	Board members should have sufficient time to perform their duties.	1. Individual attendance of meetings of the Board and committees as well as the time spent on preparation for participation in the meetings was taken into account as part of the assessment procedure of the Board of Directors in the reporting period. 2. According to the Company's internal documents, members of the Board of Directors are obliged to notify the Board of Directors of their intention to join management bodies of other companies (except for the Company's affiliates and dependent companies) and about such actual appointment.	☑ complied with ☐ partially complied with ☐ not complied with	
2.6.4	All board members should have equal opportunity to access the company's documents and information. Newly elected board members should be provided with sufficient information about the company and work of its board of directors as soon as practicable.	1. According to the Company's internal documents, members of the Board of Directors are free to gain access to documents and to make requests pertaining to the Company and its affiliates, and the Company's executive bodies are obliged to provide the relevant information and documents. 2. The Company has a formalized program of introductory events for newly elected members of the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	

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2.7	**Meetings of the Board of Directors, preparation for them, and participation of Board members therein should ensure efficient work of the Board.**			
2.7.1	It is recommended to hold meetings of the board of directors as needed, with due account of the company's scope of activities and its then current goals.	1. The Board of Directors held at least six meetings in the reporting year.	☑ complied with ☐ partially complied with ☐ not complied with	
2.7.2	It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and set it out in the company's internal documents. The above procedure should enable the shareholders to get prepared properly for such meetings.	1. The Company approved the internal document that governs the procedure for preparation for and holding of meetings of the Board of Directors, which, in particular, stipulates that the notice of the meeting should be normally made at least 5 days prior to the meeting.	☑ complied with ☐ partially complied with ☐ not complied with	
2.7.3	The form of a meeting of the board of directors should be determined with due account of importance of issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person.	1. The Articles of Association or the internal document of the Company envisage that the most significant issues (according to the list in Recommendation 168 of the Code) should be considered at the personal meetings of the Board.	☐ complied with ☑ partially complied with ☐ not complied with	According to the Charter, the issues listed in Recommendation 168 of the Code (except for related-party transactions and placing the issue of delegating the CEO's powers to the asset management company before the AGM fro consideration) are decided at the meetings held in person. It is not expected that issues of related-party transactions will be included in the list as the specific features of the Moscow Exchange's activity in the capacity of the Organiser of Trading imply that it enters into numerous trades with the Trading Members that constitute related-party transactions. The terms of such trades are the same for all members, regardless of whether formal grounds exist for the application of related-party transaction criteria, and in fact are not material for Moscow Exchange. For this same reason, the Moscow Exchange Code of Corporate Governance does not classify related-party transactions as material transactions for Moscow Exchange. Placing the issue of delegating the sole executive body's powers to the asset management company before the AGM is not within the Supervisory Board competence, since, in pursuance with the Federal Law on Organised Trading, the Organiser of Trading is no authorised to delegate the powers of the sole executive body to other entity (asset manager, asset management company).

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2.7.4	Decisions on most important issues relating to the company's business should be made at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members.	1. The Articles of Association of the Company envisages that resolutions on the most critical issues set forth in Recommendation 170 of the Code, shall be adopted at the meeting of the Board of Directors, by a qualified, at least three fourths majority of votes, or by a majority of votes of all elected members of the Board of Directors.	☐ complied with ☑ partially complied with ☐ not complied with	Most issues listed in Recommendation 170 of the Code, are incuded on the list of issues that should be decided by a ¾ majority vote of directors participating in the meeting, or by the majority of all votes. The list does not include the following matters (1) approval of priority activities and business plan (however, the strategy of the Exchange is approved on a ¾ majority vote), (2) placing before the AGM amendments to the Charter and approval of major transactions, (3) review of material aspects of subsidiary activities. The main reason that the Exchange does not fully comply with this principle is in progressive implementation of the Corporate Governance Code recommendations. In 2018, the Exchange plans to place the issue of expediency to include these issues on the relevant list before the Audit Committee. If the Audit Committee recommends positively, the Charter will be amended accordingly and will be brought before the Supervisory Board for consideration.
2.8	**The Board of Directors should form committees for preliminary consideration of the most important aspects of the company's business.**			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	1. The Board of Directors established the Audit Committee comprising independent directors only. 2. The Company's internal documents determine the objectives for the Audit Committee, including, in particular, any objectives contained in Recommendation 172 of the Code. 3. At least one member of the Audit Committee, which is an independent director, has experience and expertise in drafting, reviewing, assessment and audit of financial statements (accounts). 4. Meetings of the Audit Committee were held at least quarterly during the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	

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2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the board chairman.	1. The Board of Directors set up the Remuneration Committee consisting of independent directors only. 2. Chairman of the Remunerations Committee is an independent director, other than Chairman of the Board of Directors. 3. The Company's internal documents determine the objectives of the Remunerations Committee, including those contained in Recommendation 180 of the Code.	☐ complied with ☑ partially complied with ☐ not complied with	1. Partially complied with. The Nomination and Remuneration Committee of the Supervisory Board fulfill the objectives described in Recommendation 180 of the Code. In accordance with the resolution of the Supervisory Board, as of the beginning of the reporting year the Nomination and Remuneration Committee consisted only of independent directors. In Q2 2017 one of Committee members ceased to be fully compliant with independence criteria. No question of excluding that member from the Committee was raised, since his knowledge and expertise in the financial market, paired with the experience in managing, contribute to in-depth and comprehensive discussions, which allows to improve Committee's efficacy. With the numbers of elected independent directors being sufficient, and they having the required experience and competence, Moscow Exchange is now striving to have all of the members within the Committee were independent directors. 2. Complied with. 3. Complied with.
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	1. The Board of Directors established the Nominations Committee (or its objectives specified in Recommendation 186 of the Code are implemented as part of another committee[4]), a majority of which are independent directors. 2. The Company's internal documents determine the objectives of the Nominations Committee (or the relevant committee with a combined functionality), including those contained in Recommendation 186 of the Code.	☑ complied with ☐ partially complied with ☐ not complied with	The tasks set out in Recommendation 186 of the Bank of Russia CGC are carried out by the Nomination and Remuneration Committee.
2.8.4	Taking account of its scope of activities and levels of related risks, the company should form other committees of its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.	1. In the reporting period, the Company's Board of Directors reviewed the conformity of membership in its committees to the objectives assigned to the Board of Directors and to the Company's operating goals. Additional committees were either established or were not recognized as necessary.	☑ complied with ☐ partially complied with ☐ not complied with	[5] The Exchange has six committees of the Supervisory Board (namely, the Nomination and Remuneration Committee, Audit Committee, Budget Committee Risk Management Committee, Strategic Planning Committee and the Technical Policy Committee).

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2.8.5	The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due account of a diversity of views.	1. Committees of the Board of Directors are headed by independent directors. 2. The Company's internal documents (policies) contain the provisions, whereby persons not included into the Audit Committee, the Nominations Committee and the Remunerations Committee, may attend meetings of the committees upon invitation of the Chairman of the respective committee only.	☐ complied with ☑ partially complied with ☐ not complied with	1. Partly complied with. The Exchange has six committees of the Supervisory Board (namely, the Nomination and Remuneration Committee, Audit Committee, Budget Committee Risk Management Committee, Strategic Planning Committee and the Technical Policy Committee). According to resolution of the Supervisory Board, five out of six committees are chaired by independent directors (the Budget Committee is chaired by a non-executive director). From April 2017, the chairman of the Risk Management Committee was no longer compliant with the independence criteria, so that by the end of the reporting year, just four committees were chaired by independent directors. The Supervisory Board was taking decisions on the lineup of the committees and their chairmen depending on whether the directors have sufficient time to perform their duties within the committees, and to ensure comprehensive discussions permitting for a diversity of views. Objective and independent judgements by the Risk Management and Budget Committees is ensured through electing independent directors within the committees. The main reason that the Exchange does not fully comply with this recommendation is in insufficient number of independent directors to chair six committees. With the numbers of elected independent directors being sufficient, and they committing enough time and having the required experience and competence, Moscow Exchange is now striving to have the majority of the Supervisory Board committees chaired by independent directors. 2. Complied with.
2.8.6	The chairmen of the committees should inform the board of directors and its chairman of the work of their committees on a regular basis.	1. During the reporting period, chairmen of the committees reported on the committees' operations to the Board of Directors on a regular basis.	☑ complied with ☐ partially complied with ☐ not complied with	

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2.9	**The Board of Directors should evaluate of the quality of its work and that of its committees and Board members.**			
2.9.1	Evaluation of quality of the board of directors' work should be aimed at determining how efficiently the board of directors, its committees and board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement.	1. Self-assessment or external assessment of the Board of Directors' performance conducted in the reporting period included the assessment of operations of the committees, individual members of the Board of Directors and the entire Board of Directors. 2. The findings of self-assessment or external assessment of the Board of Directors in the reporting period were reviewed at the personal meeting of the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	
2.9.2	Quality of work of the board of directors, its committees and board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the board of directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at least once every three years.	1. For independent quality assessment of the Board of Directors' performance, an external company (advisor) was engaged by the Company at least once in three recent reporting periods	☑ complied with ☐ partially complied with ☐ not complied with	
3.1	**The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its Board of Directors.**			
3.1.1	The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders.	1. The Company adopted and disclosed the internal document – Regulations on the Corporate Secretary. 2. The Company's website and annual report discloses background information on the Corporate Secretary with the same level of detail as for members of the Board of Directors and the executive management of the Company.	☑ complied with ☐ partially complied with ☐ not complied with	
3.1.2	The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks.	1. The Board of Directors approved the appointment, dismissal and additional remuneration of the Corporate Secretary.	☑ complied with ☐ partially complied with ☐ not complied with	

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4.1	**The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company.**			
4.1.1	It is recommended that the level of remuneration paid by the company to its board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees.	1. The Company adopted the internal document(s), the remuneration policy(-ies) for members of the Board of Directors, the executive bodies and other key managers, which clearly describe approaches to remuneration of these persons.	☑ complied with ☐ partially complied with ☐ not complied with	
4.1.2	The company's remuneration policy should be developed by its remuneration committee and approved by the board of directors. With the help of its remuneration committee, the board of directors should monitor implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same.	1. In the reporting period, the Remunerations Committee reviewed the remuneration policy(-ies) and the practice of its/their implementation and, if necessary, submitted the relevant recommendations to the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	
4.1.3	The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.	1. The Company's remuneration policy(-ies) contain(s) transparent arrangements on determining the amount of the remuneration of members of the Board of Directors, executive bodies and other key managers of the Company and govern(s) all types of fees, benefits and advantages provided to these persons.	☑ complied with ☐ partially complied with ☐ not complied with	

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4.1.4	The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensations.	1. The remuneration policy(-ies) or other internal documents of the Company establish(-es) the rules on reimbursement of costs to the members of the Board of Directors, executive bodies and other key employees of the Company.	☑ complied with ☐ partially complied with ☐ not complied with	
4.2	**The system of remuneration of board members should ensure harmonisation of financial interests of the directors with long-term financial interests of the shareholders.**			
4.2.1	A fixed annual fee shall be a preferred form of monetary remuneration of the board members. It is not advisable to pay a fee for participation in individual meetings of the board of directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of board members.	1. Fixed annual remuneration was the only monetary form of remuneration for the members of the Board of Directors for work within the Board of Directors during the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
4.2.2	Long-term ownership of shares in the company contributes most to aligning financial interests of board members with long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should board members take part in the company's option plans.	1. If the Company's internal document(s), the remuneration policy(-ies), envisage(s) granting of shares to members of the Board of Directors, clear rules for holding shares by members of the Board of Directors, intended to encourage long-term ownership of such shares, should be available and disclosed.	☑ complied with ☐ partially complied with ☐ not complied with	Moscow Exchange internal documents do not provide for the provision of shares to the Supervisory Board members.

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4.2.3	It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.	1. The Company does not envisage any additional benefits or compensations in case of early termination of powers of the members of the Board of Directors in connection with change of control over the Company or other circumstances.	☑ complied with ☐ partially complied with ☐ not complied with	
4.3	**The system of remuneration due to the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance and their personal contributions to the achievement thereof.**			
4.3.1	Remuneration due to the executive bodies and other key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.	1. During the reporting period, the annual performance indicators approved by the Board of Directors, were used to determine the amount of variable remuneration of members of executive bodies and other key managers of the Company. 2. During the most recent assessment of the remuneration system for the members of executive bodies and other key managers of the Company, the Board of Directors (the Remunerations Committee) made sure the Company applied an efficient ratio of the fixed remuneration portion to the variable one. 3. The Company has the procedure for refunding to the Company bonuses unlawfully obtained by the members of executive bodies and other key managers of the Company.	☐ complied with ☑ partially complied with ☐ not complied with	1. Complied with. 2. Complied with. 3. Not complied with Moscow Exchange does not have in place any procedure whereby any bonus payments unreasonably received by other key managers would be restituted to the Company. Such restitution is conducted in accordance with the applicable laws of the Russian Federation. Restitution of unlawfully obtained bonuses to the Company is only possible in court or through a damage restitution procedure. The restitution procedure is set in Chapter 37 and Chapter 39 of the Russian Federation Labour Code, therefore, it is not required to additionally secure this procedure in internal documents of the Company. Seeking to mitigate risks and develop individual accountability concept, the Policy of Remuneration and Compensation of the Exchange ensures a possibility for the Supervisory Board to take a decision on reducing or cancelling bonus payouts (inclusive of its deferred parts), also in the follow-up of audits by internal/external auditors and regulatory authorities, which allows for the Company to restitute bonus amounts unlawfully obtained by members of the executive bodies.

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4.3.2	Companies whose shares are admitted to trading at organised markets are recommended to put in place a long-term incentive programme for the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares).	1. The Company introduced the long-term incentive program for members of executive bodies and other key managers of the Company using shares in the Company (financial instruments based on the shares in the Company). 2. The long-term incentive program for the members of executive bodies and other key managers of the Company implies that the right to sell the shares and other financial instruments used in such program will not arise until three years from their provision; provided that the right to sell the same is conditional upon achievement of certain performance indicators of the Company.	☐ complied with ☑ partially complied with ☐ not complied with	1. Complied with. 2. Partly complied with. Under the executive long-term incentive plan, the right to dispose of the plan shares vests in stages: in one/two/three years, subject to continued employment. When introducing the programme, the Supervisory Board discussed the terms during which the rights under the programme may be exercised, and found it expedient to identify opportunities for the rights under the programme to be exercised in stages, so to retain and motivate the key staff. The right to dispose shares subjects to the Moscow Exchange Group breakeven in the year preceding to such right. Besides the breakeven indicator, the Programme also stipulates for setting of long-term KPIs, which may influence on the terms and conditions of the shares disposal rights. The resolution on setting such long-term KPIs and their details shall be taken by the Supervisory Board of the Moscow Exchange upon the recommendation of relevant Commission of the Supervisory Board of the Moscow Exchange. The Supervisory Board of the Moscow Exchange will discuss the terms and conditions of the long-term incentives programme, as well as the length of the programme stages.
4.3.3	The amount of severance pay (so-called «golden parachute») payable by the company in the event of early dismissal of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed two times the fixed portion of his/her annual remuneration.	1. The amount of compensation (golden parachute) paid by the Company in case of early termination of powers to the members of executive bodies or key managers at the Company's initiative and in the absence of unfair actions on their part, did not exceed the double fixed portion of the annual remuneration in the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
5.1	**The company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved.**			
5.1.1	The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the company.	1. Functions of various management bodies and business units of the Company in the risk management and internal control system are clearly determined in internal documents/ the Company's relevant policy approved by the Board of Directors.	☑ complied with ☐ partially complied with ☐ not complied with	

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5.1.2	The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company.	1. The Company's executive bodies ensured allocation of the functions and powers as concerns risk management and internal control among their subordinate managers (heads) of business units and divisions.	☑ complied with ☐ partially complied with ☐ not complied with	
5.1.3	The company's risk management and internal control system should enable one to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company.	1. The Company approved the anti-bribery policy. 2. The Company established an affordable method to notify the Board of Directors or the Board of Directors Audit Committee on actual violations of the laws, internal procedures, and the Company's ethics code.	☑ complied with ☐ partially complied with ☐ not complied with	
5.1.4	The board of directors is recommended to take required and sufficient measures to procure that the existing risk management and internal control system of the company is consistent with the principles of and approaches to its creation as set forth by the board of directors and that it operates efficiently.	1. In the reporting year, the Board of Directors and the Board of Directors Audit Committee assessed efficiency of the risk management and internal control system of the Company. Information on the key findings of such assessment are included into the Company's annual report.	☑ complied with ☐ partially complied with ☐ not complied with	
5.2	**To independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the company should arrange for internal audits.**			
5.2.1	It is recommended that internal audits be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the internal audit department should report to the board of directors, while from the administrative standpoint, it should report directly to the company's one-person executive body.	1. For the purposes of internal audit, the Company established a separate business unit for internal audit, which functionally reports to the Board of Directors or the Audit Committee, or engaged an independent external company with the same principle of reporting.	☑ complied with ☐ partially complied with ☐ not complied with	

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5.2.2	When carrying out an internal audit, it is recommended to evaluate efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.	1. In the reporting period, as part of internal audit, the internal control and risk management system efficiency was assessed. 2. The Company uses common approaches to internal control and risk management.	☑ complied with ☐ partially complied with ☐ not complied with	
6.1	**The company and its activities should be transparent to its shareholders, investors and other stakeholders.**			
6.1.1	The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders.	1. The Company's Board of Directors approved the Company's information policy developed with the view to the Code's recommendations. 2. The Board of Directors (or one of its committees) reviewed the issues related to the Company's compliance with its information policy at least once in the reporting period.	☑ complied with ☐ partially complied with ☐ not complied with	
6.1.2	The company should disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	1. The Company discloses the corporate governance system in the Company and the general corporate governance principles applied in the Company, in particular, in the Company's website. 2. The Company discloses the composition of executive bodies and the Board of Directors, independence of members of the Board and their membership in committees of the Board of Directors (as defined in the Code). 3. If there is a person who controls the Company, the Company publishes the memorandum of the controlling person concerning such person's plans for corporate governance in the Company.	☑ complied with ☐ partially complied with ☐ not complied with	
6.2	**The company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.**			
6.2.1	The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.	1. The Company's information policy determines the approaches to and criteria for determining the information that may materially influence the Company's value, the value of its securities and the procedures that ensure timely disclosures of such information. 2. If the Company's securities are traded in foreign organized markets, materials information is disclosed in the Russian Federation and on such markets simultaneously and equivalently in the reporting year. 3. If foreign shareholders hold a significant number of shares in the Company, then, in the reporting period, disclosures were carried out not only in Russian but also in one of the most common foreign languages.	☑ complied with ☐ partially complied with ☐ not complied with	1. Complied with. 2. Not applicable as the Moscow Exchange securities do not trade on foreign regulated markets. 3. Complied with.

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
6.2.2	The company is advised against using a formalistic approach to information disclosure; it should disclose material information on its activities, even if disclosure of such information is not required by law.	1. In the reporting period, the Company disclosed annual and half-year IFRS financial statements. The Company's annual report for the reporting period includes annual IFRS financial statements with the auditor's opinion. 2. The Company discloses comprehensive information on the Company's capital structure, according to Recommendation 290 of the Code in the annual report and the Company's website.	☑ complied with ☐ partially complied with ☐ not complied with	
6.2.3	The company's annual report, as one of the most important tools of its information exchange with its shareholders and other stakeholders, should contain information enabling one to evaluate the company's performance results for the year.	1. The Company's annual report contains information on the key dimensions of the Company's operations and its financial performance 2. The Company's annual report contains information on environmental and social dimensions of the Company's business.	☑ complied with ☐ partially complied with ☐ not complied with	
6.3	**The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.**			
6.3.1	Exercise by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome.	1. The Company's information policy determines the easy procedure for providing access to shareholders to the information, in particular, the information on the legal entities dependent on the Company, at the shareholders' request.	☑ complied with ☐ partially complied with ☐ not complied with	
6.3.2	When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness.	1. In the reporting period, the Company did not deny satisfaction of any shareholders' requests for information or such denials were reasonable. 2. In cases determined in the Company's information policy, shareholders are warned of the confidential nature of the information and undertake to keep it confidential.	☑ complied with ☐ partially complied with ☐ not complied with	

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
7.1	**Any actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of shareholders as well as other stakeholders are observed.**			
7.1.1	Material corporate actions shall be deemed to include reorganisation of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which might result in material changes in rights of its shareholders or violation of their interests. It is recommended to include in the company's articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company's board of directors.	1. The Company's Articles of Association determines the list of actions and other efforts that constitute material corporate actions, and their determination criteria. Decision-making on material corporate actions falls within the competence of the Board of Directors. Where taking of these corporate actions is directly referred by law to the competence of GSM, the Board of Directors makes the relevant recommendations to the shareholders. 2. According to the Company's Charter, material corporate actions shall be deemed to include at least: reorganisation of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares.	☐ complied with ☑ partially complied with ☐ not complied with	1. Partly complied with. The list of material corporate actions is indicated in the Moscow Exchange Corporate Governance Code. As part of its review of the issue of the Bank of Russia CGC implementation, the Audit Committee found it appropriate to provide, in the Moscow Exchange Charter, a reference to the Moscow Exchange Corporate Governance Code that contains the List of Material Corporate Actions. At present, the Exchange has no intention to include the list of transactions and actions that constitute material corporate actions for the Exchange. The applicable law and the Moscow Exchange Charter reserve decisions on material actions for the Supervisory Board or the shareholders meeting. In connection with any matters brought before the shareholders meeting, including those related to material corporate actions, the Supervisory Board provides relevant recommendations to shareholders. 2. Partly complied with. The list of material corporate actions is indicated in the Moscow Exchange Corporate Governance Code. Such list includes, among other things, matters of Moscow Exchange reorganisation, acquisition of 30 percent or more of Moscow Exchange voting shares (takeover), execution of material transactions, charter capital increase or reduction, share listing and de-listing.
7.1.2	The board of directors should play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on opinions of the company's independent directors.	1. The Company envisages the procedure; whereby independent directors announce their standpoint on material corporate actions before their approval.	☑ complied with ☐ partially complied with ☐ not complied with	

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
7.1.3	When taking any material corporate actions which would affect rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code.	1. The Company's Articles of Association, taking into account the particular features of its operations, established lower minimum criteria for classifying the Company's transactions as major corporate actions than envisaged in law. 2. During the reporting period, all material corporate actions underwent approval before their implementation.	☑ complied with ☐ partially complied with ☐ not complied with	
7.2	**The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and that would also guarantee that shareholder rights are observed and duly protected in the course of taking such actions.**			
7.2.1	When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and consequences of such actions.	1. In the reporting period, the Company disclosed information on the Company's material corporate actions timely and in detail, including reasons for and timing of taking such actions.	☐ complied with ☑ partially complied with ☐ not complied with	In the reporting year, the Exchange was disclosing information on the material corporate actions, with explanations concerning reasons for and timing of taking such actions, where a resolution on taking/ approving such actions should be taken by the shareholders, timely and in detail. The Exchange was timely disclosing information on the material corporate actions where a resolution on taking/ approving such actions should be taken by the Supervisory Board by publishing an announcement of the Supervisory Board meeting and its agenda. The main reason that the Exchange does not fully comply with this principle is in progressive implementation of the Corporate Governance Code recommendations. It is expected that in 2018 the Audit Committee will consider whether to implement this principle or not.

№	Corporate governance principles	Corporate governance principle compliance criteria	Status[1] of conformity with the corporate governance principle	Explanations[2] of deviation from the assessment criteria of compliance with the corporate governance principle
7.2.2	Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.	1. The Company's internal documents envisage the procedure for engaging an independent appraiser in evaluating the assets disposed of or purchased under a major transaction or a related party transaction. 2. The Company's internal documents envisage the procedure for engaging an independent appraiser in evaluating the purchase and redemption price for the shares in the Company. 3. The Company's internal documents envisage an expanded list of reasons for the members of the Company's Board of Directors and other persons envisaged in the law to be recognized as interested in the Company's transactions.	☐ complied with ☑ partially complied with ☐ not complied with	1-2. Partially complied with. The internal documents do not envisage engaging an independent appraiser in evaluating the assets disposed of or purchased under a major transaction or a related party transaction, and in evaluating the purchase price for the shares in the Company (in redemption requested by shareholders, an appraiser is engaged under the law). The main reason that the Exchange does not comply with the principles is in the absence of relevant cases. The issue of whether engagement of an appraiser is necessary in the described events was reviewed by the Audit Committee and by the Supervisory Board, which considered it expedient to secure in the internal documents the requirement for engaging an appraiser, in particular, for the determination of the value of any property acquired or divested in a major transaction exceeding RUB 600 mln., when the subject matter of those are real estate or non-core assets. This requirement is planned to be added to the internal documents of the Exchange in 2018. 3. Not complied with. Internal documents do not provide for an extended list of the grounds for which the Supervisory Board members and other persons referred to in the law may be found to be interested in a transaction. On April 26, 2016 the Audit Commission recognized inexpedient the extension of the specified list of the grounds.

1 The «complied with» status is only indicated if the Company meets all the criteria of the corporate governance principle compliance assessment. Otherwise, the «partially complied with» or «not complied with» status is displayed.
2 They are shown for each criterion of the corporate governance principle compliance if the Company meets only part of the criteria or fails to meet any of the principle compliance assessment criteria. If the Company indicated the «complied with» status, no explanations are required.
3 Please specify, which of the two alternative approaches admitted by the principle is implemented in the Company and explain the reasons for the selection made.
4 If the objectives of the Nomination Committee are only implemented as part of another committee, indicate its name.
5 List the established additional committee.

Disclaimer

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This document includes forward-looking statements. All statements other than statements of historical fact included in this document, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future.
Important factors that could cause our actual results, performance, achievements or industry results to differ materially from those in these forward-looking statements include, among others:

- the perception of market services offered by the Company and its subsidiaries;
- the volatility of (a) the Russian economy and the securities market and of (b) the highly competitive sectors in which 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;
- increased competition from new players in the Russian market;
- the ability to keep pace with rapid changes in science and technology, including the ability to use advanced features that are popular with the Company's customers, as well as with those of its subsidiaries;
- the ability to maintain continuity of the process of introducing new competitive products and services, while maintaining competitiveness;
- the ability to attract new customers in both domestic and international markets; and
- the ability to expand our product offer in international markets.

Forward-looking statements are only valid as of the date of the publication of this document, and we expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this document as a result of any change in our expectations or any change in the events, conditions or circumstances on which these forward-looking statements are based.

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Scope of the Report

This Annual Report reviews the consolidated performance of PJSC Moscow Exchange MICEX-RTS (hereinafter "Moscow Exchange", or "the Group") and its subsidiaries, including JSC National Mercantile Exchange, NCO CJSC National Settlement Depository, and JSC Bank National Clearing Centre.

Compliance

Information in this report has been consolidated in accordance with Bank of Russia Instruction No 454-P of 30 December 2014, the Corporate Governance Code of 21 March 2014 and the G4 Sustainability Reporting Guidelines.