

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.

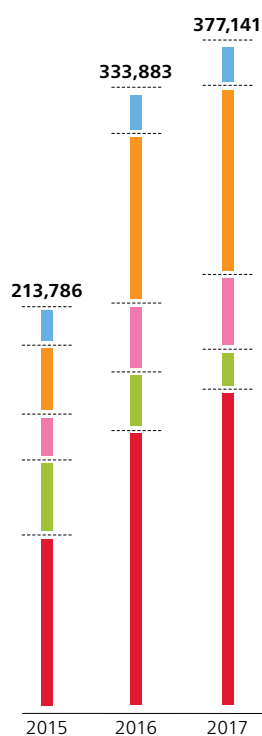
Trading Volumes

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 continuously works on the expansion of its product offering and improvement of the services to facilitate 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.

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.

Repo with collateral management by NSD, RUB billion

