

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.



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

## **Expansion of the client base**

As part of efforts to widen the client base of the Derivatives and Equity 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 Equity 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 Equity 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 current 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.

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 Equity 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 Equity 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](http://place.moex.com) will offer clients online account servicing with options for news subscriptions, setting 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 Equity 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.