

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

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.

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.

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.

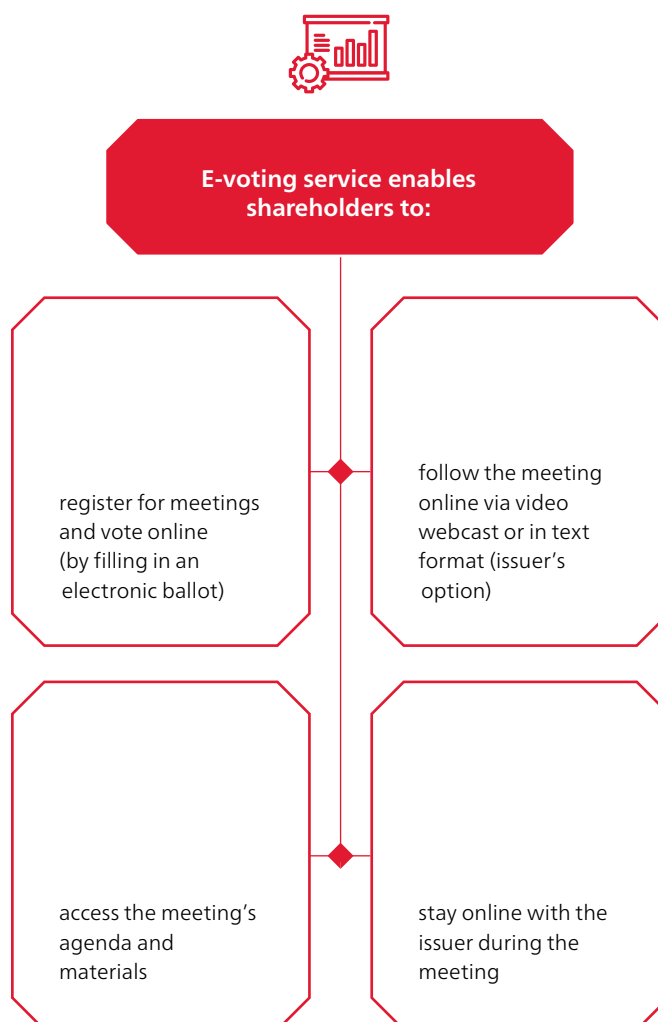
As part of its efforts to increase financial literacy, the Exchange hosted the first large scale retail event in Moscow, FINFAIR. The event was aimed at anyone who wanted to find out more about financial market opportunities, including how to better manage their personal finances and plan family budgets, 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.

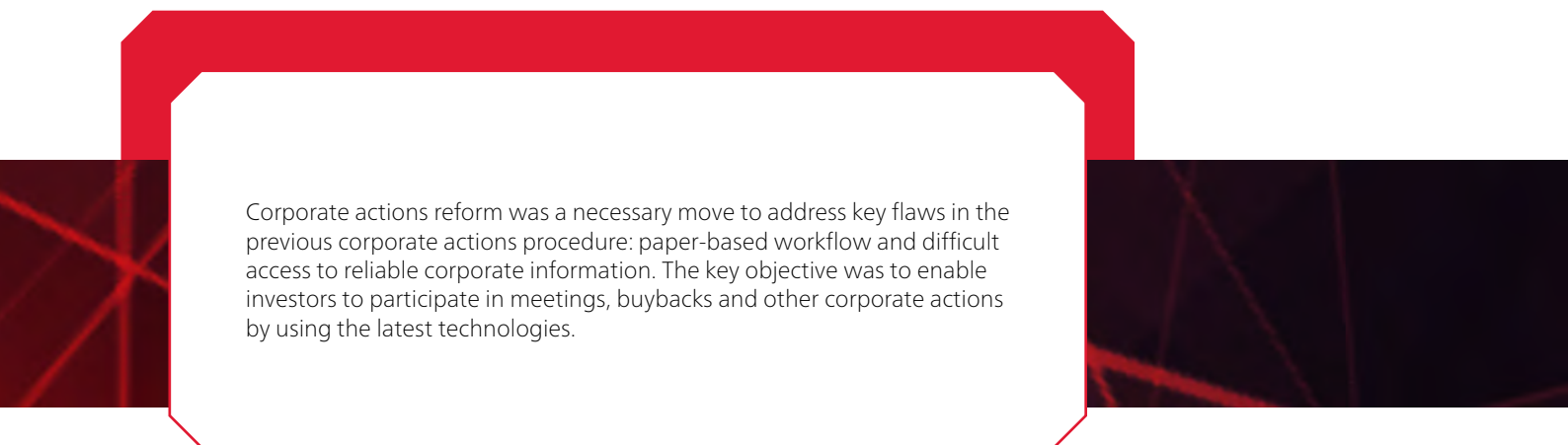


CORPORATE ACTIONS REFORM

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.





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%.