

Growth outlook for 2020

In accordance with MOEX's new corporate strategy through 2024, the Exchange will introduce new instruments and improve availability of products and services for market participants and customers, as well as introduce new technologies and attract new categories of customers.

Particular attention will be paid to working with investors and issuers, including small and medium-sized enterprises, with the goal of developing the equity and debt capital markets.

ATTRACTING PRIVATE INVESTORS

Retail investors are one of the most important customer groups for Moscow Exchange. The Exchange will continue to actively develop its product range and introduce special services targeting this customer segment.

The Exchange plans to offer FX conversion with the currency pairs US Dollar – Russian Ruble and Euro – Russian Ruble in the amount of 1 to 1,000 units of the underlying currency, with a lot size of one cent. The new instruments will benefit retail investors, who require conversion of small and fractional parts, for example, dividends and coupons received in a foreign currency.

The financial products Marketplace will also be improved, thus giving individuals an opportunity to view offerings from Russian financial institutions, compare them and purchase online. Customers can access information on all the products purchased through the Marketplace and manage them online. The launch of the project is scheduled for the fourth quarter of 2020. During the first stage, individuals will be able to open accounts with the banks participating in the project. The range of products offered via the financial product supermarket that is being created will expand to include credit, insurance and investment products.

EXPANDING THE CUSTOMER BASE

In 2020, the Group will continue to expand its initiative to provide direct market access to the its markets for new categories of participants. The Exchange plans to provide non-financial companies with direct access to the standardized OTC derivatives market. Corporate customers will also be eligible for the Unified Collateral Pool. Non-government pension funds and banks of the Eurasian Economic Union (EEU) will be provided with access to the deposit market with the central counterparty.

This will enable corporate customers to consolidate deposit transactions with the central counterparty, significantly simplifying the process of transaction accounting and reducing the need for automated accounting of corporate customers' transactions on the Exchange deposit market, and it will reduce the costs of participants.

The Exchange will continue working on the creation of a platform for corporate customers (MOEX Treasury) that have direct access to the Exchange. The new web terminal will consolidate all markets in one window, thus making operations with Exchange products more convenient. The interface is being developed in cooperation with customers and with due regard to their requirements.

At present, the project includes access to the FX Market and the market for deposits with the central counterparty; in 2020 the M-deposit market, Derivatives Market and the standardized OTC derivatives market will be added, as well as the services for quote requests in all the markets available to the customers on this platform.

Within the Growth Sector, the Exchange will continue to assist small and medium-sized businesses in attracting support from the state and development institutions with bond placements. Additional tools will be provided, including subsidies on bond coupon rates, listing preparation, anchor investments from MCP Bank and guarantees from MCP Corporation.

Effective October 2020, bonds admitted to the Growth Sector will be required to maintain a credit rating. This will supply market participants with additional information regarding the credit risk associated with issuers of public debt, which is particularly important when dealing with bonds of smaller companies. The Exchange plans to gradually extend the credit rating requirement to all issuers entering the public debt market regardless of their listing level.

ATTRACTING INTERNATIONAL INVESTORS

In 2020, Moscow Exchange will continue to actively develop projects to encourage non-residents to access the Exchange: Direct Market Access (DMA), Sponsored Market Access (SMA) and International Clearing Membership (ICM).

The Exchange plans to implement a project to separate the status of trading participant and clearing participant on all markets. As a result, foreign companies will have the opportunity to clear and settle both their own transactions and transactions of their customers on the Exchange's markets. This approach will enable the investment companies to offer their institutional customers security lodging and keeping cash assets on NCC

accounts, thus minimizing counterparty and credit risks for international customers that trade on the Exchange. Customers will be able to increase their limits for the Russian market by attracting non-resident clearing brokers, and the NCC will become a tax agent for non-resident clearing participants. The Exchange drew a distinction between trading and clearing participants on the Derivatives Market in early 2019 and on the FX Market in 2014.

The Exchange intends to actively attract global trading companies with the DMA offering, and they will in turn provide their private, institutional and corporate customers access to the Exchange.

EXPANDING THE RANGE OF INSTRUMENTS

The Exchange will continue to enhance its product range on the Derivatives Market. Several single-stock futures will be introduced.

The Derivatives Market expects to launch real estate index futures that will help create a benchmark for the average price per square meter paid for residential real estate in Moscow based on real mortgage transactions.

The Exchange also plans to develop product benchmarks, including the launch of deliverable wheat futures, crude oil futures, index futures on a basket of European companies and a basket of emerging markets companies.

In February 2020, a cash-settled natural gas futures contract tracking the CME's natural gas futures became available for trading in the commodities section of the Derivatives Market. This contract is a widely used international benchmark for natural gas, meaning Russian market participants have access to a global commodity instrument.

In addition, the Exchange launched a cash-settled futures contract on the USD-denominated Russian Secured Funding Average Rate (RUSFARUSD), which tracks rates of CC-cleared repo orders and trades secured with USD-denominated General Collateral Certificates (GCC) on MOEX's Money Market. The new futures will complement MOEX's interest rate derivatives offering and allow banks, investment companies and their customers to hedge interest rate risk in foreign currency on the domestic market.

In 2020, the Exchange will offer market participants of the Standardized OTC Derivatives Market additional benefits for trade strategies by enhancing basic assets of derivative financial instruments, including the list of traded foreign currencies and securities. MOEX plans to expand the maximum contractual term of contracts to 10 years and introduce non-targeted trades.

The end of the trading session in CNY-RUB, CHF-RUB, BYN-RUB and KZT-RUB on TOD instruments and TODTOM swaps will be extended to 12:00 noon (Moscow time). At present, trading in these instruments ends at 11:00 a.m..

Market participants will be offered floating rates and with an open transaction date. The Exchange also plans to introduce repo transactions with the Federal Treasury, with the collateral management system via a Stock terminal and settlement in foreign currency.

The Exchange expects that first mortgage-backed bond programs will be submitted for registration by MOEX in 2020. The Exchange has been entitled to register mortgage-backed bond programs under the law. It is expected that the volume of mortgage-backed bonds on the Russian market will exceed RUB 7 trillion by 2024 versus RUB 400 billion currently traded on MOEX.

DEVELOPMENT OF OTC SERVICES

In 2020 the Exchange plans to continue to enhance access for market participants and their customers to global OTC markets and to offer better prices thanks to the exchange infrastructure and to further expand new customized mechanisms for liquidity takers/makers that are recognized globally among OTC FX platforms.

Further development of the OTC system in the debt market requires development of user interface features, including the opportunity to use reference prices for setting benchmarks. The Exchange also plans to apply service opportunities of the OTC-system to securities market instruments.

In March 2020, the RFS Service (Request for Stream) quotation system for block trading will be launched on the Derivatives Market.

There will be an opportunity to perform sell/purchase transactions with foreign exchange within the RFS service by requesting auction of the amount in Rubles.

There will also be an option to choose counterparties. In order to deal with more taker orders for sell/purchase of G10 currencies in the OTC segment, a large over-the-counter trading mode will be introduced, in addition to the launch of swap instruments and RFS technologies.

The Exchange intends to offer its accounting and clearing services on the OTC market. Customers will be offered new flexible clearing and accounting services on the FX Market. It is also planned to introduce a FIX-protocol in the Negotiated Deal Mode and to implement a two-way net-settlement of OTC transactions in NCC.

In the context of promoting MOEX's currency fixing on global markets, an opportunity to license the use of fixings by international trading platforms, clearing and other finance organizations is under consideration.

As it develops the Precious Metals Market, MOEX expects to set up a trading and clearing link with Shanghai Gold Exchange in 2020–2021. This will make it possible for Russian market participants to access the largest gold market in the world and execute loco Shanghai gold trades with settlement via NCC. Additional plans call for the launch of gold swaps through trading links with the largest liquidity providers in London.

To boost liquidity and promote operations in national currencies, MOEX is working to establish trading links with Kazakhstan Stock Exchange (KASE) on the currency pair KZT-RUB and with the China Foreign Exchange Trade System (CFETS) for trading in the RMB-RUB.

A project is going to be implemented on the Equity & Bond Market on cross-listing exchange-traded funds with the Shanghai Stock Exchange.

DEVELOPMENT OF TECHNOLOGIES

In the second quarter of 2020, the Exchange plans to launch evening trading sessions from 19:00 to 23:50 (Moscow time). Initially, the 25 most liquid shares included in the MOEX Russia Index will be traded. All index constituents will be made available for trading by the end of 2020. After-hours trading will expand access to the Russian financial market for all groups of investors and open up new trading strategy opportunities including hedging and arbitrage between the Derivatives and FX Markets and hedging and arbitrage with international platforms.

During the evening session, online customer registration will also be available from 19:00 to 23:50 (Moscow time).

Technical availability for morning sessions in the FX Market and Derivatives Market will be provided during 2020. This will improve the trade experience for market participants and will provide them extra opportunity to asset management, will make the work of customers in the Far East and Siberia more convenient and will facilitate attracting new customers in the Asia-Pacific region.

It is proposed to host secondary trading of all corporate bonds in T+1 mode, making it possible to reduce margin rates for liquid bonds submitted to the order book and give the Exchange more opportunities for effective pricing on the domestic RUB-denominated debt market.

In 2020, market participants will be given the opportunity to connect the outer trading systems with the reading and clearing system of the Standardized OTC Derivatives Market as well as a service to access trading with liquidity providers.

“Iceberg” orders for only part of the “current visible amount of securities” will become available on the Derivatives Market to minimize the impact on the market price. Synthetic matching of calendar spreads will also be implemented – a service that allows combining orders not only inside the order book, but also in the order books of related instruments.

In order to stimulate liquidity, the Exchange plans to launch a market makers program for market making during periods of heightened financial volatility. It is also planned to develop a market-making program with several market-making conditions (blocks), the implementation of which will influence the level of remuneration.

In order to offer corporate customers flexible liquidity management, early refunding from deposits will be provided. Market participants will be able to withdraw part of the placed deposit at the market price. This technology will make it possible to expand the period of execution of transactions with the central counterparty.

The Exchange is also considering a project to create a single trading pool with GCC. This would improve the depth of the market and GCC liquidity.

MOEX plans to provide market participants with information and technological services such as a service to check for IIA (individual investment account) duplicates with market participants’ clients; this service was successfully tested late in 2019. Partner services will also be offered, for example financial market news on trading terminals, a service created jointly with the leaders of financial news markets. Customers will be able to order reference data from the NSD analytical systems by a simplified process through the Exchange’s web interface.

Additionally, MOEX plans to significantly increase the range of data access services in 2020, which will make risk parameters and reference data on assets and other on-exchange instruments available in machine-readable formats, including on the channels of MOEX’s partners.