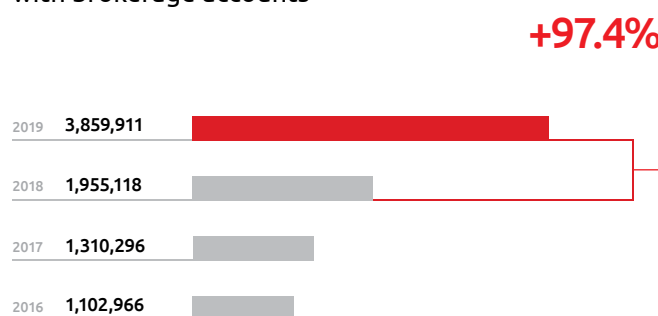


# Moscow Exchange's markets

## EQUITY AND BOND MARKET

The Equity and Bond Market is a liquidity center for operations with Russian securities and the main platform for Russian companies to raise capital. MOEX is a leading venue for issuance and trading of shares and depositary receipts; government, regional and corporate bonds; Bank of Russia bonds; sovereign and corporate Eurobonds; investment units of mutual funds (PIFs) and exchange-traded mutual funds (BPIFs); mortgage participation certificates; and shares of exchange-traded funds (ETFs).

Number of private investors  
with brokerage accounts



### Equity Market

	2016	2017	2018	2019	Change 2019/2018 (%)
<b>Equity Market trading volumes, RUB billion</b>	<b>9,277</b>	<b>9,185</b>	<b>10,830</b>	<b>12,443</b>	<b>14.9</b>

### Bond Market

	2016	2017	2018	2019	Change 2019/2018 (%)
<b>Bond Market trading volumes, RUB billion</b>	<b>14,616</b>	<b>26,228</b>	<b>29,841</b>	<b>28,219</b>	<b>-5.4</b>
<b>Secondary trading, RUB billion</b>	<b>9,589</b>	<b>10,979</b>	<b>10,219</b>	<b>10,631</b>	<b>4.0</b>
Sovereign bonds (OFZ)	4,961	6,470	6,538	6,781	3.7
Bank of Russia bonds (OBR)		101	537	411	-23.5
Municipal bonds	398	337	274	176	-35.6
Corporate bonds	4,135	3,928	2,767	3,109	12.3
Other	95	143	102	155	51.7
<b>Primary market and bond redemptions, RUB billion</b>	<b>5,027</b>	<b>15,250</b>	<b>19,622</b>	<b>17,588</b>	<b>-10.4</b>
Sovereign bonds (OFZ)	1,123	1,715	1,034	2,061	99.3
Bank of Russia bonds (OBR)		502	7,017	6,062	-13.6
Municipal bonds	159	214	86	112	30.2
Corporate bonds	2,342	3,148	2,850	3,483	22.2
One-day bonds	1,401	9,665	8,625	5,859	-32.1
Other	2	6	10	14	39.2

## ***Trading volumes and new issuance***

In 2019, total trading volumes on the Equity and Bond Market amounted to RUB 40.7 trln, in line with 2018 volumes. Trading volumes on the Equity Market increased by 14.9% to RUB 12.4 trln, reaching a record high for the past eight years. Bond Market trading volumes totaled RUB 28.2 trln, a 5.4% decrease versus 2018.

In 2019 the volume of bond placements decreased by 10.4% to RUB 17.6 trln due to a decrease in the volume of placements of overnight bonds (RUB 5.9 trln in 2019 compared to RUB 8.6 trln in 2018) and a decrease of 14% to RUB 6.1 trln of the Bank of Russia bond issue volumes. Corporate bond placements increased by 35.8% to RUB 3.2 trln and Russian government bond (OFZ) placements doubled to RUB 2.1 trln.

**RUB 3.2 trln**  
 corporate bond placements

OFZ placements were boosted by high demand from Russian and foreign investors amid a lower interest rate and investment risk environment.

In 2019, 59 first-time bond issuers placed a total of RUB 81.1 bln. Placements by 22 issuers that had not issued a bond in the previous three years raised a total of RUB 200 bln.

The increase in trading volumes on the Equity Market was primarily driven by market growth and increased client activity. In 2019, the MOEX Russia Index grew by 28.6%, the RTS Index was up by 44.9%. In November, the MOEX Index reached an all-time high, exceeding 3,000 points.

## ***Attracting retail investors***

2019 was a record year in terms of attracting individuals to the Equity and Bond Market. During the year, 1.9 mln new retail investors entered the market, with the total number of retail investors reaching 3.9 mln by year-end.

Most of the total amount falls on individual investment accounts (IIA): at the end of 2019, their number reached 1.6 mln, of which more than a million were opened in 2019, which is twice as much as in the previous four years. The total value of assets on IIAs in 2019 increased by 99%, reaching RUB 197.3 bln (according to the Bank of Russia), the total trading volumes on IIAs increased by 30% to RUB 620 bln.

Customer activity increased: the number of private clients that concluded at least one transaction in the month of December reached 390,000; the number of customers that concluded at least one transaction in 2019 on the Equity Market stood at 791,000 (versus 456,000 in 2018).

Retail investors accounted for 34% of stock trading volume in 2019, versus 36% in 2018. Retail investors purchased 18.2% of primary corporate bond issuance (not including overnight bonds) versus 11.2% in 2018, and accounted for 10.6% of secondary trading of corporate bonds, versus 8.4% in 2018.

**1.9 mln**  
 new private investors

The influx of retail investors into the market is being driven by the development of digital technologies, tax incentives, lower interest rates on deposits and the expansion of exchange tools. In August 2019, online customer registration became available across all the Exchange's markets. This allows investors to start trading seconds after concluding a contract with a broker or bank. Previously, this procedure took nearly a full day. In addition, retail investors now have the opportunity to deposit funds into brokerage accounts using the Faster Payments System, accelerating conclusion of transactions and reducing costs.

## Exchange-traded funds

In 2019, the market for exchange-traded funds, primarily, exchange-traded investment funds (BPIF) – the equivalent of ETFs under Russian law – was actively expanded. The legislative framework for the start of trading in BPIFs was created in 2018, and at the end of 2019 19 BPIFs were traded on the Exchange, 17 of which were admitted to trading during 2019.

In total in 2019, 35 exchange-traded funds of eight companies based on benchmarks of eight countries were traded on the Exchange. The underlying assets of these funds are stock indices, shares, bonds and commodities. The total value of the net assets of exchange-traded funds for 2019 increased by 168% to RUB 38.6 bln in 2019; the total average daily trading volume was RUB 205 mln.

**+168%**  
growth of ETFs' NAV

Exchange-traded funds facilitate investing with minimal costs, following the fund portfolio strategy, and also ensure the interaction of asset management businesses and brokerage companies. Exchange-traded funds provide retail and institutional investors with the opportunity to purchase portfolios of shares of leading Russian or global companies, government and corporate bonds. Trades in fund shares are conducted both in RUB and in foreign currency.

In 2019, the Exchange provided participants with trading technology that allows them to admit exchange-traded funds with partial deposits and settlement on T+2 basis, as well as the ability to conduct transactions with exchange-traded funds in EUR. A number of exchange-traded funds are currently traded in three currencies – RUB, USD and EUR.

In order to popularize exchange-traded funds, as well as increase the number of active retail investors, the Exchange held a competition for analysts “Prize Funds” on the invest-idei.ru portal. As part of the competition, 28 trading ideas from 11 participants were published, eight of which gave positive yield. 30% of all ideas were released for BPIFs, which indicates the growing popularity of this instrument both among investors and analysts.

## Responsible investing

In 2019, the Sustainability Sector was established to promote responsible investing and help companies that implement environmental and social projects to raise financing.

The new sector consists of three independent segments: green bonds, social bonds and national projects. In 2019, two green bond issues totaling RUB 750 mln debuted on the Sustainability Sector.

The green and social bond segments may include securities of Russian and foreign issuers if the issue, issuer or investment project is compliant with the green / social financing principles of the International Capital Market Association (ICMA) or Climate Bonds Initiative (CBI), and an independent external evaluation certifies compliance. This is in line with the strategy for development of green and social bonds and sustainability bonds being developed by the Ministry of Economic Development of Russia, relevant federal executive bodies, the Bank of Russia and representatives of the business community. This strategy provides for tax incentives for issuers and Bank of Russia support for investors, including in the form of special provisioning conditions.

Bonds of Russian and foreign issuers may be included in the national projects segment if the issue, issuer or investment project meets the objectives and results of the national projects “Environment”, “Demography”, “Healthcare”, federal projects including “Implementation of Best Available Technologies”, or if there is a decision of bodies or officials of state authorities, interdepartmental commissions on compliance with the objectives and results of one of the projects specified in the Listing Rules.

In March 2019, the Exchange entered into a cooperation agreement with the Russian Union of Industrialists and Entrepreneurs (RSPP) to develop and strengthen sustainable business practices of Russian issuers, increase their investment attractiveness, promote increased transparency of issuers and strengthen investor confidence. As part of this work, in April the Exchange began daily calculation and publication of two sustainability stock indices – Responsibility & Transparency and the Sustainable Development Vector – based on the analysis of companies by ESG indicators carried out annually by RSPP. The indices are calculated based on the issuers who disclose the most complete information in the areas of sustainable development and corporate social responsibility.

### **Attracting international investors**

In 2019, active development of the Sponsored Market Access (SMA) service continued, allowing clients of market participants to directly trade on the Exchange’s Equity & Bond Market. At the end of 2019 130 SMA-logins were registered by 12 participants.

SMA accounted for 5% of total Equities Market trading volume in December 2019, up from 1% in January 2019.

In 2019, foreign investor customer activity increased. According to ThomsonONE, the volume of investments of foreign funds in Russian shares in 2019 increased by 22% to USD 83.3 bln, nearly returning to the level of pre-crisis 2013 (USD 85.6 bln).

### **Liquidity**

In autumn, the first stage of the transition of corporate bonds to the T+1 trading mode with partial collateral for transactions took place. 294 securities were transferred, and the remaining corporate bonds are planned to be transferred to T+1 mode in the first half of 2020. This process is designed to support an increase in trading volumes for these instruments. In November, the minimum lot size for 18 Eurobonds was reduced to USD 1,000, which increased turnover on the Exchange more than twofold to RUB 62 mln per day.

In April, the first cross-market market maker program to support liquidity of Equity & Bond Market and Derivatives Market instruments was launched. The program is aimed at supporting liquidity and improving the quality of the exchange order book for 12 pairs of instruments (equities and equity futures) that are traded simultaneously on the two markets. For each pair of instruments, mirror spreads of bilateral quotes with the same volumes were supported during the main trading session. Thanks to the program, existing Equity & Bond Market and Derivatives Market market makers began to simultaneously fulfil their obligations in relation to the instruments of both markets. Another success was the attraction of additional market makers to support liquidity of the Equity & Bond Market and Derivatives Markets.

### **Expanding the range of instruments**

2019 saw placement of the first issue of structured bonds registered under Russian law. Issuance of structured bonds became possible in October 2018 after amendments to the legislation on securities came into force.

Under Russian law, a structured bond is a security that does not provide guaranteed repayment of the nominal value to its holder. Payment of the nominal value, part of the value or yield on such a security depends on certain circumstances specified in the resolutions of the issue.

In August 2019, a joint pricing convention of mortgage bonds was developed together with DOM.RF, which calculates the yield, duration and other parameters of this type of bonds. From December 16 these indicators are published on the Exchange's website.

It's become possible to hold OFZ placement auctions without limiting the size of the Ministry of Finance of the Russian Federation's offering. Of the 84 OFZ auctions held in 2019, 48 were held without limitations on the size of the offering.

In August a new format of OFZ-PK was issued. The new format sets the interest yield rate with minimal "delay" relative to the RUONIA rate (with a shift of seven days back). In 2019, RUB 100 bln of such bonds were placed.

In 2019, the first stage of the modernization of the trading regime for large blocks of OFZs (DarkPool) took place. This improved the algorithm that sets pricing and the auction time.

After an eight-year hiatus, in July 2019 the Ministry of Finance of the Republic of Belarus returned to the Russian bond market with two three-year bond offerings denominated in RUB, totaling RUB 10 bln. Belarus had last tapped the Russian bond market in 2010.

The development of debt market OTC systems, which began in 2018, continued. In 2019, market participants got the opportunity to clear OTC transactions with a central counterparty with settlement in RUB, USD and EUR with bonds, including those not listed on the Exchange. This made it possible to expand the list of available instruments in the OTC system, including through Eurobonds. In this mode, at the end of 2019, 60% of transactions worth RUB 2.4 bln were concluded. In addition, participants gained access to settlement using the Delivery versus payment (DVP) technology at NSD. Reference prices RuData and Refinitiv, which can be used by participants as reference points of the current price of bonds to negotiate the terms of the transaction, also became available to users of the OTC system.

At the end of 2019, 73 companies were connected to the OTC system. At the end of 2019, the total number of instruments available in the OTC system was 2,118 bond issues with a total nominal value of more than RUB 54 trln, including Russian government and corporate bonds, as well as over 285 sovereign and corporate Eurobond issues

**2,118** bond issues  
are available in the OTC system

### Attracting SMEs

To encourage SMEs to tap the public markets, the Growth Sector has been functioning on MOEX since 2017. The Growth Sector is intended to attract funds to high-potential companies in the real sector of the economy, to expand the range of traded instruments on the financial market and to diversify investors' allocations.

The Growth Sector is supported by the SME Corporation, MSP Bank, Industry Development Fund (IDF), the Russian Direct Investment Fund (RDIF), Russian Export Centre (REC) and the Ministry of Economic Development and the Ministry of Industry and Trade. The main partner of this initiative is the Bank of Russia.

In 2019, securities of 22 issuers were included in the Growth Sector, including 15 bonds of SME issuers. The total Growth Sector bond issuance doubled year-on-year in 2019, exceeding RUB 20 bln.

In 2019, implementation of the SME national project began. One of the most important goals of the project, which is planned to run through 2024, is to expand access to financial resources for SMEs, including by encouraging SMEs to tap the public markets.

In 2019, seven SMEs traded on the Growth Sector received support under the national project.

The Innovation and Investment Market (IIM) has successfully operated on MOEX since 2009. The IIM was created in conjunction with RUSNANO to promote investment in the innovation sector of the Russian economy. One of the support measures for the sector is tax incentives for investors: from January 1, 2019, investment income from securities of issuers with a market capitalization of up to RUB 25 bln is not taxable, provided that the investor holds them for at least one year.

In 2019 total trading volumes in the IIM Sector increased by 20% to RUB 57.7 bln. Securities of four issuers were placed. At the end of 2019, 20 securities were traded in the sector and the capitalization of the sector stood at RUB 423 bln.

**> RUB 20 bln**

volume of bonds placed in the Growth Sector

Companies are provided with information support, including support in interaction with public authorities and development institutions.

### *Listing of securities*

MOEX is constantly working to increase the quality of securities included in its quotation lists by improving issuing procedures and encouraging issuers to adhere to best practices of corporate governance. This work is aimed at increasing the transparency and attractiveness of the Russian Equity and Bond Market and protecting the interests of retail and institutional investors.

In 2019, a new version of the listing rules came into force, that introduces additional requirements for securities and issuers whose shares or bonds are included in the second listing level. In particular, a new requirement was introduced for credit rating of the issuer / bond issue or surety / guarantor, similar to the rating level applicable for the first level.

As part of the process of informing investors about the quality of traded securities, 72 securities of 33 issuers were included in the Sector of High Investment Risk Companies in 2019.

A new securities sector was introduced, the Sustainability Sector – which consists of the green bond segment, the social bond segment and the national project segment – for bonds placed in order to raise funds for financing or refinancing of environmental or other social projects.

The Exchange is actively working with small- and medium-sized enterprises (SMEs), supporting the development of the SME national project. Securities issued by SMEs can only be included in the second or third listing level simultaneously with inclusion in the Growth Sector or in the third level simultaneously with inclusion in the High Investment Risk Companies Sectors.

In 2019, the implementation of a strategy on digitalization of listing services for issuers continued: use of an electronic digital signature, as well as electronic document management for registration of issue documents of exchange-traded bonds allows issuers to reduce costs for placements by eliminating paper document management, increase the speed of interaction with MOEX and improve the reliability of document management. At the end of 2019, 306 issuers (46%) used electronic signatures for listing purposes, up 20% versus the previous year.

In 2019, new listing services and tariffs for listing services were developed due to new legislation coming into force in 2020 that effects the securities market. Under the new tariff model, from 2020 the cost of maintaining bonds will not depend on the listing level of the issuer's bonds. In addition, preferential tariffs are maintained for the issuance of bonds by SME issuers included in the Growth Sector.

As of the end of 2019, 2,209 securities of 640 issuers were admitted to trading, including 264 shares of 213 issuers and 1,482 bonds of 354 issuers. The Exchange quotation lists include 923 securities of 222 issuers, including 558 securities of 128 issuers in the first level and 365 securities of 118 issuers in the second level.

The number of exchange-traded structured bonds increased, indicating interest among large issuers in similar instruments intended for retail investors. In 2019, the Exchange registered 187 issues of exchange-traded structured bonds (20% of all issues). Over the last four years the number of structured bonds in circulation has grown nine-fold, and the number of issuers has grown to 10.

### Securities admitted to trading on MOEX

- First level
- Second level
- Third level
- Bonds
- Shares



- First level
- Second level
- Third level
- Bonds
- Shares



## Basic requirements for inclusion of ordinary shares in quotation lists

Criteria	First level listing	Second level listing
Free float	<ul style="list-style-type: none"> <li>• <math>\geq 10\%</math> with an issuer's capitalization <math>&gt; \text{RUB } 60 \text{ bln}</math> and market value of the free-float <math>\geq \text{RUB } 3 \text{ bln}</math></li> <li>• determined by the formula with capitalization <math>&gt; \text{RUB } 60 \text{ bln}</math> and market value of the free-float <math>\geq \text{RUB } 3 \text{ bln}</math></li> </ul>	$\geq 10\%$ with market value of the free-float $\geq \text{RUB } 1 \text{ bln}$
Length of issuer's existence	$\geq 3$ years	$\geq 1$ year, or $\geq 1$ month, if the issuer controls a company with duration $\geq 1$ year, provided that its share of business under IFRS is $\geq 50\%$ of the group's total business
Preparation and disclosure of IFRS statements	3 years	1 year
Corporate governance	<ul style="list-style-type: none"> <li>• At least 1/5 of the composition of the Board of Directors, but at least three independent directors</li> <li>• Audit, Remuneration, and HR Committees</li> <li>• Corporate Secretary and the approved Regulations on the Corporate Secretary</li> </ul>	<ul style="list-style-type: none"> <li>• At least two independent directors on the Board of Directors</li> <li>• Audit Committees</li> <li>• Corporate Secretary</li> </ul>
	<ul style="list-style-type: none"> <li>• Approved dividend policy</li> <li>• Internal Audit Unit and approved internal audit policy</li> </ul>	

## Basic requirements for inclusion of bonds in quotation lists

Criteria	First level listing	Second level listing
Issue volume	$\geq \text{RUB } 2 \text{ bln}$	$\geq \text{RUB } 500 \text{ mln}$
Nominal value	$\leq \text{RUB } 50,000$ or 1000 monetary units, if the nominal value is expressed in foreign currency	
Length of existence	$\geq 3$ years	$\geq 1$ year or 3 months in the presence of a guarantor (surety), the period of existence of which is $\geq 1$ year
Preparation and disclosure of IFRS	3 years and publication of the guarantor's statements if there is security for the issue	1 year or publication of guarantor's statements, if the period of existence of the issuer is $< 1$ year
No defaults	No defaults or $\geq 3$ years have passed since the default	No defaults or $\geq 2$ years have passed since the default
Credit rating not lower than	<ul style="list-style-type: none"> <li>• BBB+ (ACRA)</li> <li>• ruBBB+ (Expert RA)</li> <li>• BB- (Fitch)</li> <li>• BB- (S&amp;P)</li> <li>• B1 (Moody's)</li> </ul>	
Corporate governance	<ul style="list-style-type: none"> <li>• Board of Directors,</li> <li>• Internal Audit Unit;</li> <li>• approved internal audit policy</li> </ul>	–
Bondholder Representative	No additional terms established	Applicable to unsecured bonds