

FX MARKET

Moscow Exchange is the oldest regulated trading venue in Russia, and has offered FX trading since 1992. It is a liquidity center for operations with the Russian ruble and a crucial element of the Russian financial system. The Bank of Russia relies on the FX Market to implement monetary policy and sets the official USD/RUB rate using results of trading on the FX Market. In 2019, operations on MOEX accounted for 56% of USD/RUB conversions in Russia and 64% of EUR/RUB conversions in Russia.

Moscow Exchange's FX Market hosts trading in 17 currency pairs: USD, EUR, GBP, CHF, HKD, CNY, JPY, BYR, KZT and TRY with the Russian ruble, as well as EUR, GBP, CHF, CNY, JPY, KZT and TRY with the US dollar.

The MOEX daily fixing family calculates FX rates for USD/RUB, EUR/RUB, CNY/RUB and EUR/USD used for settlement and execution of currency derivatives, and fixings for currency swaps for USD/RUB transactions ranging in duration from one week to one year. The execution price of futures contracts on the Derivatives Market is calculated based on fixings.

Trading volumes

Trading volumes in the FX Market in 2019 accounted for RUB 308.3 trln, down from RUB 348.4 trln in 2018. Spot trading volumes were RUB 67.4 trln, while swap trading volumes were RUB 240.9 trln.

RUB 308.3 trln
 trading volumes in the FX Market

In 2019 the structure of trading by currency pair changed only marginally: the share of trading accounted for by the USD/RUB pair decreased from 80% to 79% and the share of trading accounted for by the EUR/RUB pair remained at 17%. All other currency pairs accounted for 4%, up from 3% in 2018.

FX Market

	2016	2017	2018	2019	Change 2019/2018 (%)
FX Market trading volumes, RUB billion	329,954	347,671	348,368	308,274	-11.5
Spot	107,169	78,380	86,682	67,370	-22.3
Swaps and forwards	222,785	269,291	261,686	240,904	-7.9
Currency pairs, RUB billion					
USD – RUB	278,334	285,962	277,751	242,627	-12.6
EUR – RUB	43,065	48,231	59,243	51,571	-12.9
EUR – USD	7,669	12,869	10,084	13,349	32.4
CNY – RUB	776	492	1,081	551	-49.1
Other	110	117	209	176	-15.8

Expansion of the client base

More brokerage companies continued to provide their clients with direct access to MOEX's FX Market. In 2019 the number of clients registered with MOEX increased 2.5 times to RUB 3.5 mln. The number of active individual clients increased 2.4 times to 147,000 (December 2019 versus December 2018). Individuals accounted for approximately 8% of spot transactions.

The Exchange continues to expand direct access for legal entities that are not professional financial market participants. As of the end of 2019, 40 corporations, including insurance companies, connected to the FX Market. Their aggregate trading volume in 2019 was more than twice that of 2018 at RUB 1.1 trln.

Technological development

One of the main principles of the FX Market's development strategy is to provide various services for order execution across a range of volumes and client types, and subsequently for clearing of these transactions.

In 2019 the Exchange continued to expand access to global FX liquidity with the use of exchange infrastructure and interfaces of the FX Market on quotes of world currencies from the major international banks that act as liquidity providers. Since the start of this project at the end of 2018 market participants have been able to execute OTC trades with the EUR/USD, GBP/USD, USD/CNY, USD/TRY, USD/JPY currency pairs. Additionally, participants are now able to join OTC-mode using FIX-protocol, a global standard in use on all MOEX markets.

Obtaining a flow of quotations from major Western liquidity providers strengthened MOEX's positions in these currency pairs. At the end of the year 65 participants had joined the service and average daily trading volume exceeded USD 100 mln.

In April, a speed bump that randomly delays orders was rolled out on the FX Market. Under the new system, cancel transactions are sent to the system immediately. Initially an alternative matching technology was implemented in individual instruments, and in November

conclusion of major non-negotiated spot transactions with the use of a speed bump was segregated as a special mode with large lots for TOD and TOM instruments in the USD/RUB and EUR/RUB currency pairs.

In addition, an asymmetrical fee has been introduced for all instruments in the speed bump mode, which allows liquidity takers to conclude transactions with zero trading fee.

The launch of speed bump technology and fee differentiation made it possible to gain large-block liquidity from non-banking providers and major Russian banks. In 2019, 46 participants joined the large lot mode. In December, the average daily trading volume was USD 80 mln.

In December, a new OTC service Request for Stream (RFS) with an asymmetrical fee became available to market participants; the service makes it possible to conclude major foreign exchange transactions at the best prices thanks to micro-auctions with a wide range of liquidity providers.

Expanding the range of instruments

As part of its efforts to streamline its product offering and provide participants with additional opportunities to diversify transactions, MOEX launched trading in a new currency pair, USD/JPY.

In addition, TOM instruments and TODTOM swaps became available in the JPY/RUB currency pair.

As part of the efforts to develop matching services and promote exchange-based fixings, in April market participants were provided with a Matching Service at the weighted average USD/RUB FX rate set by MOEX at 11:30 am MSK as the official Bank of Russia rate. In October, MOEX extended the time of receipt of orders for the instrument and at USD/RUB MOEX currency fixing determined at on-exchange trades on a daily basis at 12:30 pm.

New product offerings provide participants with additional opportunities to diversify their business strategies and promote liquidity of the FX Market.

Attracting international investors

In 2019 MOEX continued to develop services and projects to encourage non-residents to access the FX Market. These initiatives included Direct Market Access (DMA), Sponsored Market Access (SMA) and International Clearing Membership (ICM).

As of the end of 2019, the FX Market's client base included 14,600 registered non-resident clients from 125 countries. For the third consecutive year, non-residents accounted for 38% of spot turnover.

In 2019, turnover of non-resident transactions under SMA and ICM increased by 15% to RUB 18.3 trln. Approximately 100 SMA logins were registered for seven participants during the year.

As part of development of the integrated FX Market of the Eurasian Economic Union (EAEU), in 2019 access to the FX Market was provided to five banks: Bank BelVEB OJSC, VTB Bank, Paritetbank (Belarus), VTB Bank (Kazakhstan) and Islamic Zaman-Bank. Thus, as at the end of 2019, direct access to MOEX's FX Market was provided to 19 banks from five Eurasian Economic Union countries, including two international financial institutions: the Interstate Bank and the Eurasian Development Bank (EDB). In 2019, trading volumes generated by participants of the integrated FX Market exceeded RUB 1.3 trln.

Expanding the range of instruments to include currency pairs with the RUB and national currencies of EAEU and BRICS states as well as other countries is a priority growth area for the FX Market. In 2019 the volumes of transactions with KZT increased 11-fold and for BYR and TRY volumes nearly doubled. Developing liquid trading markets promotes the use of national currencies in foreign trade and investment.

In November, MOEX signed a memorandum of understanding with China Foreign Exchange Trade System (CFETS) aimed at boosting liquidity of the CNY/RUB currency pair on both platforms and promoting settlements in national currencies.

Liquidity

In the first half of 2019 the Exchange operated a market-maker program aimed boosting large-lot liquidity in the USD/RUB currency pair with TOM (tomorrow) settlement. During that time, average daily instant liquidity increased threefold, reaching USD 20 mln.

In February a new marketing promotion called Growth Program was launched, which included a 100% refund of trading fees for the USD/RUB currency pair in TOM settlements, with the aim of promoting passive transactions. Six months into the program, participants had increased their passive volumes by USD 4 bln.

At present, 12 market-maker programs aimed at stimulating liquidity are in place. Under the programs market-makers conduct transactions aimed at improving the spread and maintaining instant liquidity.