

## MONEY MARKET

Moscow Exchange's Money Market is one of the most important segments of the Russian financial market. The Bank of Russia implements monetary policy via the Money Market, and market participants rely on it for day-to-day cash liquidity management.

The key segment of the Money Market is repo transactions with the Central Counterparty (CCP), performed by NCC, which guarantees fulfilment of obligations before all participants. Repo with the CCP in general collateral certificates (GCC) is also available and is now the most widely traded segment on the Money Market.

### Trading volumes

In 2019, total Money Market trading volumes amounted to RUB 346.3 trln, down from RUB 364.2 trln in 2018. Repo trading volumes for 2019 totalled RUB 292.8 trln, accounting for 85% of total Money Market volumes; trading volumes of deposit and credit transactions for 2019 totalled RUB 53.5 trln.

**+15.3%**

growth of turnover in GCC repo

The year-on-year decrease in total Money Market trading volumes was the result of a reduction of inter-dealer repo transactions (down by 26.6% to RUB 36.4 trln)

and by the extension of terms of repo transactions with the CCP. The average daily open interest in repos with the CCP in 2019 increased by 11% – to RUB 2.87 trln, and the average duration of repos with the CCP increased to 4.1 days from 3.5 days in 2018.

GCC repo with the CCP was the fastest-growing repo product in 2019: trading volumes in that segment totalled RUB 54.1 trln, an increase of 15.3% versus 2018. The average daily open interest in GCC repos doubled year-on-year to RUB 733.5 bln.

In 2019, 240 new securities were admitted for repo transactions with the CCP, accounting for RUB 2.7 trln in trading volume. At the end of 2019 participants were able to conclude repo transactions with the CCP with a total of 1,175 securities. In addition to settlements in RUB, USD and EUR, in 2019 it became possible to perform settlements for repo transactions with the CCP in CNY.

In April, MOEX started calculation of a new index tracking performance of the Money Market, RUSFAR (Russian Secured Funding Average Rate). RUSFAR reflects the value of secured money and is calculated on the basis of the most liquid segment of the Money Market – CCP-cleared repo transactions using general collateral certificates. RUSFAR is calculated daily on the basis of orders and CCP-cleared repo transactions using general collateral certificates concluded between 10:00 am to 12:30 pm Moscow time. In August RUSFAR became available for repo transactions concluded in USD, thus establishing a dollar-denominated index of the Russian Money Market.

### Money Market

	2016	2017	2018	2019	Change 2019/2018 (%)
<b>Money Market trading volumes, RUB billion</b>	<b>333,883</b>	<b>377,141</b>	<b>364,216</b>	<b>346,347</b>	<b>-4.9</b>
<b>On-exchange repo</b>	<b>296,226</b>	<b>339,509</b>	<b>309,913</b>	<b>292,813</b>	<b>-5.5</b>
Direct repo with the Bank of Russia	54,662	35,575	829	274	-67.0
Interdealer repo	65,393	72,397	49,663	36,441	-26.6
CCP-cleared repo	176,171	231,537	259,421	256,075	-1.3
including GCC-repo	324	6,170	46,888	54,054	15.3
<b>Credit market</b>	<b>37,657</b>	<b>37,631</b>	<b>54,303</b>	<b>53,534</b>	<b>-1.4</b>

RUSFAR is calculated for all key maturities – from one day to three months – in effect creating a curve of the value of secured money. Market participants were provided with the opportunity to develop instruments with a floating interest rate for long terms (deposits, credits). Additionally, trading of futures contracts on the Derivatives Market and interest swaps on RUSFAR in the Standardized Derivatives Market was launched.

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

In 2019, Federal Treasury funds began to be deposited with the CCP on MOEX's Money Market. This allowed all participants of the Russian money market to access a new source of deep liquidity via market-based auctions. And the Federal Treasury was given the opportunity to enjoy all advantages of MOEX's Money Market, notably transparent pricing and reliability of the Central Counterparty. At the first auctions held in December 2019 the total volume of deposited funds with the CCP for the terms from one to 14 days totalled RUB 18 bln, with 13 organizations participating in the auctions.

In order to provide participants of the Money Market with a more flexible approach to liquidity management, MOEX expanded the range of instruments by introducing additional maturities:

- ▶ the terms for inter-dealer repo transactions increased from one year to three years;
- ▶ it became possible to conclude GCC repo transactions and deposits with the CCP for nine months;
- ▶ it became possible to conclude repo transactions with the CCP with OFZ for term of one and three months.

Additionally, participants were provided with the option of early execution of negotiated trades in repo with the CCP, which is beneficial for lifting maturity of transactions.

A new convention for setting settlement dates for GCC repo transactions and deposits with the CCP was introduced, taking into account working days and limitation of terms in particular modes. This improved conditions of conclusion of long-term transactions for accounting of statutory requirements of brokerages at execution of repo transactions with the CCP.

A major effort has been made to improve the quality of pricing when settling non-delivery to the CCP: changes were introduced to procedures of transfer of positions of bad-faith participants by means of non-negotiated market orders ("order to all"), applied by market participants for closure of positions of bad faith clearing participants.

Market participants were also given an opportunity to execute exchange repo transactions with the Federal Treasury by means of exchange terminal with collateral management system (CMS) and settlements at National Settlement Depository (NSD). This solution made it easier for participants to work with the Exchange services and provided access to a wide range of products by means of unified technology access. Transaction volumes in 2019 exceeded RUB 22 bln.

### ***Attracting new categories of participants***

In 2019 MOEX continued to expand direct access to the Money Market for Russian legal entities that are neither credit institutions nor professional securities market participants. Growth of this new category of participants is in line with global trends and contributes to liquidity growth. Companies themselves increased efficiency of their operations given the transparency of on-exchange trading with the possibility to deposit cash with the CCP at market repo rates. The presence of the Central Counterparty, NCC, guarantees the fulfilment of obligations in relation to all bona fide participants, and eliminates the need for market participants to assess risks and set limits on each other.

In 2019, asset management companies were provided with direct access to the deposit market with the CCP for the first time. Three companies managing funds of four PIFs became market participants.

In 2019, 34 companies were provided with access to the deposit market with the CCP, including manufacturers, banks, insurance and asset management companies and international financial organizations. Their total number reached 121 and total trading volume was RUB 19.4 trln.