

# 2017 Outlook

Moscow Exchange's key initiative for 2017 is the Unified Collateral Pool service providing for standardised clearing services on the Exchange's markets, including cross margining, alignment of collateral requirements, and comprehensive netting services across all markets.

The new service will give participants an online tool to manage collateral based on their aggregate net position across the markets, decrease costs and increase trading volumes.

## Expansion of the Client Base

Moscow Exchange continues to work toward expanding its client base by optimising technology and offering new opportunities to MOEX participants and their clients in an effort to increase market liquidity and improve the overall client experience.

MOEX will continue its Moscow Exchange School initiative into 2017 as it seeks to educate private Russian investors on investments in exchange-traded financial instruments. Promotion of trading among private investors, mostly via digital channels, is a top priority for MOEX.

Another project of strategic importance is to create a framework for bank lending to be replaced with bond issuance and increasing liquidity of the secondary bond market. As part of this effort, MOEX plans to streamline the procedure for issuance of corporate bonds and continue digitalising services that will reduce the time and scope of listing and market access for new debt instruments (shortest-term bonds, Russian-law foreign currency bonds, floaters, linkers, Bank of Russia coupon bonds, OFZ-n, structured bonds, securitisations, etc.).

## THE UNIFIED COLLATERAL POOL SERVICE

The Unified Collateral Pool service offers a variety of new opportunities:

- a single trading and clearing account that records a unified collateral position on the Equity & Bond, FX and Derivatives Markets;
- alignment of requirements for assets accepted as collateral to improve quality of collateralised assets and expand the list of assets traded as partially collateralised;
- netting of settlement on the FX, Equity & Bond and Derivatives Markets;
- cross margining that allows to cut participants' costs;
- a web terminal to enable electronic document flows between clearing members and the clearing centre.

In 2017 the Exchange plans to provide leading Russian companies with direct access to the Money Market as part of deposit operations via the central counterparty to improve efficiency of idle cash investments. Starting from 16 January 2017, leading Russian companies have had direct access to MOEX's FX Market.

The plans for the Derivatives Market are to separate trading participant and clearing member statuses as is done on the FX Market. This initiative will enable global clearing brokers to join the Derivatives Market along with their clients.

MOEX will continue acquiring non-resident clients for clearing services in the FX Market by granting them ICM (International Clearing Membership) status, as well as general services via SMA (Sponsored Market Access). The Exchange also plans to develop information and technology exchange with large international FX trading systems.

Similar to the Innovation and Investment Market, MOEX intends to create a new public trading segment for SME securities. The Exchange will implement an action plan jointly with leading development institutions to facilitate access to financial market products for promising companies and attract investors' attention to these assets.

## New Instruments

Offering new instruments is a major strategic goal of Moscow Exchange over the coming years.

As part of the programme to expand the range of instruments, MOEX plans to launch trading in new currency pairs (JPY/RUB and TRY/RUB) and non-deliverable futures contracts for international benchmarks, including commodities. In addition, the Exchange plans to develop MOEX USD/RUB FX fixing services.

As part of the integrated currency market development, more options will be offered for trading in the KZT/RUB currency pair, particularly partial depositing and new instruments – TOM (next day settlements) and swaps.

The Standardised Derivatives Market will offer MOEX participants an opportunity to make trades with amortisation and capitalisation options.

As part of updating the MOEX infrastructure for the calculation and publication of indices and indicators, it is planned to calculate an indicative value of the securities portfolio for investment management firms and offer MOEX clients a subscription service for machine-readable data about the structure of indices to automate the index fund management process.

The Grain Market project provides for trading in swaps to be launched on the Commodity Market. The new instrument will enable MOEX participants to raise short-term finance secured with the commodity account balance and optimise payment streams. Moscow Exchange also plans to expand the range of underlying assets, first with agricultural products, then with other commodities. To improve liquidity of the Commodities Market, MOEX will continue acquiring new participants and increasing the number of accredited grain elevators.

In March 2017, MOEX launched sugar trading. The project is supported by the Union of Russian Sugar Producers, whose members can trade on Moscow Exchange either directly or via brokers. Sugar is traded on the UROZHAI trading and clearing platform, which is also used for trading in grain-based derivatives. The present-day trading and clearing technology will increase transparency of the sugar industry, contribute to risk mitigation and raising extra finance through swap transactions, structured products and complex hedging models involving financial institutions.

In 2017, Moscow Exchange will continue improving precious metal trading services and conditions for all participant categories. The Exchange will also consider expanding the product range to include platinum group metals provided there is interest from participants.

## Technology Improvement

In 2017, Standardised Derivatives Market participants will be offered new functionality, including "What-If" analysis for their trading portfolio and a risk calculator to evaluate collateral. As part of the effort to improve technology, MOEX will boost performance of the Standardised Derivatives Market trading and clearing system and develop API to connect participants.

Work is on-going to introduce machine-learning technology and big data tools to analyse MOEX data and cover more data sources. Analysable data will be supplemented with OTC transactions, macro statistics and other relevant financial data to deliver more value for clients.

The existing range of information services will also be expanded to account for the ways MOEX information is used by end-user clients. The Exchange also intends to put into commercial operation a new trading information service offering reference data. The plan for the coming years is to audit the use of MOEX trading information, technology infrastructure and technology services.

An e-voting system will be launched in 2017 to enable security holders to take part in shareholders meetings online. Voting at bondholders meetings will be enabled by a blockchain-based e-proxy voting system.

The Corporate Information Centre will also feature an improved technology platform, including extended functionality of the NRDIRECT client area to provide for broader information exchange as part of corporate actions and automate early redemption and acquisition of bonds by issuers. The NSDdata.ru web portal will be the single point of access to the NSD's information services and offer advanced customisation and data import opportunities based on open API.

The NSD also plans to introduce a mechanism for clients to prioritise document delivery instructions under the "delivery against payment" or "free delivery" schemes. With the new Linked Transactions service, clients will be able to pool linked transactions and line up instructions in accordance with the preset condition.

Starting from March 2017, brokers and nominee holders will have an opportunity to buy, redeem or exchange units of all investment management companies that are members of the NSD Electronic Document Flow System, as part of the first phase of MOEX's project to create a centralised accounting system for mutual fund units.