



**MOSCOW
EXCHANGE**

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Primary Market

The new Russian Securitisation Platform

Moscow Exchange is the Major Exchange in Russia and a Leading Exchange Globally

One of the largest in fixed income (Jan – Aug 2014)¹

Rank	Exchange	Country	Trading vol. (USD bln)	Incl. REPOs
1	BME Spanish Exchanges	Spain	7 089	✓
2	Moscow Exchange	Russia	2 685	✓
3	LSE	UK	2 142	×
4	NASDAQ OMX	USA (Europe)	1 424	✓
5	Johannesburg SE	South Africa	1 189	✓
6	Korea Exchange	Korea	842	×
7	Colombia SE	Colombia	468	×
8	Oslo Børs	Norway	453	✓
9	Borsa Istanbul	Turkey	210	✓
10	GreTai Securities Market	Taiwan	191	✓

Top 21 in equities (Jan – Aug 2014)²

Rank	Exchange	Country	Mkt Cap (USD bln)	Securities listed	Trading vol. (USD bln)
1	ICE&NYSE ³	USA	19 278	2 428	9 981
2	NASDAQ OMX ³	USA	8 075	3 513	8 259
3	Japan Exchange Group	Japan	4 572	3 433	3 590
4	London SE Group	UK	4 439	2 761	1 846
5	Euronext	Europe	3 647	1 066	1 295
6	Hong Kong Exchanges	Hong Kong	3 353	1 716	959
7	Shanghai SE	China	2 659	969	2 339
8	TMX Group	Canada	2 364	3 775	885
9	Deutsche Börse	Germany	1 790	689	984
10	Shenzhen SE	China	1 715	1 589	3 011
...
21	Moscow Exchange	Russia	619	266	178

Top 7 in derivatives (Jan – Aug 2014) – WFE ranking

Rank	Exchange	Country	Contracts traded (mln)
1	CME	USA	2 172
2	Deutsche Börse	Germany	1 376
3	NSE India	India	1 099
4	ICE – NYSE ³	USA	1 063
5	CBOE	USA	855
6	BM&FBOVESPA	Brazil	825
7	Moscow Exchange	Russia	813
8	NASDAQ OMX ³	USA	744
9	Dalian Commodity Exchange	China	489
10	Shanghai Futures Exchange	China	447

Top 13 public exchanges by market capitalization⁵

Rank	Exchange	Country	Mkt Cap (USD bln)
1	CME	USA	27.3
2	HKEx	Hong Kong	26.6
3	ICE – NYSE	USA	22.6
4	Deutsche Börse	Germany	13.7
5	BM&FBovespa	Brazil	9.8
6	LSE Group	UK	9.3
7	Dubai Financial	Dubai	7.7
8	NASDAQ OMX	USA	7.2
9	Japan Exchange	Japan	6.7
10	ASX	Australia	6.2
11	SGX	Singapore	6.1
12	CBOE holdings	USA	4.6
13	Moscow Exchange	Russia	3.6



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Source: Moscow Exchange, WFE, Bloomberg

¹ Due to different methodologies applied, data on fixed income trading may not be directly comparable among exchanges

² Top equity trading exchanges are ranked by market capitalisation of public companies traded on the exchange

³ Includes both US and European market volumes and capitalization for equities market; both US and European market volumes for derivatives market

⁴ Includes both Tokyo and Osaka exchanges trading volumes

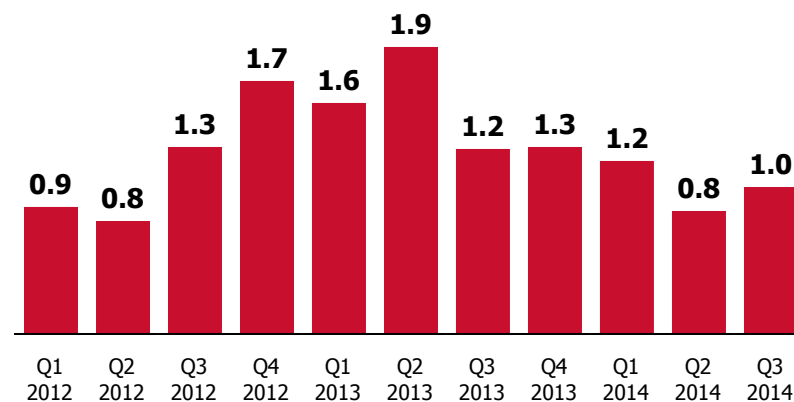
⁵ Market capitalization of public exchanges based on Bloomberg data as of September 24, 2014

Russian Sovereign, Corporate Bonds and Equity are Settled Through Euroclear and Clearstream



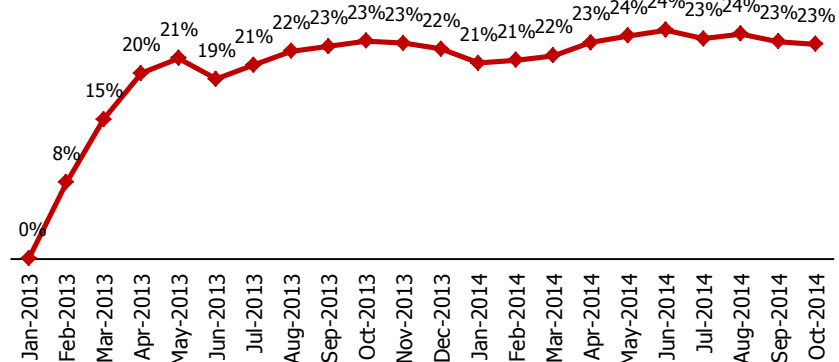
Sovereign bonds (OFZ) trading volumes on Moscow Exchange

RUB trln



Foreign nominee account balances in NSD¹

% of total OFZ account balances



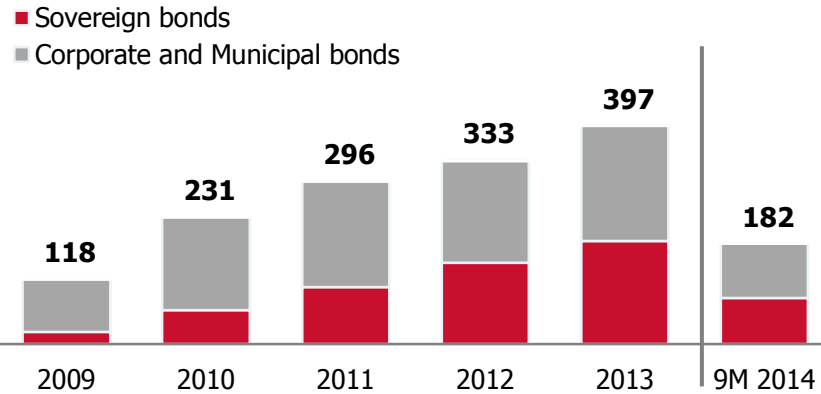
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Source: Moscow Exchange data
1 – Last day included is Oct 24, 2014

Fixed Income – Long-term Growth Opportunities Despite Short-term Freeze

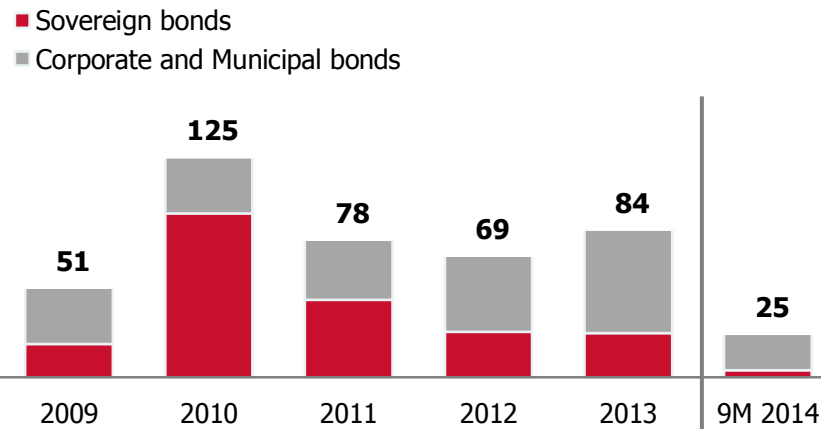
Secondary trading volume breakdown by products

USD bln



Primary market volume breakdown by products

USD bln

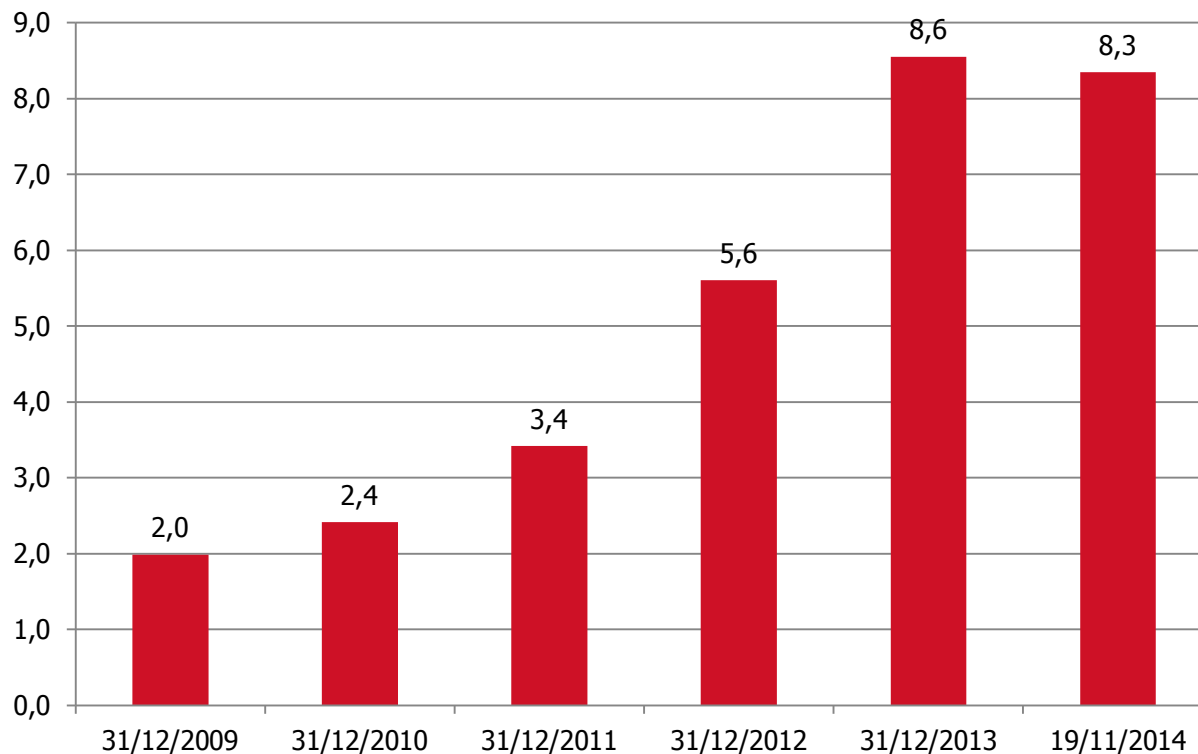


Key growth drivers

- Substantial room for government borrowing due to the low sovereign debt to GDP ratio
- Finance Ministry's plans to ratchet up its borrowing volumes in 2014-15
- A viable alternative to bank lending during the high-risk period
- ICSD access for international investors
- Further development of anonymous trading modes
- Debt "retailisation" (attracting retail investors to the bonds market)

Mortgage-based Securitisation market is Growing in Russia

Volume of mortgage-based bonds in circulation, bn USD



Source: Moscow Exchange data



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Securitisation Law Package

- On 21/12/2013 the new laws #379-ФЗ and #367-ФЗ amending Civil and Tax Codes, Laws on Stock market and on Bankruptcy were introduced. These amendments (Securitisation Law Package) made possible placement of wide range of new debt instruments from 01/06/2014
- This Securitisation Law Package enables deal structures under Russian Law which previously were possible only under English Law



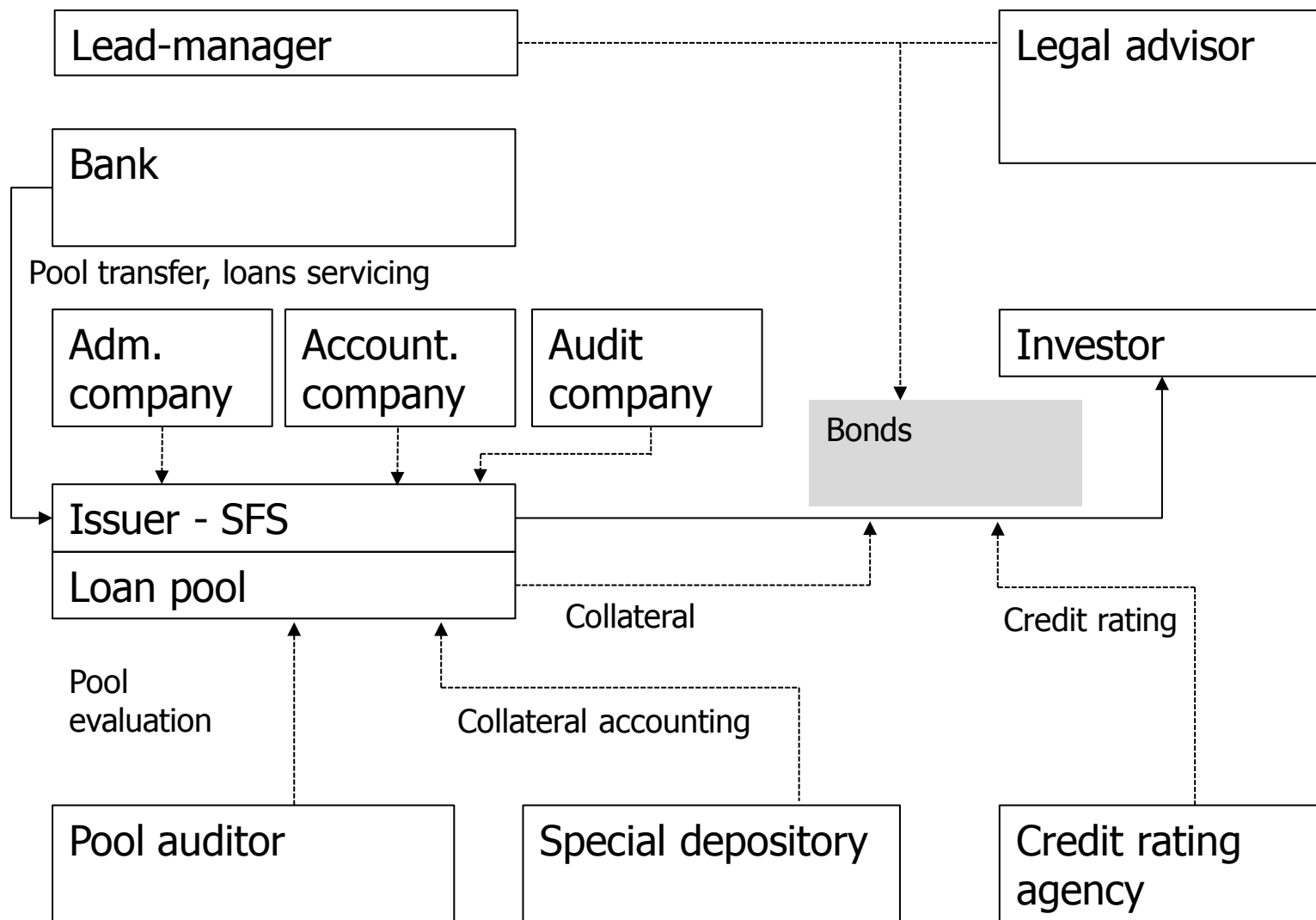
New Debt Instruments Having Become Available

- ▶ Off-balance non-mortgage securitisation by banks
- ▶ Covered bonds by banks with non-mortgage underlying
 - ▶ The most possible assets as underlying:
 - Car loans
 - Long-term consumer loans
 - Loans to small and medium business
- ▶ Project bonds, different forms of PPP

Off-balance Non-mortgage Securitisation by Banks

- Russian Law now enables the creation of Special Finance Society(SFS) - В российском праве становится возможным создание специализированного финансового общества (СФО) – аналога SPV в английском праве
- Main features:
 - Legal capacity of SFS is limited to acquisition of money claims and to bond issuance with these claims as a collateral
 - Liquidation with bondholders consent only
 - Not fall under requirements on charter capital reduction and liquidation followed by net assets reduction
 - Not fall under regulation on major transactions and related-party transactions
 - Managed by administration company from Central Bank of Russia registry
- A bank transfers to SFS a loan pool. Then the SFS places bonds collateralised by this pool and passes the money from placement to the bank
- Advantages to a bank:
 - Capital adequacy ratio increase (according to Russian accounting standards)
 - Raise of funds with lower interest rate

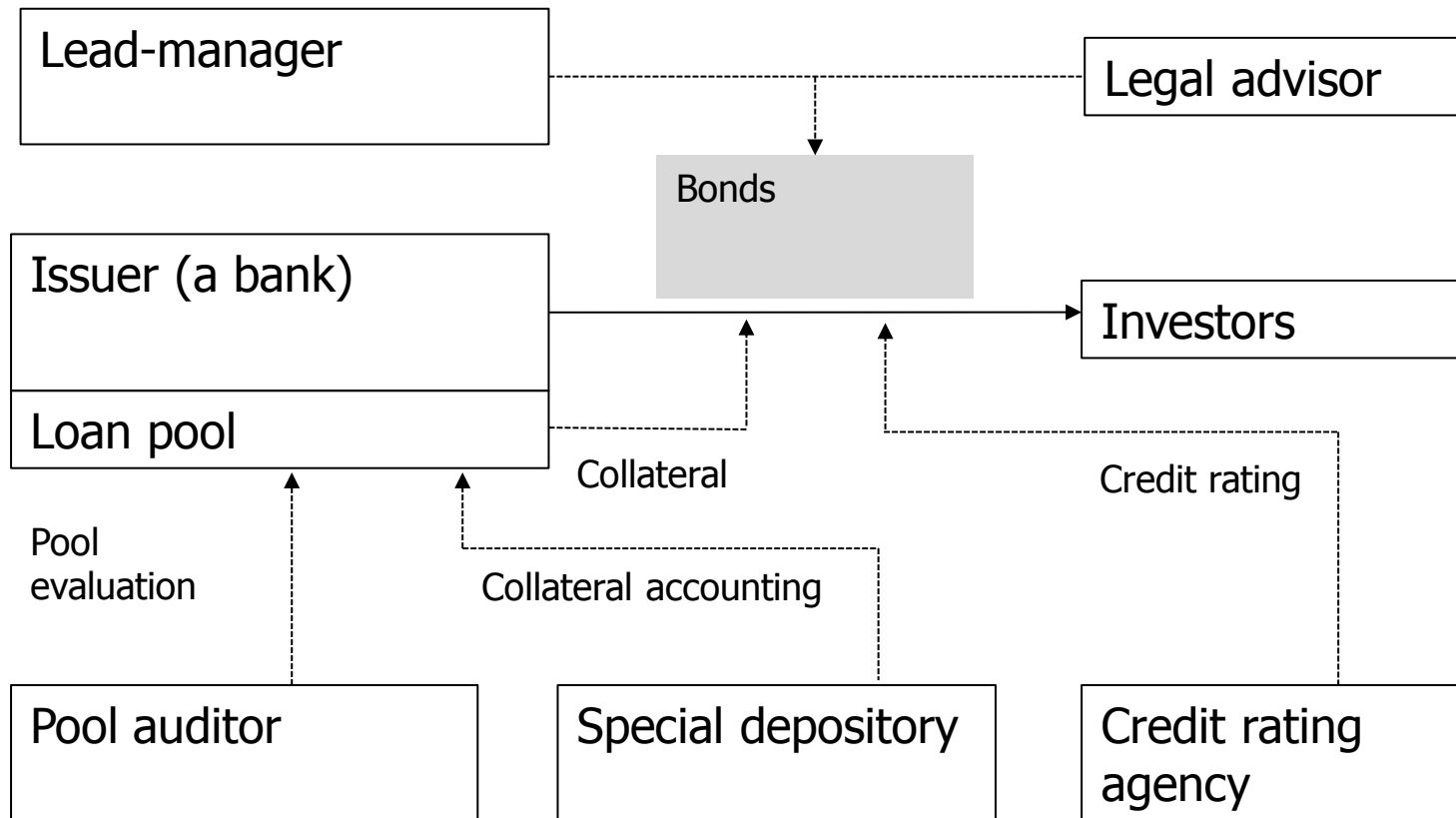
Off-balance Non-mortgage Securitisation by Banks: Diagram



Covered Bonds by Banks with Non-mortgage Underlying

- A bank issues own bonds with a loan pool as a collateral
- This type of bonds has some advantages in case there is no need to move assets from bank's balance
 - For issuer:
 - Lower costs compared to off-balance securitisation due to fewer transaction participants
 - The loan pool stays on the bank's balance
 - A bank disposes the income from loan pool on own discretion
 - For investors:
 - Transparent deal structure with fixed coupons and maturity
 - Investors are under double protection: bank's balance and in credit event a loan pool
- Disadvantages:
 - Not tested procedure of claim on collateral in case of bank's bankruptcy
 - Credit rating agencies usually don't give substantial rating upside compared to bank-originator's rating

Covered Bonds by Banks with Non-mortgage Underlying: Diagram



Project Bonds as a Source of PPP Financing

- ▶ PPP projects are usually long-term regarding maturity and payback. Private investors usually are reluctant to invest 'long money' in such projects
- ▶ Market traded instruments such as bonds resolve this problem because they enable investors to leave the project before maturity
- ▶ An important advantage of market traded instruments is the possibility of using them in financing via repo deals

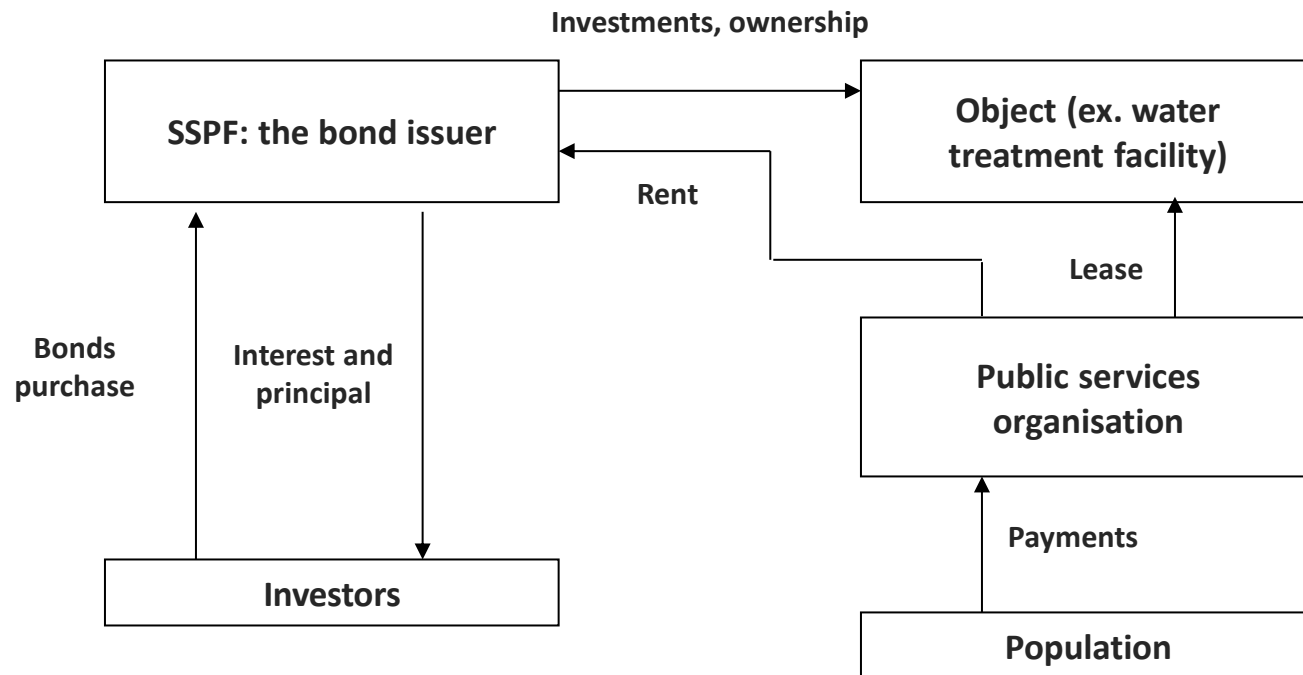
Project Bonds Based on Securitisation Law Package

- A number of new concepts has become available under Russian law which are widely used in securitisation under English law:
 - SPV named Special Society of Project Finance (SSPF). It is possible to limit its legal capacity regarding the project activities only. It is managed by independent administration company. The SSPF liquidation with bondholders consent only
 - The Securitisation law package substantially widened the list of assets to be used as a bond collateral. For project bond the most important are money claims on contracts and future cash flows
- International rating agencies are ready to assign credit ratings to such deals
- Since such project bonds are issued under Russian law these are suitable to invest money of Russian pension funds as well as can be used in repo with Bank of Russia deals. These parameters increase liquidity potential of project bonds



An Example of Project Bond Structuring

- SSPF places bonds
- The object under construction belongs to SSPF
- SSPF leases the object to public services organisation according to long-term contract
- The payments on contract are a collateral on project bonds



The Market Participants are Interested in Securitisation

- Moscow Exchange holds one-to-one meetings with potential securitisation deals participants
 - About 30 originators (banks – credit pool holders) indicated interest in securitisation deals
 - Most of leading investment banks and legal advisors are ready to work on such deals
 - Leading credit rating agencies have methods of securitisation analysis
 - Asset management companies are ready to consider securitisations as an investment
- Bank of Russia is interested in securitisation market development
 - Following Bank of Russia request Moscow Exchange created a workgroup on securitisation market development. The workgroup's main purpose – the removal of barriers on securitisation deals realisation which come across during practical work on deals. Working out suggestions to Bank of Russia and legislative authorities on securitisation law base improvements
 - About 70 people are ready to participate in securitisation workgroup
- Moscow Exchange regularly organises seminars and conferences on securitisation



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– perception of market services offered by the Company and its subsidiaries;

– volatility (a) of the Russian economy and the securities market and (b) sectors with a high level of competition that the Company and its subsidiaries operate;

– changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets;

– competition increase from new players on the Russian market;

– the ability to keep pace with rapid changes in science and technology environment, including the ability to use advanced features that are popular with the Company's and its subsidiaries' customers;

– the ability to maintain continuity of the process of introduction of new competitive products and services, while keeping the competitiveness;

– the ability to attract new customers on the domestic market and in foreign jurisdictions;

– the ability to increase the offer of products in foreign jurisdictions.

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