

YOUR GUIDE TO THE RUSSIAN STOCK AND DERIVATIVES MARKET

Inside the Market

2010 in Review



2010 was another year of successful development for the RTS Group. Total trading volume of the RTS Group markets was up 94.38% compared with 2009 reaching USD1.55 trillion. Stock market turnover was up 108.17% year on year to USD122.77 billion. Trading volume of FORTS, RTS futures and options market, was USD964.1 billion, up 111.36% on 2009.

RTS Standard showed the largest growth on the equity market – securities turnover more

than doubled during 2010 to USD110.35 billion. This rapid development of the RTS Standard market was possible due to improvements and innovation in its infrastructure and technologies. REPO trades with the participation of a Central counterparty and technology for concluding REPO trades with a Central counterparty in anonymous trading mode were implemented. In addition, consolidated settlement on FORTS and RTS Standard was introduced.

The number of instruments traded on RTS Standard was extended to include 11 shares and open-ended mutual investment index fund “Troika Dialog - RTS Standard Index” under the management of Troika-Dialog, the first Russian ETF (exchange traded fund) analogues.

Consequently, the market share of RTS Standard in Russian securities turnover exceeded 20% in 2010.

Continues on Page 2

RTS Markets:

Everything about the Russian Stock and Derivatives Markets

In this Issue:

Valuable information for your business including:

- The latest news from the Russian market
- Market data for 2010

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Events Zone

THE RUSSIAN COMMODITIES WORKSHOP

February 23, 2011
Sheraton Park Lane, Piccadilly, London

RTS Stock Exchange is pleased to invite you to attend the Russian Commodities Market workshop which will be held during the IP Week. The event is a unique opportunity to meet specialists from the information agency Platts, from ICE Futures Europe and RTS Stock Exchange to discuss the Russian

commodities market, exchange trading ideas and learn more about the perspectives of the commodities market in Russia.

Online registration:

[Link](#)

E-mail registration: dhall@rts.ru

Phone: +44(0) 2070388448 Dmitry Hall

News in Brief...

Interview: Russian legislation aims to remove foreign investors' fears

Read the interview with **Andrey Salaschenko**, Director, Department of Interaction with Authorities and Organizations, RTS Stock Exchange on page 15 [Link](#)



FORTS after-hours trading volume exceeded USD1.5 billion

For more information please visit RTS website [Link](#)

Change of organizational and legal structure of Non-Banking Credit Organization Settlement Chamber RTS

For more information please visit RTS website [Link](#)

As of December 24, 2010 trading in Russian Depository Receipts (RDR), a new instrument on the Russian stock market, started on the RTS equity market. Sberbank was the first company to issue RDRs, on ordinary registered shares of United Company RUSAL Plc.

The range of instruments traded in the index, currency and commodity sections of FORTS, the RTS derivatives market, was considerably broadened. Futures contracts on the GBP/USD and AUD/USD exchange rates, 5-year contracts on USD/RUB exchange rate, options on EUR/USD futures contract were launched in the financial instruments section of FORTS. Futures contracts on Brent oil, platinum, raw sugar and copper were added in the commodity section.

A cash-settled gasoil futures contract was launched jointly with the Saint Petersburg Exchange, and a power futures contract was introduced jointly with Moscow Energy Exchange.

As a result, trading volumes of currency, index, commodity contracts grew by 160% to USD137.5 billion, 122.9% to USD719.3 billion and 122.4% to USD18.5 billion respectively. In 2010 RTS family of indices was enlarged to include the RTS Standard Index, the RTS Siberia Index and Russian Volatility Index.

Starting from May 17, 2010 all RTS markets open for trading 30 minutes earlier, at 10:00 am MSK, due to high levels of correlation with international markets and in order to minimize risks arising at trading opening.

RTS's regional projects in Ukraine and Kazakhstan also developed rapidly in 2010; evidence of their effectiveness and importance in building high quality financial markets in these countries.

Trading volume of the Ukraine Exchange was up almost nine times compared with 2009 to reach USD3.43 billion. On May 27 trading in the derivatives instruments was launched on the

Ukraine Exchange. Total trading volume of these contracts amounted to USD448 million by the end of the year.

Turnover of Eurasian Trade System Commodity Exchange JSC increased by 28% to USD513 million, including eight times growth on the derivatives market to reach USD73 million.

In April RTS Stock Exchange incorporated its representative office in London, RTS Exchange Europe Limited, in order to promote products and services of RTS Group among international investors and to create the most convenient opportunities for global participants to trade on Russian Stock markets. As of July 5 the head office of RTS operated from 4/7 Vozdvizhenka Str, Bld 1, Moscow in order to improve efficiency of services provided and to develop the exchange's infrastructure. The new office brought together on one site OJSC RTS, DCC, NP RTS and RTS Clearing Center.

During 2010 RTS won two prestigious awards. In June RTS Standard market was awarded "Best Project for the Securities Market Development" in the annual nationwide competition for the "Elite of the securities market 2009". In December during the solemn ceremony "Qualified investor 2010", initiated by IMAC Group, NAUFOR, NP "NAPF", National League of Management Companies and the Association of Regional Banks of Russia RTS Stock Exchange and "Troika Dialog" asset management company were awarded "Instrument of the Year, for outstanding achievements in developing the civilized market of qualified investors in Russia" for creating open-ended mutual investment index fund "Troika Dialog - RTS Standard Index", the first Russian ETF (exchange traded fund) analogues.

In 2010 and early 2011 RTS Stock Exchange concluded agreements with ICE Futures Europe, Chicago Mercantile Exchange and London Metal Exchange on cooperation in development of the futures contracts on oil, wheat and industrial metals correspondingly.

Post Event Zone

"Russia One-on-One" Forum took place in London



London, January 20-21, 2011

On January 21, 2011 RTS Stock Exchange hosted a Roundtable Discussion as part of the annual Investment Forum "Russia One-on-One" organized by Deutsche Bank. The Forum is one of the key events that focuses on attracting investments to the Russian market and is very popular among institutional investors from around the globe. The questions discussed at the event include issues of market state regulation, perspectives of the Russian economy and issues of global economic development. The Roundtable discussion "Investment climate in Russia: perspectives of improvement" moderated by Institutional Investor editor, was attended by representatives of banks, investment funds and governmental authorities. The key speaker at the Roundtable was Roman Goryunov, CEO at RTS Stock Exchange.

Presentation of the comprehensive system for trade monitoring of Russian Federal Financial Markets Service Moscow, December 16, 2010

On December 16, 2010 a presentation of the comprehensive system for trade monitoring of Russian Federal Financial Markets Service was held at the offices of RTS Stock exchange. In October the Russian Federal Financial Markets Service introduced the comprehensive system of monitoring which allows the tracking of suspicious trades on the stock market in order to increase the transparency levels of market transactions. The new system operates on-line and carries out daily monitoring of all transactions on the stock market using five main scenarios of unfair conduct on the securities market:

- prices manipulation;
- holding prices;
- trades without economic meaning;
- insider trading;
- straw orders.

Actimize UK Ltd. was the developer of monitoring systems software. Actimize Intelligence Server software developed by NICE Actimize and selected by the developers as a core of the monitoring system has established a good reputation and was successfully used by the biggest European and American

regulators and self-regulated organizations (FSA, FINRA, AMF). OJSC RTS Stock Exchange together with Russian Exchange Union, self-regulated organizations such as NAUFOR, National Securities Market Association, National League of Management Companies offer places in a seminar on the comprehensive system of monitoring developed for Russian Federal Financial Markets Service.

Seminar speakers:

- **Eugene Kolikov**, managing partner of FAN Group of companies;
- **Trevor Barritt**, Head of Compliance at Actimize UK Ltd; Shimon Zeldner, Vice-president at NICE Actimize;
- **Vyacheslav Morozov**, Head of Russian representative office of Nice UK Ltd.

The seminar was held on:

December 16th 2010 in the office of RTS Group of companies.

Address of the office location:

4/7, Vozdvizhenka Str, Bld 1, Moscow.

Technology in Focus

FORTS and RTS Standard trading platforms completed migration to Plaza II protocol

On February 1, 2011 the migration of the FORTS trading platform (FORTS derivatives market and RTS Standard) to the Plaza II protocol was completed.

The scheduled migration of FORTS and RTS Standard trading system to Plaza II started on February 5, 2010. The transfer of OJSC RTS to Plaza II technology delivers a consolidated trading platform based on the internal protocol for all the RTS markets and its clearing, settlement, statistics and reporting systems. The main changes in the infrastructure are related to the transition of the data distribution and order management and administration systems from ODBC technology to Plaza II. As a result the new platform has improved overall efficiency of the FORTS and RTS Standard trading platform and speeded up processing of transactions by the core of the system.

All the stages of the migration were agreed and conducted jointly with the market participants, clients and the Exchange's partners. As of February 1, 2011 Plaza II technology ("Plaza II FORTS Gateway") will be the only way to perform trading operations and provide full range of services related to the access to the RTS FORTS trading system (including entering/modifying orders). This means that some services of automated trading systems, internet brokerage systems, analytical applications and programs providing additional functions and/or implementation of strategies of algo trading used through the old RTS Gateway may be fully or partly disabled or operate incorrectly.

RTS Stock Exchange certifies Luxoft software

Within the framework of the policy on supporting open partnership regarding developing software OJSC RTS presents the development of Russian company Luxoft – ultra-low latency high-speed FIX/FAST adapter. The adapter has full support of FIX and FIX/FAST protocols and is certified for using on the equity market (RTS Standard) and the derivatives market (FORTS) of RTS Exchange.

The adapter can be used in e-trading systems because of its compliance with the requirements on the speed and quality of transferring large volumes of data during the connection with the Exchange's system.

The adapter is based on C++ and optimized for Windows and Linux-based platforms. The core of the adapter is ultra-fast and lightweight. Concise and flexible plug-in architecture allows rich variety of interconnections.

- Personal interfaces for the management of exchange orders and market data
- FIX and FAST protocol dialects:
 - FIX: FIX 4.4
 - FAST: Market Data Platform 6.3, FIX Protocol Version 5.0 SP1
- C++, Java, Microsoft.Net and wrapping of other API languages
- Operating Systems: Microsoft Windows, Linux. 32 and 64 bit platforms are supported

The software represents a new breakthrough product on the Russian market providing qualitative service for both Russian and foreign investors on the RTS markets.

Inside the Market

RTS launches a new service, RTS Money



On February 14, 2011 RTS will launch a new service - **RTS Money** - which will allow a wide range of market participants to undertake foreign exchange operations associated with positions on FORTS and RTS Standard. RTS Money is a new stage in the RTS's consistent process of creating a complete cycle of services for trading on the exchange. RTS Money will allow market participants to manage efficiently currency risks and liquidity, supporting new business developments by companies and attracting other customers.

The technological reliability and broad range of opportunities of the FORTS and RTS Standard are the base of RTS Money service. Positions on FORTS and RTS can be consolidated in the clearing and settlement processes. RTS Money addresses the currency risk management elements of this activity, and reduces the collateral costs.

Within the framework of this project market participants can execute foreign exchange transactions with RTS Settlement Chamber using partial advanced depositing of assets. RTS Settlement Chamber is licensed to conduct banking operations in rubles and foreign currencies. RTS Money will operate during the RTS's main and additional sessions, i.e. from 10.00am to 23.50pm MSK.

"Establishing RTS Money service will improve considerably the appeal of the Russian market for international investors, providing the opportunity to manage currency risks while trading on the stock market. This opportunity is one of the main requirements of global investors in the Russian markets, and the implementation of RTS Money will enhance market liquidity", comments Roman Goryunov, CEO of OJSC RTS. "During periods of high volatility on currency markets this service will be attractive for both international and Russian investors."

Corporate news

Open-ended mutual investment index fund "Troika Dialog - RTS Standard Index" wins IMAC award in the category 'Instrument of the year'

On December 7, 2010 RTS Stock Exchange and "Troika Dialog" asset management company were awarded "Instrument of the Year, For outstanding achievements in developing the civilized market of qualified investors in Russia" for creating open-ended mutual investment index fund "Troika Dialog - RTS Standard Index", the first Russian ETF (exchange traded fund) analogues.

The awarding was held during the solemn ceremony "Qualified investor 2010", initiated by IMAC Group, NAUFOR, NP "NAPF", National League of Management Companies and the Association of Regional Banks of Russia.

Trading in the new instrument, the open-ended mutual investment index fund "Troika Dialog - RTS Standard Index" under the management of Troika Dialog was launched in August 12, 2010 on RTS Standard market. Investment in this instrument is an efficient way for achieving investment goals with minimum level of risks. The fund units are a flexible and liquid investment instrument, combining all the advantages of a classic investment fund and a share.

25.01.2011 Changes to the list of securities acceptable as collateral

RTS Clearing Center has reviewed the list of securities that can be accepted as collateral for trades executed on FORTS, the derivatives market of RTS Stock Exchange, and RTS Standard. The updated securities list with indication of the maximum

number of securities from each issuer that can be accepted from one Clearing Member and its clients is published at Acceptance of securities as collateral [Link](#) This list became effective January 24, 2011.

28.12.2010 Changes in fees regarding trades on RTS Standard market

On January 11, 2011 a new document "Fees for services on organization of trading on the stock market of OJSC RTS" took effect.

In the document earlier approved fees have been arranged and the Exchange fee on trades executed in the

trading mode with settlements on T+4 (on RTS Standard market) has been decreased by the amount of the fee on clearing services which is to be introduced simultaneously. Other earlier approved fees of OJSC RTS remained unchanged.

31.01.2011 FORTS after-hours trading volume exceeded USD1.5 billion

On January 28, 2011 a new evening session trading record was set on FORTS, the derivatives market of RTS, showing its highest value since the launch of the evening trading session on FORTS. Turnover of derivatives on RTS reached a total value of USD1,534,726,988 (RUB45,532,894,194) during the period from 7.00PM to 11.50 PM MSK.

"Taking into account Friday's negative dynamics on the global stock markets FORTS market participants decided to adjust or close their positions before the market opened on Monday using the opportunities of RTS's evening session", comments Evgeny Serdyukov, Director of the Futures & Options Market at OJSC RTS.

24.12.2010 Trading in Russian Depositary Receipt representing ordinary shares of United Company RUSAL Plc started on RTS

On December 24, 2010 OJSC RTS launched trading in following securities within the Quotation list B:

- Russian Depositary Receipt (RDR) of Sberbank representing rights on ordinary registered shares of United Company RUSAL Plc (state registration number 5-01-01481-B as of 07.12.2010), RTS Classica Market ticker RUAL.

The following parameters have been set for the first trading day:

- Starting price is RUB460.0 per 1 RDR which is to be converted into US dollars at the exchange rate of the Central bank of the Russian Federation as of 24.12.2010; **price limits are +/- 35%**.

In accordance with the rules of admission of securities to trading on RTS Stock Exchange (see Clause 5.13, Article 5) the issuer has entered into agreements with market makers for its securities to be included into the Quotation list B. CJSC VTB Capital, Troika Dialog and Renaissance Broker act as market-makers.

14.12.2010 Trading volume of power futures exceeded 80 thousand contracts

At the end of the week of December 6-10, 2010 the Exchange's market of power futures contracts saw a record trading volume – 82,919 contracts or RUB4.8 billion representing more than 6 mln Mwh.

The most active were the market participants who traded contracts on average power price of Ural and Siberia ("Ural" and "East Siberia" hubs).

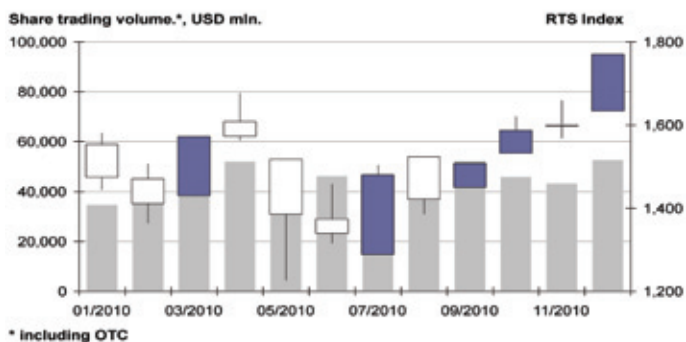
Trading in futures contracts on an index of average power price in the hubs of the wholesale market of electricity and capacity is a joint project of the OJSC "Moscow Energy Exchange" and RTS Stock Exchange.



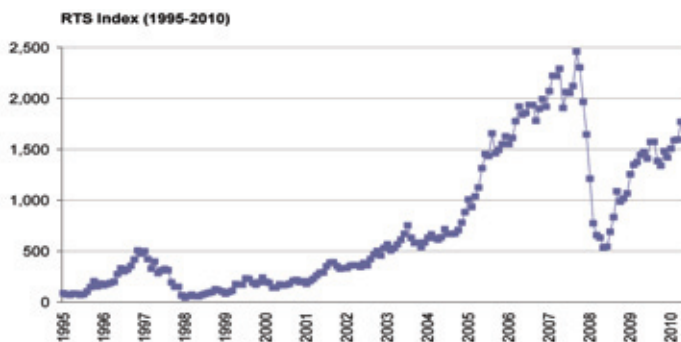
The RTS Index Monthly Wrap-Up: 2010

In 2010 the Russian stock market experienced an upturn

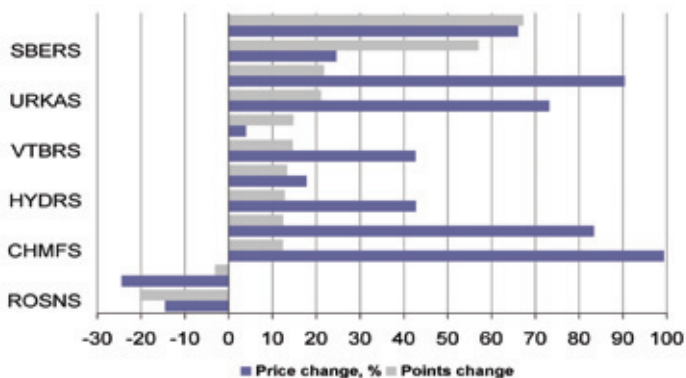
On December 2010 the RTS Index reached its maximum value for the year - 1,770.28 points, whereas its minimum value (1,226.57 points) was registered on May, 23.



In 2010 the RTS Index grew by 22.5% and reached 1,770.28 points (1,444.61 points as of December 31, 2009). At the end of the year the RTS Index was 22.7% lower than three years ago (2,290.51 points at the end of 2007), but was 57.3% higher than its closing value five years ago (1,125.6 at the end of 2005).

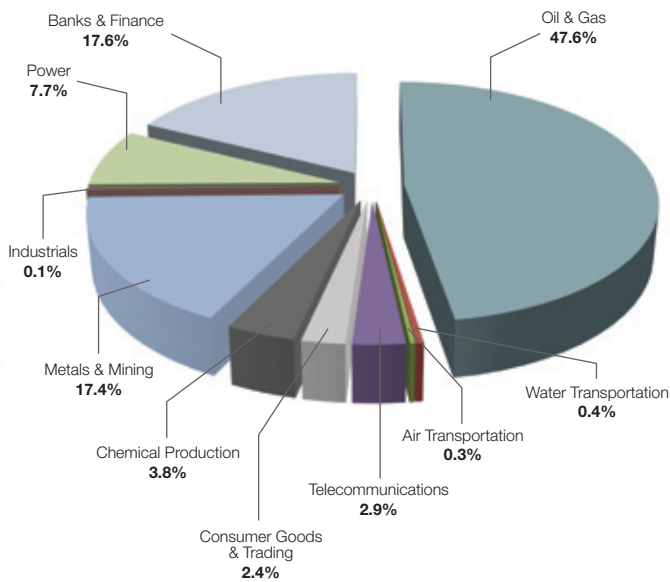


Over the year the US dollar grew by 0.38% and reached 30.36 rubles/\$1 against 30.24 as of December 31, 2009).



The most positive impact on the RTS Index was coming from the rising prices for ordinary shares of "OJSC "MMC "NORILSK NICKEL" (plus 67.3 points over the year), Sberbank (plus 57.0 points) and JSC "NOVATEK" (plus 21.8 points).

RTS Index Sector Structure



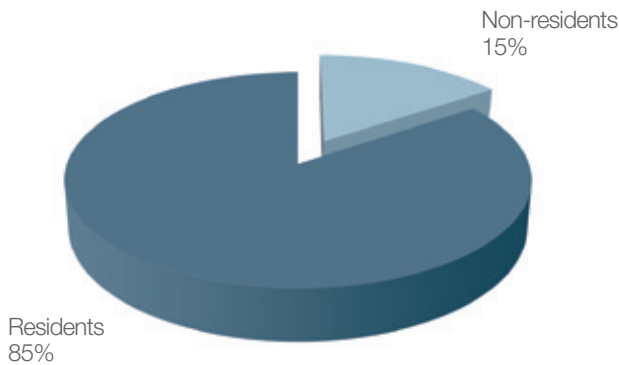
In the oil and gas sector 47.6% of the RTSI total capitalization was concentrated. The other large-weight sectors were banks & finance (17.6%) and metals & mining (17.1%).



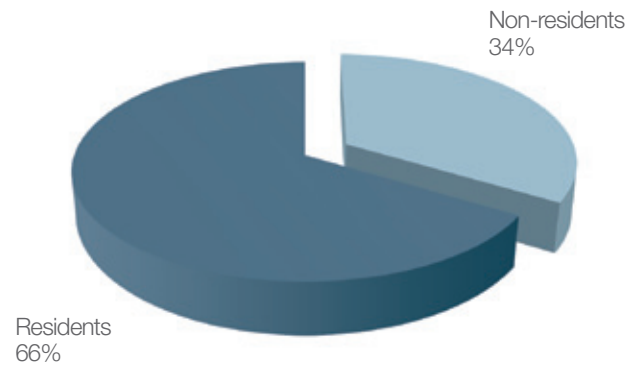
On the sector level the major positive contributors were the metallurgy sector (plus 118.3 points in total over the year), financial sector (plus 74.1 points) and the oil & gas sector (plus 41.9 points).

Market Data: 2010

FORTS: 2010



RTS Standard: 2010



Futures and Options market (FORTS)

Top clearing members of futures and options trading volumes: 2010

Company Name	Rating Position	
	2010	2009
JSC "Investment Company "ITInvest"	1	2
Brokercreditservice Ltd.	2	1
OTKRITIE Brokerage house JSC	3	3
Zerich Capital Management IC OJSC	4	4
ALOR INVEST Ltd.	5	5
Investment Company FINAM CJSC	6	6
Troika Dialog	7	7
ALFA-BANK	8	9
KIT Finance Ltd.	9	8
VTB 24 (JSC)	10	10

FORTS Trading results: 2010

Futures contracts	2010	2009	Change %
Trading volume, mln USD	919,434	439,682	109.11%
Trading volume, contracts	593,679,788	454,465,573	30.63%
Number of trades	114,932,349	73,430,814	56.52%
Total open interest, mln USD	3,321	2,219	49.66%
Total open interest, contracts	3,168,722	2,221,058	42.67%

Options contracts	2010	2009	Change %
Trading volume, mln USD	44,668	16,461	171.36%
Trading volume, contracts	23,775,952	19,974,470	19.03%
Number of trades	2,026,572	858,307	136.11%
Total open interest, mln USD	1,343	576.5	132.96%
Total open interest, contracts	887,624	869,424	2.09%

FORTS Trading results: 2010 *Continued from page 7*

Total	2010	2009	Change
Trading volume, mln USD	964,102	456,144	111.36%
Trading volume, contracts	617,455,740	474,440,043	30.14%
Number of trades	116,958,921	74,289,121	57.44%
Total open interest, mln USD	4,664	2,796	66.81%
Total open interest, contracts	4,056,346	3,090,482	31.25%

Top 5 Traded Contracts: 2010

Contract	Rating	Trading Volumes	
		Mln USD	Contracts
RTS Index futures	1	671,537	224,533,601
USD/RUB exchange rate futures	2	81,518	81,122,195
EUR/USD exchange rate futures	3	52,609	39,476,420
Sberbank futures	4	42,652	150,438,319
Gazprom futures	5	26,050	46,806,199

RTS Stock Market

Top 10 RTS Standard Leading Operators: 2010

Company Name	Rating Position	
	2010	2009
OTKRITIE Brokerage house JSC	1	1
Troika Dialog	2	2
ALOR INVEST Ltd	3	3
JSC "Investment Company "ITInvest"	4	4
OLMA Investment Firm	5	5
Brokercreditservice Ltd.	6	9
Infina Investment Company JSC	7	8
Metallinvestbank OJSCo SKB	8	16
Investment Company FINAM CJSC	9	20
JSC IFC "DVM-Invest"	10	21

Top 5 RTS Stock Market Best Sellers: 2010

Company Name	Trading Volume: USD	Share in RTS: %
Sberbank, ordinary	155,380,869,021	27.59%
OAO Gazprom, ordinary	111,902,528,168	19.87%
Sberbank, preferred	59,787,983,873	10.61%
OJSC "MMC "NORILSK NICKEL", ordinary	36,386,502,235	6.46%
JSC VTB Bank, ordinary	34,641,064,440	6.15%

FORTS Commodities Market: 2010

In 2010 the trading volume in the commodities market of the derivatives market FORTS rose significantly:

- The growth against 2009 totaled 120% in money terms and 62% in trading volume measured in contracts.
- The total trading volume of commodities contracts on OJSC RTS futures market totaled **RUB 580 billion** and 18,329,391 contracts.
- The number of commodities market participants on FORTS consisted of **8,631 traders/firms**.
- In December 2010 the total trading volume on the FORTS commodities section from the start of trading in June 2006) exceeded RUB1 trillion.

Rating of FORTS Clearing members by trading volume in the commodities market in 2010

Clearing member	Rating position (2010)
Solid	1
OTKRITIE Brokerage house JSC	2
Brokercreditservice Ltd.	3
JSC "Investment Company "ITInvest"	4
Troika Dialog	5
Investment Company FINAM CJSC	6
Bank ZENIT OJSC	7
ALFA-BANK	8
KIT Finance Ltd.	9
ALOR Group	10

Agroindustry In 2010 the trading volume in futures contracts on sugar grew by 40% against 2009 and totaled RUB1,909 million, 82,880 contracts (91,164 tons of sugar).

Underlying asset	Trading volume (tons)	Trading volume (RUB)
Sugar (deliverable)	10,355	269,847,350
Raw Sugar (cash-settled) trading from October 25, 2010	80,809	1,639,038,205
Total in OJSC RTS agricultural products market	91,164	1,908,885,555

Basic metals In 2010 the trading volume in futures and option contracts on basic metals made RUB521.7million. In November 2010 RTS added to its trading basic metals contracts a futures contract on copper.

Metals	Trading volume (tons)	Trading volume (RUB)
Copper	18,912	521,772,905
Total in OJSC RTS basic metals market	18,912	521,772,905

Power In 2010 trading volume in futures contracts on the average power price index traded at OJSC Moscow Energy Exchange totaled RUB15,07 billion or 298,755 contracts

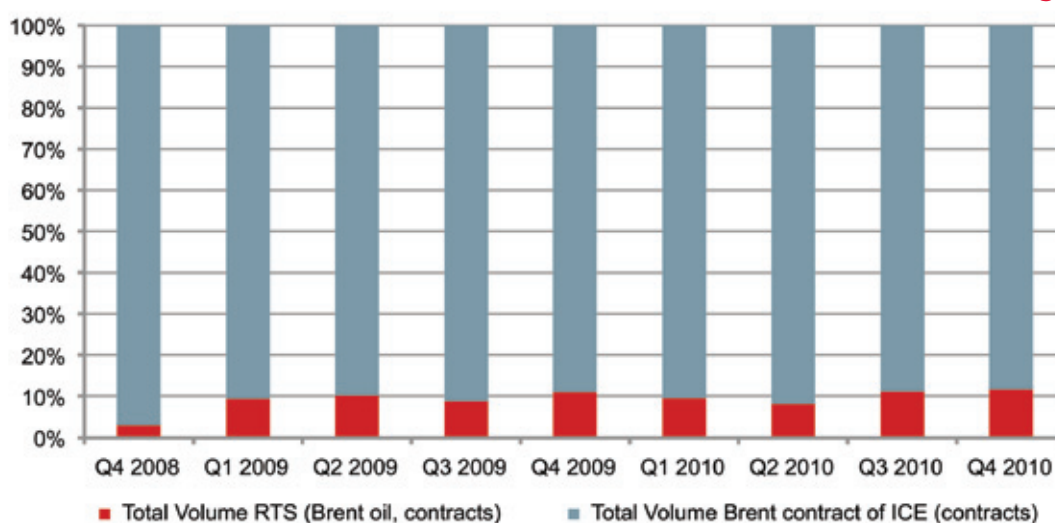
Underlying asset	Trading volume (MWh)	Trading volume (RUB)
Average power price index	18,675,112	15,072,557,859
Total in power market	18,675,112	15,072,557,859

FORTS Commodities Market: 2010 *Continued from page 9*

Oil In 2010 oil market demonstrated a stable price growth. This factor as well as rise of traders' activity and the number of traders on the oil market was the driver behind the trading volume growth. In 2010 the trading volume in futures contracts on oil (including a gasoil contract) grew by 70% in money terms (RUB) and 38% in contracts against 2009. The trading volume in futures contracts on oil and oil products made RUB274.3 billion.

Underlying asset	Trading volume (tons)	Trading volume (RUB)
Brent Oil	15,259,596	272,535,743,776
Urals Oil	1,075	17,888,640
Gasoil	101,628	1,768,332,349
Total in OJSC RTS oil market	15,362,299	274,321,964,765

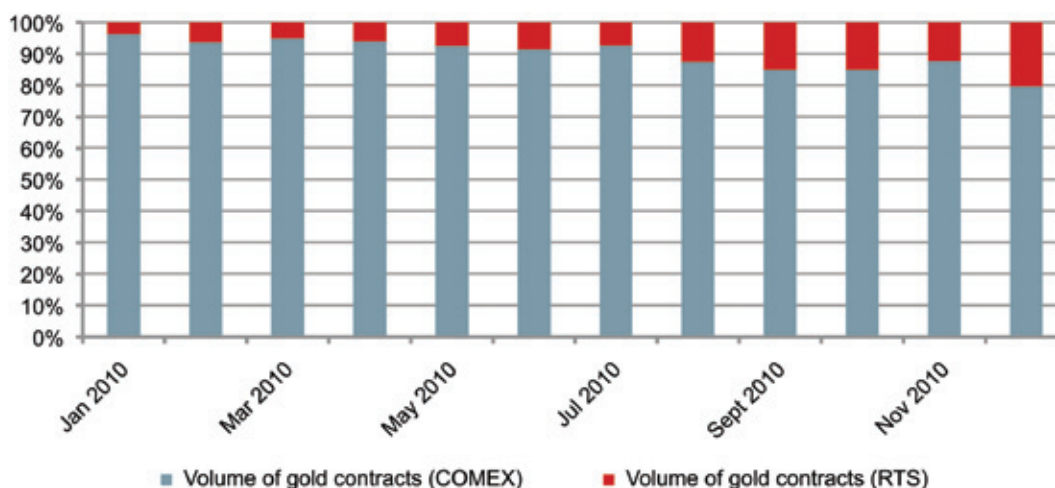
Trading volume in Brent oil futures contract on the RTS Stock Exchange and ICE



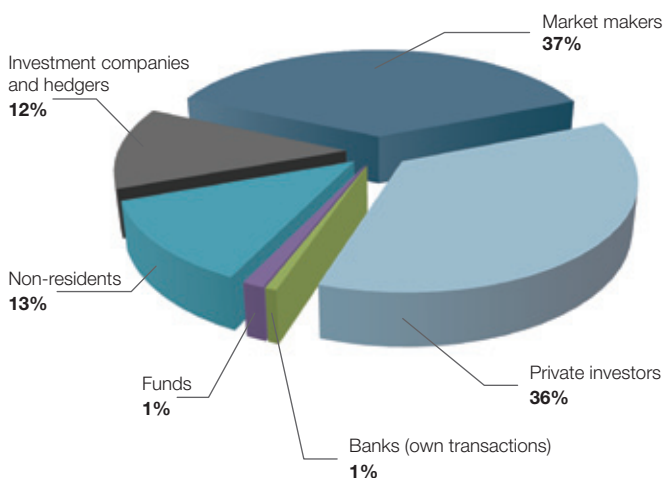
Precious metals The RTS precious metals market demonstrated a considerable growth in the trading volume which was caused by a precious metals rally. In 2010 the trading volume in futures and option contracts on precious metals exceeded RUB288.5 billion or 79,612,120 ounces.

Metals	Trading volume (ounces)	Trading volume (RUB)
Gold	5,660,425	221,615,464,706
Silver	73,642,900	52,246,279,369
Platinum	288,975	14,220,492,127
Palladium	19,820	434,956,042
Total in OJSC RTS precious metals market	79,612,120	288,517,192,244

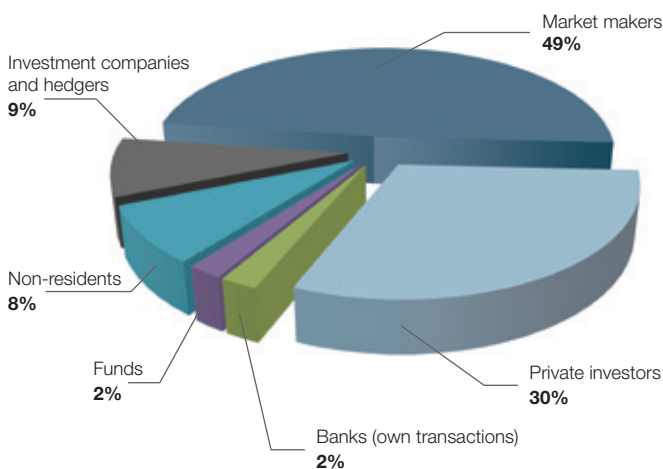
Trading volume in Gold futures contract on the RTS Stock Exchange and Comex



Shares of various traders categories on the RTS oil market



Shares of various traders categories on the RTS precious metals market



An Inside Look at the Commodities Market

RTS Markets interviewed **Aleksey Golubev**, Director, Middle distillates Sales Department, Sales and Logistics, OJSC TNK-BP Management, and found out the latest trends on the oil and petrochemicals in Russia, the issues that the market faces today and the future perspectives.

RTS Markets (RM): At the moment the local maximum prices for fuel commodities are being successfully renewed on the mineral market. Are there any reasons to believe the growth will continue?

Aleksey Golubev (AG): I suppose there are. According to reports from the leading global banks and analysts, the growth will continue and in 2011 we will see a new range of global prices for utilities. The main driver for growth is, undoubtedly, the increase of oil and petrochemical products demand in the main consumption hubs. However, such factors as tighter fuel quality standards and little progress in improving distillery plants (like in Russia) do not contribute to the growth of production at the rate that would cover the growing petrochemical products and, consequently, oil demand.

RM: What will be the main trends on the Russian domestic oil and petrochemical products market in 2011?

AG: I believe that tighter technical standards are likely to have an impact on the market price dynamics. I think we will see a certain deficit of high-octane gasoline in the European part of the Russian Federation as well as of ultra low sulphur gasoil of euro quality. As for gasoil, there are some acute issues present which demand attention, especially during winter months. Fuel demand is growing whereas the volumes on the market are not getting any bigger. It happens first of all because oil-processing plants are not technically equipped to raise winter grade gasoil production and are producing now at its maximum output. One of the growth components of winter grade gasoil is kerosene and kerosene demand is gradually growing as well together with the revival of the Russian economy after the crisis and an increase in customer demand. 50% of kerosene is involved in winter grade gasoil production, hence the end product price dynamics.

I am certain that the exchange will have a significant impact on indicative quotes formation. I'd like to believe we will see the increase of the exchange trading liquidity as it would lead to the

Russian internal market acquiring its own identity, with more impact from internal market news and the supply/demand balance. TNK-BP is planning to offer no less than 15% of its internal sales volume via the exchanges and take an active part in development of this area of activity.

RM: Is there a necessity, in your opinion, to develop the oil derivatives market within Russia? Or it is enough to have instruments traded globally?

AG: No doubt, there is such a necessity. A derivatives market is an important component of a petrochemical products market. This component is unfortunately underdeveloped in Russia at present. If we take price risk management, then I must admit, there are no instruments of that kind on the internal market. This deprives market participants of a great number of opportunities: conclusion of long-term contracts, more precise planning of a sales and cash inflow program, as well a standard price risks hedging. One should mention that there is no such segment of market participants as investors and hedgers. Physically it is impossible to hedge price risks and, accordingly, the spot market trades a month ahead at a fixed price. I believe these segments must come into existence and this, in its turn, will lead to the derivatives market development.

RM: What petrochemical products should be the underlying for exchange-traded derivatives in the first place?

AG: The most liquid ones, I presume, such as high-octane gasoline and gasoil. Only those instruments have a big potential capable of gaining liquidity.

RM: Do the Russian market participants (both speculators and hedgers) need ruble futures?

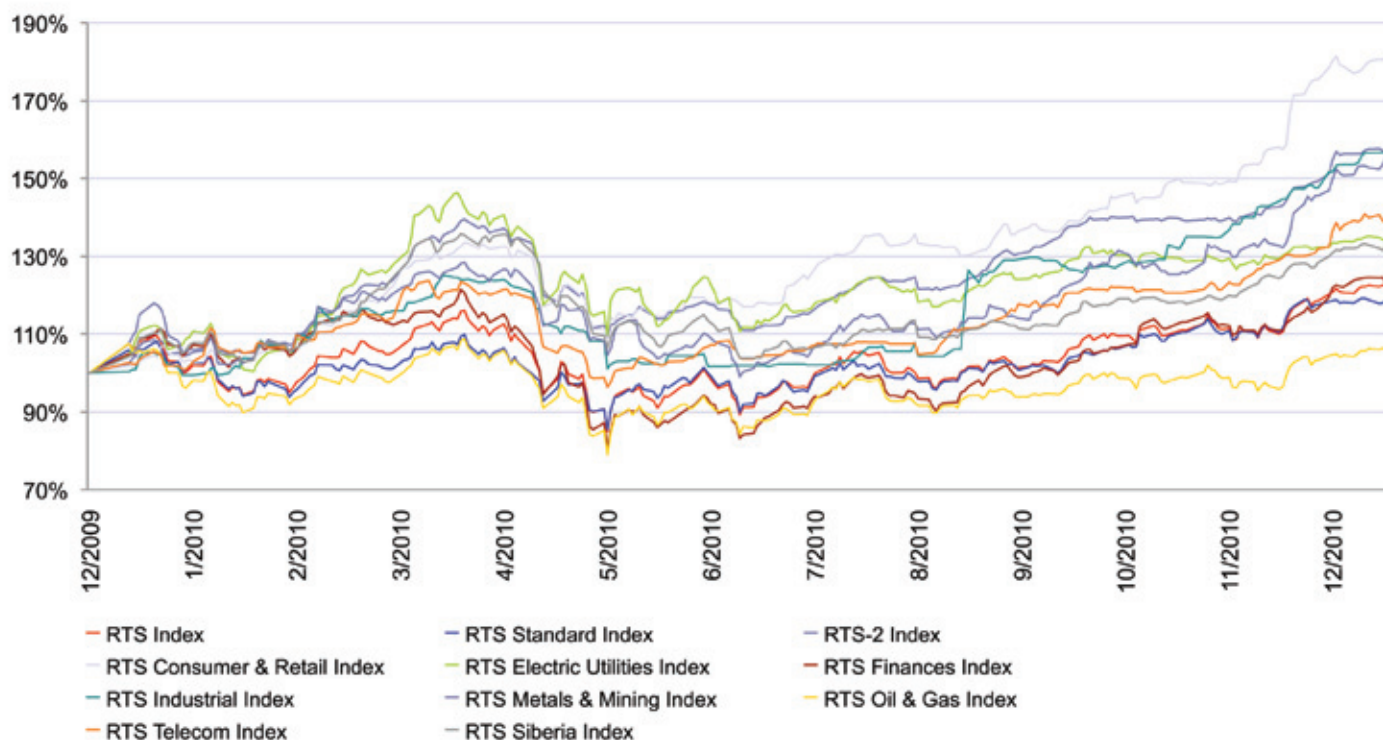
AG: Yes, of course. If you hedge against global quotes traded in US dollars you do not cover the risks completely because you still have ruble/dollar exchange rate risk. One must prepare for the risks like that and the Russian market is big enough to launch instruments of this kind.

RTS Indices

RTS Indices performance

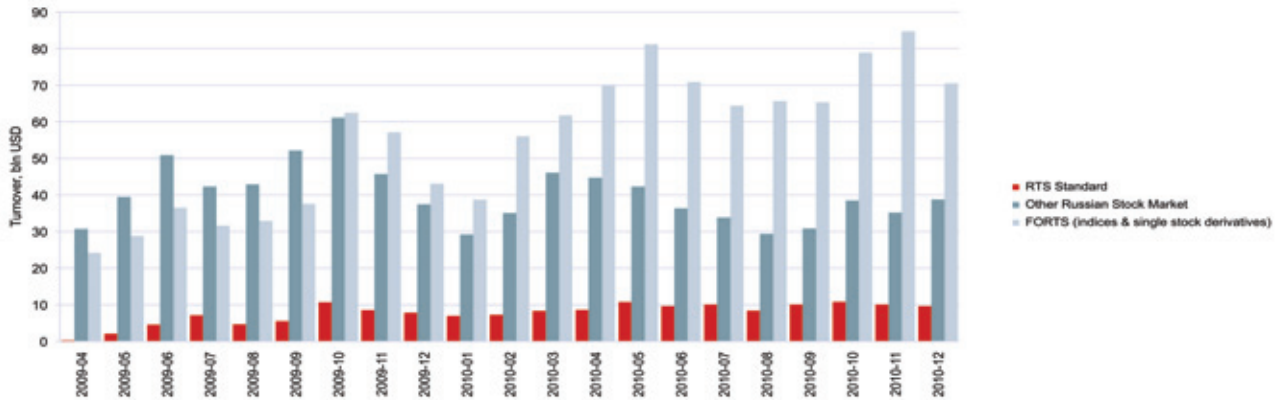
Index	2010	2009	Change over (Period), %			Max	Min
			Year	3 Years	5 Years		
Composite							
RTS Index	1,770.28	1,444.61	22.50%	-22.70%	57.30%	1 770,28 (30 XII)	1 226,57 (25 V)
RTS Standard Index	11,393.51	9,568.83	19.10%	-10.20%	56.40%	11 403,82 (23 XII)	8 176,05 (25 V)
RTS-2 Index	2,237.93	1,427.28	56.80%	-14.90%	73.10%	2 250,60 (27 XII)	1 461,25 (11 I)
Sectoral							
RTS Metals & Mining Index	355.8	228.97	55.40%	-1.20%	131.40%	356,38 (29 XII)	226,54 (1 VII)
RTS Oil & Gas Index	196.97	186.02	5.90%	-31.40%	4.50%	202,34 (15 IV)	146,9 (25 V)RTS
Consumer & Retail Index	440.71	241.42	82.50%	19.30%	132.90%	440,71 (30 XII)	245,1 (13 I)
RTS Industrial Index	211.17	135.02	56.40%	-48.10%	50.00%	211,55 (27 XII)	134,24 (26 I)
RTS Telecom Index	264.43	190.31	38.90%	-18.50%	89.20%	268,12 (23 XII)	183,24 (25 V)
RTS Finances Index	452.95	369.61	22.50%	-42.80%	67.80%	460,41 (24 XII)	298,51 (25 V)
RTS Electric Utilities Index	273.55	204.3	33.90%	-41.40%	66.70%	299,05 (13 IV)	204,99 (15 II)
Regional							
RTS Siberia Index	999.95	752.56	32.90%	--	--	1021,84 (14 IV)	774,56 (12 II)
Russian volatility Index	26.29	38.97	-32.50%	--	--	55,17 (25 V)	20,83 (26 X)

RTS Indices historical performance (2010)



RTS Markets

FORTS and RTS Standard turnover vs Russian stock market turnover



RTS Stock Markets (RTS Standard)

RTS Blue chips volume. GAZPROM: 2010



RTS Blue chips volume. LUKOIL: 2010

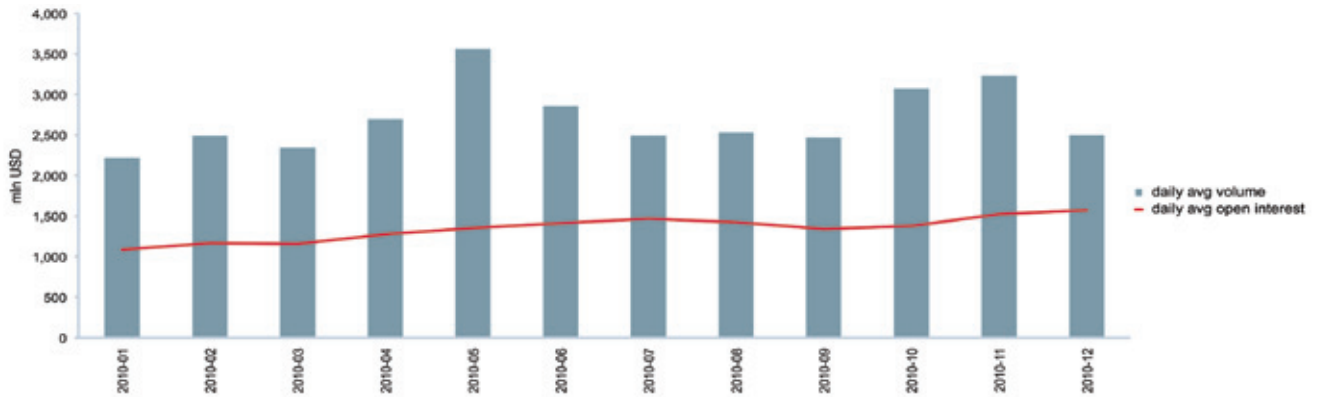


RTS Blue chips volume. SBERBANK: 2010

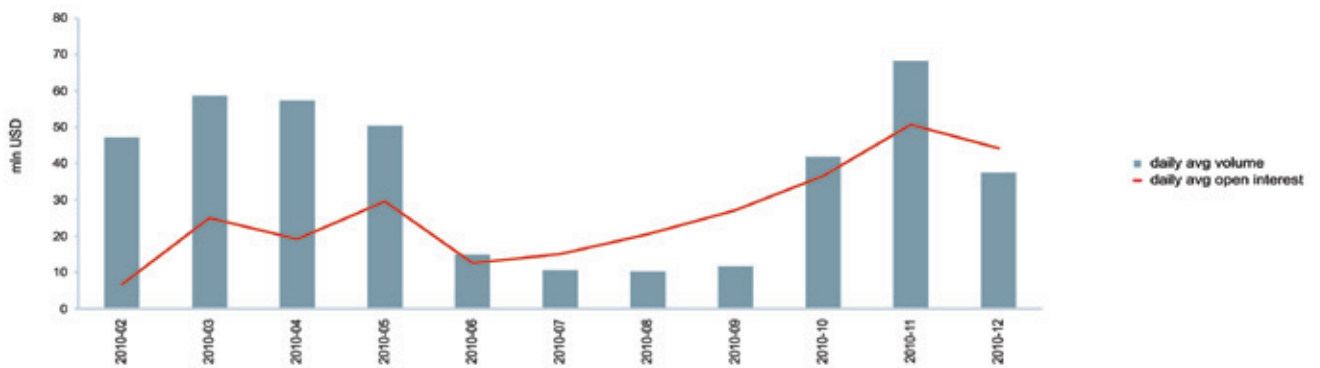


Futures and Options market (FORTS)

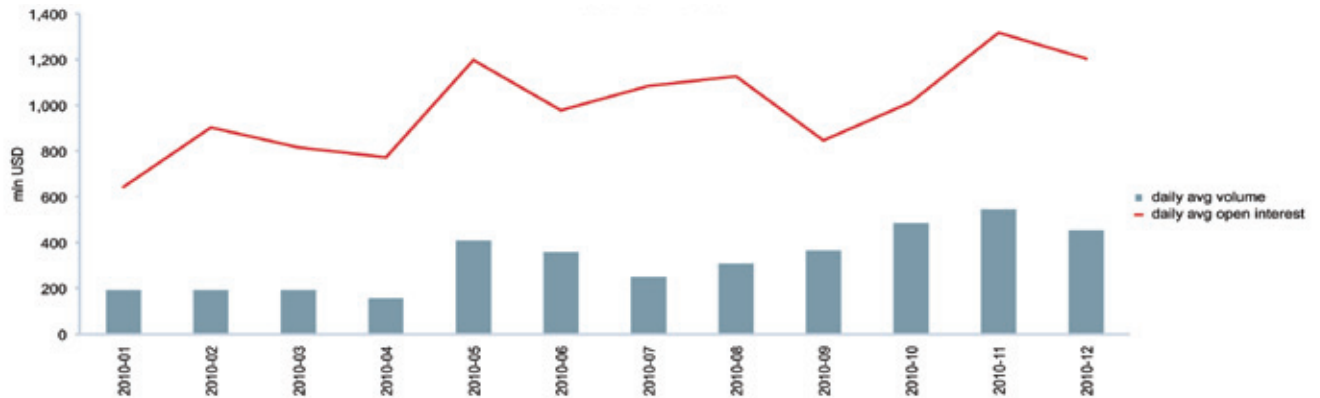
RTS Index futures: 2010



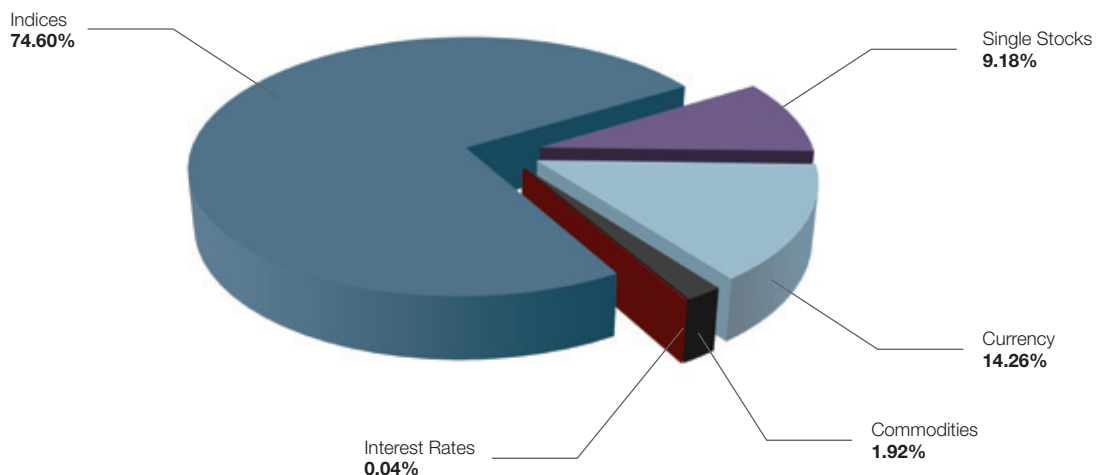
RTS Standard Index futures: 2010



USD/RUB rate futures: 2010



FORTS turnover breakdown. Trading volume in USD by contracts: 2010



Russian legislation aims to remove foreign investors' fears

The government's project of establishing a Russian International Financial Centre is quite ambitious but it is slowly turning into a reality. Compared with Europe and the USA, Russia demonstrates fast economic growth and developments in almost all sectors of the economy. One of the biggest challenges that the Russian market now faces is changing the perception of the market and removing the fears of investing in Russia, that still exist.

Russian legislation is now turning into an internationally accepted set of regulations, which will undoubtedly provide comfort to foreign investors and lure more investments to the Russian market:

Andrey Salaschenko *Director, Department of Interaction with Authorities and Organizations, RTS Stock Exchange*, comments on the changes in the securities market regulations that took place in 2010.



Andrey Salaschenko

RTS Markets (RM): What initiatives in the securities market regulation were implemented in 2010 to attract foreign investors to the Russian market?

Andrey Salaschenko (AS): An important initiative of 2010 was the preparation by the Federal Financial Markets Service of an order that formulates the procedure for foreign brokers' participation in on-exchange trading of the Russian market. The suggested changes will increase the amount of clients trading through foreign brokers, which, in turn, will contribute to the growth of trading turnover and liquidity of certain financial instruments. In accordance with the current legislation, the mechanism of assigning a code to foreign brokers' clients by an exchange unites all clients of a foreign broker under the same code. This means that the exchange recognizes orders from all clients of a foreign broker as orders coming from only one client. Orders like that meet the definition of a "cross-trade" and are rejected by an exchange. In order to solve this problem the brokers will assign the clients additional codes and submit this information to an exchange. This will open a whole new realm of trading opportunities for clients of foreign brokers.

Another prominent event in 2010 was the adoption of the law "On Prevention of the Illegitimate Use of Inside Information and Market Manipulation" aimed at fair formation of prices for financial instruments, foreign currency and commodities, equality of investors and increasing investors' trust through a legal mechanism of prevention, detection and constraint of abuse on the organized markets by illegitimate use of inside information and market manipulation. This law raises the Russian market to the highest global standards of trading. In addition, another positive step was the drafting of new regulatory legal acts which allow the admittance of securities of foreign companies to public offering and distribution in the Russian Federation. One of those documents is an Order of FFMS of Russia that came into force in April 2010 that determines principles for calculating the ratios that characterize the levels of liquidity and investment risk of securities. This is in accordance with the Federal Law "On securities market", which states that it is necessary for FFMS of Russia to take a decision on the admittance of securities of foreign companies not admitted to trading on the recognized foreign exchanges.

RM: What are the key challenges that foreign investors face when seeking to invest in Russia? How can these be overcome?

AS: The main obstacle of entry into the Russian market for prominent foreign investors is the lack of concept of a foreign nominal holder. According to Russian legislation, a global custodian depository that fixes property rights of foreign market participants for securities of Russian issuers, is the owner of these securities. Hence the problem with exercising the property right, for example, does not allow the foreign investors to take part in the general shareholders' meetings and vote on the basis of the shares they own, as well as

also adding uncertainty to the approval of investor's property rights for Russian securities that are kept at international depositories. One should mention that this problem is expected to be solved on the federal level in the first half of 2011.

RM: And, obviously, nothing is certain but death and taxes?

AS: Absolutely. Another challenge for the foreign investors is a high taxation load. The issue of high tax load and its reduction for non-residents will be discussed next year by the working groups in the Government of the Russian Federation, in relation to their project to create and develop a Russian International Financial Centre.

RM: Has anything been done to improve the investment environment for non-residents in Russia on a federal level recently?

AS: On January 25, 2011 a Federal Law on clearing and clearing activity passed in a second reading. It states the new concept of clearing activity in Russia and formulates the concept of liquidation netting.

The lack of legal clarity in the order of fulfillment of obligations under derivatives trades in the case of one party's bankruptcy had long been one of the factors impeding the development of the Russian derivatives market and constraining international investors' interest towards the Russian market.

RM: Is anything being done at the moment to improve the information disclosure and bring it to the best western practices?

AS: Currently, a lot of attention is being paid to the question of harmonizing the information disclosed in the prospectus of securities of Russian issuers by means of universalizing requirements to the securities prospectus, reviewing the information submitted and its systematization, which has long been customary to foreign investors.

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Your comments are important to us.

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Russian Trading System Stock Exchange is one of the major trading platforms in Russia and Eastern Europe, providing trading services on both the spot (stocks, bonds, funds) and derivatives markets (futures and options contracts) based on advanced technologies employed worldwide.

RTS Standard, a new front-rank equity market for the most liquid Russian securities characterized by absence of 100% advance asset depositing, standard T+4 settlement in roubles, use of CCP technology and consolidated cash position on RTS Standard and on FORTS, RTS derivatives section.

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