Moscow Exchange Q3 2015 IFRS Results Conference Call

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Summary: *Strong earnings were driven by growth across MOEX's highly diversified business, particularly the FX, Money, Derivatives and Bonds Markets, as well as strong interest income growth.*

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SERGEY KLINKOV *– Director of Investor Relations, Moscow Exchange*

Good afternoon, everyone, and welcome to the Moscow Exchange Q3 2015 IFRS results conference call. As usual, we will walk you through the earnings presentation that is posted on our website and then we will move on to the Q&A session. Today we have on the call Evgeny Fetisov, Moscow Exchange CFO, and Luis Vicente, Moscow Exchange Chief Risk Officer. Before we get started, I would like to remind you that certain statements in this presentation and during the Q&A session may relate to future events and expectations and, as such, constitute forward-looking statements. Actual results may differ materially from those projections. The company does not intend to update these statements to reflect events occurring after the date of the call, prior to the next conference call. By now, all of you should have received our results press release, and the presentation can be found in the IR section of our website. I will now hand the call over to Evgeny Fetisov, CFO. Evgeny, please go ahead.

EVGENY FETISOV *– CFO, Moscow Exchange*

Thank you, Sergey. I would like to start by saying that in Q3 we continue to see some normalisation of the market situation since the beginning of the year, although with some volatility spikes on FX market. Overall market volatility subsided and will continue to come down along with overall risk in the financial system. In this environment, our diversified business model delivered again and we once again posted strong double-digit growth in fee and commission income. On slide 2 of the presentation we outlined some of the most important highlights of Q3. As you know, in June MOEX paid record-high dividends, distributing more than 55% of IFRS net profit for 2014 among our shareholders. Now the Supervisory Board set 55% as the minimum floor for the MOEX payout ratio going forward. The new dividend policy was approved in September 2015.

We continue improving our product offering across different business lines. For Q3 I would like to highlight a new family of indices of state-owned or state-controlled publicly-traded companies. We launched these new market benchmarks in cooperation with the Ministry of Economy and the Federal Agency for State Property Management.

As part of the government efforts to improve corporate governance among such companies, since 1 October market participants are obliged to report to a repository all types of derivative transactions on the Russian market, including bond options, bond forwards, equity options and currency binary options. In 9M 2015, the NSD registered more than 315,000 agreements for derivatives and REPO transactions, valued at more than RUB 300 trln.

I would like to update you on the progress of the local retail investor base development and particularly on an increase of number of individual investment accounts. We recorded more than 60,000 opened accounts in the first 10M 2015, meaning that we would beat the expected target of 50,000 accounts by the end of the year already in October.

Along with the progress in individual investment accounts, the government adopted changes in the regulation of individual investors, which allowed them to open an account with a broker remotely. We believe this will streamline and stimulate the process, especially for retail investors in regions not sufficiently covered by the broker community.

Another thing I would like to stress is that we are moving forward with the corporate actions reform. 79 issuers including Gazprom and Sberbank conducted shareholder meeting using ISO 20022, an international corporate action standard making further steps towards electronic corporate actions.

Finally, we added some changes in the regulations of CCP, or Central Counterparty, sponsored by the Bank of Russia which required us to change the “risk waterfall” structure, harmonising it with the global standard as well as specify the dedicated capital for each of our markets. At this point, I will hand over the call to Luis Vicente, Moscow Exchange Chief Risk Officer, to outline these changes in more detail. Luis, please.

LUIS VICENTE – *Chief Risk Officer (CRO), Moscow Exchange*
Thank you, Evgeny. Good afternoon, everybody. On 1 November, NCC implemented changes in the safeguard structure or, in other words, "risk waterfalls" of all markets. So, now they follow a single harmonised model. The new model consists of initial margins, CCP dedicated capital or, in other words, "skin in the game", default fund, additional CCP capital (to be defined) and loss spreading mechanisms. These modifications actually reflect recent changes in CCP regulations set forth by the Central Bank of the Russian Federation, following the latest recommendations also proposed by the CPMI-IOSCO.
We would like to highlight the following benefits of the new model. First, the harmonisation of safeguard structure across all the markets promoting the transparency and facilitating participant's on-boarding process. Second, additional pre-committed CCP resources or, in other words, "skin on the game" providing further protection to market participants. Third, implementation of explicit loss spreading mechanisms allowing the CCP to remain in operation even in case of extremely unlikely scenarios, in other words, providing continuity. Last but not the least, this is laying the ground for future integration initiatives that we have in the pipeline. Evgeny, please.

EVGENY FETISOV – *CFO, Moscow Exchange*
Thanks, and now over to financial results. In Q3, we demonstrated very solid operating income thanks to the growth of both fee and commission income (27% YoY growth) and interest income and other finance income (82% YoY growth). Our OPEX remained under control with cost growing 12% YoY. EBITDA grew by 67% while EBITDA margin was 81.8% versus 74.9% in Q3 2014. As a result, net profit increased to RUB 7 bn, up by 72% YoY. These remarkable results were delivered amidst a fairly challenging market backdrop, which once again underlined that MOEX's business model remains sustainable and efficient in various different macro scenarios.
Slide 5. Fee and commission income remained well diversified and increased by 19% in 9M 2015. The largest contributors to fee and commission income remained the FX Market (25%), Money Market (22%) and depository and settlement services (20%). FX Market was the fastest growing segment in Q3 in terms of fees and commissions, with 53% YoY growth, driven by rouble devaluation and higher rouble volatility due to the floating rouble rate. Money Market showed solid 27% YoY growth of fees and commissions partially thanks to the fees deferred from the first two quarters of 2015 when long-term REPO was in great demand among market participants. Depositary and settlement services grew by 8%. Fixed income market posted 39% growth YoY thanks to continuous upward trend in primary placements. Equity market declined by 2% YoY and amid the common market in lower volumes, while derivatives market fees grew by 20% YoY due to the strong demand for FX-based futures. All in all, our model showed its resilience again as strong revenue stream from FX and money market was supported by a rejuvenation of fixed income and strong performance of derivatives.
Slide 6. As we highlighted before, one of our key tasks is to actively support the growth of the local investors, to support diversified client base across different markets. We saw increased activity from domestic clients on some of our markets. On equities market, the number of active retail clients, defined as making at least one transaction per month, grew from 58,000 in December 2013 to 73,000 in September 2015. Although the peak of 83,000 was in December 2014 amidst heightened volatility which naturally attracted new retail demand. The numbers for September are 26% higher than at the end of 2013. On the derivatives market, we constantly see growing interest from retail customers with the number of active retail traders up 44% since December 2013. On the FX Market, the number of active retail clients increased from a low base to now when we have more than 12,000 individuals with direct market access to the FX Market. The share of retail participation and fixed income trading has also increased to 7% compared to 2% in 2013. We believe that we are at the very beginning of a secular growth trend as still less than 1% of the

Russian population has a brokerage account, so there is an ample growth potential.

Now I will walk you through some highlights of each of our markets.

Equities market. In 9M 2015, trading volumes on equities markets declined by 1% YoY amid lower volatility resulting in reduced velocity (32% versus 39% last year). In Q3 2015, we continued to see increased interest in trading Russian shares locally with MOEX average market share versus LSE in the basket of dual-listed names we track was on average 59%, which is a record high quarterly average for almost two years. We continued our cooperation with international index traders. MOEX closing auction which was launched in September 2013 has shown record volumes in Q3 accounting for up to 7% of total daily trading volume after FTSE started using MOEX closing auction price methodology within its indices. Also in September 2015, FTSE replaced AFK Sistema Depositary Receipt with local line, which is a remarkable move supporting local market development.

Now let us move on to slide 8. Fixed income market trading volumes grew 22% YoY to RUB 2.8 trln thanks to lower interest rates and positive shift in the markets sentiment, which led to fee and commission growth by 39% to RUB 298 m. In line with our expectation in Q3 2015, we observed continued revitalisation of primary bond placements both in the corporate segment – 2 times growth YoY and government bonds – 5 times growth YoY. As a result, in 9M 2015 primary placements more than doubled compared to the same period of the last year. The first CPI-linked federal government bonds were placed by the Ministry of Finance in July. We believe this is a very promising product for local and international institutional investors, which guarantee gains in real terms.

Now on to slide 9. Derivatives Market. Demand for derivatives products continued to be concentrated on FX derivatives trading, which comprised 65% of total trading volumes in Q3 2015 in contract terms compared to 51% in Q3 2014. Amid increased FX spot market volatility and better liquidity of FX derivatives, trading volumes grew by 55% YoY, which led to a first consecutive quarter of fee and commission income growth, up 20% YoY. Interestingly, FX derivatives trading volumes in contract term was 8% higher compared to the previous peak in Q4 2014, while volatility magnitude was higher in 2014. Another important trend is the growing share of futures on commodities, which accounted for 7.9% of total futures trading volume in contract terms versus just 1.4% in Q3 2014, driven by strong demand from individual investors.

Money Market. Total trading volume on the money Market including REPO transaction and credit and deposit market declined 2% to RUB 62 trln. However, the growing share of REPO with CCP and partial reversal of previously deferred commission led to a 27% YoY increase in fees and commission. REPO with CCP remained one of the fastest growing products and comprised 30% of the total REPO volume driven by continued demand from market players keen to manage risk using on-exchange infrastructure. Following the introduction of a long-term REPO mechanism and a higher trading volume of long-term instruments since the Q1 2015, our commission income is deferred over the lifespan of these instruments. For example, the fees on one-year REPO are now recognised in income statements uniformly over the year, and in Q3 2015, the net amount of partial reversal of previous deferral plus new ones was RUB 329 m.

FX Market. In Q3, FX Market trading volumes grew 70% YoY. Spot trading volumes grew 78% YoY amidst higher FX rate volatility, while swap trading volumes were up 67% YoY driven by the growing demand from the local banks to manage liquidity positions and hedge FX risks. The FX spot market comprised 32% of the total FX market trading volume on par with the last year's level. Fee and commission income grew by 53% YoY to RUB 1.3 bn.

Depository and settlement services. The average amount of assets under custody at the National Securities Depository increased by 29% versus Q3 2014 to RUB 29.3 trln. Fees and commissions grew 8% YoY driven by an increase in assets under custody thanks to primary bond placements and admissions of DRs and Eurobonds as collateral for REPO operations as well as on-exchange Eurobond trading. Safekeeping remained the key source of fees and commissions and comprised 69% of the total. The second largest item was collateral management system, which contributed 11%. We also moved forward with corporate actions reform, under which NSD applied ISO standards to its e-proxy voting services. As I mentioned, the technology allowed 79 issuers to conduct shareholders meetings with remote voting option under international standards.

Other fee and commission income. In Q3, other fee and commission income grew by 37% YoY, mainly thanks to sales of information and technical services. Listing fees declined 10.1% YoY from RUB 67.1 m to RUB 61 m and comprised 17% of other fee and commission income on the back of a lower number of applications for admission to trading in summer months.

Information services fee grew by 119% YoY, driven by a higher revenue from FX-denominated contracts and price increases for the market data, both real-time and end-of-day, which we made at the beginning of 2015. Fees from the sale of software and technical services increased by 10% to RUB 124 m versus RUB 122 m in Q3 2014.

Investment portfolio. Investment portfolio growth decelerated to 46% YoY from Q1 to RUB 1.1 trln, which is a second consecutive quarterly decline due to a subsiding volatility and normalisation of [rates perception] by customers. A lower RUB/USD exchange rate led to a higher share of FX-denominated client balances, which comprised 88% of the total balances in Q3.

Rouble interest rate continued to decline during the quarter, though remained elevated. Total interest in other finance income grew by 82% QoQ to RUB 6.6 bn with effective yield of 2.4% versus 1.9% in Q3 2014. We continue to see gradual normalisation of the interest rate environment, which is in line with what we expected before.

Operating expenses. In Q3 2015, we continued to demonstrate that cost discipline is one of our top priorities. Personnel costs remained under control and grew by just 10% YoY to RUB 1.3 bn mainly due to higher social tax payments introduced in 2015 and selective salary increases. Along with this, we continued to increase efficiency. The number of employees declined 1% compared to September 2014. Personnel costs accounted for 53% of the total costs. Higher administrative and other operating expenses (up 14%) were mainly driven by a higher spending on professional services, depreciation of property and equipment and spending on maintenance of equipment and intangible assets driven by commissioning of new IT facilities and expenses related to IT system maintenance and improvement. The total OPEX grew 12% YoY in Q3, well below the inflation level of 15.7%.

I hope this introduction gives us a good basis for further discussion. Thank you very much for you attention. Now, I would like to open up the call for questions.

OPERATOR

Thank you. As a reminder, if you wish to ask a question, you will need to press "*1" on your telephone and wait for your name to be announced. If you wish to cancel the request, you will need to press the "#" key. The first question is coming from Alex Kantarovich, J.P. Morgan. Alex, your line is open.

ALEX KANTAROVICH *– Managing Director, JP Morgan*

Thank you. I have a question about operating costs. If you look at the last year QoQ dynamic, we notice a very sharp increase of OPEX in Q4. Supposedly, this reflects bonus seasonality. We later heard that your bonuses are provided throughout the year, so the overall trend will be much smoother this year, but I still would like to know what sort of OPEX increase we might see in Q4. This is my first question.

EVGENY FETISOV *– CFO, Moscow Exchange*

Thank you, Alex. Overall cost guidance as of today is 12–14% YoY for the full year. There might be some uptick in costs, as you have mentioned, with bonus payment, which would be defined at the time of bonus calculation. The spending may be a little higher, but in overall, it should be smoothened throughout the year.

ALEX KANTAROVICH – ***Managing Director, JP Morgan***
Thank you. One more question on fee and commission income. I appreciate that different parts are driven by very different things, but can you provide some sort of guidance or outlook for the next year at least directionally, what we can expect? I imagine that FX income stream will decline if we assume that volatility continues to subside. Are you in a position to comment such sort of thing?

EVGENY FETISOV – ***CFO, Moscow Exchange***
Alex, this is a very challenging question, and I am, as usual, unable to answer it. We do not forecast volumes, at least we do not so it publicly, so I cannot really give you any guidance in terms of revenues.

ALEX KANTAROVICH – ***Managing Director, JP Morgan***
Fair enough. Regarding your recently announced dividend policy of 55% plus payout. Shall we assume that during the bumper year the payout ratio will be at the low end of the range and during a leaner year, which may come sometime, this payout ratio can increase? If so, are you in a position to comment on the upper limit of the payout range?

EVGENY FETISOV – ***CFO, Moscow Exchange***
Alex, I have already mentioned that this is up for the Board to decide on the payout ratio. Although, I would like to stress that the approach that we used before – and that we will continue to use – is that we will payout whatever the Company does not need for the capital of NCC, its CAPEX and any potential M&A – which is currently not on the agenda.

ALEX KANTAROVICH – ***Managing Director, JP Morgan***
Does it mean that it is possible to see a kind of a bulky one-off payment?

EVGENY FETISOV – ***CFO, Moscow Exchange***
I think it is a judgment thing in terms of a bulky payment. What we will do is that we will try to be consistent with the approach that we are using. The payout is what we do not use for running the business, that is NCC capital and our own CAPEX.

ALEX KANTAROVICH – ***Managing Director, JP Morgan***
Right. The last question is on the CAPEX for the next year and years after that, even approximately, if you can give us some ballpark numbers.

EVGENY FETISOV – ***CFO, Moscow Exchange***
The number which we gave during our last investment meetings in September was about RUB 1.5 bn per year. I think we will revise it up to RUB 2.5 bn on average, which is covered by our D&A, but I think these numbers are likely to be going up.

ALEX KANTAROVICH – ***Managing Director, JP Morgan***
Is this an on-going maintenance CAPEX that you expect, right?

EVGENY FETISOV – ***CFO, Moscow Exchange***
Right. This is the average number, which I see right now. We may see a shift of certain amount of CAPEX from this year to the next year. Overall, this is the level that we should be targeting.

ALEX KANTAROVICH *– Managing Director, JP Morgan*
Very clear, thank you very much.

OPERATOR
Thank you. The next question is coming from Jason Hurwitz, VTB Capital. Jason, your line is open.

JASON HURWITZ *– Director, Financial Institutions Research, VTB Capital*
Good day. I have a question relating to your interest income. During the Q3, the results were quite strong, and if we assume flat yields on the FX portion of your portfolio, than the rouble yield actually went up significantly during the Q3. Is this due to a change in the asset mix, as we noticed that you have more securities in the portfolio. Or is it some other factor or is it because you are actually earning more on the FX portion? If you can give some colour, that will be great. Thanks.

EVGENY FETISOV *– CFO, Moscow Exchange*
There were few factors that affected the interest income for this quarter. I would call it a one-off item. Our Treasury took an opportunity of investing foreign currency at a higher rate than usual. But this is a one-off event which was in the Q3 and will partially be reflected in Q4, but should not be forecasted going forward. We have benefited from the higher allocation to the securities in our portfolio versus deposits and associated benefit from the forward positioning. I think this is it.

JASON HURWITZ *– Director, Financial Institutions Research, VTB Capital*
Thank you.

OPERATOR
Thank you. We have the next question coming from Andrew Keeley, Sberbank. Andrew, your line is open.

ANDREW KEELEY *– Analyst, Sberbank* Good afternoon. My first question is on your financial stability recovery mechanism. You have mentioned the specified “skin in the game” amounts approved by the NCC. Can you give any numbers to know what kind of CCP and dedicated capital was and is after this change? That is my first question.

EVGENY FETISOV *– CFO, Moscow Exchange*
I will ask Luis to take this question.

LUIS VICENTE *– CRO, Moscow Exchange*
The previous number was RUB 5.5 bn, which is in the presentation. We had an increase of 30% approximately, so now the total number is around RUB 6.5 bn for all the markets. Those are the current numbers.

ANDREW KEELEY *– Analyst, Sberbank*
Sorry, I did not spot that on the presentation. Thank you. I have another question. There have been some stories in media about the CBR looking into the regulatory status of the NCC and possibly changing that from banking credit institution to non-banking credit institution. Could you give any comments on where we are in that process and what the potential implications for your capital level in the NCC could be? Thank you.

EVGENY FETISOV *– CFO, Moscow Exchange*
We can only say that we have also seen the press on that, but as we have not seen any specific documents, it is difficult to comment. As soon as

we see the document, we will be able to provide you with more details.

ANDREW KEELEY *– Analyst, Sberbank*
Do you have any idea when you are expecting to see that?

EVGENY FETISOV *– CFO, Moscow Exchange*
This is up for the Central Bank to release, so we have no comment.

ANDREW KEELEY *– Analyst, Sberbank*
Just a final question. If we look at your client balances, we see pretty big drop in FX client balances in October. I just wonder whether you have any comments on any particular reason why that was the case, whether this is just a one-off thing or we can expect similar moves in months ahead.

EVGENY FETISOV *– CFO, Moscow Exchange*
Given the results, which were related to the extra cash that was kept with us, this was driven by the client needs. I personally expect that the client balance will decline at a much higher pace throughout the year and at the higher levels. This is actually a natural way of developing things. I think going forward, in the medium term we should see a lower FX balance, which are kept with us.

ANDREW KEELEY *– Analyst, Sberbank*
Thank you very much, Evgeny.

OPERATOR
Thank you and let me remind you once again that if you wish to ask a question or simply make a comment you can press "*1" on your telephone and wait for your name to be announced. We have the next question coming from Dmitry Trembovolsky from Goldman Sachs. Dmitry, your line is open.

DMITRY TREMBOLOVSKY *– Analyst, Goldman Sachs*
Hello, everyone, hello, Evgeny. Just a few follow-ups to what my colleagues have asked already. Could you just repeat the cost guidance of 12–14%. Is it for total costs for 2015 or is it for personnel costs or for general costs?

EVGENY FETISOV *– CFO, Moscow Exchange*
This is the total cost. We are looking forward at 12–14% cost growth for 2015 versus 2014.

DMITRY TREMBOLOVSKY *– Analyst, Goldman Sachs*
OK, this is clear. Could you give us a rough estimate on interest income, how big was the one-off that you were talking about, i.e. if you were investing as you invested before, how much less would the net interest income be?

EVGENY FETISOV *– CFO, Moscow Exchange*
This particular one-off related to the currency. Investment, or deposit, was estimated 150–200 m per quarter. That might be partially requested in Q4.

DMITRY TREMBOLOVSKY *– Analyst, Goldman Sachs*
And this is the extra yield on FX that you made, right?

EVGENY FETISOV *– CFO, Moscow Exchange*

Yes. This is based on the FX balances. So, it is not an extra yield from the placement of the FX balances.

DMITRY TREMBOLOVSKY *– Analyst, Goldman Sachs*
OK. So you made an extra 150–200 m per quarter on the FX balances. That is clear. You also said that you had increased the allocation of rouble balances to securities, I presume to government bonds. Is that sustainable?

EVGENY FETISOV *– CFO, Moscow Exchange*
That is up to the Treasury; I think the decision was to take this opportunity, which provides higher yields. It largely depends on the interest rate environment and situation on the market.

DMITRY TREMBOLOVSKY *– Analyst, Goldman Sachs*
Yes, but previously you were telling that you were not doing this because this is not in line with your risk limits. Should we expect going forward a higher yield on your rouble balances because you changed your risk limits?

EVGENY FETISOV *– CFO, Moscow Exchange*
We are not changing the risk limits; everything is done within the same risk limits that we had before. It is just that the deposits that the Treasury used were not as attractive as the investments in OFZs which they have undertaken.

DMITRY TREMBOLOVSKY *– Analyst, Goldman Sachs*
OK. That means that in the future we should expect the reallocation between these two sources of investments depending on…?

EVGENY FETISOV *– CFO, Moscow Exchange*
It is very dynamic, so it is up to the Treasury to decide within their limits. Their task is to maximize the interest income.

DMITRY TREMBOLOVSKY *– Analyst, Goldman Sachs*
OK, I understand. All right, this is clear. I have another question. You are saying on page 10 that the deferred fees that you booked on your money market revenues are RUB 330 m. I remember we discussed that, this is linked to the change in the duration of the REPO. If we look at next year's fee income, should we subtract this amount so it will be lower next year, or how should we think about it?

EVGENY FETISOV *– CFO, Moscow Exchange*
The fee of RUB 329 m is actually the net effect for this particular quarter, i.e. Q3. There are some amounts which were deferred from Q1 and Q2, and some amounts which are deferred to Q4 and further. This is the net result.

DMITRY TREMBOLOVSKY *– Analyst, Goldman Sachs*
So is RUB 329 m the result for 9M, or for Q3 only?

EVGENY FETISOV *– CFO, Moscow Exchange*
For Q3 only.

DMITRY TREMBOLOVSKY *– Analyst, Goldman Sachs*
OK. Do you know the results for 9M altogether?

EVGENY FETISOV *– CFO, Moscow Exchange*

Let us take it offline, Dmitry. I cannot answer it off the top of my head.

DMITRY TREMBOLOVSKY – *Analyst, Goldman Sachs*
OK. I have two outstanding questions for Sergey or for you. What was the 9M number and how should we think about this number for next year; should I decrease my fee and commission income on money market by this amount or not?

EVGENY FETISOV – *CFO, Moscow Exchange*
As I said, we will take this offline. But the overall approach is that we will have a rolling number that will be deferred from one quarter to another. I have the numbers. Deferred commission income for all the markets for 9M is RUB 611…612 m. This is something that will be booked going forward. This is item No. 25 in our IFRS statement for 9M. You will be able to see that every quarter and get the upcoming number.

DMITRY TREMBOLOVSKY – *Analyst, Goldman Sachs*
Will this deferred income eventually end, or will it continue to roll forward forever?

EVGENY FETISOV – *CFO, Moscow Exchange*
It will depend on the term structure of our products. I believe that we will have this indefinitely now, as we will have the Derivatives Market, which is more than one quarter, and we will have a larger share of longer-term REPO. Presumably, we will always have some amount of income which is deferred to the future period.

DMITRY TREMBOLOVSKY – *Analyst, Goldman Sachs*
All right. That's clear. Thank you very much.

OPERATOR
Thank you. We have another question coming from Maria Semikhatova from Citi Bank. Maria, your line is open.

MARIA SEMIKHATOVA – *Analyst, Citi Bank*
Thank you for the presentation. Just a couple of questions from me. First, on slide 14 you provide a breakdown of your client funds by source. What do you include in the *Other* category, which constituted slightly less than 7% of the funds.

EVGENY FETISOV – *CFO, Moscow Exchange*
The *Other* category includes funds which were placed with us by clients and which are not directly linked to the core markets. There might be some funds left for deposit operations or funds left with CSD for dividend payments. And that may also include gold and silver.

MARIA SEMIKHATOVA – *Analyst, Citi Bank*
Did you change this classification compared to the previous quarter? Looking at your Q2 breakdown, the securities market contribution was roughly 12%, and now it went down to 9%. So is it the underlying trend, do you see a decline in client funds related to the securities market, or does it just have something to do with the change in classification?

EVGENY FETISOV – *CFO, Moscow Exchange*
We did change the classification. We added guarantee fund to the chart, which did not have before.

MARIA SEMIKHATOVA – *Analyst, Citi Bank*
So the underlying trend for client funds for the securities market, how would you…?

EVGENY FETISOV *– CFO, Moscow Exchange*
I do not have these numbers in front of me. I think it is changing up and down; I do not think there is a clear trend, given that there is a large chunk of FX funds, which is free cash and not related to the trading volume directly. Increasing the FX balances and exchange rates can substantially change the percentage for a particular securities market.

MARIA SEMIKHATOVA *– Analyst, Citi Bank*
But I would assume that the majority of funds from the securities markets are coming in roubles.

EVGENY FETISOV *– CFO, Moscow Exchange*
Yes, I think it might be a fair assumption for the securities market.

MARIA SEMIKHATOVA *– Analyst, Citi Bank*
OK. A question on a separate topic, you mentioned a strong improvement in retail clients' transactions. It would be interesting to see the numbers in terms of trading volumes for other markets as you provided for bonds. Can you share what was the volumes in Equities, Derivatives, and FX coming from these retail clients?

EVGENY FETISOV *– CFO, Moscow Exchange*
We have this data in our regular investment presentation, which is published on our website. Would you be so kind as to look it up, I do not have these numbers in front of me right now.

MARIA SEMIKHATOVA *– Analyst, Citi Bank*
OK. Sure, I will check, thank you.

EVGENY FETISOV *– CFO, Moscow Exchange*
Thank you.

OPERATOR
Once again, as a reminder: press "* 1" if you wish to ask a question. We have one more question coming from Anil Sharma from Morgan Stanley. Your line is open.

ANIL SHARMA *– Executive Director, Morgan Stanley*
Hello. Just a couple of questions. I wanted to make sure that I completely understood the cost guidance. What USD/RUB FX rate are you assuming in that number or in that percentage range that you have given? Also, have you thought about the budget for next year? We are in November now, how should we be thinking about cost guidance for next year?

EVGENY FETISOV *– CFO, Moscow Exchange*
As for the USD/RUB rate, we took the actual one for 9M and assumed the current rate for Q4, which is, say, around 62.5. We are working on the budget for the next year, and I think it is a bit too early to give any cost guidance there.

ANIL SHARMA *– Executive Director, Morgan Stanley*
OK. I see, thank you.

OPERATOR
And it was the last question for today. Please, continue. There are no more questions, so please, continue.

Sergey Klinkov *– Director of Investor Relations, Moscow Exchange*

If we do not have any more questions, we can conclude our conference call at this point. Thanks everyone for participation.