MOSCOW EXCHANGE

Q1 2017 Financial Results Conference Call and Webcast

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Evgeniya Abrukina, Deputy CFO
Sergey Klinkov, Director of Investor Relations

Participants asking questions:

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Andrzej Nowaczek, HSBC
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Operator

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to today's MOEX financial results conference call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a Q&A session, at which time if you wish to ask a question you will need to press "*1" on your telephone and wait for your name to be announced. I must advise you that this conference is being recorded today, on Thursday, 18 May 2017. I would now like to hand the conference over to your first speaker today, Mr Sergey Klinkov. Please go ahead, sir.

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

Good afternoon, everyone, and welcome to MOEX Q1 2017 IFRS results conference call. As usual, after the prepared remarks, we will have a Q&A session. Joining us on the call today are Alexander Afanasiev, CEO of MOEX, and Evgeniya Abrukina, Deputy CFO of MOEX.

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 the events occurring after the date of this call, prior to the next conference call. By now, you all should have received our press release containing the results for Q1 2017, and our management presentation is available on the Company's website in the Investor Relations section.

Now I hand the call over to Evgeniya Abrukina. Evgeniya, please go ahead.

EVGENIYA ABRUKINA – *Deputy CFO, Moscow Exchange*

Thank you, Sergey. Thank you all for joining us today. Let me walk you through our presentation showing the financial results of MOEX for Q1 2017. Let us start with slide 2. Let me first cover some of the most important highlights of the year to date. At the recent AGM, MOEX shareholders approved dividend of RUB 17.5 bln, or 69.4% of IFRS net profit for 2016. This is a new record, both in absolute terms and as a share of net profit. Shareholders also approved the new Supervisory Board of twelve directors including six independent directors. For the fourth consecutive year, Alexey Kudrin was re-elected as Chairman of the Supervisory Board at its first meeting. Recently we have had a change in the structure of shareholders. I am glad to tell you that Oppenheimer increased its ownership stake in MOEX to just about 5%.

Following a very successful year of 2016, I am pleased to report that we continued to expand and diversify our product portfolio to ensure strong results, regardless of the external conditions. A few particular highlights included: admission of Russian companies to trade directly on our FX market, which I will discuss in more detail in a moment. We completed the first stage of the listing reform we started back in 2014 and updated our quotation lists. In the long run, this is a very important step that will increase transparency, improve investor trust and lead to more accurate evaluations of Russian equities. We also continued to develop our relatively new soft commodities market. In the first quarter, together with the largest market participants we launched sugar trading of both swaps and forwards. We also added grain swaps to our product line to help market participants obtain funding with grain as collateral and cover potential cash gaps. Finally, MOEX expanded the product portfolio at the Derivatives Market introducing weekly options on the RTS Index in addition to monthly and quarterly RTS Index options. The new maturity of option contracts will allow investors to implement various short terms strategies.

We also continued to strengthen our brand in the global context. Ernst & Young confirmed that MOEX indices are compliant with IOSCO Principles for Financial Benchmarks during the annual assurance review. NSD also completed the annual assessment of its compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures. Improvements were reported in three principles while the level of observance of the other principles remained unchanged. Bloomberg became a distributor of the data provided by the Valuation Centre and joined other vendors, including Interfax, Cbonds and Thomson Reuters.

Now let me update you on key initiatives presented on slide 3. At the start, I will give you more details on one key initiative we have accomplished since the beginning of 2017. Our FX Market has always been outstanding in terms of its efficiency for the market participants with a pool of different types of participants having access to all the on-exchange order books. We have banks, brokers, retail investors and international institutions trading currency pairs directly on MOEX. To maintain strong performance of the market we launched a number of initiatives to expand the investor base and add new investor types. For international investors we launched international clearing membership, and to grow the domestic investor base we provided Russian companies with the opportunity to convert currencies as well as hedge through FX swaps on MOEX. Now corporates can reduce costs thanks to better spreads and lack of intermediary fees, get a transparent price and reduce their risks by dealing with a qualified CCP. Later this year, they will also be able to use our Money Market for liquidity management purposes and place liquidity through the CCP, which will allow them to get higher interest rates without taking extra counterparty risks. So far, three large players have signed on as the pioneers of this concept – oil major Rosneft, diamond producer Alrosa and insurance company AlfaStrakhovanie. We are actively working with 5–7 more companies that we expect to join us by the year end.

Another development on the FX Market included growth of international clearing members share in total volume. The share grew almost two times year to date vs. the same period of 2016.

The federal treasury has successfully placed the so-called “Peoples’ Treasury Bonds”. The placement size amounted to RUB 9.84 bln. The placement shows decent interest from population to the securities market, and we have 7,500 new clients who opened accounts with the brokers.

Finally, at the end of Q1, the number of retail accounts reached 1.69 mln. This is 29% more than at the end of March 2016, which shows that individual investors turn to the securities market as ruble interest rates are falling and bank deposits become less attractive.

Now let me move on to the financial results summary, which is presented on slide 4. Operating income declined by 19.3% YoY primarily driven by lower interest income, which declined by 31.8% YoY due to a change in the currency composition of funds available for investment towards more FX and normalisation of interest rates. The fee and commission income performed well and contributed 52% of total operating income. Most of the markets showed growth, which was partially diluted by weak FX Market, with a total fees and commission decline of just 2.6% YoY.

Operating costs increased by 6.7% YoY. This was slightly above the CPI inflation of 4.3% in Q1 2017. Cost growth was primarily driven by increases in depreciation and amortisation of 42.0% YoY and in IT maintenance expenses by 19.9% YoY, which was in line with the expectations.

EBITDA in Q1 2017 amounted to RUB 6.9 bln, while EBITDA margin remained at a robust level of 72.9%.

Net profit in Q1 amounted to RUB 5 bln, down 28.4% YoY. The basic EPS was RUB 2.23 per share. Return on equity remained at healthy 15.9%, down just 7.9 p.p. YoY despite the decline in net income and a 7% increase in average equity. Moscow Exchange continued to operate as a cash generative business and had no debt as of the end of Q1.

Now I would like to turn to the components of our operating income starting with the fee and commission income, so let us turn to slide 5. The structure of the fee and commission income remained well diversified. The largest contributors to total commission income were the Money Market (26%), FX Market (20%) and Depository and Settlement Services (20%). The 2.6% decline in the fees and commission income was driven only by a weaker activity on the FX spot market – minus 25% – due to lower volatility on the back of steady ruble appreciation during the quarter. The rest of the product portfolio showed solid results. The growth of fees from Money Market was +6%, Fixed Income Market +13%, Depository and Settlement Services +18%. It helped to offset a less robust performance of the FX Market.

Now let us move on to the interest income component, which is presented on slide 6. The total investment portfolio declined by 21% due to lower average market participant balances placed with NCC in all main currencies. The investment portfolio averaged RUB 904 bln in Q1 2017 vs RUB 1.2 trln in Q1 2016. The share of FX denominated client balances, mostly placed with the FX market, accounted to 90% of the total, as market players continued to optimise their cost of funding. The average effective yield of the investment portfolio declined from 2.3% to 2.0% on the back of a changing currency mix and a lower interest rate in rubles. As a result, interest income declined 32% YoY. To reiterate, our investment policy prioritises liquidity and safety over return. As such, we are trying to capture maximum yields, but not as a result of taking extra risks on the balance sheet, including currency risks.

Let me walk you through our trading markets. I will start with the Equities Market presented on slide 7. Stock market volatility remained relatively muted in Q1 with market velocity down from 31% to 25% YoY. This led to a decline of 3% in Equities Market trading volume. However, so far this year has been strong in terms of primary placements. Four Russian issuers – Detsky Mir, PhosAgro, TMK and UWC – successfully raised capital on MOEX. Importantly, secondary equity trading became more diversified. Top ten most liquid stocks accounted for 68% of the overall trading volumes vs 76% last year. We continued to see interest from retail investors in on-exchange products and the Equities Market, in particular. One of the things that clearly demonstrates this is the growth of individual investment accounts (IIAs). As of the end of Q1 2017, around 210,000 IIAs were registered vs 110,000 IIAs a year ago. Just under 94% of all trading volumes generated by IIA owners was through equities.

Fixed Income Market is presented on slide 8. Trading volumes of the Fixed Income Market grew by 91% YoY. Most of the growth came from primary placements, which grew six times YoY. This amount includes RUB 2.2 trln of trading volumes of overnight bonds, a relatively new product launched in October 2016. Primary placements excluding overnight bonds amounted to RUB 720 bln, which is 51% up YoY. Placements of government bonds also grew by a strong 63% YoY. Also, in April, the government placed RUB 9.8 bln out of a total limit of RUB 15 bln of “People’s Treasury Bonds”, which were in strong demand among the population. As a result of that MOEX registered 7,500 new retail clients.

Derivatives Market, slide 9. Due to muted volatility, Derivatives Market trading volumes declined by 38% YoY, led by FX and index futures. However, trading volumes of commodity futures continued to grow, up 16% YoY and contributed 17% of total futures trading volumes. Options also grew by 21% YoY driven by index options, 35% YoY, and commodity options, the fastest-growing derivatives, up 84% YoY. Despite a decline in trading volumes, results of the tariff reform and shift in the products mix towards higher-yielding products allowed to show just a 3% decline YoY in fees.

Money Market results are presented on slide 10. Trading volumes on the Money Market increased by 20% thanks to continuing development of on-exchange repo. The trading volumes of on-exchange repo increased by 24% YoY. Expansion of repo with collateral management through NSD was driven by transactions of the federal treasury. REPO with the Bank of Russia continued to decline, down 66% YoY, amid better liquidity in the banking system, while the need to redistribute liquidity supported repo with CCP, which grew by 63% YoY. Fees and commissions on the Money Market grew by 6% from the high base, which includes deferred fees from long contracts from 2016. Excluding that, the fee income growth would have been around 18.4% YoY, which is in line with trading volume curve.

FX Market is presented on slide 11. FX Market trading volumes increased by 1% thanks to a 28% YoY growth in swap trading volumes, which offset a 42% decline is spot trading volume amid modest FX volatility. At the same time, Moscow Exchange managed to increase its market share of the on-shore FX market from 52.8% in 2016 to 57.4% in the reporting quarter.

Let us turn to slide 12 for the depository and settlement services. Average assets under custody increased by 12% YoY and reached a record of RUB 35.7 trln thanks to appreciation of the value of the securities and a higher number of issues under custody, up 23% YoY. Fees and commissions grew by 18% YoY driven by fees from safekeeping as well as strong results from clearing and collateral management services.

IT services and listings are presented on slide 13. Listing fees declined 22% YoY, as issuers were able to place a smaller number of issues of a greater size driven by strong investor appetite. Sales of information services and market data contracted by 13% due to ruble appreciation, up 22% YoY, as major revenue in this line MOEX received from international customers in foreign currencies. Sales of software and technical services increased by 2%.

The operating expenses are presented on slide 14. The total cost growth was slightly above the inflation rate, as I mentioned earlier. Personnel costs remained under control and declined by 2% YoY to RUB 1.6 bln, thanks to an annual bonus reversal and a slower pace of a new share-based option allocation. Personnel costs amounted to 49% of total costs. We continued to hold a number of employees approximately at the same level of 1,600. Administrative expenses grew by 16.8% YoY in line with expectations. Growth of depreciation and amortisation and higher spending on maintenance of intangible assets was due to migration to the new data centre last year.

That concludes my opening comments, and now I would like to thank you all for your attention and open the Q&A session.

Operator

Thank you. Ladies and gentlemen, we will now begin the question and answer session. As a reminder, if you wish to ask a question, please press "*1" on your telephone and wait for your name to be announced. If you wish to cancel your request, you can press the "#" key. Once again, it is "*1" if you wish to ask a question.

Your first question is coming from the line of Andrew Keeley. Please go ahead.

ANDREW KEELEY – *Sberbank CIB*

Good afternoon. I have a couple of questions. First of all, on your costs growth. I guess, as expected, you had quite high-teen other OPEX growth, which was driven by higher D&A, but obviously your staff costs growth came in quite a lot better than perhaps would have been expected. I am just wondering whether you can tell us a bit about how you see the cost lines evolving in the coming quarters. You mentioned a bonus reversal – is there going to be any kind of subsequent effects like that? And talking about your annual guidance of 17–19% cost growth, doesn't that look much too high given what we have seen in Q1? Thank you.

EVGENIYA ABRUKINA – *Deputy CFO, Moscow Exchange*

Hello, Andrew. This is Evgeniya. Thank you for your question. The growth in the depreciation, amortisation and IT costs is in line with the guidance, which we gave previously while disclosing the year-end financials. We expect the total OPEX for 2017 to be within the guidance given, but probably closer to the lower bound because we usually have a seasonal peak of spending in the second quarter of the year.

In terms of bonus, we do not expect any other extraordinary items like this.

ANDREW KEELEY – *Sberbank CIB*

OK, do you mean that by the end of the year you expect the personnel costs to be up around similar level to the other operating expenses in terms of growth?

EVGENIYA ABRUKINA – *Deputy CFO, Moscow Exchange*

When we were giving the total guidance, we mentioned that this was driven by depreciation and IT, which were driven by the CAPEX programme completed in the previous year. Personnel costs will be below the guidance given.

ANDREW KEELEY – *Sberbank CIB*

Alright, OK, thank you. My second question is on your interest income yield. If we look on slide 6, clearly there was a big drop in the effective yield, which means there are a lot of different components there, but if we break it down, we notice there was quite a strong growth in the share of euros within your clients' funds, which obviously effectively pay nothing. Dollars also increased and I guess dollar rates went up a little bit, as that chart indicates. Altogether, this implies a very strong decline in your ruble yields, even though, if we look at market rates in the first quarter, they were pretty stable or down a little bit. Could you please explain a bit what is going on there and why was there such a strong drop in these ruble yields? Thank you.

EVGENIYA ABRUKINA – *Deputy CFO, Moscow Exchange*

OK, Andrew, this is Evgeniya again. In the presentation, we show the average yields because we have swaps in our asset portfolio and therefore it is quite complicated to detect a particular currency yield. The total portfolio interest yield decreased because of the portfolio composition shift towards euro collateral from clients, because the clients increased significantly the part of the collateral placed in euros with us and also with the securities. In terms of ruble yields, they decline in line with the CBR and the market policy. We are just takers here in terms of what is available on the market.

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

A small addition from my side. This is Sergey Klinkov speaking. Actually, in Q1 2017, we also allocated a bit more rubles into the mandatory reserves to the CBR, according to the legal requirements, and that also affected the ruble yield which we had and probably gives an answer, partially, to your question.

ANDREW KEELEY – *Sberbank CIB*

Thank you. Was it a one-off thing for Q1 or will we also see that in subsequent quarters?

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

It will definitely depend on the amount of client balances and the type of clients that will bring these balances. This is absolutely in line with the regulations. I won't exclude that similar things might stay with us going forward. Again, this is something required by the legislation. Definitely if we assume growth of trading flows that will be linked to the growth of clients' collateral, mandatory reserves will also grow.

ANDREW KEELEY – *Sberbank CIB*

Right, OK, thank you.

Operator

Thank you. Your next question is coming from the line of Andrzej Nowaczek. Please go ahead.

ANDRZEJ NOWACZEK – *HSBC*

Thank you. I wanted to ask you how you measured volatility in the FX Market. And if you could you break down this volatility by quarters in 2016? We are obviously coming from the high base, that is why we had this drop in Q1. But did the base change in Q2 2016? How did it look in 2H 2016? Thank you.

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

Thanks, Andrzej. Actually, we are quite straightforward in measuring volatility. We just take the standard deviation of the price fluctuations during the day. That is how we came up with the numbers that we have. You are absolutely right that in Q1 2017 we had much lower volatility than a year ago, which definitely affected performance on the spot market. As for Q2, you definitely saw the results of April, I would not say that we saw a significant growth of volatility; I would say that it is still relatively muted, though it is a little bit bigger than you saw in Q1.

ANDRZEJ NOWACZEK – *HSBC*

But regardless of what the change in volatility was in Q2-to-date, how would it compare with Q2 2016?

SERGEY KLINKOV – Director of Investor Relations, Moscow Exchange

I think it is a little bit lower. If you think about the difference in Q1, it was definitely larger than in Q2. I think that we see the volatility more or less coming to the levels we saw last year.

ANDRZEJ NOWACZEK – *HSBC*

OK, thank you, Sergey.

Operator

Thank you. Your next question is coming from the line of Jason Hurwitz. Please go ahead.

JASON HURWITZ – *VTB Capital*

Good afternoon. A couple more questions on the interest income, if I may. First of all, we had very low ruble balances in March and April. I would love to get your sense of where you see those trends going, if you are able to do anything to encourage more people to keep rubles at the Exchange, or what is your view on that overall. The second question is related to the low yields in Q1. We noticed that there was a bit of high cash balances. Maybe if there was any kind of a change in the way you manage your portfolio. It would be great to have an insight there. Third, there was an interest expense in the quarter that was a lot more than normal. If you could comment on that, that would be great. And finally, with regards to the Fed hike. How much does a, let's say, 25 b.p. hike from the Fed change your yield on USD portfolio assets? How much does it pass through? Is it one-to-one, or what is the sensitivity? Actually, related to the point you made about the increase in the mandatory reserves, could you quantify how much of your rubles are being set aside for that. That would be great. Thanks. That is it.

EVGENIYA ABRUKINA – *Deputy CFO, Moscow Exchange*

Jason, thank you for your question. In terms of low ruble balances – we do not have a goal or mission to increase our client balances. We are here to provide the infrastructure for trading for our clients. Our balances are linked to the trading volumes on the different markets. Because there is linkage we believe that there is a very fair room for ruble balances decline but we don't forecast on this.

In terms of lower yields in Q1, as I have mentioned, the portfolio shift has changed towards increased part of euros with negative or zero interest rate and also to securities in the collateral. That affected the yield on the portfolio.

In terms of changes in the strategy of what the treasury is doing, I think that was the question: we follow our normal strategy which we always use and which as I have mentioned is focused on liquidity management and avoiding any risks, including currency risks.

In terms of interest expense which increased in our financials, this is linked to the fact that we see some opportunities in the market and we raise some interbank loans and have some swaps on the balance sheet on the other side, and this was the effect of the increase of interest rate together with the interest rate which we pay our clients for the collateral for stress.

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

A small addition from my side. As you probably remember last year we added collateral for stress, this is a new type of collateral. And as we revise our requirements for collateral for stress on a weekly basis, which means that we hold money for one week, we start to pay customers on that collateral which led to higher interest expenses in Q1 2017.

With regards to the question on the investment strategy and sensitivity to the Fed hikes, I should say that we do not expect any changes in our investment strategy as it has been with us for years, it is fairly conservative, it actually proved to be fairly efficient. And as you probably know we are relatively sensitive to changes in rates either in rubles or in dollars. We are struggling to say if it will take one-on-one, I mean changes in the Fed hike, but in a certain period of time we are definitely sensitive to any changes in the interest rates. And if you don't mind, I will take offline your last question regarding the changes in the mandatory reserves as we do not have these numbers on our fingertips but I will be happy to follow-up via e-mail after the call.

JASON HURWITZ – *VTB Capital*

Great. Just one follow-up on the interest expense line. Should we treat this as a one-off, because it was based on an opportunity?

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

It was part of regular treasury activities which we had. What the treasury is doing is trying to maximise yields capturing all opportunities which the market gives them. I would not say that it is a one-off, I would say that this is the part of their regular activity. When they saw an opportunity to make money on interbank market, they took it. So last quarter they saw more opportunities to make money on swaps, and that is why they attracted money from the interbank market and that is why we see the growth of interest expenses, but they have been makings swaps and they generated yields on that side.

JASON HURWITZ – *VTB Capital*

Also with the regard to the ruble balances. I understand that you do not really want to make a forecast on that, but maybe you could give us some insight on any one particular market that is the source of the rubles, where perhaps volatility is over. Is there anything you could tell us that would help us to understand how to model the ruble balances.

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

Just to reiterate, I would say that the rule of thumb would be that client balances are linked to the trading volumes growth and if you assume any trading volumes growth you should expect growth of client balances. With regard to the currency composition, I would not say that there were particular markets or just one market where we had significant changes in ruble balances. I would say that this is a general trend which we started to see last year when our customers were trying to save on the cost of funding and trying to substitute expensive collaterals (and rubles are definitely an expensive collateral) with cheaper options like securities or euros, in some cases dollars. And that is why we saw some rise in euros and some decline in rubles. However, having said that, I have to point out that we see fairly limited downside risks there, as there are certain products where we require just rubles, like variable margin on derivatives, and also definitely people need ruble with the Exchange in order to settle their positions. So no matter what you are trading you have to settle, you have to deliver currency, which is ruble, so you need to keep rubles for that.

JASON HURWITZ – *VTB Capital*

Very helpful, thanks very much.

Operator

Thank you. Your next question is coming from the line of Olga Veselova. Please go ahead.

OLGA VESELOVA– *Bank of America Merrill Lynch*

Thank you. A small follow-up on the interest expenses. Could you please confirm that you do not pay any interest on any type of funds, which you have from clients.

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

Olga, thanks for the question. Actually, we do not pay interest to customers, it is true, but we have two types of collateral where we are paying interest and one of them would be collateral for stress, this is a new thing, which we introduced last year. As I mentioned, the key difference from the regular collateral is that we hold this kind of collateral for one week at least, so this money is with us, it is not on all money, that is one thing. Also we are paying customers interest for collateral against OTC derivatives, I mean, which they clear centrally.

OLGA VESELOVA – *Bank of America Merrill Lynch*

And this special non-free collateral, how sizable is it versus the total size of collateral?

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

I would say it is a small fraction of the other type of collateral. And maybe one more point on the previous question – what is important to understand here is that both the collateral for stress and OTC derivatives are to some extent new lines of business. The growth of that type of collateral would be linked to the growth of business, which is more important for us.

OLGA VESELOVA – *Bank of America Merrill Lynch*

OK, thank you. And my other question is about costs. Given that part of cost drivers which should increase your costs this year were already valid in Q1, and the total cost growth was a single-digit growth, do you think that your full year cost guidance is conservative?

EVGENIYA ABRUKINA – *Deputy CFO, Moscow Exchange*

Yes, we usually tend to be a little bit more conservative on our costs side, we have always been. But as I mentioned earlier, we believe now that our actual OPEX for 2017 will be closer to the lower bound of the conservative, if you may, guidance which we have provided. This is still prudent guidance even though it is conservative.

OLGA VESELOVA – *Bank of America Merrill Lynch*

OK, thank you.

Operator

Thank you. Your next question is coming from the line of Olga Naydenova. Please go ahead.

OLGA NAYDENOVA– *BCS*

Hello. A couple of questions. One relates to your depository fees and that looks like coming ahead of the amount of assets in custody. Could you please tell us why that is happening? And is that gap sustainable? Will we see more depository fees coming in?

My second question is if you could please update us on the progress or the timeline for your unified collateral pool project, and how soon we will see the first markets merged? So that we will be getting sense on how that affects collateral and trading.

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

With regards to the first question on depository business: indeed, more than 70% of total fees of that business are coming from safekeeping and to the large extent growth of our fees is explained by the growth of assets under custody, but it is also important to remember that we are providing other services like collateral management and some clearing services at the NSD. Actually, fees from that side of the business grew by more than 50%, which definitely contributed to the strong results of our depository business.

Jumping to your second question on the single collateral project, I should say that we are on track with the project. We still think that this year we will be in a position to provide customers with an opportunity to trade from the single account across all the markets that we have. And starting next year we are going to introduce cross-margining services across different asset classes. So from that standpoint we are fairly on track.

OLGA NAYDENOVA– *BCS*

On track, meaning when will we see any first progress on the project?

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

I think the thing is that we have been doing this gradually and would say that we already have some progress on that. We have introduced some functionality between FX spot and FX derivatives and we will continue to do so. Then it is more up to customers, how fast customers will accommodate to these projects. It is very difficult for us to give you any precise expectations on the pace of the impact of the project. At least at this point.

OLGA NAYDENOVA – *BCS*

Thank you.

Operator

Thank you. There are no further questions at this time. As a reminder, it is "*1" on your telephone if you wish to ask a question.

And your next question is coming from the line of Andrew Keeley. Please go ahead.

ANDREW KEELEY – *Sberbank CIB*

Hi, just a quick question on your direct corporate access. I think you mentioned that you were going to introduce some Money Market initiatives. Can you tell us a bit more about what they will be?

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

Yes, sure. Actually, the key idea here is just I would say to diversify our client base. The first steps that we made in that direction is that we provide Russian corporates with access to the FX Market. But to strengthen this product offering for corporates we are going to provide them with the opportunity to place the liquidity through the order book with CCP. I mean, currently they have an option to come to the bank and make corporate deposits, and we will provide them with an alternative. That is how we see that.

ALEXANDER AFANASIEV – *CEO, Moscow Exchange*

I would like to make a small addition. It is not only that. I would say that the main idea is definitely to enlarge our customer base but also to provide the market with a unique product, namely an exchange-traded ruble yield instrument. The current REPO market, like the Money Market in general, even interbank market in Russia is pretty short-term, mainly overnight. The providers of longer money are only corporates, they are not banks. That is why by acquiring the corporates directly to the trading rooms of Moscow

Exchange, we are providing the other market participants with a longer-term supply of money. That is our second important target for that product.

ANDREW KEELEY – *Sberbank CIB*

Thank you very much. That's good.

Operator

Thank you. There are no further questions now. Please continue.

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

If you do not have any further questions, then I think that at this point in time we can conclude the call. Thanks everyone for participation. Please feel free to e-mail or just call me directly if you have any further questions or any of them appear later. Thanks everybody for participation.