Sponsored Market Access
to Moscow Exchange

REGULATORY BASIS

On the 6th February 2015, the Central Bank of Russia published and put into force provision #437-P **«requirements for organized trading»**. With this provision, the regulator allows clients of market participants to connect directly to the Exchange Trading and Clearing Systems (TCS). That means it is now possible for the Trading member to provide technical means to its clients for the dissemination of information and/or software*.*

This provision opens opportunities to provide sponsored market access to trading.

Trading members can now offer this service to any category of investors - from private individuals to the largest international hedge funds, HFT, parent companies of Russian corporations (foreign banks), etc.

SMA is available on the FX, Stock and Derivatives markets of MOEX.

DMA VS SMA

| DIRECT MARKET ACCESS (DMA)	SPONSORED MARKET ACCESS (SMA)
The Trading member's client is registered in the Trading member's broker system.	The Trading member's client is registered in the MOEX Trading System.
The client has login and technical access to the broker system.	The client has login and technical access to MOEX Trading system.
The client sends instructions to its broker via the broker system.	The client sends instructions to the Trading System.
The broker has login and technical access to MOEX Trading system.	The broker has separate mandatory access to the Trading System in order to receive client transactions reports.
Risk management (pre-trade) checks are done on the broker system level.	Risk management is partially implemented in the MOEX Trading System and potentially at the broker system level.
The broker's backend system receives execution reports from the broker system and the Exchange.	The broker's backend system receives execution reports from the broker system and the Exchange.

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BUSINESS BENEFITS

✓ Allows end clients (including non residents) to connect **directly** to the MOEX trading system.

✓ For the first time, allows non residents to have naked access to the Exchanges systems and **avoid latency penalties** from brokers infrastructure.

✓ Gives brokers additional risk management tools and fat finger checks for managing their clients flow, with no latency penalty.

SMA TECHNICAL SETUP
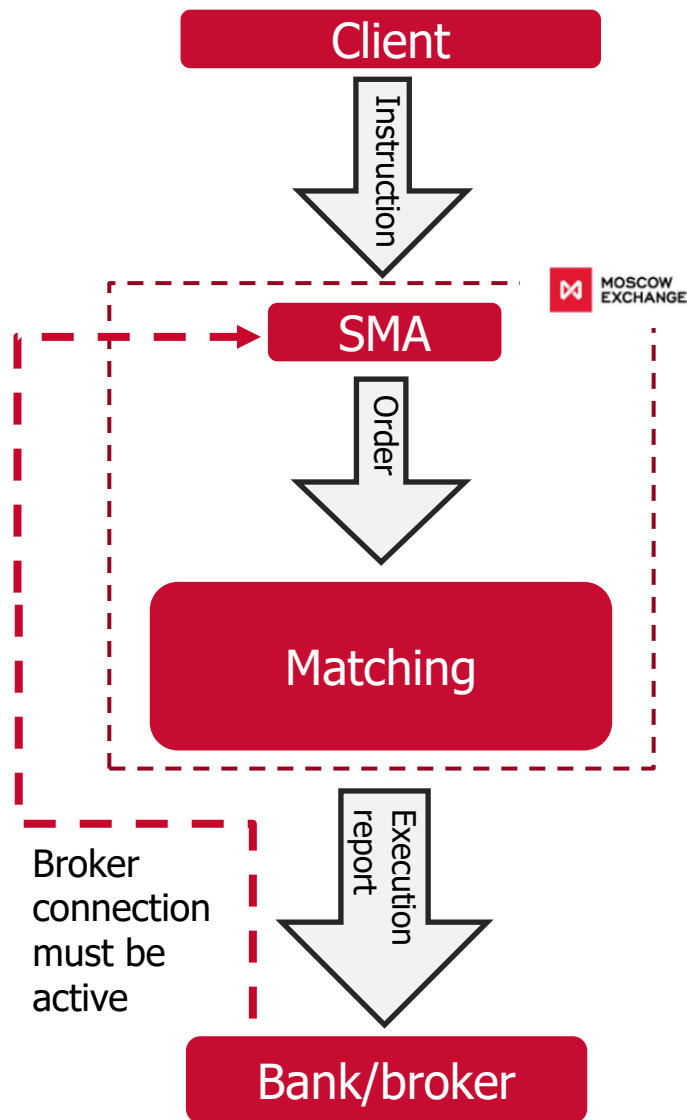
Sponsored access is the direct connection of a Brokers client to the Exchange infrastructure.

- Connection of a Sponsored client occurs through a request from the clients Broker.

- Sponsored clients receive access to the MOEX Trading system via personal id (SMA_ID).

- The client can submit trading instructions to the Trading member (sponsoring company) to be executed as orders at the Exchange. These instructions are converted into orders under the control and full responsibility of the broker (sponsored company).

- To its Trading members, the Exchange provides special risk management tools to control the order flow generated by clients.

- Sponsored clients can use direct connection to the Exchange, i.e. use colocation or ConnectME connectivity.

- Sponsored clients receive full access to gateways and protocols: API, FIX/FAST and trading terminals*

*there are some limitations for terminals depending on the type of connection setup

ADDITIONAL FEATURES

Cancel on disconnect

Cancel On Disconnect is a service that automatically removes orders from the Sponsored client (SMA_ID) after reaching a certain period of inactivity, disconnection or loss of connection of the Client with the TCS.

Cancel on drop-copy disconnect

Cancel On Drop-Copy Disconnect is a service that automatically removes orders from the Sponsored client (SMA_ID) after reaching a certain period of inactivity, disconnection or loss of connection of the Sponsoring Broker (MASTER_ID) with the TCS. Orders from the SMA_ID are only accepted when there is at least one active connection with a MASTER_ID.

Pre-trade checks

Pre-trade checks grant the sponsoring broker additional risk management tools for their clients, including fat finger checks.

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Obtaining a SMA_ID

A market participant files a request form to the Client Centre of MOEX to obtain an Identification code for connecting a client to Sponsored access trading. In the request, the participant specifies the code for the registered client, settlement account code, and the identification number of the market participant (sponsor) that is used for sending orders (called a MASTER_ID). In the same request form, the market participant activates the Cancel on Drop-Copy Disconnect, and has the option of also activating Cancel on Disconnect.

Connection process

A client connects to the access server of the trading system with their SMA_ID. The client sends instructions to the trading system, signed off with their SMA_ID. Upon receiving instructions, the trading system completes the following:

- Standard trade and limit checks, set up by the Broker
- A check for at least one active connection with a MASTER_ID (using a mechanism similar to Cancel on Disconnect)

After passing all checks, the instructions are signed off with the MASTER_ID (in a specific field) and are placed as orders in the trading system.

CONNECTION DETAILS

Connection

SMA_ID is provided to the market participant
- A maximum of 4 MASTER_IDs are linked to each SMA_ID
- Each client can use multiple SMA_IDs

Connectivity options

Any, SMA is realized on the level of the trading system.

Services & Software

- FIX transactional, +drop copy and trade capture
- FAST market data
- Trading Terminal
- Web services, EOD reports, EDI services, Mobile app, and more

Risk controls

- Cancel On Disconnect
- Cancel On Drop-Copy disconnect
- Fat Finger Checks +
  Existing risk management system

Broker software requirements

Broker (MASTER_ID) connected using Cgate should support Heart Beat transactions to confirm the connection is active

Client software requirements

If Cancel On Disconnect function is enabled, all connections should support Heart Beat transactions to confirm the connection is active

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KILL SWITCH

➢ Kill switch commands can be used for the activation or deactivation of both SMA logins and ordinary logins.

➢ Parameters of the transaction:

    1. Login
    2. Activate: Y/N
    3. CancelOrders: Y/N

➢ When Activate is set to to Y, Trading operations allowed. When Activate is set to N, trading operations are not allowed. If the login is deactivated, trading transactions are not accepted, and the trading system yields an error code.

➢ Deactivation of a login remains until the end of the trading session and will return during any resets of the trading system during technical breaks.

➢ If during deactivation (Activate = N), CancelOrders = Y – the trading system will remove existing orders from that login.

PRE-TRADE RISK CHECKS

Stock Market	Derivatives Market	FX market
Order price deviation check (order price VS current price)	Order price deviation check (order price VS current price)	Deviation of price level from current market price
Maximum volume in order	Maximum volume in order	Maximum volume of order (in number of lots, or in Roubles)
Maximum volume in market order	No market orders on derivatives market	Maximum sum of orders in a single trading day (in Roubles)
Maximum volume in order in equities	Maximum volume	Maximum number of transactions per second
Maximum volume in orders in a trading day	Maximum volume in orders in a trading day (without netting)	List of permitted trading modes
Maximum net position in money	Already exists (client limits)	List of permitted instruments
Maximum position in equities	Maximum position in contracts (short) / Maximum position in contracts (long)	Maximum GROSS position long or short in quantity or in Roubles
Maximum amount of transactions per second	Already exists (specified during setup of a login)	Maximum NET position long or short in quantity or in Roubles, in aggregate or in a specific instrument
List of allowed equities (SECID)	Already exists (setup through trading prohibitions)	
List of allowed trading modes (BOARDID)	Prohibition on negotiated trades	
List of allowed trading modes (BOARDID) for certain Trading/Clearing accounts (TCA)		
Gross Position Check at Trading/Clearing Account level		