Sponsored Market Access to Moscow Exchange
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.
<table>
<thead>
<tr>
<th>DIRECT MARKET ACCESS (DMA)</th>
<th>SPONSORED MARKET ACCESS (SMA)</th>
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</thead>
<tbody>
<tr>
<td>The Trading member’s client is registered in the Trading member’s broker system.</td>
<td>The Trading member’s client is registered in the MOEX Trading System.</td>
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<tr>
<td>The client has login and technical access to the broker system.</td>
<td>The client has login and technical access to MOEX Trading system.</td>
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<tr>
<td>The client sends instructions to its broker via the broker system.</td>
<td>The client sends instructions to the Trading System.</td>
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<tr>
<td>The broker has login and technical access to MOEX Trading system.</td>
<td>The broker has separate mandatory access to the Trading System in order to receive client transactions reports.</td>
</tr>
<tr>
<td>Risk management (pre-trade) checks are done on the broker system level.</td>
<td>Risk management is partially implemented in the MOEX Trading System and potentially at the broker system level.</td>
</tr>
<tr>
<td>The broker’s backend system receives execution reports from the broker system and the Exchange.</td>
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</table>
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.
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
**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.
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
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 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

<table>
<thead>
<tr>
<th>Stock Market</th>
<th>Derivatives Market</th>
<th>FX market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order price deviation check (order price VS current price)</td>
<td>Order price deviation check (order price VS current price)</td>
<td>Deviation of price level from current market price</td>
</tr>
<tr>
<td>Maximum volume in order</td>
<td>Maximum volume in order</td>
<td>Maximum volume of order (in number of lots, or in Roubles)</td>
</tr>
<tr>
<td>Maximum volume in market order</td>
<td>No market orders on derivatives market</td>
<td>Maximum sum of orders in a single trading day (in Roubles)</td>
</tr>
<tr>
<td>Maximum volume in order in equities</td>
<td>Maximum volume</td>
<td>Maximum number of transactions per second</td>
</tr>
<tr>
<td>Maximum volume in orders in a trading day</td>
<td>Maximum volume in orders in a trading day (without netting)</td>
<td>List of permitted trading modes</td>
</tr>
<tr>
<td>Maximum net position in money</td>
<td>Already exists (client limits)</td>
<td>List of permitted instruments</td>
</tr>
<tr>
<td>Maximum position in equities</td>
<td>Maximum position in contracts (short) / Maximum position in contracts (long)</td>
<td>Maximum GROSS position long or short in quantity or in Roubles</td>
</tr>
<tr>
<td>Maximum amount of transactions per second</td>
<td>Already exists (specified during setup of a login)</td>
<td>Maximum NET position long or short in quantity or in Roubles, in aggregate or in a specific instrument</td>
</tr>
<tr>
<td>List of allowed equities (SECID)</td>
<td>Already exists (setup through trading prohibitions)</td>
<td></td>
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<tr>
<td>List of allowed trading modes (BOARDID)</td>
<td>Prohibition on negotiated trades</td>
<td></td>
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