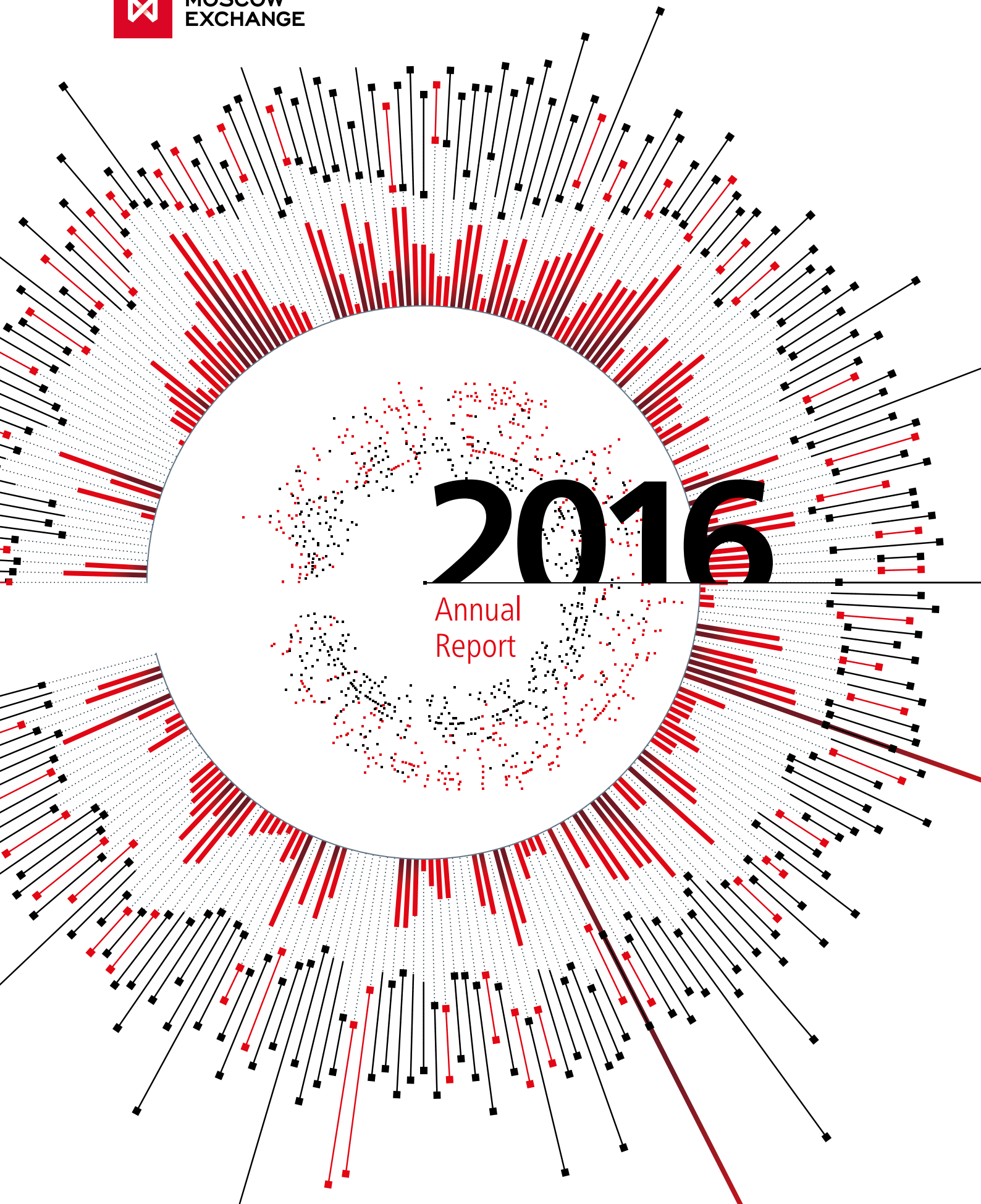




MOSCOW  
EXCHANGE

2016

Annual  
Report



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# About MOEX

Ticker:

**MOEX**

Moscow Exchange Group manages Russia's main trading platform for equities, bonds, derivative instruments, currencies, money market instruments and commodities. The Group includes Russia's central securities depository (National Settlement Depository) and a clearing centre (National Clearing Centre) that perform the functions of a central counterparty on the markets. Moscow Exchange offers its clients the full spectrum of trading and post-trade services, as well as a wide range of information services.

classes. In February 2013, Moscow Exchange completed an initial public offering on its own platform (ticker: MOEX). As of 31 December 2016, the company's market capitalisation was RUB 286.2 billion, and the free float was 62.4%.

Moscow Exchange was formed in December 2011 from a merger of Russia's two main exchange groups: MICEX Group, the oldest domestic exchange and operator of the leading equities, bonds, foreign exchange and money markets in Russia; and RTS Group, which at that time operated Russia's leading derivatives market. This combination created a vertically integrated exchange for trading of all major asset

## DISCLAIMER

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This document includes forward-looking statements. All statements other than statements of historical fact included in this document, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future.

Important factors that could cause our actual results, performance, achievements or industry results to differ materially from those in these forward-looking statements include, among others:

- the perception of market services offered by the Company and its subsidiaries;
- the volatility of (a) the Russian economy and the securities market and of (b) the highly competitive sectors in which the Company and its subsidiaries operate;
- changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets;
- increased competition from new players in the Russian market;
- the ability to keep pace with rapid changes in science and technology, including the ability to use advanced features that are popular with the Company's customers, as well as with those of its subsidiaries;
- the ability to maintain continuity of the process of introducing new competitive products and services, while maintaining competitiveness;
- the ability to attract new customers in both domestic and international markets; and
- the ability to expand our product offer in international markets.

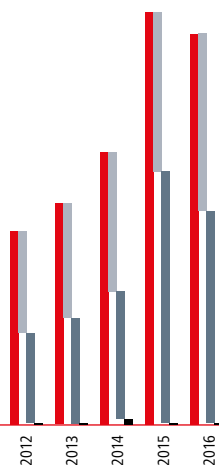
Forward-looking statements are only valid as of the date of the publication of this document, and we expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this document as a result of any change in our expectations or any change in the events, conditions or circumstances on which these forward-looking statements are based.

# 2016 Highlights

## FINANCIAL HIGHLIGHTS

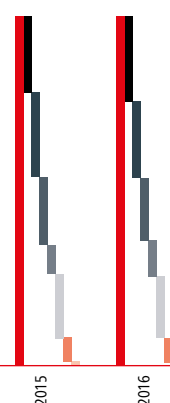
Key financial highlights in 2012–2016, RUB million

	2012	2013	2014	2015	2016	Δ 2016/2015
<b>Operating Income</b>	<b>21,547.0</b>	<b>24,606.0</b>	<b>30,394.0</b>	<b>45,990.0</b>	<b>43,567.2</b>	<b>-5.3%</b>
Fee and commission income	11,406.8	12,792.1	15,586.0	17,784.0	19,797.6	11.3%
Net interest and other finance income	10,033.3	11,754.9	14,279.4	28,084.9	23,695.0	-15.6%
Other operating income	106.9	58.9	528.7	121.1	74.6	-38.4%

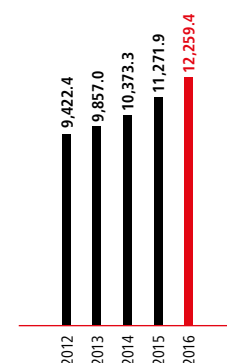


Fee and commission income structure in 2015–2016, %

	2015	2016
Money Market	21.8	24.4
FX Market	24.3	21.9
Depository and settlement services	19.5	18.0
Derivatives Market	8.3	10.4
Equity & Bond Market	18.4	17.6
Information services and sales of software and technical services	6.9	7.0
Other	0.9	0.6



Operating Expenses, RUB million



## PERSONNEL

Employees excl. those with a second job in the Group (incl. maternity leaves), persons



Staff turnover, %

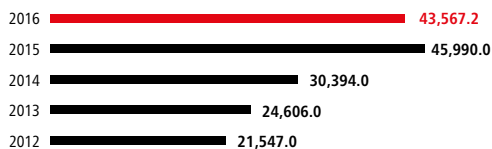


Average annual number of training hours per employee, hours

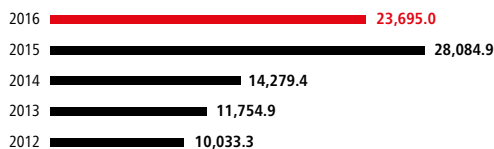
	2014	2015	2016
Corporate training	27.2	11.1	10.7
Professional training	6.8	31.9	16.4



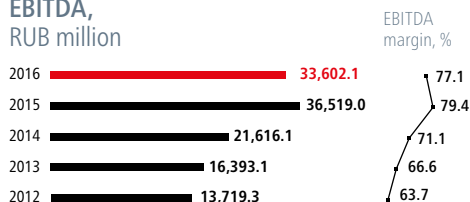
### Operating Income, RUB million



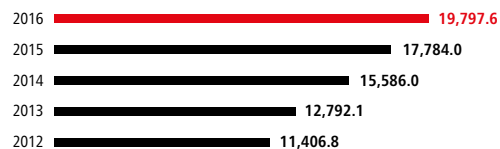
### Net interest and other finance income, RUB million



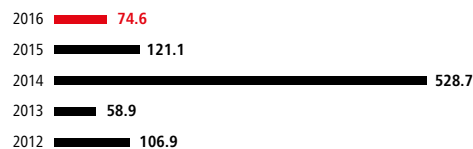
### EBITDA, RUB million



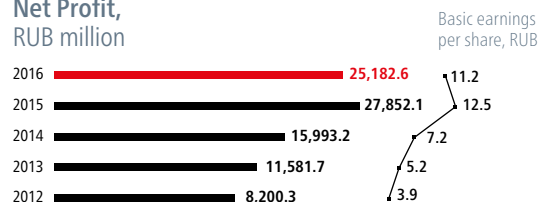
### Fee and commission income, RUB million



### Other operating income, RUB million



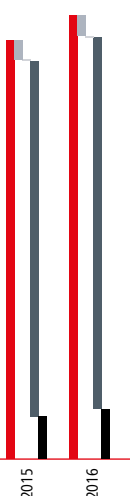
### Net Profit, RUB million



## ENVIRONMENTAL PERFORMANCE (CONSUMPTION)

### Energy efficiency, RUB thousand

	2015	2016	Δ 2016/2015
<b>TOTAL</b>	<b>59,497.0</b>	<b>62,969.0</b>	<b>5.8%</b>
Gasoline	2,993.1	2,732.4	-8.7%
Diesel fuel	46.6	172.9	271.0%
Electricity	50,456.5	53,010.7	5.1%
Heat	6,001.2	7,053.8	17.5%



## SOCIAL INVESTMENTS

A total amount  
of money allocated to  
charitable assistance,  
RUB million



A total amount  
of money allocated to  
charitable assistance is

**28.3**  
RUB MILLION

# Business Model

Clients without market participant license

---

Retail investors  
**2,402,584**  
INDIVIDUALS

Legal entities  
**45,881**

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Market participants

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**537**

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Member area

CLIENT SERVICES

## Markets



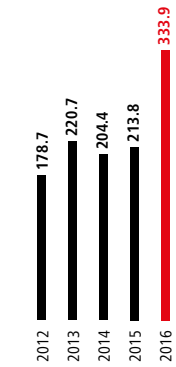
### Advantages of cycle-protected business model Commission income

	Equity market	Bond market	Derivatives market	FX market
2016	↓ 3.0%	↑ 25.0%	↑ 40.0%	↑ 0.4%
2015	↓ 7.0%	↑ 14.0%	↓ 10.0%	↑ 27.0%
2014	↑ 26.0%	↓ 25.0%	↑ 5.0%	↑ 41.0%



### Money market

Trading volume dynamics, RUB trln

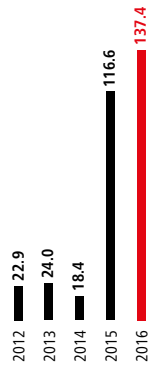


- Repo with CCP
- Inter-dealer repo
- Repo with CBR
- Repo with collateral management system



### Commodities market

Trading volume dynamics, RUB bln



- gold
- silver
- grain
- sugar

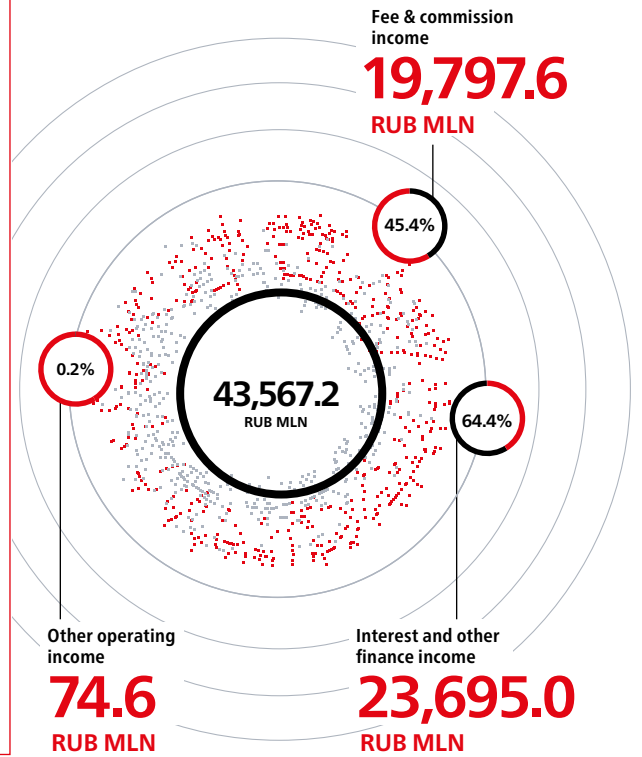


### Post-trading services

- Clearing (NCC)
- Depository and settlement services (NSD)

## MARKET DATA

### Operating income



#### Money market

↑ 25.0%

↑ 20.0%

↑ 28.0%

#### Depository and settlement services

↑ 3.0%

↑ 9.0%

↑ 37.0%

# Statement from the Chairman of the Supervisory Board

ALEXEY  
KUDRIN



DEAR SHAREHOLDERS!

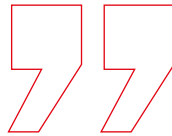
2016 was a successful year for the Russian market, with total trading volumes on Moscow Exchange growing by 24% and capitalisation of the equity market increasing by 31%.

The Exchange delivered strong operating and financial results thanks to excellent implementation against our strategy and the management team delivering on all key performance indicators set by the Supervisory Board for 2016, including enhancing the reliability and stability of the Exchange's infrastructure.

Moscow Exchange's system of corporate governance is in line with global best practices. In 2016, corporate governance at the Exchange was reviewed by an independent consultant with the resulting report incorporated into this document. With active support from the Audit Committee and the Supervisory Board as a whole, we succeeded in bringing our corporate governance system in line with the new listing requirements.



Moscow Exchange is a leader in terms of dividend payments among the world's largest exchanges we have increased the size of the dividend payment annually.



**Alexey Kudrin,**  
Chairman of the Supervisory Board

The current Supervisory Board comprises high calibre professionals with unique expertise and professional backgrounds, half of whom are independent directors. This underlines the Exchange's commitment to a high degree of transparency and robust governance.

In 2016, our shareholders approved corporate restructuring of the company through consolidation of MICEX Stock Exchange and MB Technologies, two wholly-owned subsidiaries. The restructuring, which was completed in the fourth quarter of 2016, aimed to optimise the Group's corporate structure, streamline customer relationships with Group companies and reduce costs both for customers and for the company.

The dividend policy employed by any public company is an important factor in determining a company's appeal to investors. Moscow Exchange is a leader in terms of dividend payments among the world's largest exchanges; we have increased the size of the dividend payment annually and have exceeded the minimum pay-out ratio set in our dividend policy. 55.1% of the company's net profit in 2014 was paid in dividends, 58.2% of 2015 net profit was paid and 69.3% of net profit in 2016 was recommended to be paid out.

Moscow Exchange's share price showed significant growth of approximately one third in 2016, and has more than doubled since IPO. The company's free float is 62.4%, one of the highest among Russian companies.

Moscow Exchange does a great deal to promote the Russian market and its infrastructure internationally. As part of these efforts, the company hosts annual Exchange Forums in Moscow and the world's major financial hubs

One of the Exchange's priorities is to proactively participate in strengthening corporate governance in Russia. In particular, we conduct annual report contests among Russian companies and we support the All-Russian Forum on Corporate Governance, the Forum for Members of Boards of Directors, the OECD-Russia Corporate Governance Roundtable and the Issuer Corporate Governance Index. In 2016, the MOEX IR Academy was opened to provide training for specialists in such areas as investor relations and corporate communications as well as analysts.

I would like to thank all of Moscow Exchange's shareholders and customers for their confidence and support, and also for effective communication aimed at improving the market infrastructure and development of the Russian financial market.

# Statement from the Chief Executive Officer

**ALEXANDER  
AFANASIEV**



DEAR COLLEAGUES!

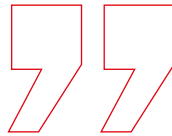
Moscow Exchange is continuing to successfully execute on the company's strategy to improve its product offering and technology, introduce new instruments and services and attract Russian and international investors to its markets. In an environment of lower volatility and reduced investor activity across most emerging markets, Moscow Exchange posted strong results for 2016.

We saw robust growth in trading volumes on almost all our markets, which drove record fee and commission income, the core source of income for an exchange.

Moscow Exchange remains the main platform for equity and debt offerings by Russian companies. In 2016, issuers raised over RUB 2.5 trillion in capital from domestic and international investors via Moscow Exchange.

During the year, we launched a number of successful products intended to grow the Russian financial market, enhance its depth and sophistication. These included repo in general clearing certificates, a new currency pair, new futures contracts and new types of bonds.

Moscow Exchange has established itself as a leader in the Russian fintech space; it strives to advance the market and meet needs of very different groups of customers.



**Alexander Afanasiev,**  
Chief Executive Officer

Moscow Exchange has established itself as a leader in the Russian fintech space; it strives to advance the market and meet needs of very different groups of customers. We support Russian fintech start-ups that contribute to accessibility, transparency and quality of investment services.

For the Russian financial market to evolve successfully, we need to grow the domestic retail investor base. This can be achieved primarily through financial education and increasing the financial literacy of households. In 2016, the Moscow Exchange School conducted over 250 online and interactive workshops at which more than 10,000 individual investors were given knowledge and skills in investment portfolio management.

One of our priority tasks has been ensuring the uninterrupted operation of our trading and clearing systems. Over recent years, the company has invested a great deal to improve the reliability and capacity of the IT infrastructure. An important step was made in 2016 with the relocation of our IT systems to a new state-of-the-art data centre that has facilitated improved service quality and accessibility.

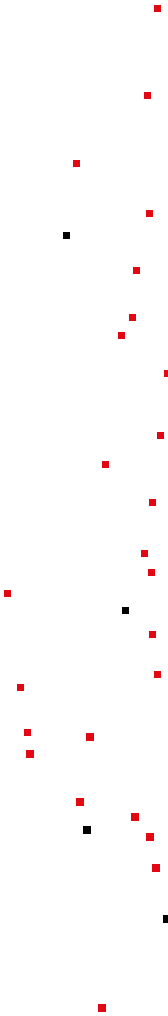
The completion of the main phase of the listing reform was a major achievement of 2016 that helped strengthen corporate governance across the Russian public company universe and improve the transparency and perception of the Russian market.

Moscow Exchange itself is determined to develop model corporate governance and to remain attractive to a wide variety of investors.

New challenges, such as growing demands from market participants, competition and rapidly changing technology, require new approaches to our work. In 2016, Moscow Exchange introduced new corporate values. New corporate values as a company management tool will contribute to more effective business processes, a stronger customer focus and greater engagement and collaboration within the company.

We expect that more active borrowing by Russian businesses via public markets will be a growth engine for our business. Moscow Exchange in return will continue to streamline the bond issuance process, develop new fixed-income instruments and further improve its technologies.

In our efforts towards developing the Russian financial market, we work closely with market participants, shareholders and the regulator, and I would like to thank all of them for their support and collaboration.





# 1

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## Strategic Report

# Industry Overview

## Overview of the Exchange Industry

Exchanges are organised markets designed to provide centralised facilities for the trading of financial instruments, including securities issued by companies, governments and other entities, as well as commodities and derivatives.

Exchanges typically generate core revenue by collecting fees from issuers for the admission to trading of their securities, fees from financial intermediaries who deal in the financial instruments traded on the exchange and the sale of market data and technological solutions.

In many countries, depository, clearing and settlement services are provided by independent organisations, although there is an increasing consolidation trend, with several leading exchanges adopting a vertical structure and integrating most or all of these activities within a single group. Thus, for vertically integrated exchanges, additional revenue streams include, among others, clearing and settlement charges, custody and depository fees and net interest income earned from client funds held on the exchange group's balance sheet.

The exchange industry is generally supervised by a financial regulatory agency; in some cases, exchanges may also exercise quasi-governmental authority as a self-regulatory organisation (SRO) responsible for policing their members and affiliated markets.

### Key Trends

Over the past decade, the industry has undergone significant re-structuring, characterised by consolidation of exchanges through mergers, acquisitions and alliances both globally and within Europe. For example, ICE's acquisition of the NYSE in 2013 established one of the world's largest exchanges by market capitalisation. Significant transactions in Europe include: NASDAQ's 2007 acquisition of OMX (Nordic region) and LSE's 2007 acquisition of Borsa Italiana and 2013 acquisition of a majority stake in LCH Clearnet. In 2011 MICEX's merger with RTS combined Russia's two largest exchange groups.

Other than the major wave of consolidation in the sector, recent industry trends and developments include:

- Demutualisation and subsequent self-listing of exchanges, providing them with additional liquidity and capital to expand their businesses and leading to increased competition in the sector globally;
- Electronification and significant automation of trading, drastically increasing the emphasis on low latency levels at execution venues and certainty of execution leading to significant modernisation and upgrades of the IT infrastructures and exchange platforms;
- Diversification into new products and services by bringing new types of financial instruments, such as derivatives, investment fund units, trusts and fixed income securities onto exchanges, in addition to the creation of new business models to encompass complimentary activities related to the trading of instruments, including the sale of market data and the licensing of software;
- Emphasis on vertically integrated business models, which allow exchange groups to capture a greater share of the total wallet of customers while also enhancing risk management, improving connectivity and streamlining the customer experience through the trade cycle;
- Development of "alternative" exchange-regulated markets that provide a venue and facilitate listings and raising of capital by small- and medium-sized enterprises that would typically not qualify for Main Boards/ Official Markets;
- Development of new technologies and the rise in popularity of Electronic Communication Networks (ECNs), Multilateral Trading Facilities (MTFs) and Organized Trading Facilities (OTFs), which compete with traditional exchanges in terms of cost, speed and efficiency, as well as transparency;

- Increasing importance of data, analytical tools and risk management as part of services provided by exchanges and Central Counterparties (CCPs).

To succeed in this highly competitive industry, exchanges have made large-scale investments in their information technology platforms in order to improve performance and increase trading volumes, to diversify sources of revenue and to offer more sophisticated solutions to their customers. Moreover, faced with intensified competition from ECNs, MTFs and OTFs, some exchanges have been induced to cut fees or launch their own ECNs, MTFs or OTFs.

## Moscow Exchange Competitors

The key competitors of Moscow Exchange are the London Stock Exchange, the New York Stock Exchange and NASDAQ, EBS FX Platform (ICAP Group), the Chicago Mercantile Exchange (CME Group), the Deutsche Börse, and the Hong Kong Stock Exchange.

The LSE is both one of the largest global exchange groups and the major overseas venue for trading in global depositary receipts of Russian companies. When a company chooses to join the LSE, it can list shares on the Main Market or the Alternative Investment Market (AIM). The LSE boasts an advanced electronic trading system that supports several market types. The LSE Group also owns Turquoise, a trading platform competing with Moscow Exchange in Russian stocks and the index derivatives segment.

The NYSE is one of the world's largest exchange groups and it hosts trading in global depositary receipts of Russian corporate issuers. It has been in competition with Moscow Exchange since 1996, when the NYSE became the first international exchange to list depositary receipts of a Russian company.

## Moscow Exchange in the Global Context

### Among the top 3 fixed income exchanges in 2016<sup>1</sup>

Exchange	Country	Trading volume (USD bn)	Including repo
1 BME	Spain	6,875	✓
2 Moscow Exchange	Russia	3,764	✓
3 Korea Exchange	South Korea	2,843	✗
4 LSE Group	UK	1,976	✗
5 Johannesburg SE	South Africa	1,850	✓
6 Nasdaq OMX	USA	1,712	✓
7 Oslo Borse	Norway	713	✓
8 Bolsa de Valores de Colombia	Colombia	417	✗
9 Shanghai SE	China	398	✗
10 Taipei Exchange	Taiwan	268	✗

<sup>1</sup> Due to the difference in methodology, data on the volume of bond trades may not be comparable between sites.

### Among the top 3 derivatives exchanges in 2016

Exchange	Country	Trading volume (contracts, m)
1 CME Group	USA	3,942
2 NSE India	India	2,135
3 Moscow Exchange	Russia	1,963
4 Shanghai Futures Exchange	China	1,681
5 Deutsche Börse	Germany	1,592
6 Dalian Commodity Exchange	China	1,537
7 BM&FBOVESPA	Brazil	1,358
8 CBOE	USA	1,124
9 Nasdaq OMX	USA	998
10 Zhengzhou Commodity Exchange	China	901

Source: Moscow Exchange, WFE, Bloomberg

NASDAQ is one of the leading global exchange groups trading in global depositary receipts of Russian corporate issuers. It has been in competition with Moscow Exchange since 2000. A new period of competition for Russian issuers began with the IPO of Yandex 2011.

The ICAP's EBS FX Platform is the world's major inter-dealer broker and one of the global FX trading market leaders. In addition to FX instruments, ICAP also provides venues for other developed and developing market instruments, including commodity derivatives, bonds, shares and depositary receipts as well as interest rate-based derivatives. The EBS is MOEX's main competitor in spot trading of the USD-RUB and EUR-RUB currency pairs.

The CME is one of the largest derivative exchanges globally with a wide offering of derivative instruments based on various asset classes, including equity indices, interest rates, FX exchange rates, commodities, and real estate. CME Group provides matching, CCP clearing and settlement services. It is MOEX's primary competitor in the segment of USD-RUB futures and options.

One of the major exchange groups in Europe and globally, Deutsche Börse is a vertically integrated holding comprising the Xetra trading system, the Clearstream settlement depository and the EUREX derivatives exchange. EUREX offers a trading venue for RDX futures (RDX is an index for depositary receipts issued by the Russian blue chips calculated by Wiener Börse).

HKEx is one of Asia's leading exchange groups. It has been competing with the Moscow Exchange since 2010, when RUSAL (an off-shore company incorporated in Jersey) listed its shares on HKEx.

### Among the top 24 stock exchanges in 2016<sup>1</sup>

Exchange	Country	Market cap (USD bn)	Number of issuers	Trading volume (USD bn)
1 ICE&NYSE	USA	19,573	2,307	17,318
2 Nasdaq OMX	USA	8,965	3,835	11,781
3 Shenzhen SE	China	3,217	1,870	11,606
4 Shanghai SE	China	4,104	1,182	7,492
5 Japan Exchange	Japan	5,061	3,541	5,618
6 LSE Group	UK	3,496	2,590	2,286
7 Euronext	EU	3,493	1,051	1,766
8 Korea Exchange	South Korea	1,282	2,059	1,673
9 HKEx	Hong Kong	3,193	1,973	1,350
10 Deutsche Börse	Germany	1,732	592	1,306
...	...	...	...	...
24 Moscow Exchange	Russia	622	245	129

<sup>1</sup> The largest stock exchanges have been ranked by equity trading volumes (EOB only). The ranking excludes BATS because no data on market capitalisation and the number of traded companies has been made available.

### Among the top 12 publicly traded exchanges by market capitalisation<sup>2</sup>

Exchange	Country	Market Capitalisation (USD bn)
1 CME	USA	39.9
2 ICE&NYSE	USA	34.2
3 HKEx	Hong Kong	29.2
4 Deutsche Börse	Germany	16.7
5 LSE Group	UK	13.5
6 Nasdaq OMX	USA	11.2
7 BM&F Bovespa	Brazil	10.4
8 Japan Exchange	Japan	7.6
9 ASX	Australia	7.2
10 CBOE	USA	6.2
11 SGX	Singapore	5.7
12 Moscow Exchange	Russia	5.1

<sup>2</sup> Bloomberg data as of 24 January 2017.



# Mission and Corporate Values

## MISSION

Moscow Exchange Group's mission is to promote economic growth in Russia and contribute to the restructuring of the Russian economy by expanding capital-raising opportunities for issuers and facilitating a client-friendly, safe and transparent environment for local and international investors.

The Group's strategy is focused on achieving this mission. The goals and tasks set out in the strategy support the company's corporate values. In 2015, the company established four main corporate values, the adherence to which will help achieve the Group's goals.

## OUR CORPORATE VALUES

### We are responsible for the future of the company

We share a common goal, we are accountable for our results and for the future of the company.

### We work in partnership with our customers

We listen to our clients and stakeholders, we understand their needs and offer them the best solutions.

### We strive for excellence and are open to change

We are ready for changes, continually striving for excellence, innovation and adhering to best practices.

### We value transparency and integrity

We are supportive and have confidence in each other as we pursue our common goal.

# Strategic Priorities 2015-2020

Key objectives of the Group's Strategy for 2015-2020

Key areas of focus

Projects completed in 2016

## DIVERSIFICATION

Substantially increase revenues from classic infrastructure services and create new trading markets

- Market data and information services
- Technical services
- Indices
- Listing
- OTC derivatives clearing
- On-exchange trading of standardised products

## OPTIMISATION

Improve operational efficiency and streamline Group's business processes

- Strengthening corporate culture
- Optimisation and harmonisation of business processes
- Improving the customer experience
- Implementation of a cost savings programme
- Tariff optimisation

- Deliverable futures contracts launched for USD/RUB, EUR/RUB and CNY/RUB currency pairs.
- CHF/RUB trades launched on the FX Market.
- MICEX and RTS indices for mid- and small-cap stocks introduced.
- First RTS ETF trading started on MOEX.
- New types of OTC contracts with the central counterparty (CCP) introduced, including FX swaps, FX forwards and interest rate swaps.
- Trading in Eurobonds switched to partial depositing and deferred settlement schemes.
- Trades in RUONIA futures launched.
- Premium segment created in the Innovation and Investment Market (IIM-Prime).

- IT systems migrated to the new data centre, with the quality of services and access to MOEX markets improved.
- Shared client registration introduced across all MOEX markets to streamline market access for clients.
- Derivative market tariff reform completed to align tariffs and fees across MOEX markets and harmonise fees within derivative contract groups.
- Batch client registration introduced on the FX Market and Equity & Bond Market enabling clients to start trading on the registration date.
- Updated MOEX values implemented.
- Procurement function restructured with RUB 734 m in cost savings achieved.
- New budget planning system introduced to have the Group budgeting and OPEX/CAPEX control processes significantly optimised.

## DEVELOPMENT OF RISK AND COLLATERAL MANAGEMENT PRODUCTS

Develop an advanced comprehensive system for managing risks, collateral pool and settlements extending to all Group markets

- Development and harmonisation of the risk management system across all markets
- Unified clearing and settlement pool
- Single collateral pool and new collateral management services
- New tripartite post-trading services

## DEEPENING THE MARKET

Develop the local investor base and facilitate greater liquidity of the Russian financial markets

- Support of the regulator in implementing reforms
- Development of the local investor base
- Development of the Bond Market (bondisation)
- Customisation of Repo and derivatives products
- Attracting new issuers
- Implementation of liquidity protection programmes

## STANDARDISATION OF RUSSIAN INFRASTRUCTURE

Complete upgrade of key elements of the Russian financial market infrastructure in accordance with evolving international standards

- Alignment of local financial market practices with international standards in terms of key aspects relevant for foreign investors
- Developing the NSD product offering
- Streamlining of exchange interfaces for market participants and investors in line with best global practices
- Promoting better corporate governance at Russian companies

- Central counterparty (CCP) protection improved with collateral for stress.
- CCP allocated capital increased by RUB 3 bn to RUB 9.5 bn.
- Project finalised to enable inter-market cross-default procedures.
- Migration to the CCP unified accounting system completed.

- A new type of securities – general collateral certificates (GCC) – introduced.
- Asset Manager Ranking launched.
- Over 200,000 individual investment accounts opened.
- Shortest-term bonds trading started.
- Direct access to the FX Market and deposit operations provided to corporate customers.
- Cooperation agreements made with Chinese exchanges, brokers and depositories.
- New type of members (auction organisers) introduced to the M-Deposit segment.

- The first international clearing members (ICM) entered the MOEX FX Market, including Bank of America, National Association (BANA) and ICBC Standard Bank Plc.
- MOEX indices and FX fixings found compliant with the IOSCO principles.
- CME Group and EMTA began using the MOEX fixing for the settlement of RUB FX futures.
- NSD acted as the Head Depository in the placement of sovereign eurobonds.

# Strategy Risks Management System

## Risks Associated with the Implementation of Strategic Priorities

Financial risks / impact on KPIs

### DIVERSIFICATION

Launch of new products may lead to an increase in assets that are exposed to credit and market risks, which will adversely affect capital adequacy.

At the same time, product diversification opens up opportunities for managing interest-rate and liquidity risks, while also mitigating the concentration risk.

### OPTIMISATION

Business process optimisation in the area of risk management improves risk protection.

Non-financial risks / impact on KPIs

Moving to new technology applied to optimise the existing technologies and processes, as well as launching new products may lead to:

- higher operational risks due to new products and processes being embedded into the existing infrastructure;
- increased HR risks associated with the inability of existing personnel to fully meet the requirements of new technologies and new business processes;
- the current system of controls being rendered ineffective, disrupting the operation of the Moscow Exchange's key systems and processes;
- development of new products increases outer exposure of the company's IT infrastructure, which increases the risk of interferences with the Exchange's systems and determines new challenges to insure cybersecurity of the company.

### DEVELOPMENT OF RISK AND COLLATERAL MANAGEMENT PRODUCTS

Development of risk and collateral management methods and technologies results in stricter requirements for financial risk assessment models in terms of their accuracy and reliability and also improves risk protection.

### DEEPENING THE MARKET

Market deepening through investor base expansion may potentially increase the credit risk level, especially in view of the expected rise in assets that are exposed to credit risk.

At the same time, attracting new investors will enable the Company to better manage the liquidity risk and mitigate the concentration risk of exposure to individual counterparties.

Attracting new investors (including individuals) may result in higher operational risks due to new products and processes being embedded into the existing infrastructure.

### STANDARDISATION OF RUSSIAN INFRASTRUCTURE

Gradual alignment of the Russian financial market infrastructure with international recommendations imposes financial and non-financial risks due to foreign investors being granted access to trading and clearing platforms.

Other risks concern the inability to effect changes in legislation and/or obtain the regulator's approval.





2

Performance  
Review

# Financial Results

Moscow Exchange achieved strong financial results in 2016 as the company successfully delivered on its strategy to expand the product offering, grow the domestic investor base and attract more international investors to its markets.

As expected, lower interest rates led to the normalisation of interest income. At the same time, despite lower market volatility than a year ago, the Exchange continued to see substantial volume growth across most trading markets. As a result, the Exchange demonstrated strong growth of fee and commission income, the core source of income for an exchange.

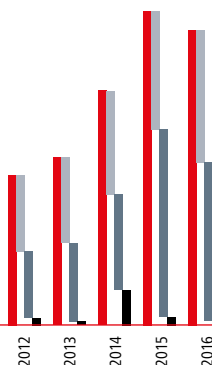
Cost control remains one of the key priorities for the company. Cost growth was mostly driven by capital expenditures, as the Exchange switched to Dataspace1 as the main data centre and increased its IT footprint to ensure reliability of core systems. This led to higher depreciation and amortisation numbers as well as higher IT maintenance costs. Reduced spending on third-party professional services and rent of property delivered cost savings.



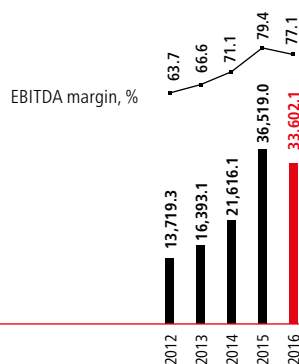
# Financial Highlights

Key financial highlights in 2012–2016, RUB million

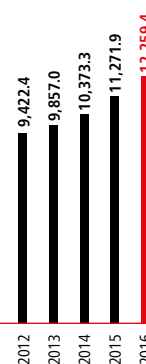
	2012	2013	2014	2015	2016	Δ 2016/2015
<b>Operating Income</b>	<b>21,547.0</b>	<b>24,606.0</b>	<b>30,394.0</b>	<b>45,990.0</b>	<b>43,567.2</b>	<b>-5.3%</b>
Fee and commission income	11,406.8	12,792.1	15,586.0	17,784.0	19,797.6	11.3%
Net interest and other finance income	10,033.3	11,754.9	14,279.4	28,084.9	23,695.0	-15.6%
Other operating income	106.9	58.9	528.7	121.1	74.6	-38.4%



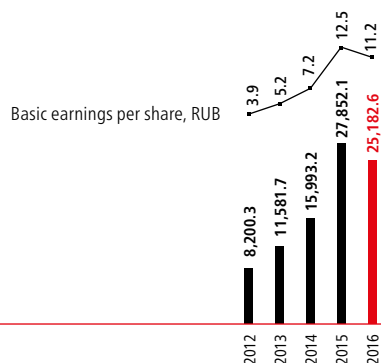
EBITDA, RUB million



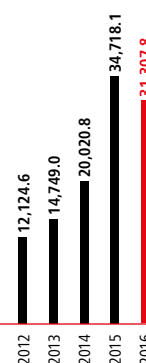
Operating expenses, RUB million



Net profit, RUB million



Operating profit, RUB million



# Fee and Commission Income

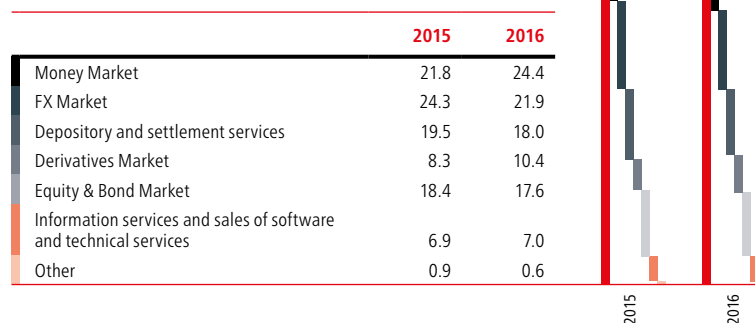
Operating income in 2016 totalled RUB 43.57 bln, down 5.3% YoY due to lower interest income (-15.6%) on the background of decreasing client balances and rates for RUB-denominated assets. Fee and commission income increased by 11.3% YoY driven by strong performance of the Money Market, Derivatives Market and Fixed Income Market.

## Equity & Bond Market

Fees and commissions from the Equity Market amounted to RUB 1.6 bln in 2016 (down 3.2% YoY). Equities trading volumes amounted to RUB 9.3 trln, down 1.3% YoY. The total capitalization of the Equities Market reached RUB 37.8 trln (USD 627.5 bln) as of 31 December 2016.

Fees and commissions from the Bond Market increased by 25.4% YoY and reached RUB 1.5 bln thanks to increased volume of bonds available for trading. This was caused by a decrease of direct repo transactions by the Bank of Russia and subsequent reduction of collateral base of the Bank. Government bond placements grew by 69.9% YoY, while corporate bond placements reached a record RUB 3.9<sup>1</sup> trln (+98.3% YoY). The total trading volume of bonds was RUB 14.6 trln, up 31.0% YoY.

## Fee and commission income structure in 2015–2016, %



## FX Market

Fee and commission income from the FX Market remained flat at RUB 4.3 bln. Trading volumes reached RUB 330.0 trln (up 6.2% YoY). Trading volumes in the swap segment grew by 7.4%, reflecting continued demand for FX liquidity management solutions, while spot trading volumes increased by 3.7% YoY thanks to lower FX volatility.

## Money Market

Fee and commission income from the Money Market increased by 24.8% YoY to RUB 4.8 bln. Total trading volumes on the Money Market, including repo transactions and the deposit and credit market, increased by 56.2% YoY and reached RUB 333.9 trln. The volume of repos with CCP grew by 164.1% YoY and contributed 59.5% of total repo trading volume of RUB 176.2 trln in 2016. The average repo term reduced to 3.4 days from 6.6 days due to a reduced share of repo with the Bank of Russia in the total repo trading volume.

<sup>1</sup> Inclusive of overnight bond offerings of RUB 1.4 trln in 2016

In 2016 fee and commission income grew by

**11.3%**

In 2016 the EBITDA margin was

**77.1%**

## Derivatives Market

Fees and commissions from the Derivatives Market in 2016 amounted to RUB 2.1 bln, up 39.5% YoY. Derivatives trading volumes grew by 18.4% YoY in contract terms and reached 2.0 bln contracts or RUB 115.3 trln. Open interest at the end of 2016 was RUB 639.99 bln, up 8.3% YoY.

## Depository and Settlement Services

Fee & commission income from depository and settlement services grew by 2.9% to RUB 3.6 bln. Assets on deposit held at the National Settlement Depository increased to RUB 36.4 trln as of 31 December 2016 (+14.9% YoY), and averaged RUB 33.1 trln in 2016.

## Other Fee and Commission Income

Other fees and commissions increased by 10.3% YoY to RUB 1.5 bln. Sales of software and technical services grew by 20.8% YoY and contributed RUB 636.3 mln of fee income. Sales of market data and information services grew by 9.2% to RUB 751.8 mln.

## Interest & Other Finance Income

Interest and other finance income declined 15.6% YoY to RUB 23.7 bln due to lower client balances versus 2015 (21% less for RUB and 24% less for foreign currency) as well as lower interest rates in Russia and funds available for investments.

## Expenses

Operating expenses grew by 8.8% YoY to RUB 12.3 bln in 2016, slightly above the Russian inflation rate. Administrative and other expenses grew by 15.0% YoY to RUB 6.3 bln, mostly due to growth in depreciation of property and equipment as well as maintenance of equipment & intangible assets. Personnel expenses grew by 2.8% YoY to RUB 5.9 bln.

## Cash and Cash Equivalents

Moscow Exchange's cash position<sup>2</sup> at year-end 2016 amounted to RUB 85.3 bln. The Exchange had no debt as of 31 December 2016.

<sup>2</sup> Cash position is calculated as the sum of cash and cash equivalents, financial assets at fair value through profit and loss, due from financial institutions, investments available for sale less balances of market participants, distributions payable to holders of securities and margin account under reverse repo.

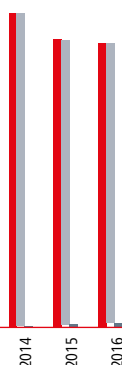
# Markets

## Equity & Bond Market

### Trading Volume

Equities market trading volumes, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Shares, DRs and fund units, in total</b>	<b>10,283</b>	<b>9,398</b>	<b>9,277</b>	<b>-1.3%</b>
Secondary market	10,255	9,352	9,210	-1.5%
Primary market	28	46	67	44.9%



### KEY EVENTS IN 2016

- Overnight bonds were introduced.
- In January 2017, the number of individual investment accounts was over 200,000.
- Eurobonds were transferred to T+2 settlement without full collateral required.
- Trading began in the FinEx Russian RTS Equity UCITS ETF, the first exchange-traded fund tracking the RTS Index.

Bond market, RUB billion

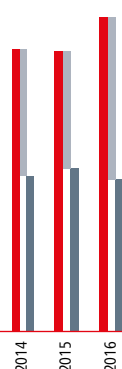
	2014	2015	2016	Δ 2016/2015
<b>Bond market (in total)</b>	<b>10,605</b>	<b>11,159</b>	<b>14,616</b>	<b>31.0%</b>
Secondary market	8,602	8,529	9,589	12.4%
Placements	2,003	2,630	5,027	91.2%



The total securities trading volume in 2016 was RUB 23.9 tn, up 16% year-on-year. Bond trading volume rose by 31% to RUB 14.6 tn, while that of the Equity Market amounted to RUB 9.3 tn, 1% less than in 2015. Bond issuance increased by 91% to RUB 5 tn, of which OFZs accounted for RUB 1.1 tn (up 70%) and corporate and regional bonds for RUB 3.9 tn (a two-fold increase). In 2016, total equity market capitalisation rose by 31%, reaching RUB 37.8 tn (USD 627.5 bn).

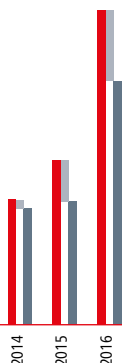
Secondary market, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Secondary market</b>	<b>8,602</b>	<b>8,529</b>	<b>9,589</b>	<b>12.4</b>
OFZ	3,877	3,577	4,969	38.9%
Corporate & other bonds	4,725	4,952	4,619	-6.7%



## Placements, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Placements</b>	<b>2,003</b>	<b>2,630</b>	<b>5,027</b>	<b>91.2%</b>
OFZ	144	661	1,123	69.9%
Corporate & other bonds	1,859	1,969	3,904	98.3%



## New Instruments

The reporting year saw the launch of a variety of new bond instruments, which boosted market liquidity. In particular, the shortest-term (overnight) bonds kicked off at the end of October. By year-end, 49 issues of such bonds were placed (for a total of RUB 1.4 tn).

Another new type of bonds – Russian law-governed foreign currency bonds – appeared on the market as an alternative to borrowing in global markets. In 2016, three issuers offered foreign currency bonds worth a total of USD 1.4 bn.

The Exchange saw a large number of registrations and placements of bonds as part of exchange-traded bond programmes, which make access to the debt market considerably simpler. During the year, the Exchange registered 71 programmes of 67 issuers worth a total of RUB 11.1 tn, and, as part of these programmes, 128 issues of exchange-traded bonds with a total par value of RUB 4.43 tn. There were also 91 offerings with a total par value of RUB 2.3 tn.

In addition, Moscow Exchange continued to launch new ETFs, of which there are 12 today. In March, the Exchange launched its first ETF on the RTS Index. During the year, total ETF trading volumes increased more than threefold to RUB 9.8 bn.

In July, USD-denominated shares of eight ETFs were admitted to trading in the negotiated trades mode with settlement in USD.

## Trading Technology

In 2016, Moscow Exchange continued to improve its technology to facilitate trading by market participants and their clients.

A shared registration system was introduced, allowing for intraday batch registration of clients. The new technology simplified trading member registration and reduced the time it takes investors to join the Equity and Bond Market.

Opening and closing auctions have new order types for USD-denominated instruments, offering investors new trading opportunities.

The Exchange implemented an automated solution to developing an exchange-traded bond programme, which saves issuers a significant amount of time in preparing the required documentation.

In 2016, to support OFZ trading, Moscow Exchange developed a trading technology to control the exchange of bond pools (basket for basket). September saw eight amortised OFZ issues (OFZ-AD) exchanged for three issues of fixed-rate coupon OFZs (OFZ-PD), which boosted the liquidity of government securities.

The number of individual investment accounts exceeded

**200,000**

## Transfer of Eurobonds to T+2 Settlement

As of 25 January 2016, USD-denominated Eurobonds could be traded partially collateralised with deferred settlement. Transfer of Eurobonds to the T+2 trading mode boosted their liquidity and enabled trading participants to use other assets as collateral for Eurobond transactions. As of year-end, Eurobond trading volumes jumped twentyfold versus 2015.

## Retail Investors

Moscow Exchange continued to grow the retail investor market. At the end of 2015, private investors were allowed to open brokerage accounts remotely using the Unified System for Identification and Authentication (USIA) and the Interagency Electronic Interaction System (IEIS). These technologies facilitate the registration of new clients, encouraging private investors to open more accounts in the Russian Equity and Bond Market, including individual investment accounts.

In 2016, Moscow Exchange increased the share of private investors by 9.6% to 1.1 million, with the share of active clients who made at least one transaction during the year growing by 42% to 293,900.

By year-end 2016 investors had opened a total of 195,200 individual investment accounts (versus 88,900 accounts as of year-end 2015). In January 2017, the number of individual investment accounts exceeded 200,000.

Around 100 brokerage and investment management companies opened individual investment accounts for their clients. Over 35% of all these accounts are held by new clients with no experience in the securities market.

## Innovation and Investment Market

### Trading Volume

In 2016, the total trading volume on Moscow Exchange's Innovation and Investment Market (IIM) increased 3.4 times year-on-year to RUB 187.1 bn. The MICEX Innovation Index (MICEXINNOV) rose 58.7% to 386.92.

The IIM was established in 2009 at the initiative of Moscow Exchange and RUSNANO to facilitate investments primarily in small and medium-sized innovative Russian businesses.

### Legislative Incentives

The IIM's liquidity gained ground in part thanks to favourable legislative changes and tax incentives. Amendments to the Russian Tax Code that entered into force on 1 January 2016 mean personal income tax and corporate income tax will no longer be levied on income from selling Russian equities and bonds or on investment units issued by innovative and high-tech businesses, provided the investor holds them continuously for at least one year.

The Industrial Development Fund (IDF) and Moscow Exchange signed an agreement to promote the Russian high-tech sector by providing companies access to capital markets. For example, the IDF is planning to offer leverage to MICEX's IIM issuers on preferential terms, enabling them to pledge their securities and to issue bonds and subsidise coupon rates.

## New Premium Segment

Moscow Exchange's Innovation and Investment Market features a premium segment for equities and bonds from innovative businesses. In 2017, the first issuers to be included in the new segment were United Aircraft Corporation and RUSNANO. The inclusion of securities in the IIM-Prime segment will increase investors' interest for the largest, most reliable and most promising innovative Russian companies.

MOEX continues to monitor the investment quality of issuers, and it removed six issuers from the IIM during the year due to non-compliance with requirements and disclosure standards.

In order to boost the IIM Development Committee's expert capabilities, MOEX signed a contract in September to engage independent experts from the Skolkovo Foundation to screen IIM issuers.

To foster independent analytical coverage, MOEX issued two analytical reports for the investment community in 2016: FinTech Sector Overview (in partnership with Da Vinci Capital and EY as the vendor) and Trends in the Global and Russian Pharmaceutical Markets (in partnership with the IDF and Frost & Sullivan as the vendor).

## Programme to Boost Liquidity

In 2016, a market-making programme was launched for promising IIM equities to increase liquidity and incentivise listing agents. The programme covers equities with the most weight in the MICEX Innovation Index basket.

## Equity & Bond Listing

In 2016, Moscow Exchange continued to refine its Listing Rules by establishing additional requirements for issuers, listed securities and market participants, with a view to enhancing the quality of the securities admitted to trading.

In particular, Moscow Exchange amended the free float requirements for ordinary shares to be admitted to, and maintain a listing on, Level 2. However, there is an option for shares to be admitted to Level 2 without complying with the free float requirement if it is expected that the shares will be in compliance with the requirements upon completion of a planned offering.

There is no longer a limitation in respect of the number of directors who may be qualified as independent directors by a Board resolution. At the same time, Moscow Exchange introduced additional corporate governance requirements for any member of the board to qualify as an independent director, and requiring that the issuer disclose the relevant resolution on its website.

A new Ticket System web service was launched for issuers, who are now able to file their listing applications with the Exchange online, and can be informed of the status and progress of their ticket and application by reference to their ticket number, which is assigned automatically.

A new requirement has been introduced whereby any holders of unsecured bonds should appoint a representative.

Concessionary issuers whose bonds are admitted to the Level 1 List are now subject to an additional requirement requiring them to disclose information on concession arrangements and their efforts to implement those arrangements.

As of the end of 2016, 1,867 securities from 692 issuers were admitted to trading on Moscow Exchange, including 299 shares from 242 issuers and 1,268 bonds from 386 issuers. Level 1 and Level 2 lists now include 789 securities from 279 issuers.

## Listing Reform

In January 2017, Moscow Exchange completed the first stage of its listing reform launched in 2012. Issuers were granted a transition period of more than two years to bring their corporate governance system into compliance with the new listing rules. After a review of issuers and their securities, 20 shares from 18 issuers were downgraded in their listing level as of 31 January 2017. Thus, the Level 1 List now includes 60 shares from 52 issuers, and the Level 2 List includes 35 shares from 33 issuers.

- The number of independent directors in companies from the top quotation list increased 1.5 times to 222 directors.
- The percentage of independent directors has risen from 23% to 32%.
- The number of issuers in the highest-level quotation list, which was 64 at the end of 2015, has now been reduced to 52. The Level 2 List contained 44 issuers in 2015, with 33 remaining as of now.

The second stage of the listing reform is to be completed in October 2017, after which equity issuers will have to comply with the expanded list of criteria for an independent director and expanded duties for corporate secretaries. This stage of the reform will come fully into force in January 2018.

The purpose of the listing reform is to improve the quality of corporate governance practices in public Russian companies and to enhance transparency and the investment appeal of the Russian equity market with a view to protecting the interests of both retail and institutional investors.

## KEY CHANGES UNDER THE LISTING REFORM

- the structure of the quotation lists has been brought closer into line with international standards; the number of the listing levels has been reduced from six to three;
- a new free float requirement was introduced for the inclusion of shares in a quotation list;
- a longer history of IFRS reporting is now required;
- requirements regarding the quality of corporate governance at Russian issuers were tightened, including in respect of the number of independent directors and the existence of a corporate secretary, a Board audit committee, a Board remuneration committee, a Board nomination committees and an internal audit department;
- requirements for the rating assigned to issuers and their securities were increased.



## Rating Reform

In late 2016, the Bank of Russia approved a list of credit rating agencies and credit ratings for the purposes of including securities in the Level 1 List. Based on this action by the regulator, Moscow Exchange, beginning from 31 January 2017, downgraded the listing level of the bonds of 13 issuers, since their rating was lower than required or was assigned by a rating agency not included in the Bank of Russia's list of recognised credit rating agencies.

## Expert Council on Listing

To ensure deeper analysis and improve the quality of securities upon their admission to trading and as they continue as listed companies, Moscow Exchange created a new consultation body called the Expert Council on Listing.

Consisting of 37 members, the Expert Council was approved at the end of 2016.

The Expert Council's key function is to develop recommendations for Moscow Exchange on matters of listing, delisting and changing the listing level of securities. Decisions made by the Expert Council are not mandatory, but are intended to augment the Exchange's expertise. Thus, this function has been reassigned from the Stock Market Committee, the Fixed-Income Securities Committee and Collective Investment Committee to the Expert Council on Listing. The procedure for issuing recommendations has also been changed: now, each specific matter will require a dedicated working group consisting of relevant experts.

## Listing Development Strategy

At the end of 2016, Moscow Exchange adopted a Listing Development Strategy for the period to 2020. This document provides for certain step-by-step measures to improve Exchange procedures and to refine listing requirements.

Its key strategic objectives include:

- to improve the quality of listings on Moscow Exchange;
- to increase the number of new issuers and instruments;
- to develop technologies to automate communication between issuers and the Exchange.

In 2017, Moscow Exchange intends to pilot several stress tests in order to forecast issuers' financial and economic stability, taking into account their industry profile.

Accumulated statistics from an index of violations committed by issuers in their disclosure obligations is to be applied to issuers at the stage of maintaining their securities in quotation lists (introduction of threshold index values).

New issuer-oriented services and IT tools will be developed and implemented. In particular, a form constructor for the second part of the resolution to issue Exchange-traded bonds is expected to be launched shortly (in addition to the existing form constructor for Exchange-traded bond programmes), as well as for the resolution to launch a standalone issue of Exchange-traded bonds. By the end of 2017, each issuer's online account will feature a digital signature mechanism, thus reducing paper-based correspondence with the Exchange.

# Derivatives Market and Standardised Derivatives

## Trading Volume

In 2016, turnover on Moscow Exchange's Derivatives Market increased 23% year-on-year to RUB 115.3 tn. Futures volumes increased by 21% to RUB 109.5 tn and options volumes rose by 66% to reach RUB 5.8 tn.

The commodity section of the Derivatives Market saw the strongest growth, with a 3.7-fold increase of trading volumes in Brent oil derivatives and a 2.5-fold increase in gold derivatives.

The average monthly number of active clients (active client accounts) grew by 30% to 51,601.

## New Instruments

In 2016, Moscow Exchange continued to broaden its product offering. One of its new products is RUONIA futures, which are used to hedge risks in the overnight market. The financial result of buying these futures is equal to the difference between the fixed futures price and the monthly mean RUONIA rate. Twelve monthly futures are traded at the same time.

In addition, market participants can now benefit from a full range of options contracts for all Russian stock futures traded at MOEX.

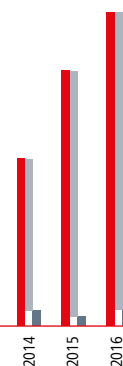
January 2017 saw the launch of weekly options trading for RTS Index futures.

## KEY EVENTS IN 2016

- Trading in new futures contracts on Rouble Overnight Index Average (RUONIA) rate began
- In January 2017, weekly options on the RTS Index futures contracts were launched
- New types of centrally cleared OTC transactions, FX swaps, FX forwards and interest swaps were added to the product line.

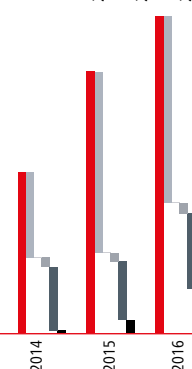
### Trading volume, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Derivatives</b>	<b>61,316</b>	<b>93,713</b>	<b>115,271</b>	<b>23.0%</b>
Futures	55,566	90,231	109,489	21.3%
Options	5,749	3,482	5,782	66.0%



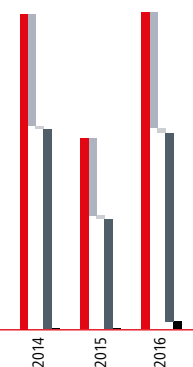
### Futures, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Futures</b>	<b>55,566</b>	<b>90,231</b>	<b>109,489</b>	<b>21.3%</b>
FX	29,404	62,478	64,561	3.3%
Interest	92	25	27	7.2%
Equity & Bonds	3,338	3,054	3,529	15.5%
Indices	21,804	20,291	26,138	28.8%
Commodities	928	4,383	15,234	247.6%



### Options, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Options</b>	<b>5,749</b>	<b>3,482</b>	<b>5,782</b>	<b>66.0%</b>
FX	2,043	1,412	2,119	50.0%
Equity & Bonds	50	60	87	44.8%
Indices	3,645	2,002	3,434	71.5%
Commodities	11	7	142	1826.7%



## Technology

Moscow Exchange continued improving its technology to enhance the reliability of its systems and broaden client capabilities. In particular, MOEX restored the service of risk balancing between the FX and Derivatives Markets, and enabled the use of settlement codes for netting, which effectively means lower guarantee requirements for clearing members and better protection of client positions and assets.

In addition, the billing system was upgraded to move fee calculation from the core of the trading and clearing system to a separate billing module of the Derivatives Market. This provides pricing flexibility and ensures the prompt introduction of new tariff plans, minimises operational risks associated with current tariff management, enhances the reliability of IT systems and reduces costs for support and further development of the pricing systems.

## Transforming Tariffs & Fees

September saw the introduction of revised tariffs and fees for the Derivatives Market, making it possible to switch to a tariff plan based on basis points (as a percentage of the transaction value), which is set for each group of contracts. This transformation will harmonise tariffs across various Moscow Exchange markets and also across groups of derivatives contracts. It is typical of exchanges in emerging markets to charge tariffs as a percentage of a transaction's value.

## Global Reach

In 2016, Moscow Exchange applied to the US Commodity Futures Trading Commission to request FBOT (Foreign Board of Trade) status. This status will make it much easier for US clients to access the Derivatives Market of Moscow Exchange.

## Standardised Derivatives Market

Trading volume in the Standardised Derivatives Market soared to RUB 18 bn in 2016 vs RUB 4 bn in 2015, with FX and interest rate swaps being the most popular instruments.

New types of OTC contracts with the CCP were introduced such as FX swaps, FX forwards and interest rate swaps. Previously, OTC contracts with the CCP included only FX options and exchange-based trades with the CCP such as FX, interest rate, FX and interest rate swaps and FX futures.

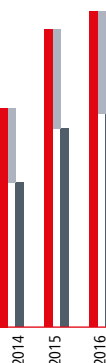
As part of the technology development drive, the Standardised Derivatives Market benefited from enhanced performance of the system and an opportunity to withdraw money after clearing, which translates to lower costs and a better customer experience for MOEX clients.

# FX Market

## Trading Volume

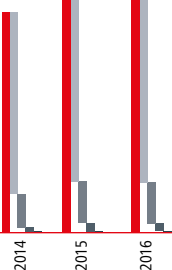
FX market, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Total</b>	<b>228,546</b>	<b>310,837</b>	<b>329,954</b>	<b>6.2%</b>
Spot	77,798	103,335	107,169	3.7%
Swaps	150,748	207,502	222,785	7.4%



FX market, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Total</b>	<b>228,546</b>	<b>310,837</b>	<b>329,954</b>	<b>6.2%</b>
USD/RUB	188,822	257,984	278,334	7.9%
EUR/RUB	34,711	43,400	43,065	-0.8%
EUR/USD	4,693	8,571	7,669	-10.5%
CNY/RUB	305	858	776	-9.5%
Other	14	24	110	349.7%



## KEY EVENTS IN 2016

- MOEX launched new deliverable futures contracts on USD/RUB, EUR/RUB and CNY/RUB, as well as a new currency pair, CHF/RUB.
- Bank of America, National Association (BANA) became the first global bank with general clearing membership on Moscow Exchange's FX Market (the bank cleared trades for the first time).
- The Emerging Markets Trading Association (EMTA) and CME Group started using Moscow Exchange's USD/RUB FX fixing as the major settlement rate for rouble derivatives.

In 2016, FX Market trading volumes totalled RUB 330 tn, up 6% year-on-year. Spot trading volumes accounted for 32%, while the share of FX swap trading was 68%.

According to the Bank of Russia and Moscow Exchange, the Exchange's FX Market share vs. the interbank market rose from 49% to 53%, with the share of USD/RUB trading increasing from 58% to 61%, and the share of EUR/RUB growing from 68% to 80%.

As at the end of 2016, there were 467 trading members of Moscow Exchange's FX Market, including 407 banks and 60 non-credit institutions holding professional securities market participant licences.

Trading volumes of individuals  
on the FX Market grew  
1.5 times to

**RUB 34 tn**

## Client Access

The development of Direct Market Access (DMA) services facilitates the growth of client transactions on the FX Market. In 2016, the share of spot transactions made by clients reached 56%. The number of registered clients doubled to exceed 820,000, with the number of active clients increasing by 1.8 times to 72,000.

Trading volumes of individuals on the FX Market grew 1.5 times to RUB 34 tn, and accounted for 12% of the spot market turnover vs 9% in 2015.

At the beginning of 2017, direct access to the FX Market granted to leading Russian companies will promote further expansion of the client base.

## Attracting Non-Residents

In 2016, Moscow Exchange continued to actively develop projects and services encouraging non-residents' access to the FX Market, namely DMA, Sponsored Market Access (SMA), and separation of trading member and clearing member statuses.

As at the end of 2016, the FX Market's client base included 8,800 registered non-resident clients from 94 countries. In 2016, the share of non-residents in spot turnover rose from 37% to 40% on average. In 2016, Bank of America, National Association (BANA) was granted the status of general clearing member, while ICBC Standard Bank Plc and Otkritie Capital International Ltd (OCIL) obtained the status of individual clearing members of the FX Market.

Under the project separating trading member and clearing member statuses, market participants can apply for general (category O) or individual (category B) clearing membership. Both categories enable international clearing members to trade in the FX Market as trading members' registered clients, grant access to their own clients, as well as clear and settle trades on their own. Moreover, general clearing members are entitled to provide clearing services both to trading members and various client groups, including Russian and foreign legal entities and individuals executing transactions on the FX Market.

## Global Recognition of FX Fixing

MOEX's indices and FX fixings have been recognised as compliant with the International Organization of Securities Commissions (IOSCO) principles. CME Group started using Moscow Exchange's FX fixings for the settlement of RUB FX futures. The key MOEX USD/RUB FX fixing was incorporated in the ISDA FX Definitions, the standard documentation for FX transactions of the International Swaps and Derivatives Association (ISDA), as the primary rate to settle RUB-denominated transactions. Members of the Emerging Markets Trader Association (EMTA) (global banks) started using this fixing for non-deliverable USD/RUB OTC FX derivative transactions. MOEX's USD/RUB FX fixing and the Exchange's overall performance as a fixing administrator meet with the requirements of the Bank of Russia.

## New Instruments and Technological Innovations

In 2016, Moscow Exchange continued to further develop its product offering. Trading in deliverable futures and swap contracts for deliverable futures on USD/RUB, EUR/RUB, and CNY/RUB was launched in the FX Market. In addition, the FX Market introduced a new currency pair, CHF/RUB. In 2016, the trading volume in the new instruments exceeded RUB 62 bn.

The currency pairs launched in late 2014 saw skyrocketing growth. In 2016, trading in GBP doubled to RUB 47 bn, while HKD trading soared 23 times to RUB 60 billion.

2016 saw the implementation of Discrete Auctions technology in the FX Market under the algorithm provided by the Bank of Russia. From the technological perspective, it may be launched starting 16 January 2017 subject to prior approval by the regulator.

To reduce the unproductive load on the trading system and boost order book liquidity, starting from January 2016, different coefficients have been applied to the surcharge, and starting from May 2016, the tick sizes for the major currency pairs were changed from 0.1 kopecks to 0.25 kopeks.

## Eurasian Economic Union FX Market

2016 saw the continued development of the integrated currency market of the Eurasian Economic Union (ICM EEU). Currently, 12 banks from Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan, as well as two international financial institutions, namely Interstate Bank and Eurasian Development Bank (EDB), enjoy direct access to FX trading on Moscow Exchange. In autumn 2016, EDB was granted direct access to trading and was awarded the status of market maker for KZT. In January 2017, Sberbank (the Republic of Kazakhstan) joined the FX Market of Moscow Exchange; access is also to be provided to a number of EEU banks.

In 2016, the total turnover of integrated FX Market participants exceeded RUB 1.0 tn, which is four times higher than in 2015.

## Development of Clearing Services

In 2016, Moscow Exchange focused on the development of clearing services by optimising costs for participants and improving its risk management framework. 2016 saw the implementation of inter-product spreads reducing margin requirements for opposite positions in EUR and USD, balancing of risk exposure in the Derivatives and FX Markets, interest rate risk assessment for TOM settlement instruments, and other projects. Moreover, in 2016 Moscow Exchange introduced a service for managing members' positions by recording them on second- and third-level trading and clearing accounts.

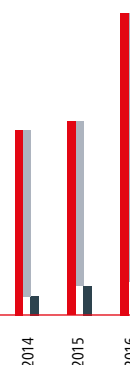
# Money Market

## KEY EVENTS IN 2016

- A new product, clearing participation certificates repo, was launched.
- Corporate clients were given access to deposit and credit transactions.

## Money market, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Total</b>	<b>204,375</b>	<b>213,786</b>	<b>333,883</b>	<b>56.2%</b>
On-exchange repo	183,176	180,991	296,226	63.7%
Credit market	21,199	32,795	37,657	14.8%



## Repo with collateral management by NSD, RUB billion



## Repo with Central Counterparty

Repo with the CCP is a key segment of the Money Market. In 2016, the total volume of on-Exchange repo transactions increased by 1.6 times to RUB 292.2 tn, 59% of which was repo with the CCP. In 2016, more than 280 participants executed repo transactions with the CCP.

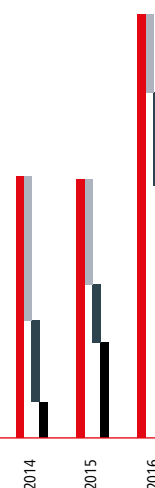
In the reporting year, Moscow Exchange continued to further expand the list of securities admitted to repo with the CCP and introduced a number of new services: trading members are now able to settle repo transactions with the CCP in EUR and USD within a seven-day execution period; the direct repo execution period with settlement in RUB, USD, and EUR was extended up to three months. This innovation helped participants effectively manage liquidity and interest rate risk over longer periods. Repo transactions with the CCP longer than three days accounted for 14% (RUB 24.1 tn) of volumes.

## Trading Volume

In 2016, the total trading volume on Moscow Exchange's Money Market grew by 56%, amounting to RUB 333.9 tn. The repo market's share in the Money Market trading volume reached 89%. In 2016, deposit and credit transactions increased by 15% to RUB 37.7 tn.

## On-exchange repo, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>On-exchange repo</b>	<b>183,176</b>	<b>180,991</b>	<b>296,226</b>	<b>63.7%</b>
Direct repo with the Bank of Russia	100,988	73,626	54,662	-25.8%
Shares and DRs	3,172	2,369	494	-79.1%
OFZ	38,481	21,385	7,967	-62.7%
Corporate & other bonds	59,336	49,872	46,201	-7.4%
Interdealer repo	57,152	40,646	65,393	60.9%
Shares and DRs	26,686	14,221	14,642	3.0%
OFZ	7,845	5,800	7,060	21.7%
Corporate & other bonds	22,622	20,625	43,691	111.8%
CCP-cleared repo	25,028	66,718	176,171	164.1%
Shares and DRs	14,645	26,561	42,040	58.3%
OFZ	9,067	17,810	43,773	145.8%
Corporate & other bonds	1,316	22,347	90,034	302.9%



## Repo with General Collateral Certificates

In 2016, the Money Market saw the launch of repo with general collateral certificates (GCC), featuring both the reliability of the CCP and an efficient collateral management mechanism. A general collateral certificate is a non-equity security subject to mandatory centralised custody originated by the National Clearing Centre against assets deposited into the pool. Cash (EUR, USD and RUB) and any shares and bonds accepted by the National Clearing Centre as collateral are eligible for the pool. Participants contributing to the pool remain the legal owners of the securities, and are entitled to receive any yield on the securities contributed to the pool and to take part in corporate actions. At the same time, participants are allowed to replace securities and use them to settle trades in the Securities Market and in repo transactions with the CCP.

Participants wishing to enter into GCC repo transactions can choose between three key pools: GC Bonds (OFZs, corporate bonds, Eurobonds), GC Shares and GC Sovereign.

More than 5,100 trades totalling RUB 323.8 bn have been executed since the launch of the project. Sixty-four participants are engaged in GCC repo transactions, and six market makers maintain quotes on a daily basis.

## M-Deposits

In mid-2016, MOEX introduced direct market access to the Money Market for corporate clients through M-Deposits, enabling them to efficiently manage their liquidity position through on-exchange auction technology. As the central platform for depositors, M-Deposits offer various options of deposit auctions to participants, including the term and amount of a deposit, currency (RUB, USD or EUR), auction form, lot size, and increment.

Moscow Exchange is the marketplace for deposit and credit operations of the Bank of Russia, the Federal Treasury, the Pension Fund of the Russian Federation and Vnesheconombank.

## New MOEXREPO Indicators

In 2016, new MOEXREPO indicators – USD (overnight) and RUB (one week) repo rates with the CCP – were introduced. The new MOEXREPO indicators are calculated on the basis of bond and share transactions admitted to repo with the CCP.

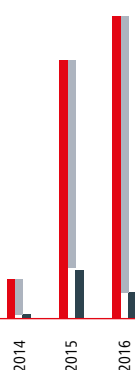
Overnight RUB indicators are calculated separately for CCP bond repos (including Eurobonds) (MOEXREPO) and CCP share repos (MOEXREPOEQ). Indicators are calculated every trading day on the basis of repo with the CCP transactions executed as both order book and off-order book trades.



# Commodities Market

Trading volume, RUB billion

	2014	2015	2016	Δ 2016/2015
<b>Commodities market (total)</b>	<b>18</b>	<b>117</b>	<b>137</b>	<b>17.9%</b>
Precious metals	16	94	125	32.8%
Grain	2	22	12	-44.4%



## On-Exchange Grain Trading

In 2016, Moscow Exchange continued to develop the Grain Market by expanding the product line, engaging new participants and implementing technologies in order to increase liquidity and thereby ensure transparent domestic price discovery.

In late December 2015, the Grain Market was launched on the National Mercantile Exchange, a part of Moscow Exchange Group. Exchange trading initially included deliverable forward contracts with wheat as the underlying asset, with barley and corn being added in November 2016. The Grain Market currently has over 20 accredited grain elevators.

The National Logistics Company organises transportation, alongside survey companies. Grain is stored in accredited grain elevators. NCC Clearing Bank performs the functions of central counterparty to the trades, as well as the operator of commodities deliveries.

Trading participants are offered forwarding services unparalleled in Russian and global exchange-based trading. The service allows the buyer to purchase commodities on condition of delivery to any railway station in Russia.

The first grain batch from the Volgograd Region's grain elevator was delivered to the Novorossiysk station for subsequent export.

Moscow Exchange Group, Rusagrotrans and the Russian Grain Union hosted the Grain Business Infrastructure – Logistics and Finance joint conference, which was attended by representatives of major agricultural holdings, grain traders and infrastructure organisations. The topics discussed included on-exchange grain trading and prospects for further improving infrastructure.

## Government Interventions in the Grain Market

In 2016, 1.3 mn tonnes of grain worth some RUB 12.5 bn (vs. RUB 22.4 bn in 2015) was sold via government procurement interventions in the grain market.

Authorised by the Ministry of Agriculture, the National Mercantile Exchange has, since 2002, been involved in government commodity and procurement interventions in the grain market.

In 2016, 657 agricultural production participants were involved in procurement interventions.

## Precious Metals Trading

In 2016, total trading volumes in the Precious Metals Market grew by 33% to RUB 125 bn, with physical volumes equal to 46.7 t of gold and 1.7 t of silver.

Gold and silver are traded on the FX Market platform using a unified system of margining and risk management. Trading collateral is accepted in RUB, USD, EUR and CNY, as well as precious metals.

In 2016, nine new organisations joined the Precious Metals Market. At the end of 2016, trading involved 64 organisations: 51 banks (including the Bank of Russia) and 13 investment companies. To provide liquidity for the main market instruments, market makers continued to operate under agreements with Moscow Exchange. Six non-banking institutions provide direct market access (DMA) for their clients, both individuals and legal entities.

# 2017 Outlook

Moscow Exchange's key initiative for 2017 is the Unified Collateral Pool service providing for standardised clearing services on the Exchange's markets, including cross margining, alignment of collateral requirements, and comprehensive netting services across all markets.

The new service will give participants an online tool to manage collateral based on their aggregate net position across the markets, decrease costs and increase trading volumes.

## Expansion of the Client Base

Moscow Exchange continues to work toward expanding its client base by optimising technology and offering new opportunities to MOEX participants and their clients in an effort to increase market liquidity and improve the overall client experience.

MOEX will continue its Moscow Exchange School initiative into 2017 as it seeks to educate private Russian investors on investments in exchange-traded financial instruments. Promotion of trading among private investors, mostly via digital channels, is a top priority for MOEX.

Another project of strategic importance is to create a framework for bank lending to be replaced with bond issuance and increasing liquidity of the secondary bond market. As part of this effort, MOEX plans to streamline the procedure for issuance of corporate bonds and continue digitalising services that will reduce the time and scope of listing and market access for new debt instruments (shortest-term bonds, Russian-law foreign currency bonds, floaters, linkers, Bank of Russia coupon bonds, OFZ-n, structured bonds, securitisations, etc.).

## THE UNIFIED COLLATERAL POOL SERVICE

The Unified Collateral Pool service offers a variety of new opportunities:

- a single trading and clearing account that records a unified collateral position on the Equity & Bond, FX and Derivatives Markets;
- alignment of requirements for assets accepted as collateral to improve quality of collateralised assets and expand the list of assets traded as partially collateralised;
- netting of settlement on the FX, Equity & Bond and Derivatives Markets;
- cross margining that allows to cut participants' costs;
- a web terminal to enable electronic document flows between clearing members and the clearing centre.

In 2017 the Exchange plans to provide leading Russian companies with direct access to the Money Market as part of deposit operations via the central counterparty to improve efficiency of idle cash investments. Starting from 16 January 2017, leading Russian companies have had direct access to MOEX's FX Market.

The plans for the Derivatives Market are to separate trading participant and clearing member statuses as is done on the FX Market. This initiative will enable global clearing brokers to join the Derivatives Market along with their clients.

MOEX will continue acquiring non-resident clients for clearing services in the FX Market by granting them ICM (International Clearing Membership) status, as well as general services via SMA (Sponsored Market Access). The Exchange also plans to develop information and technology exchange with large international FX trading systems.

Similar to the Innovation and Investment Market, MOEX intends to create a new public trading segment for SME securities. The Exchange will implement an action plan jointly with leading development institutions to facilitate access to financial market products for promising companies and attract investors' attention to these assets.

## New Instruments

Offering new instruments is a major strategic goal of Moscow Exchange over the coming years.

As part of the programme to expand the range of instruments, MOEX plans to launch trading in new currency pairs (JPY/RUB and TRY/RUB) and non-deliverable futures contracts for international benchmarks, including commodities. In addition, the Exchange plans to develop MOEX USD/RUB FX fixing services.

As part of the integrated currency market development, more options will be offered for trading in the KZT/RUB currency pair, particularly partial depositing and new instruments – TOM (next day settlements) and swaps.

The Standardised Derivatives Market will offer MOEX participants an opportunity to make trades with amortisation and capitalisation options.

As part of updating the MOEX infrastructure for the calculation and publication of indices and indicators, it is planned to calculate an indicative value of the securities portfolio for investment management firms and offer MOEX clients a subscription service for machine-readable data about the structure of indices to automate the index fund management process.

The Grain Market project provides for trading in swaps to be launched on the Commodity Market. The new instrument will enable MOEX participants to raise short-term finance secured with the commodity account balance and optimise payment streams. Moscow Exchange also plans to expand the range of underlying assets, first with agricultural products, then with other commodities. To improve liquidity of the Commodities Market, MOEX will continue acquiring new participants and increasing the number of accredited grain elevators.

In March 2017, MOEX launched sugar trading. The project is supported by the Union of Russian Sugar Producers, whose members can trade on Moscow Exchange either directly or via brokers. Sugar is traded on the UROZHAI trading and clearing platform, which is also used for trading in grain-based derivatives. The present-day trading and clearing technology will increase transparency of the sugar industry, contribute to risk mitigation and raising extra finance through swap transactions, structured products and complex hedging models involving financial institutions.

In 2017, Moscow Exchange will continue improving precious metal trading services and conditions for all participant categories. The Exchange will also consider expanding the product range to include platinum group metals provided there is interest from participants.

## Technology Improvement

In 2017, Standardised Derivatives Market participants will be offered new functionality, including "What-If" analysis for their trading portfolio and a risk calculator to evaluate collateral. As part of the effort to improve technology, MOEX will boost performance of the Standardised Derivatives Market trading and clearing system and develop API to connect participants.

Work is on-going to introduce machine-learning technology and big data tools to analyse MOEX data and cover more data sources. Analysable data will be supplemented with OTC transactions, macro statistics and other relevant financial data to deliver more value for clients.

The existing range of information services will also be expanded to account for the ways MOEX information is used by end-user clients. The Exchange also intends to put into commercial operation a new trading information service offering reference data. The plan for the coming years is to audit the use of MOEX trading information, technology infrastructure and technology services.

An e-voting system will be launched in 2017 to enable security holders to take part in shareholders meetings online. Voting at bondholders meetings will be enabled by a blockchain-based e-proxy voting system.

The Corporate Information Centre will also feature an improved technology platform, including extended functionality of the NRDirect client area to provide for broader information exchange as part of corporate actions and automate early redemption and acquisition of bonds by issuers. The NSDdata.ru web portal will be the single point of access to the NSD's information services and offer advanced customisation and data import opportunities based on open API.

The NSD also plans to introduce a mechanism for clients to prioritise document delivery instructions under the "delivery against payment" or "free delivery" schemes. With the new Linked Transactions service, clients will be able to pool linked transactions and line up instructions in accordance with the preset condition.

Starting from March 2017, brokers and nominee holders will have an opportunity to buy, redeem or exchange units of all investment management companies that are members of the NSD Electronic Document Flow System, as part of the first phase of MOEX's project to create a centralised accounting system for mutual fund units.

# Post-trade Services

## Clearing

In 2016, the Moscow Exchange continued to work on the development of clearing services and processes, as well as on the improvement of risk management framework, primarily in terms of creating a reliable multi-level protection system for the central counterparty (CCP), and enhancing the quality of its management processes in compliance with international standards.

### Technologies

By the end of 2016, the project to enable inter-market cross-default proceedings was finalised. Clearing participants can now enjoy the benefits of transferring funds they have deposited as clearing margin directly between the Derivatives Market and other markets. Thus, all markets (except for the Standardised Derivatives Market) can now utilise a simplified transfer of funds deposited by clearing participants, increasing its effective use.

A new service calculating indicative market exposure to the Equity and Bond Market was introduced. With its help, brokers trading on Moscow Exchange can calculate their risk exposure in client operations. Customers using this service will be able to reduce the operating costs of their broker activities. NCC Clearing Bank sees this service as an extra level of risk protection.

The Bank also migrated to the CCP unified accounting system, which has helped enhance the reliability of its IT infrastructure, reduce operational risks and streamline business processes across all markets.

### KEY EVENTS IN 2016

- Fitch Ratings affirmed the NCC Clearing Bank's rating at the level one notch above the Russian sovereign rating
- Collateral for stress was introduced as an additional layer of the central counterparty (CCP) safeguard structure
- Moscow Exchange increased the dedicated capital of NCC Clearing Bank, its central counterparty (CCP), to RUB 9.5 billion (from RUB 6.5 billion)

### Collateral for Stress

As part of development of the risk management framework and clearing mechanisms, and with a view to bringing the central counterparty (CCP) into compliance with international guidelines, the FX, Equity and Bond, and Derivatives Markets of Moscow Exchange introduced an additional level of CCP protection: collateral for stress. This is part of the individual clearing margin and serves as an additional level of security for risk exposure under participants' concentrated positions should any market stress scenarios materialise. The amount of collateral is determined based on the exposure under the positions held by clearing participants and secured neither by their individual margins nor by collective funds or the CCP allocated capital.

A new service calculating indicative market exposure to the Equity and Bond Market was introduced. With its help, brokers trading on Moscow Exchange can calculate their risk exposure in client operations.

## Central Counterparty Safeguard Structure

To enhance the reliability of the risk management framework on its markets, Moscow Exchange has increased the CCP allocated capital by RUB 3 bn to a total of RUB 9.5 bn.

The allocated capital is part of NCC Clearing Bank's capital that can be used to cover losses in case of default of a market participant.

The increase in the CCP allocated capital is effected as part of the new CCP safeguard structure agreed upon with market participants at the end of 2015, which is compliant with international standards that regulate CCP operations.

In addition to the allocated capital, the system guaranteeing execution of any stock market transaction also includes a margin deposited by all participants, as well as the guarantee fund, into which Moscow Exchange contributes up to RUB 5 bn.

## Ratings

In February 2016 and February 2017, Fitch Ratings affirmed the ratings of NCC Clearing Bank, two of which – the local-currency long-term issuer default rating (BBB) and the viability rating (bbb) – are one notch higher than Russia's sovereign rating (BBB-). The foreign-currency long-term issuer default rating has been affirmed at BBB- level, which is on par with Russia's sovereign rating. In October 2016, Fitch Ratings reviewed the outlook for NCC Clearing Bank, changing it to "stable" following a similar change in Russia's sovereign rating outlook. In February 2017, this outlook was confirmed.

In November, the Analytical Credit Rating Agency (ACRA) awarded NCC Clearing Bank with an AAA(RU) credit rating according to the national scale with a "stable" outlook. According to ACRA, NCC Clearing Bank's credit rating is explained by its strong and stable business profile, its exceptional liquidity and its capital adequacy position, which compensates for the Bank's risk profile, as well as by the fact that the Bank's rating is also supported by the systemic-importance status that the Bank enjoys in the Russian financial market.

## Corporate Procedures

In accordance with the applicable laws, all central counterparties will acquire status as a non-banking credit institution by the end of 2017. In this regard, NCC Clearing Bank is set to carry out a number of corporate procedures, including obtaining a banking licence for the CCP, which is a non-banking credit institution, amending its charter, changing its name, increasing the number of independent directors on the Supervisory Board and automating the CCP's accounts in accordance with its new status.

In November, the Analytical Credit Rating Agency (ACRA) awarded NCC Clearing Bank with an AAA(RU) credit rating according to the national scale with a “stable” outlook.

## CCP safeguard structure



<sup>1</sup> Capital at the minimum level required to maintain capital sufficiency (H1) is 8% since 1 January 2016.

<sup>2</sup> As of 1 December 2016.

# National Settlement Depository

In 2016, assets deposited with the NSD saw a 15% YoY increase and totalled RUB 36.4 tn at year-end. The number of foreign securities under custody almost doubled to 5,100 with a total value of USD 79.1 bn at year-end.

The key event of the year was the successful placement of a USD 3 bn Eurobond issue by Russia's Ministry of Finance, where NSD acted as the Head Depository. The Finance Ministry publicly stated that the offering was a success and announced its plans to further leverage the NSD's platform in the future.

## Corporate Actions Reform

Starting from 1 July 2016, key provisions of the corporate actions reform went into effect, namely:

- NSD's status as official corporate information source;
- a new approach to drawing up lists of securities holders;
- a new procedure for exercising securities holders' rights in the course of corporate actions in a centralised manner through the safekeeping system;
- new methods for participating in general meetings of securities holders, namely, e-proxy voting through a securities depository or e-voting online.

## KEY EVENTS IN 2016

- NSD launched the Corporate Information Center
- E-proxy voting service was launched for using at meetings of bond holders

In 2016, the NSD successfully processed around 15,000 corporate events. Over 3,200 shareholder meetings were held using the e-proxy voting technology based on ISO 20022. During the reporting period, approximately 7,900 corporate actions involving foreign securities were held, up 50% year-on-year.

In 2016, the NSD completed the key phase of implementing its e-voting service. As part of the e-voting project to identify securities holders, Russia's Ministry of Telecom and Mass Communications approved the NSD's integration with the online identification service.



In 2016, the number of trades registered with the NSD's Repository reached

**2.4 mn**

In 2016, the NSD pioneered a blockchain-based technology, a prototype for the e-proxy voting system to be used at meetings of bondholders.

## Repository

In 2016, the NSD's Repository was the first in Russia to receive a license for repository operations from the Bank of Russia.

In 2016, the number of trades registered with the NSD's Repository reached 2.4 mn (compared to 454,000 in 2015), with the total volume amounting to RUB 403.7 tn (compared to RUB 441.3 tn in 2015).

The Repository 2.0 project was completed. Its key objectives were to migrate clients to dedicated software for transaction reporting, to facilitate reporting procedures, to abandon hard copy proxy forms and to migrate to a custodian fee model, where the payer is the message sender. A number of new services were launched, including format and logical verification, automated termination of contracts and provision of non-standard data from the contract register.

## Collateral Management

In 2016, the aggregate value of repo transactions serviced by the NSD collateral management system amounted to RUB 47.3 tn (compared to RUB 46.4 tn in 2015). Federal Treasury repo transactions with the NSD collateral management system more than doubled to exceed RUB 37.4 tn. The NSD collateral management system is used by 192 market participants.

## Information Services

In 2016, the NSD successfully launched the nsddata.ru web resource. As part of this service, a Corporate Information Centre news feed was established, a Securities section offering free access to basic information about securities serviced by the NSD was launched and an API data service was introduced.

The NSD also established a Valuation Centre by approving the composition of its Expert Council and its fair value analysis methodology. An accreditation procedure with the Bank of Russia was successfully initiated. During 2016, the number of Valuation Centre users more than doubled, reaching 53. The Centre has effectively utilised expanded distribution channels, widening its geographical footprint to cover the USA, the UK, Hong Kong, India and Singapore.

## Settlement Services

In 2016, the amount of money transfers remained flat year-on-year at RUB 355 tn.

In 2016, the NSD launched a new service to process cross-currency settlements: payment versus payment (PVP-1), which enables a participant's cash transfer in one currency only if the participant's cash transfer in another currency takes place at the same time, which makes settlements more reliable.

In 2016, the aggregate value of repo transactions serviced by the NSD collateral management system amounted to

**RUB 46.4 tn**

Thomas Murray Data Services, the specialist custody rating, risk management and research firm, maintained NSD's rating at AA-, which translates as a very low-risk exposure profile with a stable outlook.

## Innovations

In 2016, the NSD pioneered a blockchain-based technology, a prototype for the e-proxy voting system to be used at meetings of bondholders. The project was nominated for the Futures & Options World International Awards and Banking Technology Awards.

The NSD and Strate, South Africa's central securities depository, announced a consortium to develop fintech solutions for central depositories. The project involves experts from NASDAQ, the DTCC and SIX. The consortium also sparked interest from the CSD, China's central securities depository.

## International Cooperation

The NSD signed memorandums of understanding with the China Securities Depository and Clearing Corporation Limited (CSDC), the central depository providing equities-related services and supporting Shanghai-Hong Kong Stock Connect, as well as with Shanghai Clearing House, which provides bond clearing services for the Chinese interbank bond market and acts as a central counterparty clearing house. In addition, the NSD set up a direct channel between the Russian and Chinese markets via a partnership with China Central Depository and Clearing Corporation Limited (CCDC), which settles OTC-traded government bonds.

The NSD also signed a memorandum of understanding with the Egyptian central depository and opened an account with the central depository of Georgia.

## Reliability Confirmation

Thomas Murray Data Services, the specialist custody rating, risk management and research firm, maintained NSD's rating at AA-, which translates as a very low-risk exposure profile with a stable outlook. The outlook for the asset servicing risk was improved to positive due to the corporate actions reform introduced by the NSD.

Following an independent third-party review, Thomas Murray Data Services also validated the NSD's observance of the CPMI-IOSCO Principles for Financial Market Infrastructures.

# Information Products

## Indices

In 2016, Moscow Exchange continued to further enhance its range of indices, which are key benchmarks for the Russian financial market.

### KEY EVENTS IN 2016

- MOEX RUB fixings and indices were recognised as compliant with International Organization of Securities Commissions (IOSCO) principles
- The MICEX Index and the RTS Index for small and mid-cap companies were launched

### New Indicators

MOEX introduced two new benchmark indices for mid- and small-cap stocks denominated in Russian roubles and US dollars. The new indices were developed to meet the demand of equity funds investing in Russian mid-cap and small-cap stocks. The index basket is compliant with the UCITS Directive adopted by the European Union under which no single stock may represent more than 10% of the index weight, and the cumulative weight of all components with an individual weight of 5% or greater must not exceed 40% of the index weight. Moreover, certain constraints are applied to the minimum sector and security weights. The indices were launched for the benefit of ETFs.

New MOEXREPO indicators – USD (overnight) and RUB (one week) repo rates with the CCP – were introduced. The MOEXREPO indicators are calculated on the basis of bond transactions admitted to repo with the CCP.

### Changes in Calculation Methodology

Total Return Indices were launched in addition to the MICEX Index, the RTS Index and the MICEX Blue Chip Index. They factor in reinvested dividends from component stocks of the relevant index. Total Return Indices are calculated with gross dividends, i.e. excluding taxes, and with net dividends, i.e. with income tax rates applicable to non-resident and Russian corporate investors taken into consideration.

The Exchange introduced a new calculation methodology with respect to the zero-coupon yield curve (Z-Curve) for Russian government bonds (OFZ). The methodology was revised to include not only transaction data, but also orders, to factor in new parameters and refine the bond selection process. These changes were introduced to make the Z-Curve used by the Ministry of Finance to calculate the interest rate subsidisation options since 2017 more representative.

### International Recognition

MOEX's indices and FX fixings have been recognised as compliant with International Organization of Securities Commissions (IOSCO) principles. Broader use of MOEX's internationally recognised benchmarks by foreign investors and global financial market participants will boost overall liquidity in the Exchange's markets and revenues from its indexing business. An external audit carried out by Ernst & Young confirmed Moscow Exchange's commitment to global best practices in financial benchmarking.

## Quotation and Reference Information

In the area of information services, Moscow Exchange is mainly focused on publication of market data for its public circulation, which can be further used in risk management and automated trading systems, and in the development of new derivative indices.

Stakeholders can also receive access to the Exchange's archived trading results through its corporate website and specialised software.

In 2016, Moscow Exchange conducted a marketing survey among traders and market newswires that demonstrated general satisfaction with the volume and structure of the trading information, as well as the level of technology used in its circulation, and client support offered by the Exchange as part of such information services.

At the same time, this review helped the Exchange to identify new points of growth in the development of its information services, delivering a more clear-cut structure, consolidating data sources, and establishing universal interfaces for sharing information from all Group companies.

Moscow Exchange launched a new trading information service offering reference data and containing lists of instruments quoted on the Exchange, its trading modes and risk parameters, accessible through the MOEX's website interface.

The Exchange expanded the geographies where quotation data is offered: the Exchange entered into cooperation agreements for the sale and purchase of trading information with new global vendors, as well as international financial holdings. Moreover, the Shanghai Stock Exchange became MOEX's official partner for distribution of market data, with the right to issue relevant licenses in mainland China.

## Analytical Products

Moscow Exchange is a unique source of financial market data. It regularly publishes analytic reviews in the form of indicators and reports on markets and the structure of trading.

In particular, the Market Structure product includes aggregated trading data used in calculation of derived indices of an instrument or a group thereof, broken down by investor type. This product has been developed with a view to making the market more coherent and transparent for professional participants and investors, and to creating tools facilitating decision-making and risk management processes.

# Client Service

## Access to Markets

In 2016, Moscow Exchange continued to develop its client services to ensure efficient interaction with customers. This helped to attract new users, make online services more convenient, optimise document management and reduce costs for clients.

### Centralised Customer Registration Service

In 2016, Moscow Exchange migrated to shared client registration for the FX, Equity & Bond and Derivatives Markets. The new technology provides trading members with a single universal client code for all MOEX markets, eliminating the need for clients to sign up for each market separately. One of the Group's strategic priorities is to acquire new retail investors.

Additionally, batch client registration was implemented, enabling clients to begin trading on the day they register. In July 2016, this procedure was introduced for the FX Market and

Equity & Bond Market, and in the future it will be rolled out for the Derivatives Market. In addition to the ability to open remote broker accounts, batch client registration will significantly reduce the time needed for investors to join the Equity & Bond Market. Future plans include online registration to enable clients to trade on Moscow Exchange within just 30 minutes of opening an account.

### KEY EVENTS IN 2016

- Shared registration for clients of market participants was implemented across the FX, Equity Bond and Derivatives Markets
- Shanghai Stock Exchange entered into a partnership with MOEX to become official distributor and licensor of MOEX market data in mainland China

### Document Flow Optimisation

In 2016, the Group continued to optimise document management and migrate to paperless technology. An option to send electronic documents for updating Know Your Customer (KYC) information without hard copies was offered to clients.

With the unified approach applied to trading access procedures, document management in the Money Market was optimised in early 2017, including depersonalisation of traders, merging of documents and transition to electronic interaction with the Bank of Russia. These changes will significantly simplify access procedures and to reduce client costs.

To improve the client experience and upgrade business processes, the Group continued to implement projects aimed at end-to-end data processing. This will reduce the time required to process client requests and in future will enhance accessibility, reliability and quality of the Group's services.

The customer satisfaction index was

**8.6-9.0**

ON A 10-POINT GRADING SCALE

## Customer Online Account

In 2016, the Trading Participant Online Account service was upgraded. It became more reliable and user friendly with improved design. New sections for client registration and document generation were developed and implemented, a KYC form was added for legal entities, translation for trading and clearing reports was offered and report generation based on user ID was enabled.

As a result, the number of service users increased by 30% year-on-year and the number of visits went up by 125% compared to 2015. Generation of documents, registration of clients and financial documents are the most popular sections. Acceptance of e-documents from trading members via the online account significantly reduces the time required for clients to generate documents, and the time the Exchange needs to process them.

## Customer Satisfaction Survey

Moscow Exchange endeavours to provide a high level of satisfaction with the quality of its services.

In 2016, MOEX engaged MAGRAM Market Research to conduct a survey aimed at identifying the current level of client satisfaction. More than 650 clients and partners took part in the survey, including issuers, banks, brokers, investment management firms, members of the media, investment advisors, the Bank of Russia and the Ministry of Finance.

The customer satisfaction index was 8.6-9.0 on a 10-point grading scale, depending on the target audience. The highest satisfaction level was recorded for banks and securities issuers.

Upon completion of the survey, a decision was made to design mechanisms enhancing client and partner experience. To this end, road maps will be developed in order to improve service quality. The Exchange plans to set up a similar on-going monitoring tool for client satisfaction and to measure changes in perception annually.

# Information Technology

In 2016, the Supervisory Board approved a programme for the development of Moscow Exchange's information technology system for a period of three years that aims to ensure balanced development of the IT architecture, business processes, financial support and resources.

## Upgrade of the Trading and Clearing System

The project set to segregate the trading and clearing components of Moscow Exchange is on-going. It will boost reliability and performance of MOEX's systems. In the first phase of the project, the trading and risk modules of the Derivatives Market system (SPECTRA) were segregated. ASTS+, a new trading and clearing system with trading and clearing modules for the FX Market, was put into commercial operation. After the launch, the transaction processing performance of the Derivatives Market and FX Market tripled. The ultimate goal of the modernisation of the Exchange's trading and clearing infrastructure is to extend its life span by 10 years. The project will continue in 2017.

A new Derivatives Market access protocol, TWIME, was developed and put into operation. It significantly reduced the average latency and order placement time. Unlike the Exchange's previous generation of protocols, TWIME unlocks opportunities for trading members and, together with the FAST data streaming protocol, provides the optimal solution for robotised trading. The TWIME protocol does not require installation of specialised software on the client's hardware while supporting any trading operating system and any programming language. The protocol minimises the time required to encrypt/decrypt transferred data both for the Exchange and for the client, and thanks to standardisation it does not require considerable resources for development. At the end of 2016, the TWIME protocol was used for execution of more than 40% of Derivatives Market transactions.

## KEY EVENTS IN 2016

- DataSpace1 became the MOEX's primary data center
- TWIME, a new transactional binary protocol for the Derivatives Market, was offered for Exchange trading clients

## New Integration Architecture

In 2016, Moscow Exchange developed and introduced the Exchange Information Fabric (EIF) integration platform featuring service-oriented architecture and using state-of-the-art integration technologies to support interaction of applications.

In 2016, MOEX rolled out EIF-based cross margining, risk netting between the FX and Derivatives Markets, and a new model of interaction of the trading and clearing system with the central counterparty's system required to implement the Unified Collateral Pool service, the Exchange's key project for 2017.

Relocation to a state-of-the-art, highly reliable, Tier III-compliant data centre helped to improve the quality of services and access to Moscow Exchange's markets.

## Business Projects

In 2016, the projects of repo trading with participants' clearing certificates and discrete auctions in the FX Market were rolled out based on the ASTS trading and clearing system. On the FX Market, MOEX introduced off-order-book trading in deliverable futures, and provided client level access (the third level settlement code can be registered for the client) and the clearing member's option to terminate unsettled obligations in transactions executed by a trading member with one settlement code. Automated processing of client registration files sent by members to the Exchange was also rolled out.

The most significant SPECTRA-based business projects were "Unified Pool: Phase 1", "Best Retail Investor", "Asset Manager Ranking" and "I am an Investor".

## Data Warehousing

Moscow Exchange rolled out the Exadata Database Machine, significantly improving market data processing speeds and enabling MOEX to leverage its extensive expertise in Oracle technologies. The new hardware and software solution was successfully connected to the existing data streams. At present, Moscow Exchange and the regulator employ it to extract data on trading results. The Master Data Management system was implemented within the scope of the enterprise data warehouse project with the first two directories introduced: "Financial Instruments" and "Counterparties".

## Infrastructure

In 2016, Moscow Exchange completed the relocation of its primary data centre to Dataspace. Relocation to a state-of-the-art, highly reliable, Tier III-compliant data centre helped to improve the quality of services and access to Moscow Exchange's markets. The M1 data centre has been in operation as the Exchange's standby data centre since November 2016.

Additionally, at Dataspace Moscow Exchange built and rolled out a new co-location zone with a fundamentally new network architecture design minimising trading access latency and ensuring the highest reliability for clients engaged in high-frequency trading. Completion of relocation of client equipment from the old co-location zone at M1 to Dataspace is planned for the first quarter of 2017. Moscow Exchange intends to expand the co-location zone and develop new co-location services by 2020.

The technical policy setting out the IT infrastructure standards was drafted and approved. In accordance with the technical policy, obsolete server and network equipment and data storage systems were replaced.

## System Resilience

To mitigate failure risks, Moscow Exchange changed its network infrastructure to a segmented topology with segregation of computer networks into the trading, corporate and game/testing segments.

In 2016, to improve the Exchange's trading infrastructure safety, dedicated access servers of the Equity & Bond Market and the FX Market were relocated from participants' premises to MOEX's data centres. A similar project for the Derivatives Market's dedicated access servers is to be implemented by 2020.

To ensure high reliability and quality of the trading systems, new test facilities were set up for acceptance testing, SPECTRA functional testing and for the ASTS+ system in the FX Market.



# Moscow Exchange Council and User Committees

## Market Access

In 2016, the number of points of presence in the UK and the USA was increased, which doubled the client base compared to 2015. The global infrastructure development strategy also covers MOEX's expansion in Asia (Hong Kong, Singapore and Shanghai).

Qualitative parameters of FAST data streaming protocol, as the fastest means of market data access, were upgraded. Along with FIX/FAST, the standard access protocols, international participants gained access to trading via software terminals.

Development of network-based services by 2020 assumes creating a new service model, setting up a shared network hub, building cooperation with telecommunications operators, and refining the model of interaction with extranet operators.

Moscow Exchange is in an on-going dialogue with market participants through its advisory and consultative bodies – the Moscow Exchange Council and user committees – with a view to receiving feedback from its clients in respect of new products and services, improving the Exchange's infrastructure and developing proposals for changes to financial market regulations.

The primary objective of the Moscow Exchange Council is to develop strategic proposals to further develop the Russian financial market, as well as to represent traders and clients in order to ensure full and comprehensive recognition of their needs in resolving any issues connected with the organisation and development of the financial market infrastructure. The Moscow Exchange Council comprises major traders, self-regulatory organisations, investment management companies, custodians, investment banks and the Bank of Russia.

The current composition of the Moscow Exchange Council was approved in December 2015. Chaired by Ruben Aganbegyan, the Moscow Exchange Council held nine meetings in 2016.

There are 17 user committees (based on financial market participant groups and issuers) operating under the auspices of Moscow Exchange and the NSD. Every year user committees are composed of representatives of professional market participants: banks, brokers and investment companies. They are mainly tasked with the preparation of proposals to amend existing laws and other regulations, to review regulatory issues associated with public trading and the issue of securities, information disclosure in the securities market and corporate governance. In addition, they develop proposals for managing securities trading, improvements in clearing and settlement technology and the expansion of the portfolio of available tools and services. Any matters put forth for discussion by the Moscow Exchange Council are debated in user committees.

For the convenience of committee members, clients and market participants, Moscow Exchange publishes a monthly digest report of its user committees with the information and resolutions proposed for consideration by the Moscow Exchange Council and user committees.

Information on the activities of the committees and the Moscow Exchange Council is publicly available and can be accessed on the MOEX website.

# Personnel

The Moscow Exchange human resources policy has three main goals: to attract highly qualified specialists, to facilitate professional development of employees and to create an atmosphere conducive to fulfilment of the Company's strategic objectives through unlocking its human resources potential and achieving performance excellence.

## Remuneration Policy

The Exchange provides a competitive level of remuneration to attract, retain and incentivise employees. Remuneration for any given position is proportional to the degree the position and its incumbent benefit the Exchange.

In 2016, the Exchange focused on improving performance management practices, including target-setting for all employees, semi-annual interim reviews and annual final review of key performance indicators. The personnel appraisal process was simplified and streamlined, with bias eliminated thanks to collective review of employee performance. The factors that affect the final score have also changed. Starting from 2016, the final verdict of a performance review depends not only on delivery against targets, but also on compliance with corporate values. The amended process focuses on providing feedback to employees and preparing individual development plans. In 2017, the Company plans to update its framework for setting targets to improve their quality and make them more balanced across functions, as well as to arrange additional executive training on managing employee performance.

In October 2016, the Supervisory Board approved the principles and parameters for a stock-based long-term remuneration programme, which will help the Company retain key personnel, motivate them to contribute to long-term sustainable development of the Group, and align shareholder and employee interests.

## Internship Programmes

In 2016, the Company targeted young talent by arranging introductory trainings for over 50 finance and IT students, with 24 of them going on to an internship programme and a comprehensive training programme in personal efficiency. The most successful students were offered positions at Moscow Exchange.

In April 2017, the Moscow Exchange will launch three internship programmes as part of its updated student engagement concept that was approved in 2016:

- **MOEX Future Leaders** – a year-long internship for final year university students who are serious about a career in the financial market and are working to become true leaders. Over the year, interns will get to work at several departments across Moscow Exchange and gain versatile experience.
- **MOEX Study & Work** – a programme for students who wish to do research focused on the Exchange under the supervision of seasoned professionals.
- **MOEX Summer** – a three-month internship over the summer holidays that will introduce students to the Exchange and give them their first work experience..

## Training and Development

The three key priorities of Moscow Exchange's employee training and development strategy are improvement of management skills, ensuring continuity of knowledge and experience and supporting the business in fostering innovative solutions in line with global trends. The Group traditionally makes significant investments in training and development to improve employees' professional expertise and competences.

The training and development framework includes both educational programmes and tools for workplace development and self-learning. MOEX is encouraging more employees to take charge of their own education, providing them with advanced technology and the necessary resources and opportunities.

In 2017, the Exchange will be rolling out the 70-20-10 education concept that emphasises self-learning and workplace development (70%) along with input from colleagues and one's supervisor (20%) combined with training sessions (10%).

In 2016, over 1,000 employees took part in various educational programmes and trainings, and a total of 3,000 e-courses were completed across the Company.

Development of employee competences along with leadership and project management skills is at the core of the Company's policy when it comes to delivering strategic projects. To facilitate this process, the Exchange has established a corporate university (MOEX Business University) that consists of three key programmes: Projects Faculty, Management Faculty and Professional Faculty. In February 2017, 41 attendees of MOEX Business University received a diploma for completing the programme aimed at developing project and change management skills. In 2016, 17 employees completed a year-long Management Faculty programme targeting management skills. The Professional Faculty's curriculum aims to give employees a broader and deeper knowledge of the Group's key focus areas.

For the purposes of senior executive training in 2016, the Company arranged the Advanced Management Programme that saw 32 senior executives and mid-level managers complete the courses designed by leading professors from prestigious business schools. In an effort to foster innovation and global trend understanding among its personnel, the Company sent 12 employees to intern at the Bolsas y Mercados Españoles (BME) in Madrid, as well as to study innovative client interaction technologies and cutting-edge fintech solutions.

Each year, the Corporate University expands the range of training and development opportunities for personnel. In 2017, it intends to update the competencies model and the development guide used by managers to plan employee development.

## Corporate Culture

Fostering a strong corporate culture is one of Moscow Exchange's strategic priorities. In 2016, the corporate culture and values framework were refined to instil more efficient employee behaviour models, as well as to promote employee engagement and facilitate effective staff interaction.

To identify the necessary initiatives for the transformation, the Company assembled a change management team comprised of employees at different levels from various departments. Having reviewed over 100 best domestic and global cases of corporate culture transformation, the team worked out the refined values for the Company:

- We are responsible for the future of the company
- We strive for excellence and are open to change
- We work in partnership with our clients
- We value transparency and integrity

To integrate these values into its everyday business, the Company incorporated them into the key HR processes: performance management, recruitment and hiring, personnel training, HR brand development, internal communications, talent management and recognition programmes.

A responsible attitude to occupational safety is one of the key principles of Moscow Exchange's operations. The Exchange meets high health and safety standards, providing continuous training to personnel.

The Exchange's management team was also actively engaged in the process, with over 50 key executives completing the Culture that Yields New Results and Values Storytelling programmes that discussed practical measures of changing the corporate culture.

For the purposes of monitoring and measuring changes in the corporate culture and the manifestation of values in employee behaviour, 100 managers underwent a 360-degree review, and the Company launched an assessment of corporate values and employee engagement.

MOEX designated change agents and value messengers to communicate the corporate values to each and every employee. The messengers were picked by employees themselves.

In early 2017, the Exchange was awarded by Headhunter as HR Brand 2016 in the "Capital" category for successful development of corporate culture and adaptation of new corporate values. The award was established to recognise companies that are the most successful in building their reputation as employers.

## Health and Safety

A responsible attitude to occupational safety is one of the key principles of Moscow Exchange's operations. The Exchange meets high health and safety standards, providing continuous training to personnel in order to promote health and safety awareness.

The Exchange regularly conducts occupational safety briefings, including induction briefings for new employees as well as initial, refresher and unscheduled safety briefings, with all the necessary workplace and fire safety manuals in place.

All safety-related instructions are available on the corporate intranet Portal, where employees can also find health-related articles and e-learning safety courses.

In 2016, the Company arranged management training in a specialised education centre with 61 managers completing the course and being tested in occupational safety regulations.

In 2016, a special working conditions assessment was carried out for 41 workplaces (these include newly created ones and those with expired certifications). All the workplaces were confirmed to comply with the state norms; the established working environment class is 2, i.e. acceptable, with no harmful or hazardous factors.

In 2016, MOEX submitted declarations confirming the Company's compliance with the government regulations on working conditions in 2014-2016 to the state labour inspectorate. The total number of job positions included in these declarations is 812.

Moscow Exchange carries out annual inspections to check the implementation of sanitary, anti-epidemic and prevention measures.

It provides employees with antiseptics and medical face masks during outbreaks of influenza and respiratory viral infections. The Company also purchased germicidal air purifiers.

Pre-trip, pre-employment and regular medical examinations are in place for all categories of employees subject to such examinations in accordance with the law.

Should an employee feel unwell or require emergency medical assistance, they can visit the Company doctor.

Recreational areas, kitchenettes and a gym are provided in the offices of the Exchange, which are also equipped with water dispensers, coffee and vending machines.

# Moscow Exchange and the Community

## Development of the Professional Environment

Moscow Exchange engages in educational outreach to improve financial literacy in Russia, provides support for academic research related to financial markets, promotes innovative technologies and seeks to improve access, transparency and quality of investment services offered in the Russian market.

### Investment Community

#### Asset Manager Ranking

A unique information resource called Asset Manager Ranking was successfully launched in 2016, enabling private investors to compare the performance of Russian investment management firms. The ranking was designed to enhance the transparency and investment appeal of the asset management industry in Russia.

As part of this project, Moscow Exchange calculates the returns on investment of asset managers, as well as other indicators reflecting the quality of management based on the trades executed by them. This data is published on the Exchange's website. Investors may compare the performance of independent transactions in the market with those of professionals using a wide range of criteria, as well as the success ratio of various investment strategies applied across different time spans. The ranking looks at 11 different investment strategies.

#### Attracting Retail Investors

Moscow Exchange's annual competitions for new and experienced investors – Invest Trial and Best Private Investor – were held in 2016, attracting a record number of participants.

The Invest Trial competition attracted more than 16,000 participants (compared to 14,000 in 2015). The contest was designed to promote exchange instruments among rookie investors and to facilitate the participation of domestic investors in the Russian market. The key feature of the competition is the opportunity to acquire trading experience without risking one's money and to earn real income. The prize money available in the competition totalled RUB 8 m.

The main objective of the Best Private Investor contest is to highlight opportunities for private investors in equity and currency market instruments, and the income they can generate if they employ a trained and knowledgeable approach. A record of more than 14,000 investors took part in the competition, which was first launched in 2003. Participants' trading volume exceeded RUB 2 tn; overall, private investors earned more than RUB 500 m. Total prize money available in the competition amounted to RUB 10 m.

#### Improving the Quality of Corporate Governance

Moscow Exchange welcomed the idea of a Russian Public Companies Corporate Governance Index first proposed by the Independent Directors Association. The Index reflects the quality of corporate governance in companies on the basis of two sources of information: a survey of the professional community and publicly available data on each company's operations, which then serve as the basis for individual and consolidated indicators of corporate governance quality. This project was designed with a view to helping companies refine their corporate governance practices to ensure fuller disclosure and improve investor communications.

Total prize money available  
in the Innovation in Investments  
Competition was

**RUB 1.3 m**

Moreover, Moscow Exchange, in conjunction with the Independent Directors Association, held its annual Director of the Year awards ceremony, which celebrates the achievements of directors who promote best corporate governance practices in Russia. Annual ratings of the best directors are compiled and later serve as a roster for determining the award winners.

### Effective Investor Communication

The annual report competition organised by Moscow Exchange together with the RCB Media Group has become the most important annual event in the sphere of corporate governance and investor communication in Russia. The contest facilitates transparency and effective disclosure for the benefit of investors and clients. The 19th annual report competition attracted 139 companies, including 16 that participated for the first time.

In 2016, Moscow Exchange launched its MOEX IR Academy, a one-year programme for investor relations and corporate communications specialists, as well as analysts. The Academy educates attendees on all key elements and nuances of the profession: beginning with the evolution of IR right up to modern digital technologies employed in the industry. Lessons will help companies structure their investor communications upon entering the public market.

## Development of Innovative Technologies

Moscow Exchange supports the development of innovative products and technological solutions offered to private investors and professional participants in the financial market.

### Innovation in Investments Competition

The Innovation in Investments Competition for private investors and professional market participants, which was held for the first time in 2016, is aimed at supporting the development of innovative products and technological solutions in the financial market, as well as enhancing the availability, transparency and quality of investment services in the Russian market. The organisers received 62 applications from both professional participants and teams of young developers. The panel of judges, which included representatives of leading venture funds, accelerators and IT companies, named the best of the best, who received development grants from Moscow Exchange. Total prize money available in the competition was RUB 1.3 m.

### Participation in the GenerationS-2016 Accelerator

At the end of 2016, Moscow Exchange selected 13 innovative projects as part of its participation in the GenerationS-2016 Accelerator set up by RVC. The programme offers educational modules with coaches; meetings with successful industry businesspeople, investors and Moscow Exchange mentors; as well as individual advice and practical assignments. The total prize money was RUB 15 m.

### Communication with the Professional Community

In 2016, Moscow Exchange organised the first Russian conference on innovative technologies in investments InvestTECH, which attracted more than 20 expert speakers from the finance and IT sectors, as well as more than 300 representatives of the financial market. The participants discussed prevailing investment trends, shared innovative projects and established contacts that may later serve as the basis for further development of the financial industry.

Moreover, Moscow Exchange took part in the annual forum of innovative financial technologies FINOPOLIS, one of the major fintech events in Russia.

In 2016, Moscow Exchange employees, in conjunction with professional market participants, held more than 200 workshops in 44 Russian cities.

## Improving Financial Literacy

Moscow Exchange is actively engaged in educational projects to improve the financial literacy of the Russian population.

In 2016, Moscow Exchange employees, in conjunction with professional market participants, held more than 200 workshops in 44 Russian cities. More than 10,000 participants had an opportunity to meet financial experts, develop an investment strategy and select an investment product.

No fewer than 250 workshops were held by the Moscow Exchange School under this programme. More than 10,000 private investors acquired the knowledge and skills required to independently manage an investment portfolio in various Moscow Exchange markets.

In 2016, MOEX's Exchange History Museum organised more than 400 excursions for 4,000 students from schools and universities in Moscow, Yaroslavl, Torzhok, Tver, Voronezh, Kaluga and other Russian cities. Twenty school groups were able to visit the museum as part of the Corporate Museum Autumn Paths for Moscow Students, a programme established and maintained by the Moscow Department of Education. The museum also welcomed at least 25 groups from schools and colleges that participated in the academic competition Museums, Parks and Manors set up by the Moscow Department of Culture. Work continued on the Foreign Exchanges exhibition: more than 80 exhibits were added to the museum's collection.

In conjunction with the Financial University under the Government of the Russian Federation, Moscow Exchange held Fincontest, a special academic competition on financial markets that gives participants an opportunity to start their professional career. More than 2,500 students took part in the competition, and some of them were offered an internship at Moscow Exchange following a multi-stage screening process. Moreover, a joint master's programme called Securities and Financial Engineering was also launched in 2016.

Moscow Exchange experts regularly participate in various programmes in leading national higher education establishments. In 2016, MOEX speakers held a series of master classes at MGIMO, Moscow State University, Higher School of Economics, Financial University, Moscow Aviation Institute, Moscow Engineering Physics Institute, Moscow State Institute of Steel and Alloys and Moscow Institute of Physics and Technology. Moreover, Moscow Exchange assisted the New Economic School in the development of its educational initiatives and in ensuring its financial stability.

In February 2017, a new advanced training programme called Exchange Trading Basics was launched. It was developed by Moscow Exchange together with the finance and banking department of the Russian Presidential Academy of National Economy and Public Administration. The programme targets young specialists and first-time investors who would like to acquire the required expertise and skills to manage their personal finances.

In 2016, the Exchange supported various public initiatives, taking part in the 4th Financial Literacy Forum, the 11th All-Russia Academic Competition in Financial Market and Basic Consumer Knowledge held for high school students, the International Conference Financial Literacy Programmes and Availability of Financial Services: From Private Initiatives to National Strategy, a regional competition for financial journalism called Rouble Area and a summer camp for high school students called Republic of the Young: Fundamentals of Financial Education.

Moscow Exchange took part in the preparation and publication of a school textbook titled Fundamentals of Financial Literacy, participated in the proceedings of the Expert Council on Financial Literacy and hosted Days of Financial Literacy in Chuvashia.

As part of its financial literacy educational outreach, Exchange employees explore the history of the financial market. Two books were published in 2016, including Exchanges of the World: History, Culture, Finance and Heir to Age-Old Traditions. Another book, Moscow Exchange: An Historical Overview, which commemorates the 25th anniversary of Moscow Exchange, was published in early 2017.

## Charitable Assistance

In accordance with the Charity Policy, the Moscow Exchange Group supports charities that have a long-term effect. The Executive Board approves the list of such initiatives annually subject to recommendations by the Charity Policy Committee.

The Group's charitable activities prioritise funding of long-term social projects through specialist foundations. Provision of assistance mediated by non-profit organisations reaches a large number of people in need while also ensuring the transparency of expenditures. Partnership programmes are developed with the following foundations: Gift of Life, Vera and New Teacher Charity Foundation for Education Support and Development. The Group also provides direct, targeted assistance to socially vulnerable and physically challenged categories, people of retirement age and children.

The Group involves its employees in charity activities, providing each with an opportunity to volunteer or personally donate funds. Announcements about socially significant activities are included in the Company News morning newsletter, and reports and photo essays about the charity events are posted on the Corporate Philanthropy intranet page, where employees can also register to participate in volunteer events and make a donation, as well as advertise alternative charitable projects.

### Gift of Life Charity Foundation

The Foundation supports children who are undergoing treatment and rehabilitation related to blood diseases. Funds in the amount of RUB 6.5 m allocated by the Group in 2016 were used to support the most important programme of the foundation – Voluntary Donation, which provides donor blood to sponsored hospitals, as well as to all those who appeal directly for help: children and adults, patients undergoing long-term treatment and victims of accidents. In 2016, about 80 Moscow Exchange employees donated blood during outreach donor events held by the Gift of Life Foundation.

### Vera Charity Foundation

This Foundation is engaged in the development of palliative care in Russia and supports more than 20 hospices in Moscow and other regions of the country. In 2016, Moscow Exchange funded the Foundation's programme to support regional hospices through a donation of RUB 6 m. In addition to financial aid, in 2016 Moscow Exchange also donated office furniture and computers to the foundation.



In 2016 allocated to charitable assistance a total was

**RUB 28.3 m**

## **New Teacher Charity Foundation for Education Support and Development**

The Foundation implements the Teacher for Russia programme, a Russian project based on public-private partnership set to involve talented young people and graduates of Russia's leading higher education institutions in teaching in regular schools. The programme is designed to provide access to quality education for children from areas with a complicated social environment, to raise the prestige of the teaching profession among top Russian graduates and attract talented teachers to the school system, to launch the regular school transformation process and to implement new educational formats and technologies. In 2016, Moscow Exchange allocated RUB 3 m to support activities of the Foundation.

## **Targeted Charitable Activity**

In honour of the 71th anniversary of the victory in World War II, Moscow Exchange provided financial aid to war veterans: one-off payments were received by 119 World War II veterans and disabled soldiers, home front workers, siege survivors and prisoners of concentration camps. The total amount of payments exceeded about RUB 7 m.

In 2016, more than 200 children received financial support to pay for their treatment and rehabilitation; specialised equipment for orphanages and rooms for activities of disabled children were also purchased.

Collaboration with the Danilovtsy volunteer movement continued. Volunteers organised events for oncology patients at the Rogachev Children's Haematology Centre, Burdenko Neurosurgery Institute and Russian Children's Clinical Hospital. The Group also paid the fees of a psychologist engaged in home-based palliative care services for children of the Miloserdie medical centre and a teacher of the Elizavetinsky orphanage which educates children with Down Syndrome.

The Group is implementing a joint long-term project with Deti Nashi Foundation, organising integrative educational summer camp programmes for children who live in institutions and with their families. In 2016, 28 children participated in the programme. They went to the town of Kabardinka where they took part in master classes and psychological workshops helping to develop communication skills and to foster independence and responsibility in decision-making. Additionally, MOEX supported 146 children suffering from serious diseases to enjoy a stay at the Sheredar recreation and rehabilitation centre.

For many years, the Group has been supporting the Udelnaya orphanage, which in 2016 was reorganised into the Udelnaya centre for out-of-school activities. The Group helped to equip an art studio for children, where classes are taught to orphans now living in foster families.

The Group rendered financial support to the Wheelchair Dance Club and sponsored the trip to the Rock'n'Roll Acrobatic World Cup in Krakow for a student at the Positive Dance School, a dependant of pensioners.

## **Corporate Volunteering**

In 2016, the Group held a Donor Day and two charity fairs. The events were supported by the Blood Service and Gift of Life Charity, Volunteers Helping Orphans, Deti Nashi, Starost v Radost foundations and the Rai Fund. A campaign was also organised to raise funds for the treatment of a 6-year-old child with cancer. Total funds donated by employees in all campaigns exceeded RUB 200,000 and were allocated to charitable foundations for their on-going programmes.

Moscow Exchange employees had an opportunity to join a unique project of BELA Butterfly Children Charity Fund – Help Without Touching. Its goal is to raise funds to support children with epidermolysis bullosa, a rare genetic disorder.

# Environmental Performance

To ensure good environmental stewardship, Moscow Exchange has approved Draft Regulations on Waste Production Rates and Waste Disposal Limits.

In accordance with the established action plan, in 2016 the Exchange streamlined the process of collection, accumulation and removal of solid waste, the canteen's food waste, bulk waste, ferrous metal scrap, and paper/cardboard waste generated as a result of office work and document processing from the MOEX premises.

Used oil and air filters, mercury lamps, parts of office/electric equipment, monitors, keyboards and cartridges were all transferred for disposal by specialised contractors. To ensure environmental safety, MOEX has arranged for special collection and disposal of batteries in all office premises.

In 2017, Moscow Exchange plans to develop a programme of environmental monitoring and industrial control.

## Total water discharge, liters<sup>1</sup>



<sup>1</sup> Total discharge includes canalisation and wastewater effluents. Discharge location: Mosvodostok (Moscow municipal discharge facilities), no pre-treatment required.

## Environmental impact prevention and environmental management system costs, RUB '000



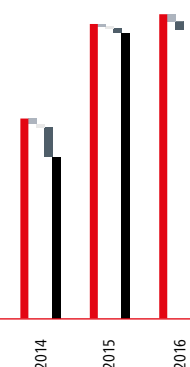
## Power consumption by source of energy<sup>2</sup>

Fuel	Physical measures		J (MJ)		Change in consumption, total (MJ)
	Y 2015	Y 2016	Y 2015	Y 2016	
Petrol (l)	68,590	63,182	2,291,031	2,090,528	-200,503
Diesel (l)	1,371	5,348	49,815	189,189	139,374
Electric power (kW/h)	10,644,287	10,471,026	38,319,433	37,695,694	-623,739
Heat ( Gcal)	4,029	4,471	16,879,666	18,733,431	1,853,765

<sup>2</sup> Moscow Exchange reported no other energy resources consumption (inclusive of nuclear and electromagnetic energy, oil, fuel oil, natural gas, coal, oil shale, or peat) in the reporting year.

## Disposal, dumping and recycling methods, tons

	2014	2015	2016	Δ 2016/2015
<b>Total</b>	<b>240.7</b>	<b>327.2</b>	<b>238.8</b>	<b>-27%</b>
Re-use	7.2	3.4	9.6	180.6%
Release of valuable components including energy	4.8	2.8	0.0	-
Placing in landfills	40.0	6.3	11.2	77.5%
Other methods (deactivation and recycling)	218.7	386.3	391.2	1%



### Total water offtake, liters



### Costs of waste and discharge treatment and environmental remediation costs, RUB '000



## INITIATIVES TO REDUCE ENVIRONMENTAL PRESSURES

Following initiatives were rolled out to protect the environment and maintain the microclimate in offices premises:

- In 2015, air humidifiers, purifiers, and air anti-bacterial re-circulators were installed to improve the microclimate in office premises and to filter hazardous substances, allergens, bacteria, etc. from the air.
- In January 2016, disinfectant dispensers were installed in office premises, particularly in common areas. Employees were provided with extra masks, antibacterial wipes and gels during epidemics of influenza and respiratory viral infections.
- Starting from January 2016, collection and disposal of batteries in office premises have been organised.
- Regular medical examinations of employees have been in place: in 2015 – 5 employees of NCC Clearing Bank, in 2016 – 69 employees of the Moscow Exchange.
- Holding a “Healthy Week” campaign to support a healthy lifestyle. Within the campaign in October 2016, employees were given apples, new vending machines were purchased, the canteen offered a more nutritionally balanced menu, on the intranet portal employees were offered expert advice on sedentary lifestyle and physical exercises in the workplace; the Company arranged various meetings, walking and tennis tournaments and put up thematic posters.

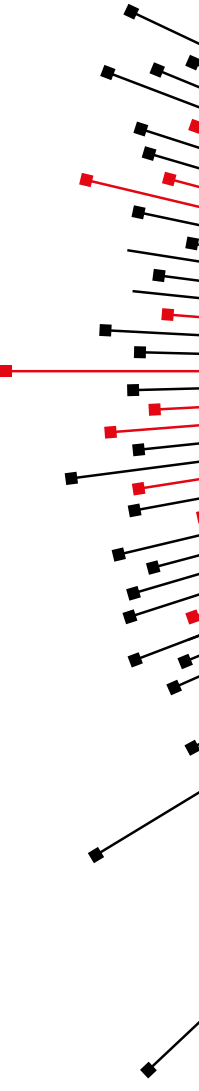
### Total waste mass, tons

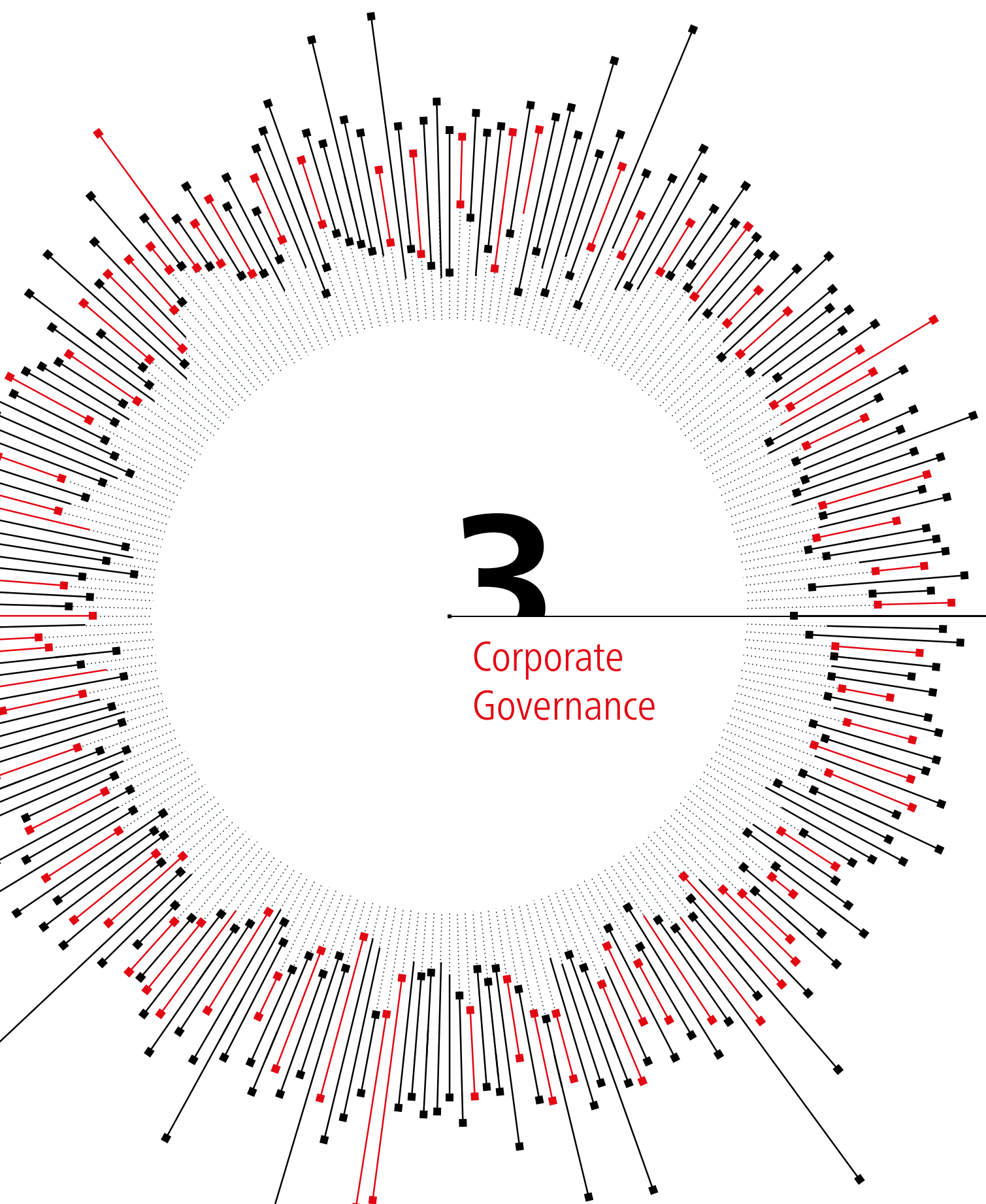
	2014	2015	2016	Δ 2016/2015
<b>Total</b>	<b>217.9</b>	<b>327.2</b>	<b>238.8</b>	<b>-27.0%</b>
Category 1	–	0.1752	0.1596	-8.9%
Category 2	0	2.3	0	–
Category 3	4.4	2.4	9.9	318.8%
Category 4	165.2	228.8	208.2	-9.0%
Category 5	48.3	93.5	20.5	-78.0%

### Energy efficiency, RUB '000

	2015	2016	Δ 2016/2015
<b>Total</b>	<b>59,497.4</b>	<b>62,969.9</b>	<b>5.8%</b>
Gasoline	2,993.1	2,732.4	-8.7%
Diesel fuel	46.6	172.9	271.0%
Electricity	50,456.5	53,010.7	5.1%
Heat	6,001.2	7,053.8	17.5%







# 3

## Corporate Governance

# Corporate Governance System

Since Moscow Exchange's IPO, its senior executives have been continuously perfecting the Company's corporate governance procedures with the aim of taking its rightful place among global trading venues.

The Exchange's corporate governance system has been developed in accordance with the requirements of the laws regulating Moscow Exchange as an organiser of trading, the listing rules regulating Moscow Exchange as an issuer whose securities are admitted to trading and taking into account the Corporate Governance Code issued by the Bank of Russia, the OECD corporate governance principles and the best global corporate governance practices.

Moscow Exchange's corporate governance system is an efficient tool that protects the legitimate rights and interests of all the Exchange's shareholders and the users of its services. A Risk Management and Internal Control System was also created and is being developed based on state-of-the-art procedures that cover every aspect of the Exchange's operations.

In 2014, the Bank of Russia recognised Moscow Exchange, jointly with National Settlement Depository (NSD) and NCC Clearing Bank, as systematically important financial institutions.

# Moscow Exchange Corporate Governance Model and Practice in Brief

Moscow Exchange's current corporate governance system reflects its unique position as one of the largest Russian public companies.

The Bank of Russia is a shareholder of Moscow Exchange and the financial markets regulator, while Moscow Exchange, as a market infrastructure operator, establishes binding rules for all other issuers.

Accordingly, the Federal Law on Organised Trading (hereinafter, "the Law") establishes additional requirements for the management bodies and founders (participants) of the market operator, in particular that:

- members of the Supervisory Board must meet the requirements for professional experience and business reputation, and should also earn a qualification certificate as a financial market specialist in clearing and trading activities;
- members of the executive bodies must meet the requirements for professional experience, reputation and expertise, and they must be approved by the regulator, i.e. the Bank of Russia;
- those founders (participants) who own more than 5 per cent of the authorised capital of Moscow Exchange may not include legal entities whose financial licence has been cancelled (withdrawn) for any violation or who are registered in offshore jurisdictions, or individuals who do not meet the business reputation requirements.

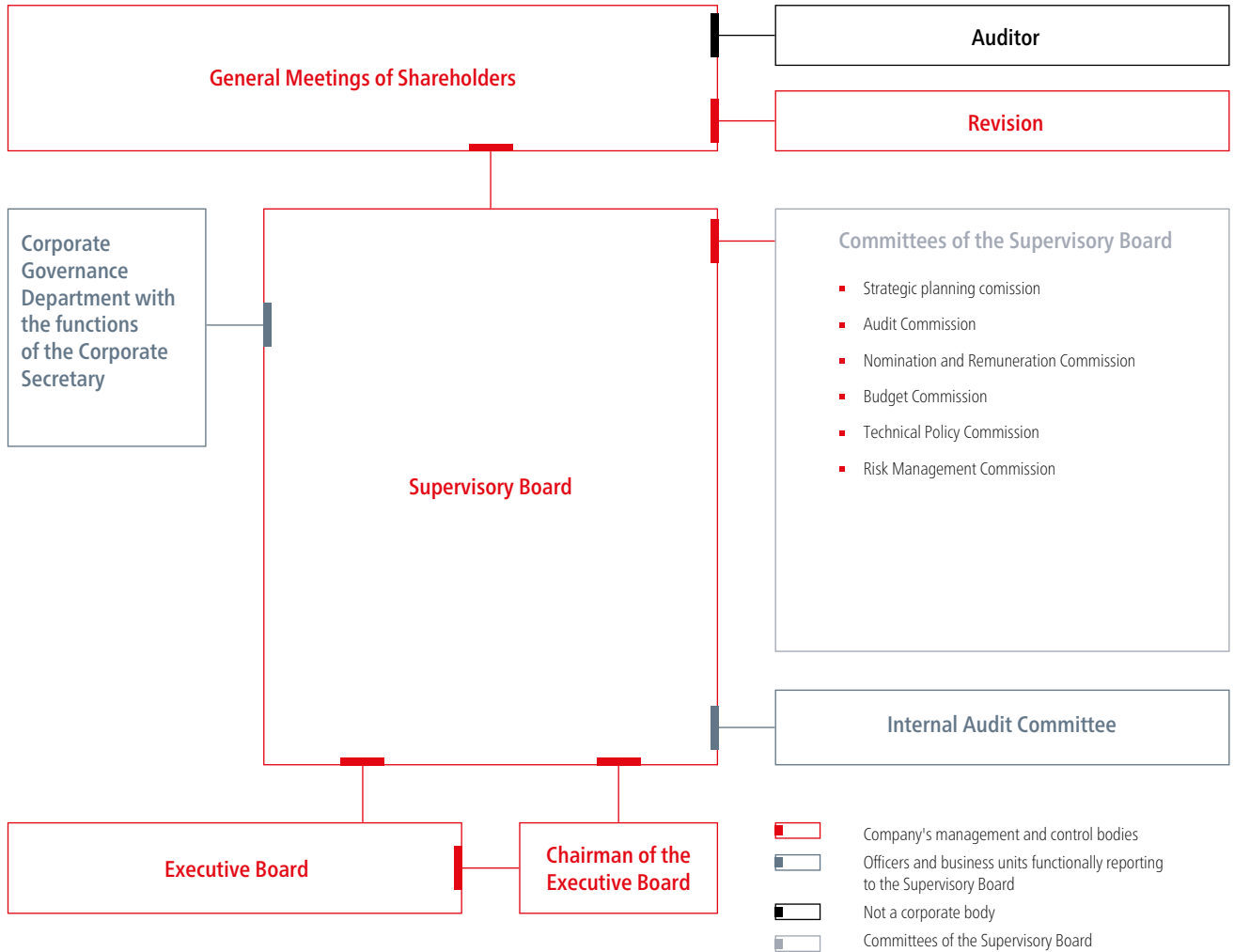
Additional requirements have also been established for the heads of branches, the Chief Accountant, the Head of the Risk Management Department, the Head of the Internal Audit Service, the Head of the Internal Control Service and the Head of the department in charge of trading.

Since the shares in Moscow Exchange are admitted to trading and kept in the quotation list of the first (highest) level, the following actions were taken in 2016 in order to comply with the corporate governance requirements set out in the Listing Rules and the Corporate Governance Code of the Bank of Russia:

- Five independent directors were elected to the Supervisory Board, and one director received independent director status in the reporting period;

- Independent directors meet the independence criteria established by the Listing Rules;
- The Audit Commission and the Nomination and Remuneration Commission consist only of the independent members of the Supervisory Board;
- A resolution was adopted to determine the requirements for a business unit to be compliant with the Listing Rules so as to act as the Corporate Secretary;
- The matter of the Senior Independent Director's appointment and dismissal was left to the Supervisory Board's areas of competence;
- A set of issues was determined that must be resolved by a three-fourths majority of votes cast by the members of the Supervisory Board participating in a meeting (strategy approval, treatment of applications for listing, exercise of the rights attached to quasi-treasury shares, submitting the issue of liquidation and restructuring, changes in the authorised capital and delisting).

# Corporate Governance Structure





# General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of Moscow Exchange. General Meetings adopt resolutions on strategic issues.

The scope of questions related to the terms of reference of General Meetings of Shareholders is determined by the Federal Law on Joint-Stock Companies and the Charter of Moscow Exchange.

In accordance with past practice, Moscow Exchange's Annual General Meeting of Shareholders (AGM) was held on 27 April 2016 to adopt the following resolutions:

- approving Moscow Exchange's annual report and accounting (financial) statements for 2015;
- approving a new edition of Moscow Exchange's Charter subject to amendments in the legislation and in the field of corporate governance;
- approving new editions of Moscow Exchange's Provisions on the General Meeting of Shareholders, Supervisory Board and the Revision Commission;
- electing members of the Supervisory Board and the Revision Commission;
- approving a new edition of the Regulations on Remuneration and Reimbursement of Members of the Supervisory Board of Moscow Exchange and making decisions on the payment of remuneration to the members of the Supervisory Board and the Revision Commission for the 2015/2016 corporate year;
- approving transactions with Moscow Exchange's subsidiaries and regular business partners that are, in accordance with the current legislation, related-party transactions;
- approving Ernst & Young Vneshaudit, representing one of the world's largest international accounting firms, as the company's auditor for 2016;
- adopting a resolution on profit distribution and dividend payments for 2016, with the dividend amount standing at RUB 7.11 per ordinary share;
- approving an agreement regarding Moscow Exchange's commitment to the Guarantee Fund of NCC Clearing Bank for risk management purposes.

In 2016, Moscow Exchange held one extraordinary meeting of shareholders (2 September 2016). The shareholders approved a corporate restructuring whereby 100%-owned subsidiaries CJSC MICEX Stock Exchange and MB Technologies LLC were consolidated into Moscow Exchange.

# Supervisory Board

## Role of the Supervisory Board

The Supervisory Board is a key component of the corporate governance system that generally manages the activities of Moscow Exchange.

The Supervisory Board is accountable to the General Meeting of Shareholders. The members of the Supervisory Board are elected by the General Meeting, and their powers may be terminated at any time by the General Meeting.

Members of the Supervisory Board take part in the Annual General Meeting of Shareholders. The Chairman of the Supervisory Board presides at Annual General Meetings of Shareholders, where any shareholder may ask questions or address the Chairman.

In addition, any Moscow Exchange shareholder may speak on agenda items or address the Chairman of the Supervisory Board, which ensures the necessary degree of objectivity in considering the agenda.

When developing Moscow Exchange's strategy, the Supervisory Board takes into account the shareholders' vision for the development of the Company. The Supervisory Board considers appeals filed by shareholders and investors and, if necessary, gives appropriate instructions to senior managers.

The terms of reference for the Supervisory Board are established in the Charter and are clearly separate from those of the executive bodies of Moscow Exchange responsible for the current management of Moscow Exchange.

In particular, the Supervisory Board:

- determines Moscow Exchange's vision, mission and strategy;
- is responsible for the strategic management and long-term sustainable development of Moscow Exchange;
- establishes Moscow Exchange's strategic goals and key performance indicators.

The Supervisory Board's work schedule was approved in December 2015 and confirmed at the first meeting of the newly elected Supervisory Board held after the Annual General Meeting of Shareholders. The work schedule includes the main activities of Moscow Exchange, which are correlated with Moscow Exchange's strategic planning cycle and existing business cycles. In preparing the work schedule, the suggestions of members of the Supervisory Board and of senior managers on priority issues were taken into account.

The agenda of each in-person meeting of the Supervisory Board includes three to five substantive matters for decision-making and management reports. Matters related to the implementation of priority projects, operational continuity, budget performance and orders of the Supervisory Board are considered as frequently as required.

In-person meetings of the Supervisory Board are those where all directors are present, and such meetings are generally held in Moscow. The first meeting of the newly elected Supervisory Board takes place in person, generally on the same day that the General Meeting of Shareholders elects the new Supervisory Board.

Information on the activities of the Supervisory Board, including its members, meetings and commissions, is disclosed on the official website of Moscow Exchange in the form of press releases and statements of material facts, as well as in Moscow Exchange's annual reports, which ensures that information related to Moscow Exchange's Supervisory Board is transparent.

Members of Moscow Exchange's Supervisory Board are experienced professionals who are able to implement its strategy.

## Structure and Membership of the Supervisory Board

Since the date of the most recent AGM, i.e. 27 April 2016, Moscow Exchange's Supervisory Board has comprised 12 members (there were previously 15 members on the Board).

The Supervisory Board is managed and administered by the Chairman of the Supervisory Board, who is elected by the members of the Supervisory Board from among themselves, by a majority vote of the members of the Supervisory Board participating in the meeting when the election takes place.

For preliminary consideration and development of recommendations on the most important matters, the Supervisory Board set up the following commissions:

- The Strategic Planning Committee;
- The Audit Committee;
- The Nomination and Remuneration Committee;
- The Budget Committee;
- The Technical Policy Committee; and
- The Risk Management Committee.

The Committees are formed annually from among the members of the Supervisory Board. Five out of six committees are chaired by independent directors; the Audit Committee and the Nomination and Remuneration Committee comprise independent directors only. Additional IT experts are invited to participate in the Technical Policy Commission.

Members of Moscow Exchange's Supervisory Board are experienced professionals who are able to implement its strategy. They are experts in financial market infrastructure, the international industry of organised trading, financial information technologies, operational and financial risk management, financial reporting and budgeting processes. They also have competencies in personnel management and current approaches to incentivising top management.

After the 2016 Annual General Meeting of Shareholders, the Supervisory Board included five independent directors who met all the criteria of independence as set forth in the Listing Rules (no relations with the Company, major shareholders, major competitors or counterparties or with the government), six non-executive directors and the Chairman of the Executive Board of Moscow Exchange. In 2016, one director was qualified as independent following the expiration of a three-year period after receiving remuneration other than for serving as a member of the Supervisory Board, which is applied as a criterion for director independence.

Moscow Exchange has no information on any conflicts of interest (related also to membership in management bodies of Moscow Exchange's competitors) on the part of members of the Supervisory Board or the Executive Board.

Of the members  
of the Supervisory Board  
women comprise

**50%**

## Supervisory Board Members

### Supervisory Board members as of 1 January 2016

### Supervisory Board members elected on 27 April 2016

#### Independent directors

1. Bratanov, Mikhail Valeryevich
2. Wang Yuan
3. Karachinsky, Anatoly Mikhailovich
4. Riess, Rainer
5. Sharonov, Andrey Vladimirovich

1. Wang Yuan
2. Karachinsky, Anatoly Mikhailovich
3. Riess, Rainer (Senior Independent Director)
4. Gordon, Maria Vladimirovna
5. Paterson, Duncan

#### Non-executive directors

6. Beattie, Nicola Jane
7. Glodek, Sean
8. Golikov, Andrey Fedorovich
9. Goreglyad, Valery Pavlovich
10. Denisov, Yury Olegovich
11. Zlatkis, Bella Ilyinichna
12. Kudrin, Alexey Leonidovich
13. Lykov, Sergey Petrovich
14. Shershun, Kirill Yevgenyevich

6. Glodek, Sean
7. Golikov, Andrey Fedorovich
8. Goreglyad, Valery Pavlovich
9. Denisov, Yury Olegovich (became an independent director on 18 October 2016)
10. Zlatkis, Bella Ilyinichna
11. Kudrin, Alexey Leonidovich

#### Executive directors

15. Afanasiev, Alexander Konstantinovich

12. Afanasiev, Alexander Konstantinovich

## Members Of Moscow Exchange's Supervisory Board Elected By The Annual General Meeting On 27 April 2016<sup>1</sup>

**ALEXEY LEONIDOVICH  
KUDRIN**  
Chairman



Date/place of birth: 12 October 1960, Dobele, Latvia (USSR).

Alexey Kudrin graduated from Leningrad State University in 1983. Specialisation: Political Economy.

He also received a degree in Economics.

- Between 1996 and 2000, he held leading positions in the Russia Federation Government.
- From 2000 until 2011, he served as the Deputy Prime Minister and the Minister of Finance of the Russian Federation.
- Since 2011, he has been the Dean of the Faculty of Liberal Arts and Sciences at St Petersburg State University.
- He is the Deputy Chairman of the Supervisory Board at Sberbank of Russia, Chairman of the Civil Initiatives Committee and a member of the Board of Directors at the New Economic School.
- He was first elected to Moscow Exchange's Supervisory Board on 26 June 2014.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.

**ANDREY  
FEDOROVICH GOLIKOV**  
Deputy Chairman



Chairman of the Budget Committee, member of the Strategic Planning Committee and Technical Policy Commission.

Date/place of birth: 14 March 1969, Volzhskiy, Volgograd Oblast.

Andrey Golikov graduated from Lomonosov Moscow State University, Department of Mechanics and Mathematics in 1991.

- He held various positions, from 2009 to 2011, at Sberbank, including the Head of the Treasury and Financial Markets, and was a member of the Executive Board.
- He is a member of NCC Clearing Bank's Supervisory Board.
- He was first elected to Moscow Exchange's Supervisory Board on 24 April 2003.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016

<sup>1</sup> Data as of 31 December 2016. Professional Background data is given for the last five years.

**ALEXANDER KONSTANTINOVICH AFANASIEV**

Executive Director



Date/place of birth: 12 January 1962, Moscow.

Alexander Afanasiev graduated from the Moscow Financial Institute in 1984. Specialty: International economic relations.

He has a degree in Economics

- From 1998 to 2011, he served as the Deputy Chairman of the Management Board at Bank WestLB Vostok, a subsidiary company of the German banking group WestLB AG.
- In 2011, he joined the Executive Board of Moscow Exchange.
- Since 2012, he has been serving as the CEO of Moscow Exchange.
- He is a member of the NCC Clearing Bank Supervisory Board, a member of NSD Supervisory Board and a member of the Management Board at the Russian Union of Industrialists and Entrepreneurs.
- He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He owns 2,948,385 shares, or 0.1294% equity interest, in Moscow Exchange.

The list of transactions involving shares in Moscow Exchange in 2016 is provided in Chairman and Members of the Executive Board section of this report.

**YUAN WANG**

Independent Director



Member of the Strategic Planning Committee.

Date/place of birth: 17 February 1951, Beijing, China.

In 1976, she graduated from Shanxi University with a Bachelor of Arts degree. In 1987, she received a Master of Science degree in Developing Economies from the University of Bradford. In 1998, she received an MBA from the China Europe International Business School.

She also holds an Honorary Doctor of Science degree.

- Between 2001 and 2006, she served as an Advisor to the Securities and Futures Commission of Hong Kong.
- From 2006 to 2014, she worked at the China Development Bank Corporation.
- She was first elected to Moscow Exchange's Supervisory Board on 26 June 2014.

She does not own any shares in Moscow Exchange.

She reported no transactions with Moscow Exchange's shares in 2016.

**SEAN GLODEK**

Non-Executive  
Director



Member of the Strategic Planning, Budget and Risk Management Committees.  
Date/place of birth: 17 July 1971, Warsaw, Poland.

He graduated from the Wharton School of the University of Pennsylvania (MBA) and from Stanford University (BA in Economics).

- Since 2011, he has been the Deputy General Director and a member of the Management Board at Russian Direct Investment Fund.
- He is a member of the Supervisory Board at NSD.
- He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.

**MARIA VLADIMIROVNA GORDON**

Independent Director



Member of the Audit Committee and the Nomination and Remuneration Committee Date and place of birth: 13 February 1974, Vladikavkaz, Republic of North Ossetia.

In 1995, she received a Bachelor's degree in Political Science from the University of Wisconsin (USA). In 1998, she received a Master of Arts degree in Law and Diplomacy from the Fletcher School of Law and Diplomacy at TUFTS University (USA).

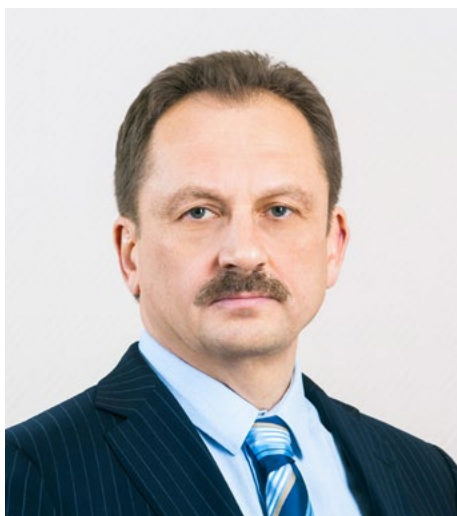
- Between 2010 and 2014, she was the Chief Emerging Markets Equity Portfolio Manager at Pacific Investment Management Co. (PIMCO).
- She is a member of the Supervisory Board at ALROSA.
- She was elected to Moscow Exchange's Supervisory Board on 27 April 2016.

She does not own any shares in Moscow Exchange.

She reported no transactions involving shares in Moscow Exchange in 2016.

**VALERY PAVLOVICH GOREGLYAD**

Non-Executive  
Director



Member of the Budget Committee and the Risk Management Committee.  
Date/place of birth: 18 June 1958, Glusk, Mogilev Oblast.

He graduated from the Moscow Aviation Institute in 1981 with a Mechanical Engineering Qualification (Aircraft Production).

He holds a Doctor of Science degree in Economics.

- From 2010 to 2013, he served as the Deputy Chairman of the Account Chamber of the Russian Federation. Since 2013, he has been the Chief Auditor of the Bank of Russia.
- He is a Professor at the Higher School of State Audit at Moscow State University.
- He was first elected to Moscow Exchange's Supervisory Board on 26 June 2014.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.

**YURY OLEGOVICH DENISOV**

Independent Director



Chairman of the Risk Management Committee, member of the Strategic Planning Committee and the Nomination and Remuneration Committee.

Date/place of birth: 31 May 1970, Moscow.

He graduated from the Moscow State Institute of International Relations in 1993 with a qualification in International Economic Relations.

- From 2010 to 2013, he was the Executive Board Deputy Chairman at Moscow Exchange.
- Since 2008, he has been a member of the Supervisory Board at NCC Clearing Bank and currently chairs the Supervisory Board.
- He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.



**BELLA ILYINICHNA  
ZLATKIS**

Non-Executive Director



Date/place of birth: 5 July 1948, Moscow.

She graduated from the Moscow Finance Institute in 1970 with a specialisation in Finance and Credit.

She holds a PhD in Economics.

- She has been serving as the Deputy Chairwoman of Sberbank's Executive Board for more than 10 years. Earlier, she held a post at the Ministry of Finance for more than 30 years.
- Since 2011, she has been a member of NSD's Supervisory Board, and is currently the Chairwoman.
- She was first elected to Moscow Exchange's Supervisory Board on 19 May 2011.

She does not own any shares in Moscow Exchange.

She reported no transactions involving shares of Moscow Exchange in 2016.

**ANATOLY MIKHAILOVICH  
KARACHINSKY**

Independent Director



Chairman of the Technical Policy Committee.

Date/place of birth: 12 July 1959, Moscow.

He graduated from the Moscow Institute of Railroad Transport Engineering in 1981 with a specialisation in Computer Science.

- He is currently the President and the Chairman of the Governing Board at IBS.
- He chaired the Supervisory Board of the IBS Group for more than 10 years. He is the Chairman of the Supervisory Board at Luxoft Holding Inc, the Chairman of the Board of Directors at NewspaperDirect Inc (Canada), the Chairman of the Supervisory Board at Medialogia and a member of the Executive Board at the Russian Union of Industrialists and Entrepreneurs.
- He was first elected to Moscow Exchange's Supervisory Board on 20 June 2012.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.

**DUNCAN PATERSON**

Independent  
Director



Chairman of the Audit Committee, member of the Strategic Planning Committee

Date/place of birth: 11 January, 1951, Woking, Surrey, UK.

He is a Fellow of the Institute of Chartered Accountants in England and Wales (year of qualification: 1973). In 1978, he graduated from the London School of Economics and Political Science with an MSC in Accounting and Finance.

- Current position: Non-executive Chairman, GH Financials Limited, London UK.
- Professional background: Managing partner at MA Partners, Senior Managing Director at Wilco International, Business Development Director at ACT Financial Systems, COO at County NatWest Investment Management, CFO at Security Pacific Hoare Govett.
- He was elected to Moscow Exchange's Supervisory Board on 27 April 2016.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.

**RAINER RIESS**

Independent  
Director



Chairman of the Strategic Planning Committee, Chairman of the Nomination and Remuneration Committee, member of the Audit Committee

Date/place of birth: 20 January 1966, Darmstadt, Germany.

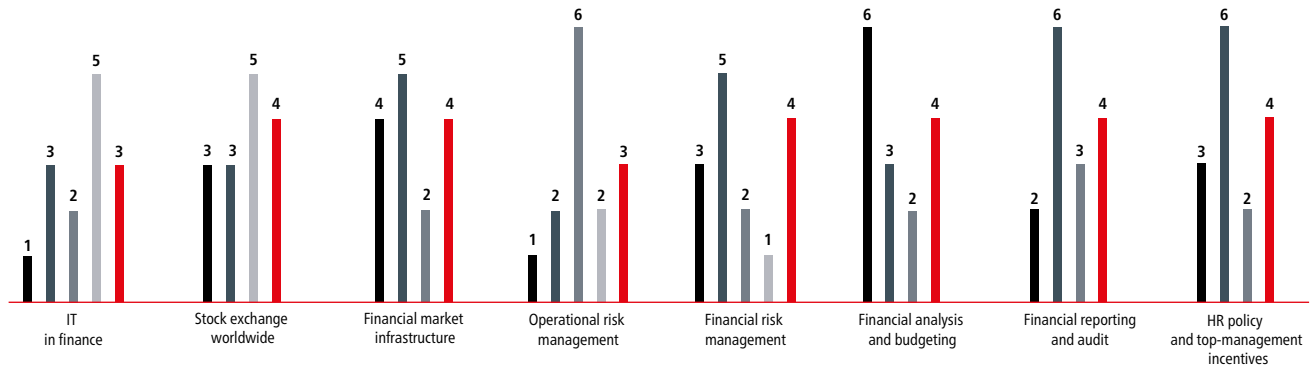
He graduated from the University of Miami in 1993 with an MBA, and he also received a Master of Economics degree in 1994 from Wolfgang Goethe University (Frankfurt).

- From 1995 to 2013, he served as the Managing Director at Deutsche Börse AG.
- From 2008 to 2013, he served as the Deputy Chairman of the Frankfurt Stock Exchange Management Board.
- He is a managing partner and the owner of Addwis GmbH (Frankfurt), and he is also the Director General at the Federation of European Securities Exchanges AISBL (FASE).
- He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He does not own any shares in Moscow Exchange.

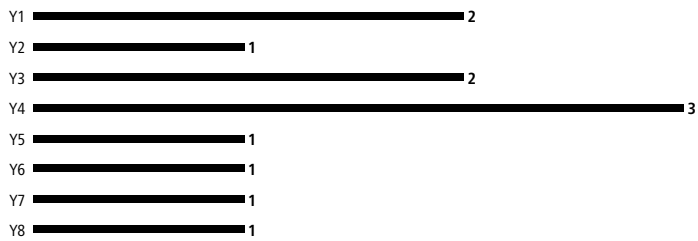
He reported no transactions involving shares in Moscow Exchange in 2016.

## Supervisory Board members' competencies

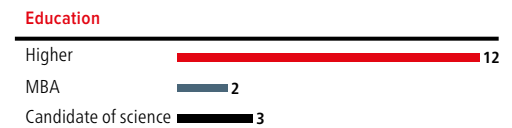


	Total	Expert	Specialist	Generalist	Basic knowledge	Average
IT in finance	14	1	3	2	5	3
Stock exchanges worldwide	15	3	3	5	0	4
Financial market infrastructure	15	4	5	2	0	4
Operational risk management	14	1	2	6	2	3
Financial risk management	15	3	5	2	1	4
Financial analysis and budgeting	15	6	3	2	0	4
Financial reporting and audit	15	2	6	3	0	4
HR policy and top-management incentives	15	3	6	2	0	4

## Length of service on the Supervisory Board



## Supervisory Board members' educational background



The cumulative length of service of all members is

**54**  
YEARS


















In 2016 the Board held

**17**  
MEETINGS

## Supervisory Board's Activity in 2016

The Board held 17 meetings from 1 January 2016 through 31 December 2016 (including six in-person meetings).

Five meetings were held before and 12 meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Kudrin, Alexey Leonidovich	17 	100
Afanasiev, Alexander Konstantinovich	16 	94
Wang Yuan	16 	94
Glodek, Sean	17 	100
Golikov, Andrey Fedorovich	17 	100
Gordon, Maria Vladimirovna <i>(since 27 April 2016)</i>	7 	58
Goreglyad, Valery Pavlovich	16 	94
Denisov, Yury Olegovich	16 	94
Zlatkis, Bella Ilyinichna	15 	88
Karachinsky, Anatoly Mikhailovich	16 	94
Paterson, Duncan <i>(since 27 April 2016)</i>	11 	92
Riess, Rainer	16 	94
Beattie, Nicola Jane <i>(until 27 April 2016)</i>	4 	80
Bratanov, Mikhail Valeryevich <i>(until 27 April 2016)</i>	5 	100
Lykov, Sergey Petrovich <i>(until 27 April 2016)</i>	5 	100
Sharonov, Andrey Vladimirovich <i>(until 27 April 2016)</i>	2 	40
Shershun, Kirill Yevgenyevich <i>(until 27 April 2016)</i>	5 	100

## The Supervisory Board's Report

Many issues on the agenda of Supervisory Board meetings were first considered by the appropriate commissions for a more detailed discussion and to give the Supervisory Board recommendations regarding voting.

Key issues that the Supervisory Board discussed in 2016 included:

- STRATEGY:
  - Moscow Exchange's IT strategy for 2010-2015 and a three-year programme for IT development;
  - Moscow Exchange Group's financial strategy;
  - restructuring by way of the consolidation of CJSC MICEX Stock Exchange and MB Technologies LLC;
  - Policy on the use of Moscow Exchange Group premises;
  - priority projects for 2017;
  - principles and parameters of the share-based, long-term incentive programme.
- BUSINESS DEVELOPMENT:
  - election of two new members to the Executive Board to lead Moscow Exchange's business development;
  - approval of the Derivatives Market's fees for trades in foreign currency and precious metals; trading fees for the Equity & Bond Market.
- FUNDAMENTAL DOCUMENTS OF MOSCOW EXCHANGE:
  - Listing Rules;
  - approval of Trading Rules for the FX and Precious Metals Market, the Equity & Bond Market and the Derivatives Market;
  - Admission Rules;
  - updates to Moscow Exchange's Provisions of the Internal Audit Service and Nomination and Remuneration Commission;
  - updates to Moscow Exchange's Corporate Governance Code and Information Policy.
- CORPORATE GOVERNANCE:
  - independent assessment of the Supervisory Board's performance;
  - policy on remuneration and compensation of expenses due to members of the executive bodies of Moscow Exchange;
  - policy on remuneration and compensation of expenses due to members of the Supervisory Board of Moscow Exchange;
  - methodology for corporate governance assessment;
  - report on updates to Moscow Exchange's corporate governance practice in 2016.
- RISK MANAGEMENT:
  - qualification requirements for members of executive bodies for the purpose of succession planning.
  - In 2016, an external audit of the internal control system was put into practice on the initiative of the Supervisory Board and the Audit Committee. The audit findings report will be delivered in 2017 and disclosed in the 2017 annual report.

## Procedures for Appointment, Induction and Training of Members of the Supervisory Board

In accordance with the Federal Law on Joint-Stock Companies, shareholders holding in aggregate no less than 2% of voting shares in Moscow Exchange have the right to nominate candidates to the Supervisory Board of Moscow Exchange. The number of candidates cannot exceed the number of members of the Supervisory Board. The Charter of Moscow Exchange provides that such proposals should be submitted no later than 60 days after the end of each fiscal year.

The Supervisory Board of Moscow Exchange was to consider the above nominations and decide whether to include them on the list of nominees for election at the General Meeting of Shareholders no later than five days after the date specified for the submission of the proposals, i.e. before 5 March 2016.

At the end of the day on 29 February 2016, Moscow Exchange received proposals on the nomination of 14 candidates to the Supervisory Board to be elected at the Annual General Meeting of Shareholders in 2016, and all of them were included on the list of nominees for the General Meeting of Shareholders.

As part of the induction of directors, there is an induction programme for members of the Supervisory Board.








The programme includes the following:

- familiarisation of Supervisory Board members with Moscow Exchange's key internal documents and the resolutions adopted at the meetings of shareholders and of the Supervisory Board;
- an overview of the history of the Russian stock market and basic information about the strategy and operations of Moscow Exchange;
- meetings with the Chairman of the Supervisory Board and the Chairman of the Executive Board of Moscow Exchange;
- a meeting with the Director of the Corporate Governance Department;
- a meeting with the Group's management team during the one-day introductory course held within two months of the date of the election of the Supervisory Board;
- a meeting with the chairpersons of any commissions whose members are also members of the Supervisory Board.






# Activity of Committees in 2016

## Information on Supervisory Board Members' Attendance at Committee Meetings









In 2016, the Strategic Planning Committee held six meetings in total; two meetings were held before and four meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Beattie, Nicola Jane, Chairwoman <i>(Chairwoman until 27 April 2016)</i>	2 	100
Wang Yuan	6 	100
Sean Glodek	5 	83,3
Golikov, Andrey Fedorovich	6 	100
Denisov, Yury Olegovich	5 	83,3
Rainer Riess <i>(member and Chairman since 27 April 2016)</i>	6 	100
Duncan Paterson <i>(since 27 April 2016)</i>	4 	100





In 2016, the Audit Committee held eight meetings in total, including five full-time meetings; four meetings were held before and four meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Rainer Riess <i>(Chairman until 27 April 2016)</i>	8 	100
Bratanov, Mikhail Valeryevich <i>(until 27 April 2016)</i>	4 	100
Wang Yuan <i>(until 27 April 2016)</i>	3 	75
Duncan Paterson <i>(Chairman since 27 April 2016)</i>	4 	100
Gordon, Maria Vladimirovna <i>(since 27 April 2016)</i>	3 	75




In 2016, the Nomination and Remuneration Committee held 14 meetings in total, 10 of which were in-person meetings; six meetings were held before and eight meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Golikov, Andrey Fedorovich (Chairman until 27 April 2016)	6 	100
Bratanov, Mikhail Valeryevich (until 27 April 2016)	6 	100
Zlatkis, Bella Ilyinichna (until 27 April 2016)	5 	83,3
Shershun, Kirill Yevgenyevich (until 27 April 2016)	4 	66,7
Denisov, Yury Olegovich (until 28 October 2016)	1 	50
Karachinsky, Anatoly Mikhailovich (from 27 April 2016 until 28 October 2016)	3 	50
Rainer Riess (Chairman until 27 April 2016)	8 	100
Gordon, Maria Vladimirovna (since 27 April 2016)	8 	100

In 2016, the Budget Committee held 11 meetings in total, six of which were in-person meetings; four meetings were held before and seven meetings after the date of the AGM, i.e. 27 April 2016.





Name	Number of meetings attended	% of total meetings attended
Bratanov, Mikhail Valeryevich (Chairman until 27 April 2016)	4 	100
Sean Glodek	11 	100
Golikov, Andrey Fedorovich (Chairman since 27 April 2016)	11 	100
Goreglyad, Valeriy Pavlovich	10 	90,91

In 2016, the Technical Policy Committee held four meetings in total, two of which were in-person meetings; three meetings were held before and one meeting after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Karachinsky, Anatoly Mikhailovich, Chairman	3 	75
Bratanov, Mikhail Valeryevich (until 27 April 2016)	3 	100
Golikov, Andrey Fedorovich	4 	100



In 2016, the Risk Management Committee held six in-person meetings in total; two meetings were held before and four meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Denisov, Yury Olegovich, <i>Chairman</i>	6 	100
Goreglyad, Valeriy Pavlovich	5 	88,33
Rainer Riess <i>(until 27 April 2016)</i>	2 	100
Sean Glodek <i>(from 27 April 2016)</i>	3 	75

## Audit Committee

The primary purpose of the Audit Committee is to ensure the efficient work of the Supervisory Board of Moscow Exchange in making decisions on issues concerning oversight of financial and economic operations.

The Commission's key objectives are:

- oversight, analysis and participation in the consideration of issues in the area of bookkeeping (financial statements);
- oversight, analysis and assessment in the area of risk management and internal control;
- maintenance of independence and impartiality in the area of internal and external audit;
- oversight in the area of the prevention of, and response to, mala fide actions taken by the Company's employees and third parties;
- support for members of the Supervisory Board in supervising the business activities of Moscow Exchange and Moscow Exchange Group companies and their personal awareness of such activities;

- preview, analysis, preparation and provision of opinions and recommendations to the Supervisory Board of Moscow Exchange on issues with regard to functions and objectives of the Audit Commission; and
- preparation and assessment of the Moscow Exchange auditor's report and delivery of said assessment in the materials for Moscow Exchange's AGM.

Committee members:

- Duncan Paterson, Chairman;
- Rainer Riess; and
- Maria Gordon.

In 2016, the Audit Committee held eight meetings (six of which were in-person meetings), where 50 agenda items were discussed.

The main issues considered by the Committee in 2016 were: performance and findings of the external auditor of Moscow Exchange Group; consolidated financial statements; Internal Audit Service reports; oversight over compliance with the Corporate Governance Code recommendations and Listing Rules requirements; selection of an external auditor and the amount of the auditor's remuneration. In 2016, the Commission was engaged in the selection of the auditor for the next three years and an assessment of internal controls.

The Committee assessed efficiency of external and internal audit processes on a regular basis, invited representatives of independent audit firms and the head of internal audit, heard their reports and gave recommendations. It determined their functions as well performed.

The Committee also reviewed the auditor's report on the 2015 accounting (financial) statements for Moscow Exchange and presented relevant recommendations to the Supervisory Board on bonuses to be paid to the Head and employees of the Internal Audit Service of Moscow Exchange for 2015.

## Nomination and Remuneration Committee

The primary purpose of the Nomination and Remuneration Committee is to foster effective decision-making by the Supervisory Board of Moscow Exchange on matters concerning the operations of Moscow Exchange and of other companies directly or indirectly controlled by Moscow Exchange related to the nomination of, and remuneration paid to, members of supervisory boards and executive management bodies, other key executives and members of revision commissions.

The key objective of the Nomination and Remuneration Committee is preliminary review, development and provision of recommendations and conclusions to the Supervisory Board of Moscow Exchange and to supervisory boards of Moscow Exchange Group companies regarding the following matters:

- staff planning (succession planning), enhancement of the professional composition and performance efficiency of supervisory boards;
- efficient and transparent remuneration for members of supervisory boards and the collegial executive body, as well as for the person performing the functions of the sole executive body (hereinafter, the members of executive management bodies) and for other key executives;
- priorities of Moscow Exchange and Moscow Exchange Group activities in relation to the nomination of, and remuneration paid to, the members of supervisory boards and executive management bodies, other key executives and the members of revision commissions;
- policies and standards on choosing nominees for supervisory boards and executive management bodies that are aimed at attracting qualified specialists;
- identifying and measuring key performance indicators for top managers.

Committee members:

- Rainer Riess, Chairman;
- Maria Gordon; and
- Yury Denisov.

In 2016, the Nomination and Remuneration Committee held 14 meetings, where 57 agenda items were discussed.

The main issues considered by the Committee in 2016 were: planning of the personal composition of the supervisory boards of Moscow Exchange, NSD and NCC Clearing Bank; Supervisory Board performance assessment by an independent advisor; verifying the independence of candidates and members of the Supervisory Board of Moscow Exchange; setting the goals of the Supervisory Board of Moscow Exchange for the corporate year; assessment and training of members of the Supervisory Board of Moscow Exchange; the nomination of candidates to the Supervisory Board and the induction of new directors; developing recommendations on the identification and measurement of key corporate performance indicators (targets) for Moscow Exchange Group and the key individual performance indicators for members of executive bodies, the Director of the Corporate Governance Department of Moscow Exchange and other key executives of Moscow Exchange Group companies; the succession planning programme, prolongation of the powers of members of the executive bodies and the stock option programme for top managers.

## Strategic Planning Committee

The primary purpose of the Strategic Planning Committee is to improve the efficiency of Moscow Exchange's operations, as well as that of its subsidiaries and affiliates, including companies under its direct or indirect control in both the medium and the long term.

The key objectives of the Strategic Planning Committee are:

- endorsement of strategic objectives, oversight over strategy implementation and amending the existing strategy;
- endorsement of priority business areas;

- issuing recommendations on the dividend policy;
- performance evaluation in the medium and long term;
- preliminary review and issuing recommendations on membership in her companies;
- review of voluntary and mandatory offers to acquire shares in Moscow Exchange;
- consideration of the financial model and the business and business segments valuation model;
- consideration of reorganisation and liquidation matters;
- consideration of changes in the organisational structure;
- consideration of the reorganisation of business processes.

Committee members:

- Rainer Riess, Chairman;
- Yuan Wang;
- Sean Glodek;
- Andrey Golikov;
- Yury Denisov; and
- Duncan Paterson.

In 2016, the Strategic Planning Committee held six meetings, where 40 agenda items were discussed.

The main issues considered by the Committee in 2016 were: innovation management; strategy implementation monitoring procedure development; strategies by business lines (financial, marketing, risk management, market data, OTC services, NCC Clearing Bank and NSD strategies); capturing global clients; development of services involving bond placement and trading; retail investor development; listing strategy; IT development; development of KPIs; implementation of priority projects; 2017 priority projects; the impact of key global events on financial and commodities markets; Moscow Exchange Group restructuring.

## Risk Management Committee

The primary purpose of the Risk Management Committee is to contribute to improvements in managing operating, legal, reputational, strategic and other nonfinancial risks that Moscow Exchange and Moscow Exchange Group companies may face, with a view to enhancing the stability and effectiveness of Moscow Exchange's operations. The Committee works closely with the Risk Committee of NCC Clearing Bank, which analyses financial and non-financial risks of the credit institution as part of Moscow Exchange Group..

Committee members:

- Yury Denisov, Chairman;
- Valery Goreglyad; and
- Sean Glodek.

In 2016, the Risk Management Committee held six meetings, where 34 agenda items were discussed.

The main issues considered by the Committee in 2016 were: commodities market development; business continuity of Moscow Exchange Group companies; unification of risk management strategy across Moscow Exchange Group companies; Moscow Exchange Group companies safety from risks involving various risk scenarios. Over the reporting period, the Committee also gave detailed consideration to reports on financial and non-financial risks.

## Budget Committee

The Budget Committee's primary purpose is to ensure oversight on the part the Supervisory Board over the accumulation and spending of funds intended for financial support for Moscow Exchange and companies that are part of Moscow Exchange Group.

The Committee's key objectives are:

- determining the key principles for Moscow Exchange's and Moscow Exchange Group's budgeting and budget spending;
- preparing a timely and accurate target budget for Moscow Exchange and Moscow Exchange Group;
- ensuring day-to-day management in budget-related matters for Moscow Exchange and Moscow Exchange Group; and
- assessing the effectiveness of budgeting at Moscow Exchange and Moscow Exchange Group.

Committee members:

- Andrey Golikov, Chairman;
- Sean Glodek; and
- Valery Goreglyad.

In 2016, the Budget Committee held 10 meetings, where 57 agenda items were discussed.

The main issues considered by the Committee in 2016 were: planning and oversight over execution of the consolidated budget; determination of the size of dividends in accordance with the dividend policy; setting fees to be applied across Moscow Exchange markets; development of recommendations regarding premises owned by Moscow Exchange; Moscow Exchange Group restructuring; budgetary oversight in relation to Moscow Exchange's priority projects.

## Technical Policy Committee

The Committee's primary purpose is to develop and enhance the efficiency of Moscow Exchange and Moscow Exchange Group operations by preparing recommendations and expert opinions for the Supervisory Board of Moscow Exchange and for the Boards of Directors (Supervisory Boards) and their committees of Moscow Exchange Group companies regarding technical policy and the development of IT and software solutions at Moscow Exchange and Moscow Exchange Group companies.

The Committee's key objectives are:

- fostering efficient collaboration between Moscow Exchange and Moscow Exchange Group companies with Securities and Commodities Market participants using the Exchange's software and hardware facilities on matters regarding technical policy and the development of IT and software solutions;
- optimising the processes for conducting a complete and comprehensive assessment of the needs of Securities and Commodities Market participants in terms of the development of IT and software solutions; and
- coordinating activities related to technical policy matters within Moscow Exchange Group and ensuring a centralised policy on matters falling within the Commission's remit.

Committee members:

- Anatoly Karachinsky, Chairman;
- Andrey Golikov;
- Vladimir Gibenko;
- Vladimir Kurlyandchik;
- Alexander Chetverukhin;
- Mikhail Khasin; and
- Yury Yartsev.

In 2016, the Technical Policy Committee held four meetings, where 10 agenda items were discussed.

The main issues considered by the Committee in 2016 were: IT strategy implementation; IT development planning in the medium term; implementation of new instruments for software development and software testing methods; IT policy; data centre modernisation; evaluation of Moscow Exchange's IT architecture.

# Performance Assessment of Supervisory Board and Committees

## Assumptions and Grounds for Assessment

In accordance with the recommendations of the Russian Corporate Governance Code and the best international practices, Moscow Exchange assesses the performance of its Supervisory Board on an annual basis. Pursuant to its internal regulations, the Remuneration Committee sets up and oversees the process of self-assessment or of assessment by a third-party consultant.

By decision of the Supervisory Board, the assessment in 2016 was conducted by Odgers Berndtson, an independent international consultant selected in a competitive bidding process. The selection criteria, apart from the service fee, included the consultant's background with similar projects, depth of expertise in the area of corporate governance, project team membership and levels of professionalism. The important factor taken into account in selecting the consultant was absence of any relations with Moscow Exchange.

## Assessment Goals and Objectives

The goals of this assessment were to obtain objective information on the activities undertaken by the Supervisory Board and Supervisory Board commissions, as well as the activities undertaken by their members, and to determine areas for the improvement of Supervisory Board and commission practices.

To achieve this goal, several tasks were carried out, including:

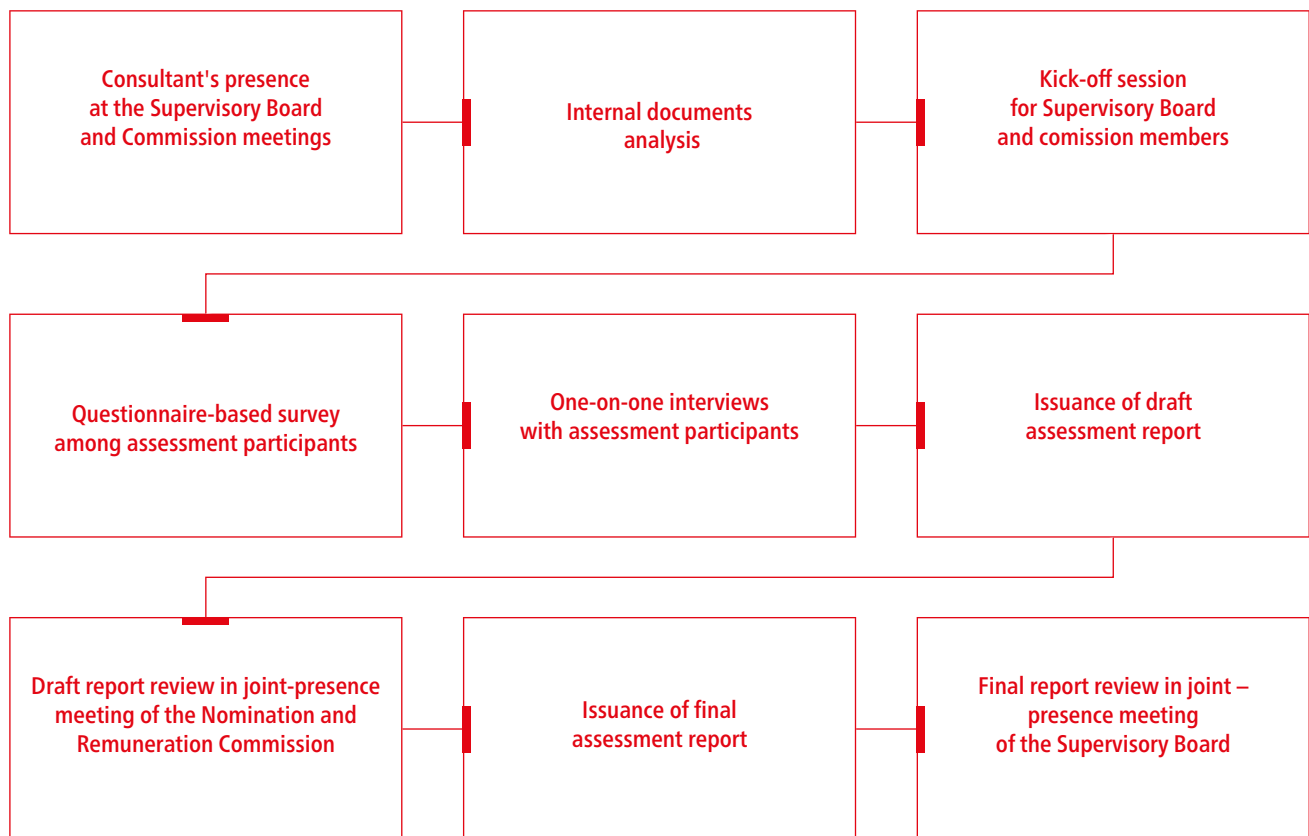
- an assessment of the role and functions of the Supervisory Board and its commissions in Moscow Exchange's corporate governance system;
- determination of the degree of balance of the Supervisory Board and commissions' membership structures;
- an assessment of the quality of interaction between the Supervisory Board, on the one hand, and the commissions and management, on the other, as well as the quality of interaction among Supervisory Board members and commission members;
- an assessment of the quality of the design of the Supervisory Board and commissions' activities;
- Supervisory Board and commission members' focus on priority tasks;
- formulation of initiatives aimed at improving the Supervisory Board and commissions' activities.

## Assessment Methodology

Pursuant to the methodology proposed by the third-party consultant, the following was to be assessed:

- Supervisory Board activities;
- Supervisory Board commission activities;
- the professional knowledge, skills, experience and activities of Supervisory Board members; and
- the activities of the Director of the Corporate Governance Department.

The assessment process consisted of nine stages implemented over from March through July 2016.



## Assessment Participants

An important feature of the assessment undertaken was the wide range of participants involved, which consisted of the incumbent and previous Supervisory Board members, shareholder representatives and Moscow Exchange key executives. .

Group of assessment participants	Total group members	Group members who participated in the questionnaire-based survey	Group members who participated in one-on-one interviews
Incumbent Supervisory Board members	12	8 (67%)	11 (92%)
Previous Supervisory Board members	4	3 (75%)	3 (75%)
Shareholder representatives on the Supervisory Board	3	Participation not intended	3 (100%)
Key executives not on the Supervisory Board	9	Participation not intended	9 (100%)

Therefore, the total number of assessment participants was 27. The overall level of assessment participants' involvement in the questionnaire-based survey and one-in-one interviews was 69% and 93%, respectively. This enabled the third-party consultant to obtain sufficient information to issue the full and objective opinion expressed in the final report.

## Assessment Results

In general, the Supervisory Board's performance met best global corporate governance practices in many aspects. In particular, the following were positively assessed:

- the Supervisory Board's effectiveness in assuring a balance of interests among Moscow Exchange shareholders, determining the strategic priorities for company development and management interaction;
- the key role played by the Supervisory Board and commissions in the budgeting process, risk management process and the building of a comprehensive succession planning system;
- active proceedings of Supervisory Board commissions;
- the significant input of Independent Directors in Supervisory Board and commission activities;
- the open nature and richness of discussions in the course of Supervisory Board and commission meetings;
- the effectiveness of the Corporate Governance Department in preparing for and holding meetings of collegiate bodies, and their input in the development of Moscow Exchange's corporate governance system.

At the same time, areas for the improvement of Supervisory Board and commission practices were identified. Having discussed the third-party consultant's recommendations, the Supervisory Board, with support from the Nomination and Remuneration Commission, formulated a number of priority objectives for 2017:

- to make internal documents compliant with the updated Moscow Exchange Corporate Governance Code;
- to update the terms of reference of the Supervisory Board and executive bodies;
- to reinforce the strategy process;
- to update the dividend policy;
- to develop information interaction among the Supervisory Board, the commissions and management; and
- to improve the succession planning system.

# Corporate Secretary

According to a resolution adopted by the Supervisory Board of Moscow Exchange, the Corporate Governance Department is vested with the functions of Moscow Exchange's Corporate Secretary.

The Corporate Governance Department is headed by its Director, who is subordinate to the Chairman of the Executive Board administratively and, functionally, to the Chairman of the Supervisory Board. Resolutions on his/her appointment/dismissal and remuneration are taken by the Supervisory Board, which provides the necessary degree of autonomy within the framework of Moscow Exchange's management bodies.

The main objectives of the Corporate Governance Department and its function as the Corporate Secretary include:

- playing a role in improving the corporate governance system and practices of all of the companies that make up Moscow Exchange Group;
- coordination of the Company's activities for the protection of the rights and the interests of the Company's shareholders and, if necessary, of the shareholders/members of other Moscow Exchange Group companies;
- effective communication with shareholders of Moscow Exchange and, if necessary, with shareholders/members of other Moscow Exchange Group companies;
- supporting the effective work of the Supervisory Board and of the consultative bodies of the Company's Supervisory Board (hereinafter, the "Commissions of the Supervisory Board"), as well as, where appropriate, the supervisory boards/boards of directors of the companies of Moscow Exchange Group;
- participation in the disclosure of information about Moscow Exchange.
- the Director of the Corporate Governance Department organises annual monitoring of corporate governance practices within Moscow Exchange Group and an internal assessment of the Supervisory Board's performance.

Mr Alexander Kamensky has been the Director of the Corporate Governance Department of Moscow Exchange since December 2013.



**ALEXANDER MIKHAILOVICH  
KAMENSKY**

Corporate Secretary



Alexander Kamensky was born in Moscow in 1982.

He graduated (cum laude) from the Law Faculty of Moscow Lomonosov State University in 2005 with a degree in Jurisprudence. He is also a graduate of the Leadership Programme at the INSEAD Business School. In 2014, he received a Director Certificate from the British Institute of Directors.

He won the Director of the Year prize awarded by AID and RSPP in the Corporate Secretary category in 2015 and the 12th ARISTOS-2014 Award as the Best Corporate Governance Director. In 2014-2016, he was ranked first in the top 1,000 Russian managers of financial companies in the Corporate Governance Directors category.

Experience:

- Since 2013: Director of the Corporate Governance Department and the Corporate Secretary of Moscow Exchange;
- 2012-2013: Head of the Corporate Governance Centre and the Corporate Secretary of PJSC MDM Bank;
- 2011-2012: Corporate Governance Manager and the Corporate Secretary of Enel Russia.

Number of shares /equity interest in Moscow Exchange: 8 shares/0.00000035%

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
06 May 2016	Share purchase	0	0	333,333	0,01462862
06 May 2016	Share sale	333,333	0,01462862	108,448	0,00475934
18 May 2016	Share sale	108,448	0,00475934	65,008	0,00285293
19 May 2016	Share sale	65,008	0,00285293	48,008	0,00210687
19 May 2016	Share purchase	48,008	0,00210687	50,008	0,00219465
20 May 2016	Share sale	50,008	0,00219465	47,068	0,00206562
20 May 2016	Share purchase	47,068	0,00206562	51,008	0,00223853
24 May 2016	Share sale	51,008	0,00223853	35,008	0,00153636
25 May 2016	Share sale	35,008	0,00153636	20,568	0,00090265
25 May 2016	Share purchase	20,568	0,00090265	23,008	0,00100973
26 May 2016	Share sale	23,008	0,00100973	6,508	0,00028561
26 May 2016	Share purchase	6,508	0,00028561	9,508	0,00041727
27 May 2016	Share sale	9,508	0,00041727	2,008	0,00008812
27 May 2016	Share purchase	2,008	0,00008812	8,508	0,00037338
30 May 2016	Share sale	8,508	0,00037338	5,508	0,00024172
30 May 2016	Share purchase	5,508	0,00024172	7,508	0,00032950
31 May 2016	Share sale	7,508	0,00032950	8	0,00000035
02 June 2016	Share purchase	8	0,00000035	2,008	0,00008812
03 June 2016	Share sale	2,008	0,00008812	8	0,00000035

## Revision Commission

The members of the Revision Commission are elected at AGM.

According to current legislation, the Commission performs an oversight function with regard to the Exchange's financial and business operations, conduct inspections for a specific purpose and it assesses the accuracy of information to be provided in annual reports and included in the Company's annual financial statements under Russian accounting standards. The Commission comprises three members.

### THE COMMISSION MEMBERS

The Commission members elected by the AGM on 27 April 2016 were:

- Vladislav Zimin
- Olga Romantsova
- Mikhail Kireev.

## Development of the Corporate Governance System

In 2016, the Supervisory Board formulated goals for its activity for 2016-2017 based on the findings of a third-party consultant that assessed the Supervisory Board and committee activities. These goals are set out in the respective section of this report.

In 2016, the Supervisory Board, in line with best global practices, took action to train members of the Supervisory Board:

- three directors completed a course at the British Institute of Directors; and
- all Supervisory Board members underwent training and received qualification certificates as financial market professionals in clearing activities and organised training activities.

In joint-presence meetings held in 2016, the Audit Committee followed up on measures aimed at aligning Moscow Exchange activities with the recommendations of the Corporate Governance Code and the Listing Rules requirements and, following this review, provided recommendations to the Supervisory Board and the management on the required corrective action.

By October 2016, compliance with all requirements of the Listing Rules was achieved, and implementation of final measures was planned for 2017, aimed at compliance with the recommendations of the Bank of Russia Corporate Governance Code that were found appropriate for compliance by Moscow Exchange as a public company.

# Moscow Exchange Corporate Governance Code

In 2015, Moscow Exchange approved its Corporate Governance Code (hereinafter, “the Code”).

The Code contains general provisions on Moscow Exchange's activities, management's commitment to the best corporate governance practices, a description of the corporate governance principles and system and a description of how Moscow Exchange implements specific principles of corporate governance (corporate governance practices):

- in interacting with shareholders;
- in the practices of the Supervisory Board, executive bodies and the Corporate Secretary;
- in its risk management and internal control system;
- when disclosing information and implementing major corporate actions related to Moscow Exchange.

The Code also describes the objectives and principles of corporate social responsibility for Moscow Exchange, the principles of interaction with service users and other stakeholders, as well as the principles of corporate governance in Moscow Exchange Group companies.

## THE CODE

The Code complies with Russian laws and:

- the principles and recommendations of the Corporate Governance Code of the Bank of Russia;
- the OECD Corporate Governance Principles;
- the corporate governance principles recommended by recognised international organisations.

A specific feature of the Code is that it contains development plans for the implementation of corporate governance principles. This feature means that the Code is not a declarative document but rather a practical tool that will enable Moscow Exchange to further improve its corporate governance framework.

# Information Policy

Moscow Exchange is committed to ensuring that its activities are as transparent as possible for its shareholders, investors and other stakeholders.

Following the recommendations of the Corporate Governance Code of the Bank of Russia and Moscow Exchange's development plans, and taking into account the requirements of the legislation on information disclosure by issuers whose securities are admitted to trading, Moscow Exchange adopted a new Information Policy in December 2015 (<http://fs.moex.com/files/11122/>).

The Information Policy is a set of information-disclosure rules followed by Moscow Exchange (including members of its management bodies, officials and employees) when providing information to shareholders and stakeholders. In particular, the Information Policy determines:

- key information-disclosure objectives and binding principles for Moscow Exchange as a securities issuer;
- groups of disclosed information, including a list of information that Moscow Exchange may disclose voluntarily, and the disclosure procedure;
- the procedure for Moscow Exchange's interaction with stakeholders, including with individuals who are authorised to communicate on behalf of Moscow Exchange; and
- the procedure for granting access to information and documents belonging to Moscow Exchange.

In 2016, the Information Policy was amended to clarify the Exchange's approaches to determining the information that can materially affect the value of shares in Moscow Exchange, as well as to establish procedures that ensure timely disclosure of such information.

The Information Policy is aimed at providing stakeholders with additional opportunities to exercise their rights and to improve the efficiency of information exchange between Moscow Exchange and all stakeholders.

New Moscow Exchange Information Policy is available at <http://fs.moex.com/files/11125/17941>



## Methodology Used by Moscow Exchange to Assess the Principles of Corporate Governance Set Out in the Bank of Russia Corporate Governance Code

The recommendations set out in Letter No. IN-06-52/8 issued by the Bank of Russia on 17 February 2016 on Disclosure, in a Public Joint-Stock Company Annual Report, of a Report on Compliance with the Principles and Recommendations of the Corporate Governance Code were used by Moscow Exchange as the methodology for its assessment of the principles of corporate governance set out in the Bank of Russia Corporate Governance Code.

As part of this assessment, an analysis was undertaken to determine whether the contents of the Charter and internal documents, as well as of Moscow Exchange's corporate governance practices and internal procedures, were aligned with the principles and recommendations of the Bank of Russia Corporate Governance Code. An analysis of the 2015 results-based assessment showed that Moscow Exchange complied with the majority of the principles and recommendations of the Corporate Governance Code in the first fiscal year after the adoption by the Bank of Russia of the Corporate Governance Code (2015).

The Exchange was ranked among the top 5 companies with good corporate governance disclosure according to the Bank of Russia.

The results of the reviews of compliance with the requirements of the Listing Rules and the Bank of Russia Corporate Governance Code undertaken by Moscow Exchange's Internal Audit Service and Legal Department in 2016 were used for assessment purposes. Another thing taken into account in the course of the assessment was the implementation of activities aimed at the improvement of corporate governance practices in respect of unmet or partly met recommendations from the Bank of Russia Corporate Governance Code indicated in the 2015 annual report. It should be noted that an analysis of the quality of disclosure of information on compliance with the principles of corporate governance undertaken by the Bank of Russia in 2016 placed Moscow Exchange among the five companies, characterised, in the Bank's opinion, by the high quality of corporate governance level disclosure.

In 2016, the Supervisory Board's Audit Committee developed recommendations regarding methods of implementing those principles of the Bank of Russia Corporate Governance Code that were named in the 2015 annual report as unmet or partly met. Some of those recommendations were taken into account by Moscow Exchange in the 2016 reporting year, in particular through the approval of new or revision of existing internal documents. As a result, there were more principles and recommendations that were complied with in 2016.

Some of the recommendations scheduled to be implemented in 2017 and beyond are listed in the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code (hereinafter, "the Report", for the purposes of this section), which is part of this annual report.

## Directors' Liability Insurance

Since 2013, Moscow Exchange's directors and officers (including independent directors), as members of the Company's management bodies, have been insured for liability.

The aim of this insurance is to provide compensation for potential damages caused by unintended negligent actions or failures to act on the part of the insured individuals in the exercise of their administrative activities.

Under the insurance contract concluded in 2016, the insurance premium is USD 115,000, and the insured amount is USD 50 mln (the total additional insured amount is USD 5 million for independent directors). The insurer is Ingosstrakh.

The terms of the insurance contract, including the insurance coverage, are consistent with best global practices.

## External Auditor

### ERNST & YOUNG VNESHAUDIT LIMITED LIABILITY COMPANY

- Auditor's name: Ernst & Young Vneshaudit Limited Liability Company
- INN: 9705059497
- OGRN: 1167746123478
- Address: 77, Sadovnicheskaya Nab., bld. 1, Moscow, 115035, Russia



The auditor is the member of Self-Regulating Organization "Russian Union of Auditors" (RUA), state registration number 1167746123478. The record thereof was made in the Unified State Register of Legal Entities on 3 August 2016.

Ernst & Young Vneshaudit Limited Liability Company is also included in the control copy of the register of auditors and audit organizations, main registration number 11603050953.

Auditing team:

- Yevguenia Vladimirovna Zaychikova, Partner;
- Mariana Valentinovna Klementieva, Senior Manager; and
- Anna Vadimovna Ratinskaya, Manager.

The fee for the audit of the annual accounting (financial) statements of Moscow Exchange and of the consolidated statements of Moscow Exchange Group for 2016 was RUB 4,390,000, excluding VAT. Ernst & Young Vneshaudit rendered no other services to Moscow Exchange in 2016 beyond audit services.

### External Auditor Selection Procedure

The Moscow Exchange selects auditors every three years in a competitive tender, which is held among the leading global auditor firms by the ad-hoc Auditor Selection Commission. The number of consecutive audit years by one organisation usually does not exceed six years, or two auditor selection periods.

The best candidate is chosen in accordance with the Regulations on the Evaluation of Proposals for the Selection of Auditor for the Moscow Exchange and Technical Requirements for the audit, which are approved by the Supervisory Board's Audit Commission.

Technical Requirements determine the scope of matters the auditor reviews during an audit, as well as the Exchange's requirements for the audit firm taking part in the competitive tender.

Before reviewing the bids for the audit of the Moscow Exchange and Group companies, the Commission prepares an opinion on the bidders' eligibility pursuant to the Russian law, which also takes into account factors that may affect the independence and objectivity of the auditor. Only those candidates that comply with the requirements for the auditor's independence under Article 8 of the Federal Law No. 307-FZ On Auditing are admitted to the tender.

The auditor selection process is based on a review of technical and price characteristics of the bids to identify the best terms for the audit of the financial (accounting) statements of the Moscow Exchange and Group companies. The Auditor Selection Commission reviews bids in two stages, assessing technical characteristics first and then pricing, based on which it determines the winning candidate.

During the review of technical characteristics the following is assessed: audit methodology, quality of the auditor's report on the internal control framework to the Exchange's governing bodies, bidders' professional expertise and track-record with MOEX (if any), and draft audit agreement.

As regards pricing, the total audit fees for the current reporting period and for the two subsequent ones, as well as at the fee payment schedule are considered.

Based on its review of the bids, the Auditor Selection Commission determines the winning bid and recommends the candidate to the Supervisory Board's Audit Commission, which in its turn presents recommendations to the Supervisory Board.

The decision on the auditor selection is made by the Annual General Meeting of Shareholders.

## Remuneration Payable to Members of the Supervisory Board

In accordance with Russian Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995, the General Meeting of Shareholders may decide that members of the Supervisory Board should be paid remuneration for their services and/or compensation for expenses related to the execution of their functions as members of the Supervisory Board.

The amount of such remuneration and compensation is determined by the General Meeting of Shareholders.

The current remuneration system for members of the Supervisory Board is underpinned by the interrelated principles of accessibility, transparency and completeness, adequacy, practicability and soundness, as well as the principle of individual remuneration depending on the contribution of each Supervisory Board member.

In accordance with the approved Policy on Remuneration and Compensations to the Members of the Supervisory Board (the "Policy"), the level of remuneration paid to Supervisory Board members should be sufficient to attract, motivate and retain persons having relevant skills and qualifications.

Pursuant to the approved Policy, remuneration of directors for their performance as Supervisory Board members consists of a basic fee and additional remuneration. Remuneration related to performance of the Supervisory Board member functions is not paid to government officials, employees of the Bank of Russia, and employees and managers of the Exchange and its subsidiaries.

The basic fee of a Supervisory Board member depends on whether such member is independent or not. The basic fee of independent Supervisory Board members is higher than that of members who are not independent.

Differentiated additional remuneration is paid to Supervisory Board members for performance of additional duties requiring extra time and effort of the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board, the Chairman of a Supervisory Board Commission or a member of a Supervisory Board Commission. The duties of the Chairman of the Supervisory Board and the Chairman of a Supervisory

Board Commission are associated with a higher workload and level of responsibility, and therefore the amount of additional remuneration due for performance of these functions is two times higher than the additional remuneration due to the Deputy Chairman of the Supervisory Board and members of Supervisory Board Commissions, respectively.

The Nomination and Remuneration Commission of the Moscow Exchange Supervisory Board provides recommendations on the level of remuneration payable to Supervisory Board members based on the expert assessment of the levels of remuneration adopted by other Russian companies with similar capitalisation and competitors of the Moscow Exchange. Following the recommendations of the Nomination and Remuneration Commission, the Regulations on Remuneration and Compensation Due to Members of the Supervisory Board (the "Regulations") are developed to be approved by the General Meeting of Shareholders of the Moscow Exchange.

The amount of the basic fee and additional remuneration due to Supervisory Board members is fixed and reflects the expected time input related to performance of the



Supervisory Board member functions; it does not depend on the actual attendance of Supervisory Board / Supervisory Board Commission meetings (including unscheduled ones).

However, in order to motivate members of the Supervisory Board and Supervisory Board Commissions to work diligently and efficiently, the General Meeting of Shareholders may reduce the amount of the basic fee and additional remuneration (as and to the extent provided for in the Regulations) or resolve not to pay any remuneration to the Supervisory Board members.

Apart from the remuneration for their work on the Supervisory Board and in Supervisory Board Commissions, pursuant to the approved Policy, Supervisory Board members are entitled to reimbursement (compensation) of travel expenses related to their participation in Supervisory Board / Supervisory Board Commission meetings and General Meetings of Shareholders held in praesentia, as well as in other events which they attend in their capacity of Supervisory Board members. In addition, Supervisory Board members who need to travel to meetings and other events held outside their place of residence are entitled to reimbursement (compensation) of entertainment expenses.

Supervisory Board members are entitled to the same level of service as members of the Company's executive bodies in accordance with relevant internal documents on reimbursement of expenses incurred during business trips.

The exhaustive list of reimbursable expenses is defined in the Regulations.

In order to maintain the necessary level of skills of Supervisory Board members, the Nomination and Remuneration Commission of the Moscow Exchange Supervisory Board may recommend paying for their professional training and refresher courses. The amount of remuneration paid in 2016 to the members of the Supervisory Board of the Moscow Exchange for the period from the date of their election in 2015 to the date of termination of their powers in 2016 (a corporate year) was determined in accordance with the Regulations on Remuneration and Compensation Due to Members of the Supervisory Board of the Moscow Exchange approved on 28 April 2015 by the Annual General Meeting of Shareholders (Minutes No. 53).

Prior to that, the amount of remuneration to the Supervisory Board members had been reviewed by the Nomination and Remuneration Commission of Supervisory Board, and by the Supervisory Board of the Moscow Exchange.

The resolution on payment of remuneration to the Supervisory Board members for the execution of their functions during their term of office and on the amount of remuneration payable to each individual director elected on 28 April 2015 was made at the Annual General Meeting of Shareholders held on 27 April 2016.

In 2016, the remuneration (including compensation for expenses) was paid to 15 members of the Supervisory Board:

Type	Amount, RUB thousand
Remuneration for serving in a supervisory body	79,310.47
Salaries	-
Bonuses	-
Fees	-
Compensation for expenses	1,621.96
Other	1,761.62
<b>Total</b>	<b>82,694.05</b>

## Amounts of remuneration and compensation paid to each member of the Supervisory Board in 2016:

No.	Name	Amount (by type)				Total, RUB thousand
		Remuneration for performance as a supervisory body member, RUB thousand		Compensation for expenses, RUB thousand	Other, RUB thousand	
		basic	additional			
1.	Kudrin, Alexey Leonidovich	3,500.00	4,520.00			8,020.00
2.	Golikov, Andrey Fedorovich	3,500.00	5,250.00		461.47	9,211.47
3.	Beattie, Nicola Jane	4,329.34	1,855.43	46.61		6,231.38
4.	Bratanov, Mikhail Valeryevich	5,000.00	3,000.00			8,000.00
5.	Wang, Yuan	6,311.38	1,237.47	422.56		7,971.41
6.	Glodek, Sean	4,417.49	1,104.37		826.67	6,348.53
7.	Denisov, Yury Olegovich	3,500.00	2,000.00		461.48	5,961.48
8.	Zlatkis, Bella Ilyinichna	3,500.00	500.00			4,000.00
9.	Karachinsky, Anatoly Mikhailovich	5,000.00	1,500.00			6,500.00
10.	Lykov, Sergey Petrovich	3,500.00	0.00			3,500.00
11.	Riess, Rainer	6,604.30	2,680.69	455.33	6.00	9,746.32
12.	Sharonov, Andrey Vladimirovich	2,500.00	500.00			3,000.00
13.	Shershun, Kirill Yevgenyevich	3,500.00	0.00			3,500.00
14.	Gordon, Maria Vladimirovna	0.00	0.00	340.60		340.60
15.	Paterson, Duncan	0.00	0.00	356.86	6.00	362.86

The existing remuneration and compensation rules contribute to the Moscow Exchange's long-term success. To increase transparency as regards the variable part of the remuneration, the 2016 AGM reviewed and approved the new version of the Regulations on Remuneration and Compensation Due to Members of the Supervisory Board of the Moscow Exchange.

According to the Regulations, currency risk incurred by non-resident members of the Supervisory Board may be hedged by fixing the exchange rate used to calculate the remuneration as of the election date.

# Chairman and Members of the Executive Board<sup>1</sup>

Moscow Exchange is currently managed by the Chairman of the Executive Board, the sole executive body, and the Executive Board, the collegial executive body of Moscow Exchange. The Chairman of the Executive Board leads and arranges the work of the Executive Board.

## Chairman of the Executive Board

### ALEXANDER KONSTANTINOVICH AFANASIEV

Chairman of the Executive Board



Date/place of birth: 12 January 1962, Moscow.

Alexander Afanasiev graduated from Moscow Financial Institute in 1984. Specialty: International economic relations.

He has a degree in economics

- From 1998 to 2011, he was serving as the Deputy Chairman of the Management Board at Bank WestLB Vostok, a subsidiary company of the German banking group WestLB AG.
- Since 2011, he has been a member of the Executive Board of Moscow Exchange.
- He was first elected as Chairman of the Executive Board by the Annual General Meeting of Shareholders held on 20 June 2012 (Minutes No 44) for the period from 21 June 2012 until the next Annual General Meeting of Shareholders in 2015.
- The Annual General Meeting of Shareholders held on 28 April 2015 (Minutes No 53) elected him as the Chairman of the Executive Board for the period from 29 April 2015 until the next Annual General Meeting of Shareholders in 2018.
- He is a member of the Supervisory Board at NCC Clearing Bank, a member of the Supervisory Board at NSD and a member of the Management Board at the Russian Union of Industrialists and Entrepreneurs.

He owns 2,948,385 shares, or a 0.1294% equity interest, in Moscow Exchange.

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
18 March 2016	Share purchase	0	0	2,000,000	0.0878
21 March 2016	Share purchase	2,000,000	0.0878	3,000,000	0.1317
22 March 2016	Share sale	3,000,000	0.1317	2,900,000	0.1273
24 March 2016	Share sale	2,900,000	0.1273	2,891,920	0.1269
25 March 2016	Share sale	2,891,920	0.1269	2,841,920	0.1247
30 March 2016	Share sale	2,841,920	0.1247	2,341,920	0.1028
31 March 2016	Share sale	2,341,920	0.1028	491,920	0.0216
11 April 2016	Share purchase	491,920	0.0216	2,312,784	0.1015
13 April 2016	Share purchase	2,312,784	0.1015	2,948,385	0.1294

<sup>1</sup> Data as of 31 December 2016

## Members of the Executive Board

### ANNA VASILIEVNA KUZNETSOVA

Managing Director of the Equity & Bond Market  
(since 22 July 2016)



Anna Kuznetsova was born on 20 September 1974 in Gorodishche, Stary Oskol district, Belgorod Oblast'.

In 1996, Anna Kuznetsova graduated from the faculty of mechanics and mathematics of the M. V. Lomonosov Moscow State University, and in 1998 from its faculty of economics. Anna Kuznetsova holds a PhD in physics and mathematics.

From 1999 to 2001, Anna worked for NAUFOR and was involved in the creation of the National Quotation System and development of the Complex Information Disclosure System.

- From 2001 to 2004, Ms. Kuznetsova worked for RTS.
- Starting from 2003 she served as Head of the New Markets Development Department at NP RTS.
- In 2004–2006, Ms. Kuznetsova worked as Executive Director of REGION Brokerage Company where she was in charge of the organization of work and interaction between the Company's subdivisions.
- From 2006 to 2008, Ms. Kuznetsova served as Vice President of the Not-for-profit partnership "Russian Trading System" Stock Exchange" and Deputy CEO of OJSC RTS.
- In 2008-2013 Ms. Kuznetsova was serving as the Deputy CEO, and starting from 2013 and until 2016 she was the CEO at MICEX Stock Exchange.
- Since 2016 she serves as the member of the Executive Board and the Managing Director of Equity & Bond market of Moscow Exchange.
- She was elected a member of the Executive Board of Moscow Exchange by the resolution of Supervisory Board from 21 July 2016 (Minutes No.5) with the term of office from 22 July 2016 throughout 23 July 2018.

She owns 220,000 shares, or 0.0097% equity interest, in Moscow Exchange.

She reported no transactions involving shares in Moscow Exchange in 2016.

### IGOR LEONIDOVICH MARICH

Managing Director of the Money  
and Derivatives Markets  
(since 22 July 2016)



Igor Marich was born on 1 April 1974 in Moscow.

In 1998 Igor Marich graduated with high academic honors from the Finance Academy under the Government of the Russian Federation.

- Between 1994 and 1999 he was holding various positions in ELBIM Bank.
- He joined the Exchange (then MICEX Stock Exchange) in 2000 to lead the derivatives market. He also was involved in development and rollout of new instruments for MICEX Group markets. He was also actively engaged in the creation and further development of Moscow Exchange's repo market and rollout of bank's deposit and lending operations on Moscow Exchange.
- In 2011 he took the lead of the Exchange's FX and Money Market.
- Between 2013 and 2016 he was holding the position of the Managing Director of FX and Money Market. Since 22 July 2016, he serves as the Managing Director of the Money and Derivatives Markets.
- He was elected a member of the Executive Board of Moscow Exchange by the resolution of Supervisory Board from 21 July 2016 (Minutes No.5) with the term of office from 22 July 2016 throughout 23 July 2018.

He owns no shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.

**SERGEI OLEGOVICH  
POLIAKOFF**  
Chief Information Officer



Sergei Poliakoff was born on 6 October 1960 in Moscow.

He graduated in 1991 from New York University with an MSc in Information Technology. He started his career in Bell Labs where he became the part of Unix OS development team.

- Before joining Moscow Exchange, Sergei held senior management positions at Morgan Stanley, QS Financial Markets, Deutsche Bank, NatWest Securities and Morgan Stanley.
- From 2006 to 2011, he was the CDO at Quadriserv Inc, USA.
- He took a major part in developing AQS, the first and unique all electronic, CCP-based securities lending and centrally-cleared repo market system. He is a co-author of a number of patents in the sphere of automated equity market structures
- Since 2013, he has been the Chief Information Officer at Moscow Exchange.
- He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 23 May 2013 (Minutes No 42) for a period of two years starting from 24 May 2013.
- On 22 May 2015, the Supervisory Board resolved (Minutes No 2) to elect him as a member of the Executive Board for the period from 25 May 2015 until 12 November 2015, inclusive.
- On 6 November 2015, the Supervisory Board resolved (Minutes No 9) to elect him as a member of the Executive Board for the period from 13 November 2015 until 13 November 2017, this date inclusive.

He owns 2,409 shares, or a 0.00011% equity interest, in Moscow Exchange.

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
11 January 2016	Share sale	333,341	0.0146	230,921	0.0101
12 January 2016	Share sale	230,921	0.0101	167,921	0.0074
13 January 2016	Share purchase	167,921	0.0074	172,561	0.0076
15 January 2016	Share sale	172,561	0.0076	152,561	0.0067
27 January 2016	Share sale	152,561	0.0067	147,561	0.0065
1 February 2016	Share sale	147,561	0.0065	137,561	0.00604
2 February 2016	Share sale	137,561	0.00604	121,561	0.0053
3 February 2016	Share sale	121,561	0.0053	101,561	0.0045
2 June 2016	Share purchase	101,561	0.0045	286,599	0.01258
7 September 2016	Share sale	286,599	0.01258	188,899	0.0083
12 September 2016	Share sale	188,899	0.0083	168,769	0.0074
30 September 2016	Share sale	168,769	0.0074	39,269	0.0017
4 October 2016	Share sale	39,269	0.0017	2,409	0.00011

**EVGENY EVGENYEVICH  
FETISOV**

Chief Financial Officer



Evgeny Fetisov was born on 15 January 1975 in Ashkhabad.

In 1996, he graduated from the State Financial Academy under the RF Government with a degree in International Economy.

- From 2007 to 2013, he was the Managing Director at Da Vinci Capital Management.
- Since 2013, he has been the Chief Financial Officer at Moscow Exchange.
- He is a member of the Boards of Directors of MICEX Stock Exchange and Moscow Energy Exchange.
- He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 31 January 2013-01 February 2013 (Minutes No 25) for a period of three years starting from 4 February 2013.
- On 1 February 2016, the Supervisory Board resolved (Minutes No 12) to elect him as a member of the Executive Board for the period from 2 February 2016 until 31 January 2019, this date inclusive.

He owns no shares in Moscow Exchange.

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
4 March 2016	Share purchase	0	0	333,334	0.01463
16 March 2016	Share sale	333,334	0.01463	0	0
4 May 2016	Share purchase	0	0	666,666	0.0293
17 May 2016	Share sale	666,666	0.0293	0	0

**DMITRY VIKTOROVICH  
SHCHEGLOV**

Chief Operating Officer



Dmitry was born on 1 September 1975 in Orekhovo-Zuevo, Moscow region. He graduated from the Stankin Moscow State Technology University in 1998 with a degree in Automation and Control.

He joined Moscow Exchange in 1998, and he is now the Chief Operating Officer.

- Since 2013, he has also been the Deputy General Director of MICEX Stock Exchange.
- He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 29 March 2013 (Minutes No 35) for a period of two years starting from 1 April 2013.
- On 5 March 2015, the Supervisory Board resolved (Minutes No 12) to elect him as a member of the Executive Board for the period from 2 April 2015 until 3 April 2017, this date inclusive.

He owns 68,101 shares, or a 0.00299% equity interest, in Moscow Exchange.

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
6 May 2016	Share purchase	65,581	0.00288	268,101	0.01177
18 May 2016	Share sale	268,101	0.01177	68,101	0.00299

**ANDREY VIKTOROVICH  
SHEMETOV**

Deputy Chairman (until 9 March 2016)



Andrey Shemetov was born on 18 July 1974 in Turosna, Klinty district, Bryansk region.

He graduated from the Ordzhonikidze State Academy of Management in 1996 with a degree in Economics and Production Management.

- From 2008 to 2012, he was the General Director at ATON.
- From 2012 to 9 March 2016, he was the Deputy Chairman of the Executive Board of Moscow Exchange.
- He is the Chairman of the Board of Directors of MICEX Stock Exchange and a member of the Supervisory Board of NME. He is also a member of the boards of directors of the self-regulated organisations NAUFOR and NSMA.
- He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 8 November 2012 (Minutes No. 16) for a period of three years starting from 12 November 2012.
- On 6 November 2015, the Supervisory Board resolved (Minutes No 9) to elect him as a member of the Executive Board for the period from 12 November 2015 until 11 November 2016, inclusive.
- On 3 March 2016 the Supervisory Board of Moscow Exchange resolved to earlier terminate his office with effect from 10 March 2016 (Minutes No14).

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares of Moscow Exchange in 2016.

## Remuneration Payable to Members of the Executive Board

In 2016, the Supervisory Board of the Moscow Exchange approved the Policy on Remuneration and Compensations to Members of Executive Bodies.

The Moscow Exchange is committed to provide a competitive remuneration sufficient to attract, motivate and retain members of the executive bodies. Their remuneration is linked to the performance of the Moscow Exchange and personal contribution of each executive body member to the achievement of its strategic and financial goals. The Moscow Exchange seeks to maintain an optimal balance between these two components.

Its Supervisory Board jointly with its Nomination and Remuneration Commission, determines the amount of remuneration payable to executive body members, including its structure, types of payments, benefits and perquisites, as well as the list of reimbursable expenses, reimbursement (compensation) conditions, procedure and amounts.

The remuneration amount and the balance between the fixed and the variable components depend on each executive body member's contribution to the financial results and overall performance of the Moscow Exchange, as well as their scope and area of their responsibility. When determining the same, the Moscow Exchange also relies on the results of top management remuneration surveys (research) purchased from leading international consulting agencies.

The remuneration payable to each executive body member, payment terms and procedure, along with conditions for early termination of contracts, including severance pay, compensations and/or any other payments in excess of those required by the law, as well as conditions for payment thereof, are reviewed and approved by the Supervisory Board based on the recommendations issued by the Nomination and Remuneration Commission (when approving employment contracts with executive body members), and may be revised depending on the scale and scope of tasks assigned to such member, as well as the quality of their performance. The amount of compensations (severance

pay) payable in the event of executive body members' early resignation (voluntary termination), subject to no fraudulent actions on their part shall be no more than double of the fixed part of their annual remuneration. No compensation is determined or paid in case a member of an executive body is dismissed on grounds related to disciplinary penalty or their employment is terminated as a result of a guilty act (or omission) committed by the said member.

The variable part, which constitutes a larger portion of the remuneration payable to the Executive Board members, consists of short- and long-term components.

The short-term variable part is linked to performance via the key performance indicators reviewed and approved annually for the Executive Board members and embracing both corporate and individual KPIs. In 2016, their proportion was forty per cent and sixty per cent, respectively.

Annual bonuses are discussed annually by the Supervisory Board based on the recommendations of the Nomination and Remuneration Commission in respect of each executive body member. When determining the bonus size, the Supervisory Board also



takes into account the following criteria: results of reviewing annual performance reports from executive body members, data derived from financial and accounting statements, results of external and internal audits and audits by regulatory bodies, performance of the assignments the Supervisory Board and its commissions, implementation of strategic projects and achievement of strategic targets not included in the KPIs, and other operating factors.

To increase personal responsibility of each executive body member, the Supervisory Board regularly defers payment of a portion of bonuses to the members responsible for certain operations and projects until it receives the information on their financial and other achievements; the delayed portion may be reduced or cancelled in the event of negative

Type	Amount , RUB thousand
Remuneration for serving in a supervisory body	–
Salaries	135,150.27
Bonuses	125,073.98
Fees	–
Compensation for expenses	4,430.40
Other	2,629.36
<b>TOTAL</b>	<b>267,284.01</b>

Expense reimbursement for members of the Executive Board is set out in their employment agreements. Exchange's standard practice is to authorise the members to use a corporate car with a driver for work-related and private journeys pursuant to the company's internal regulations; to be paid up to 100% of official salary for not more than 10 (in aggregate) working days of incapacity for work per year; to use corporate credit cards in accordance with the Exchange's internal documents; to be provided with compulsory social insurance (including

insurance against accidents and occupational diseases) subject to the federal laws; to be repaid all travelling, hotel and daily living expenses associated with his business travels in the amount set by the company's regulations, but no less than in that set forth by the law of the Russian Federation if applicable; to be repaid for professional training expenses; be entitled to benefits, guarantees and reimbursements stipulated by the law of the Russian Federation and company's regulations; to be given free medical insurance (corporate voluntary medical insurance and international medical insurance), including insurances for the member's spouse and children subject to a program selected by the member, as well as with accident and illness insurance; and to be compensated for mobile phone expenses as provided for in the company's internal documents.

# Risk Management

## Key Risks

The Moscow Exchange Group has built an integrated risk management system, however each of the Group company faces its own inherent risks associated with the specific field of its activities. Thus, the Moscow Exchange, being the parent company of the Group, assumes the risks of a market operator.

### THE GROUP'S COMPREHENSIVE RISK MANAGEMENT SYSTEM

The Group's comprehensive risk management system extends to the NSD, the infrastructure powerhouse of the Russian financial market, whose priorities lie in the reliable operation and stable development of the following key areas:

- central securities depository;
- clearing system;
- commodities' repository;
- tripartite services;
- corporate information centre.

However, the Group's principal risk taker is none other than Bank National Clearing Centre (Joint-stock company) (short name "NCC Clearing Bank") on the grounds that it operates as clearing house, a central counterparty for all main markets of the Moscow Exchange Group, and an operator of deliveries in the Commodities Market.

# System for Managing Risks to the Current Strategy

The principles and approaches employed by the Group in installing and operating the risk management system (RMS) have been based on the best international practices implemented in compliance with the national and international risk and capital management standards.

Thus, the Group holds an annual audit of its compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures, the COSO's Enterprise Risk Management Framework, the guidelines of the Basel Committee on Banking Supervision on procedures to be employed by credit institutions in the sphere of risk and capital management. In November 2016 the NCC Clearing Bank, the principal risk taker of the Group, was awarded with the DNV Business Assurance Management System Certificate ISO 9001:201508, an international standard that has summarised the best world expertise in the field of business and quality management. The Bank was audited by DNV GL, an international certification company. The DNV-GL's standards differ from others in that they establish clear requirements to the management system of the business processes designed to serve as the basis for predictable and stable level of quality of products and services.

The integration of the risk management functionality in the business processes enables to timely identify risks, assess their materiality and ensure an efficient response by mitigating their adverse effect and/or by reducing the probability of their realisation. Among mitigating tools are insurance, hedging, limit requirements and transaction collateral requirements.

The Group's RMS operates on the following principles:

**Principle of Comprehensive Coverage** is premised on the identification of risk factors and risk objects, determination of risk appetite on the basis of a comprehensive analysis of the existing and proposed business processes (products), implementation of universal RMS working procedures and elements, consistent application of methodological approaches in resolving similar risk assessment and risk management tasks, assessment and management of key operational risks in close connection with the non-key operational RMS.

**Continuity Principle** is premised on regular, coherent, target-driven procedures, such as assessment of existing risks, including monitoring risk parameters, review of the RMS key parameters, and the manner of their determination, including limits and other restrictions in respect of clearing members' transactions, analysing RMS technologies and operational rules, holding stress tests and preparation of reports for the management.

**Transparency Principle** is manifested by the Group's providing clearing members / counterparties with the relevant information describing RMS. Clearing members, including potential members, have access to methodological documents describing RMS, including methodological approaches to risk assessment, as well as to key aspects of the procedures employed in monitoring financial stability of clearing members / counterparties. At the same time, the assessment results of a specific clearing member and counterparty represented in the form of internal ratings, or limits, and other restrictions established in respect of treasury or administration operations are never made public and are never subject to disclosure.

**Principle of Independent Assessment** means that the comprehensive assessment and review of the risk is undertaken by separate divisions/ employees who are independent from the divisions responsible for taking risks or counterparties. The above-mentioned divisions/ employees cannot be charged with any responsibilities that may give rise to a conflict of interest.

**Paper Trail Principle** means that any RMS guidelines, procedures, and rules should be developed, negotiated with the divisions participating in the risk assessment and management procedures, and approved by the relevant governing bodies.

**Principle of Prudence** suggests that in choosing methods of risk assessment and management, and in determining the acceptable level of risk (risk appetite), the Group proceeds from the principle of prudent combination of RMS reliability and profitability.

**Materiality Principle** means that in implementing various RMS elements in its operations, the Group is guided by correlation between the costs that the implementation of mechanisms of risk analysis, control, and management will require, and potential outcome of such implementation, as well as the costs of the development and implementation of products, services or tools carrying the relevant exposure.

As part of the risk management strategy, and with the view to achieving strategic objectives, credit entities of the Group have established and annually review their risk appetite that defines the risk limit assumed by them by reference to strategic objectives they are set to achieve.

The current version of the Group's strategy includes five priority areas:

1. *Diversification*. Strategic objective: to substantially increase the proceeds from classic infrastructure services, and to create new trading markets.
2. *Optimisation*. Strategic objective: to improve operational efficiency and streamline Group's business processes.
3. *Market deepening* (growth as a result of further development of the Russian financial markets). Strategic objective: to develop the local investor base, and to facilitate greater liquidity of the Russian financial markets.
4. *Integration of risk management products and collateral*. Strategic objective: to develop an advanced comprehensive system managing risks, collateral pool, and settlements, and extending to all Group markets.
5. *Standardisation of Russian infrastructure*. Strategic objective: to complete the upgrade of the key infrastructure elements of the Russian financial market in accordance with evolving international standards.

The identified priority areas have served as the basis for calculation of threshold values of specific target indicators. Their observance is regularly reviewed and communicated to the Supervisory Board.

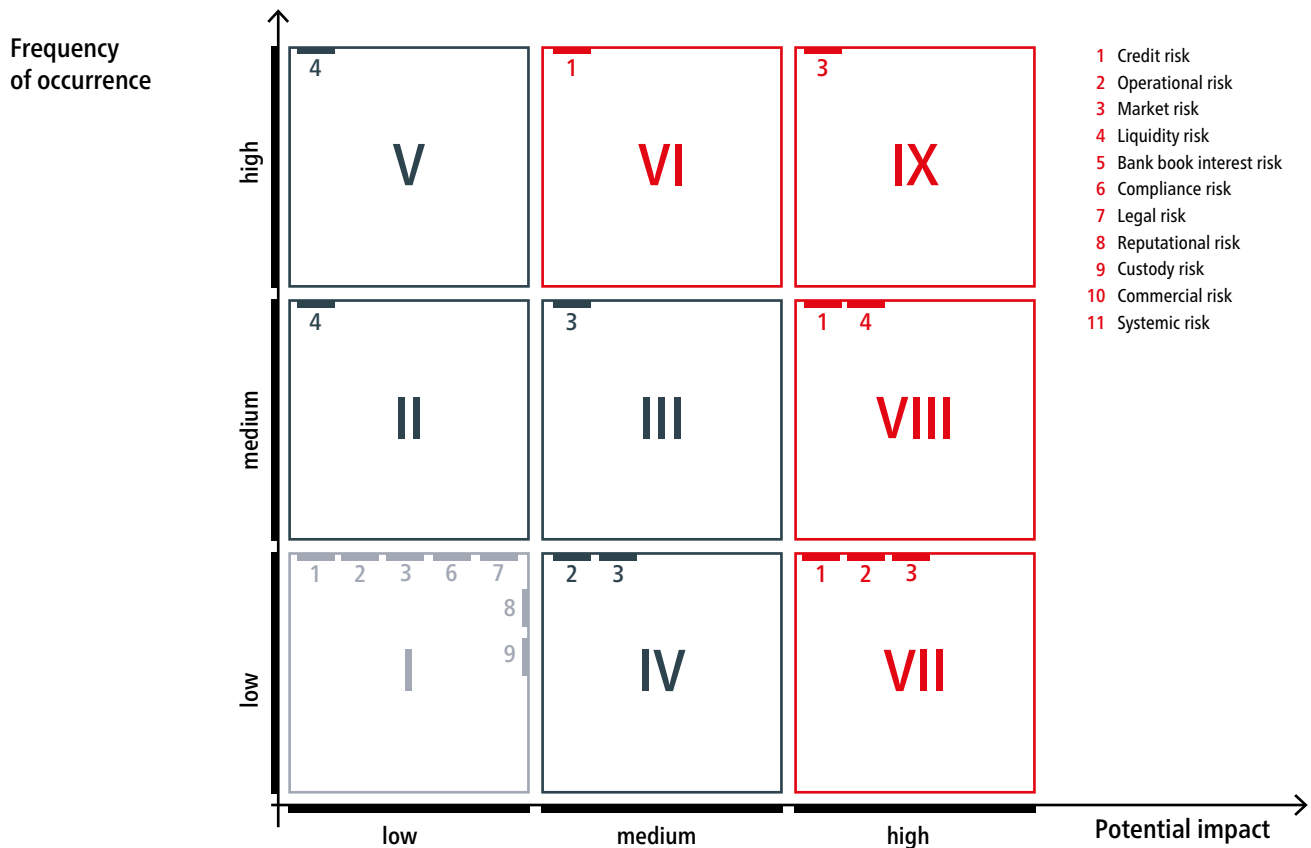
# Risk Map

The risk map based on the updated risk identification procedure of 2016 is shown below.

The risk map based on the updated risk identification procedure of 2016 is shown below. The same type of risk may be represented by different events that vary in their potential impact and frequency of occurrence.

If events of the same risk type fall into different matrix sectors, the risk significance is categorised via a simple majority based on the sector colour:

- Red: the most significant risks – sectors VI, VII, VIII, IX;
- Black: risks of medium significance – sectors II, III, IV, V;
- Grey: the least significant risks – sector I.



- 1 Credit risk
- 2 Operational risk
- 3 Market risk
- 4 Liquidity risk
- 5 Bank book interest risk
- 6 Compliance risk
- 7 Legal risk
- 8 Reputational risk
- 9 Custody risk
- 10 Commercial risk
- 11 Systemic risk

## Financial risks

Risk	Description	Actions
<b>Credit risk</b> (incl. CCP risk and concentration risk)	Group's assets are subject to credit risk which is defined as the risk of possible losses caused by failure of a Group's counterparty to perform or properly perform its obligations to it.	<p>The Group controls the credit risk by employing the following procedures:</p> <ul style="list-style-type: none"> <li>▪ establishing single or group counterparty limits, subject to a comprehensive assessment of their financial position, the analysis of the macroeconomic environment they are operating in, the level of their information transparency, business reputation, as well as other financial and non-financial factors;</li> <li>▪ using an internal rating system providing a weighted assessment of the counterparty's financial position, and the level of the credit risk assumed in its respect;</li> <li>▪ controlling the credit risk concentration in accordance with the current regulatory requirements;</li> <li>▪ establishing strict requirements for the types and quality of the acceptable collateral, including liquid securities, as well as cash in Russian roubles and in foreign currency.</li> </ul> <p>In order to reduce the credit risk associated with the CCP's operations, the Group has implemented a multi-level safeguard structure triggered upon a clearing member's failure to perform or properly perform its obligations, in compliance with regulatory requirements and strict international standards.</p>
<b>Market risk</b>	The market risk may emerge from the defaulting clearing member's need to close major positions / sell the collateral, which in case of a low market liquidity may adversely affect the price, at which such position can be closed / or the collateral can be sold.	<p>The primary objective in managing the market risk upon investing idle cash is to improve the risk/profitability correlation, and to minimise any losses should any adverse events occur. With this view the Group:</p> <ul style="list-style-type: none"> <li>▪ diversifies its securities portfolio (by maturity, issuer's industry profile);</li> <li>▪ sets up maximum expiration periods for investments in securities;</li> <li>▪ sets up maximum volumes of investment in securities (by the total volume, by types of investments, and issuers);</li> <li>▪ classifies debt obligations and securities by risk groups;</li> <li>▪ establishes provisions for potential losses under securities should they be not marked to market.</li> </ul> <p>The market risk emerging as part of trading or clearing operations, is primarily managed by:</p> <ul style="list-style-type: none"> <li>▪ identifying, monitoring, and timely reviewing risk parameters, taking into account regular stress test results;</li> <li>▪ establishing individual collateral rates taking into account concentration limits, profiles of the instruments traded at each of the markets, and possible volatility change scenarios;</li> <li>▪ back testing collateral rates, and controlling collateral adequacy.</li> </ul> <p>In managing the market risk emerging as part of trading or clearing operations, the Group:</p> <ul style="list-style-type: none"> <li>▪ devises mechanisms permitting to close positions of defaulting clearing members within two trading days;</li> <li>▪ sets discounts for the assets accepted as collateral, with the view to covering possible changes in their values in the period from their most recent re-evaluation until the time of their sale;</li> <li>▪ sets concentration limits that define clearing member's position volume, upon reaching which the underlying collateral is subject to heightened requirements;</li> <li>▪ evaluates clearing members' collateral adequacy subject to market liquidity;</li> <li>▪ develops procedures for resolving a situation, when a terminated obligation of a clearing member is secured by property other than the subject of the underlying obligation;</li> <li>▪ maintains a system of additional financial collateral meant to cover losses not secured by clearing member's clearing or any other collateral.</li> </ul>
<b>Liquidity risk</b>	Risk of potential losses following an adverse change in the value of the instruments comprising the bank book, caused by changes in interest and/or yield rates.	<p>The liquidity management system includes the following elements:</p> <ul style="list-style-type: none"> <li>▪ distribution of powers in managing liquidity;</li> <li>▪ specific liquidity management and control procedures;</li> <li>▪ information system to accumulate and review liquidity-related information;</li> <li>▪ a set of guidelines, performance indicators, and plans of initiatives designed to ensure efficient liquidity management and control;</li> <li>▪ internal management accounts underlying any decision adopted in respect of the liquidity efficient control and management.</li> </ul>
<b>Bank book interest risk</b>	Risk of potential losses following an adverse change in the value of the instruments comprising the bank book, caused by changes in interest and/or yield rates.	<p>In order to measure the impact of the interest risk over the fair value of financial instruments, the Group holds regular assessment of potential losses, which may be caused by negative change of the market terms. The risk management division regularly monitors the financials of the Group and its principal members, assesses the sensitivity of the market value of the investment portfolio and of the proceeds to the interest risk.</p>

## Non-financial risks

Risk	Description	Actions
<b>Operational risk</b>	Risk of potential losses caused by inconsistency of internal operational procedures to the nature and scope of the business, and/or statutory requirements, their non-observance by employees, lack of functionality, inadequacy of information, technological and other systems and/or their failure, as well as by external events.	The principal operational risk management (mitigation) methods include: <ul style="list-style-type: none"> <li>development of organisational structure, internal operational rules and regulations, distribution of powers, approval (negotiation) and reporting of undertaken operations, all of which will permit to avoid (minimise) the probability of operational risk factors;</li> <li>development of control measures following the analysis of statistical data undertaken with the view to identifying typical operational risks on the basis of recurrent events;</li> <li>monitoring compliance with the adopted rules and procedures;</li> <li>technological automation of undertaken operations, and development of information protection systems;</li> <li>insurance, including both traditional property and personal insurance (insuring buildings, other property against destruction, damage, loss caused by a natural disaster and other accidents, as well as by actions of third parties or employees; insuring employees against accidents and personal injuries), as well as insurance of specific professional risks, both on a comprehensive basis and against separate types of risks;</li> <li>development of the system of business continuity measures to apply in the operational cycle, including emergency plans (business continuity and/or disaster recovery plans).</li> </ul>
<b>Continuity risk</b>	Risk of discontinued critical services.	With the view to ensuring normal operations in emergency situations: <ul style="list-style-type: none"> <li>the Group has put together a reserve complex including reserve office and firmware capabilities located at a safe distance from the principal office.</li> <li>the Group has developed business continuity and disaster recovery plans (BCDR Plans) that define critical business processes, priority actions in an emergency situation, timing and volumes of recovery operations, and business processes to enjoy priority recovery, as well as mandatory steps to be taken after the emergency situation subsides.</li> </ul>
<b>Legal risk</b>	Risk of losses caused by breach of contractual obligations, litigations, criminal and administrative liability of Group members and/or their governing bodies acting in their official capacity.	Legal risk management procedures include: <ul style="list-style-type: none"> <li>regular monitoring of laws, and verification of internal procedures as to their compliance with actual regulations;</li> <li>establishing quantitative and volume restrictions for claims, and controlling compliance with the established restrictions;</li> <li>analysing the legal basis for new products and services;</li> <li>updating internal regulations with the view to avoiding fines.</li> </ul> <p>Losses associated with legal risks shall be reflected in the operational risk database.</p>
<b>Regulatory risk</b>	Risk of losses caused by inconsistency of Group's operations with the laws, its Charter, and internal regulations.	The regulatory risk is managed by the Internal Control Function, which takes the following steps to prevent losses caused by realisation of the regulatory risk: <ul style="list-style-type: none"> <li>monitors the laws;</li> <li>is in constant communication with regulatory authorities on matters of new regulations;</li> <li>identifies regulatory risk in the existing and scheduled procedures;</li> <li>analyses best practices in implementing internal control measures.</li> </ul>
<b>Reputational risk</b>	Risk of losses caused by a negative public opinion of the Group's operational (technical) stability, quality of its services and its activities in general.	In order to avoid losses associated with the realisation of the reputational risk, the Group continuously monitors media space for information about the Group and analyses its internal processes applying the impact assessment methodology to each identified event or factor. The primary source of the reputational risk is the realisation of the operational risk, especially when such information becomes public. Thus, all actions taken to prevent and to mitigate the operational risk work simultaneously towards the reduction of the reputational risk.
<b>Strategic risk</b>	Risk of expenses (losses) sustained by the market operator as a result of mistakes (defects) made in deciding on the operator's business and development strategy.	Principal methods of strategic risk management include: <ul style="list-style-type: none"> <li>building up a process for strategic planning and management commensurate with the Exchange's calibre and operations;</li> <li>preventing any decisions, including strategic, to be taken by a non-appropriate body from the hierarchic point of view;</li> <li>exercising general control over the performance of the risk management system;</li> <li>determining the process for major transactions, for development and implementation of prospective projects as part of the general concept of the Moscow Exchange Group's development;</li> <li>controlling the consistency of the risk management parameters with the Exchange's current condition and its development strategy.</li> </ul>

# Risk Management Strategy

## All principal risk takers among the companies of the Group have developed Risk and Capital Management Strategy.

The principles and processes introduced by the Strategy seek to build, use and develop a comprehensive system of capital and risk management in order to ensure business continuity both in normal and stress economic situations, to enhance transparency of the risk and capital management processes, as well as to timely identify and assess significant risks, support capital planning and take risks into account in the decision making process.

With the view to maintaining efficiency of the regular risk management processes:

- Group governing bodies and divisions regularly exchange information on the matters connected with the recognition, identification, assessment of risks, and control over them;
- Group governing bodies, its divisions, and employees have been engaged in a system of distribution of powers and responsibilities to implement the key risk management principles;
- risks are being regularly identified;
- responsibility for managing certain types of risks is allocated to dedicated employees;
- models are being developed to quantify the risks and to ensure their comprehensive inventory;
- measures are being taken to mitigate risk factors;
- the Group's operations are being tested for sensitivity against certain risk factors which are taken into account in the risk assessment models;
- the Group holds regular (not less than once a month) stress tests for the adequacy of equity (capital) and clearing margin, including:
  - a complex scenario-based stress analysis that takes into account simultaneous change of several risk factors;
  - back stress testing;
- the management accounts are systematically drawn up and sent to Group governing bodies, including on the matters connected with the recognition, identification, assessment of risks, and control over them;
- the NCC Clearing Bank Supervisory Board Risk Committee, the Moscow Exchange Risk Committee and the NSD Management Board Risk Committee duly discharge their functions;

- the internal control system has been set up;
- financial resilience recovery plans and plans for engagement of additional resources have been developed.

Moreover, the Moscow Exchange has established a separate market operator's risk management subsystem that enables it to timely identify and assess the risks and to develop mitigation measures.

This system incorporates continuous monitoring of emergencies and assessment of their potential impact on the technical processes of the exchange markets and updating the integrated operational and financial risk management system in line with adopted decisions and procedures. Further development of the risk management system is planned to reduce the vulnerability of business processes and their recovery time, to improve system redundancy based on spacing and duplication of resources and to improve the reliability of communication systems between traders, Exchange and depository and settlement organisations.

In addition, the Exchange has also set up a separate structural unit that is responsible for managing its risks as a market operator. This unit aims to identify and assess risks in a timely manner and to develop mitigation measures. The Exchange developed and approved the Regulations on Managing the Risks of a Market Operator, which establish, in particular:

- the principles of the risk management system related to the Company's operations;
- the principles and objectives of risk management related to the activities of a market operator;



## Short-term Risk Outlook

- Regulations on Managing the Risks of a Market Operator:
  - classify the risks inherent to the Exchange;
  - set up the procedure and the timeline for an audit of the risk management system efficiency;
  - provide basic guidance and approaches to identifying, assessing and monitoring risks;
  - set up the procedure and the timeline for informing the Exchange's governing bodies, executives and divisions of identified risks;
  - detail a list of measures to be taken by the Exchange to ensure confidentiality of the risk-related information, including confidentiality of risk reports;
  - set up the frequency of stress testing, as well as the requirements for the scenarios used for such testing.
- **Financial risks** – since the Group's strategy requires the development of new products, establishment of new trading markets, and the expansion of investor base, the management of financial risks will be key for the Company.
  - **HR risks** – this type of risk will remain neutral, given that most ongoing activities are long-term; however, staff turnover remains low.
  - **Regulatory and legal risks** – since the Exchange's strategic objectives include the standardisation of the Company's financial infrastructure and the development of its product line, the regulatory and legal risks will continue to have a high impact on the Exchange's activities; however, taking into account ongoing activities, we do not expect a significant increase in the regulatory and legal risk.
  - **Reputational risks** – we expect the reputational risk to decrease on the back of several major marketing activities planned for the near future, which will contribute to enhancing the Moscow Exchange's image.
  - **Operational risks** – the Stabilisation and Reliability programme being implemented will reduce the operational risk; however, the full effect of the programme will be visible only in the long term.
  - **Information security risks** – plans to upgrade the Exchange's key information systems will keep information security risks elevated.

## Internal Control System

To enhance efficiency and effectiveness of financial and business operations, the asset management process and risk management system, a multilevel internal control system has been introduced which is a combination of supervisory offices and focus areas intended to ensure compliance with the law, constitutive documents of the Exchange and its by-laws.

Financial and business operations of the company are monitored by the Revision Commission, the auditor, the Internal Audit Service, the Board Audit Committee and the management bodies such as the Supervisory Board, the Executive Board and the Chairman.

# For Shareholders and Investors

## Equity Capital

<b>Ordinary registered shares</b>	State Registration Number 1-05-08443-H
<b>Par value of one issued share</b>	RUB 1.00
<b>Number of issued shares</b>	2,278,636,493
<b>Issue size</b>	RUB 2,278,636,493
<b>International Securities Identification Number (ISIN)</b>	MOEX / RU000A0JR4A1

Moscow Exchange's equity capital is RUB 2,278,636,493, equaling the total number of outstanding ordinary registered shares.

MOEX's outstanding shares have traded on Moscow Exchange's Equity and Bond Market under the "MOEX" trading code since 4 February 2013. From 2 April 2013, MOEX's shares have been included in Quotation List A Level 1 (currently, the top listing level).

In 2016, Moscow Exchange Group was reorganised through the merger of MOEX with MICEX Stock Exchange and MB Technologies, its wholly-owned subsidiaries. The shareholders who voted against the reorganisation or abstained from voting at the Extraordinary General Meeting of Shareholders, had the right to redeem their shares at a price of RUB 106 per share. Based on the requirements, the Exchange has repurchased 2,235,035 shares, or 0.098% of its share capital. As at 31 December 2016, these shares were in the Exchange's possession. On 2 March 2017, the Supervisory Board recommended that the general meeting of shareholders resolve to reduce the share capital by cancelling the repurchased shares. After the cancellation of shares, the share capital will amount to RUB 2,276.4 m.

Moscow Exchange's shares are included in several Russian stock market indices. MICEXINDEXCF and RTSI, which include shares with the highest liquidity among 50 major Russian issuers, are just two of them. MOEX shares are also included in Moscow Exchange's sectoral index for Banking and Finance, the MICEX index for mid- and small-cap stocks that has been in place since February 2016, and the equity sub-index of the Retirement Index.

Higher capitalisation and liquidity in 2016 prompted the inclusion of MOEX's shares in the Blue Chip Index (RTSSTD, calculated based on deals with the 15 most liquid stocks in the Russian market) and MICEX10INDEX (a price index of the ten most liquid blue chip stocks admitted to trading on MOEX).

The international index provider MSCI includes MOEX's shares for the purpose of calculation of MSCI indices for the Russian and developing markets. As at 9 March 2017, the weight of MOEX shares in the MSCI Russia Index was 1.7%, up from 0.9% in March 2016.

In March 2016, MV Index Solutions included MOEX's shares in the MVRSX Index, a benchmark for Market Vectors Russia ETF (RSX) Fund that managed around USD 2.4 bn as at 8 March 2017. The inclusion of MOEX's shares in the international indices calculated by MSCI and MVIS confirms their full compliance with the requirements for securities included in such indices. This increases appetite for MOEX's shares among the international institutional investors who factor in the structure of indices when making investment decisions.

As at 31 December 2016, the number of the Moscow Exchange's shareholders was 13,181.

According to the information available to the Exchange, no shareholders possessing 5% of its shares or more have an extent of control disproportionate to their contribution to the Exchange's share capital, including through shareholder or other agreements providing for the exercise of rights certified by shares. MOEX did not issue ordinary or preferred shares with differing par values. The Exchange does not have information about shareholders that hold less than 5% of its shares and have an extent of control disproportionate to their contribution to the share capital.

As at 31 December 2016, the number of the Moscow Exchange's shareholders was

**13,181**

In 2016, there were some changes in the makeup of Moscow Exchange's shareholders owning at least 5% of votes in Moscow Exchange's supreme governing body. In February 2016, over 30 investment funds from the USA, the UK, Europe, and Russia acquired a 5.228% stake in MOEX from Chengdong Investment Corporation. The transaction was completed in the form of accelerated book-building.

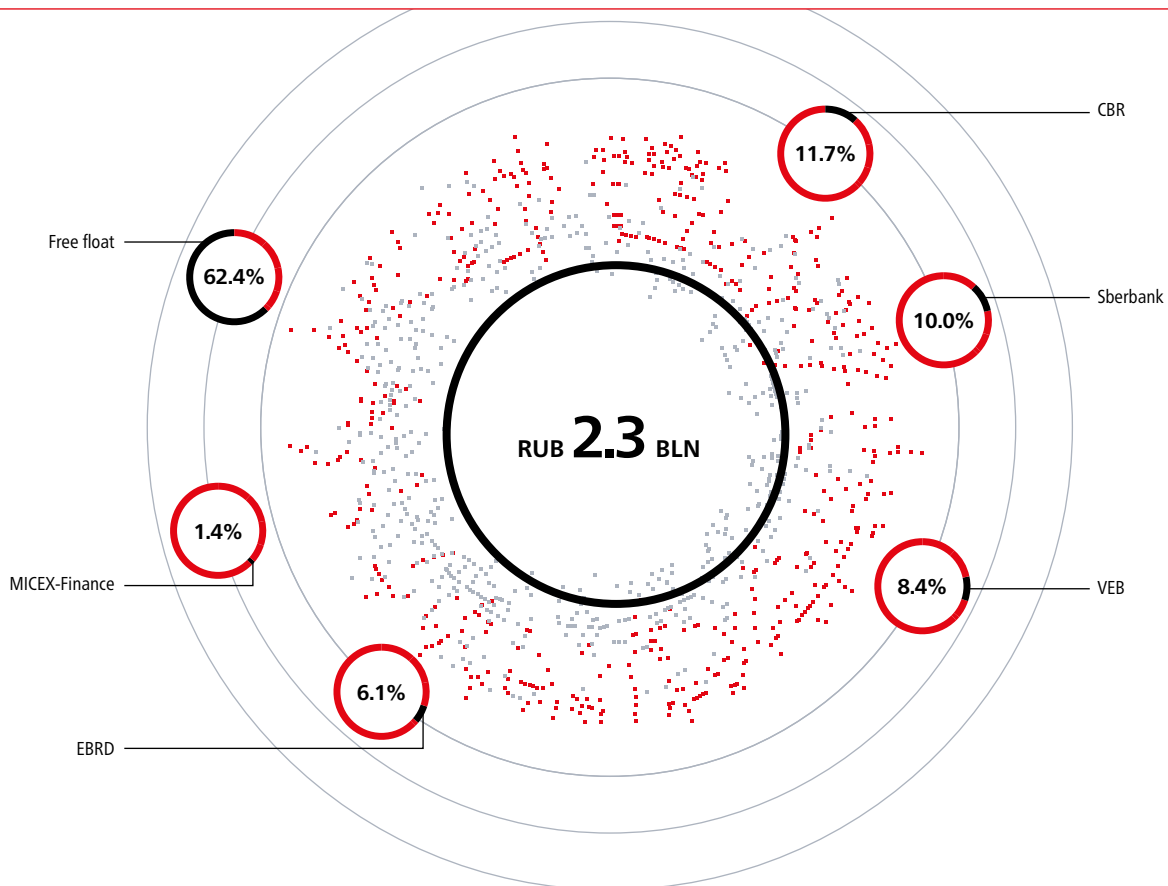
In July 2016, the Russian Direct Investment Fund (RDIF) reduced its stake in MOEX from 5.261% to 4.998%.

The Moscow Exchange's executive bodies have no other information on any equity interests in the share capital of over 5% apart from those already disclosed in this section of the report.

As at 31 December 2016, the Moscow Exchange held 2,235,035 treasury shares (0.098% of the share capital) following share buyback from shareholders, while MICEX-Finance, a controlled entity, held 31,189,925 shares (1.369% of the capital).

In the reporting period, Moscow Exchange did not make any special transactions with its shareholders. All transactions were market-oriented and had terms similar to those of transactions made with the Company's other counterparties.

### Equity capital breakdown as at 31 December 2016



# Registrar

<b>Full company name</b>	Joint Stock Company "Registry society "STATUS"
<b>Address</b>	32/1 Novorogozhskaya street, 109544 Moscow, Russia
<b>Registration details</b>	State registration certificate No.066.193 from 20 June 1997, certificate to confirm the legal entity from 4 July 2002
<b>Primary State Registration Number (OGRN)</b>	1027700003924
<b>Licence</b>	Registrar Licence No.10-000-1-00304 from 12 March 2004 (without limitation of the period of validity) issued by the Federal Financial Market Service
<b>Contact details</b>	<p>General enquiries: (495) 974-83-50          Shareholder service enquiries: (495) 974-83-47</p> <p>E-mail: info@rostatus.ru Fax: (495) 678-71-10          E-mail: Office@rostatus.ru</p>

For more details see visit  
 the company's website  
[www.rostatus.ru](http://www.rostatus.ru)

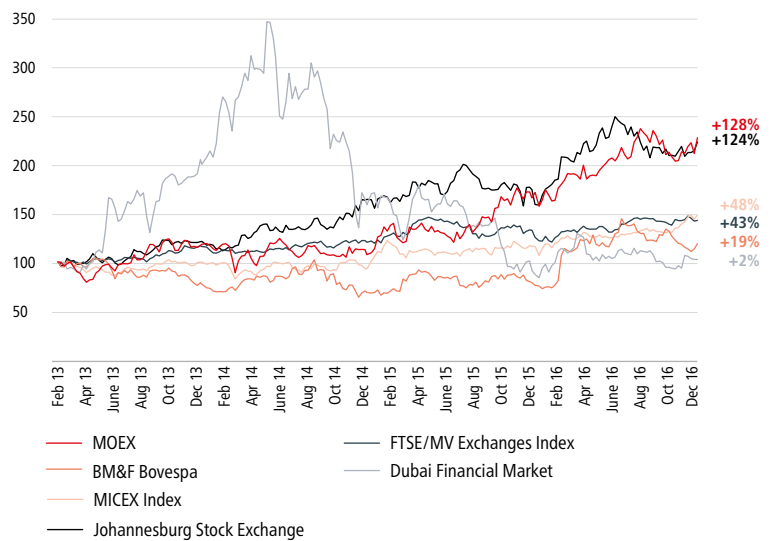


# MOEX Share Performance

As at the end of 2016, Moscow Exchange's capitalisation was RUB 286.2 bn (vs RUB 208.3 bn as at the end of 2015).

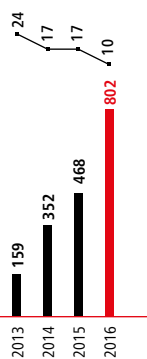
Since MOEX's IPO in February 2013 (RUB 55 per share), the share price has more than doubled, with the closing price on 30 December 2016 standing at RUB 125.59.

Performance of MOEX shares, MICEX Index and international peers in 2013–2016

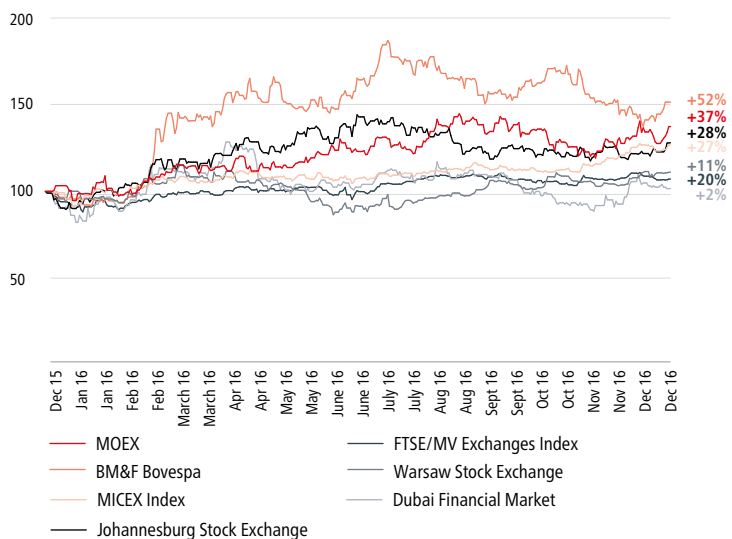


Rank among the most liquid shares listed on MOEX

ADTV and liquidity position, RUB mln



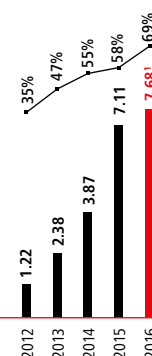
Performance of MOEX shares, MICEX Index and international peers in 2016



# Dividends

For 2015, Moscow Exchange's Annual General Meeting of Shareholders resolved to distribute RUB 16.2 bn of dividends (RUB 7.11 per ordinary share), which is equivalent to 58.2% of the 2015 IFRS consolidated net income.

Annual dividend per ordinary share and recommended dividend amount for 2016, RUB



In December 2015, the MOEX Supervisory Board approved a Dividend Policy requiring that the dividend distributions equal at least 55% of the Group's IFRS net income.

On 27 March 2017, the Supervisory Board recommended that the Annual General Meeting of Shareholders approve the dividend payouts of RUB 7.68 per share for 2016. It is therefore recommended that RUB 17.5 bn, or 69.3% of the Group's 2016 IFRS net income, be distributed in the form of dividends.

In 2013-2016, the dividends were paid out in accordance with the relevant dividend policies adopted by the Exchange in 2013 and 2015.

## Dividend payments in 2012–2016

Paid in:	2012	2013	2014	2015	2016
<b>Paid for:</b>	2011	2012	2013	2014	2015
<b>Announced on</b>	20 June 2012 Minutes No. 44 of the AGM	25 June 2013 Minutes No. 49 of the AGM	26 June 2014 Minutes No. 52 of the AGM	28 April 2015 Minutes No. 53 of the AGM	29 April 2016 Minutes No. 54 of the AGM
<b>Total pre-tax amount of dividends declared</b>	RUB 681,197,400	RUB 2,901,756,800	RUB 5,423,154,900	RUB 8,818,323,228	RUB 16,201,105,465
<b>Payment period established by the AGM</b>	Within 60 days of the dividend resolution date	Within 60 days of the dividend resolution date	By 25 July 2014 for nominee holders; by 15 August 2014 for other registered holders	By 25 May 2015 for nominee holders; by 16 June 2015 for other registered holders	By 30 May 2016 for nominee holders; by 20 June 2016 for other registered holders
<b>Actual payment date</b>	Registrar: 15 August 2012 Register: 20 August 2012	Registrar: 22 August 2013 Register: 26 August 2013	24 July 2014 for nominee holders; 7 August 2014 for other registered holders	25 May 2015 for nominee holders Register: 16 June 2015	By 27 May 2016 for nominee holders Register: by 20 June 2016

<sup>1</sup> Dividend per share in 2016 as recommended by the MOEX Supervisory Board

# Investor Relations

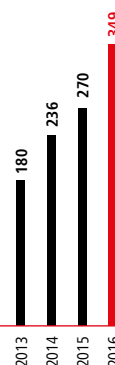
In 2016, Moscow Exchange's management held 349 investor meetings and took part in 11 international investor conferences, including the Moscow Exchange Forums in Moscow, New York and London. It also held a number of investor roadshows covering Continental Europe and many investor meetings in Moscow.

In April, for the third year running, Moscow Exchange held a Shareholders' Day. The event took place in the form of a conference call attended by about 300 participants. During the Shareholders' Day, the management gave details about the Exchange's performance in 2015, development of new products and services, MOEX's dividend policy and plans for the future.

Moscow Exchange's Annual General Meeting of Shareholders took place on 27 April 2016. The meeting agenda consisted of 15 items, including the approval of the annual report and financial statements for 2015, income and dividend distributions in 2015, election of new members of the Supervisory Board, etc.

In 2016, as part of the Reinvent MOEX seminar programme, Moscow Exchange staged four management meetings with investors and analysts to give them a deeper understanding of the Group's business. In 2016, the seminars aimed to give insights into the development of the on-exchange grain trading, the management of the Group's investment portfolio, the launch of the new Money Market product (repo with general collateral certificates), and the Derivatives Market development strategy.

Number of investor meetings



In July 2016, Moscow Exchange received an award in the nomination for Best Overall Investor Relations among mid-cap companies from IR Magazine Russia & CIS Awards. The awards were granted on the basis of the independent Extel Pan-European 2016 Survey covering over 20,000 global institutional investors and analysts in 2016.

## Investors' Opinion on Investor Relations at Moscow Exchange

In 2014-2016, Moscow Exchange conducted a number of surveys to learn more about the Company's perception by investors and analysts.

Year	Parameters	No response	Good	Very good	Excellent
2014	Knowledge of business	18%	14%	36%	32%
	Quality of IR materials	14%	4%	32%	50%
	Trust and transparency	23%	9%	27%	41%
	Time efficiency	23%	0%	18%	59%
	Friendliness / commitment to support	23%	0%	23%	54%
	Access to the management	36%	9%	32%	23%
2015	Knowledge of business	5%	0%	23%	72%
	Quality of IR materials	5%	0%	23%	72%
	Trust and transparency	18%	0%	18%	64%
	Time efficiency	5%	0%	27%	68%
	Friendliness / commitment to support	13%	0%	23%	64%
	Access to the management	9%	0%	14%	77%
2016	Knowledge of business	10%	0%	10%	80%
	Quality of IR materials	10%	5%	25%	60%
	Trust and transparency	10%	0%	40%	50%
	Time efficiency	5%	0%	5%	90%
	Friendliness / commitment to support	10%	0%	5%	85%
	Access to the management	10%	0%	25%	65%



# Analysts

MOEX's performance is closely monitored by leading Russian and international banks. They publish regular reports on the Company's shares as well as provide stock recommendations and financial forecasts.

As at 9 March 2017, the target price for MOEX shares as recommended by an average of the analysts, stood at

**RUB 137.19**  
PER SHARE

Company	Analyst	Phone	Email
<b>Citigroup</b>	Maria Semikhatova	+7 495 643 1462	maria.semikhatova@citi.com
<b>Credit Suisse</b>	Hugo Swann	+44 20 7883 2574	hugo.swann@credit-suisse.com
<b>Deutsche Bank</b>	Ivan Kachkovski	+44 20 7541 1735	Ivan.Kachkovski@db.com
<b>HSBC Bank Plc</b>	Andrzej Nowaczek	+44 20 7991 6709	andrzej.nowaczek@hsbcib.com
<b>JP Morgan</b>	Alexander Kantarovich	+7 495 967 3172	alex.kantarovich@jpmorgan.com
<b>Merrill Lynch</b>	Olga Veselova	+7 495 662 6080	olga.veselova@baml.com
<b>Morgan Stanley</b>	Anil Sharma	+44 20 7425 8828	Anil.K.Sharma@morganstanley.com
<b>UBS</b>	Mikhail Shlemov	+7 495 648 2355	Mikhail.Shlemov@ubs.com
<b>Aton</b>	Mikhail Ganelin	+7 495 213 0338	mikhail.ganelin@aton.ru
<b>BCS</b>	Olga Naydenova	+7 495 785 5336	ONaydenova@bcprime.com
<b>Veles Capital</b>	Egor Dakhtler	+7 495 258 1988	EDakhtler@veles-capital.ru
<b>VTB Capital</b>	Svetlana Aslanova Jason Hurwitz	+7 495 663 4788 +7 495 589 2162	Svetlana.Aslanova@vtbcapital.com Jason.Hurwitz@vtbcapital.com
<b>Gazprombank</b>	Andrey Klapko	+7 495 983 1800	Andrey.Klapko@gazprombank.ru
<b>Otkritie</b>	Andrey Mikhailov	+7 495 777 5656	Andrey.Mikhailov@otkritie.com
<b>Renaissance Capital</b>	Armen Gasparyan	+7 495 783 5673	AGasparyan@rencap.com
<b>Sberbank</b>	Andrew Keeley Andrey Pavlov-Rusinov	+44 20 7936 0439 +7 495 933 9817	Andrew_Keeley@sberbank-cib.ru Andrey_Pavlov-Rusinov@sberbank-cib.ru



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## Consolidated Financial Statements

For the Year Ended December 31, 2016

## Independent auditor's report

To the Shareholders and Supervisory Board of  
Public Joint-Stock Company "Moscow Exchange MICEX-RTS"

### **Opinion**

We have audited the consolidated financial statements of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### **Revenue recognition**

Revenue recognition was a key audit matter, since the amount of revenue is material to the consolidated financial statements. Information on revenue is disclosed in notes 5 and 6 to the consolidated financial statements. This process is closely related to the proper functioning of the Group's IT systems, as the most significant portion of revenue is recognized on the basis of automated data processing, and these systems may experience failures or errors.

We tested general controls in the systems involved in revenue recognition, IT application and manual controls. We performed analytical procedures based on comparison of financial and non-financial data, and used automated tools to analyze relationships among various accounts in the consolidated financial statements.

### **Valuation of goodwill and other intangible assets**

The valuation of goodwill and other intangible assets was a key audit matter, since the book value of goodwill and other intangible assets is material for the consolidated financial statements. Information on goodwill is disclosed in note 18 to the consolidated financial statements, and information on other intangible assets is disclosed in note 17. The valuation of goodwill and other intangible assets is a complex process, requiring management judgment to identify indicators of impairment.

We analyzed management judgment used in goodwill impairment testing as regards the allocation of goodwill to cash-generating units. We tested the calculation of the Group's market capitalization used to determine the Group's recoverable amount. We recalculated the amortization of other intangible assets and analyzed management judgment that there were no indicators of impairment of other intangible assets. We analyzed the disclosure of information about intangible assets in the consolidated financial statements.

### **Other information included in the Group's 2016 Annual report**

Other information consists of the information included in the Annual report of the Public Joint-Stock Company "Moscow Exchange MICEX-RTS" other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### ***Responsibilities of management and the Audit Commission of the Supervisory Board for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Commission of the Supervisory Board are responsible for overseeing the Group's financial reporting process.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Совершенство бизнес,  
улучшаем мир

- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Commission of the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Commission of the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Commission of the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is E.V. Zaichikova.

E.V. Zaichikova  
Partner  
Ernst & Young Vneshaudit LLC

2 March 2017

***Details of the audited entity***

Name: Public Joint-Stock Company "Moscow Exchange MICEX-RTS"  
Record made in the State Register of Legal Entities on 19 December 2016, State Registration Number 1027739387411.  
Address: Russia 125009, Moscow, Bolshoy Kislovsky per., 13.

***Details of the auditor***

Name: Ernst & Young Vneshaudit LLC  
Record made in the State Register of Legal Entities on 4 February 2016, State Registration Number 1167746123478.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young Vneshaudit LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young Vneshaudit LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050953.

# Consolidated Statement of Profit or Loss for the Year Ended December 31, 2016

(in millions of Russian rubles)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
Fee and commission income	5	19 797,6	17 784,0
Interest and other finance income	6	22 730,6	27 050,0
Interest expense		(118,5)	(122,9)
Net gain / (loss) on financial assets available-for-sale	7	1 425,3	(280,7)
Foreign exchange gains less losses	8	(342,4)	1 438,5
Other operating income		74,6	121,1
<b>Operating Income</b>		<b>43 567,2</b>	<b>45 990,0</b>
Administrative and other operating expenses	9	(6 312,3)	(5 488,7)
Personnel expenses	10	(5 947,1)	(5 783,2)
<b>Operating Profit</b>		<b>31 307,8</b>	<b>34 718,1</b>
Share of profits of associates		-	1,2
<b>Profit before Tax</b>		<b>31 307,8</b>	<b>34 719,3</b>
Income tax expense	11	(6 125,2)	(6 867,2)
<b>Net Profit</b>		<b>25 182,6</b>	<b>27 852,1</b>
Attributable to:			
Equity holders of the parent		25 178,1	27 908,8
Non-controlling interest		4,5	(56,7)
<b>Earnings per share</b>			
Basic earnings per share, rubles	24	11,22	12,51
Diluted earnings per share, rubles	24	11,16	12,44

Chairman of the Executive Board

**Afanasiev A.K.**  
March 2, 2017  
Moscow

Chief Financial Officer, Management Board Member

**Fetisov E.E.**  
March 2, 2017  
Moscow



# Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2016

(in millions of Russian rubles)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
<b>Net profit</b>		<b>25 182,6</b>	<b>27 852,1</b>
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(26,6)	(119,5)
Net income resulting from revaluation of investments available-for-sale		1 686,7	2 506,2
Net (gain) / loss on investments available-for sale reclassified to profit or loss	7	(1 425,3)	280,7
Income tax relating to items that may be reclassified		(52,3)	(557,3)
<b>Other comprehensive income that may be reclassified subsequently to profit or loss</b>		<b>182,5</b>	<b>2 110,1</b>
<b>Total comprehensive income</b>		<b>25 365,1</b>	<b>29 962,2</b>
Attributable to:			
Equity holders of the parent		25 378,1	30 112,3
Non-controlling interest		(13,0)	(150,1)
<b>Total comprehensive income</b>		<b>25 365,1</b>	<b>29 962,2</b>

The notes 1-30 form an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position as at December 31, 2016

(in millions of Russian rubles)

	Notes	December 31, 2016	December 31, 2015
<b>Assets</b>			
Cash and cash equivalents	12	380 516,6	992 696,1
Financial assets at fair value through profit or loss		0,4	0,4
Due from financial institutions	13	63 842,7	44 403,8
Central counterparty financial assets	14	1 733 263,8	518 509,3
Investments available-for-sale	15	218 496,2	167 472,3
Property and equipment	16	7 706,4	6 795,8
Intangible assets	17	18 357,9	18 029,4
Goodwill	18	15 971,4	15 971,4
Current tax prepayments		51,9	420,4
Assets held for sale		–	122,5
Deferred tax asset	11	1 776,5	114,7
Other assets	19	1 954,1	1 781,5
<b>Total assets</b>		<b>2 441 937,9</b>	<b>1 766 317,6</b>
<b>Liabilities</b>			
Balances of market participants	20	574 590,1	1 119 097,5
Central counterparty financial liabilities	14	1 733 263,8	518 509,3
Distributions payable to holders of securities		2 952,3	6 138,4
Margin account under reverse repo	13	–	417,7
Current tax payables		990,5	384,4
Liabilities related to assets held for sale		–	1,4
Deferred tax liability	11	3 165,6	5 017,3
Other liabilities	21	3 592,0	3 142,0
<b>Total liabilities</b>		<b>2 318 554,3</b>	<b>1 652 708,0</b>

	Notes	December 31, 2016	December 31, 2015
<b>Equity</b>			
Share capital	22	2 498,1	2 498,1
Share premium	22	32 286,2	32 471,1
Treasury shares	22	(2 271,9)	(2 921,8)
Foreign currency translation reserve		(21,4)	(16,5)
Reserves relating to assets held for sale		–	(72,1)
Investments revaluation reserve		1 110,5	901,4
Share-based payments		413,1	504,6
Retained earnings		89 177,8	79 991,0
<b>Total equity attributable to owners of the parent</b>		<b>123 192,4</b>	<b>113 355,8</b>
Non-controlling interest		191,2	253,8
<b>Total equity</b>		<b>123 383,6</b>	<b>113 609,6</b>
<b>Total liabilities and equity</b>		<b>2 441 937,9</b>	<b>1 766 317,6</b>

The notes 1-30 form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows for the Year Ended December 31, 2016

(in millions of Russian rubles)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
<b>Cash flows from / (used in) operating activities:</b>			
Profit before tax		31 307,8	34 719,3
Adjustments for:			
Depreciation and amortisation charge	9	2 294,3	1 799,7
Net change in deferred commission income		(12,5)	395,8
Accrued expenses		–	28,2
Fair value adjustment on securities at fair value through profit or loss		–	58,3
Share-based payment expense	10	255,3	289,9
Unrealized loss/(gain) on foreign exchange operations		151,7	(207,7)
Share of profits of associates		–	(1,2)
(Gain) / Loss on disposal of investments available-for-sale	7	(1 425,3)	280,7
Net change in interest accruals		764,4	(2 540,3)
Net loss on disposal of property and equipment and intangible assets	9	9,5	26,1
Impairment of other assets	19	2,8	19,3
Impairment related to assets held for sale	9	–	106,0
Loss on disposal of assets held for sale	9	52,4	–
<b>Changes in operating assets and liabilities:</b>			
Due from financial institutions		(30 590,7)	30 884,2
Financial assets at fair value through profit or loss		–	11 226,7
Central counterparty financial assets		(1 214 754,5)	(378 899,5)
Other assets		(152,6)	(733,5)
Balances of market participants		(429 489,5)	(330 346,6)
Central counterparty financial liabilities		1 214 754,5	378 899,5
Distributions payable to holders of securities		(3 186,1)	(214,6)
Margin account under reverse repo		(417,7)	417,7
Other liabilities		(132,3)	(91,2)
Cash flows used in operating activities before taxation		(430 568,5)	(253 883,2)
Income tax paid		(8 720,9)	(7 101,3)
<b>Cash flows used in operating activities</b>		<b>(439 289,4)</b>	<b>(260 984,5)</b>

# Consolidated Statement of Cash Flows for the Year Ended December 31, 2016 (Continued)

(in millions of Russian rubles)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
<b>Cash flows from / (used in) investing activities:</b>			
Purchase of investments available-for-sale		(183 585,0)	(154 789,3)
Proceeds from disposal of investments available-for-sale		116 623,9	78 486,0
Purchase of property and equipment and intangible assets		(3 548,3)	(2 208,1)
Proceeds from disposal of property and equipment and intangible assets		5,3	7,6
Proceeds from sale of investments in associates		34,2	-
Disposal of subsidiaries, net of cash disposed		46,5	-
<b>Cash flows used in investing activities</b>		<b>(70 423,4)</b>	<b>(78 503,8)</b>
<b>Cash flows from / (used in) financing activities:</b>			
Dividends paid		(15 994,8)	(8 653,5)
Uncalled dividends returned		162,3	-
Sale of treasury shares		355,1	163,6
Acquisition of non-controlling interest in subsidiaries		(5,5)	-
Acquisition of treasury shares		(236,9)	-
<b>Cash flows used in financing activities</b>		<b>(15 719,8)</b>	<b>(8 489,9)</b>
Effect of changes in foreign exchange rates on cash and cash equivalents		(85 847,9)	175 992,2
<b>Net decrease in cash and cash equivalents</b>		<b>(611 280,5)</b>	<b>(171 986,0)</b>
<b>Cash and cash equivalents, beginning of period</b>	12	<b>991 797,1</b>	<b>1 163 783,1</b>
<b>Cash and cash equivalents, end of period</b>	12	<b>380 516,6</b>	<b>991 797,1</b>

Interest received by the Group during the year ended December 31, 2016, amounted to RUB 23 497,0 million (December 31, 2015: RUB 24 439,3 million).

Interest paid by the Group during the year ended December 31, 2016, amounted to RUB 116,0 million (December 31, 2015: RUB 122,9 million).

# Consolidated Statement of Changes in Equity for the Year Ended December 31, 2016

(in millions of Russian rubles)

	Share capital	Share premium	Treasury shares	Invest-ments revaluation reserve
<b>December 31, 2014</b>	<b>2 498,1</b>	<b>32 528,0</b>	<b>(3 365,0)</b>	<b>(1 328,2)</b>
Net profit	-	-	-	-
Other comprehensive income	-	-	-	2 229,6
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 229,6</b>
Foreign currency translation reserve relating to Assets held for sale	-	-	-	-
<b>Transactions with owners</b>				
Dividends declared (Note 23)	-	-	-	-
Share-based payments	-	(56,9)	443,2	-
<b>Total transactions with owners</b>	<b>-</b>	<b>(56,9)</b>	<b>443,2</b>	<b>-</b>
<b>December 31, 2015</b>	<b>2 498,1</b>	<b>32 471,1</b>	<b>(2 921,8)</b>	<b>901,4</b>
Net profit	-	-	-	-
Other comprehensive income	-	-	-	209,1
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209,1</b>
<b>Transactions with owners</b>				
Dividends declared (Note 23)	-	-	-	-
Share-based payments	-	(99,9)	801,8	-
Repurchase of treasury shares	-	(85,0)	(151,9)	-
Sale of business in Ukraine	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>(184,9)</b>	<b>649,9</b>	<b>-</b>
<b>December 31, 2016</b>	<b>2 498,1</b>	<b>32 286,2</b>	<b>(2 271,9)</b>	<b>1 110,5</b>

Share-based payments	Foreign currency translation reserve	Reserves relating to assets held for sale	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
437,4	(62,5)	-	60 735,6	91 443,4	404,0	91 847,4
-	-	-	27 908,8	27 908,8	(56,7)	27 852,1
-	(26,1)	-	-	2 203,5	(93,4)	2 110,1
-	(26,1)	-	27 908,8	30 112,3	(150,1)	29 962,2
-	72,1	(72,1)	-	-	-	-
-	-	-	(8 653,4)	(8 653,4)	(0,1)	(8 653,5)
67,2	-	-	-	453,5	-	453,5
67,2	-	-	(8 653,4)	(8 199,9)	(0,1)	(8 200,0)
504,6	(16,5)	(72,1)	79 991,0	113 355,8	253,8	113 609,6
-	-	-	25 178,1	25 178,1	4,5	25 182,6
-	(4,9)	(4,2)	-	200,0	(17,5)	182,5
-	(4,9)	(4,2)	25 178,1	25 378,1	(13,0)	25 365,1
-	-	-	(15 994,7)	(15 994,7)	(0,1)	(15 994,8)
(91,5)	-	-	-	610,4	-	610,4
-	-	-	-	(236,9)	-	(236,9)
-	-	76,3	-	76,3	(40,6)	35,7
-	-	-	3,4	3,4	(8,9)	(5,5)
(91,5)	-	76,3	(15 991,3)	(15 541,5)	(49,6)	(15 591,1)
413,1	(21,4)	-	89 177,8	123 192,4	191,2	123 383,6

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2016

(in millions of Russian rubles, unless otherwise indicated)

## 1. Organization

Public Joint-Stock Company Moscow Exchange MICEX-RTS (Moscow Exchange) is a stock exchange based in Moscow, Russian Federation. It was established as closed joint-stock company "Moscow Interbank Currency Exchange" (MICEX) in 1992. In December 2011 the company was reorganized into the form of open joint-stock company and renamed to Open Joint-Stock Company MICEX-RTS. In July 2012 the name of the company was changed to Open Joint-Stock Company Moscow Exchange MICEX-RTS. On April 28, 2015 at Annual General Meeting of Shareholders of Moscow Exchange (AGM) the company's new business name as Public Joint Stock Company Moscow Exchange MICEX-RTS was approved to meet revised standards of the Russian Civil Code. The new business name and respective changes to the Charter of Moscow Exchange took effect from May 13, 2015, the day the registration authority recorded new version of the Charter.

The legal address of Moscow Exchange: 13 Bolshoy Kislovsky per., Moscow, the Russian Federation.

Moscow Exchange Group ("the Group") is an integrated exchange structure that provides financial market participants with a full set of competitive trading, clearing, settlement, depository and information services. The Group operates on the following markets: foreign currencies exchange market, government securities and money market, market of derivative financial instruments, equities market, corporate and regional bonds market, commodities market.

Moscow Exchange is the parent company of the Group, which includes the following entities:

Name	Principal activities	December 31, 2016	December 31, 2015
		Voting rights, %	Voting rights, %
CJSC MICEX Stock Exchange (MICEX SE)	Stock exchange operations	–	100%
NCO JSC National Settlement Depository (former NCO CJSC National Settlement Depository) (NSD)	Depository, clearing, repository and settlement services	99,997%	99,997%
Bank National Clearing Centre (JSC) (NCC)	Banking and clearing operations	100%	100%
OJSC Evraziyskaia Trading System Commodity Exchange (ETS)	Commodities exchange operations	60,82%	60,82%
LLC MICEX Finance (MICEX Finance)	Financial activities	100%	100%
MICEX (CYPRUS) LIMITED (MICEX Cyprus)	Financial activities	100%	100%
PJSC PFTS Stock Exchange (PFTS SE)	Stock exchange operations	–	50,02%
LLC ME Technology	Technical support of exchange activities, IT services	–	100,00%
JSC National Mercantile Exchange (former CJSC National Mercantile Exchange) (NAMEX)	Commodities exchange operations	65,08%	61,90%

NSD is the central securities depository of the Russian Federation. NSD is the Russian national numbering agency and the substitute numbering agency for the Commonwealth of Independent States (CIS), authorized to assign the international ISIN, CFI and pre-LEI codes. NSD holds licenses for depository, clearing and settlement operations issued by the Central Bank of Russia (CBR). As of December 28, 2016 NSD Repository received the license for repository operations issued by the CBR.

NCC performs functions of a clearing organization and central counterparty on the financial market. NCC has a license for clearing activities.



PFTS SE is a stock exchange, which had a stock exchange license in Ukraine and facilitates spot trading. In February 2016 the Group sold its stake in PFTS SE.

MICEX Finance and MICEX Cyprus are established for facilitating financial activities of the Group.

LLC ME Technology provides technical support of exchange activities and IT services to Moscow Exchange clients.

MICEX SE provides services for Securities Market Sections of the Group. In December 2016 MICEX SE and LLC ME Technology merged with the parent company of the Group. The purpose is to optimize corporate structure, simplify customers' interactions with the Group and reduce costs.

ETS is a commodity exchange, which has a license for organisation of trading in commodities in Kazakhstan.

NAMEX is a commodity exchange operating in Russia.

Moscow Exchange and all subsidiaries are located in Russia, except for ETS and MICEX Cyprus. ETS is located in Kazakhstan and MICEX Cyprus is registered in Cyprus.

The Group has 1 635 employees as at December 31, 2016 (December 31, 2015: 1 599 employees).

## 2. Basis of Presentation

### Statement of Compliance

These Consolidated Financial Statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

### Basis of Presentation

These Consolidated Financial Statements are presented in millions of Russian rubles, unless otherwise indicated. These Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value.

Moscow Exchange and its subsidiaries registered in the Russian Federation maintain their accounting records in accordance with Russian Accounting Standards ("RAS"). Foreign subsidiaries of the Group maintain their accounting records in accordance with the accounting standards of the countries in which they operate. These Consolidated Financial Statements have been prepared on basis of the statutory accounting records and have been adjusted to conform to IFRS.

### Inflation Accounting

The Russian economy was considered hyperinflationary until December 31, 2002. As such, the Group applied IAS 29 Financial Reporting in Hyperinflationary Economies. The effect of applying IAS 29 is that non-monetary items, including components of equity, were restated to the measuring units current at December 31, 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

### 3. Significant Accounting Policies

#### Basis for Consolidation

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

#### Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

## Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

## Investments in Associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in profit or loss, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## Recognition of Revenue

### Fee and Commission Income

Fees and Commissions are recognized when services are provided.

Revenue for services provided over a period is recognized pro rata over the contractual term and consists of commission income on operations with long-term exchange instruments, listing fees, depository fees, and other.

### Recognition of Interest Income

Interest income is recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset has been written down as a result of impairment, interest income is thereafter recognized using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

Interest earned on central counterparty financial assets is presented net of interest expense incurred in respect of the offsetting financial liabilities within gains or losses on financial assets carried at fair value.

### Cash and Cash Equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position include cash on hand, unrestricted balances on correspondent and deposit accounts with banks with maturity up to one business day. Accrued interest on the above balances that is receivable in more than one business day is excluded from cash and cash equivalents the purpose of consolidated statement of cash flows. Amounts that are subject to restrictions on their availability, including minimum reserve deposits with the CBR, are not included in cash and cash equivalents.

### Financial Assets

The Group recognizes financial assets and liabilities in its Consolidated Statement of Financial Position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments (HTM), "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial assets that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend earned on the financial asset. Fair value is determined in the manner described in Note 27.

## Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. HTM investments are measured at amortised cost using the effective interest method less any impairment.

## Loans and Receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

## Available-for-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the Consolidated Statement of Profit or Loss. However, interest calculated using the effective interest method is recognised in profit or loss.

## Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- probability that the debtor will enter bankruptcy or financial reorganisation; or
- disappearance of an active market for that financial asset as a result of financial difficulties.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans, receivables and investments held-to-maturity, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account.

## Derecognition of Financial Assets

A financial asset (or, where applicable a part of the financial asset or part of a group of similar financial assets) is derecognized where:

- rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement;
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset.

If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

## Offsetting of Financial Assets

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

## Central Counterparty Financial Assets and Liabilities

NCC acts as a central counterparty (CCP) and guarantees settlements of certain exchange transactions. Receivables and payables on such deals that may be offset against a clearing member are reported net in accordance with IAS 32 and are recognized in the Consolidated Statement of Financial Position at the net fair value based on daily settlement prices.

Sales and purchases of securities and currency via the CCP are recognised and simultaneously derecognised at the settlement date.

For the products that are marked to market the Group recognises gains and losses on open positions of clearing members on each exchange day. The variation margin is used to settle gains and losses on open positions resulting from market price fluctuations on a daily basis. The variation margin does not comprise collateral as it is a daily offsetting of gains and losses in cash. Products that are marked to market are therefore not reported in the Consolidated Statement of Financial Position.

Receivables under repurchase transactions (repo) are classified as loans and receivables and carried at amortised cost. Payables under repo are carried at amortised cost.

## Collateral of Central Counterparty

As the Group guarantees the settlement of certain traded contracts, it has established a multi-level collateral system. The central pillar of the collateral system is the daily determination of the overall risk per clearing member (margin) to be covered by cash and securities collateral.

Securities collateral is not derecognised by the clearing member providing the collateral. As the transfer of securities does not meet the conditions for derecognition, the securities are not recognised as assets.

In addition to these daily collateral payments, market participants must make contributions to the risk-covering fund which is described in Note 20.

## Financial Liabilities and Equity Instruments Issued

### Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### Financial Liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

### Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities classified as "at FVTPL" include CCP financial liabilities under currency transactions and certain derivatives.

### Other Financial Liabilities

Other financial liabilities, including banks deposits and balances of market participants, loans payable, distributions payable to holders of securities and other liabilities, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Distributions payable to holders of securities comprise dividends and coupon amounts received by the Group from the issuers of securities on behalf of customers of the Group, for which the Group also provides depository services. The normal settlement period for distribution of dividends and coupon amounts to its customers is three days. Amounts of dividends and coupons payable to clients are stated at their contractual values.

### Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

### Precious Metals

Precious metals are represented by physical precious metals and accounts in precious metals. Precious metals are recorded on the reporting date at CBR prices, which approximate fair values. Corresponding accounts in precious metals are recorded within Due from financial institutions and physical precious metals are recorded within Other assets. Clients' accounts in precious metals are recorded within Balances of market participants. Precious metals are not financial instruments and therefore excluded from financial risk management disclosures in accordance with IFRS 7.

### Property and Equipment

Property and equipment is carried at historical cost less accumulated depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method:

Buildings and other real estate	2%
Furniture and equipment	20–33%

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Intangible Assets

#### Intangible Assets Acquired Separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives at the annual rates of 10% - 25%. The estimated useful life



and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

### **Intangible Assets Acquired in a Business Combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is recognised on a straight-line basis at the annual rate of 4%. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### **Internally Developed Intangible Assets**

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalised and an internally generated intangible asset is recognised only if it is probable that it will generate economic benefits exceeding costs beyond one year and the development costs can be measured reliably. An internally generated intangible asset is recognised only if the Group has the technical feasibility, resources and intention to complete the development and to use the product. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

### **Derecognition of Intangible Assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Assets Classified as Held for Sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Group's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

### Taxation

#### Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## Operating Taxes

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the Consolidated Statement of Profit or Loss.

## Share-Based Payments

The Group grants the right to some employees to purchase equity instruments on the terms set in individual contracts.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity within Share-based payments reserve, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period (Note 10).

## Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

## Contingencies

Contingent liabilities are not recognized in the Consolidated Statement of Financial Position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the Consolidated Statement of Financial Position but disclosed when an inflow of economic benefits is probable.

## Fiduciary Activities

The Group provides custodial services to its customers which include transactions with securities on their custody accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's Consolidated Financial Statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations. Revenue for provision of fiduciary services is recognized as services are provided.

## Foreign Currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into RUB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interest as appropriate).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

## Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## Segment Reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating and financial results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As at December 31, 2016 and December 31, 2015, the Group comprised a single operating segment.

## Adoption of New and Revised Standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for reporting periods ending on December 31, 2016.

The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

### **Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group.

### **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

### **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after 1 January 2016. They include, in particular:

#### **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

## IFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

## New and Revised IFRSs in Issue but Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

## IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost categories. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39.

IFRS 9 will also fundamentally change the approach to loan impairment. The standard will replace IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group will be required to record an allowance for expected losses for all financial assets not carried at FVPL. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance would be based on the probability of default over the life of the asset.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not required; the effect on the transition date – 1 January 2018 – would be recorded in retained earnings. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group does not expect significant effect on its equity due to adoption of IFRS 9 impairment requirements, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

## **IFRS 16 Leases**

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date.

The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

## **IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Group does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

## **Amendments to IAS 12 Income Taxes**

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The Group does not anticipate that adopting the amendments would have a material impact on its financial statements.

## **Amendments to IAS 7 Statement of Cash Flows**

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Group is currently evaluating the impact.

## **Amendments to IFRS 2**

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendment is effective for annual periods beginning on or after 1 January 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted. The amendments are not expected to have any impact on the Group.

### **Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4**

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest. The overlay approach requires an entity to remove from profit or loss additional volatility that may arise if IFRS 9 is applied with IFRS 4.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The amendments are not expected to have any impact on the Group.

## **4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

In the application of the Group's accounting policies the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Key Sources of Estimation Uncertainty**

#### **Impairment of Receivables**

The Group regularly reviews its receivables to assess for impairment. The Group's receivables impairment provisions are established to recognize incurred impairment losses in its portfolio of receivables.



The Group uses Management's judgment to estimate the amount of any impairment loss in cases where the debtor has financial difficulties and there are few available sources of historical data relating to similar debtors. Similarly, the Group estimates changes in future cash flows based on past performance, past counterparty behavior, observable data indicating an adverse change in the payment status, and national or local economic conditions that correlate with defaults on assets in the group.

As at December 31, 2016, the gross receivables totalled RUB 861,3 million (December 31, 2015: RUB 556,6 million) and allowance for impairment losses amounted to RUB 41,7 million (December 31, 2015: RUB 46,6 million) recognised within other assets in the statement of financial position.

## Valuation of Financial Instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same;
- a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.

## Share-Based Payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

## 5. Fee and Commission Income

	Year ended December 31, 2016	Year ended December 31, 2015
Money market	4 836,2	3 874,0
Foreign exchange	4 344,9	4 326,9
Depository and settlement services	3 564,0	3 464,6
Securities market	3 487,1	3 275,8
Derivatives	2 052,3	1 470,8
Information services	751,8	688,4
Sale of software and technical services	636,3	526,7
Other	125,0	156,8
<b>Total fee and commission income</b>	<b>19 797,6</b>	<b>17 784,0</b>

Income from securities market comprises fees and commissions from equities trading, bonds trading, listing and service fees:

	Year ended December 31, 2016	Year ended December 31, 2015
Equities	1 588,8	1 641,9
Bonds	1 483,0	1 182,4
Listing and other service fees	415,3	451,5
<b>Total fee and commission income from securities market</b>	<b>3 487,1</b>	<b>3 275,8</b>

## 6. Interest and Other Finance Income

	Year ended December 31, 2016	Year ended December 31, 2015
<b>Income on securities at fair value through profit or loss</b>		
Interest income	0,9	539,1
Net (loss) / profit on securities at fair value through profit or loss	(4,5)	70,4
<b>Total (loss) / income on securities at fair value through profit or loss</b>	<b>(3,6)</b>	<b>609,5</b>
<b>Interest income on financial assets other than at fair value through profit or loss</b>		
Interest income on investments available-for-sale	15 512,4	11 930,1
Interest on cash and cash equivalents and due from financial institutions	7 221,8	14 510,4
<b>Total interest income on financial assets other than at fair value through profit or loss</b>	<b>22 734,2</b>	<b>26 440,5</b>
<b>Total interest and other finance income</b>	<b>22 730,6</b>	<b>27 050,0</b>

## 7. Net Gain / (Loss) on Financial Assets Available-for-Sale

In the year ended December 31, 2016 the Group recognized a net gain on financial assets available-for-sale of RUB 1 425,3 million (year ended December 31, 2015: loss of RUB 280,7 million). In 2015 interest income received on these bonds exceeded the losses realised on the sale of such securities.

## 8. Foreign Exchange Gains Less Losses

	Year ended December 31, 2016	Year ended December 31, 2015
Foreign exchange swaps	(170,5)	1 336,1
Net other foreign exchange losses	(171,9)	102,4
<b>Total foreign exchange gains less losses</b>	<b>(342,4)</b>	<b>1 438,5</b>

The Group enters into foreign exchange swaps for the purposes of short-term investments and liquidity management.

## 9. Administrative and Other Operating Expenses

	Year ended December 31, 2016	Year ended December 31, 2015
Amortisation of intangible assets (Note 17)	1 262,1	1 207,2
Depreciation of property and equipment (Note 16)	1 032,2	592,5
Equipment and intangible assets maintenance	966,0	683,3
Rent and office maintenance	479,8	490,4
Market makers fees	477,1	352,4
Taxes, other than income tax	476,1	450,8
Advertising and marketing costs	407,4	322,9
Professional services	317,5	357,8
Registrar and foreign depository services	273,6	238,9
Information services	207,2	134,1
Communication services	132,8	128,6
Business trip expenses	81,8	83,6
Loss on disposal of assets held for sale	52,4	–
Security expenses	30,6	32,3
Charity	28,3	30,0
Transport expenses	20,5	20,1
Loss on disposal of property, equipment and intangible assets	9,5	26,1
Impairment of other assets (Note 19)	2,8	19,3
Payments for onerous contracts	–	114,9
Impairment related to assets held for sale	–	106,0
Other	54,6	97,5
<b>Total administrative and other operating expenses</b>	<b>6 312,3</b>	<b>5 488,7</b>

During the year ended December 31, 2016 the Group recognised a loss of RUB 52,4 million on sale of the disposal group held for sale under IFRS 5 “Non-current assets held for sale and discontinued operations”. It consists of the loss on sale of the investment in associate UEX in the amount of RUB 13,0 million and subsidiary PFTS in the amount of RUB 39,4 million.

At the date of disposal PFTS’ assets amounted RUB 83,8 mln and liabilities were RUB 3,4 mln. The total consideration from sale was RUB 49,0 mln paid in cash. Cash disposed with the subsidiary amounted RUB 2,5 mln. Net cash inflow on disposal of the subsidiary was RUB 46,5 mln.

During the year ended December 31, 2015 the Group recognised impairment related to assets held for sale in the amount of RUB 106,0 million. It consisted of the impairment of due from financial institutions of PFTS in the amount of RUB 103,9 million and an impairment loss of RUB 2,1 million of the investment in UEX measured at fair value less cost to sell.

Professional services comprise consulting, audit, insurance, legal services and other.

## 10. Personnel Expenses

	Year ended December 31, 2016	Year ended December 31, 2015
Employees benefits except for share-based payments	4 794,4	4 708,3
Payroll related taxes	897,4	785,0
Share-based payment expense	255,3	289,9
<b>Total personnel expenses</b>	<b>5 947,1</b>	<b>5 783,2</b>

Rights to purchase equity instruments granted to some employees give to holders a choice either to only purchase the full number of shares at exercise price or also to sell back shares at the market price for the same ruble value. A majority of the rights vest when the employee continues to be employed by the Group at the vesting date. The maximum contractual term of the contracts is four years. The fair value of the rights is measured at the grant date using a binomial model taking into account the terms and conditions upon which the instruments were granted.

The following table illustrates the number and weighted average exercise prices (WAEP), and movements in rights to purchase equity instruments:

	Number	WAEP
Outstanding at 1 January 2015	32 857 357	47,50
Granted	28 450 000	71,07
Exercised	(6 791 042)	47,01
Forfeited	(233 333)	46,90
Expired	(5 883 953)	47,01
<b>Outstanding at December 31, 2015</b>	<b>48 399 029</b>	<b>61,49</b>
Granted	3 000 000	119,75
Exercised	(13 582 037)	50,01
Forfeited	(250 001)	46,90
Expired	(6 433 649)	50,01
<b>Outstanding at December 31, 2016</b>	<b>31 133 342</b>	<b>74,60</b>

WAEP for exercised rights in the table above is calculated based on the contractual exercise price.

The number of rights exercisable as at December 31, 2016 is 9 000 000 with WAEP of RUB 67,25 (December 31, 2015: 15 165 683 with WAEP of RUB 47,53).

The weighted average fair value of rights granted during the year ended December 31, 2016 was RUB 29,09 (December 31, 2015: RUB 19,65).

The range of exercise prices and weighted average remaining contractual life of rights are as follows:

Exercise price	December 31, 2016		December 31, 2015	
	Number outstanding	Weighted average remaining contractual life	Number outstanding	Weighted average remaining contractual life
46,9 - 62,0	2 416 673	0,07	19 949 029	0,17
62,0 - 77,0	20 466 669	0,60	23 200 000	1,30
77,0 - 92,0	5 250 000	0,96	5 250 000	1,95
119,75	3 000 000	2,26	–	–
	<b>31 133 342</b>	<b>0,78</b>	<b>48 399 029</b>	<b>0,90</b>

The following table lists the inputs to the models used:

Assumption	Year ended December 31, 2016	Year ended December 31, 2015
Expected volatility	25,8%	29,7%
Risk-free interest rate	8,3%	10,7%
Weighted average share price, RUB	123,58	76,69
Dividend yield	4,4%	6,7%

The volatility assumption is based on implied volatilities of quoted shares of similar stock exchanges.

## 11. Income Tax

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate and which may differ from IFRS.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences relate mostly to different methods of income and expense recognition, as well as to recorded values of certain assets.

The tax rate used for the reconciliations between tax expense and accounting profit is the corporate tax rate of 20% payable by corporate entities in the Russian Federation on taxable profits under the tax law in that jurisdiction.

Temporary differences comprise:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	December 31, 2016	December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
<b>Tax effect from deductible temporary differences</b>				
Financial assets at fair value though profit or loss	6,5	6,5	–	(24,6)
Investments in associates and investments available-for-sale	1 627,1	–	1 627,1	1,7
Property and equipment and intangible assets	8,5	9,5	(1,0)	(6,9)
Assets held for sale	–	3,2	0,3	(0,2)
Other assets	10,5	11,1	0,4	5,1
Tax loss carried forward	6,2	12,1	(5,9)	(107,7)
Other liabilities	466,2	450,1	16,1	89,1
<b>Total tax effect from deductible temporary differences</b>	<b>2 125,0</b>	<b>492,5</b>	<b>1 637,0</b>	<b>(43,5)</b>
<b>Tax effect from taxable temporary differences</b>				
Cash and cash equivalents	–	–	–	16,8
Financial assets at fair value though profit or loss	–	–	–	1,4
Central counterparty financial assets	–	–	–	3,7
Investments in associates and investments available-for-sale	(12,4)	(1 777,5)	1 772,6	(614,2)
Property and equipment and intangible assets	(3 478,2)	(3 604,6)	126,4	136,6
Other assets	(23,1)	(11,1)	(12,0)	(4,3)
Other liabilities	(0,4)	(1,9)	1,5	(1,0)
<b>Total tax effect from taxable temporary differences</b>	<b>(3 514,1)</b>	<b>(5 395,1)</b>	<b>1 888,5</b>	<b>(461,0)</b>
<b>Deferred tax expense</b>			<b>3 525,5</b>	<b>(504,5)</b>
<b>Deferred income tax assets</b>	<b>1 776,5</b>	<b>114,7</b>		
<b>Deferred income tax liabilities</b>	<b>(3 165,6)</b>	<b>(5 017,3)</b>		

Reconciliation of income tax expense and accounting profit for the year ended December 31, 2016 and 2015, are explained below:

	Year ended December 31, 2016	Year ended December 31, 2015
<b>Profit before income tax</b>	<b>31 307,8</b>	<b>34 719,3</b>
Tax at the statutory tax rate (20%)	6 261,6	6 943,9
Tax effect of income taxed at rates different from the prime rate	(375,8)	(279,1)
Non-deductible expenses for tax purposes	236,6	168,6
Write-off of deferred tax asset	3,7	32,4
Adjustments in respect of current income tax of previous years	(0,9)	1,4
<b>Income tax expense</b>	<b>6 125,2</b>	<b>6 867,2</b>
Current income tax expense	9 650,7	6 362,7
Deferred taxation movement due to origination and reversal of temporary differences	(3 531,4)	396,8
Deferred taxation movement due to tax losses carried forward	5,9	107,7
<b>Income tax expense</b>	<b>6 125,2</b>	<b>6 867,2</b>

	Year ended December 31, 2016	Year ended December 31, 2015
<b>Beginning of the period – deferred tax assets</b>	<b>114,7</b>	<b>172,6</b>
<b>Beginning of the period – deferred tax liabilities</b>	<b>(5 017,3)</b>	<b>(4 015,6)</b>
Changes in deferred income tax balances recognised in other comprehensive income	(7,5)	(552,0)
Change in deferred income tax balances recognised in profit or loss	3 525,5	(504,5)
Disposal of assets held for sale	(3,5)	–
Effect of movements in exchange rates	(1,0)	(3,1)
<b>End of the period - deferred tax assets</b>	<b>1 776,5</b>	<b>114,7</b>
<b>End of the period - deferred tax liabilities</b>	<b>(3 165,6)</b>	<b>(5 017,3)</b>

## 12. Cash and Cash Equivalents

	December 31, 2016	December 31, 2015
Correspondent accounts and overnight deposits with banks	356 741,6	967 585,4
Organization for Economic Cooperation and Development countries	313 703,2	773 680,9
Russian Federation	42 607,0	192 725,0
other countries	431,4	1 179,5
Balances with the CBR	23 693,7	25 021,7
Receivables on broker and clearing operations	77,3	79,6
Cash on hand	4,0	9,4
<b>Total cash and cash equivalents</b>	<b>380 516,6</b>	<b>992 696,1</b>
Accrued interest with maturity of more than 1 working day	–	(901,5)
Cash and cash equivalents attributable to Assets of disposal group held for sale	–	2,5
<b>Cash and cash equivalents for the purpose of Consolidated Statement of Cash Flows</b>	<b>380 516,6</b>	<b>991 797,1</b>

As at December 31, 2016, the Group has balances with six counterparties each of which is greater than 10% of equity (December 31, 2015: fourteen counterparties). The total aggregate amount of these balances is 330 779,3 RUB million or 87% of total cash and cash equivalents as at December 31, 2016 (December 31, 2015: RUB 954 498,7 million or 96% of total cash and cash equivalents).

Guarantee and risk-covering funds (Note 20) are placed on current accounts with large OECD banks, the CBR and large Russian banks (Fitch credit rating not less than BBB).

As at December 31, 2015 for the purpose of Consolidated Statement of Cash Flows cash and cash equivalents included cash and cash equivalents attributable to Assets of disposal group held for sale in the amount of RUB 2,5 million.

## 13. Due from Financial Institutions and Margin Account under Reverse Repo

Due from financial institutions are presented as follows:

	December 31, 2016	December 31, 2015
Reverse repo receivables from financial institutions	47 887,7	21 279,1
Term deposits with the CBR	5 004,1	–
Interbank loans and term deposits	4 633,8	18 428,6
Correspondent accounts and deposits in precious metals	3 076,3	2 903,9
Mandatory cash balances with the CBR (restricted)	3 240,8	1 792,2
<b>Total due from financial institutions</b>	<b>63 842,7</b>	<b>44 403,8</b>

Margin account under reverse repo represents cash collateral received by the Group under reverse repo operations. There were no such balances as at December 31, 2016. (December 31, 2015: RUB 417,7 million).

As at December 31, 2016, the fair value of bonds pledged under reverse repo was RUB 62 517,1 million (December 31, 2015: RUB 23 651,7 million).



## 14. Central Counterparty Financial Assets and Liabilities

	December 31, 2016	December 31, 2015
Repo transactions	1 730 377,0	512 737,4
Currency transactions	2 886,8	5 771,9
<b>Total central counterparty financial assets and liabilities</b>	<b>1 733 263,8</b>	<b>518 509,3</b>

CCP financial assets are receivables under currency and repo transactions and CCP financial liabilities are payables under offsetting transactions, which the Group entered with market participants as a CCP.

The fair value of securities purchased and sold by the Group under repo transactions is RUB 1 924 488,1 million (December 31, 2015: RUB 573 201,4 million).

As at December 31, 2016 and 2015, none of these assets were past due.

CCP financial assets and liabilities under currency transactions represent fair values of overnight currency deals. Gross claims and liabilities with individual counterparties are offset in accordance with IAS 32. Information about financial assets offset against financial liabilities in the statement of financial position is disclosed in Note 30.

## 15. Investments Available-for-Sale

	December 31, 2016	December 31, 2015
Bonds issued by Russian Federation	135 133,6	105 016,0
Bonds issued by foreign companies	39 809,3	15 060,3
Bonds issued by Russian companies	21 977,3	21 599,1
Bonds issued by Russian banks	21 438,0	23 840,2
Shares issued by Russian companies	119,4	119,4
Shares issued by foreign companies	18,6	26,2
Bonds issued by foreign banks	–	1 811,1
<b>Total investments available-for-sale</b>	<b>218 496,2</b>	<b>167 472,3</b>

## 16. Property and Equipment

	Land	Buildings and other real estate	Furniture and equipment	Construction in progress	Total
<b>Cost</b>					
<b>December 31, 2014</b>	<b>227,8</b>	<b>6 018,8</b>	<b>3 378,5</b>	<b>40,4</b>	<b>9 665,5</b>
Additions	–	1,4	1 213,6	197,1	1 412,1
Reclassification	–	–	35,2	(35,2)	–
Transfer to other assets	–	–	–	(5,2)	(5,2)
Disposals	–	(0,8)	(214,1)	–	(214,9)
Reclassification to assets held for sale	–	(1,3)	(2,7)	–	(4,0)
Effect of movements in exchange rates	(5,8)	(34,9)	(6,9)	–	(47,6)
<b>December 31, 2015</b>	<b>222,0</b>	<b>5 983,2</b>	<b>4 403,6</b>	<b>197,1</b>	<b>10 805,9</b>
Additions	–	1,5	1 956,4	–	1 957,9
Reclassification	–	–	145,5	(145,6)	(0,1)
Disposals	–	–	(208,2)	–	(208,2)
Effect of movements in exchange rates	(2,1)	(12,5)	(2,3)	–	(16,9)
<b>December 31, 2016</b>	<b>219,9</b>	<b>5 972,2</b>	<b>6 295,0</b>	<b>51,5</b>	<b>12 538,6</b>
<b>Accumulated depreciation</b>					
<b>December 31, 2014</b>	<b>–</b>	<b>1 118,4</b>	<b>2 496,8</b>	<b>–</b>	<b>3 615,2</b>
Charge for the period	–	121,7	470,8	–	592,5
Disposals	–	(0,8)	(184,0)	–	(184,8)
Reclassification to assets held for sale	–	(0,3)	(2,6)	–	(2,9)
Effect of movements in exchange rates	–	(4,4)	(5,5)	–	(9,9)
<b>December 31, 2015</b>	<b>–</b>	<b>1 234,6</b>	<b>2 775,5</b>	<b>–</b>	<b>4 010,1</b>
Charge for the period	–	120,3	911,9	–	1 032,2
Disposals	–	–	(206,3)	–	(206,3)
Effect of movements in exchange rates	–	(1,8)	(2,0)	–	(3,8)
<b>December 31, 2016</b>	<b>–</b>	<b>1 353,1</b>	<b>3 479,1</b>	<b>–</b>	<b>4 832,2</b>
<b>Net book value</b>					
<b>December 31, 2015</b>	<b>222,0</b>	<b>4 748,6</b>	<b>1 628,1</b>	<b>197,1</b>	<b>6 795,8</b>
<b>December 31, 2016</b>	<b>219,9</b>	<b>4 619,1</b>	<b>2 815,9</b>	<b>51,5</b>	<b>7 706,4</b>

As at December 31, 2016, historical cost of fully depreciated property and equipment amounts to RUB 1 797,6 million (December 31, 2015: RUB 1 825,6 million).

## 17. Intangible Assets

	Software and licenses	Client base	Intangible assets development	Total
<b>Cost</b>				
<b>December 31, 2014</b>	<b>2 247,7</b>	<b>19 606,7</b>	<b>87,4</b>	<b>21 941,8</b>
Additions	902,0	–	188,9	1 090,9
Reclassification	44,0	–	(44,0)	–
Disposals	(281,9)	–	(3,3)	(285,2)
Reclassification to assets held for sale	(107,2)	–	–	(107,2)
Effect of movements in exchange rates	(18,4)	–	–	(18,4)
<b>December 31, 2015</b>	<b>2 786,2</b>	<b>19 606,7</b>	<b>229,0</b>	<b>22 621,9</b>
Additions	1 281,3	–	323,2	1 604,5
Transfer to other assets	–	–	(1,0)	(1,0)
Disposals	(315,3)	–	(1,6)	(316,9)
Effect of movements in exchange rates	(0,1)	–	–	(0,1)
<b>December 31, 2016</b>	<b>3 752,1</b>	<b>19 606,7</b>	<b>549,6</b>	<b>23 908,4</b>
<b>Accumulated amortisation and impairment</b>				
<b>December 31, 2014</b>	<b>1 034,7</b>	<b>2 756,8</b>	<b>–</b>	<b>3 791,5</b>
Charge for the period	422,9	784,3	–	1 207,2
Disposals	(281,6)	–	–	(281,6)
Reclassification to assets held for sale	(106,6)	–	–	(106,6)
Effect of movements in exchange rates	(18,0)	–	–	(18,0)
<b>December 31, 2015</b>	<b>1 051,4</b>	<b>3 541,1</b>	<b>–</b>	<b>4 592,5</b>
Charge for the period	477,8	784,3	–	1 262,1
Disposals	(304,0)	–	–	(304,0)
Effect of movements in exchange rates	(0,1)	–	–	(0,1)
<b>December 31, 2016</b>	<b>1 225,1</b>	<b>4 325,4</b>	<b>–</b>	<b>5 550,5</b>
<b>Net book value</b>				
<b>December 31, 2015</b>	<b>1 734,8</b>	<b>16 065,6</b>	<b>229,0</b>	<b>18 029,4</b>
<b>December 31, 2016</b>	<b>2 527,0</b>	<b>15 281,3</b>	<b>549,6</b>	<b>18 357,9</b>

## 18. Goodwill

As at December 31, 2016 and 2015 the Group's goodwill amounted RUB 15 971,4 million.

### Impairment Tests for Goodwill

For the purposes of impairment testing, goodwill is allocated to the whole Moscow Exchange Group, which represents the lowest level at which the goodwill is monitored for internal management purposes.

As at December 31, 2016 the recoverable amount for the Group has been determined based on calculations of fair value less cost of disposal. Fair value is determined based on market capitalisation of the Group using quoted price on shares of the Group.

The resulted fair value less cost of disposal of the Group in amount of RUB 271 210,5 million exceeds the net carrying amount of its assets and liabilities.

## 19. Other Assets

	December 31, 2016	December 31, 2015
<b>Other financial assets:</b>		
Receivables on services rendered and other operations	861,3	556,6
Less allowance for impairment	(41,7)	(46,6)
<b>Total other financial assets</b>	<b>819,6</b>	<b>510,0</b>
<b>Other non-financial assets:</b>		
Precious metals	561,1	880,0
Prepaid expenses	469,1	272,8
Taxes receivable other than income tax	53,7	60,1
Non-current assets prepaid	25,6	47,6
Other	25,0	11,0
<b>Total other assets</b>	<b>1 954,1</b>	<b>1 781,5</b>

The movements in allowance for impairment of receivables on services rendered and other operations were as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Beginning of the period	46,6	37,8
Net charge for the period (Note 9)	2,8	19,3
Reclassification to assets held for sale	-	(1,2)
Write-offs	(7,7)	(9,3)
<b>End of the period</b>	<b>41,7</b>	<b>46,6</b>

## 20. Balances of Market Participants

	December 31, 2016	December 31, 2015
Accounts of clearing participants	516 339,6	1 047 510,2
Other current and settlement accounts	50 639,8	62 993,2
Risk-covering funds	3 973,4	4 810,2
Accounts in precious metals	3 637,3	3 783,9
<b>Total balances of market participants</b>	<b>574 590,1</b>	<b>1 119 097,5</b>

Accounts of clearing participants include margins deposited by clearing participants. The purpose of margins is to support clearing settlements on the market and to cover risks arising from open positions of market participants, including operations of market participants, where the Group acts as a central counterparty. If an initial margin requirement exceeds the collateral posted by a market participant in the guarantee fund, the participant is required to cover the deficit by posting additional margin for the unsettled trades or to reduce the open position to an appropriate level. The margins is payable to a market participant when it closes its positions. The Group places guarantee fund amounts on current accounts and deposits with reputable banks or repo receivables (Notes 12, 13).

Market participants also pledge traded securities to the guarantee fund as collateral for their obligations. These securities are blocked at the participants' custody accounts in NSD. These securities are not assets of the Group and are not recognised in the Consolidated Statement of the Financial Position.

The risk-covering funds comprise contributions deposited by market participants. The purpose of these funds is to provide additional insurance to the market participants in respect of the ability of the Group to guarantee proper settlements of open positions in case of a market participant default. The minimum contribution amount per one participant is determined by the NCC Supervisory Board and it is approved by the Derivatives Market Committee, the Currency Market Committee, the Securities Market Committee and the Securities Lending & REPO Committee. Risk-covering funds amounts are only used to cover the deficit if a margin posted by a trading participant is not sufficient to cover its losses. The Group places cash received from the market participants in the risk-covering funds with top-rated banks (Notes 12, 13).

## 21. Other Liabilities

	December 31, 2016	December 31, 2015
<b>Other financial liabilities</b>		
Payables to employees	2 073,7	1 921,6
Trade and other payables	592,7	439,5
Dividends payable	162,3	-
<b>Total other financial liabilities</b>	<b>2 828,7</b>	<b>2 361,1</b>
<b>Other non-financial liabilities</b>		
Deferred commission income	383,3	395,8
Advances received	254,0	241,7
Taxes payable, other than income tax	120,2	115,2
Other	5,8	28,2
<b>Total other liabilities</b>	<b>3 592,0</b>	<b>3 142,0</b>

## 22. Share Capital and Share Premium

The share capital of Moscow exchange comprises ordinary shares with a par value of RUB 1 each:

	Authorized shares (number of shares)	Ordinary shares issued and fully paid (number of shares)	Treasury shares (number of shares)
<b>December 31, 2014</b>	<b>2 578 200 000</b>	<b>2 278 636 493</b>	<b>(51 563 004)</b>
Exercised options (Note 10)	-	-	6 791 042
<b>December 31, 2015</b>	<b>2 578 200 000</b>	<b>2 278 636 493</b>	<b>(44 771 962)</b>
Purchase of treasury shares	-	-	(2 235 035)
Exercised options (Note 10)	-	-	13 582 037
<b>December 31, 2016</b>	<b>2 578 200 000</b>	<b>2 278 636 493</b>	<b>(33 424 960)</b>

Share premium represents an excess of contributions received over the nominal value of shares issued.

In 2016 the Group distributed to employees 13 582 037 treasury shares under exercised share options (2015: 6 791 042 treasury shares) (Note 10).

## 23. Retained Earnings

During the year ended December 31, 2016, the Group declared and paid dividends for the year ended December 31, 2015, to the owners of the parent of RUB 15 994,7 million (December 31, 2015: RUB 8 653,4 million for the year 2014). The amount of dividends per share for the year ended December 31, 2016, is RUB 7,11 per ordinary share (December 31, 2015: 3,87 per ordinary share).

The Group's distributable reserves are limited to the amount of reserves reported in the statutory financial statements of the Group members. Non-distributable reserves comprise a reserve fund, which is created according to the statutory regulations, to cover risks, including future losses and other unforeseen risks and contingencies, as well as funds of NCC required to comply with regulations of CBR relating to CCP activities.

## 24. Earnings per Share

The calculation of earnings per share is based on the profit for the year attributable to shareholders of the Group and the weighted average number of ordinary outstanding during the year, calculated as shown below.

	Year ended December 31, 2016	Year ended December 31, 2015
<b>Net profit attributable to ordinary equity holders of the parent</b>	<b>25 178,1</b>	<b>27 908,8</b>
<b>Weighted average number of shares</b>	<b>2 243 085 123</b>	<b>2 230 088 919</b>
Effect of dilutive share options	13 356 966	14 201 445
<b>Weighted average number of shares adjusted for the effect of dilution</b>	<b>2 256 442 089</b>	<b>2 244 290 364</b>
Basic earnings per share, RUB	11,22	12,51
Diluted earnings per share, RUB	11,16	12,44

## 25. Commitments and Contingencies

**Operating lease commitments** – Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases of premises, parking slots and cars are as follows:

	December 31, 2016	December 31, 2015
Less than 1 year	164,6	169,9
More than 1 year and no more than 5 years	349,8	493,4
<b>Total operating lease commitments</b>	<b>514,4</b>	<b>663,3</b>

**Legal proceedings** – From time to time and in the normal course of business, claims against the Group may be received from customers and counterparties. The Management believes that such claims may not have a material impact on its financial and operational activities and that no material losses will be incurred, and accordingly no provision has been made in these Consolidated Financial Statements.

**Operating environment** – Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy has been negatively impacted by a decline in oil prices and sanctions imposed on Russia by a number of countries. The Rouble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

**Taxation** – Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

As at 31 December 2016 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.



## 26. Transactions with Related Parties

Intragroup transactions have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

### (a) Transactions with Key Management

Key management personnel comprises members of the Executive Board and the Supervisory Board. The total remuneration paid to key management personnel includes short-term benefits (salary, bonuses, payroll related taxes, insurance, health care, etc.), long-term benefits and share-based payment expense.

Included in the Consolidated Statement of Financial Position are the following amounts that arose on transactions with key management personnel:

	December 31, 2016	December 31, 2015
Other liabilities	476,8	274,0
Share-based payments	255,0	344,5

Included in the Consolidated Statement of Profit or Loss are the following amounts that arose due to transactions with key management personnel:

	Year ended December 31, 2016	Year ended December 31, 2015
Short-term employee benefits	446,4	430,4
Share-based payment expense	137,8	177,8
Long-term employee benefits	99,9	81,4
<b>Total remuneration of key management personnel</b>	<b>684,1</b>	<b>689,6</b>

### (b) Transactions with Government-Related Entities

As at December 31, 2016 the Russian Federation exercises significant influence over Moscow Exchange.

The Group considers government-related entities as related parties if Russian Federation has control, joint control or significant influence over the entity. In the ordinary course of business the Group provides stock exchange, clearing and depository services to government-related entities, places funds with government-related banks and bonds issued by the Russian Federation and government-related entities.

## (c) Transactions with Associates

Included in the Consolidated Statement of Financial Position were the following amounts that arose on transactions with associates:

	December 31, 2016	December 31, 2015
Assets held for sale	–	37,7
Other assets	–	1,2
Other liabilities	–	0,3

As at December 31, 2015 the Group presented the investment in UEX as disposal group held for sale under IFRS 5 “Non-current assets held for sale and discontinued operations”. In February and March 2016 the Group sold its stake in UEX (Note 9).

Included in the Consolidated Statement of Profit or Loss are the following amounts that arose due to transactions with associates:

	Year ended December 31, 2016	Year ended December 31, 2015
Administrative and other operating expenses	(13,7)	(5,8)
Share of profits of associates	–	1,2
Fee and commission income and other operating income	–	2,8

## 27. Fair Value Measurements

The Group performs a fair value assessment of its financial assets and liabilities, as required by IFRS 13 Fair Value Measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group measures fair values for financial assets recorded on the statement of financial position at fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The foreign currency forward contracts are measured based on observable spot exchange rates and the yield curves of the respective currencies.

The fair value of the unquoted debt securities has been determined using a discounted cash flow model, by reference to quoted market prices for similar instruments.

The fair value of unquoted equity instruments has been determined based on market approach using price/net assets ratio for similar companies.

The table below analyses financial assets and liabilities measured at fair value at December 31, 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	0,4	–	–	<b>0,4</b>
Central counterparty financial assets and liabilities (currency transactions)	2 886,8	–	–	<b>2 886,8</b>
Investments available-for-sale	205 222,4	13 135,8	138,0	<b>218 496,2</b>

Financial assets and liabilities measured at fair value at December 31, 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	0,4	–	–	<b>0,4</b>
Central counterparty financial assets and liabilities (currency transactions)	5 771,9	–	–	<b>5 771,9</b>
Investments available-for-sale	158 513,2	8 813,5	145,6	<b>167 472,3</b>

The following table shows a reconciliation for year ended December 31, 2016 and December 31, 2015, for fair value measurements in Level 3 of the fair value hierarchy:

	FVTPL	AFS
<b>Balance at December 31, 2014</b>	<b>58,3</b>	<b>34,3</b>
Loss recognised in net loss on financial assets at fair value through profit or loss	(58,3)	–
Level 3 securities purchased	–	114,2
Foreign exchange loss	–	(2,9)
<b>Balance at December 31, 2015</b>	<b>–</b>	<b>145,6</b>
Loss recognised in net loss on financial assets available-for-sale	–	(6,9)
Foreign exchange loss	–	(0,7)
<b>Balance at December 31, 2016</b>	<b>–</b>	<b>138,0</b>

Management of the Group considers that the fair value of financial assets and liabilities not carried at fair value in Consolidated Statement of Financial Position approximates their carrying value.

## Transfers between Level 1 and 2

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows total amount of transfers of financial assets between level 1 and level 2. Transfers from level 2 to level 1 (from level 1 to level 2) occurred due to fact that markets for certain financial assets became (ceased to be) active during the period.

	Transfers between Level 1 and Level 2	
	Year ended December 31, 2016	Year ended December 31, 2015
<b>From Level 1 to Level 2</b>		
Investments available-for-sale	6 894,7	4 545,1
<b>From Level 2 to Level 1</b>		
Investments available-for-sale	114,9	1 090,0

## 28. Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Supervisory Board monitors the return on capital, which the Group defines as net profit divided by total equity, excluding non-controlling interests. The Supervisory Board also monitors the level of dividends to ordinary shareholders.

The capital structure of the Group consists of the shareholder's equity, which includes capital issued, reserves and retained earnings. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. Although maximization of return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the longer term strategic objectives. The policies in respect of capital management and allocation are regularly reviewed by the Supervisory Board through approval and review within annual budgets.

The Group entities are subject to capital requirements established by the CBR in respect of the minimum amount of own funds for each entity depending on the nature of their activities. NSD and NCC as credit institutions have to maintain a ratio of capital to risk weighted assets (statutory capital ratio N1) above the prescribed minimum level, which is 8% for banks (NCC) and 12% for non-banking credit institutions (NSD).

Regulatory capital ratios for the major Group companies were as follows:

	Own funds		Own funds requirements		Capital adequacy ratio	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Moscow Exchange	52 586,9	61 760,1	100,0	100,0	-	-
NCC	46 214,2	54 310,1	300,0	300,0	19,42	13,48
NSD	8 805,2	11 274,6	4 000,0	4 000,0	22,78	25,16
NAMEX	211,6	192,0	100,0	100,0	-	-
MICEX SE	n/a	1 789,3	n/a	100,0	-	-

The Group companies had complied in full with all its externally imposed capital requirements at all times.

## 29. Risk Management Policies

Risk management is an integral part of the Group's activities. Moscow Exchange Group distinguishes the following significant risks: liquidity, market, credit, operational. Risk management core objectives include identification of sources of risks, measurement of risk levels, development of risk management policies and implementation of risk controls, including setting limits and further compliance with them.

A description of the Group's risk management policies in relation to each significant risk is as follows.

### Liquidity Risk

Liquidity risk is the risk of facing the situation where available funds are insufficient to meet current financial liabilities. The main purpose of liquidity management is to ensure Group's ability to perform its obligations not only under normal market conditions but also in cases of unforeseen emergencies without suffering unacceptable losses or risk of damaging its business reputation.

Group's liquidity management procedures cover various forms of liquidity risk:

- operating liquidity risk arising from the inability to timely meet its current obligations due to the existing structure of current cash credits and debits (operating analysis and control of liquidity);
- risk of mismatch between the amounts and dates of repayment of claims and obligations – analysis and assessment of prospective liquidity (GAP analysis);
- risk of unforeseen claims on liquidity, i.e. the consequences of the risk that unforeseen future events may claim more resources than allocated for this purpose (stress testing).

Liquidity risk management plays an important role in the whole risk management system and includes such procedures as: forecasting/monitoring payment flow and liquidity ratios, planning measures to recover the required liquidity level considering unfavourable and crisis situations, ensuring an optimal structure of assets in accordance with the resource base, taking into account the maturities of fund sources and their volumes when allocating assets to financial instruments.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management expects that the cash flows from certain financial assets will be different from their contractual terms either because the Group has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. In the tables below the financial assets and liabilities are presented on a discounted basis and are based on their expected cash flows.

The presentation below is based upon the information provided internally to key management personnel of the Group.

## CONSOLIDATED FINANCIAL STATEMENTS

	Up to 1 month	1 month to 3 months
<b>Financial assets</b>		
Cash and cash equivalents	380 516,6	–
Financial assets at fair value through profit or loss	0,4	–
Due from financial institutions	8 252,6	47 894,4
Central counterparty financial assets	1 429 932,5	303 331,3
Investments available-for-sale	206 225,0	121,3
Other financial assets	718,8	100,8
<b>Total financial assets</b>	<b>2 025 645,9</b>	<b>351 447,8</b>
<b>Financial liabilities</b>		
Balances of market participants	570 952,8	–
Central counterparty financial liabilities	1 429 932,5	303 331,3
Distributions payable to holders of securities	2 952,3	–
Other financial liabilities	390,9	1 781,8
<b>Total financial liabilities</b>	<b>2 004 228,5</b>	<b>305 113,1</b>
<b>Liquidity gap</b>	<b>21 417,4</b>	<b>46 334,7</b>
<b>Cumulative liquidity gap</b>	<b>21 417,4</b>	<b>67 752,1</b>

	Up to 1 month	1 month to 3 months
<b>Financial assets</b>		
Cash and cash equivalents	992 696,1	–
Financial assets at fair value through profit or loss	0,4	–
Due from financial institutions	17 827,4	7,3
Central counterparty financial assets	518 509,3	–
Investments available-for-sale	151 789,4	4 793,4
Assets held for sale	83,1	–
Other financial assets	493,4	16,6
<b>Total financial assets</b>	<b>1 681 399,1</b>	<b>4 817,3</b>
<b>Financial liabilities</b>		
Balances of market participants	1 115 313,6	–
Central counterparty financial liabilities	518 509,3	–
Distributions payable to holders of securities	6 138,4	–
Margin account under reverse repo	–	–
Liabilities related to assets held for sale	1,4	–
Other financial liabilities	204,3	1 731,1
<b>Total financial liabilities</b>	<b>1 640 167,0</b>	<b>1 731,1</b>
<b>Liquidity gap</b>	<b>41 232,1</b>	<b>3 086,2</b>
<b>Cumulative liquidity gap</b>	<b>41 232,1</b>	<b>44 318,3</b>

3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2016 Total
-	-	-	380 516,6
-	-	-	0,4
58,7	4 560,7	-	60 766,4
-	-	-	1 733 263,8
-	12 011,9	138,0	218 496,2
-	-	-	819,6
<b>58,7</b>	<b>16 572,6</b>	<b>138,0</b>	<b>2 393 863,0</b>
-	-	-	570 952,8
-	-	-	1 733 263,8
-	-	-	2 952,3
366,7	289,3	-	2 828,7
<b>366,7</b>	<b>289,3</b>	-	<b>2 309 997,6</b>
<b>(308,0)</b>	<b>16 283,3</b>	<b>138,0</b>	
<b>67 444,1</b>	<b>83 727,4</b>	<b>83 865,4</b>	

3 months to 1 year	1 year to 5 years	Maturity undefined	December 31, 2015 Total
-	-	-	992 696,1
-	-	-	0,4
21 305,9	2 359,3	-	41 499,9
-	-	-	518 509,3
7 056,2	3 687,7	145,6	167 472,3
-	-	-	83,1
-	-	-	510,0
<b>28 362,1</b>	<b>6 047,0</b>	<b>145,6</b>	<b>1 720 771,1</b>
-	-	-	1 115 313,6
-	-	-	518 509,3
-	-	-	6 138,4
417,7	-	-	417,7
-	-	-	1,4
297,5	128,2	-	2 361,1
<b>715,2</b>	<b>128,2</b>	-	<b>1 642 741,5</b>
<b>27 646,9</b>	<b>5 918,8</b>	<b>145,6</b>	
<b>71 965,2</b>	<b>77 884,0</b>	<b>78 029,6</b>	

Undiscounted cash flows on financial liabilities are approximately equal to cash flows presented in the analysis of liquidity risk above.

The Group presents available-for-sale securities included in CBR Lombard list as matured in one month.

## Market Risk

Market risk is the risk of losses due to changes in market variables such as interest rates, foreign exchange rates, and prices of financial instruments, as well as due to the low liquidity of the market for the purpose of the liquidation / restructuring of the market position of the defaulted clearing participant. The key components of market risk are interest and currency risks.

## Interest Rate Risk

Interest rate risk is the risk of changes in interest income or the financial instruments price due to the interest rate changes.

The Group's result is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Interest margin may increase, decrease or lead to losses as a result of unexpected movements.

Management of the relevant Group entities is responsible for asset-liability management regarding relevant individual Group entities.

Designated functional units within individual Group entities and at the Group level are responsible for interest rate risk management.

In order to measure the impact of interest rate risk on the fair value of financial instruments the Group conducts periodic assessments of potential losses, which may be triggered by negative changes in market environment. The Risk Management Department conducts periodic monitoring of the current financial results of the Group and its entities, assesses the sensitivity of the impact of interest rate risk on portfolio fair value and income.

The majority of the Group's transactions is represented by fixed income instruments, and hence the contractual maturity dates are also the dates of changes in interest rates.

The impact of changes in fair value of financial assets on the income, losses and equity is conducted based on the interest rates existing as at December 31, 2016 and December 31, 2015, and a reasonably possible changes of 150 bp. Corresponding negative and positive results shown on the yield curve are as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Net profit	Equity	Net profit	Equity
150 bp parallel rise	-	(4 081,4)	-	(2 941,6)
150 bp parallel fall	-	3 459,7	-	3 036,0



## Currency Risk

Currency risk is the risk of changes in financial instruments value due to the exchange rates fluctuations. The financial state and cash flows of the Group are subject to the influence of such fluctuations. The main source of currency risk are open foreign currency positions.

NCC Bank being part of the Group is a CCP on the of FX market. The Bank limits currency risk on FX market through the application of the following instruments: mechanism of currency rates restrictions with-in trading session, trading limits system, margining system, mechanism of open currency positions assurance, DVP principle, special Bank of Russia swap facilities.

The Bank defines currency risk in the course of clearing arising from currency pairs volatility. In this regard for market risk management the Bank monitors the conditions of internal and external FX markets and sets limits on intraday rate fluctuations within trading sessions in accordance with current market environment.

The Group's exposure to foreign currency exchange rate risk is presented in the tables below:

	RUB	USD	EUR	Other currencies	December 31, 2016, Total
<b>Financial assets</b>					
Cash and cash equivalents	59 308,0	125 058,0	190 898,4	5 252,2	<b>380 516,6</b>
Financial assets at fair value through profit or loss	0,4	–	–	–	<b>0,4</b>
Due from financial institutions	9 040,9	48 922,3	2 798,5	4,7	<b>60 766,4</b>
Central counterparty financial assets	1 309 701,6	419 233,3	4 328,9	–	<b>1 733 263,8</b>
Investments available-for-sale	128 650,1	71 484,8	18 358,7	2,6	<b>218 496,2</b>
Other financial assets	654,4	86,6	6,6	72,0	<b>819,6</b>
<b>Total financial assets</b>	<b>1 507 355,4</b>	<b>664 785,0</b>	<b>216 391,1</b>	<b>5 331,5</b>	<b>2 393 863,0</b>
<b>Financial liabilities</b>					
Balances of market participants	109 037,8	244 943,2	211 719,3	5 252,5	<b>570 952,8</b>
Central counterparty financial liabilities	1 309 701,6	419 233,3	4 328,9	–	<b>1 733 263,8</b>
Distributions payable to holders of securities	2 804,1	34,6	9,0	104,6	<b>2 952,3</b>
Other financial liabilities	2 581,7	171,9	69,1	6,0	<b>2 828,7</b>
<b>Total financial liabilities</b>	<b>1 424 125,2</b>	<b>664 383,0</b>	<b>216 126,3</b>	<b>5 363,1</b>	<b>2 309 997,6</b>
<b>Open position</b>	<b>83 230,2</b>	<b>402,0</b>	<b>264,8</b>	<b>(31,6)</b>	

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	RUB	USD	EUR	Other currencies	December 31, 2015, Total
<b>Financial assets</b>					
Cash and cash equivalents	67 758,3	412 940,1	509 343,9	2 653,8	<b>992 696,1</b>
Financial assets at fair value through profit or loss	0,4	–	–	–	<b>0,4</b>
Due from financial institutions	17 927,5	2 292,9	21 279,0	0,5	<b>41 499,9</b>
Central counterparty financial assets	440 808,5	77 527,8	173,0	–	<b>518 509,3</b>
Investments available-for-sale	120 393,1	44 355,6	2 720,3	3,3	<b>167 472,3</b>
Assets held for sale	–	0,3	–	82,8	<b>83,1</b>
Other financial assets	430,1	62,1	0,1	17,7	<b>510,0</b>
<b>Total financial assets</b>	<b>647 317,9</b>	<b>537 178,8</b>	<b>533 516,3</b>	<b>2 758,1</b>	<b>1 720 771,1</b>
<b>Financial liabilities</b>					
Balances of market participants	122 773,7	457 349,6	532 556,4	2 633,9	<b>1 115 313,6</b>
Central counterparty financial liabilities	440 808,5	77 527,8	173,0	–	<b>518 509,3</b>
Distributions payable to holders of securities	5 112,2	1 021,0	5,0	0,2	<b>6 138,4</b>
Margin account under reverse repo	–	–	417,7	–	<b>417,7</b>
Liabilities related to assets held for sale	–	–	–	1,4	<b>1,4</b>
Other financial liabilities	2 257,8	33,1	46,3	23,9	<b>2 361,1</b>
<b>Total financial liabilities</b>	<b>570 952,2</b>	<b>535 931,5</b>	<b>533 198,4</b>	<b>2 659,4</b>	<b>1 642 741,5</b>
<b>Open position</b>	<b>76 365,7</b>	<b>1 247,3</b>	<b>317,9</b>	<b>98,7</b>	

The following exchange rates are applied during the period:

	December 31, 2016		December 31, 2015	
	USD	EUR	USD	EUR
Minimum	60,2730	63,0214	49,1777	52,9087
Maximum	83,5913	91,1814	72,8827	81,1533
Average	66,8335	73,9924	61,3194	67,9915
Year-end	60,6569	63,8111	72,8827	79,6972

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at December 31, 2016 and December 31, 2015, and a reasonably possible changes of Russian Ruble to USD and Euro exchange rates is as follows:

	December 31, 2016		December 31, 2015	
	USD	EUR	USD	EUR
23% ruble appreciation (December 31, 2015: 26%)	(74,0)	(48,7)	(259,5)	(66,1)
23% ruble depreciation (December 31, 2015: 26%)	74,0	48,7	259,5	66,1

## Credit Risk

The Group uses credit risk management approaches under requirements of the Russian regulators, based on the best international practices and standards. The Group's assets are exposed to credit risk, which is defined as the risk of losses resulting from a default or improper performance of their obligations to the Group by its counterparties.

The goal of credit risk management is to timely define and efficiently evaluate the level of risk necessary to ensure sustainable growth determined by the Group's development strategy.

The objectives of the Group in credit risk management:

- implement a systemic and enhanced approach to optimize the structure of the assets in order to limit credit risk level;
- enhance the competitive advantages of the Group through implementation of more precise risk measures;
- maintain stability during the introduction of new complex products and services.

The Group controls credit risk by setting limits on a counterparty and groups of related counterparties. Credit risk limits are set on the basis of a comprehensive and in-depth evaluation of the counterparties financial conditions, analysis of the macroeconomic environment of counterparties' activities, the level of information transparency, business reputation and other financial and non-financial factors.

The Group has developed and constantly improves an internal ratings system, providing a prudent assessment of its counterparties and the level of accepted credit risk.

Credit risk limits are approved by authorized bodies. Credit risk limits are monitored and reviewed on a regular basis. Also the Group constantly monitors the concentration of credit risk in compliance with applicable prudential requirements.

To reduce credit risk the Group applies specific requirements to the financial conditions of its counterparties and to the types and quality of collateral accepted by the Group. Accepted collateral includes liquid securities and cash contributions in Rubles and foreign currencies. Eligible types of collateral depend on the market and the type of exposure. To mitigate credit risk from its CCP activities the Group has introduced a multi-level default waterfall structure in compliance with the highest international standards and consisting of various lines of defence applicable in case of a clearing participant default.

## Maximum Credit Risk Exposure

The Group's maximum exposure to credit risk equals to the carrying value of assets that bear credit risk.

As at December 31, 2016 included into other assets are overdue receivables of RUB 41,7 million (December 31, 2015: RUB 46,6 million).

Financial assets are classified according to the current credit ratings issued by international rating agencies (Fitch Ratings, Standard & Poor's and Moody's Investor Service). The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB-. Financial assets which have ratings lower than BBB- are classed as speculative grade.

As at December 31, 2016 and 2015, balances with the CBR are classified at the sovereign credit rating level of the Russian Federation.

Tables below do not include equity instruments.

The following table details the credit ratings of the financial assets held by the Group as at December 31, 2016 :

	AA	A	BBB	less BBB-	Not rated	December 31, 2016 Total
<b>Financial assets:</b>						
Cash and cash equivalents	197 020,2	30 601,8	24 490,2	128 396,3	4,1	<b>380 512,6</b>
Financial assets at fair value though profit or loss	–	–	0,4	–	–	<b>0,4</b>
Due from financial institutions	4 560,7	–	8 244,9	47 960,8	–	<b>60 766,4</b>
Central counterparty financial assets	–	–	545,2	1 403 347,5	329 371,1	<b>1 733 263,8</b>
Investments available-for-sale	–	–	98 254,3	118 880,4	1 223,5	<b>218 358,2</b>
Other financial assets	15,9	0,1	28,8	295,9	478,9	<b>819,6</b>

The following table details the credit ratings of financial assets held by the Group as at December 31, 2015:

	AA	A	BBB	less BBB-	Not rated	December 31, 2015 Total
<b>Financial assets:</b>						
Cash and cash equivalents	322 913,8	291 319,1	53 164,3	325 281,5	8,0	<b>992 686,7</b>
Financial assets at fair value though profit or loss	–	–	0,4	–	–	<b>0,4</b>
Due from financial institutions	2 359,2	–	1 792,2	37 348,5	–	<b>41 499,9</b>
Central counterparty financial assets	–	–	395,5	336 650,3	181 463,5	<b>518 509,3</b>
Investments available-for-sale	–	–	89 895,8	77 430,9	–	<b>167 326,7</b>
Assets held for sale	–	–	–	80,8	2,3	<b>83,1</b>
Other financial assets	13,0	0,3	40,4	159,8	296,5	<b>510,0</b>

## Geographical Concentration

All assets of the Group consist of balances on operations in the Russian Federation, except for:

- Correspondent accounts and deposits with top OECD banks, which are reported in cash and cash equivalents (Note 12).
- Other deposits with top OECD banks, which are reported in balances due from financial institutions of as at December 31, 2016: RUB 4 560,7 million (December 31, 2015: RUB 2 359,2 million) (Note 13).
- Balances placed by PJSC PFTS Stock Exchange with one of the top Ukrainian banks that were reported in assets held for sale as at December 31, 2015 of RUB 2,5 million (were previously presented as cash and cash equivalents) and RUB 78,3 million as at December 31, 2015 (were previously presented as due from financial institutions).
- Balances placed by ETS with one of the top Kazakh banks that are reported in cash and cash equivalents of RUB 7,5 million as at December 31, 2016 (December 31, 2015: RUB 9,7 million) and in due from financial institutions of RUB 14,4 million as at December 31, 2016 (December 31, 2015: RUB 15,1 million).

## Operational Risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of risk events associated with the internal processes, personnel, technology and infrastructure, and from external factors (other than credit, market and liquidity risks) such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour or IT failure.

The Supervisory Board has overall responsibility for the oversight of operational risk management, reviewing risk management policies and procedures. The risk assessment, reporting and control procedures vary by exposure type, but share a common methodology developed and updated periodically by the risk management personnel.

Both external and internal risk factors are identified and managed throughout the business units within their functional duties. The primary responsibility for the implementation of controls to address operational risk is assigned to management within each business unit.

Operational risk management includes reputational, compliance and legal risks governance as well. Moreover, strategic risk (risk of non-achievement of strategic goals within certain deadline or resources) is also monitored and managed under the operational risk management framework.

## Legal Risk

Legal risk is associated with losses due to breaches of contractual obligations, trial, criminal and administrative liability of the group entities and/or their management in the performance of their official duties. Losses attributed to legal risk are recorded in risk events database along with operational risk losses.

Legal risk management procedures include:

- monitoring of legislation and internal procedures for compliance with the up-to-date requirements on a regular basis;
- setting quantitative and volume limits for legal claims and control over limits set;
- analysis of legal basis for all new products and services;
- update of internal regulations in order to prevent fines.

## Compliance Risk

Compliance risk is the risk of losses resulting from Group activities being inconsistent with the law, the Charter and internal regulations. Compliance risk is solely managed by Internal Control department that takes the following actions in order to prevent losses due to compliance risk realization:

- legislation monitoring;
- interaction with the regulatory authorities regarding the specifics of upcoming regulation;
- compliance risk identification in existing and planned internal procedures;
- best-practice analysis of internal control measures.

## Reputational Risk

Reputational risk is the risk of losses due to the negative public view on the operational (technical) stability of the Group, its service quality and business in general. In order to avoid such losses the Group constantly monitor its appearance in media along with internal processes using the methodology of assessment the impact of each event. The major source of reputational risk is realization of operational risk, specifically when it becomes public. Thus, all actions taken to prevent the Group from operational risk at the same time help to decrease the level of reputational risk.

## 30. Offsetting of Financial Instruments

Gross claims and liabilities with individual counterparties under CCP currency transactions are offset in accordance with IAS 32.

Direct and reverse repo transactions of CCP with individual counterparties are subject to clearing rules that create a contingent right of set-off that does not qualify for offsetting. Clearing participants are required to deposit collateral in the form of cash or securities for current deals and make contribution to a risk-covering fund, as described in Note 29. Clearing rules give the Group right to use these amounts under certain conditions (e.g. in case of default). However, offsetting criteria is not met as there is no intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Reverse repo transactions with financial institutions are subject to master agreement that gives the Group right to settle amounts relating to these transactions on a net basis under certain conditions (e.g. in case of default), but offsetting criteria is not met as there is no enforceable right to set off in the normal course of business.

The table below shows financial assets and liabilities offset in the statement of financial position, as well as the effect of clearing agreements that do not result in an offset in the statement of financial position:

	December 31, 2016		Net amount presented in financial statements	Related amounts not set off in the statement of the financial position		
	Gross claims	Gross liabilities		Financial instruments	Cash collateral received	Net amount
Due from financial institutions (Reverse repo receivables from financial institutions)	47 887,7	-	47 887,7	(47 887,7)	-	-
Central counterparty financial assets (repo transactions)	1 730 377,0	-	1 730 377,0	(1 730 377,0)	-	-
Central counterparty financial assets (currency transactions)	9 079,3	(6 192,5)	2 886,8	-	(2 886,8)	-
Central counterparty financial liabilities (repo transactions)	-	(1 730 377,0)	(1 730 377,0)	1 730 377,0	-	-
Central counterparty financial liabilities (currency transactions)	3 060,9	(5 947,7)	(2 886,8)	-	-	(2 886,8)

	December 31, 2015		Net amount presented in financial statements	Related amounts not set off in the statement of the financial position		
	Gross claims	Gross liabilities		Financial instruments	Cash collateral received	Net amount
Due from financial institutions (Reverse repo receivables from financial institutions)	21 279,1	-	21 279,1	(21 279,1)	-	-
Central counterparty financial assets (repo transactions)	512 737,4	-	512 737,4	(512 737,4)	-	-
Central counterparty financial assets (currency transactions)	9 752,3	(3 980,4)	5 771,9	-	(5 771,9)	-
Central counterparty financial liabilities (repo transactions)	-	(512 737,4)	(512 737,4)	512 737,4	-	-
Central counterparty financial liabilities (currency transactions)	3 083,4	(8 855,3)	(5 771,9)	-	-	(5 771,9)
Margin account under reverse repo	-	(417,7)	(417,7)	-	-	(417,7)

## Supplementary Information – Fiduciary Assets (Unaudited)

	Fair value for shares / Par value for bonds	
	December 31, 2016	December 31, 2015
Corporate shares	17 384 227	13 837 101
Corporate bonds	8 090 342	7 044 479
Bonds issued by Russian Federation	5 632 782	4 987 085
Eurobonds	4 393 228	4 832 158
Bonds of RF subjects and municipal bodies	471 225	442 360
Units of mutual investment funds	99 939	180 593
Other financial assets	335 736	366 164
<b>Total</b>	<b>36 407 479</b>	<b>31 689 940</b>

The Group has insurance policies from Ingosstrakh Insurance Company. The insurance packages comprise fraud, errors and omissions coverage and a comprehensive liability and crime policy. The comprehensive liability and crime policy has been developed especially for insuring professional risks of clearing houses and central securities depositories. The total coverage level for the packages of insurance is USD 65 million (December 31, 2015: USD 65 million).





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## Appendices

# Personnel's Data

## Personnel structure by category

Employees excl. those with a second job in the Group (incl. maternity leaves)

	2013		2014		2015		2016	
	31.12.2013		31.12.2014		31.12.2015		30.12.2016	
	Male	Female	Male	Female	Male	Female	Male	Female
Senior executives	11	6	10	6	11	5	17	4
Heads of functional units	266	203	263	191	247	179	243	176
Specialists	485	585	472	595	499	568	533	609
Labourers	41	0	37	0	33	0	31	0
<b>Total</b>	<b>803</b>	<b>794</b>	<b>782</b>	<b>792</b>	<b>790</b>	<b>752</b>	<b>824</b>	<b>789</b>
	<b>1 597</b>		<b>1 574</b>		<b>1 542</b>		<b>1 613</b>	

The 2016 headcount increased vs 2015 mainly due to the new IT hires under the business development and support programme.

## Personnel structure by age

Employees excl. those with a second job in the Group (incl. maternity leaves)

	2013		2014		2015		2016	
	31.12.2013		31.12.2014		31.12.2015		30.12.2016	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 25	41	59	50	60	65	46	42	29
26–35	270	289	265	306	272	300	278	283
36–55	392	408	370	393	367	375	392	421
Over 56	100	38	97	33	86	31	112	56
<b>Total</b>	<b>803</b>	<b>794</b>	<b>782</b>	<b>792</b>	<b>790</b>	<b>752</b>	<b>824</b>	<b>789</b>
	<b>1 597</b>		<b>1 574</b>		<b>1 542</b>		<b>1 613</b>	

## Staff turnover

	2013		2014		2015		2016	
	Turnover rate, %		Turnover rate, %		Turnover rate, %		Turnover rate, %	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 25	25.1	17.8	10.4	24.9	31.0	33.3	5.6	2.7
26–35	12.6	8.7	9.6	8.0	9.7	8.7	13.8	6.2
36–55	6.3	3.9	6.5	3.6	4.2	4.3	7.9	3.3
Over 56	2.8	14.3	1.8	0.0	3.7	5.1	3.0	9.2
Total	8.9	7.2	7.0	6.2	7.1	7.1	9.2	4.7
		8.0		6.6		7.1		7.0

## Average number of training hours

### Corporate training

Average annual number of training hours per employee	Corporate (skills) training	Total training hours					
		Training breakdown by gender		Training breakdown by employee category			
		Male	Female	Senior executives	Heads of functional units	Specialists	
2013	9.6	2,208	824	1,384	–	656	1,552
2014	27.15	13,928	6,904	7,008	–	10,024	3,888
2015	11.08	13,472	6,944	6,528	256	6,016	7,200
2016	10.72	16,418	9,051	7,367	658	7,829	7,931

### Professional training

Average annual number of training hours per employee	Professional training	Total training hours						
		Training breakdown by gender		Training breakdown by employee category				
		Male	Female	Senior executives	Heads of functional units	Specialists	Labourers	
2013	–	5,104	2352	2752	–	2048	3040	16
2014	6.76	7,110	–	–	–	–	–	–
2015	31.94	25,912	12,837	13,075	488	9,158	16,266	–
2016	16.40	25,124	13,638	11,486	568	8,240	16,326	–

	Total training hours	Average annual number of training hours per employee
2016	41 542	27

# Supply Chain

## Procurement Policy

The Group's procurement process is centralised and governed by the Regulations on Moscow Exchange Procurement Activities and procedures for procurement interaction between Moscow Exchange and other Group companies. In 2016, the Agreements on procurement interaction between Moscow Exchange and other Group companies were updated.

## Strategic Procurement Priorities

The existing procurement framework helps to make fair choices among the most technologically advanced offers, ensure appropriate transparency in relations with suppliers and promote competition.

Priorities of Moscow Exchange's supply chain management strategy:

- Information transparency concerning procurement: any supplier can fill out the supplier form on the Moscow Exchange website (<http://moex.com/s273>), auctions are held on the B2B-centre electronic trading platform;
- Equality, fairness, no discrimination or unreasonable restrictions on competition among procurement participants: price negotiations are held only with short-listed bidders with proposals of similar quality;
- No additional commercial competitive stage is allowed after the announcement of the final request for proposals. An exception is a change in the terms of reference substantiated by the initiator, or resulting from the consolidation of procurement, which is considered a new procurement. However, additional commercial negotiations can only be held with the winner;
- Consolidation of volumes and awarding of long-term contracts to maximise economic effect;
- Aiming to expand the competitive environment by attracting alternative manufacturers.

In accordance with the priorities of the strategy, all suppliers – regardless of the size of the business and the country of registration – have equal rights to participate if they comply with transparent, justified qualification criteria.

## Ensuring the Effectiveness of Procurement

In order to ensure effective procurement, proposals are benchmarked against the cost of service in the previous period, or the best bid is selected from a short list of proposals of similar quality. Costs are benchmarked against the market, and any changes are analysed. Depending on the scope, transactions are approved at the level of the procurement unit, Procurement Commission, Executive Board or Supervisory Board. For each transaction, regardless of its value, procurement records are kept and approved, indicating savings achieved and methods used to measure savings. The Security Department assesses counterparty risks for all suppliers. Audit data are valid for up to one year. Based on audit results, contracts are not awarded to suppliers with a high level of risk. Assessment covers only economic risks.

## Procurement volumes

	Tenders		Auctions		Other procurement methods	
	Total	Open	Open, electronic	Procurement from a sole supplier (contractor, provider)	Closed	Open, electronic
Total number of tenders, other procurement methods (lots) and purchases from a sole supplier (contractor, provider)	509	0	0	227	173	109
Number of invalid tenders, other procurement methods (lots) deemed failed	1				1	
Number of invalid tenders, other procurement methods (lots) which were deemed failed and did not result in contracts	1				1	
Number of awarded contracts	606	–	–	–	–	–
The number of contracts terminated by the parties	6			3	3	

## Economic effect of tenders, RUB'000

	Total initial (maximum) amount of tender contracts (lots), other procurement methods and the amount of contracts entered into with a sole supplier (contractor, provider), RUB mln	Total amount of awarded contracts, RUB mln	Savings	
			RUB mln	%
2014 <sup>2</sup>	–	–	–	–
2015	RUB 2,609.2	RUB 2,161.7	RUB 447.5	17.1
2016	RUB 5,712.3	RUB 4,978.4	RUB 733.9	12.8
2017 (planned)	–	–	–	7

## Number of purchases from small and medium-sized businesses and domestic suppliers, pcs.

	2015	2016
Procurement from small and medium-sized businesses	9	18
Procurements from domestic suppliers	757	490

<sup>1</sup> No relevant statistics are collected. The number of contracts does not match the number of procurement events (purchases) as several contracts may be awarded within one event due to scaling up to the group of companies.

<sup>2</sup> Due to the implementation of the new statistical data processing system, the procurement statistics are provided for the period from 1 May to 31 December 2015.

# Major Transactions and Related-Party Transactions

## Major Transactions

In 2016, Moscow Exchange did not engage in any transactions deemed to be major transactions pursuant to Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.

The Moscow Exchange Charter does not define any other transactions that would be subject to the major transactions approval procedure.

## Related-Party Transactions

During the reporting year 2016, Moscow Exchange entered into transactions that qualify under the Federal Law On Joint-Stock Companies as related-party transactions that required approval pursuant that Chapter 11 of the Federal Law on Joint Stock Companies.

During the year, the Moscow Exchange did not take part in any related-party transactions, the value of which was 2% or more of the carrying amount of the Exchange's assets.

The information on the transactions made in 2016 is contained in the Report on the Moscow Exchange's Related-Party Transactions in 2016 (the "Report"), which was approved by the Exchange's Supervisory Board on 27 March 2017 (minutes No. 16). The Report is available on the Moscow Exchange website at <http://moex.com/s1457>.

Report on related-party transactions by Moscow Exchange in 2016 is available on the Exchange's website at <http://moex.com/s1457>



# ESG Components

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# Report on Moscow Exchange Compliance with the Principles and Recommendations of the Corporate Governance Code

This Report on Compliance with the Principles and Recommendations of the Corporate Governance Code was reviewed by the Supervisory Board of Moscow Exchange at the meeting held on the Supervisory Board meeting on March 27, 2017 and Minutes number 16.

The Supervisory Board confirms that the data quoted herein contain comprehensive and reliable information on the Company compliance with the principles and recommendations of the Corporate Governance Code for the 2016 reporting year.

The Annual Report sections describe the most significant aspects of the corporate governance model and practices at Moscow Exchange, as well as the approach to assessing compliance with the corporate governance principles legitimized in the Corporate Conduct Code.

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
<b>1.1</b>	<b>The company shall ensure equal and fair treatment of all shareholders when they exercise their right to participate in the company's governance.</b>			
1.1.1	The company should create most favourable conditions for its shareholders enabling them to participate in the general meeting and develop informed positions on issues on its agenda, as well as provide them with the opportunity to coordinate their actions and express their opinions on issues being discussed.	<ol style="list-style-type: none"> <li>The Company's internal document approved by the General Meeting of Shareholders and governing the procedures for holding the General Meeting is in the public domain.</li> <li>The Company provides an easy-to-access way to communicate with the community, such as the "hotline", email or Internet forum that enables shareholders to express their opinion and to put forward issues to the agenda pending preparation for the General Meeting. These actions were taken by the Company the day before each general meeting held in the reporting period.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.1.2	Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to get properly prepared for participation therein.	<ol style="list-style-type: none"> <li>The notice of the General Meeting of Shareholders was posted (published) on the website at least 30 days prior to the General Meeting date.</li> <li>The notice of the meeting specifies the venue of the meeting and the documents required to get access to the premise.</li> <li>Access to the information on the person who proposed the agenda items and the one who nominated candidates to the Board of Directors and the Internal Audit Commission of the Company was provided to shareholders.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.1.3	During the preparation for and holding of the general meeting, the shareholders should be able to freely and timely receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and board of directors, and to communicate with each other.	<ol style="list-style-type: none"> <li>The shareholders were enabled to ask members of the executive bodies and members of the Company's Board of Directors before and during the annual General Meeting in the reporting period.</li> <li>The standpoint of the Board of Directors (including any special opinions included into the minutes) on each agenda item of the General Meetings conducted during the reporting period was included into the materials of the General Meeting of Shareholders.</li> <li>The Company provided the shareholders with the appropriate entitlement with the access to the list of persons eligible to attend the General Meeting, starting from the date of its receipt by the Company, in all cases of holding the General Meetings in the reporting period.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.1.4	There should be no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to place proposals on its agenda	<ol style="list-style-type: none"> <li>In the reporting period, shareholders were entitled, within not less than 60 days from the end of the respective calendar year, put forward proposals to be included into the agenda of the annual General Meeting.</li> <li>In the reporting period, the Company did not refuse to accept proposals to the agenda or candidates to the Company's bodies due to misprints and other insignificant defects in the shareholder's proposal.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

<sup>1</sup> The "complied with" status is only indicated if the Company meets all the criteria of the corporate governance principle compliance assessment. Otherwise, the "partially complied with" or "not complied with" status is displayed.

<sup>2</sup> They are shown for each criterion of the corporate governance principle compliance if the Company meets only part of the criteria or fails to meet any of the principle compliance assessment criteria. If the Company indicated the "complied with" status, no explanations are required.

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
1.1.5	Each shareholder should be able to freely exercise his right to vote in a straightforward and most convenient way.	1. The Company's internal document (internal policy) contains the provisions, whereby each participant in the General Meeting may, before completion of the respective meeting, to require a copy of the ballot completed by the shareholder and certified by the counting board.	<input type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input checked="" type="checkbox"/> not complied with	<p>The functions of the Moscow Exchange counting board shall be performed by the registrar, relations with which are governed by the contract made. A separate contract is entered into for holding each particular general meeting of shareholders with the Registrar, the conditions of which do not prevent any shareholder of the Exchange, before completion of the meeting, to request the Registrar's representatives to provide him/her with a copy of the completed ballot. No such requests were received when holding the AGSM in 2016.</p> <p>The agreement with the Registrar in relation to the 2016 AGM envisages a further duty of the Registrar to certify a copy of a filled-out ballot at the request of a meeting participant.</p> <p>In accordance with the decision made by the Supervisory Board on March 2, 2017, a new version of the Regulations on the General Meeting of Shareholders (hereinafter, the GSM Regulations) incorporating the relevant recommendation will be brought before the AGM in 2017.</p>
1.1.6	Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	<p>1. When General Meetings of Shareholders are held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time is envisaged for the reports on agenda items and the time to discuss these issues.</p> <p>2. Nominees to the Company's management and control bodies were available to answer shareholders' questions at the meeting where they were voted upon.</p> <p>3. The Board of Directors reviewed the use of telecommunications tools to provide shareholders with remote access to participate in the General Meetings in the reporting period, when making decisions related to preparation and holding of the General Shareholders' Meetings.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Complied with.</p> <p>2. Complied with.</p> <p>3. Not complied with.</p> <p>In 2016, the Moscow Exchange Supervisory Board did not review the issue of using any means of telecommunication to provide shareholders with remote access to the meeting, as it is not technically possible to fill out the voting ballot electronically via the personal account on the website (e-voting).</p> <p>In accordance with the Supervisory Board decision dated March 2, 2017, new versions of the Charter and the Regulations on the General Meeting of Shareholders that permit e-voting at shareholder meetings will be brought before the AGM in 2017. It is intended that e-voting will be conducted on the basis of the NSD facilities.</p> <p>At the same time, in addition to the traditional ways of participating in a meeting, i.e. personal presence or sending in filled-out voting ballots on paper, shareholders, since 2015, have the ability of using the e-voting procedure by sending in electronic documents (e-proxy voting).</p>
<b>1.2</b>	<b>Shareholders are provided with an equitable and fair opportunity to participate in the company's profits through the distribution of dividends.</b>			
1.2.1	The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	<p>1. The dividend policy of the Company was developed, approved by the Board of Directors, and disclosed.</p> <p>2. If the Company's dividend policy uses the Company's reporting measures to determine the amount of dividends, the relevant dividend policy provisions incorporate the consolidated measures of financial statements.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
1.2.2	The company should not make a decision on the payment of dividends, if such decision, without formally violating limits set by law, is unjustified from the economic point of view and might lead to the formation of false assumptions about the company's activity.	1. The Company's dividend policy comprises clear-cut indications to financial/ economic circumstances when no dividends are due to the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.2.3	1. The Company's dividend policy comprises clear-cut indications to financial/ economic circumstances when no dividends are due to the Company.	1. In the reporting period, the Company did not take steps that impaired the existing shareholders' dividend rights.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.2.4	The company should strive to rule out any ways through which its shareholders can obtain any profit or gain at the company's expense other than dividends and distributions of its liquidation value.	The company should strive to rule out any ways through which its shareholders can obtain any profit or gain at the company's expense other than dividends and distributions of its liquidation value.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>1.3</b>	<b>The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders, as well as their equal treatment by the company.</b>			
1.3.1	The company should create conditions which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders.	1. During the reporting period, the procedures for management of potential conflicts of interests among the existing shareholders are efficient, and the Board of Directors paid enough attention to conflicts among shareholders, if any.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.3.2	The company should not perform any acts which will or might result in artificial reallocation of corporate control therein.	1. Quasi-treasury shares are not available or were not used in the voting during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>1.4</b>	<b>Shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.</b>			
1.4	The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. Quality and reliability of the business pursued by the Company's registrar to keep the register of the securities' holders meet the Company's and its shareholders' needs.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
<b>2.1</b>	<b>The Board of Directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, monitor the activity of the company's executive bodies, and carry out other key functions.</b>			
2.1.1	The board of directors should be responsible for decisions to appoint and remove [members] of executive bodies, including in connection with their failure to properly perform their duties. The board of directors should also procure that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company.	<ol style="list-style-type: none"> <li>The Board of Directors has the powers stipulated in the Articles of Association to appoint, dismiss, and determine conditions of the contracts, with respect to members of executive bodies.</li> <li>The Board of Directors reviewed the report(s) of the sole executive body and members of the collegial executive body on fulfillment of the Company's strategy.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.1.2	The board of directors should establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.	<ol style="list-style-type: none"> <li>During the reporting period, meetings of the Board of Directors reviewed the progress of execution and updating the strategy, approval of the Company's financial and business plan (budget), and the review of the criteria and measures (including intermediate) to implement the Company's strategy and business plans.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.1.3	The board of directors should determine principles of and approaches to creation of the risk management and internal control system in the company.	<ol style="list-style-type: none"> <li>The Board of Directors determines the principles and approaches to the risk management and internal control system in the Company.</li> <li>The Board of Directors assessed the risk management and internal control system of the Company during the reporting period.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.1.4	The board of directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers.	<ol style="list-style-type: none"> <li>The Company has developed and implemented the policy(-ies) approved by the Board of Directors on remuneration and reimbursement of costs incurred by the members of the Board of Directors, the Company's executive bodies and other key managers of the Company.</li> <li>The meetings of the Board of Directors reviewed issues related to the above policy (-ies) during the reporting period.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<ol style="list-style-type: none"> <li>Partly complied with. The executive body members' remuneration and compensation policy was approved by the Supervisory Board on December 16, 2016.  The Supervisory Board members' remuneration and cost reimbursement (compensation) policy was approved by the Supervisory Board on December 28, 2016.</li> <li>Partly complied with.  In 2016 the Supervisory Board considered the issues regarding approval of those policies.</li> </ol>

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
2.1.5	The board of directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	<ol style="list-style-type: none"> <li data-bbox="459 348 839 421">1. The Board of Directors plays a key part in prevention, detection and settlement of internal conflicts.</li> <li data-bbox="459 438 839 540">2. The Company has established the system to identify the transactions related to the conflict of interests and the system of efforts aimed at settlement of such conflicts</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<ol style="list-style-type: none"> <li data-bbox="1059 348 1193 370">1. Complied with.</li> <li data-bbox="1059 387 1241 408">2. Partly complied with.</li> </ol> <p data-bbox="1059 429 1452 668">The Supervisory Board approved an internal document that aims to prevent, identify and settle any conflicts of interest arising in the activities of Moscow Exchange in relation to any employees and members of executive governance bodies, and in particular sets out the rules to be followed by them in pursuing any transactions that may result in a conflict. That document does not extend onto members of the Supervisory Board and shareholders.</p> <p data-bbox="1059 689 1452 876">In relation to the Supervisory Board members, Moscow Exchange internal documents provide for the Supervisory Board members' duty to refrain from doing anything that will or may potentially result in a conflict of interest between their interests and those of Moscow Exchange, and if such conflict does arise, they shall report such conflict to the Supervisory Board.</p> <p data-bbox="1059 898 1452 1157">The interaction between Moscow Exchange and its shareholders shall be supported by the head of the structural unit that performs the functions of the corporate secretary, who acts in accordance with appropriate Regulations approved by the Supervisory Board. The head of the structural unit that performs the functions of the corporate secretary takes part in preventing and settling corporate conflicts, and has the duty of promptly notifying the Supervisory Board Chairman whenever any corporate conflicts arise.</p> <p data-bbox="1059 1178 1452 1293">Moscow Exchange collects and updates information that helps to identify related parties on a regular (quarterly) basis. The list of such parties is published on the intranet portal accessible by all Moscow Exchange employees.</p> <p data-bbox="1059 1315 1452 1549">At present, an internal document is being developed with the aim of preventing conflicts of interest among governance bodies and shareholders that will, among other things, determine a system for the identification of transactions related to conflicts of interests, and a system of measures aimed at settling such conflicts. It is expected that this document will be brought before the Supervisory Board for review in 2017.</p>
2.1.6	The board of directors should play a key role in procuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.	<ol style="list-style-type: none"> <li data-bbox="459 1570 839 1613">1. The Board of Directors approved the Regulations on information policy.</li> <li data-bbox="459 1630 839 1676">2. The Company determined the persons in charge of implementation of the information policy.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
2.1.7	The board of directors should monitor the company's corporate governance practices and play a key role in its material corporate events.	1. During the reporting period, the Board of Directors reviewed the corporate governance practice in the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>2.2 The Board of Directors should be accountable to the company's shareholders.</b>				
2.2.1	Information about the board of directors' work should be disclosed and provided to the shareholders.	1. The Company's annual report for the reporting period includes information on the attendance rate of meetings of the Board of Directors and its committees by individual directors.  2. The annual report contains information on the principal findings of the Board of Directors' performance assessment in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.2.2	The chairman of the board of directors must be available to communicate with the company's shareholders.	1. The Company has a transparent procedure that enables shareholders to submit their questions and their standpoint thereon to the Chairman of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>2.3 The board of directors should be an efficient and professional governing body of the company which is able to make objective and independent judgements and pass resolutions in the best interests of the company and its shareholders.</b>				
2.3.1	Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform its functions efficiently.	1. The procedure for assessing the efficiency of operations of the Board of Directors adopted in the Company comprises, in particular, the assessment of professional qualifications of members of the Board of Directors.  2. In the reporting period, the Board of Directors (or its Nomination Committee) assessed the nominees to the Board of Directors in terms of the required experience, expertise goodwill, lack of the conflict of interests, etc.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.3.2	Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	1. Where the General Meeting of Shareholders, the agenda of which included election of the Board of Directors, was held in the reporting period, the Company provided shareholders with the life record data for all the nominees to the Board of Directors, scores assigned to such nominees by the Board of Directors (or its Nominations Committee) and information on conformity of the nominees to the independence criteria, according to the recommendations in paragraphs 102 to 107 of the Code and the nominees' written consent to be elected to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.3.3	The composition of board of directors should be balanced, in particular, in terms of qualifications, expertise, and business skills of its members. The board of directors should enjoy the confidence of the shareholders.	1. As part of the assessment of the Board of Directors in the reporting period, the Board of Directors reviewed its own needs in professional qualifications, experience and business skills.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
2.3.4	The membership of the board of directors of the company must enable the board to organize its activities in a most efficient way, in particular, to create committees of the board of directors, as well as to enable substantial minority shareholders of the company to elect a candidate to the board of directors for whom they would vote.	1. As part of the assessment of the Board of Directors held in the reporting period, the Board of Directors reviewed the conformity of the number of members of the Board of Directors to the Company's needs and the shareholders' interests.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>2.4 The Board of Directors should include a sufficient number of independent directors.</b>				
2.4.1	An independent director should mean any person who has required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.	1. During the reporting period, all independent members of the Board of Directors met the independence criteria specified in recommendations 102 to 107 of the Code or were recognized as such by resolution of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.4.2	It is recommended to evaluate whether candidates nominated to the board of directors meet the independence criteria as well as to review, on a regular basis, whether or not independent board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	1. In the reporting period, the Board of Directors (or the Nominations Committee of the Board of Directors) formed the estimate of independence of each nominee to the Board of Directors and submitted the relevant opinion to shareholders.  2. In the reporting period, the Board of Directors (or the Nominations Committee of the Board of Directors) reviewed the independence of the existing members of the Board of Directors, as indicated by the Company in the annual report as independent directors, at least once.  3. The Company has drafted the procedures that determine the necessary actions to be taken by a member of the Board of Directors, if he/she loses his/her independence, including the obligations to timely notify the Board of Directors accordingly.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	



#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
2.4.3	Independent directors should account for at least one-third of all directors elected to the board of directors.	1. Independent directors shall account for at least one third of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.4.4	Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (who do not have any conflict of interests) preliminarily estimate the substantial corporate actions related to a potential conflict of interests, and the findings of such assessment are submitted to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>2.5</b>	<b>The Chairman of the Board of Directors should help the Board carry out the functions imposed on it in a most efficient manner.</b>			
2.5.1	It is recommended to either elect an independent director to the position of the chairman of the board of directors or identify the senior independent director among the company's independent directors who would coordinate work of the independent directors and liaise with the chairman of the board of directors.	1. The Chairman of the Board of Director is an independent director or a senior independent director is identified among independent directors <sup>3</sup> .  2. Role, rights and duties of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are duly determined in the Company's internal documents.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	1. Partially complied with. Senior independent director was elected by the Supervisory Board on April 27, 2016.  2. Partially complied with. The role, the rights and obligations of senior independent director are determined by the Regulations on the Supervisory Board approved by Y2016 AGM.
2.5.2	The board chairman should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairman should also monitor fulfilment of decisions made by the board of directors.	1. Performance of the Chairman of the Board of Directors was estimated as part of the BoD efficiency assessment procedure in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

<sup>3</sup> Please specify, which of the two alternative approaches admitted by the principle is implemented in the Company and explain the reasons for the selection made.

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
2.5.3	The chairman of the board of directors should take any and all measures as may be required to provide the board members in a timely fashion with information required to make decisions on issues on the agenda.	1. The duty of the Chairman of the Board of Directors to take efforts to ensure timely filing of documents to members of the Board of Directors on agenda items of the meeting of the Board of Directors is legitimized in the Company's internal documents.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>2.6</b>	<b>Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.</b>			
2.6.1	Acting reasonably and in good faith means that board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.	1. The Company's internal documents establish that a member of the Board of Directors is obliged to notify the Board of Directors if he/she has a conflict of interests with respect to any agenda item of the meeting of the Board of Directors or a committee of the Board of Directors, before the start of the discussion of the relevant agenda item.  2. The Company's internal documents envisage that a member of the Board of Directors should refrain from voting on any item where he/she has a conflict of interests.  3. The Company establishes the procedure that enables the Board of Directors to obtain professional advice on issues falling within its competence, at the Company's expense.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	1. Partly complied with.  Internal documents do not require from a Supervisory Board member to notify the Supervisory Board if he/she has a conflict of interest in relation to any item on the agenda of the Supervisory Board or relevant commission meeting before the start of the deliberation on the respective agenda item.  At the same time, pursuant to the Supervisory Board Regulations, a member of the Supervisory Board has the obligation to forthwith disclose the existence of his/her interests and the grounds thereof to the Supervisory Board.  In accordance with the Supervisory Board decision dated March 2, 2017, a new version of the Supervisory Board Regulations that incorporates such duties of Supervisory Board members, will be brought before AGM in 2017.  In accordance with the decision made by the Supervisory Board on March 2, 2017, a new version of the Supervisory Board Regulations incorporating this recommendation will be brought before the AGM in 2017.  2. Complied with.  3. Complied with.
2.6.2	Rights and duties of board members should be clearly stated and documented in the company's internal documents.	1. The Company adopted and published the internal document that clearly determines rights and duties of members of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

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2.6.3	Board members should have sufficient time to perform their duties.	<ol style="list-style-type: none"> <li>Individual attendance of meetings of the Board and committees as well as the time spent on preparation for participation in the meetings was taken into account as part of the assessment procedure of the Board of Directors in the reporting period.</li> <li>According to the Company's internal documents, members of the Board of Directors are obliged to notify the Board of Directors of their intention to join management bodies of other companies (except for the Company's affiliates and dependent companies) and about such actual appointment.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<ol style="list-style-type: none"> <li>Complied with.</li> <li>Partly complied with.  The internal documents do not provide for the Supervisory Board members' duty to notify the Board of Directors of their intention to become member of the governance bodies of other entities (other than company subsidiaries and affiliates).  The Supervisory Board members, however, observe this duty through quarterly questionnaire-based survey of Supervisory Board members, conducted by Moscow Exchange.  In accordance with the Supervisory Board Regulations, an SB member has the duty to provide full and reliable information on the legal entities wherein he/she holds positions with governance bodies, and/or serves on the boards of directors (supervisory boards).  In accordance with the decision made by the Supervisory Board on March 2, 2017, a new version of the SB Regulations incorporating this recommendation will be brought before the AGM in 2017.</li> </ol>
2.6.4	All board members should have equal opportunity to access the company's documents and information. Newly elected board members should be provided with sufficient information about the company and work of its board of directors as soon as practicable.	<ol style="list-style-type: none"> <li>According to the Company's internal documents, members of the Board of Directors are free to gain access to documents and to make requests pertaining to the Company and its affiliates, and the Company's executive bodies are obliged to provide the relevant information and documents.</li> <li>The Company has a formalized program of introductory events for newly elected members of the Board of Directors.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>2.7</b>	<b>Meetings of the Board of Directors, preparation for them, and participation of Board members therein should ensure efficient work of the Board.</b>			
2.7.1	It is recommended to hold meetings of the board of directors as needed, with due account of the company's scope of activities and its then current goals.	<ol style="list-style-type: none"> <li>The Board of Directors held at least six meetings in the reporting year.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.7.2	It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and set it out in the company's internal documents. The above procedure should enable the shareholders to get prepared properly for such meetings.	<ol style="list-style-type: none"> <li>The Company approved the internal document that governs the procedure for preparation for and holding of meetings of the Board of Directors, which, in particular, stipulates that the notice of the meeting should be normally made at least 5 days prior to the meeting.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

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2.7.3	The form of a meeting of the board of directors should be determined with due account of importance of issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person.	1. The Articles of Association or the internal document of the Company envisage that the most significant issues (according to the list in Recommendation 168 of the Code) should be considered at the personal meetings of the Board.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>The majority of issues referred to in para.168 of the Bank of Russia CGC are normally reviewed in joint-presence meetings of the Board, as the Moscow Exchange Charter requires.</p> <p>The following issues are excluded from this list:</p> <p>(1) endorsement of related-party transactions as material transactions,</p> <p>(2) review of material aspects of subsidiary activities,</p> <p>(3) matters related to the receipt of a voluntary or mandatory offer.</p> <p>In accordance with the Supervisory Board decision dated March 2, 2017, a new version of the Charter that provides for the inclusion of items (2) and (3) in this list will be brought before the AGM in 2017.</p> <p>It is not expected that issue (1) will be included in the list as the specific features of the Moscow Exchange's activity in the capacity of the Organiser of Trading imply that it enters into numerous trades with the Trading Members that constitute related-party transactions. The terms of such trades are the same for all members, regardless of whether formal grounds exist for the application of related-party transaction criteria, and in fact are not material for Moscow Exchange. For this same reason, the Moscow Exchange Code of Corporate Governance does not classify related-party transactions as material transactions for Moscow Exchange.</p>
2.7.4	Decisions on most important issues relating to the company's business should be made at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members.	1. The Articles of Association of the Company envisages that resolutions on the most critical issues set forth in Recommendation 170 of the Code, shall be adopted at the meeting of the Board of Directors, by a qualified, at least three fourths majority of votes, or by a majority of votes of all elected members of the Board of Directors.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>The currently applicable Charter version defines the lists of issues to be resolved by the Supervisory Board on a 3/4 majority vote of the members participating in the meeting, as well as by the majority of all votes.</p> <p>In accordance with the Supervisory Board decision dated March 2, 2017, a new version of the Charter that expands the above-mentioned lists with due account of the Bank of Russia CGC will be brought before the AGM in 2017.</p>
<b>2.8</b>	<b>The Board of Directors should form committees for preliminary consideration of the most important aspects of the company's business.</b>			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	<p>1. The Board of Directors established the Audit Committee comprising independent directors only.</p> <p>2. The Company's internal documents determine the objectives for the Audit Committee, including, in particular, any objectives contained in Recommendation 172 of the Code.</p> <p>3. At least one member of the Audit Committee, which is an independent director, has experience and expertise in drafting, reviewing, assessment and audit of financial statements (accounts).</p> <p>4. Meetings of the Audit Committee were held at least quarterly during the reporting period.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

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2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the board chairman.	<ol style="list-style-type: none"> <li>The Board of Directors set up the Remuneration Committee consisting of independent directors only.</li> <li>Chairman of the Remunerations Committee is an independent director, other than Chairman of the Board of Directors.</li> <li>The Company's internal documents determine the objectives of the Remunerations Committee, including those contained in Recommendation 180 of the Code.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<ol style="list-style-type: none"> <li>Partly complied with.</li> <li>Partly complied with.</li> </ol> <p>In 2016, two lineups of the Nomination and Remuneration Commission were active. The first Commission lineup, elected in 2015, included 4 members, 2 of which did not meet the independence criteria; the Commission chairman was not an independent director, either. The second (current) Commission lineup, elected after the 2016 AGM, fully meets the Bank of Russia CGC recommendations (all Commission members are independent directors).</p> <ol style="list-style-type: none"> <li>Complied with.</li> </ol>
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	<ol style="list-style-type: none"> <li>The Board of Directors established the Nominations Committee (or its objectives specified in Recommendation 186 of the Code are implemented as part of another committee<sup>4</sup>), a majority of which are independent directors.</li> <li>The Company's internal documents determine the objectives of the Nominations Committee (or the relevant committee with a combined functionality), including those contained in Recommendation 186 of the Code.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<ol style="list-style-type: none"> <li>Partly complied with.</li> </ol> <p>The tasks set out in para 186 of the Bank of Russia CGC are carried out by the Nomination and Remuneration Commission.</p> <p>In the reporting year 2016, the Commission lineup was not fully compliant with the Bank of Russia CGC recommendations (see comments to para 2.8.2.).</p> <ol style="list-style-type: none"> <li>Complied with.</li> </ol>
2.8.4	Taking account of its scope of activities and levels of related risks, the company should form other committees of its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.	<ol style="list-style-type: none"> <li>In the reporting period, the Company's Board of Directors reviewed the conformity of membership in its committees to the objectives assigned to the Board of Directors and to the Company's operating goals. Additional committees were either established or were not recognized as necessary.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

<sup>4</sup> If the objectives of the Nomination Committee are only implemented as part of another committee, indicate its name.

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2.8.5	The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due account of	<ol style="list-style-type: none"> <li>1. Committees of the Board of Directors are headed by independent directors.</li> <li>2. The Company's internal documents (policies) contain the provisions, whereby persons not included into the Audit Committee, the Nominations Committee and the Remunerations Committee, may attend meetings of the committees upon invitation of the Chairman of the respective committee only.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Partly complied with.</p> <p>There are six Supervisory Board commissions functioning at Moscow Exchange.</p> <p>In January through April 2016, three commissions were chaired by independent directors. As new commission lineups were formed (post 2016 AGM), independent directors now chair four of the commissions. Subsequently, chairman of yet another commission became compliant with the independence criteria, so that by the end of the reporting year, 5 out of the 6 commissions were chaired by independent directors.</p> <p>With the numbers of elected independent directors being sufficient, and they having the required experience and competence, Moscow Exchange is now striving to have the majority of the Supervisory Board commissions chaired by independent directors.</p> <p>2. Complied with.</p>
2.8.6	The chairmen of the committees should inform the board of directors and its chairman of the work of their committees on a regular basis.	<ol style="list-style-type: none"> <li>1. During the reporting period, chairmen of the committees reported on the committees' operations to the Board of Directors on a regular basis.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>2.9 The Board of Directors should evaluate of the quality of its work and that of its committees and Board members.</b>				
2.9.1	Evaluation of quality of the board of directors' work should be aimed at determining how efficiently the board of directors, its committees and board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement.	<ol style="list-style-type: none"> <li>1. Self-assessment or external assessment of the Board of Directors' performance conducted in the reporting period included the assessment of operations of the committees, individual members of the Board of Directors and the entire Board of Directors.</li> <li>2. The findings of self-assessment or external assessment of the Board of Directors in the reporting period were reviewed at the personal meeting of the Board of Directors.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.9.2	Quality of work of the board of directors, its committees and board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the board of directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at least once every three years.	<ol style="list-style-type: none"> <li>1. For independent quality assessment of the Board of Directors' performance, an external company (advisor) was engaged by the Company at least once in three recent reporting periods</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

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<b>3.1</b>	<b>The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its Board of Directors.</b>			
3.1.1	The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders.	<ol style="list-style-type: none"> <li>The Company adopted and disclosed the internal document – Regulations on the Corporate Secretary.</li> <li>The Company's website and annual report discloses background information on the Corporate Secretary with the same level of detail as for members of the Board of Directors and the executive management of the Company.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<ol style="list-style-type: none"> <li>Partly complied with. Regulations on the Corporate Governance Department that currently exercises the functions of a corporate secretary, were approved on September 29, 2016; the Regulations were disclosed on the Moscow Exchange website in 2017.  Previously, the corporate secretary's functions were exercised by the Director of the Corporate Governance Department. The Regulations on the Corporate Secretary were approved by the Supervisory Board and were disclosed on the web-site.</li> <li>Partly complied with.  The corporate secretary-related information, with the same level of granularity as in relation to the Supervisory Board members and the Executive Board members was disclosed on the Moscow Exchange website in 2016.  The biographic information on the corporate secretary, with the same level of granularity as in relation to the Supervisory Board members and the Executive Board members, is provided in the 2016 annual report.</li> </ol>
3.1.2	The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks.	<ol style="list-style-type: none"> <li>The Board of Directors approved the appointment, dismissal and additional remuneration of the Corporate Secretary.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>4.1</b>	<b>The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company.</b>			
4.1.1	It is recommended that the level of remuneration paid by the company to its board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees.	<ol style="list-style-type: none"> <li>The Company adopted the internal document(s), the remuneration policy(-ies) for members of the Board of Directors, the executive bodies and other key managers, which clearly describe approaches to remuneration of these persons.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>The executive body members' remuneration and compensation policy was approved by the Supervisory Board on December 16, 2016.</p> <p>The Supervisory Board members' remuneration and cost reimbursement (compensation) policy was approved by the Supervisory Board on December 28, 2016.</p>

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4.1.2	The company's remuneration policy should be developed by its remuneration committee and approved by the board of directors. With the help of its remuneration committee, the board of directors should monitor implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same.	1. In the reporting period, the Remunerations Committee reviewed the remuneration policy(-ies) and the practice of its/their implementation and, if necessary, submitted the relevant recommendations to the Board of Directors.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	During 2016, the Nomination and Remuneration Commission reviewed draft executive body members' remuneration policies on several occasions. The final Policy version was approved by the Supervisory Board on December 16, 2016.
4.1.3	The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.	1. The Company's remuneration policy(-ies) contain(s) transparent arrangements on determining the amount of the remuneration of members of the Board of Directors, executive bodies and other key managers of the Company and govern(s) all types of fees, benefits and advantages provided to these persons.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
4.1.4	The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensations.	1. The remuneration policy(-ies) or other internal documents of the Company establish(-es) the rules on reimbursement of costs to the members of the Board of Directors, executive bodies and other key employees of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>4.2</b>	<b>The system of remuneration of board members should ensure harmonisation of financial interests of the directors with long-term financial interests of the shareholders.</b>			



#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
4.2.1	A fixed annual fee shall be a preferred form of monetary remuneration of the board members. It is not advisable to pay a fee for participation in individual meetings of the board of directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of board members.	1. Fixed annual remuneration was the only monetary form of remuneration for the members of the Board of Directors for work within the Board of Directors during the reporting period.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>Fixed annual remuneration was the main kind of remuneration offered to the Supervisory Board members.</p> <p>At the same time, in accordance with the decision made by the AGM in 2016, three of the Supervisory Board members were paid further remuneration on account of their participation in several activities at the initiative of Moscow Exchange. Taking this practice into account, amendments were made to the Supervisory Board Members Remuneration and Compensation Regulations at the 2016 AGM that fixed the maximum amount of further remuneration on account of participation in activities at the initiative of Moscow Exchange, and determined the terms and conditions of receiving such remuneration.</p>
4.2.2	Long-term ownership of shares in the company contributes most to aligning financial interests of board members with long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should board members take part in the company's option plans.	1. If the Company's internal document(s), the remuneration policy(-ies), envisage(s) granting of shares to members of the Board of Directors, clear rules for holding shares by members of the Board of Directors, intended to encourage long-term ownership of such shares, should be available and disclosed.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	Moscow Exchange internal documents do not provide for the provision of shares to the Supervisory Board members.
4.2.3	It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.	1. The Company does not envisage any additional benefits or compensations in case of early termination of powers of the members of the Board of Directors in connection with change of control over the Company or other circumstances.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

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<b>4.3</b>	<b>The system of remuneration due to the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance and their personal contributions to the achievement thereof.</b>			
4.3.1	Remuneration due to the executive bodies and other key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.	<ol style="list-style-type: none"> <li>During the reporting period, the annual performance indicators approved by the Board of Directors, were used to determine the amount of variable remuneration of members of executive bodies and other key managers of the Company.</li> <li>During the most recent assessment of the remuneration system for the members of executive bodies and other key managers of the Company, the Board of Directors (the Remunerations Committee) made sure the Company applied an efficient ratio of the fixed remuneration portion to the variable one.</li> <li>The Company has the procedure for refunding to the Company bonuses unlawfully obtained by the members of executive bodies and other key managers of the Company.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<ol style="list-style-type: none"> <li>Complied with.</li> <li>Complied with.</li> <li>Moscow Exchange does not have in place any procedure whereby any unreasonably received bonus payments would be restituted to the Company. Such restitution is conducted in accordance with the applicable laws of the Russian Federation.</li> </ol>
4.3.2	Companies whose shares are admitted to trading at organised markets are recommended to put in place a long-term incentive programme for the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares).	<ol style="list-style-type: none"> <li>The Company introduced the long-term incentive program for members of executive bodies and other key managers of the Company using shares in the Company (financial instruments based on the shares in the Company).</li> <li>The long-term incentive program for the members of executive bodies and other key managers of the Company implies that the right to sell the shares and other financial instruments used in such program will not arise until three years from their provision; provided that the right to sell the same is conditional upon achievement of certain performance indicators of the Company.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<ol style="list-style-type: none"> <li>Complied with.</li> <li>Partly complied with.</li> </ol> <p>Under the executive long-term incentive plan, the right to dispose of the plan shares vests in stages: in one/two/three years, subject to continued employment.</p> <p>The right to dispose shares subjects to the Moscow Exchange Group breakeven in the year preceding to such right. Besides the breakeven indicator, the Programme also stipulates for setting of long-term KPIs, which may influence on the terms and conditions of the shares disposal rights.</p> <p>The resolution on setting such long-term KPIs and their details shall be taken by the Supervisory Board of the Moscow Exchange upon the recommendation of relevant Commission of the Supervisory Board of the Moscow Exchange.</p>
4.3.3	The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed two times the fixed portion of his/her annual remuneration.	<ol style="list-style-type: none"> <li>The amount of compensation (golden parachute) paid by the Company in case of early termination of powers to the members of executive bodies or key managers at the Company's initiative and in the absence of unfair actions on their part, did not exceed the double fixed portion of the annual remuneration in the reporting period.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
<b>5.1</b>	<b>The company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved.</b>			
5.1.1	The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the company.	1. Functions of various management bodies and business units of the Company in the risk management and internal control system are clearly determined in internal documents/ the Company's relevant policy approved by the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
5.1.2	The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company.	1. The Company's executive bodies ensured allocation of the functions and powers as concerns risk management and internal control among their subordinate managers (heads) of business units and divisions.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
5.1.3	The company's risk management and internal control system should enable one to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company.	1. The Company approved the anti-bribery policy. 2. The Company established an affordable method to notify the Board of Directors or the Board of Directors Audit Committee on actual violations of the laws, internal procedures, and the Company's ethics code.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
5.1.4	The board of directors is recommended to take required and sufficient measures to procure that the existing risk management and internal control system of the company is consistent with the principles of and approaches to its creation as set forth by the board of directors and that it operates efficiently.	1. In the reporting year, the Board of Directors and the Board of Directors Audit Committee assessed efficiency of the risk management and internal control system of the Company. Information on the key findings of such assessment are included into the Company's annual report.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
<b>5.2</b>	<b>To independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the company should arrange for internal audits.</b>			
5.2.1	It is recommended that internal audits be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the internal audit department should report to the board of directors, while from the administrative standpoint, it should report directly to the company's one-person executive body.	1. For the purposes of internal audit, the Company established a separate business unit for internal audit, which functionally reports to the Board of Directors or the Audit Committee, or engaged an independent external company with the same principle of reporting.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
5.2.2	When carrying out an internal audit, it is recommended to evaluate efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.	1. In the reporting period, as part of internal audit, the internal control and risk management system efficiency was assessed.  2. The Company uses common approaches to internal control and risk management.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>6.1</b>	<b>The company and its activities should be transparent to its shareholders, investors and other stakeholders.</b>			
6.1.1	The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders.	1. The Company's Board of Directors approved the Company's information policy developed with the view to the Code's recommendations.  2. The Board of Directors (or one of its committees) reviewed the issues related to the Company's compliance with its information policy at least once in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
6.1.2	The company should disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	<ol style="list-style-type: none"> <li>The Company discloses the corporate governance system in the Company and the general corporate governance principles applied in the Company, in particular, in the Company's website.</li> <li>The Company discloses the composition of executive bodies and the Board of Directors, independence of members of the Board and their membership in committees of the Board of Directors (as defined in the Code).</li> <li>If there is a person who controls the Company, the Company publishes the memorandum of the controlling person concerning such person's plans for corporate governance in the Company.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
<b>6.2</b>	<b>The company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.</b>			
6.2.1	The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.	<ol style="list-style-type: none"> <li>The Company's information policy determines the approaches to and criteria for determining the information that may materially influence the Company's value, the value of its securities and the procedures that ensure timely disclosures of such information.</li> <li>If the Company's securities are traded in foreign organized markets, materials information is disclosed in the Russian Federation and on such markets simultaneously and equivalently in the reporting year.</li> <li>If foreign shareholders hold a significant number of shares in the Company, then, in the reporting period, disclosures were carried out not only in Russian but also in one of the most common foreign languages.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<ol style="list-style-type: none"> <li>Partially complied with. The Information Policy stipulating such approaches was approved by the Supervisory Board on September 09, 2016.</li> <li>Not applicable as the Moscow Exchange securities do not trade on foreign regulated markets.</li> <li>Complied with.</li> </ol>
6.2.2	The company is advised against using a formalistic approach to information disclosure; it should disclose material information on its activities, even if disclosure of such information is not required by law.	<ol style="list-style-type: none"> <li>In the reporting period, the Company disclosed annual and half-year IFRS financial statements. The Company's annual report for the reporting period includes annual IFRS financial statements with the auditor's opinion.</li> <li>The Company discloses comprehensive information on the Company's capital structure, according to Recommendation 290 of the Code in the annual report and the Company's website.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
6.2.3	The company's annual report, as one of the most important tools of its information exchange with its shareholders and other stakeholders, should contain information enabling one to evaluate the company's performance results for the year.	<ol style="list-style-type: none"> <li>The Company's annual report contains information on the key dimensions of the Company's operations and its financial performance</li> <li>The Company's annual report contains information on environmental and social dimensions of the Company's business.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
<b>6.3</b>	<b>The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.</b>			
6.3.1	Exercise by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome.	1. The Company's information policy determines the easy procedure for providing access to shareholders to the information, in particular, the information on the legal entities dependent on the Company, at the shareholders' request.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
6.3.2	When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness.	1. In the reporting period, the Company did not deny satisfaction of any shareholders' requests for information or such denials were reasonable.  2. In cases determined in the Company's information policy, shareholders are warned of the confidential nature of the information and undertake to keep it confidential.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	1. Complied with.  2. Partially complied with.  The Information Policy determining such cases was approved by the Supervisory Board on September 09, 2016.

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
7.1	<b>ny actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of shareholders as well as other stakeholders are observed.</b>			
7.1.1	Material corporate actions shall be deemed to include reorganisation of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which might result in material changes in rights of its shareholders or violation of their interests. It is recommended to include in the company's articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company's board of directors.	1. The Company's Articles of Association determines the list of actions and other efforts that constitute material corporate actions, and their determination criteria. Decision-making on material corporate actions falls within the competence of the Board of Directors. Where taking of these corporate actions is directly referred by law to the competence of GSM, the Board of Directors makes the relevant recommendations to the shareholders.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Partly complied with.</p> <p>The Moscow Exchange Charter does not contain a defined list of trades or acts that are material, or criteria for their definition.</p> <p>The list of material corporate actions which includes, among other things, execution of certain material trades, is provided in the Moscow Exchange Corporate Governance Code. The applicable law and the Moscow Exchange Charter reserve decisions on material actions for the Supervisory Board or the shareholders meeting. In connection with any matters brought before the shareholders meeting, including those related to material corporate actions, the Supervisory Board provides relevant recommendations to shareholders.</p> <p>On April 24, 2016, as part of its review of the issue of the Bank of Russia CGC implementation, the Audit Commission found it appropriate to provide, in the Moscow Exchange Charter, a reference to the Moscow Exchange Corporate Governance Code that contains the List of Material Corporate Actions.</p> <p>By the decision of the Supervisory Board dated March 2, 2017, a new version of the Charter incorporating such provision will be brought before the AGM in 2017.</p> <p>2. Partly complied with.</p> <p>The list of material corporate actions is indicated in the Moscow Exchange Corporate Governance Code. Such list includes, among other things, matters of Moscow Exchange reorganisation, acquisition of 30 percent or more of Moscow Exchange voting shares (takeover), execution of material transactions, charter capital increase or reduction, share listing and de-listing.</p>

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
7.1.2	The board of directors should play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on opinions of the company's independent directors.	1. The Company envisages the procedure; whereby independent directors announce their standpoint on material corporate actions before their approval.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
7.1.3	When taking any material corporate actions which would affect rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code.	1. The Company's Articles of Association, taking into account the particular features of its operations, established lower minimum criteria for classifying the Company's transactions as major corporate actions than envisaged in law.  2. During the reporting period, all material corporate actions underwent approval before their implementation.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	



#	Corporate governance principles	Corporate governance principle compliance criteria	Status <sup>1</sup> of conformity with the corporate governance principle	Explanations <sup>2</sup> of deviation from the assessment criteria of compliance with the corporate governance principle
<b>7.2</b>	<b>The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and that would also guarantee that shareholder rights are observed and duly protected in the course of taking such actions.</b>			
7.2.1	When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and consequences of such actions.	1. In the reporting period, the Company disclosed information on the Company's material corporate actions timely and in detail, including reasons for and timing of taking such actions.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>Explanations regarding the reasons and terms of any proposed material corporate actions, together with a description of potential consequences of such actions for Moscow Exchange and its shareholders, are described at a granular level in the materials provided to shareholders whenever matters of endorsement of material corporate actions are brought before the General Meeting of Shareholders. The explanations on matters to be reviewed by the General Meeting of Shareholders, prepared for shareholders, are not mandatory according to applicable regulations, but are used on a regular basis in the Moscow Exchange corporate practices with the purpose of providing shareholders with reliable information, enabling shareholders to impact material corporate actions and, where necessary, obtain an adequate protection level. Similar explanations are prepared for the Supervisory Board members for the purposes of their making of decisions on material corporate actions not reserved by the Moscow Exchange Charter for the General Meeting of Shareholders, or in connection with matters brought by them before the General Meeting of Shareholders. Moscow Exchange publicly discloses information on matters brought before the Supervisory Board, including those regarding the performance of material corporate actions by publishing an announcement of the Supervisory Board meeting and its agenda. In addition, any shareholder may make an inquiry with Moscow Exchange requesting it to provide documents evidencing any decision made by the Supervisory Board.</p>

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7.2.2	Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.	<ol style="list-style-type: none"> <li>1. The Company's internal documents envisage the procedure for engaging an independent appraiser in evaluating the assets disposed of or purchased under a major transaction or a related party transaction.</li> <li>2. The Company's internal documents envisage the procedure for engaging an independent appraiser in evaluating the purchase and redemption price for the shares in the Company.</li> <li>3. The Company's internal documents envisage an expanded list of reasons for the members of the Company's Board of Directors and other persons envisaged in the law to be recognized as interested in the Company's transactions.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Partly complied with.</p> <p>In connection with its endorsement of such transactions, the Supervisory Board focuses on transaction price determination and decides separately upon the value of the property affected by the transaction (whether divested and acquired), determining it on the market value basis. An independent appraiser of renown reputation on the market and experienced in relevant appraisals may be engaged for purposes of determining the property value. The decision on whether it is appropriate to engage an independent appraiser is made based on the nature of the transaction and the assets divested or acquired.</p> <p>Moscow Exchange understands that major transactions can materially affect its financial positions and has not executed any such transactions over the recent years.</p> <p>In 2016 the issue of whether engagement of an appraiser is necessary was reviewed by the Audit Commission on and by the Supervisory Board, which determined the list of cases for the necessity of an appraiser's engagement, including those cases when the Moscow Exchange is planning to execute the transactions exceeding RUB 600 mln., the subject matter of those are real estate or non-core assets, as well as for the determination of the value of any property acquired or divested in a major transaction.</p> <p>Relevant amendments to the internal documents of the Moscow Exchange are planned to be made in 2017.</p> <p>2. Partly complied with.</p> <p>Share buyout price is determined with the engagement of an independent appraiser.</p> <p>The independent appraiser selection procedure follows the rules set out in the Moscow Exchange Procurement Regulations.</p> <p>3. Not complied with.</p> <p>Internal documents do not provide for an extended list of the grounds for which the Supervisory Board members and other persons referred to in the law may be found to be interested in a transaction.</p> <p>On April 26, 2016 the Audit Commission recognized inexpedient the extension of the specified list of the grounds.</p>

## GROUP STRUCTURE

Moscow Exchange Group, Russia's only multifunctional exchange platform, was established in 2011 upon completion of the merger of MICEX (the Moscow Interbank Currency Exchange, founded in 1992) and the RTS (the Russian Trading System, founded in 1995).

The Group comprises:

- PJSC Moscow Exchange MICEX-RTS, which operates the Equity & Bond Market, FX & Money Market, Derivatives Market and Precious Metals Market;
- NCO CJSC National Settlement Depository (NSD), the central securities depository;
- JSC Bank National Clearing Centre (NCC Clearing Bank), Russia's largest clearing centre; and
- JSC National Mercantile Exchange (NAMEX), which operates the Commodities Market.

Moscow Exchange holds majority stakes in all key subsidiaries, including a 100% stake in NCC Clearing Bank, a 99.997% stake in the NSD, and a 62% stake in the NAMEX.

## SCOPE OF THE REPORT

This Annual Report reviews the consolidated performance of PJSC Moscow Exchange MICEX-RTS (hereinafter "Moscow Exchange", or "the Group") and its subsidiaries, including JSC National Mercantile Exchange, NCO CJSC National Settlement Depository, and JSC Bank National Clearing Centre.

## COMPLIANCE

Information in this report has been consolidated in accordance with Bank of Russia Instruction No 454 of 30 December 2014, the Corporate Governance Code of 21 March 2014 and the G4 Sustainability Reporting Guidelines.

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