



**MOSCOW  
EXCHANGE**

INTERNATIONAL  
CLEARING MEMBERSHIP

# NEW MODEL FOR CLEARING MEMBERSHIP

- Trading and Clearing members may now be separate entities. Trading members have to be Russian residents, but Clearing members can be domestic or foreign.
- This will allow non-resident organizations to become qualified Clearing members and hold capital directly with the clearing house - National Clearing Centre (NCC).
- Clearing Members may be of two categories:
  - **“General Clearing Members”** – Clearing Members who have the right to clear more than 2 Trading members
  - **“Individual Clearing Members”** – Clearing Members who have the right to clear up to 2 Trading members
- This new model was implemented in 2014 on the MOEX FX Market, and planned for implementation in early 2019 on the Derivatives and Securities Market.



# BUSINESS BENEFITS

- ✓ Allows end clients (including non residents) to hold their capital directly with the NCC instead of a domestic broker, and therefore take less credit risk.
- ✓ Lead to lower requirements for holding reserves and capital costs – current Russian regulation requires local entities to only hold 5% reserves, compared to 100% for internationals (until NCC obtains ESMA approval).
- ✓ Allows non residents to have naked access to the Exchanges systems (through the use of SMA logins), and avoid latency penalties from brokers infrastructure.
- ✓ Allows clients more flexibility on where they can execute their trades and clear their positions.

# CLEARING MEMBER LEGAL MODEL

## 1. Clearing Member = Trading Member

A single legal entity is both a Clearing and Trading Member.

## 2. Agency contract relationship - Clearing Member works through a local Trading Member (applicable to both residents and non residents)

The Trading Member executes trades on behalf of and at the expense of the Clearing member via an agency contract. This model is used if the Clearing member wishes to execute proprietary trades. The Trading member registers the Clearing member as its client on MOEX.

## 3. Clearing broker relationship - Clearing Member provides clearing services for Trading Members (applicable to both residents and non residents)

This model is used if Trading members execute trades at the **expense of the Clearing member's clients, with the Clearing member acting as a clearing broker, via a separate agreement for clearing broker services between the CM and TM.**

} AS IS

To be

*\* Clearing members can operate through more than one legal model*



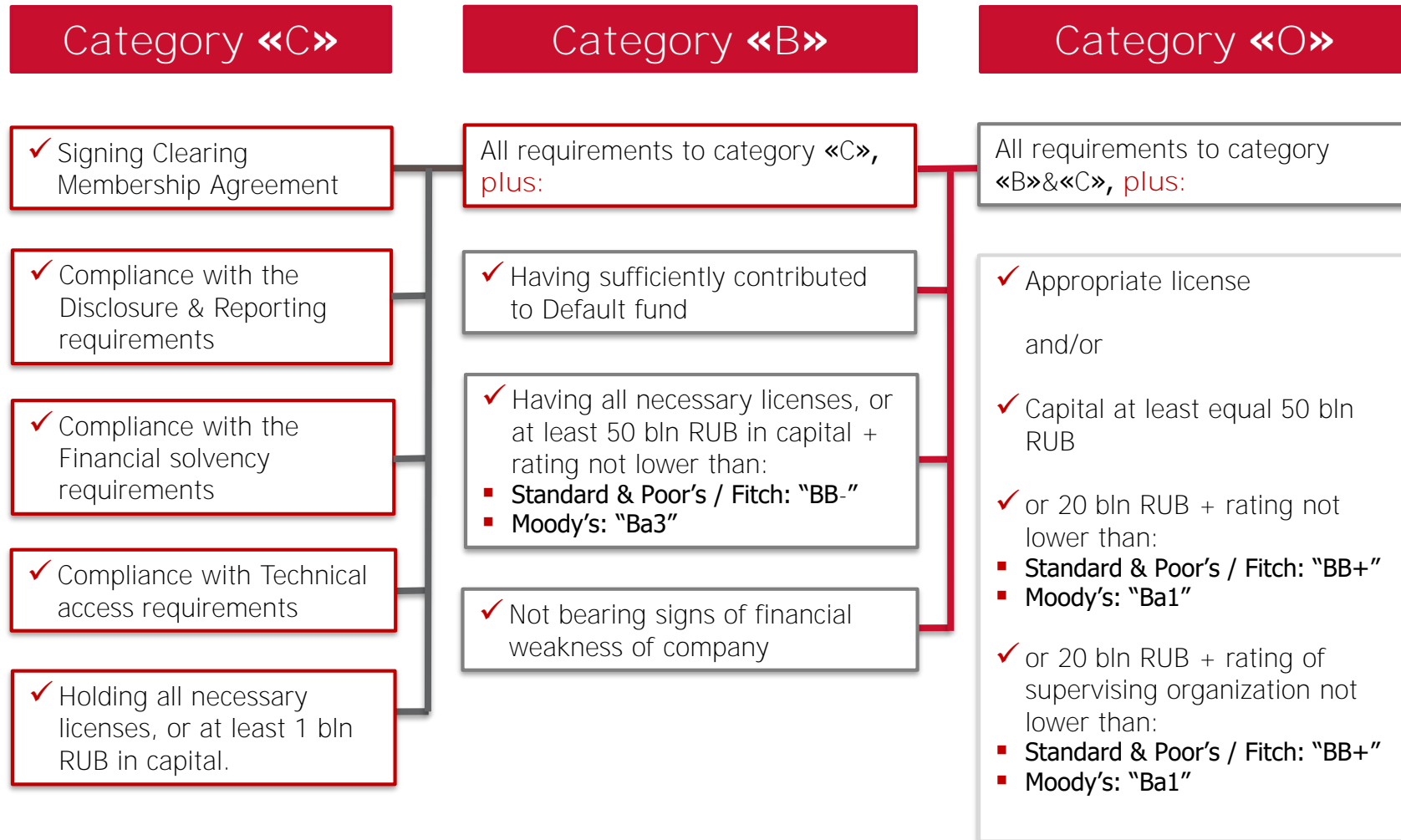
# CLEARING MEMBER CATEGORIES

Categories*:		FX + Precious Metals market	Securities market	Commodities market	Derivatives market	Standardized derivatives
«O»	General Clearing Members: having access to clearing <u>with partial prefunding</u> for more than 2 Trading Members	✓	✓	✗	✓	✗
«B»	Individual Clearing Members: having access to clearing <u>with partial prefunding</u> and perform clearing for up to 2 Trading Members	✓	✓	✓	✓	✓
«C»	Individual Clearing Members: having access to clearing <u>with full prefunding</u> and perform clearing for up to 2 Trading Members	✓	✓	✓	✗	✗

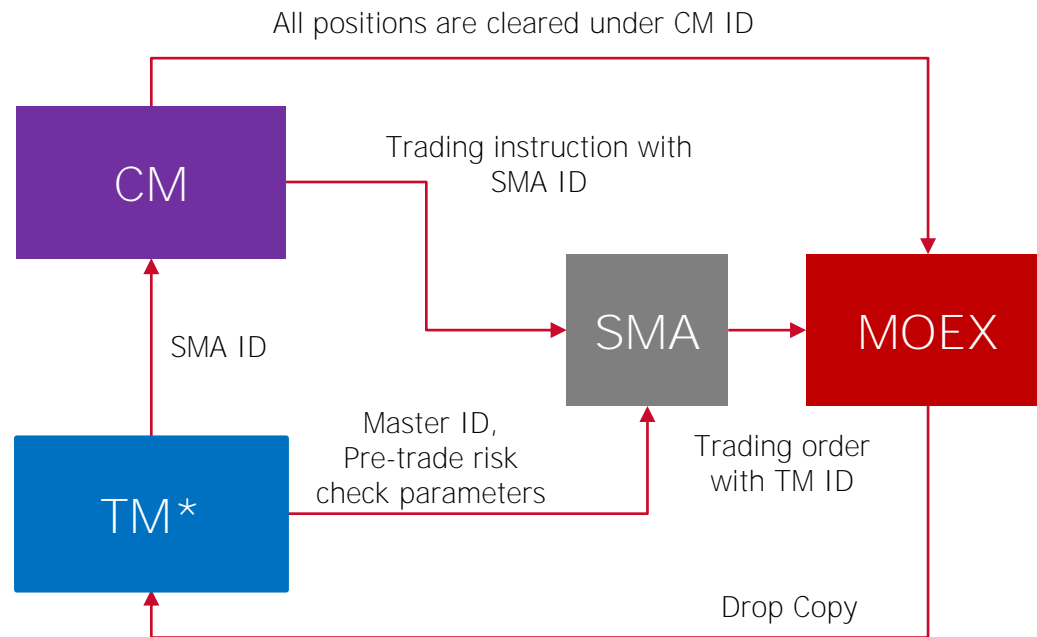
\* Clearing members of all categories can act as a clearing broker or on the basis of an agency contract



# ADMISSION CRITERIA



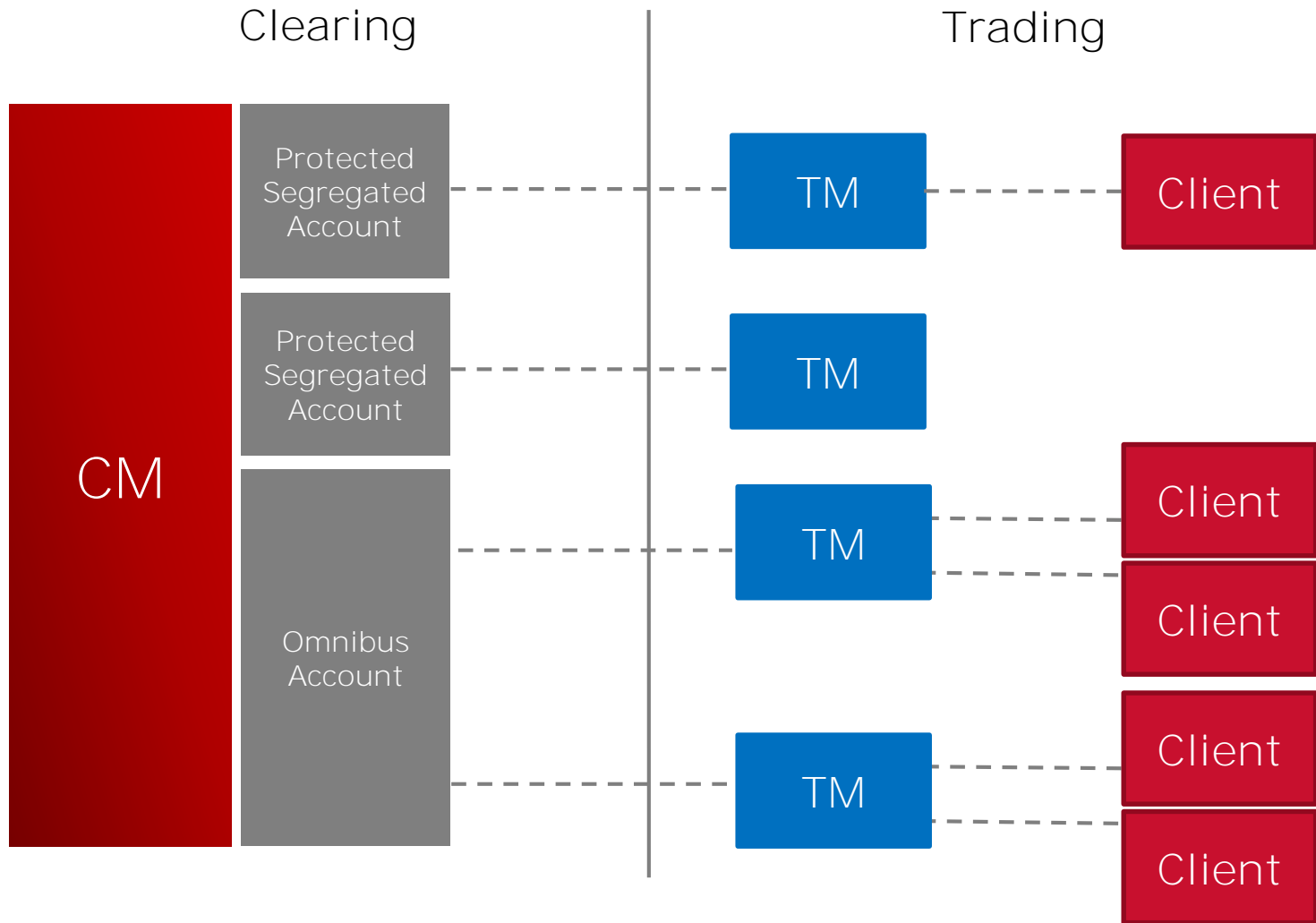
# CM WORKING THROUGH SMA - EXAMPLE



- CM uses a Trading Member in order to register trading codes (IDs)
- All account management responsibilities belong to the CM
- Trading Member serves the role as an execution broker

*\* It is possible for a CM to have a back up Trading Member*

# EXAMPLE ACCOUNT STRUCTURE





# RIGHTS

	CM	TM
Collateral depositing	✓	✓
Collateral withdrawal	✓	✗
Collateral transfer	✓	✗
Setting of monetary trading limits on TM	✓	✗
Setting of monetary trading limits on clients	✓/✗	✓/✗
Setting of client risk-parameters	✓/✗	✓/✗
Setting of order restrictions on TM	✓	✗
Setting up of order constraints on clients	✓/✗	✓/✗
Submitting and cancelling trading orders	✗	✓
Submitting and cancelling instructions other than trading orders*	✓	✗
Exercising of options	✓	✓
Settlement account and Trading Member account management	✓	✗
Client account management	✓/✗	✓/✗
Transfer of client positions	✓	✓/✗
Submission and cancellation of instructions on cross-trades checks cancel	✓/✗	✓/✗

✓/✗ - the right belongs whichever member controls the clients

\* When CM needs to carry out risk-management operations, it sends instructions to NCC (for example, instructions to add or cancel orders, etc.)



# CLEARING REPORTING

- Trading Members enter orders using client level accounts
- Clearing reports are sent to the **Clearing Member's** EDI address, while trading reports are sent to the **Trading Member's** EDI address

	CM	TM
Positions, collateral and limits of TM	✓	✓
Positions, collateral and limits of CM	✓	✗
Positions of TM Clients	✓	✓
Collateral and limits of TM Clients	✓/✗	✓/✗
Trades of TM Clients	✓	✓
CM proprietary trades	✓	✗
TM proprietary trades**	✓	✓

✓/✗ - the right belongs whichever member controls the clients

\*the right of the Trading Member to receive clearing reports is contingent on them having concluded the agreement with the NCC "on the management of clearing registers".

# REQUIREMENTS AND FEES

	CM	TM
Default Fund Contribution	✓	✗
Exchange Registration Fee (one-off fee)	✗	✓
Trading Fees	✗	✓
Clearing Services Fees	✓	✗
Technological Services Fees	✓	✓