MOSCOW EXCHANGE

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Moscow Exchange Speakers:

- Max Lapin, CFO
- Anton Terentiev, Director of IR

Participants asking questions:

- Andrew Keeley, Sberbank CIB
- Elena Tsareva, BCS
- Sergey Garamita, Raiffeisen
- Andrey Pavlov-Rusinov, Goldman Sachs
- Andrey Mikhailov, SOVA Capital
- Olga Veselova, Bank of America

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Anton Terentiev - Director of IR

Good afternoon, everyone, and welcome to Moscow Exchange's 3Q 2019 IFRS results Conference Call. As usual, after the prepared remarks, we will have a Q&A session. Today, we have on the call our CFO, Max Lapin.

Before we start, I would like to remind you that certain statements in this presentation and during the question-and-answer session may relate to future events and expectations and, as such, constitute forward-looking statements. Actual results may differ materially from those projections. The company does not intend to update these statements to reflect events occurring after the date of the call prior to the next conference call.

By now, you should have received our press release containing the results for the third quarter 2019. Our management presentation is available on the company's website in the Investor Relations section. I will now hand the call over to Max Lapin. Max, please go ahead.

Max Lapin - CFO

Thanks, Anton, and thank you all for joining us today to discuss Moscow Exchange's financial results. Slide 2, delivery on strategic initiatives in the third quarter and beyond. First of all, as you know, in mid-October, Moscow Exchange presented a new corporate strategy that covers the next five years. The full strategy presentation is available on our website. I will touch on its main points shortly. We also amended the dividend policy to introduce a target payout of the entire free cash flow and, hence, narrow the range of expectations. The minimum payout ratio rose to 60% of IFRS net profit. We envisage that we will continue to pay dividends on an annual basis. Now let's turn to an overview of key strategic deliverables since the start of the third quarter.

First, we have seen the launch of several new instruments. Asset management companies continue to introduce new Russian-law ETFs. Since June, they have launched five ETFs on Russian corporate bonds, a European stock index and a global technology stock. September 2019 marked the first anniversary of these type of funds being traded on our platform. A little over a year after the inception, 15 Russian-law ETFs are traded on MOEX, and their assets under management exceed RUB 11 bln. Together with foreign-law ETFs, MOEX now offers trading in 31 ETFs with total assets under management of more than RUB 30 bln.

On the derivatives market, we have expanded the offering of deliverable commodity contracts by introducing futures on silver. Deliverable futures appeal to corporates and banks and provide a strong basis for the development of domestic precious metals market. In October, MOEX launched on-exchange repos with the Federal Treasury. The Federal Treasury has been using NSD’s repo with collateral management since 2015. However, NSD’s services have been limited to settlement, clearing and collateral management. Bringing repo with the Federal Treasury onto the exchange allows MOEX to use its own interface and provide a complete service. TCS Group – Tinkoff – listed its depository receipts on MOEX. This brought the total number of DRs traded on MOEX to seven.

Second, the exchange is continuously developing new services. In October, 48 liquid corporate bonds and 12 Finance Ministry Eurobonds began trading in T+1 mode. Previously, only T0 mode with a full trade pre-funding was available. In the near future, we plan to expand the range of bonds admitted to T+1. We also expect that this change will incentivize market participants to trade more actively. So far, we have seen some 20% increase in trading volumes in our participating bonds as an early effect. Retail investors can now top up their brokerage accounts via the CBR's Faster Payments System. This technology reduces the time needed to transfer funds and lowers the cost of transfer. A test transaction was executed in October. Brokers will soon begin providing this technology to end clients. NSD's repository has come out with two new services aimed at simplifying reporting of and control over OTC deals. This is in line with our ambition to provide efficient infrastructure and come up with solutions that help our clients streamline their business processes.

Third, MOEX continues to develop its client base and partnerships. The number of unique retail clients currently exceeds 3.3 mln. The total number of individual investment accounts – IIAs – has approached 1.3 mln. The number of corporate issuers on our bond market has been on the rise. In the third quarter, 70 corporates, including 33 newcomers, placed more than 160 bond issues worth RUB 680 bln. The exchange signed MOUs with Uzbekistan Republican Currency Exchange and Zhengzhou Commodity Exchange. As usual, we are looking for potential areas of cooperation. We held our annual forums in New York and London. NCC also became a clearing member on Shanghai Gold Exchange. This opens up a path to establish a trading link between MOEX and Shanghai Gold Exchange in the future.

Slide 3. Strategy 2024 on mission, areas of responsibility and areas of development. Let me give a very brief recap of our 2024 strategy. We see the company's mission as bringing trust, efficiency, innovation to the financial markets and helping companies and individuals to achieve the goals of tomorrow. Our two main areas of responsibility are the penetration of the core markets and fostering the culture of trust and responsibility. Finally, we see three areas of development. The first is building a market gateway for retail clients – the Marketplace for financial and investment products. The second is balance sheet management – provision of services that allow our corporate clients to manage their balance sheet. The third area of development is building a financial platform on top of MOEX and NSD's current infrastructure.

Slide 4, on key drivers of fee and commission income and growth through 2024. We believe that in the absence of new initiatives, the macroeconomic environment would allow us to grow fees at 3-4% per annum over the next five years. Planned initiatives aimed at deepening our existing business lines will add another 3-4 percentage points to the fee income growth. Such initiatives include development of primary capital markets, development of on exchange and OTC derivatives market, expansion of trading hours and new market data offering.

To achieve further growth, we will have to go beyond the exchange, beyond our existing markets and business lines. We intend to build a financial platform on top of our existing infrastructure. NSD will become a registrar for the financial transactions and will continue to develop Transit 2.0, a platform that connects corporates and banks, allowing seamless flow of payment instructions and other documents. MOEX will build a marketplace for corporates and introduce several OTC solutions for managing balance sheets. For retail clients, we are developing a financial product and investment marketplace. All of these initiatives together – beyond the exchange initiatives – may add 3-4 percentage points per annum to fee and commission growth over the five-year horizon. The resulting cumulative average growth rate adds up to approximately 10% per annum.

Slide 5. Third quarter 2019 summary of financials. Now let us turn to the third quarter financials. Operating income grew 8.6% YoY, and fee income increased 8.1% YoY. NII rose 8.7% YoY, largely due to realized gain on financial assets. Recurring operating expenses added 7.6% YoY. The cost-to-income ratio improved slightly by 0.3 percentage points YoY. EBITDA expanded by 8.4% YoY. The EBITDA margin was at a solid 72.5%. Reported net income was up by 6.8% YoY. We created a technical, formal risk management formula-driven provision in the amount of RUB 0.11 bln that does not reflect any deterioration of the underlying business. The resulting adjusted net income grew by 7.1% YoY.

Slide 6, diversified fee and commission income. While fee and commission income increased by 8.1% YoY, the growth was driven by the performance of the Equities and Derivatives markets, both of which posted record quarterly fees and commission income. Depository and settlement services also contributed noticeably to the fee income growth.

Money market, next slide. Fee income from the Money market was flat YoY despite 9% decline in trading volumes. The quarterly share of repo with the CCP grew by almost 3 percentage points YoY and by 1 percentage point QoQ. The lower value-added types of repo such as the interdealer repo continue to underperform. The discrepancy between YoY performance of fee income and trading volumes comes down to higher average repo terms and the UCP (Unified Collateral Pool) linked fee rate revision that took place in November 2018.

Money Market, its recent trends on the next slide. Even though repo trends hit a local high in the first quarter of 2019, we still see a healthy increase in the average term compared to last year. Open interest in the Money Market troughed in August 2019 amid a surplus of liquidity, but seems to have slightly recovered and stabilized since then.

Depository and settlement. Fees and commissions from depository and settlement added 16.1% YoY. Average assets on deposits at NSD increased by 10.1% YoY. The growth was registered across all asset classes, but was most pronounced in government bonds and equities. The gap between growth rates of fee income and assets on depository is the result of business lines beyond safekeeping. In particular, income from book entry transfers, clearing, settlement, cash services – it all expanded in third quarter 2019.

FX market on Slide 10. Fee and commission on the FX market declined 9.5% YoY. The decline was driven by lower trading volumes. Spot trading volumes decreased by 20% amid very low FX volatility. Swap volumes were down by 5.8% YoY. The UCP-linked fee rate revision of last November supported the average fee, but this effect was partially offset by the mix evolving in favor of swaps. The FX market share versus onshore OTC in nine months 2019 was 44%, which is 10 percentage points lower than in the corresponding period last year. The number of active clients in 9M2019 increased substantially to reach 92,000 in September, up 87.6% YoY. The average daily trading volume of corporates was USD 60 million in 9M2019, up 107% YoY.

Derivatives Market. The income from derivatives increased 37% YoY. Overall trading volumes of on-exchange contracts added 9%. Trading volumes shifted in favor of commodity derivatives, which surged at 80.2% YoY. Trading volumes of FX contracts declined 21% YoY. Equity contract volumes were flat, while index contracts posted growth of almost 7%. The favorable evolution of the product mix together with the UCP-linked fee revision supported the effective fee on the derivatives market. In the OTC derivative market, trading volumes declined by 19% YoY, but fees from this line performed better than volumes due to increasing average contract terms.

IT services, listing and other fee income. The income from these business lines was up by 7.7% YoY. Listing fees increased 98.7% YoY due to the tariff model update and a higher number of issues. Sales of market data rose by 7.7% YoY. Sales of software and technical services grew 18.6% YoY due to unification of tariffs. Other fee income declined by 53.9% YoY due to diminished contribution from the grain market.

Equities market. Fee income from the equities market grew 28.3% YoY, following a similar increase in trading volumes. Rising price levels for equities supported trading volumes. Volatility was in line with previous quarters, but velocity of trading volumes increased compared to several preceding periods. MOEX market share versus the LSE in dual-listed stocks in the third quarter was 70%, 5 percentage points higher than in the third quarter last year. Also, in early October, Interactive Brokers granted its entire client base full access to the Russian market.

On fixed income. Fee income was flat YoY despite an 11.2% decline in trading volumes. Primary placements were down by 36% YoY due to lower placement of Central Bank bonds. At the same time, placements of OFZs were up by 32% YoY, although they declined by almost 70% QoQ. A higher share of longer-term corporate bonds and OFZs in total placement volumes was favorable for the average fee. Secondary trading volumes increased by 21.8% YoY. I would like to point out that we are currently observing high corporate activity in the primary bond market. This has been visible during the past few quarters, including the third quarter, and continued through October. In fact, October was the best month of the year for the Russian corporate bond market. The key factors are high demand from investors and falling interest rates amid easing monetary policy. On a separate note, we plan further admissions of corporate bonds to T+1 mode in 2019 and 2020.

Slide 15, interest and finance income in the third quarter. It rose by 8.7% YoY, largely due to realized investment portfolio revaluation. Excluding this effect, core NII was down by 9.4% YoY. The effective yield on the portfolio declined expectedly, reflecting the dynamics of ruble interest rates and the currency mix of client funds. Average funds available for investing grew by almost 23% YoY, but mostly owing to the growth of euro-denominated client funds, whose share went from 53% in the third quarter last year to 61% in the third quarter this year.

Operating expenses. Operating expense in the third quarter 2019 added 7.6% YoY. It brought total OPEX growth for 9M2019 to 8%, the lower end of our guidance range, which we keep for our full year OPEX guidance growth unchanged at 8% to 10%. Personnel expenses increased 14.2% YoY. The main drivers behind this were headcount growth, one-off personnel expenses and salary adjustments. Professional services costs declined by a quarter. This was largely due to the fact that our 3Q2018 professional services expense included pass-through costs paid to grain storage facilities. The contraction of the grain market reduced this cost. CAPEX for the quarter was RUB 0.56 bln. The total YTD CAPEX then stands at RUB 1.35 bln. We keep our 2019 CAPEX guidance intact at RUB 2.0 bln to RUB 2.5 bln. This concludes the first part of our call. We are ready to take questions.

Operator
Thank you, ladies and gentlemen, we'll now begin the question-and-answer session. The first question comes from the line of Andrew Keeley from Sberbank.

Andrew Keeley - Sberbank CIB
Hi, good afternoon, thank you for the call. I have a couple of questions. First of all, could you give us any kind of color or comments on what is happening with your average yields in money markets and fixed income? We saw quite a strong drop in the third quarter. I am just wondering, do you think that we were kind of a little bit spoiled by very high yields in the first half of the year and that we are probably at a more normalized level for yields? And one thing, I suppose, on the money market side is that the yields came down quite a bit even though it looks like average terms and open interest were relatively stable relative to the second quarter and actually trading volumes were up a bit on the second quarter. So it would be good to understand a little bit more about why there was that pressure on the yields in the Money Market. And I'll ask another question afterwards. Thank you.

Max Lapin - CFO
Thank you, Andrew. Let me start with the Fixed Income, NII type of a question. Yes indeed, core NII went down expectedly, two reasons behind that. The interest rate environment, which started to affect us.

When I'm saying expectedly, I think I have been mentioning it like for at least half a year already. The second factor, we also have the utilization of ruble balances. It might be different from quarter to quarter. In the third quarter, we have not been able to utilize ruble balances as full as in the other quarters. Therefore, we had some effect on the average yield. In terms of the money market question, while the open interest indeed affects the yield, so we have this slight deterioration. But when looking at the graph with the open interest, we had that trough in August. We are already observing some recovery in September. In the fourth quarter, we have a couple of tricks in our minds to do to improve this Market's performance. Let us see how it evolves.

Andrew Keeley - Sberbank CIB
Okay, thank you. That's helpful, Max, thank you. Just a follow-up question on your net interest income. If we strip out the realized gains in the third quarter, the numbers look quite a bit lower than expected. Could you maybe talk a little bit about where these realized gains came from? Are they coming from kind of ruble or FX portfolios? And if it is the kind of FX portfolio, then can we assume that your interest income from FX portfolio is going to be quite a bit lower going forward given that it suggests that you would have basically realized gains on higher interest parts of the portfolio. Given where rates are now, that will put quite a bit of pressure on your forward-looking interest income on the FX side?

Anton Terentiev - Director of IR
Alright, Andrew, let's decompose your question in parts – the outlook and what happened. So what happened is that we realized part of our FX portfolio. So we sold that at the very beginning of the second quarter. We had to rebalance, and it did affect the recurring part of the income, of course. For rubles, that was about the utilization that Max has mentioned. For FX, that was like a front-loaded realization or front-loaded rebalancing of our FX portfolio. Now you are trying to get the outlook. And what I can tell you is that third quarter was in many ways unusual. And I would, for now, refrain from extrapolating its performance onto next quarters. I'd say we have to look at a normalized quarter. Maybe fourth quarter this year will be more normalized. And then we will make conclusions. But I wouldn't be making conclusions at this point.

Andrew Keeley - Sberbank CIB
Okay, thank you. And just finally, on these sugar provisions, which sounds like it's a kind of a technical thing. Have you done this before? And perhaps we didn't really see this because it was perhaps a small segment. And would you expect that these would be unwound and over what kind of time period?

Max Lapin - CFO
That's a very good question. It was happening before, but the third quarter is the quarter of the harvesting. Therefore, we had the overall volumes up. Therefore, this is like a risk-linked type of provision. So it is expected to be unwound as the harvest is going down, as the sugar gets processed further. So that's why we call it technical.

Andrew Keeley - Sberbank CIB
Okay, thank you.

Operator
The next question comes from the line of Elena Tsareva from BCS.

Elena Tsareva - BCS
Good afternoon and thank you for your call. My first question is on OPEX dynamics. It seems like third quarter was quite strong, and OPEX declined QoQ. So maybe you could share your views for fourth quarter. Maybe you can say that you can be below low-end of your guidance, below 8% for the year. And just a small additional question on this side. What is one-off personnel expenses attributed to in the third quarter? This will be my first question.

Max Lapin - CFO
Good. With the OPEX, we keep the full year guidance unchanged, although we are sitting at the lower end of the guidance. Usually we have strong seasonality in the

fourth quarter, the closing of the deliverables on the vast majority of projects. Since we are investing this year in the strategic project for the future, I would not be revising the guidance below 8%, the bottom range, and 10%, the upper range. So it stands. Your next question, please.

Elena Tsareva - BCS
Just this one-off personnel expenses, what is this attributed to?

Max Lapin - CFO
That's a classical thing, like severance packages, when some people leave the company.

Elena Tsareva - BCS
I see, thank you. And just another question. Could you provide the actual level of capitalization for NCC and other entities compared with the requirements, how comfortable are you running now?

Max Lapin - CFO
The target capital is unchanged. You might actually download our strategic presentation, which was released less than a month ago. You'll see the target capital structure in there. The numbers are still the same.

Elena Tsareva - BCS
Thank you. Maybe it will be helpful to see it as a separate slide in the presentation. It is my small suggestion. Thank you very much.

Max Lapin - CFO
Alright, thank you Elena, that's a good suggestion, we'll think about it in the future. Thanks.

Operator
The next question comes from the line of Sergey Garamita from Raiffeisen Bank.

Sergey Garamita - Raiffeisen
Thank you for the presentation. Just a couple of questions left because most of my questions have already been answered. This RUB 100 mln provision, should we exclude it from the dividend base or not? This is my first question. And the second question, what's the fate of the missing grain provision? Are there any proceedings? Should we exclude part of this provision by the year-end from the dividend base or not? Could you give us some guidance on that and update? My third question is on free cash flow, but I will ask it after you answer these two. Thank you.

Max Lapin - CFO
Thanks Sergey. With the grain provision, it stands unchanged. It is the same as in the last quarter, with the difference to the tune of several million rubles. So, it’s unchanged. With the sugar provision, it's seasonality-driven, due to the harvesting. We will be expecting the balances to go down somewhat. In the next quarter, we will have to recalculate the provision accordingly, depending on balances at sugar storage facilities. On to your dividend question. The grain provision, in accordance to the cash flow formula that we provided, is the cash outflow. Therefore, judging by the formula, it should be affecting the dividend calculation.

Anton Terentiev - Director of IR
At the same time, it's quite small magnitude. Assumptions you're doing might not be more precise than this RUB 100 mln. It's not a big deal.

Max Lapin - CFO
Your third question is welcome Sergey.

Sergey Garamita - Raiffeisen
Yes. My third question is quite technical, because I see that you publish net cash position. When we look at the regulatory capital of yours, which stands at RUB 80 bln to RUB 81 bln, does this include unrealized gains on your investment portfolio? Or do you liquidate part of this portfolio by the time you need to pay dividends or not? If it's all included, then judging by the figures, you already have accumulated like RUB 10 bln on top of the regulatory capital. And this also means that you've basically closed the gap in the net cash position after the dividend payments. So if all goes well, how do you

see the next quarters? How many months should we include in our dividend projections based on your free cash flow generation in the future? Should we include only the first quarter or maybe some more months because your dividends are paid only in the beginning of summer?

Anton Terentiev - Director of IR
Sergey, your conclusion about RUB 10 bln of spare cash that comes into the dividend capacity is correct. As for how many months of calculation shall we include – frankly, we are not ready to answer that question at this point. Let us see at the end of the year and towards March. I think we will be able to provide you something more specific with the full year results, but not today.

Max Lapin - CFO
In regards to the capital adequacy. As per the most recent regulation, unrealized gains are not recognized in the capital. We have to realize gains and then they are recognized in the capital.

Sergey Garamita - Raiffeisen
Okay. Thank you. Just a small thing on this dividend. Do I understand it clear that judging by the figures, RUB 10 bln on top of RUB 80 bln regulatory capital does not include this missing grain provision? So in that regard, should we exclude like the whole RUB 2.4 bln?

Max Lapin - CFO
Well, the grain provision money was the cash outflow. Therefore, the cash position already reflects the grain outflow. Do you get that, Sergey? Do I need to give additional comments?

Operator
Excuse me, the line of Sergey has been disconnected. The next question will come from Andrey Pavlov-Rusinov.

Andrey Pavlov-Rusinov - Goldman Sachs
Good afternoon, gentlemen. Thanks a lot for the presentation. I've got a couple of questions. First, on the ruble interest income outlook and ruble yield. Given what you say, some decline in the ruble yield was driven by lower utilization. Should we expect a more articulated decline then in the fourth quarter due to the market movement in the rates? Also, I can see from your financials that you have around RUB 1 bln of the reserve for the securities regulation gains. Do you expect to be recognizing some of that in the fourth quarter or in early 2020? How should we generally think about your security gains? That's my first question, and I'll ask a couple of others after.

Anton Terentiev - Director of IR
Andrey, just on securities, are you looking into the capital and referring to the unrealized gains on securities portfolio in the capital, right?

Andrey Pavlov-Rusinov - Goldman Sachs
Yes, the reserve part in the equity?

Anton Terentiev - Director of IR
Okay. Well, theoretically that particular line depends on whether we bought securities below par or above par. If we bought them above par and they performed further, then this gain is amortized against against the accrued coupon. Because when the bond is redeemed, and if we hold it to maturity, then we just redeem it at 100 – at par. So this gain is gradually amortized until maturity. However, if we bought the security below par, then it's still amortized till 100. So this gain will be transferred gradually into the P&L, into the accrued income. That's how you can see it. Did I answer your question on that?

Andrey Pavlov-Rusinov - Goldman Sachs
Yes, thanks with regards to the reserve, but generally on the outlook for ruble yields and for whatever gains could be realized: Do you expect to see a couple of quarters of accelerated securities gains because of what's happening with the sovereign curve? From the beginning of the fourth quarter, we saw another strong rally. Should we expect a strong fourth quarter on the securities

gains? At the same time, should we expect a bit lower Core NII because of what's happening with market rates.

Anton Terentiev - Director of IR
Well, what I can tell about this is, frankly, we don't have much of an expectation on the realization of gains. But if you look back into our history from 2015 until the middle of 2018, when the Central Bank was easing, we basically had a little bit of extra from realized gains every quarter. That was positive pretty much every quarter. Then when the CBR moved to hiking rates, we had negative revaluations a couple of times, but that was small. Now we are back to the same mode when the CBR is easing quite actively. Historically, this is accompanied by us being able to realize some of the gains. So without providing any outlook, I can just refer to this history. Against this macro backdrop, we usually had some support from positive realized gains. Now back to your question on the ruble yield outlook and how fast it feeds into our results. Obviously, interest rates are affecting us, and they are gradually feeding into our investment portfolio. I cannot say that we have a firm view on how fast it gets into our income. I discussed with colleagues, and I don't have a decisive answer on that. I would for now refrain from any certainty on that. Just saying that interest rates are getting into our income gradually and it's inevitable.

Andrey Pavlov-Rusinov - Goldman Sachs
Yes, thanks. That's helpful. Then my second question is just a follow-up on the Money Market yield. Given that tenors have actually increased but average yields have declined, was it connected somehow with the deferred income on the Money Market or not really?

Anton Terentiev - Director of IR
No, Andrey, no, it's all about the position that subsided slightly and hit a trough in August. Your question is on accounting factors or IFRS factors about the Money Market. The answer is that in the third quarter, we had like nominal RUB 20 mln extra year-over-year positive effect into both Money Market and Derivatives. But as you can see, this figure to the tune of RUB 20 mln, is not a factor even for Derivatives. So you can basically neglect it.

Andrey Pavlov-Rusinov - Goldman Sachs
Yes, thanks. Just a follow-up question on the sugar market. Could you give us a bit more context on how big is this market? Essentially, it's about your total storage exposure to sugar. Is it sizably lower than with grain? What could be your total exposure? Maybe just comparing it with grain market. How does this market operate? Is it primarily the swaps that generate some of the exposure for which you need to provide? Or it's also some spots operations?

Max Lapin - CFO
The size of the market itself is orders of magnitude smaller than the grain market. Following the situation with the grain market, risk policies were tuned are to very aggressive provisioning for any positions. But so far, the market is way smaller than the grain market. Therefore, the provision here is purely technical.

Anton Terentiev - Director of IR
Speaking of the type of contract. As far as I remember, it should be all spot because grain swaps were kind of a unique product. In sugar, we trade essentially spot.

Andrey Pavlov-Rusinov - Goldman Sachs
Thanks, very helpful. My final technical question: I've just noticed that your depreciation rates have declined in the third quarter a little bit for the equipment. Did you make any changes or it's just a volatile thing? Thank you.

Max Lapin - CFO
Well, depreciation rate. I think you might be referring to the overall depreciation amount in the presentation, right?

Andrey Pavlov-Rusinov - Goldman Sachs

Yes, the amount as well have slightly dropped.

Max Lapin - CFO
We revised the depreciation rates at the beginning of last year. This year, we wound down some of the intangible assets, so we have reduced the depreciation base. As for the rate, the terms of the depreciation itself have not been changing this year. So accounting policy stands the same. The decline might be due to the fact that some of the equipment used for data center migration three years ago went off the depreciation schedules given the accounting policy, but physically, it was not written off. Therefore, it stands. Therefore, the physical amount is there, but in accounting terms, the equipment is written off.

Andrey Pavlov-Rusinov - Goldman Sachs
Okay, thank you very much. Very helpful.

Operator
The next question comes from the line of Andrey Mikhailov, SOVA Capital.

Andrey Mikhailov - SOVA Capital
Good afternoon and thank you very much for the call. I have a few questions. The first one is on the tricks that you mentioned that could happen in the Money Market in Q4. Would you be in a position to elaborate on this?

Anton Terentiev - Director of IR
Look, we launched a new product that we referred to in one of our first slides, the repo with the Federal Treasury. So that's a new product line right there. Then we are elaborating whether we can do repo transactions with foreign clients. It's an open question now. Plus, we still hope that our position improves, the open interest improves and maybe terms become longer. We try to make them longer with the RUSFAR curve that we are building. So this is the inventory of measures that we're sitting on basically.

Max Lapin - CFO
The opportunities in the money market are as follows. Some of them are happening. Some of them will perhaps take a little bit longer. Federal Treasury is there; that's good. We are looking into the international access. Third, corporates – additional corporates and the pricing structure for those.

Andrey Mikhailov - SOVA Capital
Okay, that's very helpful, thank you very much. My second set of questions is this sugar business again. Sorry about that. First, the provision against the sugar exposure, how big is it as a percentage of the total exposure?

Max Lapin - CFO
Well, let's say, it's real high given the aggressiveness of the risk policies since the grain incident. Like real high, meaning real high.

Andrey Mikhailov - SOVA Capital
Thank you. And my second question on this, but I think I probably know the answer. With the absence of swaps in the sugar market, how smaller is the inherent risk in this business compared to the grain business, the way the grain business was before you discontinued the swaps?

Anton Terentiev - Director of IR
Well, it's non-comparable. Again, I should reiterate – this situation is not linked to swaps and you're basically remembering this case in grain where swaps blew up. In sugar, there are no swaps and it's just a credit exposure to storage facilities, just pure application of risk management policy like a bank does, for instance.

Andrey Mikhailov - SOVA Capital
Thank you. And my third set of questions is on your collaboration project with the Kazakhstan Exchange. As I understand, they're basically building a lot of new products using your existing platform, your software and your knowledge. I wanted to ask and understand how big your revenues are from selling your know-how, software and anything else? Maybe you could give an

estimate of such revenues that were recorded in Q3 specifically. Thank you very much.

Max Lapin - CFO
We are providing our technical consulting services to KASE. Yes, indeed, helping them to build a range of products similar to Moscow Exchange. These technical consultancies are relatively miniscule. The overall amount of the contracts – I already mentioned it in the previous call or before that – is to the tune of several million dollars over the course of the consultancy and technical service. In exchange, we are getting a stake in KASE up to 20%. That's the overall structure of the deal. Therefore, the overall revenues for that consulting services are relatively miniscule to be visible on our revenue roster.

Andrey Mikhailov - SOVA Capital
Okay. So just to make sure: it's a package deal and most of the cash flows as part of this deal are recorded or included in the consideration for the stake? So on a quarterly basis, there are no – or very small – payments. Is that correct?

Max Lapin - CFO
Yes, you got it right. It is like consulting services in exchange for the stake.

Anton Terentiev - Director of IR
Plus, against the stake, we also have their cash position. You cannot just net equity against the cash flow of consulting services because we have a partial claim on their cash position as well. That has to be included into the calculation if you are trying to understand the rationale of the deal.

Andrey Mikhailov - SOVA Capital
All right, thank you very much. That's all from me. Thank you.

Operator
The next question comes from Olga Veselova from Bank of America.

Olga Veselova - Bank of America
Well, thank you. I have two questions. One is about your provisioning pool: what part of your provision pool is now in form of securities and what portion is in cash? And how this proportion has been changing this year, year-to-date, if you disclose this information. My second question is: I'm happy that you mentioned about Interactive Brokers. Do you see any visible impact on trading volumes from foreign investors via Interactive Brokers? Can you share any figures with us? Thank you.

Anton Terentiev - Director of IR
Olga, can you please clarify a little bit the first question? Maybe a quick comment before you do. We have expected credit loss provisions on the securities portfolio that we do under IFRS 9, but these are technical – again, provisions that we never expect to realize. And the second part refers to the grain, so I'm not sure what was the point of your question.

Olga Veselova - Bank of America
No, no, Anton, sorry, maybe I just should clarify. I mean the collateral pool used by your customers at Moscow Exchange. It can be in the form of securities, it can be in the form of cash, that one – the collateral pool.

Anton Terentiev - Director of IR
Okay, that one. More than 90% of the whole body of collateral is securities. Vast majority of it has been securities for at least a year or two already.

Max Lapin - CFO
That means that the collateral pool you see in the slides is the cash collateral part only. The securities collateral is not shown there, but it's like 10 times bigger. In regards to the Interactive Brokers, we will not be sharing data as of yet. Let's see how it pans out for the quarter. But as a side note, the retail interest is one of the drivers on our next five years' strategic horizon. We are betting on retail to support the securities market.

Anton Terentiev - Director of IR
Yes, I the story with Interactive Brokers is only emerging now. They have several

hundred thousand active clients, but their activity on our platform has just started to be visible. It's an emerging story at an initial stage.

Olga Veselova - Bank of America
I see, thank you. And maybe last one is: congratulations to Max with the award of the Best CFO this year.

Max Lapin - CFO
Thank you, that's a real pleasure. Nice! Thank you.

Olga Veselova - Bank of America
Thank you.

Operator
Dear speakers, there are no further questions at this time.

Max Lapin - CFO
Okay and let me then provide a closing remark. We approached the end of the third quarter earnings call. We expect the annual reporting to be released as usual – let's say, first week of March. We'll be scheduling the call around that time in 2020. So looking forward to hearing from you all again. Thank you very much.

Anton Terentiev - Director of IR
Thank you everybody for your good questions and hope to reconnect in 2020.

END