



**MOSCOW
EXCHANGE**



Release contents Securities market 2015

Release contents highlights

T+2 settlement cycle:

- Creating new class of securities: securities with partial pre-funding which can't be used as collateral for other transactions;
- Implementation of settlement in foreign currencies on T+ markets;
- Expanding the list of possible settlement codes in the Negotiation mode section with Central Counterparty and the REPO with Central Counterparty;
- Cross-trading control at the client level;
- Improving discrete auction algorithm;
- Opening auction introduction.

T+1 settlement cycle:

- Moving Russian Federal Loan Bonds (OFZ) trading to T+1 settlement cycle;
- Auctions for large-scale orders for OFZ implementation;
- Transferring delivery of bond futures contracts to T+1.

T0 settlement cycle: implementation of the technical possibility to trade bonds with settlement in GBP and Yuan.

National Clearing Centre:

- Moving the early clearing session from 16:00 MSK to 17:00;
- Changes in the Guarantee fund system;
- Buying in process changes for cash and securities.

Primary market: possibility to open trading account section for listed companies.

Execution: *Cancel on Disconnect* service implementation.



T+2: Creating a new class of securities: securities with partial pre-funding which can't be used as a collateral for other transactions

	Listed Security	Transaction on Partial pre-funding basis	Accepted by NCC as a collateral on other transactions
Before 1.06.2015	Option 1	✓	✓
After 1.06.2015	Option 1	✓	✓
	Option 2 NEW!	✓	✗

Securities, accepted by NCC as collateral, **can be** used as a collateral for other securities with partial pre-funding.

Before 1.06.2015 **all** securities, traded on pre-funding basis, were acceptable as a collateral for other transactions.

Starting from 1.06.2015. **Some** securities, which themselves are allowed to be traded with partial pre-funding, will not be accepted by NCC as a collateral for other transactions.

Attention! The list of securities with partial pre-funding which can't be used as a collateral for other transactions will be disclosed on the website <http://www.nkcbank.com/>



T+2: Expanding the list of possible settlement codes in Negotiation mode section with Central Counterparty and REPO with Central Counterparty

It will be possible to trade REPO with the Central Counterparty with settlement cycles up to 7 days

Settlement codes	
Negotiation mode	Anonymous mode
<ul style="list-style-type: none"> ▪ Y0/Y1 (asset delivery at 17:00; 19:00) * ▪ T0/Y1 (immediate asset delivery on 1st part of REPO transaction) ▪ T0/Y2 (immediate asset delivery on 1st part of REPO transaction) ▪ Y1/Y2 (asset delivery on the next day at 17:00) ▪ Y0/Y2 (asset delivery 17:00; 19:00) * 	<ul style="list-style-type: none"> ▪ Y0/Y1 (asset delivery: 17:00; 19:00)*
* asset delivery goes at 17:00 if the deal was done before 16:00; asset delivery happens at 19:00 if the deal was done after 16:00	
NEW SETTLEMENT CODES AVAILABLE FROM 1.06.2015	
<ul style="list-style-type: none"> ▪ T0/Y3, T0/Y4, T0/Y5, T0/Y6, T0/Y7 ▪ Y0/Y3, Y0/Y4, Y0/Y5, Y0/Y6, Y0/Y7 ▪ Y1/Y3, Y1/Y4, Y1/Y5, Y1/Y6, Y1/Y7 	<ul style="list-style-type: none"> ▪ Y0/Y1W <p>Y1W – 7TH calendar day starting from the day of execution of first part of REPO deal . If the day is a holiday, then 2nd part of the REPO transaction will be executed to the next working day.</p> <p>Y0/Y1W is a settlement code equal to Y0/Y5 settlement code for the standard week with two days of weekend.</p>

* Before 1st release 2015 it was possible to trade REPO with CCP with settlement cycle 1 and 2 days in Negotiated mode, and only 1 day settlement cycle in Anonymous mode.



T+2 Cross Trading Control

Cross trading is available only for client (not proprietary) accounts for the following trading modes with Central Counterparty: Main trading mode T+, Negotiated trades with CCP, Main trading mode T0 and negotiated trades T0.

Cross trading is restricted by default for each client code.

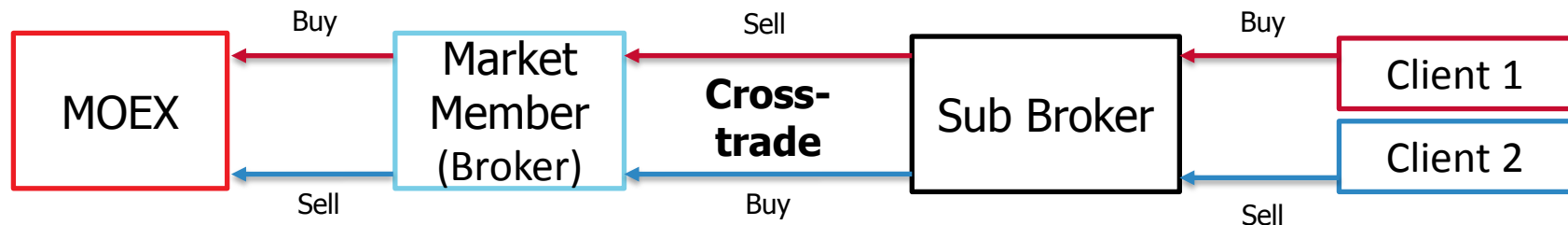
In order to allow cross trades market participant should tick the cross trading “yes” box in each client registration form for whom the cross trading is planned to be allowed.

Cross trades are not allowed for proprietary or asset management accounts.

Legal framework: On Friday 6th of February new amendments to the Central Bank of Russia regulation on exchange trading activity N 437-П related to cross trading (execution of a sell and buy order sent from a single client code) came into power.

Previously all orders sent from a single client code that could be used by several clients were cancelled on the exchange level which made Direct Market Access for international clients inconvenient.

Technical implementation of the cross trading restriction removal on the Moscow Exchange is planned for 1 June 2015.



T+2: Improving Discrete auction algorithm (1)

Before 1.06.2015

Goes on:

- Equities included into 1st Securities list
- And/or equities included MICEX Index

Trading modes:

- Main trading mode T+ (electronic order book T+2)
- Securities market -D— Main trading mode T+

MAX number of discrete auction series per day: 1

During the period of the discrete auction trading suspended in:

- Large blocks of securities trading mode
- REPO with CCP – Anonymous mode
- Market sector Classica

Trading resumes:

- In 30 min if the price isn't determined during the Discrete auction;
- In 15 min if the price was determined.

After 1.06.2015

Goes on:

- Equities included MICEX Index

Trading modes : NO changes

- Main trading mode T+ (electronic order book T+2)
- Securities market -D— Main trading mode T+

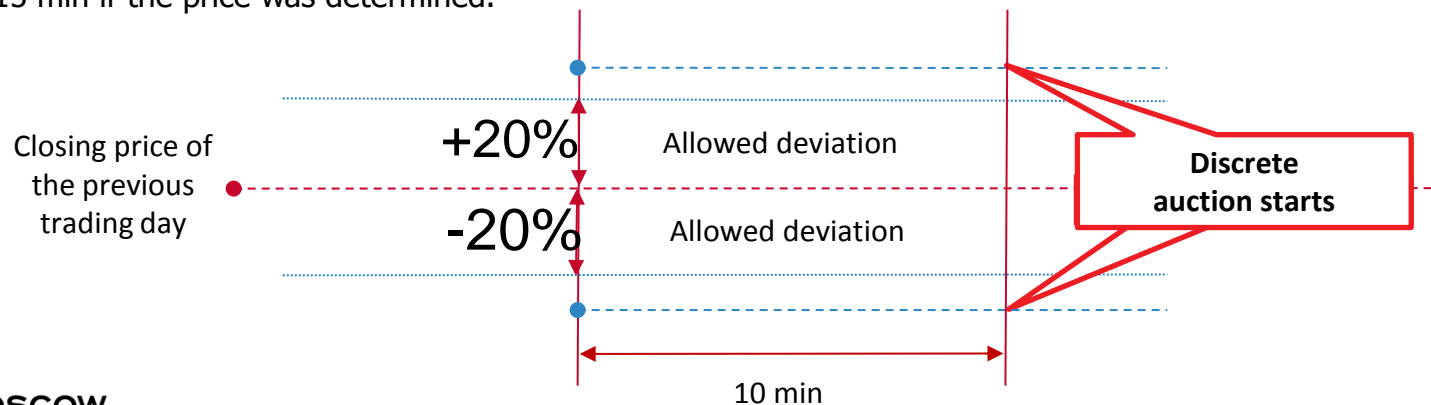
MAX number of discrete auction series per day: 2

During the period of the discrete auction trading suspended in:

- No trading suspensions

Trading resumes:

- In 30 min independently from price determination.



T+2: Improving Discrete auction algorithm (2)

As of 1.06.2015 for determining the current price, the trades from the trading modes below to be included:

Trading mode	Board	Currency
Main trading mode	EQOB	RUB
	EQEU	USD
	EQEO	EUR
	EQGO	GBP
	EQYO	CNY
Main trading mode T+	TQIF	RUB
	TQTF	RUB
	TQOB	RUB
	TQBD	USD
	TQTD	USD
	TQOD	USD
Trading mode equities D - main trading mode	EQOB	RUB
Trading mode equities D - main trading mode	TQDE	RUB
Trading mode Bonds D- main trading mode	EQDB	RUB
Trading mode Qualified Inv. – Main Trading mode T+(for ETFs)	TQQI	RUB
Trading mode Qualified Inv.– Main Trading mode (for Bonds)	EQQI	RUB

Determining the current price, transactions from the below trading periods to be included:

1. Opening auction;
2. Main trading period;
3. Closing action/post-trade period

Transactions of pre-trade period, discrete auction are not included into current price determination. There is no changes in algorithm of current price determination.

Opening auction

Time period:	Securities	Trading mode	Board
09:50 – 10:00	Equities	Main trading mode T+ Electronic trading book T+2 <i>(instead of pre-trade period)</i>	TQBR
	Russian Federal loan Bonds (OFZ)	Electronic trading book T+1. Main trading mode T+	TQOB

Main characteristics of opening auction:

- **Limit and market orders can be submitted into the opening auction:** market orders have higher execution priority than limit orders. For market orders additional commission 0,0025% will be charged;
- **Opening auction allows to determine representative open price.** Open price to be determined during opening auction at a price, ensuring execution of transactions with max number of shares;
- **The possibility of price manipulation is minimised** due to the random end of the auction;
- **Broadcast of the Opening auction in real time:** on-line indication of auction price, electronic order book, total buy and total sell volumes, imbalance will be available in Quik, Bloomberg and other vendors.



T+1. Moving OFZ to T+1 settlement cycle

As of 1.06.2015 the electronic trading book with settlement cycle T0 will be closed.

	Electronic trading book T0 (Main trading mode) Board - EQOB Settlement code – T0	Electronic trading book T+2 (Main trading mode T+) Board - TQOB Settlement code – Y2	Electronic trading book T+1 (Main trading mode T+) Board- TQOB Settlement code– Y1
Before 23.03.2015	✓	✓	✗
Before 1.06.2015	✓	✗ →	✓
After 1.06.2015	✗	✗	✓ + opening auction + closing auction

Benefits for market participants from moving to T+1 settlement cycle:

- Significant decrease in funding costs;
- The possibility to make a trade without asset availability on the trade day;
- Additional revenue on funds allocation;
- Improving electronic order book liquidity due to arrival of market-makers and algo-traders, whose participation wasn't possible without partly pre-funding before the release.



T+1 Expanding the list of control options for the Broker

Currently a broker can control settlement of their clients' transactions via the following options:

- 1. The Broker can place a ban on transactions with partial pre-funding on the client's account.** It means the broker can guarantee the availability of a client's assets at any moment up to the transaction settlement. The broker can place the ban on a client's account at any moment.
- 2. Increasing coefficient placed by broker.** A Broker can place an increasing coefficient on their client's account for the collateral needed for a client's transactions. The National Clearing Centre will block higher level of collateral at the NCC level.
- 3. Restrictive limit placed by broker** At any time a Broker can place a restrictive limit on a particular client's account or particular security. A restrictive limit imposes a ban on the withdrawal of assets pledged as a collateral on the transaction. At present the broker can manually place the restrictive limit up to 100% of collateral.

Starting from 1.06.2015, new option to be added:

4. Restrictive limit, is placed by National Clearing Centre

NCC can place a restrictive limit on the size of the settlement obligations required at the end of the day at 16:00 MSK, at the moment of forming First settlement pool. At 17:00 NCC will check all collaterals and perform settlement. The Broker has one hour (from 16:00 till 17:00 MSK) to analyze assets available for settlement and find additional funding if needed.

Auctions for large blocks of Russian Federal loan bonds (OFZ)

Auctions for large blocks of Russian Federal loan bonds – new trading mode for conducting transactions with large blocks (starting from 50 000 bonds) in TQDB Board.

Main characteristics:

- Hidden order book: market participants can see only their own orders and the fact that there are other buy/sell orders, if any;
- The transaction can be completed at the mid-point price, determined during the 3 min before the auction starts;
- Auction schedule: 2 times per day, (1-st auction: 11:47-12:00 Moscow time; 2-nd: 16:47-17:00 Moscow time)
- All transactions go through Central Counterparty with Y1 settlement code, with partial pre-funding;
- Settlement day - T+1, equal to the main settlement cycle.

Delivery of bond futures will move to T+1

Delivery of bond futures (Russian Federal Loan Bonds, Eurobonds of Ministry of Finance RF) as of 1.06.2015 will take place in a new trading mode «Delivery for future contracts T+» (board – SPEQ)

Delivery of bond futures will be the same as for the delivery off stock futures:

- All transactions are completed without putting an order into NCC;
- All data on obligations to be downloaded into ASTS system from system SPECTRA on the evening of the day before delivery.
- Settlement code in ASTS – Y1

Main features of the new delivery technology:

1. Partial pre-funding of the delivery obligations;
2. Netting of obligations of bond futures delivery with obligations from the main trading mode;
3. Automation of delivery of bond futures (before the system update market participants had to input the number of orders manually)
4. Guarantee funds to be unblocked earlier due to moving the delivery settlement to the derivatives market section where funds for delivery are unlocked earlier (at 9.00-9.30 AM).

Important!

Starting from 1.06.2015 delivery of bond futures on OFZ and Eurobonds under T0 technology in SPOB board is impossible.



T0. Bond trading with settlement in foreign currencies

MOEX to provide the possibility to settle bonds, nominated in foreign currencies, in following currencies:

Settlement currency	Board	Security
GDP	EQGO	Bonds (settlement in GBP)
	PSGO	Negotiation trading: bonds (settlement in GBP)
	PAGB	Placement: Negotiation trading, GBP
Yuan	EQYO	Bonds (settlement in CNY)
	PSYO	Negotiation trading: bonds (settlement in CNY)
	PACY	Placement: Negotiation trading, CNY

Settlement currency is equal to nominal value currency.

In Negotiation trading mode only the below currencies available:

- RUB
- USD
- EURO

There is no possibility to Settlement in GDP and CNY in REPO trading mode.



Clearing & Settlement Schedule Change

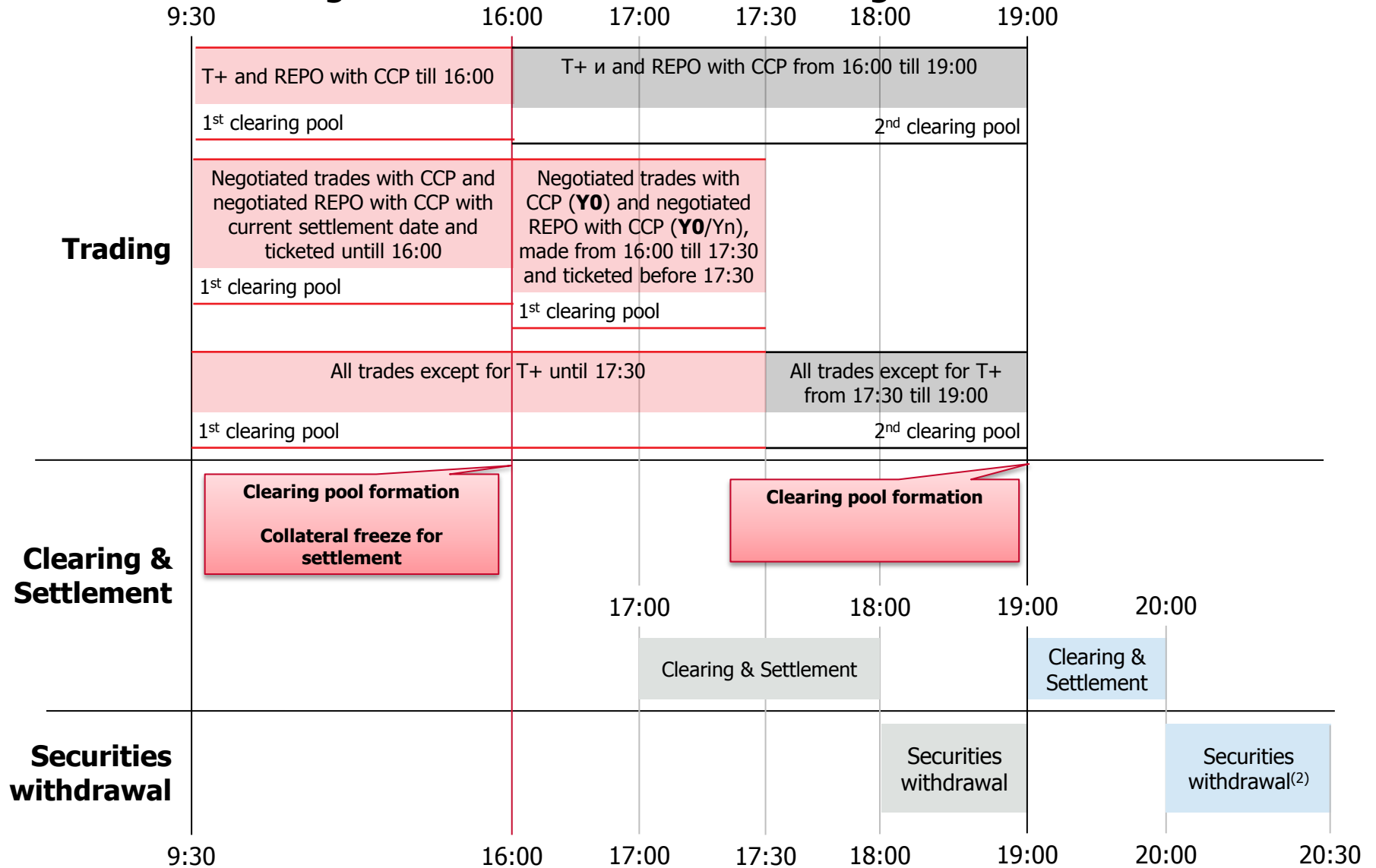
16:00 clearing session to move to 17:00.

That change should give buyers some extra time to provide cash using 3rd Central Bank Batch before MOEX on-exchange clearing.

Moscow Time	MOEX On-Exchange	NSD OTC Settlement		CBR Batches
		FoP	DVP	
9:00		9:30 - 20:00 Online Settlement		
10:00			10:00 – 10:20 1 st Session	
11:00				11:00 – 12:00 1 st Session
12:00				
13:00			13:00 – 13:20 2 nd Session	
14:00				14:00 – 15:00 2 nd Session
15:00			15:00 - 15:20 3 rd Session	
16:00	16:00 - 17:15 T+2 EOB			16:00 – 17:00 3 rd Session
17:00	17:00 - 18:00 T+2 EOB			
18:00			18:00 – 18:20 4 th Session	18:00 – 20:00 4 th Session
		18:45 – 19:05 5 th Session		
19:00	19:00 - 19:40 T0/T+n Negotiated			
20:00				
21:00				21:00 – 22:00 Final Session



Clearing & Settlement Schedule Change: 16:00 → 17:00



Guarantee fund asset acceptance

Asset type	Starting from	Asset type	Max %
Cash	C 05.02.13	₽	Up to 100%
Foreign Cash	C 01.06.15 NEW!	\$	Up to 100%
	C 01.06.15 NEW!	€	Up to 100%
Securities	C 01.06.15 NEW!	OFZ	Up to 100%

Cash received in coupons is transferred to the separate clearing member account.

In order to submit Government bonds (OFZ) clearing member should:

- Submit an inquiry to the NSD on agreement of gains transfer from NCC to NSD depo account
- After receiving confirmation on acceptance of inquiry from NSD, NCC should open required accounts for accepting Guarantee fund contributions
- Transfer required securities from the trading section of depo account to the section used for guarantee fund contributions

Withdrawal of OFZ is available by submitting request that should contain:

- Trading and clearing account number for guarantee fund contributions
- Clearing member trading and clearing account number on which securities should be transferred
- Number of securities and their codes



Change in number of rollover days

Failed obligations

	Cash	Securities
Before 1.06.2015	45 Consecutive settlement days	45 Consecutive settlement days
After 1.06.2015 <i>In accordance with new NCC clearing rules edition</i>	2 Consecutive settlement days	4 Consecutive settlement days

Failing procedures are defined in the [NCC clearing rules](#).



T+2: settlement in foreign currencies on T+ markets

- **The technical possibility*** to settle transactions in USD and Euro will be implemented from 1.06.2015
- Main trading mode: settlement in Rubles or USD. Other modes – Rubles, USD and Euro
- Settlement will be possible only on dates, when settlement in securities and currencies will be available;
- Settlement days for the same securities and settlement codes can vary due to national holidays in different countries.

Securities market, ETF		Settlement currency:		
NEW! Starting from 1.06.2015	Main trading mode T+(electronic order book T+2)	₽	\$	
NEW! Starting from 1.06.2015	Negotiation trading mode with Central Counter Party	₽	\$	
	Negotiated trading mode <i>already in place</i>	₽	\$	
Money market, REPO with CCP anonymous orders (Y0/Y1)				
NEW! Starting from 1.06.2015	Money market, REPO with CCP anonymous orders (Y0/Y1)	₽	\$	€
NEW! Starting from 1.06.2015	REPO with CCP – Negotiation deals	₽	\$	€
	REPO <i>already in place</i>	₽	\$	€

All trades with foreign currencies will be accessible in separated boards.



Introduction of «Cancel on disconnect»

A new "Cancel on Disconnect" service will be available which will allow all sponsored client's orders to be cancelled and no new orders to be entered in specific circumstances.

«Cancel on Disconnect» is set to off by default.

Market member should submit a special request to their account manager in order to use the service.

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 - volatility (a) of the Russian economy and the securities market and (b) sectors with a high level of competition that 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;
 - competition increase from new players on the Russian market;
 - the ability to keep pace with rapid changes in science and technology environment, including the ability to use advanced features that are popular with the Company's and its subsidiaries' customers;
 - the ability to maintain continuity of the process of introduction of new competitive products and services, while keeping the competitiveness;
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