



**MOSCOW
EXCHANGE**

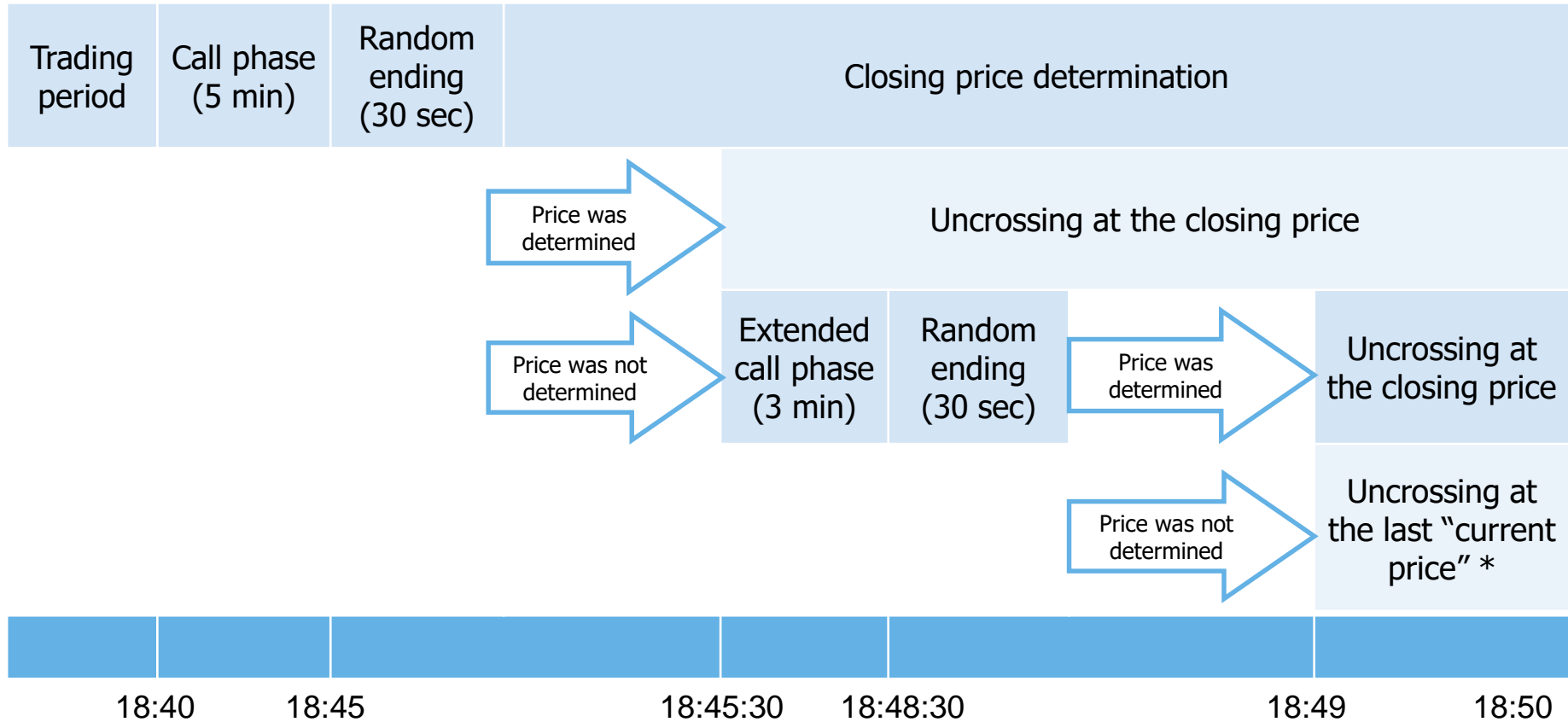


CLOSING AUCTION

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CLOSING AUCTION TIMING AND PHASES



* VWAP for the last 10 minutes of Trading period

ORDER TYPES

Moscow Exchange introduced order types for the Closing auction that may be submitted during the Trading period:

1. **Market order (MOC) "Market-on-close"**

- Bid volume – amount in round lots, ask volume – amount in round lots; both can be entered during the whole trading period
- It is taken into account while the closing price is establishing
- Has the highest priority at execution in the Closing auction
- Executed at Closing price

2. **Limit order (LOC) "Limit-on-Close"**

- Entered with the price and number of lots indication
- Can be entered during the whole trading period
- Is taken into account while the closing price is establishing
- Execution priority – after the MOC orders and market orders entered during Call Phase
- Executed at Closing price



ORDER EXECUTION PRIORITY

Order executes in the following priority:

- 1. Market-on-Close orders (time priority applies)**
- 2. Market orders entered during Call phase and Call phase extension if applicable (time priority applies)**
- 3. Limit orders (price priority applies). In the case of equal price the priority is as those**
 - Limit-on-Close orders (time priority applies).
 - Limit orders, transferred from Trading period (time priority applies).
 - Limit orders entered during Call phase and Call phase extension if applicable (time priority applies)
- 4. Limit or Market order at the closing price**



ORDER BOOK AND INFORMATION TRANSPARENCY

In the Closing auction the open market depth model will be applied (with some restrictions).

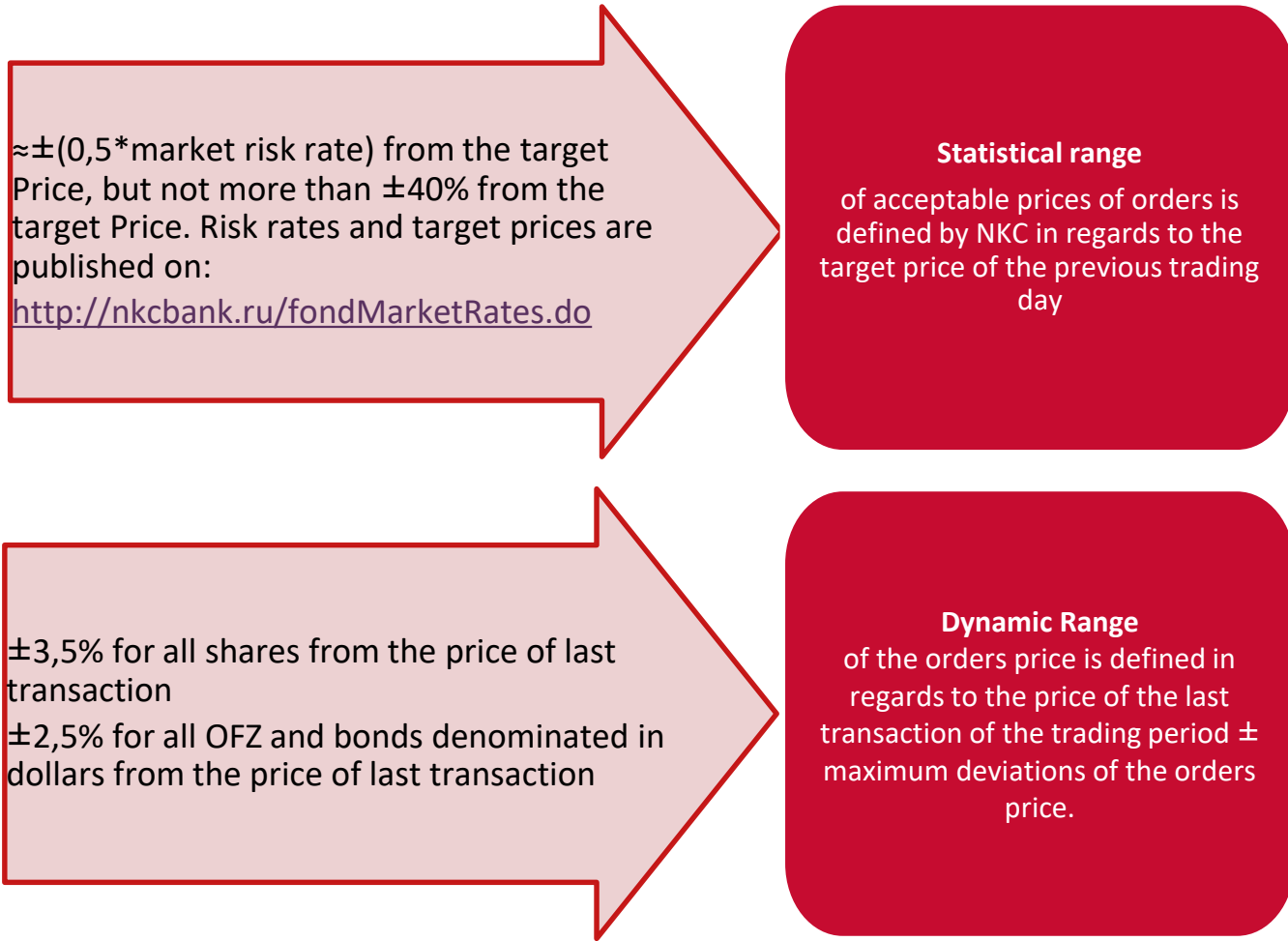
1. Transparent order book

2. Parameters of the closing auction disclosed online are the following:

- Current indicative Auction price (after the end of an auction – the Auction price)
- Current indicative executable volume (after the end of the auction – the deals volume)
- Surplus (the difference between the aggregate supply and demand at the current indicative price)
- Total supply and demand
- Current trading volume for Trading at the Closing price



Restrictions to the order prices to prevent manipulation



$\approx \pm(0,5 * \text{market risk rate})$ from the target Price, but not more than $\pm 40\%$ from the target Price. Risk rates and target prices are published on:
<http://nkcbank.ru/fondMarketRates.do>

$\pm 3,5\%$ for all shares from the price of last transaction
 $\pm 2,5\%$ for all OFZ and bonds denominated in dollars from the price of last transaction



CLOSING AND AUCTION PRICE DETERMINATION

Step 1

An aggregate demand (number of securities) is accumulated by descending price values for each price and an aggregate supply (number of securities) is accumulated by ascending price values for each price of limit orders. Each value of the aggregate supply/demand is supplemented with existing volume of market orders which can be executed at a given price.

Step 2

For each price executable volume is determined by taking the minimum between the aggregate supply and aggregate demand calculated at the step one.

Step 3

The closing price is the price that maximizes executable volume in lots.

Step 4

If there is more than one price maximizes executable volume in lots, the price minimizes auction surplus (executable volume at the price in lots) is taken.

Step 5

If there is more than one price at which the above-mentioned conditions are fulfilled, the market pressure principle (surplus direction) should be applied. If there is an excess in demand, the highest price is taken, if there is an excess in supply – the lowest.

Step 6

If there is more than one price at which the above-mentioned conditions are fulfilled, the price closest to the last trade price is taken. If there are several such prices then the higher price of them is taken.



CLOSING AND AUCTION PRICE DETERMINATION

Conditions for the Auction price determination at the end of Call phase (call phase extension not to be invoked)

- Auction order book is crossed (no spread exists)
- The Auction price lies inside the established dynamic price range at the end of the call phase
- All market orders to be completely executed

No Auction price is determined, if after the call phase extension:

- Auction order book is uncrossed (a spread exists or book is empty)
- Auction price lies outside the established dynamic price range
- **In this case closing price is equal to the last "current price"***

* VWAP for the last 10 minutes of Trading period



Appendices



MOSCOW
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Examples of determining the auction price

Maximum of executable volume

Bid			Ask			
Aggregate volume	Bid	Price	Ask	Aggregate volume	Executable volume	Surplus
		90.24	1000	6000		
3000	3000	90.23	3000	5000	3000	2000S
4000	1000	90.22	2000	2000	2000	2000B
6000	2000	90.21				

Closing price is equal 90.23

Examples of determining the auction price

Minimum of surplus

Bid			Ask			
Aggregate volume	Bid	Price	Ask	Aggregate volume	Executable volume	Surplus
		MO	20000			
5000	.	90.22	10000	45000	5000	40000S
10000	5000	90.21	5000	35000	10000	25000S
25000	15000	90,20	5000	30000	25000	5000S
35000	10000	90.19	5000	25000	25000	10000B

Closing price is equal 90.20

Examples of determining the auction price

Market pressure

Bid			Ask			
Aggregate volume	Bid	Price	Ask	Aggregate volume	Executable volume	Surplus
5000	5000	MO	50000	275000	5000	270000S
5000		90,22	35000	225000	5000	220000S
20000	15000	90,21		190000	20000	170000S
35000	15000	90,20	50000	190000	35000	155000S
55000	20000	90,19	35000	140000	55000	85000S
65000	10000	90,18		105000	65000	40000S
65000		90,17	55000	105000	65000	40000S

Closing price is equal 90.17

Examples of determining the auction price

Closest to the last price

Bid			Ask			
Aggregate volume	Bid	Price	Ask	Aggregate volume	Executable volume	Surplus
5000	5000	MO	15000	60000	5000	55000S
10000	5000	90,22		60000	10000	50000S
25000	15000	90,21	5000	60000	25000	35000S
35000	10000	90,20	10000	55000	35000	20000S
40000	5000	90,19	5000	45000	40000	5000S
45000	5000	90,18	5000	40000	40000	5000B
45000		90,17	20000	35000	35000	

Examples of determining the auction price on 24.11.2011 trading data

Price	Description
4,921	Aggressive order
5,151	Last trade price
5,029	Price according to the weighted average
2.36%	Deviation from the last trade price
5,095	Price according to the Closing auction
1.09%	Deviation from the last trade price

- The price calculated according to the new algorithm is highlighted in red in the table
- The aggressive order and the auction price are highlighted in yellow in the table

A.Bid	Bid	Price	Price	Ask	A.Ask	Matched. Vol	Surplus
0			5290	10	1524	0	-1524
0			5240	150	1514	0	-1514
0			5232	50	1364	0	-1364
0			5231	50	1314	0	-1314
0			5179	22	1264	0	-1264
0			5163	20	1242	0	-1242
10	10	5153			1222	10	-1212
12	2	5142			1222	12	-1210
14	2	5133			1222	14	-1208
43	29	5132			1222	43	-1179
303	260	5131			1222	303	-919
313	10	5127			1222	313	-909
313			5125	140	1082	313	-909
314	1	5120	5120	140	942	314	-768
364	50	5115			942	364	-578
374	10	5114			942	374	-568
793	419	5113			942	793	-149
807	14	5112			942	807	-136
837	30	5106			942	837	-106
857	20	5101			942	857	-85
867	10	5100			942	867	-75
1007	140	5095			942	942	65
1147	140	5090			942	942	205
1157	10	5078			942	942	215
2067	910	5062			942	942	1125
2331	264	5061			942	942	1389
2352	21	5040			942	942	1410
2381	29	5000			942	942	1439
2451	70	4921	4921	942	942	942	1509

Contacts

London Office

1 King Street, London EC2V 8AU

Tom O'Brien

Head of International Sales

Tom.O'Brien@moex.com

Tel.: +44 (0) 207 002 1391

Mob.: +44 (0) 7738 716321

Moscow Office

4/7 Vozdvizhenka Str., Bld 1, Moscow

Securities Market

Securities.market@moex.com

Tel.: +7 (495) 363-32-32 ext. 26-025



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