CBR TAKES OVER FINANCIAL MARKETS REGULATOR DUTIES

On 1 September the Central Bank of Russia (CBR) will assume the responsibilities of a mega-regulator, while the Federal Financial Markets Service (FFMS) will cease operations and all of its regulatory powers will be transferred to the CBR.

The CBR historically played the role of a traditional banking regulator. The Bank's duties now include providing financial market stability, avoiding financial crises, regulating, providing control and monitoring non-banking organisations, protecting investor and shareholder rights, controlling the use of insider information and insurance legislation, and controlling the non-state pension fund market.

The CBR will thus regulate securities market participants, insurance companies, financial organisations, investment and pension funds, and exchanges. More than 55 countries currently have mega-regulators, of which 13 are run by central banks.

The government decided in December 2012 to integrate the FFMS into the CBR. A key factor was time, given that the government's programme to make Moscow an international financial centre is a major priority. New CBR head Elvira Nabiullina argued that the creation of a mega-regulator will allow for more effective evaluation of systemic risk in Russia's financial sector and prevent major crises.

Securities market participants are hoping that merging monitoring and regulation of the financial services industry into a single entity will reduce the large amounts of time that are currently spent on preparing and launching various financial products and services which have long been operating successfully in other countries.

The CBR is Moscow Exchange's largest shareholder, owning 22.47% of the shares. The CBR is expected to sell its stake in Moscow Exchange within the next two years, as a part of a broader programme to privatise state assets.

CORPORATE NEWS

Annual Report Competition Launched

Moscow Exchange has begun accepting applications for participation in the XVI Annual Report Competition. The competition is a key event among the issuer and investor community, and helps to develop a corporate culture of openness and transparency.
Any company, Russian or foreign, which reports in Russian and/or English is eligible to participate. The closing date for applications is 14 October. Information on the competition and previous results can be found here.

Strong Addition To Sales Team

Marc Millington-Buck has joined the Moscow Exchange as Head of International FX Sales. Marc has more than 20 years' exchange-market experience.
He has extensive knowledge of electronic trading in cash and derivatives products; including FX, money markets, fixed income, equities, and commodities.
He also has valuable experience in the trading operations and processes of electronic exchanges, such as DMA, clearing, and risk management.
Prior to joining Moscow Exchange, Marc was an international business development consultant at Trayport, which provides access to electronic derivatives trading. Whilst there, Marc worked with banks, prime brokers, and OTC and exchange-traded derivatives venues to bring new and existing international clients to electronic trading under risk managed, sponsored DMA.
"One of Moscow Exchange's main priorities is to attract foreign brokers and investors to our trading floors, and the arrival of someone of Marc's calibre allows us to strengthen our international sales team significantly", said Moscow Exchange Deputy CEO Andrey Shemetov.
Marc reports to Tom O'Brien, head of Moscow Exchange's international sales team, in London.

NEW SERVICES & PRODUCTS

New Incentive Programme For Brokers Introduced

Moscow Exchange launched a new incentive programme for brokers on 1 August, which aims to boost share liquidity and broker activity. Programme participants are entitled to a monthly rebate of 60% of the ad-valorem trading fee paid (meaning that the rebate would amount to 25.5% of the total ad-valorem fee). To be eligible for the rebate, the broker's monthly ad-valorem trading fee must be at least RUB 12,750 (corresponding to a total of RUB 30,000). The programme applies only to equities with T+2 settlement, and is valid until the end of 2013.

SPECTRA Derivatives Trading Platform: New Data Centre

Moscow Exchange has moved the SPECTRA trading platform, which serves its Derivatives and Equity Markets, to the new state-of-the-art M1 data centre. The migration was completed on 10 August, and comprehensive functional and load testing is planned for 17 August. To ensure migration safety, any changes in client connection schemes (including co-location) will be unavailable between 15-25 August. All clients already using the new connection types (Universal DMA scheme or VPN) must use new IP addresses for market access after completion of SPECTRA's migration to M1. Access via the old Kolskaya (Dolgorukovskaya) data centre and old internet connections will cease to be available from 1 October.

New High Frequency Market Data Service For Derivatives Traders

A new, ultra-low latency data feed is available for co-location users connected to the Derivatives Market via the M1 data centre. The new service allows clients to receive orders and trading data 30 times faster (once per millisecond), and enables the full anonymous order log to be loaded six times faster (once per 5 milliseconds). It allows clients to maximize the effectiveness of their high-frequency trading algorithms, where decision making speed is critical. It makes market data processing more flexible, and allows a variety of programmable aggregation and analysis methods to be utilised, facilitating immediate decision making and rapid responses to market micro-movements. The service is available for Plaza II protocols. Moscow Exchange will announce the date on which the service will become available after the SPECTRA platform completes migration to the M1 data centre.

MOSCOW EXCHANGE DEPUTY HEAD ON NEXT STEPS TOWARDS INTERNATIONALISATION

Moscow Exchange Deputy CEO Andrey Shemetov talked to Danielle Myles of the International Financial Law Review. Below is an abridged version of their conversation. The full version is available here.

IFLR: The Moscow Exchange has implemented a number of significant upgrades over the past 18 months. Are these part of a broader strategy to revamp the exchange?

Shemetov: They are part of a broader strategy to revamp the entire Russian financial market. Our goal is for Moscow to become the main location for Russian entities looking to raise capital, as well as for trading in Russian equity, debt, derivatives, FX, and other instruments.
We were able to push through a number of reforms that had been talked about for more than a decade but never implemented, such as creating a central securities depository (CSD). This makes the Russian markets more accessible to international investors. Other key reforms include the entry of Euroclear & Clearstream to the Russian market, and the settlement time for equities moving to T+2.

IFLR: The CSD has been lauded as a way to improve transparency and investor confidence in Russian capital markets. At this early stage of its operation, what impact has it had on the market?

Shemetov: Global investors are increasingly recognising that Moscow is a so-called normal place to do business. Yes, the CSD improves transparency and boosts investor trust. That is hugely important. But just as significant is that a functioning CSD is what international investors expect when they come to consider operations on a new market. The CSD is not a panacea, but it is a major step in the right direction as we deepen the market.

IFLR: How does the exchange view the entrance of Euroclear and Clearstream to Russia's government securities market?

Shemetov: The arrival of Euroclear and Clearstream has been a major boon to the government securities market. In the first half of this year, secondary on-exchange trading volumes in all ruble-denominated debt, including OFZs, increased about 70% to more than $200 bn.
The pie has grown thanks to the arrival of these two depositories, leading on-exchange trading volumes to increase in absolute terms.

Andrey Shemetov, Deputy CEO

We expect a similar outcome when Euroclear and Clearstream begin operations with corporate bonds and, eventually, equities.

IFLR: How is the phased transition from T+0 to T+2 settlement being received by the market, and have participants made the necessary system changes to accommodate the new settlement rules?

Shemetov: Despite some initial scepticism from local brokers, the Russian financial community is now relatively aligned in the view that T+2 will strengthen the market and attract more international flows, benefitting issuers and the market as a whole.
Moscow Exchange has done much to ensure that market participants are prepared for the switch, and we are phasing in the change over the course of the year. Participants are making the system changes and other moves required to operate under the new settlement regime.

All shares traded on Moscow Exchange will migrate to T+2 by 2 September, when T+0 settlement for all shares, Russian depositary receipts (RDRs), and OFZs ends.

IFLR: What are the next classes or instruments to be admitted to trading on the exchange?

Shemetov: Moscow Exchange already boasts one of the broadest ranges of asset classes traded on any exchange globally. We offer a platform for the trading of equities, bonds, derivatives, FX, money markets, and commodities.

Earlier this year saw the launch of the first exchange-traded fund (ETF) to trade on Moscow Exchange. We have also been ramping up our commodities trading business, and expect to offer trading of more precious metals and other commodities in the near future.

IFLR: What else must be done to improve foreign investor participation in Russian capital markets, and to what extent is this within the exchange's remit?

Shemetov: We need to complete some of the crucial initiatives that we have begun, including the full move to T+2 and opening up the corporate bond and equity markets to Euroclear and Clearstream.
The other major area that requires attention is connecting the domestic pools of long-term capital with Russia's equity market. A large, stable, long-term domestic investor base is the final piece that will make the Russian stock market attractive to international investors.
We are actively partnering with the government on issues such as these, as well as its privatisation programme. This programme will see the government sell stakes in a number of companies, in most instances via public sales on Moscow Exchange.

MOSCOW EXCHANGE CHIEF INFORMATION OFFICER ON NEW IT INITIATIVES

Sergey Poliakoff, Moscow Exchange's new CIO, spoke to Mike O'Hara from HFT Review. Below is an extract from this conversation. The full version can be found here.

HFT Review: Can you start by telling me a little about your own background?

Poliakoff: I'm an engineer in maths and computer science by training, and started my career at Bell Labs, working on operating systems before progressing to banking and finance systems, with various roles at Instinet, Citibank, Morgan Stanley, NatWest Securities, and Deutsche Bank, as well as a startup called QuadraServe, which was specifically an exchange business. My roles have ranged from running UNIX infrastructure to building equity derivatives systems, analytics, and then global execution, algos, trading systems, all of these types of thing. I was born in Russia, so coming back here has been fun and interesting. The technical challenges and the scale of tasks involved in changing the country's financial infrastructure feed my psyche, and I like that.

HFTR: On the theme of transformation, the exchanges were merged at the end of 2011, Moscow Exchange went public this year, and now you have two completely separate exchanges, each with their own technology architectures, which you are tasked with bringing together.

Sergey Poliakoff, CIO

How challenging is it to create a single cross-asset matching engine for the two exchanges, for example?

Poliakoff: There is some misconception in that exchanges – or electronic marketplaces – are viewed as something identical to a matching engine. An exchange is far more than a matching engine; in fact the matching engine is the simplest component in all of this. Right now, we do have two different matching engines, one of which services the equities & FX markets, and the other the derivatives market. But merging them into one is not a goal that we are pursuing actively. The real challenge is the merging of the risk and clearing infrastructure. This is actually where we produce most of our latencies, and this is where we get most of the work done, because Moscow Exchange does full pre-trade risk checking. And whereas other exchanges may do their normal pre-trade, pre-validation checks, they generally limit themselves to market stability or client buying power or something similar. We do a lot more than that, because we essentially perform a full clearing certainty check.

HFTR: So you are pulling in a lot more data?

Poliakoff: It is more data, but it is also the computational complexity of, when an incoming order hits the book, looking at the entire portfolio position that that particular client is holding and verifying whether, if the order executes and forms a position, it is going to breach the margin collateral held at the clearing house. The majority of exchanges are not capable of running this check pre-trade because they are not linked to their clearing houses the way we are. In addition to this, we can implement some very interesting and wide schemes for portfolio cross-margining. This reduces the cost of trading on the exchange by reducing the cost of funding the trade. And we can do this for all asset classes.

HFTR: And what kind of latency does that introduce?

Poliakoff: Under 50 microseconds. And you get a lot of certainty, safety, and stability – especially for what are essentially emerging markets – with this kind of latency. As we progress to further architectures, we will be introducing our two-tier risk verification structure, with which we can reduce the latency of the pre-trade risk check against the client's actual portfolio and the margin collateral even further. I believe that we can reduce the time for this check to under one microsecond, while still providing a level of risk management and risk protection that is probably unrivalled by anyone in the world. Within this infrastructure of risk management and collateral management margining, we can – and will –have multiple trading cores.

HFTR: Are you using FPGAs in your infrastructure for pre-trade risk checks?

Poliakoff: We do not need to go to FPGAs, GPUs, or anything esoteric, we can get to one microsecond without using these systems. In a market that is dynamic in the sense of emerging market regulation, emerging participant preferences, and so on, FPGAs may be something of a limiting factor, as we are more dynamic with our release cycle than most exchanges. We may go in that direction in a couple of years when the general market landscape stabilises, but at this point we have no plans.

HFTR: Can you tell us a little about your future strategy regarding market data and order interfaces and protocols? Will you continue to offer your own binary protocols as well as FIX and FAST alternatives, for example?

Poliakoff: For the foreseeable future, we are going to continue offering FIX and FAST as boilerplate solutions, as they are the most recognised standards and probably the easiest to attach to. However, we are also going to offer alternatives, just as we do today. We currently have two binary APIs, one of which is faster than FIX and the other actually slower, so we are going to take the faster one and expand it to cover all markets. It currently only operates in the derivatives market, so we are going to extend it. We want to transition to faster binary access to our system, probably bypassing the API libraries and allowing developers at client firms direct access to the wire and to the message structure itself as it goes on the wire.

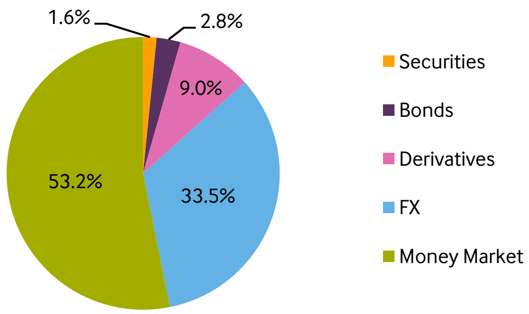
HFTR: In conclusion, is there any technical advice that you would give Western firms when coming to trade on Moscow Exchange?

Poliakoff: Not really advice, more a statement of our intent and direction. There is going to be plenty of internal innovation. We are building world-class systems, but outside it is going to look like any other place. We would like to operate in a standard and normal way, we do not wish to create any additional issues or logistical obstacles to those who wish to connect to us.
Russian markets need more HFT. If you look at the percentages and the fraction of the market that's really algorithmic HFT trading, we lag the US and UK markets. So there is plenty of room for participation, we welcome it; we understand HFTs' special needs, not just regarding trading systems, but also risk systems and market data systems.

MARKET REPORT

The total monthly trading volume in Moscow Exchange's markets in July was RUB44 tn. The average daily trading volume amounted to RUB1.9 tn, down 12% from the previous month. Trading in stocks, RDRs and mutual funds units made up 1.6% (RUB0.69 tn) of the total trading volume, the bond market's share was 2.8% (RUB1.24 tn), the derivatives market was 9% (RUB3.9 tn), the FX and money market accounted for 86.7% (RUB38 tn), and the commodities market trading volume was RUB0.3 bn.

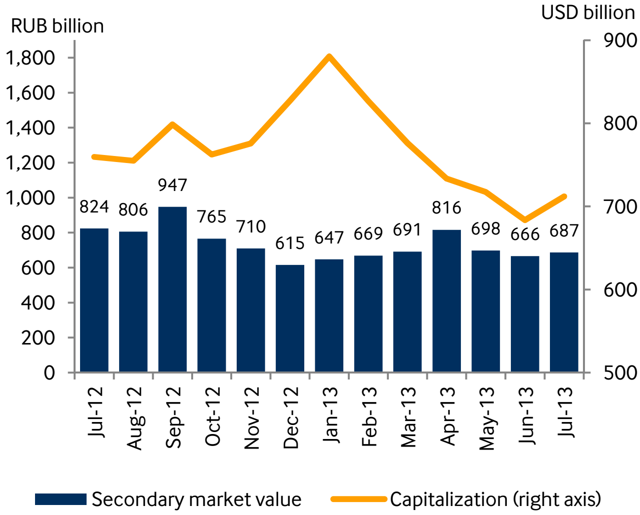
JULY 2013 TRADING VOLUMES BY MARKETS
TOTAL VOLUME OF RUB44 TRILLION



SECURITIES MARKET (STOCKS, RDRs AND INV. FUNDS UNITS)

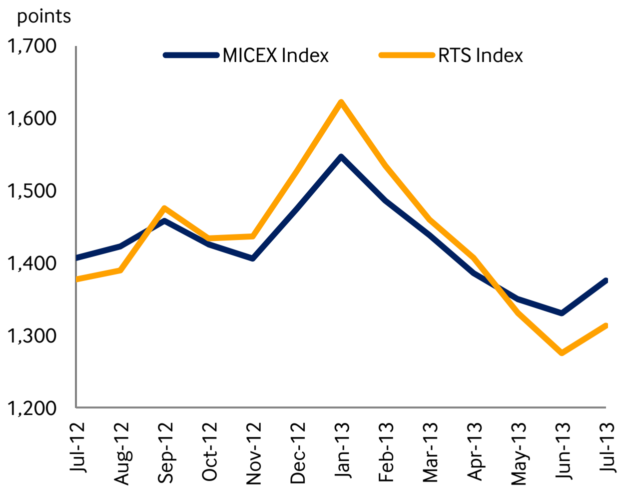
The trading volume of stocks in July totaled RUB0.69 tn. The average daily trading volume was RUB30 bn, down 15% from the previous month. The Main Market sector made up 90.2% of the total secondary market trading volume, the Standard sector accounted for 1.1%, the Classica sector made up 0.3%, and the T+2 sector came in at 8.5%. The primary market value was RUB0.5 bn. OTC trading volume equaled RUB0.2 tn or 22.5% of the combined value of secondary market and OTC trades.

VALUE TRADED IN STOCKS, RDRs AND INV. FUNDS UNITS

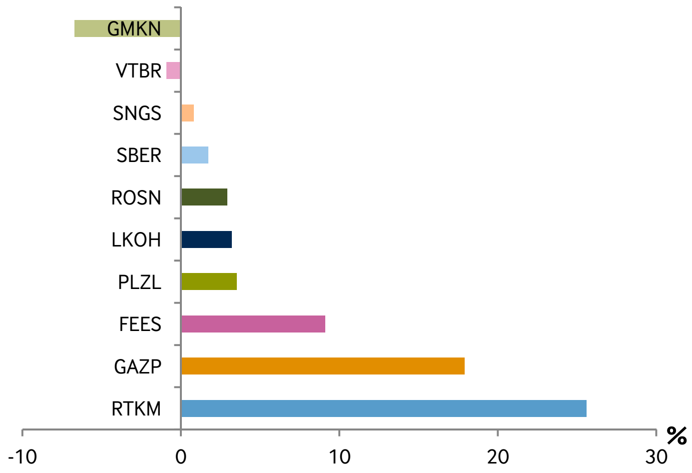


Over the month, the MICEX Index gained 3.41% to 1,375.79 (1,330.46 as at the end of June 2013). The dollar-denominated RTS Index was up 2.97% to 1,313.38 (1,275.44 as at the end of June 2013). Capitalization of the cash equity market appreciated 4.2% in July and amounted to USD711.95 bn as of the last day of the month (versus USD683.42 bn at the end of June 2013).

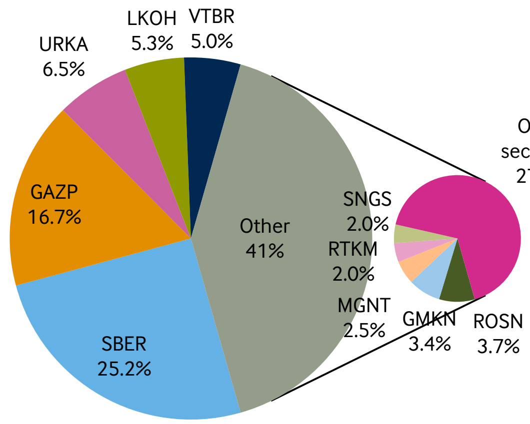
MICEX INDEX and RTS INDEX PERFORMANCE



MONTHLY CHANGES IN BLUE-CHIPS CLOSING PRICES



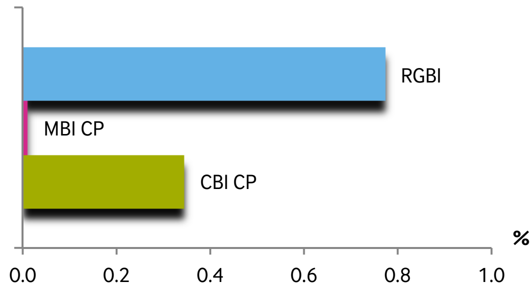
MONTHLY BEST SELLERS ON THE SECURITIES MARKET



MARKET FOR CORPORATE, REGIONAL AND GOVERNMENT BONDS AND EUROBONDS

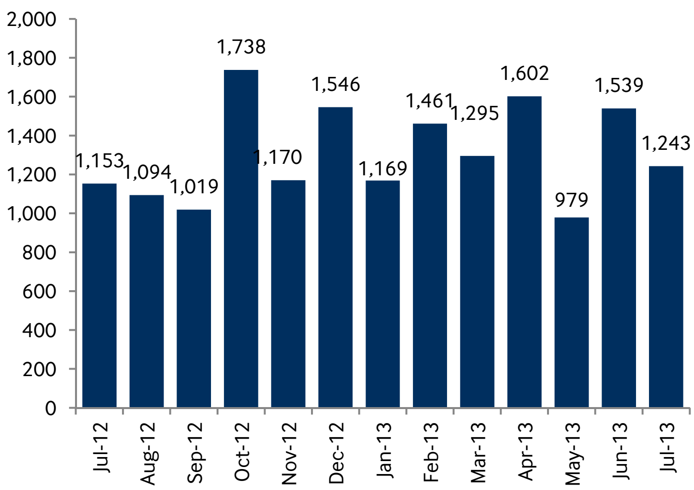
The Russian Government Bond Index (RGBI) was up 0.77% in July to 134.50 (133.47 as at the end of June 2013). The MICEX Municipal Bond Index (MICEX MBI CP) was up 0.01% to 97.40 (97.39 as at the end of June 2013). The MICEX Corporate Bond Index was up 0.34% to 93.37 (93.05 as at the end of June 2013).

MONTHLY CHANGE IN BOND INDICES

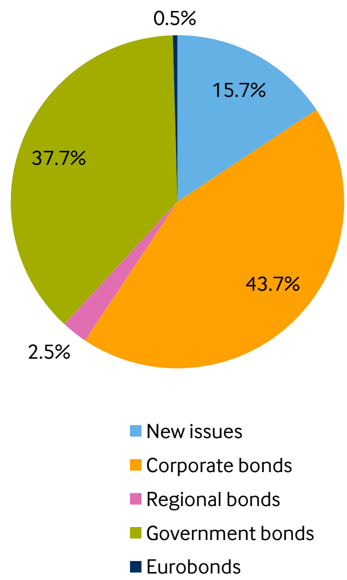


TOTAL VALUE TRADED ON THE PRIMARY AND SECONDARY BOND MARKETS

RUB billion



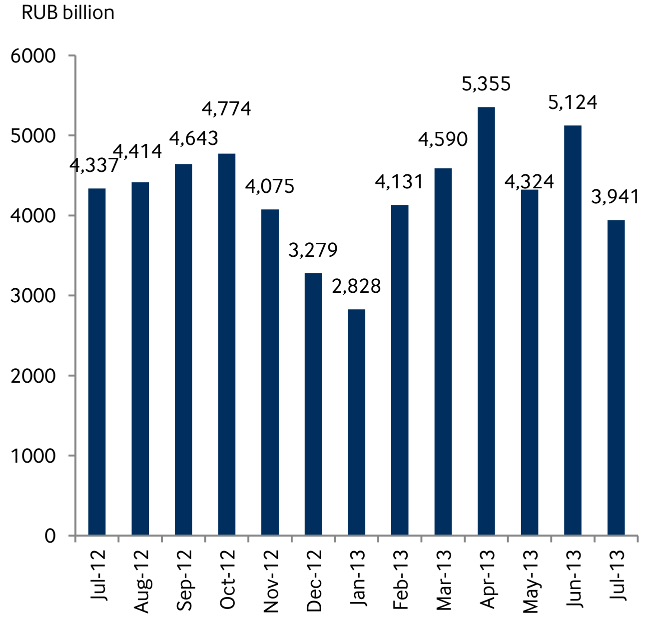
JULY TRADING VOLUME



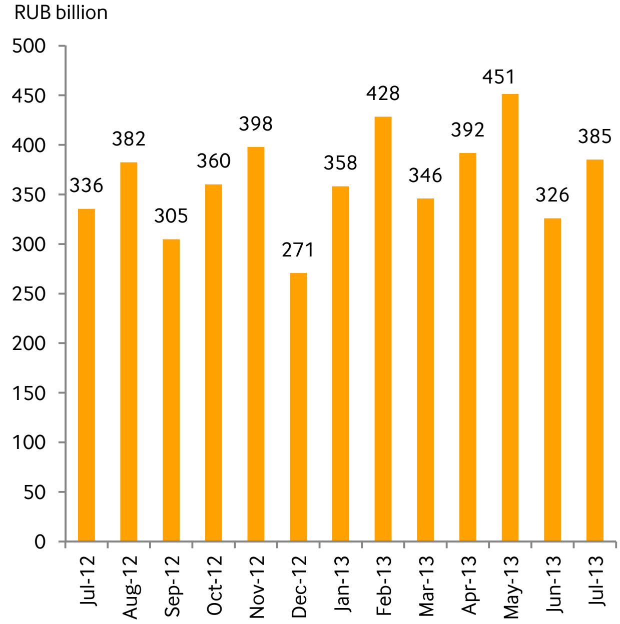
DERIVATIVES MARKET

The total value traded on Moscow Exchange's Derivatives Market in July was RUB3.94 tn or 95.13 mn contracts.
The average daily value traded on the market was RUB171.3 bn, down 37% from the previous month. The total open interest as of the month end reached RUB385 bn, or 10.6 mn contracts.

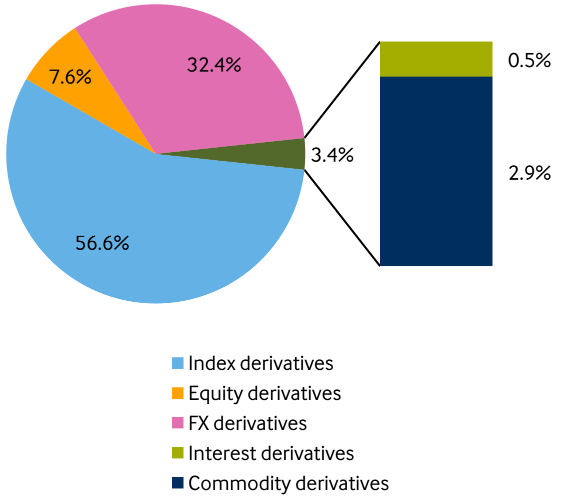
DERIVATIVES MARKET TRADING VOLUME



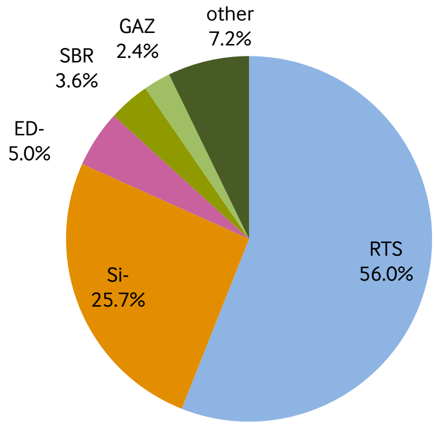
DERIVATIVES MARKET OPEN INTEREST



JULY TRADING VOLUME BY UNDERLYING ASSETS

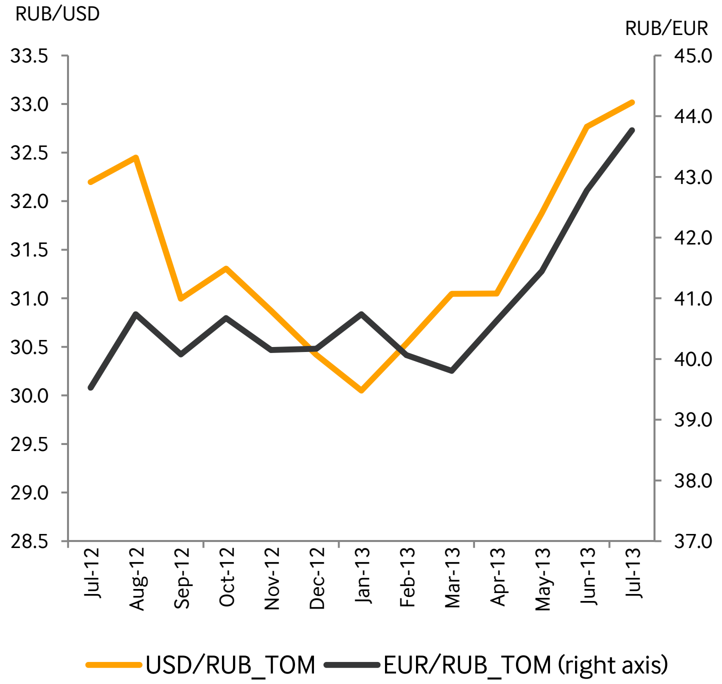


DERIVATIVES MARKET MONTHLY BEST SELLERS

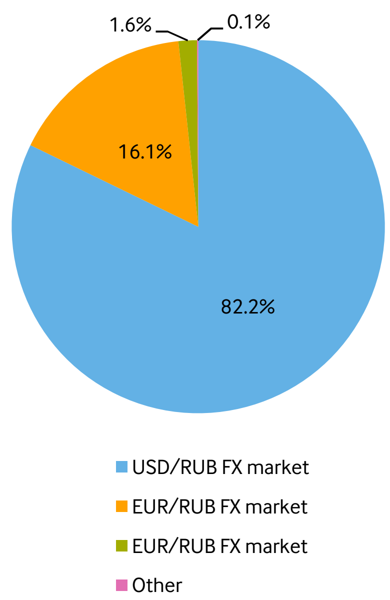


FX AND MONEY MARKET

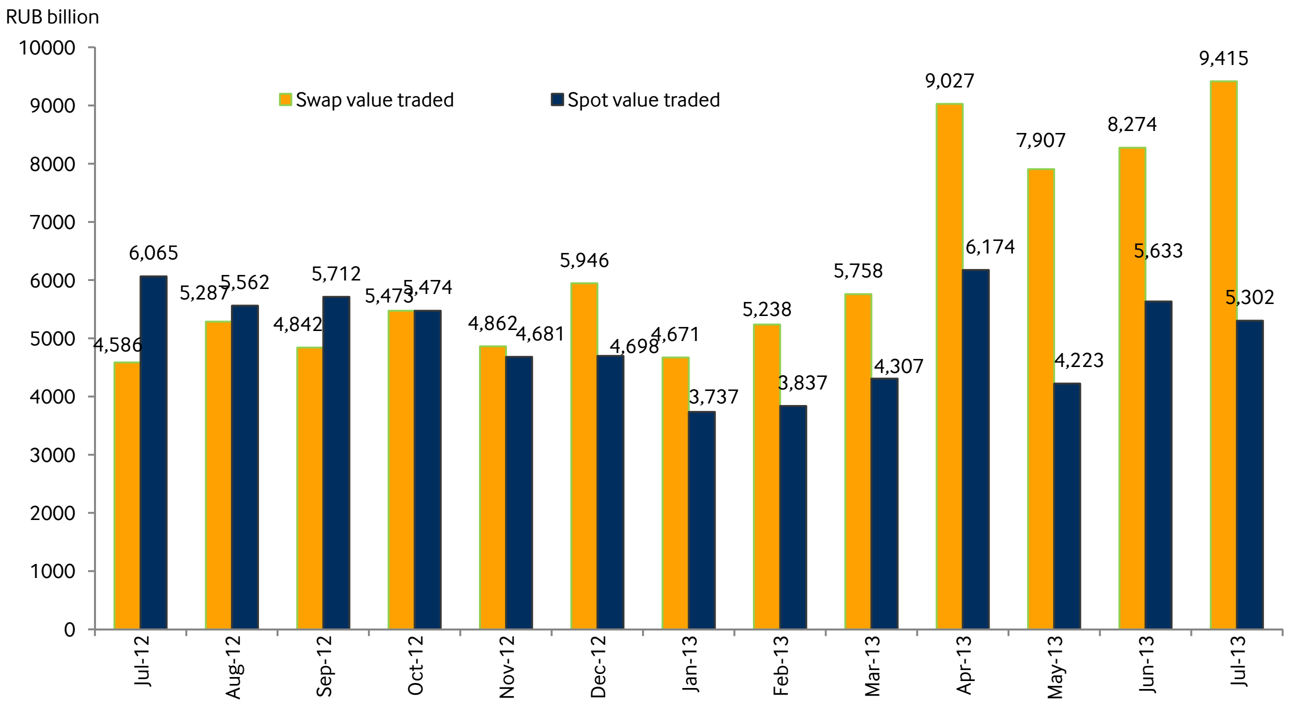
EXCHANGE RATES



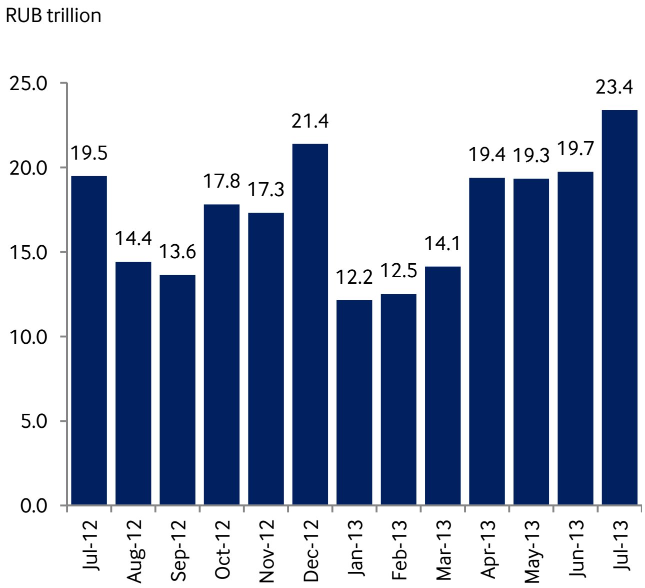
JULY TRADING VOLUMES



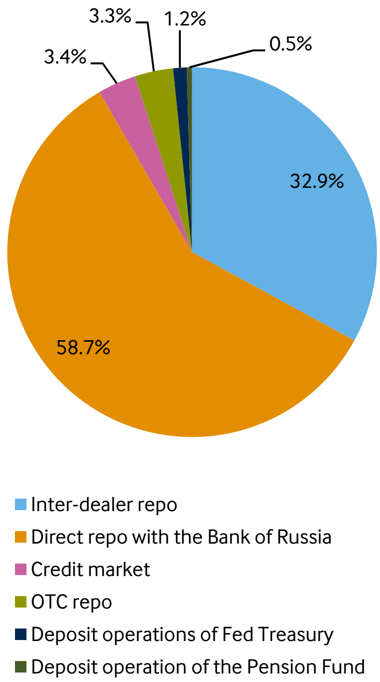
FX MARKET TRADING VOLUME



MONEY MARKET TRADING VOLUME

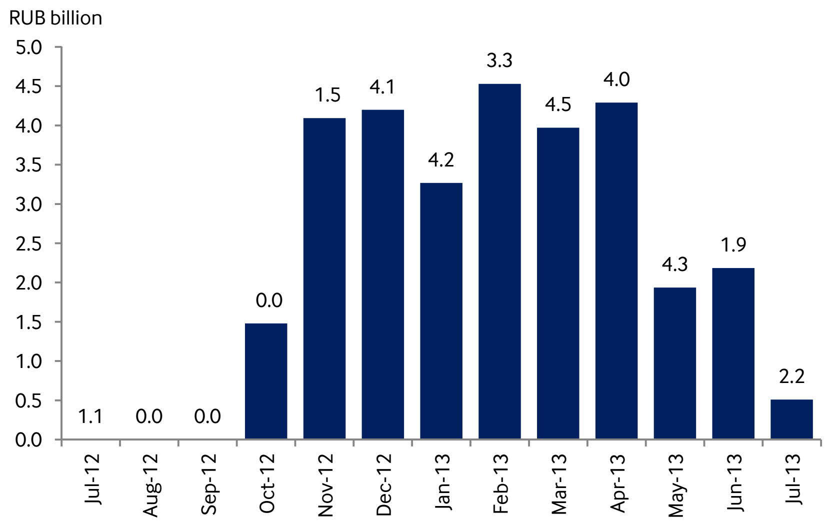


JULY TRADING VOLUME BREAKDOWN



COMMODITIES MARKET

COMMODITIES MARKET TRADING VOLUME



TOP 10 EQUITIES TRADERS

MAIN TRADING MODE

Rating position (previous month)	Company Name	Turnover, RUB bn
1 (1)	BCS	153.68
2 (2)	OTKRITIE	128.71
3 (5)	FINAM	98.84
4 (3)	Renaissance Capital	98.17
5 (4)	Sberbank	88.28
6 (6)	ALOR	73.21
7 (7)	IT Invest	55.27
8 (8)	VTB 24	55.26
9 (9)	Deutsche Bank	34.79
10 (10)	ATON	31.74

TOP 10 CORPORATE AND REGIONAL BONDS TRADERS

MAIN TRADING AND NEGOTIATED TRADES MODES

Rating position (previous month)	Company Name	Turnover, RUB bn
1 (15)	GPB	120.04
2 (1)	Sberbank	81.90
3 (3)	BC Region	53.79
4 (9)	VTB Bank	47.58
5 (2)	VTB Capital	46.58
6 (4)	VELES Capital	39.82
7 (13)	TransKreditBank	35.52
8 (7)	URSA Capital	33.18
9 (8)	KIT Finance	31.98
10 (6)	OTKRITIE	31.60

TOP 10 SOVEREIGN BONDS (OFZs) TRADERS

MAIN TRADING AND NEGOTIATED TRADES MODES

Rating position (previous month)	Company Name	Turnover, RUB bn
1 (1)	CITIBANK	92.94
2 (3)	VTB Bank	90.31
3 (4)	Sberbank	66.34
4 (5)	Credit Suisse Bank (Moscow)	55.18
5 (7)	Promsvyazbank	41.99
6 (20)	Unicredit Bank	34.22
7 (2)	ING Bank (EURASIA)	33.53
8 (8)	VELES Capital	29.65
9 (6)	Deutsche Bank	28.12
10 (11)	GPB	27.59

TOP 10 FUTURES AND OPTIONS TRADERS

Rating position (previous month)	Company Name	Turnover, RUB bn
1 (1)	OTKRITIE	1,642.56
2 (2)	BCS	1,561.88
3 (3)	IT Invest	756.76
4 (4)	FINAM	574.49
5 (5)	Renaissance Capital	388.40
6 (6)	Sberbank	290.01
7 (7)	ALOR	276.08
8 (8)	ALFA-BANK	244.46
9 (9)	VTB 24	219.83
10 (10)	ZERICH Capital Management	165.34

TOP 10 FX MARKET TRADERS (USDRUB SPOT)

Rating position (previous month)	Company Name
1 (1)	OTKRITIE
2 (2)	BCS
3 (3)	ALFA-BANK
4 (6)	Sberbank
5 (4)	Metallinvestbank
6 (9)	VTB Bank
7 (10)	NOMOS-BANK
8 (5)	OTP Bank
9 (7)	HSBC Bank
10 (-)	Credit Suisse Bank (Moscow)

TOP 10 FX MARKET TRADERS (USDRUB SWAPS)

Rating position (previous month)	Company Name
1 (1)	VTB Bank
2 (2)	Sberbank
3 (3)	NOMOS-BANK
4 (6)	OTKRITIE Bank
5 (8)	BINBANK
6 (5)	FUNDSERVICEBANK
7 (7)	Morgan Stanley Bank
8 (4)	Deutsche Bank
9 (-)	Rosbank
10 (-)	Ural Bank for Reconstruction and Development

FX market participants' trading turnover volume is not subject to disclosure

MOSCOW EXCHANGE

DIVERSIFIED PRODUCT OFFERING WITH **UNIFIED CLEARING**

Equities and Fixed Income:

- Listing
- Local shares
- Foreign shares and DRs new
- Government bonds
- Municipal bonds
- Corporate bonds
- Mortgage-backed securities new

Derivatives:

- Indexes
- FX
- Local single stocks
- Foreign single stocks new
- Commodities
- Interest rates new

Integrated clearing platform & CCP

FX Market:

- Spot instruments (USD, EUR, CNY new and CIS currencies)
- Swap instruments (overnight and up to one year USD/RUB swaps new)

Money Market:

- Inter-dealer REPO
- REPO with CBR
- REPO with CCP new
- Credit & deposit operations (MinFin, Federal Treasury new, CBR, State Pension Fund new assets placements)

Commodities market: (expected in 2013)

- Spot precious metals new
- Swap precious metals new

CONTACTS

Moscow office: 13, Bolshoy Kislovskiy per. , Moscow,125009, Russia
+7 (495) 363 32 32

London office: Moscow Exchange International Ltd
60 Cannon St, London EC4N 6NP
+44 (0) 20 7002 1391

Media	pr@moex.com
Investor Relations	ir@moex.com
London Office	salesteam@moex.com
Market Participants	info@moex.com
Issuers	issuersconsulting@moex.com
Listing	listing@moex.com
IT Support	help@moex.com

www.moex.com