

**MOSCOW  
EXCHANGE**

23 October 2013, New York  
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Moscow Exchange Securities Market

# **MOSCOW EXCHANGE SECURITIES MARKET**

# Buying Russian securities is **easy**

## 5 Reasons to buy Russian local shares on Moscow Exchange

National Settlement Depository as CSD fully complies with Rule 17f-7 allowing US funds to invest in Russian securities

Major international custodians operate in Russia

Major international banks have offices in Russia

Several international banks provide DMA to Moscow Exchange

Moscow Exchange is the only liquidity center in Russia: there are no dark-pools, MTFs/ECNs on the Russian Market



# Moscow Exchange **Securities Market**

## Equity Market



- Local shares
- Foreign shares<sup>new</sup>
- Depositary receipts<sup>new</sup>
- International ETFs<sup>new</sup>

## Fixed Income Market



- Government bonds (OFZ)
- Corporate and municipal bonds
- Foreign bonds
- ABS, MBS



# Competitive position in **fixed income**

## Total value of bond trading

USD bn (Jan - Sept 2013)

Rank	Exchange	Country	Value	Incl. REPOs
1	BME Spanish Exchanges	Spain	6 345	✓
<b>2</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>3 250</b>	<b>✓</b>
3	London SE Group	UK	1 808	✓
4	NASDAQ OMX	USA (Europe)	1 659	✓
5	Johannesburg SE	South Africa	892	✓
6	Korea Exchange	Korea	634	×
7	Colombia SE	Colombia	535	×
8	Oslo Børs	Norway	445	✓
9	Borsa Istanbul	Turkey	336	✓
10	GreTai Securities Market	Taiwan	211	✓

## Number of bonds listed

Sept 2013

Rank	Exchange	Country	Value
1	Luxembourg SE	Luxembourg	26 989
2	Deutsche Börse	Germany	22 607
3	London SE Group	UK	20 989
4	Irish SE	Ireland	20 970
5	Korea Exchange	Korea	10 752
...	...	...	...
<b>19</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>1 057</b>

## EOB value of bond trading

USD bn (Jan - Sept 2013)

Rank	Exchange	Country	Value
1	Korea Exchange	Korea	892
2	Colombia SE	Colombia	634
3	London SE Group	UK	324
4	Borsa Istanbul	Turkey	178
5	Tel Aviv SE	Israel	174
6	Shanghai SE	China	136
<b>7</b>	<b>Moscow Exchange</b>	<b>Russia</b>	<b>89</b>
8	Santiago SE	Chile	87
9	BME Spanish Exchanges	Spain	53
10	SIX Swiss Exchange	Switzerland	27

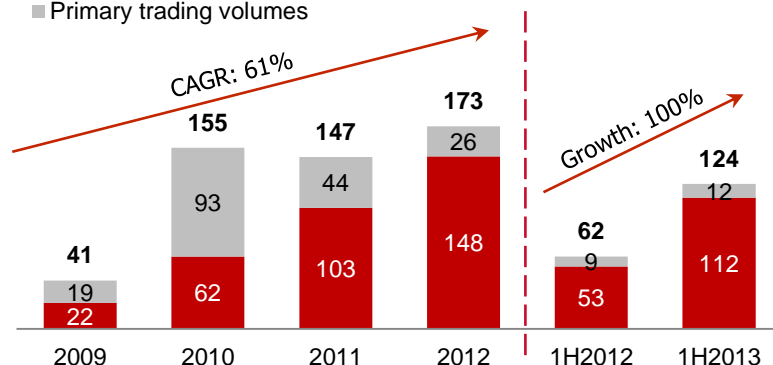
- Moscow Exchange is ranked 2nd in total value of bond trading (including REPO) and 7th in EOB value of bond trading
- Moscow Exchange is ranked 19th in number of listed bonds

# Government bonds market highlights

## OFZ trading volumes<sup>1</sup>

USD bn

■ Secondary trading volumes  
■ Primary trading volumes



## The most liquid issues

Issue	Coupon	Maturity date	YTM	Rating <sup>2</sup>
OFZ 26207	8.15%	2-Mar-2027	7.715%	BBB
OFZ 26205	7.6%	4-Feb-2022	7.205%	BBB
OFZ 26206	7.4%	6-Feb-2018	6.645%	BBB
OFZ 26209	7.6%	7-Aug-2023	7.285%	BBB
OFZ 26208	7.5%	2-Mar-2021	6.905%	BBB

## Clients structure by secondary trading volume

9m 2013



## Comments

- The government bonds market segment is well-positioned to benefit from relatively low government debt to GDP (11% in 2012)
- Share of foreign investors on the primary market of government bonds more than doubled since 2011. Also subsidiaries of major international banks are among the top 10 most active participants on OFZ primary market
- Russian local bonds with embedded cross-currency swaps have higher YTM than Russian Eurobonds



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Source: Moscow Exchange information, Bloomberg as of 14 Oct 2013

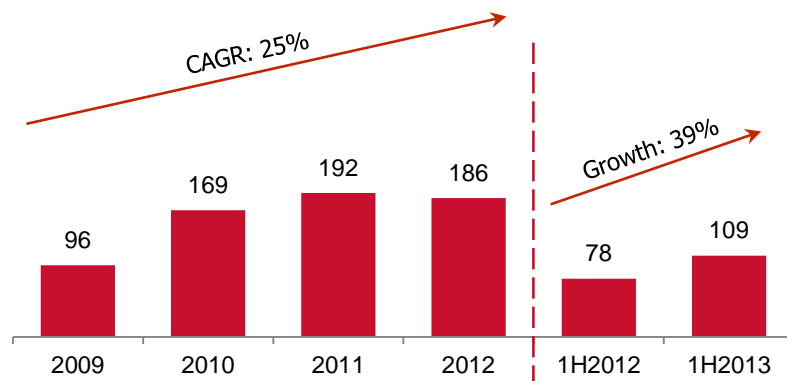
1 Including negotiated deals

2 Bloomberg Composite Rating

# Corporate bonds market highlights

## Secondary trading volumes<sup>1</sup>

USD bn



## The most liquid issues with sovereign rating

Issue	Coupon	Maturity date	YTM	Rating <sup>2</sup>
RZD-11	7.8%	11-Jun-2016	7.43%	BBB
RZD-15	8.15%	6-Aug-2017	7.545%	BBB
RZD-09	6.9%	11-Jan-2014	5.69%	BBB
VTB BO-7	8.15%	1-Nov-2016	7.58%	BBB
VTB BO-6	8.35%	12-Jul-2015	7.475%	BBB

## Clients structure by secondary trading volume

9m 2013



## Comments

- Russian quasi-state companies provide attractive investment opportunities in local bonds with sovereign-linked risk exposure
- As well as sovereign debt placements, Russian local corporate bonds are traded cheaper even with hedged FX risk compared to similar Eurobond issuances



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Source: Moscow Exchange information, Bloomberg as of 14 Oct 2013

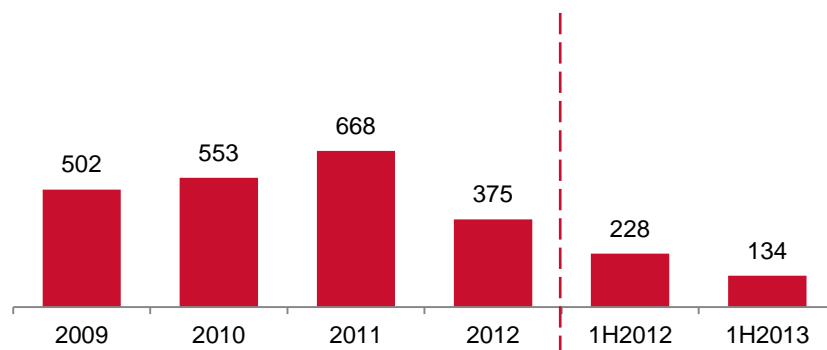
<sup>1</sup> Including negotiated deals

<sup>2</sup> Bloomberg Composite Rating

# Liquid equity market of well-known **companies names**

## Domestic equity market trading volumes<sup>1</sup>

USD bn



- the biggest company in Russia
- the largest gas company worldwide



- the largest bank in Russia services 1/3 of banking market
- According The Banker Top-1000:
  - Top-34 by assets
  - Top-5 by "capital-to-assets" ratio
  - Top-1 by profitability (ROA and ROE)

## Top-20 most liquid ordinary stocks on Moscow Exchange

ADTV in Sept 2013, USD mn

<b>1</b>	Sberbank	315	<b>11</b>	Rostelecom	20
<b>2</b>	Gazprom	266	<b>12</b>	Rushydro	19
<b>3</b>	Lukoil	81	<b>13</b>	Tatneft	18
<b>4</b>	Rosneft	74	<b>14</b>	Severstal	17
<b>5</b>	VTB	62	<b>15</b>	Federal Grid	16
<b>6</b>	Nornikel	55	<b>16</b>	Novatek	14
<b>7</b>	Uralkaliy	54	<b>17</b>	Federal Grid	11
<b>8</b>	Surgutneftegaz	24	<b>18</b>	NLMK	6
<b>9</b>	Magnit	22	<b>19</b>	Mechel	6
<b>10</b>	MTS	21	<b>20</b>	Moscow Exchange	5

## Comments

- Russian equities are expected to become eligible for Euroclear and Clearstream settlement in 2014
- BoNY will provide cheap and quick DRs/local shares conversion

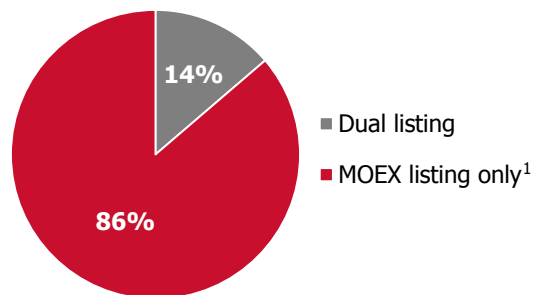


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Source: Moscow Exchange information  
1 Including negotiated deals

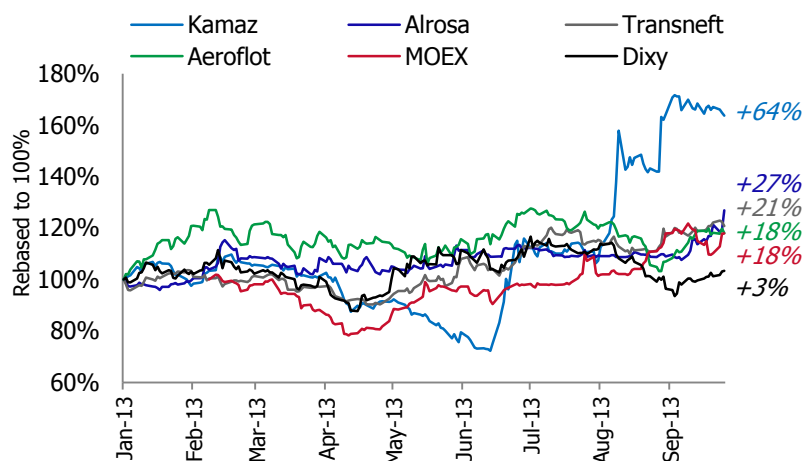
# Unique equity investment opportunities on Moscow Exchange

The majority of Russian companies are exclusively listed on Moscow Exchange...

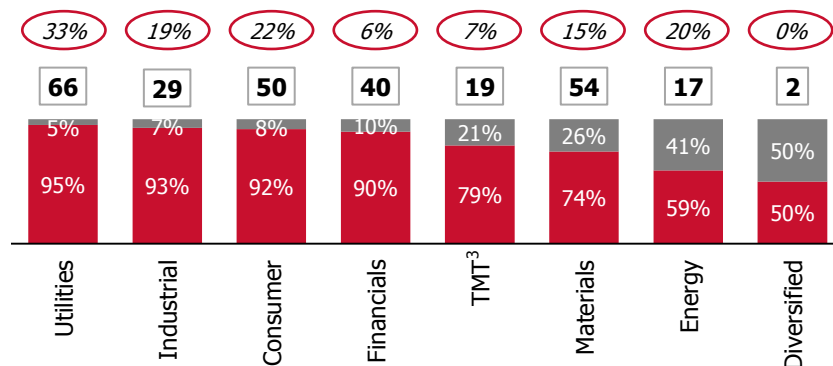


Total: 277 companies

... a selection of them show a strong performance YTD



...which provides various industry exposure opportunities...



■ MOEX listing only<sup>1</sup> ■ Dual listing ■ x Total listed by industry

x% MOEX only stocks with analyst recommendations<sup>2</sup>

- 200+ Russian companies are exclusively listed on Moscow Exchange, specific stocks to mention are Aeroflot, Alrosa, Moscow Exchange, MVideo, Dixy, Raspadskaya, Mostotrest, power utilities and others



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Source: Moscow Exchange information, Bloomberg, Thomson Eikon as of 2 Oct 2013

1 Including listed and admitted to trading on Moscow Exchange

2 3+ analyst recommendations

3 TMT – technology, media and telecommunication

# Primary market and privatization highlights

## IPOs/SPOs on Moscow Exchange in 2013



**MOSCOW EXCHANGE**  
IPO  
USD 462 mln  
Feb 2013



**PHOSAGRO**  
SPO  
USD 453 mln  
April 2013



**VTB**  
SPO  
USD 3.2 bn  
May 2013  
*Privatization Deal*



**QIWI**  
Listing of ADR  
May 2013



**PIK GROUP**  
SPO  
USD 327 mln  
June 2013



**POLYMETAL**  
Listing of ordinary shares  
June 2013

## In process...



**ALROSA**  
SPO  
More than USD 1.3 bn  
October 2013  
*Privatization Deal*



**NOMOS BANK**  
15 years of partnership and success  
SPO  
More than USD 500 mln  
October 2013

## 2013-2016 privatization pipeline<sup>1</sup>



*completed*



*expected in October 2013*
























- Russia has launched a privatization program of over **\$50 billion**
- The majority of privatizations are likely to be executed in the form of public equity transactions and may result in a pipeline of **new listings** on the Moscow Exchange

# Electronic order book spread dynamics: **MOEX vs LSE (1/2)**

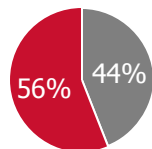
Analysis provided by

**LiquidMetrix**

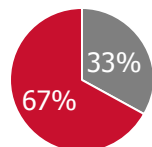
**Market share**

**September 2013**

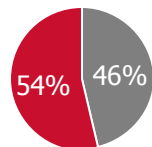
**MICEX 36  
Virtual index<sup>1</sup>**



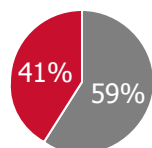
**Sberbank**



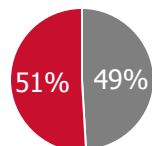
**Gazprom**



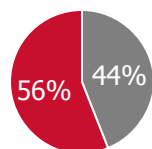
**Lukoil**



**Rosneft**



**MMK Norilsk  
Nickel**

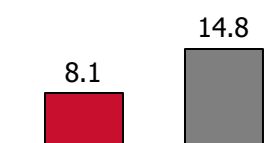
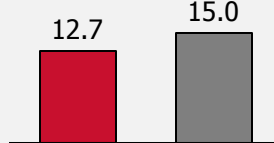
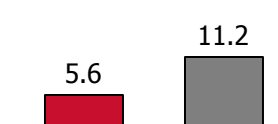
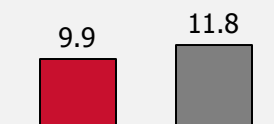
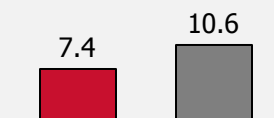
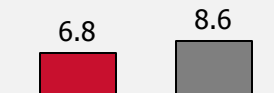
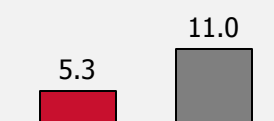
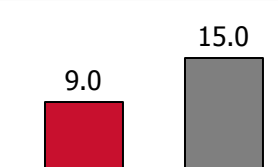
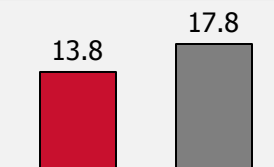


**MOEX LSE**

**Bid - Ask spread 50k EUR deal**

**August 2013**

**September 2013**



**MOEX**

**LSE**

**MOEX**

**LSE**

- Moscow Exchange is the liquidity center for Russian securities with about **60%** market share in total trading volume

- Bid-ask spreads for most of Russian "Blue Chips" are **lower** on Moscow Exchange than on other trading venues

**Notes: Spreads** measure the bid to offer spread of the best visible orders in the book, the result based on measurements of the order books every 30 seconds



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(1) MICEX 36 Virtual Index – indices calculated based on prices and EOB data of the 36 most liquid Russian dual listed stocks  
Source: LiquidMetrix

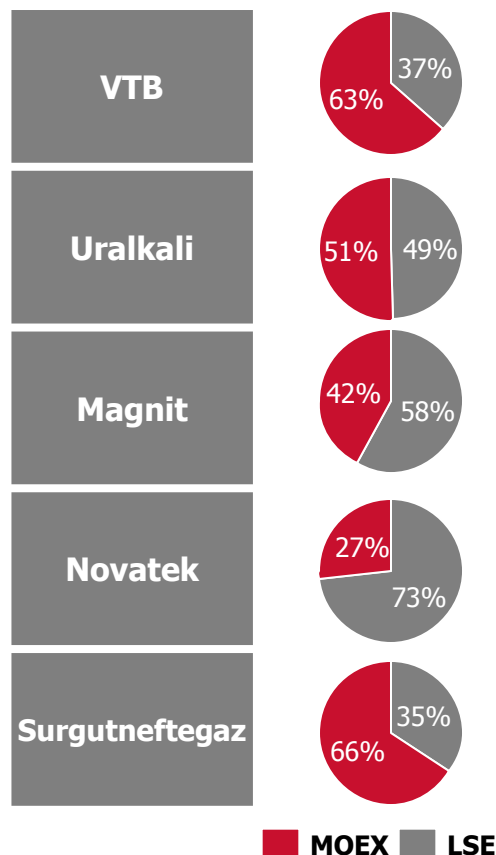
# Electronic order book spread dynamics: **MOEX vs LSE (2/2)**

Analysis provided by

**LiquidMetrix**

## Market share

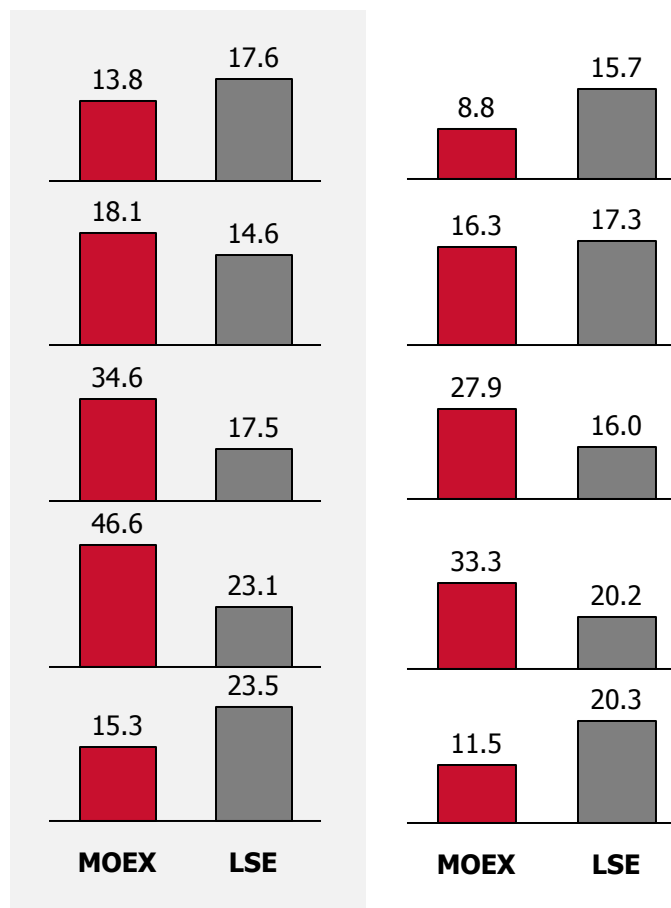
September 2013



## Bid - Ask spread 50k EUR deal

August 2013

September 2013



- Moscow Exchange's book is already **competitive** by main indicators
- Already implemented and planned infrastructure and regulatory changes will further improve order book quality

**Notes: Spreads** measure the bid to offer spread of the best visible orders in the book, the result based on measurements of the order books every 30 seconds

# The **Premium Listing** Segment on Moscow Exchange

## The goal

- raise corporate governance & information disclosure standards
- change the perception of the Russian equity capital market for foreign investors
- offset deficiencies in the Russian law through higher corporate governance and transparency requirements

## Proposed requirements\*

### New shareholders protection in cases of public offerings

- Retail tranche recommended
- 6-month lock-up for top-managers/controlling shareholders, next 6 months they can sell max 40%
- 6-month lock-up for new share issuances
- Disclosure of offering proceeds usage

### Existing shareholders protection

- Extra protection of minority shareholder's rights
- 1/3 board independence, fully independent audit committee, intensive board supervision
- Dividend payments tied to IFRS net income

### Transparency and disclosure

- Semiannual IFRS financials in Russian and English
- Ultimate controlling shareholder disclosed and detailed information on related party transactions
- Ongoing disclosure in English (press releases on major corporate events)
- Public presentations for investors and detailed IR calendar



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\* The project of the Premium segment reflects case studies and the best practices of major international exchanges:



Novo Mercado segment on BM&FBOVESPA,



Premium listing on LSE,



Listing requirements of NYSE,



Main board requirements of HSE,



Prime Standard requirements of FSE,



Listing requirements of JSE

# New Corporate **Governance** Code in Russia

## Key changes

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- Comprehensive definition of directors independence
- Reasonability, good faith and the interest of the company as key indicators of directors actions
- An integrated system of risk management and internal control
- Accountability, transparency and adequacy of remuneration system
- Greater transparency through disclosure of major corporate actions

## Expected results

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- Code is expected to be adopted in Fall 2013
- Preventing corporate conflicts and improving corporate governance and the investment climate in Russia
- The Code reflects actual world best practices



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  - perception of market services offered by the Company and its subsidiaries;
  - 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;
  - the ability to attract new customers on the domestic market and in foreign jurisdictions;
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