PRECIOUS METALS MARKET
PRINCIPLES OF TRADING

- Precious metals trading is implemented within the existing MOEX FX Market framework and trading platform.

- National Clearing Centre (NCC, subsidiary of MOEX Group) performs as the central counterparty (CCP) to each on-exchange trade is responsible for settlement and centralized clearing.

- Official name of MOEX unified market is now **FX and Precious Metals Market**.
PRECIOUS METALS MARKET INSTRUMENTS’ SPECIFICATIONS

 Newly added PM instruments: buy/sell of gold and silver in grams against Russian rubles — GLDRUB & SLVRUB.

 Standard amounts (one lot) for on-exchange trades are 10 grams for GLDRUB & 100 grams for SLVRUB.

 Standard value date — TOM.

 Minimal amount (one lot) for off book trades is 1 gram of precious metal with value dates TOD or LTV (T+3 to 184 days).
• Two-way on-exchange swap deals with **GLDRUB** & **SLVRUB** instruments are also available for MOEX precious metals market participants.

• Precious metals instruments and swap deals specifications are published in Commodities Market section of the Moscow Exchange website at: http://www.moex.com/en

<table>
<thead>
<tr>
<th>Standard amounts (one lot)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gold (GLD)</strong></td>
<td>1 000 g</td>
</tr>
<tr>
<td><strong>Silver (SLV)</strong></td>
<td>50 000 g</td>
</tr>
</tbody>
</table>

**Swaps maturity**

**TOD/TOM, TOM/SPT, TOM/1W, TOM/1M, TOM/6M**
Precious metals market trading hours are equal to those of USDRUB — from 10:00 to 23:50 (Moscow time).

Trading members post partial unified collateral to execute their trades and enjoy the high-efficiency and reliable risk management system of FX Market.

Both existing and new trading members’ registration codes can be used for unified clearing of FX and Precious Metals Market.
PRECIOUS METALS MARKET
RISK PARAMETERS

- Existing models and current risk parameters of FX Market are used to manage and control risks for Precious Metals Market.
- Price corridor limits are set as half of instrument’s deposit rate.
- Risk Covering Fund participants are able to utilize unified limit for trades in precious metals.

- **EWMA** – model used to estimate volatility
- Risk parameters’ minimum deposit rate restrictive levels: GLD – 6%, SLV – 12%.
PRECIOUS METALS MARKET
COMMISSION FEES

- Current commission fees are set adjusted to Russian precious metals market liquidity.

- One tariff is used for all market participants. Introduction of different tariff plans is possible in the future.

- Additional information is provided in the Appendices.

**SPOT MARKET**

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Commission Fee</th>
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</thead>
<tbody>
<tr>
<td>TOD, TOM trades</td>
<td>0.015%</td>
</tr>
</tbody>
</table>

**SWAP DEALS**

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Commission Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOD/TOM, TOM/SPT,</td>
<td>0.0005%</td>
</tr>
<tr>
<td>TOM/1W</td>
<td></td>
</tr>
<tr>
<td>TOM/1M</td>
<td>0.002%</td>
</tr>
<tr>
<td>TOM/6M</td>
<td>0.005%</td>
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</tbody>
</table>
PRECIOUS METALS MARKET
EXAMPLE OF TRADING VIA “MICEX TRADE”
PRECIOUS METALS MARKET DOCUMENTS AND RULES

The following documents are available in Commodities Market section of MOEX website:

- Rules of admission to trading
- Trading schedule
- Specifications for instruments and swap trades
- Trading rules

NCC website provide the following documents:

- Rules of clearing
- Unallocated precious metals account agreements (for market participants — banks and brokers)
PRECIOUS METALS MARKET
TRADING MEMBERS

- **Credit organizations (banks)** — residents of Russian Federation, holders of precious metals license issued by Bank of Russia
- **Non-credit organizations (brokers)** — professional participants of securities market
- **Bank of Russia**
- **Vnesheconombank**
- **Credit organizations — residents of EAEC**

**Credit organizations (banks)**

- Precious metals license issued by Bank of Russia
  - (for residents)
  - or
  - License to conduct operations with precious metals issued by local issuing body
  - (for EAEC residents)

**Non-credit organizations (brokers)**

- Special licenses issued by Financial Markets Service of the Bank of Russia
  - (former Federal Financial Markets Service)
  - +
  - 180 mln. Russian rubles of own capital

**Official sector**

- Companies with special rights to buy or sell precious metals according to Russian law
PRECIOUS METALS MARKET
COLLATERAL IN PRECIOUS METALS

- Specially designated unallocated precious metals accounts (type “O”) are used for trading, settling and holding precious metals as collateral.

- Transactions subsequent to on-exchange trades and clearing are settled by credits or debits to these unallocated accounts.

- Type “O” unallocated accounts are opened with NCC for all FX Market members willing to trade with precious metals.

- Precious metals as collateral are transferred to these accounts by trading members.
Return of precious metals from type “O” unallocated accounts is possible to **Refund Account** previously registered by National Clearing Centre (NCC).

Refund Account can be either:

- unallocated correspondent precious metal account ("Loro" unallocated account) opened for credit organization (bank) with NCC (acting as facilitator bank); or

- unallocated account opened for non-credit organization (broker) with other credit organization (holder of "Loro" unallocated account with NCC).

* – Term "loro account" is equal to term "vostro account" in this case.
Unallocated account used for holding precious metals as collateral.

Opened with NCC for all trading members (banks and brokers).

“Conventional” unallocated correspondent precious metal account.

Opened with NCC for credit organizations only.

**Type “O” unallocated account**

- Credit/debit of precious metals subsequent to on-exchange trades and clearing
- Credit/debit of precious metals in correspondence with “Loro” unallocated account
- Deposit of precious metals by delivery of bullion bars to NCC at nominated vault premises
- Withdrawal of precious metals by collection of bullion bars from NCC at nominated vault premises
- Credit/debit of precious metals in correspondence with type “O” unallocated account
- Settlement of over the counter (OTC) deals such as Location Swaps (loco London/loco Zurich — loco Moscow)
- Precious metals transfers between holders’ “Loro” unallocated accounts
PRECIOUS METALS MARKET
GENERAL LAYOUT

- Central counterparty (CCP)
- Clearing organization
- Facilitator bank for unallocated accounts
- OTC deals with precious metals

“Loro” and type “O” unallocated accounts
Type “O” account
Bank’s client unallocated account
Record of PM as collateral
Loco (short for Location) means specific place, where physical precious metals (bullion bars) are delivered.

London represents historical basis for international trading and settlement in gold and silver. Thus world’s market “spot price” is shorthand for “the price of precious metal located in London”.

Each location can trade precious metals at a premium or discount to London price depending upon local supply and demand at that time. As a result, loco discounts/premiums are not fixed and change over time as local supply/demand changes.
The price for precious metals quoted by market participants at the Moscow Exchange is **loco Moscow** price.

Unallocated precious metals accounts opened with NCC are loco Moscow accounts meaning that physical bullion bars are located in Moscow and can be either deposited to or withdrawn from Moscow vault premises.

Currently location discounts/premiums for loco Moscow gold are ±0,05% to London depending on type of bars.
**PRECIOUS METALS MARKET LOCATION SWAP**

- **Location Swap** is an over the counter (OTC) deal between NCC and credit organization (Bank) where two parties agree to exchange precious metals they have in different locations (locos) with each other.

- Settlement of deal occurs by withdrawal of precious metal from Bank’s loco London unallocated account opened with one of London bullion clearing banks and deposit of same amount of precious metal to Bank’s loco Moscow “Loro” unallocated account opened with NCC.
PRECIOUS METALS MARKET
BULLION BARS OPERATIONS

- **Bullion bars deposit/withdrawal** operations are available for credit organizations, holders of “Loro” unallocated precious metals account opened with NCC under Unallocated Precious Metals Account Agreement.

- Actual bars delivery/collection operation is subject to prior negotiation and agreement between parties.

- Delivery and collection is possible at one of two NCC–nominated vault, or at any other vaulting facility specified during negotiations.
PRECIOUS METALS MARKET
BULLION BARS OPERATIONS FEES

Deposit of gold/silver bars
(compliant with “Good Delivery” specification)  flat rate

Withdrawal of gold bars
(compliant with “Good Delivery” specification)  0,05%*

Withdrawal of silver bars
(compliant with “Good Delivery” specification)  0,25%*

Deposit/withdrawal of gold/silver bars
(noncompliant with “Good Delivery” specification,
incl. cast bars and minted ingots weighting one kilo and less)  subject to negotiations

* – Total value of precious metals is calculated as product of total weight of precious metal deposited to/withdrawn from unallocated account and Bank of Russia effective reference price for refined precious metal.
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