

Statement from the Chief Executive Officer



**Alexander
Afanasiev,**

*Chief
Executive Officer*

A stylized, handwritten signature in black ink, appearing to be 'A. Afanasiev', positioned below the name and title.

DEAR SHAREHOLDERS,

I am pleased to report that in 2018 the Exchange once again delivered record fee and commission income, with trading volumes increasing across virtually all markets. An important factor in this achievement was the unprecedented growth in transactions by retail investors: In 2018, nearly 700 thousand individuals opened new brokerage accounts, and the number of retail investors reached almost 2 million during the year.

This suggests that the efforts of the Exchange and the entire financial community to develop the Russian investor base are delivering results. I am confident the active inflow of individual investors to exchange-based trading will continue thanks to ongoing projects to promote investment and improve financial literacy.

In 2018, the Exchange implemented online customer registration. As a result, individual investors are able to start trading just a few minutes after opening an account via a brokerage or bank web site. A project has been launched to create a marketplace for financial products that will allow individuals to view offers from Russian financial institutions online, and to compare and acquire them remotely. Specialist competitions for private investors (Invest Trial and Best Private Investor) are held annually, while the Moscow Exchange School gave around 40 thousand private investors the knowledge and skills they need for investment portfolio management in 2018. For the second year in a row, the Exchange organized FINFAIR, a large-scale event across Moscow, with around 7 thousand people taking part. In partnership with leading Russian brokerages, we are developing an online platform where any beginner investor can find information on the most popular exchange instruments and get access to the market.

The Exchange's most important mission is to promote Russia's economic growth by providing access to the capital market for both large companies and medium-sized businesses. In 2018, Russian issuers raised more than RUB 2 trillion on our platform to develop their businesses, mainly through bond placements.



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A new type of membership with direct access to trading has been introduced to allow Russian companies in the real sector of the economy to trade directly on MOEX's FX and Money Markets. This has stimulated the inflow of new liquidity to the market, while the companies themselves have been able to increase efficiency and hedge risks related to financial transactions due to the high degree of transparency of on-exchange trading and the presence of the central counterparty. To date, more than 100 companies have already become trading members. The distance between issuers and corporate investors is fading.

In 2018, the Unified Collateral Pool (UCP) – a large-scale cross-market project – was completed. As a result, trading members can now use a single trading account to manage collateral across all markets, with full netting in settlements and cross-margining between markets. This allows members to substantially reduce costs and free up significant cash. In 2018, 20% of the total volume of on-exchange trading was done using UCP accounts.

Higher levels of trading activity by customers suggest that the Exchange's products and services, as well as innovative solutions in clearing and collateral management, are in demand among trading members. We are successfully differentiating our product line, developing new asset classes and creating and introducing unique technologies for the convenience of our customers.

In 2018, trading was launched in new currency pairs, futures contracts for oil, gold and non-ferrous metals, and an index of international shares. Equity units of the first exchange-based mutual investment funds (EMIF) issued under Russian laws – the Russian equivalent of ETFs – also entered circulation. The grain market is gaining momentum, with trading volumes multiplying and the product range expanding all the time.

The Exchange is extending its services and technologies over the OTC market as well. In 2018, the OTC debt market system was launched, a project for access to global currency liquidity was implemented, and a system of indicative quotations put into operation. These projects will enable the Exchange to increase business volumes and to shift part of the OTC market to the Exchange's post-trade platform.

Despite the geopolitical environment, international investors are not reducing operational volumes on the Russian exchange market. This means that our growth strategy, the quality of our market infrastructure and the potential of the Russian market remain attractive to investors.

Because of the unique nature of its business, the Exchange works closely with universities and seeks to engage with up-and-coming talent: student financial competitions are supported, and funds are allocated for individual university projects. MOEX staff deliver lectures and conduct seminars at leading universities across Russia, and the best students are offered employment following internships with the Exchange.

In 2018, the Exchange was recognized as one of the world's most attractive employers for the second year in a row. The ranking compiled by Forbes includes 500 employers, and the Exchange was ranked #1 among Russian companies.

We believe it is important to help those in need and support educational projects, and we work with established charitable foundations. In 2018, around 30 million rubles were allocated to charity.

The trust of customers, investors and shareholders is an important success factor in achieving the goals we have set ourselves. I would like to thank you for your help, support and active involvement in the development of Russia's exchange infrastructure. The continued high-quality growth of our business gives us every reason to be optimistic regarding the Exchange's prospects in 2019.