

DERIVATIVES MARKET

Moscow Exchange's Derivatives Market is Russia's largest and one of the world's leading venues for derivatives trading. The market brings together deep liquidity, a broad product offering, performance guarantees from the Central Counterparty and state-of-the-art technologies for the trading of futures and options. Derivatives Market participants can trade derivative financial instruments on indices, Russian and foreign shares, Russian government bonds (OFZ), foreign currencies, interest rates and commodities (oil, precious metals and industrial metals).

	2016	2017	2018	Change 2018/2017
Derivatives Market trading volumes, RUB billion	115,271	84,497	89,263	5.6%
Futures, RUB billion	109,489	77,624	82,397	6.1%
FX	64,561	39,460	37,868	-4.0%
Interest	27	17	10	-38.7%
Single stock	3,529	3,383	4,439	31.2%
Indices	26,138	18,486	19,161	3.7%
Commodities	15,234	16,278	20,918	28.5%
Options, RUB billion	5,782	6,873	6,866	-0.1%
FX	2,119	2,184	2,047	-6.3%
Single stock	87	35	25	-28.7%
Indices	3,434	4,440	4,438	-0.1%
Commodities	142	213	356	67.4%

Trading Volumes

In 2018, total trading volumes on the Derivatives Market increased by 5.6% YoY, reaching RUB 89.26 trln. Futures trading volumes increased by 6.15% YoY to RUB 82.4 trln, while options trading volumes remained approximately at the level of 2017 and amounted to RUB 6.87 trln.

The modest rate of trading volume growth was due to low volatility of currency exchange rates and indices, i.e. the underlying assets of the most heavily traded Derivatives Market instruments. At the same time, trading volumes in the commodities section showed steady growth: in 2018, commodity futures trading volumes increased by 33.5% YoY, and commodity options trading volumes increased by 67.4% YoY. Open interest in commodity futures in December 2018 increased by 30.5% YoY, reaching RUB 50.6 bln. Trading volumes in Brent oil futures posted the strongest growth, increasing by 19.5% YoY for a total of RUB 17.25 trln. MOEX was one of the leading global exchanges for trading of Brent futures, according to the Futures Industry Association (FIA).

New Instruments

In 2018, the Derivatives Market saw the launch of a number of new contracts. Notably, Russian market participants and their clients were offered more opportunities to invest in global financial market instruments. The new contracts allow investors to carry out transactions with foreign instruments in the Russian jurisdiction using clear mechanisms with the advantages of the on-exchange market: transparent pricing, liquidity and a reliable infrastructure.

US500 index futures contracts began trading in June 2018. Their underlying asset is the Solactive US Large Cap Index calculated on the basis of stock prices of the 500 largest publicly traded American companies. Since the contract began trading Derivatives Market participants have executed more than 2,000 transactions totaling RUB 93 bln. Open interest at the end of 2018 amounted to RUB 530 mln.

In the context of strong growth of commodity derivatives in 2018, MOEX launched a number of new instruments in this segment. Futures on Light Sweet Crude Oil, one of the most popular grades of crude oil in the world, and margined options on them began trading in April 2018. Since the start of trading, more than 820 market participants have made transactions totaling RUB 50 bln in futures and RUB 5.7 bln in options.

Futures contracts on non-ferrous metals (aluminum, nickel, zinc and copper) began trading at the end of October. Deliverable gold futures contracts also began trading in October, linking the Precious Metals Market with the Derivatives Market. Gold is supplied to the Precious Metals Market, and positions are credited to the precious metal accounts of the market participants opened with the NCC.

Due to the growing interest amongst market participants and their clients in emerging markets currencies, MOEX launched trading in USD/INR FX futures contracts. As per the FIA's global rating, USD/INR FX futures contracts occupy leading positions and are amongst the top three instruments in terms of FX futures contracts trading.

Technology

In November, MOEX made Sponsored Market Access (SMA) technology available to clients of market participants, allowing them to trade directly on the Derivatives Market. Previously, investors had access to the Derivatives Market only through infrastructure solutions of brokerage companies and banks. New preliminary checks were developed as part of this service, specifically: for price deviation in bids, maximum amount in the order and for the trading day, maximum position and additional broker control functionality.

Liquidity

To support liquidity and improve order book quality, a number of significant changes were introduced to the programs aimed at incentivizing derivatives market makers over the course of 2018. During the year, more than 60% of instruments were supported by market makers, including index, commodity and FX futures contracts launched in 2018.

The launch of the Indicative Quote System (IQS), a new service that solves the problem of interest income lost by diverting the margin requirement at quotation, allowed trading of less liquid derivatives using their unrealized potential in the market. The provisions for maintaining liquidity in less liquid futures and options series were added to the market maker programs.

Standardized Derivatives Market

MOEX's Standardized Derivatives Market was created in 2013 in response to a G20 resolution on strengthening the role of the Central Counterparty in financial markets and the need to transfer trading in standardized derivative financial instruments to on-exchange marketplaces.

In 2018, the Standardized Derivatives Market showed impressive results and strong financial performance. For the year, total trading volumes in the Standardized Derivatives Market were RUB 883 bln, which was eight times higher than in 2017. FX swaps, interest rate swaps and FX interest rate swaps were the most heavily traded instruments.

In 2018, six new banks joined the Standardized Derivatives Market, and the number of market participants reached 45.

At the same time, the terms of transactions significantly increased: while in previous years market participants preferred transactions with a term of up to one year, in 2018, transactions with a term of five years became more common.