

## FX MARKET

Moscow Exchange is the oldest regulated trading venue in Russia, and has offered FX trading since 1992. The FX Market is the primary liquidity center for the ruble, and as such is a crucial element in Russia's national financial system. The Bank of Russia relies on the FX Market to implement monetary policy and sets the official USD/RUB rate using results of trading on the FX Market. In 2018, operations on MOEX accounted for 65.5% of USD/RUB conversions in Russia and 76% of EUR/RUB conversions in Russia.

The MOEX daily fixing family calculates FX rates for USD/RUB, EUR/RUB, CNY/RUB and EUR/USD necessary for settlement and execution of currency derivatives, and fixings for trades with currency swaps for USD/RUB transactions ranging from one week to one year. The price of execution of futures contracts on the Derivatives Market is calculated based on fixings.

	2016	2017	2018	Change 2018/2017
<b>FX Market trading volumes, RUB billion</b>	<b>329,954</b>	<b>347,671</b>	<b>348,368</b>	<b>0.2%</b>
Spot	107,169	78,380	86,682	10.6%
Swaps and forwards	222,785	269,291	261,686	-2.8%
<b>Currency pairs, RUB billion</b>				
USD – RUB	278,334	285,962	277,751	-2.9%
EUR – RUB	43,065	48,231	59,243	22.8%
EUR – USD	7,669	12,869	10,084	-21.6%
CNY – USD	776	492	1,081	119.9%
Other	110	117	209	79.4%

## **Trading Volumes**

In 2018, FX Market trading volumes grew by 0.2% YoY to RUB 348.4 trln. Spot trading volumes increased by 11% YoY to RUB 86.7 trln, and trading volumes in the swap and forward segment (lending transactions under pledge of currency) decreased by 2.8% YoY to RUB 261.7 trln.

In 2018, one notable trend was a decrease in USD/RUB trading and an increase in EUR/RUB trading: the share of trading accounted for by the USD/RUB pair decreased from 82% to 80% and the share of trading accounted for by the EUR/RUB pair increased from 14% to 17%. In 2018, the remaining currencies accounted for 3% (versus 4% in 2017), with the most rapid growth in the following pairs: CHF/RUB (growth of nearly six times), CNY/RUB (growth of more than two times), GBP/RUB (51% growth) and KZT/RUB (50% growth).

## **Expansion of the Client Base**

In 2018, MOEX actively expanded its client base by attracting new categories of market participants. In December, Russia's Federal Treasury received direct access to trading on MOEX's FX Market. This became possible after issuance of a Regulation by the Government of the Russian Federation setting the rules for management of remaining budgetary funds by the Federal Treasury and following introduction of relevant amendments to the statutory regulations of MOEX and NCC.

The project that commenced in 2017 to provide direct access to the on-exchange FX Market for Russian legal entities that are not credit institutions or professional securities market participants continued in 2018. In 2018, 18 major Russian companies from various sectors of the economy were granted access to trade on the FX Market. At year-end 2018, 35 companies traded on the market, and their aggregate trading volume for the year was approximately twice that of 2017 at RUB 538 bln.

More and more brokerage companies started providing their clients with direct access to MOEX's FX Market during the year. The volume of FX transactions by individuals amounted to RUB 14.4 trln, up 47% YoY, and their share of spot transactions was 8.2% (compared to 6.2% in 2017).

## **Attracting Non-Residents**

In 2018, MOEX continued to develop services and implement projects to encourage non-residents to access the FX Market. These initiatives included Direct Market Access (DMA), Sponsored Market Access (SMA) and International Clearing Membership (ICM).

As at the end of 2018, the FX Market's client base included approximately 12,000 registered non-resident clients from 114 countries. Non-residents still account for approximately 40% of spot turnover.

In 2018, as part of development of the integrated FX Market of the Eurasian Economic Union (EAEU), access to the FX Market was provided to Kaspi Bank (Republic of Kazakhstan), Moscow-Minsk Bank (Republic of Belarus), and VTB Bank (Armenia). As at the end of 2018, direct access to MOEX's FX Market was provided to 14 banks from five Eurasian Economic Union countries, including two international financial institutions: the Interstate Bank and the Eurasian Development Bank (EDB). For 2018, total trading volumes generated by participants of the integrated FX Market almost tripled versus 2017, and amounted to RUB 1.9 trln.

MOEX was the first Russian financial institution to join the FX Global Code, confirming its commitment to global principles of good practice in the foreign exchange market. By signing and publishing the Statement of Commitment to the FX Global Code, the Exchange agreed to adhere to a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market.

## **New Product Offering**

As part of its efforts to streamline its product offering and provide participants with additional arbitrage opportunities, MOEX launched trading in new RUB pairs, namely JPY/RUB and TRY/RUB, and new USD pairs: GBP/USD, USD/CHF, USD/CNY, USD/KZT and USD/TRY.

As for the TRY/RUB pair, in January, trades with TOD ("today") settlement and 100% depositing were launched, TOM products and one-day swaps were added in September. As for USD currency pairs, transactions are made with TOD, TOM, SPT (day after tomorrow) products, and swaps. Moreover, the product offering for some traded currency pairs was expanded: for the EUR/USD pair, SPT products and TOMSPT swaps became available; and for KZT/RUB, TOM, SPT and swaps. For the year, the total volume of trades with new products amounted to RUB 825 mln.

New product offerings provide participants with additional possibilities to diversify FX transactions and promote liquidity of MOEX's FX Market. Increased opportunities to trade national currencies of EAEU, BRICS and other countries promote their use in foreign economic activity.

In 2018, two half-year marketing programs for USDRUB\_TOM were launched. To stimulate liquidity, MOEX has 16 market maker programs for RUB pairs in place, under which market makers execute transactions to enhance trade parameters.