
Outlook for 2019

Moscow Exchange will continue delivering on its strategy aimed at expanding the customer base, including attracting new categories of investors, and upgrading technologies in order to provide the most modern and reliable services to market participants and customers.

GROWING THE RETAIL INVESTOR BASE

As part the program to attract retail investors to the regulated market, Moscow Exchange plans to launch the online financial supermarket “Marketplace”. The technological capability of the electronic platform to open bank deposits remotely was ensured in February 2019. Access to the platform will be opened for consumers after the adoption of the necessary legislative changes. Initially, customers will be able to open deposits with banks that are participants of the project. By the end of 2019, the “supermarket” range of financial products may be expanded to include credit, insurance and investment products.

Access to the platform will be provided through the Unified System of Identification and Authentication (USIA, also known as the State Services portal) and the primary customer identification completed through a unified biometric system. The platform will ensure all stages in the conclusion of an agreement with the bank, secure transfer of funds to open a deposit, access to up-to-date account information and additional operations such as depositing, withdrawing or closing a deposit.

The Exchange will also continue the development of the MOEX Marketplace website, created to promote exchange-traded instruments among private investors. Any novice investor can find information about the most popular exchange-traded instruments on the Internet portal place.moex.com. In 2019, the Exchange plans to introduce remote opening of accounts with partner brokers through user account. At present, nine companies are partners of the project.

In March 2019, the Exchange introduced a new facility for retail investors – Trust Management Marketplace. The service publishes the investment performance of Russia’s leading asset management firms. This marketplace helps customer’s achieve financial goals through solutions offered by the professional investment community. The service will be further developed to offer customers the option of buying/selling shares of various asset management companies by using the customer’s online account and monitoring their unified positions.

It is planned to further expand the FINFAIR Financial Solutions Fair, which will be held in the autumn of 2019. In addition, the Exchange will hold annual competitions for private investors, namely Invest Trial and Best Private Investor contests, as well as events under the auspices of the Moscow Exchange School.

BONDISATION

One of the Exchange's most important projects is "bondisation", i.e. development of the Bond Market in order to reduce borrowing costs for companies hailing from the real sectors of the economy, attract long-term money into Russia and expand opportunities for small businesses to tap the fixed income market. Despite the high level of liquidity in the banking system, small companies remain cut off from the debt market due to the increased pressure of such loans on banks' capital. Under these conditions, the Equity and Bond Market becomes an important resource for business development, especially given the arrival of retail investors, who consider bonds as an alternative to bank deposits.

To encourage new issuers to enter the market and to help companies that implement environmental and social projects to raise financing, in 2019 the Exchange plans to create a Sustainable Development Sector that will include "green" and "social" bonds. The Sector will allow for the correct positioning of these issuers, establish criteria that will allow these issuers to seek government support and provide investors with more complete information regarding sustainable financial instruments.

In 2019, boosting Bond Market liquidity will be a key area of emphasis as the Exchange continues to develop the market infrastructure. The focus will be on improving market-making programs and exploring new opportunities for auctions.

The Exchange will also continue to grow the Eurobond market. In particular, MOEX is considering granting admission to the OTC system of the Bond Market, which launched in 2018. This would significantly expand the list of products and services of the Bond Market.

MOEX seeks ways to expand a number of post-trading services and introduce some elements of an OTC book-building service.

The Exchange is considering reforming the listing levels of bonds, including the abolition of the second-level quotation list, as well as modernization of requirements and the segmentation of instruments. In addition, in 2019 the Listing Rules will be aligned with the amendments to the law On the Securities Market, simplifying issuance of securities. Those changes will then come into force in 2020.

As part of the modernization of bond indices, MOEX plans to launch a new index that will serve as the basis for creating fixed income exchange-traded funds, including the most liquid issues of Russian bonds with strong credit ratings.

Furthermore, the Exchange intends to begin using credit ratings assigned by Russian rating agencies to assess the credit quality of the issues when included in index calculation bases, which will increase the representativeness of various segments of the exchange-traded bond index family and allow market participants to assess market risks more accurately.

TECHNOLOGICAL DEVELOPMENT

The need to keep up with the latest trends in the global financial market, meet the technical needs of market participants and the importance of having services and technological products similar to leading international trading platforms, make technological development a priority when planning for the coming years. In short, maintaining cutting edge technology will allow the Exchange to remain competitive in the global market.

On the Equity and Bond Market, MOEX plans to introduce direct clearing membership for foreign members, i.e. International Clearing Membership (ICM), which was launched on the FX Market in 2014 and on the Derivatives Market in early 2019. The initiative aims to delineate “trading member” from “clearing member” status and provide clearing services first of all to non-resident clearing members.

In 2019, the Standardized Derivatives Market will be included in the Unified Collateral Pool project, which will allow the members to use euro and securities as the collateral (for now, the members can only use rubles and dollars as the collateral). The Exchange also plans to develop API services, which will provide participants of the Standardized Derivatives Market the opportunity to trade through external trading systems, for example, Bloomberg.

In 2019, under the development of a new model of by-login billing for technical access services, the Exchange plans to ensure integration with NCC services. In addition, MOEX will provide market participants with online services for full control of orders for information and technology services, thus minimizing the time required to gain access to trading.

In 2019, the Exchange will continue to expand its co-location area in the data processing center and develop new co-location IT services.

To enhance its service offering, the Exchange plans to roll out a collateral assessment service as part of the Unified Collateral Pool project. It is designed to help participants evaluate the collateral required for a certain portfolio, extra stress collateral and collateral for buying complex financial instruments when expanding an existing portfolio, as well as give guidance on how best to transfer assets to minimize total collateral requirements.

EXPANDING THE PRODUCT OFFERING

Moscow Exchange's product offering is one of the most diversified among the world's large trading platforms. Nonetheless, the Group constantly works to continue to expand its offerings.

In 2019, the Exchange plans to create a new Money Market benchmark calculated on the basis of GCC repo trades with the CCP, which will contribute to the formation of the interest rate curve. Futures contracts in the Derivatives Market and interest swaps in the Standardized Derivatives Market will be launched for the new Money Market benchmark. This will provide market participants with additional trading strategies.

Together with Sberbank, the Exchange plans to implement a project to launch a futures on real estate index, the basic asset of which will be the index of the cost per square meter of residential real estate in Moscow based on a database of mortgages issued.

The futures product line will be expanded with the addition of contracts on commodities, including Russian benchmarks. In particular, in cooperation with St. Petersburg International Mercantile Exchange (SPIMEX), MOEX plans the launch of commodity futures on energy assets. This will expand trading opportunities for market participants and allow them to simplify hedging of their price risks.

In the Standardized Derivatives Market, trading will begin on interest rate swaps for the rate of return on a currency swap for a period from three days to one year, as well as interest rate derivatives for the key rate of the Bank of Russia. The plans also include the modification of exchange-traded instruments, i.e. interest rate and interest rate currency swap in terms of extending the contract term from five to ten years.

The Equity and Bond Market will offer new exchange-traded funds (ETFs) – both foreign and domestic ETFs – to provide investors with more options to diversify their investments.

The Exchange will further streamline its FX offering by strengthening the USD/RUB Fixing Electronic Matching Service. Matching at the weighted average USD/RUB FX rate set by MOEX at 11:30 am MSK as the official Bank of Russia rate will be made available to give new opportunities to banks, brokers, their clients and companies involved in cross-border trade to make currency exchange transactions and sell foreign currency earned.

The Exchange will continue to expand the instruments on currency pairs on the FX Market. In particular, the end time of trading in CNY, CHF, KZT, BYN and TRY on TOD instruments and TODTOM swaps will be extended from 11.00 am to 12.00 noon.

Moscow Exchange is considering expanding the list of agricultural assets traded on the Commodities Market with the potential addition of oil-bearing crops, soybean meal, sunflower meal and sunflower oil. The Exchange also plans to launch cash-settled futures for Russian sugar and grain.

As part of the development of information services, in 2019 the Exchange intends to prepare a new separate information product with data on trading in the Money Market, including information on repo transactions and deposits. A service with information products of NSD and MOEX will be introduced on the unified platform via the Exchange's website to allow customers to use all information services of the Group via a single interface with a simplified document interchange process.

LIQUIDITY

To stimulate liquidity, expand different matching techniques and assess the impact thereof on liquidity, the Exchange will launch a pilot USD/RUB order book with a minimum lot of one million US dollars, simulated random delay for order entry and prioritized cancel transactions. A similar technique is employed by a number of international FX platforms; it eliminates arbitrage between technical access of different trading members and allows them to trade large lots.

The Exchange also intends to introduce a cross-market market-maker program, implying the simultaneous maintenance of the liquidity of “mirror” exchange-traded instruments in various markets of the Exchange. It will provide market makers with the opportunity to reimburse the commission paid for making transactions using instruments of each of the markets, as well as additional remuneration in case of fulfillment of market-maker obligations for the “mirror” instruments simultaneously in each of the markets. The new program will allow the use of the synergy effect of simultaneous quoting by large participants of related instruments, as well as to activate existing market makers.

EXPANDING THE CUSTOMER BASE

In 2019, Moscow Exchange plans to implement a new model of connecting foreign clients through international points of presence (in the UK, Germany, the US, Asia and the Middle East) and international telecommunication networks (ESP/NSP) specializing in the delivery of financial data. This will allow clients to access the Exchange’s data and trading services through communication channels with ESP/NSP networks without having to establish a physical connection directly to the exchange infrastructure in Moscow. Foreign clients will benefit from quicker access to the Russian financial market and correspondingly lower costs for network and other technological services.

Extending MOEX’s international presence facilitates access to the Exchange’s markets for international clients. In 2019, six new points of presence (PoP) will be added – in Hong Kong, Singapore, Shanghai, Dubai and Mumbai along with the PoP at the Aurora data center in Illinois which hosts the CME Globex matching engine. Existing PoPs are in London, Frankfurt, Chicago and New York.

As part of the Exchange’s efforts to attract Russian non-financial companies and non-residents to trade on its markets, the company will continue to streamline connectivity procedures for new customers. Connectivity mechanisms and plans will be designed for every new participant individually; the Exchange will hold workshops and special webinars, including events designed for English-speaking customers, to provide insight into issues on connectivity and on-exchange trading. Thanks to expansion of partnerships with technology providers, international participants will be given the opportunity to connect to the Exchange and trade on its markets using their usual software developed by the market leaders and certified by the Exchange.

It will become possible for new Derivatives Market clients to complete their registration online (since 2018, the Equity and FX Markets have had this functionality), which will allow new clients to begin trading almost instantly after opening an account on the broker’s or bank’s website.

The Exchange plans to provide non-financial companies with direct access to the Standardized OTC Derivatives Market.

MOEX will continue to actively develop its OTC systems. In the FX Market, MOEX plans to organize a special trading mode for clearing members by attracting foreign currency liquidity in G10 currency pairs from large international banks under the Links With Foreign Liquidity Providers project. The development of the project involves an increase in the number of liquidity providers and the addition of new currency pairs, namely USD/CNY and USD/TRY.

Together with the China Foreign Exchange Trade System (CFETS) and the Shanghai Clearing House (SHCH), the Exchange is designing a joint infrastructure solution to create a single trading pool in the CNY/RUB currency pair through a joint link with CFETS.

The Exchange also plans to expand new customized mechanisms for liquidity takers/makers that are recognized globally among OTC FX platforms: Request for Streams (RFS), ESP (Executable Streaming Prices) and liquidity aggregation.