

Transforming Moscow into an International Financial Centre: What will it take? MICEX Group contribution

Presentation for SIBOS 2010,
Amsterdam

Ruben Aganbegyan
MICEX President

MICEX Group — Best venue to discover Russia

On the Road to International Financial Centre

June 2010 *Russia's president Dmitry Medvedev: "A series of bills aimed at developing Russia's financial system and establishing an international financial centre in Moscow will be adopted before the end of the year."* (Interfax)

April 2010 Dmitry Medvedev orders formation of a working group headed by Alexander Voloshin, ex-head of the Russian Presidential Administration, to coordinate efforts aimed at accelerating creation of international financial centre (IFC) in Russia.

D. Medvedev: "The creation of such a centre should allow Russia to integrate more actively into the global capital market, boost business activity and investments, create a more favorable investment climate, and ultimately, encourage an economic upturn and the implementation of a so-called innovative model for economic development."

July 2009 The action plan is passed by the Russian Government, outlining steps to creating an IFC in Russia

November 2008 Dmitry Medvedev sets the goal of creating an IFC in his 2008 Presidential Address to the Federal Assembly

Transforming the Legal Framework

Creating an IFC alongside transforming a legal framework

Already passed

- Law on Insider Information
- Amendments, solving problems of taxation of transactions in the derivatives and repo markets

Expected soon

- Law on the Central Depository
- Law on Clearing
- Law on the Consolidation of Financial Reporting
- Law on the Regulation of Affiliates
- Law on the National Payment System

Benefits of creating an IFC

- Favorable conditions for capital inflow, including relevant tax and customs facilities
- Effective judicial protection of property rights
- Modern models of risk insurance
- Better financial infrastructure
- Improvements to basic transportation

Russia: Bright Macroeconomic Picture

| | 2009 | January-May 2010 | 2010 (forecast) | 2011 (forecast) |
|--|-------|--------------------|--------------------|--------------------|
| GDP growth, % | -7.9% | 2.9% (1 Q 2010) | 4–4.5% | 3.4% |
| National debt, % of GDP | 7% | 7%* | 10% | - |
| Budget surplus/deficit, % of GDP | -5.9% | -2.7% | -5.4% | -4% |
| Urals, USD per barrel | 61.4 | 76.5 | 75 | 75 |
| Change of international reserves, billion USD | 12.8 | 17.0 | 39–70 | 51–89 |
| Change of the Consumer Price Index, % | 8.8% | 4.0% | 6–7% | 5.5–6.5% |
| RUB/USD, rubles (average weighted) | 31.8 | 29.8 | 30.0 | 29.3 |
| Change of the index of the real effective exchange rate of the ruble against foreign currencies, % | -5.6% | 12.5% | 11.9% | 4.7% |
| * National debt as at the end of March 2010; the GDP for 2009 | | | | |

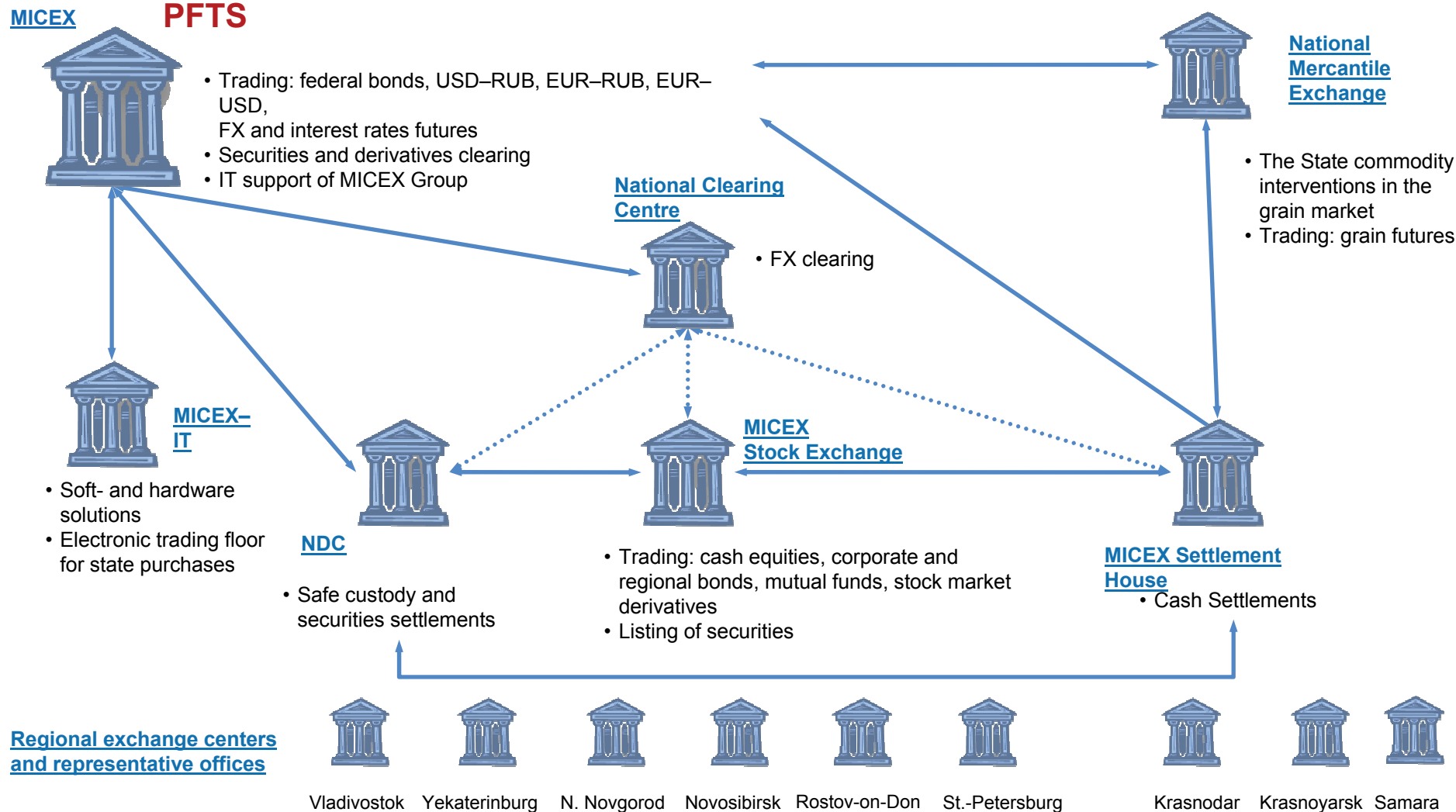
MICEX: In Top 20 World Exchanges

| № | Exchange | Volume of trades in equities in Jan-Jul 2010, bln USD | Change against Jan-Jul 2009, % |
|----|------------------------|---|--------------------------------|
| 1 | NASDAQ OMX | 18 833,9 | 10,2 |
| 2 | NYSE Euronext (US) | 11 671,1 | 7,4 |
| 3 | Tokyo SE | 2 415,7 | 3,8 |
| 4 | Shanghai SE | 2 147,0 | -24,1 |
| 5 | Shenzhen SE | 1 650,1 | 13,8 |
| 6 | London SE | 1 533,1 | -26,4 |
| 7 | NYSE Euronext (Europe) | 1 356,5 | 30,2 |
| 8 | Deutsche Börse | 1 215,8 | -15,0 |
| 9 | BME Spanish Exchanges | 981,1 | 7,5 |
| 10 | Korea Exchange | 923,1 | 3,4 |
| 11 | Hong Kong Exchanges | 836,6 | 0,7 |
| 12 | TSX Group | 765,8 | 8,8 |
| 13 | Australian SE | 713,2 | 56,7 |
| 14 | Borsa Italiana | 616,0 | 26,6 |
| 15 | SIX Swiss Exchange | 492,9 | 13,9 |

| № | Exchange | Volume of trades in market in equities in Jan-Jul 2010, bln USD | Change against Jan-Jul 2009, % |
|----|--------------------------------|---|--------------------------------|
| 16 | BM&FBOVESPA | 486,6 | 61,0 |
| 17 | NASDAQ OMX Nordic Exchange | 483,8 | 11,4 |
| 18 | Taiwan SE Corp. | 477,2 | -6,9 |
| 19 | National Stock Exchange India | 435,8 | 0,9 |
| 20 | MICEX | 267,2 | 22,3 |
| 21 | Johannesburg SE | 236,3 | 32,7 |
| 22 | Istanbul SE | 236,1 | 53,9 |
| 23 | Oslo Børs | 172,1 | 34,7 |
| 24 | Singapore Exchange | 154,7 | 16,2 |
| 25 | Bombay SE | 145,3 | -0,6 |
| 26 | Saudi Stock Market - Tadawul | 136,1 | н.д. |
| 27 | Osaka SE | 113,9 | 27,7 |
| 28 | The Stock Exchange of Thailand | 95,2 | 55,5 |
| 29 | Mexican Exchange | 69,7 | 65,8 |
| 30 | Indonesia SE | 66,3 | 26,9 |

MICEX Group: an International Exchange Group

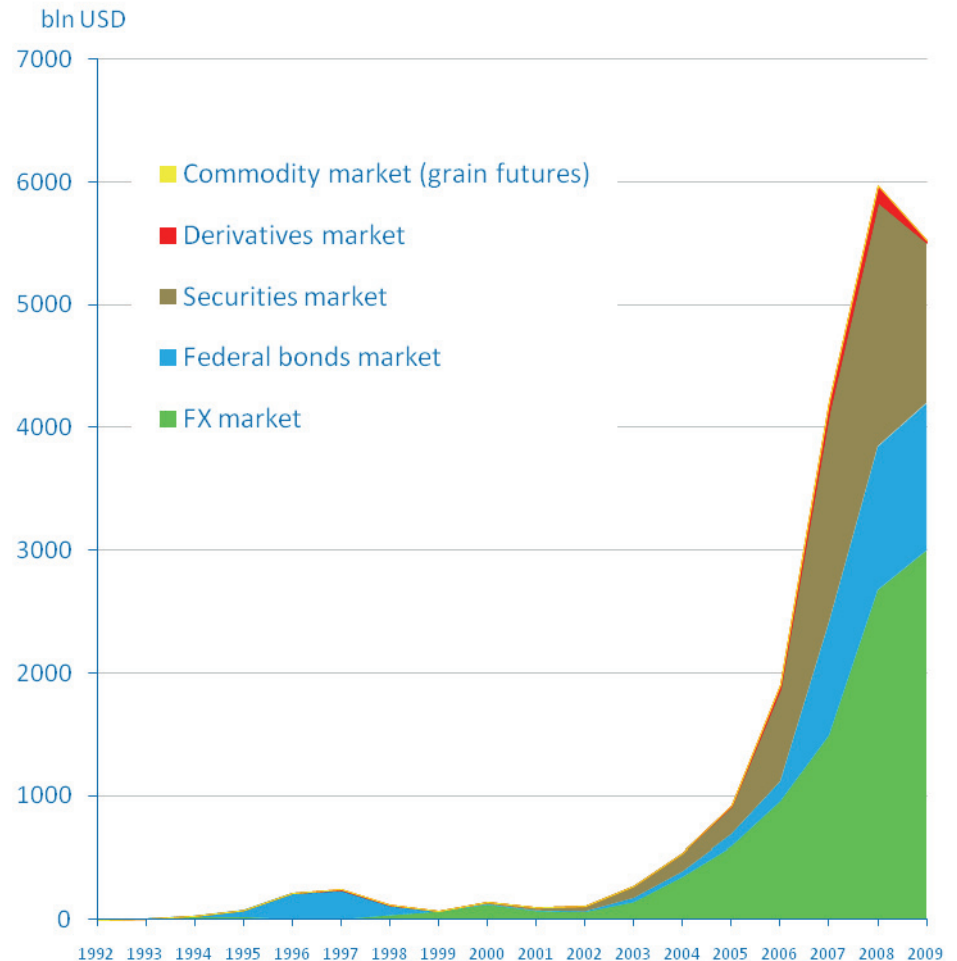
In 2010 MICEX acquired 50% + 1 share of the Ukrainian stock exchange PFTS



MICEX Group: Diversified Business Model

- MICEX Group is an integrated group that provides electronic trading, clearing, settlement, depository and informational services in all segments of the Russian financial market: equities, bonds, foreign exchange, derivatives, commodities, money market instruments
- MICEX shareholders are the Central Bank of the Russian Federation (29.8%), Russian and global banks including Unicredit Bank, VTB, Sberbank, Rosbank, Evrofinance Mosnarbank, Gazprombank, VEB, and Association of Russian Banks
- MICEX is a member of the World Federation of Exchanges (WFE), the trade association of 52 publicly regulated stock, futures and options exchange

Value of trades on MICEX Group markets



MICEX Group: Center of Trade & Price Formation

MICEX accounts for:

- 90% in the value of trades with equities in all Russian exchanges
- 60-70% in the global value of trades with equities and depository receipts of Russian companies
- 99.5% in the value of trades with corporate and regional bonds in all Russian exchanges

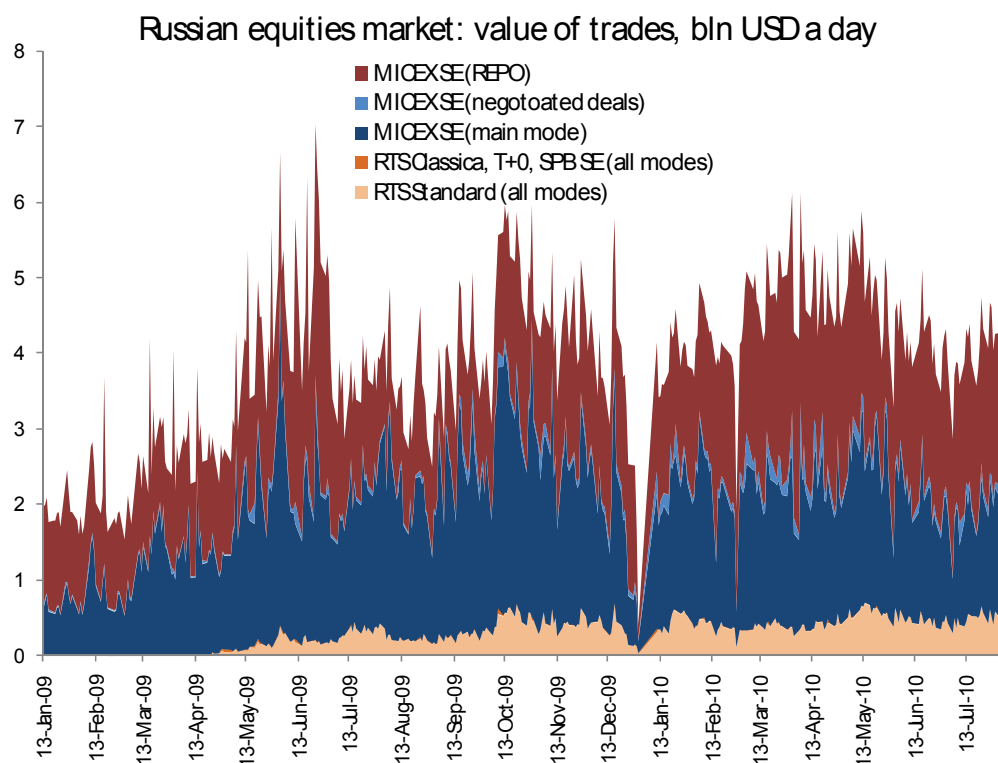
MICEX markets are used to raise capital through IPOs and bond sales:

- in 2009-July 2010 the volume of bonds sold at auctions was 114.2 bln USD
- the volume of IPO & SPO was 14.6 mln USD

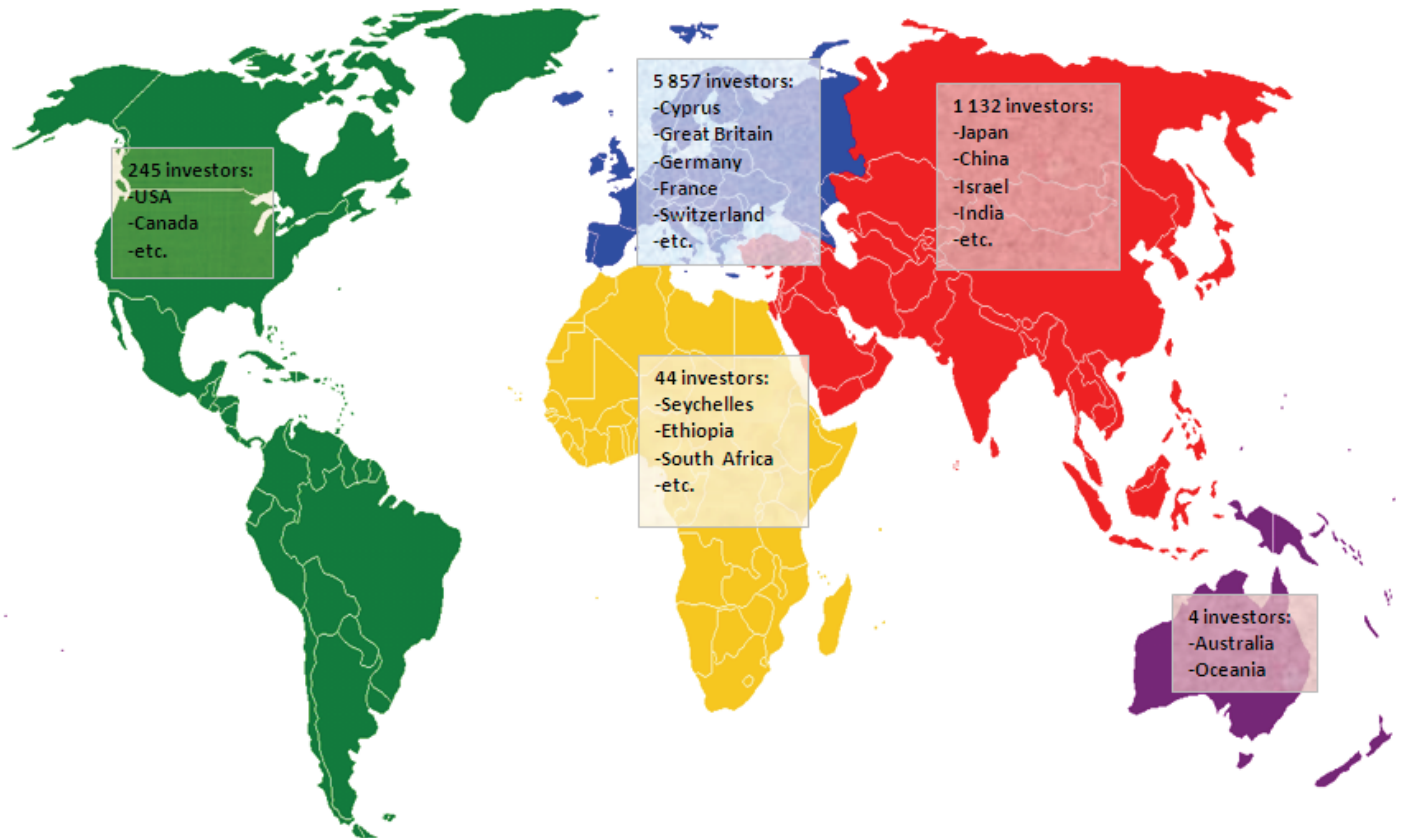
MICEX is the place of Ruble (Russian national currency) exchange rate formation

MICEX markets are used by the Bank of Russia for monetary policy purposes

MICEX accounts for 100% of transactions in federal bonds and Bank of Russia's bonds (OFZ & OBR)



Geography of MICEX Clients



All MICEX markets operate on a basis of the electronic trading, clearing, settlement and depository system that meets modern international standards of reliability, efficiency, security and business continuity. MICEX Trading System enables to connect investors using direct market access technology (DMA)

New: Central Counterparty for Equities, Bonds and Derivatives

- Since 2007 all trades in MICEX foreign exchange market have been done with a Central counterparty (CCP)
- On February 15, 2010, the MICEX+ project was started: trading with CCP was launched for 30 equities and 3 bonds
 - Cash and/or securities is preliminary deposited as collateral (partially, up to 45% of trade)
 - The modes are “CCP - Main trading mode”, “CCP – Negotiated deals”, “CCP – repo”
 - CCP guarantees the trades are settled and controls credit risk limits
- In June 2010 CCP was launched for MICEX derivatives market
- The project MICEX+ is in work to fully meet the market needs

Trading with CCP meets the best international standards

Action Plan to Contribute to the creation of IFC

The MICEX Group aims at aligning its strategy with the national goal of creating an IFC in Moscow and measures planned by market regulators

Projects in progress:

- Merger of NDC and MICEX Settlement House to form National Settlement Depository
- Further improvement of CCP trading
- Provision of direct access to foreign issuers' securities: equities and depositary receipts
- Expanded opportunities for investors' direct access through DMA technology
- New opportunities in the derivatives market: inter-commodity spreads used for margin calculation, securities as non-cash collateral, single stock options with physical delivery
- Single collateral, single limit and single clearing in all markets of MICEX group

Your questions please

- 13, B. Kislovski Per., Moscow, 125009
- +7 495 234-48-11
- +7 495 705-96-22 (fax)
- info@micex.com
- www.micex.com