

Russian Stock Market 2009

Events and Facts

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Table of contents

Introduction	4
Overview of the economic situation in Russia	5
Major indicators and trends on the Russian stock market in 2009	6
1. Instruments	9
1.1. Shares	9
1.2. Corporate Bonds	16
1.3. Public, subfederal and municipal bonds, bonds of the Bank of Russia	23
1.4. Eurobonds	26
1.5. Bills	27
1.6. Investment units	27
1.7. Futures and security options and stock indices	28
1.8. Stock indices	39
Share index	39
Bond index	42
Public bond index	45
The Indices of Unit investment funds	46
2. Institutional Structure	48
2.1. Issuers	48
2.2. Investors	49
a) Population	49
b) Unit investment funds	51
c) Bank managed unit investment funds	52
d) Non-state pension funds	54
e) The Investment of Pension Assets	55
f) Commercial Banks	56
g) Foreign Investment Funds	58
2.3. Professional securities market participants	58
a) Brokers, Dealers, Trust managers	58
b) Trading and Clearing Infrastructure	62
c) Settlement System	66
3. Regulatory framework and activities	69
The Counteraction of the Legitimization of the Proceeds of Crime	74
The Russian Federation is a country with traditional taxation system	75
3.1. The Federal Financial Markets Service of Russia	77
3.2. The Central Bank of the Russian Federation	78
3.3. The Ministry of Finance of the Russian Federation	79
3.4. The Ministry of Healthcare and Social Development of the Russian Federations	79
3.5. Other state authorities	79
3.6. Self-Regulatory Organizations	80
4. The Calendar of the Main Events of 2009	81

Introduction

We offer for your consideration the latest overview of the Russian securities market.

We have been issuing similar overviews twice a year since 2007 with the purpose of providing a generalized representation of the Russian stock market and its key elements such as instruments, players, infrastructure, regulatory and monitoring systems as well as major market events that took place during this period.

Russian National Association of Securities Market Participants (hereinafter referred to as "NAUFOR" prepared reviews with active participation of Moscow School of Management SKOLKOVO.

We would like to underline the following:

Firstly, in the review we try to avoid comprehensive comments and evaluative judgments, except those that are required in order to understand the figures provided in the review, their dynamics, and peculiarities of the Russian securities market;

Secondly, in most cases we provide the figures as of the end of June 2009. However, in some cases, when such figures were unavailable at review preparation time, we provide the available figures that are the closest to this date;

Thirdly, we do not intend to demonstrate a long-term period of the development of the Russian market that precedes 2009. In most cases, when providing historical figures, we are restricted to the figures since 2005;

Fourthly, in the review represents numerical indicators in both the national and a foreign currency, depending on the peculiarities of transaction making and representing results thereof;

Fifthly, in some cases we provide figures from various sources in order to demonstrate the existing differences in estimates or calculations.

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Overview of the economic situation in Russia¹

From the economic point of view, 2009 was one of the most difficult years over the last decade both internationally and in Russia.

Russia's gross domestic product has seen a steady growth over recent years: in 2005 in current prices, it amounted to 21,625 bln rubles and in 2008, it reached 41,256 bln rubles. At the same time, in 2009 GDP fell down to 39,016 bln rubles, the lowest level over the last 15 years. The period of decrease occurred in H1 of the year and H2 saw a tendency for its growth.

Over the recent years, the Industrial Production Index also has had a steady growth along with a slight slow-down in 2008; concurrently the volumes of extraction of mineral resources were increasing. However, 2009 marked a significant decrease of the Industrial Production Index along with slight decrease of the index of extraction of mineral resources. According to these indicators, the economy of Russia corresponds to the level of development as of 2005-2006.

By the procedure of the International Labor Organization, the level of unemployment of economically active citizens in Q1 2009 rose up to 9.1%, which is the largest since 2005. In general throughout the year were evident seasonal fluctuations of this indicator

that remained similar to previous years but reached a higher level. In Q4, the unemployment rate amounted to 7.9%.

The relative weight of overdue accounts payable within the total debt of Russian enterprises was constantly decreasing from 14.96% in 2005 to 7.45% in 2008. First two quarters of 2009 evidenced growth of this indicator up to 7.6–8%, with a decrease down to 7.2% evident in H2 by the end of the year.

According to the data of accounting reports, the balance of profits and losses of Russian enterprises remains positive although the growth of this indicator evident in 2005-2006 (with annual growth of 30% and 77% accordingly) was replaced by the decrease by 37% in 2008. The 2009 figures show that the annual balance of profits and losses, in total, by 9% exceeds the value of the previous year. By the 2009 results, the relative weight of profitable Russian enterprises and organizations reached 69.9%, whereas, for example, in 2007 this indicator was 74.5% and in pre-crisis 2008 71.7%.

The inflow of foreign investments to the country has been decreasing over the last two years, with the total volume of foreign investments reaching 81.9 bln

dollars in 2009, which is by 21% less than in the previous year. In 2009, the outflow of investments from Russia abroad exceeded the inflow investments and amounted to 82.9 bln dollars.

Throughout 2009 international reserves of the country increased from 383.9 bln dollars in Q1 to 435.8 bln dollars in Q4. In general, they increased by 2%, as compared to the end of the previous year.

During 2009, the Bank of Russia constantly mitigated the monetary policy, while the refinancing rate decreased from 13% at the beginning of the year to 8.75% by the end of the year.

In 2005-2008 the inflation on the consumer market was at a relatively steady level (109–113%). 2009 saw its gradual decrease from quarter to quarter, which resulted in the decrease of the annual value of 108.8% as compared to previous years.

Since 2005 an average nominal rate of the US dollar has been constantly falling and by the results of Q2 2008 reached 23.63 rubles and then started to increase and in Q1 2009 reached its local all-time high level of 33.92 rubles, with a subsequent gradual devaluation of the American currency relative to ruble.

¹ According to data of the Federal State Statistics Agency and the Bank of Russia.

Major indicators and trends on the Russian stock market in 2009

The previous 2008 marked a milestone for the Russian securities market. Due to the global financial and economic crisis the market's development vector has cardinally changed. The crisis's acute phase was over at the end of 2008 – the beginning of 2009. Throughout 2009, the market gradually recovered after a deep fall and compensated for the most part of the previous year's loss. However, by many basic parameters the Russian securities market is still far from its pre-crisis level.

Share market. Over the year, the Russian share market capitalization increased by 104% and reached 0.76 bln dollars. However, as compared to 2007, when the capitalization reached its all-time high level and for the first time exceeded the level of 1 trillion dollars, it is by 43% less. The ratio of the share market capitalization and GDP, by the results of the year, amounted to 59%. Traditionally high Russian companies' shares market capitalization was unchanged, with 65% of capitalization falling to the top ten most capitalized companies. By industry, 50% of capitalization still refers to the oil and gas production and processing sector. The number of share issuers, represented both on the internal and external market, shows an insignificant growth tendency, reaching about 300 companies by the results of the year. The rates of growth of the number of share issuers, represented on the organized market stay behind the rates of growth of the number of open joint stock companies registered in the country. Within the internal market, two

leading stock exchanges represent about 55% of share issuers, the MICEX and the RTS. Over the year, there has been a certain decrease in the number of issued shares presented on the quotation list on the internal organized market.

Since Q2, the internal exchange-traded transactions with the Russian companies' shares have been demonstrating a growth trend. In monetary terms, by the results of the year, the volume of trade (excluding REPO transactions), amounted to 15.9 bln rubles, which is by 25% less than in the previous year and corresponds to the results of the pre-crisis 2007. A share of REPO transactions in the total internal exchange-traded shares started to decrease since Q2 and, by the results of the year, amounted to 46%, which also corresponds to the 2007 figures. The exchange trade's concentration on shares of certain issuers remains high, with a share of securities of the top ten most liquid issuers in the total trade exceeding 90%. It is notable that for the first time since 2006, by the results of the year,

Gazprom OJSC took the second place by the volumes of share transactions giving the first place to Sberbank OJSC. The shift in the trade activities to external markets, which was evident in July-November of the previous year, showed no further development, and since H2, the ratio of trading on the internal and external markets resumed its pre-crisis level of 70 by 30% in favor of the internal market with a tendency of reaching the ratio of 75 by 25%.

Corporate bonds market. The total volume of outstanding corporate bonds represented on the internal market by the end of the year amounted to 2.5 trillion rubles (6.5% of GDP) having increased by 58% over the year. At the same time, a share of the so-called "non-market" issues increased up to 10%. The number of bond issuers decreased by 9% slightly exceeding 410 companies in quantity. Allocations of new corporate bonds offerings saw renewal in May and by the end of the year the volume of allocations

exceeded 1 trillion rubles, which is by 87% more than in the previous year. The volume of exchange-traded corporate bonds (excluding REPO transactions) starting from Q2 showed a growth tendency; however, in total for the year, it remained by 5% less than the previous year and amounted to 2.4 trillion rubles. The concentration of transactions with corporate bonds increased, with a share of the top ten liquid issuances around 25% against 17% in the previous year. A share of REPO transactions in the total exchange turnover of corporate bonds, which in the end of the previous year sharply decreased because of crisis phenomena, returned to the pre-crisis level of 73%. A characteristic feature of the year was a decline on the corporate bonds market. Multiple cases of violation by corporate bond issuers of their debt servicing that first occurred in 2008 continued to occur in 2009 in a greater scale: the number of issuers who committed violations amounted to 110 companies, with the total outstanding commitments reaching 124 bln rubles.

Derivatives Market. As compared to the previous year, the increase in the volumes of transactions with derivative contracts, the underlying assets of which are securities and stock indices, in monetary terms accounted to 16%, in the number of contracts 90% and in the number of transactions 154%. Among the types of derivative contracts, the prevailing share of the turnover (over 90%) consists of futures, with a niche of options having a tendency towards the decrease. Within the structure of underlying assets of derivative contracts, stock indices prevail, with over 80% of the turnover in monetary terms; and a share of bonds became remarkably low. The ratio of the volume of the derivative contracts market, the underlying assets of which are shares and share indices, and the volume of the shares spot market, excluding REPO transactions, by the results of the year reached 77% against 83% in the previous year. In 2008, the volume of open positions on derivative contracts sharply reduced. In the end of 2009, the volume of open positions, as compared to the end of

the previous year, increased in monetary terms by 40% and the number of contracts by 63%. However, as compared to the results of the pre-crisis 2007, the volume of open positions remained lesser by 57 and 22% accordingly. The ratio of the volumes of open positions on call and put options to futures to the RTS index shows that throughout the year open positions on put options were relatively predominant.

Stock indices. Throughout the year, basic stock share indices experienced a significant growth that started in March. The rate of return (in percent per annum) by consolidated indices of the "first echelon" shares amounted to: the RTS index – 128%, the MICEX index – 121%. The index of the "second echelon" shares, the RTS-2 index, showed an even higher rate of return of 160%. Among industry indices, the indices of consumer goods and retail trade (the RTS cr index – 230%) and metallurgic industry (the MICEX M&M index – 212%) had outstripping growth rates. The gas-and-oil sector recovered at a slower rate (the RTS og index – 93%). Among capitalized indices, the index of companies of basic (small) capitalization, the MICEX SC index of 199%, demonstrated the greater rate of return. Indices of corporate bonds, MICEX CBI TR and IFX-CBONDS, demonstrated a similar behavior: a sharp decline first started in 2008 continued until March 2009 and subsequently the indices started a trend interrupted because of the crisis. The duration of the IFX-CBONDS index portfolio decreased during the year, with the minimum of 305 days and the maximum of 600 days. At the beginning of February the average weighted rate of return to the settlement of the IFX-CBONDS index portfolio reached 25% and by the end of the year reduced to 10-12%, and throughout the year the average weighted rate of return constantly exceeded the refinancing rate of the Bank of Russia, with the maximum differential of 10.8 pts.

Issuers. The number of share and bond issuers represented on the organized markets did not change significantly

during the year, with a registered reduction of the number of issuers in quotation lists. Almost no public offerings of shares took place. On the new MICEX investment and innovation market, there was one public offering of a biotechnology company, with the volume of allocation reaching 142.5 mln rubles. Alternative investments markets, created at the leading Russian stock exchanges intended for allocation and floatation of securities of innovative companies and small-capitalization companies, showed insignificant volumes of allocations and the secondary market.

Private investors. The number of private investors operating at the MICEX Stock Exchange is constantly growing and by the end of the year reached 671 thousand people, with an annual growth rate, despite a quite significant increase of stock indices, reaching 20%, whereas the annual growth rate in the pre-crisis 2008 reached 34%. The number of active investors, except a traditional summer decline, was increasing from month to month and by the end of the year amounted to 114 thousand people, which is by 38% more than in the previous year.

Collective investors. The number of unit investment funds has insignificantly increased throughout the year and amounted to 1,100 funds, with the increase due to the growing number of closed funds and the decreasing number of open and interval funds. During the year, due to the innovation associated with funds for qualified investors, there was a change of the procedure for the disclosure of details regarding the cost of net assets of unit investment funds resulting in restriction of disclosure of the details concerning funds for qualified investors. In connection with this, the available public data regarding the cost of net assets of closed unit investment funds ceased to be representative. By the results of the year, the cost of net assets of open and interval unit investment funds amounted to 78 bln rubles (0.2% of GDP), which is by 30% more than in the previous year. However, as compared to 2007, when the cost of net assets of unit investment

funds reached their historical maximum, it is by 100 bln rubles less. In open unit investment funds the net outflow of assets, which started in Q2 2008 continued: the results of the year showed a negative balance of net fundraising amounting to 12.4 bln rubles.

Foreign investment funds. According to the data available, 2,106 foreign funds, which are required to disclose the details of their activities, invest in Russian assets (both local shares and depository receipts). It is by 13% less than in the previous year. A slight growth of investments of such funds in Russian assets is evident, with an estimated volume of securities of Russian companies in the funds' assets of 77.6 bln dollars, of which a quarter is purchased at Russian stock exchanges. At the same

time, a dramatic growth of activities of specialized funds (with a share of Russian assets over 75%) is evident, with their growth over the year from 36 to 46 and the growth of assets by 175% to 23.9 bln dollars.

Professional securities market participants. The number of valid licenses of professional market intermediaries reduced throughout the year by 6-8%, of depository licenses by 3.5%. Among professional intermediaries, members of the trade at stock exchanges, a high concentration by the volume of transaction is evident. At the MICEX Stock Exchange, a share of the top ten active operators accounts for 45% of the total volume of transactions with non-governmental securities. On the classical market and derivatives markets of the

RTS, this figure accounts for 77 and 80% accordingly.

Throughout the year, many changes have occurred that refer to the regulation of activities on the securities market. The most important among them are associated with modifications in the Tax Code where the procedure of tax accounting for derivative contracts and REPO transactions is set forth. A higher administrative responsibility was established for the violation of laws on joint stock companies and the securities market. A criminal responsibility was introduced for the violation of the procedure of entitlement for securities and the price manipulation. In addition, the standards of capital adequacy were raised for Professional securities market participants and Asset management companies.

1. Instruments

1.1. Shares

Table 1 shows data from SPARK database concerning issuers and issues of shares (at the end of a year).

The number of joint stock companies in Russia constantly increases. At that,

the year 2009 fixed nine percent increase in their number that exceeds the one in previous years. Russian legislation demands for registration of every share issue of all joint stock companies (including close those), that is why the

bulk of these shares are illiquid. Just a little of issuers is presented at stock exchanges. Table 2 shows main data concerning shares offer at Russian stock exchanges.

Thus, stock markets include 0.5 percent of all open joint stock companies

Table 1

Share issuers

Period	Number of share issuers	Including JSC.	Number of share issues
2005	460 352	62 960	463 206
2006	471 010	64 431	473 881
2007	481 372	65 706	483 244
2008	487 765	66 466	490 645
2009	522 968	72 601	525 905

Source: Interfax (SPARK DB).

Note: Number of issues without additional issues.

Table 2

Organized share market

Period	MICEX		RTS	
	Number of share issuers	Number of share issues (JSC, S.A.) in quotation lists	Number of share issuers	Number of share issues (JSC, S.A.) in quotation lists
2005	163	50	261	59
2006	190	60	281	76
2007	208	87	302	103
2008	231	101	275	110
2009	234	103	279	92

Sources: MICEX, RTS

presented as share issuers; this index stays almost in perpetuity for last years. In general, the number of public share issuers shows slight growth tendency. Some reduction in quoted lists in 2009 requires special attention.

It should be noted that the most of share issuers, which are presented, at organized markets (about

70 percent of total number) refer to securities eligible for trading without listing (to out-of-list securities).

MICEX and RTS, two main Russian stock exchanges, present much of share issuers. Over a half of share issuers are presented at both stock exchanges at the same time; this index displays a tendency towards decrease, which is share issuers distribution between stock exchanges. Depository receipts for shares of a number of Russian issuers are listed at foreign stock exchanges. Table 3 shows data concerning share issuers distribution between main Russian stock exchanges

as well as Standard&Poor's² ratings for number of Russian issuers shares of which are eligible for trading at RTS, MICEX, NYSE, NASDAQ and included in LSE-listed S&P EMD Russia index. Slight differences in data from tables 2 and 3 are due to special factors of record.

Therefore, internal and external organized share markets involve a little more than 330 Russian companies that are share issuers; and this index increases slightly.

Table 4 shows data concerning capitalization of Russian issuer's share market in 2005-2009 accordingly different ratings.

In 2007, capitalization of Russian share market reached its historical peak and exceeded trillion dollars in respect of internal market, and in 2008 capitalization sharply dropped due to global financial crisis.

During 2009, capitalization of Russian share market expanded at quarter pace of

20 percent and by year-end reached 763 billion dollars that is 104 percent more than a year ago. However, it is 43 percent less in comparison with 2007.

In general, year-by-year capitalization of Russian share market is subject to significant changes and shows wave-like tendency. Capitalization/ GDP ratio shows the same tendency (see fig. 1).

For the first time from 1995 GDP showed negative dynamics, however capitalization increased more than in twice, so capitalization/GDP ratio comprised 59.2 percent, which is almost twice as large as a year ago, though in 2006-2007 this ratio edged towards 100 percent.

Russian share market is distinguished by high capitalization concentration both in terms of issuers and in branches to with issuers refer.

Table 5 shows the list of ten the most capitalized companies, and table 6 does dynamic of changes in share of ten the

Table 3

Share issuer distribution between main stock exchanges

Period	Only MICEX	MICEX and RTS	Only RTS	Issuers total	S&P Rating
	1	2	3	1+2+3	
2008	35	198	81	314	314
2009	49	185	98	332	333

Sources: MICEX, RTS.

Table 4

Capitalization of Russian issuer's share market in 2005-2009

Period	MICEX, bln. rubles	RTS, bln. dollars	S&P Rating, bln. dollars	GDP, bln. rubles	Capitalization / GDP, %
2005	9304	329	549	21 625	43
2006	25 482	966	1057	26 904	95
2007	32 740	1329	1503	33 103	99
2008	11 017	374	397	41 256	27
2009	23 091	763	861	39 016	59

Sources: MICEX, RTS, FSSS, S&P.

² *Emerging Stock Markets Review, Global Stock Markets Factbook, S&P, share series of 2006-2009.*

most capitalized companies for 2005–2009.

The list of ten the most capitalized issuers changes slightly, first seven positions are traditionally hold by the same companies headed by JSC Gazprom.

Concentration of share issuers' capitalization spiraled down: in four years, the share of ten the most capitalized companies declined more than at 12 items and the share of the most capitalized issuer – at 11.3 items. During 2009, the share of ten the most capitalized issuers dropped at 4.2 items.

Capitalization concentration decreases first at the expense of new issuers, which appear at the market after large offering in 2006–2007.

Table 7 shows data concerning branch capitalization of share market in Russia over 2006–2009.

In 2009 tendency to decline in the share of companies specialized in the field

of oil and gas production and processing was resumed and during the year the share of such companies dropped at 10 items, since 2006 decrease comprised 12.5 items. Nevertheless a half of capitalization of Russian share market concentrated in the oil and gas sector.

In 2009, the share of financial companies doubled and became the second in order of importance in total capitalization of Russian companies' share market.

After RAO UES of Russia had ceased its activity, the share of electro-energetic companies decreased noteworthy. Increasing share of metallurgical sector is also important. As for the rest, there are no significant changes in industrial composition in recent years.

Table 8 shows data that characterizes trading volumes of Russian companies' shares at the leading stock exchanges over 2005–2009, table 9 do the same in respect of 2009.

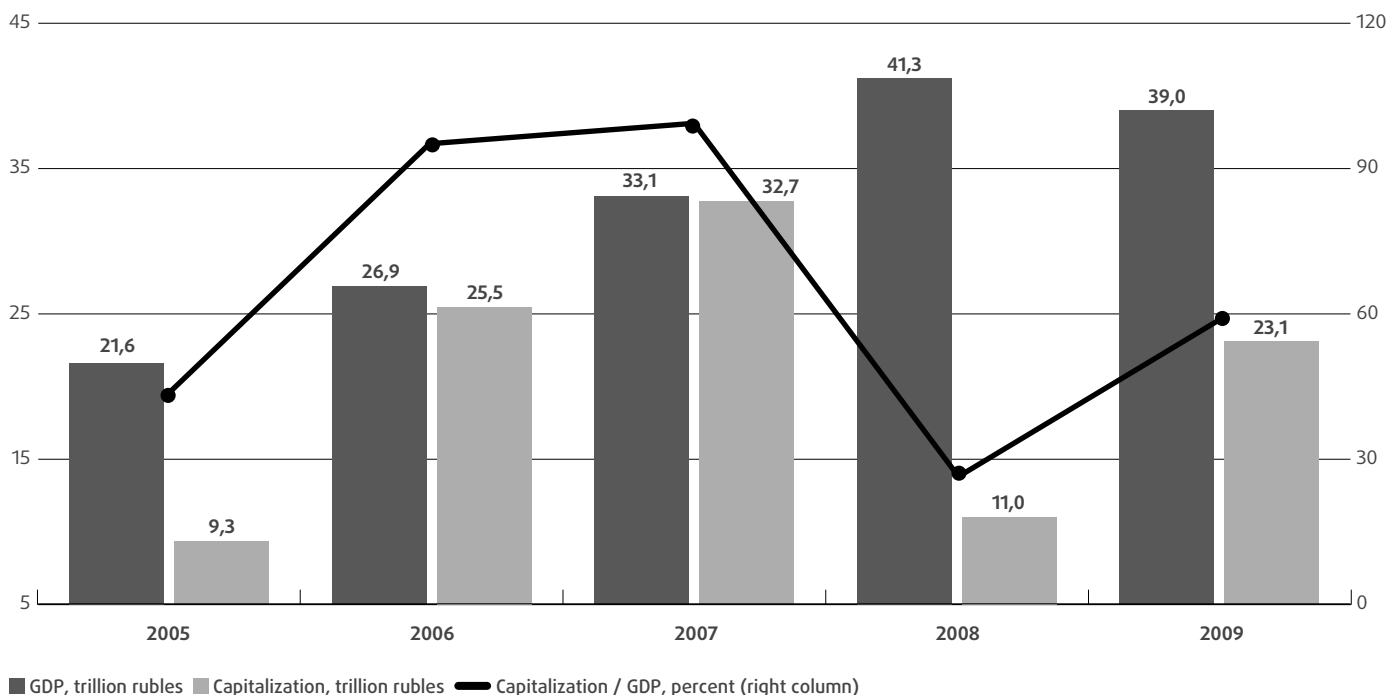
Up to the year 2008 volumes of exchange deals with Russian companies' share (in money terms) were trending upwards. Along with this at the end of 2008 total trading value of (without repos) declined at 16–18 percent depending on currency of account.

In the first quarter of 2009, volumes of deals with shares stayed accordingly the order of magnitude at the level of the fourth quarter of 2008. Starting from the second quarter of 2009 there was fixed noticeable rise in sales and turnovers were in increase up to year-end. In 2009 total volume of deals with Russian companies' shares in internal market comprised eventually 15.9 trillion rubles (ignoring repos) that complies with the level of 2007.

Attention should be paid to the fact that in recent years the share of repos with shares essentially increased (see table 8 and fig. 2). It is evidence that internal exchanging share market is used to a

Fig. 1

Capitalization of Russian issuers' share market and GDP



Source: MICEX, Federal State Statistics Service.

Table 5

The list of the most capitalized issuers in Russia (at the end of 2009.)

No	Issuer	Capitalization, billion rubles	The share in total capitalization (percent)
1	JSC Gazprom	143,3	19,4
2	JSC NK Rosneft	88,3	12,0
3	JSC Sberbank	59,1	8,0
4	JSC LUKOIL	47,6	6,4
5	JSC Surgutneftegas	31,7	4,3
6	JSC MMC Norilsk Nickel	26,7	3,6
7	JSC Gazprom Neft	25,6	3,5
8	JSC Bank VTB	24,1	3,3
9	JSC NLMK	18,2	2,5
10	JSC NOVATEK	17,1	2,3
TOTAL		481,5	65,3
Total capitalization MICEX		738,0	100,0

Source: MICEX.

Table 6

The share of the most capitalized issuers in total capitalization of share market over 2005–2009

	2005	2006	2007	2008	2009			
					Q1	Q2	Q3	Q4
TOTAL (percent)	77,7	78,5	68,5	69,3	69,5	67,6	66,5	65,3
incl. JSC Gazprom	-	30,7	27,3	25,7	25,0	24,5	21,7	19,4

Based on MICEX data.

Table 7

Industrial composition of capitalization of Russian share market over 2005–2009

No	Branch	2006	2007	2008	2009			
					Q1	Q2	Q3	Q4
1	Oil and gas industry	62,6	50,4	57,0	60,0	56,6	53,7	50,1
2	Financial services	9,2	11,8	10,1	7,2	8,6	10,2	14,5
3	Metallurgy	8,1	11,1	10,0	11,3	12,0	12,6	12,3
4	Power industry	11,7	12,5	8,9	7,9	9,8	9,9	9,4
5	Communications	4,1	4,4	5,2	5,3	4,2	4,0	3,8
6	Chemical industry	0,2	1,5	1,5	1,8	1,8	1,7	1,6
7	Transport	0,8	1,2	1,8	1,2	1,3	1,3	1,2
8	Sale	0,6	0,7	0,7	0,8	1,0	1,1	1,1
9	Coal industry	0,1	0,3	0,2	0,4	0,6	0,8	1,0
10	Engineering and metal-working	0,8	1,1	0,7	0,7	0,8	1,1	1,0
11	Food industry	1,1	1,2	1,2	1,1	1,0	1,0	1,0
12	Mining industry	0,2	0,2	1,3	0,9	0,7	0,8	0,9
13	Construction	0,2	1,3	0,5	0,4	0,3	0,4	0,4
14	Other branches	0,2	2,3	0,9	1,1	1,4	1,6	1,8

Source: MICEX

Table 8

Trading volumes of Russian issuers' shares over 2005–2009

Period		2005	2006	2007	2008	2009
	unit of measurement					
MICEX ¹	billion rubles	4025,0	14 859,6	30 927,1	33 704,7	27 874,8
RTS ² classical market	billion dollars	7,7	16,1	14,6	9,8	2,5
RTS ² exchange market	billion rubles	82,0	27,3	23,5	28,1	11,7
RTS ² Standard market	billion rubles	-	-	-	-	1556,5
SPB SE ²	billion rubles	936,8	1205,9	64,2	41,7	1,3
US dollar average rate for period (advisory)		28,28	27,18	25,57	24,81	31,68
TOTAL (estimative) taking into account repos	billion rubles	5260,2	16 530,5	31 386,8	34 012,3	29 523,6
	billion dollars	186,0	608,2	1233,2	1393,8	930,8
The share of repos	percent	17,2	24,9	49,9	62,4	46,0
TOTAL (estimative) ignoring repos	billion rubles	4354,1	12 415,6	15 713,0	12 783,8	15 953,8
	billion dollars	151,3	471,5	621,2	524,4	507,4
S&P Estimate	billion dollars	159,3	514,4	754,5	712,8	682,5
Turnover ration (year) ³	percent	46,0	48,8	46,7	140,3	66,5

Sources: the Bank of Russia, MICEX, RTS, S&P.

Table 9

Trading volumes of Russian issuers' shares in 2009

Period		2009				
	unit of measurement	Q1	Q2	Q3	Q4	Итого
MICEX ¹	billion rubles	5901,9	7485,8	7086,9	7400,2	27 874,8
RTS ² Classical market	billion dollars	0,4	0,6	0,6	0,8	2,5
RTS ² exchange market	billion rubles	1,0	7,0	1,6	2,0	11,7
RTS ² Standard market	billion rubles	-	217,9	542,3	796,3	1556,5
SPB SE ²	billion rubles	0,3	0,6	0,3	0,2	1,3
US dollar average rate for period (advisory)		33,92	33,20	31,32	29,46	31,68
TOTAL (estimative) taking into account repos	billion rubles	5918,4	7730,7	7650,7	8223,7	29 523,6
	billion dollars	174,5	232,9	244,3	279,1	930,8
The share of repos	percent	67,4	46,8	36,6	38,5	46,0
TOTAL (estimative) ignoring repos	billion rubles	1926,8	4116,3	4852,0	5058,7	15 953,8
	billion dollars	56,8	124,0	154,9	171,7	507,4
S&P Estimate	billion dollars	84,3	161,3	205,6	231,3	682,5
Turnover ration (quarter) ³	percent	14,7	23,2	23,0	22,5	

Sources: the Bank of Russia, MICEX, RTS, S&P.

Notes to table 8 and 9:¹ For trades at MICEX auction mode, mode of negotiated deals and repos are taken into account. Deals in order of initial offerings are ignored.² For trades at RTS and SPB SE market, two-sided deals and repos are taken into account. Deals in order of initial offerings are ignored.³ Turnover ration is considered as ratio between volumes of deals (ignoring repos) over a period (year, quarter) and capitalization at the end of a period.

great extent as money market against securities.

In the first quarter of 2009 volume of repos continued increasing, their share exceeded 67 percent of volume of exchange share trading. However, from the second quarter the share of repos started to spiral down and comprised 46 percent at year-end that complies with the level of 2007.

Dealing in shares focuses on quite limited instruments. Table 10 shows data concerning dynamics of changes in the share of ten the most traded share issuers for the recent years, table 11 contains the list of issuers, deals with shares of which

at MICEX in 2009 were most active (taking into account repos).

Concentration of turnovers of deals with shares is extremely high and has a slight tendency towards weakening – at 4.2 items for four years. The list of the most liquid share issuer changed a little. From liberalization of its shares, JSC Gasprom was the first in this list until recently. However, in 2009 JSC Sberbank became leader in liquidity.

Relation between roles of domestic and foreign trading floors in the overall structure of Russian share turnover is a matter of substance for Russian security market. In recent years, (see fig. 3)

the ratio between trading volumes in domestic stock exchanges to those in foreign ones came to stay at average 70 to 30 percent in favor of Russian stock exchanges with minor fluctuations from side to side. Along with this since July to November of 2008 existing ratio was broken and in some months trading volume at foreign trading floors exceeded those in internal exchanging market.

During 2009 relation between roles of domestic and foreign trading floors persisted, starting from June 2009 r. There is a tendency towards other ration – 75 to 25 percent.

Fig. 2

The share of repos with securities in internal exchange market, percent

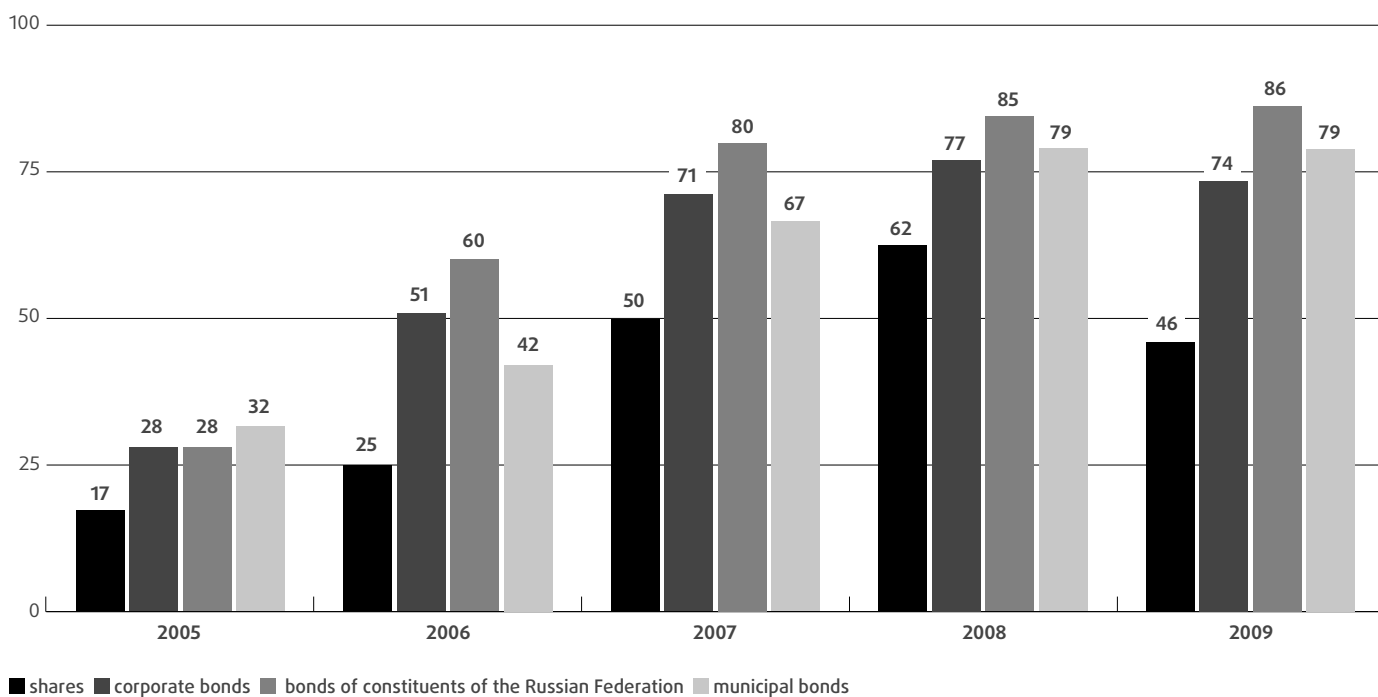


Table 10

The list of issuers deals with shares of which were most active on MICEX over 2005–2009

	2005	2006	2007	2008	2009
TOTAL (percent)	95,9	94,8	92,0	92,0	91,7
incl. JSC Gazprom	-	32,0	28,4	31,9	24,7
incl. JSC Sberbank	5,4	6,1	11,1	13,6	26,1

Based on MICEX data.

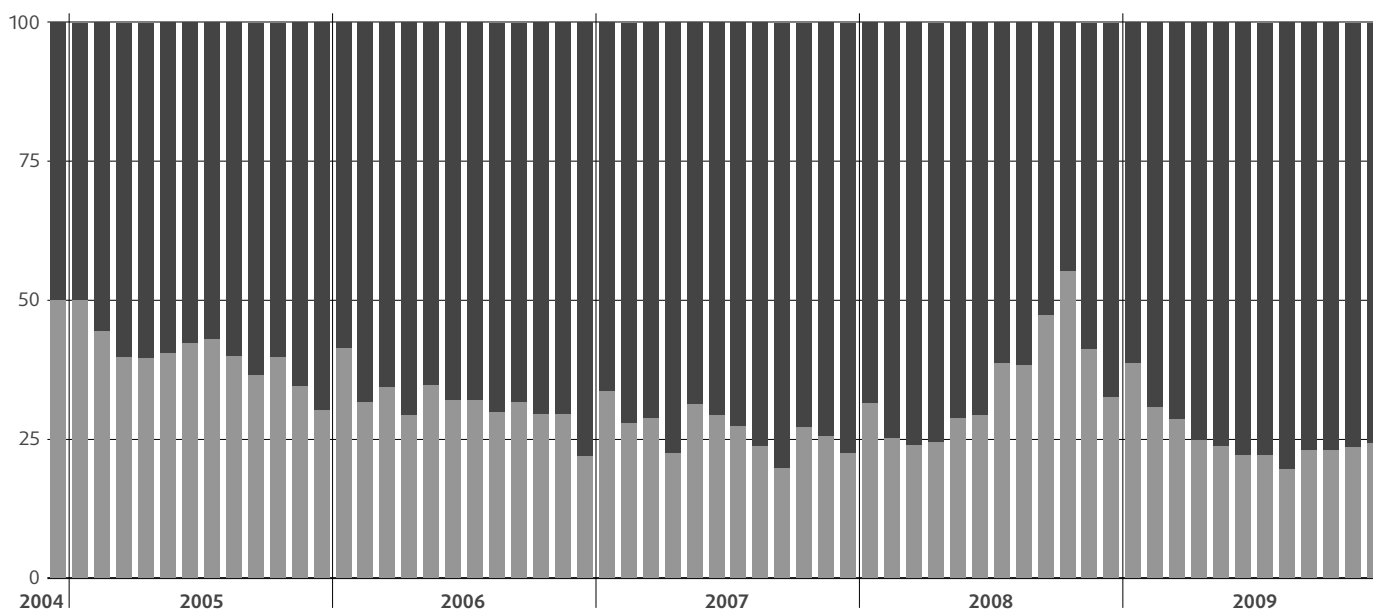
Table 11

The list of issuers deals with shares of which were most active on MICEX (data at the end of 2009)

No	Issuer	The share in total volume (percent)
1	JSC Sberbank	26,1
2	JSC Gazprom	24,7
3	JSC Rostelecom	11,7
4	JSC LUKOIL	6,5
5	JSC NK Rosneft	6,4
6	JSC MMC Norilsk Nickel	5,8
7	JSC Bank VTB	3,8
8	JSC Surgutneftegas	3,5
9	JSC Tatneft	2,3
10	JSC RusHydro	1,2
	TOTAL	91,7

Source: MICEX.

Fig. 3

Объемы торгов депозитарными расписками и акциями российских компаний, депозитарные расписки которых торгуются на зарубежных биржах, %

■ Российские биржи ■ ADR, GDR

Source: MICEX

1.2. Corporate Bonds

Recent years saw quite intensive development of corporate bond market. Table 12 shows summary annual data concerning the number of issuers and issues of bonds which are referred to market bonds category that are bonds that can be found at the market in the secondary turnover.

Before 2007, development of corporate bond market was distinguished by fast

increase in number of issuers and issues of bonds. Nevertheless, in 2007 corporate bond market growth rate sharply slowed down, in 2008 growth rate began to slacken.

During 2009, downturn continued because of which at year-end the number of market issuers and issues dropped at 12 percent and comprised 405 issuers, the number of issues

dropped at 3 percent to 630 issues. It has to be noted that the number of issuers dropped more significantly than the number of issues.

Fig. 4 shows monthly diagram of corporate bond market size (offered issues at nominal value) over 2005–2009, table 13 shows summary data at the end of every year (both market and non-market issues).

Table 12

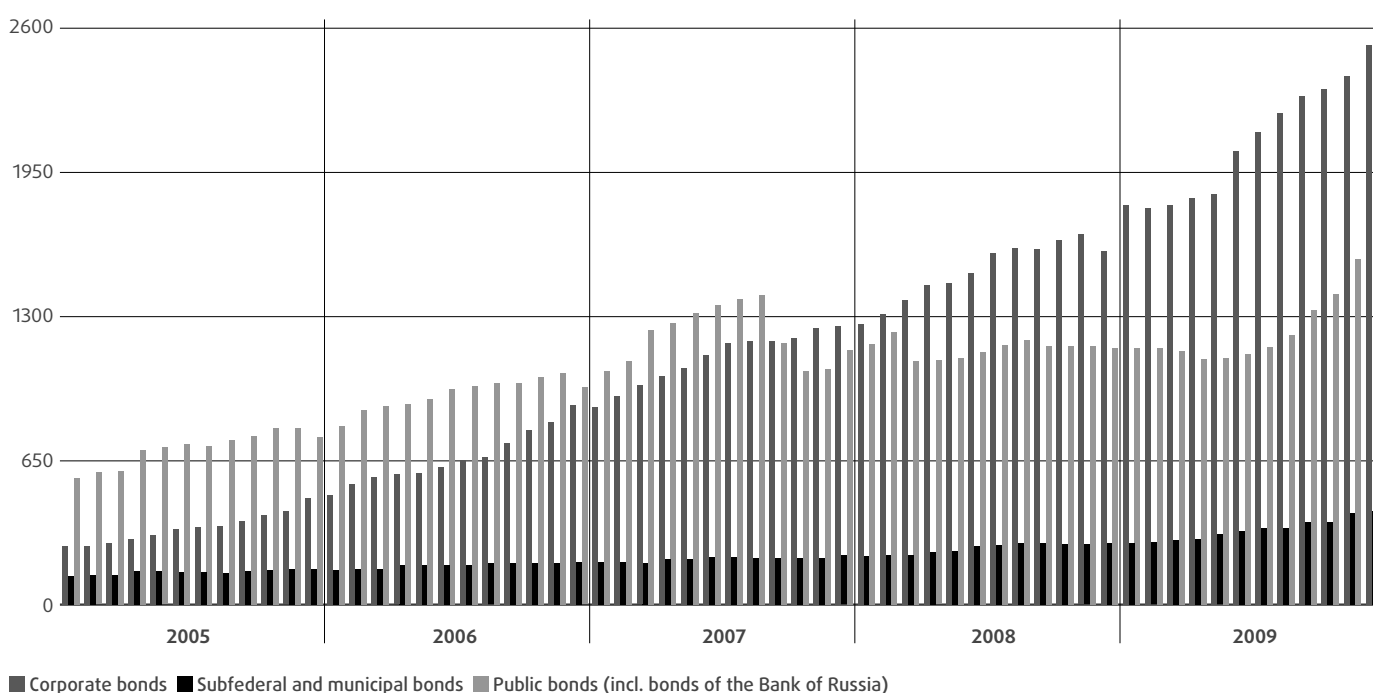
Number of corporate issuer and issues (data at the end of a period)

Period	Number of bond issuers	Number of bond issues
2005	230	302
2006	370	488
2007	465	607
2008	463	650
2009	405	630

Source: CBONDS.

Fig. 4

Size of internal debt market (at nominal value), million rubles



Source: CBONDS.

In different years, volumes of corporate bonds in circulation grew at different rates. Thus, the years 2005–2006 saw noticeable annual increase. However, in the following two years rates of growth sharply dropped and for the most part of 2007–2008 new offerings in corporate bonds market virtually were not held.

From mid 2009, corporate bond market started to grow again. In accordance with CBONDS data at the end of 2009 total value of Russian companies'

corporate bonds in circulation increased at 58 percent for the year and comprised 2,526.4 billion rubles at nominal value.

It should be noted that in 2009 the share of non-marked issues of corporate bonds changed greatly. In 2005 – early 2008 it comprised at average 0.5 percent of total volume of issued bonds, whereas in 2009 this index exceeded already 10 percent. In accordance with CBONDS data volume of these issues was upwards of 260 billion rubles in absolute terms at year-end.

It is characteristic that the share of companies referred to financial sector in total volume of corporate bonds in circulation is trending upwards³: from 18 percent in 2005 to 37 percent in 2009. So financial companies, first of all credit institutions, use to an increasing degree debt market for purposes of financing.

In relation to GDP internal market of Russian companies' corporate bonds market seems to be minor (2–6 percent).

New issues of corporate bonds are offered extremely irregularly. Table

Table 13

Corporate bond market size over 2005–2009 (data at the end of a period)

Period	Size of corporate bond market, billion rubles	Size of corporate bond market / GDP, %
2005	481	2,23
2006	902	3,35
2007	1257	3,80
2008	1597	3,84
2009	2526	6,47

Источники: CBONDS, ФСГС.

Table 14

Offerings of new issues of corporate bonds over 2005–2009 (data at the end of a period)

Period	Volume of offering, billion rubles	Number of issuers, items	Number of issues, items
2005	261	35	61
2006	466	77	118
2007	482	174	221
2008	547	101	172
2009	1010	68	175

Source: CBONDS.

Table 15

Offerings of new issues of corporate bonds in 2009 (data at the end of a period)

Period		2009				Total
Index	unit of measurement	Q1	Q2	Q3	Q4	
Volume of offering	billion rubles	54	300	305	351	1010
Number of issuers	items	4	19	15	30	68
Number of issues	items	13	41	55	66	175

Source: CBONDS.

³ Estimate of CBONDS.

14 shows data concerning offerings (summarily, both market and non-market issues) over 2005–2009, table 15 shows the same data for 2009.

Volume of offerings as well as the number of corporate bond issues jumped in 2006–2007. In crisis 2008, the number of issuers that had held offerings dropped at 42 percent whereas total volume of offerings increased slightly.

Characteristic of the previous 2009 is the next drop in number of issuers that have held offerings at more than 30 percent along with record volume of offerings exceeding 1 trillion, rubles. So increasingly smaller number of companies use possibilities of exchange market for debt financing, but those that have such possibilities use them in increasingly larger volumes and more often. During the year jump in offerings of corporate bonds fell to the second quarter (increase in volume of offerings at five times).

In addition, the year 2009 is characterized by excessive volume of

non-market offerings. In accordance with available estimates, volume of market offerings comprises from 926 billion rubles⁴ to 948 billion rubles⁵.

The main trading floor for public offering of corporate bonds in organized market is MICEX. Table shows data concerning top ten issuers that have held the largest offerings of corporate bonds in internal market.

In respect of volumes of offerings, concentration of corporate bond issuers is quite high, ten the largest borrowers accounted for more than 70 percent of total volume of raised funds.

Fig. 5 shows monthly diagram of trading volumes (both exchange and off-exchange) in internal debt market in 2005-2009, table 17 shows summary data at the end of every year⁶.

Up to 2009 Secondary corporate bond market ever increased in size, but growth rates declined. It is characteristic that during each of these years turnovers differ markedly from month to month and are

subject to seasonal factors: there can be noted activity in December and decline at the beginning of the year. In this regard 2009 has no differences from previous periods, expect for reduction of volume of deals to the level of 2007.

During 2009, volume of deals with corporate bonds dispenses irregularly: jump in the second quarter (at 64 percent) is followed by quarterly growth at 40 percent at average. Nevertheless, at the end of this year volume of deals with corporate bonds dropped at 7 percent compared to the previous year.

Russian internal corporate bond market has been developing mainly as exchange market from the very beginning. The share of exchange deals in total turnover was trending upwards and reached 80 percent in mid 2008. By mid 2009 the share of exchange deals returned to the level at 80 percent, however starting from September it sharply reduced to 50-60%.

Exchange trade of corporate bonds is engaged at MICEX and RTS. Table 18

Table 16

The list of issuers that have held the largest offerings of corporate bonds at MICEX (at the end of 2009)

No	Issuer	Volume of offerings (billion rubles)	The share in total volume of offerings (percent)	Number of issues
1	JSC Russian Railways	145	16,9	10
2	JSC Transneft	135	15,7	3
3	Vneshecombank	60	7,1	1
4-6	JSC Lukoil	50	5,8	10
4-6	JSC Atomenergoprom	50	5,8	2
4-6	JSC Bashneft	50	5,8	3
7	JSC JSFC Sistema	39	4,5	2
8	JSC MTS	30	3,5	2
9	AHML	28	3,3	4
10	JSC VTB (VTB 24)	23	2,7	2
TOTAL		610	71,2	
Total volume of offerings		858	100,0	

Source: CBONDS.

⁴ GC Region estimate.

⁵ CBONDS estimate.

⁶ Here and afterwards when size of the secondary market of bonds of all types is estimated, unless otherwise stated, repos are ignored.

Fig. 5

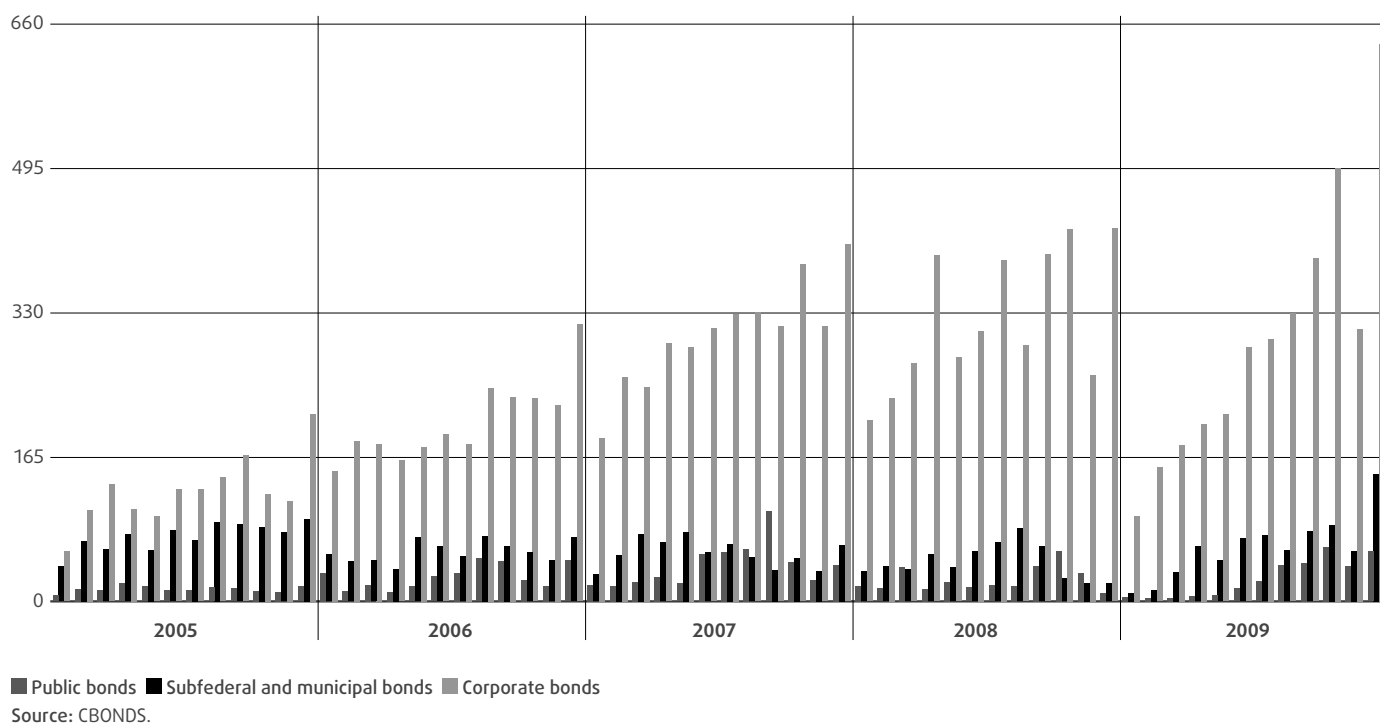
Total trading volume in internal debt market (monthly), million rubles

Table 17

Volume of deals with corporate bonds in 2005-2009 (data at the end of a period)

Period	Total turnover, billion rubles	The share of exchange deals in total turnover, percent
2005	1514	60
2006	2438	72
2007	3670	74
2008	3890	68
2009	3605	70

Note: Ignoring repos.
Source: CBONDS.

Table 18

Organized corporate bond market

Period	MICEX			RTS		
	Number of bond issuers	Number of bond issues	Including those in quoted lists (issuers/issues)	Number of bond issuers	Number of bond issues	Including those in quoted lists (issuers/issues)
2005	202	250	46/62	4	4	1/1
2006	316	414	69/98	77	118	0/0
2007	445	577	149/207	79	120	0/0
2008	455	622	198/280	74	108	2/2
2009	418	702	167/317	57	78	3/3

Sources: MICEX, RTS.

Table 19

Corporate bond trading volumes on MICEX in 2005-2009

Period	Total turnover, billion rubles		The share of repos, percent
	without repo	with repo	
2005	900,4	1249,7	28,0
2006	1801,3	3665,1	50,9
2007	2700,5	9374,4	71,2
2008	2604,1	11 348,8	77,1
2009	2462,6	9281,5	73,5

Comment: Taking into account auction mode and negotiated deals mode. Deals in procedure of initial offering are ignored.
Source: MICEX.

shows data concerning corporate bonds (including exchange bonds) which are traded on Russian stock exchanges, table 19 shows data concerning bond-trading volumes on MICEX in 2005-2009⁷.

Thus, organized market presents about 95 percent of all corporate bond issues.

Taking into account MICEX data it may be noted that increase in number of issuers and issues of bonds in 2008 stopped. Nevertheless, in 2009 the numbers of bond issuers that have position in organized market dropped at 8 percent, along with that the number of bond issues increased at 13 percent. It should be also mentioned that quoted lists of 2009 includes less bond issuer.

Despite increase in absolute volumes of exchange deals with corporate bonds turnover growth rates (ignoring repos) came down, and the years 2008-2009 saw decline in volumes of exchange deals with corporate bonds.

During 2009 volumes of exchange deals with corporate bonds differ from period to period. So the first quarter is traditionally characterized with turnover

recession whereas trading volumes in the second quarter rose at 84 percent at once, increase in turnovers in the third and fourth quarters comprised 37 and 11 percent accordingly. Nevertheless despite positive dynamics 2009 fixed turnover recession at 5.4 percent per year.

Sharp increase in volumes of repos in secondary turnover of corporate bonds became an outstanding tendency of recent years (see fig. 2 and table 19).

During the first half of 2009 the share of repos with corporate bonds stayed at the level a little more than 60 percent, during the second half year it rose up to the average value at 77 percent, in other words returned at the pre-crisis level. Thus organized corporate bond market as well as share market is used to a great extent as money market against securities.

Corporate bond market is characterized by small concentration of trade volume. Table shows data concerning ten bond issues exchange deals with which were most active in 2009⁸.

Thus, secondary corporate bond market focused on separate instruments to much lesser extent than share market. It should be noted that until recently concentration of deals with corporate bonds had a reducing tendency. However the year 2009 saw turning point of this tendency, concentration of deals with corporate bonds increased and reached 25 percent. It should be also stressed that the list of the most liquid corporate bonds was subject to noticeable changes.

Corporate bond duration is tended to decline (see details in section 1.8) and was in 2009 anywhere from 300 to 600 days.

In 2008-2009, a new instrument, exchange bonds, appeared in corporate bond market, debut offering was held in March 2008 on MICEX. The issue of exchange bonds does not require state registration and placement report; these functions are transferred to stock exchange that significantly shorten the period from decision to issue to commence of secondary trading session. To allow exchange bonds for offering

⁷ This table and table 24 shows no data concerning trades of bonds on RTS in view of relative small volumes (in 2005 total volume of deals with corporate, subfederal and municipal bonds in classic and exchange markets of RTS comprised 0.15 billion rubles taking into account market and two-sided deals, in 2006 total volume was equal to 8.24 billion rubles, in 2007 – 1.23 billion rubles, in 2008 – 6.21 billion rubles, in 2009 – 0.034 billion rubles).

⁸ Taking into account repos.

Table 20

The list of corporate obligation issues deals with which on MICEX were most active (at the end of 2009)

No	Security	Issuer	The share in total volume (percent)
1	VTB 24 02	CJSC VTB 24	3,47
2	MTS 04	JSC MTS	3,39
3	Russian Railways – 12 bonds	JSC Russian Railways	3,28
4	Russian Railways – 10 bonds	JSC Russian Railways	2,71
5	Russian Railways – 6 bonds	JSC Russian Railways	2,63
6	SIBUR Hold 5	JSC SIBUR Hold	2,18
7	Sistema-02	JSC JSFC Sistema	2,14
8	Gazprom Neft 3	JSC Gazprom Neft	1,71
9	VTB – 6 bonds	JSC Bank VTB	1,66
10	SIBUR Hold 2	JSC SIBUR Hold	1,62
Total			24,79

Based on MICEX data.

on stock exchange issuers shall meet a number of requirements, the following are among them:

- shares of exchange bond issuer shall be in quoted lists of exchange;
- issuer shall exist at least three years and have duly approved annual accounting reports for two full financial years.
- deadline for performance of exchange bond commitments shall not exceed a year from their offering.

During 2008, MICEX registered 66 exchange bond issues of 8 issuers with total volume 159 billion rubles. Initial offering was held for 15 issues of 8 issuers to total amount of 14 billion rubles⁹. Secondary turnover of exchange bonds (taking into account repos) comprised 106.7 billion rubles, in terms of total corporate bond trade volume it was less than one percent.

In June 2009, Trading Rules for exchange bonds on MICEX were changed. Particularly:

- maturity of bonds expanded from one to three years;

- range of potential issuers expanded at the expense of issuers not only shares but also bonds of which are in quoted lists of exchange.

In 2009 in accordance with the same data there were placed 28 exchange bond issues of 8 issuers with total volume of 138.6 billion rubles. During 2009 39 exchange bond issues of 19 issuers were in secondary turnover, volume of deals (taking into account repos) increases in seven times for year and comprised 760.7 billion rubles, in terms of total corporate bond trade volume it was already 8.1 percent. So new type of bonds shows its being in demand among issuers and investors.

In 2008-2009 a number of companies issuing corporate bonds turned out to be unable to perform their liabilities in proper time and completely. Tables 21.1 and 21.2 show data concerning number of bond issues, number of issuer and volumes of outstanding liabilities.

In 2008 50 corporate bond issuers' committed different violations in 77 issues, non-payment of coupon accounted

for over a half of those. Total volume of outstanding liabilities comprised at that 38 billion rubles, about 80 percent of which accounted for non-fulfillment of offers.

In 2009, the situation suddenly deteriorated and become of system nature. The number of issuers committed violations doubled to 110 companies that is 30 percent of total number of market issuers (compare with table 12), the number of bond issues in which violations were committed rose at more than 4 times to 322 issues that is almost a half of all market issues. In terms of bond issues over 60 percent of violation accounted for non-payment of coupon as well. Total value of outstanding liabilities increased at more than three times and reached 124 billion rubles that is about 5 percent of total volume of corporate bonds in circulation at nominal value. Over 80 percents of this amount are referred to defaults when bond redemption or to non-fulfillment of offers almost in equal portions.

In recent years as table 21 shows, defaults were of unit character.

⁹ MICEX data.

Table 21.1

Violation of corporate bond liabilities by issuers when performance (number of issues and issuers of bonds)

	Number of bond issues				Final total	Number of issuers
	Default	Non-fulfillment of offer	Delay in fulfillment of offer	Technical default		
2002-2007						9
Total	6	3	1	3	13	
Coupon	4	0	0	2	6	
Offer	0	3	1	0	4	
Redemption	2	0	0	1	3	
2008						50
Total	26	25	4	22	77	
Coupon	24	0	0	17	41	
Offer	0	25	4	0	29	
Redemption	2	0	0	5	7	
2009						110
Total	230	62	7	23	322	
Coupon	181	0	0	22	203	
Offer	0	62	7	0	69	
Redemption	49	0	0	1	50	

Source: CBONDS.

Table 21.2

Violation of corporate bond liabilities by issuers when performance (volume of outstanding liabilities)

	Default	Non-fulfillment of offer	Delay in fulfillment of offer	Technical default	Final total
2002-2007					
Total	1014	0	0	1570	2584
Coupon	88	0	0	70	159
Offer	0	0	0	0	0
Redemption	925	0	0	1500	2425
2008					
Total	3148	24 779	5003	4735	37 665
Coupon	1798	0	0	1594	3392
Offer	0	24 779	5003	0	29 782
Redemption	1350	0	0	3140	4490
2009					
Total	62 842	54 301	4397	2620	124 160
Coupon	13 259	0	0	1120	14 379
Offer	0	54 301	4397	0	58 698
Redemption	49 583	0	0	1500	51 083

Source: CBONDS.

1.3. Public, subfederal and municipal bonds, bonds of the Bank of Russia

Fig. 6 shows monthly diagrams of size of internal public debt market in 2005-2009, table 22 shows summary data at the end of every year.

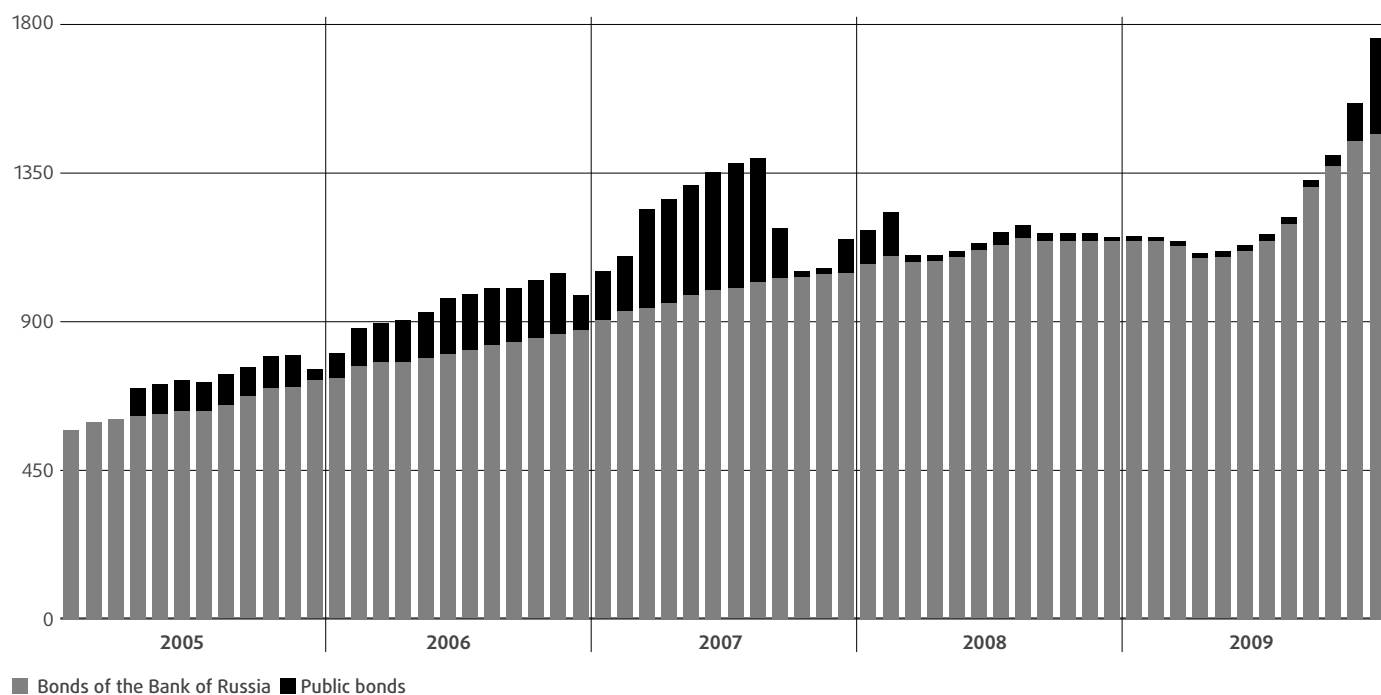
Public bond market is trending upwards in size, but growth rates from year to year differ markedly.

In 2009, public bond market increased at 28 percent. During 2009, the main increase accounted for the third quarter – over 23 percent, in the fourth quarter the increase was minor.

In accordance with CBONDS data at the end of 2009 volume of public bonds

that are traded in the internal market comprised 1469.74 billion rubles at nominal value. In general, in respect to GDP internal public bond market seems to be minor and falls from year to year. In 2009 ration of volume of public bonds to GDP rose to 3.8. percent.

Fig. 6
Size of internal public debt market (at nominal value), million rubles



■ Bonds of the Bank of Russia ■ Public bonds
Source: CBONDS.

Table 22
Size of public bond market in 2005-2009 (data at the end of a period)

Period	Size of public bond market, billion rubles	Size of public bond market / GDP, percent
2005	722	3,34
2006	876	3,25
2007	1047	3,16
2008	1144	2,75
2009	1470	3,77

Source: CBONDS.

Size of secondary market and liquidity of public bonds are small compared to corporate bond market (see fig.5) Public bond market is organized on MICEX. Table 23 shows data concerning turnover of public bond market in 2005-2009.

Analyzing data from tables 17 and 23 shows that despite commensurability of volume of offerings at nominal value turnover of public securities is by one order less compared to corporate bonds.

The 2009 differ with extremely irregular distribution of volumes of deals by quarters. Therefore, increase in the second quarter comprised 117 percent, but the one in the third quarter was in four times. Nevertheless, at the end of

2009 summarily volume of deals with public bonds increased at 3 percent and corresponds to the level of 2006 in accordance with order of magnitude.

Public bond duration is tended to decline (see details in section 1.8) and comprised 1500 days by the end of 2009.

In accordance with CBONDS data in the first half of 2009 volume of bonds of the Bank of Russia was at level of 12-18 billion rubles, however November-December saw intensive growth, and by year-end volume of these bonds reached 290 billion rubles.

Bonds of constituents of the Russian Federation and municipal bonds are exceeded on volumes of issues both to

public and corporate bonds, but they show constant growth tendency (see fig. 4), this tendency became especially noticeable in the very end of 2009. In accordance with CBONDS data at the end of 2009 volume of subfederal and municipal bonds that are traded in the internal market comprised 420.6 billion rubles that is 52 percent more than a year ago. In previous years, growth rates were far slower.

Table 24 shows total volume of deals with subfederal and municipal bonds over 2005-2009.

So total turnover of subfederal and municipal bonds dropped. Jump in growth at more than 3 times accounted

Table 23

Volume of deals with public bonds in 2005-2009 (data at the end of a period)

Period	Total turnover, billion rubles
2005	166,2
2006	335,0
2007	491,5
2008	298,1
2009	308,4

Source: CBONDS.

Table 24

Volume of deals with subfederal and municipal bonds in 2005-2009 (data at the end of a period)

Period	Total turnover, billion rubles	The share of exchange deals in total turnover, %
2005	890	70
2006	683	80
2007	664	83
2008	539	86
2009	741	84

Source: CBONDS.

for the second quarter. The share of exchange deals in total turnover is traditionally high and does not go below 70 percent, except for the end of 2008 when the share of exchange deals dropped to 58 percent due to signs of a crisis.

Exchange trade of subfederal and municipal bonds is engaged at MICEX SE and RTS. Table 25 shows summary data concerning subfederal and municipal bonds that are traded on Russian stock exchanges, table 26 show data concerning volumes of trade of these bonds on MICEX¹⁰.

Growth tendency of the number of subfederal and municipal bonds that

are traded on stock exchanges gave way to downward tendency. The year 2009 saw continuous recession, the number of issuers of subfederal and municipal bonds decreased for another 11 percent. The number of issuers of subfederal and municipal bonds in quoted lists reduced as well as for other types of securities traded on stock exchanges.

Despite small turnover volumes, these bonds are distinguished by quite high liquidity. Having considerably smaller volumes of issues, being markedly below corporate bonds, in 2005-2009 subfederal and municipal bonds show turnover that exceeds turnover of public securities. Nevertheless up to 2009

trading volumes (ignoring repos) were trended downwards. However in 2009 this tendency changed and trading volumes of subfederal and municipal bonds increased at 37 percent, at that abrupt jump of turnovers (at three times) accounted for the second quarter.

In recent years there were dramatic changes in the share of repos (see table 26 and fig. 2) in total exchange turnover of deals with subfederal and municipal bonds: compared to 2005 it increased at average in three times and in some periods it exceeded the level of 90 percent. Thus, subfederal and municipal bond sector increasingly turns to money market against securities.

Table 25

Organized subfederal and municipal bond market

Period	MICEX SE			RTS		
	Number of bond issuers	Number of bond issues	Number of bond issues in quoted lists (issuers/issues)	Number of bond issuers	Number of bond issues	Number of bond issues in quoted lists (issuers/issues)
2005	41	90	22/53	2	16	1/1
2006	50	105	22/49	14	35	0/0
2007	59	116	27/49	16	30	0/0
2008	45	116	27/53	10	21	0/0
2009	40	107	20/52	6	14	0/0

Sources: MICEX SE, RTS.

Table 26

Trade volume of subfederal and municipal bonds on MICEX in 2005-2009 (data at the end of a period)

Period	Total, billion rubles		The share of repos, %
	without repo	with repo	
2005	580,7	808,2	28,2
2006	544,1	1343,2	59,5
2007	525,1	2562,7	79,5
2008	412,2	2638,0	84,4
2009	563,7	4082,5	86,2

Source: MICEX.

¹⁰ Taking into account auction mode and negotiated deals mode. Deals in procedure of initial offering are ignored.

1.4. Eurobonds

Constituents of the Russian Federation and Russian companies attract money for their development on foreign market through issue of Eurobonds along with ruble bonds. Fig. 7 shows general data concerning size of Eurobond market over 2005-2009.

In accordance with CBONDS data at the end of 2009, total volume of Eurobond issues comprised 132.65 billion dollars, including 31.9 billion dollars of sovereign Eurobonds, 99.4 billion dollars of corporate

Eurobonds. Against this background, volume of Eurobonds of constituents of the Russian Federation seems to be minor; it stayed for a long time at the level exceeding a little 1 billion dollars.

Sovereign and corporate Eurobonds show in recent years differently directed tendencies. Up to 2009 volume of sovereign Eurobonds had a reducing tendency; during 2009, their value did not change. Along with this up to 2009 volume of corporate Eurobonds shows constant

growth, but growth rates reduced. The 2009 made visible slight recession in volumes of corporate Eurobonds (at 4 percent).

Fig. 8 shows volumes of corporate borrowings by means of debt market instruments on internal and external markets.

As it follows from fig. 8, the share of internal corporate bond market is trending upwards: in 2005, it comprised 30 percent, but in 2009 increased to 45 percent.

Fig. 7

Size of Eurobond market, million rubles

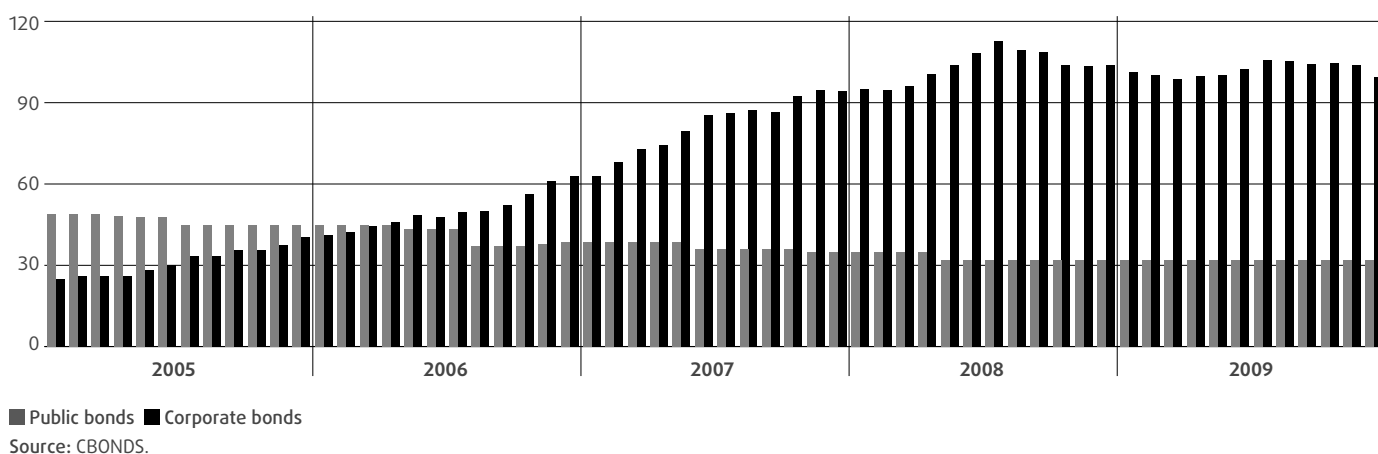
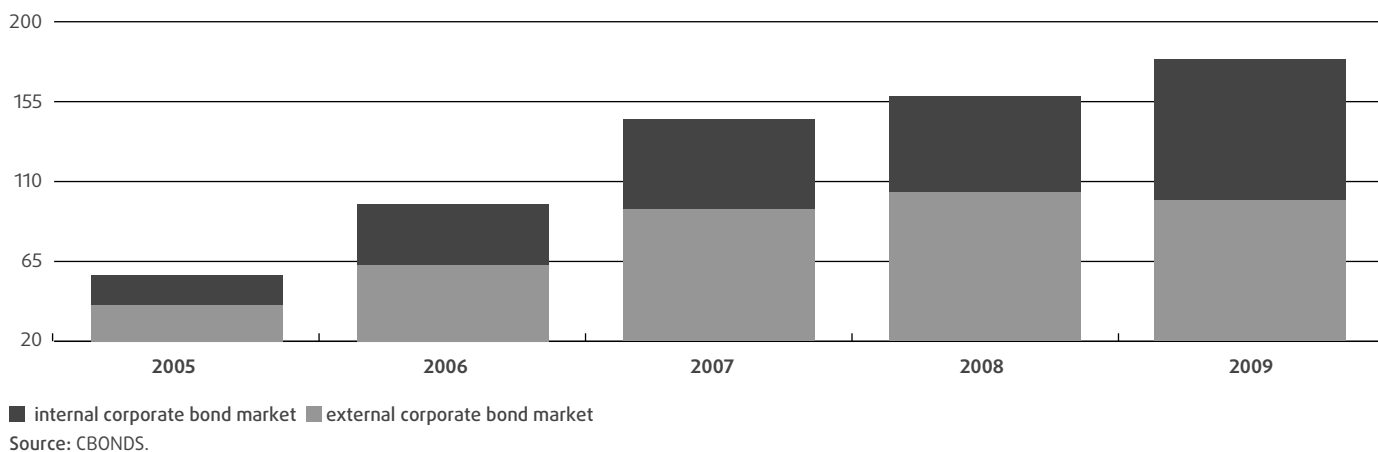


Fig. 8

Internal and external corporate bond markets, billion dollars



1.5. Bills

Gradually bonds force out such an instrument of financing as bills, however bill market is still one of the most significant elements of debt market by its size. Therefore, in accordance with

estimates and calculations of GC Region, in the beginning of 2005 the share of bill market comprised 25 percent of total debt market, while by the end of 2009 it reduced to 9 percent. Table 27 shows

estimated data concerning volumes of issued bills in circulation.

Thus in 2008-2009 size of bill market spiraled down at 12 percent per year at average.

Table 27

Size of bill market in 2005-2009, billion rubles

Period	2005	2006	2007	2008	2009
	350-370	500	580	510	450

Source: GC Region.

1.6. Investment units

By the beginning of 2007, secondary organized investment unit market has completed development stage. Exchange trade of investment units is engaged at MICEX SE and RTS. Table 28 shows summary data concerning investment units that are offered on Russian stock exchanges, table 29 shows data concerning trading volumes of units.

In 2009, there were minor changes in number of managing companies and unit investment funds presented in organized market. Along with that, the number of

funds in quoted lists reduced as well as some other exchange instruments. In general, investment units of almost 30 percent of unit investment funds are traded on stock exchanges.

Up to 2009 exchange turnovers with units had trending upwards, but growth rates reduced. In the first half of 2009, mainly in the second quarter, volumes of exchange deals with investment units significantly fell, turnovers dropped more than at 60 percent compared to the same period of previous year. Along with this

in the third and second quarters trading volumes reached in general the level of previous year. Nevertheless, at the end of 2009 total volume of exchange deals with investment units turned to be 30 percent less compared to previous year.

Table 30 shows the list of the most liquid unit investment funds among those which are traded on MICEX.

Concentration of deals with investment units is traditionally distinguished by high level. In 2009, concentration of deals with units increased and comprised 84 percent.

Table 28

Organized investment unit exchange market

Period	MICEX SE			RTS		
	Number of managing companies	Number of unit investment funds	including those in quoted lists (managing companies / unit investment funds)	Number of managing companies	Number of unit investment funds	including those in quoted lists (managing companies / unit investment funds)
2005	33	69	3/4	6	18	1/1
2006	48	114	4/4	10	22	3/3
2007	88	219	20/30	15	38	6/7
2008	99	306	25/43	23	49	8/11
2009	104	312	17/30	21	47	4/5

Sources: MICEX SE, RTS.

Table 29

Trading volumes of investment units on MICEX and RTS over 2005-2009 (data at the end of a period)

Period	Total turnover, billion rubles
2005	1,6
2006	5,8
2007	20,9
2008	23,2
2009	16,2

Sources: MICEX SE, RTS.

Table 30

The list of unit investment funds deals with units of which were most active on MICEX (at the end of 2009)

No	Management company	Name of unit investment fund	The share in total volume (percent)
1	CJSC Management company RWM Capital	Close unit investment fund "Magistral"	25,1
2	JSC YAMAL Investment Management company	Close unit investment fund "Yamal-Vtoroy ipotechnyy"	21,4
3	LLC TRINFICO Property Management	Close unit investment fund "TRINFICO Trade estate"	15,7
4	LLC Management company OLMA-FINANCE	Close unit investment fund "Atlant"	4,8
5	LLC TRINFICO Property Management	Close unit investment fund "TRINFICO Angara estate"	3,8
6	CJSC Management company Solid-Fonds of property	Close unit investment fund "Zemelnyy fond of Solid Podmoskovie."	3,5
7	CJSC Management company RWM Capital	Close unit investment fund "Russkiy transit"	3,3
8	LLC TRINFICO Property Management	Close unit investment fund "Stimul"	2,6
9	CJSC Management company RWM Capital	Close unit investment fund "RMW Otel"	2,5
10	LLC Management company Capital Invest	Close unit investment fund "Capital Invest-proektny"	1,6
TOTAL			84,4

Source: MICEX.

1.7. Futures and security and stock indices options

At present time exchange forward instruments with securities and stock indices as underlying assets focus on RTS FORTS derivatives market. Besides these forward instruments FORTS market offers also gold, currency, oil contracts and so on, relative trading volume of these contracts is minor but it has a growth tendency. In 2009, the share of derivative contracts underlying asset of which is not equity instruments comprised 14 percent depending on the type of volume index.

MICEX derivatives market focuses on the contrary on exchange holdings and commodity assets. In mid 2007 MICEX offered its first security derivative contract – MICEX index future and four share futures else during 2009. However volumes of deals with these instruments remain minor: by the end of 2007 trading volume comprised 1.76 billion rubles, in 2008 – 0.86 billion rubles.

In 2009 after introduction of new contracts volumes of deals with derivative contracts underlying assets of which are

stock exchange instruments on MICEX increased in more than 70 times and reached 61.8 billion rubles.

Instrument base of derivatives market becomes increasing complicated (see table 31).

In 2008-2009 due to general reduction of instrumental base in spot market the number of exchange-traded contract types decreases by 20 percent per year at average.

Table 32 shows summary data concerning FORTS market in respect of

Table 31

Organized derivatives market of security contracts

Period	MICEX SE			RTS		
	Futures	Options	TOTAL	Futures	Options	TOTAL
2005	0	0	0	9	6	15
2006	0	0	0	15	7	22
2007	1	0	1	40	18	58
2008	1	0	1	29	17	46
2009	5	0	5	21	14	35

Sources: MICEX SE, RTS.

Table 32

Results of trade of security contracts on FORTS derivatives market and stock indices over 2005-2009

Period	2005	2006	2007	2008	2009
Futures					
Trading volumes (billion rubles)	607,8	2397,1	6052,4	8813,6	11 794,3
incl. index trade	119,8	752,0	3587,1	7280,1	9664,0
incl. share trade	471,0	1569,6	2389,2	1528,6	2130,3
incl. bond trade	9,0	13,7	29,3	4,8	
Trading volumes (billion contracts)	46,0	78,9	114,6	173,3	398,7
incl. index contracts	2,3	9,0	34,7	87,9	150,1
incl. share contracts	42,6	66,3	75,5	85,0	248,7
incl. bond contracts	0,8	1,3	2,8	0,5	
Number of deals (mln. items)	1,8	4,9	11,3	27,4	70,6
incl deals with indices	0,1	0,7	4,3	17,1	43,6
incl. deals with shares	1,7	4,1	7,0	10,3	27,0
incl. deals with bonds	0,0	0,0	0,0	0,0	
Option contracts					
Trading volumes (billion rubles)	79,3	311,4	1300,2	1739,9	436,1
incl. index trade	2,6	84,3	758,7	1067,1	328,6
incl. share trade	76,6	226,9	541,4	672,7	107,5
incl. bond trade					
Trading volumes (billion contracts)	7,3	10,7	25,0	45,2	18,0
incl. index contracts	0,0	1,0	7,1	11,4	5,1
incl. share contracts	7,2	9,7	17,8	33,8	13,0
incl. bond contracts					
Number of deals (mln. items)	0,1	0,2	0,3	0,7	0,8
incl. deals with indices	0,0	0,0	0,1	0,5	0,6
incl. deals with shares	0,1	0,1	0,2	0,2	0,2
incl. deals with bonds					
Total					
Trading volume (billion rubles)	687,1	2708,5	7352,6	10 553,5	12 230,4
Trading volume (billion contracts)	53,3	89,6	139,6	218,5	416,8
Number of deals (mln. items)	1,9	5,0	11,6	28,1	71,4

Source: RTS.

volumes of deals with forward instruments connected with securities over 2005-2009, table 33 – the same during 2009.

In 2006-2008 FORTS derivatives market went up, but growth rates reduced, at that the end of 2008 saw sudden recession of trading volumes.

In the first quarter of 2009, trading volumes continued falling; however, since the second quarter trading volumes of derivative contracts began to rise at the pre-crisis level; on a whole trading volume increased at 16 percent in money terms and at 90 percent in terms of number of contracts per year. This positive dynamics was provided at the expense of future

contracts. As for option contracts their trading volume continued much falling; volume of deals dropped at 75 percent in money terms and at 60 percent in terms of number of contracts per year.

Increase in number of deals in 2008-2009 should be paid attention to. Some experts consider that it is connected with increasing attraction of robo traders to carry out deals.

Ratio between future market size and option one lies anywhere from 88 to 96 percent in favor of futures by trading volumes and from 94-98 percent by the number of deals. At that, option niche diminishes though it is small

even without that. One of reasons to decrease in volume of deals is abruptly increased volatility. Fig. 9 shows diagrams of historical volatility (smoothing on the interval 40 days), implied volatility and prices of underlying asset of RTS index future option.

From September till December 2008, volatility increased abruptly and in some moments, it reached 200 percent. By February of 2009, volatility dropped abruptly (to 70-80 percent), then continued to decrease fluently, and by year-end dropped to average value in 50 percent. Nevertheless, it is twice large as pre-crisis level.

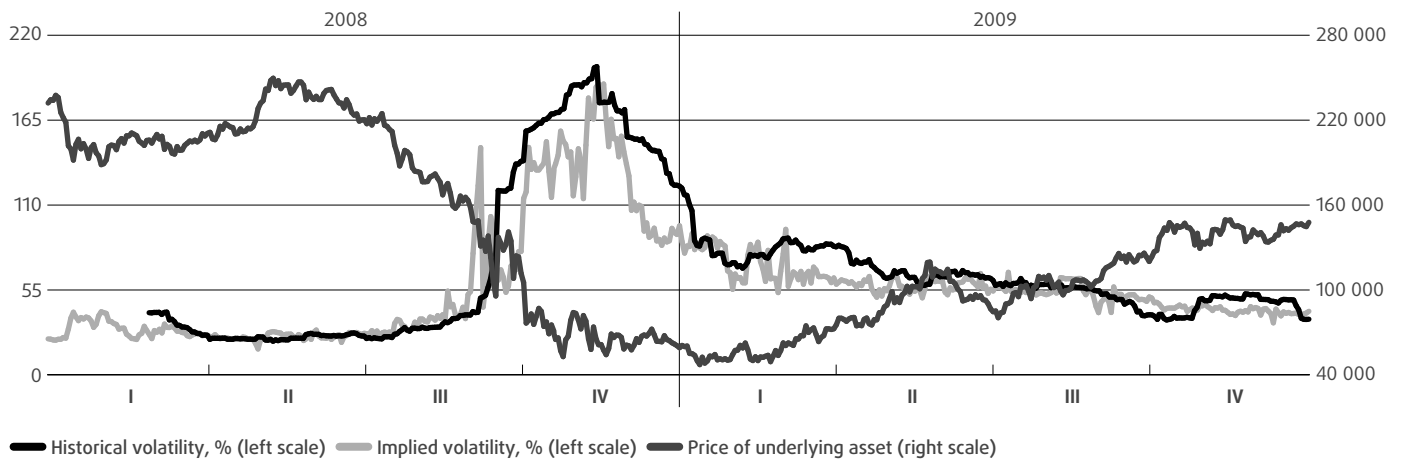
Table 33

Results of trade of security contracts on FORTS derivatives market and stock indices in 2009

Period	2009				Total
	Q1	Q2	Q3	Q4	
Futures					
Trading volume (billion rubles)	1342,5	2779,7	3062,5	4609,6	11 794,3
incl. index trade	1095,3	2274,5	2414,4	3879,8	9664,0
incl. share trade	247,2	505,2	648,1	729,7	2130,3
Trading volume (billion contracts)	62,5	106,8	112,9	116,5	398,7
incl. index contracts	27,1	38,5	36,9	47,6	150,1
incl. share contracts	35,4	68,3	76,0	68,9	248,7
Number of deals (mln. items)	12,2	16,3	18,3	23,8	70,6
incl. deals with indices	7,7	9,8	10,6	15,5	43,6
incl. deals with shares	4,5	6,5	7,7	8,3	27,0
Option contracts					
Trading volume (billion rubles)	52,1	86,8	128,9	168,3	436,1
incl. index trade	40,2	59,4	93,0	135,9	328,6
incl. share trade	11,9	27,4	35,8	32,4	107,5
Trading volume (billion contracts)	3,1	5,5	5,2	4,2	18,0
incl. index contracts	0,9	1,0	1,4	1,7	5,1
incl. share contracts	2,2	4,5	3,8	2,5	13,0
Number of deals (mln. items)	0,1	0,2	0,2	0,3	0,8
incl. deals with indices	0,1	0,1	0,2	0,2	0,6
incl. deals with shares	0,0	0,1	0,1	0,1	0,2
Total					
Trading volume (billion rubles)	1394,6	2866,5	3191,4	4777,9	12 230,4
Trading volume (billion contracts)	65,7	112,3	118,1	120,7	416,8
Number of deals (mln. items)	12,3	16,5	18,6	24,1	71,4

Source: RTS.

Fig. 9

Implied and historical volatility of RTS index future option

Source: DerEx.

The structure of underlying assets (indices) of derivative contracts changed dramatically. Offered underlying assets (indices) include shares, bonds and stock indices. By 2009, the share of bonds as underlying assets turned to be vanishingly small. There were also dramatic changes in ration between the shares of stock share indices and shares (see fig. 10). In 2005-2008, the interest in stock index derivative contracts constantly deepened and volume of deals with stock index contracts started dominating. Along with this some market of share derivative contract became narrower.

The 2009 evidenced stabilization of derivative contract market with stock indices as their underlying index, at year-end the share of deals with these contracts remained at the level in 82 percent in money terms, the number of contracts and number of deals dropped slightly. There were also dramatic changes in ratio between size of market of derivative contracts underlying asset (index) of which is shares and stock share indices and volumes of share spot market. So by the end of 2008 derivatives market rose to the level in 82.8 percent of spot market turnovers (ignoring repos) in money terms.

The year 2009 saw certain decrease in ratio of derivatives market to spot market

to 76.6 percent. Therefore, it turned to be that crisis influenced on business volumes on derivatives market greatly than on share spot market.

In recent years, there were dramatic changes in volumes of open positions and their distribution between different instruments on derivatives market (see tables 34, 35 and fig. 12). Average volume of open positions in these tables is arithmetic average of daily open positions for a period.

Up to mid of 2008 total volume of derivative contract open positions increased at a swift rate along with trading volumes. In the second quarter of 2008, volume of open positions reached its maximum equal to 267 billion rubles (7.5 million contracts). Then it began falling abruptly, this fall continued in the second half of 2008 and at the beginning of 2009, future contract open positions dropped more than in five times, option those – about four times compared to previous quarters

Open positions and trading volumes of derivative contracts. (Figures shall be placed at one centerfold)

In the second half of 2009 stabilization and slight increase began to take shape, but at the year-end total volume of open positions comprised 82.1 billion rubles (3.3 billion contracts) which is two-three

times less than maxima and corresponds to the level of end of 2006 – beginning of 2009.

The share of futures and options in total volume of open positions changes greatly. So starting from the fourth quarter and until the end of 2008 volume of future open positions dropped from 64 to 19 percent.

The year 2009 changed this situation cardinally: at the end of the first half year, the share of future open positions rose again to 68 percent and by the year-end dropped to 57 percent. Thus in terms of open positions option market has become narrower in post-crisis period.

Ratio between volumes of open positions and volumes of deals with futures and options has significant differences (see fig. 14).

As for futures this ratio is quite stable and lies anywhere from 1 to 5 percent. As for options, on the contrary, it was subject to dramatic changes: in 2005-2006 ratio between volumes of open positions and volumes of deals was below 10 percent, in the first quarter of 2007 it sharply increased to 55 percent and then began falling to the level of 16 percent. The year 2008 saw the opposite tendency – this ratio increased from 30 percent in the first quarter to 64 percent in the fourth one.

In 2009 ratio between volumes of open positions and volumes of deals with options comprised 20 percent at average.

The ratio between call and put option open positions is an indicator of investment expectations of a quite importance. Fig. 15 shows diagram of difference between total open positions of RTS index future call and put options (in number of contracts) which is normalized

to volume of put option open positions (coefficient of open positions). This diagram shows also RTS index in a relative scale for comparison.

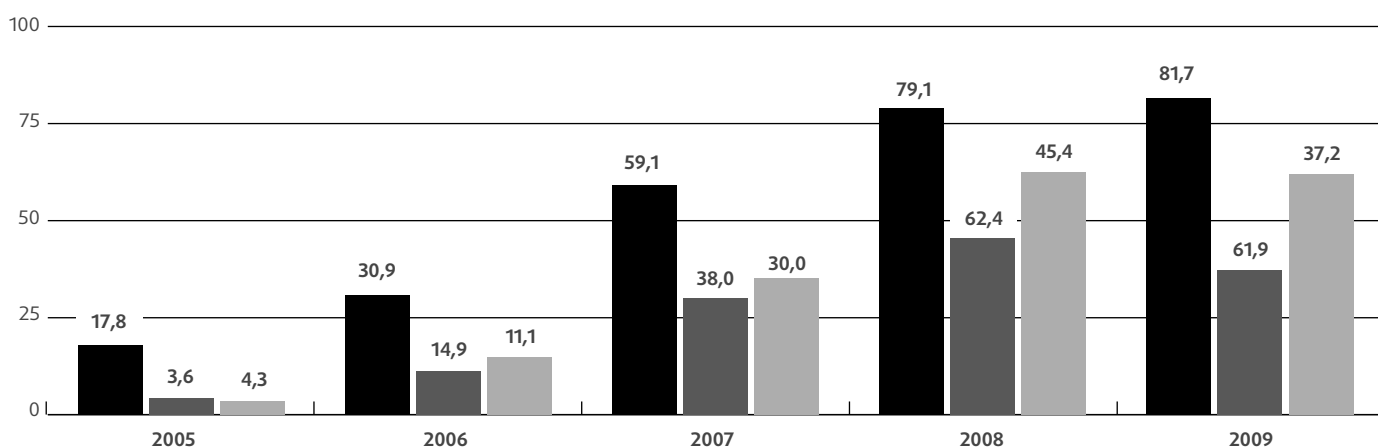
Almost all the year 2009 put option open positions dominated. Against this background, emission by call option open positions appeared in mid March seems to be anomalous. Attention should be paid to the fact that behavior of coefficient

of open positions and index is in many respects of reflecting nature, in other words in index growth period volume of put option open positions increases. On the contrary in index fall period volume of call option open positions increases as it was, for example, in the first decade of July.

The share of underlying assets (indices) of different types in total value of open

Fig. 10

The share of stock index forward contract in total volume of deals, %

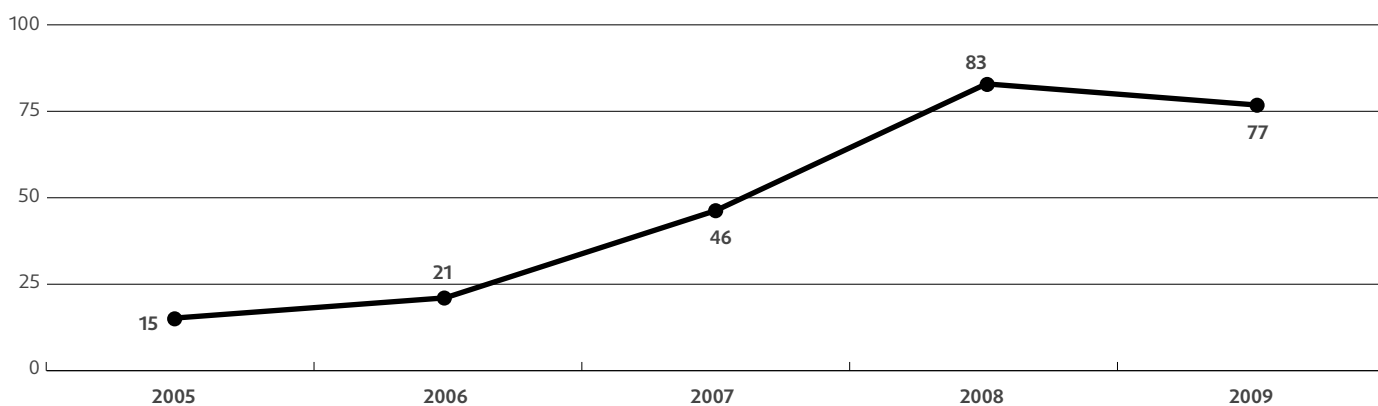


■ the share of index futures and options in money terms ■ the share of index futures and options in number of deals ■ the share of index futures and options in number of contracts

Source: RTS.

Fig. 11

The ratio of trading volumes of forward contracts underlying asset of which is shares and stock indices and trading volumes of shares in internal market*, %



* Ignoring repos.

Source: MICEX, RTS.

Table 34

Open security contract positions on FORTS derivatives market and stock indices over 2005-2009

Period	2005	2006	2008	2009
	Q4	Q4	Q4	Q4
Futures				
Average volume of open positions, billion rubles	11,5	34,6	10,9	47,1
incl. index positions	0,6	7,9	5,8	31,9
incl. share positions	9,5	20,9	5,1	15,2
incl. bond positions	0,7	1,6	0,0	
Average volume of open positions, billion contracts	1,0	1,2	0,9	1,7
incl. index contracts	0,01	0,09	0,15	0,39
incl. share contracts	0,90	0,88	0,78	1,33
incl. bond contracts	0,07	0,14	0,00	
Option contracts				
Average volume of open positions, billion rubles	6,5	30,0	47,5	35,0
incl. index positions	0,2	9,0	38,3	22,5
incl. share positions	6,3	20,9	9,3	12,5
incl. bond positions				
Average volume of open positions, billion contracts	0,6	1,0	1,1	1,5
incl. index contracts	0,63	0,91	0,56	0,31
incl. share contracts	0,00	0,11	0,49	1,22
incl. bond contracts				
Total				
Average volume of open positions, billion rubles	18,0	64,6	58,4	82,1
Average volume of open positions, billion contracts	1,63	2,24	1,98	3,25

Source: RTS.

Table 35

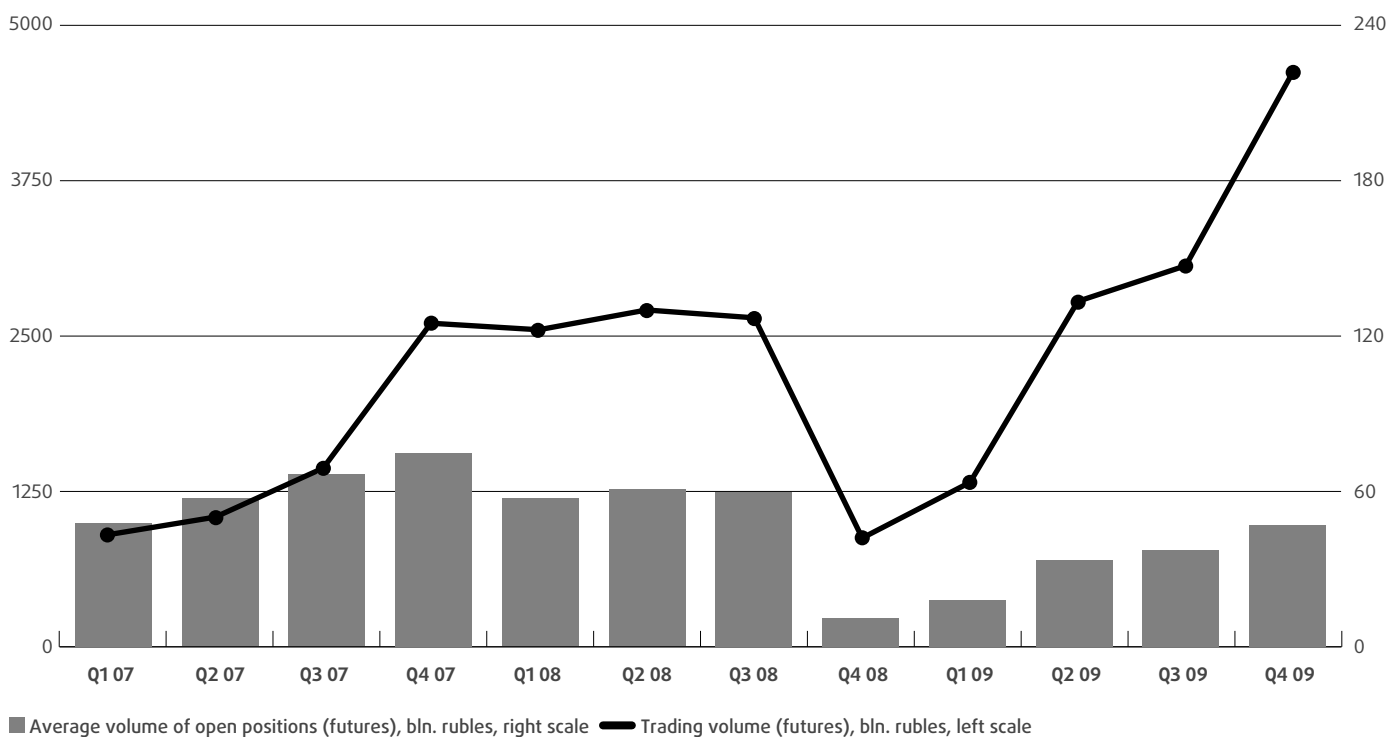
Open security contract positions on FORTS derivatives market and stock indices in 2009

Period	2009			
	Q1	Q2	Q3	Q4
Futures				
Average volume of open positions, billion rubles	17,8	33,3	37,3	47,1
incl. index positions	11,0	22,7	24,3	31,9
incl. share positions	6,7	10,6	13,0	15,2
Average volume of open positions, billion contracts	1,3	1,8	1,9	1,7
incl. index contracts	0,28	0,38	0,37	0,39
incl. share contracts	1,06	1,43	1,54	1,33
Option contracts				
Average volume of open positions, billion rubles	13,8	16,0	25,4	35,0
incl. index positions	9,6	5,7	10,2	22,5
incl. share positions	4,1	10,3	15,2	12,5
Average volume of open positions, billion contracts	0,9	2,2	2,4	1,5
incl. index contracts	0,27	0,12	0,16	0,31
incl. share contracts	0,58	2,11	2,21	1,22
Total				
Average volume of open positions, billion rubles	31,5	49,3	62,7	82,1
Average volume of open positions, billion contracts	2,20	4,04	4,28	3,25

Source: RTS.

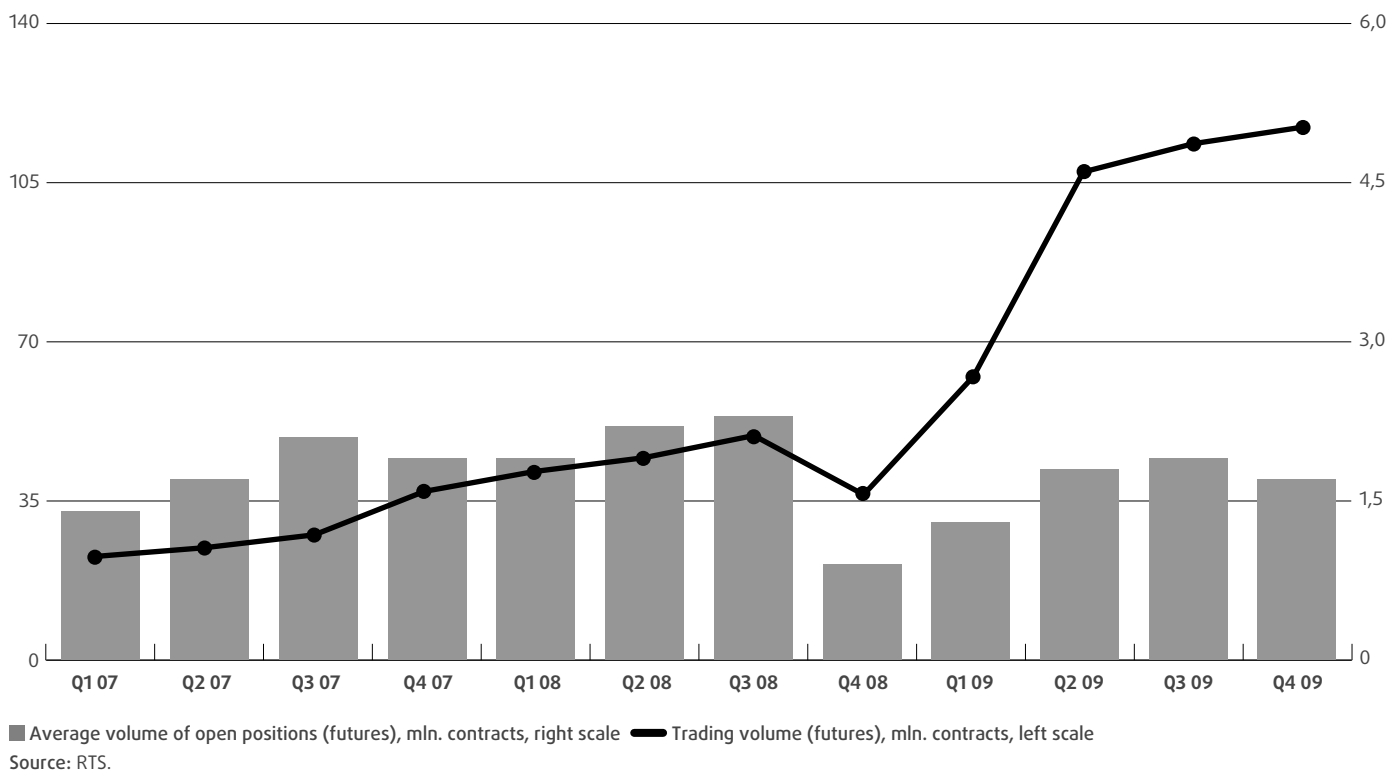
Open positions and trading volumes of derivative contracts

Fig. 12.1



Source: RTS.

Fig. 12.2



Source: RTS.

Fig. 12.3

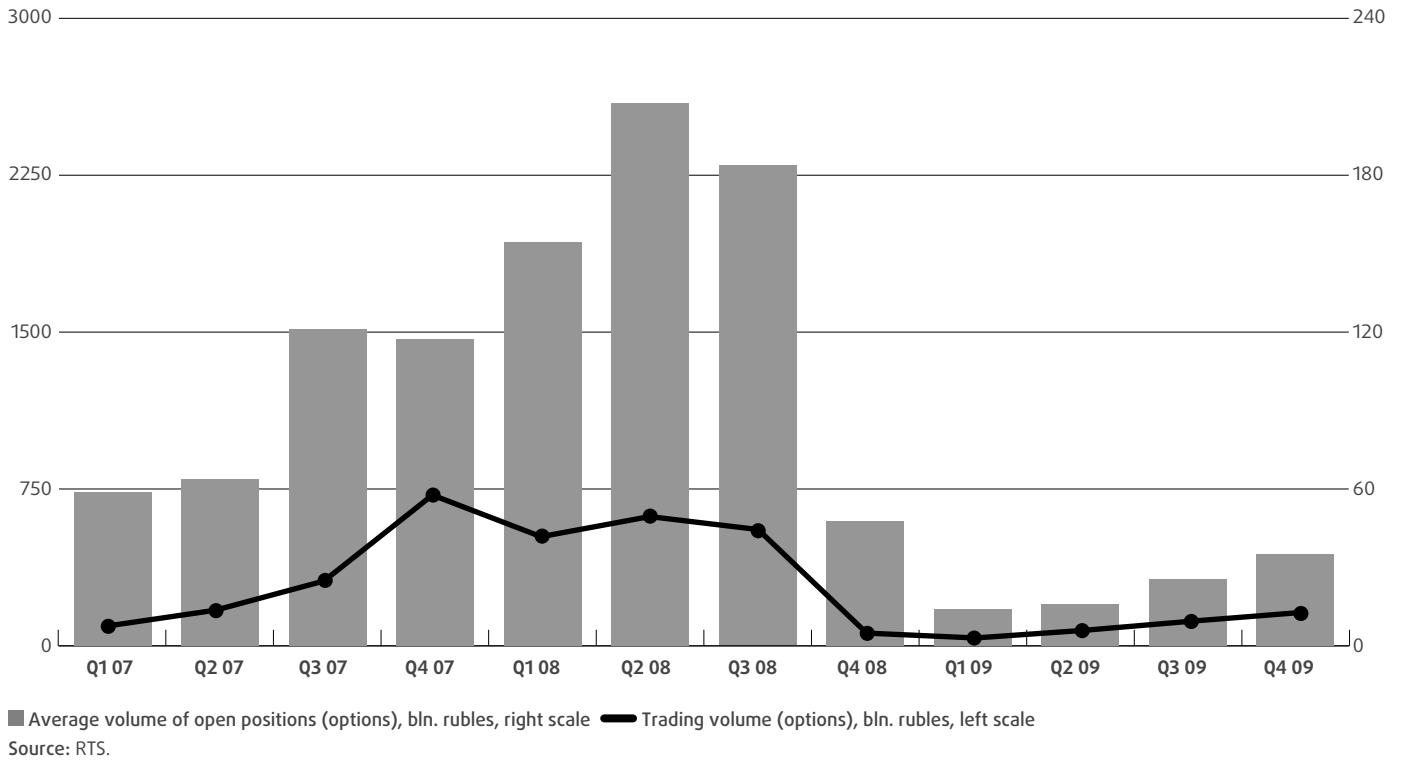


Fig. 12.4

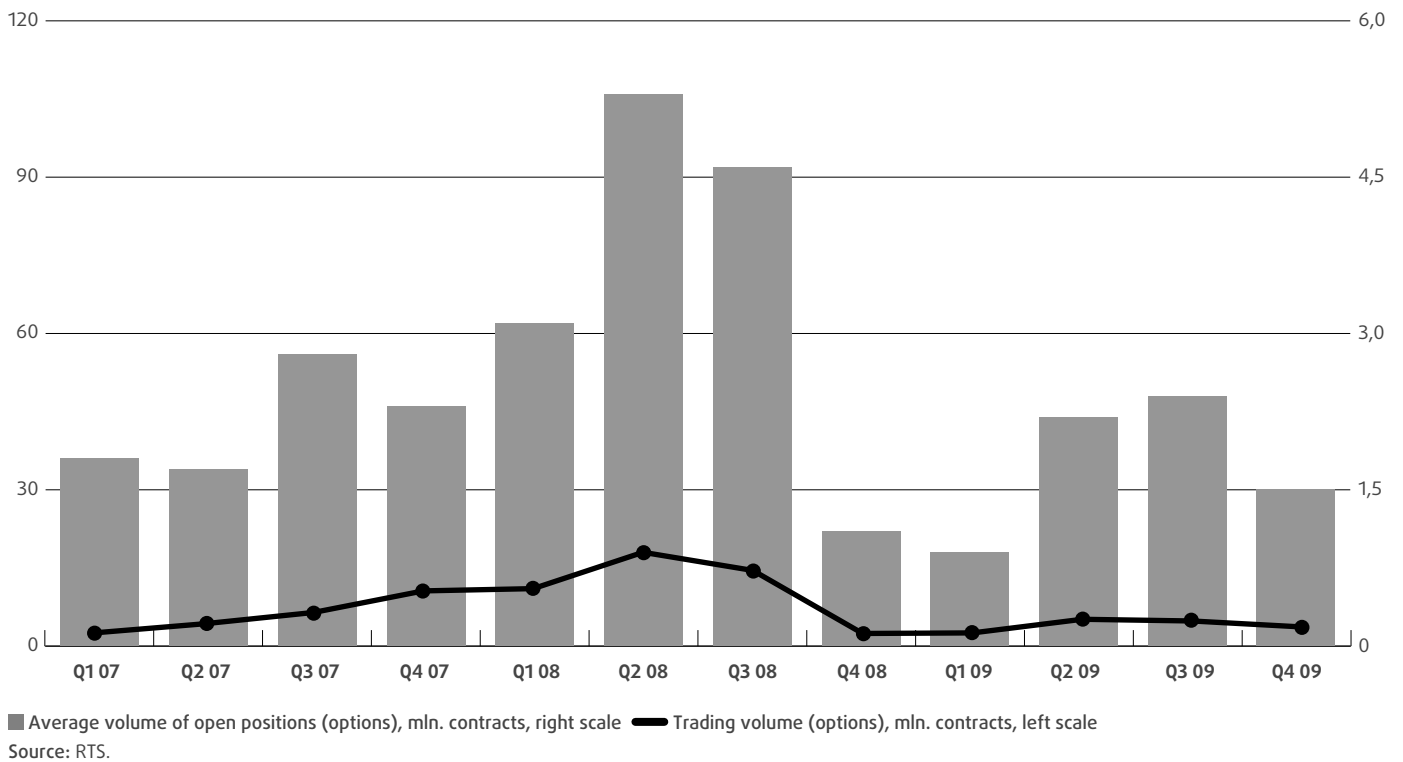


Fig. 13

The share of futures and options in total volume of open positions, %

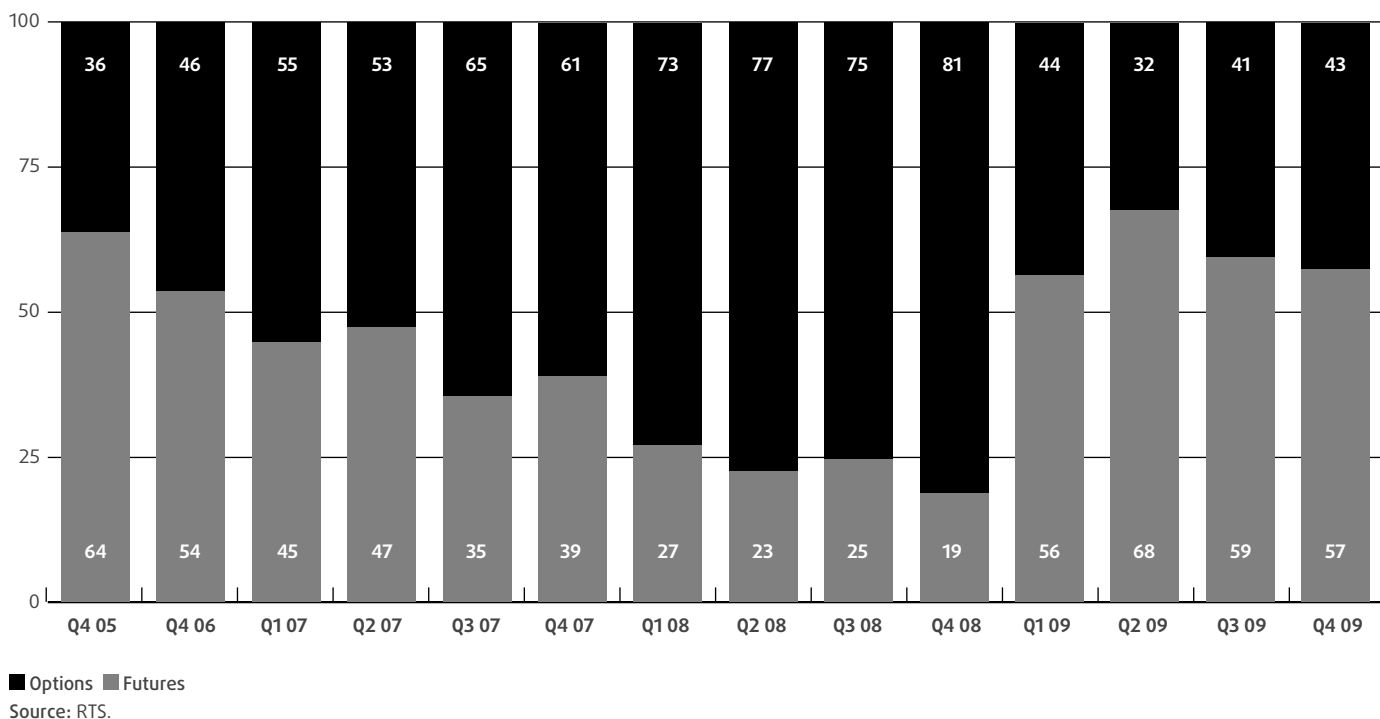


Fig. 14

The ratio between volume of open positions and trading volume of forward contracts, %

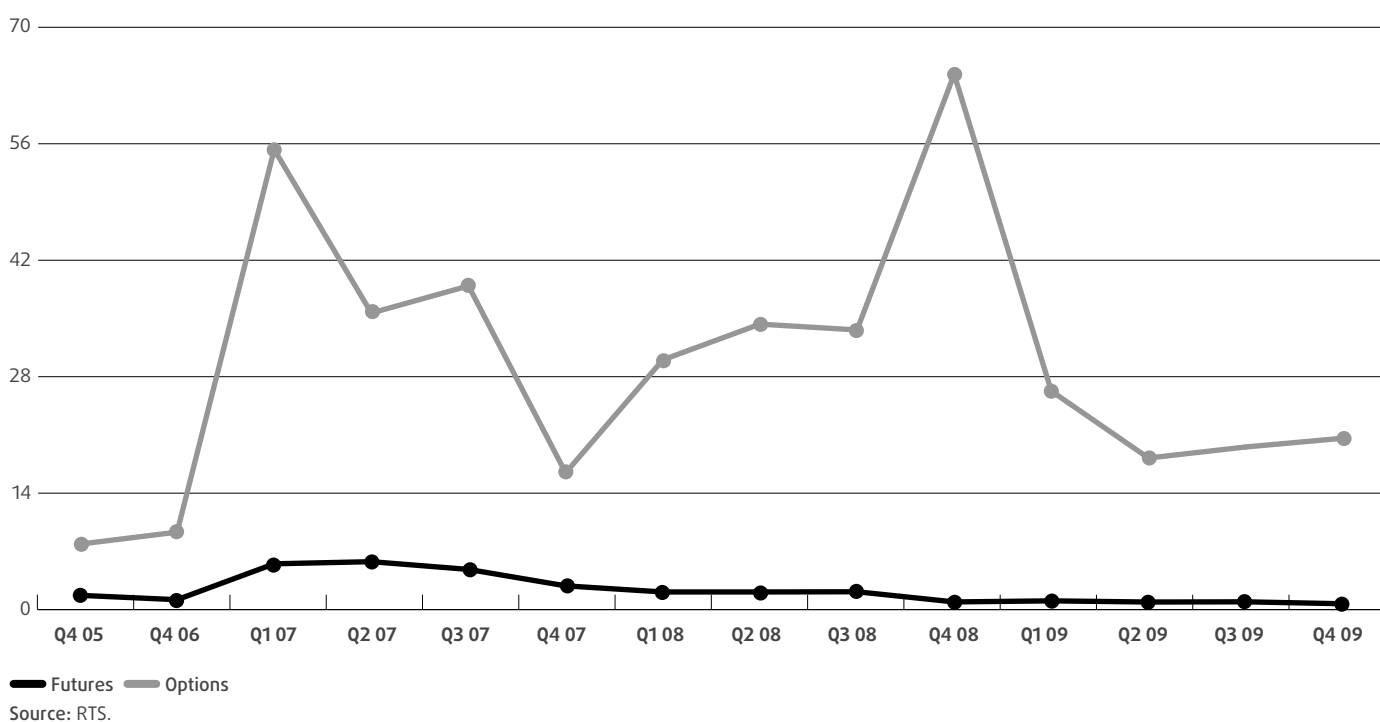


Fig. 15

Ratio of volumes of open position of RTS index future call and put options, %

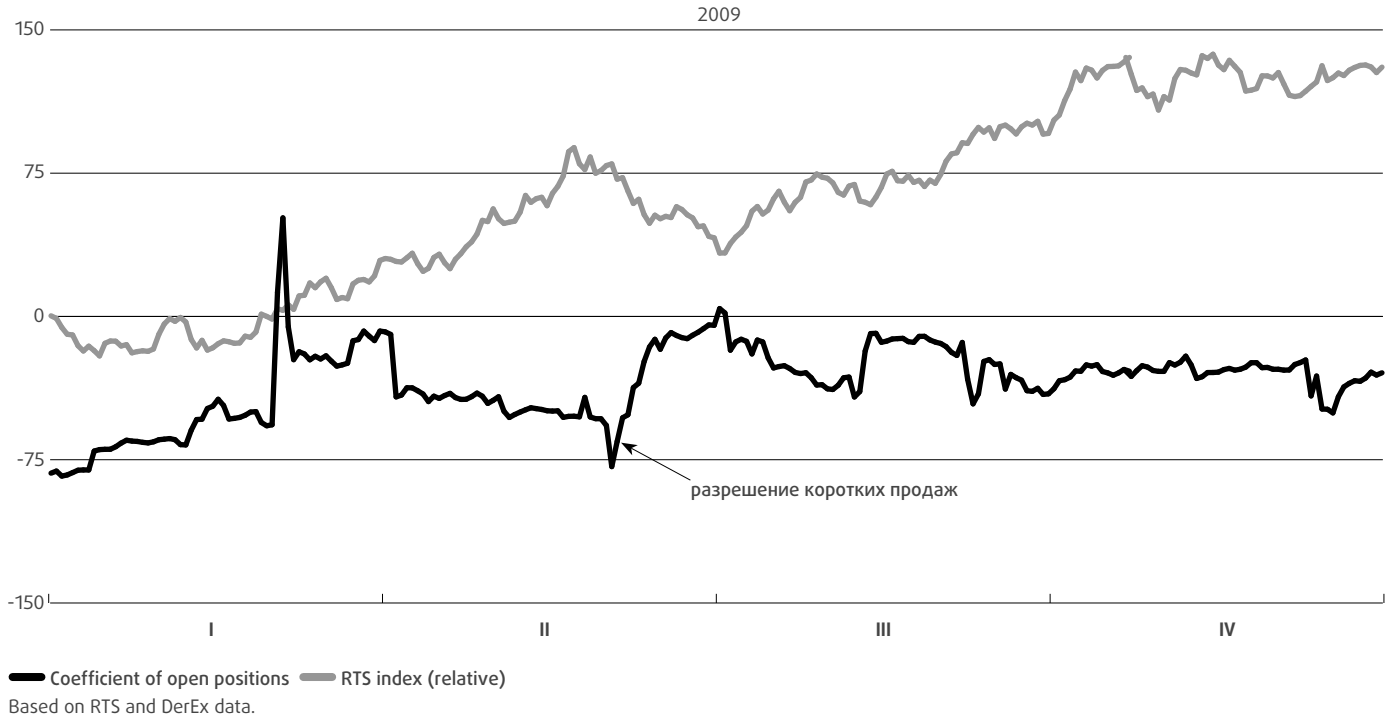
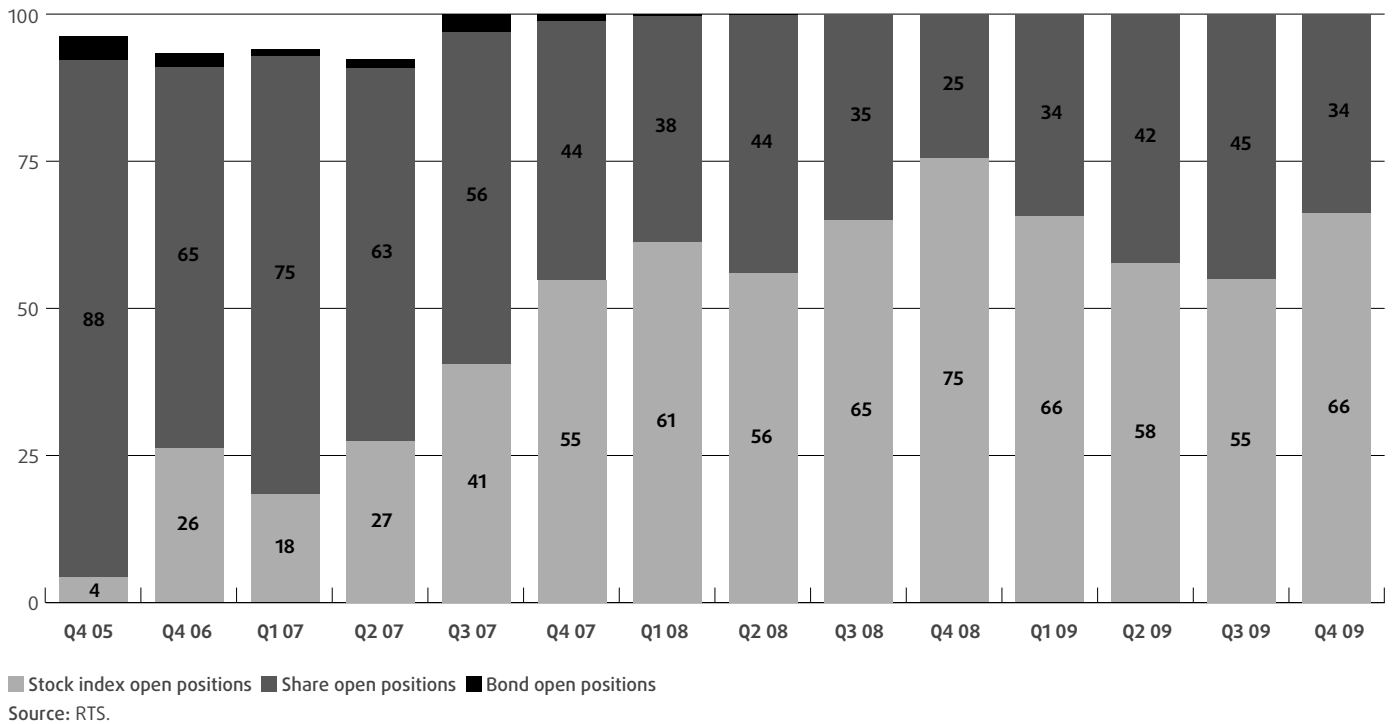


Fig. 16

The ratio of volumes of open positions for underlying assets of different types, %



positions also changes dramatically. Fig. 16 shows percentage ratio of volumes of open positions in money terms for underlying assets (indices) of different types. In synchrony with growth of derivative contracts, which rely on stock indices as base reference, the share of open positions thereof also increased up to 75 percent at the year-end.

During the first three quarters in 2009 index positions reduced in favor of some share open positions, but in the fourth quarter the share of index positions began again to increase.

In May of 2008, there was introduced night trade session in RTS FORTS derivatives market (see details in section 2.3b). Fig. 17 shows diagram of relative volumes of deals (in money terms) carried out during night session. Daily share of deals carried out during night sessions is distinguished by extremely high variability, but on certain days, it exceeded a half of total volume of deals. In 2008 median value of daily volumes of deals carried out during night session compared 11 percent by futures and 6 percent by options.

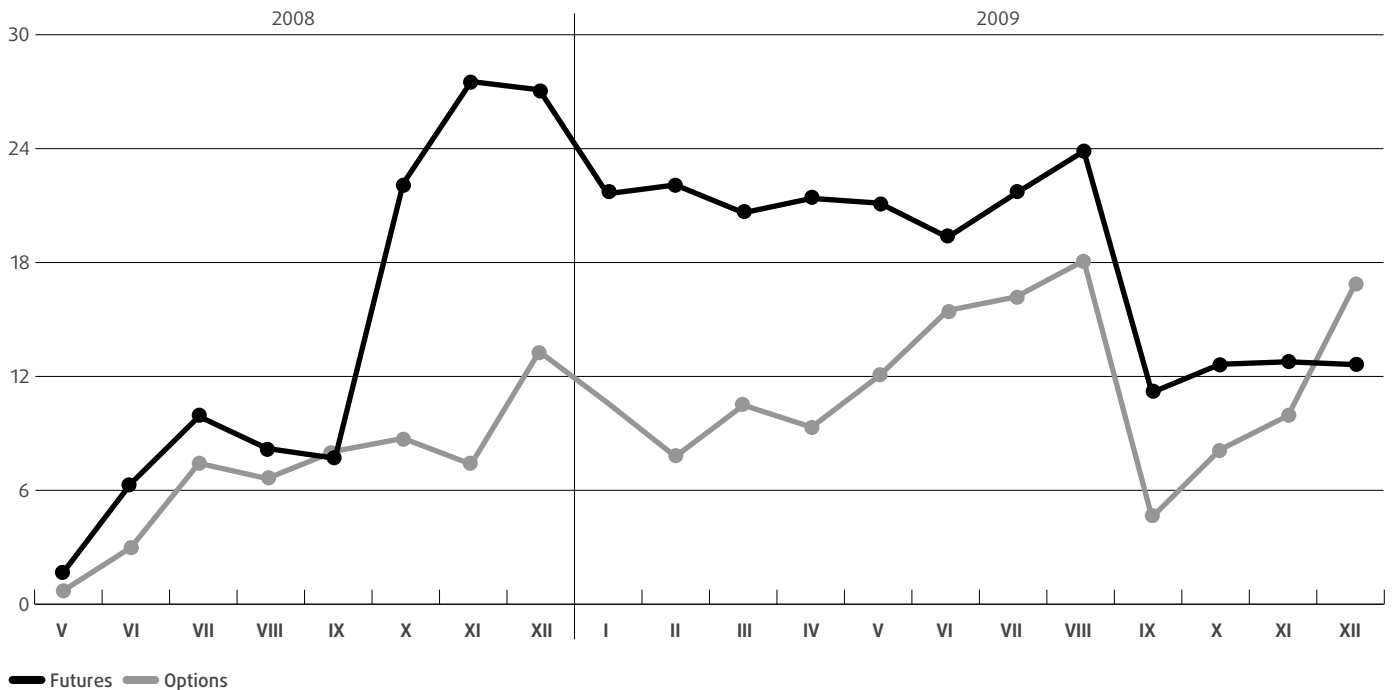
In 2009, these values increased to 17 and 11 percent accordingly.

It may be noted that from introduction of night session and up to the end of 2008 there was a visible tendency to rise in the share of deals carried out during night session per month, at that by the year-end the one by futures exceeded 25 percent.

In 2009 month volume of deals with futures during night session fell expect for jump in August, and as for options it, on contrary, showed a tendency towards growth expect for fall in September.

Fig. 17

Volume of deals carried out during night session in FORTS derivatives market (monthly), %



Source: RTS.

1.8. Stock indices

At present time, Russian and international organizations calculate numerous indices of Russian stock market: exchanges, information and rating agencies, investment banks, broker companies and so on. The most known among them are for share market – RTS Index, MICEX Index, MSCI Russia, FTSE Russia; for bond market – Corporate bond index IFX-Cbonds, Municipal bond index Cbonds-Muni, Corporate bond index MICEX CBI, Public bond index MICEX RGBI, Municipal bond index MICEX MBI; for polled investment market – RUIF Indices, calculated by the National Rating Agency. However, indices calculated by MICEX and RTS are the most quoted by tradition.

Share index

RTS Index is calculated since September 1, 1995. It is a consolidated index with base presently consisting of 50 shares of the most capitalizes and liquid issuers. The list of shares for calculating indices is reviewed quarterly. Besides main RTS Index since the end of 2003 RTS SE calculate also RTS-2 Index of companies of “the second echelon”, at present time this index includes shares of 70 issuers. Starting from 2005-2007, branch indices are calculated:

1. RTS – Oil and gas (RTSog);
2. RTS – Metals and mining (RTSmm);
3. RTS – Telecommunications (RTStl);
4. RTS – Industry (RTSin);
5. RTS – Commodities and retail (RTScr);
6. RTS – Power industry (RTSeu);
7. RTS – Finance (RTSfn).

Bases for calculation of branch includes include now from 9 to 15 issuers.

When calculating indices RTS takes into account prices for securities denominated in US dollars.

From November of 2009 when calculating indices, RTS consider prices that are formed in the RTS Standard market.

MICEX Index is calculated since September 1, 1997. It is a consolidated index with base presently consisting of 30 shares of issuers that present main economic sectors. Amendments in index bare are made twice a year.

In 2005-2008 MICEX began calculating branch and capital indices.

1. MICEX O&G – index of shares of companies referred to oil and gas industry;
 2. MICEX PWR – index of shares of companies referred to power industry;
 3. MICEX TLC – index of shares of telecommunication companies;
 4. MICEX M&M – index of shares of companies referred to metallurgical and mining industry;
 5. MICEX MNF – index of shares of companies referred to engineering industry;
 6. MICEX FNL – index of shares of companies referred to financial and bank industry;
 7. MICEX LC – index of shares of companies with high capitalization;
 8. MICEX MC – index of shares of companies with standard capitalization;
 9. MICEX SC – index of shares of companies with base capitalization;
- Bases for calculation of branch and capital indices include now from 8 to 50 issuers.

When calculating indices MICEX takes into account prices for securities denominated in Russian rubles.

In December of 2009, MICEX began calculating another two branch indices: MICEX CGS (share index for companies of consumer sector) and MICEX CHM (share index for companies of chemical and oil and gas industry).

There is obvious correspondence (at 75-80 percent) between bases for calculating indices of oil and gas industry (RTSog, MICEX O&G), telecommunication industry (RTStl, MICEX

TLC), power industry (RTSeu, MICEX PWR), metallurgical and mining industry (RTSmm, MICEX M&M) and also financial and bank industry (RTSfn, MICEX FNL) among branch indices calculated by the leading stock exchanges. Bases of RTSin and MICEX MNF indices correspond to somewhat less extent.

Fig. 18, 19 and 20 show diagrams of RTS, MICEX and RTS-2 indices over 2005-2009. By the end of the first half of 2008 index growth rates dropped abruptly, but in May consolidated stock indices reached their historical maxima. In the second half of year of 2008, indices began to fall which resulted in deep drop; in the end of October indices reached their minima. Maxima and minima of consolidated stock indices for 2008 differ in four times.

During the first quarter of 2009, consolidated stock indices were mostly in state of sideways trend with heightened volatility, since March they began intensively growing. In midyear, this tendency gave way to reducing one, but since August, the growth continued. During 2009 the minimum of consolidated stock indices was recorded on January 23 (RTS Index – 498.20, Index MICEX – 553.62), the maximum was reached on October 18 by RTS Index (1,486.62) and on December 16 by MICEX Index (1,388.59). The maximum of consolidated stock indices differs in 2.5-3 times from the minimum one. The year 2009 ended against the context of index growth.

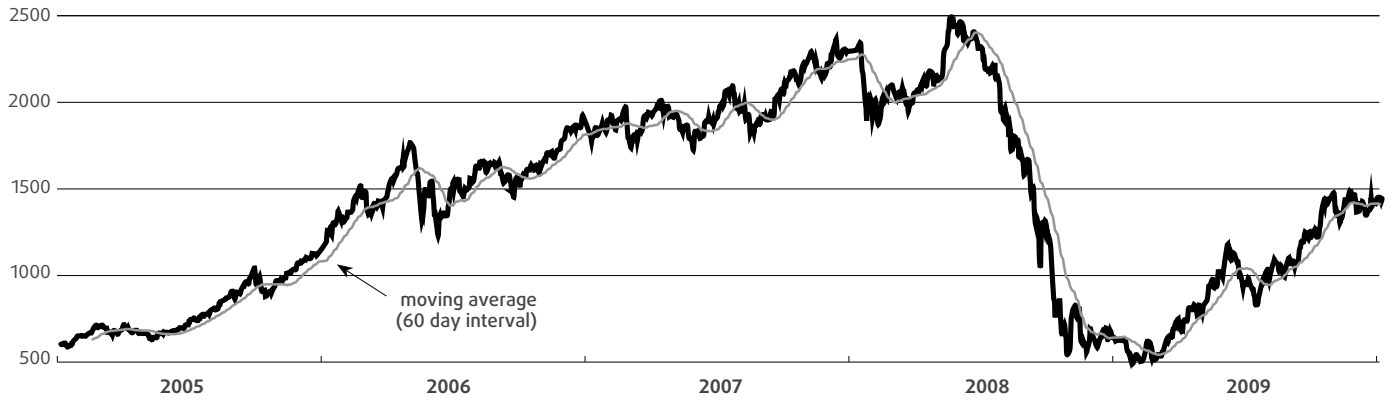
Table 36¹¹ shows data concerning return by RTS and MICEX indices over recent years. In 2008 under the conditions of global financial crisis all analysed indices underwent one of the deepest falls during their entire history (66-78 percent per year).

Along with this in 2009, Russian share market showed in stock indices'

¹¹ Return was calculated on the interval from the last selling day in the previous year to the last day of estimated period on the 365 day base.

Fig. 18

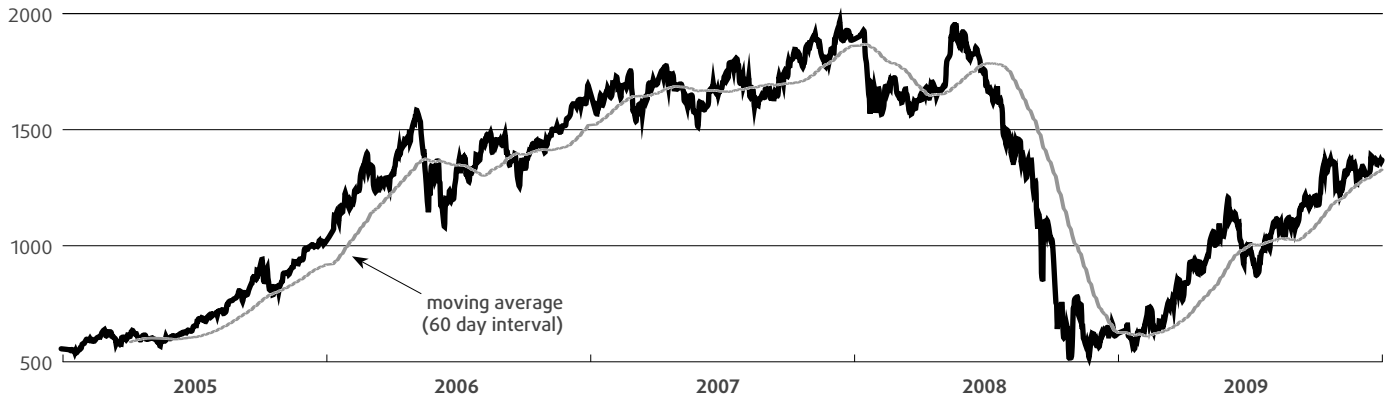
RTS Index



Source: RTS.

Fig. 19

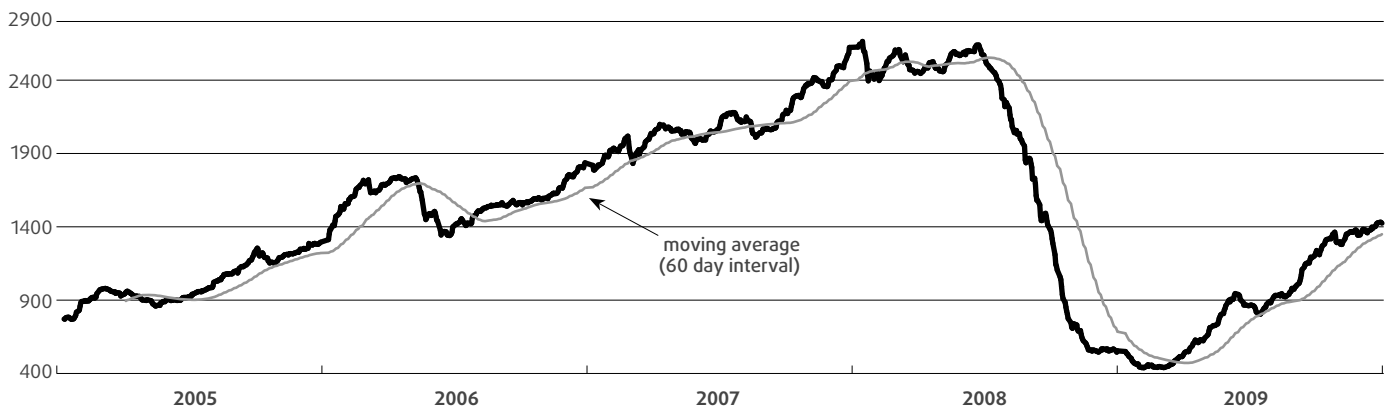
MICEX Index



Source: MICEX.

Fig. 20

RTS-2 Index



Source: RTS.

behavior sharp return surge, one of the largest those during its entire history. Consolidated indices for shares of "the first echelon" resulted in return over 120 percent and 160 percent for shares of "the second echelon". Indices in metallurgical branch, consumer's sector and telecommunications rose up at priority

rates, indices in oil and gas branch showed the worst dynamics.

As a three-year experience in calculating capital indices confirms that companies with small capitalization showed small return in activating market, but in falling market they are characterized with deep drop.

Starting from the second half of 2008 and in 2009 there appeared unbalance in stock indices calculated by different stock exchange on the similar base.

High volatility is characteristic for Russian stock indices. Fig. 21 shows the behavior of main consolidated indices for shares in terms of return-volatility. From

Table 36

Return of share stock indices over 2005-2009 (percent per year)

	2005	2006	2007	2008	2009
Consolidated indices					
RTS Index	83,52	70,94	19,23	-71,48	128,71
MICEX Index	83,08	67,69	11,57	-66,47	121,14
RTS-2 Index	69,32	42,27	43,17	-78,29	160,36
Branch indices					
Oil and gas industry					
RTSog	86,78	50,80	1,05	-65,76	93,41
MICEX O&G	91,95	47,95	-3,57	-58,42	126,33
Telecommunications					
RTStl	40,78	81,47	28,13	-72,74	121,75
MICEX TLC	39,10	65,98	14,56	-75,55	187,00
Metallurgy and mining					
RTSmm	53,18	52,42	54,00	-74,50	157,56
MICEX M&M	74,60	51,69	42,61	-71,96	212,20
Power industry					
RTSeu			31,96	-80,33	132,98
MICEX PWR	38,68	134,51	7,87	-73,72	167,25
Industry					
RTSin	40,50	73,76	66,83	-84,30	124,47
MICEX MNF	28,90	69,62	60,57	-85,72	189,05
Consumer commodities					
RTScr	92,51	51,24	29,31	-79,54	230,80
Finance					
RTSfn			14,30	-78,37	124,63
MICEX FNL				-67,32	131,79
Capital indices					
MICEX LC			9,89	-66,47	118,68
MICEX MC			15,64	-71,69	148,23
MICEX SC			29,17	-76,09	198,91

Based on RTS and MICEX data.

year to year, volatility of indices changes in wide range, therewith, falling market volatility increases as a rule.

Nevertheless in 2009 volatility remained twice as high as in pre-crisis period despite significant index growth.

The year 2009 fixed the maximum one-day fall of consolidated stock indices on February 17, which comprised 9.4 percent, maximum one-day increase – on March 10 for RTS Index (10.2 percent), and on January 26 for MICEX Index (10.8 percent).

Bond index

Corporate bond index MICEX CBI is calculated from the beginning of 2003. Its base for calculation includes corporate issuers' bonds allowed for circulation in MICEX, at that at least one international rating agency have assigned for these issuers long-term foreign currency credit rating or at least one national rating agency have assigned credit rating. According to S&P version, minimal

rating shall be B. To be included in base for calculation bond issue index shall in particular comply with the following conditions:

- Issue volume – at least 3 billion rubles;
- Term to maturity / offer term – at least 6 months;
- Average daily volume of deals in past quarter – at least 3 billion rubles.
- The number of selling days in past quarter – at least ten days.

The list of bond issues for calculating index MICEX CBI is reviewed quarterly. When calculating this index MICEX takes into account prices for securities denominated in Russian rubles. At present time base for calculating this index includes 48 bonds of 21 issuers. The index is calculated by three procedures:

- total return (takes into account market value of bonds, accumulated coupon interest and paid coupon interest);

- clean price (takes into account market value of bonds ignoring accumulated coupon interest and paid coupon interest);
- gross price (including market value of bonds and accumulated coupon interest).

Fig. 22 shows diagram of index MICEX CBI based on total corporate bond return.

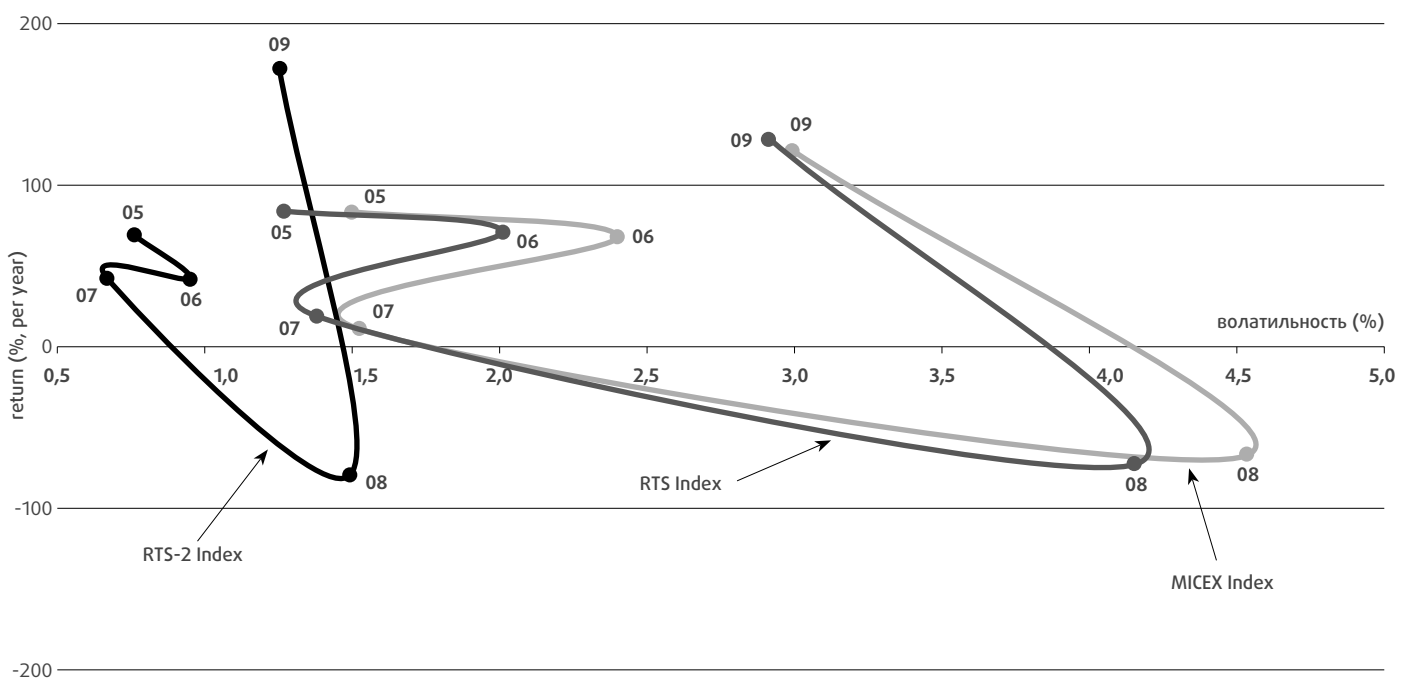
Corporate bond index IFX-CBONDS is a co-operative project of Index agency RTS-Interfax and agency CBONDS/ It is calculated from the beginning of 2002. Its base for calculation includes corporate issuers' bonds allowed for circulation on trade floors of MICEX, RTS and SPCEX.

To be included in base for calculation bond issue index shall in particular comply with the following terms:

- Term to maturity / offer term – at least 1 months;
- Average daily volume of deals on all trade floors in past quarter – at least 2 billion rubles.

Fig. 21

Return and volatility of consolidated stock indices



Based on MICEX and RTS data.

- The number of selling days in past month, when bond issue was traded at least on one trade floor, – as least a half of the number of selling days in this month.

The list of bond issues for calculating index IFX–CBONDS is reviewed every month. When calculating this index the agencies take into account prices for securities denominated in Russian rubles.

At present time base for calculating this index includes 30 bonds of 23 issuers. The index is calculated by total return and clean price procedures.

Fig. 23 shows diagram of index IFX–CBONDS based on total corporate bond return.

Besides index IFX–CBONDS there are also calculated indices characterizing average weighted duration and average weighted return to recovery of index bond portfolio.

At that, average weighted return to recovery is defined in two variants:

- “simple”: ignoring annual investments in coupons.

- effective: taking into account annual reinvestments in coupons.

Fig. 24 shows diagrams of average weighted duration and average weighted return to recovery of index bond portfolio IFX–CBONDS.

Up to the mid 2008, average total return of investors was increasing almost constantly. In July of 2008, return stopped growth and then prices began to fall that continued virtually until March 2009, however thereafter it began growth that lasted until the year-end. As a result, bond indices returned to course that had been broken because of financial crisis.

Till the first half of 2008 average return to corporate bond redemption (see fig. 24) were anywhere from 7.5 to 10 percent, then it began increasing at a swift rate, but failed to reach a little the level of 25 percent in early February. Afterwards return to redemption began falling at a high rate and by the end of

2009, it reached 11-12 percent. Attention should be paid to the fact that in the first decade of September 2008 corporate bond average return to redemption exceeded refinancing rate of the Bank of Russia, then this difference just grew and in early February 2009 reached 10.8 items. Afterwards this difference began to reduce and by the year-end comprised 2.7 items.

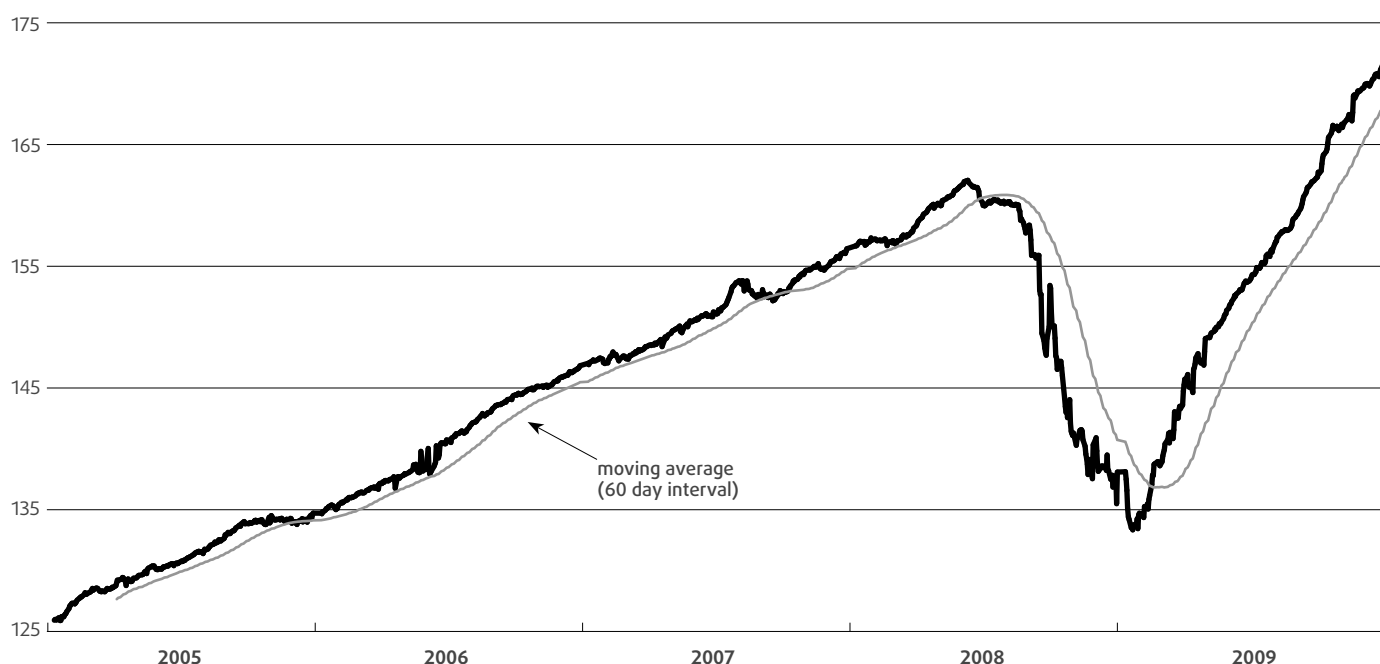
Time structure of corporate bond market undergoes drastic changes. By the mid 2007, it rose to the level in 900 days. Then time structure of corporate bond market began constantly tapering.

In the beginning of 2009, average duration comprised 545 days, throughout a year it fell usually and reached minimum equal to 305 days in mid December. For the past few days of 2009 average duration was suddenly up to the level of 600 days.

Judging by behaviour of corporate bond indices volatility of corporate bond market is less than the one of

Fig. 22

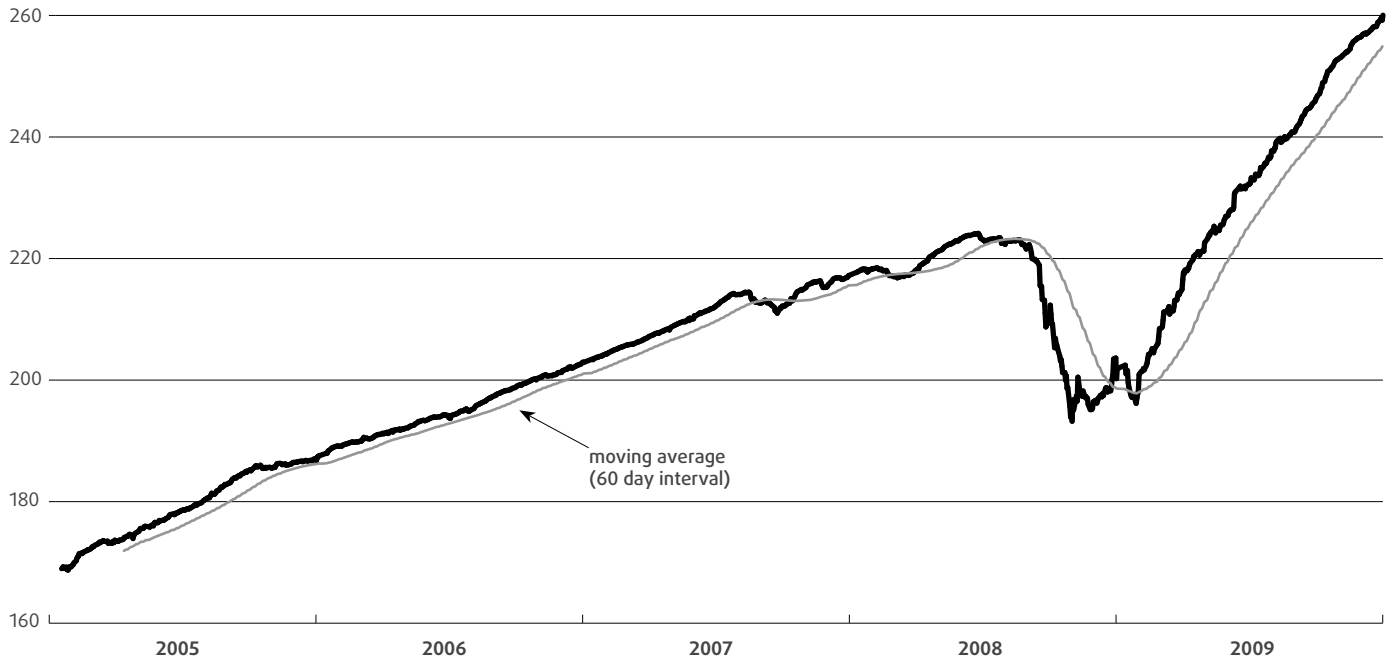
MICEX Corporate bond index (MICEX CBI TR)



Source: MICEX.

Fig. 23

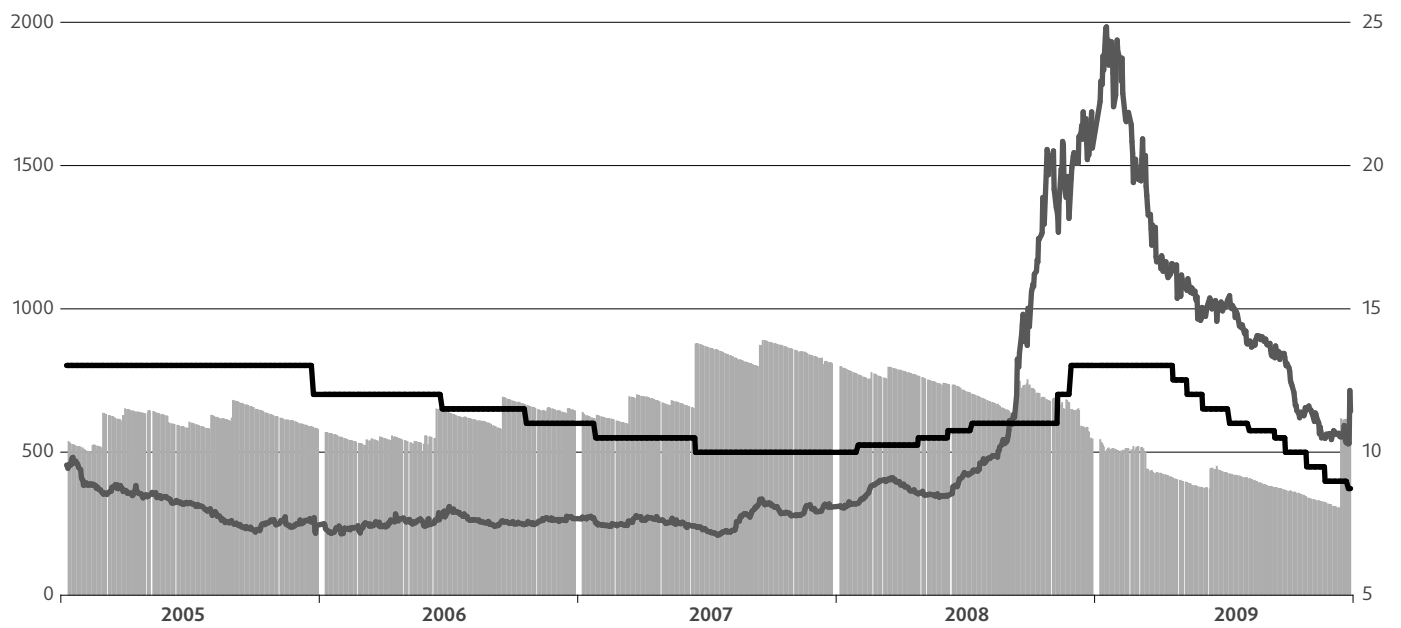
Index IFX-CBONDS (total return)



Source: CBONDS.

Fig. 24

Index IFX-CBONDS (duration and effective return)



■ IFX-Cbonds, index portfolio duration, days - left scale — IFX-Cbonds average weighed return (effective) - right scale, %
 — Refinancing rate of the Cenrtal Bank of Russia - right scale, %

Sources: the Bank of Russia, CBONDS.

Table 37

Return and volatility of Corporate bond indices IFX-CBONDS and MICEX CBI Over 2005-2009 (at the end of a period)

Period	Volatility of MICEX CBI TR (%)	Volatility of IFX-CBONDS (%)	Average weighted return (effective) of IFX-CBONDS (%)
2005	0,10	0,08	7,46
2006	0,20	0,05	7,70
2007	0,11	0,07	8,10
2008	0,42	0,41	20,60
2009	0,26	0,22	11,43

Based on MICEX data.

share market under smaller return. Table 37 shows data concerning volatility and average return to corporate bond redemption calculated based on index IFX-CBONDS and index MICEX CBI TR.

Both volatility of corporate bond prices and return to redemption undergone many changes. If in 2005-2005 volatility was at the level of 0.05-0.08 percent by index IFX-CBONDS at that average return to redemption was anywhere from 7.5 to 8.0 percent, then in crisis 2008 return and volatility increased in 2.5 and 6 times accordingly.

In 2009 return and volatility dropped in twice, nevertheless volatility of corporate bond market still is far away from pre-crisis level by the order of magnitude. It is characteristic that volatilities calculated based on indices IFX-CBONDS and MICEX CBI TR are close to each other in terms of tendencies and by the order of magnitude, expect for the year 2006.

Public bond index

Since December 31, 2002 MICEX, where turnover of public securities of the Russian Federation is organized, calculates indices and indicators of public security return (return of state treasury bills, federal loan bonds).

Indices reflect changes in market value and consist of:

- Public bond index MICEX RGBI which is calculated by clean price procedure;
- Public bond index MICEX RGBI G which is calculated by gross price procedure;

- Public bond index MICEX RGBI TR that is calculated by total return procedure. These indices are calculated uninterruptedly in real-time mode as far as settlement of dealings with public bonds.

Return indices are the weighed by market value returns to redemption and consist of:

- Effective return to public bond redemption indicator RGBEY;
- Gross return to public bond redemption indicator RGBY;

Return indices are calculated once daily by the close of session.

Fig. 25 shows diagram of index MICEX RGBI-TR. Since 2005 and till the mid 2008 total return of investors in public bonds grew at the rate obviously lower than growth of total returns in corporate bond sector (compare fig. 22 and 23), however fall which had begun in July 2008 and continues till March 2009 was also not so deep.

Along with that, the following growth that continued until 2009 turned to be comparable in terms of rates to growth rate of total returns from corporate bonds. Abrupt jumps of index MICEX RGBI-TR in January –March 2009 shoal be paid attention to.

Fig. 26 shows diagram of effective return to redemption RGBEY and duration of public security portfolio (duration of state treasury bills and federal loan bonds) disclosed by the Bank of Russia. Up to the mid 2008 public bond portfolio duration was trending upwards from 1750 to 220 days. Then monotone decrease

began which continued till the end of 2009; duration comprised a little over 1500 days.

Until the mid 2008 average weighed public bond return to redemption was anywhere from 6.5 to 8 percent being inferior to refinancing rate of the Bank of Russia 3.5-6 items. From October 2008, return suddenly began to grow and in the first decade of February reached its local maximum 15.5 percent that is at 2.5 items larger of refinancing rate of the Bank of Russia.

In March 2009 period of falling return revealed itself that was distinguished by heightened volatility and continued until the end of May. May-October saw another return surge during which return exceeded refinancing rate at 0.2-0.9 items. The end of 2009 is characterized by drop of average weighed public security return to redemption to the level close to pre-crisis one that is about 8 percent.

Table 38 shows data concerning volatility and average return to bond redemption calculated based on index MICEX RGBI-TR and indicator RGBEY. Judging by behavior of public bond indices and indicators volatility and return of public bond market over 2005-2007 underwent insignificant changes. In 2008 volatility increased almost by an order, return rose at three items.

In 2009 volatility of public bond market continued growing while its drop began to take shape in corporate bond market. It is characteristic that volatility of

public bond market is higher than the one of corporate bond market under smaller return.

The Indices of Unit Investment Funds

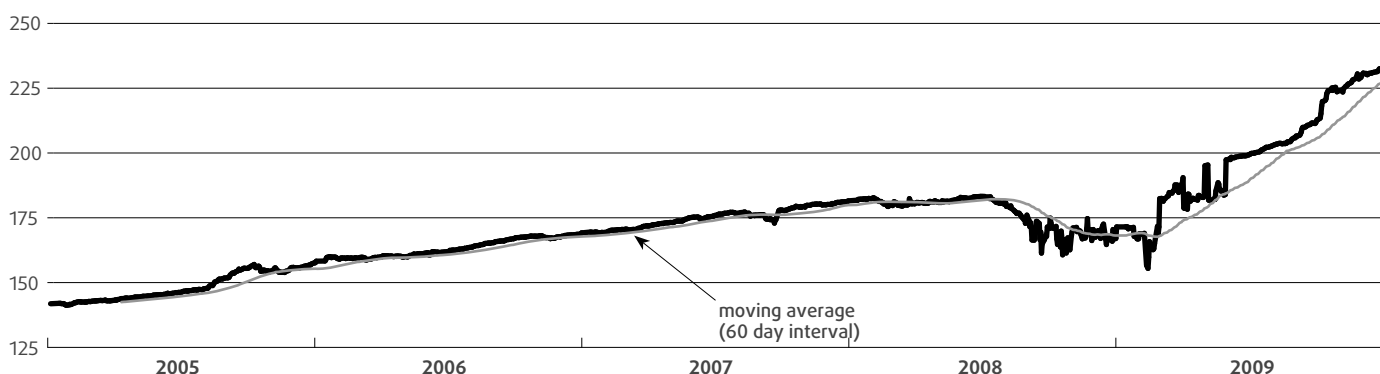
The National Rating Agency has been guiding the index family of open-end funds (RUIF) as of July 1, 2003. Four

groups of funds form this family: total (T), stock funds (S), bond funds (B) and mixed funds (M). Except that, indices calculation is included both with value weighting according to the net asset value (W) and without it. The indices are calculated every working day at 8.00 p.m. according to the figures available

by this moment. Fig. 27 shows general index with value weighting of the net asset value RUIF WT, and Table 39 shows the volatility and bond yield figures of the index¹².

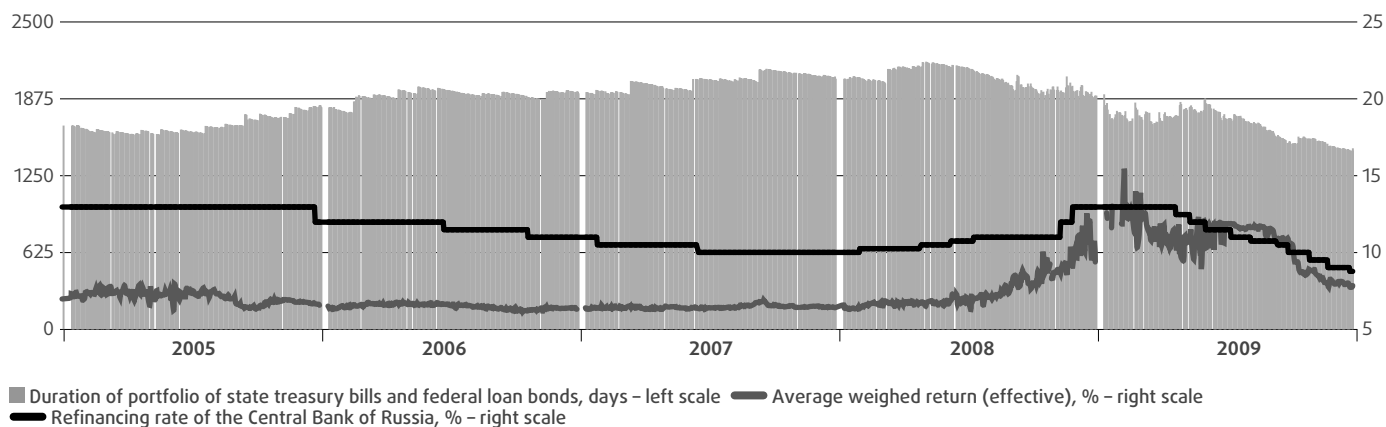
The 2007 is characterized by sideways trend with wide fluctuations that was lasting until the middle of

Fig. 25
MICEX Corporate bond index (MICEX RGBI-TR)



Source: MICEX.

Fig. 26
Effective return to redemption and duration of public bonds



Sources: the Bank of Russia, MICEX.

¹² The bond yield was calculated in the interval between the last trading day of the preceding year to the last trading day of the reporting period (365 days).

2008. That was followed by a huge decline continued until the last decade of January 2009.

RUIF WT was growing during the major half of 2009, excluding the period from the middle of June to the middle of July, and finished the year on an uptick trend.

It comes under notice that during periods of considerable growth of consolidated share indices (Compare Table 36), e.g., in 2005, 2006, and 2009, the bond yield of open-end funds index was also positive, but less significant, than the bond yield of the indices. Moreover, during a considerable fall of stock indices,

e.g., in 2008, the depth of decline of unit investment funds share value was also less significant.

The volatility of RUIF WT index in 2005 – 2007 was at the level of the volatility of consolidated share indices (Fig. 21), and it was less in 2008 crisis and 2009 post-crisis period.

Table 38

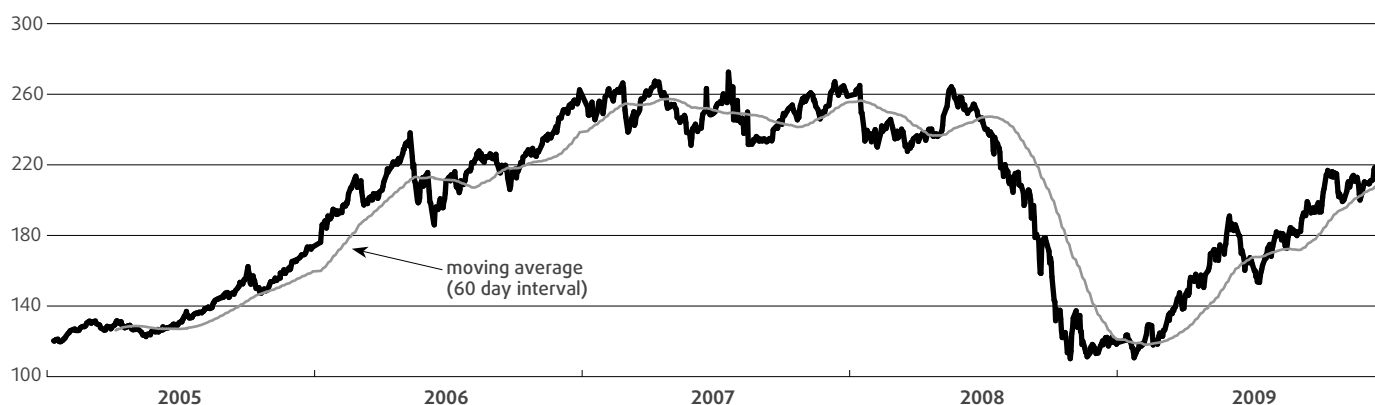
Volatility of index MICEX RGBI-TR and public bond return over 2005-2009 (at the end of a period)

Period	Volatility of MICEX RGBI TR (%)	Effective return of RGBEY (%)
2005	0,15	6,54
2006	0,11	6,28
2007	0,15	6,38
2008	1,03	9,38
2009	1,22	7,99

Based on MICEX data.

Fig. 27

Mutual fund index RUIF-WT



Source: the NRA.

Table 39

The Volatility and bond yield of unit investment fund index RUIF WT in 2005-2009 (by the end of period)

Period	Volatility RUIF WT (%)	Bond yield RUIF WT (%)
2005	0,74	44,85
2006	1,37	51,80
2007	1,43	-1,38
2008	2,27	-53,70
2009	1,72	82,92

According to the NRA.

2. Institutional Structure

2.1. Issuers

Any joint-stock company is an issuer, for even during its establishment it places shares (and is to register them). A limited liability company and, under certain conditions, a non-profit organization

can be an issuer. Figures from the SPARK and the RusBonds databases, concerning issuers of securities, are presented in Table 40. Summary data concerning the number of Issuers at domestic organized

markets are presented in Table 41. According to the available figures, shares of approximately 60 companies/issuers are also circulating as depository receipts on foreign exchanges.

Table 40

Issuers of securities

Period	The number of issuers of shares and bonds	incl. open joint-stock societies	The number of issues of shares and bonds
2005	460 431	62 960	463 670
2006	471 158	64 431	474 484
2007	481 591	65 706	483 962
2008	487 996	66 466	491 415
2009	523 172	72 601	526 641

Source: Interfax (the SPARK and the RusBonds databases).

Table 41

Issuers at organized exchange market

Period	MICEX		RTS	
	The number of issuers (shares and bonds)	incl. ones in quotation lists	The number of issuers (shares and bonds)	incl. ones in quotation lists
2005	385	93	262	46
2006	539	127	332	64
2007	670	229	354	88
2008	632	255	329	92
2009	602	230	353	87

Source: MICEX, RTS.

Table 42

Public share offerings of Russian companies

Period	2005	2006	2007	2008	2009
The volume of offerings (billion dollar)	4,55	17,98	23,6	1,7	0,004
including on domestic market (%)	6	36	44	no data	100
The number of companies	13	24	25	7	1

Sources: the Project www.offering.ru/IPO in Russia, «Alfa Bank», Ernst&Young, the PBN Company.

Therefor the total number of shares and bonds issuers present at organized market does not exceed 1%.

In 2008–2009 the tendency of growing of the number of issuers on exchanges declined and there started a general decrease. Except that, in 2009 there can be also noticed a 5-9% decrease in the number of issuers, securities of which are listed in stock exchanges quotations lists.

Public Offerings

The placement of a major part of shares that are circulating at Russian stock exchanges at present time was being performed in the process of privatization in 1990s. The initial public offering of Russian shares abroad was performed in 1996, and on Russian exchanges – in 2002.

In 2006–2007, the volume of share offerings of Russian companies has risen

sharply (Table 42). In this period, Russia took leading positions in the world both in total volume of placement and in financing volumes available for a company. Nevertheless, it is necessary to mention that this growth was not the result of a massive access of new companies on the market, but the result of extra-large share offerings of some companies, mainly with a state participation and with its support. At that time so called «national IPO» – JSC Rosneft (10.4 billion dollar), JSC Sberbank (8.8 billion dollar) и JSC “VTB” (7.9 billion dollar) joined the largest public offerings.

In 2008 at the time of liquidity shortage and almost unpredictable global financial market dynamics, public share offerings of Russian companies have de facto suspended.

In 2009, the situation concerning initial placements had not practically changed, a debut initial offering of a biotechnological company was held in December on the MICEX Stock Exchange in new sector (for details see 2.3 b)). Some companies, that held initial offerings earlier, placed secondary offerings on foreign market.

In 2007–2009, alternative trading floors for introducing of securities of innovative and small-cap companies were established on the MICEX and the RTS. The number of issuers and transaction volume were insignificant.

In 2007–2009, laws and regulations that gave an opportunity for offering and circulating of foreign issuers' securities on Russian trading floors were prepared. However, there were no such offerings till the end of 2009.

2.2. Investors

Investor means any person or institution that invests money in securities in order to get profit. There are no official ordered data on structure and quantitative characteristics of the investor base of the Russian securities market. Nevertheless Professional securities market participants, self-regulatory organizations and research groups had recently been working on accounting and studying of the investor base.

a) Population

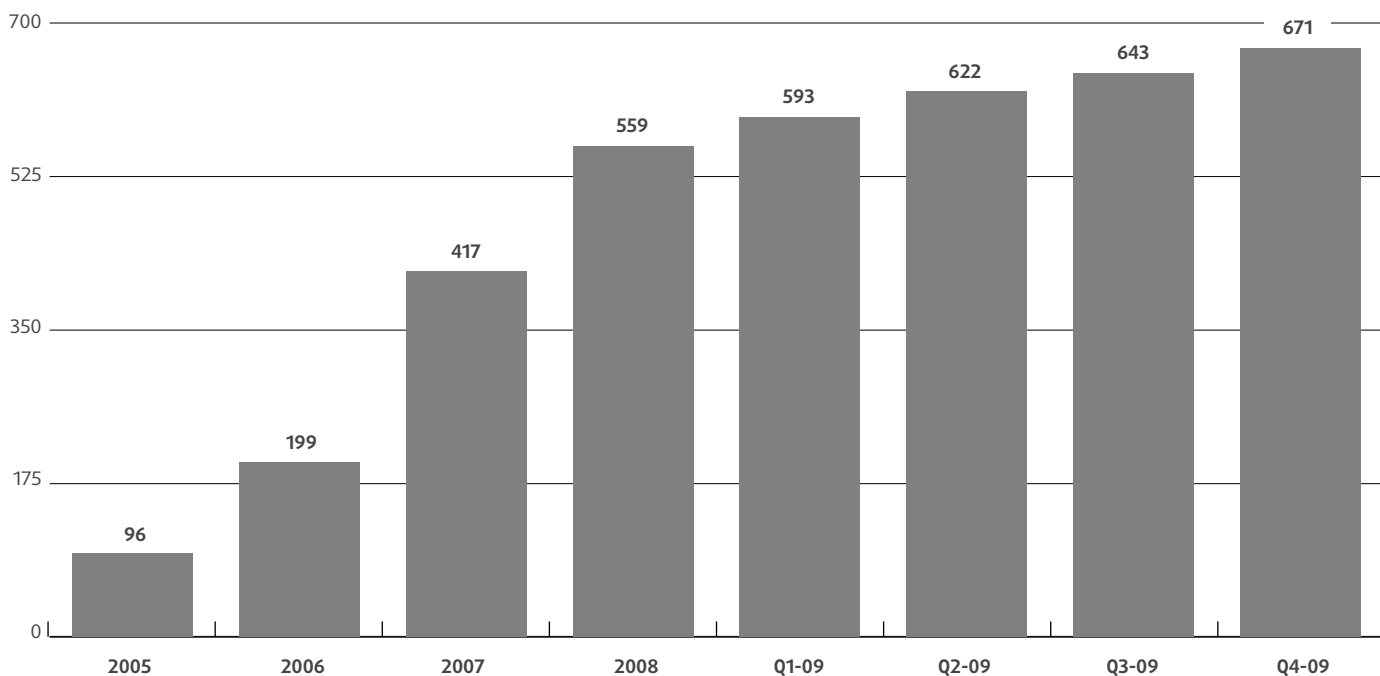
Here population means “market investors”, that are natural persons that consciously decided to invest on securities market and occasionally employ services of brokers, trustees or had purchased unit investment funds investment units. These investors differ from natural persons that had purchased shares in the course of

voucher privatization, and from voucher investment fund shareholders or holders of unit investment fund investment units that appeared in the result of reorganization of voucher investment funds and that are not considered here.

There are no full and authentic statistics on the number of natural persons making transactions on the securities market. Taking into account data from different

Fig. 28

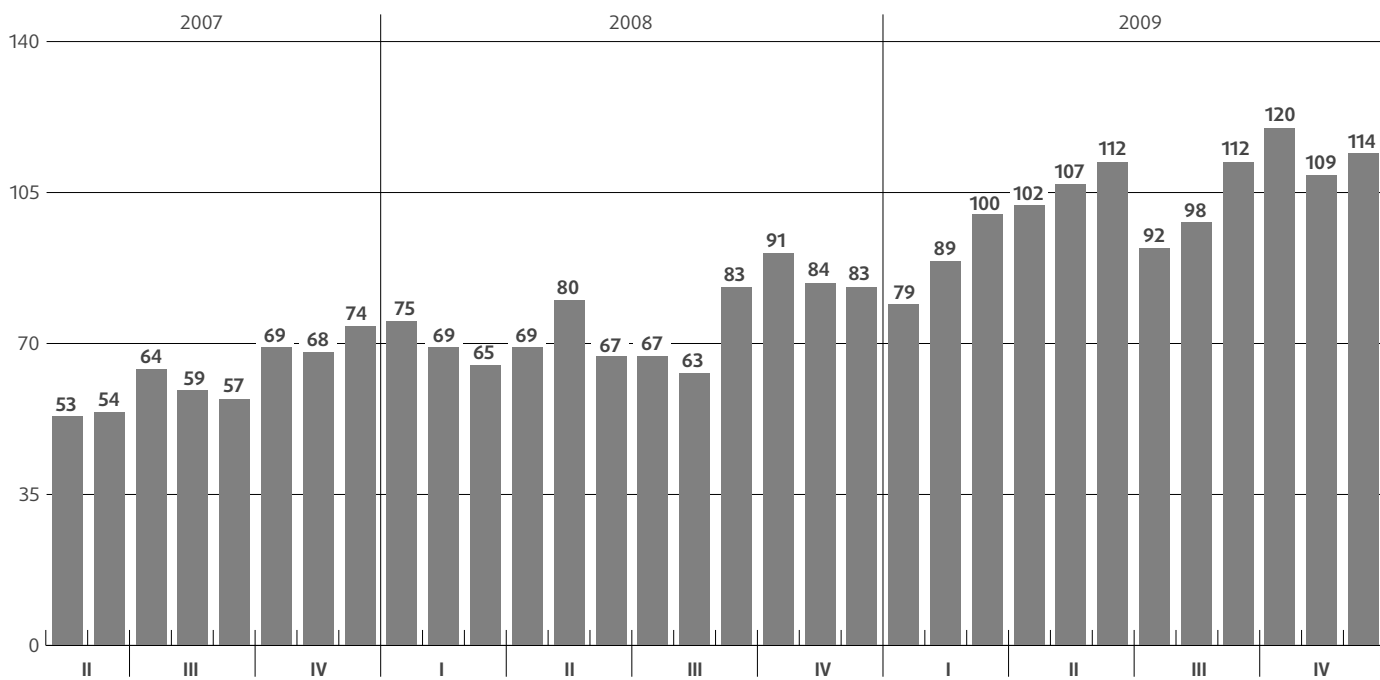
The participation of the country population in investment on securities market (the MICEX customers), thousand people



Source: MICEX.

Fig. 29

The number of natural persons-proactive investors on the MICEX Stock Exchange



Source: MICEX.

Table 43

The number of unit investment funds in 2005–2009

Period	The unit investment fund type				TOTAL
	Open-end funds	Interval funds	Closed-end funds	incl. real estate funds	
2005	201	59	121	73	381
2006	299	86	234	152	619
2007	455	95	398	269	948
2008	446	94	457	331	997
2009	410	85	605	385	1100

Source: National League of Management Companies.

sources you can see the following picture of the situation, which is by far not complete.

The MICEX regularly discloses the information about the number and structure of traders' customers, including natural persons (hereafter referred to as "the MICEX customers"), including those who have individual identification characteristics (unique customers).

Fig. 28 shows data on the number of the MICEX customers – natural persons (unique customers). From the third quarter of 2007 until the end of 2009, the MICEX customers' growth rate had sharply fallen and amounted to 5–7% quarterly.

By the end of 2009, despite a significant growth of share indices, the increase amounted to 20% (for reference: by the end of 2008 the increase amounted to 34%), and by the end of the year the number of the MICEX Stock Exchange natural persons customers had reached 671 475 people. Therefore, despite sharp differently directed dynamics of the market in 2008 and 2009, the population did not lose interest in securities market, although became more conservative.

A major characteristic of a private investor base is the number of so-called proactive investors, in other words, those who perform on securities market at least 1 transaction a month. Fig. 29 presents data on proactive investors – the MICEX Stock Exchange natural persons customers. Proactive natural persons-

investors amount to 15–17% of the MICEX Stock Exchange unique customers' total. There is a seasonal summer depression and overactivity in the beginning of the autumn.

The first half of 2009 is characterized by monotonous growth of the number of proactive customers; a psychologically crucial line (100 thousand people) has been overcome in March. In the second part of the year, despite a general positive trend, there was a traditional fall in July (17%) and a great growth in September (14%). In general, the number of proactive customers has increased by the end of the year by 38%. Therefore, the peculiarity of 2009 is an outrunning growth of the number of proactive customers.

Data on the number of "market" unit investment fund investment units' holders that had non-zero accounts are vague enough. According to the National League of Management Companies, in 2005–2007 the number grew from 170 to 500 thousand people. In 2008 there was registered a significant investment units holders outflow, and the number fell to 300 thousand people. There is no available data on 2009.

b) Unit investment funds

From a legal point of view unit investment funds are property complexes that are not legal persons. Table 43 presents summary data on the dynamics

of changing of the number of unit investment funds over 2005–2009¹³.

2008 was a crisis year, so the establishment of new funds in 2008 practically suspended. By the end of 2009, the number of established unit investment funds amounted to 1100, and that was 10% more than a year before; moreover, the greatest activity in registration and establishment of new funds only appeared in the fourth quarter of the year. Closed-end funds played a significant role in the volume of funds growth (year growth was 32%). The number of open-end and interval funds had on the contrary decreased by 8–10%.

In 2008–2009 there appeared an opportunity of the establishment of new types of unit investment funds – annuity funds (with the right to include real estate leasehold rights into the asset mix), credit funds (with the right to include credit agreements monetary claims into the asset mix), commodity market funds (an opportunity to include precious metals into the asset mix) and hedge funds (wide investment opportunities, including derivative contracts), and interval and closed-end funds that are focused on qualified investors and therefore having a restricted transferability.

From the end of 2008, the new opportunities started being put into practice. In the fourth quarter of 2008, nearly 50% of all closed-end unit investment funds transformed into funds

¹³ We take into account the funds that have completed their establishment.

Table 44

The net asset value of open-end and interval unit investment funds in 2005–2009 (billion rubles)

Period	Open-end funds	Interval funds	TOTAL	NAV/GDP (%)
2005	30,8	38,7	69,5	0,32
2006	91,1	59,6	150,7	0,56
2007	134,8	43,8	178,6	0,54
2008	47,1	13,2	60,3	0,15
2009	61,0	17,2	78,3	0,20

Source: National League of Management Companies.

for qualified investors, moreover, the largest amount of funds (70%) among all possible types of closed-end funds were closed-end real estate funds. In the first quarter of 2009 there began appearing credit funds, and in the third quarter – hedge funds, and in the fourth quarter – annuity funds, and almost all of them were for qualified investors. Credit funds, judging by the number of registered unit investment funds, attracted particular interest, which, according to expert's estimations, were seen as tools of securitization of non-performing bank loans.

In the end of 2009, nearly 50% of all closed-end funds became funds for qualified investors, moreover, more than a half of them were closed-end real estate funds, and 17% were closed-end credit funds.

In the end of 2009, a new category of funds – artistic valuables funds – was introduced. Opportunities of starting of such funds appeared in the beginning of 2010.

According to applicable law¹⁴ the information about a unit investment fund, investment units transferability of which is restricted, can only be provided to investment units holders and other qualified investors. As a result, the available public aggregated data on the net asset value of unit investment funds at the present time concerns only funds for not qualified investors, so they represent the situation not completely. According

to the available data, at present time only investment units of closed-end funds have a restricted transferability. Table 44 shows data on the net asset value of open-end and interval funds in 2005–2009.

In 2008 the net asset value of open-end and interval unit investment funds decreased by 118 billion rubles (66% in relative terms). In 2009, a certain growth could be seen: the net asset value rose by 30% during the year, however, in absolute terms this value was 100 billion rubles less than in the record year of 2007.

Except the net asset value, the most important characteristic of unit investment funds is the amount of clear fundraising. This data are the most illustrative for open-end unit investment funds, where share distribution and redemption order taking is performed every working day. Fig. 30 shows data on clear fundraising of open-end unit investment funds. 2006 was a clear fundraising peak year – the amount of fundraising was 42.5 billion rubles. By the end of 2008, the balance of fundraising of open-end unit investment funds became negative – minus 16.6 billion rubles.

In 2009, despite a positive dynamics of securities market, capital outflow was continuing: maximal outflow could be evident in the first quarter – 5.2 billion rubles, minimal outflow – in the second quarter – 1.6 billion rubles. By the end of the year open-end unit investment funds capital outflow amounted to 12.3 billion rubles. Therefore, despite the

fundamentally different securities market dynamic in 2008 and 2009, the amounts of open-end unit investment funds capital outflow in the both years were proportionate according to certain values.

The key element in a unit investment fund construction is a management company. Fig. 31 shows summary data concerning the amount of management companies that manage unit investment funds over the last years. In 2008 – the beginning of 2009 the growth of the amount of management companies managing unit investment funds suspended.

Until the second quarter of 2009, the amount of management companies that manage unit investment funds again showed a tendency to increase, the whole gain during the year totaled 18%.

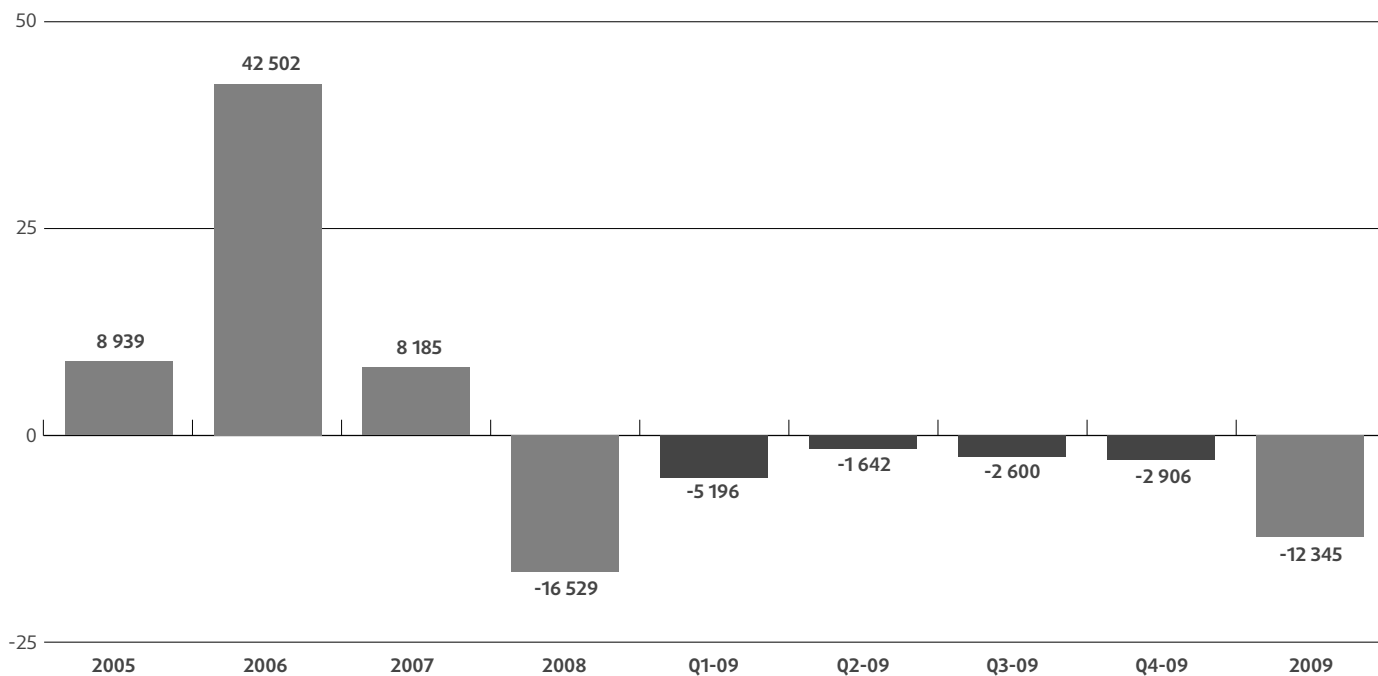
It is important to note that during 2009 the FFMS of Russia did a lot of work on the improvement of the management companies' activities. Over 120 licenses were cancelled; the most frequent reason for such decision was failure to transact business of management of unit investment funds during one and a half year. As a result, if in 2006 there were just 36% of management companies involved in management of unit investment funds, by the end of 2009 this amount increased to 70%.

c) Bank Managed Unit investment fund

A bank managed unit investment fund (OFBU) is an investment product that is

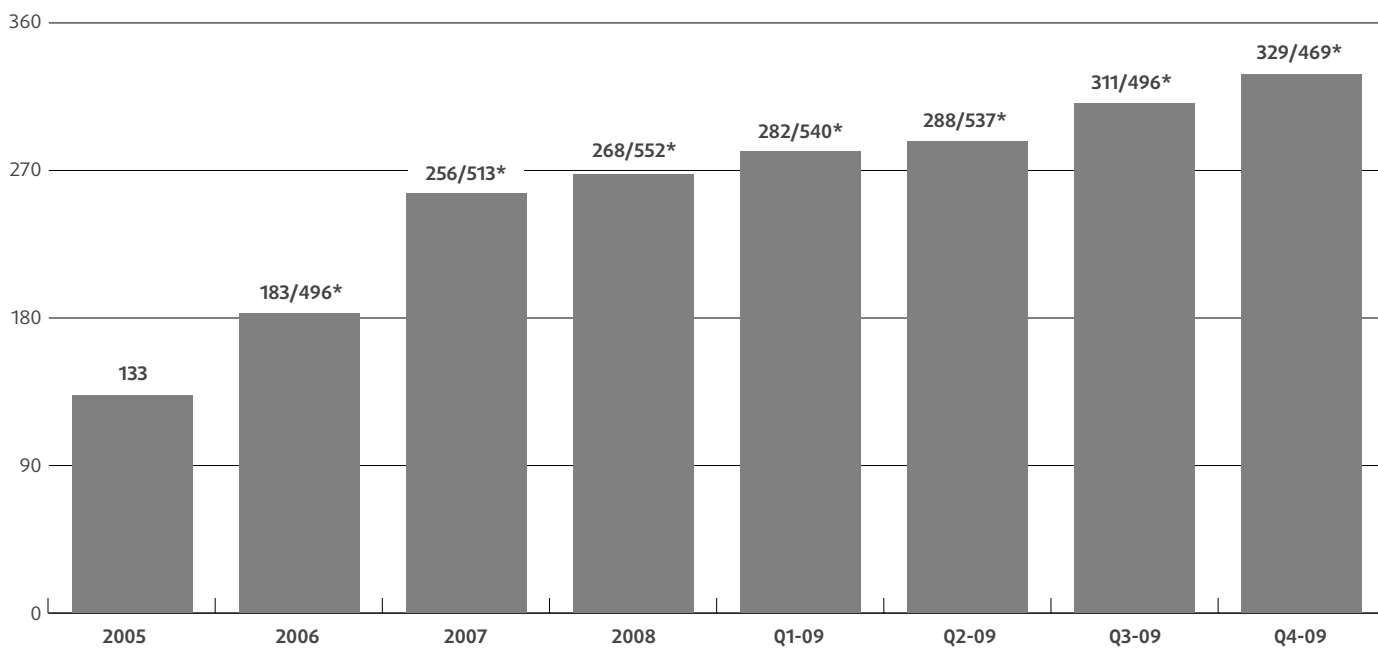
¹⁴ The Law dated November 26, 2001 No.156-FZ "On Investment Funds", Article 52, Clause 3.

Fig. 30

The amount of clear fundraising of open-end unit investment funds, billion rubles

Source: National League of Management Companies.

Fig. 31

The amount of management companies that manage unit investment funds

* The total amount of licenses granted to management companies

Source: Federal Financial Markets Service, National League of Management Companies.

Table 45

Bank managed unit investment funds

Period	The amount of funds	incl. in rubles	incl. currency ones	The net asset value (billion rubles)
2005	173	120	53	7,9
2006	239	170	69	17,1
2007	273	201	73	21,1
2008	291	215	76	7,5
2009	293	217	76	9,3

Source: www.investfunds.ru.

Table 46

Investment recourses of NPF in 2005–2009 (billion rubles)

Period	2005	2006	2007	2008	2009			
					Q1	Q2	Q3	Q4
The amount of NPF	296	293	253	241	no data	170	173	164
The amount of NPF that are allowed to perform activities concerning mandatory pension insurance	no data	102	126	136	no data	136	133	133
Pension reserves	277,3	405,2	472,9	462,7	476,5	495,1	518,0	no data
Pension assets	2,0	10,0	26,8	35,5	46,9	67,3	71,7	no data
TOTAL	279,4	415,1	499,7	498,2	523,4	562,4	589,7	no data
Investment resources NPF/GDP (%)	1,29	1,54	1,51	1,20				no data

Sources: FFMS of Russia, www.investfunds.ru.

offered by credit institutions on the basis of an instruction of the Central Bank of the Russian Federation¹⁵. OFBU is a property complex that includes the property that is delivered in trust management by different persons and the property that is acquired by a trustee in the process of trust management. From the legal point of view OFBU are similar to unit investment funds in the essence, but the participation in it is not certified by a security. Investors when investing their money in OFBU get a so-called Certificate of Participation that is not a security. The OFBU assets mix and asset profile requirements are more liberal than unit investment fund requirements. There are nearly 30 credit institutions, according to available data, involved in OFBU management activities; the data on the amount of funds and the net asset value in 2005–2009 are shown in Table 45.

Pursuant to the data, OFBU are significantly smaller than unit investment funds both in the amount of the funds and in summary the net asset value. There was an OFBU increase in 2006, but in 2008 the increase suspended and the net asset value decreased by 13.6 billion rubles (nearly 65%).

During the 2009, there were no changes in the quantity of the funds. The net asset value increased by 24% during the year, but remained 12.5 billion rubles less in comparison with pre-crisis period.

d) Non-State Pension Funds

According to the amendment of the Law "On Government Pension Funds" as of July 1, 2009 the calculated monetary value of assets to secure charter activities of a NPF is to be not less than 50 million

rubles (before that, from January 1, 2005 the parameter used to be 30 million rubles).

According to the FFMS of Russia, 164 organizations had current licenses of NPF by the end of 2009, 133 of them (according to the data available by November 1, 2009) were allowed to perform activities concerning mandatory pension insurance. It is notable that from the beginning of the year (Table 39) the amount of NPF reduced by 32%. It happened due to the fact that some funds had their licenses cancelled, and for some of them the cancellation was a result of non-complying with the new requirements to the internal funds adequacy. A part of the funds was in the process of voluntary liquidation or reorganization in the form of accession.

¹⁵ The Bank of Russia Instruction dated July 2, 1997 "On the Procedure of Trust Management and Accounting of These Activities by Credit Institutions of the Russian Federation".

Table 47

The net asset value of the resources in which pension accumulations were invested in 2005–2009 (billion rubles)

Period	“Vnesheconombank”	Private management companies	TOTAL	Investment resources MC/GDP (%)
2005	176,3	5,6	181,9	0,84
2006	267,1	9,4	276,4	1,03
2007	362,9	12,2	375,1	1,13
2008	343,1	7,1	350,2	0,83
2009	480,6	14,9	495,5	1,23

Sources: “Vnesheconombank”, Pension Fund of the Russian Federation, www.investfunds.ru.

Data on NPF active assets concerning non-state pension provision (pension reserves) and mandatory pension insurance (pension assets) are shown in Table 46. A significant rise in pension reserves could be seen in 2006 – 2007. In 2008, pension reserves were reduced by 10 billion rubles for the first time (2% in relative terms).

Pension reserves in 2006–2007 increased unevenly, that is why the growth of pension assets was not significant in 2008.

In 2009 there could be seen an even growth of pension reserves at a quarter pace of 3–4%, pension assets were increasing at the quarter pace of 30–40 % during the first half of the year, that is why the third quarter 6 % gain appeared to be insignificant.

The investment resources management of NPF can be performed by a fund independently or by means of a management company.

According to the Federal Law “On Non-State Pension Funds”, one of the principles of pension reserves capital placement and pension assets investment is the protection of the recourses and the profitability of the investment portfolio.

Management companies are to ensure the return of the assets they are managing using the ways set forth in civil rights laws.

As practice of the recent years shows, the above mentioned legal provision persuades a NPF demand of a management company to include

in a trust management contract the terms concerning certain profitability of the investment resources (minimal guaranteed profit).

As securities market was falling in 2008, a number of cases resulted in losses while managing investment resources of non-state pension funds, so management companies were having lawsuits that were demanding to compensate in full the resources that were delivered under the management of the company and indemnify the losses of the investment filed. During 2009, two management companies became subjects of bankruptcy proceedings.

e) The Investment of Pension Assets

The insured – employees – that have their employers paying pension contributions to the Pension Fund of the Russian Federation, having the funded component of a retirement pension, can transfer their pension accumulations to a non-state pension fund or deliver them under a state or private management company administration. The first competition among private management companies for the right to participate in the investment of pension accumulations resources was held in 2004 and aroused great interest both of the professional participants and the involved audience. As a result, 55 companies were allowed to manage pension accumulations resources. Nevertheless, in recent years the private companies have lost their interest in this project. In 2008, four more

management companies had passed contests and were allowed to manage the funded component of a retirement pension. To the present day, the state management company is JSC “State Corporation “Bank for Development and Foreign Economic Affairs” (“Vnesheconombank”).

As a state management company, “Vnesheconombank” was entitled to invest pension accumulations in government securities only until November 1, 2009. After certain legislative changes¹⁶ came into force, the investment opportunities of the state management company have extended. It gained the right to invest pension accumulations of citizens in two investment portfolios: an extended investment portfolio and state securities portfolio.

An extended investment portfolio includes government stocks of the Russian Federation, subfederal and municipal stocks, corporate bonds, mortgage bonds, international financial organizations bonds and deposits in Russian credit organizations.

Investment portfolio resources of government securities can solely be placed in government securities of the Russian Federation and government-guaranteed corporate bonds.

Private management companies have more extended investment opportunities.

The data on pension accumulations, which were transferred to non-state pension funds, are presented in Table 46. Table 47 shows data on the net asset value

¹⁶ The Law dated July 18, 2009 No.182-FZ “On Introducing Amendments to the Laws “On Non-State Pension Funds” and “On the Investment of the Resources for the Funded Component of a Retirement Pension Financing”.

Table 48

Securities in the credit organizations assets in 2005–2009 (billion rubles)

Period	Securities* (TOTAL)	% GDP	including			
			Debt securities*	Equity securities*	The portfolio of controlling stakes in subsidiaries and dependent joint-stock companies	Discounted bills
2005	1400,1	6,5	998,0	127,1	64,9	210,1
2006	1745,4	6,5	1251,4	185,0	79,8	229,2
2007	2250,6	6,8	1541,4	316,3	141,9	251,1
2008	2365,2	5,7	1760,3	193,4	212,0	199,5
2009	4309,4	11,1	3379,1	411,8	284,5	234,0

* Before February 1, 2008, not taking into account repurchase agreements securities.

Source: the Bank of Russia.

of the pension accumulations resources, which were at "Vnesheconombank" and private management companies' disposal in 2005–2009.

From the beginning of the pension reform, the great majority of pension accumulations resources of the insured (over 97%), which were delivered under the trust management of management companies, were at "Vnesheconombank" disposal. In 2008 despite a very conservative investment policy statement for the first time from the beginning of the pension reform, a decline in the net asset value of pension accumulations resources by 19.8 billion rubles under the management of "Vnesheconombank".

Before 2008, the net asset value of pension accumulations resources under the management of private management companies was steadily increasing. In 2008, the tendency changed, and by the end of the year, there occurred a sharp decline; in absolute terms, the decrease amounted to 1.7 billion rubles, in relative terms – 42%. The net asset value decrease of the pension accumulations was obviously a consequence of both reallocation of pension accumulations in favour of non-state pension funds and negative results of the management in the crisis period.

In the first quarter of 2009, the net asset value under the management of the

state management company was reduced 5% more. However, in the second quarter there had been a growth by 37%, the third and the fourth quarters also showed a positive dynamics that amounted to 1–4%. By the end of 2009 there had been registered a 38% excess in the net asset value under state company management. An extended portfolio became a basic investment portfolio of the state management company. There were 0.8 billion rubles in the government securities portfolio by the end of 2009.

In 2009, there was also a rise in the net asset value of the pension accumulations under private companies' management. In the first half of the year, a growth was dramatic: the first quarter – 21%, the second quarter – 48%; in the second half of the year the growth rate was reduced by 5–11% a quarter. In total, the net asset value had doubled, and that fully compensated the decrease that occurred in 2008.

The value of the net assets subject to pension accumulations resources investment was and continues being insignificant in comparison with GDP – hardly exceeding 1%.

From the beginning of 2009, a state Program of the Funded Component of a Retirement Pension Co-Financing came to force. The citizens gained the right to pay in extra resources into the funded component of the pension but not less

than 2000 rubles a year. In addition, herewith the state pays the sum that amounts to the yearly payment, but not exceeding 12 000 rubles a year. Co-financing is preformed during ten years from the date of payment of the first contribution. The citizens that reached the pension age, but were continuing working and had not applied for a retirement pension, were offered special conditions: a state contribution would four times exceed a contribution of a citizen, but not exceeding 48 000 rubles a year.

According to the Pension Fund of the Russian Federation, in 2009 the citizens extra contributions in the framework of the co-financing program amounted to 2.5 billion rubles.

f) Commercial Banks

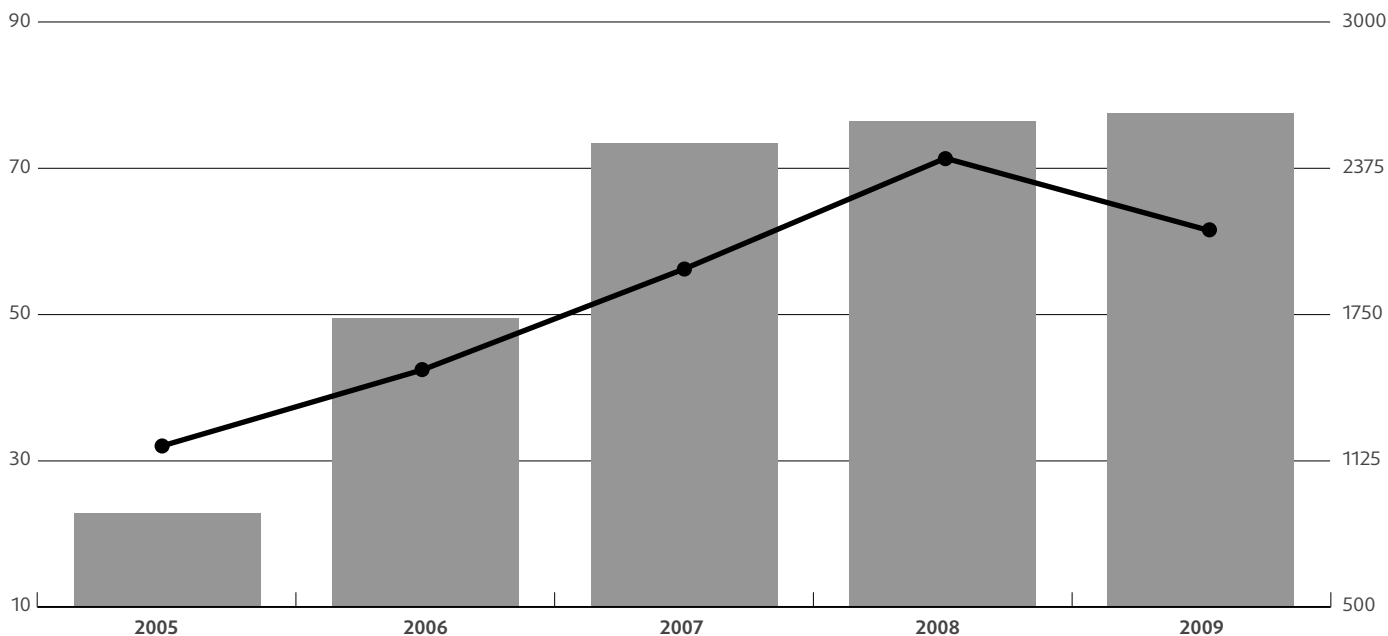
A lot of Russian banks act as Professional securities market participants.

Summary data on the amounts of different types of securities in credit organizations assets in 2005–2009 are presented in Table 48¹⁷.

Before 2008 the amount of securities in credit organizations assets rose in average by 25% annually, but in 2008 the rise suspended and amounted to just 5%. In relative terms the securities proportion (not taking into account repo agreements) in credit organizations assets tended to decline by 14 – 8 % of the assets total in 2005–2008.

¹⁷ We take into account both the securities that had been acquired on domestic and foreign markets.

Fig. 32

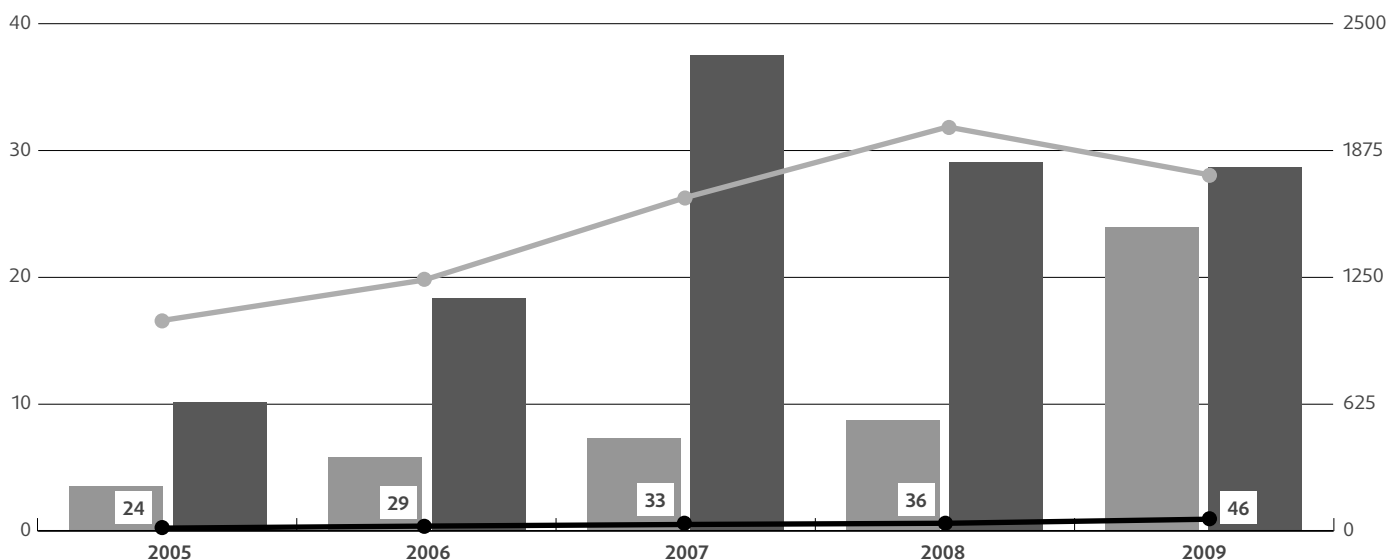
Foreign investment funds

■ The volume of investments the Russian companies securities, billion dollars (the left scale)

● The number of foreign investment funds (the right scale)

Source: "Interfax business service".

Fig. 33

The specialization of foreign investment funds

■ The volume of investments in Russian companies securities by foreign investment funds that specialize in Russia, billion dollars (the left scale)

■ The volume of investments in Russian companies securities by global foreign investment funds, billion dollars (the left scale)

● The amount of foreign investment funds that specialize in Russia (the right scale)

● The amount of global foreign investment funds that invest in Russian companies (the right scale)

Source: "Interfax business service".

In 2009, the growth rate had restored, and the amount of securities in credit organizations assets was rising not less than by 10% quarterly, the most considerable rise was in the third quarter (25%). As a result, a yearly growth amounted to 82%.

In 2009, the tendency concerning the securities proportion in total credit organizations assets changed: in the first quarter, it amounted to 9%, and by the end of the year, it rose up to 15%.

Debt securities in a total portfolio of credit organizations usually amounted to 68–78%. The proportion of shares (not taking into account subsidiaries and dependent joint-stock companies) amounted in average to 9–14%. The proportion of bills was permanently decreasing – from 15% in 2005 to 5% in 2009.

g) Foreign Investment Funds

The Russian securities market is a subject of an unending interest for foreign investment funds. According to the “Interfax business service” (Fig. 32), in 2005–2007 the amount of foreign funds (that disclose the information about their activities) investing in local shares and depository receipts of Russian companies,

rose in average by 25% a year. In 2008, this growth rate survived crisis developments.

In 2009 for the first time there was registered a decrease in the amount of funds (to 2,106; 13% in relative terms) by the beginning of the year.

The volume of investments in Russian companies’ securities (in both local shares and depository receipts) of the funds was constantly rising. However, the growth rate considerably slowed down: if in 2006 the gain amounted to 117%, in 2009 it was just 1.5%. By the end of 2009, the volume of investments of foreign investment funds in Russian companies’ securities totaled 77.6 billion dollars. At the same time, the relative fraction of Russian assets in foreign funds was low, 3.2% in average of total funds portfolio summarizing the figures of 2005–2008, and in 2009, it rose to 4.2%.

Over 70% of Russian assets were concentrated in foreign funds situated in Great Britain and the USA.

There are few funds specialized in Russia – the proportion of Russian assets is over 75% of the fund assets (Fig. 33): from 2005 to 2009, the amount rose from 24 to 46. There are much more so called global funds where the proportion of Russian assets does not exceed 10%. In 2006–

2008, the amount of such funds was rising at the rate not less than 20% a year.

In 2009, the amount of global funds that have Russian assets decreased by 12% and totaled 1750 funds.

The volume of assets in the funds that specialized in Russia was constantly rising, and in 2009 the rise was especially significant – 175%, that is to 23.9 billion dollars. Global funds have a reverse tendency: in crisis and post-crisis periods the volume of Russian assets were constantly decreasing there, and the most significant fall occurred in 2008 – by 8.4 billion dollars (23% in relative terms). In 2009, the decrease was not too obvious: slightly over 1%. Therefore, by the end of 2009, the volume of Russian assets in global funds amounted to 28.7 billion dollars.

In general, the ratio of volume of foreign funds investments in Russian assets performed on Russian and foreign exchanges is estimated as 25% to 75%.

Except foreign investment funds that disclose the information about their activities, there are foreign hedge funds that also invest in Russian assets; their activity is much less transparent, and that prevents their investments from estimation.

2.3. Professional securities market participants

According to the FFMS of Russia¹⁸, by the end of 2006 the total number of Professional securities market participants performing different types of activities in accordance with certain licenses amounted to 1711 organizations. The same data¹⁹ reports that by the end

of 2007 the number of Professional securities market participants totaled 13 organizations, and 1863 organizations in 2008. According to our research, nearly 40% of them are credit organizations.

The data on 2009 were not available by the date of writing of this review.

a) Brokers, Dealers, Trust managers

Russian laws regulate three types of securities market operators’ activity: brokerage activity, dealer activity and securities management activity. In general, the definitions of these activities correspond with the perception that is

¹⁸ FFMS Work Report, 2006.

¹⁹ FFMS Work Report, 2008.

accepted on developed markets, taking into account the following reservations:

- a brokerage activity as such does not include an accounting of customers' securities rights, so the brokers that are willing to perform the accounting should obtain a depository activity license;
- a dealer activity only includes the operations of securities sale that are accompanied by a public announcement of a purchase and/or selling price. That is why the companies that regularly perform securities operations, including the cases when they publicly offer to purchase or sell securities without announcing the price, are free from the regulation;
- a securities trust management differs from a trust management of unit investment funds and non-state pension funds, so there are two different types of licenses for these similar activities.

The data concerning the number of professional intermediaries' current licenses are shown in Table 49.

In recent years the structure of professional intermediaries was, in general, stable and tended to rise slightly. At the same time in the beginning of 2009 there developed a tendency of decreasing of the current licenses amount. It was the result of both the FFMS policy of displacing from the market the companies that had Professional securities market participants' licenses but not performing

activities and not presenting accounts, and of a refusal to continue a professional activity in the period of crisis. For a number of organizations – Professional securities market participants – the licenses were cancelled for different violations. As a result, the number of current licenses fell by 6–8%.

We should emphasize that we speak only about the number of granted licenses, but not about the number of organizations that operate on securities market. The majority of professional participants – intermediaries – on securities market have three or four licenses (brokerage, dealer, depository and securities management licenses).

Summary data on total volumes of transactions of professional market intermediaries are not revealed. Nevertheless, it is possible to specify the place of professional participants on Russian securities market in transactions on organized markets using the data presented by leading Russian stock exchanges.

Table 50 presents the list of traders that performed the greatest volume of transactions with non-state securities²⁰ on the MICEX Stock Exchange during 2009. During the whole year, 545 organizations participated in trading.

Therefore, the concentration of the traders' turnover is very high on the MICEX Stock Exchange – the proportion of the first ten most active traders is 45.2% of the total turnover, and the proportion of the first twenty companies is 64%.

Many MICEX traders are characterized by a specialization according to different types of securities. Tables 51 and 52 show similar lists that are compiled separately: share transactions, share, and corporate bonds transactions.

The greatest traders' concentration could be seen in share transactions (the first ten traders are 56% of the volume of transactions, and the first twenty – nearly 75%). As for corporate bonds, the turnover concentration among traders was less here (43 and 60% respectively). It is typical that the greatest activity in share transactions was performed by such credit organizations as the Bank of Russia and "Vnesheconombank".

Traders are entitled to operate both at customer's expense (customer trading) and at company's expense. Table 53 shows data on the companies that performed the greatest amount of customer trading on the MICEX Stock Exchange in 2009. It is important to mention that unlike the data presented in Tables 50-52, Table 53 shows the data that only concern the companies that permitted the MICEX Stock Exchange to reveal the information about their volumes of customer trading.

The comparison of the total amount of customer operations with the summary volume of non-state securities, which is presented in Table 56, shows that the proportion of customer operations on the MICEX Stock Exchange is 57.9% of the total turnover. The customer operations concentration is rather high

Table 49

Licenses of professional intermediaries

Period	2005	2006	2007	2008	2009
A brokerage activity	1379	1433	1445	1475	1347
A dealer activity	1398	1394	1422	1470	1347
A securities management activity	1022	1100	1169	1286	1202

Source: FFMS of Russia.

²⁰ Hereinafter this section takes into account all trading modes and repo agreements.

Table 50

The list of traders that performed the greatest volume of transactions with non-state securities on the MICEX Stock Exchange (by the end of 2009)

No.	The name of the organization	The volume of transactions (purchase and sale) billion rubles	The proportion of the total volume (%)
1	JSC Sberbank	5098,3	6,3
2	CJSC "FINAM"	5011,7	6,2
3	CJSC Investment company "Troika Dialog"	4588,2	5,6
4	LLC "BCS Company"	4506,2	5,5
5	JSC "VTB Bank"	3772,8	4,6
6	LLC "KIT Finance"	3350,5	4,1
7	JSC "GAZPROMBANK"	3259,9	4,0
8	CJSC VTB 24	2476,7	3,0
9	LLC "ALOR +"	2391,6	2,9
10	The Bank of Russia	2307,3	2,8
11	"Vnesheconombank"	2118,5	2,6
12	LLC "Renaissance Broker"	2023,1	2,5
13	JSC AKB "Sviaz-Bank"	1906,9	2,3
14	LLC "ATON"	1623,5	2,0
15	JSC "ZCM" Investment Company	1529,2	1,9
16	CJSC AKB "CentroCredit"	1350,4	1,7
17	CJSC "VTB Capital"	1317,9	1,6
18	JSC "OTKRITIE Brokerage house"	1194,3	1,5
19	JSC "NOMOS-BANK"	1148,6	1,4
20	JSC "The Bank of Moscow"	1110,1	1,4
TOTAL			64,0

Source: MICEX.

Table 51

The list of MICEX traders that performed the greatest volume of share transactions (by the end of 2009)

No.	The name of the organization	The volume of transactions (purchase and sale) billion rubles	The proportion of the total volume (%)
1	CJSC "FINAM"	4997,1	9,5
2	LLC "BCS Company"	4175,3	8,0
3	CJSC "Troika Dialog" Investment Company"	3690,2	7,0
4	LLC "KIT Finance"	3103,1	5,9
5	JSC "VTB Bank"	2666,2	5,1
6	JSC Sberbank	2425,4	4,6
7	LLC "ALOR +"	2377,7	4,5
8	CJSC "VTB 24"	2285,5	4,4
9	JSC "Gazprombank"	2207,4	4,2
10	JSC "ZCM" Investment Company"	1528,9	2,9
11	LLC "ATON"	1495,9	2,8
12	LLC "Renaissance Broker"	1495,0	2,8
13	JSC AKB "Sviaz-Bank"	1107,6	2,1
14	JSC "OTKRITIE Brokerage house"	1091,9	2,1
15	CJSC "VTB Capital"	934,9	1,8
16	"Vnesheconombank"	879,0	1,7
17	JSC AKB "Probusinessbank"	794,2	1,5
18	JSC "Alfa-Bank"	776,3	1,5
19	JSC "AK BARS Bank"	665,7	1,3
20	LLC "Brokerage House GLENIC"	611,7	1,2
TOTAL			74,9

Source: MICEX.

Table 52

The list of MICEX traders that performed the greatest volume of corporate bonds transactions (by the end of 2009)

No.	The name of the organization	The volume of transactions (purchase and sale) billion rubles	The proportion of the total volume (%)
1	The Bank of Russia	1777,1	8,7
2	JSC Sberbank	1430,1	7,0
3	JSC "Gazprombank"	995,3	4,9
4	"Vnesheconombank"	930,7	4,6
5	JSC "VTB Bank"	728,3	3,6
6	JSC "NOMOS-BANK"	630,1	3,1
7	JSC AKB "Sviaz-Bank"	617,2	3,0
8	JSC "The Bank of Moscow"	609,7	3,0
9	CJSC "Troika Dialog" Investment Company"	577,7	2,8
10	JSC "The Bank of Khanty-Mansiysk"	565,7	2,8
11	JSC "Promsvyazbank"	510,3	2,5
12	CJSC "Raiffeisen BANK"	367,6	1,8
13	JSC "BANK URALSIB"	363,2	1,8
14	LLC IKB "Sovcombank"	362,3	1,8
15	LLC "Renaissance Broker"	359,4	1,8
16	CJSC "VTB Capital"	338,7	1,7
17	JSC "TransCreditBank"	306,6	1,5
18	JSC "UBRD"	288,4	1,4
19	JSC "OTKRITIE Investment Bank"	272,5	1,3
20	CJSC "ING BANK (EURASIA)"	260,5	1,3
TOTAL			60,3

Source: MICEX.

Table 53

The list of traders that performed the greatest amount of customer trading on the MICEX Stock Exchange (by the end of 2009)

No.	The name of the organization	The volume of customer trading (purchase and sale) billion rubles	The proportion of the total volume (%)
1	CJSC "FINAM"	5011,7	10,6
2	LLC "BCS Company"	4500,8	9,5
3	CJSC "Troika Dialog" Investment Company"	4468,5	9,5
4	LLC "KIT Finance"	3324,9	7,1
5	"ALOR Group of Companies"	2642,3	5,6
6	CJSC "VTB 24"	2337,3	5,0
7	LLC "ATON"	1622,2	3,4
8	JSC "ZCM" Investment Company"	1528,7	3,2
9	LLC "OTKRITIE Financial Corporation"	1156,1	2,5
10	JSC "Alfa-Bank"	807,6	1,7
TOTAL		27 399,9	58,1
The total amount of customer organizations		47 159,7	100,0

Source: MICEX.

Table 54

The list of traders that performed the greatest amount of securities transactions on RTS Classica (by the end of 2009)

No. п.п.	The name of the organization	The volume of customer trading (purchase and sale) billion rubles	The proportion of the total volume (%)
1	CJSC "Troika Dialog" Investment Company"	1,13	22,0
2	CJSC "Deutsche Securities"	0,64	12,5
3	CJSC "Citibank"	0,58	11,3
4	LLC "Renaissance Broker"	0,40	7,7
5	CJSC "UniCredit Securities"	0,26	5,1
6	LLC "Merrill Lynch Securities"	0,21	4,1
7	JSC "OTKRITIE Brokerage house"	0,21	4,0
8	CJSC "UBS Securities"	0,19	3,7
9	JSC AKB "Metallinvestbank"	0,18	3,4
10	CJSC "VTB Capital"	0,17	3,3
TOTAL			77,1

Source: RTS.

as well: taking into account the above-mentioned reservations, the first ten traders are 58% of the total of customer operations.

Table 54 contains a list of traders that performed the greatest volume of non-state securities transactions in all trading regimes on RTS Classica during 2009. The total amount of trader organizations is 103.

Therefore, taking into account that a less amount of organizations participates in trading on RTS Classica, than on the MICEX Stock Exchange, the operations concentration is much higher here – nearly 10% of all traders are 75% of trading turnover, and at the same time, the volume of operations of just one investment company exceeded 20% of the total turnover.

The concentration of clearing organizations operations on RTS FORTS is the same high (Table 55).

Therefore, the first ten out of 146 clearing firms on the market are 80% of trading turnover in 2009.

b) Trading and Clearing Infrastructure

The trading and clearing infrastructure of the Russian securities market is

formed by Professional securities market participants that perform the following types of activities:

- the settlement of securities market trade activities (including stock exchanges);
- clearing activities;
- depository activities as clearing depositories.

Except that, a component of the infrastructure is non-banking credit companies that act as clearing organizations.

According to the FFMS of Russia, since 2007 Russia has nine organizations that have trade organizer or stock exchange licenses, and thirteen organizations that have clearing organization licenses. The validity of a license of one stock exchange suspended during 2009.

Because of market rivalry and objective integration process, there had been formed two leading infrastructure centers – the MICEX Group and the RTS Group – forming today the organized and derivatives markets in Russia.

The MICEX Group is a vertically integrated trading and clearing infrastructure including:

- CJSC "Moscow Interbank Currency Exchange";
- CJSC "MICEX Stock Exchange";
- CJSC "The National Depository Center";
- Non-Banking Credit Organization "MICEX Clearing House" (CJSC);
- CJSC AKB "National Clearing Center".
- CJSC "MICEX — Information Technologies".

In 2009, a non-commercial partnership "The National Depository Center" was transformed into a closed joint-stock society (CJSC).

The MICEX Group supports several trading regimes:

- the government securities market;
- a basic trading regime;
- a negotiated deals regime;
- a REPO trading regime.

The basis of the trading mechanism on **the government securities market** (the organizer: CJSC "Moscow Interbank Currency Exchange") is an "order-driven market" principle, that is a competing orders market where a transaction is performed automatically when conditions of offsetting orders meet. Transactions are performed according to the principle of "delivery versus

Table 55

The list of traders that performed the greatest volume of derivative contracts transactions on FORTS (by the end of 2009)

No. n.n.	The name of the organization	The volume of customer trading (purchase and sale) billion rubles	The proportion of the total volume (%)
1	LLC "BCS Company"	3936,1	13,9
2	CJSC "ITInvest" Investment Company"	3698,0	13,0
3	"OTKRITIE Financial Corporation"	3200,8	11,3
4	JSC "ZCM" Investment Company"	2819,9	10,0
5	"ALOR Group of Companies"	2444,5	8,6
6	CJSC "FINAM"	1958,7	6,9
7	CJSC "Troika Dialog" Investment Company"	1710,4	6,0
8	LLC "KIT Finance"	1141,3	4,0
9	JSC "Alfa-Bank"	1109,5	3,9
10	CJSC "VTB 24"	771,8	2,7
TOTAL			80,4

Source: RTS.

payment" when 100% of preliminary asset deposit is done. The trade settlement is to be done on the date of agreement (T+0).

The MICEX Equity Market (the organizer: CJSC "MICEX Stock Exchange") is also based on the "order-driven market" principle, "delivery versus payment" when 100% of preliminary asset deposit is done and a trade settlement is performed on the date of agreement (T+0).

In a **negotiated deal regime**, traders have an opportunity to quote securities by making addressless orders (invitation to offer for all traders) and make bilateral (non-anonymous) transactions using offsetting address orders (a transaction offer on the part of one trader to another trader). At the same time traders, while making a transaction, define a settlement date that is to be between the current trading date (T+0) and 30 calendar days after the date of agreement (T+30). This regime allows traders to make transactions either with a total provision control, or without a provision control.

The REPO trading regime allows making transactions with any settlement date starting with the next day after the date of agreement through the

chosen date of its settlement. The date of settlement of the second part of a REPO transaction is the date $T+x+k$, where $T+x$ is an appropriate settlement date of the first part of a REPO transaction, and k is the REPO transaction term (k takes on a value of 0 to 180 calendar days, and x takes on a value of 0 to 2 clearing days).

The clearing of the transactions that were made on the MICEX Stock Exchange is done by CJSC "MICEX". The clearing of traders net-obligations of completed transactions is done according to accounting documents of CJSC "MICEX" as a clearing center and by "MICEX Clearing House" (monetary assets clearing organization) and by CJSC "NDC" (clearing securities depository).

There was formed the Sector for Innovation and Growth Companies (IGC) for high-tech issuers with the capitalization that amounted to 50 million rubles to 15 billion rubles on the MICEX Stock Exchange in 2007. Four companies were placed there from the beginning of the independent existence of this sector, including one placement in April 2009. The issuers that are in the IGC sector specialize in the sphere of information

technology, television broadcasting, and chemical production. The summary turnover with the shares of these companies amounted to 585 billion rubles in 2007, 1015 billion rubles in 2008, and 1976 billion rubles in 2009.

In June 2009, the MICEX and "ROSNANO" signed an agreement for cooperation in foundation of a new exchange sector – the Market for Innovations and Investments (MII) – that was to be founded based on IGC Sector, and to allow high-tech companies to attract financing using stock mechanisms, including by private placements among funds and qualified investors. There are three basic segments in the framework of the Market for Innovations and Investments, focused on companies with different degrees of maturity and sizes of capitalization, and different group of investors:

- IGC Sector that allows rapid-growing companies of the innovation sector to operate IPO and secondary trading in all basic regimes of the MICEX;
- IGC-2 Sector is the ground for private placements that is for private placements using stock technologies and listing. A secondary placement

Table 56

Summary non-state securities trading results on the MICEX Stock Exchange in 2005–2009

Period	The volume of trading	
	billion dollars	billion rubles
2005	225,6	6400,0
2006	754,9	20 380,0
2007	1708,9	43 500,0
2008	1985,6	48 358,7
2009	1304,2	40 664,0

Source: MICEX.

is to be operated among qualified investors in the framework of trading technologies focused on block trading in a negotiated deals regime;

- The Sector of placement and trading for non-public companies (information board) with the aim to attract financing for young and growing companies that are not yet ready for placement and circulation on a public market.
- In December, 2009 on MII there was performed a debut placement of a company that specializes in biotechnologies. The volume of placement amounted to 142.2 million rubles; secondary market deals amounted to 1,946 million rubles till the end of the year.

In August 2008 on the MICEX Stock Exchange, a new sector of MICEX Discovery was founded as part of the common market of the stock with a special procedure of share introduction and companies' selection criteria. The shares that were operated in this sector are introduced to trading at the initiative of the stock that uses a multilevel company selection system and information sponsorship institution for cushioning of risks. During 2008 – 2009, this sector included nearly

40 shares of Russian companies. By the end of 2008, the volume of share transactions of these issuers amounted to 311 million rubles and in 2009 – 14 193 million rubles.

In the total volume of share transactions (taking into account REPO transactions) the Alternative investments markets – MII Sector and MICEX Discovery – make no more than 0.04%.

In April 2009, "The MICEX Group's Development Strategy for 2009 – 2011" was approved. It concerns the realization of the projects in four basic directions:

- a corporation building;
- a modernization of the risk management system on all markets of the group;
- a business diversification;
- an IT-platform rationalization.

Summary non-state securities trading results on the MICEX Stock Exchange in 2005–2009 are shown in Table 56, during 2009 – in Table 57²¹ both in ruble and currency counterpart.

In 2006 and 2007 there has been a dramatic rise in stock turnover on the MICEX Stock Exchange (yearly gain was 218 and 113% in ruble counterpart

respectively). Against this background a yearly gain of 2008 (11%) is deemed insignificant.

In the first quarter of 2009, there was a slight rise in turnover in ruble. In the second quarter there was registered a turnover leap in comparison with the previous quarter (50–40% depending on the currency), the rise of summary volumes of trading was even larger in the third quarter (65–85%). A comparatively insignificant growth rate was registered in the fourth quarter (3–11%). Nevertheless, by the end of 2009 the summary volume of non-state securities trading on the MICEX Stock Exchange was 15–34% (depending on the currency) smaller, than a year before.

In 2008 the amount and volume of outstanding transactions on the MICEX Stock Exchange has risen sharply. The majority of them concern REPO outstanding transactions. According to the data that were revealed by the stock, there have been registered 1,442 cases of outstanding transactions amounting to 38.8 billion rubles during the year. The violation peak was in September – October.

In 2009 the volumes of outstanding transactions had considerably fallen: there were registered 67 cases of outstanding

²¹ We were taking into account share transactions, corporate bonds transactions, subfederal and municipal stocks transactions, and investment units transactions, including REPO operations transactions.

Table 57

Non-state securities trading results on the MICEX Stock Exchange in 2009

Period	size	2009				2009 TOTAL
		Q1	Q2	Q3	Q4	
The volume of trading	billion dollars	204	305	376	419	1304
The volume of trading	billion rubles	7065	9766	11 759	12 074	40 664

Source: MICEX.

transactions amounting to 1.8 billion rubles.

The RTS Group is an integrated trading and clearing infrastructure that includes:

- Non-Commercial Partnership "Russian Trading System" Stock Exchange";
- JSC "Russian Trading System" Stock Exchange";
- Non-Commercial Partnership "Saint Petersburg Stock Exchange";
- CJSC "RTS Clearing Center";
- Non-Banking Credit Organization "RTS Clearing House" (LLC);
- CJSC "Depository Clearing Company".

RTS Group supports several trading regimes:

- Exchange Market (market T+0);
- RTS Classica;
- FORTS;

In 2009 there was introduced a new regime – RTS Standard.

The trading organizer is JSC "Russian Trading System" Stock Exchange". Non-Commercial Partnership "Saint Petersburg Stock Exchange" performs the share trading of JSC "GAZPROM".

RTS Exchange Market is based on the following principles: order-driven market and "delivery versus payment" principle when 100% of a preliminary asset deposit is done (T+0); quotes and clearing are in rubles. CJSC "RTS Clearing Center" acts as a clearing center, CJSC "Depository Clearing Company" is a clearing depository, and "RTS Clearing House" is a clearing credit organization.

RTS Standard is based on the order-driven market principle; partial deposit is acceptable, payment method is "delivery versus payment" on T+4; quotes and

clearing are in rubles. CJSC "RTS Clearing Center" acts as a clearing center, CJSC "Depository Clearing Company" is a clearing depository, and "RTS Clearing House" is a clearing credit organization. While clearing, a "central counterparty clearing" method is used. A single cash position with the FORTS Market is allowable. At present time, nearly 20 securities are introduced for trading. RTS Standard provides an evening trading session. The main trading session closes at 6:45 p.m., which is followed by a clearing session. The evening trading session is held from 7:00 p.m. to 11:50 p.m., the clearing is held at 2:00 p.m. of the following day.

RTS Classica operates in two trading modes:

- RTS Classica is a non-anonymous trading mode that means a closing of a transaction on the basis of non-anonymous quotes (quote-driven market), the absence of a preliminary asset deposit, quotes in US dollars, and an opportunity to choose a clearing date (T+0 to T+30), clearing method ("delivery versus payment" or free delivery), and the currency of settlement (both rubles and foreign currency). A clearing center and clearing depository are not used. "RTS Clearing House" or J.P Morgan Chase Bank are used for "delivery versus payment" clearing, and any bank – in a free delivery mode.
- RTS Classica is an anonymous trading mode that means an anonymous order auction (order-driven market), partial preliminary

asset deposit, clearing method is "delivery versus payment" (T+4), quotes and clearing are in US dollars. CJSC "RTS Clearing Center" acts as a clearing center, CJSC "Depository Clearing Company" – as a clearing depository, "RTS Clearing House" as J.P Morgan Chase Bank are clearing credit organizations.

While clearing of very liquid securities "central counterparty clearing" method is used (nine shares at present time).

FORTS is based on an anonymous order auction (order-driven market). Clearing and delivery are performed at the end of contract circulation. Quotes and clearing are done in rubles. CJSC "RTS Clearing Center" acts as a clearing center, CJSC "Depository Clearing Company" is a clearing depository, and "RTS Clearing House" is a clearing credit organization. In 2008, an evening trading session is introduced in FORTS. The main trading session closes at 6:45 p.m., which is followed by a clearing session. The evening trading session is held from 7:00 p.m. to 11:50 p.m., the clearing is held at 2:00 p.m. of the following day.

In February of 2009, there started a margining options trading on FORTS. By the end of the year, the number of types of margining options having basic assets in the form of securities and share indices reached 10.

Except that, in the framework of RTS there is a system of indicative quotation, **RTS Board**, based on the following principles: entering of indicative quotes of securities that were not introduced to trading on RTS Stock Exchange,

the absence of preliminary deposit of securities and monetary resources, US dollar quotes, an opportunity to choose a clearing date (T+0 to T+30), clearing method ("delivery versus payment" or free delivery), the currency of settlement (both rubles and foreign currency). A clearing center and clearing depository are not used. "RTS Clearing House" or J.P Morgan Chase Bank are used for "delivery versus payment" clearing, and any bank – in a free delivery mode.

In 2007–2008 RTS Group realized special projects:

- RTS START – for the introduction of small-cap companies to the open market;
- RTS Global – for the entering of indicative quotes of foreign securities, closing of off-exchange transactions, and for transaction clearing in CJSC "Depository Clearing Company".

From the date of launching of the projects, the volumes of transactions are insignificant.

In August 2009, the main trading session was prolonged from 6:00 p.m. to 6:45 p.m. on all RTS markets.

In September 2009, CJSC "RTS Clearing Center" introduced a morning session lasting from 9:30 a.m. to 10:30 a.m., where transaction obligations with current

settlement date on RTS Standard were performed, and in delivery days – re-registration and payment of the securities that were the basic assets of deliverable futures.

Summary trading results on various market of the RTS Group in 2005–2009 are presented in Table 58, and during 2009 – in Table 59²².

Tables 58 and 59 show RTS Standard data taking into account the main and evening trading sessions. By the end of 2009, the volume of transactions that were performed in the evening session amounted to 4.7% of the total volume.

There was a considerable rise in the volumes of transactions on RTS Standard. Therefore, the rise in the volumes of transactions for the third quarter amounted to 149%, and for the fourth quarter – 47%.

According to the Statutory Provision on the presentation of information²³ stock exchanges collect information about off-exchange securities transactions that are listed in quotation lists of stock exchanges, provided the transaction obligation settlement allow passing of security ownership. Fig. 34 shows a graph characterizing the proportion of reported off-exchange transactions in the summary volume of exchange (not taking into

account REPO transactions) and reported off-exchange transactions performed (reported) in the MICEX Stock Exchange and the RTS.

In 2007 off-exchange transactions total was reported to amount to nearly 8.5 trillion rubles, in 2008 – 6.5 trillion rubles, and in 2009 – 8.3 trillion rubles. In average, the proportion of reported off-exchange transactions amounts to 32–35% of the total volume of the transactions; in certain months (e.g., June 2007, September 2008, and December 2009) when this index amounted to approximately 45%.

Beginning with May 2009 and till the end of the year there appeared an obvious tendency of a rise in proportion off-exchange transaction.

c) Settlement System

There are two alternative ways of securities entitlement account that both have equal legal force on Russian securities market: according to personal accounts in a register system and according to deposit accounts in depository. Registrars, depositaries, and issuers that independently maintain a register of their shareholders as a whole are an accounting system of securities market. Registrar and depository activities are licensable.

Table 58

The RTS trading results of non-state securities in 2005–2009

Period	RTS Classica, billion dollars	RTS Exchange Market, billion rubles	RTS Standard, billion rubles	The Exchange Market of Saint Petersburg Stock Exchange, billion rubles	FORTS, billion rubles	RTS Board, million dollar
2005	7,7	82,0		936,8	687,1	309,1
2006	16,1	27,3		1205,9	2708,5	544,8
2007	14,6	23,5		71,2	7531,2	751,9
2008	9,8	28,1		41,7	11 157,7	436,4
2009	2,5	11,7	1556,5	1,3	14 169,2	109,0

Source: RTS.

²² We took into account shares and corporate bonds transactions, subfederal and municipal bonds transactions, investment units transactions, including REPO operations. For FORTS – futures and options transactions with all kinds of basic assets (data).

²³ The Order of FFMS of Russia dated June 22, 2006 No. 06-67/pz-n "On Approval of the Provision of the Presentation of Information about Closing of Transactions".

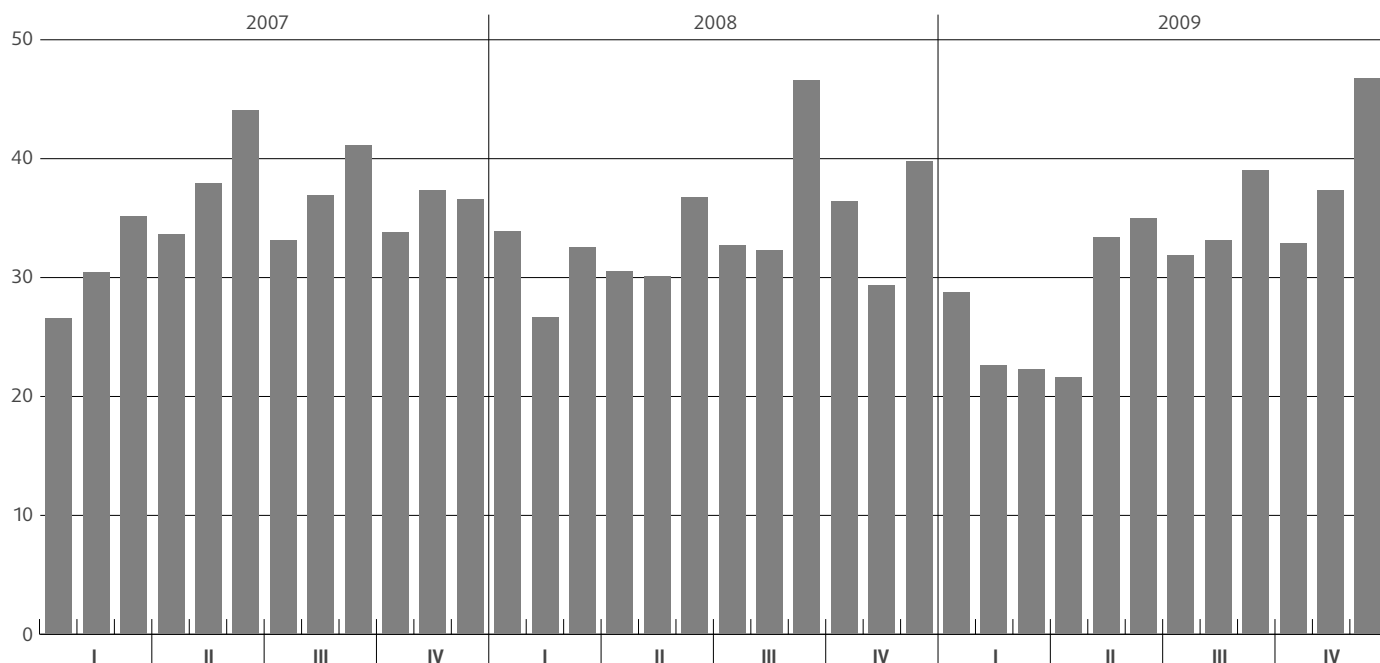
Table 58

The securities trading results on the RTS in 2009

Period		2009				2009 TOTAL
size	Q1	Q2	Q3	Q4		
RTS Classica						
The volume of trading	billion dollars	0,4	0,6	0,6	0,8	2,5
RTS Exchange Market						
The volume of trading	billion rubles	1,0	7,0	1,6	2,0	11,7
RTS Standard						
The volume of trading	billion rubles		217,9	542,3	796,3	1556,5
The Exchange Market of Saint Petersburg Stock Exchange						
The volume of trading	billion rubles	0,3	0,6	0,3	0,2	1,3
FORTS						
The volume of trading	billion rubles	1790,4	3253,7	3736,7	5388,4	14 169,2
RTS Board						
The volume of trading	million dollars	9,4	19,8	30,1	49,7	109,0

Source: RTS.

Fig. 34

The volume of off-exchange transactions, %* с 24.01.07
Источник: МІСЕХ.

A registrar is a security market professional that maintains a register of securities holders (compilation, recording, process, storage and presentation of the data that form the register system of securities holders). A registrar acts on the basis of an agreement with a security issuer; people that open an account in the register do not enter into an agreement with a registrar. An issuer that has less than 50 shareholders is entitled to maintain the register independently or enter into an agreement with a registrar. If there are more than 50 shareholders, an issuer shall delegate the maintaining

of the register to a registrar, although the issuer remains in charge of maintaining of the register.

A depository provides services for accounting and certification of securities rights, accounting and certification of securities delivery, and securities storage (certificated securities). A depository acts on the basis of an agreement with a securities owner or another person that have other rights in respect of securities (a depository agreement).

Depositories in Russia, according to the world practice, are divided into settlement and custodian depositories. Clearing

depositories are the depositories that perform securities settlement according to clearing results and all the operations concerning depository accounts of securities market traders in settlement of the transactions performed through trading organizers. Custodian depositories are all other depositories.

Table 60 shows data on the amount of current registrar and depository licenses.

So according to Table 68, during the recent years the amount of registrar obviously tends to reduce. The same tendency was characteristic of depository activities since 2007.

Table 60

The licenses of registrars and depositories

Type of activity	Period				
	2005	2006	2007	2008	2009
A registrar activity	82	73	66	59	50
A depository activity	743	831	787	789	761

Source: FFMS of Russia.

3. Regulatory framework and activities

Russian securities market regulatory base is formed by several laws ("On Securities Market", "On the Protection of Rights and Legal Interests of Investors on Securities Market", "On Mortgage-Backed Securities"), that define general rules that operate on securities market and subordinate laws (mainly by RF Government's Decisions and Orders of the FFMS of Russia) that establish special provisions. The activities of some institutes is regulated by special laws: "On Investment Funds", "On Non-State Pension Funds", "On the Investment of the Resources for the Funded Component of a Retirement Pension Financing", "On Savings and Mortgage System of Housing Supply for Military Population" which also are accompanied by a considerable volume of subordinate regulation.

In 2009, significant changes occurred in the regulatory framework of securities market regulation.

On January 11, 2009, modifications of the Law "On Securities Market"²⁴ came into force, according to them other economic societies, government corporations and international financial organization, besides open joint-stock companies, gained the right to

issue bonds that are placed on a stock exchange and conform to a streamlined proceeding of issuance. However, bonds can only be issued by those organizations whose shares and bonds are listed in the quotation list of a stock exchange that introduces bonds to trading. The term of bond obligation settlement was prolonged from one to three years.

The Law dated February 9, 2009 No. 9-FZ implemented amendments to the Code Of Administrative Offences of the Russian Federation (CAO RF) that were strengthening an administrative responsibility for the violation of the legislations by joint-stock companies, limited liability companies, securities market and investment funds. There were created such administrative offences as hindering from exercising one's rights certified by securities, non-compliance with the legislation on the procedure of preparation and holding of general shareholders' meetings, participants in limited (supplementary) liability companies and owners of investment units of closed-end unit investment funds, illegal issue or circulation of documents certifying monetary and other obligations.

The redrafted version states such administrative offences as an unfair issue of securities, an illegal operations relating to equity securities, non-compliance with the legislation concerning introducing and revealing the information on securities market, using of a non-public information on securities market, a violation of the requirement of maintaining a securities holders register.

The range of subjects of administrative responsibility – officials – has also extended: members of the board of directors, collective executive bodies, counting commissions, boards of auditors, liquidation commissions of legal persons and heads of organizations that act as sole executive bodies of other organizations, bear administrative responsibility as officials.

Sanctions of the amended offenses have been made more severe: fines for officials are in the interval of 5000 to 50 000 rubles, for legal persons – 100 000 to 1 000 000 rubles. There was provided a disqualification for officials for the period up to two years. One more amendment is an enlargement to one year of the period of limitation for the institution of administrative proceedings

²⁴ Federal Law of December 30, 2008 No. 320-FZ "On Introducing of Amendments to Article 27.5.2 of the Federal Law "On Securities Market".

for a violation in the above-mentioned sphere (before there used to be applied a general period of limitation for the institution of administrative proceedings: two months from the date of violation). The CAO RF amendments came into force on April 13. At the same time there were made amendment in Federal Law "On Securities Market" that specified the definition of price manipulation on security market.

In February, 2009 an Order of the FFMS of Russia dated November 13, 2008 No. 08-52/pz-n "On Introducing of Amendments to Several Orders of Federal Financial Markets Service" came into force. It was a result of a discussion of expediency and terms of trading suspension, that took place in the peak period of the crisis, the second half of 2008. The document introduces amendments to the Statute on securities liquidity criteria and to the Statute on activities concerning the trading organization on securities market. In particular, there were defined the terms in the event of which securities are not to be included or to be excluded from a liquid securities list defining the securities that can be accepted as collaterals for obligations, including for granted loans for performing margin transactions. There were specified the terms of a trading suspension of the shares that were performed on the basis of addressless orders – a one-hour suspension is performed if there is a 15% decrease/increase in stock index and till the end of the trading day, if there is a 25% decrease/increase of the index. There also have been defined the characteristics of a stock index that are used for trading suspension and established the regulations of the calculation of securities current value for the suspension in the above-mentioned case.

According to the amendments²⁵ that were introduced to the Order of

the FFMS of Russia dated September 1, 2004 No. 04-442/pz-n "On Introducing of Electronic Digital Signature Documents to the Federal Financial Market Service", the date of introducing is the date of receipt by the FFMS of Russia, but not by an authorized organization, as it used to be stated in the earlier edition of the document. The Order came into force on February 27, 2009.

The Order of the FFMS of Russia dated February 10, 2009 No. 09-5/pz-n "On Temporary Non-Application of the Requirements to Share Capitalization Provided They have been Excluded from Quotation Lists of Stock Exchanges", being a reaction to a issuer capitalization decrease during the crisis, came into force on March 28, 2009. According to this document, till January 1, 2010, stock exchanges are not allowed to apply the requirement to share capitalization that are imposed for the including the shares in quotation lists "A" (the first and the second levels) and "B" of stock exchanges, when making a decision to exclude shares from the above-mentioned lists. Therefore, stock exchanges were temporary not entitled to perform de-listing of the shares in the event their capitalization reduced. The Order is applicable to the legal relationships occurred as of January 1, 2009.

A new procedure of internal funds calculation of professional securities market participants and of management companies of investment and non-state pension funds²⁶ reduced the asset range that could be taken into account in internal funds calculation and introduced decreasing coefficients in asset estimation. Professional securities market participants and management companies shall provide the correspondence of the volume of internal funds calculated according to the new regulations before Jul 1, 2009.

In its letter dated March 17, 2009 No. 09-VM-02/5459 "On the Application of the Statute on the Procedure of Calculation of Internal Funds of Professional Securities Market Participants, Management Companies of Investment funds, Unit investment funds and Non-State Pension Funds, that was Affirmed by the Order of the FFMS of Russia on October 23, 2008 No. 08-41/pz-n", the FFMS of Russia clarified that professional securities market participants (licensees) and license applicants that perform the procedure of internal funds calculation starting with any date before coming into force of the above mentioned Statute, shall be guided by the Calculation Procedure of Internal Funds of Professional securities market participants, that was affirmed by the Order of the FFMS of Russia dated September 29, 2005 No. 05-43/pz-n. License applicants that perform the calculation of the internal funds starting the date after the effective date of the Provision, shall calculate the internal funds according to the Provision requirements and correspond to the capital adequacy ratio of internal funds of professional securities market participants, and management companies of investment, unit investment funds and non-state pension funds, that were affirmed by the Order of the FFMS of Russia dated April 24, 2007 No.07-50/pz-n.

According to the Order of the FFMS of Russia dated December 23, 2008 No. 08-59/pz-n "On Introducing Amendment to the Provision on the Trading Organization Activities on Securities Market, that was Affirmed by the Order of the FFMS of Russia on October 9, 2007 No. 07-102/pz-n" the bonds, the performance of obligations of which is secured by a government guarantee of the Russian Federation or by a "Vnesheconombank" guarantee,

²⁵ The Order of the FFMS of Russia dated December 12, 2008 No.08-57/pz-n «On Introducing Amendments to the Order of FFMS of Russia Dated September 1, 2004 No. 04-442/pz-n "On Introducing of Electronic Digital Signature Documents to the Federal Financial Market Service".

²⁶ The Order of the FFMS of Russia dated October 23, 2008 No. 08-41/pz-n "On Approval of the Provision on the Procedure of Calculation of Internal Funds of Professional Securities Market Participants, Management Companies of Investment Funds, Mutual Funds and Non-State Pension Funds".

and the bonds of a concessionary issuer are to be listed in a quotation list without the compliance with applicable requirements to a monthly volume of transactions, the term of existence of the issuer, the absence of losses of the issuer, and introducing of financial accounting in certain order. The amendments came into force on March 6, 2009.

The administrative procedure of the performance of the state duty of licensing of the activities of professional securities market participants by the FFMS of Russia, that was affirmed by the Order of the FFMS of Russia dated August 21, 2007 No. 07-90/pz-n. From March 27, 2009, a document that contains full information about a license applicant property structure is listed as one of the documents that shall be presented by an applicant to the FFMS of Russia for obtaining licenses²⁷.

The reasons and the procedure of scheduled and unscheduled field inspections performed by the FFMS of Russia²⁸ are specified. In the event that an auditee is a member of a self-regulatory organization, there shall be settled an added copy of the testing certificate for the self-regulatory organization. At the suggestion of NAUFOR the FFMS of Russia gives the auditee an opportunity to object to an in-house audit report, that earlier was only possible on a field inspection.

The Order of the FFMS of Russia dated March 3, 2009 No. 09-6/pz-n "On the Affirmation of the Provision on the Temporary Management Administration for a Non-State Pension Fund" specified the procedure of activities of temporary

management administration of a non-state pension fund, that is appointed in the cases that prescribed by the law "On Non-State Pension Funds". The procedure of the temporary administration appointment was regulated, there was also defined its membership, organization and operation procedure in the event of limitation or suspension of authority of executive bodies of a fund, operation conditions, technical means, and the procedure of drawing up of an document on the obstruction of the performing of its functions.

The amendments to the Law "On Securities Market" came into force on May 16 and concerned the placement and circulation of foreign issuers' securities in the Russian Federation²⁹. There were specified the terms of introduction of foreign issuers' securities for placement in the Russian Federation.

Foreign issuers' securities that correspond to the requirements of the Law "On Securities Market" can be introduced to a public circulation in the Russian Federation provided they are introduced to a Russian stock exchange trading. The decision of the introduction can be made by a Russian stock exchange, in the event that the above-mentioned securities underwent the listing on a foreign stock exchange that is included in the list, affirmed by a federal executive securities market authority. In the event of public placement and (or) public circulation of foreign issuers securities in the Russian Federation, the rights registration for such securities is maintained by Russian depositories. Securities prospectus of

a foreign issuer shall be in Russian and signed by a broker that corresponds to applicable requirements of the FFMS of Russia, and in cases provided by a statute, by the foreign issuer.

On the circulation of foreign issuers securities that were not introduced to public placement and (or) public circulation in the Russian Federation, there are applied the requirements and restrictions established for the circulation of qualified investors securities. Foreign issuers' securities corresponding to the law "On securities market" are to be introduced for public circulation in the Russian Federation in the event the decision of their introduction for trading by a Russian stock exchange.

On June 12, 2009 the amendments to the Order of Russia dated September 18, 2008 No. 08-35/pz-n "On the Delineation of Responsibilities for the State Registration of Equity Securities Issues (Additional Issues) between the Federal Financial Markets Service and its Local Agencies"³⁰ came into force. According to the amendments, the FFMS of Russia maintains the state registration of equity securities issues of the issuers, the size of the Charter Capital of which at the date of the resolution of a securities issue, amounted to or оставляет или exceeded 5 billion rubles (2 billion rubles, according to the earlier edition). The state registration of other issues is performed by local agencies of the FFMS of Russia.

The Order of the FFMS of Russia, that was adopted at the initiative of NAUFOR, FMMS and RTS dated April 9,

²⁷ The Order of FFMS of Russia dated November 18, 2008 No. 08-53/pz-n "On Introducing of Amendments to the Administrative Procedure of the Performance of the State Duty of Licensing of the Activities of Professional Securities Market Participants by the Federal Financial Markets Service of Russia, that was Affirmed by the Order of the FFMS of Russia dated August 21, 2007 No. 07-90/pz-n"

²⁸ The Order of the FFMS of Russia dated January 20, 2009 No. 09-2/pz-n "On Introducing of Amendments to the Administrative Regulations of the Performance of the State Functions of Supervision and Monitoring by the Federal Financial Markets Service of Russia, that was Affirmed by the Order of the FFMS of Russia dated November 13, 2007 No. 07-107/pz-n, and the Provision on the Procedure of Organizations Inspections that shall be Supervised and Monitored by the Federal Financial Markets Service of Russia, that was Affirmed by the Order of the FFMS of Russia dated November 13, 2007 No. 07-108/pz-n"

²⁹ The Federal Law dated April 28, 2009 No. 74-FZ "On Introducing of Amendments to the Federal Law "On Securities Market" and the Article 5 of the Federal Law "On the Protection of Rights and Legal Interests of Investors on Securities Market"

³⁰ The Order of the FFMS of Russia dated March 31, 2009 No. 09-9/pz-n "On Introducing of Amendments to the Order of the FFMS of Russia dated September 18, 2008 No. 08-35/pz-n "On the Delineation of Responsibilities for the State Registration of Equity Securities Issues (Additional Issues) between the Federal Financial Markets Service and its Local Agencies"

2009 No. 09-13/pz-n "On Introducing of Amendments to the Regulations Brokerage Activity When Performing Transactions with the Use of Monetary Resources and/or Securities on Securities Market, that were delivered by a Broker as a Loan to a Customer (Margin Transactions), that were Affirmed by the Order of the FFMS of Russia dated March 7, 2006 No. 06-24/pz-n", specified the procedure of making of margin and unsecured transactions. In particular, brokers were prohibited to make a margin and (or) unsecured transaction of securities selling at 3% (not 5%, as it used to be earlier) lower than the closing price estimated by a trading organizer for the security for the previous working day. Moreover, if the transaction price is equal to or exceeds the last minimal current price of a security, or the minimal value of the security last transaction that was taken into calculations of the current price, there was specified an opportunity of performing sale margin and unsecured securities transaction without the observance of the restriction. The amendments came into force on June 14, 2009. A temporary prohibition of unsecured transactions that was affirmed by the FFMS of Russia during the crisis was cancelled on June 15, 2009.

According to the amendments made by the Orders of the FFMS of Russia dated April 23, 2009 No. 09-14/pz-n and dated June 2, 2009 No. 09-17/pz-n to the Statute on the Disclosure of Information by Equity Securities Issuers, affirmed by the Order of the FFMS of Russia dated October 10, 2006 No. 06-117/pz-n, the procedure of publishing in the Internet of the data that are to be disclosed by equity securities issuers and the specifications of the information concerning auditors and appraisers employed by issuers. Except that, there was stated the obligation of disclosure of the information in the form of a quarterly report according to the procedure affirmed by the Statute on

the Information Disclosure by Securities Issuers, is also to guide the issuers equity bonds of whom are introduced for trading on the stock exchange.

The Order of the FFMS of Russia dated June 2, 2009 No. 09-18/pz-n made amendments to the Issue Standards of Securities and the registration of securities prospectuses. In particular, the reasons for a reliability verification of the data stated in the documents that were filed for the state registration of a securities issue, securities prospectus and a placement report. There was amended the procedure of the bond call feature, the procedure of the introduction of amendments to the resolution on the issue of Russian depository receipts or to the prospectus of Russian depository receipts and the procedure of securities issue in the process of legal persons reorganization.

The Order of the FFMS of Russia dated July 2, 2009 No. 09-24/pz-n³¹ affirms the amendment to the Statute on the Procedure of Maintaining a Register of Unit investment funds Investment Units Holders. There were specified reasons for renunciation of a registration unit investment funds investment units holder.

The share registration of the holders of securities of joint-stock companies that belong to by the Russian Federation is regulated. The Order of the FFMS of Russia dated July 7, 2009 No. 09-25/pz-n "On the Peculiarities of Share Registration of the Holders of Securities of Joint-Stock Companies that are Owned by the Russian Federation" establishes, that the Russian Federation, represented by a duly authorized organization, is recognized as an owner of the shares that belong to the Russian Federation in the register of the holders of securities of joint-stock companies.

The Administrative Regulations of the Performance of the State Functions of Supervision and Monitoring the Purchase of Open Joint-Stock Companies

Shares by the Federal Financial Markets Service of Russia, that was affirmed by the Order of the FFMS of Russia dated July 9, 2009 No. 09-26/pz-n, specifies the procedure of the review of the documents concerning the merger", that is a purchase of more than 30% of joint-stock company shares by the FFMS of Russia and its local agencies. A voluntary or mandatory offer concerning the purchase of the securities that circulate on organizers' trading, a notification of the right to claim the repurchase of securities, and the claim of repurchase of securities prior to directing them to the open joint-stock company, are provided to the FFMS of Russia for the verification of compliance with the regulations of the Federal Law "On the Joint-Stock Companies".

Except that, in July, 2009 the Administrative Regulations of the Performance of the State Function of Licensing of the Activities of Investment Funds, Investment Funds Management, Unit investment funds Management and Non-state Pension Funds Activities, the Specialized Depository Activity of Investment Funds, Unit investment funds and Non-state Pension Funds, and the Retirement Income and Insurance by the FFMS of Russia, affirmed by the Order of the FFMS of Russia dated February 10, 2009 No. 09-4/pz-n came into force. The Regulations specifies the requirements for the procedure of the performance of the state function, defines administrative procedures and establishes the procedure of appeal of actions and resolutions that were determined (fulfilled) in the process of the performance of the state function.

The Order of the FFMS of Russia dated July 16, 2009 No. 09-27/pz-n "On Introducing of Amendments to Several Orders of the Federal Financial Markets Service" specified the procedure of pricing of the due bonds that form a part of the assets of securities market traders. That established that a bond-appraised

³¹ The Order of the FFMS of Russia dated July 2, 2009 No.09-24/pz-n "On Introducing of Amendments to the Statute on the Procedure of Maintaining a Register of Mutual Funds Investment Units Holders, that was Affirmed by the Order of the FFMS of Russia dated April 15, 2004 No. 08-17/pz-n".

value, principal debt of which had been paid, is deemed to amount to from the date of receipt into endowment for repayment of bonds.

The Federal Law dated July 18, 2009 No. 182-FZ³² amends the legislative rules that regulated the investment of pension accumulation resources. In particular, there was specified the procedure of passage of the insured from a non-state pension fund to the Pension Fund of the Russian Federation with the same investment portfolio that had been chosen by them and the procedure of the passage of pension accumulations from the Pension Fund of the Russian Federation to a non-state pension fund when passing there. The Law specifies the management companies that perform the investment of pension accumulations: that is management companies that had been selected by a competition, and the state management company, that is authorized by the Government of the Russian Federation to invest pension accumulations resources. Except that, the Law specifies the procedure of transfer by the Pension Fund of the Russian Federation of insurance contributions of the funded component of a retirement pension financing and additional insurance contributions of the funded component of a retirement pension, employer's contributions and co-financing contributions of pension accumulations, if an insured person exercised the right to choose a fund and the pension accumulations were transferred to the fund. The requirements for the fund investment portfolio structure were amended. In particular, the maximal proportion of

one-issuer securities or a related issuers group or securities issued by affiliates of the fund, of a management company, of specialized depository or actuary in a fund investment portfolio is risen to 10%. The maximal proportion of the securities of one issuer in a fund aggregated investment portfolio shall not exceed 50% of the securities of this issuer that are in circulation, excluding government securities, the securities that are secured by the Russian Federation and mortgage securities, issued in accordance with the mortgage securities laws and complying with the requirements established by the Government of the Russian Federation.

In August 2009, the Order of the FFMS of Russia dated August 13, 2009 No. 09-33/pz-n "On the Peculiarities of Holders Registration by the Issuers of Registered Securities" defined the peculiarities of an independent registration of shareholders by joint-stock companies. The performance of operations is established to be fulfilled according to an internal document of a joint-stock company: the registration regulations that comply with the requirements of securities legislation. The Order obliges joint-stock companies to perform an independent registration of securities holders to bring their activity in line with the new requirements within 6 months from November 27, 2009, the effective date of the Order. Due to numerous inquiries of issuers concerning the procedure of practicing of the provisions of the Order, the FFMS of Russia gave certain explanations³³.

Beginning with August 10, 2009 the Order of the FFMS of Russia dated June 10, 2009 No. 09-20/pz-n³⁴ established the procedure of the introduction

of amendments to the procedure of registration of securities holders in the event of a transformation of a nominal holder and (or) trustee, that opened an account in the securities holders register.

In November 2009 the amendments introduced by the Law dated October 30, 2009 No. 241-FZ to the Criminal Code Of the Russian Federation and Article 151 of the Code of Criminal Procedures of the Russian Federation came to force. There was introduced a criminal responsibility for the violation of the procedure of the registration of the securities rights, of obstruction of exercising or illegal limitations of securities holders rights, and of price manipulation on securities market. In particular, securities market price manipulation that resulted in a large-scale damage to citizens, organizations or the state or there was gained a large-scale profit, implicates a criminal responsibility, including a fine at a rate of five thousand to one million rubles or the imprisonment for a term of two to six year. The manipulation performed with the use of the mass media or Internet shall be punishable by imprisonment for a term of five to seven years with a fine in the amount of up to one million rubles. The "large-scale damage" and "large-scale profit" in Articles 185 and 185 – 185.4 of the Criminal Code Of the Russian Federation is deemed to be a damage or a profit exceeding one million rubles, and "especially large-scale" is deemed to be a damage or a profit exceeding two million five thousand rubles.

The Federal Law dated November 25, 2009 No. 281-FZ³⁵ introduced several amendments to the Tax Code of the Russian Federation,

³² The Federal Law dated July 18, 2009 No. 182-FZ "On Introducing of Amendments to the Federal Law "On Non-State Pension Funds" and the Federal Law "On the Investment of the Resources for the Funded Component of a Retirement Pension Financing in the Russian Federation".

³³ The Letter of the FFMS of Russia dated February 11, 2010 No. 10-VM-02/2620 "On the Procedure of the Application of the Order of the FFMS of Russia dated August 13, 2009 No. 09-33/pz-n "On the Peculiarities of Holders Registration by the Issuers of Registered Securities".

³⁴ The Order of the FFMS of Russia dated June 10, 2009 No. 09-20/pz-n "On the Peculiarities of the Modification Operations of the Information of the Register of Securities Holders that is on the Account of a Nominal Holder and (or) Trustee in the event of reorganization of the above mentioned persons in the form of transformation".

³⁵ The Federal Law dated November 25, 2009 No. 281-FZ "On Introducing of Amendments to the First and the Second Parts of the Tax Code of the Russian Federation and legislative acts of the Russian Federation".

the Law "On Securities Market" and other separate legislative acts of the Russian Federation. In particular, the amendments specify the procedure of tax registration of forward transactions using an accrual method, and of REPO operations.

Significant amendments were introduced to the procedure of taxation of natural persons' income, to the operations with the instrument of forward transactions. The procedure of taxation established for forward transactions with securities as an underlying asset, is extended to the operations with other financial instruments of forward transactions. There is balancing of receipts and expenditures of the operations with forward transactions financial instruments and of the transactions with the corresponding underlying asset. Taxpayers are entitled to transfer the losses of the operations with marketable securities and forward transactions financial instruments, gained in the current tax period to following tax periods (within 10 years) for the reduction of the tax base. There were established the peculiarities of the taxation of natural persons income from REPO operations, that come into force on January 1, 2011. Earlier the REPO contracts concluded by natural persons were considered two independent transactions of securities sale and purchase. According to the amendments the tax base of the above-mentioned operations shall be defined as profits in the form of loan interest that differentiate the securities price of the first and the second parts of REPO. There is balancing of receipts received in the form of earned interest of one group of REPO operations and expenditures in the form of paid interests of another group of REPO operations.

The amendments to Article 25 of the Tax Code of the Russian Federation excluded operations with financial instruments performed by clearing

organizations that provide clearing and settlement of the operations from the corporate profits tax base. Except that, the amendments established equivalent tax treatment for exchange and non-exchange derivative instruments, and the possibility of transferring of the losses of such transactions to the financial result, irrespective of the fact if the operations had been performed with the aim of hedging or not.

The same amendments to the Law "On Securities Market" introduced the concept of a financial instrument, derivative financial instrument, a REPO agreement. The Law established the requirements to a REPO agreement; there are cases when the termination of obligations of the second part of a REPO agreement is allowable without the specific performance of the obligation after fulfillment of the first part of the REPO agreement. A REPO agreement that is to be performed at the expense of a natural person can be concluded if one party to the agreement is a broker, dealer, depository, trustee, clearing company, or credit organization or if the above mentioned agreement is concluded by a broker at the expense of a natural person.

There were defined the peculiarities of concluding agreements that were derivative financial instruments. The Law established a possibility of recognition of several derivative financial instruments by one agreement, if there had been concluded a general agreement – a single agreement – by the parties to the agreement. The general agreement can specify reasons and procedure of termination of obligations under all agreements that are derivative financial instruments concluded by the parties under the conditions that were specified by the general agreement.

Except that, there were made amendments to the definition of a brokerage activity and securities management activity, and that allows bettering differentiate these activities.

The Order of the FFMS of Russia dated November 19, 2009 No. 09-49/pz-n "On the Procedure of Account Presenting and Dates of Accounts for Professional Securities Market Participants" amended the procedure of account presenting and dates of accounts for professional securities market participants. According to the new procedure the accounting shall be presented not to the central office, as it used to be earlier, but to local agencies of the FFMS of Russia at the location of professional securities market participants in paper form and on magnetic storage media (floppy disks, compact disks), or in the form of an electronic document with an electronic digital signature by means of telecommunication channels, including the Internet. The electronic form of accounting is filled by means of the program that is available on the FFMS of Russia Internet site.

The Order of the FFMS of Russia dated July 30, 2009 No.09-29/pz-n introduced The minimum initial capital adequacy standards for professional securities market participants, and management companies of investment funds, unit investment funds and non-state pension funds, affirmed by the Order of the FFMS of Russia dated April 24, 2007 No. 07-50/pz-n (hereinafter referred to as the Standards). The standards for the majority of activities shall raise several-fold as of July 1, 2010. The Table 61 reflects the dynamics of the standard alterations as of February 22, 2008³⁶.

The Counteraction of the Legitimization of the Proceeds of Crime

According to Article 5 of the Federal Law dated August 7, 2001 года No. 115-FZ "On the Counteraction of the Legitimization (Laundering) of the Proceeds of Crime and the Financing of Terrorism" professional securities market participants shall take measures directed to the counteraction of the legitimization of the proceeds of crime

³⁶ The effective date of the previous edition of Standards according to the Order of FFMS of Russia of December 25, 2007 No. 07-112/pz-n.

and the financing of terrorism. The regulatory basis of the sphere, besides the above-mentioned law, is formed by subordinate legislation of the Government of the Russian Federation, the Federal Financial Monitoring Service of Russia (Rosfinmonitoring), the FFMS of Russia and the Bank of Russia.

On February 17, 2009 the Order of Rosfinmonitoring dated November 1, 2008 No. 256 "On the Affirmation of the Statute on the Requirements for Training for Organizations Personnel

that Perform Operations with Monetary and Other Resources in order to Counteract the Legitimization (Laundering) of the Proceeds of Crime and the Financing of Terrorism" (herein is referred to as the Statute) came into force. The Order specifies the list of employees that shall undergo a compulsory training and its form, frequency, terms and educational programs. In particular, it states that a target safety training as a form of training for certain officials of

professional security market participants is to be held at least two times a year.

Rosfinmonitoring in its Informational Letter No. 3 dated August 11, 2009 clarifies some aspects concerning the application of the above-mentioned Statute.

The taxation on securities market

The Russian Federation is a country with traditional taxation system

Table 62 presents basic taxes and rates that were applicable to profit

Table 61

The minimum initial capital adequacy standards for professional securities market participants and management companies

The type of activity on securities market	The period of validity of the standard			
	February 22, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010	from July 1, 2010	from July 1, 2011
Dealer activity	5 million rubles	5 million rubles	35 million rubles	50 million rubles
Brokerage activity	10 million rubles	10 million rubles	35 million rubles	50 million rubles
Securities management activity	10 million rubles	10 million rubles	35 million rubles	50 million rubles
Clearing activity	30 million rubles	30 million rubles	80 million rubles	100 million rubles
The activity of registration of shareholders	60 million rubles, from January 1, 2009 – 100 million rubles	100 million rubles	100 million rubles	150 million rubles
The activity of trading organization on securities market	60 million rubles	60 million rubles	80 million rubles	100 million rubles
Stock exchange activity	100 million rubles, from January 1, 2009 – 120 million rubles	120 million rubles	150 million rubles	200 million rubles
The activity of a management company of investment funds, unit investment funds, and non-state pension funds	30 million rubles, from January 1, 2009 – 40 million rubles	40 million rubles	60 million rubles	80 million rubles
Depository activity	40 million rubles	40 million rubles	-	-
Depository activity that does not concern depository operations of the result of the transactions that are performed by means of trading organizers on securities market (settlement depository activity), or the activity of a specialized depository of investment funds, unit investment funds, and non-state pension funds	-	-	60 million rubles	80 million rubles
Activity of a settlement depository	200 million rubles	200 million rubles	250 million rubles	300 million rubles
Overlapping of a depository activity and an activity of a specialized depository activity of investment funds, unit investment funds, and non-state pension funds	50 million rubles	50 million rubles	-	-
Overlapping of a brokerage and (or) dealer activities and a depository activity and a specialized depository activity investment funds, unit investment funds, and non-state pension funds providing the services of a financial adviser on securities market	60 million rubles	60 million rubles	-	-
The activity of a professional securities market participant that performs depository activity and is an issuer of Russian depository receipts	200 million rubles	200 million rubles	-	-
The activity of a professional securities market participant that is an issuer of Russian depository receipts	-	-	200 million rubles	250 million rubles

(corporate profits tax that perform taxable activity concerning securities operations in the Russian Federation, and individual tax for the income from securities and securities operations) in 2009.

The alteration of the corporate profits tax rate from 24 to 20%³⁷ on January 1, 2009 is considered to be important.

In the Letter dated August 3, 2009 No. 3-5-04/1153 "On the Taxation of Securities Operation Incomes" the Federal Tax Service of Russia clarified that amounts of loss gained from the securities operations in the current tax period reduce the individual income tax base concerning similar income gained within one tax period. According to Article 216 of the Tax Code of the Russian

Federation, an individual income tax period is a calendar year.

According to the Letter of Federal Tax Service of Russia dated September 7, 2009 No. 3-5-04/1390 "On the Procedure of Individual Income Taxation" taking into account the provisions of Paragraph 12 Clause 3 of Article 214.1 of the Tax Code of the Russian Federation, when trading the shares gained by a taxpayer in the process of reorganization of an issuer in the form of separation, the shares acquisition expenses are deemed to be the expenses that are estimated in accordance with Clause 5 of Article 277 of the Tax Code of the Russian Federation, provided there is a documentary proof, presented by the taxpayer, that proves the fact of shares

acquisition expenses for the purchase of reorganized company shares by the taxpayer

The Russian Federation concluded international treaties with 74 countries to avoid double taxation. According to these treaties a company that is registered in a country and gaining income from resources in two countries (Russia and the country that has entered into the treaty), pays taxes in one country: either in Russia or in the country that has entered into the treaty, at a reduced interest rate.

The Ministry of Finance of the Russian Federation issued a list of offshore areas³⁸, the registration in which will not allow the countries to transfer tax-free dividends that are required by Clause

Table 62

Basic taxes and rates

Natural persons			
Income	Resident rate, %	Non-resident rate, %	
Share dividends of Russian companies	9	15	
The interest rate of the mortgage-backed bonds, issued starting January 1, 2007	9	30	
Another income from securities and securities operations	13	30	
Legal persons			
Income	Resident rate, %	Non-resident rate, %	
Subsidiary companies dividends, provided certain terms are evident (equity stake is over 50, the possession lasts over one year etc.; if it is a foreign company, it shall not be situated in an offshore area)	0	Не применимо	
Russian and foreign organizations dividends	9	15	
The state and municipal securities interest rate, interest rates of the mortgage-backed bonds, issued starting January 1, 2007, and the interest rate of the income of the management company promoters of the mortgage collateral gained on the ground of the purchase of mortgage participation certificates, given by a mortgage collateral manager after January 1, 2007	15	15	
Municipal bonds interest rate, for a period of not less than three years, issued before January 1, 2007, and the mortgage-backed bonds interest rate, issued before January 1, 2007 and , and the interest rate of the income of the management company promoters of the mortgage collateral gained on the ground of the purchase of mortgage participation certificates, given by a mortgage collateral manager before January 1, 2007	9	9	
Other securities and securities operations ways of income	20	20	

³⁷ The Federal Law dated November 11, 2008 No. 224-FZ "On Introducing Amendments to the First and Second Parts of the Tax Code of the Russian Federation and Separate Laws of the Russian Federation".

³⁸ The Order of The Ministry of Finance of the Russian Federation dated November 13, 2007 No. 108n "On the Affirmation of the List of Countries and Areas that Offer Concessional Tax Treatment and (or) do not Require Disclosure of Information while Performing of Financial Operations (Offshore Areas)".

3 of Article 284 of the Tax Code of the Russian Federation. There are 42 offshore areas in the list.

The Russian system of securities market regulation has been established at the time of securities market formation and in many respects played a positive role on its development. In general, this system takes into

account an international experience of securities market's regulations and meets universal tendencies of regulation development in this sphere. However, it has a number of national features. The main of them is a complex-structured distribution of regulatory and monitoring authorities in the sphere of financial markets between two institutions. By the present time a

considerable part of certain functions in the sphere of securities market itself was transferred to one government agency – the Federal Financial Markets Service, but the Central Bank of the Russian Federation, the Ministry of Finance of the Russian Federation and the Ministry of Healthcare and Social Development of the Russian Federation exercise certain functions.

3.1. The Federal Financial Markets Service of Russia

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The Federal Financial Markets Service (the FFMS of Russia) is the main regulatory government agency on the Russian securities market at present time рынком. It is equivalent to a ministry in its status because it is governed directly by the Government of the Russian Federation and has regulatory, supervising and monitoring authorities.

The activity of FFMS of Russia is regulated by the Law "On Securities Market" and the Provision on FFMS of Russia that was affirmed by the Decision of the Government of the Russian Federation dated June 30, 2004 No. 317. According to this Decision, the FFMS of Russia is a federal executive body that has the following authorities: submission of regulations, supervision and monitoring in the sphere of financial markets, excluding insurance, banking and auditing activities.

The FFMS of Russia regulates all basic parties of securities market: issuers, professional participants, collective

investment institutions, and investors in some aspects. The FFMS of Russia is independent in its activities, that is, it does not have to act in accordance with any other body. However being an executive body, it is governed by the Government of the Russian Federation that have the power to suspend or cancel any act of the FFMS if Russia.

Concerning issuers, the FFMS of Russia has authority to affirm securities issuance standards, the procedure of state registration of securities and placement reports, the registration of securities issues and placement reports and securities prospectuses (excluding government and municipal securities). Except that, the FFMS of Russia inspects issuers and in the event of violations it issues instructions to the issuers and if needed is entitled to suspend securities issuance and file legal actions to declare the securities issuance invalid. The FFMS of Russia specifies the procedure of introduction to initial public offering and circulation outside the Russian Federation of Russian issuers' securities.

Concerning professional securities market participants, the FFMS of Russia approves the requirements to the professional securities activities regulations and adequacy standards

of internal funds, performs licensing of professional activities on securities market, and registers certain internal documents of professional participants. It also inspects professional participants and, if needed, it can issue instructions to the professional participants, prohibit or suspend the performance of certain operations on securities market, and suspend or cancel offenders' licenses.

Concerning collective investment institutions the FFMS of Russia licenses the activities of non-state pension funds, incorporated investment funds, management companies, and specialized depositories, registers the regulations of unit investment funds trust management and mortgage collateral trust management, the regulations for non-state pension funds, and specialized depositories documents. The FFMS of Russia affirms the requirements for the asset mix of incorporated investment funds and unit investment funds and inspects all the above-mentioned parties and issues instructions to them.

The FFMS of Russia also specifies the procedure of the assets market value calculation and net asset value in which are invested the pension accumulations resources, formed into non-state pension funds, the procedure

of calculation of the investment results of the pension accumulations resources. The FFMS of Russia, in concurrence with the Ministry of Healthcare and Social Development of the Russian Federation, affirms the non-state pension funds report forms, the report procedure and terms, the standards of dissemination and disclosure of information about non-state pension funds activities, and mandatory provisions of a trust management agreement that is concluded by a non-state pension fund with a management company. Except that, the FFMS of Russia affirms

the report forms for management companies, specialized depositories and actuaries, and the report procedure and terms.

The FFMS of Russia also regulates the securities introduction to public placement, circulation, quotation and listing, takes measures to suspension of unfair advertising on securities market, issues methodological materials and recommendations on the aspects within the framework of its competence. If needed, it is entitled to go to court and the court of arbitration with claims and legal statements. An important function

of the FFMS of Russia is the authority to try cases of administrative offences within the framework of its competence, and apply the sanctions established by administrative laws.

It is important to mention that the competence of the FFMS of Russia has a number of significant omissions concerning credit organizations: the FFMS of Russia is not entitled to establish prudential measures, and regulate their securities issuance. The powers of the FFMS of Russia do not apply to the issuance and circulation of government and municipal securities.

3.2. The Central Bank of the Russian Federation

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The Central Bank of the Russian Federation is not a part of executive bodies system and performs its functions in accordance with a special Law "On the Central Bank of the Russian Federation (the Bank of Russia)". Its powers concerning the commercial bank regulation are also specified by the Law "On Banks and Banking Activities". As an institution, it is responsible for the organization of monetary circulation and the stability of the banking system of Russia, the Bank of Russia has a number of authorities that more or less affect securities market and its participants.

Therefore, the Bank of Russia, in cooperation with the Government of the Russian Federation, develops and implements a common state monetary policy and that influences many indices of securities market. Having an aim to realize the monetary policy, it is an issuer of its own bonds and implements operations with government securities and its own bonds on the open market, being a major figure there.

Being a banking system regulator, the Bank of Russia specifies the peculiarities of the procedure of credit organizations securities issuance and registers the issuances of certain securities. It performs banking supervision of the credit organizations and banking groups' activities, including of the activities as investors on securities market. Concerning the activities of credit organizations as Professional securities market participants, the Bank

of Russia, in fact, specifies the rules of certain operations performance (e.g., securities trust management, the rules of depository registration etc.). At last, by means of participation in infrastructure organizations capital on securities market (e.g. MICEX); the Bank of Russia performs an "indirect regulation" of securities market.

Except that, the Bank of Russia specifies the rules of banking activities, accounting and reporting for the banking system of the Russian Federation.

Therefore, though the regulatory powers of the Bank of Russia towards the participants of securities market are only applied directly to credit organizations that operate on the market, in general, the influence of the institution on the financial market is very great. Using the above-mentioned powers the Bank of Russia basically is the second important state regulator of securities market.

3.3. The Ministry of Finance of the Russian Federation

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According to the Provision on the Ministry of Finance (affirmed by the Decision of the Government of the Russian Federation of June 30, 2004 No. 329), it performs a number of functions concerning securities market and its participants. First of all, the Ministry of Finance of Russia affirms the terms of

issuance and circulation of federal state securities and resolutions of the certain issuances of the securities, and placement reports. At the same time, the Ministry of Finance of Russia is an issuer of federal state securities.

The Ministry of Finance is a regulatory body concerning state securities of the subjects of the Russian Federation and municipal securities. It performs state registration of issuance and circulation terms of these securities and affirms the standards of the disclosure of information about these securities.

Except that, the Ministry of Finance of Russia is a regulator of the sphere of pension accumulations investment for the funded component of a retirement pension financing, and an insurance companies regulator, including the aspect of investment in securities (the function of supervision concerning insurance companies is performed by the Federal Insurance Supervision Service governed by the Ministry of Finance). Except that, the Ministry of Finance adopts regulations concerning the procedure of accounting and preparation of accounting statements.

3.4. The Ministry of Healthcare and Social Development of the Russian Federations

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According to the Provision on the Ministry of Healthcare and Social Development of the Russian Federation (affirmed by the Decision of the

Government of the Russian Federation on June 30, 2004, No. 321) it performs functions concerning the development of the state policy and regulation, including the regulation of the spheres of pension provision, non-state pension provision and social insurance.

The Ministry of Healthcare and Social Development of the Russian Federation adopts regulations that specify the

procedure of notification of the State Pension Fund of the Russian Federation and an authorized federal body, if there are new mandatory pension insurance agreements, by non-state pension funds, the requirements to pension schemes applied in non-state pension funds, and affirms standard insurance regulations for non-state pension funds.

3.5. Other state authorities

The law enforcement system on securities market also includes taxation authorities, financial control

and monitoring authorities, an anti-monopoly authority, judicial system, and law-enforcement authorities.

A detailed description of their functions, however, is beyond the scope of this review.

3.6. Self-Regulatory Organizations

Among state authorities securities market regulatory system also includes self-regulatory organizations (SRO). They are founded by Professional securities market participants in order to provide the conditions of their professional activities performance, maintaining of professional ethic standards on securities market, the protection of the interests of securities holders and other customers of Professional securities market participants, and an establishment of the rules and standards of performing of the securities operations that provide the efficiency of securities market activities. Management companies can also found SRO.

SRO is founded in the form of a non-profit organization. They establish compulsory rules of professional activity on securities market and securities operations performance standards for their participants, and control compliance with the rules. A SRO membership is voluntary.

At present time, five organizations³⁹ in Russia have a status of SRO of Professional securities market participants and collective investment institutions:

- The Russian National Association of Securities Market Participants

(NAUFOR) includes brokers, dealers, managers, and depositories. It has 372 members. NAUFOR has a central office in Moscow and branches in 14 regions of the country;

- The Professional Association of Registrars, Transfer Agents and Depositories (PARTAD) includes 90 depositories and registrars;
- The National Securities Market Association (NSMA) includes companies that have licenses for brokerage, dealer, depository activities, and securities trust management: in general, they are credit organizations. NSMA integrates 249 organizations;
- National League of Management Companies (NLMC) includes 65 organizations, integrates management companies of unit investment funds and non-state pension funds;
- At present time Non-profit Partnership of Professional Participants of the Stock Market of the Ural Region (PUFRUR) is the only SRO, which central office is situated not in Moscow, but in Yekaterinburg. PUFRUR integrates 20 Professional

securities market participants of the Ural Region. .

It is important to mention that Professional securities market participants can quite often be members of several SRO at the same time. That is why it is impossible to give an accurate estimate of professional participants' involvement in the self-regulatory organizations. Nevertheless, according to our estimation, in average 30–35% of the total amount of securities market professional participant are member of at least one self-regulatory organization; the highest level of participation in SRO is among registrars - over 70%. There are quite a number of SRO members among exchange trading participants.

On December 17, 2009 NAUFOR, NSMA, MICEX and RTS concluded a Cooperation and Interchange of Information Agreement. In the framework of the above mentioned Agreement NAUFOR and NSMA in cooperation with stock exchanges are planning to develop general principles of risk management in stock exchange trading and non-market exchange trading. The parties to the Agreement shall also cooperate in collection and analysis of professional securities market participants reporting.

³⁹ According to the FFMS of Russia and sites of SROs (at the end of 2009).

4. The Calendar of the Main Events of 2009

January	
01	The Program of State the funded component of a retirement pension co-financing was launched
11	The Law dated December 30, 2008 No. 320-FZ "On Introducing Amendments to Article 27.5.2 of the Federal Law "On Securities Market" came into force. The amendments extended opportunities of equity bonds issuance
February	
04	Fitch Ratings performed a one-grade reduction of a sovereign rating of the Russian Federation with a "negative" outlook
05	The MICEX Stock Exchange announced the introduction of delisting system for defaulted bonds The concept of International Financial Center of the Russian Federation was in general approved by the session of the Government of the Russian Federation
06	The Order of the FFMS of Russia dated November 13, 2008 No. 08-52/pz-n "On Introducing Amendments to Several Orders of the FFMS of Russia" came into force. The amendments of the share trading suspension procedure were among other alterations. The a one-hour share trading suspension is performed when a stock index undergoes a 15% decrease/increase, and the share trading is suspended till the end of the trading day if there is a 25% decrease/increase of a stock index.
17	The trading on RTS was suspended for one hour due to a decrease of an index
24	The Order of the FFMS dated October 23, 2009 No. 08-41/pz-n «On the Affirmation of the Statement of the Procedure of Internal Funds Calculations of Professional Securities Market Participants, Management Companies of Unit investment funds and Non-State Pension Funds". According to the Statement, by July 1, 2009 you were to provide internal funds correspondence calculated according to the statement and the internal fund adequacy standard The MICEX Stock Exchange announced being filed a lawsuit against and the satisfaction of the lawsuit can considerably affect the financial situation
27	On RTS FORTS there started a margin options and futures
March	
03	The FFMS of Russia cancelled qualification certificates of a CEO and inspector of CJSC "FINAM" due to violations found in the process of desk audit
06	K.N.Korischenko is appointed a CEO of CJSC "MICEX Stock Exchange" The Order of the FFMS of Russia dated December 23, 2008 No. 08-59/pz-n "On Introducing Amendments to the Statement of Trading Organization Activities on Securities Market" than said that bonds secured by the state guarantee or "Vnesheconombank" guarantee, and concessionary issuer bonds are included in the quotation list without compliance with a number of requirements
16	The suggestions of the Russian Federation to G-20 London summit were published
20	There took place a meeting of the administration of the FFMS of Russia and members of the board of directors of NAPF and NLMC
23	During the week ordinary shares of JSC Sberbank went up in price more that by 40% against the background of a slight indices rise
26	The FFMS of Russia prolonged the prohibition of short sale and the suspension of the margin validity period in making margin and unsecured transactions
28	The Order of FFMS dated March 28, 2009 No. 09-5/pz-n "On Temporary Non-Application of Share Capitalization Requirements When They are Excluded from Quotation Lists of Stock Exchanges". Existing share capitalization requirements are not to be applied by stock exchange when making a delisting resolution till January 1, 2010

4. THE CALENDAR OF THE MAIN EVENTS OF 2009

30	The Chairman of the Government of the Russian Federation while visiting JSC « "AvtoVAZ" promised to help car manufacturers. This issuer shares rose by 28% against general quotation fall
31	A Memorandum of Mutual Understanding between the FFMS of Russia and UAE Securities and Goods Committee
April	
01	The MICEX Stock Exchange published an announcement of a stock assets dilution and a more than 20% net operating loss rise in the fourth quarter of 2008 in comparison to the third quarter of 2008
02	G-20 London summit
07	The FFMS of Russia for the first time introduced a temporary administration according to the Law "On Investment Funds" at the same having cancelled licenses of a specialized depository and a management company
09	The Pension Fund of Russia disclosed information about a discovery of fraudulent schemes in the system of mandatory pension insurance concerning the transfer of citizens pension accumulations without their consent
13	The Law dated February 9, 2009 No. 9-FZ "On Introducing Amendments to CAO RF Concerning Strengthening the Administrative Responsibility for the Violations of Laws on Joint-Stock Companies, Limited Liability Companies, Securities Market and Investment Funds" came into force. The amendments extended the range of subjects that bear administrative responsibility, period of limitation and the size of fines. At the same time there were inserted into the Law "On Securities Market" concerning the formulation of a the more precise definition and specification of securities market price manipulation features
14	The Board of Directors of CJSC "MICEX" affirmed the MICEX Group's Development Strategy for 2009-2010
17	The State Duma approved in the first reading a draft Law "On the Counteraction of Misuse of Insider Information and Market Manipulation"
20	The Court of Arbitration of Moscow obliged a management company "PIOGLOBAL Asset Management" to pay to a non-state pension fund "TNK-Vladimir" over 230 million rubles - pension resources placed into trust management and the minimum guaranteed profit
21	The President of the JSC "VTB Bank" made a statement of a possible loss compensation for share purchasers (natural persons) in the process of IPO
23	A new share market - RTS Standard - started working in RTS
27	A fall of quotation on Asian trading floors is registered against the background of "swine flu" The MICEX Stock Exchange started trading deliverable futures for the shares of JSC "Gazprom" and JSC Sberbank
28	The MICEX Stock Exchange published an announcement of a more than 10% rise in asset value of the stock in the first quarter of 2009 in comparison to the fourth quarter of 2008
29	RTS announced the transfer of 15 securities from quotation list to the section of non-listed securities. The FFMS of Russia made a resolution of prohibition of a part of operations of 28 non-state pension funds
May	
16	The Law dated April 28, 2009 No. 74-FZ "On Introducing Amendments to the Law "On Securities Market" and "On the Protection of Rights and Legal Interests of Investors on Securities Market" came into force. There was established a new procedure of introduction of foreign securities to Russian securities market
18	The FFMS of Russia presented for discussion a draft law on prudential supervision and the procedure of citizen compensation payments on securities market
19	The FFMS of Russia announced the intention to raise the requirements to internal funds of Professional securities market participants
22	The State Duma affirmed in the first reading a draft Law "On Introducing Amendments to the Tax Code of the Russian Federation" concerning the taxation of derivative contracts operations
June	
02	The FFMS of Russia made a resolution to prohibit a part of operations of five non-state pension funds
03	The FFMS of Russia presented for discussion a draft Order "On the Affirmation of the Provision on Granting of Permission for Placement and (or) Circulation Organization of Russian Issuers Equity Securities outside the Russian Federation" strengthening existing standards
04	The IV annual NAUFOR conference was held
05	The President of the Russian Federation stated on Saint-Petersburg Economic Forum that Russia, despite the crisis, does not reject the idea of foundation of an international financial center The MICEX Group and ROSNANO signed an agreement of cooperation in the establishment of a new exchange sector – the Market for Investments and Innovations - in the framework of Saint-Petersburg Economic Forum
08	The Federal Antimonopoly Service of the Russian Federation fined a management company for an illegal use of brand elements in the title of a unit investment fund The "Bridge" pattern has turned 20 years in interdepository cooperation of "DKK" and "NDC" clearing centers
10	The FFMS of Russia cancelled qualification certificates of a CEO and internal inspector of LLC "BCS Company" due to the violations found in the process of desk audit

14	The Order of the FFMS of Russia dated April 9, 2009 No. 09-13/pz-n "On Introducing Amendments to the Regulations of Brokerage Activity When Performing Transactions with the Use of Monetary Resources and/or Securities on Securities Market, that were delivered by a Broker as a Loan to a Customer (Margin Transactions)" came into force. A broker is not allowed to perform a margin or unsecured transaction if the price is 3% lower than the closing price on the previous trading day
15	The FFMS of Russia cancelled the prohibition of short sales
16	RTS announced introducing a mechanic trading systems regulation (so called "Trading Robots") The MICEX Stock Exchange introduced more severe requirements for defaulted bonds, the procedures of cross-delisting and separate trading regimes for defaulted securities
29	The MICEX Stock Exchange published an announcement of a more than 10% rise in exchange asset value and net profit in the second quarter of 2009 in comparison with the first quarter of 2009
30	The FFMS of Russia cancelled licenses of 24 non-state pension funds
July	
01	The Order of the FFMS of Russia dated October 23, 2008 No. 08-40/pz-n "On Introducing Amendments to Internal Funds Adequacy Standards for Professional securities market participants, and Management Companies" came into force. There was established an obligation of a monthly disclosure of an internal funds calculation on Internet site The amendments of the Law dated May 7, 1998 No.75-FZ "On Non-State Pension Funds" came into force; among other provisions the amendments established a rise of assets requirements for a charter activity security from 30 million rubles to 50 million rubles
02	The administration of the FFMS of Russia announced plans of tripling of requirements for internal funds of Professional securities market participants The FFMS of Russia published a Letter "On Several Aspects Concerning Security and Performance of Bond Obligations", including clarification of the procedure of termination of a bonded agreement, the practice of application of laws concerning interest rate for the use of other persons' monetary resources and surety obligations to bond owners
03	A Resolution of the NAUFOR Legal Committee approved the NAUFOR Standards for prevention of price manipulation on securities market
07	"TNK-Vladimir" Non-State Pension Fund directed an application of bankruptcy to "PIOGLOBAL Asset Management"
11	The Chairman of the Government of the Russian Federation signed the Order No. 911-r "On Approval of Activities Plan of an International Financial Center Establishment in the Russian Federation"
24	The Bank of Russia issued the Letter "On Investment in Investment Units of Unit investment funds"
28	NAUFOR directed to the FFMS of Russia a letter with suggestions concerning introducing amendments to the Provision on Internal Funds Calculation of Professional securities market participants
30	NAUFOR directed to the FFMS of Russia a letter where expressed concern about the rise of internal funds adequacy standards for Professional securities market participants starting July 1, 2010
August	
02	The Amendments of the Laws " On Non-State Pension Funds" and "On Investment of the Funded Component of a Retirement Pension", that significantly changes opportunities of state and private management companies, came into force "Vnesheconombank" as a state pension accumulations management company announced that starting with November, 1, 2009 it will begin building two portfolios: an extended portfolio and state securities portfolio
10	A transformation of "National Depository Center" from non-commercial partnership to closed joint-stock company is completed
11	The FFMS of Russia cancelled licenses of 11 Professional securities market participants. The general reason for the cancellation was a violation of internal funds adequacy standards
17	Due to a failure at Sayano-Shushenskaya HPPB, JSC "RusHydro" suspended trading
20	The Order of FFMS dated July 16, 2009 No. 09-27/pz-n "On Introducing Amendments to Several Orders of the FFMS of Russia", that corrected the procedure of appraised value calculation of the bonds that are included into unit investment fund asset, came into force
27	The FFMS of Russia published a Letter "On the Procedure of Bond Appraisalment" The FFMS of Russia cancelled licenses of 29 Professional securities market participants. The general reason for the cancellation was repeated violations of laws
28	The main trading session is prolonged up to 6:45 p.m. on all RTS markets The Deposit Insurance Agency announced its intention of establishing a management company that would manage distressed assets of reorganized banks The amendments that extend non-state pension funds opportunities to perform independent investment activities were inserted into the Decision of the Government of the Russian Federation dated February 1, 2007 No. 63 "On the Affirmation of Placement Rules of Pension Reserves of Non-State Pension Funds and Placement Supervision"
September	
04	The Bank of Russia published a Letter "On Peculiarities of Banking Risks Calculation Concerning Investments in Closed-End Unit investment funds" The Standard Documentation for Forward Transactions on a Financial Market is recommended to use

4. THE CALENDAR OF THE MAIN EVENTS OF 2009

07	A morning clearing session is introduced by CJSC "RTS Clearing Center" Trading session is prolonged to 6:45 on derivatives market of the MICEX Stock Exchange
10	A Memorandum of Mutual Understanding between the FFMS of Russia and the National Securities Committee of the Republic of Venezuela
22	There was held an extended meeting of the NAUFOR Board of Directors with a participation of the head of the FFMS of Russia and regional companies representatives concerning of internal funds requirements severization plans
October	
05	The Order of the FFMS of Russia dated July 30, 2009 No. 09-29/pz-n "On Introducing Amendments to Internal Funds Adequacy Standards for Professional securities market participants and Management Companies" was published (came into force on July 1, 2010). For some categories of professional participants the adequacy standards became 3 – 7 times over the previous level
08	The MICEX Stock Exchange announced a plan of establishing of a new trading regime with partial collateral and T+n calculation in the beginning of 2010 The MICEX gained a full member status of the World Federation of Exchanges
13	The II Annual NAUFOR Ural Conference was held
14	The Order of FFMS of Russia dated June 10, 2009 No. 09-21/pz-n "On the Affirmation of "On the Affirmation of the Provision on Granting of Permission for Placement and (or) Circulation Organization of Russian Issuers Equity Securities outside the Russian Federation" is published (came to force on January 1, 2010)
29	According to the results of the II Annual NAUFOR Ural Conference, NAUFOR directed a letter to the FFMS of Russia with suggestions concerning support and development activities of regional companies The National League of Management Companies published a statement concerning protection of pension accumulations resources that are trust managed by management companies The MICEX Stock Exchange published a statement of a more than 10% rise of asset and net profit in the third quarter of 2009 in comparison with the second quarter of 2009
November	
02	The RTS Index calculation methodology was renewed: the share prices of RTS Standard will be taken into account
06	A non-state pension fund "Promregionsviaz" filed a lawsuit against the FFMS of Russia, litigating its instruction
12	The President of the Russian Federation announced a letter to the Federal Assembly of Russia. The reaction of securities market was neutral
14	The Law dated October 30, 2009 No. 241-FZ "On Introducing Amendments to the Criminal Code of the Russian Federation" came into force. There was introduced a responsibility for violation of the procedure of securities right registration, price manipulation, and illegal limitation of securities holders rights
27	A Memorandum of Mutual Understanding between the FFMS of Russia and the French Financial Markets Agency
December	
01	The Law dated November 25, 2009 No.281-FZ "On Introducing Amendments to the Tax Code" was published; it specified the procedure of taxation of derivative contracts operations and REPO transactions (came into force on January, 1, 2010)
04	The FFMS of Russia declared void a competition of selection of management companies for pension accumulation resources investment, due to absence of applications
07	MICEX announced a possibility of introducing trading robots certification and a certain procedure of introducing to robots trading
08	The Minister of Finance of the Russian Federation stated that privatization of Russian enterprises would be performed partial by means of IPO
10	There was held a ceremony of trading opening at the Market for Innovations and Investments in MICEX, associated with public share placement of JSC "Human Stem Cells Institute"
15	The JSC "VTB Bank" share trading on MICEX was suspended due to a considerable (20%) change of price
16	The second session of the Council for Financial Market Development was held
17	The Ministry of the Interior of the Russian Federation disclosed information concerning the fact that in 2009 the pyramid scheme damage used to be much less significant than in 2008 MICEX, RTS, NAUFOR and NSMA signed an agreement on cooperation and interchange of information
21	The amendments to the Order of the FFMS of Russia dated May 25, 2008 No. 09-19/pz-n "The Statement on the Structure of Assets of AIF and unit investment funds" that introduced a new category of funds - artistic valuables funds (came into force on January 1, 2010)
24	An extraordinary meeting of PFTS members (the Ukraine) concluded to increase the charter capital of JSC "PFTS Stock Exchange" and sell supplement shares to CJSC "MICEX", a strategic investor
29	A management company "RBusiness Asset management" filed a bankruptcy application due to failure to allow a claim on the part of non-state pension funds and other customers
31	The Order of the FFMS of Russia dated November 19, 2009/pz-n "On the Procedure and Terms of Reporting of Professional securities market participants" is registered. There was introduced a new procedure of reporting – using local agencies of the FFMS of Russia

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