Russian Stock Market 2010

Events and Facts

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Introduction

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

The purpose of such overviews that we have been issuing twice a year since 2007 is to provide a generalized representation of the Russian stock market and its key elements such as instruments, players, infrastructure, regulatory and monitoring system, and major market events that took place during this period.

Reviews are prepared by Russian National Association of Securities Market Participants (hereinafter referred to as "NAUFOR") with the support of MICEX Group and RTS Group.

A few important notes are listed below:

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 December 2010. However, in some cases, when such figures were missing at the time of preparing the review, 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 2010. When secular trends need to be presented, we provide for historical data since 2005;

fourthly, in the review numerical indicators are represented both in the national and a foreign currency. This is determined by the peculiarities of making transactions and representing their results;

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

Data in tables and diagrams are at the end of the period.

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Overview of the economic situation in Russia¹

The year of 2010 became a year of gradual recovery after a global crisis. The year featured important internal and external shocks that were anything but favourable to successful ecomonic growth in the country. Natural disasters, first of all abnormal hot summer, severely damaged the economy. The internations situation became strained. Weaponed confrontation on the Korean Peninsula that took place with varying intensity during the year, influenced Asian markets. Problems of a number of euro-area countries with debts had considerable effect on European markets.

After a severe drop in 2009, Russia's gross domestic product increased and reached 44,491 billion rubles on current basis. The physical index of GDP comprised 104 per cent compared to the previous year while the deflator index came to 110.3 per cent.

In contrast to the previous year, the industrial production index showed positive dymanics and amounted to 108.2 per cent that is the largest increase since 2004. At the same time the index of extraction of mineral resources also rose to 103.6 per cent.

By the procedure of the International Labor Organization, by the end of the year the level of unemployment of economically active citizens decreased to 7.2 per cent.

The percentage of overdue accounts payable in the total debt of Russian enterprises decreased to 5.7 per cent. Data for 2010 show that the share of profitable companies comprised 67.7 compared to 64.9 per cent a year ago.

In 2010 the country's ecomony received foreign investments in the amount of 114.7 billion dollars that is by 40,1 per cent more than a year ago. Taking this into account, accumulated foreign capital increased by 11.9 per cent to 300.1 billion rubles. The outflow of investments from Russia comprised 96.2 billion dollars that is

by 16.1 per cent more than the one in 2009

During the year the international reserves of the country showed a rising trend and at the end of the year they came to 479.4 billion dollars.

During 2009-2010 the monetary policy of the Bank of Russia was constantly mitigated. The refinancing rate decreased from 12.5 per cent to 7.75 per cent in June 2010.

The average nominal rate of the US dollar did not undergo any significant changes and was gradually decreasing. At the end of 2010, it amounted to 30.36 rubles at average compared to 31.68 rubles a year ago.

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

Main Indicators and Trends on the Rusian Stock Market in 2010

The previous two year became for the Russian securities market the period of testing and examination of its regulatory system, market infrastructure and market intermediaries in relation to the ability to operate under crisis conditions and post-crisis recovery. Starting with the second half of 2009, the market is gradually recovering after a deep fall and tries to mitigate substantial effects of the crisis. In a number of indices, in 2010 pre-crisis levels were exceeded. Along with that, in general the year's results do not show gradual dynamic growth and qualitative changes, there began to be seen elements of stagnation in certain areas. The market has remained vulnerable to global problems.

Share market. Compared to 2009, in 2010 there can be seen a minor revival on the share market: the number of issuer shares of which are traded on stock exchanges increased by 6 per cent, the number of issues of shares included in quotation lists did by 9 per cent. Nevertheless, the increase in the number of debt instruments in 2006-2007 was notably higher – up to 16 per cent per year. The proportion of share issues allowed for circulation without listing remains high – nearly 60 per cent, despite its decline from year to year.

By the end of the year, the capitalization of the internal share market increased by 25 per cent to 960 billion dollars that is in compliance with results of 2006. Nearly 5 per-cent increase in the capitalization is caused by transfer of shares of one issuer (OAO TNK-BP Holding, at the end of the year its capitalization reached 40.7 billion dollars) from off-exchange system to securities lists admitted to trading

on a stock exchange. Calculation of capitalization does not take into accout the capitalization of Russian depository receipts representing shares of UC Rusal plc which are traded on Russian stock exchanges. Compared to GDP, the capitalization remains at the high level in 60 per cent that is considerably less than results of 2006–2007. Capitalization concentration is trending downwards but still remains guite high. The share of ten most capitalized issuers in capitalization is 60 per cent. Capitalization of issuers which belong to oil and gas production and processing turned out to be less than a half of the total capitalization of the internal share market (44.6 per cent). Looking back five years, there may be noted an increase in capitalization of metallurgical and financial companies as well as chemical works.

The volume of transactions with shares on the internal exchange market in 2010 (ignoring repos) comprised 16.7 trillion rubles that is

by 5 per cent over than the one a year ago when this index had reached its historical maximum. 2010 also saw a recommencement of growth in the volume of repos with shares: at the end of the year, the volume of such transactions comprised 49 per cent of the total turnover of share trading in the internal exchnage turnover.

The focus of the internal exchange turnover on shares of certain issuers remains extremely high, despite the stable tendency downwards: the share of ten most liquid share issuers amounts to 87 per cent of the total turnover and the share of just two issuers (OAO Gazprom and OAO Sberbank of Russia) is over a half of the turnover. The ratio between trading volumes of Russian companies' shares on internal and foreign markets stays at the traditional level in 70 to 30 per cent.

Corporate bond market. There can be seen the tendency to reduction in the

number of corporate bond issuers along with increase in the number of issues at the same time for two straight years. The number of market (participating in the secondary turnover) corporate bond issuers amounted to 364 companies that is by 10 per cent less than the one at the beginning of the year. At the same time, the number of issues of such issuers increased by 5 per cent. The volume of corporate bonds in circulation which are traded in the internal market is tending upwards and has reached 3 trillion rubles that is an 18 per-cent increase per year. Compared to GDP, the size of the corporate bond market remains insignificant and does not exceed 7 per cent. New issues of corporate bonds are offered extremely irregularly and largely depend on the economic situation both in the country and abroad. In 2010 the total volume of exchange offerings comprised 855 billion rubles that is by 7 per cent less that the one in the previous year.

The total volume of exchange anf off-exchange transactions with corporate bonds (ignoring repos) increased by 66 per cent for the year and comprised 6 trillion rubles, whereas in 2007-2009 it remained without any significant changes. The share of exchange transactions reached 80 per cent that is its maximum since 2005. The share of repos in the total exchange turnover of corporate bonds increased even greater and exceeded 80 per cent. As for the composition of the exchange turnover, there considerably increased the share of exchange bonds: in 2010 it reached 20 per cent. The average duration of corporate bonds rose to 650 days.

Corporate bond defaults still take place. Despite the fact that in 2010 the main indices of violations in service of corporate liabilities declined compared to the previous year when the situation with defaults had been of system nature, compared to 2008 and earlier years they remain very high: 65 issuers committed various violations and the volume of outstanding liabilities amounted to 47.1 billion rubles.

Public bond market and market of bonds of Bank of Russia. The volume of public bonds in circulation which are traded on the internal market showed a considerable growth in the second half year and reached 2.1 trillion rubles (4.6 per cent of GDP) that is a 39 percent increase per year. The exchange volume of transactions with public bonds comprised 475 billion rubles that is by 54 per cent more than the one in 2009. The average duration of corporate bonds decreased to 1,500 days.

The volume of bonds of the Bank of Russia increased. Despite considerable fluctuations, it rose by 26 per cent to 0.6 trillion rubles for the year.

Subfederal and municipal bond market. The total volume of bonds of constituents of the Russian Federation and municipal bonds in circulation changes a little and by the end of the first half comprised 455 billion rubles. For the year trading volumes of these bonds increased by 20 per cent and reached 891 billion rubles. The share of repos in the exchange turnover of subfederal or municipal bonds increased even greater and exceeded 90 per cent.

Derivatives market. Instrumental base of exchange derivative contracts underlying asset of which is securities and stock indices was reduced by 20 per cent to 32 types of contracts. The main type of derivative contracts on the leading Russian exchanges is stock index futures – over 80 per cent of the turnover.

FORTS showed cyclical behaviour, nevertheless the volume of transactions doubled in money terms and comprised 24.6 trillion rubles. The share of options decreased to 5 per cent of the turnover. By the end of the year, the volume of futures' open positions on FORTS increased by 64 per cent and amounted to 77 billion rubles. The volume of options' open positions rose by 123 per cent to 78 billion rubles. The ratio between the volumes of open positions of RTS index future call and put options shows that during almost the whole year open positions of call option dominated.

MICEX derivatives market shows expansive growth: at the end of the year the volume of transactions increased in 17 times in money terms and exceeded 1 trillion rubles.

In early 2010 the volume of transactions on the derivatives market became equal to the volume of transactions on the share spot market for the first time, and at the end of the year the derivatives market exceeded the share spot-market as much as by 150 per cent.

Stock indices. Stock indices continued their recovery after a deep fall in the second half year of 2008. However in 2010 recovery rates came down and became less stable, the dynamic upward tendency which had been typical for 2009 turned to be lost. Since the mid April there appeared a downward tendency against negative news background which went on till the end of June. Then, despite shortlived recessions, there appeared a positive tendency, and the year ended with the maximums of colsolidated share stock indices. At the end of the year, consolidated stock indices of the first echelon, namely RTS Index and MICEX Index, showed relatively low return - 22-23 per cent per year. In the second echelon the growth turned to be more dynamic (RTS-2 Index - 52 per cent per year). As for branch indices, commodities, industry and metallurgy indices showed the highest return. Indices for companies from the oil and gas industry has been showing a relative low return for two straight years. The volatility of concolidated share stock indices decreased to 1.0-1.5 per cent.

Judging by corporate bond indices, in 2010 the average total return of investors in corporate bonds continued to grow monotonically as since a year ago. There can be noted the period of a sharp slowdown and stabilization in May as well as decline in growth rates from October till the end of the year. For the year indices changed by 12-14 per cent.

Issuers. Public offerings. The number of share issuers which are traded on the formal market has been decreasing for three straight years, though the number of issuers included in quotation lists has been stabilizied.

Initial offerings are observed to become more active. However, it is accompanied by a new tendency – using of companies specially established in foreign jurisdictions for offerings on foreign markets. UC Rusal Plc. held such IPO which placed its shares with a total volume of 2.2 billion dollars on an exchange in Hong Kong and on European exchange Europext. As for large IPO of foreign companies carrying out their activities in Russian, Mail.ru Group which placed its shares in the amount of 1 billion dollars on London Stock Exchange should be also mentioned. According to available estimates, 11 Russian issuers held in 2010 initial offerings with a total volume of 2.2 billion dollars. Only on the Russian market, eight companies held initial offerings, including offerings of four companies within the framework of MICEX special project "Market of Innovations and Investments". In total, they attracted about 1 billion dollars.

Private investors. The rates of increase in the number of citezns trading on MICEX was sharply reduced and by the end of the year their number was 713 thousands that is just by 4 per cent more than at the beginning of the year. During the year the number of proactive investors was subject to considerable fluctuations, but at the median level it remained unchanged – 104 thousand persons. By various estimates, the number of private pesrons investing in unit investment funds comprised from 350 to 500 thousand persons.

Collective investments. At the end of the year, there were 1,251 unit investment funds in total. For the year, the number of open-end unit investment funds decreased by 2 per cent and the number of closed-end unit investment funds increased by 27 per cent; the number of interval funds has been decreasing for the last three years. About 70 per cent of closed-end unit investment funds belong to funds for qualified investors. As a branch of

pooled investments, unit investment funds show a weak capacity to postcrisis recovery. At the end of the half of the year, the net asset value of open-end and interval unit investment funds amounted to 121 billion dollars that is by 25 per cent more that at the beginning of the year. Along with that, it is by 57.6 billion rubles less than in 2007 with record volume. In comparison to GDP, the net asset value of openend and interval unit investment funds remains minor – 0.27 per cent. In the first half year of 2010, the net outflow of funds as since Q2 2008, stopped, but recommenced by the end of the year. As a resullt, the balance of net fundraising turned out to be negative and comprised 358 billion rubles.

By available expert estimations, for the year the net asset value of closedend unit investment funds increased by 27 per cent and amounted to 485 billion rubles.

Non-State Pension Funds. In

accordance with the Federal Financial Markets Service, at the end of 2010, 150 organizations had valid non-state pension fund licenses and 133 funds out of them were allowed to carry out compulsory pension insurance activities. During this period the quantitative composition of pension provision subjects stabilized, while two years ago the number of non-state pension funds declined by over 30 per cent.

2009-2010 saw a gradual increase in pension reserves. By available estimates, at the end of 2010 they amounted to 643 billion rubles that is by 13 per cent over than a year ago. There was also increase in pension assets. During 2010 they incresed alomost in twice and at the end of the year comprised 155 billion rubles.

Foreign investment funds. According to the data available, 2,137 foreign funds, which are obliged to disclose

the details of their activities, invest in Russian assets (both local shares and depository receipts). It is a little more than at the beginning of the year. There can be noted a considerable increase in investments of such funds in Russian assets: for the year investments rose at 17 per cent, the volume of securities of Russian companies in the funds' assets is estimated in 90.7 billion dollars, a quarter of these assets is purchased on Russian stock exchanges. Activity of specialized funds continues to increase (the share of Russian assets is over 75 per cent), for the year their number rose to 51 funds and assets rose at 12 per cent to 26.7 billion dollars.

Professional participants of the securities market. The number of professional participants of the securities market has been decreasing for two straight years by 10 per cent per year at average. At the end of 2010, there are 1,512 organizations in Russia that have one or another licenses of professional participants of the securities market, nearly 35 per cent of them are credit organizations.

1,406 companies among all professional participants are brokers, dealers and trustees, 67 per cent of them are located in Moscow.

For the year, there were issued broker, dealer and trustee licenses to 213 companies, 292 companies had their licenses revoked. Two thirds of licenses were revoked upon the application of professional participants theirselves. What is noticeable particularly is the reduction in the number of market intermediaries in regions.

Among professional intermediaries which are participants of the trade at stock exchanges, there is observed a high concentration by the volume of transactions. Ten MICEX share traders provide for 63 per cent of the turnover. Ten share traders on all RTS markets provide for 96 per cent of the turnover.

1. Instruments

1.1. Shares

Table 1 shows data from SPARK Database on issuers and issues of shares. This table contains summary data on the number of share issuers and the number of registered issues of shares as at the end of the period on an accrual basis from the beginning of incorporation of joint-stock companies without regard to

current status of an issuer (valid/invalid). Data on the number of valid legal entities and those broken down by legal forms of organization are presented in Table 39.

In Russia the number of open joint stock companies constantly increases, however just few issuers are presented on stock exchanges. Table 2 shows summary data on shares which are presented on main Russian stock exchanges.

So, stock exchanges present not over 0.8 per cent of all open joint stock companies issuing shares. This index remains almost unchanged during the recent years.

Table 1

Share issuers in 2005–2010

Period	Number of joint-stock companies	including OJSC	Number of 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
2010	529 132	73 437	532 125

Source: Interfax Group (SPARK Database). **Note:** Number of issues without additional issues.

Table 2 Formal share market in 2005–2010

		MICEX	RTS			
Period	Number of share issuers	Number of share issues (of joint stock companies) in quotation lists	Number of share issuers	Number of share issues (of joint stock companies) 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		
2010	249	113	278	91		

Sources: MICEX, RTS.

Since 2008, there are no significant changes in the number of share issuers which are traded on stock exchanges. Nevertheless, in 2010 a growth tendency took shape (according to MICEX, 6 per cent annual growth in contrast to 1 per cent a year ago). The same situation exists in relation to the number of share issues in quotation lists: in 2010 the increase comprised over 9 per cent (according to MICEX) in contrast to 2 per cent a year ago. The most issues of shares which are traded in the internal formal market are securities admitted to trading without listing procedure (out-of-list securities). Along with that, the share of out-of-list share issues is trending downwards from year to year: from 80 per cent in 2005 to 60 per cent in 2010.

Much of share issuers are presented at one time on two main Russian stock exchanges: MICEX and RTS. Depository receipts representing shares of 70 Russian issuers are traded on foreign exchanges². Table 3 shows data on the distribution of share issuers between the main Russian stock exchanges and Standard&Poor's³ estimate of the number of Russian share issues which are admitted to trading on RTS, MICEX, NYSE, NASDAQ and included in the LSE-listed S&P EMDB Russia index. Differences in data from tables 2 and 3 are caused by peculiarities of accounting.

Over a half of share issuers are presented on both main Russian stock exchanges at the same time; this index demonstrates a tendency towards decrease, that is the distribution of share issuers between stock exchanges. So, the

internal and external formal share market presents about 350 Russian companies issuing shares and this index increases slightly.

Table 4 shows data on capitalization of the Russian issuers' share market accordingly different estimates. It should be noted that at the end of the year depository receipts representing shares of Russian issuers traded on foreign markets were brought to market for the first time. Russian depository receipts accounting practice in capitalization of the internal market is still developing. So, based upon disclosed information, RTS refers them to total capitalization of the share market, while MICEX does not. In order to compare results in Table 4, RTS data do not include capitalization of Russian depository receipts.

Table 3

Distribution of share issuers between main stock exchanges in 2008–2010

Period	only MICEX	only RTS	MICEX and RTS	Issuers total	- S&P Estimate
Period	1	2	3	1+2+3	S&P Estillate
2008	35	81	198	314	314
2009	49	98	185	332	333
2010	76	91	187	354	345

Sources: MICEX,RTS, S&P, NAUFOR calculations.

Table 4

Capitalization of the Russian issuers' share market in 2005–2010

Period	MICEX, billion rubles	RTS, billion dollars	S&P Estimate, billion dollars	GDP, billion rubles	Capitalization / GDP, per cent
2005	9,304	329	549	21,609.8	43
2006	25,482	966	1,057	26,917.2	95
2007	32,740	1,329	1,503	33,247.5	98
2008	11,017	374	397	41,264.9	27
2009	23,091	763	861	38,797.2	60
Q1 2010	24,684	841	975		
Q2 2010	21,964	704	801		
Q3 2010	23,717	780	1,112		
Q4 2010	29,253	960	1,379		
2010	29,253	960	1379	44,491.4	66

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

² By estimate of Alfa-Bank.

³ Emerging Stock Markets Review, Global Stock Markets Factbook, S&P, share series of 2006–2010.

In 2010 capitalization of the Russian issuers' share market was prone to different tendencies. According to RTS, it can be noted that the end of Q1 recorded 10 per cent increase in capitalization while Q2, contrary, showed a 16 per-cent decline. During the second half year, the capitalization was trending upwards, in Q4 it increased considerably – by 23 per cent. Such increase in the end of the year was subject not only to positive dynamics on the share market but also to the fact that a new large issuer – TNK-BP Holding – was admitted to trading. As a result, at the end of the year the capitalization of the Russian issuers' share internal market increased by 25-26 per cent, depending on currency of account, and became equal to results of 2006-2007 by the order of magnitudes.

Nevertheless, compared to GDP, capitalization remained at the level of 66 per cent and is considerably behind the results of 2007–2008 when capitalization had been much equal to GDP.

The Russian share market is traditionally distinguished by quite a high capitalization concentration both by issuers and by branches to which these issuers belong.

Table 5 shows the list of ten most capitalized companies and Table 6 presents dynamics of changes in the share of ten most capitalized companies in 2005–2010.

The list of the most capitalized issuers changes slightly, the same companies headed by OAO Gazprom traditionally held the first four positions. Along with that, 2010 saw a new issuer – OAO TNK-

BP Holding (the sixth most capitalized). OAO Gazprom Neft (the seventh position at the end of 2009) left the top ten most capitalized issuers.

In the recent years the concentration of capitalization of share issuers slowly but steadily reduces: during five years (from 2006 till 2010) the share of ten most capitalized companies decreased almost by 18 items: from 78.5 to 60.4 per cent, and the share of the most capitalized issuer – OAO Gazprom – reduced in twice: from 30.7 to 15.8 per cent. At the end of 2010, the concentration of capitalization decreased by 4.9 and 3.6 items relatively compared to the previous year.

Capitalization concentration decreases first of all at the expense of large initial and secondary public offerings carried

Table 5

The list of ten most capitalized Russian issuers (at the end of 2010)

No.	Issuer	Capitalization (billion dollars)	The share in total capitalization (per cent)
1	OAO Gazprom	150.7	15.8
2	OAO Sberbank of Russia	76.5	8.0
3	OAO NK Rosneft	76.4	8.0
4	OAO LUKOIL	48.7	5.1
5	OAO MMC Norilsk Nickel	45.1	4.7
6	OAO TNK-BP Holding	41.6	4.4
7	OAO Surgutneftegas	41.4	4.3
8	OAO Bank VTB	34.7	3.6
9	OAO NOVATEK	33.1	3.5
10	OAO NLMK	28.1	2.9
TOTAL		576.3	60.4
Total capitalization MICEX		954.4	100.0

Source: MICEX.

Table 6

The share of the most capitalized issuers in total capitalization of the share market in 2005–2010

	2005	2006	2007	2008	2009		20	10	
	2005	2006	2007	2008	2009	Q1	Q2	Q3	Q4
TOTAL (per cent)	77.7	78.5	68.5	69.3	65.3	62.2	61.8	60.6	60.4
incl. OAO Gazprom	-	30.7	27.3	25.7	19.4	17.0	16.6	16.0	15.8

Based on MICEX data.

out in 2006–2007 and decrease in capitalization of companies from the oil and gas industry does its share as well.

Table 7 shows data on industrial composition of the capitalization of the Russian share market.

The main tendency of the recent years is decrease of the share of companies specializing in oil and gas production and processing in total capitalization: during five years it dropped by 18 items

and, at the end of Q1 2010, it is the first time when it has been below 50 per cent. In Q4 shares of a new highly capitalized issuer from oil and gas industry – OAO TNK-BP Holding – became traded on the stock market. It is one of reasons for slight growth of this industry in total capitalization.

Looking back five years, there may be noted an increase in capitalization of metallurgical companies (7.2 items), financial companies (3.9 items) and chemical works (2.2 items). As for the rest, there were not any significant changes in industrial composition of capitalization.

Table 8 and Fig. 1 show data to characterize trading volumes of Russian companies' shares on the leading Russian stock exchanges.

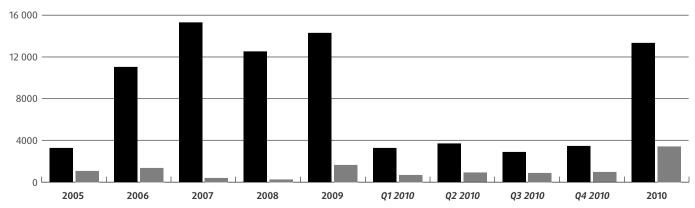
In 2010 turnovers continued to grow as since the mid 2009; the largest

Table 7
Industrial composition of capitalization of the Russian share market in 2006–2010, per cent

Na	Branch	2006	2007	2000	2000	2010			
No.	DIGIICII	2006	2007	2008	2009	Q1	Q2	Q3	Q4
1	Oil and gas industry	62.6	50.4	57.0	50.1	45.5	45.5	43.5	44.6
2	Financial services	9.2	11.8	10.1	14.5	13.0	13.5	13.5	13.1
3	Metallurgy	8.1	11.1	10.0	12.3	14.4	13.7	14.9	15.3
4	Power industry	11.7	12.5	8.9	9.4	11.7	11.5	12.0	10.6
5	Communications	4.1	4.4	5.2	3.8	4.1	4.2	4.2	3.7
6	Chemical industry	0.2	1.5	1.5	1.6	1.5	1.9	1.9	2.4
7	Transport	0.8	1.2	1.8	1.2	1.3	1.2	1.1	1.2
8	Trade	0.6	0.7	0.7	1.1	1.3	1.5	1.7	1.7
9	Coal industry	0.1	0.3	0.2	1.0	1.3	1.1	1.2	1.1
10	Engineering and metal-working	0.8	1.1	0.7	1.0	1.4	1.4	1.4	1.5
11	Food industry	1.1	1.2	1.2	1.0	1.1	1.1	1.2	1.6
12	Mining industry	0.2	0.2	1.3	0.9	0.8	0.7	0.7	0.8
13	Other branches	0.2	2.3	0.9	1.8	2.6	2.7	2.5	2.5

Source: MICEX.

Figure 1
Trading volumes of Russian issuers' shares on the internal market (ignoring repos) in 2005–2010, billion rubles



■ MICEX ■ RTS
Sources: MICEX, RTS

volume of transactions was recorded in O2 and O4.

As the result, the total volume of transactions with Russian companies' shares on the internal market in 2010 (ignoring repos) comprised 16,761 billion rubles, that is by 5 per cent over than the one a year ago, when the volume of transactions had reached its historical maximum. At the end of the year, the ratio between the volume of share trade

and GDP remains unchanged – a little over 74 per cent.

Fig. 2 shows diagrams of indices of return on equity and dividend yield.

From the spring 2009 till the end of 2010, return of equity index monotonically increases. Nevertheless, compared to 2005–2006, shares of Russian companies seem to be unappreciated.

Attention should be paid to the dynamics of changes in the share of

repos with shares (refer to Table 8 and Fig. 3). During the whole 2010, as distinct from the previous year, the volumes of repos increased from quarter to quarter and in the second six months over a half of the total trading volume accounted for such transactions. Consequently, at the end of the year, the share of repos in the total volume of transactions with shares comprised 49 per cent, that is little different from the result of the previous

Table 8

Trading volumes of Russian issuers' shares in 2005–2010

Period								20	10		
	unit of measurement	2005	2006	2007	2008	2009	Q1	Q2	Q3	Q4	2010
MICEX ¹	billion rubles	4,025.0	14,859.6	30,927.1	33,704.7	27,874.8	6,520.7	7,800.2	7,094.9	8,691.3	30,107.1
incl. MICEX+	billion rubles	-	-	-	-	-	0.01	1.1	0.2	0.00	1.2
RTS ² Classica	billion dollars	7.7	16.1	14.6	9.8	2.5	0.7	0.6	0.4	0.5	2.2
RTS ² exchange market	billion rubles	82.0	27.3	23.5	28.1	11.7	1.8	3.9	2.6	3.7	11.9
RTS ² Standard	billion rubles	-	-	-	-	1,556.5	672.5	894.3	941.5	993.9	3,502.2
SPB SE ²	billion rubles	936.8	1,205.9	64.2	41.7	1.3	0.1	0.2	0.1	26.1	26.6
US dollar average rate for period (advisory)	rubles	28.28	27.18	25.57	24.81	31.68	29.90	30.23	30.62	30.71	30.36
GDP (advisory)	billion rubles	21,609.8	26,917.2	33,247.5	41,264.9	38,797.2					44,491.4
			TOTAL (esti	mative) taking in	ito account	repos					
	billion rubles	5,260.2	16,530.5	31,386.8	34,012.3	29,523.6	6,544.3	8,717.8	8,051.0	9,729.0	33,042.1
	billion dollars	186.0	608.2	1,233.2	1,393.8	930.8	241.4	288.4	262.9	316.8	1,109.5
The share of repos	per cent	17.2	24.9	49.9	62.4	46.0	39.2	47.0	53.4	54.7	49.3
			TOTAL	(estimative) ign	oring repo	s					
	billion rubles	4,354.1	12,415.6	15,713.0	12,783.8	15,953.8	3,981.9	4,620.1	3,754.6	4,405.1	16,761.7
	billion dollars	151.3	471.5	621.2	524.4	507.4	133.2	152.8	122.6	143.4	552.1
S&P Estimate	billion dollars	159.3	514.4	754.5	712.8	682.5	192.4	216.2	172.4	216.8	797.8
Turnover ration (year) ³	per cent	46.0	48.8	46.7	140.3	66.5					55.7
Turnover ration (quarter) ³	per cent						15.8	21.7	15.7	14.5	
Ratio between the volume of share exchange trade and GDP ⁴	per cent	24.3	61.4	94.4	82.4	76.1					74.3

Notes to Table 8:

For trades on MICEX auction mode, mode of negotiated transactions and repos are taken into account. Transactions in procedure of initial offering are ignored.

² For trades on RTS and SPB SE market, two-sided transactions and repos closed during main and additional sessions are taken into account. Transactions in procedure of initial offering are ignored.

³ Turnover coefficient is considered as ratio between volume of transactions (ignoring repos) over a period (year, quarter) and capitalization at the end of a period.

⁴ The volume of exchange trade is taken into account with regard to repos.

Figure 2
Dividend yield and the index of return on Russian issuers' share in 2005–2010

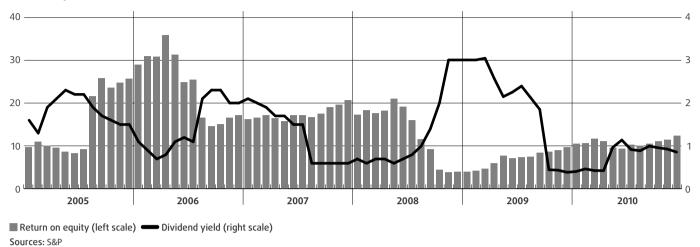
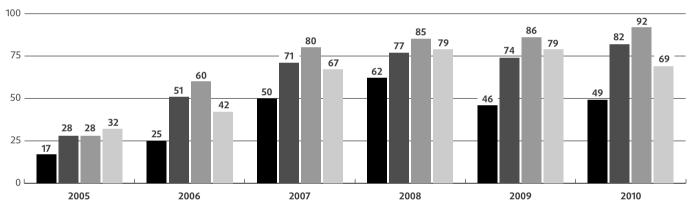


Figure 3

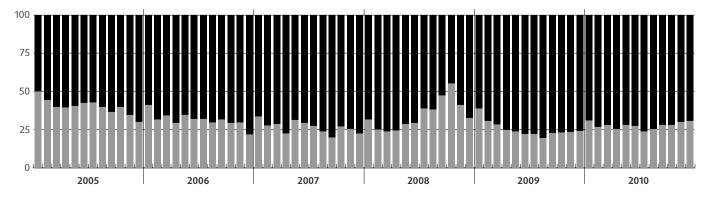
Share of repos with securities on the internal exchange market in 2005–2010, per cent



■ Shares ■ Corporate bonds ■ Bonds of constituents of the Russian Federation ■ Municipal bonds Sources: MICEX, RTS

Figure 4

Trading volumes of depository receipts and Russian issuers' shares depository receipts of which were/are traded on foreign exchanges in 2005–2010, per cent



Russian Exchanges ADR, GDR

Sources: MICEX

year. In the crisis year of 2008, this index reached its historical maximum – 62 per cent. So, the internal exchange share market is still used, to a great extend, as the money market against securities.

Share trade is focused on a quite limited range of instruments. Table 9 contains the list of issuers transactions with shares of which were most active on MICEX in 2010 (taking into account repos) and Table 10 shows data on dynamics of changes in the share of ten most traded share issuers for the recent years.

The concentration of transactions with shares remains extremely high, though it has a tendency towards weakening: at the end of 2010 the share of ten most liquid issuers comprised 86.6 per cent that is by 5.1 items less that the one at the beginning of the year. The list of the most liquid share issuers changes a little: compared to the previous year, it differs only by two positions. In 2010, OAO Sberbank of Russia (taking into account of the turnover of ordinary and preferred shares) and OAO Gazprom leaded in

liquidity. Until 2009, OAO Gazprom used to lead among the most liquid share issuers by a head.

The relation between roles of domestic and foreign trading floors in the overall structure of thr Russian share turnover is a matter of substance for the Russian security market (refer to Fig. 4).

In 2010, like in previous four years except for crisis period in autumn 2008, the relation between trading volumes on domestic and foreign exchanges was at average 70 to 30 per cent.

Table 9
List of issuers transactions with shares of which were most active on the MICEX share market (at the end of 2010)

No.	Issuer	The share in total trading volume (per cent)
1	OAO Gazprom	26.53
2	OAO Sberbank of Russia	26.48
3	OAO MMC Norilsk Nickel	8.42
4	OAO LUKOIL	6.45
5	OAO NK Rosneft	5.40
6	OAO Bank VTB	4.17
7	OAO Surgutneftegas	2.94
8	OAO Stock Company Transneft	2.53
9	OAO RusHydro	2.12
10	OAO Mobile TeleSystems	1.55
	TOTAL	86.59

Source: MICEX.

Share of ten issuers transactions which shares of which were most active in 2005–2010

	2005	2006	2007	2008	2009	2010
TOTAL (per cent)	95.9	94.8	92.0	92.0	91.7	86.59
incl. OAO Gazprom	-	32.0	28.4	31.9	24.7	26.53
incl. OAO Sberbank of Russia	5.4	6.1	11.1	13.6	26.1	26.48

Based on MICEX data.

1.2. Corporate bonds

2010 kept the tendency to decline in the number of market issues of corporate bonds⁴, which had appeared in 2008 (refer to Table 11 below).

In the end of 2010, the number of issuers of market bonds comprised 364 companies that is by 10 per cent less than the one a year ago. Compared to 2007, when the number of issuers had reached its historical maximum, it decreased by 20 per cent. Along with that, the number of issues of market bonds comprised 663 issues that is by 5 per cent more than the one at the beginning of the year. So, progressively smaller number of issuers make frequent borrowings on the debt market.

Fig. 5 shows monthly diagrams of the size of the corporate bond market (offered issues at nominal value) and Table 12 does summary data at the end of the years 2005–2010 (both market and non-market issues).

In 2010 the corporate bond market continued to grow since February till May at the average rate 1.5 per cent per month; however June made apparent a slight drop. An active growth recommenced in September and had been continuing almost to the end of the year except for December. As a result, at the end of 2010 the volume of corporate bonds in circulation comprised 3,000 billion rubles that is by

18 per cent more than the one a year ago. Nevertheless, compared to GDP, the corporate bond market remained almost at the same level and comprises little 6.7 per cent.

In is characteristic that in 2010 the share of non-market issues tended to gradually reduce and by the end of year comprised 6.3 per cent of the total volume of circulating corporate bonds at nominal value.

New issues of corporate bonds are distributed extremely irregularly and depend on the economic situation both in the country and in the world. The Russian corporate bond market features offering and circulation of them mainly

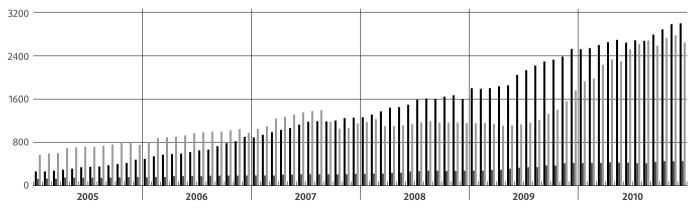
Table 11

Number of corporate bond issuers and issues in 2005–2010

Period	Number of bond issuers	Number of bond issues
2005	230	302
2006	370	488
2007	465	607
2008	463	650
2009	405	630
2010	364	663

Source: CBONDS.

Figure 5
Size of the internal market (at nominal value), milliom rubles



■ Corporate bonds ■ Subfederal and municipal bonds ■ Public bonds (including bonds of Bank of Russia)
Source: CBONDS.

⁴ Market issues and issuers mean issues of bonds which take part in the secondary turnover.

on formal trading. The main trading floor for public offering of corporate bonds is MICEX. Table 13 shows data on exchange distributions (summarily market and nonmarket issues) on this exchange in 2010.

2010 saw average volumes of corporate bond distribution: at the end of the year the volume of corporate bond exchange distributions comprised 855 billion rubles that is by 7 per cent less than the one a year ago.

Fig. 6 shows monthly diagram of trading volumes (both exchange and off-exchange) in the internal debt market in 2005–2010, Table 14 shows summary data at the end of every year⁵.

In the beginning of 2010 the volume of transactions with corporate bonds continued to grow as since the second half of the previous year. Turnovers

reached the peak in February, when there was noted the record monthly volume of transactions with corporate bonds. In accordance with CBONDS, it comprised almost 700 billion rubles. However, starting from March, there took shape a decline in turnovers, the minimal volume of transactions is recorded in May. The stable growth recommenced not till August and remained until the end of the year except for December. Noverber fixed the largest monthly growth that is by 32 per cent. At the end of 2010, the total volume of exchange and off-exchange transactions with corporate bonds comprised (ignoring repos) 5,970 billion rubles that is by 66 per cent more that the one a year ago.

As before, the share of exchange transactions was increasing, at the end

of the year it amounted to 79 per cent of the total secondary turnover of corporate bonds that is by 9 items more than the one a year ago. It is the maximum for the observed period.

Exchange trade of corporate bonds is engaged at MICEX and RTS. Table 15 shows summary data on corporate bonds (including exchange bonds) which were distributed and are traded on these Russian stock exchanges⁶, and Table 16 shows data on bond trading volumes on MICEX in 2005–2010.⁷

The number of corporate bond issuers on formal markets has been declining for two straight years. In accordance with MICEX, compared to 2008, when the number of corporate bond issuers had reached its historical maximum, it was reduced by 8.7 per cent. Along with that,

Table 12

Size of the corporate bond market in 2005–2010

Period	Size of the corporate bond market, billion rubles	Size of corporate bond market / GDP, per cent
2005	481	2.2
2006	902	3.3
2007	1,257	3.7
2008	1,597	3.8
2009	2,526	6.5
Q1 2010	2,600	
Q2 2010	2,643	
Q3 2010	2,792	
Q4 2010	3,000	
2010	3,000	6.7

Sources: CBONDS, Federal State Statistic Service.

Table 13

Distribution of new corporate bond issues in 2010

Period	Distribution volume (billion rubles)	Number of issuers	Number of issues
Q1 2010	107.1	16	23
Q2 2010	189.3	39	44
Q3 2010	251.4	44	58
Q4 2010	307.1	52	66
2010	854.9	114	191

Source: MICEX.

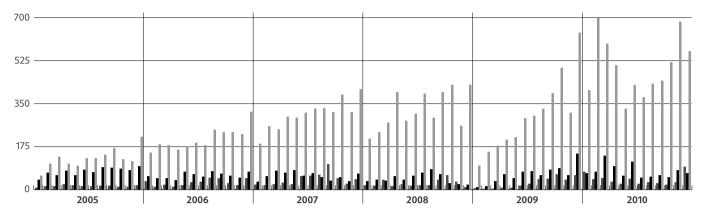
⁵ Unless otherwise stated, here and afterwards, when estimating the size of the secondary market of bonds of all types, repos are ignored. Data on off-exchange transactions is presented by NDC.

⁶ This table shows both market and non-market issues of corporate bonds.

⁷ This table and Table 25 show no data on bond trading on RTS due to relatively small volumes (on RTS Formal and Exchange markets the total volume of all transactions with corporate, subfederal and municipal bonds, including market and two-sided transactions, comprised 0.15 billion rubles in 2005, 8.24 billion rubles in 2006, 1.23 billion rubles in 2007, 6.21 billion rubles in 2008, 0.034 billion rubles in 2009, 0.034 billion rubles in 2010).

Figure 6

Total trading volume on the internal debt market in 2005–2010, billion rubles



■ Public bonds ■ Subfederal and municipal bonds ■ Corporate bonds

Source: CBONDS

Table 14

Corporate bond trading volumes in 2005–2010

Period	Total trading volume (billion rubles)	The share of exchange transactions in the total trading volume (estimative), per cent
2005	1,514	60
2006	2,438	72
2007	3,670	74
2008	3,890	68
2009	3,605	70
Q1 2010	1,695	69
Q2 2010	1,261	88
Q3 2010	1,248	82
Q4 2010	1,764	69
2010	5,969	79

Note: ignoring repos. Source: CBONDS.

Table 15 Formal corporate bond market in 2005–2010

		MICEX			RTS	
Period	Number of bond issuers	Number of bond issues	including those in quotation lists (issuers/issues)	Number of bond issuers	Number of bond issues	including those in quotation 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
2010	398	748	178/386	43	52	0/0

Sources: MICEX, RTS.

there can be noted an increase in the number of bond issues, particulary those included in quotations lists.

Q1 2010 noted a sudden increase in exchange turnovers of corporate bonds, compared to the previous quarter the growth (ignoring repos) exceeded 38 per cent. However Q2 and Q3 featured decline in trading volumes by 10 and 4 per cent accordingly, and it was already Q4 which recorded 19 per-cent increase. Compared to 2009, the annual volume

of exchange transactions with corporate bonds increased by 82 per cent.

A sharp increase in volumes of repos in the secondary corporate bond exchange market became a tendency, which had appeared in recent years and continued in 2010 (refer to Fig. 3 and Table 16). In 2010 the volume of repos came to 82 per cent, that is the 9 items' incrfease for the year.

Thus, the formal corporate bond market, as well as the share market, is

mainly used as the money market against securities.

Table 17 and Table 18 show data on ten bond issues and ten bond issuers the volumes of exchange transaction with which were the largest in 2010⁹.

The secondary corporate bond market focused on separate instruments not so much as the share market. In 2010 the share of ten most liquid bond issues remained at the level of the previous year that is 25 per cent. Nevertheless, it

Table 16

Corporate bond trading volume on MICEX⁸ in 2005–2010

Period -	Total trading volume of corp	oorate bonds (billion rubles)	The share of repos in the total trading
reliod	without repo	with repo	volume, per cent
2005	900	1,250	28
2006	1,801	3,665	51
2007	2,701	9,374	71
2008	2,604	11,349	77
2009	2,463	9,281	73
Q1 2010	1,178	4,559	74
Q2 2010	1,060	5,959	82
Q3 2010	1,020	6,009	83
Q4 2010	1,213	7,635	84
2010	4,470	24,161	82

Source: MICEX.

Table 17
List of corporate bond issues transactions with which were most active on MICEX (at the end of 2010)

No.	Security	Issuer	Share in the total trading volume, per cent
1	Transnft 03	OAO Stock Company Transneft	5.7
2	Sibmetin02	OOO SIBMETINVEST	3.4
3	Russian Railways – 10 bonds	OAO Russian Railways	2.9
4	Russian Railways – 23 bonds	OAO Russian Railways	2.2
5	Russian Railways – 18 bonds	OAO Russian Railways	2.1
6	RZD BO-1	OAO Russian Railways	2.1
7	Sistema-03	OAO JSFC Sistema	2.0
8	Sistema-02	OAO JSFC Sistema	1.9
9	Russian Railways – 14 bonds	OAO Russian Railways	1.8
10	Sibmetin01	OOO SIBMETINVEST	1.8
	Total		25.8

Based on MICEX data.

⁸ Taking into account auction mode and negotiated deals mode as well as transactions with exchange bonds. Transactions in the order of initial offering are ignored.

⁹ Taking into account repos and exchange bonds.

should be noted that this index increased in comparison to 2008 when it had been at its minimun during the observed period – 17 per cent.

The recent years made visible a tendency to increase in concentration of the corporate bond market by issuers. In 2010 over a half of the secondary exchange turnover accounted for the share of ten largest bond issuers.

It should be stressed that the list of the most liquid corporate bonds was subject to more noticeable changes than the list of the most liquid shares. In the recent years the only bonds which are invariably in this list are bonds of OAO Russian Railways.

In 2010 corporate bond duration (see details in section 0) increased by 60 per cent and reached the level of 650 days.

In 2007-2008 a new instrument, that is exchange bonds, appeared in the corporate bond market. Issue of exchange bonds does not require state registration and placement report, these functions are transferred to stock exchanges which significantly shortens the period from the decision to issue to the commence of their circulation. In accordance with MICEX, for this period regustered were 445 issues of exchange bonds of 107 issuers to the amount of 1.7 trillon rubles.

The secondary turnover of exchange bonds (refer to Table 19) increased in 6-7 times every year, at the end of 2010 it reached 4,797 billion rubles that is 20 per cent of the total trading volume of corporate bonds on MICEX. One of corporate bond issues is included in the list of the most liquid instruments (refer to Table 17).

In 2010 negative tendency to increase in the number of defaults which had appeared in 2008-2009 relented on the corporate bond market. Table 20 and 21 show data on the number of bond issues, the number of issuers and volumes of outstanding liabilities in recent years.

Compared to the previous year, in 2010 the number of issuers which had committed violations of different nature in service of bonds declined by 41 per cent and the number of committed violations did by 37 per cent. As before, the most frequent reason for violations became non-payment of coupons.

For the year, the total volume of outstanding liabilities was reduced by 38 per cent to 47.1 billion rubles, the largest share in this amount accounted for non-payment of bond nominal value. Before, in 2009 and 2008, the largest share in outstanding liabilities used to account for disclaimer of liabilities under an offer and non-payment of coupons accordingly.

In 2010 the main indices of violation in service of corporate liabilities remained very high in spite of their decline in comparison to the previous year when the situation with defaults had been of system nature.

Table 18

List of issuers transactions with corporate bonds of which were most active on MICEX (at the end of 2010)

No.	Issuer	Volume of transactions (billion rubles)	Share in the total trading volume, per cent
1	OAO Russian Railways	4,044.3	16.7
2	OAO AHML	2,111.2	8.7
3	OAO Stock Company Transneft	1,615.3	6.7
4	000 SIBMETINVEST	1,254.8	5.2
5	OAO JSFC Sistema	990.2	4.1
6	OAO Russian Agricultural Bank	717.6	3.0
7	OAO Gazprom Neft	701.0	2.9
8	OAO Mobile TeleSystems	697.3	2.9
9	OAO ANK Bashneft	685.1	2.8
10	OAO LUKOIL	683.2	2.8
	Total		55.9

Based on MICEX data.

Table 19

Exchange bond trading volume on MICEX (including repos) in 2008-2010

	`	
Period	Trading volume (billion rubles)	Share in the total trading volume of corporate bonds, per cent
2008	106.7	0.9
2009	760.7	8.1
2010	4 ,796.5	19.9

Source: MICEX.

Table 20
Violations in issuers' performance of corporate bond liabilities in 2002–2010

Number of bond issues						_
	Default	Non-fulfilment of offer	Delay in fulfilment of offer	Technical default	Final total	Number of issuers
Total	421	115	13	66	615	
		;	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	
			2010			65
Total	159	25	1	18	203	
Coupon	118			12	130	
Offer		25	1		26	
Redemption	41			6	47	

Source: CBONDS.

Table 21

Violations in issuers' performance of corporate bond liabilities in 2002–2010 (volume of outstanding liabilities, million rubles)

		By the volu	me of outstanding debt		
	Default	Non-fulfilment of offer	Delay in fulfilment of offer	Technical default	Final total
Total	102,039	89,977	10,049	9,493	211,558
			2002-2007		
Total	1,014	0	0	1,570	2,584
Coupon	88	0	0	70	159
Offer	0	0	0	0	0
Redemption	925	0	0	1,500	2,425
			2008		
Total	3,148	24,779	5,003	4,735	37,665
Coupon	1,798	0	0	1,594	3,392
Offer	0	24,779	5,003	0	29,782
Redemption	1,350	0	0	3,140	4,490
			2009		
Total	62,842	54,301	4,397	2,620	124,160
Coupon	13,259	0	0	1,120	14,379
Offer	0	54,301	4,397	0	58,698
Redemption	49,583	0	0	1,500	51,083
			2010		
Total	35,036	10,897	649	568	47,149
Coupon	7,432	0	0	427	7,859
Offer	0	10,897	649	0	11,546
Redemption	27,603	0	0	141	27,744

Source: CBONDS.

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

Fig. 7 shows monthly diagrams of the size of the internal public debt market in 2005–2010, Table 22 shows summary data at the end of every year.

In the first half of 2010, the size of the public bond market remained almost at the same level and even slightly dropped in May.

In the second half year the situation sharply changed: the average monthly increase of the size comprised 5 per cent, and, in accordance with CBONDS, at the end of the year the size of the public bond market at nominal value reached 2,054 billion rubles that is by 39 per cent more than the one a year ago. The public bond market has not increased so significantly since 2005. Along with that, the size of the public bond market remains minor in relation to GDP and does not exceed 5 per cent.

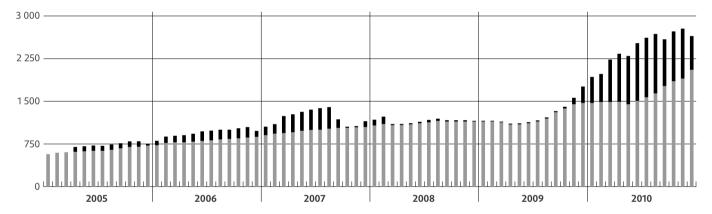
The size of the secondary market and the liquidity of public bonds are small compared to the corporate bond market (refer to Fig. 6) The public securities market is organized on MICEX. Table 23 shows data on the turnover of the public bond market.

Table 14 and Table 23 show that, despite commensurability of volume of offerings at nominal value, the turnover of public securities is by one order less compared to corporate bonds.

In Q1 2010, the volume of transactions remained at the level of the previous quarter, however Q2 and

Figure 7

Size of the internal state debt market in 2005–2010 (at nominal value), million rubles



■ Public bonds ■ Bonds of Bank of Russia

Source: CBONDS.

Table 22

Size of the public bond market in 2005–2010

Period	Size of the public bond market, billion rubles	Size of the public bond market / GDP
2005	722	3.3
2006	876	3.2
2007	1,047	3.1
2008	1,144	2.7
2009	1,470	3.7
Q1 2010	1,487	
Q2 2010	1,509	
Q3 2010	1,769	
Q4 2010	2,054	
2010	2,054	4.6

Source: CBONDS.

Q3 recorded a drop by 30 per cent at average, and no sooner than in Q4 there was registered a 80 per-cent growth at once. As a result, at the end of 2010 the volume of transactions with public bonds comprised 475 billion rubles that is by 54 per cent more than the one a year ago. During the observed period, a larger annual growth of turnovers with public bonds was seen only in 2006.

In 2010 the public bond duration slightly decreased (see details in section 0) and comprised 1,500 days at average.

2010 saw a cardinal increase in the volume of bonds of the Bank of Russia (refer to Fig. 7). The volume of these bond issues began to increase in November 2009 and continued up until July 2010, then the stabilization period had come, except for November when the volume had been reduced by 20 per cent. As a result, in accordance with CBONDS, at the end of 2010 the volume of bonds of the Bank of Russia in circulation reached 593 billion rubles that is by 26 per cent more than the one a year ago.

Bonds of constituents of the Russian Federation and municipal bonds are exceeded in volumes of issues both by public and corporate bonds (refer to Fig. 6). In accordance with CBONDS, at the end of 2010 the volume of subfederal

and municipal bonds which are traded in the internal market comprised 455 billion rubles at nominal value that is by 8 per cent more than the one a year ago.

The total trading volume of subfederal and municipal bonds is shown in Table 24.

The first half year of 2010 is distinguished with stable and relatively high turnovers in conformity with those at the end of the previous year, however Q3 noted a deep recession of trading volumes by 40 per cent and Q4, quite the contrary, – a 20 per-cent increase. The total volume of transactions for the year comprised 891 billion rubles that is by 20 per cent more than the one a year ago.

Table 23 **Public bond trading volumes in 2005–2010**

Period	Total trading volume (billion rubles)
2005	166.2
2006	335.0
2007	491.5
2008	298.1
2009	308.4
Q1 2010	158.9
Q2 2010	98.7
Q3 2010	78.2
Q4 2010	139.7
2010	475.5

Source: CBONDS.

Table 24

Trading volumes of subfederal and municipal bonds in 2005–2010

Period	Total trading volume (billion rubles)	The share of exchange transactions in total trading volume (estimative), per cent
2005	890.1	70.0
2006	682.8	79.9
2007	663.5	83.2
2008	539.1	81.8
2009	740.7	84.2
Q1 2010	275.4	88.4
Q2 2010	263.1	77.4
Q3 2010	157.9	75.4
Q4 2010	195.2	77.2
2010	891.6	79.6

Source: CBONDS.

The share of exchange transactions in total turnover of subfederal and municipal bonds is traditionally high and does not go below 70 per cent on an annual basis.

Exchange trade of subfederal and municipal bonds is engaged at MICEX and RTS stock exchanges. Table 25 shows summary data on subfederal and municipal bonds which are traded on Russian stock exchanges, Table 26 shows data on these bond trading volumes on MICEX¹⁰.

In 2010 the number of issuers of subfederal and municipal bonds which

are traded on stock exchanges continued decreasing as since 2008. Compared to 2007, when the number of issuers of subfederal and municipal bonds had reached its maximum, the it decreased by 15 per cent.

During three quarters of 2010, the volume of exchange transactions with subfederal and municipal bonds (ignoring repos) decreased by 20 per cent per quarter at average, and it was no sooner than in Q4 when a growth took shape. As a result, trading volume comprised 668 billion rubles that is by 18 per cent more than the one for the previous year.

The share of repos (refer to Table 26 and Fig. 3) in the total exchange turnover of transactions with subfederal and municipal conds is trending upwards: compared to 2005, it increased more than in three times and exceeded 90 per cent level. It should be noted that the dominant part in repos is played by subfederal bonds the market of which has actually turned into money market against securities.

Table 25
Formal subfederal and municipal bond market 2005–2010

		MICEX			RTS	
Period	Number of bond issuers	Number of bond issues	Number of bond issues in quoted lists (emitters/issues)	Number of bond issuers	Number of bond issues	Number of bond issues in quoted lists (emitters/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
2010	38	94	18/48	6	9	0/0

Sources: MICEX, RTS.

Table 26

Trading volumes of subfederal and municipal bonds on MICEX in 2005–2010

	•		
Period	Total trading volume of bonds of const municipal bond	The share of repos in the total trading volume of municipal bonds	
	without repo	with repo	volume of manicipal bonds
2005	580.7	808.2	28.2
2006	544.1	1,343.2	59.5
2007	525.1	2,562.7	79.5
2008	412.2	2,638.0	84.4
2009	563.7	4,082.5	86.2
Q1 2010	212.7	1,775.1	88.0
Q2 2010	185.1	2,261.2	91.8
Q3 2010	121.0	2,293.1	94.7
Q4 2010	149.4	2,437.7	93.9
2010	668.2	8,767.1	92.4

Source: MICEX.

 $^{^{10}}$ Taking into account auction mode and negotiated transactions mode. Transactions in the procedure of initial offering are ignored.

1.4. Eurobonds

Constituents of the Russian Federation and Russian companies attract money for their development on the foreign market through issue of Eurobonds along with ruble bonds. Fig. 8 shows general data on the size of the Eurobond market.

In accordance with CBONDS, at the end of 2010 the total volume of Eurobond issues comprised 147.8 billion dollars, including 34.4 billion dollars of sovereign Eurobonds and 112.1 billion dollars of corporate Eurobonds. Against this background, the volume of Eurobonds of constituents of the Russian Federation seems to be minor, it stayed for a long time at the level slightly exceeding 1 billion dollars.

From the spring 2008, the corporate Eurobond market lost a positive tendency, and it was only the autumn 2010 when there began appearing the growth which ensured the annual increase of the market size by 12.7 per cent that is 12.7 billion dollars in absolute terms.

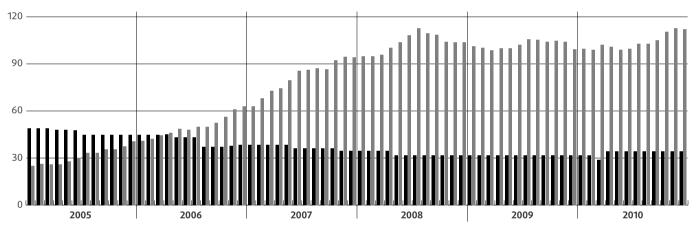
During the whole 2009 and up until April 2010, the volume of sovereign Eurobonds remained at the same level. Then a growth took shape, and for the year the volume of sovereign Eurobonds increased by 2.5 billion rubles or 7.9 per cent compared to the beginning of the year.

Fig. 9 shows volumes of corporate borrowings through the debt market instruments on the internal and external markets.

As it follows from Fig. 9, the share of the internal corporate bond market is trending upwards: in 2010 it increased to 47 per cent while in 2005 it comprised 30 per cent.

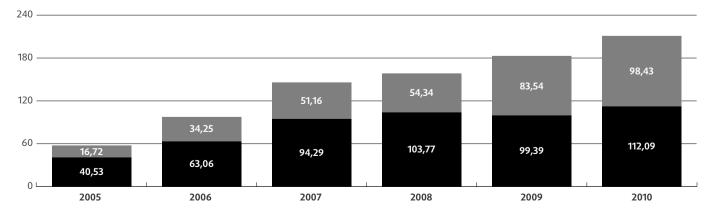
Figure 8

Size of the Eurobond market in 2005–2010, billion dollars



■ Public bonds ■ Corporate bonds Source: CBONDS.

Figure 9
Internal and external corporate bind market in 2005–2010, billion dollars



■ Internal corporate bond market ■ External corporate bond market Source: CBONDS.

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1.5. Bills

Grabually bonds force out such financing instrument as bills, but the bill market is still one of the most significant elements of the internal debt market by its size. In accordance with estimates and calculations of Region Group, in the end of 2010 the share of the bill market was reduced to 9 per cent of total debt market while in the beginning of 2005 it comprised 25 per cent. Table 27 shows

estimative data on the volumes of issued bills in circulation.

So, 2010 saw a revival of the bill market and a 26 per-cent increase in its size. For comparison, in 2008–2009 it was gradually reduced by 12 per cent per year at average.

The time structure of the bill market (in respect to bank bills) is presented in Fig. 10.

Typical bill maturity is from one to three years, from 29 to 49 per cent of the total volume of bills are bills with such maturity. Maturities at call and over three years are qualified as the least popular.

Known is the estimative volume of transactions with bills. By estimate of Region Group, in 2010 it increased by 43 per cent to 3.5 trillion rubles.

Table 27

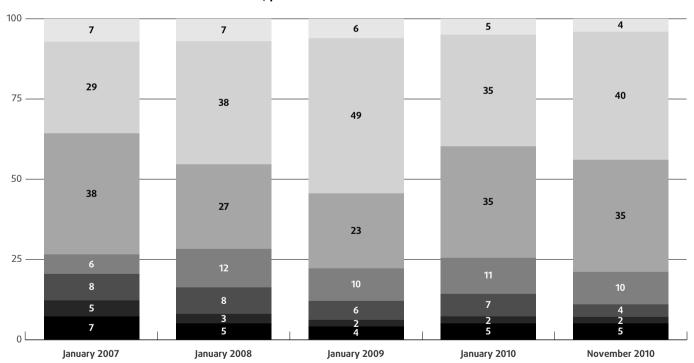
Size of the bill market in 2005–2010, billion rubles

Period	2005	2006	2007	2008	2009	2010
	350-370	500	580	510	450	570

Source: Region Group.

Figure 10

Time structure of the bill market in 2007-2010, per cent



■ At call ■ Below 30 days ■ From 31 to 90 days ■ From 91 to 180 days ■ From 181 days to 1 year ■ From 1 to 3 years ■ Over 3 years Source:REGION Group.

1.6. Investment units

Exchange trade of investment units is engaged at MICEX and RTS. Table 28 shows summary data on investment units which are offered on Russian stock exchanges, Table 29 shows data on trading volumes of units.

In 2010 the number of unit investment funds investment units of which are admitted to trading on stock exchanges increased by 17 per cent, the number of management companies does by 20 per cent, whereas a year ago these indices were 2 and 5 per cent accordingly. Compared to 2006–2007, it is slight growth rates. In the recent years, the

number of unit investment funds traded on stock exchanges comprised about 30 per cent of the total number of unit investment funds.

By tradition, the exchange turnover of investment units is distinguished by a wide scatter of volumes of transactions: from month to month the amount of transactions may change in 2-4 times. During the first half of 2010, exchange turnover of investment units was somewhat below as in the second half of the previous year. However Q3 and Q4 2010 saw a burst of sales, especially on RTS exchange. As the result, the annual

volume reached its historical maximum in 51 billion rubles that is 3 times more than the one a year ago.

As quite a few of unit investment funds circulated on stock exchanges became funds for qualified investors, available information does not allow fair determining of concentration of exchange turnover of investment units. By our estimate, it is at the level of 70 per cent on MICEX. On RTS the overall majority of transactions was carried out with units of one single fund – open unit investment fund "Troika Dialog – RTS Standard Index".

Table 28

Formal investment unit exchange market in 2005–2010

		MICEX			RTS	
Period	Number of management companies	Number of unit investment funds	including those in quoted lists (management companies / unit investment funds)	Number of management companies	Number of unit investment funds	including those in quoted lists (management 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
2010	125	365	41/20	17	43	3/3

Sources: MICEX, RTS.

Table 29

Trading volumes of investment units on MICEX and RTS in 2005–2010

Period	Investment units, billion rubles						
Period	TOTAL	MICEX	RTS				
2005	1.6	1.5	0.0				
2006	5.8	5.0	0.8				
2007	20.9	20.2	0.7				
2008	23.2	23.1	0.1				
2009	16.2	16.2	0.0				
Q1 2010	4.6	4.6	0.0				
Q2 2010	4.2	4.2	0.0				
Q3 2010	17.5	11.9	5.6				
Q4 2010	24.8	10.6	14.2				
2010	51.0	31.3	19.7				

Sources: MICEX, RTS.

1.7. Futures and options on securities and stock indices

At present time, exchange derivative financial instruments with securities and stock indices as underlying assets are traded on the RTS FORTS derivatives market and MICEX derivatives market. Table 30 shows the instrumental base of the derivative financial instrument market.

In accordance with RTS, it should be noted that general reduction of instrumental base of the spot market leads to reduction in the number of exchange-traded contract types by 20 per cent per year at average.

Table 31 shows summary data on the FORTS market in respect of volumes of transactions with derivative financial instruments related to security assets and Table 32 shows the same data on the MICEX market.

In 2010 FORTS derivatives market showed cyclical behaviour (as to basis

assets related to equity): the trading volume was falling both in money terms and in the number of contracts in Q1 and Q3 and increasing in Q2 and Q4. Nevertheless, by the middle of the year is fully recovered and even increased compared to pre-crisis period. At the end of the year, the trading volume doubled in money terms and reached 24,570 billion rubles; the trading volume in the number of contracts increased by 14

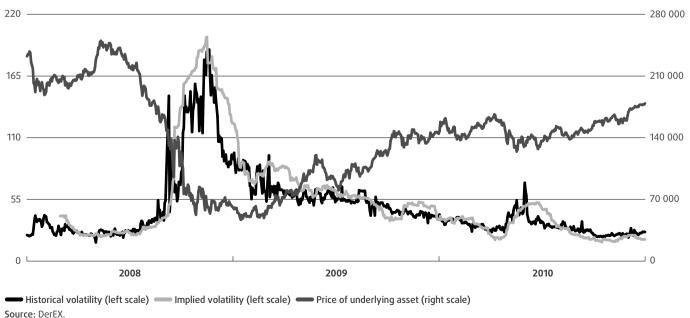
Table 30

Formal market of derivative financial instruments on security assets in 2005–2010

			<u> </u>				
Period		MICEX		RTS			
Period	Futures	Options	TOTAL	Futures	Options	TOTAL	
2005	0	0	0	8	5	13	
2006	0	0	0	11	6	17	
2007	1	0	1	25	11	36	
2008	1	0	1	21	14	35	
2009	5	0	5	21	14	35	
2010	5	0	5	18	9	27	

Sources: MICEX, RTS.

Figure 11
Implied and historical volatility of option on RTS index future in 2008–2010



per cent. Along with that, in comparison to the period of this market rapid development in 2006-2007, such growth rates can be characterized as moderate.

In terms of types of derivative contracts, the largest increase in the trading volumes (200 per cent in money terms) was shown by the option market; however it was caused by recovery after a deep fall in 2009. In absolute terms, the share of options is trending downwards: to 5 per cent of the total trading volume in 2010, while in 2005 it was 14 per cent.

The dynamics in the number of transactions attract attention. During 2006–2009 the annual increase in the

number of transactions on FORTS did not go below 150 per cent and was ensured by the futures market. Some experts consider that it is connected with increasing attraction of robo traders to carry out deals. In 2010 the growth in the number of transactions turned to be relative low in case of FORTS – 53 per cent; however on the option market this index reached its maximum for the recent years – 140 per cent. So, there can be seen a re-orientation of high-frequency trading of unit investment funds from futures to options.

One of features of the Russian stock market is a high volatility which

influences the derivatives market. Fig. 11 shows diagrams of historical volatility (smoothing on the 40-day interval), implied volatility and prices for underlying asset of option on a RTS index future.

Up to the mid April 2010, the volatility was reducing and reached the pre-crisis level (about 25 per cent). Then, however, volatility surge became visible and by the end of June it has doubled. Decrease to the typical level in 25 per cent happened only in August, and the volatility remained at this level until the end of the year.

Since the mid 2009, when new contracts (certain share futures) were

Таблица 31 Итоги торгов на рынке FORTS контрактами на ценные бумаги и фондовые индексы в 2005–2010 гг.

Period	2005	2006	2007	2008	2009		20	10		2010
	2005	2000	2007	2008	2009	Q1	Q2	Q3	Q4	2010
				Futures co	ntracts					
Trading volume (futures), billion rubles	608	2,397	6,052	8,814	11,794	4,518	6,414	5,650	6,674	23,257
incl. index trade	120	752	3,587	7,280	9,664	4,011	5,737	5,069	5,864	20,682
incl. share trade	471	1,570	2,389	1,529	2,130	507	677	581	810	2575
Trading volume (futures), million contracts	46	79	115	173	399	88	129	112	124	454
incl. index contracts	2	9	35	88	150	45	66	57	59	227
incl. share contracts	43	66	75	85	249	43	64	55	65	227
Number of transactions (futures), million items	1.8	4.9	11.3	27.4	70.6	22.2	31.6	27.5	26.2	107.5
incl transactions with indices	0.1	0.7	4.3	17.1	43.6	15.8	22.8	20.0	18.4	77.1
в т.ч. на акции	1.7	4.1	7.0	10.3	27.0	6.4	8.8	7.4	7.8	30.4
				Option cor	ntracts					
Trading volume (options), billion rubles	79	311	1,300	1,740	436	154	298	329	534	316
incl. index trade	3	84	759	1,067	329	126	252	311	508	1,197
incl. share trade	77	227	541	673	108	28	46	18	26	119
Trading volume (options), million contracts	7.3	10.7	25.0	45.2	18.0	3.6	6.6	5.0	7.1	22.3
incl. index contracts	0.0	1.0	7.1	11.4	5.1	1.4	2.9	3.6	5.2	13.2
incl. share contracts	7.2	9.7	17.8	33.8	13.0	2.1	3.7	1.4	1.9	9.2
Number of transactions (options), million items	0.1	0.2	0.3	0.7	0.8	0.3	0.5	0.5	0.7	2.0
incl transactions with indices	0.0	0.0	0.1	0.5	0.6	0.2	0.4	0.5	0.6	1.7
incl. transactions with shares	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.3
				Tota	l					
Trading volume, billion rubles	687	2,709	7,353	10,553	12,230	4,672	6,713	5,979	7,208	24,573
Trading volume, million contracts	53	90	140	219	417	92	136	117	131	476
Number of transactions, million items	2	5	12	28	71	23	32	28	27	110

Source: RTS.

put in circulation, MICEX derivatives market showed an expansive growth; the minimal increase in trading volumes comprised 230 per cent in money terms per quarter. At the end of 2010, the volume of transactions on this market increased by 17 per cent in money terms and 1 trillion rubles. The market rose in 14 times as for the number of contracts and in 21 times as for the number of transactions.

The structure of underlying assets of contracts is dramatically changing. Underlying assets, which are being offered or have been offered, include shares, bonds and stock indices. The niche of bonds as an underlying assets disappeared in 2009. At the present time, stock indices became the dominant types of underlying asset. By the end of 2010, the share of this underlying assets increased in the total volume of transactions on FORTS (refer

to Fig. 12) to 89 per cent in money terms and to 72 per cent in terms of the number of transactions. At the end of 2010, on MICEX derivatives market the volume of transactions with stock index derivative contracts comprised 85 per cent of the total volume of transactions in money terms at average.

There are also dramatic changes in the ratio between volumes of the derivative contract market and volumes of the spot market. Fig. 13 shows diagram that describes the ratio between volumes of transactions with derivative contracts underlying asset of which is shares and stock share indices in money terms (summarily on the FORTS market and MICEX derivatives market) and volumes of transactions with shares (summarily on all RTS markets and MICEX as well), ignoring repos.

In 2010 the volume of transactions on the derivatives market exceeded

the volume of transactions on the spot market, and at the end of the year the ratio between the derivatives and spot markets exceeded 150 per cent. For comparison, in 2009 its share was 60–70 per cent. So, the market of derivative contracts underlying assets of which is shares or share stock indices is developing at a quickened pace, compared to the spot market.

In the recent years there were dramatic changes in the volumes of open positions and their distribution between different instruments on the derivatives market (refer to Table 33, Table 34)¹¹.

In 2010 futures' open positions on FORTS market continued growing as since the previous year. As a result, by the end of the year, the volume of open position comprised 77 billion rubles in money terms that is by 64 per cent more than the one a year ago and seven

Table 32

Trading results of contracts on securities and stock indices on MICEX derivatives market in 2009–2010

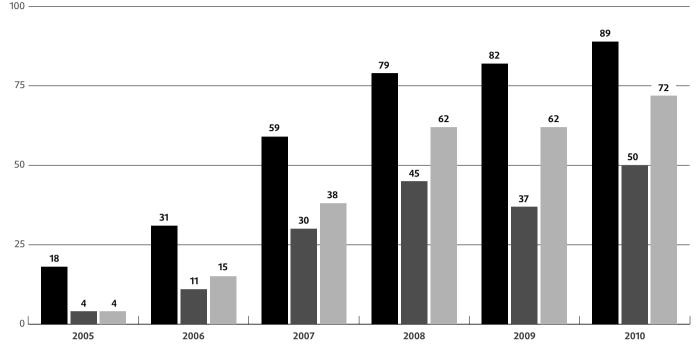
Period	2000		20	10		2040						
	2009	Q1	Q2	Q3	Q4	- 2010						
Futures contracts												
Trading volume, billion rubles	61.798	151.83	253.36	328.22	351.85	1,085.25						
incl. index trade	49.959	135.23	203.39	272.81	284.19	895.62						
incl. share trade	11.839	16.60	49.97	55.40	67.65	189.63						
Trading volume, million contracts	1.351	2.09	5.07	5.68	6.02	18.87						
incl. index contracts	0.396	0.97	1.47	1.96	1.83	6.24						
incl. share contracts	0.955	1.12	3.60	3.72	4.19	12.63						
Number of transactions, million items	0.308	0.95	2.03	1.98	1.65	6.61						
incl transactions with indices	0.136	0.45	0.71	0.45	0.30	1.90						
incl. transactions with shares	0.172	0.50	1.32	1.53	1.35	4.70						
			Total									
Trading volume, billion rubles	61.80	151.83	253.36	328.22	351.85	1,085.25						
Trading volume, million contracts	1.35	2.09	5.07	5.68	6.02	18.87						
Number of transactions, million items	0.31	0.95	2.03	1.98	1.65	6.61						

Source: MICEX.

¹¹ The average volume of open positions in these tables is arithmetic average of daily open positions for a period.

Figure 12

The share of derivative contracts in the total volume of transactions in 2005–2010, per cent

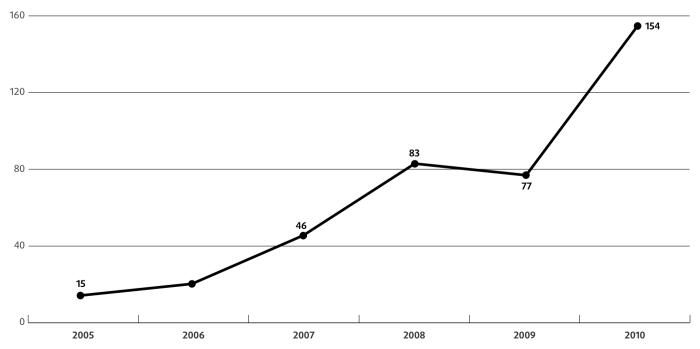


■ share of index futures and options in money terms ■ share of index futures and options in the number of contracts ■ share of index futures and options in the number of transactions

Source: RTS.

Figure 13

The ratio between the trading volumes of contracts underlying asset of which is shares and stock indices and the trading volumes of shares on the internal market* in 2005–2010, per cent



* Ignoring repos. **Sources:** MICEX, RTS.

Table 33
Open positions of contracts on securities and stock indices on FORTS 2005–2010

Period	Q4-2005	Q4-2006	Q4-2007	Q4-2008	Q4-2009	Q1-2010	Q2-2010	Q3-2010	Q4-2010
				Futures contra	cts				
Average volume of open positions, billion rubles	11.5	34.6	58.3	10.9	47.1	50.7	62.6	67.3	77.3
incl. index positions	0.6	7.9	19.7	5.8	31.9	34.5	39.9	43.9	47.3
incl. share positions	9.5	20.9	35.7	5.1	15.2	16.2	22.6	23.5	29.9
Average volume of open positions, million contracts	1.0	1.2	1.7	0.9	1.7	1.7	2.5	2.6	2.6
incl. index contracts	0.01	0.09	0.21	0.15	0.39	0.39	0.46	0.50	0.47
incl. share contracts	0.90	0.88	1.20	0.78	1.33	1.31	1.99	2.08	2.17
				Option contra	cts				
Average volume of open positions, billion rubles	6.5	30.0	91.4	47.5	35.0	31.4	55.6	53.7	78.0
incl. index positions	0.2	9.0	40.2	38.3	22.5	20.9	34.7	45.5	69.8
incl. share positions	6.3	20.9	51.2	9.3	12.5	10.4	20.9	8.2	8.3
Average volume of open positions, million contracts	0.63	1.03	2.17	1.05	1.53	1.16	2.35	1.30	1.39
incl. index contracts	0.63	0.91	0.41	0.56	0.31	0.24	0.40	0.56	0.75
incl. share contracts	0.00	0.11	1.76	0.49	1.22	0.92	1.96	0.74	0.64
				Total					
Average volume of open positions, billion rubles	18.0	64.6	149.7	58.4	82.1	82.1	118.2	121.1	155.3
Volume of open positions, million contracts	1.6	2.2	3.9	2.0	3.2	2.9	4.8	3.9	4.0

Source: RTS.

Table 34

Open positions of contracts on securities and stock indices on the MICEX derivatives market in 2009–2010

	200	09		2010							
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Futures contracts											
0.00039	0.02397	0.090	0.444	0.575	2.762	8.978	10.131				
0.00039	0.00913	0.064	0.363	0.417	2.103	6.635	7.338				
	0.01484	0.026	0.080	0.159	0.659	2.343	2.793				
0.00002	0.00166	0.004	0.008	0.014	0.065	0.199	0.204				
0.00002	0.00009	0.001	0.003	0.003	0.016	0.048	0.047				
	0.00157	0.003	0.005	0.011	0.049	0.151	0.157				
		To	otal								
0.00039	0.02397	0.090	0.444	0.575	2.762	8.978	10.131				
0.00002	0.00166	0.004	0.008	0.014	0.065	0.199	0.204				
	0.00039 0.00039 0.00002 0.00002	Q1 Q2 0.00039 0.02397 0.00039 0.00913 0.01484 0.00002 0.00002 0.00009 0.00157 0.00039 0.02397	Futures 0.00039 0.02397 0.090 0.00039 0.00913 0.064 0.01484 0.026 0.00002 0.00166 0.004 0.00002 0.00099 0.001 0.00157 0.003 To 0.00039 0.02397 0.090	Q1 Q2 Q3 Q4 Futures contracts 0.00039 0.02397 0.090 0.444 0.00039 0.00913 0.064 0.363 0.01484 0.026 0.080 0.00002 0.00166 0.004 0.008 0.00002 0.0009 0.001 0.003 0.00157 0.003 0.005 Total 0.00039 0.02397 0.090 0.444	Q1 Q2 Q3 Q4 Q1 Futures contracts 0.00039 0.02397 0.090 0.444 0.575 0.00039 0.00913 0.064 0.363 0.417 0.01484 0.026 0.080 0.159 0.00002 0.00166 0.004 0.008 0.014 0.00002 0.00099 0.001 0.003 0.003 0.00157 0.003 0.005 0.011 Total 0.00039 0.02397 0.090 0.444 0.575	Q1 Q2 Q3 Q4 Q1 Q2 Futures contracts 0.00039 0.02397 0.090 0.444 0.575 2.762 0.00039 0.00913 0.064 0.363 0.417 2.103 0.01484 0.026 0.080 0.159 0.659 0.00002 0.00166 0.004 0.008 0.014 0.065 0.00002 0.00009 0.001 0.003 0.003 0.016 0.00157 0.003 0.005 0.011 0.049 Total 0.00039 0.02397 0.090 0.444 0.575 2.762	Q1 Q2 Q3 Q4 Q1 Q2 Q3 Futures contracts 0.00039 0.02397 0.090 0.444 0.575 2.762 8.978 0.00039 0.00913 0.064 0.363 0.417 2.103 6.635 0.01484 0.026 0.080 0.159 0.659 2.343 0.00002 0.00166 0.004 0.008 0.014 0.065 0.199 0.00002 0.00009 0.001 0.003 0.003 0.016 0.048 Total 0.00039 0.02397 0.090 0.444 0.575 2.762 8.978				

Source: MICEX.

times more than the one in the end of 2008 when many positions had been closed due to the crisis During the year, the dynamics of behaviour of options' open positions was differently directed: an increase in Q2 and Q4 and decrease in Q1 and Q3. Nevertheless, at the end of the year, the common trend turned out to be positive, the volume of options' open positions comprised 78 billion rubles that is by 123 per cent more than the one in the end of 2009. So, the volume of options' open positions is growing at priority rates.

Among different types of underlying assets in open positions on the FORTS market, the share of stock indices is increasing along with the growth in the

trading volumes; by the end of 2010 it exceeded 75 per cent.

The MICEX derivatives market for underlying assets related to the stock indices is at the stage of active development, and during 2009 and the first half year of 2010 the volume of open positions was rising at a very quick rate. The end of 2010, the growth had slowed, however, at the end of the year in general, the volume of open positions increased over then in 20 times. The share of stock indices in the total volume of open position on MICEX stock exchange, like on FORTS market, is 75 per cent.

The ratio between the volumes of open positions and volumes of

transactions with futures and options has significant differences (refer to Fig. 14).

For futures, this ratio is quite stable independently of the exchange and comprised from 1 to 5 per cent. As for options, since the mid 2009 till the end of 2010 the ratio between the volumes of open positions and volumes of transactions comprised 20 per cent at average.

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

Figure 14

Ratio between the volumes of open positions and trading volumes of contracts in 2005–2010, per cent

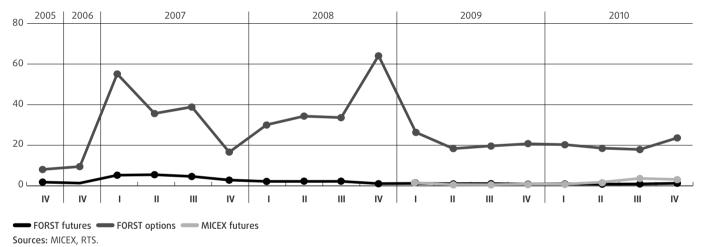
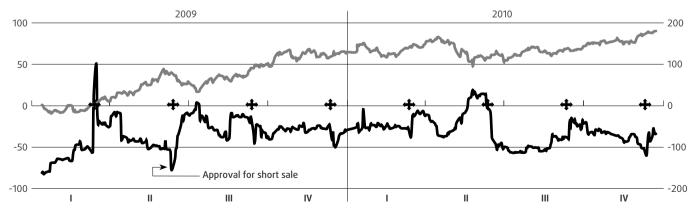


Figure 15
Ratio between the volumes of open positions of call and put options on RTS index future in 2009–2010



Expiration date — Coefficient of open positions, % (left scale) — Relative RTS Index (right scale) Based on RTS and DerEX data.

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

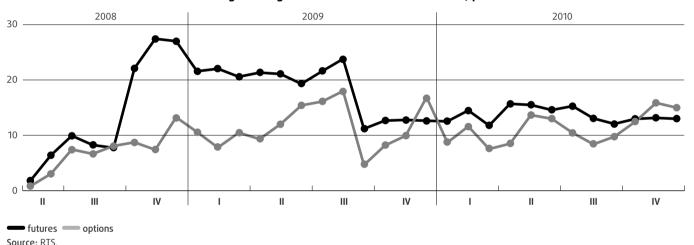
During 2010 put options' open positions dominated except for the period from the third ten days in May till the first ten days in June. Attention should be paid to the fact that behaviour of coefficient of open positions and RTS stock index is in many respects of reflecting nature, in other words in the index growth periods the volume of put options' open positions increases. On the contrary, in the index fall period there is increase in the volume of call options' open positions.

In May 2008 there was introduced an evening trade session on the RTS FORTS derivatives market (see details in section 2.3.4). Fig. 16 shows the diagram of the relative volumes of transactions (in money terms) carried out during evening sessions. The daily share of transactions carried out during evening sessions is distinguished by extremely high variability, but on certain days it exceeded a half of the total volume of transactions. The median value of daily volumes of transactions carried out during evening sessions is trending upwards from year to year.

It may be noted that the period since the mid 2009, with some minor exceptions, made visible a synchronism in the dynamics of changes in the volume of transactions with futures and options carried out during evening sessions. In 2010 the monthly volume of transactions with derivative contracts was subject to differently directed tendencies: a jump in February was followed by a fall which in May changed into growth up to the February level. In August there appeared yet another decline and then a growth in options and stabilization in futures till the end of the year.

Figure 16

Volume of transactions carries out during evening sessions on FORTS in 2008–2010, per cent



1.8. Stock Indices

At present time, numerous indices of Russian stock market are calculated by Russian and international organizations: 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. In 2010 a volatility index was calculated for the Russian derivatives market for the first time.

1.8.1. Share Indices

RTS Index has been calculated since September 1, 1995. It is a consolidated index the base of which presently consists of 50 shares of the most capitalized and liquid issuers. The list of shares for calculating indices is reviewed quarterly. Besides the main RTS Index, since the end of 2003, RTS stock exchange calculates also RTS-2 Index for shares of companies of "the second echelon", at present time this index includes shares of 68 issuers. Starting from 2005-2007 there are calculated the following branch indices:

- RTS Oil and gas (RTSog);
- RTS Metals and mining (RTSmm);
- RTS Telecommunications (RTStl);

- RTS Industry (RTSin);
- RTS Commodities and retail (RTScr);
- RTS Power industry (RTSeu);
- RTS Finance (RTSfn).

Bases for calculation of branch indices include now from 7 to 15 issuers. When calculating the said indices, RTS takes into account prices for securities denominated in US dollars.

In January 2010 RTS began to calculate one more consolidated index that is RTS Standard Index. This index is calculated on the basis of transactions with securities in the RTS Standard market. Its base for calculation includes shares of 15 issuers; in contrast to other indices calculated by the exchange, this index is calculated on the basis of share prices denominated in rubles.

May 2010 was the first time when RTS began to calculate the regional index RTS Siberia Index which shows dynamics in capitalization of issuers in the Siberian Federal District. Its base for calculation includes shares of 11 issuers, calculation is also based on share prices denominated in rubles.

Since December 2010 RTS began to calculate the Russian volatility index RTSVX with retrospective since early 2006

MICEX Index has been calculated since September 1997. It is a consolidated index. At present time, its base includes 30 shares of issuers which present the main sectors of the economy. Amendments in index base are made twice a year.

In 2005–2009 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;
- 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;
- MICEX CGS index of shares of consumer sector;
- MICEX CHM index of shares of companies referred to chemical and petrochemical industry;
- 9. MICEX LC index of shares of companies with high capitalization;
- 10. MICEX MC index of shares of companies with standard capitalization;
- 11. 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.

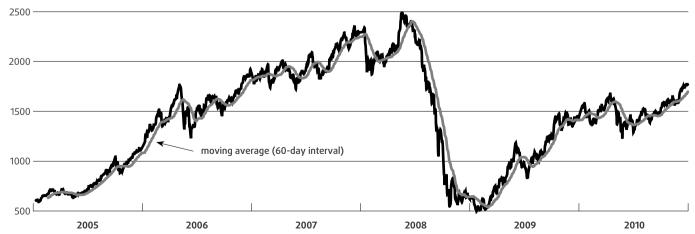
There is obvious correspondence between bases for calculating indices of oil and gas industry (RTSog, MICEX O&G), telecommunication industry (RTStl, MICEX TLC), power industry (RTSeu, MICEX PWR), metallurgical and mining industry (RTSmm, MICEX M&M), financial and bank industry (RTSfn, MICEX FNL), industry (RTSin, MICEX MNF) and also consumer sector (RTScr, MICEX CGS) among branch indices calculated by the leading stock exchanges.

Fig. 17-19 show diagrams of RTS, MICEX and RTS-2 indices in 2005–2010, and Fig. 20-23 show monthly diagrams of RTS, MICEX, RTS-2 and RTS Standard indices in 2010.

Judging by behaviour of RTS, MICEX and RTS-2 indices, in 2010 the Russian share market continued its recovety after a deep fall in the second hald year of 2008. However recovery rates fell and became less stable, the dynamic upward tendency which had been typical for 2009 turned to be lost. As a result, in 2010 the maximum RTS Index was by 28 per cent less than its historical maxinun which had been reached in May 2008. The same way, in 2010 the maximum MICEX Index was by 14 per cent less than its historical maximum of December 2007.

During 2010 concolidated stock indices were influenced a harmonic trend on. A previous year's upward trend continued in the first half, and





Source: RTS.

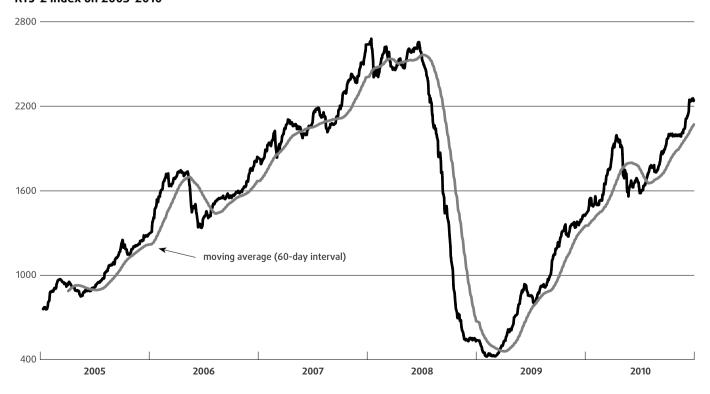
Figure 18

MICEX Index in 2005-2010



Source: MICEX.

Figure 19 **RTS-2 Index on 2005–2010**

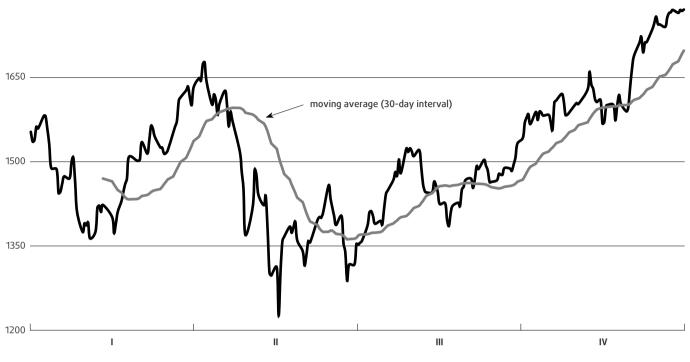


Source: RTS.

Figure 20

RTS Index in 2010

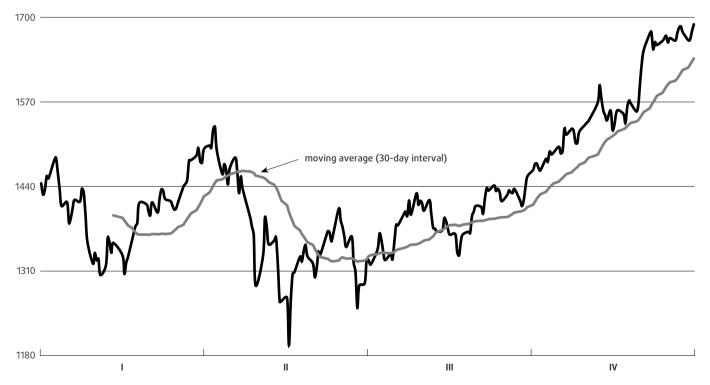
1800 —



Source: RTS.

Figure 21

MICEX Index in 2010

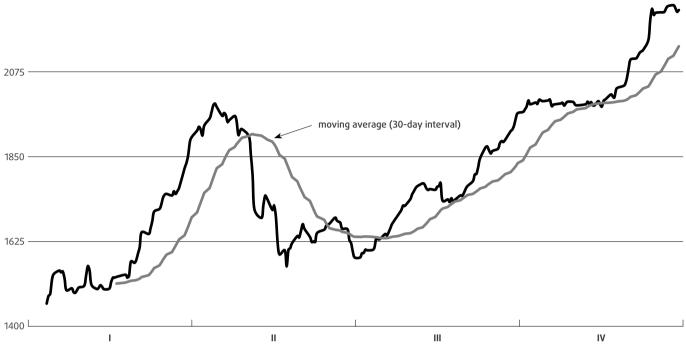


Source: MICEX.

Figure 22

RTS-2 Index in 2010

2300

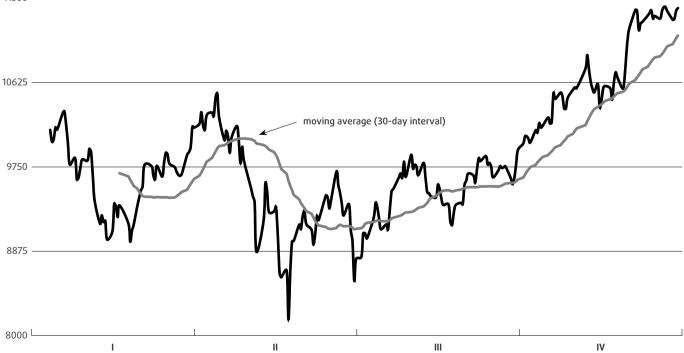


Source: RTS.

Figure 23

RTS-Standard Index in 2010

11500 —



Source: RTS.

the local maximum was reached in mid April, then the time was ripe for downward stage, and the indices reached their minimum also at one time – on 25th May. That day the indices sharply fell at one step at 5.5–6.5 per cent, the next day they jumped up at the same rate. Then, despite short-lived recessions, there appeared a positive tendency, and the year ended with the

maximums of colsolidated share stock indices.

Table 35¹² shows data to characterize return by RTS and MICEX indices over the recent years.

Table 35
Return of share stock indices in 2005–2010, per cent per year

	2005	2006	2007	2008	2009	2010
		Consolid	ated indices			
RTS Index	83.5	70.9	19.2	-71.5	128.7	22.6
RTS-S Index						19.1
MICEX Index	83.1	67.7	11.6	-66.5	121.1	23.3
RTS-2 Index	69.3	42.3	43.2	-78.3	160.4	56.9
Branch indices						
		Oil and g	gas industry			
RTSog	86.8	50.8	1.1	-65.8	93.4	5.9
MICEX 0&G	92.0	48.0	-3.6	-58.4	126.3	17.7
Chemistry and petrochemistry						
MICEX CHM						44.0
Telecommunications						
RTStl	40.8	81.5	28.1	-72.7	121.8	39.1
MICEX TLC	39.1	66.0	14.6	-75.6	187.0	36.3
Metallurgy and mining						
RTSmm	53.2	52.4	54.0	-74.5	157.6	55.5
MICEX M&M	74.6	51.7	42.6	-72.0	212.2	63.2
Power industry						
RTSeu			32.0	-80.3	133.0	34.0
MICEX PWR	38.7	134.5	7.9	-73.7	167.3	44.2
Industry						
RTSin	40.5	73.8	66.8	-84.3	124.5	56.6
MICEX MNF	28.9	69.6	60.6	-85.7	189.1	74.2
Consumer commodities						
RTScr	92.5	51.2	29.3	-79.5	230.8	82.8
MICEX CGS						85.4
Finance						
RTSfn			14.3	-78.4	124.6	22.6
MICEX FNL				-67.3	131.8	32.0
		Capita	al indices			
MICEX LC			9.9	-66.5	118.7	20.4
MICEX MC			15.6	-71.7	148.2	57.9
MICEX SC			29.2	-76.1	198.9	64.0
Based on RTS and MICEX data.						

Based on RTS and MICEX data.

¹² The return is calculated in the interval between the last trading day of the previous year till the last trading day of evaluated period on the 365-day base.

In 2010 concolidated stock indices continued to growth, as since a year ago, after a deep fall in 2008. However the growth rate dropped abruptly: RTS and MICEX indices resulted in return in 22–23 per cent per yeear compared to 121–128 per cent in 2009. Judging by RTS-2 index, the return on equity of the second echelon has been increasing for two straight years at priority rates (57 per cent in 2010, 160 per cent in 2009).

As for branch indices, commodities, industry and metallurgy indices showed the highest return. Indices for companies from the oil and gas industry has been showing a relative low return for two straight years compared to other braches. With the commence of calculatiion of capital indices, there can be seen a steady tendency to outrunning growth in the return of shares of companies with base capitalization under a rising market and, to the contrary, their deeper decline under a falling market.

High volatility is characteristic for the Russian stock indices. Table 36 shows volatility¹³ and return of the main consolidated share indices in the integrated form.

From year to year, the volatility changes in a wide range. It rises under a falling market market (refer to results of 2008). Heightened volatility may also be noted in case of a sharp market growth (refer to results of 2009). 2010 saw

relatively low volatility. According to data 2005–2010, the least volatile is RTS-2 Index.

1.8.2. Bond Indices

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 stock exchange. at that at least one international rating agency has assigned for these issuers long-term foreign currency credit rating or at least one national rating agency has assigned credit rating. According to S&P version, the minimal rating shall be B. To be included in the base for calculation, a bond issue shall comply with a number of terms, particularly on the issue volume, term to maturity, volume of transactions.

The list of bond issues for calculating index MICEX CBI is reviewed quarterly. When calculating this index, the agencies take into account prices for securities denominated in Russian rubles. At present time, the base for calculation of this index includes 56 bonds of 27 issuers. The index is calculated in three procedures:

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

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

In May 2010 rules for calculation of this index were changed that allowed to include exchange bonds into the base for its calculation and to deter issuers which have committed default.

Fig. 24–25 shows diagram of MICEX CBI index based on the total corporate bond return.

Judging by MICEX CBITR index, in 2010 the average total return of investors in corporate bonds continued to grow as since a year ago. Detailed analysis can uncover the period of a sharp slowdown and stabilization in May as well as decline in growth rates from October till the end of 2010. The inxed changed by 13.6 per cent for tha year.

Corporate bond index IFX-CBONDS is a co-operative project of Interfax and 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 the base for calculation, a bond issue shall comply with certain terms, particularly on the term to maturity, volume of transactions, the number of selling days. The list of bond issues for calculation of IFX-CBONDS is reviewed

Table 36

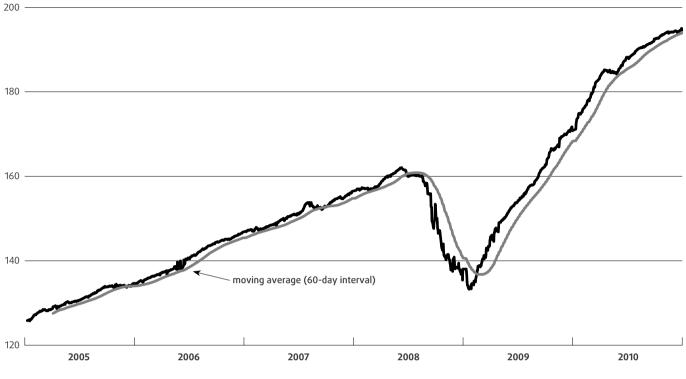
Return and volatility of consolidated share stock indices, per cent

Year	MICEX volatility	MICEX return	RTS volatility	RTS return	RTS-2 volatility	RTS-2 return	RTS-S volatility	RTS-S return
2005	1.5	83.1	1.3	83.6	0.8	69.3		
2006	2.4	67.7	2.0	70.9	1.0	42.3		
2007	1.5	11.6	1.4	19.2	0.7	43.2		
2008	4.5	-66.5	4.2	-71.5	1.5	-78.3		
2009	3.0	121.1	2.9	128.7	1.3	160.4		
2010	1.5	23.3	1.7	22.6	1.0	56.9	1.5	19.1

Based on RTS and MICEX data.

¹³ Volatility was calculated as a standard deviation of one-day relative changes in stock index on one year's interval.

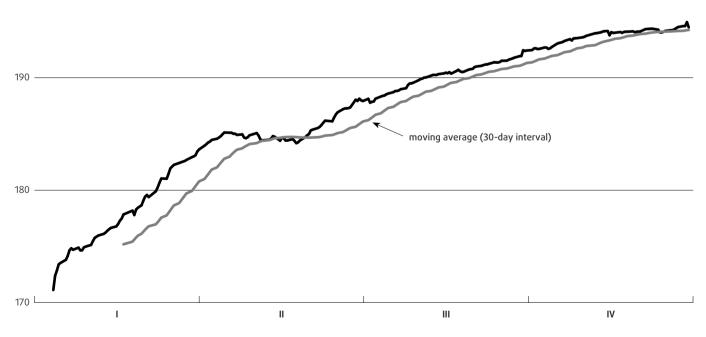
Figure 24
MICEX corporate bonds index (MICEX CBI TR) in 2005–2010



Source: MICEX.

200 ———

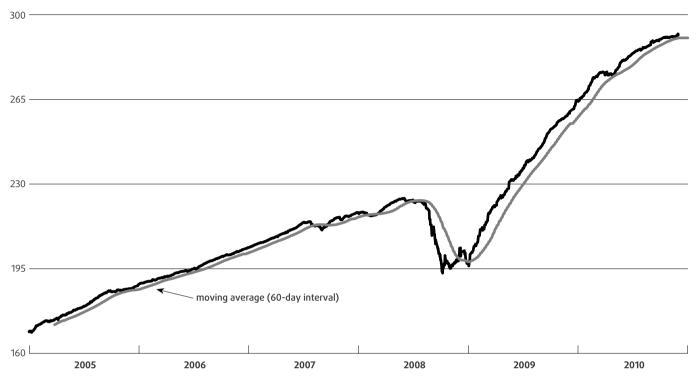
Figure 25
MICEX corporate bonds index (MICEX CBI TR) in 2010



Source: MICEX.

Figure 26

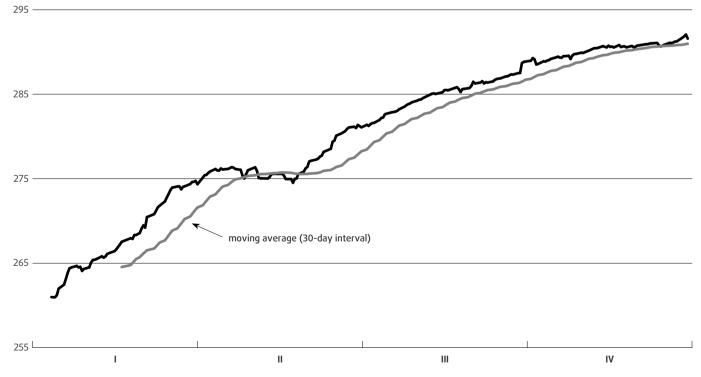
IFX-CBONDS Index (total return) in 2005–2010



Source: CBONDS.

Figure 27

IFX-CBONDS Index (total return) in 2010



Source: CBONDS.

every month. When calculating this index, the agencies take into account prices for securities denominated in Russian rubles. At present time, the base for calculation of this index includes 30 bonds of 19 issuers. The index is calculated by total return and clean price procedures.

Fig. 26 and 27 show diagrams of IFX-CBONDS index based on the total corporate bond return.

IFX-CBONDS index's behaives is similar to MICEX CBI TR index's one in many respects, however a slowdown began to show as early as in August-September 2010. The index changed by 11.7 per cent for the year.

Besides index IFX-CBONDS, there are also calculated indices to characterize the average weighted duration and average weighted return to recovery of index bond portfolio. At that, the 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. 28 shows diagrams of the average weighted duration and average weighted return to recovery of index portfolio of IFX-CBONDS bonds.

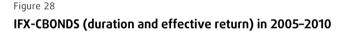
The behaviour of the average return to redemption of corporate bonds in 2010 differs drastically from 2009. It came down from 11.2 per cent in early January to 7.5 per cent at the end of the year along with refinancing rate of the Bank of Russia. In mid March the average return became less than the refinancing rate, but early May noted an increase in the return, and untill the mid June it exceeded the refinancing rate. The maximum spread was recorded on May 25 at the level of 0.7 items. In the end of September the average return reached the local minimum in 6.9 per cent, and then it began to growth at slow rate until the end of the year.

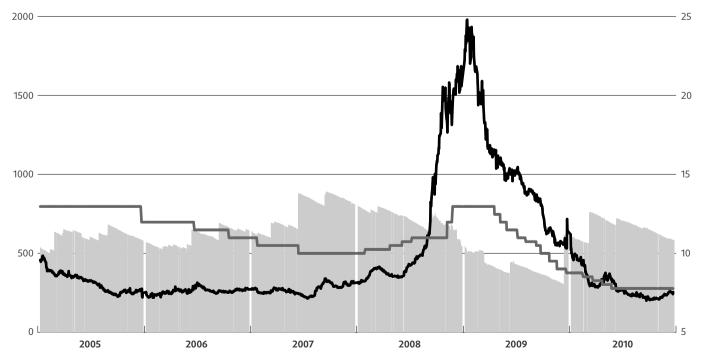
In 2010 the time structure of the corporate bond market began to expand in contrast to 2009. The average duration reached its maximum in 750 days in the mid March, then it began to slowly decrease, and by the end of the year the average duration comprised as little as 600 days. In general, at the end of 2010 the average duration amounted to 650 days. For comparison, in 2009 the average bond duration included in IFX-CBONDS index was 420 days.

The volatility of corporate bond indices changes from year to year as well (refer to Table 37). Annual data on the volatility and relative annual change in MICEX CBI TR and IFX-CBONDS indices are similar in many respects, except for the volatility at the end of 2006. Compared to share indices, the volatility of corporate bond indices is by one order less. As with share indices, the volatility of corporate bond indices abruptly increases under a falling market (refer, for example, to results of 2008). In 2010 there can be seen a relative low volatility of corporate bond indices against the bacjgrounf of minor annual change.

1.8.3. Public Bond Indices

Since December 31, 2002, MICEX, where turnover of public securities of





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

Sources: Bank of Russia, CBONDS.

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 the market value and consist of:

- Public bond index MICEX RGBI which is calculated by clean price procedure;
- Public bond index MICEX RGBI which is calculated by gross price procedure;
- Public bond index MICEX RGBI TR which is calculated by total return procedure.

These indices are calculated uninterruptedly in real-time mode as far as transactions with public bonds are settled.

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. 29 and 30 shows diagrams of MICEX RGBI-TR index.

Since April 2010 the growth of this index slowed down at first and then stopped. In May and June a slight fall substituted for it.

Attention should be paid to the sharp single-step fall and further recovery of MICEX RGBI-TR index on May 27–28, 2010. Jule saw a revival of the growth tendency, however, just as with bond indices, the end of the year noted the sharp decrease in the upward dymanics and even a little fall. This index changed by 8.7 per cent for the year, that is a little less than corporate bond indices.

Fig. 31 shows diagram of the effective return to redemption RGBEY and duration of public security portfolio (the duration of state treasury bills and federal loan bonds) disclosed by the Bank of Russia.

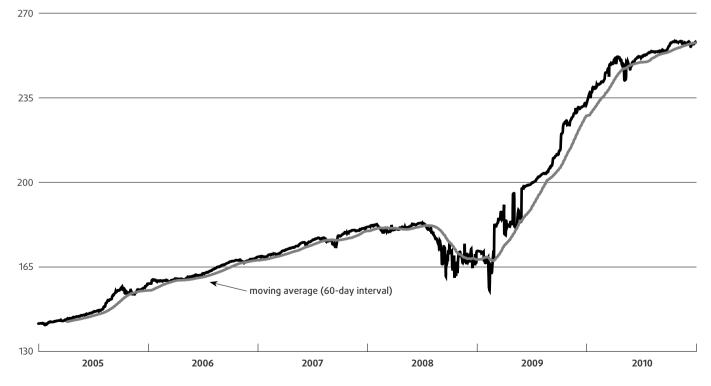
The befaviour of effective return in 2010 differs drastically from the previous year. Since Q3 2009 the effective return of public bonds to redemption and refinancing rate of the Bank of Russia began steadily declining. There was an abrupt jump of return in the end of May and, on contrary, a one day deep drop in the second half of June. At the end of 2010 the average effective return of corporate bonds to redemption comprised 6.6 per cent.

The behaviour of the volatility of corporate bond index is similar to the one of the volatility of corporate bonds in many aspects (refer to Table 37). Along with that, in 2008–2010 the volatility of corporate bond index is 2.5–4.5 times higher than the volatility of corporate bond indices.

1.8.4. Unit Investment Fund Indices

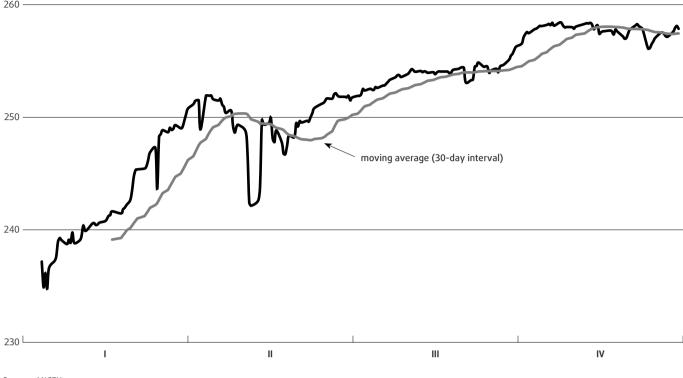
Since July 1, 2003 the National Rating Agency has been recording the family of unit investment indices (RUIF). This family includes four groups of funds: all funds (T), share funds (S), bond funds (B) and mixed funds (M). And beside that, the calculation of indices counts the value of an investment unit as a weighed by value net asset of the fund (W) and

Figure 29
MICEX Index for public bonds (MICEX RGBI-TR) in 2005–2010



Source: MICEX.

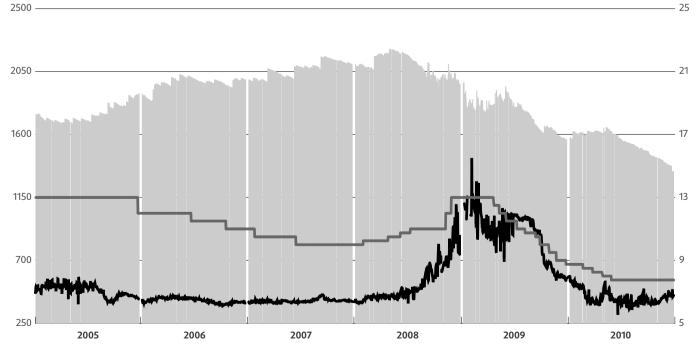
Figure 30 MICEX Index for public bonds (MICEX RGBI-TR) in 2010



Source: MICEX.

Figure 31

Effective return to redemption and duration of public bonds in 2005–2010



Duration of portfolio of public short-term obligations and federal loan bonds, days (left scale) RGBEY average weighed effective return, % (right scale) Refinancing rate of the Central Bank of Russia, % (right scale)

Sources: Bank of Russia, MICEX.

Figure 32

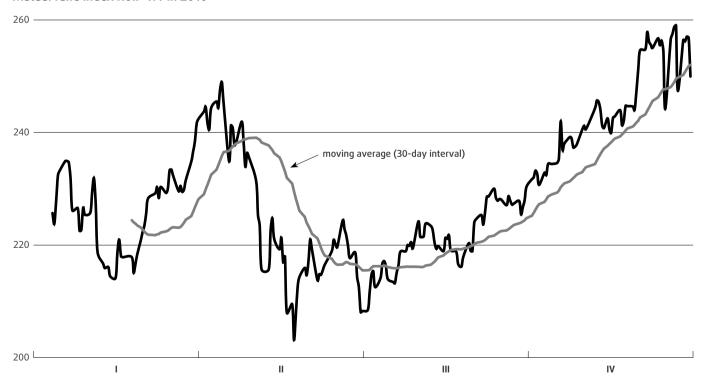
Matual fund index RUIF-WT in 2005–2010



Source: National Rating Agency.

Figure 33

Matual fund index RUIF-WT in 2010



Source: National Rating Agency.

without it. The indices are calculated every day. Fig. 32 shows the general index with weighing be net asset value of RUIF WT.

2009–2010 for the most part were characterized by upward trend of RUIF-WT index along with wide multilateral fluctuations. In 2010 there can be

noted a small decline at the beginning of the year (Ferbuary-March) and deep drop by 25 per cent from the mid April till the end of June as well. Then RUIF-WT index was increasing monotonically up until the end of the year. This index changed by 10.7 per cent for the year.

Despite the fact that a unit investment fund is a diversified investment product, subject to its values, the volatility of unit investment fund index is found in between the volatility of MICEX, RTS indices and the one of RTS-2 index, however it shows a lower relative change per year (return).

Table 37

Relative annual change and volatility of consolidated stock indices for bonds and unit investment funds in 2005–2010, per cent

Year	MICEX CBI TR volatility	Change in MICEX CBI TR	IFX-CBONDS volatility	Change in IFX- CBONDS	MICEX RGBI TR volatility	Change in MICEX RGBI TR	RUIF-WT volatility	Change in RUIF-WT
2005	0.10	6.98	0.08	10.97	0.15	11.51	0.74	44.43
2006	0.20	8.98	0.05	7.94	0.11	6.89	1.37	49.29
2007	0.11	6.39	0.07	6.78	0.15	7.12	1.43	2.46
2008	0.42	-11.85	0.41	-7.30	1.03	-5.68	2.27	-54.34
2009	0.26	23.64	0.22	28.43	1.22	35.33	1.72	80.78
2010	0.10	13.61	0.10	11.69	0.35	8.70	1.28	10.73

Based on RTS, MICEX, CBONDS and National Rating Agency's data.

2. Institutional Structure

2.1. Issuers. Public offerings

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 also be an issuer of bonds. Data from the SPARK and the RusBonds databases, concerning issuers of securities, are presented in Table 38. This table contains summary data concerning the number of issuers and the number of registered issues as at the end of the period on

an accrual basis from the beginning of incorporation without regard to current status of an issuer (valid/invalid). Data on the number of valid legal entities are presented in Table 39, summary data concerning the number of issuers on internal formal markets are presented in Table 40.

The number of issuers (both of shares and bonds) increases at the average rate of app. 3 per cent per year. However just few issuers of shares and bonds of their

total number are presented on formal markets.

The number of issuers securities of which are admitted to circulation in stock exchanges reduces since 2008 at the average rate of 4-5 per cent per year. Compared to 2007 when the number of issuers had reached its historical maximum, at the end of 2010 it reduced already by 13–15 per cent.

The number of issuers, securities of which are included in stock exchange

Table 38

Issuers of securities in 2005–2010

Period	Number of issuers of shares and bonds	including OJSC	Number of share and bond issues
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
2010	529,304	73,437	532,876

Source: Interfax Group (SPARK Database, RusBonds)

Table 39

Number of valid legal entities in 2010

Period	Number of valid legal entities ——	particularly:			
renod	Number of Valid legal entities	ojsc	cjsc	LLC	
2010	2,779,026	40,290	222,030	2,516,706	

Источник: «Группа Интерфакс».

quotation lists, is trending upwards in relative terms. During the period from 2005 till 2010, the share of such issuers increased from 24 to 42 per cent in MICEX and from 17 to 24 per cent in RTS.

Public offerings

Compared to the previous year, 2010 saw a rally of initial offerings. At that, companies specially established in foreign jurisdictions began to be used for offerings on foreign markets again. IPO of UC Rusal Plc. on exchange in Hong Kong and on European exchange Euronext with a total volume of 2.2

billion dollars became like this. Offering of Mail.ru Group on London Stock Exchange amounting to 1 billion dollars should be also mentioned. According to available estimates, 11 issuers held in 2010 initial offerings with a total volume of 2.2 billion dollars in total (refer to Table 41).

In 2007–2009 alternative trade floors were established on MICEX and RTS to introduce securities of innovative and small-cap companies. The number of issuers and volume of transactions on these trade floors were insignificant (for details refer to Charter 2.3.4).

In 2007–2010 laws and regulations that gave an opportunity for offering and circulating of foreign issuers' securities and Russian depository receipts on Russian trade floors were prepared. The end of 2010 was the first time when offering of foreign state's bonds – those of the Republic of Belarus – tool place (one issue in the amount of 7 billion rubles). Besides, in the end of the year there began trading of Russian depository receipts of OAO Sberbank of Russian which certify the right to ordinary registered shares of UC Rusal Plc.

Table 40 **Issuers on the formal exchange market in 2005–2010**

	MIC	CEX	RTS		
Period	Number of issuers of shares and bonds	including those in quotation lists	Number of issuers (of shares and bonds)	including those 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	
2010	570	241	307	76	

Sources: MICEX, RTS.

Table 41

Public offerings of Russian companies' shares in 2005–2010

Period	2005	2006	2007	2008	2009	2010
Volume of offerings (billion dollars)	4.5	17.9	23.6	1.7	0.004	2.2
Number of companies	13	24	25	7	1	11

Sources: the Project www.offering.ru/IPO in Russia, Alfa Bank, Ernst&Young, The PBN Company, Center for Development of Shock Market

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 participants of the securities market, self-regulatory organizations and

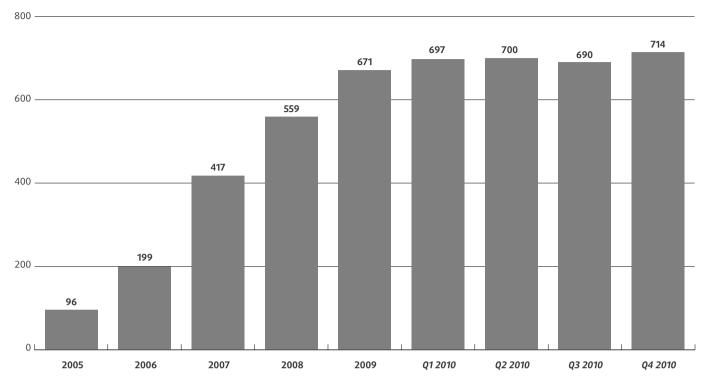
research groups are working on accounting and studying of the investor base.

2.2.1. Population

Here population means market investors, that are natural persons that consciously decided to invest on the securities market and occasionally employ services of brokers, trustees or had purchased investment units. There is no full and authentic statistics on the number of natural persons that make transactions on the securities market in Russia. Taking into account data from different sources you can see the following far not complete picture of the situation.

Figure 34

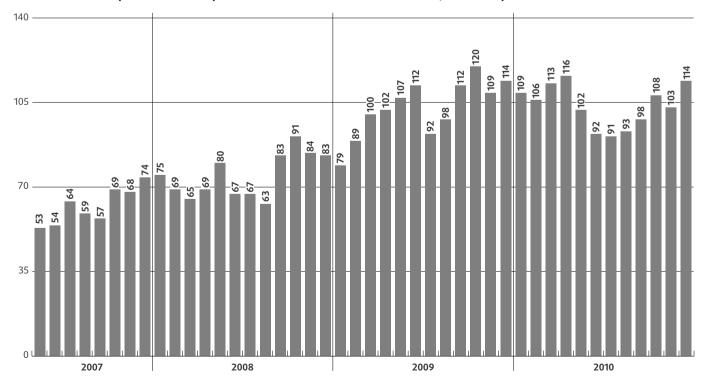
Popular participation in investment on the securities market (MICEX customer) in 2005–2010, thousand persons



Source: MICEX.

Figure 35

Number of natural persons that are proactive MICEX customers in 2007–2010, thousand persons



Sources: MICEX.

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. 34 shows data concerning the number of the MICEX customers – natural persons (unique customers).

From the mid 2007 and up until the end of 2010, growth rate of MICEX customers had sharply fallen and amounted to 5–7 per cent per quarter at average. Q2 2010 recorded extremely slow growth only in 0.4 per cent and Q3 fixed a 1.4 per-cent decline for the first time. Nevertheless, at the end of the year the number of natural persons that are MICEX customers reached 714,295 persons that is by 6.4 per cent more than the one in the beginning of the year.

A major characteristic of a private investor base is the number of so called proactive investors, in other words, those who perform at least 1 transaction per month on a stock exchange. Fig. 35 shows data on proactive investors which are natural persons and MICEX Stock Exchange customers. Proactive investors which are natural persons amount to

15–17 per cent of the total number of MICEX unique customers. Their behaviout feature a seasonal summer drop and overactivity in the beginning of the autumn. During the whole period of disclosure of information on proactive customers, their minimal number was recorded in 2009 – 119,838 persons, then a global downward tendency took its shape. Seasonal drop in 2010 was as deep as the one in the previous year, however further growth was quite sluggish.

As a result, in December 2010 the number of proactive customers did not change compared to the same period of the previous year.

Information on the number of invectors in unit investment funds is more incoherent and little systematized. In accordance with National League of Management Companies, in the second half of 2010 the number of unitholders, ignoring former holders of privatization cheques, is about 350 thousand persons. Expert RA Rating Agency estimates customer base of unit investment funds in 515 thousand persons.

It should be taken into account than some of unitholders buy units of funds managed by various management companies and inverst in securities at their discretion by themselves using services of brokers and trustees. That is why, it is difficult to determine the number of citizens who invest on the stock market in one form or another.

2.2.2. Unit Investment Funds

From a legal point of view, unit investment funds are property complexes that are not legal entities. Depending on opportunities of a management company to present investment units for redemprtion, there can be established open-end, interval and closed-end funds. Table 42 shows summary data on the dynamics of changes in the number of unit investment funds¹⁴.

2010 kept the tendency to reduce in the number of open-end funds which had appeared as long ago as 2008. Stabilization took its shape only in Q4. As a result, by the end of the year the number of open unit investment funds decreased by 2.2 per cent. On the contrary, the number of closed-end unit investment funds was insreasing at a quickened pace, for 2010 their number rose by 28 per cent. The niche of interval unit investment funds has been stagnating since 2007 and slowly reduces.

Table 42

Number of unit investment funds in 2005–2010

David J		- TOTAL		
Period	Open-end fund	Interval fund	Closed-end fund	IUIAL
2005	201	59	121	381
2006	299	86	234	619
2007	455	95	398	948
2008	446	94	457	997
2009	411	85	605	1,101
Q1 2010	402	81	647	1,130
Q2 2010	397	80	677	1,154
Q3 2010	394	82	726	1,202
Q4 2010	404	77	770	1,251
2010	404	77	770	1,251

Source: National League of Management Companies.

¹⁴ Taking into account funds that have completed their establishment.

By the end of 2010, there are 1,251 established unit investment funds that is by 14 per cent more than in the beginning of the year.

In 2008 –2009 there appeared the opportunity to establish interval and closed-end funds which focus on qualified investors and units of which have limited transferability. In accordance with National League of Management Companies, by the end of 2010, over 43 per cent of unit investment funds became funds for qualified investors, in the end of 2009 this index comprised 35 per cent. Nearly 70 per cent of all closedend unit investment funds are funds for qualified investors.

According to applicable laws¹⁵, information on a unit investment fund. which investment units have limited transferability, can be provided only to holders of investment units and other qualified investors. In connection with this, at the present time the available public aggregated data on the net asset value of unit investment funds concern only funds for not qualified investors, so they represent the situation not completely. Table 43 shows data on the net asset value of open-end and interval funds. By estimate of Expert RA Rating Agency, for 2010 the net asset value of closed-end unit investment funds

increased by 27 per cent and reached 485 billion rubles.

2009 and O1 2010 saw a certain growth in the net asset value of open-end and interval funds, but O2 registered a severe drop – by 9.1 billion rubles in total, partuciliarly by 7 billion rubles as for open-end unit investment funds. Q3 and Q4 compensated this drop and at the end of the year the net assets value of open-end and interval funds increased by 26 per cent or by 24.5 billion rubles in absolute terms. However, compared to 2007 with the record volume, the net asset volume of open-end and interval unit investment funds is still less by 57.6 billion rubles. In comparison to GDP, the net asset value of open-end and interval unit investment funds is and has been minor, a little over 0.2 per cent.

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 unit distribution and redemption order taking is performed every working day. Fig. 36 and 37 shows data on net fundraising of open-end unit investment funds.

During 2010 the dinamics of fundraising of open-end unit investment

funds was differently directed: during five months there was seen an inflow, during the rest months the balance of net fundraising was negative. December shall be noted particularly, at the end of the year, the fund withdrawal exceeded 1.3 billion rubles, against the background of increase in stock indices. At the end of the year, there was recorded outflow of funds in the amount of 358 million rubles in total. Compared to 2008-2009, when the outflow was much more higher (12-16 billion rubles), the fund withdrawal from open-end unit investment funds can be found insignificant. But compared to 2005-2007, when fundraising of openend unit investment funds amounted almost to 60 billion rubles, it should be noted that this branch of pooled investments is at a standstill and has lost its potential for growth.

The key element in the construction of a unit investment fund is a management company which offers units of unit investment funds and, subject to Russian laws, incurs obligations to their holders. Fig. 38 shows summary data on the number of management companies that manage unit investment funds.

2010 noted a stabilization in the number of management companies which manage unit investment funds at the level a little lower than the one in

Table 43

Net asset value of open-end and interval unit investment funds in 2005–2010, billion rubles

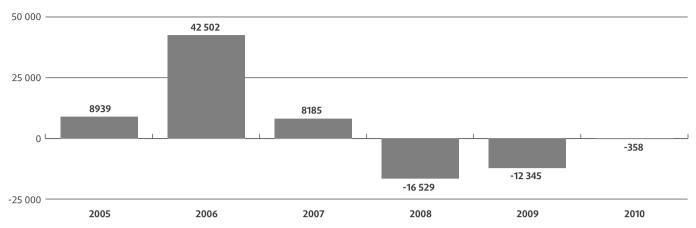
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Period	Open-end fund	Interval fund	TOTAL	NAV / GDP, (per cent)
2005	30.8	38.7	69.5	0.32
2006	91.1	59.6	150.7	0.56
2007	134.8	43.8	178.6	0.54
2008	47.1	13.2	60.3	0.15
2009	74.6	21.9	96.5	0.25
Q1 2010	85.6	24.7	110.3	
Q2 2010	75.9	22.5	98.4	
Q3 2010	84.3	24.5	108.8	
Q4 2010	94.6	26.5	121.1	
2010	94.6	26.5	121.1	0.27

Source: National League of Management Companies.

¹⁵ Law No. 156-FZ dated November 26, 2001, On Investment Funds, Article 52, Clause 3.

Figure 36

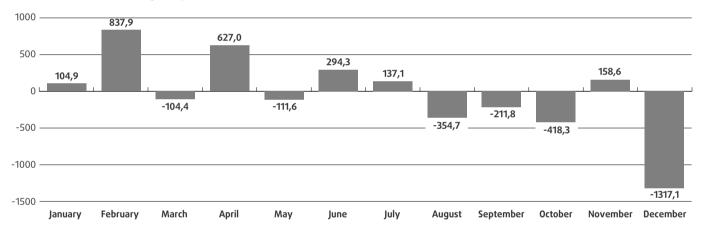
Volume of net fundraising of open-end unit investment funds in 2005–2010, million rubles



Source: National League of Management Companies.

Figure 37

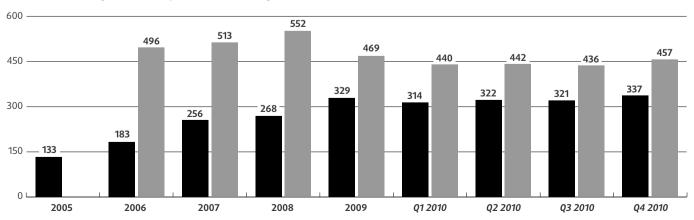
Volume of net fundraising of open-end unit investment funds in 2010, million rubles



Source: National League of Management Companies.

Figure 38

Number of management companies that managed unit investment funds in 2005–2010



■ Management companies that managed unit investment funds ■ Total numer of issued licenses for management companies Source: Federal Financial Markets Service, National League of Management Companies.

the previous year. The total number of management companies remains also stable and is at the level in 440–450 companies. Along with that, at the end of 2009, the number of management companies was reduced by over 80 companies (by 15 per cent in relative terms), that mainly was due to measures of the Federal Financial Markets Services to remove companies which had licenses but carried out no activities from the market.

2.2.3. Bank-Managed Mutual Funds

Bank-managed mutual fund is an investment product that is offered by credit organizations. Bank-managed mutual fund is a property complex consisting of 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, bank-managed mutual funds are similar to mutual funds in the essence, but the participation in them is not certified by securities. According to available data, there are nearly 30 credit organizations involved in activities on management of bank-managed mutual funds, Table 44 shows data on the number of funds and the net asset value.

In accordance with the data presented, bank-managed mutual funds are considerably inferior to mutual funds both in the number of funds and the total net asset value. During 2009–2010, there were no changes in the number of funds. The value of net assets declined by 8.4 per cent. Polled investments of this

direction are in the stagnation stage and show no tendency towards post-crisis recovery.

2.2.4. Non-State Pension Funds

In accordance with Federal Financial Markets Service, by the end of 2010, 150 organizations had valid non-state pension fund licenses and 117 funds out of them were allowed to carry out compulsory pension insurance activities. During the period, the quantitative composition of pension provision subjects stabilized, while a year ago the number of non-state pension funds declined by over 30 per cent. It happened due to the fact that a wide range of funds had their licenses revoked, particularly because of their failure to comply with new requirements to sufficiency of assets

Table 44

Bank-managed mutual funds in 2005–2010

Period	Number of funds	including funds in rubles	including funds in currency	Value of net assets, billion rubles
2005	175	122	53	7.9
2006	241	172	69	17.1
2007	277	205	72	21.1
2008	287	212	75	7.4
2009	283	208	75	9.3
Q1 2010	283	208	75	9.7
Q2 2010	282	207	75	9.5
Q3 2010	285	211	74	9.0
Q4 2010	283	209	74	8.5
2010	283	209	74	8.5

Source: investfunds.ru.

Table 45
Investment recourses of non-state pension funds in 2009–2010, billion rubles

O i. d	2005	2004	2007 2008	2000	2010				
Period	2005	2006 2007	2008	2009	Q1	Q2	Q3	Q4	
Number of non-state pension funds	296	293	253	241	164	164	163	159	150
Number of non-state pension funds admitted to compulsory pension insurance	n/a	102	126	136	133	133	133	133	117
Pension reserves	277.3	405.2	472.9	462.7	564.3	583.9	591.2	612.0	643.3
Pension assets	2.0	10.0	26.8	35.5	77.2	115.4	142.0	147.1	155.3
Total	279.4	415.1	499.7	498.2	641.5	699.3	733.2	759.1	798.6
Investment resources NPF/GDP, per cent	1.9	1.54	1.51	1.20	1.64				1.79

Sources: Federal Financial Markets

to secure statutory activities which since July 1, 2009 had increased from 30 million rubles to 50 million rubles.

Table 45 shows data on the non-state pension funds' assets related to non-state pension provision (pension reserves) and compulsory pension insurance (pension assets).

Service of Russia, www. investfunds.ru. In 2009–2010 there could be seen a gradual increase in pension reserves at the rate of 3–9 per cent per quarter, except for Q2 2010 when the increase was only 1.2 per cent. From quarter to quarter, pension assets increase in spurts depending on transfer of funds from non-state pension funds. For 2010, pension assets increased almost in twice and at the end of Q4 2010 comprised 155.3 billion rubles.

At the end of 2010, investment resources of non-state pension funds increased by 24 per cent compared to the beginning of the year.

2.2.5. Investment of Pension Assets

The insured, i.e. employees for which their employers pay pension contributions to the Pension Fund of the Russian Federation and which have the funded component of a retirement pension, may transfer their pension

accumulations to a non-state pension fund or deliver them under a state or private management company administration.

In accordance with Pension Fund of the Russian Federation, as of August 2, 2010, 57 companies were allowed to manage pension accumulations resources. To the present day, the state management company is OAO State Corporation "The Bank for Development and Foreign Economic Affairs (Vnesheconombank)".

As a state management company, Vnesheconombank was entitled to invest pension accumulations just in government securities till November 1, 2009. With effective amendments to pension laws¹⁶ investment opportunities of the state management company widened. It became entitled to invest pension accumulations of citizens in two investment portfolios: an extended investment portfolio and state securities portfolio.

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

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

Private management companies have more extended investment opportunities.

Table 45 shows data on pension accumulations which were transferred to non-state pension funds. Table 46 shows data on the net asset value of the pension accumulations resources which were at the disposal of Vnesheconombank and private management companies in 2005–2010.

With the beginning of the pension reform, the great majority of pension accumulations resources of the insured (over 97 per cent) which were delivered under the trust management of management companies, are at the disposal of Vnesheconombank. The value of net assets under the management of the state management company increased, except for crisis 2008. At the end of 2010, it amounted to 739.9 billion rubles that is by 54 per cent more than the one at the beginning of the year. An extended portfolio became a basic investment portfolio of the state management company. The value of net

Table 46

Net asset value in which pension accumulations were invested in 2005–2010, billion rubles

Desired		Vneshecomonbank		Driverto management		Investment
Period	Extended portfolio	State securities portfolio	TOTAL	— Private management companies	TOTAL	resources MC/GDP, per cent
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	479.8	0.8	480.6	14.9	495.5	1.23
Q1 2010	709.1	1.2	710.2	17.8	728.1	
Q2 2010	723.4	1.8	725.2	18.1	743.3	
Q3 2010	731.0	2.4	733.4	18.9	752.3	
Q4 2010	737.5	2.4	739.9	19.5	759.4	
2010	737.5	2.4	739.9	19.5	759.4	1.71

Sources: Vnesheconombank, Pension Fund of the Russian Federation, www. investfunds.ru, National League of Management Companies.

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

assets under the management of private management companies is subject to the same tendencies, in 2010 it increased almost by 31 per cent and reached 19.5 billion rubles.

2.2.6. Commercial Banks

Many Russian banks are professional participants on the securities market.

Table 47 shows summary data on the amounts of different types of securities in credit organizations' assets¹⁷.

In absolute terms, at the end of 2010, securities in credit organizations' assets are estimated in 5.8 trillion rubles (13 per cent of GDP). The annual increase comprised 35 per cent. The share of securities in credit organizations' assets varies in quite great limits depending on the capital market environment. In 2005 it comprised 15 per cent, but in the end of 2008 it dropped to 8 per cent. Then, with overcoming the crisis, the share of securities began to increase gradually, and in 2010 it was at the level of 17 per cent of credit organizations' assets.

Debt securities in the total portfolio of credit organizations' securities traditionally amount 70 per cent. The

proportion of shares (not taking into account subsidiaries and associated companies) varies depending on the market environment. In 2009 and the first half of 2010 it lay between 9.5 and 12 per cent. In 2007 the index was 144 per cent. The proportion of bills is trending downwards and by the end of 2010 comprised 5.6 per cent of the portfolio of credit organizations' securities.

2.2.7. Foreign Investment Funds

The Russian securities market is a subject of an unfailing interest for foreign investment funds. In accordance with Interfax Business Service (database Thomson One for IR), in 2010 the number of foreign funds (that disclose the information on their activities) investing in local shares and depository receipts slightly increased (by 1.5 per cent) and amounted to 2,137 funds (refer to Fig. 39). During the observed period, the maximum number of funds was seen in 2008 – 2,406 funds, and as for growth rates, in 2005–2008 they were much more higher – 26 per cent per year at average.

The volume of investments in Russian companies' securities (both in local

shares and depository receipts) of the funds is trending upwards. Along with that, the growth rates largely depend on environment on global capital markets. The end of 2010 noted a considerable increase in investmets of foreign investment funds in Russian companies' securities: it comprised 16.9 per cent in relative terms and 13.1 billion dollars in absolute terms. So, the volume of investments in Russian companies' securities reached 90.7 billion dollars. The share of Russian assets in foreign funds is low, 3-4 per cent of the total fund portfolio at average. About 70 per cent of Russian assets are concentrated in foreign funds in Great Britain and the

There are few funds that specialize in Russia (the share of Russian assets is over 75 per cent of the fund assets): since 2005 till 2010 the number of these funds increased from 24 to 51 (refer to Fig. 40).

There are much more so called global funds where the share of Russian assets does not exceed 10 per cent. In 2010 the number of such funds slightly increased to 1,819 funds, however, along with that, it is by 8 per cent less than in 2008 when the number of global funds investing in

Table 47

Securities in credit organizations' assets in 2005–2010, billion rubles

				including:			
Period	Securities*, total	Per cent of GDP	Debt commit-ments*	Equity securities*	Portfolio of majority interest in subsidiaries and associated joint-stock companies	Discounted bills	
2005	1,400.1	6.5	998.0	127.1	64.9	210.1	
2006	1,745.4	6.5	1,251.4	185.0	79.8	229.2	
2007	2,250.6	6.8	1,541.4	316.3	141.9	251.1	
2008	2,365.2	5.7	1,760.3	193.4	212.0	199.5	
2009	4,309.4	11.1	3,379.1	411.8	284.5	234.0	
Q1 2010	4,981.0		3,885.6	493.2	281.9	320.3	
Q2 2010	5,308.4		4,082.5	573.2	291.8	360.8	
Q3 2010	5,562.8		4,190.7	674.8	313.0	384.3	
Q4 2010	5,829.0		4,419.9	710.9	368.2	330.0	
2010	5,829.0	13.1	4,419.9	710.9	368.2	330.0	

^{*} Before February 1, 2008, not taking into account securities under repurchase agreements. Source: Bank of Russia.

¹⁷ Taking into account securities acquired on internal and foreign markets.

Russian assets had reached its historical maximum.

The volume of assets in the funds that specialize in Russia is constantly growing. In 2010 it continued to grow, compared to the beginning of the year the growth comprised 12 per cent and the volume of assets reached 26.7 billion dollars. Though in 2009 the growth was much more higher – 175 per cent.

In 2008–2009 global funds had a reverse tendency: the volume of Russian assets was constantly decreasing there. In 2010 this tendency changed: for the year the volume of Russian assets in global funds increased by 32 per cent at once and reached 37.9 billion dollars that is at the level of pre-crisis 2007.

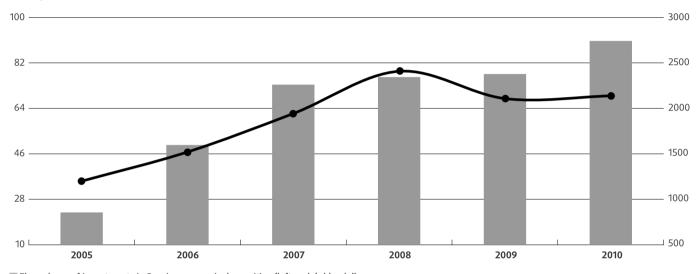
In general, the ratio of volume of foreign funds' investments in Russian

assets performed on Russian and foreign exchanges is estimated as 25 to 75 per cent

Except foreign investment funds that disclose the information on 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.

Figure 39

Foreign investment funds in 2005–2010



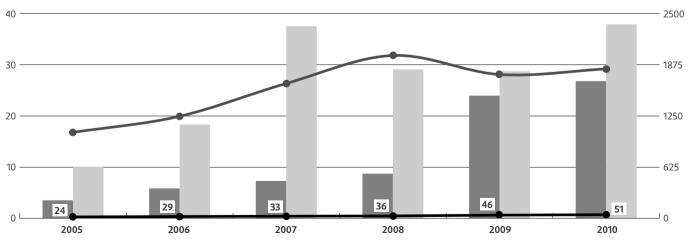
■ The volume of investments in Russian companies' securities (left scale), bln. dollars

The number of foreign investment funds (right scale)

Source: Interfax business service.

Figure 40

Specialization of foreign investment funds in 2005–2010



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

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

■ КоличествоThe amount of global foreign investment funds that invest in Russian companies (right scale)

Source: Interfax business service.

2.3. Professional participants of the securities market

2.3.1. General information of professional participants of the securities market

In 2010 the total number of professional participants of the securities market performing different types of activities on the basis of certain licenses was reduced by 162 companies in absolute terms and at the end of the year comprised 1,512 organizations (refer to table 48)¹⁸. So, for the year the number of professional participants declined by 9.7 per cent, almost the same decline took place in 2009 as well.

The decline in the number of professional participants of the securities market during two straight years is a consequence of severization of requirements to proprietary funds and supervisory policy tightening by the Federal Financial Markets Service.

2.3.2. Brokers, Dealers, Trust Managers: Composition of Professional Participants

Russian laws regulate three types of activities of traders which are securities intermediaries: broker activity, dealer activity and securities management. In general, the definitions of these activities correspond with the perception that is 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.

At the end of 2010, the total number of organizations which have licenses to carry out broker, dealer activities and securities management (in any combinations of licenses) comprised 1,406 companies nearly 38 per cent of which are credit organizations. Head offices of organizations which are professional participants is mostly located in Moscow – about 67 per cent.

The most prevailing legal form of organization of professional participants is limited liability company, the least one is open joint-stock company (refer to Table 49). The legal form of organization of one professional

participant – Vnesheconombank – is state corporation.

Table 50 shows data on the number of valid licenses of professional intermediaries, Table 51 shows data on existing combinations of different licenses.

The prevailing number of companies (over 66 per cent) have the three licenses – to carry out broker and dealer activities and securities management. The least popular is the combination of dealer license and trust management license. 48 per cent of the companies, which have licenses to carry out broker, dealer activities and securities management, have a depository license as well.

In 2010 the number of professional intermediaries' licenses was declining further to the tendency which had appeared a year ago. Compared to the beginning of the year, the number of licenses was reduced by over 10 per cent. During the year 276 licenses were revoked for violations. However, the number of licenses which were revoked for violations by the Federal Financial Markets Service is almost a quarter less than the number of licenses revoked upon the companies' application (refer to Fig. 41)¹⁹. The reason for this is difficulties arisen in carrying out of professional activities in crisis and, to a great extend, new regulatory requirements to equity capital of professional participants. The number of licenses revoked upon

Table 48

Number of organizations which are professional participants of the securities market in 2005–2010, companies

	<u> </u>	· ·			<u> </u>	
Period	2005	2006	2007	2008	2009	2010
Professional participants of the securities market	1,634	1,711	1,813	1,863	1,674	1,512

Sources: Federal Financial Markets Service, NAUFOR calculations.

¹⁸ The table takes into account companies which have licenses to carry out broker, dealer, depository, clearing activities, securities management, maintenance of register of securities holders, trade organization on the securities market, stock exchange activities.

¹⁹ The diagram takes into account revoked licenses to carry out broker, dealer activities and trust securities management. Licenses revoked in connection with withdrawal of credit organizations' banking licenses are not taken into account.

application of professional participants considerably increased in Q3 2010 when, in accordance with order of the Federal Financial Markets Service No. 09-29/пз-н dated July 30, 2009, new requirements to the minimum amount of professional participants' proprietary funds had

come into force. In such conditions many participants the equity capital of which failed to meet new standards had to leave the market. Measures for severization of requirements to proprietary funds did not lead to

consolidation, mergers and take-overs of companies.

The most noticeable was reduction in the number of professional participants of the securities market throughout the country. In 2010 there were revoked licenses in three times more

Table 49

Legal form of organization of professional participants of the securities market which have licenses to carry out broker, dealer activities and securities management in 2010

Legal form of organization	Number of companies	Share of the total number, per cent
Closed joint-stock company	386	27.5
Open joint-stock company	332	23.6
Limited liability company	687	48.9

Based on Federal Financial Markets Service's data.

Table 50
Licenses of professional intermediaries in 2005–2010, licenses

Period	2005	2006	2007	2008	2009	2010
Broker activities	1,379	1,433	1,445	1,475	1,347	1,213
Dealer activities	1,398	1,394	1,422	1,470	1,347	1,198
Securities management	1,022	1,100	1,169	1,286	1,202	1,103

Source: Russia's Federal Financial Markets Service.

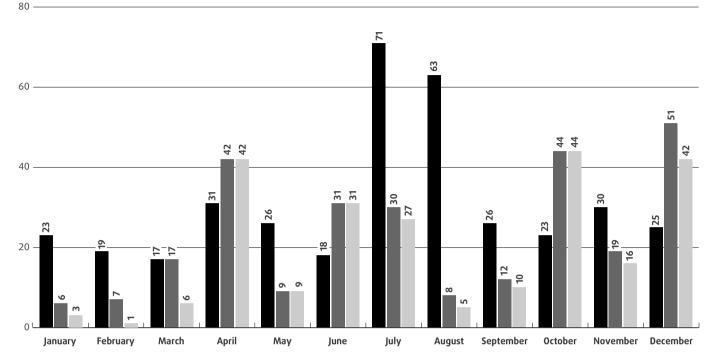
Table 51

Combinations of valid licenses of professional participants of the securities market in 2010

Broker activities	Dealer activities	Securities management	Number of companies	Share of the total number, per cent
✓	-	-	42	3.0
-	√	-	38	2.7
-	-	√	149	10.6
✓	✓	√	931	66.2
✓	✓	-	223	15.9
✓	-	✓	17	1.2
-	- ✓		6	0.4
	TOTAL:		1,406	100.0

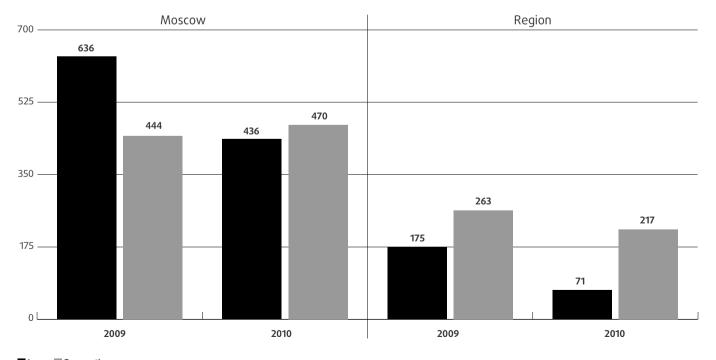
Sources: Federal Financial Markets Service, NAUFOR calculations.

Figure 41
Reasons for revocation of professionap participants' licenses



■ Upon application ■ For violations (in total) ■ For failure to meet requirements to the amount of proprietary funds Sources: Federal Financial Markets Service, NAUFOR calculations.

Figure 42
Issue and revocation of licenses to carry out broker, dealer activities securities management in Moscow in region in 2009–2010



■ Issue ■ Revocation

Based on Federal Financial Markets Service's data.

than issued in regions. In Moscow the numbers of issued and revoked licenses differ slightly: in total, in 2010 there were issued 507 licenses to carry out broker, dealer activities and securities management whereas revoked were 687 licenses. (refer to Fig. 42).

In should be noted that many organizations refused certain licenses of their own free will and reduced business volumes but continued activities on the market.

2.3.3. Brokers, Dealers, Trust Managers: Scope of Professional Activities

Table 52²⁰ shows the list of traders that performed the largest volume of transactions with non-state securities on MICEX during 2010²¹. 649 organizarions participated in trading dyring the year in total

So, the concentration of the traders turnover is very high on MICEX: the share of the first ten most active traders is 46 per cent of the total turnover, and the share of the first twenty companies is 61 per cent. A year ago, the share of the first twenty companies was 64 per cent of the turnover of non-state securities.

Many MICEX traders are characterized by a specialization in different types of securities. Tables 53 and 54 show the similar lists that are compiled separately: transactions with shares and transactions with corporate bonds.

The largest traders concentration could be seen in transactions with

Table 52
List of MICEX traders that performed the largest volume of transactions with non-state securities (at the end of 2010)

No.	Name of organization	Volume of transactions (purchase and sale), billion rubles	Share in the total volume, per cent
1	VTB Group	10,736.8	9.7
2	Troika Dialog Group	7,040.5	6.4
3	OAO Sberbank of Russia	6,466.1	5.9
4	Renaissance Group	5,310.8	4.8
5	ZAO FINAM	5,017.8	4.5
6	000 BCS Company	4,438.4	4.0
7	OTKRITIE Group	3,929.7	3.6
8	ZAO CentroCredit Joint Stock Commercial Bank	2,704.5	2.5
9	ALOR Group	2,656.6	2.4
10	Gazprombank Group	2,422.7	2.2
11	OAO Promsvyazbank	2,355.3	2.1
12	URALSIB Group	2,143.6	1.9
13	000 ATON	1,893.6	1.7
14	OAO NB TRUST	1,575.8	1.4
15	OAO Bank of Moscow	1,519.4	1.4
16	OAO ZERICH Capital Management Investment Company	1,477.7	1.3
17	OOO RONIN	1,447.6	1.3
18	000 VELES Capital Investment Company	1,442.7	1.3
19	OAO UBRD	1,409.7	1.3
20	OAO MDM Bank	1,374.4	1.2
	TOTAL		61.1

Based on MICEX data.

²⁰ In this Table and hereafter, traders are combined in assumed group of companies.

²¹ Here and hereinafter the section takes into account all trading modes and repos with shares, corporate bonds and investment units.

Table 53
List of MICEX traders that performed the largest volume of transactions with shares (at the end of 2010)

No.	Name of organization	Volume of transactions (purchase and sale), billion rubles	Share in the total volume, per cent
1	VTB Group	5,894.7	9.8
2	Troika Dialog Group	5,837.6	9.7
3	ZAO FINAM	4,999.0	8.3
4	Renaissance Group	4,420.0	7.3
5	000 BCS Company	4,017.6	6.7
6	OAO Sberbank of Russia	3,790.7	6.3
7	OTKRITIE Group	2,938.8	4.9
8	ALOR Group	2,517.2	4.2
9	Gazprombank Group	1,888.5	3.1
10	000 ATON	1,697.1	2.8
11	OAO ZERICH Capital Management Investment Company	1,466.4	2.4
12	Credit Suisse Group	1,200.5	2.0
13	OAO Bank Saint Petersburg	917.8	1.5
14	OAO ALFA-BANK	917.7	1.5
15	ZAO CentroCredit Joint Stock Commercial Bank	884.5	1.5
16	OAO Promsvyazbank	848.7	1.4
17	KIT Finance Group	795.4	1.3
18	000 VELES Capital Investment Company	743.4	1.2
19	OAO Bank of Moscow	584.1	1.0
20	000 Goldman Sachs	542.7	0.9
	TOTAL		77.9
	and the second s		

Based on MICEX data.

Table 54
List of MICEX traders that performed the largest volume of transactions with corporate bonds (at the end of 2010)

No.	Name of organization	Volume of transactions (purchase and sale), billion rubles	Share in the total volume, per cent
1	VTB Group	4,842.1	9.7
2	OAO Sberbank of Russia	2,675.4	5.3
3	ZAO CentroCredit Joint Stock Commercial Bank	1,820.1	3.6
4	OAO NB TRUST	1,558.8	3.1
5	OAO Promsvyazbank	1,506.2	3.0
6	OAO UBRD	1,378.0	2.8
7	ZAO Raiffeisen Bank	1,214.5	2.4
8	Troika Dialog Group	1,202.7	2.4
9	000 RONIN	1,142.1	2.3
10	OAO MDM Bank	1,128.5	2.3
11	URALSIB Group	1,116.7	2.2
12	000 RIK Finans	1,048.4	2.1
13	ZAO ING BANK (EURASIA)	981.5	2.0
14	NOMOS BANK Group	977.9	2.0
15	OAO Bank of Moscow	935.4	1.9
16	OAO KHANTY-MANSIYSK BANK	917.8	1.8
17	Renaissance Group	890.7	1.8
18	ZAO Citibank	880.6	1.8
19	UniCredit Group	874.2	1.7
20	000 REGION Brokerage Company	846.7	1.7
	TOTAL		55.8

Based on MICEX data.

shares (the first ten traders provide for 63 per cent of the volume of transactions, and the first twenty – nearly 78 per cent). A year ago, the share of the first twenty companies was 74 per cent of the turnover of shares on MICEX. As for significant changes in the list of the most active share traders, there can be noted one company's leaving the securities market because of license revocation for violations in professional activities. The decline in the volume of transactions of Vnesheconombank also should be

noted (the 16th position in 2009 and the 30th position in 2010).

As for corporate bonds, the turnover concentration among traders was less (37 and 56 per cent relatively). A year ago, the share of the first twenty companies was 60 per cent of the turnover of

Table 55
List of MICEX traders that performed the largest volume of customer operations (at the end of 2010)

No.	Name	Volume of customer operations (billion rubles)	Share in the operation volume of ten largest participants (per cent)
1	ZAO Troika Dialog Investment Company	7,055.0	23
2	ZAO FINAM	5,024.3	16
3	OOO BCS Company	4,534.7	15
4	OTKRITIE Financial Corporation	3,327.3	11
5	ALOR Group	2,639.5	9
6	000 ATON	1,905.2	6
7	ZAO VTB 24	1,703.8	6
8	OOO RONIN	1,533.5	5
9	OAO ZERICH Capital Management Investment Company	1,478.0	5
10	000 VELES Capital Investment Company	1,438.2	5
	TOTAL	30,640.0	100

Based on MICEX data.

Table 56
List of traders on the RTS stock market that performed the largest volume of transactions with securities (at the end of 2010)

No.	Name of organization	Volume of transactions (purchase and sale), billion rubles	Share in the total volume, per cent
1	OTKRYTIE Group	2,004.6	28.7
2	Troika Dialog Group	1,600.6	22.9
3	ALOR Group	1,315.1	18.8
4	OAO ITinvest Investment Company	867.7	12.4
5	OAO OLMA Investment Firm	575.8	8.2
6	000 BCS Company	107.6	1.5
7	OAO Metallinvestbank Joint Stock Commercial Bank	68.8	1.0
8	ZAO Infina Stock Center	66.5	1.0
9	ZAO FINAM	60.7	0.9
10	Deutsche Bank Group	35.7	0.5
	TOTAL		96.0

Based on RTS data.

corporate bonds on MICEX. The most activite in transactions with bonds are credit organizations.

Traders are entitled to operate both at customer's expense (customer operations) and at their own expense. Table 55 shows data on the companies that performed the largest amount of customer operations on MICEX in 2010. It is important to mention that, as distinct from the data shown in Tables 52–54, this table shown data only on the companies which have permitted MICEX to disclose information of volumes of their customer operations. Information on the total volume of customer operations on MICEX is not subject to disclosure.

Compared to the end of 2009, the list of traders with the largest volume of customer operations changed slightly.

Table 56 shows the list of traders that performed the largest volume of transactions with non-state securities in all trading modes on RTS Formal and Exchange markets and on the RTS Standard market during 2010. It

total, 181 organizations participated in trading.

So, taking into account that the number of organizations which participate in trading on the RTS stock market is smaller than the one on MICEX, the concentration of operations here is much higher – nearly 5 per cent of all traders provided for 96 per cent of the trading turnover, and at the same time the volume of operations of just one investment company almost amounted to 30 per cent of the total turnover. By our estimate, the concentration of operations on RTS is trending upwards as a year ago the share of the first ten companies was 77 of the turnover of securities on RTS. It should be also noted that the changes in the list of leaders in turnover on RTS are insignificant.

The concentration of clearing firms' operations on the RTS FORTS derivatives market is also high (refer to Table 57).

So, in 2010, as a year ago, the share of the first ten out of 135 clearing firms on the FORTS derivatives market is 80

per cent of the trading turnover. By our estimate, the concentration of traders' operations on the RTS derivatives market is, to the contrary, tended to decline.

2.3.4. Trading and Clearing Infrastructure

The trading and clearing infrastructure of the Russian securities market is formed by professional participants of the securities market that perform the following types of activities:

- trade organization on the securities market (including stock exchanges);
- · clearing activities;
- depository activities as clearing depositories.

Except that, the infrastructure also includes non-banking credit companies that act as clearing organizations.

In the recent years, the number of companies which have licenses to organize trading or stock exchange or clearing license is stable and changes slightly up or down. According to the Federal Financial Markets Service, at

Table 57
List of traders on the FORTS derivatives market that performed the largest volume of transactions with derivative contracts (at the end of 2010)

No.	Name of organization	Volume of transactions (purchase and sale), billion rubles	Share in the total volume, per cent
1	OAO ITinvest Investment Company	9,507.8	16.2
2	000 BCS Company	8,736.7	14.9
3	OTKRYTIE Group	8,555.9	14.6
4	OAO ZERICH Capital Management Investment Company	4,673.9	8.0
5	ALOR Group	4,503.5	7.7
6	ZAO FINAM	3,015.6	5.1
7	Troika Dialog Group	2,501.9	4.3
8	OAO Alfa-Bank	2,380.9	4.1
9	000 KIT Finance	2,064.0	3.5
10	VTB Group	1,636.1	2.8
	TOTAL		81.1

Based on RTS data.

the end of 2010 eight companies have licenses to organize trading or stock exchange and eleven companies have clearing licenses.

Market competition and objective integration processes resulted in two leading infrastructure centres – MICEX Group and RTS Group which today form the Russian securities and derivates market.

MICEX Group is a vertically-integrated trading and clearing infrastructure which consists of:

- ZAO Moscow Interbank Currency Exchange;
- ZAO MICEX Stock Exchange;
- ZAO National Settlement Depository
- ZAO Bank National Clearing Centre.
 In May 2010, the General

Shareholders' meeting of ZAO MICEX considered transition to "unified share". In November 2010, reorganization of ZAO MICEX Clearing House through merger of ZAO National Settlement Depository was completed. The name ZAO National Settlement Depository substituted for ZAO MICEX, new company combined functions of a clearing organization and securities settlement depository.

MICEX Group supports several trading modes:

The basis of the trading mechanism

- public securities market;
- basic trading mode;
- · negotiated deals mode;
- · repos trading mode;
- derivatives market.

on the public securities market (organized by ZAO Moscow Interbank Currency Exchange) is an "order-driven market" principle that is a market of competing orders where a transaction is performed automatically in case of matching of conditions in offsetting orders. Transactions are performed on the principle "delivery versus payment" with full preliminary deposit of assets. Trade settlement is to be done on the date of conclusion of transactions (T+0).

MICEX stock market (trade organizer is ZAO MICEX Stock Exchange) is also based on the "order-driven market" principle, "delivery versus payment" with full preliminary deposit of assets and trade settlement on the date of conclusion of transactions (T+0).

In the negotiated deals mode, traders have the opportunity to quote securities by making no-address orders (invitation to offer for all traders) and conclude 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, at settlement of 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 conclusion of the transaction (T+30). This mode allows traders to conclude transactions either with a total provision control, or without a provision control.

Repos trading mode allows concluding transactions with any settlement date starting with the next day after the date of conclusion of a transaction till the chosen date of its settlement inclusive. 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 value of 0 to 180 calendar days, and x takes on value of 0 to 2 clearing days).

There are also provided for special modes for servicing qualifies investors.

Clearing of the transactions that were concluded on MICEX is effected by ZAO MICEX. Traders' net obligations under concluded transactions are cleared on the basis of settlement documents of ZAO MICEX as a clearing centre in ZAO NSD (monetary assets clearing organization and clearing securities depository).

In early 2010 MICEX stock market introduces a new trading mode MICEX+. This mode features the possibility to conclude transactions on the terms of partial preliminary deposit of means and T+n settlements. Settlement of transactions in this mode is accompanied with centralized clearing, a central counterparty is ZAO MICEX. In this mode traded are shares from MICEX Index and bonds with high reliability rating, during the year ten securities participated in transactions in this mode. Transactions in the mode can be settled by all traders in the frame of their established limits. Traders may

conclude transactions in modes "central counterparty – basic trading mode", "central counterparty – negotiated deals mode", "central counterparty – repos".

Trading volumes in this mode is minor (refer to Table 8).

Derivatives market. MICEX Group created a single derivative financial instrument market which is organizationally divided into several segments, particularly derivative financial instrument market for securities and stock indices and market for other financial assets (currency, interest rates). Organizer of trading of derivative instruments for securities and stock indices is ZAO MICEX Stock Exhange. Centalised clearing is performed by ZAO MICEX. Settlements after trading and performance derivative contracts on securities is effected through ZAO National Settlement Depository.

In March 2010 there was introduced a unified mode for delivery and settlements under derivative contracts on securities and transactions on the stock market.

Trading in various modes are held from 10:00 a.m. till 7:00 p.m.

MICEX Group also created alternative trading floors.

The Innovations and Investments Market appeared in 2007, its original name is the Innovation and Growth Companies Sector. After MICEX and ROSNANO had signed an agreement in the middle 2009, it got its present name. This market focuses on hightech companies and is designated to attract financing with using exchange procedures including closed placements among funds and qualified investors. In 2007–2010 thirty placements were held on this market including placements of eight open joint-stock companies, one closed unit investment fund and four venture capital funds. In 2010 eight placements were held (including four placements of open joint-stock companies). Taking into account data from various sources, the total volume of placements comprised 2.6 billion rubles, including 0.9 billion rubles in 2010. In 2007-2009 the total turnover of securities of companies and funds which had held placements on the market amounted

to nearly 3.5 billion rubles. Due to the fact that in 2010 securities for qualified investors began to circulate on the Innovations and Investments Market, trading volumes of which was nor disclosed, we can define the annual turnover of this market only at the estimative level: 4.5–5.0 billion rubles.

MICEX Discovery sector was founded in 2008 as a part of the common market of the stock with a special procedure for admitting shares to trading and criteria for selecting companies. The shares that were operated in this sector are admitted to trading at the initiative of the stock that uses a company selection system and information sponsorship institution for reduction of risks. During 2008-2010 this sector included shares of over 40 Russian companies. The volume of transactions with shares of these issuers amounted to 14.5 billion rubles at the end of 2008-2009 and 62.1 billion rubles in 2010.

In the total volume of transactions with share (taking into account repos), the alternative floors MII Sector and MICEX Discovery occupy the niche not over 0.1 per cent, though they show a tendency towards growth.

Summary trading results of non-state securities and derivative contracts²² in MICEX Group in 2009–2010 in consideration of all modes are shown in Table 58.

In 2010 the total volume of operations with non-state securities on MICEX stock exchange comprised 64.03 trillion rubles that is by 57.5 per cent more than the one a year ago. Along with that, in 2006–2007 relative growth indices were considerably higher.

The base of exchange turnover of non-state securities on MICEX stock exchange is shares, corporate, subfederal and municipal bonds. The share of securities of other types does not exceed basis points. The trading

volume of shares traditionally prevails (refer to Fig. 43).

In 2005–2010 it was from 47 to 73 per cent of the total turnover. During this period, the turnover of corporate bonds lay within the range from 20 to 39 per cent and the one of subfederal and municipal bonds did from 6 to 14 per cent. 2010 featured reduction in the share niche by means of debt instruments: the trading volume of subfederal and municipal bonds in total exceeded the trading volume of shares.

In 2010 MICEX stock exchange saw an abrupt decrease in the extent of outstanding commitments: there were recorded 20 outstanding transactions for the year with total amount of 219.6 billion rubles. For comparison, 2008–2009 fixed 1,509 outstanding commitments with total amount of 40.6 billion rubles.

RTS Group is a vertically-integrated trading and clearing infrastructure which consists of:

Table 58

Trading results of non-state securities and derivative contracts in MICEX Group in 2005–2010, billion rubles

		Trading volume on the stock market							
Period	Shares	Russian depository receipts on Russian issuers' shares	Corporate bonds	Subfederal and municipal bonds	Bonds of international financial organizations and Eurobonds	Bonds of foreign states	Investment units of unit investment funds	TOTAL	Trading volume on the derivatives market
2005	4,025.0	-	1,510.2	865.0	0.58	-	1.5	6402.4	186.7
2006	14,859.6	-	4,131.4	1,386.3	0.64	-	4.9	20,383.0	894.2
2007	30,927.0	-	9,946.4	2,604.3	0.22	-	20.2	43,498.2	2,207.5
2008	33,704.7	-	11,895.9	2,734.7	0.18	-	23.1	48,358.6	3,324.6
2009	26,253.8	-	10,162.5	4,194.0	37.34	-	16.2	40,663.9	660.2
Q1 2010	6,520.6	-	4,666.5	1,806.6	0.003	-	4.6	12,998.5	212.7
Q2 2010	7,800.1	-	6,148.1	2,277.4	0.007	-	4.1	16,229.9	342.7
Q3 2010	7,095.1	_	6,259.8	2,318.2	0.001	-	11.9	15,685.2	419.4
Q4 2010	8,691.5	0.29	7,907.8	2,465.0	33.862	7.00	10.6	19,116.2	539.3
2010	30,107.6	0.29	24,982.4	8,867.4	33.87	7.00	31.3	64,029.9	1,514.3

Source: MICEX.

²² Taking into account repos and initial offerings. Taking into account underlying assets of all types for the derivatives market.

- "Russian Trading System" Stock Exchange, Non-Commercial Partnership
- OAO "Russian Trading System" Stock Exchange
- Saint Petersburg Stock Exchange, Non-Commercial Partnership
- ZAO RTS Clearing Centre
- ZAO RTS Clearing House, Non-Banking Credit Company
- ZAO Depository Clearing Company. During 2010 RTS Clearing House, Non-Banking Credit Company was reorganized with change of the legal form of organization from limited liability company to closed joint-stock company.

RTS Group supports several trading modes:

- Exchange market (T+0);
- RTS Standard;
- RTS Classica;
- Derivatives market FORTS.

 Trade organizer is OAO RTS Stock

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Exchange. Saint Petersburg Stock Exchange, Non-Commercial Partnership trades shares of OAO Gazprom.

RTS Exchange Market operates on the basis of the following principles:

order-driven market, full preliminary deposit of assets, T+0 DVP settlement cycle, quotes and settlements in rubles. ZAO RTS Clearing Centre is a clearing centre, ZAO Depository Clearing Company is a clearing depository, RTS Clearing House, Non-Banking Credit Company is a clearing credit organization.

RTS Standard is based on orderdriven market, partly preliminary deposit of assets, T+4 DVP settlement cycle, quotes and settlements in rubles. ZAO RTS Clearing Centre is a clearing centre, **ZAO Depository Clearing Company** is a clearing depository, RTS Clearing House, Non-Banking Credit Company is a clearing credit organization. While clearing, a central counterparty clearing method is used. Today over 30 securities are admitted to trading. RTS Standard provides an evening trading session. The main trading session opens at 10:00 a.m. and 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, settlements under transactions concluded during this time

are effected at 2:00 p.m. on the following day.

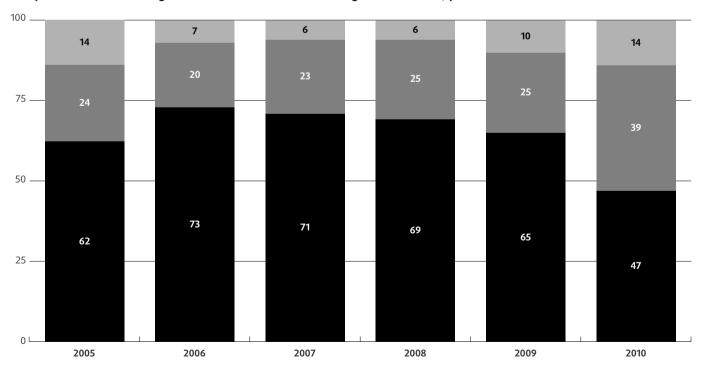
In April 2010 RTS Standard provided for the opportunity to effect repo transactions with central counterparty and from T+1 to T+4 settlement cycles on no-address and address applications.

RTS Classica operates in two trading modes:

· Classical market with nonanonymous trading mode that means a closing of a transaction on the basis of non-anonymous quotes (quote-driven market), the absence of a preliminary deposit of assets, quotes in US dollars, and the opportunity to choose a clearing date (from 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 centre 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.

Figure 43

Composition of the exchange turnover of MICEX stock exchange in 2005–2010, per cent



■ Shares ■ Corporate bonds ■ Subfederal and municipal bonds

Source: MICEX.

 Classical market with anonymous trading mode that means an anonymous order auction (orderdriven market), partial preliminary deposit of assets, "delivery versus payment" clearing method (T+4), quotes and clearing in US dollars. ZAO RTS Clearing Centre is a clearing centre, ZAO Depository Clearing Company is a clearing depository, RTS Clearing House, Non-Banking Credit Company or J.P Morgan Chase Bank are clearing credit organizations.

While clearing on the most liquid securities, "central counterparty clearing" method is used (nine shares at present time).

FORTS is based on anonymous order auction (order-driven market). Clearing and delivery are performed at the end of contract circulation. Quotes and clearing are in rubles. ZAO RTS Clearing Centre is a clearing centre, ZAO Depository Clearing Company is a clearing depository, RTS Clearing House, Non-Banking Credit Company is a clearing credit organization. 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, settlements under transactions concluded during this time are effected at 2:00 p.m. on the following day.

In March 2010 there were introduced unified delivery and settlements on FORTS and RTS Standard.

Except that, there is a system of indicative quotations RTS Board in the framework of RTS which is based on the following principles: entering of indicative quotes of securities that were not admitted to trading on RTS. the absence of preliminary deposit of securities and monetary resources, quotes in US dollars, the opportunity to choose a clearing date (from T+0 to T+30), clearing method ("delivery versus payment" or free delivery), the currency of settlement (both rubles and foreign currency). A clearing centre 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 RTS Group created an alternative trading floor for qualified investors – **RTS Global** designated to enter indicative quotations of foreign securities, to make off-exchange transactions and effect settlements on transactions in ZAO Depository Clearing Company. Since February 2010 this floor has been developing within the framework of RTS Board.

In May 2010 trading on all RTS Group's markets began to open by 30 minutes earlier – at 10:00 a.m.

Summary trading results on various markets of RTS Group are shown in Table 59²³

RTS stock market mainly focuses on share trading. RTS spot markets, except for RTS Standard, are distinguished with larger variability in turnover from quarter to quarter. In 2010 all RTS markets, except for RTS Classica, showed an increase in trading volumes. Abrupt jump of turnovers on Saint Petersburg Stock Exchange in Q4 was caused by single major transactions. By the end of 2010, RTS Standard became the main exchange spot market of RTS which accumulated

Table 59

Trading results of non-state securities and derivative contracts on RTS in 2005–2010

Period	RTS Classica billion dollars	RTS stock market billion rubles	RTS Standard billion rubles	Stock market of Saint Petersburg Stock Exchange billion rubles	FORTS billion rubles	RTS Board billion dollars
2005	7.7	82.0	-	936.8	687.1	309.1
2006	16.1	27.3	-	1,205.9	2,708.5	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	1,556.5	1.3	14,169.2	109.0
Q1 2010	0.7	1.8	672.5	0.1	5,268.2	34.4
Q2 2010	0.6	3.9	894.3	0.2	7,639.1	35.8
Q3 2010	0.4	2.6	941.5	0.1	7,158.2	20.7
Q4 2010	0.5	3.7	993.9	26.1	9,309.9	53.8
2010	2.2	11.9	3,502.2	26.6	29,350.4	144.8

Source: RTS.

²³ Taking into account transactions with shares, corporate, subfederal, municipal bonds, investment units, including repos. As for FORTS, taken into account were futures and options transactions with all types of basic assets. Data on RTS Standard are in view of main and additional evening trading sessions.

97 per cent of volume of transactions with securities.

In accordance with Regulation on Representation of Information²⁴ stock exchanges collect information on off-exchange transactions with securities that are listed in quotation lists of stock exchanges. Fig. shows the diagram to characterize the share of reported off-exchange transactions in the total volume of exchange (ignoring repos) and reported off-exchange transactions performed (reported) on MICEX and RTS.

Since May 2009 and till September 2010, the volume of exchange transactions became to increase at quite quick rates. During 2010, it was not below 38 per cent and exceeded 50 per cent in some months; the average amount for the year comprised 45 per cent, it is the maximum average amount since the beginning of presentation of information on exchange transactions.

For comparison, in 2009 the average share of off-exchange transactions was 32 per cent.

2.3.5. Accounting System

The Russian stock market has two alternative ways of equal legal force to account rights to securities: on personal accounts in a register system and on deposit accounts in depository. Registrars, depositaries, and issuers, that independently maintain a register of their shareholders, as a whole form an accounting system of the securities market. Registrar and depository activities are licensable.

A registrar is a professional participant of the securities market that keeps a register of securities holders (collects, records, processes, storages and presents the data that form the register system of securities holders). A registrar acts on the basis of an agreement with a security issuer; persons that open accounts in the

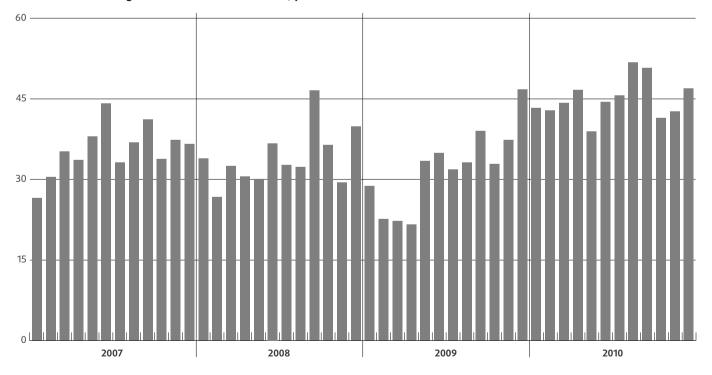
register do not enter into an agreement with a registrar. An issuer that has less than 50 shareholders is entitled to keep the register independently or enter into an agreement with a registrar. If there are more than 50 shareholders, an issuer shall delegate the keeping of the register to a registrar, although the issuer remains in charge of keeping of the register.

A depository provides services for accounting and certification of rights to securities, accounting and certification of securities delivery, and securities storage (in case of issues in documentary form). 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).

Depositaries in Russia, according to the world practice, are divided into clearing and custodian depositaries. Clearing depositaries are the depositaries

Figure 44

Share of off-exchange transactions in 2007–2010, per cent*



^{*} Since January 24, 2007 Source: MICEX.

²⁴ Order of the Federal Financial Markets Service of Russia No. 06-67/nз-н dated June 22, 2006, On Approval of Regulation of Representation of Information on Conclusion of Transactions.

that perform securities clearing in accordance with clearing results and all operations on depositary accounts of securities market traders in settlement of the transactions performed through trading organizers. Custodian depositaries are all other depositories.

Table 60 shows data on the number of valid licenses of registrars and depositaries.

So, according to Table 60, during the recent years the number of registrars obviously tends to reduce. The same tendency was characteristic of depository activities since 2008 as well.

In should be noted that about 60 per cent of companies which have depository licenses are credit organizations. No more than 6.5 per cent of organizations which account rights to securities and store certificates have the only license to carry out this activity. Other 93.5 per cent of organizations combine depository activities with other professional activities on the security market (refer to Table 61).

The most popular combination is depository plus broker, dealer activities and securities management.

Table 60
Licenses of registrars and depositaries in 2005–2010

Activity –	Period						
	2005	2006	2007	2008	2009	2010	
Registrar activity	82	73	66	59	50	45	
Depository activity	743	831	787	789	761	720	

Source: Federal Financial Markets Service.

Table 61

Combination of licenses of companies which carry out depository activities (at the end of 2010)

Broker activities	Dealer activities	Securities management	Depository activities	Number of companies	Share of the total number, per cent
-	-	-	✓	47	6.5
-	-	✓	✓	3	0.4
-	✓	-	✓	1	0.1
✓	-	-	✓	11	1.5
✓	✓	-	✓	113	15.7
✓	-	✓	✓	5	0.7
√	✓	✓	✓	540	75.0
	TOTAL:			720	100.0

Based on Federal Financial Markets Service's data.

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 applicable to securities market and subordinate laws (mainly by Resolutions of RF Government and Orders of the FFMS of Russia) that establish special standards. The activities of some institutions are regulated by special laws: Law On Investment Funds, Law On Non-Governmental Pension Funds, On the Investment of the Funds for the Funded Part of Pension, Law On Savings and Mortgage System of Accommodation Provided for the Military which also are accompanied by a considerable volume of subordinate regulation.

In 2010 significant changes occurred in the regulatory framework of securities market regulation.

Circulation of securities and other financial instruments

1. In late July 2010 the Federal Law № 224-FZ²⁵ On Counteracting the Misuse of Insider Information and Manipulation

of The Market, and on Amendments Made to Specific Legal Acts of Russian Federation has been adopted. This law specifies the general concept of insider information, gives the list of operations that are the evidences of the market manipulation, and establishes a number of measures that shall be taken by the professional participants of the financial markets to prevent lawlessness.

Civil, administrative, and criminal responsibilities are incurred for market manipulation and the insider information misuse. The regulations on criminal responsibility for insider information use come into effect in three years upon the official publication date of this act.

The law clearly provides that the transactions settled with the insider information misuse and (or) transactions that are the evidence of the market manipulation are not the ground for cancellation of such transactions.

Except for specified provisions the act is effective from January 27, 2011.

2. For the purpose of development of Federal Securities Market Law the FFMS of Russia has approved the Regulations on Types of Derivatives²⁶. The Option

Agreement (Contract), Future Agreement (Contract), Stock Derivative Agreement (Contract), OTC Derivative Agreement (Contract), and Swap Agreement (Contract) are attributed to the derivatives. The Regulations determine the asset base of these derivatives as securities, commodities, currency, interest rates, inflation level, official statistics, physical, biological or chemical environmental indicators, circumstances that evidence the legal entities, governmental or municipal institutions' default or improper fulfillment of the obligations, and circumstances stipulated in Federal laws or regulatory legal acts of the Federal Executive Body related to securities market and it is unknown whether or not these circumstances occur, etc.

3. The FFMS of Russia adopted a number of documents regulating the access of the foreign securities and provided the opportunity for offering and circulation of the foreign securities.

In February 2010 the FFMS of Russia has approved²⁷ the list of foreign organizations accounting the rights for the securities that can be raised

²⁵ Federal Act No. 224-FZ dd. 27.07.2010 On Counteracting the Misuse of Insider Information and Manipulation of The Market, and on Amendments Made to Specific Legal Acts of Russian Federation.

²⁶ Order of FFMS of Russia No.10-13/pz-n dd. 04.03.2010 On Approval of Regulations on Types of Derivatives.

²⁷ Order of FFMS of Russia No. 10-6/pz-n dd. 09.02.2010 On Approval of the List of Foreign Organizations Accounting the Rights for the Securities in which Russian Depositories Are Entitled to Open the Account of the Individual/Entity Acting in the Other Parties' Interests to Provide the Accounting of the Rights for Foreign Issuers' Securities Allowed for Public Offering and (or) Public Circulation in Russian Federation.

for the accounting of the rights for securities allowed for public offering or public circulation in Russia. 63 foreign companies are included in the specified list.

Besides, by the Order²⁸ the FFMS of Russia has approved the requirements to the broker that signs the prospectus of securities of foreign issuer. The broker shall meet the following requirements for the date of signature of securities prospectus:

The amount of the broker's proprietary funds (equity capital) shall not be less than RUR 150 mln;

The duration of the broker activity to be conducted shall be three (3) years as the least;

The broker shall have rendered the services related to arrangement of offering and (or) the offering itself of ten issues (additional issues) of the equity securities over the last three (3) years.

In March 2010 by Order²⁹ the FFMS of Russia has set the requirements to depositories accounting the rights for the securities of the foreign issuers allowed for public offering and (or) public circulation in Russian Federation. Based on the Order, such depository can be depository operating one year as the least.

The issues related to the registration of the prospectuses of the foreign issuers' securities and admission of such securities to the offering and (or) public circulation in Russia are governed by the Order of the FFMS of Russia³⁰. The official document approved in March provides the conditions for the admission of the foreign issuers' securities to the offering and public circulation in Russia Federation and sets the list of the documents submitted by the foreign

issuer to the FFMS of Russia to receive such admission.

In April 2010 there has been approved the order of the FFMS of Russia³¹, providing the structure of and the procedure for the calculation of the indicators characterizing the level of (assumed) stock liquidity and stock investment risk based on which the FFMS of Russia takes the decision on admission of the foreign issuers' securities to the offering and public circulation in Russia Federation. The difference between the best offering price and best purchasing price for the securities, number of securities offering and purchasing applications made, and volume of securities trading, international credit rating, and the value of the mean-square deviation of the variation in prices for securities or issuer's operating period and available losses incurred by the issuer on the basis of the accounting data are attributed to such indicators. The formulas for calculation of these indicators are approved.

Issuers of Securities

1. The Federal Securities Market Law has been amended in October 2010³². Based on the amendments made the list of the substantial facts and information that may remarkably affect the value or quotation of the equity securities to be disclosed by the issuers that registered the securities prospectus has been enlarged significantly and the structure of the information to be included by such issuers of the securities into the quarterly report has been made certain.

In case of the registration of prospectus of the securities intended for the qualified investors, the issuer

shall provide the information for the specified quarter (qualified investors, governmental authorities, etc.) instead of information disclosure.

The law provided the opportunity for the issuer to be discharged from responsibility for disclosure or submission of information on the securities based on the decision of the FFMS of Russia as long as some conditions are observed.

2. Since July 2010 the FFMS of Russia has made a number of amendments and additions to the Standards of Securities Issue and Securities Prospectus Registration³³. The main objective of the amendments was the clarification of the requirements to procedure for offering and redemption of Russian depository receipts in the redemption of the securities presented by such receipts. The list of documents required for state registration of the additional issue of the shares has also been revised.

3. In 2010 new Procedure for Authorization of Admissions of Offering and (or) Arrangement of the Circulation of Russian Issuers' Equity Securities outside Russian Federation Including that Provided by Means of Offering and Circulation of the Securities of the Foreign Issuers that Certify the Russian Issuers' Rights for Securities³⁴ has come into effect. The document has established new standards of offering and (or) circulation of the Russian issuer's shares outside Russia. Particularly, a number of shares of the Russian issuer the offering and (or) arrangement of circulation of which are assumed to be provided outside Russia (including that provided by means of offering and circulation of

²⁸ Order of FFMS of Russia No. 10-12/pz-n dd. 25.02.2010 On Approval of the Requirements to the Broker that Signs the Prospectus of Securities of Foreign Issuer.

²⁹ Order of FFMS of Russia No. 10-19/pz-n dd. 23.03.2010 On Approval of Requirements to Depositories Accounting the Rights for the Securities of the Foreign Issuers Allowed for Public Offering and (or) Public Circulation in Russian Federation.

³⁰ Order of FFMS of Russia No. 10-20/pz-n dd. 23.03.2010 On Approval of the Procedure for Registration of the Prospectuses And Admission of Foreign Issuers' Securities to Public Offering and (or) Public Circulation in Russian Federation Based on the Decision of the Federal Executive Body Related to Securities Market.

³¹ Order of FFMS of Russia No. 10-5/pz-n dd. 09.02.2010 On Structure of and the Procedure for the Calculation of the Indicators Characterizing the Level of (Assumed) Stock Liquidity and Stock Investment Risk Based on which the FFMS of Russia Takes the Decision on Admission of the Foreign Issuers' Securities to the Offering and Public Circulation in Russia Federation.

³² Federal Law No.264-FZ dd. 04.10.2010 On Amendments Made to Federal Securities Market Law and Specified Legal Acts of Russian Federation.

³³ Order of FFMS of Russia No. 10-48/pz-n dd. 20.07.2010 On Amendments Made to the Standards of Securities Issue and Securities Prospectus Registration approved by Order of FFMS of Russia No. 07-4/pz-n dd. 25.01.2007.

³⁴ Order of FFMS of Russia No. 09-21/pz-n dd.10.06.2009 On Procedure for Authorization by Federal Securities Market Service of Admissions of Offering and (or) Arrangement of the Circulation of Russian Issuers' Equity Securities outside Russian Federation.

foreign securities) shall not exceed the following:

25 % total amount of shares of the issuer of the same category when the share of the issuer are enlisted in the quotation list A (of Level 1 or Level 2) of Russian Stock Exchange;

15 % when the shares of Russian issuer are enlisted in the quotation list B of Russian Stock Exchange;

25 % when the applicant is the issuer of the foreign securities with the establishment location in the country where the relevant authority has the treaty with the FFMS of Russia that provides the coordination procedure.

Besides, the Procedure has expanded the list of the documents required for the FFMS of Russia authorization and set more detailed requirements to the information contained in these documents.

4. The response to the recession was the Order of the FFMS of Russia³⁵ that provided the opportunity for the issuer to remain in the quotation lists of the Russian Stock Exchanges regardless the losses incurred by the issuer. The document determines that the requirements are not applied to unavailability of the losses incurred by the issuer versus the results of two out of three recent years reported36 for the shares and bonds of this issuer to be enlisted in the quotation lists A of Level 1 and Level 2 of the Stock Exchanges, if these losses were incurred versus results of 2008 and 2009.

Professional participants of the financial markets

1. New Regulations on License Requirements and Conditions of Trading on the Securities Market³⁷ has come into effect on October 1, 2010.

The above specified document sets the procedure for combination by the organization of the several types of trading on the securities market, establishes the procedure for issuing and cancellation of the licenses, and determines the requirements that the professional participants of the securities market shall meet.

Compared with the previous requirements applied to the professional participants that make bargains via unqualified investors the requirement to establish the Board of Directors (Supervisory Council) has been added to the number of the licensed participants. Also, it provides the requirement to quarterly submit the information to the FFMS of Russia on the person/entity or group of persons/entities that directly or indirectly own five or more percent equity capital (share capital) of the company to be professional participant of the securities market.

2. In May 2010 the FFMS of Russia has unified the procedure for calculation of the equity capital³⁸, by extending the scope of Regulations on Procedure for Calculation of the Equity Capital of the Professional Securities Market Participants, the Managing Companies of the Investment Funds, Unit Funds,

and Non-Governmental Pension Funds³⁹ to commodity exchanges and exchange intermediaries as well.

In July 2010 the procedure for calculation of equity capital of the professional participants of the securities markets has been made more severe⁴⁰: the range of assets taken for calculation has been limited and the reduction factors have been applied to the value of major part of the assets.

The FFMS of Russia has also introduced the requirement to the information to be disclosed by the professional participants of the securities markets about the calculation of the equity capital via the Internet⁴¹. The equity capital of the professional participants of the securities markets shall be calculated as of the end of every month and the information related to such calculation shall be disclosed at the website of the company within the month following the calculation month.

3. From June 4, 2010 the FFMS of Russia has tightened the requirements applied to the managers and employees of the companies operating on the financial markets. The Financial Market Specialists Regulations⁴² has remarkably expanded the group of persons that shall have the financial market specialist qualification certificate. Apart from the Manager and Accountant of the company, the group of above specified persons includes the employees that are involved in the examination of

³⁵ Order of FFMS of Russia No. 10-46/pz-n dd. 15.07.2010 On Nature of the Reasons to be Applied to Exclusion of the Securities from the Stock Exchange Ouotation Lists.

³⁶ Order of FFMS of Russia No 07-102/pz-n dd. 09.10.2007 On Approval of Regulations on Activities Related to Arrangement of Trade Operations on the Securities Market.

³⁷ Order of FFMS of Russia No. 10-49/pz-n dd.20.07.2010 On Approval of Regulations on License Requirements and Conditions of Trading on the Securities Market.

³⁸ Order of FFMS of Russia No. 10-31/pz-n dd. 06.05.2010 On Amendments Made to the Order of the FFMS of Russia No. 08-41/pz-n dd. October 23, 2008 On Approval of the Procedure for Calculation of the Equity Capital of the Professional Securities market Participants, the Managing Companies, Investment Funds, Unit investment Funds, and Non-Governmental Pension Funds.

³⁹ Order of FFMS of Russia No.08-41/pz-n dd. 23.10.2008 On Approval of Procedure for Calculation of the Equity Capital of the Professional Securities Market Participants, the Managing Companies of the Investment Funds, Unit investment Funds, and Non-Governmental Pension Funds, Commodity Exchanges and Exchange Intermediaries that Conclude the Exchange Trade Contracts Represented as Derivatives the Asset Base of which is the Exchange-Trade Commodity.

⁴⁰ Order of FFMS of Russia No. 10-43/pz-n dd. 22.06.2010 On Approval of Amendments Made to Procedure for Calculation of the Equity Capital of the Professional Securities Market Participants, the Managing Companies of the Investment Funds, Unit investment Funds, and Non-Governmental Pension Funds, Commodity Exchanges and Exchange Intermediaries that Conclude the Exchange Trade Contracts Represented as Derivatives the Asset Base of which is the Exchange-Trade Commodity Approved by the Order of FFMS of Russia No. 08-41/pz-n dd. 23.10.2008.

⁴¹ Order of FFMS of Russia No. 10-7/pz-n dd. 11.02.2010 On Procedure for and Terms of the Disclosure of the Information by the Professional Participants of the Securities Markets, the Managing Companies of the Investment Funds, Unit investment Funds, and Non-Governmental Pension Funds about the Calculation of the Equity Capital via the Internet.

⁴² Order of FFMS of Russia No. 10-4/pz-n dd. 28.01.2010 On Approval of The Financial Market Specialists Regulations.

the documents related to securities transactions or transfer of the securities title, the employees involved in the process of signing of the documents for the clients, and some other employees.

4. On March 8, 2010 except for several specified provisions there have come into effect the Regulations On Licensing of Exchange Intermediaries and Stock Exchange Brokers that Conclude the Exchange Trade Contracts Represented as Derivatives the Asset Base of which is the Exchange-Trade Commodity⁴³. The document specifies the terms of and procedure for issuance, reissuance, suspension, and cancellation of the relevant licenses by the FFMS of Russia.

The license requirements among others are the equity capital that the exchange intermediary owns in amount of not less than RUR 2 mln and at least one employee the responsibilities of whom cover the internal accounting of stock exchange transactions made in the exchange trade and at least one employee (the accountant) the responsibilities of whom include the internal control of the compliance of the exchange intermediary's operations with the law and internal documents.

The procedure for the exchange intermediary's (broker's) reporting has been separately clarified by the FFMS of Russia in the Letter № 10-BM-02/14483⁴⁴ dd. 24.06.2010.

In order to delimitate the activities of the professional participants of the securities markets and activities of the exchange intermediaries, the FFMS of Russia has clarified⁴⁵ that the conclusion of the exchange trade contracts that are

the derivatives the asset base of which are securities and currency is not the subject of the activities of the exchange intermediaries and (or) stock exchange brokers. And in order to conclude such contracts the professional participants require no exchange intermediary certificate and (or) stock exchange broker certificate.

5. In 2010 the FFMS of Russia has regulated⁴⁶ the procedure for appointment of the temporary administration at the managing company and specialized depository of the investment funds, unit funds, and non-governmental pension funds. The Order approved by the FFMS of Russia provides that the temporary administration is appointed by the FFMS of Russia on the basis of the special report: the order specifies the structure, rights, and responsibilities of the temporary administration. The temporary administration provides the stock-taking and inspection of property, the trust management of which was provided by the managing company providing that the arrangement of the trust management was supervised by specialized depository, establishes the creditors and debtors of the managing company and the amount of their requirements, etc.

6. In late March 2010 in order to provide risk management the derivatives are permitted to be included in the structure of assets of few cooperative investment patterns. The FFMS of Russia has established⁴⁷ the requirements oriented towards reduction of the risks related to the conclusion of contracts to be derivatives in the management of the

pension reserves, pension savings, and savings for accommodations provided for the military.

The terms of and procedure for the REPO to be concluded by the managing companies are established as well.

7. In May 2010 the FFMS of Russia made amendments to the requirements to the contents and structure of assets of investment funds⁴⁸.

Specifically, the opportunities for the integration of the foreign securities into the contents of assets of the investment funds including foreign depository receipts have been expanded.

8. In July 2010 the FFMS of Russia clarifies a number of issues related to the maintenance of the Registered Security Holder Register⁴⁹. The Order of the FFMS of Russia has detailed the list of the customer accounts opened up in the Register and clarified the methods of the submission to the Registrar of the documents related to the maintenance of the register and procedure for clarification of the information available in the documents to be submitted to Registrar, if such information mismatches the one available in the register.

The document has also established the list of the reasons for the rejection to maintain the operation in the register or provide the information from the register and regulated the procedure for the storage of the documents based on which the operations were maintained in the register.

9. Order of the FFMS of Russia № 10-10/pz-n⁵⁰, effective on April 25, 2010, establishes the procedure for authentication of the signature of the

⁴³ Resolution of the RF Government No. 111 dd. 02.03.2010 On Approval of the Regulations on Licensing of Exchange Intermediaries and Stock Exchange Brokers that Conclude the Exchange Trade Contracts Represented as Derivatives the Asset Base of which is the Exchange-Trade Commodity.

⁴⁴ Letter of FFMS of Russia No. 10-VM-02/14483 dd. 24.06.2010 Re: The Exchange Intermediary's (Broker's) Reporting.

⁴⁵ Letter of FFMS of Russia 10-VM-02/12945 dd. 08.06.2010 On the Participants of the Stock Exchange Trades during which the Contracts Being Derivatives Are Concluded

⁴⁶ Order of FFMS of Russia No. 10-23/pz-n dd. 25.03.2010 On Approval of Procedure for Appointment of the Temporary Administration at the Managing Company and Specialized Depository.

⁴⁷ Order of FFMS of Russia No.09-45/pz-n dd. 10.11.2009 On Approval of Reduction (Restriction) of the Risks Related to the Trust Management of the Assets of Investment Funds, Placement of Pension Reserves, Investment of the Pension Savings and Savings for Accommodations Provided for the Military and Approval of Amendments Made to Several Regulatory Legal Acts of the Federal Financial Markets Service.

⁴⁸ Order of FFMS of Russia No. 10-34/pz-n dd. 20.05.2010 On Amendments Made to the Regulation on Contents and Structure of Assets of Joint-Stock Investment Funds and Assets of Unit investment Funds Approved by Order of FFMS of Russia No. 08-19/pz-n dd. May 20, 2008.

⁴⁹ Order of FFMS of Russia No.10-53/pz-n dd. 29.07.2010 On Specified Matters Related to the Maintenance of Stock Investor Register.

⁵⁰ Order of FFMS of Russia No. 10-10/pz-n dd. 18.02.2010 On Approval of Procedure for Authentication of the Signature by the Professional Participants of the Securities Market.

individuals that own the securities, in the documents related to the transfer of the rights for securities providing that these rights were fixed by the securities. When the individual who is the security holder applies to the professional participant of the securities market for the authentication of professional participant's signature, then such individual shall provide the manu propria endorsement and manu propria signature in presence of the employee of the professional participant who pre-identifies the individual applied for the signature authentication. All authentications of the individual's signature shall be subject to recording in the special log. The professional participant of the securities market that authenticates the signature shall prepare the electronic document based on the information available in the document hard copy signed by the individual and submit the above specified electronic document to another participant of the securities market, joint-stock investment fund, managing company of the investment funds, unit funds, and non-governmental pension funds that the contract was concluded with; under such contract the professional participant authenticates the individuals' signature.

10. By Order № 37n dd. 04.05.2010⁵¹ the Ministry of Finance of Russian Federation has set up the fundamentals of governing of the rating agency operations: the voluntary rating agency accreditation procedure has been approved. The Russian and foreign legal entities may be subject to accreditation. The objective of the rating agency accreditation is to ensure the higher trust in the operations provided by the rating agencies by qualification of the competency of and awarding of the credit ratings to the rating agencies. The document has established the

accreditation procedure, reasons for accreditation rejection, procedure for maintenance of the accredited rating agency register, and reasons for accreditation cancellation.

Arrangement of the activities of FFMS of Russia

Throughout 2010 the amendments were repeatedly made to the Rules of Arrangement of Activities of FFMS of Russia in the context of the implementation of the functions and authorities imposed.

1. The Order of the FFMS of Russia № 10-55/pz-n dd.12.08.2010⁵² has set new rules of arrangement of the activities of the FFMS of Russia in the context of the functions and responsibilities imposed.

The document regulates the authorities of the chief executive, deputy chief executives, and the heads of the subdivisions of FFMS of Russia, determines the structure and staff schedule of the FFMS of Russia and the regional representative bodies thereof. The procedure for planning and arrangement of the activities of FFMS of Russia has been established. The characteristics of the fulfillment of the tasks specified in the acts of the Government of Russian Federation and instructions set by RF President, Chairman of RF Government, and relevant Deputies have been fixed.

The Regulations also specifies the procedure for the placement of the information on the activities of FFMS of Russia via the Internet.

2. The Order of the FFMS of Russia № 09-44/pz-n dd. 02.11.2009⁵³, effective in January 2010, made the relevant amendments to the Standard Regulations on the Regional Representative Body of FFMS of Russia⁵⁴.

The document has expanded the list of the participants of the securities markets that the regional representative

bodies of FFMS of Russia are entitled to audit. The Regional Representative Bodies of the FFMS of Russia are also entitled to be involved in the operations of the temporary administrations appointed to the non-governmental funds, managing companies, and specialized depositories in cases speculated in the regulatory legal acts.

Anti-Money Laundering

In accordance with Article 5 of the Federal Law № 115-FZ dd. August 7, 2001 On Anti-Money Laundering and Prevention of Financial Support for Terrorism the professional participants of the securities market shall take relevant measures for anti-money laundering and prevention of financial support for terrorism. The related regulatory legal framework apart from the above specified law is comprised by the bylaws of Russian Federation Government, Rosfinmonitoring (Financial Monitoring Committee of Russia), FFMS of Russia, and the Bank of Russia.

In 2010 the above specified legal acts have faced some amendments made.

1. In August 2010 Rosfinmonitoring has approved the Regulations⁵⁵, that establish the requirements to preparation and training of the employees of the companies that conduct operations with the funds or other property. The document determines the list of the employees that shall pass the relevant training, the forms of training (including introductory briefing and pre-job briefing), frequency and terms of training, and program for the preparation and training of the specified employees.

For the employees of the company operating on the financial market, the pre-job briefing is provided by the companies accredited by the FFMS of Russia for certification of the financial market specialists.

⁵¹ Order of Ministry of Finance of Russian Federation No. 37n dd. 04.05.2010 On Approval of Procedure for Rating Agency Accreditation and Maintenance of the Accredited Rating Agency Register.

⁵² Order of FFMS of Russia No. 10-55/pz-n dd. 12.08.2010 On Approval of Federal Financial Markets Service Regulations.

⁵³ Order of FFMS of Russia No. 09-44/pz-n dd. 02.11.2009 On Amendments Made to Specified Orders of the Federal Financial Markets Service.

⁵⁴ Order of FFMS of Russia No. 06-69/pz-n dd. 22.06.2006 On The Regional Representative Bodies of the Federal Financial Markets Service.

⁵⁵ Order of Rosfinmonitoring No. 203 dd. 03.08.2010 On Approval of Regulations on Requirements to Preparation and Training of the Employees of the Companies that Conduct Operations with Funds or Other Property for the Purposes of Anti-Money Laundering and Prevention of the Financial Support for Terrorism.

2. At the end of 2010 the FFMS of Russia clarified in the Letter № 10-EK-04/2715256 since when the internal inspection rules devoted to the antimoney laundering and prevention of the financial support for terrorism and relevant amendments thereof came into effect. As the specified rules shall be verified by the relevant supervisory authority providing that such verification to be the obligatory term of the rules' coming into effect, the professional participants of the securities market should go by the provisions of the new revision of the above rules as long as these rules are verified by the FFMS of Russia.

3. In the Letter № 10-BM-04/2373 dd. 09.02.2010⁵⁷ the FFMS of Russia recommended officials responsible for the observation of the Internal Inspection Rules for Anti-Money Laundering and Prevention of Financial Support for Terrorism to take relevant measures intended for prevention of the securities market instrument to be used in money laundering patterns applied in their job duties as to provide the supervision of the operations in relation to which there may arise the suspicions that these operations are conducted for money laundering. The information on the results of such supervisions is recommended by the FFMS of Russia to be included in the quarterly report.

Taxation Applied on the Securities market

Russian Federation is categorized as country of the traditional taxation system.

The key taxes and relevant tax rates applied in 2010 to the profit (earnings

of the companies conducting taxable operations in Russian Federation in terms of operations with securities and earnings of the individuals related to the securities and associated operations) are specified in Table 62.

Russian Federation has made the international treaties for prevention of the double taxation with 78 countries of the world. Based on such treaties the company registered in one country gaining the income from the sources in two countries (Russia and the country which the treaty was made with), pays the taxes for either country: either in Russia or in the country that the treaty was made in at the reduced tax rates.

The list⁵⁸ of the offshore areas the registration inside which will not allow the companies to forward to Russia the tax-free dividends stipulated in Item 3, Article 284 of the Tax Code of Russian Federation contains 42 areas.

In 2010 some amendments occurred in the regulatory legal framework related to the securities market taxation.

1. The rules of determination of the tax base of the participants of the trust management contract have been modified by Federal Law № 229-FZ⁵⁹ dd.27.07.2010. From January 1, 2011 the losses incurred within the validity of the property trust management contract from the utilization of the property transferred to the trust management are not admitted the losses of the investor (beneficiary) that are accounted for taxation purposes in pursuance of Chapter 25 of Tax Code of Russian Federation.

2. The amendments were made to Taxation Code of Russian Federation that oblige the managing companies to pay the tax related to the property that

constitutes the closed unit fund.⁶⁰ It also provides that the tax shall be paid using the property that constitutes this unit fund. The amendments came into effect from January 1, 2011.

3. The Federal Law № 395-FZ dd.
28.12.2010⁶¹ coming into effect (except for specified provisions) from 30.01.2011 provides the number of amendments related to inter alia calculation and payment of personal income tax associated with the operations with securities and financial instruments of the time transactions and procedure for admission of the expenses that can be directly charged to the income reduction.

4. To calculate Personal Income Tax, the Order of FFMS of Russia № 10-65/ pz-n dd. 09.11.2010⁶² establishes the rules of determination of the estimated price and market price for securities and maximum variation of the latter. When the procedure for determination of the market price for the security circulating on the duly-arranged securities market is not stipulated in Articles 212 and 214.1 of the Tax Code of Russian Federation, the market price shall be determined as the weighted average price to be calculated by the security trade institutor based on the results of every selling day (with regards to specified minimal amount and volume of the transactions) or as close price for the security calculated by the foreign stock exchange versus the transactions made via such stock exchange per day when taxpayer made security transaction for the securities allowed to be offered on the foreign stock exchange.

The Order also specifies that the maximum variation of the security price in terms of increase is determined

⁵⁶ Letter of FFMS of Russia No. 10-EK-04/27152 dd. 30.11.2010 Re: Examination of the application.

⁵⁷ Letter of FFMS of Russia No. 10-VM-04/2373 dd. 09.02.2010 Re: Measures Taken for Prevention of the Securities Market Instrument to Be Used in Money Laundering Patterns.

⁵⁸ Order of Ministry of Finance of Russia No. 108n dd. 13.11.2007 On Approval of the Countries and Territories that Provide Preferential Tax Treatment and (or) No Information to Be Disclosed and Submitted in the Financial Operations (Offshore Areas).

⁵⁹ Federal Law No. 229-FZ dd. 27.07.2010 On Amendments Made to Part One and Part Two of Tax Code of Russian Federation and Some Other Legal Acts of Russian Federation and Specified Legal Acts (Provisions of Legal Acts) of Russian Federation Declared Null-and-Void in Relation to the Settlement of the Debts Associated with Taxes, Duties, Fines, and Penalties to Be Paid and Some Other Tax Management Issues.

⁶⁰ Federal Law No. 308-FZ dd. 27.11.2010 On Amendments Made to Chapter 30 and Chapter 31of Part Two of Tax Code of Russian Federation.

⁶¹ Federal Law No. 395-FZ dd. 28.12.2010 On Amendments Made to Part Two of Tax Code of Russian Federation and Specified Legal Acts of Russian Federation.

⁶² Order of FFMS of Russia No.10-65/pz-n dd. 09.11.2010 On Approval of Rules of Determination of the Estimated Price and Market Price for Securities and Maximum Variation of the Market Price for Securities for the Purposes of Chapter 23 of Tax Code of Russian Federation.

Table 62 **Key Taxes and Tax Rates**

Individuals		
Income	Resident rate, %	Non-resident rate, %
Dividends on the shares of the Russian companies	9	15
Dividends on the bonds with the mortgage cover issued till January 1, 2007	9	30
Other incomes from securities and the related operations	13	30

Legal	Entities
Legai	riidides

Income	Resident rate, %	Non-resident rate, %
Dividends from the subsidiary companies as long as the specified terms are observed (share in capital to exceed 50, ownership of over one year, etc. If the company is foreign, it shall not be located in the offshore area)	0	N/A
Dividends from Russian and foreign companies	9	15
Interests on governmental and municipal securities, interests on the bonds with the mortgage cover issued after January 1, 2007 and the incomes of the owners of the trust management of the mortgage cover received against the acquisition of the mortgage certificates issued by the mortgage cover trust manager after January 1, 2007.	15	15
Interests on the municipal securities for the period of three years as the least issued till January 1, 2007, the interests on the bonds with the mortgage cover issued till January 1, 2007, and incomes of the owners of the trust management of the mortgage cover received against the acquisition of the mortgage certificates issued by the mortgage cover trust manager till January 1, 2007.	9	9
Other incomes from securities and the related operations	20	20

from the market security price up to maximum security transaction value, and in terms of decrease it shall be from market security price down to minimal value of security transaction made at the trades of this securities market institutor including stock exchange or trades provided by foreign stock exchange. The maximum variation of the market prices for securities circulating on the duly-arranged securities market is determined at the value of 20 per cent increase or decrease in relation to the estimated price for securities.

5. For taxation of the company's income the Order of FFMS of Russia № 10-66/pz-n dd. 09.11.2010⁶³ established the techniques of determination of the estimated price for the securities not circulating on the duly-arranged market.

The estimated price for such securities may be calculated on the basis of prices for these securities available on the securities market, determined by the appraiser, and estimated by using formulas set by the FFMS of Russia (in relation to bonds, non-interest bearing and interest-bearing bills of exchange) or calculated by the determination of the value of the issuers' specified assets.

6. The rules of determination of the estimated value of the financial instruments of time transactions that are not recognized as circulating on the duly-arranged market in pursuance of Item 3, Article 301 of Tax Code of Russian Federation have been set forth in the Order of FFMS № 10-67/pz-n dd. 09.11.2010⁶⁴.

The estimated value of such financial instruments may be calculated within

the approved rules on the basis of the market price, estimated price, determined by the taxpayer, price for the financial instrument of the time transactions determined by the appraiser and on the basis of the reduced formulas with regards to derivative contracts, swap contracts, and option contracts.

The document also provides the taxpayer's right in some cases for taxation purposes to provide the technique to be established by own efforts in the Accounting Policy for determination of the estimated value of the financial instruments of the time transaction not circulating on the dulyarranged market.

In the Letter № 03-03-05/98 dd. 29.04.2010⁶⁵ The Ministry of Finance of Russian Federation has clarified the

⁶³ Order of FFMS of Russia No. 10-66/pz-n dd. 09.11.2010 On Approval of Procedure for Determination of the Estimated Price for the Securities Not Circulating on the Duly-Arranged Market for the Purposes of Chapter 25 of Tax Code of Russian Federation.

⁶⁴ Order of FFMS of Russia No. 10-67/pz-n dd. 09.11.2010 On Approval of Procedure for Determination of the Estimated Value of the Financial Instruments of Time Transactions that Are Not Recognized as Circulating on the Duly-Arranged Market for the Purposes of Chapter 25 of Tax Code of Russian Federation.

⁶⁵ Letter of Ministry of Russia No. 03-03-05/98 dd. 29.04.2010 Re: Procedure for Accounting of the Losses Related to the Financial Instruments of the Time Transactions for the Purposes of Taxation of the Companies' Income.

procedure for accounting of the losses related to the financial instruments of the time transactions for the purposes of taxation of the companies' income. In opinion of the Ministry of Finance of Russia the losses related to the financial instruments of the time transactions that were made by the taxpayer with the foreign companies pursuant to the foreign law and are subject to judicial protection in pursuance of the applicable law of the foreign countries may be accounted for the purposes of the taxation of the companies'

income under the procedure set forth in Chapter 25 of Tax Code of Russian Federation.

The securities market regulation system of Russia has been created simultaneously with the establishment of the market itself and made positive effect on the market development in many aspects. Generally, this system takes the international experience in the securities market regulation into account and meet world regulation development trends in this field; however, it is distinguished by

the number of national features. The main feature among others is the sophisticated structure of the distribution of regulatory and supervisory authorities between several departments in the field of the securities market. By now the considerable part of the relevant operations in the field of the securities market itself have been transferred to the Federal Financial Markets Service, a governmental body; however, the specified authorities remain in the Central Bank, and Ministry of Finance, and Ministry of Health and Social Development.

3.1. Federal Financial Market Service of Russian Federation

Currently, the Federal Financial Markets Service (the FFMS of Russia) is the key regulatory authority at the securities market. In terms of status it is similar to the ministry as it is subordinated directly to the Government of Russian Federation and also combines regulatory and supervisory authorities.

The activities of FFMS of Russia are governed by the Securities Law and Regulations of FFMS of Russia approved by the Resolution of the RF Government No. 317 dd. 30.06.04. Based on these Regulations the FFMS of Russia is the Federal Executive Body that has functions of approval of the regulatory legal acts, supervision in financial market area, except for the insurance, bank, and audit operations.

FFMS of Russia governs all the main securities market entities as issuers, professional participants, cooperative investment institutes, and even investors in some aspects. While operating, the FFMS of Russia is functionally independent, meaning that it does not have to coordinate own actions with other authorities. However, as the Executive Body, it is subordinated to RF Government that is entitled to suspend the validity of or cancel any legal act of FFMS of Russia.

In relation to the issuers, FFMS of Russia has relevant authorities to approve issue standards, approve the procedure for state registration of the securities and related issue reports as well as prospectuses of securities (except for governmental and municipal securities). FFMS of Russia also audit the issuers and in case of non-conformance gives the prescriptions and if necessary may suspend the issue of the securities and apply court with the claim to recognize the invalidity of this issue. FFMS of Russia also establishes the procedure for access to the primary distribution and circulation of Russian issuers' securities outside Russian Federation.

In relation to professional participants of the securities markets the FFMS of Russia approves the requirements to the rules of professional activities related to the securities, approves the standards for sufficiency of the equity capital, licenses the professional activities on the securities market, and registers some internal documents of the professional participants. FFMS also audits the professional participants, may give them prescriptions as necessary, may prohibit or restrict the specified operations on the securities market,

and finally may suspend or cancel the violators' licenses.

As for cooperative investment institutions, the FFMS of Russia licenses the activities of Non-Governmental Pension Funds, Joint-Stock Investment Funds, operations of the managing companies and specialized depositories, and registers the unit fund trust management rules and mortgage cover trust management rules, Non-Governmental Pension Fund rules, and the documents of the specialized depositories. FFMS of Russia approves the requirements to the structure of the assets of joint stock investment funds and unit funds, audit the operations of all above entities and gives them relevant prescriptions.

FFMS of Russia sets the procedure for calculation of the market value and net value of the assets that the pension savings accumulated in Non-Governmental Pension Fund were invested in and procedure for calculation of the pension saving investment results to be expressed on the pension accounts of the individuals. Based on the coordination with the Ministry of Health and Social Development of Russia the FFMS of Russia establishes the forms of Non-

Governmental Fund reports, procedure for and terms of presentation of these reports, standards of distribution, submission, or disclosure of the information on the Non-Governmental Fund operations as well as obligatory terms of the trust management contract that Non-Governmental Fund concluded with the managing company; also, FFMS of Russia approves the standard form of contract of specialized depository service in relation to the pension savings.

Besides, FFMS of Russia sets the forms of the financial statements of managing

companies, specialized depositories, and actuaries as well as the procedure and terms of these statements to be provided.

FFMS of Russia also regulates the admission of the securities to the public offering, circulation and listing, releases the methodologies and recommendations to the issues attributed to the scope of FFMS competence. It is also entitled to apply with the claims and statements to court and arbitration. The important function of FFMS of Russia is the right to try the administrative violation cases

attributed to the scope of competence and take relevant responsibility measures stipulated in the law in relation to the administrative violations.

It should be noted that FFMS of Russia has some exemptions related to the lending institutions meaning that these are the companies FFMS of Russia cannot establish the prudential measures for and regulate the issue of the their securities. The authorities of FFMS of Russia do not cover the matters of issue and circulation of the governmental and municipal securities.

3.2. The Central Bank of Russian Federation

Central Bank is not incorporated in the executive system and operates in pursuance of the specific Central-Bank-of-Russian-Federation Law (Bank-of-Russia Law). The authorities of the Bank of Russia related to the governing of the commercial banks are also stipulated in Bank and Banking Activity Law. As the entity responsible for the arrangement of the currency circulation and banking stability in Russia, the Bank of Russia is vested with some authorities that somehow affect the securities market or involve the securities market participants.

Thus, in the cooperation with RF Government, the Bank of Russia elaborates and implements the uniform monetary policy that affects plenty of parameters of the securities market. For the purposes of the monetary policy implementation, Bank is represented as the issuer of own bonds and conducts operations on the open market with the governmental securities and own bonds being major player on this market.

As a bank system regulator, the Bank of Russia specifies the features of the procedure for issue of the lending institutions' securities and registers the issues of the relevant securities. Bank provides the banking control over the activities of the lending institutions and banking groups including the relevant operations thereof as the investors on the securities market. Towards the operations of the lending institutions as the professional participants of the securities market the Bank of Russia actually establishes the rules of specific operations to be conducted (for example,

depository accounting rules, etc.). Finally, the Bank of Russia provides 'indirect management' of the securities market by the involvement in the capital of the infrastructure entities on the securities market (e.g. MICEX).

The Bank of Russia also establishes banking operation rules and rules of accounting and financial reports for RF banking system.

So, although the regulatory authorities of the Bank of Russia towards the securities market participants directly cover the lending institution operating on the market, the general influence of this institution is fairly profound on the market. Using above authorities the Bank of Russia is basically the second national regulator of the securities market in terms of value.

3.3. Ministry of Finance of Russian Federation

Based on the Regulations on Ministry of Finance of Russian Federation (approved by the RF Government Resolution No. 329 dd. 30.06.04) this Ministry performs a number of functions related to the securities market and the participants. First of all, Ministry of Finance of Russia approves the terms of issue and circulation of the federal governmental securities, and decisions made on the offering of the specified issues of such securities, and reports related to the results of such offering. Alongside with that, Ministry of Finance of Russia operates

as the issuer of the federal governmental securities as well.

Ministry of Finance is represented as the regulatory body in relation to the governmental securities of the constituents of Russian Federation and municipal securities providing that it maintains the state registration of the terms of issue and circulation of such securities, and it approves the standards of disclosure of the information on such securities.

Moreover, Ministry of Finance of Russia remains the regulator in the field of

pension saving investments for financing of the funded part of the pension and regulator for the insurance companies in the part of the investments in the securities as well (supervisory functions related to the insurance companies are performed by the Federal Insurance Supervision Service which is subordinated to Ministry of Finance of Russia.).

Also, Ministry of Finance of Russia accepts the regulatory legal acts related to the issues of accounting and financial reports and accredits the rating agencies upon request.

3.4. Ministry of Health and Social Development of Russian Federation

In accordance with the Regulation on the Ministry of Health and Development of Russian Federation (approved by RF Government Resolution No. 321 dd. 30.06.2004) the Ministry performs the functions of development of the national policy and legal control regulations including those in the field of pension insurance, non-governmental pension insurance, and social insurance.

The Ministry of Health and
Development of Russian Federation

accepts regulatory legal acts that set the requirements to the pension schemes used for non-governmental pension insurance, and approves the standard insurance rules of the non-governmental pension fund.

3.5. Other governmental authorities

The law enforcement system used on the securities market includes the taxation body, financial control and

monitoring body, anti-trust body, judicial system, and law enforcement authorities. However, this overview does not cover the detailed description of the functions and objectives of these bodies.

3.6. Self-Regulated Organizations

The regulating system available on the securities market includes both the governmental authorities and Self-Regulated Organizations (SRO). They are established by the professional participants of the securities market in order to provide conditions suitable for their occupations, standards of professional ethics on the securities market to be observed, protection of interests of the security holders and other clients of the professional participants of the securities market, and establishment of the rules and standards of operations with securities that ensure the efficiency of the operations with the securities on the market. SRO may also be set up by the managing companies.

SROs are established as nongovernmental organizations. They set the rules binding on all involved and related to professional operations on the securities market and standards of operations with the securities, and provide the enforcement of these rules. The SRO membership is voluntary.

Currently, only five following organizations have the status of SRO of

professional participants of the securities market and cooperative investment institutions⁶⁶:

- Russian National Association of Securities Market Participants (NAUFOR) that unites the brokers, dealers, trust managers, and depositories. They are 311 members. NAUFOR holds the central office in Moscow and regional offices in 14 regions of Russia;
- The Professional Association of Registrars, Transfer Agents, and Depositories (PARTAD) unites 78 depositories and registrars;
- National Securities Market
 Association (NSMA) incorporates the
 organizations that have brokerage
 licenses, dealer licenses, depository
 licenses, and trust management
 licenses, represented mainly
 by the lending institutions. 231
 organizations are incorporated in
 NSMA;
- National Trust Manager League (NTML) that incorporated 70 organizations unites the managing companies of the Pension

- Investment Funds and Non-Governmental Funds;
- Ural Region Non-Profit Professional Securities Market Participant Partnership (URPSMP) is the only SRO today that has the head office in Yekaterinburg and not in Moscow.
 19 professional participants of securities market of Ural Region are the URPSMP member.

It should be emphasized that the professional participants of the securities market are more often the members of few SROs at the same time. Therefore. it is bound to be impossible to assess the full involvement of the market community in the self-regulatory mechanisms. Nevertheless, based on our assessments 30 up to 50 per cent professional participants of the securities market out of the total number are the members of at least one self-regulated organization; and the highest rate of participation in SRO among the registrars exceeds 70 per cent. The presence of the SRO members among the stock exchange trading participants is fairly respectable.

⁶⁶ Sources of FFMS of Russia and SRO websites as of the end of 2010.

4. The Calendar of the Main Events of 2010

January	
01	The Tax Code amendments came into effect in the part that regulates the taxation of individuals' operations with the securities and derivatives including those that allow to balance the income and loss of the operation on the spot market and time market. Also, these amendments abolished the taxation of the individuals' exchange (conversion) of the investment shares
	The amendments were made to Securities Market Law in the part of protection of the bondholders and by means of higher demands to the guarantor
22	Fitch Rating Agency reviewed the Russia rating forecast from negative to stable one and confirmed the long-term rating on BBB level
25	Ministry of Economic Development and Federal Antimonopoly Service of Russia Federation determined five electronic sites for arrangement of the governmental and municipal purchases including MICEX-Information Technologies ZAO and и RTS Index 000.
29	The FFMS Order of Russia No. 09-44/pz-n dd. 02.11.09 On Amendments Made to specified FFMS Orders that Expanded the Authorities of the Regional Representative Bodies of FFMS came into effect
February	
02	RF Government Resolution No. 9 dd. 19.01.2010 came into force. This Resolution has redistributed the authorities of the federal executive bodies that regulate the operations of Non-governmental Pension Fund.
	The FFMS Order of Russia No. 10-27/pz-n dd. 04.02.2010 On Cancellation of the FFMS Order On Organizations Authorized for Obtaining of Financial Statements of the Professional Securities Market Participants came into effect
06	The Order of FFMS of Russia No. 09-49/pz-n dd. 19.11.2009 On Procedure for and Terms of Submission of Financial Statements of Professional Securities Market Participants came into effect. The financial statements are determined to be submitted in hard and soft copies or digitally signed electronic document to the FFMS regional representative body closest to the location of the professional participants.
09	The RF Executive Council meeting devoted to the development of the financial markets was held.
12	The Chamber of Accounts published the report on FFMS operation audit results
15	MICEX+, new trading mode, was introduced in MICEX Stock Exchange; it provides partial pre-depositing of assets and T+3 calculations
16	The offering of OAO Intertreidinvest shares is suspended on MICEX Stock Exchange
24	FFMS has introduce the restrictions on the operations of ten participants of the financial market
25	On FFMS website there was created the section with the information on prescriptions given to the participants of the financial market and introducing the restrictions on operations
29	The offering of OAO Finkominvest shares is suspended on MICEX Stock Exchange
March	
11	The Board of the Chamber of Accounts of Russian Federation have examined the audit results of the statements submitted to FFMS
12	The unified supply of shares and calculations on the FORTS and RTS Standard markets were introduced on RTS.
13	FFMS Order No. 09-21/pz-n dd 10.06.2009 (rev. dd. 12.11.2009) On Approval of Regulations on Procedure for Authorization for Placement of and (or) Arrangement of Circulation of Securities of the Russian Issuers beyond Russian Federation came into effect.
15	The unified supply of shares and calculations on the time and stock markets were introduced on MICEX.
19	FFMS Order No. 09-45/pz-n dd. 10.11.2009 On Approval of Regulations on Reduction (Restriction) of the Risks Related to Trust Management of Assets of the Investment Funds came into effect. The requirements to utilization of the derivatives incorporated in Pension Investment Funds and Non-Governmental Pension Funds were established.
25	FFMS recognized the fact of manipulation of shares of OAO Finkominvest and OAO Intertreidinvest.

	FFMS Order No. 10-3/pz-n dd. 26.01.2010 On Amendments to Specified FFMS Orders came into effect. Specifically, it extended the requirements
28	applied to the experience of person that holds the position of the Sole Executive Body in the licensing activities from one year to two years of experience.
29	Terroristic explosions in Moscow metro. It made no influence upon the stock market situation.
	FFMS published the information on the scheduled NAUFOR audit results.
30	FFMS Order No. 10-6/pz-n dd. 09.02.2010 On Approval of the List of Foreign Entities that Record the Rights for Securities in which Russian Depositories Are Entitled to Open Accounts. The List incorporates 63 entities as banks, clearing and depository companies from Europe, Americas, Asia and, CIS countries
April	
02	FFMS introduced the restrictions on operations of six participants of the financial market
07	The Bank of Russia, the representative of the major shareholder of ZAO MICEX announced that MICEX Group might make overtures about merger with RTS
09	FFMS submitted to MICEX Stock Exchange the prescription for suspension of the relevant instruction related to trade of shares of OAO Finkominvest and OAO Intertreidinvest
12	FFMS published the list of 51 companies the operations of which have features of financial pyramids.
13	FFMS cancelled the licenses of nine entities out of those the operations of which FFMS had restricted before.
14	RTS announced about the establishment of the representative office in Great Britain.
15	Week of the Financial Literacy in the Regions of Russia, the project of the financial education under FFMS, started.
	RTS introduced the REPO conditions on RTS Standard market
16	The United States Securities and Exchange Commission (SEC) raised the civil claim against Goldman Sachs, one of the largest bank of the country, accusing it of the fraud with the structure products used. This news caused the stock index decline all over the world. The stock indices in Russia have declined by 2.5%.
	RF President held the meeting devoted to establishment of the International Financial Centre
20	FFMS Order No. 10-5/pz-n dd. 09.02.2010 On Approval of Regulations on Structure of and Procedure for Calculation of Indices that Characterize the Liquidity Level and Investment Risk of the Securities based on which Federal Securities Market Executive Body Makes the Decision on the Admission of the Foreign Issuers' Securities to the Public Offering and (or) Public Circulation in Russian Federation came into effect.
	FFMS Order No. 10-13/pz-n dd. 04.03.2010 On Approval of Requirements to the Broker that Signs the Prospectus of Foreign Issuer's Securities came into effect. The broker that signs the prospectus (which is necessary for offering of the foreign securities in Russia) shall have the equity capital of RUR 150 million as the least and perform broker activities for three years as the least.
23	New issues of the sovereign Eurobonds are offered for the first time in 1998
25	FFMS Order No. 10-20/pz-n dd. 23.03.2010 On Approval of Procedure for Registration of the Prospectuses and Access of Foreign Issuers' Securities to Offering and (or) Circulation in Russia came into effect.
27	NAUFOR addressed to FFMS to request for relevant measures to be taken towards the company that have features of financial pyramid.
27	Standard&Poor's Rating Agency reduced the ratings of Greece, Portugal, and Spain
28	The administrative charge in a kind of penalty was imposed on ZAO MICEX Stock Exchange.
May	
01	RF President approved the list of instructions based on the results of the meeting held on April 20. It was decided to appoint Mr. A.S. Voloshin the Head of the Working Group for Establishment of International Financial Centre.
04	FFMS Order No. 10-13/pz-n dd. 04.03.10 On Approval of the Regulations on Types of Derivatives. The types of contracts as the derivatives were determined. The concepts of Option Agreement, Future Agreement, Stock Derivative Agreement, OTC Derivative Agreement, and Swap Agreement were determined.
06	'The flash crash' occurred to the stock market in the USA. The US consolidated stock index decline exceeded 9 percent.
07	In response to the situation on the international financial markets FFMS published the information letter that prevents the Russian participant of the securities market from the frivolous actions. The Russian stock index decline reached 5.6 percent.
09	At the extraordinary meeting of EU Ministers of Finance it was decided on establishment of EUR 60 billion Stabilization Fund with the potential increase by EUR 500 billion.
12	5th Annual NAUFOR Conference was held.
17	Main trading session on RTS Group markets starts at 10 a.m.
19	Germany's financial regulator imposed the ban on the short selling of the debt instrument of European countries and CDS on the debts of European countries till the end of 1Q2011. The quotations declined at the major trading floors in Europe. Russian consolidated indices dropped by 3 to 4 per cent.
17	The responsible official of the Bank of Russia publicly declared about numerous violations of operations performed by OAO Sberbank of Russia and practicability for the Bank of Russia to withdraw from the shareholding structure of this issuer. With the negative background on the Russian securities market the quotation of Sberbank of Russia OAO shares declined dramatically.
20	The General shareholder meeting of ZAO MICEX was held; also, the issue of conversion to the unified share and merger of ZAO National Settlement Depository and ZAO MICEX Clearing Centre was covered.
21	FFMS and Deutsche Borse, Stock Exchange from Germany, signed the Memorandum of Understanding.
22	FFMS Order No.10-7/pz-n dd. 11.02.2010 On Procedure for and Terms of Disclosure of the Information about Calculation of the Equity Capital by Professional Participants of the Securities Market. It is established that the information on the amount of the equity capital via the Internet shall be calculated and disclosed monthly. The information is disclosed via the Internet within the month following the calculated month.

25	It became familiar that the troops from North Korea were put on a war footing and may start military operations against South Korea and its allies. The indices on the stock market of Asia have declined. The Russian stock indices have suffered the greatest fall of 5.6 through 6.5 per cent.
25	The representative of ZAO National Settlement Depository informed that the depository planned to initiate the lending services in the form of securities to the customers.
June	
01	The procedure for restructuring of OOO RTS Settlement Chamber by conversion to closed joint stock company is announced.
03	R.A. Aganbegyan is announced to be appointed the President of ZAO MICEX. K.N. Korishchenko will continue his functions in MICEX Group as Senior Vice-President of ZAO MICEX and General Director of ZAO MICEX Stock Exchange.
	The RF Executive Council meeting devoted to the development of the financial markets was held.
	Upon FFMS request, Yandex banned the website placed at the service for creation and placement of narod.ru free sites that used the abbreviation of the consulting service advertisement department.
04	FFMS Order No. 10-4/pz-n dd. 28.01.2010 On Approval of Regulations on Financial Market Specialists came into effect. It provides more detailed determinations of the financial market specialists and positions to be occupied by those who have the certificate. The requirements to the official evaluation of the specialists of non-governmental pension funds are introduced (01.10.2010 is the effective date).
14	Moody's Investor Service Rating Agency reduced the rating of Greece.
15	ZAO National Settlement Depository is announced to withdraw from the group of ZAO DCC shareholders. When the transaction is finalized, OAO RTS Stock Exchange share in the ZAO DCC registered capital was 97.8 per cent.
	FFMS cancelled the issue of the securities of OAO Finkominvest and OAO Intertreidinvest.
18	FFMS Order No. 10-25/pz-n dd. 25.03.2010 On Approval of Procedure for Access of Individuals and Organizations to Information Resource and Contents of the Information about FFMS Operations Placed at the FFMS Website on the Internet came into effect. It determined the contents of the information place at the official FFMS website including general information, legislation, audit results, statistic information, etc.
	RF State Duma passed the Law On Counteracting the Misuse of Insider Information and Manipulation of the Market in the second reading
25	The administrative charge in a kind of penalty was imposed on OAO RTS Stock Exchange.
25	FFMS declared the results of the large-scale field check of 161 non-governmental pension funds.
29	FFMS imposed the restrictions on operations of ten participants of the financial market.
July	
01	New standards of the sufficiency of professional financial market participant's equity capital introduced by the FFMS Order No. 09-29/pz-n dd. 30.07.2009 came into effect. The standards got 3 to 7 times higher.
02	At the general meeting of ZAO MICEX Clearing Centre it was decided on restructuring in a sort of merger with ZAO National Settlement Depository.
07	RF President signed the Instruction No. 455 On the Working Group for Establishment of International Financial Centre under the Financial Market Development Council. This Instruction approved Working Group Regulation and Working Group Structure. A.S. Voloshin was appointed the Head of the Working Group.
20	MICEX announced about the plans for identification and restriction of the operation of the retail robots.
	FFMS declared the severe legal violations detected in the regional branch thereof in South Federal Region.
23	ZAO National Settlement Depository declared withdrawal of the Bank of Russia from shareholding structure.
26	EBRD is declared to be likely to purchase 10% interest of OAO RTS Stock Exchange. FFMS opposed to such transaction.
27	MICEX Group representative declared the plans for IPO to be to be provided after 2010.
30	The Law On Counteracting the Misuse of Insider Information and Manipulation of the Market is published. (effective date is 27.01.2011 except for specified provisions)
August	
02	At the general meeting of PFTS Stock Exchange, private joint-stock company (Ukraine), five MICEX Group representatives were incorporated in the Supervisory Council.
06	FFMS declared the manipulation of prices by OAO Donskaya Investitsionnaya Kompaniya and OAO Biodinamika
10	The administrative charge in a kind of penalty was imposed on Deputy Chairman of OAO RTS Stock Exchange.
10	The Consolidated Financial Reporting Law No. 208-FZ dd. 27.07.2010 came into effect.
27	FFMS cancelled the license of Irkol, the specialized depository.
30	The trading of OAO Biodinamika shares is suspended on RTS Stock Exchange.
	Irkol depository lodged the complaint to the Chairman of RF Government against the actions taken by the group of FFMS inspectors during the audi
31	The copy of the Letter of FFMS Director to Deputy Chairman of RF Government Re: OAO Central Moscow Depository audit results and possible administrative measures to be taken about this company that may increase the risks of Russian major power companies with the involvement of the Government was published in mass media. Simultaneously, the statement of OAO Central Moscow Depository regarding the bias of above letter was published.
eptember	
	The REPO bargains with the central contracting partner are started on RTS Standard market.
07	FFMS Order dd. 15.07.2010 On Features of the Removal of the Securities from the Stock Exchange Quotation Lists came into effect. When the Stock Exchange decided on removal of the securities from the quotation lists, the requirements to the unavailability of the issuer's losses based on the

08	FFMS declared the initiation of the audit related to the fast growth of the of quotations of OAO AvtoVAZ and OAO Pharmacy Chain 36.6.
08	Russian Union of Industrialists and Entrepreneurs sent the letter to FFMS Director regarding possible negative effect of the cancellation of OAO Central Moscow Depository license.
09	FFMS cancelled the license of OAO Central Moscow Depository, the registrar, providing that the resolution is effective on 01.02.2011.
10	Fitch Rating Agency reviewed the Russia rating forecast from stable to positive one.
20	Ministry of Finance accredited seven rating agencies including four domestic ones.
29	The RF Executive Council meeting devoted to the development of the financial markets was held. Interdepartmental working group for monitoring of the situation on the financial market to be chaired by A.L. Savatyugin, Deputy Minister of Finance is announced to be established.
October	
01	FFMS Order No. 10-49/pz-n dd. 20.07.2010 On Approval of Regulations on License Requirements and Conditions of Professional Operation on the Securities Market came into effect. The Order tightened the requirements to the professional participants including those to employees of these participants and equity capital formation procedure.
03	OAO Central Moscow Depository lodged the complaint to the Chairman of RF Government against the FFMS actions related to license cancellation.
04	Week 2 of the Financial Literacy in the Regions of Russia, the project of the financial education under FFMS, started.
11	MICEX present the concept of restructuring of the listing system on Russian stock exchanges.
21	FFMS is declared to have forwarded the letter to RTS with the recommendation of early termination of the Best Private Investor, the traditional contest.
27	FFMS declared the establishment of the system of monitoring of non-standard stock exchange transactions.
November	
02	OAO RTS Stock Exchange Board of Directors took decision on preparation for IRO 2011.
08	Major OAO RTS Stock Exchange shareholders are reported to receive from MICEX Group the proposal to sell own interests.
	M.B. Medvedeva is appointed the General Director of MICEX Stock Exchange.
09	FFMS registered the prospectus and accessed the governmental bonds of Republic of Belarus to the placement and circulation in Russian Federation.
	The Memorandum of Understanding was signed between FFMS and Financial Service Commission of Republic of Korea.
10	The restructuring of ZAO MICEX Clearing Centre in a kind of merging of ZAO National Depository Centre into ZAO MICEX Clearing Centre is announced to be finalized. The merger company is called ZAO National Settlement Depository.
12	In the first reading State Duma passed the bill that amends the taxation system of unit property funds from 01.01.2011.
	The OAO MNPZ shares have increased by 350 per cent throughout the week.
15	The presentation of governmental bonds of Republic of Belarus was hosted.
17	NAUFOR, National League of Trust Managers, National Association of Non-Governmental Pension Funds, and National Securities Market Association address to RF President and Chairman of RF Government with the letter in which they expressed the serious concern about the planned amendments to the taxation system of unit property funds.
	The representative of Ministry of Finance stated that the decision on the merger of MICEX and RTS was not made on the governmental level.
22	In the second and third readings State Duma passed the bill that amends the taxation system of unit property funds from 01.01.2011.
	The troops of North Korea and South Korea exchanged the artillery attacks. The indices on the stock market of Asia have declined. The Russian stock indices have experienced the slight fall.
23	FFMS published the information letter re: Investor contests hosted by professional participants of the securities market in which FFMS recommends to include the information intended for prevention of delusion of the participants of the financial market about profitability of the operations with the financial instruments and stipulated in the governing advertisement law to the materials related to such contests.
24	Republic of Belarus indefinitely postponed the placement of the governmental bonds on MICEX.
20	RF President announced the Message to Federal Assembly of Russian Federation. The response of the Russian Stock Exchange Market was negligible.
30	Wikileaks Head stated about the willingness to publish the information on the indecent operations of the American banks. The US major indices declined and the quotations of the top American banks have fallen drastically.
December	
0.2	The information about the potential influence of MICEX, RTS, and Deutsche Boerse became available in mass media.
03	The RF Government Resolution No. 2102-r with the forecast plans for federal property privatization for 2011-2013 was issued.
07	FFMS registered the issue and the prospectus of the Russian depository receipts of OAO Sberbank of Russia that certify the UC RUSAL Plc share ownership. The max number of Russian depository receipts reached 2 billion receipts.
16	The draft Executive Order of RF President on merger of FFMS and Federal Insurance Supervision Service and establishment of Federal Financial Service is published at the official website of Ministry of Finance of Russian Federation.
22	NAUFOR forwarded the letter to RF President with the proposition of federal property privatization for 2011-2013 on the Russian stock exchanges.
	The placement of Russian depository receipts of OAO Sberbank of Russia that certify the UC RUSAL Plc share ownership started on MICEX Stock Exchange and RTS.
23	The placement of the governmental bonds of Republic of Belarus started on MICEX Stock Exchange. The amount of issue is RUR 7 billion, the circulation period is 2 years.

Для заметок

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Национальная ассоциация участников фондового рынка (НАУФОР) – саморегулируемая организация, которая объединяет профессиональных участников рынка ценных бумаг – брокеров, дилеров, довери- тельных управляющих, депозитариев. Филиалы НАУФОР действуют в 14 регионах страны.
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