

Russian Stock Market: 2015

Events and Facts

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Introduction

Please find below the regular review of the Russian securities market.

The purpose of reviews we have been publishing semi-annually is a generalized representation of the Russian stock market and its key elements – instruments, participants, infrastructure, regulatory and supervisory system, as well as main events occurred on the market within this period.

This review has been prepared by the National Stock Market Participants Association with the support of Moscow Exchange Group.

In most cases, we provide data from 2005 to 2015; however, in certain cases where the said data were unavailable at the moment of review preparation, we provide the data available at the date closest thereto.

Where the information is provided in the table or graphic form, the data are provided as of the end of the period.

We are grateful to Moscow Exchange Group, REGION Group, companies, SPARK-Interfax, and CBONDS for the materials and assistance provided.

Main Indices and Trends on the Russian Stock Market in 2015

The external background of the year appeared as continuation of the previous one but as a tougher variant. Armed operation of Russian aerospace forces in Syria added to the conflict with regard to Ukraine and sanctions imposed by the USA and the EU.

Being in the international isolation and in complete absence of positive signals, the Russian securities market remained stagnant.

Stock market. The reduction in the number of share issuers on the domestic organized market is maintained for the third year. Following the results of 2015, their number decreased to 251 companies.

The capitalization increased by 24.2% up to 28.2 trillion Rubles and made up 47% of GDP of the country (which is by 10.7 pp higher than the indicator of the previous year; decrease of the GDP by 3.7% contributed to it). Structural disproportions of the capitalization remained unchanged: the share of ten most capitalized companies amounted to 62%.

The volume of transactions in shares on the domestic stock market (without taking into account REPO transactions and initial offerings) made up 9.1 trillion Rubles, which was slightly less than that in the previous year. On the whole, within 2012-2015, change in the volume of the secondary market of shares of Russian companies does not go beyond the limits of natural market volatility and does not demonstrate any fundamental trends. For shares of certain issuers, the concentration of domestic stock exchange turnover decreased by 8 pp: the share of the ten most liquid share issuers amounted to 74% of the turnover. To some extent, decrease in the concentration of turnover resulted from transactions in foreign securities on account of Russian assets.

The ratio between market price and earnings per share (P/E) on the Russian stock market doubled and amounted to 12.0 by the end of the year; the ratio between share market price and its book value (P/BV) did not change and amounted to 0.7; and dividend yield (DY) was 5%.

Corporate Bond Market. Placements of new issues (at par value) at year-end amounted to 2.2 trillion Rubles, which is by 24% more than that in the previous year. After the last year abrupt growth, the share of off-market placements decreased to 47%. Over the year, the volume of domestic corporate bond market grew by 21.8% making up 8.1 trillion Rubles at par value, which was 13.3% of GDP.

The number of bond issuers on the organized market grew from 323 companies to 349 companies.

Over the year, the volume of exchange transactions (at cost, without taking into account REPO transactions and placements) involving corporate bonds made up 4.8 trillion Rubles, which exceeds the indicator of 2014 by 6%.

The concentration of the stock turnover on corporate bonds was relatively small: the share of the first ten most liquid issuers of corporate bonds kept accounting for 45% of the turnover. It was noted that the list of liquid issuers of bonds was updated on account of foreign issuers.

Increased default activity came under notice: volume of defaults relating to corporate bonds servicing amounted to 43.5 billion Rubles.

Government Bond Market. The volume of government bond market continued growing in 2015 and, at year-end, increased by 18.8% at par value, reaching 5.6 trillion Rubles or 9.2% of GDP. However, exchange turnover demonstrated reduction - the secondary market volume (at cost, without taking into account REPO transactions and placements) decreased by 6.7% to 3.6 trillion Rubles over the year.

Sub-Federal and Municipal Bond Market. This market segment has long been in deep stagnation, being the most illiquid sector of the domestic debt securities market. The volume of these bonds issues made up less than 500 billion Rubles with the volume of trading (without account of placements of new issues and REPO transactions) being 394 billion Rubles.

REPO Market. The volume of exchange REPO transactions on the Moscow Exchange decreases for the second year in a row, though earlier, it was the most rapidly growing segment of the organized market. Following the results of 2015, the volume of transactions made up 178 trillion Rubles, which is 3% lower than the last year volume. The share of stock in the total transaction volume over the last five years amounts to 24% on average. The government and the corporate bonds account for the remaining share. The volume of REPO transactions with the central counteragent abruptly grew, and in 2015, they made up 37% of the total turnover. The share of direct REPO with the Bank of Russia decreased to 41%.

Derivatives Market, Underlying Assets – Securities and Stock Indices. The peculiarities of futures contracts remained unchanged. Number of different types of option contracts doubled.

The volume of trading in futures contracts for securities and stock indices kept declining for the fourth year in a row. In 2015, it decreased by 12.1% and made up 25.4 trillion Rubles. The share in contracts for stock indices remained absolutely prevailing - 87% for futures and 97% for options.

After significant decline in 2014, the total volume of open positions on the stock derivatives market grew by 19.3% and reached 158 billion Rubles.

Stock Indices. MICEX index showed two periods of growth over the year. RTS index calculated in a foreign currency was under pressure due to Ruble depreciation. As a result, the yield for the year made up 22.7% according to MICEX index (the best result for five years) and minus 0.6% according to RTS index. The yield according to the industrial indices for shares appeared to be positive which is rather rare.

Based on MCXCBI TR index, the return on investment in corporate bonds grew during the year, except for January, and by the end of the year, it reached 19.3% versus minus 1.6% in the previous year. The index portfolio duration increased up to 730 days, and yield to maturity decreased to 11.8% at year-end.

MCXRGBI TR index for government bonds remained very unstable. In 2015, the return on investment over the year amounted to 29.8% versus minus 14% in the previous year. The duration increased up to 3,174 days, and yield to maturity decreased to 10% at year-end.

REPO rate indicators decreased at year-end, and according to the results of the year, they amounted to 11.3-11.6%.

RTSVX volatility index showed one abrupt jump in August and made up 48.3%, while most of the year, it remained within the range from 30% to 40%. On the whole, as compared to previous years, 2015 differs by increased volatility.

Issuers of Securities. Initial Public Offerings. The number of public issuers of securities (both Russian and foreign) has not changed over the year, and it again amounted to 567 companies. The number of issuers, the securities of which are included in the listings, decreased to 234 companies.

According to the available data, in 2015, four companies carried out IPO on the Moscow Exchange. In total, they raised about 29 billion Rubles.

Private Investors. Individual resident customers make up 97% in the total number of unique customers on the Moscow Exchange. The annual average number of such customers in 2015 was 982 thousand people against 906 thousand people in the previous year: a 8.1% growth. On the national basis, it is insignificant – only 0.8% of the employable population.

The number of active customers increased up to 78.8 thousand people based on the annual average estimates as against 62.5 thousand people in the previous year. Transactions in shares (87%) traditionally prevail in the total volume of transactions executed by individuals on the Moscow Exchange. At the same time, an increased interest in other types of securities, primarily bonds, is shown.

In 2015, it became possible for the private investors to open individual investment accounts characterized by preferential tax treatment in case of lead time on investment amounting to three or more years. By the end of the year, 88.9 thousand people opened these accounts on the Moscow Exchange. Up to 10% of private investors trading on the Moscow Exchange showed interest in the new instrument. Shares account for the principal volume of transactions (94.6%) using individual investment accounts. Transactions in shares executed through the individual investment accounts did not exceed one percent, and transactions in bonds amounted to three percent in the total volume of transactions in shares of individual residents.

According to NAUFOR, as of the beginning of 2016, all in all, about 7 billion Rubles were deposited to the individual investment accounts (including about 6 billion Rubles deposited to the broker's individual investment accounts). Herewith, an average size of the broker's individual investment account was 260 thousand Rubles, and amount of the trust IIA, 160 thousand Rubles.

Shares of Russian issuers (32% of the total amount of invested funds), monetary funds (19%) and Eurobonds (18%) prevail in the structure of portfolio of retail investors for the individual investment accounts. It shall be noted that the share of corporate bonds of Russian issuers in the portfolio structure is very small: only 2.3% of the total amount of invested funds.

Collective Investors. The number of mutual funds was 1,549 at year-end. 48% of them pertain to the category of funds for qualified investors. The number of open mutual funds, which are traditionally focused on retail investors, decreased by 6.5% (to 362).

The total net asset value of mutual funds for both qualified and non-qualified investors is assessed at 2.3 trillion Rubles. Funds for qualified investors account for about 73% of this amount. Over the year, the net asset value of mutual funds for non-qualified investors increased by 8.7% and made up 618 billion Rubles. Growth of the net asset value of open funds over the year amounted to 27.7% and reached 110.1 billion Rubles.

Despite the versatile dynamics of entry and exit of assets from open fund, the final result of 2015 turned out to be positive - the volume of net inflow of funds invested in opening of mutual funds made up 3.1 billion Rubles.

Thought in the previous year, funds investing in foreign assets were the most profitable, in 2015, it was bond funds oriented at foreign markets and sector-specific equity funds which primarily achieved impressive results.

Non-State Pension Funds. Over 2015, the investment resources of NPFs significantly grew and made up 2.7 trillion Rubles. Pension reserves amounted to 37% of these resources.

Professional Participants of the Securities Market. In 2015, the trend of decreasing the number of professional participants of the securities market appeared to be particularly strong: the number of legal entities acting as professional participants of the securities market decreased to 25.7%. At the end of the year, there remained 812 companies on the market. According to the statistics of licenses issued to brokers, dealers, and trustees, in Moscow one issued license accounted for 14 cancelled ones, and in regions, for 32 cancelled ones.

The total volume of transactions in all types of securities in all sectors of the stock market on of Moscow Exchange Group and in all trading modes made up 195.5 trillion Rubles as of the end of 2015, which was 4.1% lower than in the previous year. The total trading volumes keep decreasing for the second year in a row. The total volume of transactions in derivative financial instruments for all types of underlying assets made up 93.7 trillion Rubles at the end of 2015, which exceeded the indicator of the previous year by 52.1%.

The share of the first ten most active operators on the stock market of Moscow Exchange in transactions in shares accounted for 69% of the total turnover, and in transactions in bonds, 62%. The concentration on the derivatives market is particularly high: the share of the first ten settlement firms accounted for 79% of the turnover.

1. Financial Instruments

1.1. Shares

There are currently 24,773 open (public) joint-stock companies (see Table 1). Less than one percent of them are represented on organized markets.

Table 1 provides consolidated data on the Russian shares traded on the stock market of Moscow Exchange.

The number of issuers whose shares are traded on the domestic stock market steadily decreases at the average rate of 5.7% per annum. At the end of 2015, shares of 251 issuers were traded on the stock market of Moscow Exchange. Since 2011, decrease in the number of share issuers varies from three to forty five per annum. On the whole, over this period, 69 companies have left the domestic stock market. Situation with the number of share issues included in the quotation lists is more stable though it also prone to decrease. As compared to 2011, the quotation lists became shorter by eight securities issues. However, in 2015, slight growth was noted.

Moreover, securities which are officially issued by foreign issuers (shares, global and American depositary receipts as well as Russian depositary receipts), but actually based on Russian assets were traded on the stock market of Moscow Exchange. The total volume of transactions in these instruments is not presented.

Table 1

Organized share market

Period	MICEX Stock Exchange		RTS	
	Number of share issuers	Number of share issues (ordinary, preferred) in quotation lists*	Number of share issuers	Number of share issues (ordinary, preferred) 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
Moscow Exchange Group				
2011	320	119		
2012	275	118		
2013	273	110		
2014	254	106		
2015	251	111		

* Starting from 2014 lists of the first and the second tiers of listing.

Source: Moscow Exchange Group.

1.1 SHARES

The information on the capitalization of the Russian share issuers market is provided in Table 2.

Unlike in the previous five years, the capitalization grew by 24.2% and made up 28,769 billion Rubles. Over the year, the ratio of the capitalization to the GDP also increased 10.7 pp, from 36.7% to 47.4%. However, this sharp increase is conditioned not only by the capitalization growth but also by GDP decrease by 3.7%.

The Russian share market is distinguished by high concentration of the capitalization. Table 3 shows a list of ten most capitalized companies, and Figure 1 shows the dynamics of changes in the share of the ten most capitalized companies in 2005-2015.

The list of the most capitalized Russian issuers has not changed significantly. Only positions of some issuers have changed; for instance, in 2015, Sberbank of Russia, PJSC regained the third position after a drop to the sixth one in the previous year. Gazprom, JSC steadily holds the first position in terms of capitalization.

Over the last five years, the share of ten most capitalized issuers remains within the limits of the natural market volatility and at the level of 62%. The share of Gazprom, JSC gradually decreases, and in 2015, it appeared to reach the minimum level over the period under study amounting to 11.2%.

Figure 2 shows the data characterizing the volumes of share sales of Russian companies on the domestic market (without account of REPO transactions and initial offerings).

Table 2

Capitalization of Russian share issuers market

Period	Moscow Exchange Group	GDP, billion Rubles	Capitalization/GDP, %
	Main Market sector, billion Rubles		
2005	9,304.0	21,609.8	43.1
2006	25,482.0	26,917.2	94.7
2007	32,740.0	33,247.5	98.5
2008	11,017.3	41,276.8	26.7
2009	23,090.9	38,807.2	59.5
2010	29,253.2	46,321.8	63.2
2011	25,708.0	59,698.1	43.1
2012	25,212.5	61,791.6	40.8
2013	25,323.8	62,581.9	40.5
2014	23,155.6	63,049.2	36.7
2015	28,769.1	60,687.1	47.4

Notes: GDP in fixed prices.

Source: Moscow Exchange Group, FSSS, estimates of NAUFOR.

Table 3

List of the most capitalized Russian issuers (at the end of 2015)

No.	Issuer	Capitalization, billion USD	Share in the total capitalization, %
-----	--------	-----------------------------	--------------------------------------

1	Gazprom, JSC	44.5	11.2
2	Rosneft Oil Company, JSC	37.4	9.4
3	Sberbank of Russia, PJSC	31.2	7.9
4	LUKOIL Oil Company, JSC	27.6	7.0
5	NOVATEK, JSC	24.9	6.3
6	Surgutneftegaz, JSC	21.5	5.4
7	MMC Norilsk Nickel, OJSC	20.0	5.0
8	Magnit, PJSC	14.5	3.7
9	VTB Bank, JSC	14.2	3.6
10	Gazprom Neft, JSC	10.0	2.5
	Total		62.0
	Total capitalization MICEX	396.8	100.0

Source: Moscow Exchange Group

Following the results of 2015, the volume of trading in shares on the stock exchange made up 9,148 billion Rubles, which is by 9.1% greater than in the previous year. Over 2012-2015, change in the volume of the secondary market of shares of Russian companies has not gone beyond the natural market volatility, and it has not shown any fundamental trends.

Accordingly, the average daily turnover in this period (see Figure 3) varied from 33.3 billion Rubles to 40.4 billion Rubles (without account of REPO transactions and initial offerings) as compared to the average value of 37.6 billion Rubles.

Levels of 2010-2011 when the annual average turnover of transactions in shares on the stock exchange made up 68-70 billion Rubles currently appears to be already unachievable.

The turnover ratio of the domestic share market¹ (see Figure 4) gradually decreased from 45.5% in 2012 to 33.4% in 2015 while the volume of trading was maintained and the capitalization simultaneously grew. However, comparing with the maximum level observed in 2009, the domestic share market liquidity decreased 2.8 times.

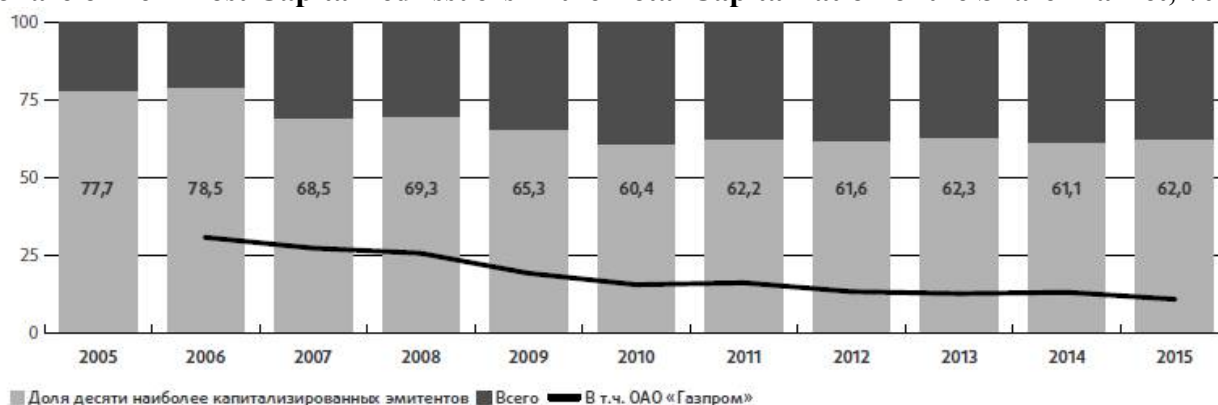
The range of instruments on which share trade is focused is quite limited. Table 4 lists the issuers whose shares were most actively traded in transactions (all modes including REPO transactions) on the stock market of Moscow Exchange Group in 2015, while Figure 5 shows the dynamics of changes in the percentage of the ten most actively traded share issuers over the past years.

Figure 1

¹ The turnover ratio is calculated as a ratio between the transactions volume (without account of REPO transactions) for the period and the simple mean capitalization at the end of the current and the prior periods.

1.1 SHARES

Share of Ten Most Capitalized Issuers in the Total Capitalization of the Share Market, %

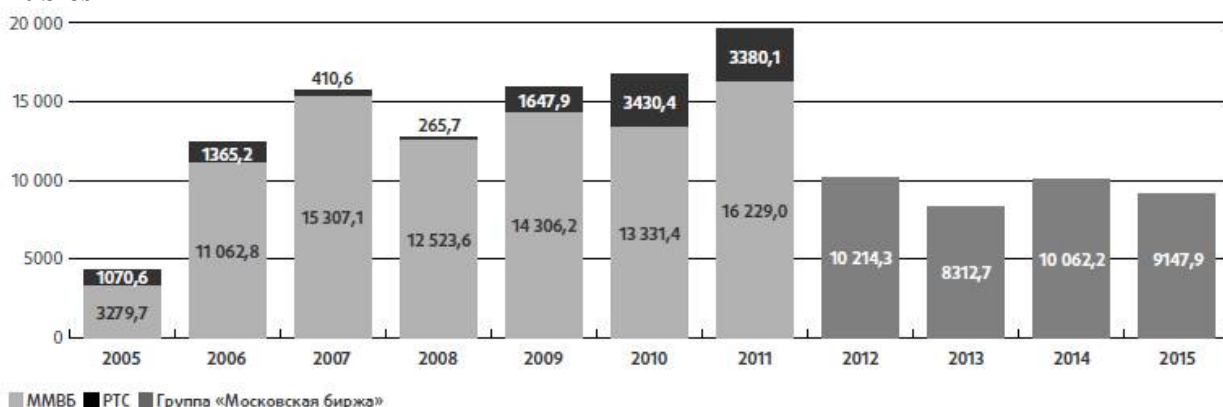


Доля десяти наиболее капитализированных эмитентов	Share of ten most capitalized issuers
Всего	Total
В т.ч. ОАО «Газпром»	Including Gazprom, JSC

Source: Moscow Exchange Group, estimates of NAUFOR.

Figure 2

Volume of Shares of Russian Issuers Sold on the Domestic Exchange Market, billion Rubles



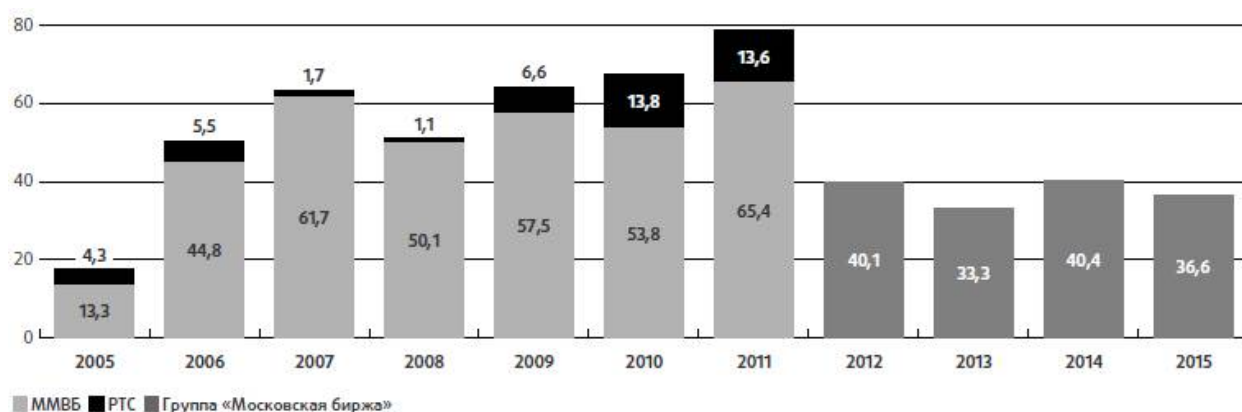
ММББ	MICEX
РТС	RTS
Группа «Московская биржа»	Moscow Exchange Group

Source: Moscow Exchange Group

Figure 3

Volume of shares of Russian issuers sold on the domestic and foreign exchange markets in 2005-2014, billion Rubles

Average Daily Turnover of Shares of Russian Issuers Sold on the Domestic Exchange Market, billion Rubles

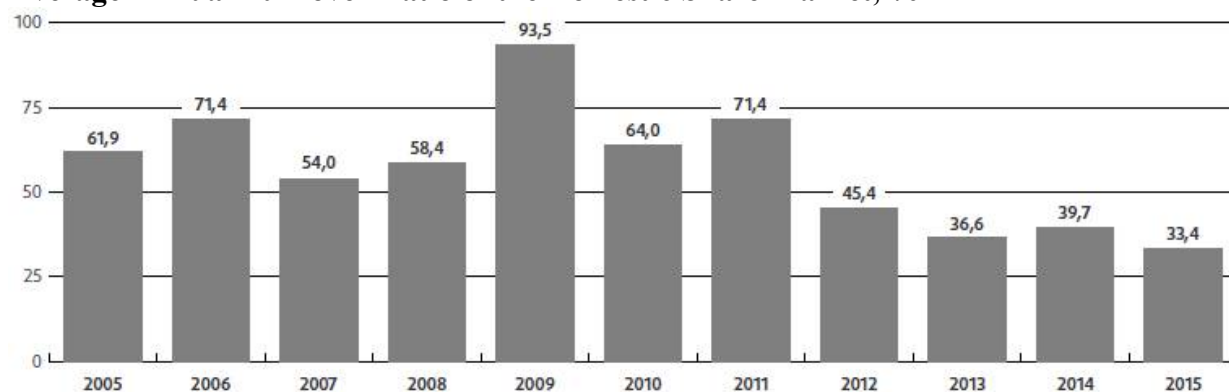


MMBB	MICEX
PTC	RTS
Группа «Московская биржа»	Moscow Exchange Group

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 4

Average Annual Turnover Ratio of the Domestic Share Market, %



Source: Moscow Exchange Group, estimates of NAUFOR

Table 4

List of Issuers Whose Shares were Most Actively Traded in Transactions on the Stock Market of Moscow Exchange Group (at the End of 2015)

Item No.	Issuer	Volume of transactions, billion Rubles	Share in the total volume, %
1	VTB Bank, PJSC	8,397.1	16.0
2	Gazprom, PJSC	7,408.4	14.2
3	Sberbank of Russia, PJSC	6,746.5	12.9
4	MMC Norilsk Nickel, PJSC	3,948.2	7.5
5	Polymetal International	2,527.1	4.8
6	Polyus Gold International	2,426.1	4.6
7	Surgutneftegaz, JSC	1,901.0	3.6
8	LUKOIL, PJSC	1,895.8	3.6
9	BNY Mellon (Cherkizovo Group)	1,823.4	3.5
10	Rostelecom, PJSC	1,763.4	3.4

1.1 SHARES

	Total	38,837.0	74.2
	HH index		817

Calculated on the basis of data provided by Moscow Exchange Group.

In 2015, the list of the most liquid share issuers significantly changed: shares of foreign issuers and depositary receipts appeared to lead in terms of turnover. As a result, in 2015, the share of ten most liquid issuers of shares in the total turnover decreased by 7.9 pp from 82.1% to 74.2%.

VTB Bank, PJSC became the most liquid issuer in 2015.

According to Moscow Exchange Group, free float (volume of outstanding shares) for preferred shares varied from 52% to 100% (80% on average), and the average value of free float for ordinary shares amounted to 21% in 2015. The issuers of ordinary shares with maximum values of this indicator are listed in Table 5.

In 2015 as in the previous years, the share market of Russian companies was extremely volatile, and exchange prices ranged very variably. Tables 6 and 7 provide the lists of ten shares showing the highest yield/loss following the results of the year.

On the background of shares that significantly impaired over the year such as securities of TRANSAERO, JSC, there were shares which price increased by two to eight times. Dagestan ESC, PJSC (significant growth for the second year in a row), and Plasmatec, JSC and RNT, JSC (drop for the second year in a row) came under notice. Herewith, GTL, JSC showed versatile behaviour – significant decrease in 2014 and, alternatively, considerable growth in 2015.

Attractiveness of shares of Russian companies for investments is characterized by such indicators as earnings per share, dividend yield, and return on equity.

Figure 6 shows diagrams for indices of the ratios between market price and earnings per share (P/E), market price and book value of share (P/BV) and dividend yield (DY) in general on shares of the Russian issuers.

Figure 5

Percentage of Ten Issuers whose Shares were Most Actively Traded, %



Доля десяти наиболее ликвидных эмитентов	Share of ten most liquid issuers
Совокупный биржевой оборот (группа «Московская биржа», все режимы)	Total stock turnover (Moscow Exchange Group, all trading modes)
В том числе доля ОАО «Газпром»	including Gazprom, JSC

В том числе доля ОАО «Сбербанк России»	including Sberbank of Russia, JSC
В том числе доля ПАО «Банк ВТБ»	including VTB Bank, PJSC

Source: Moscow Exchange Group, estimates of NAUFOR

Table 5

List of Issuers of Shares Traded on the Stock Market of Moscow Exchange Group with the Highest Free Float (at the End of 2015)

Issuer	Type of securities	Listing level	Free float, %
Magnit, PJSC	Ordinary share	I	54
Moscow Exchange, PJSC	Ordinary share	I	51
Sberbank of Russia, PJSC	Ordinary share	I	48
Oil Company LUKOIL, JSC	Ordinary share	I	46
DIXY Group, PJSC	Ordinary share	I	46
Gazprom, PJSC	Ordinary share	I	46
MTS, PJSC	Ordinary share	I	45
M.video, PJSC	Ordinary share	I	42
RUSS-INVEST Investment Company, JSC	Ordinary share	II	41
SOLLERS, PJSC	Ordinary share	I	41

Source: Moscow Exchange Group

Table 6

List of Shares Showing the Highest Yield on the Stock Market of Moscow Exchange Group (at the End of 2015)

No.	Share	Price, RUB	Yield, %
1	Kaluga Power Sales Company, JSC, ordinary share	40.50	747.28
2	Dagestan ESK, PJSC, ordinary share	0.39	626.77
3	URALSIB BANK, PJSC, ordinary share	0.10	356.22
4	GTL, JSC, ordinary share	0.31	335.46
5	Saratovenergo, JSC, ordinary share	0.17	297.89
6	UAC JSC, ordinary share	0.60	258.43
7	Ros AGRO, PLC, other	1,190.00	193.83
8	ZIL, JSC, ordinary share	1,078.00	192.93
9	Izhstal, JSC, ordinary share	1,035.00	179.73
10	Rusolovo, JSC, ordinary share	2.93	178.57

Source: CBONDS

Table 7

1.1 SHARES

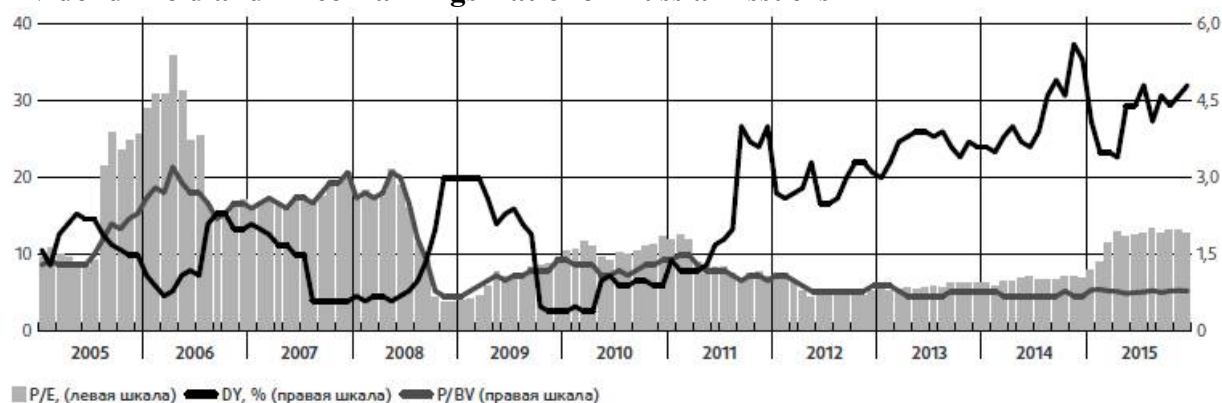
List of Shares Showing the Highest Loss on the Stock Market of Moscow Exchange Group (at the End of 2015)

No.	Share	Price, RUB	Yield, %
1	TRANSAERO, JSC, ordinary share	5.87	-97.26
2	Plazmek, JSC, ordinary share	0.38	-63.94
3	VTORRESURSY, JSC, ordinary share	3.60	-60.44
4	RUSAL, other	227.10	-54.24
5	UTINET.RU Platform, JSC, ordinary share	18.80	-53.47
6	T Plus, PJSC (former Volga TGC), ordinary share	0.51	-50.92
7	RNT, JSC, ordinary share	3.15	-49.19
8	IDGC of Siberia, JSC, ordinary share	0.05	-48.91
9	Zhivoy Office, JSC, ordinary share	25.40	-48.16
10	Dixy Group, JSC, ordinary share	269.20	-43.89

Source: CBONDS

Figure 6

Dividend Yield and Price-Earnings Ratio for Russian Issuers



P/E, (левая шкала)	P/E, (left scale)
DY, % (правая шкала)	DY, % (right scale)
P/BV (правая шкала)	P/BV (right scale)

Source: S&P, Moscow Exchange Group

Table 8

List of Issuers Whose Shares are Traded on the Stock Market of Moscow Exchange Group That Showed the Highest Return on Equity

Item No.	Issuer	Return on equity, %
1	T Plus, PJSC	103.8
2	36.6 Pharmacy Chain, PJSC	63.1
3	Surgutneftegaz, JSC	55.2
4	IDGC of Urals, JSC	35.5
5	Pharmstandart, PJSC	29.4
6	SAINT PETERSBURG BANK, PJSC	29.3

7	M.video, PJSC	25.3
8	MOSTOTREST, PJSC	24.9
9	Territorial Generating Company No. 1, JSC	23.5
10	PROTEK, JSC	23.3

Source: Moscow Exchange Group

Over 2015, the P/E index increased twofold, while the average value amounted to 12.0 (for comparison, in 2013-2014, this index was at an average level of 6.3). However, this is still very different from the levels of the period from 2005 till the beginning of 2006, when the P/E index exceeded 35.

The P/BV index was virtually invariable, and since the beginning of 2012, it remained at the level below one (0.7-0.8 on average). This confirms the fact that the Russian share issuers are generally assessed by the market at the values below those arising out of the accounting statements. It should be noted that in the period from 2006 till the beginning of 2008, the P/BV index ranged from two to three, and that encouraged the issuers to put their shares to the open market.

Over the long period from 2012 till 2015, the dividend yield of Russian share market showed growth, and by the end of 2015, the index was estimated at 5%. According to Moscow Exchange Group, DY index of M.video, PJSC was estimated as 25.4%, of MMC Norilsk Nickel, PJSC, at 13.6% and of NCSP, PJSC, at 12.3%.

Table 8 provides data on Russian issuers of shares that showed the highest return on equity in 2014² (data for 2015 were missing at the moment of preparation of the review).

The return on equity of Russian issuers varies within a very wide range: from 0.07% to 103%. On average, this indicator amounted to 16%.

1.2. Corporate Bonds

The distinctive feature of the Russian corporate bond market is the fact that over 95% of the secondary market accounts for organized exchange trades. Table 9 provides the consolidated data on corporate bonds offered on the stock market of Moscow Exchange Group.

In 2015, the number of corporate bond issuers presented on the organized market increased by 8.1%: 349 companies against 323 companies in the previous year. However, it is far from the maximum of 2008 when the number of public corporate bond issuers reached 455 companies (reduction by 23.3%). The number of bond issues shows long-term upward trend. Thus, since 2008 to 2015, the number of bond issues presented on the organized market increased by 67.5% and exceeded one thousand.

In 2015, the number of issuers and issues of corporate bonds presented in the quotation lists decreased for the first time in last five years. This may be related to the change in the requirements to listing of bonds in the quotation lists.

² The return on equity is calculated as of the date of the annual statements according to the IFRS as the ratio between the net profit and the market capitalization.

1.2 CORPORATE BONDS

Table 9

Organized Market of Corporate Bonds

Period	MICEX Stock Exchange			RTS		
	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	357	648	168/332	43	52	0/0
Moscow Exchange Group						
2011	309	673	177/410			
2012	308	793	185/495			
2013	328	937	187/548			
2014	323	950	194/536			
2015	349	1,042	160/467			

* Starting from 2014, in the lists of the first and the second tiers of listing

Source: Moscow Exchange Group

Moreover, the bonds of international financial organizations and corporate Eurobonds are also traded on the stock market of Moscow Exchange Group. Due to their insignificant turnovers, these instruments are not considered in detail.

Figure 7 shows a diagram of the volume of corporate bonds market (placed issues, at par value).

Over the last ten years, the average rate of growth of the corporate bonds market in nominal volume amounted to 34% per annum. Following the results of 2015, the volume of issues of corporate bonds amounted to 8,068 billion Rubles which exceeds this indicator for the previous year by 21.8%. However, in comparison to the GDP, the domestic corporate bond market remains insignificant: in 2015, the ratio of market to GDP was 13.3%, with an increase by 2.8 pp over the year. Moreover, this increase, to some extent, is caused by decrease in the GDP.

Sectoral structure of issuers of corporate bonds changes (see Figure 8).

In 2006, economy sectors unrelated to the capital market, and oil and gas industry accounted for 64.5% of the volume of corporate bonds, while in 2015, this indicator decreased to 32.2%.

Figure 7

Volume of Domestic Bond Market, billion Rubles

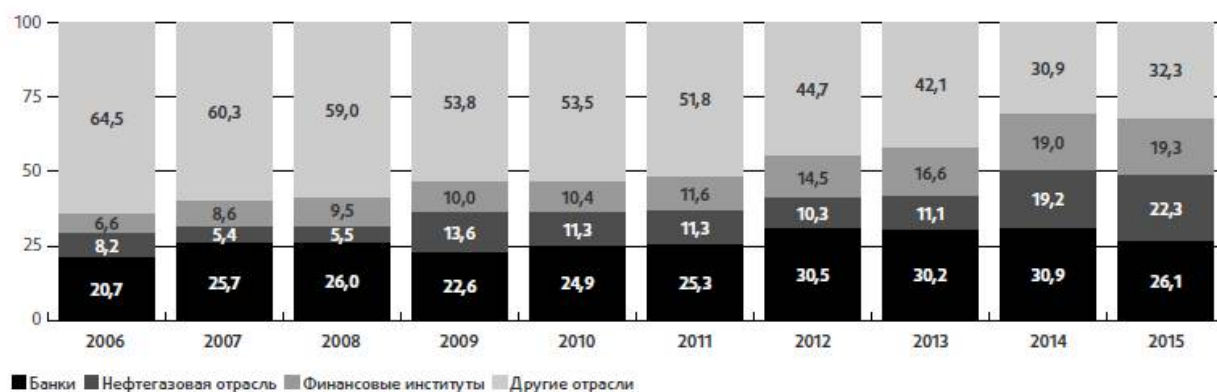


Субфедеральные и муниципальные облигации	Sub-federal and municipal bonds
Государственные федеральные облигации (включая облигации Банка России)	Government federal bonds (including bonds of the Bank of Russia)
Корпоративные облигации	Corporate bonds
Отоношение объема внутреннего долгового рынка и ВВП, % (правая шкала)	Ratio of the volume of domestic bond market and GDP, % (right scale)

Source: CBONDS, FSSS, estimates of NAUFOR

Figure 8

Sectoral Structure of Bond Market, %

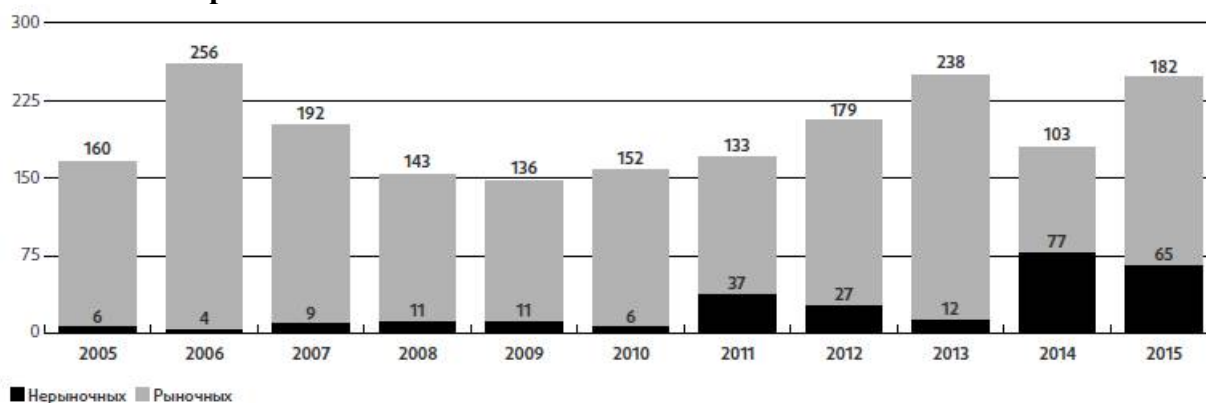


Банки	Banks
Нефтегазовая отрасль	Oil and gas industry
Финансовые институты	Financial institutions
Другие отрасли	Other branches

Source: CBONDS

Figure 9

Number of Corporate Bond Issuers That Placed New Bond Issues



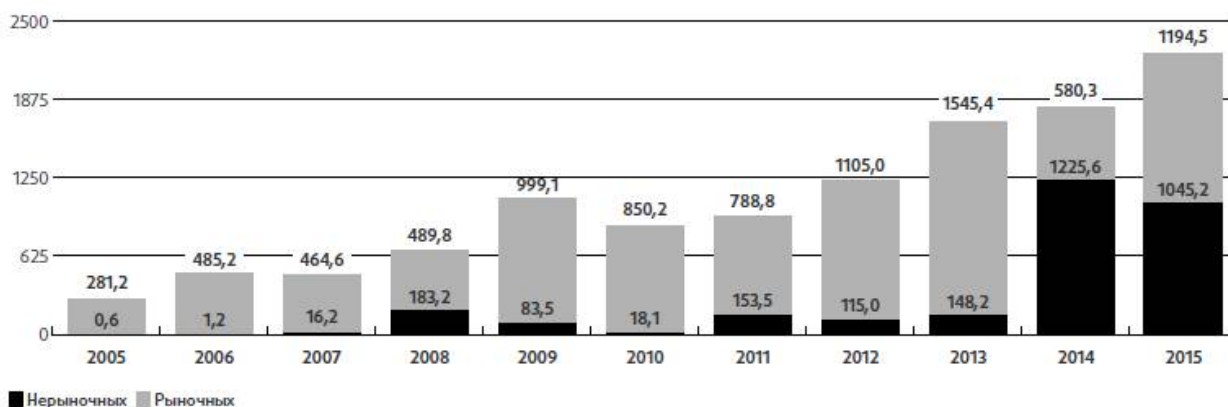
1.2 CORPORATE BONDS

Нерыночных	Non-market issues
Рыночных	Market issues

Source: CBONDS

Figure 10

Number of New Corporate Bond Issues, billion Rubles



Нерыночных	Non-market issues
Рыночных	Market issues

Source: CBONDS

In terms of placement of new corporate bonds issues, 2015 differs from the previous year by restoration of the number of issuers that placed new issues of bonds and by significant growth of the volume of initial offerings (see Figures 9 and 10).

After decline of 2014, the number of issuers that placed new issues of corporate bonds was restored, and it amounted to 247 companies. At the same time, 73.7% of them placed securities on the secondary market. The volume of initial placement offerings of bonds at par amounted to 2,240 billion Rubles (which exceeds the indicator of the pervious year by 24.0%); 53% in this volume accounts for market issues.

Among initiators of corporate bond issues, the concentration of issue volumes is rather high (see Table 10).

Thus, in 2015, the share of the first ten traders organizing issues of bonds of corporate issuers accounted for 88.1% of the total volume of new issues (83.0% in the previous year). Herewith, the share of the leader (Gazprombank, JSC) decreased (from 30%) to 15.3%.

Figure 10 provides the data on the secondary exchange turnover of bonds on the stock market of Moscow Exchange Group (at cost, without account of REPO transactions and placements of new issues). Due to peculiarities of information disclosure, the volume of transactions in corporate, sub-federal and municipal bonds is shown as a total value. According to the statistic data of the previous years, herewith the turnover of corporate bonds amounts to about 97%.

Table 10

List of the Most Active Traders Organizing Corporate Bonds Placements (at the End of 2015)

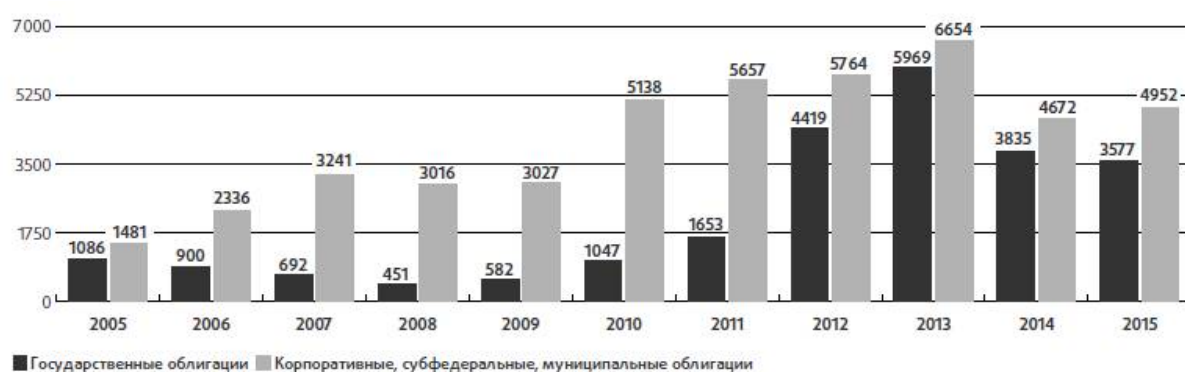
	Trader organizing placement	Amount of placements, billion Rubles	Market share, %
1	Gazprombank, JSC	254	15.3
2	VTB Group	235	14.2

3	Sberbank CIB, CJSC	216	13.0
4	BK Region Group of Companies	186	11.2
5	FK Otkrytie Bank, PJSC	184	11.1
6	Sovcombank, PJSC	113	6.8
7	ROSBANK, PJSC	109	6.6
8	Raiffeisenbank, JSC	87	5.2
9	Rosselkhozbank, JSC	39	2.3
10	Svyaz-Bank, PJSC	38	2.3
Total		1,462	88.1
HH index		998	

Source: CBONDS, estimates of NAUFOR

Figure 11

Volume of Trade on Domestic Bond Market, billion Rubles



Государственные облигации	Government bonds
Корпоративные, субфедеральные, муниципальные облигации	Corporate, sub-federal, and municipal bonds

Note: at actual value, without account of REPO transactions and new issues placements.

Source: Moscow Exchange Group

We assess the secondary exchange turnover of corporate bonds in 2015 at 4.8 trillion Rubles which exceeds this indicator of the previous year by 6%.

However, the liquidity index of the secondary bond market - the turnover ratio³ decreased by 10 pp from 73% to 63% against significant increase in the market volume (see Figure 12).

The turnover ratio shows the long-term downward trend, and it has decreased 4.3 times since 2006.

The concentration for individual issuers on the bond market is much lower than on the share market. The share of the first ten corporate bond issuers according to their turnovers (see Table 11) made up 45.2% at the end of 2015 (the same value was observed in the previous year).

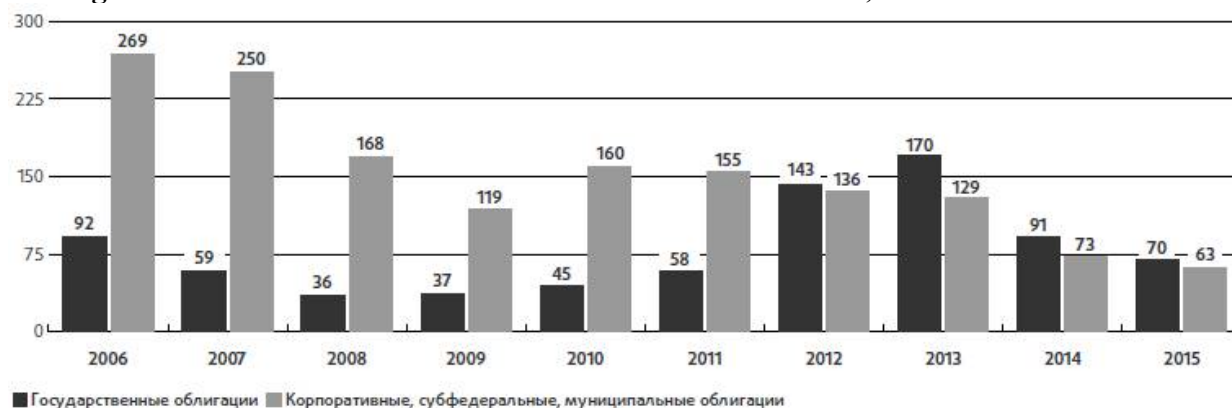
At the same time, the list of issuers of the most liquid corporate bonds considerably changed due to bonds of foreign issuers.

³ Turnover ratio is calculated as a ratio between the volume of transactions (without account of REPO transactions and new issues placements) for the period and the simple mean of the bonds issues at par value for the current and the past periods.

1.2 CORPORATE BONDS

Figure 12

Average Annual Ratio of the Domestic Bond Market Turnover, %



Государственные облигации	Government federal bonds (including bonds of the Bank of Russia)
Корпоративные, субфедеральные, муниципальные облигации	Corporate, sub-federal, and municipal bonds

Source: Moscow Exchange Group, CBONDS, estimates of NAUFOR

Table 11

List of Issuers Whose Corporate Bonds were Most Actively Traded in Transactions on the Stock Market of Moscow Exchange Group (at the End of 2015)

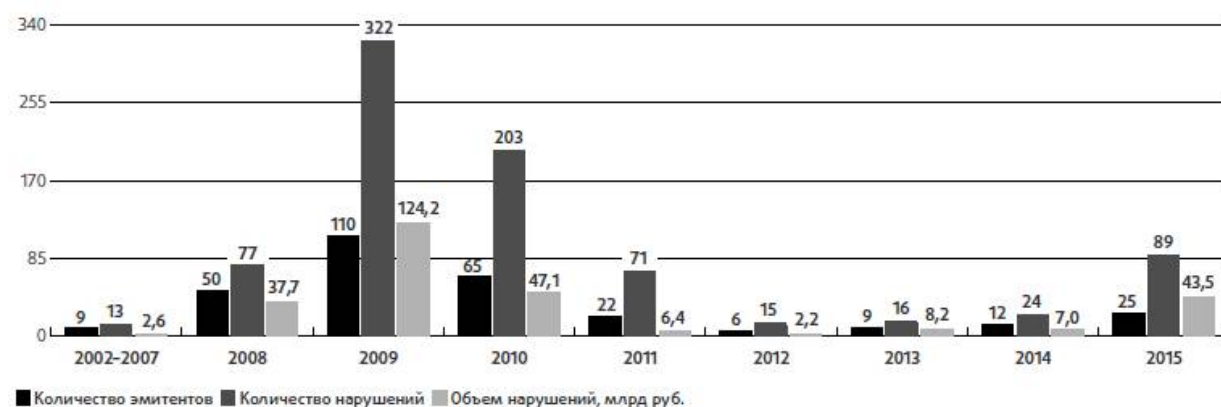
Item No.	Issuer	Share in the total trade volume, %
1	Rosneft Oil Company, JSC	12.6
2	Russian Railways, JSC	4.7
3	Transneft, JSC	4.3
4	VEB Finance	3.7
5	Gaz Capital	3.5
6	Rosselkhozbank, JSC	3.1
7	VTB Capital	3.0
8	SB Capital	2.8
9	RSHB Capital	2.5
10	GPB Eurobond Finance	2.2
Total		45.2
HH index		310

Note: taking into account REPO transactions, at actual value.

Calculated on the basis of data provided by Moscow Exchange Group.

Figure 13

Breaches by Issuers of Obligations under Corporate Bonds



Количество эмитентов	Number of bond issuers
Количество нарушений	Number of breaches
Объем нарушений, млрд руб.	Amount of breaches, billion Rubles

Source: CBONDS

The year of 2015 was characterized by an increase in the default component although the breaches upon fulfillment of obligations under corporate bonds have not reached problem level of 2009-2010 (see Figure 13). According to our estimates, 25 issuers were in breach in servicing issues of corporate bonds totaling up to 43.5 billion Rubles (in the previous year, 12 issuers were in breach totaling up to 7.0 billion Rubles).

1.3. State, Sub-Federal and Municipal Bonds

In 2015, the volume of government bonds market continued growing (see Figure 7), and at the end of the year it made up 5,573 billion Rubles at par value, which exceeds this indicator of 2014 by 18.8%. As compared to the GDP, the government bonds market grew up to 9.2% over the year, which exceeds the indicator of the previous year by 1.74 pp.

The volume of transactions in government bonds on the market of Moscow Exchange Group decreased by 6.7% (see Figure 11) and made up 3,577 billion Rubles without account of initial offerings and REPO transactions. As a result, the turnover ratio decreased by 21 pp (see Figure 12) against the growth of the market volume: at the end of 2015, it decreased to 70% while in 2014, it made up 91%. Nonetheless, as before, according to the turnover ratio on the domestic bond market, the sector of government bonds remained the most liquid one.

The market of sub-federal and municipal bonds remains in deep stagnation. The volume of these bonds issues was little more than 500 billion Rubles while the volume of trading (without account of placements of new issues and REPO transactions) amounted to 394 billion Rubles.

1.4. Eurobonds

The overall data for the Eurobond market volume are shown in Figure 14.

The volume of the foreign market of Russian bonds decreases for the second year in a row. As of the end of 2015, it made up 185 billion dollars, which is by 13.7% less than in 2014. Reasons –

1.4 EUROBONDS

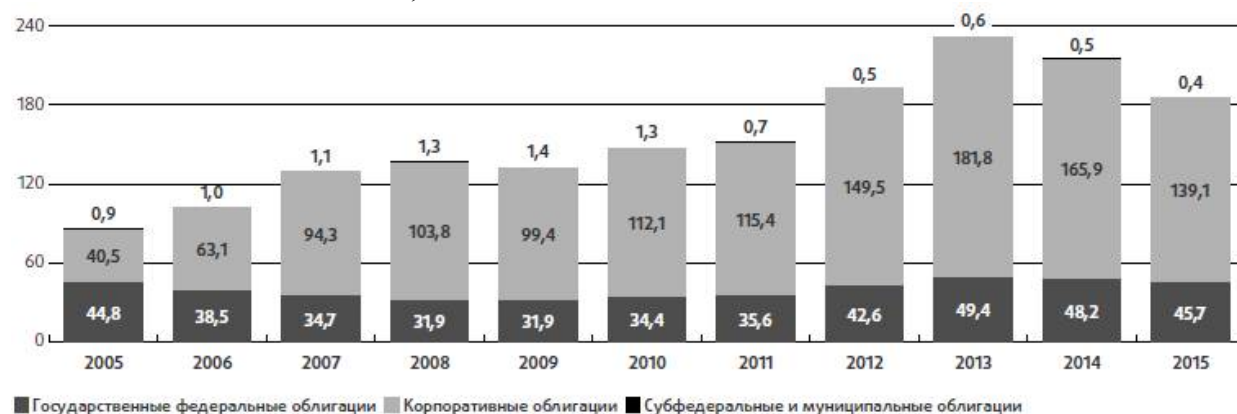
macroeconomic problems and imposition of economic sanctions. Relations between different types of bonds remained almost the same: corporate bonds amount to 75%, and sovereign bonds, to 24%; sub-federal and municipal bonds account for the remaining balance.

Figure 15 shows volumes of corporate borrowings using debt market instruments on the domestic and foreign markets.

The share of domestic bond borrowing of Russian corporations increases. Therefore, if in 2005, foreign borrowings made up 70.8% of the total bond market, in 2015, this index amounted to 51.1%.

Figure 14

Volume of Eurobond Market, billion USD

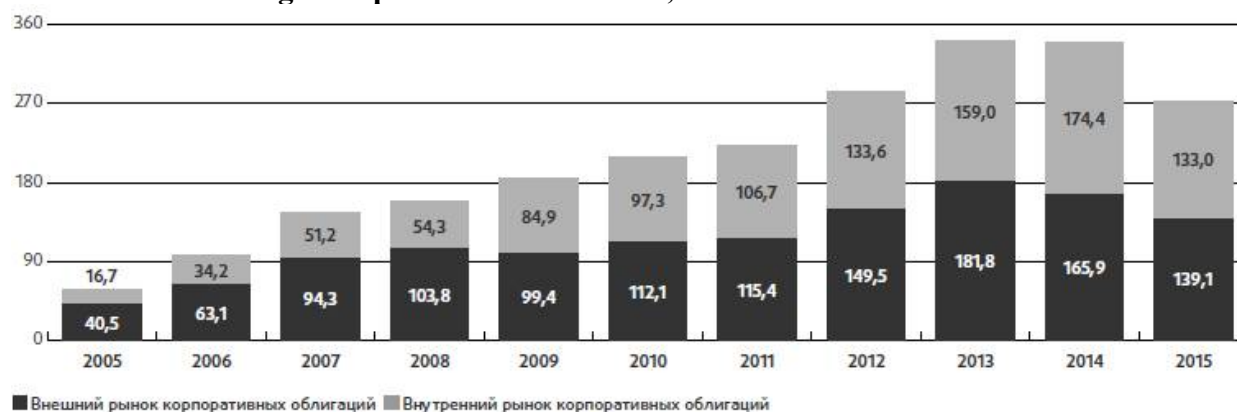


Государственные федеральные облигации	Government federal bonds
Корпоративные облигации	Corporate bonds
Субфедеральные и муниципальные облигации	Sub-federal and municipal bonds

Source: CBONDS

Figure 15

Domestic and Foreign Corporate Bonds Market, billion USD



Внешний рынок корпоративных облигаций	Foreign corporate bonds market
Внутренний рынок корпоративных облигаций	Domestic corporate bonds market

Source: CBONDS

1.5. REPO Transactions

Until 2014, the exchange REPO market was the most fast-growing segment of the Russian organized market (see Figure 16). In 2014, the volume of REPO transactions in all types of securities on the stock market of Moscow Exchange Group started decreasing, and this trend continued in 2015: following the results of the year, the volume of exchange REPO again decreased by 3% and made up 177.7 trillion Rubles. As compared to 2013 when this index reached its maximum, a decline by 13.2% is observed.

Changes in REPO transactions broken down by types of securities (see Figure 17) are insignificant in the long term, and they remain within the limits of normal market volatility.

In the period from 2009 till 2015, the shares accounted for 23.6% of the total volume of REPO transactions, and the government and the corporate bonds accounted for the remaining turnover (70-80%).

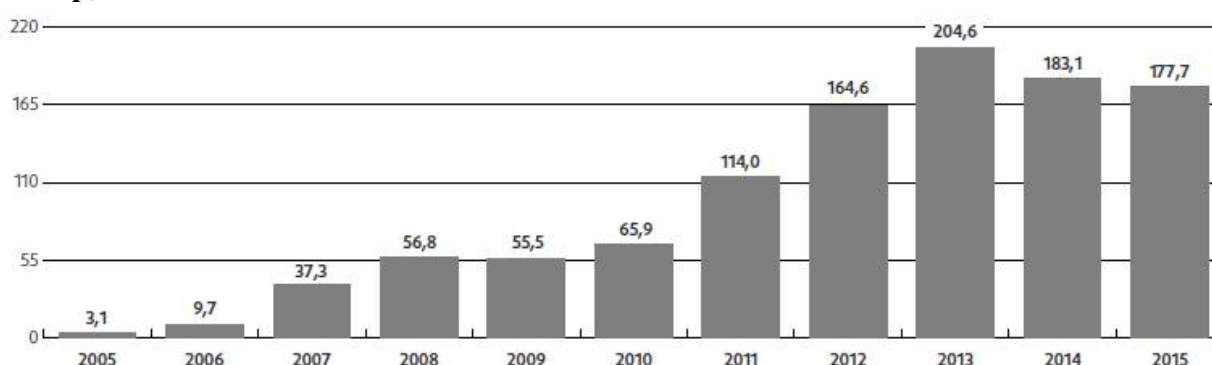
Depending on the financial market conditions, the proportions of various REPO transactions modes are constantly changing (see Figure 18).

In 2013-2015, the area of application REPO transactions with the central counterparty grew drastically. If in 2013, this mode only started to be implemented, in 2015, the volume of REPO transactions with the central counterparty already reached 36.9% of the total volume. The volume of direct REPO with the Bank of Russia gradually decreases: in 2015, 41% of transactions was settled in this mode while in the previous year this indicator amounted to 55%. The role of inter-dealer REPO is also reduced: in 2010, it accounted for 97.2%, while in 2015, it decreased to 22.5%.

REPO transactions prevailed more and more in the total turnover of trades in recent years, and they became absolutely prevailing in 2012-2015: more than 90% of the total trade volume on the spot market taking into account all trade modes.

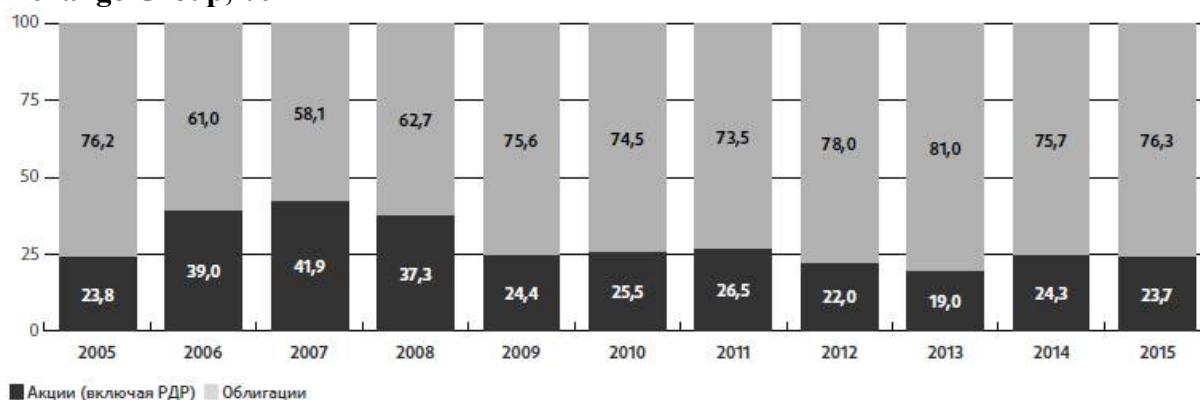
Figure 16

Volume of REPO Transactions in Securities on the Stock Market of Moscow Exchange Group, trillion Rubles



Source: Moscow Exchange Group.

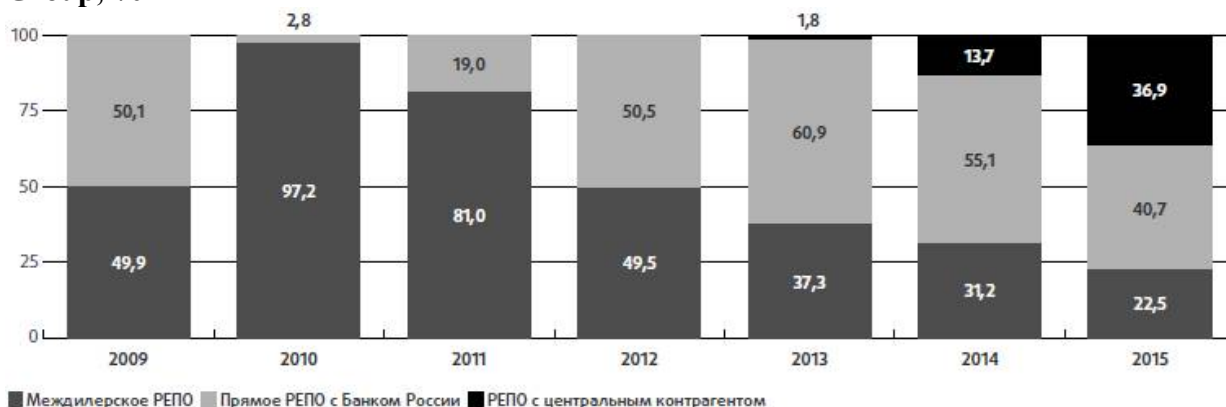
Figure 17

Share Structure of REPO Transactions in Securities on the Stock Market of Moscow Exchange Group, %

Акции (включая РДР)	Shares (including RDR)
Облигации	Bonds

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 18

Modes of REPO Transactions in Securities on the Stock Market of Moscow Exchange Group, %

Междилерское РЕПО	Inter-dealer REPO
Прямое РЕПО с Банком России	Direct REPO with the Bank of Russia
РЕПО с центральным контрагентом	REPO with the central counterparty

Source: Moscow Exchange Group, estimates of NAUFOR

1.6. Investment Units

The increase in the number instruments of the organized exchange market of investment units observed in 2012 was replaced by the decline in 2013-2015 (see Table 12).

In 2015, investment units of 234 funds managed by 109 management companies were traded on the stock market of Moscow Exchange which is by 2.9% and 6.8% less than in the previous year. If we take 2012, when maximum number of mutual funds was present on the organized market, as a reference, the decrease amounts to 47% and 22% respectively.

Table 12

Organized Market of Investment Units

Period	MICEX Stock Exchange	RTS
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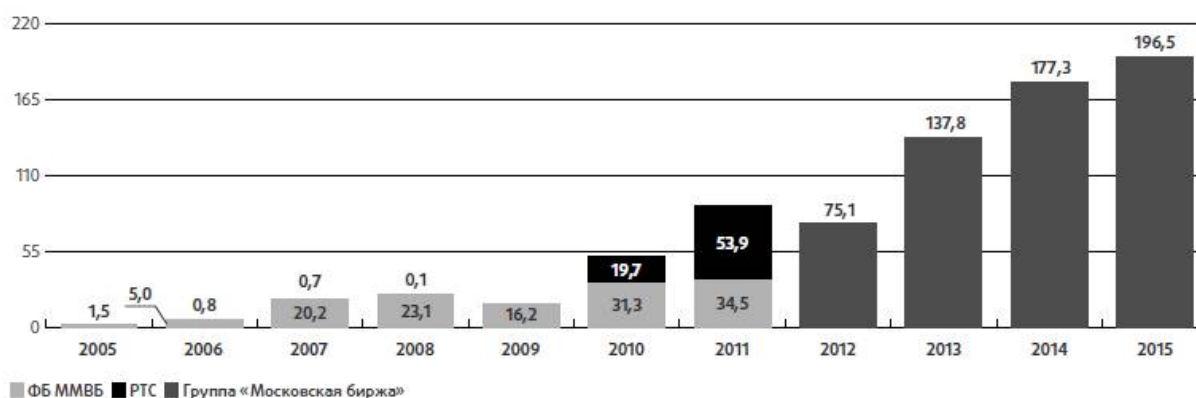
	Number of management companies	Number of mutual funds	including those in quotation lists (MC/mutual fund)*	Number of management companies	Number of mutual funds	including those in quotation lists (MC/mutual fund)
2005	33	69	3/4	6	18	1/1
2006	48	114	4/4	10	22	3/3
2007	88	219	20/30	15	38	6/7
2008	99	306	25/43	23	49	8/11
2009	104	312	17/30	21	47	4/5
2010	125	365	41/20	17	43	3/3
Moscow Exchange Group						
2011	126	397	40/26			
2012	140	442	36/59			
2013	133	419	47/70			
2014	117	241	36/50			
2015	109	234	33/46			

* Starting from 2014, in the lists of the first and the second tiers of listing.

Source: Moscow Exchange Group

Figure 19

Volume of Exchange Trade in Investment Units in Moscow Exchange Group, billion Rubles



ФБ ММВБ	MICEX Stock Exchange
РТС	RTS
Группа «Московская биржа»	Moscow Exchange Group

Source: Moscow Exchange Group

At the same time, the exchange turnover of investment units demonstrated continuous growth in 2013-2015 (see Figure 19).

At the end of 2015, the volume of trading in investment units on the stock exchange of Moscow Exchange Group made up 196.5 billion Rubles, i.e. it was by 10.8% higher than in the previous year. And if we take 2012 as a reference, the exchange turnover of investment units increased by 161.7%.

In 2015, 11 exchange funds (ETF) under control of the one management company traded on MICEX Stock Exchange. Abrupt growth of ETF turnover noted in 2014 stopped. The aggregate volume of transactions in ETF units made up 3.1 billion Rubles in 2015 versus 3.5 billion Rubles in the previous year.

1.7. Securities Futures and Options and Stock Indices

In 2015, the number of option contracts on the organized derivatives market of Moscow Exchange Group increased twofold (see Table 13) due to expansion of the range of option contracts for shares of Russian issuers.

Figure 20 shows consolidated data on the derivatives market of Moscow Exchange Group in terms of volumes of derivatives transactions associated with stock assets⁴.

The volume of trading in futures contracts for securities and stock indices continuously decreases since 2012, and in 2015, it amounted to 25,433 billion Rubles, which is by 12.1% less than in the previous year. As compared to the data of 2011 when the maximum trade volumes were recorded, the decrease was 44.8%. The proportions between trade in futures and options in 2015 changed towards greater dominance of futures: they account for 91.9% of turnover, while transactions in options account for 8.1%.

The structure of trade by types of underlying assets has stopped changing over the last years (see Figures 21 and 22).

Since 2008, the share of stock indices in the trade volume of futures has prevailed making up over 80%. The share of other instruments as underlying asset of the futures remained extremely small.

The similar conditions were observed on the options market. The share of index options in 2011-2015 exceeded 95%.

Figure 23 shows a diagram describing the ratio between the volume of transactions in derivative contracts with underlying assets in the form of shares and stock indices in monetary terms and the volumes of spot transactions in shares (without account of REPO transactions) on the derivatives and the stock markets of Moscow Exchange Group. The turnovers on the derivatives market are presented both by derivative contracts the underlying assets of which are shares and stock indices in total and by shares.

Table 13

Organized Market of Derivative Financial Instruments for Stock Assets

Period	MICEX Stock Exchange			RTS		
	Futures	Options	TOTAL	Futures	Options	TOTAL
2005	0	0	0	9	6	15
2006	0	0	0	15	7	22
2007	1	0	1	19	16	35
2008	1	0	1	21	14	35

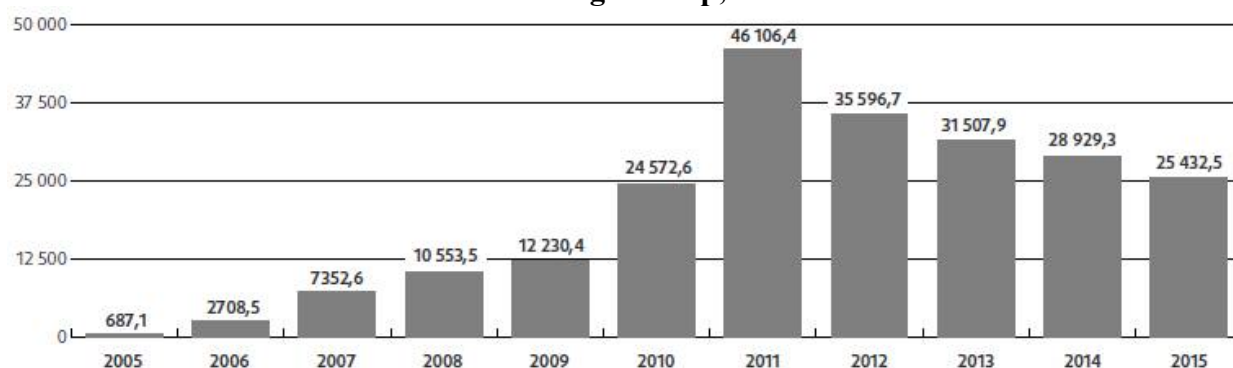
⁴ Hereinafter till 2011 consolidated data on RTS Group and Moscow Exchange Group are given.

2009	5	0	5	21	14	35
2010	5	0	5	18	9	27
Moscow Exchange Group						
2011				27	10	37
2012				33	10	43
2013				40	10	50
2014				40	10	50
2015				40	23	63

Source: Moscow Exchange Group

Figure 20

Results of Trade in Derivative Financial Instruments for Securities and Stock Indices on the Derivatives Market of Moscow Exchange Group, billion Rubles



Source: Moscow Exchange Group

In 2015, the decline in the volume of the derivatives market in the ratio to the volume of the spot market which was observed since the second half of 2013 stopped. Considering the derivative contracts for shares and stock indices, in the second half of 2015, this ratio amounted to 331% versus 270% in the end of 2014. Taking into account the derivative contracts for shares only, the indices would be 38% and 32%, respectively.

The volume of open positions and their distribution among various instruments vary significantly depending on the market conditions (see Figure 24)⁵.

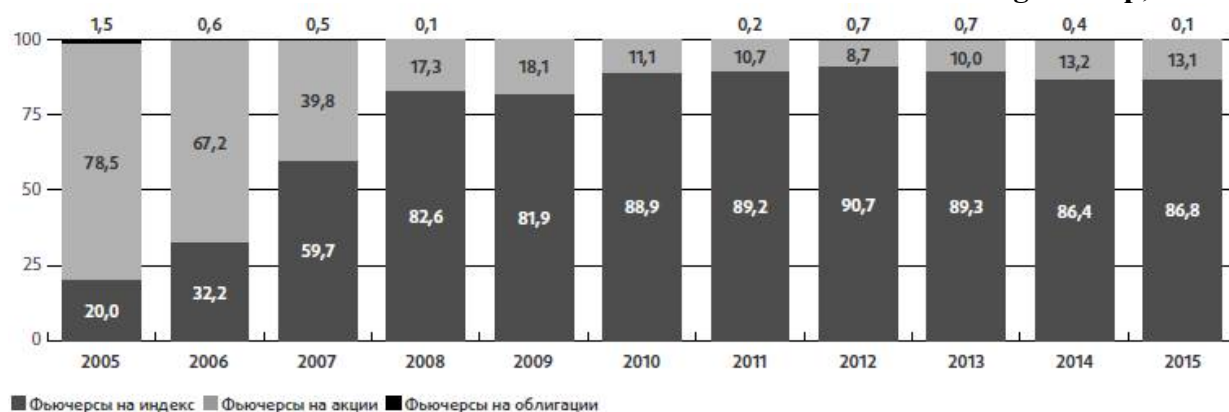
After significant decline in the end of 2014, the total volume of open positions on the stock derivatives market grew by 19.3% up to 158.3 billion Rubles. The ratio of open positions between futures and options differs from the ratio prevailing in the trade volumes, and significantly changes from year to year. Thus, in 2015, futures accounted for 42.2% of open positions, and options, for 57.8%, respectively. On the contrary, in the previous year, futures prevail in open positions, and they accounted for 62.6%.

Figure 21

⁵ Open positions are shown as of the end of the period.

1.7 SECURITIES FUTURES AND OPTIONS AND STOCK INDICES

Structure of Futures Trade on the Derivatives Market of Moscow Exchange Group, %

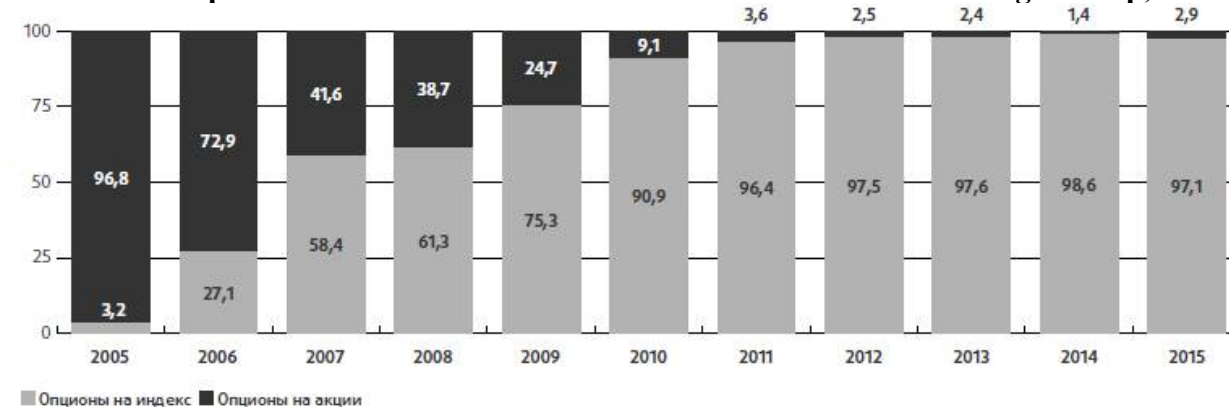


Фьючерсы на индекс	Index futures
Фьючерсы на акции	Share futures
Фьючерсы на облигации	Bond futures

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 22

Structure of Options Trade on the Derivatives Market of Moscow Exchange Group, %

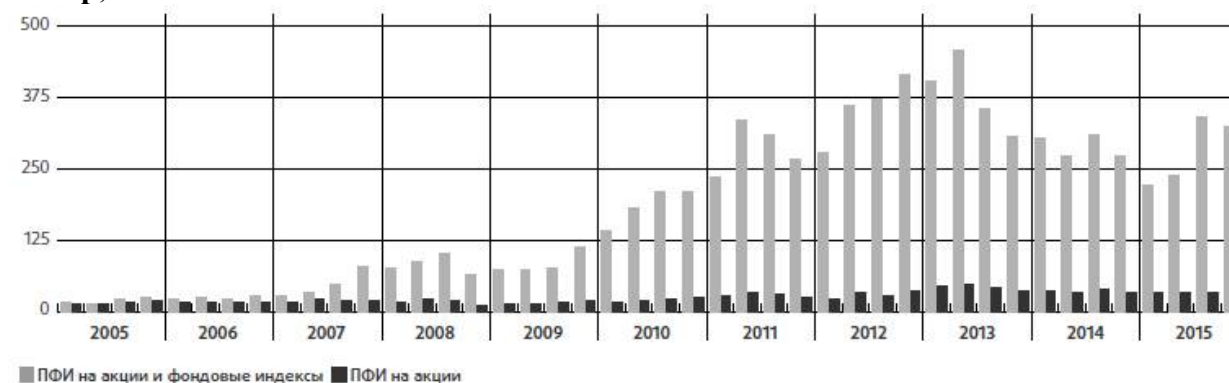


Опционы на индекс	Index options
Опционы на акции	Share options

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 23

Ratio between the Volume of Trade in Derivative Contracts with Underlying Assets in the Form of Shares and Stock Indices and the Volume of Trade in Shares in Moscow Exchange Group, %

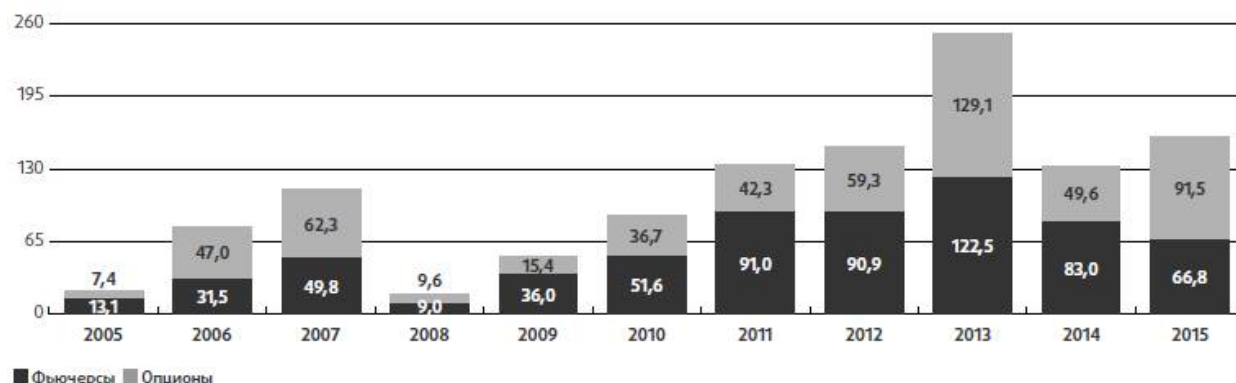


ПФИ на акции и фондовые индексы	Derivatives on shares and stock indices
ПФИ на акции	Derivatives on shares

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 24

Open Positions on the Derivatives Market of Moscow Stock Exchange for Derivative Financial Instruments for Securities and Stock Indices, billion Rubles

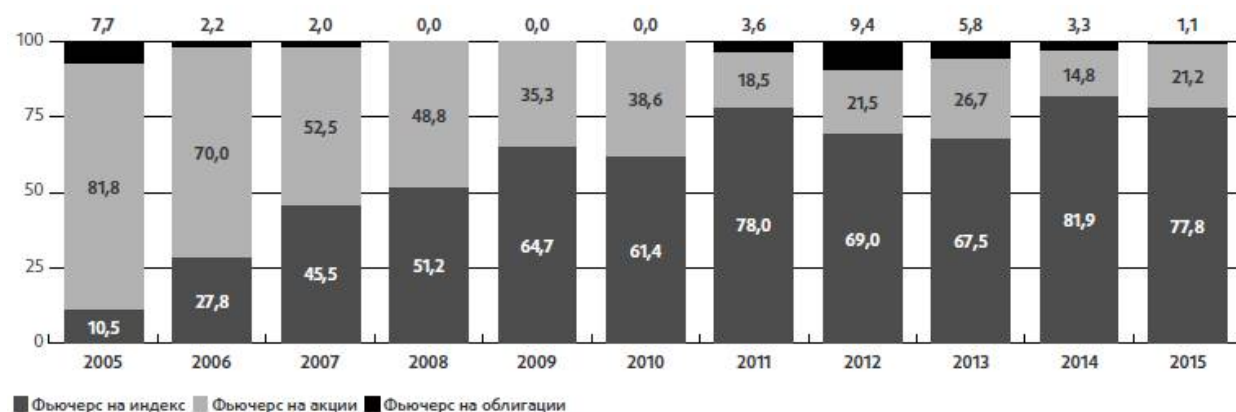


Фьючерсы	Futures
Опционы	Options

Source: Moscow Exchange Group

Figure 25

Volume of Open Futures Positions on the Derivatives Market of Moscow Exchange Group, %

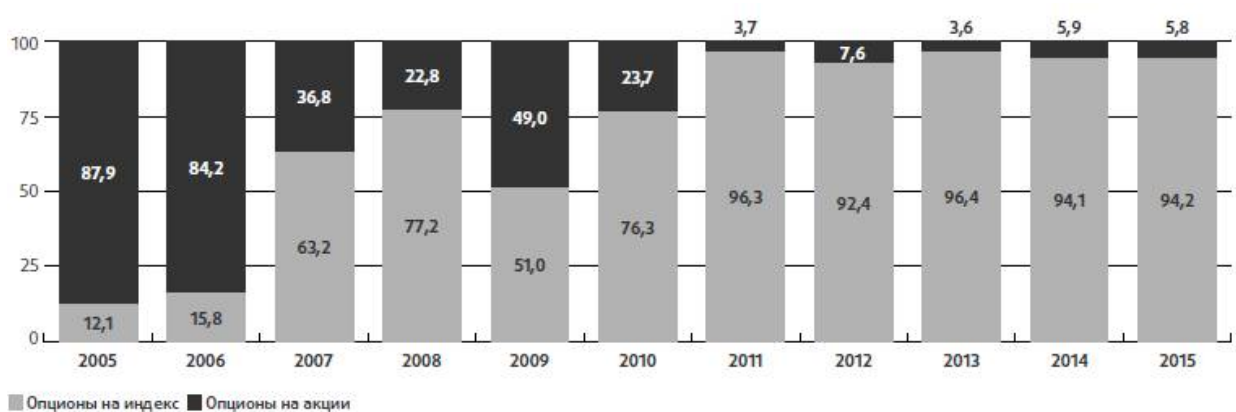


Фьючерс на индекс	Index futures
Фьючерс на акции	Share futures
Фьючерс на облигации	Bond futures

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 26

Volume of Open Options Positions on the Derivatives Market of Moscow Exchange Group, %



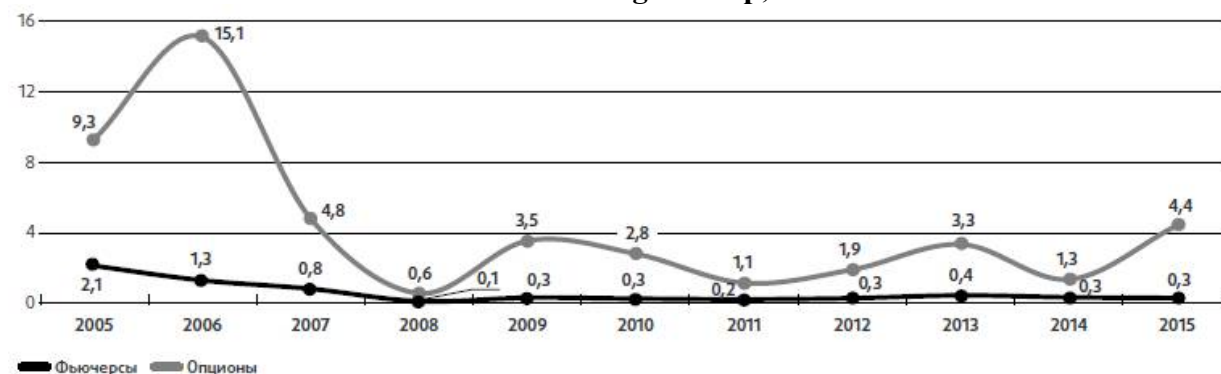
1.8 STOCK INDICES AND INDICATORS

Опционы на индекс	Index options
Опционы на акции	Share options

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 27

Ratio between the Volume of Open Positions and the Volume of Futures Contracts Trade on the Derivatives Market of Moscow Exchange Group, %



Фьючерсы	Futures
Опционы	Options

Source: Moscow Exchange Group, estimates of NAUFOR

The structure of open positions by underlying assets has been undergoing continual changes (see Figures 25 and 26, open positions in monetary terms).

In 2011-2015, the futures were characterized by apparent prevalence of open positions by indices within the range from 67% to 80%, while the average value amounted to 74.8%. For option contracts, stock indices absolutely prevail in open positions in 2011-2015, making up an average of 95% of the total amount of open positions.

Figure 27 provides a diagram describing the ratio between open positions by derivative contracts and transactions therein (in monetary terms). To a certain degree, this ratio may indicate liquidity of the derivatives market.

For the futures in 2009-2015, this ratio remained almost unchanged ranging from 0.2% to 0.3%. It bore evidence of significant turnover.

This index for options is characterized by greater variability. In 2005, the maximum value amounting to 15.1% was observed when the futures market was poorly developed, and in 2008, the minimum value amounting to 0.6% when due to the recession the positions were widely closed. Thereafter, the ratio between open positions and options trade volume ranged from 1.1% to 4.4%. In 2015, the decreased volume of options trade was observed: the ratio between open positions and transactions volume increased up to 4.4%.

1.8. Stock Indices and Indicators

1.8.1. Share Indices

Due to slump of the Ruble exchange rate in 2014-2015, behaviour of stock share indices denominated in Russian and foreign currencies significantly varies.

Figures 28-31 show the diagrams of MICEX and RTS indices for the historical interval from 2005 till 2015 and in 2015.

MICEX index calculated in Rubles showed two periods of growth (in the beginning and in the end of the year) while most of the year (since April till October) it was characterized by the sideways trend at the average level of 1,670. The first peak of the index occurred when the peace plan was signed with regard to Ukraine in Minsk in the “Norman Forth” format (on February 13, 2015). The second peak was recorded on November 23, 2015. It is hard to associate it with any event.

It also came under notice that even if rather important events within the country and abroad, such as commencement of operations of Russian aerospace forces in Syria, decrease in ratings or extension of sanctions against Russia, had effect on MICEX index; this effect was insignificant and short-term. Furthermore, no particular influence of events on foreign financial markets, such as Chinese market decline or negotiations between Greece and its creditors, on this index was detected.

As a result, over 2015, earning power of the Russian share market as per Ruble MICEX index amounted to 22.7% per annum, which is the best result over the last five years.

Figure 28
MICEX Index



Source: Moscow Exchange Group

Figure 29
MICEX Index in 2015



январь	January
февраль	February
март	March
апрель	April

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май	May
июнь	June
июль	July
август	August
сентябрь	September
октябрь	October
ноябрь	November
декабрь	December

Source: Moscow Exchange Group

Figure 30
RTS Index



Source: Moscow Exchange Group

Figure 31
RTS Index in 2015



январь	January
февраль	February
март	March
апрель	April
май	May
июнь	June
июль	July
август	August
сентябрь	September
октябрь	October
ноябрь	November
декабрь	December

Source: Moscow Exchange Group

During the longer period, the sideways trend of the second half of 2011-2013 with fluctuations against 1,400 level gave way to growth in 2014-2015. Herewith, MICEX index tested levels above 1,800 characteristic of the first half of 2011.

RTS index (calculated in US dollars) was under pressure related to Ruble depreciation. Early in the year, it generally grew and in the middle of May it reached maximum of 1,082 having increased by 42.2% since the beginning of the year. Then the fall started, and it continued till the middle of August when the index decreased to 724 points. Then a period of stabilization was observed after which another fall followed in November-December.

RTS index appeared to be more sensitive to abroad events. In response to the decrease in rating of S&P agency on January 26, 2015, it dropped by 4.8%, and on August 24, 2015, after US stock market decline, it decreased by 4.9%. However, against generally high index volatility (see Table 16), many events which conceptually should have influenced RTS index remained unnoticed.

As a result, over 2015, earning power of the Russian share market as per RTS index amounted to minus 0.6% per annum. This index remained in the negative area for the third year in a row.

During the longer period (2011-2015), RTS index demonstrated a long-term downward trend, and it started to get closer to the level of the late 2008 - early 2009.

At the end of 2015, (see Table 14⁶, yield of main world currencies is provided in this Table as an alternative for reference), all industry indices calculated in Russian currency showed positive yield.

Over the last eleven years, similar conditions arose four times: in 2005, 2006, 2009, and 2010. In 2015, the industry index of chemistry and petrochemistry showed maximum yield (71.4% per annum), while yield of metallurgy and mining indices was minimum (7.2% per annum). The only index that has shown positive yield since 2009 is the index of oil and gas industry.

In many cases, rather high positive correlation between the main and industry indices is observed (see Table 15).

As in the previous years, industry indices in oil and gas industry, and in the industry of consumer goods are the most statistically dependent on the main index. Index in telecommunications is the most independent. Cases of negative correlation between the main and industry indices were not detected. On the contrary, in 2015, correlation between MICEX index and industry indices became stronger.

No persistent statistical interdependence between industry indices was detected.

Russian stock indices are characterized by high volatility⁷. Table 16 provides systematized data on volatility and yields of the main consolidated equity indices as well as the Sortino ratio⁸. At the end of 2015, volatility of the main summary stock indices for shares appeared to be at the average level.

⁶ The yield was calculated within the interval from the last trading day of the previous year to the last trading day of the evaluated period on 365-day basis.

⁷ Volatility is calculated as a standard deviation of daily relative changes in the stock index on the annual interval.

⁸ Effective yield to maturity of RGBEY government bonds adjusted to one-day basis, average as of the year-end, was used as a no-risk rate upon calculation of the Sortino ratio.

1.8 STOCK INDICES AND INDICATORS

Table 14

Yield of Equity Indices, % per annum

	Currency	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Main indices												
RTS Index	USD	83.5	70.9	19.2	-71.6	128.6	22.6	-21.9	10.5	-5.5	-47.5	-0.6
MICEX Index	Rubles	83.1	67.7	11.6	-66.5	121.1	23.3	-16.9	5.2	2.0	-8.3	22.7
RTS-2 Index	USD	69.3	42.3	43.2	-78.3	160.4	57.0	-31.8	3.2	-20.8	-47.0	1.2
Industry indices												
<i>Oil and gas industry</i>												
MICEX O&G	Rubles	92.0	48.0	-3.6	-58.4	126.3	17.7	0.1	10.9	5.6	1.4	26.6
<i>Chemical and petrochemical industry</i>												
MICEX CHM	Rubles		44.0	10.5	13.1		44.0	10.5	13.1	-17.4	19.8	71.4
<i>Telecommunications</i>												
MICEX TLC	Rubles	39.1	66.0	14.6	-75.5	187.0	36.3	-14.8	3.9	11.3	-39.4	11.8
<i>Metallurgy and mining</i>												
MICEX M&M	Rubles	74.6	51.7	45.6	-69.2	212.2	63.2	-47.6	-5.7	-22.0	52.7	7.2
<i>Power industry</i>												
MICEX PWR	Rubles	38.7	134.5	7.9	-73.7	167.3	44.2	-40.2	-16.9	-39.3	-22.7	17.1
<i>Manufacturing industry</i>												
MICEX MNF	Rubles	28.9	69.6	61.4	-82.8	189.0	74.2	-40.5	16.9	-3.7	-46.8	40.4
<i>Consumer goods</i>												
MICEX CGS	Rubles						85.4	-36.2	27.3	25.4	-12.6	21.8
<i>Finance</i>												
MICEX FNL	Rubles				-67.3	131.8	32.0	-29.7	-4.4	16.4	-22.1	48.1
<i>Transport</i>												
MICEX TRN	Rubles									24.1	-53.4	34.6
<i>Main currencies (for reference)</i>												
USD	Rubles	2.6	-8.5	-6.8	19.7	2.9	0.8	5.6	-5.7	7.8	71.9	29.5
EUR	Rubles	-9.3	1.5	3.5	15.3	4.7	-7.1	3.3	-3.5	11.8	52.0	16.6

Calculated on the basis of data provided by Moscow Exchange Group and the Bank of Russia

Table 15

Correlation Matrix of Equity Indices in 2015

		A	B	C	D	E	F	G	H	I	J
A	MICEX Index	1.00									
B	Oil and gas industry	0.97	1.00								
C	Chemical and petrochemical industry	0.57	0.64	1.00							
D	Telecommunications	0.29	0.22	-0.44	1.00						
E	Metallurgy and mining	0.31	0.32	0.14	0.22	1.00					
F	Power industry	0.34	0.34	-0.01	0.42	-0.36	1.00				
G	Manufacturing industry	0.32	0.42	0.45	-0.07	-0.46	0.74	1.00			
H	Consumer goods	0.72	0.70	0.61	0.12	-0.10	0.53	0.53	1.00		
I	Finance	0.67	0.68	0.78	-0.30	-0.26	0.33	0.67	0.70	1.00	
J	Transport	0.69	0.61	0.59	-0.17	0.00	-0.06	0.08	0.58	0.73	1.00

Calculated on the basis of data provided by Moscow Exchange Group

Table 16

Volatility and Yield of Equity Indices

Period	MICEX Index			RTS Index			RTS-2 Index		
	Volatility, %	Yield, %	Sortino ratio	Volatility, %	Yield, %	Sortino ratio	Volatility, %	Yield, %	Sortino ratio
2005	1.5	83.1	0.15	1.3	83.5	0.30	0.8	69.3	0.24
2006	2.4	67.7	0.09	2.0	70.9	0.16	1.0	42.3	0.13
2007	1.5	11.6	0.02	1.4	19.2	0.06	0.7	43.2	0.18
2008	4.5	-66.5	-0.08	4.2	-71.6	-0.17	1.5	-78.3	-0.44
2009	3.0	121.1	0.11	2.9	128.6	0.21	1.3	160.4	0.28
2010	1.5	23.3	0.05	1.7	22.6	0.07	1.0	57.0	0.16
2011	1.7	-16.9	-0.05	2.0	-21.9	-0.08	1.3	-31.8	-0.13
2012	1.2	5.2	0.00	1.6	10.5	0.02	1.3	3.2	-0.01
2013	1.0	2.0	-0.01	1.2	-5.5	-0.06	1.0	-20.8	-0.12
2014	1.6	-8.3	-0.04	2.7	-47.5	-0.10	2.5	-47.0	-0.10
2015	1.3	22.7	0.05	2.2	-0.6	-0.01	2.0	1.2	-0.02

Calculated on the basis of data provided by Moscow Exchange Group

The traditionally low Sortino ratio came under notice. In 2015, among three indices considered in Table 16, this indicator was positive only for MICEX index.

Moreover, in 2015, two new indices appeared in Moscow Exchange Group:

- MOEX State-Owned Companies Index;
- MOEX Regulated Companies Index.

The first index includes shares of major Russian companies for which the Government of the Russian Federation determines position of the shareholder – the Russian Federation. The second index includes shares of companies entered in the register of natural monopolies. These indices will be analyzed in the future reviews.

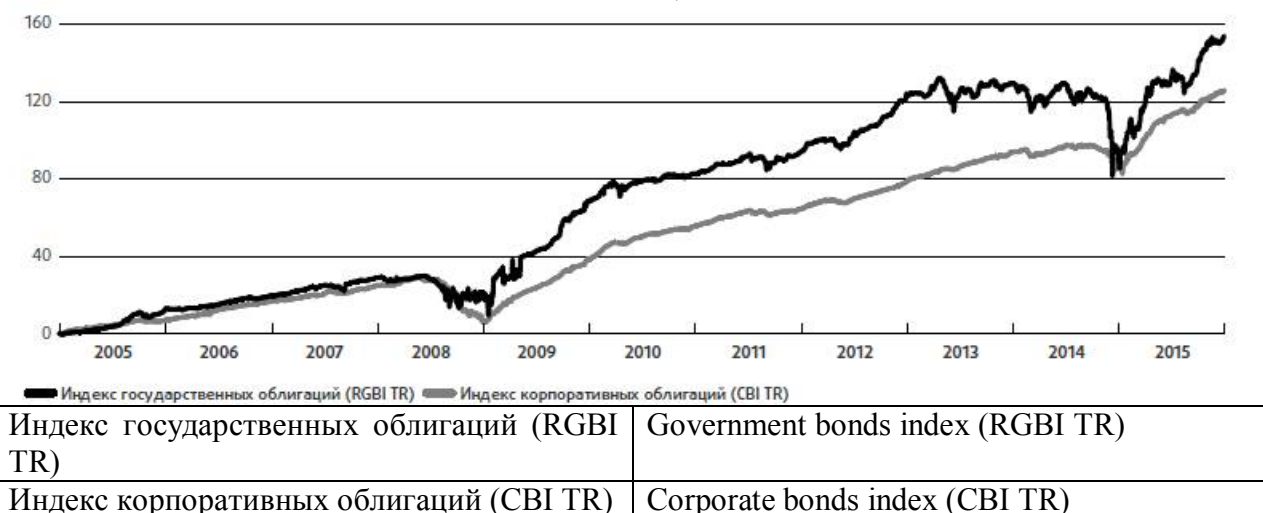
1.8 STOCK INDICES AND INDICATORS

1.8.2. Bond Indices

MCXCBI Corporate Bonds Index. Figures 32 and 33 show the diagrams of MCXCBI TR index based on the total return on corporate bonds⁹ in the historic period from 2005 till 2015 and in 2015, and Figure 34 shows the average weighted duration and yield of bonds to maturity included in the above index.

Figure 32

MCX RGBI TR and MCX CBI TR Bond Indices, %

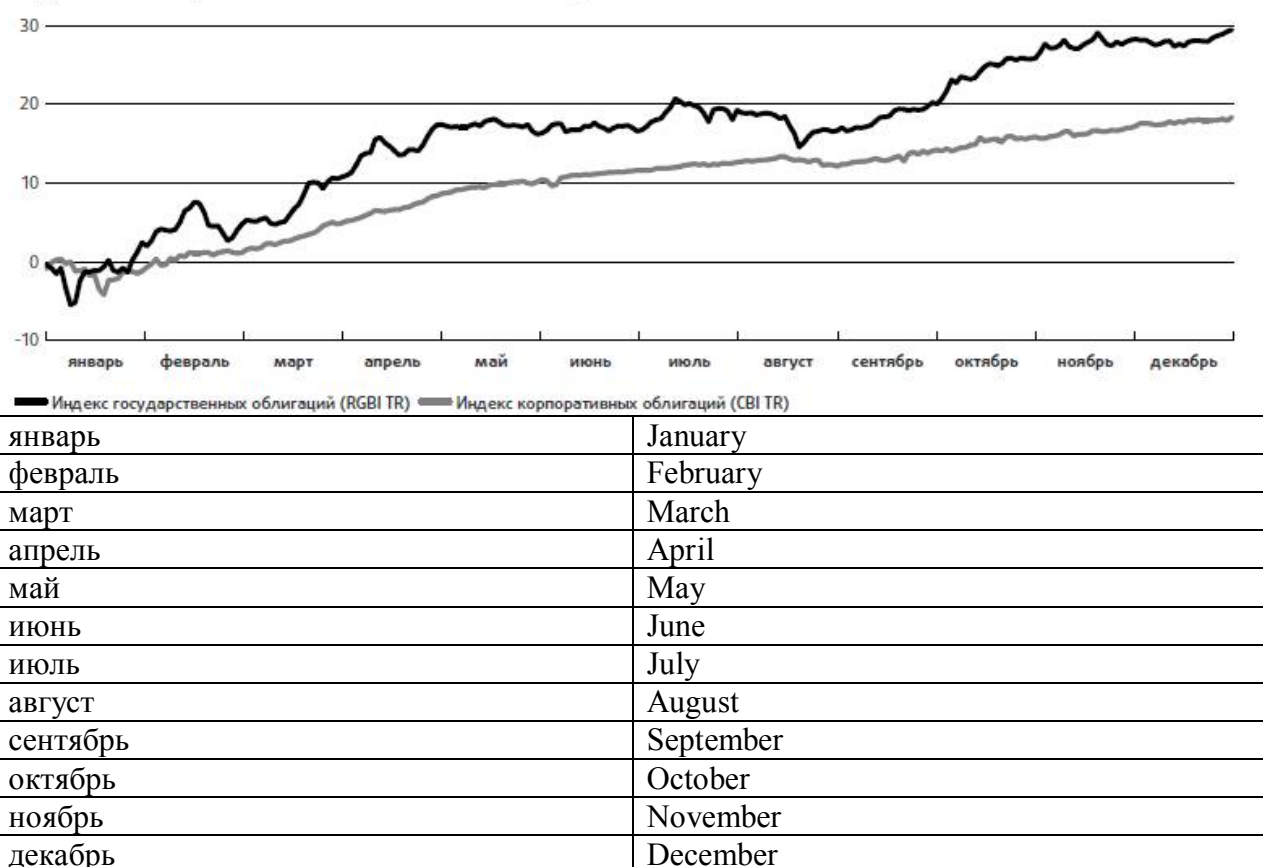


Source: Moscow Exchange Group, estimates of NAUFOR

Figure 33

MCX RGBI TR and MCX CBI TR Bond Indices in 2015, %

Индексы облигаций MCX RGBI TR и MCX CBI TR в 2015 г., %



⁹ The index is specified according to the relative scale.

Индекс государственных облигаций (RGBI TR)	Government bonds index (RGBI TR)
Индекс корпоративных облигаций (CBI TR)	Corporate bonds index (CBI TR)

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 34

Yield and Duration of MCX CBI TR Corporate Bond Index



Дюрация индексного портфеля, дни (левая шкала)	Index portfolio duration, days (left scale)
Средневзвешенная доходность к погашению, % (правая шкала)	Average weighted yield to maturity, % (right scale)
Ставка рефинансирования ЦБ, % (правая шкала)	Refinancing rate of the Central Bank, % (right scale)
Ключевая ставка ЦБ, % (правая шкала)	Key interest rate of the Central Bank, % (right scale)

Source: Moscow Exchange Group, Bank of Russia.

Figure 35

Effective Yield to Maturity and Duration for Government Bonds



Дюрация, дни (левая шкала)	Duration, days (left scale)
RGBEY, % (правая шкала)	RGBEY, % (right scale)
Ставка рефинансирования ЦБ, % (правая шкала)	Refinancing rate of the Central Bank, % (right scale)
Ключевая ставка ЦБ, % (правая шкала)	Key interest rate of the Central Bank, % (right scale)

Source: Moscow Exchange Group, Bank of Russia

Based on MCXCBI TR index, the average total income of investors in corporate bonds (return on investment) has been continuously growing throughout 2015 (except for January); herewith

1.8 STOCK INDICES AND INDICATORS

the growth was more intensive as compared to the previous year. Following the results of 2015, the total income of investors in corporate bonds amounted to 19.3% versus minus 1.6% in the previous year. This income is only 3.4 pp less than the income of investors in shares as per MICEX index.

Upon analysis of MCXCBI TR index during the longer period, it may be noted that its positions in 2015, to a large extent, were similar to the dynamics of the post-crisis year of 2009.

In 2013-2014, the duration of MCXCBI TR index portfolio has been reducing, and by the end of 2014, it was 660 days. In 2015, the trend changed, and increase in duration was noted. By the end of the year, it reached 730 days.

Yield to maturity of MCXCBI TR index portfolio during 2015 followed dynamics of changes in the key rate and gradually decreased. At the beginning of the year, it made up 15.2% and was by 1.8 pp below the key interest rate. The higher yield to maturity of corporate bonds was observed only in the period from the end of 2008 till the beginning of 2009. By the end of the year, the yield to maturity decreased to 11.83% (by 0.83 pp higher than the key rate).

At the end of 2015, corporate bond index volatility (see Table 34) remained at the same high level as the one at which it was a year before, 0.3%, while in 2010-2011, it was at the average level of 0.07% (for reference: the maximum volatility was observed in 2008 when it amounted to 0.42%). At the same time, the Sortino ratio left the negative area and amounted to 0.48.

MCXRGBI TR Government Bonds Index. Figures 32 and 33 show a diagram of MCXRGBI TR index¹⁰, and Figure 35 shows diagrams of average weighted duration and effective yield to maturity of RGBEY.

The position of MCXRGBI TR index in 2015 was as unstable as it was in the previous year. Two periods of growth in the beginning and in the end of the year, and sideways trend in the middle of the year against increased volatility are noted. However, as a result, the total income of investors in government bonds amounted to 29.8% over 2015 (compare to the negative result of the previous year). It came under notice that in 2015, according to bond indices, the income of investors in government bonds exceeded the income of investors in corporate bonds by 10.5 pp.

In 2015, the duration of government bonds soared and amounted to 3,174 days on average versus 2,350 days in the previous year.

During 2015, effective yield to maturity of RGBEY government bonds also followed the key rate trend. In the end of January, a jump to 16.31% exceeding the indicator of the crisis period in early 2009 was observed. Then the yield gradually decreased, and by the end of the year, it reached 10%.

The volatility of government bond index significantly changes from year to year (see Table 17).

At the end of 2015, the volatility of MCXRGBI TR index decreased as compared to the previous year and made up 0.57% (for comparison: the maximum volatility was recorded in 2009 amounting to 1.22%).

Table 17

Volatility and Average Yield to Maturity for Bond Indices

¹⁰ The index is specified according to the relative scale.

Period	Corporate bonds			Government bonds		Refinancing rate (average), %
	MCX CBI TR volatility, %	Average yield to maturity MCX CBI TR, %	Sortino ratio	MCX RGBI TR volatility, %	Average yield to maturity MCX RGBI TR, %	
2005	0.10	—	—	0.15	7.09	12.98
2006	0.20	—	—	0.11	6.46	11.63
2007	0.11	—	—	0.15	6.42	10.25
2008	0.42	—	—	1.03	7.56	10.91
2009	0.26	13.68	0.05	1.22	10.18	11.31
2010	0.10	7.41	0.03	0.35	6.64	8.01
2011	0.09	7.48	0.02	0.22	7.06	8.12
2012	0.06	8.73	0.09	0.17	7.41	8.07
2013	0.04	7.93	0.11	0.36	6.79	8.25
2014	0.30	10.44	-0.14	0.80	9.16	8.25
2015	0.31	13.11	0.48	0.57	11.43	8.25

Calculated on the basis of data provided by Moscow Exchange Group.

It is typical that the volatility of government bonds index significantly exceeded the volatility of corporate bonds index over the entire period of monitoring, with few exceptions.

1.8.3. REPO Rate Indicators

Figures 36 and 37 show the diagrams of REPO indicators for shares and bonds in 2006-2015.

In 2015, one-day REPO indicators for shares and bonds demonstrated the similar qualitative dynamics: decrease in the first half of the year and stable behaviour during the second half of the year.

REPO indicator for shares decreased from 16.7% to 12.3%. The average value of 11.3% was characteristic for the second half of the year.

Similar results were obtained for REPO indicator for bonds in 2015: decrease from 17.2% to 12.8% followed by the average value of 11.6% during the second half of the year.

In 2014, new REPO rate indicators were introduced: rate indicators of REPOs with the central counterparty. These indicators are calculated separately for government bonds (MOEXREPO) and shares (MOEXREPOEQ). The indicators are calculated on the basis of REPO transactions in direct and indirect modes with overnight calculation period. They are calculated twice a day: in the afternoon (12.30 p.m.) and in the evening (17.00 p.m.).

Figure 38 provides diagrams of daily rate indicators of REPOs with the central counterparty in 2014-2015.

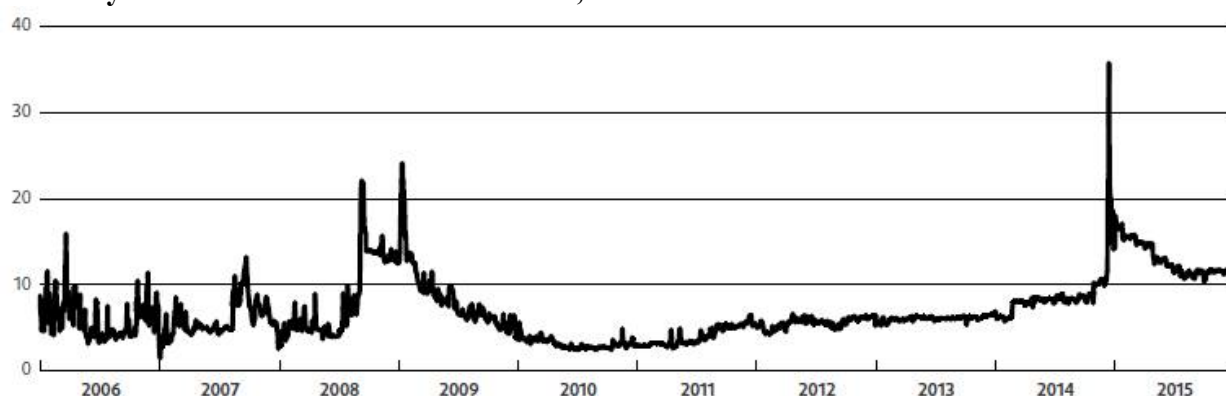
The indicators of REPOs with the central counterparty also showed two different trends in 2015: decrease in the first half of the year, and stabilization in the second half of the year. Difference between values of this indicator for government bonds and for shares was minimum. The year of 2015 ended at the level of 11.4-11.5%. For comparison: most of 2014 prior to the jump related to

1.8 STOCK INDICES AND INDICATORS

increase in the key rate, the typical value of the indicator of REPOs with the central counterparty amounted to 7.7-7.9%.

Figure 36

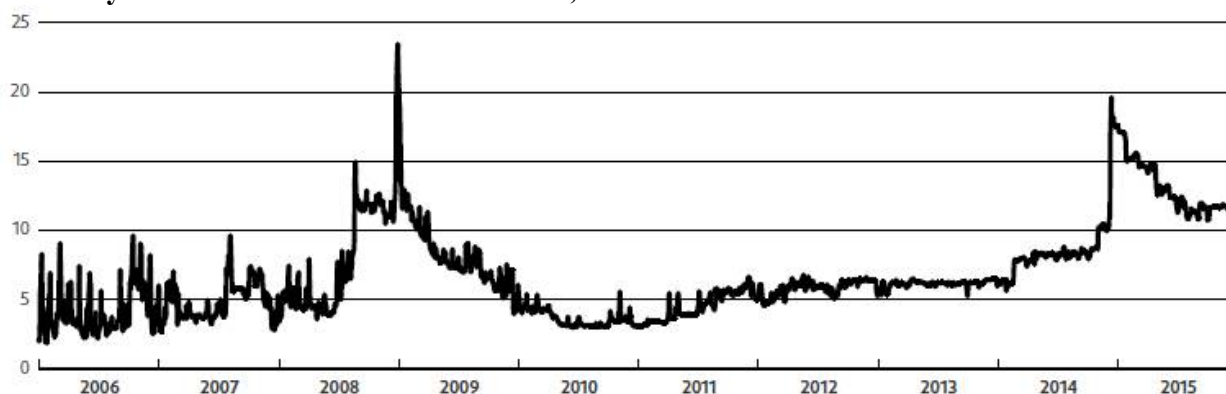
One-Day REPO Rate Indicator for Shares, %



Source: Moscow Exchange Group

Figure 37

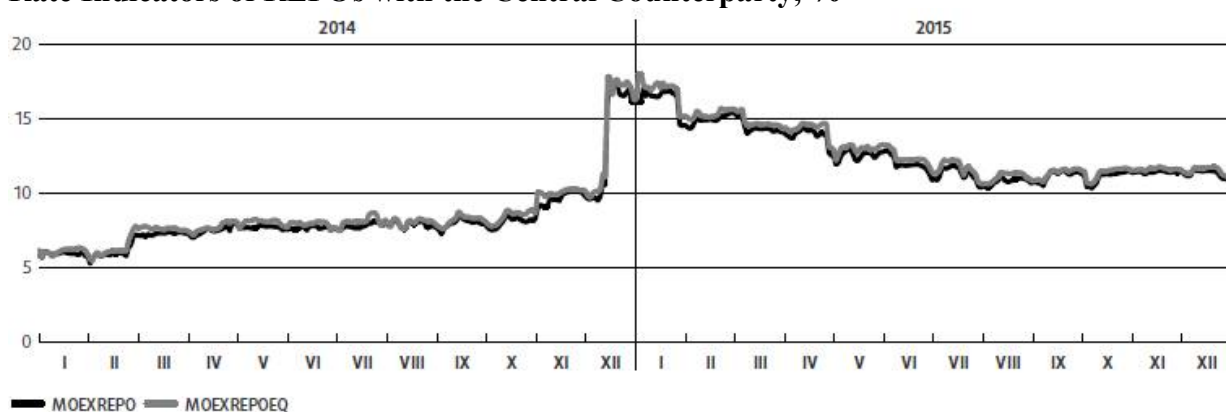
One-Day REPO Rate Indicator for Bonds, %



Source: Moscow Exchange Group

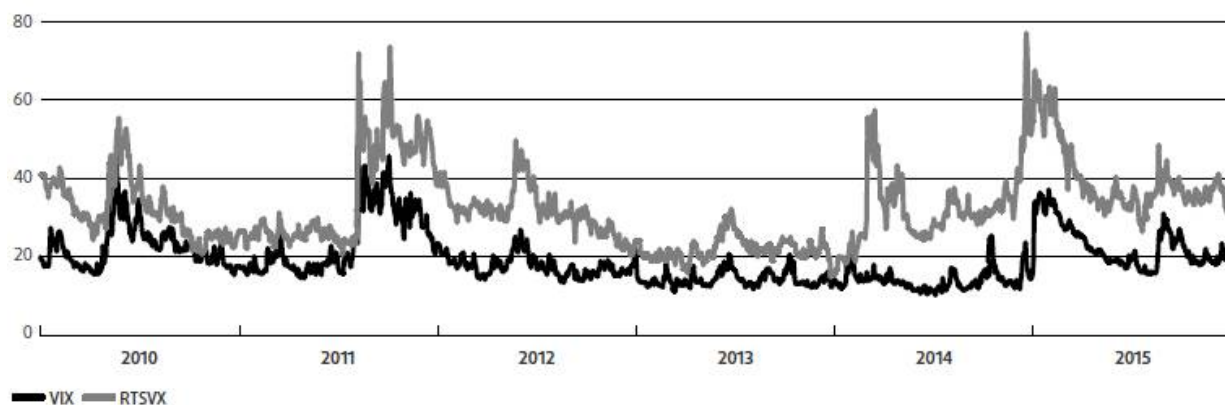
Figure 38

Rate Indicators of REPOs with the Central Counterparty, %



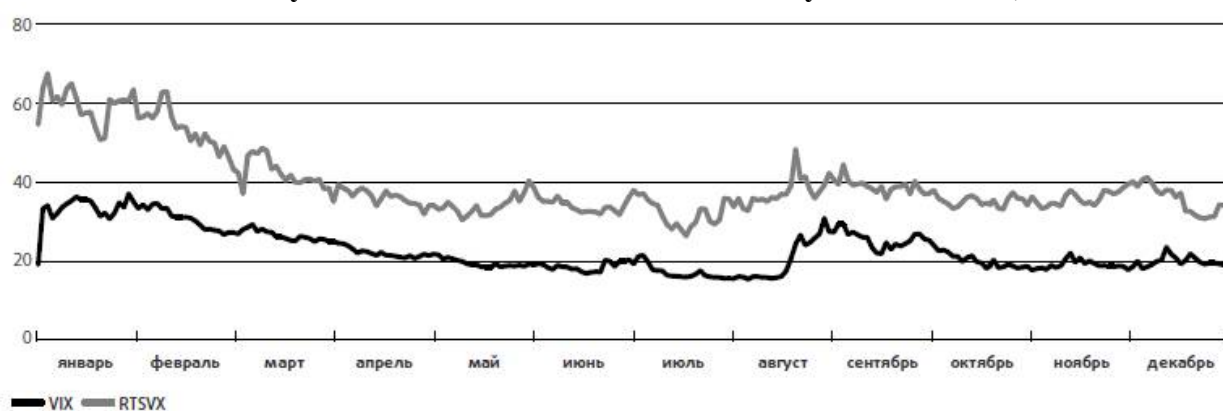
Source: Moscow Exchange Group

Figure 39

VIX and RTSVX Indices, %

Source: Moscow Exchange Group, Yahoo Finance

Figure 40

VIX Market Volatility Index and Russian RTSVX Volatility Index in 2015, %

январь	January
февраль	February
март	March
апрель	April
май	May
июнь	June
июль	July
август	August
сентябрь	September
октябрь	October
ноябрь	November
декабрь	December

Source: Moscow Exchange Group, Yahoo Finance

1.8.4. Volatility Index

RTSVX volatility index is calculated on the basis on options for futures prices for RTS Index for the closest options series. The calculation methodology is similar to that used for the international index CBOE Volatility Index (VIX). Figures 39 and 40 show the diagrams of VIX and RTSVX indices in 2010-2015 and 2015.

In 2010-2015, Russian RTSVX index was almost similar to international VIX index in qualitative terms and followed it at the higher level. Volatility indices are very sensitive to various external factors. Therefore, in the first half of 2015, consequences of the spike that took place on December 16-17, 2014, due to increase in the key rate had effect on RTSVX index. In

1.8 STOCK INDICES AND INDICATORS

the period from May to December 2015, RTSVX index varied from 30% to 40%. On August 24, 2015, another spike up to 48.3% stood out. It may be related to decline of the US stock market and increase in VIX volatility index.

As compared to the previous years, 2015 was characterized by increased volatility.

2. Institutional Structure

2.1. Issuers of Securities. Initial Public Offerings

Any joint-stock company is an issuer as upon its incorporation it places shares and has to register them. Bonds can also be issued by a limited liability company and, subject to certain conditions, a non-profit organization. The information on the number of operating legal entities is shown in Table 18, and the consolidated data on the number of issuers on the domestic organized market are provided in Table 19¹¹.

The number of open (public) joint-stock companies acting as the resource base of the organized share market continuously decreases. In 2015, the decline was significant – 18.4%. However, it still remains to be rather great – more than 24 thousand companies. But an extremely small percentage of them is represented on the organized market.

In 2015, the number of issuers whose shares and/or bonds are traded on the organized market has not changed and amounted to 567 companies. However, the number of issuers whose securities are in the quotation lists decreased by 26 companies. Apparently, this decline is related to toughening of requirements to the listing of securities.

Since 2012, initial public offerings by Russian issuers have been occasional. According to the available data¹², in 2015, four Russian companies (RPC UWC, JSC, Credit Bank of Moscow, JSC, Europlan, PJSC, and NGP, PJSC) carried out IPO on the Moscow Exchange, and the amount of funds raised by these issuers was assessed at 29.2 billion Rubles.

Table 18
Number of Operating Legal Entities

Period	Number of operating legal entities	Including			
		PJSC (former OJSC)	NJSC (former CJSC)	LLC	JSC
2010	2,779,026	40,290	222,030	2,516,706	
2011	4,019,603	37,755	155,434	3,826,414	
2012	3,822,886	32,982	137,538	3,652,366	
2013	3,855,077	31,405	127,397	3,696,275	
2014	3,931,038	30,360	112,600	3,788,078	
2015	4,097,727	24,773	98,525	3,972,457	1,972

Source: SPARK-Interfax

¹¹ This table shows both Russian and foreign issuers whose securities are traded on the stock market of Moscow Exchange Group.

¹² offering.ru/IPO project in Russia, Ernst&Young, The PBN Company, Moscow Exchange Group.

Table 19

Issuers on the Organized Market

Period	MICEX Stock Exchange		RTS	
	Number of issuers (of shares and bonds)	including those in the quotation lists*	Number of issuers (of shares and bonds)	including those in the 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
Moscow Exchange Group				
2011	557	241		
2012	517	240		
2013	541	245		
2014	567	260		
2015	567	234		

* Starting since 2014, in the lists of the first and the second tiers of listing

Source: Moscow Exchange Group

2.2. Investors

Investors shall mean any persons or institutions investing funds in securities with the aim of obtaining profit. There are no official systematized data on the composition and quantitative characteristics of the investor base for the Russian securities market. The investor base accounting and research are carried out by professional participants of the securities market, self-regulatory organizations and research groups.

Moscow Exchange Group regularly discloses information on the number and structure of customers participating in the trade conducting transactions in the Main Market sector (hereinafter also referred to as “MICEX customers”).

Figure 41 shows the information on the number of customers registered at the MICEX Stock Exchange¹³.

The total number of the MICEX customers followed a long-term upward trend. At the same time the rate of growth decreased: if in 2008-2010, the annual average growth in the number of unique customers amounted to 21%, in the period from 2011 till 2015, it decreased to 7%. In 2015, the growth in the number of unique customers made up 8.7%. As at the end of the year, their number amounted to 1,015.9 thousand customers, which exceeded this indicator of 2014 by 81.0 thousand customers.

¹³ Annual average value is used hereinafter as a simple mean of monthly indices.

An important characteristic of the investor base is the number of the so-called active investors, i.e., those of the unique customers who settle at least one transaction per month. The number of active customers in the total number of customers was traditionally low. Thus, in the period from 2007 till 2011, active customers on average accounted to 15% of the number of unique customers. In 2012-2015, this ratio decreased to 8%; herewith, in 2015, the annual average number of active customers increased by 23.2% up to 79.5 thousand customers.

2.2.1. Private Investors

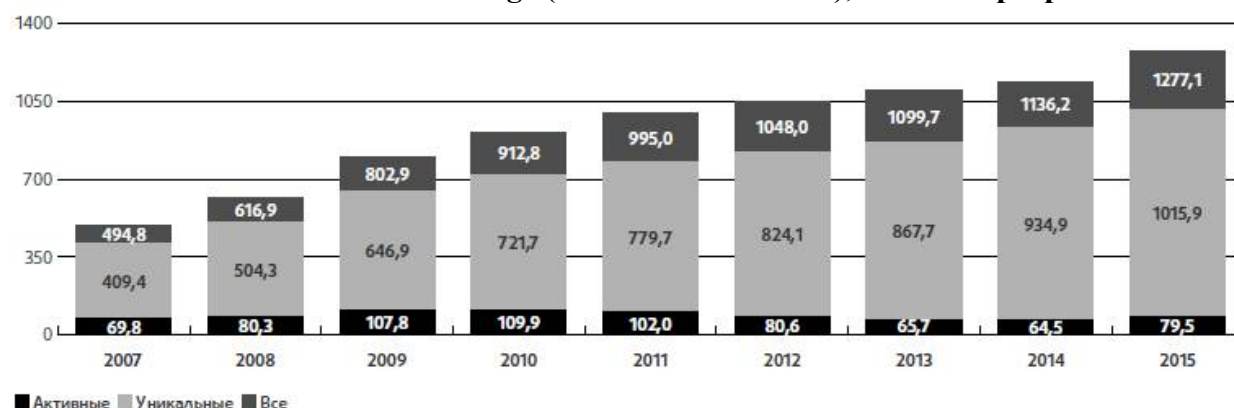
Figure 42 shows the information on the number of the MICEX customers being resident individuals.

Individual resident customers make up 96.7% in the total number of unique customers.

Number of unique MICEX customers being individual residents continuously grows. Over 2015, the annual average number of these customers increased by 8.3% up to 982 thousand people. However, on a national scale it is an extremely insignificant number – 0.8% of employable population.

Figure 41

Customers of MICEX Stock Exchange (Main Market Sector), thousand people

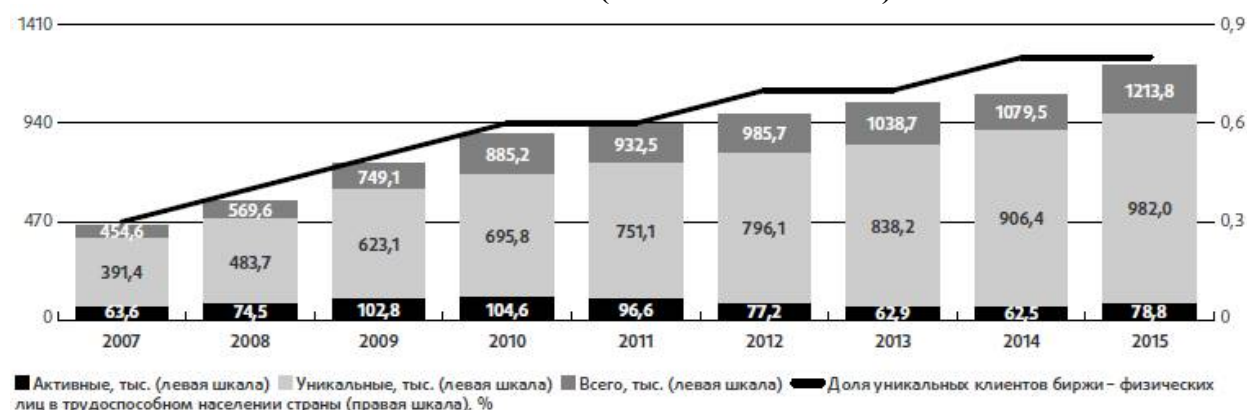


Активные	Active
Уникальные	Unique
Всё	All

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 42

Resident Individuals – MICEX Customers (Main Market sector)



Активные, тыс. (левая шкала)	Active, thousand people (left scale)
Уникальные, тыс. (левая шкала)	Unique, thousand people (left scale)
Всё, тыс. (левая шкала)	Total, thousand people (left scale)

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Доля уникальных клиентов биржи – физических лиц в трудоспособном населении страны (правая шкала), %	Percentage of unique stock exchange customers acting as individuals in the employable population of the country (right scale), %
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Source: Moscow Exchange Group, FSSS, estimates of NAUFOR

In October 2009, the maximum number of active investors being individuals reached 119.8 thousand people, with the simultaneous maximum number of active customers at 18.4% of the unique customers. In 2015, active customers made up on average 8.0% of unique customers, and in absolute terms their number increased up to 78.8 thousand people (by 26.2% in relative terms).

Figure 43 provides data on the structure of transactions settled by private investors on the stock market of Moscow Exchange Group. Individual investors engaged in securities transactions on MICEX Stock Exchange are mainly interested in shares.

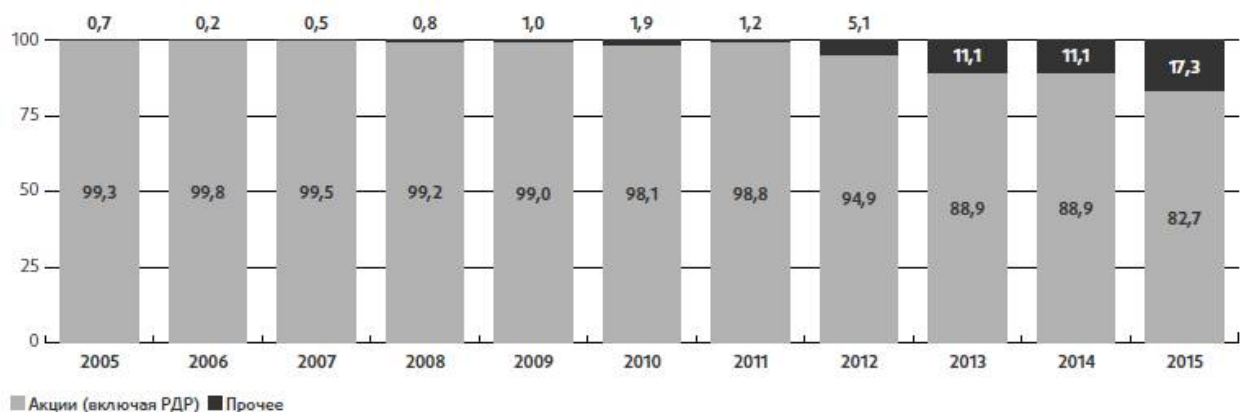
In 2015, transactions in shares accounted for 82.7% of the total volume of transactions settled by individuals on this stock exchange versus 88.9% observed in the previous year. Other types of securities, such as bonds and investment units, made up 17.3% of the transactions settled by private investors.

It should be also noted that the percentage of shares in the transactions of private investors is gradually decreasing in favour of fixed-income instruments. In Section 1.8, we paid attention to the fact that according to the dynamics of stock indices of shares and bonds, in case of lower risks, investment in fixed-income instruments may currently result in not lower but even higher income as compared to investment into equity instruments.

Figure 44 shows a diagram characterizing the percentage of resident individuals in the total value of transactions in shares and corporate bonds on the stock market of Moscow Exchange Group (without account of REPO transactions).

Figure 43

Structure of Transactions Settled by Individuals on the Stock Exchange of Moscow Exchange Group, %

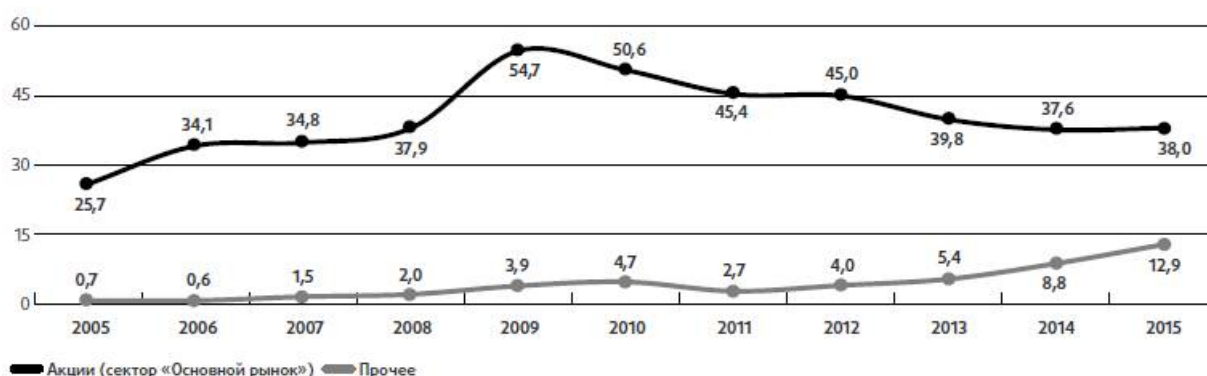


Акции (включая РДР)	Shares (including RDR)
Прочее	Others

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 44

Share of Individuals in the Cost Volume of Transactions in Securities on the Stock Market of Moscow Stock Exchange (without Account of REPO Transactions), %



Акции (сектор «Основной рынок»)	Shares (Main Market sector)
Прочее	Others

Source: Moscow Exchange Group, estimates of NAUFOR

Since 2010, the share of private investors being residents in transactions in shares has been decreasing; by the end of 2014, it was reduced to 37.6%. However, in 2015, a nominal increase by 0.4 pp occurred. On the contrary, activity of private investors in trades in other securities (mainly in bonds) demonstrates positive trend since 2012 increasing the rates of growth. Thus, in 2015, share of private investors in the total volume of transactions in other securities increased by 4.1 pp up to 12.9%.

In 2015, it became possible for the private investors acting as residents to open individual investment accounts the (IIA) characterized by preferential tax treatment in case of lead time on investment amounting to three or more years.

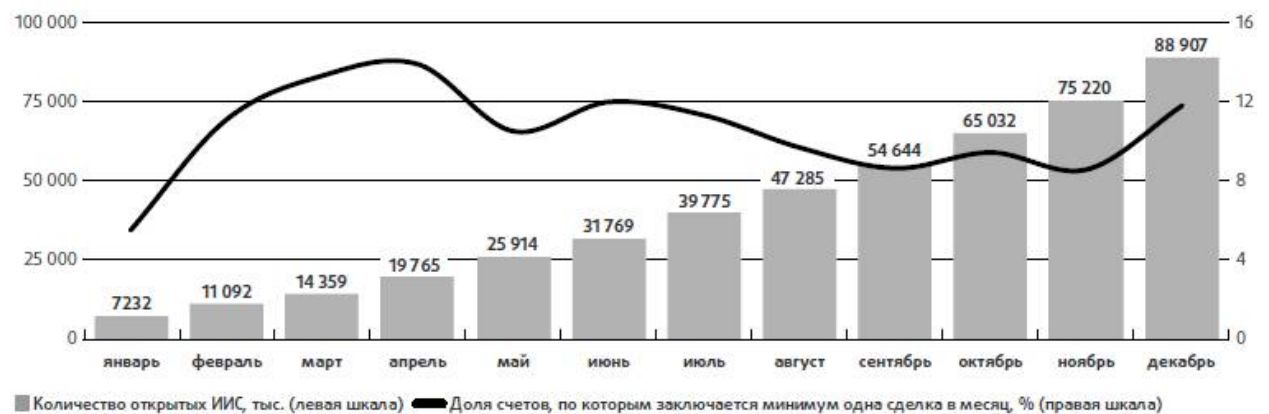
In the consolidated form statistical data on these accounts are available only for investors settling transactions on the organized markets of Moscow Stock Exchange. Figure 45 presents data on the dynamics of opening of the IIAs on the stock market of the Moscow Exchange throughout 2015.

Over the year, growth in the number of the IIAs opened with the Moscow Exchange was rather intensive: starting from 7.2 thousand people in January up to 88.9 thousand people in December. According to the Moscow Exchange, in the majority of cases (about 80%), the IIA was the second or the third trading account of the investor. Only for 7% of investors that opened IIAs on the Moscow Exchange, these accounts were the first ones. Therefore, up to 10% of private investors trading on the Moscow Exchange showed interest in this new instrument. Number of active investors using the IIAs has changed fairly significantly over the year: from 5.5% in January to 11.8% in December. The maximum number of active investors amounting to 13.8% was recorded in April.

Investors that opened the IIAs trade on the Moscow Exchange using both the regular trading accounts and the IIAs; 12% of investors that opened the IIAs uses only these accounts. The choice of financial instruments for investments using the IIA generally does not differ from general investment preferences of individual residents. According to the Moscow Exchange, over 2015, the volume of transactions settled using the IIA made up 34.7 billion Rubles, and 94.6% of the turnover related to the equity securities, while the remaining 5.4%, to the debt securities.

Figure 45
Dynamics of IIA Opening in 2015

2.2 INVESTORS

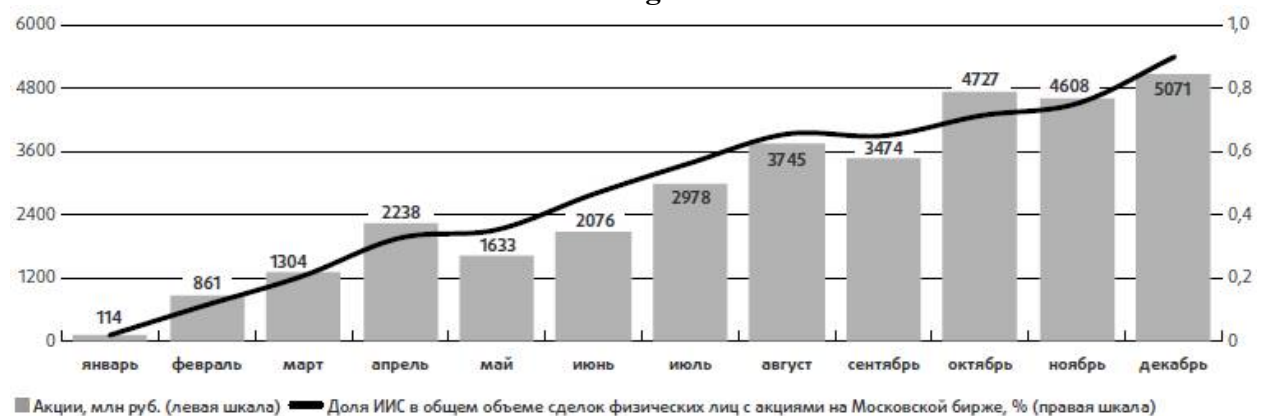


январь	January
февраль	February
март	March
апрель	April
май	May
июнь	June
июль	July
август	August
сентябрь	September
октябрь	October
ноябрь	November
декабрь	December
Количество открытых ИИС, тыс. (левая шкала)	Number of opened IIAs, thousand accounts (left scale)
Доля счетов, по которым заключается минимум одна сделка в месяц, % (правая шкала)	Share of accounts on which at least one transaction is settled on a monthly basis, % (right scale)

Source: Moscow Exchange Group

Figure 46

Volume of Transactions in Shares Settled Using ИА in 2015



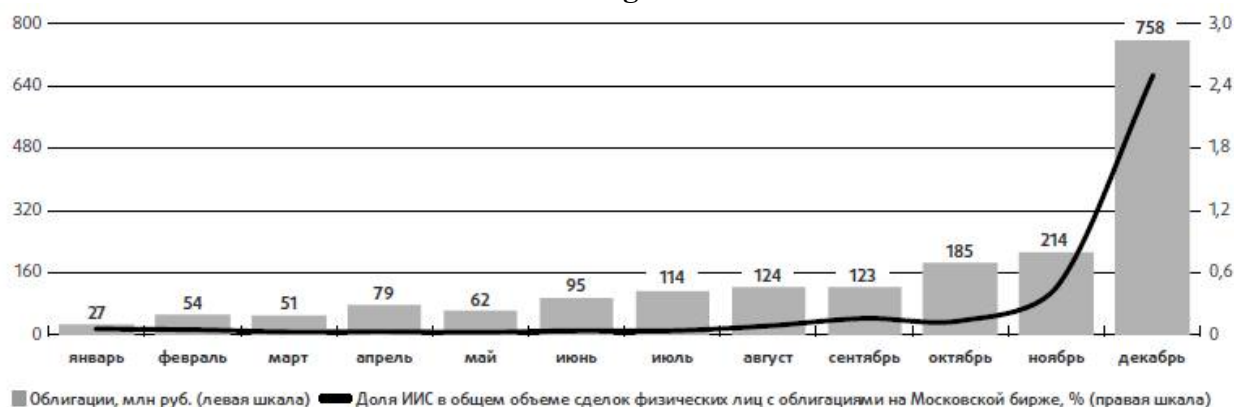
январь	January
февраль	February
март	March
апрель	April
май	May
июнь	June
июль	July
август	August

сентябрь	September
октябрь	October
ноябрь	November
декабрь	December
Акции, млн руб. (левая шкала)	Shares, million Rubles (left scale)
Доля ИИС в общем объеме сделок физических лиц с акциями на Московской бирже, % (правая шкала)	Share of the IIA in the total volume of transactions of individuals in shares on the Moscow Exchange, % (right scale)

Source: Moscow Exchange Group

Figure 47

Volume of Transactions in Bonds Settled Using IIA in 2015



январь	January
февраль	February
март	March
апрель	April
май	May
июнь	June
июль	July
август	August
сентябрь	September
октябрь	October
ноябрь	November
декабрь	December
Облигации, млн руб. (левая шкала)	Bonds, million Rubles (left scale)
Доля ИИС в общем объеме сделок физических лиц с облигациями на Московской бирже, % (правая шкала)	Share of the IIA in the total volume of transactions of individuals in bonds on the Moscow Exchange, % (right scale)

Source: Moscow Exchange Group

Figures 46 and 47 show data on the volume of transactions in shares (including depositary receipts, ETFs, derivatives, and MPCs) and in bonds (including government and corporate bonds) broken down by months.

The volume of transactions in shares had an upward trend during the year. In aggregate, over the year the turnover amounted to 32.8 billion Rubles. This value does not exceed one percent in the total volume of transactions in shares settled by individuals.

The total volume of transactions in bonds settled using the IIA amounted to 1.9 billion Rubles over the year. Abrupt growth of turnover in December when the volume of transactions in bonds

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settled using the IIA amounted to 3% of the total volume of the individuals' transactions in bonds stands out.

NAUFOR also conducted its own poll of 11 major retail market players to analyze investment activity of the population. The results showed that as of the beginning of 2016, about 7 billion Rubles were placed on the IIAs, and about 6 billion Rubles of them, to broker's IIAs. The average size of the broker's individual investment account amounted to 260 thousand Rubles, and the average size of the trustee's IIA, to 160 thousand Rubles.

The number of new customers that applied to professional participants of the securities market to open an IIA during 2015 amounted to 55 thousand people.

According to the poll, it also turned out that shares of Russian issuers (32% of the total amount of invested funds), monetary assets (19%) and Eurobonds (18%) prevail in the structure of the retail investor's portfolio. It shall be noted that the share of corporate bonds of Russian issuers is extremely small in the portfolio structure: only 2.3% of the total amount of invested funds.

2.2.2. Corporate Investors

Corporate investors shall mean legal entities acting on their own behalf.

Figure 48 shows the data on the number of legal entities acting as the MICEX customers.

Since 2007, the number of legal entities being unique MICEX customers steadily grows. The average rate of growth is lower than the one recorded for individuals. In 2010-2011, it amounted to 4.8%. In 2015, the number of unique customers acting as legal entities increased by 4.9% up to 20.8 thousand companies. It is recognized that throughout the entire period under consideration, the number of active corporate investors decreased. Losing 7.4% per annum at an average, this value reached its minimum in 2015 and made up 1,282 companies (3.6% of the number of unique customers).

2.2.3. Trust Customers

Figure 49 provides the data on the number of individuals and legal entities being the MICEX customers who placed their funds into trust.

In comparison with the number of customers performing brokerage transactions on the stock exchange (see Figure 41), the number of customers who placed their funds into trust for transactions on the organized market is extremely small – only 14,540 investors. The share of unique trust customers as a percentage of the total number remains stable from year to year: about 35%, in absolute terms – 4,657 investors in 2015.

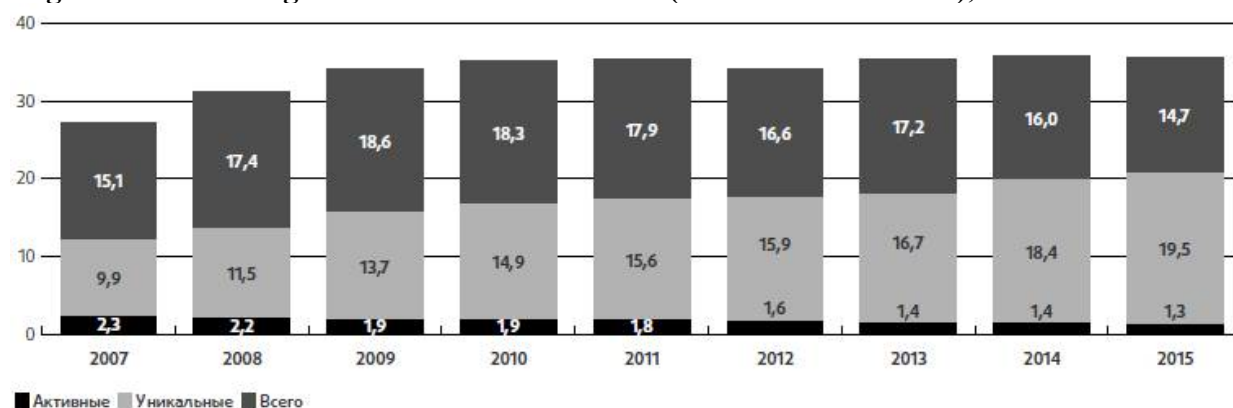
The niche of active trust investors in the number of unique customers changes significantly from year to year depending on the market conditions: from 90% (in 2007) to 16% (in 2013). In 2015, they accounted for 56% of the number of unique investors, and in absolute terms it amounted to 2,617 investors.

2.2.4. Unit Investment Funds

From the legal viewpoint, unit investment funds constitute asset complexes that are not legal entities. Depending on the redemption capabilities associated with investment units, funds can be open, interval and closed. Figure 50 shows the consolidated data on the dynamics of changes in the number of Unit Investment Funds (UIF)¹⁴.

¹⁴ Taking into account only completely formed funds.

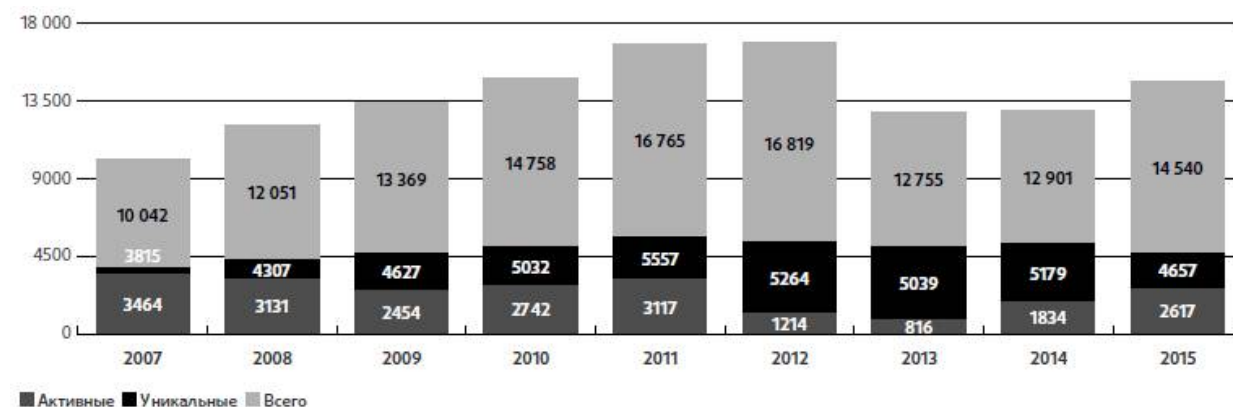
Figure 48

Legal Entities Acting as the MICEX Customers (Main Market Sector), thousand entities

Активные	Active
Уникальные	Unique
Всего	Total

Source: Moscow Exchange Group, estimates of NAUFOR

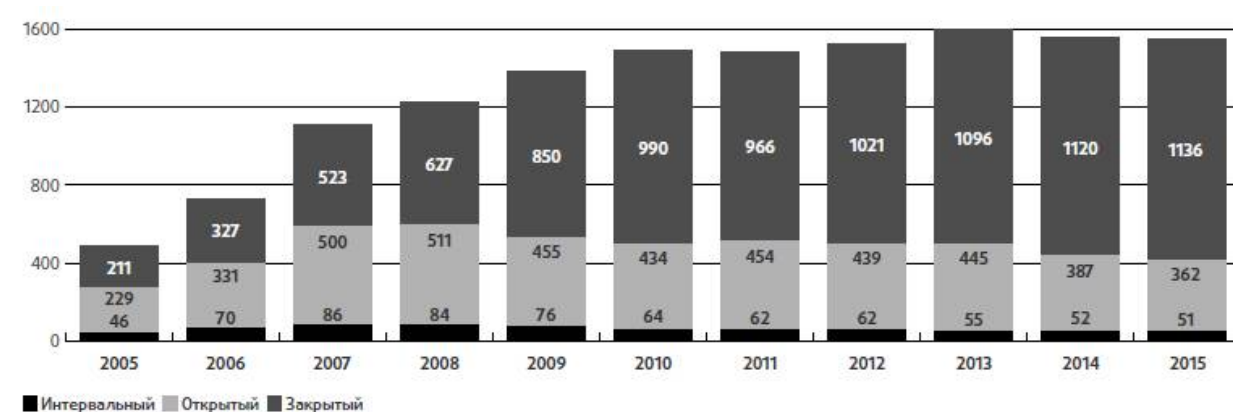
Figure 49

MICEX Customers That Placed Their Funds into Trust

Активные	Active
Уникальные	Unique
Всего	Total

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 50

Number of Unit Investment Funds

Интервальный	Interval
Открытый	Open

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Закрытый	Closed
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Source: investfunds.ru

In 2015, the number of mutual funds started decreasing. Following the results of the year, the number of funds amounted to 1,549 which was by 0.6% less than the indicator of the previous year. Herewith, the number of closed funds, which are traditionally focused on qualified investors, grew by 1.4% up to 73.3% of the total number of the UIFs. As for the number of open funds focused on retail investors, it decreased by 6.5% to 362 funds. In its information and analytical materials for nine months of 2015¹⁵ (more recent data was not available as of the moment of review preparation), the Bank of Russia noted that 48.7% of all UIFs pertain to the funds for qualified investors,

Information concerning a unit investment fund for qualified investors with limited circulation of units may not be disclosed publicly. In view of the above, the currently available public aggregated data on the net asset value of UIF concern mainly the funds for non-qualified investors and, therefore, are of limited representativeness. Figure 51 shows the data on the net asset value of unit investment funds disclosing information on their activities.

At the end of 2015, the net asset value of UIF increased by 8.7% and made up 618.8 billion Rubles. However, the NAV of closed funds increased by 5.2%, and the growth of NAV of open funds appeared to be more prominent - by 27.7%. The Bank of Russia assesses the NAV of all UIFs at 2.3 trillion Rubles. Therefore, 73% of this sum account for the funds for qualified investors.

Apart from the net asset value, the most important characteristic of the UIF industry is the volume of net capital raised by the funds. These data are the most indicative for open UIF, where requests for issue and redemption of units are accepted on every working day. Figure 52 provides the data on the net capital raised by open UIF (taking into account funds under formation) in 2005-2015.

Despite the multidirectional dynamics of capital entry and exit from open funds and great capital in 2014, the final result of 2015 turned out to be positive – the net capital inflow in open UIF made up 3.1 billion Rubles.

Starting from 2010, the rate of capital raised in the bond funds has significantly accelerated. However, in 2014, this growth was offset by significant decrease by 71.7%. In 2015, the rate kept growing and amounted to 3.9 billion Rubles.

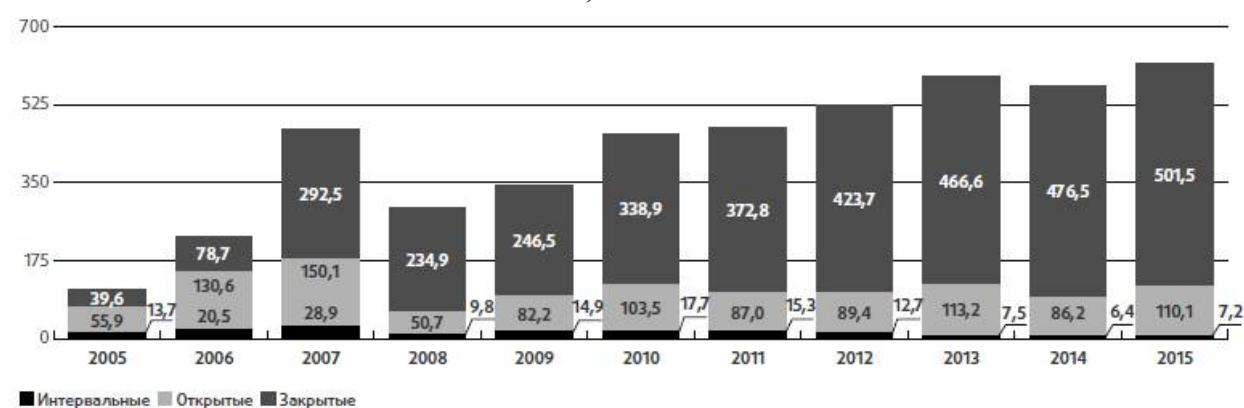
The balance of capital raised in the share funds has been negative since 2008 year over year. In total, 34.5 billion Rubles, including 4.5 billion Rubles in 2015, were withdrawn. In historic retrospect, the period from 2005 till 2006 was marked by significant inflow of capital in equity funds (33.7 billion Rubles). Following the results of 2015, these assets were withdrawn in full, and the long-term balance of the net fund raising became negative – 0.8 billion Rubles.

Figure 53 shows a diagram of changes in the categories structure of open and interval funds.

In 2005-2010, the substantial share accounted for the equity funds; the relative volume of such funds in the total net asset value of open and interval funds reached its peak in 2010 amounting to 65.5%. Then, the trend of increase in the amount of bond funds began to form. By the end of 2015, the bond funds made up 36.7% of the market, and equity funds accounted for 31.2%.

¹⁵ Review of key indicators of non-credit financial institutions, Q3 2015.

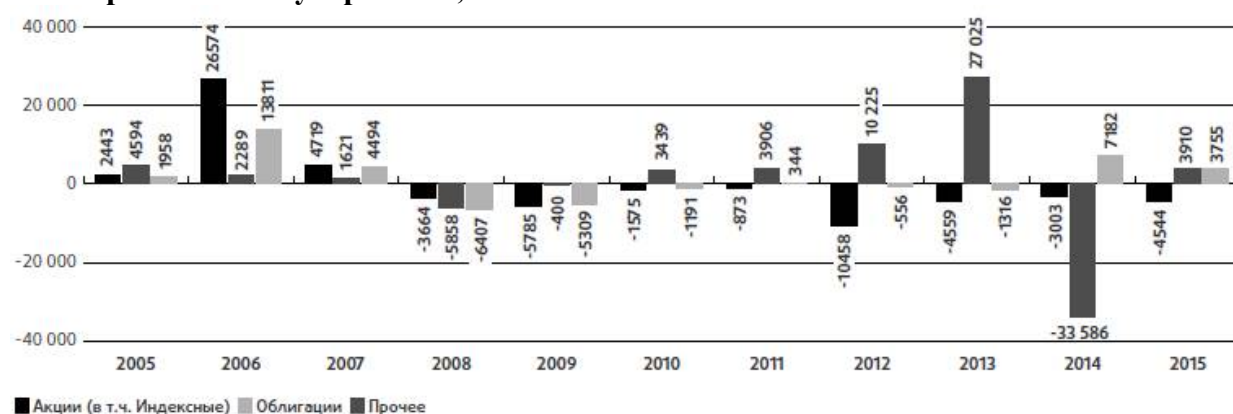
Figure 51
Net Asset Value of Unit Investment Funds, billion Rubles



Интервальные	Interval
Открытые	Open
Закрытые	Closed

Source: investfunds.ru

Figure 52
Net Capital Raised by Open UIF, million Rubles



Акции (в т.ч. Индексные)	Shares (including Index shares)
Облигации	Bonds
Прочее	Others

Source: investfunds.ru

The main element in the structure of a unit investment fund is a management company that offers units to unit investment funds and is responsible to their owners under the Russian law. Figure 54 provides the consolidated data on the number of management companies controlling UIFs.

Over the last years, the number of management companies has been decreasing by 5% per annum on average. Over 2015, their number decreased by 20 entities and amounted to 376 companies. Compared to 2008, when the number of management companies was the greatest, the management companies market decreased by 176 entities (31.9%). At the same time, the number of management companies having mutual funds under control remained rather stable in 2011-2015. In 2015, 323 management companies (85.9% of the total number) had unit investment funds under control.

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The Russian market of collective investments is characterized by high concentration of investment resources for management companies. Figure 55 provides the data on distribution of assets among management companies (as related to open and interval funds).

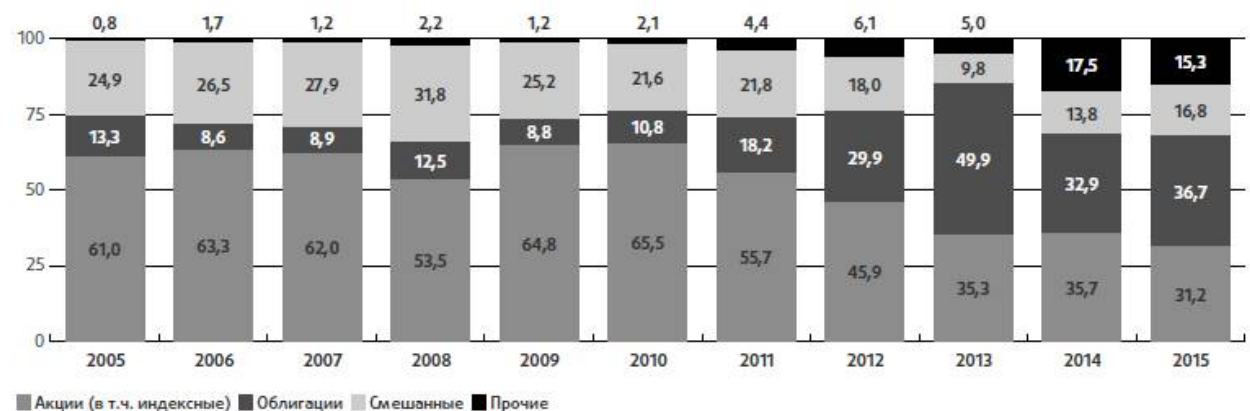
Since 2007, the share of the ten major management companies in the total volume of the market followed an upward trend. In 2015, a new maximum value, 86.3%, was recorded.

Table 19 shows a list of the ten major management companies (as related to open and interval unit investment funds) prepared at the end of 2015.

At the end of 2015, the net assets value of the ten major management companies made up 86.3% of the total market of open and interval funds which insignificantly exceeds the level of the previous year (84.1%). The list of the major management companies remained the same, but few positions changed. Appearance of a new major company, BC-Sberezheniya, LLC, was noted.

Figure 53

Categories Structure of Open and Interval UIFs, %

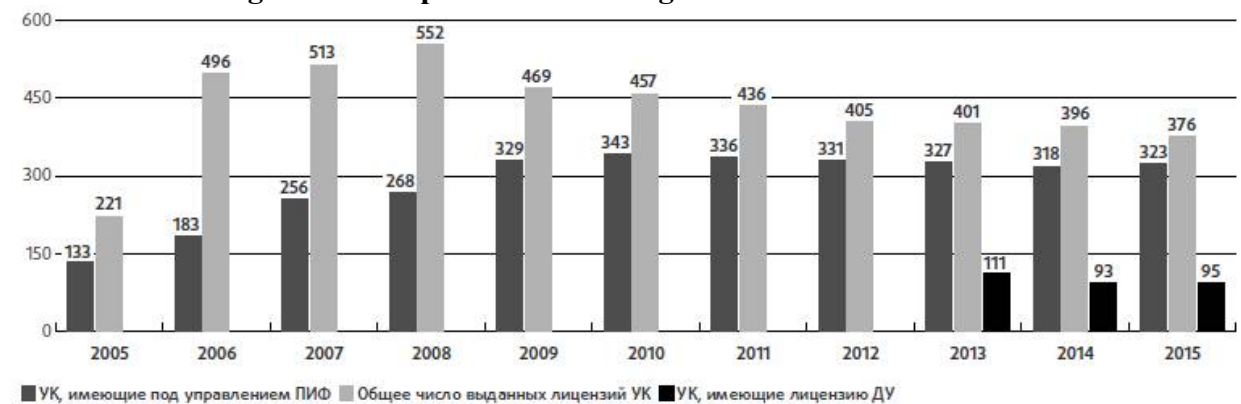


Акции (в т.ч. индексные)	Shares (including index shares)
Облигации	Bonds
Смешанные	Mixed
Прочие	Others

Source: investfunds.ru, estimates of NAUFOR

Figure 54

Number of Management Companies Controlling UIFs



УК, имеющие под управлением ПИФ	MCs controlling UIFs
Общее число выданных лицензий УК	Total number of licenses issued to MCs
УК, имеющие лицензию ДУ	MCs having license for trust management

Source: Bank of Russia, National Managers League, estimates of NAUFOR

Despite the unfavourable conditions, a number of UIFs achieved rather high investment results in 2015. Table 21 shows a list of the ten most profitable funds (as related to open and interval UIFs) prepared following the results of 2015.

While in the previous year, the stock funds investing into foreign assets were the most profitable, in 2015, the bond funds focused on the foreign markets as well as sector-specific equity funds achieved impressive results.

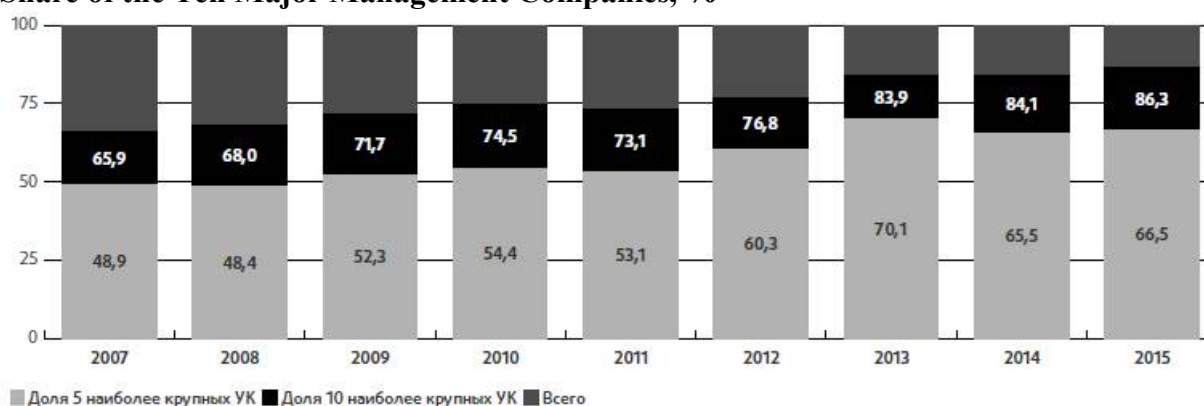
2.2.5. Non-State Pension Funds

The quantitative composition of NPF industry has been gradually decreasing during 2009-2015. In 2015, the total number of NPFs amounted to 101 funds (see Figure 56). Voluntary funds sent to NPFs form pension reserves. The people having the right to the funded component of the retirement pension can transfer their savings to NPF licensed to carry out the mandatory pension insurance activity. At the end of 2015, there were 67 such NPFs as against 90 funds in the previous year (reduction by 25.6%).

The information on the investment resources of NPFs associated with non-state pension schemes (pension reserves) and mandatory pension insurance (pension savings) is shown in Figure 57.

Figure 55

Share of the Ten Major Management Companies, %



Доля 5 наиболее крупных УК	Share of 5 major MCs
Доля 10 наиболее крупных УК	Share of 10 major MCs
Всего	Total

Source: investfunds.ru, estimates of NAUFOR

Table 20

Major Management Companies (at the End of 2015)

No.	Managing Company	City	NAV, million Rubles	Share in the total net asset value, %	Number of funds
1	Sberbank Asset Management, CJSC	Moscow	27,872.6	23.8	19
2	Raiffeisen Capital, LLC	Moscow	18,390.8	15.7	17
3	Alfa-Capital, LLC	Moscow	14,197.5	12.1	23
4	Capital System, LLC (former DIC, LLC)	Moscow	9,055.5	7.7	3
5	URALSIB, LLC	Moscow	8,399.5	7.2	19
6	Gazprombank – Asset	Moscow	5,939.4	5.1	11

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	Management, CJSC				
7	BC-Sberezhniya, LLC	Moscow	4,975.8	4.2	5
8	VTB Capital Asset Management, CJSC	Moscow	4,710.4	4.9	19
9	Capital, LLC	Moscow	3,883.5	3.3	12
10	Ingosstrakh – Investments, LLC	Moscow	3,716.5	3.2	10
	Total		101,141.4	86.3	138
	HH index				1,164

Source: investfunds.ru, estimates of NAUFOR

Table 21

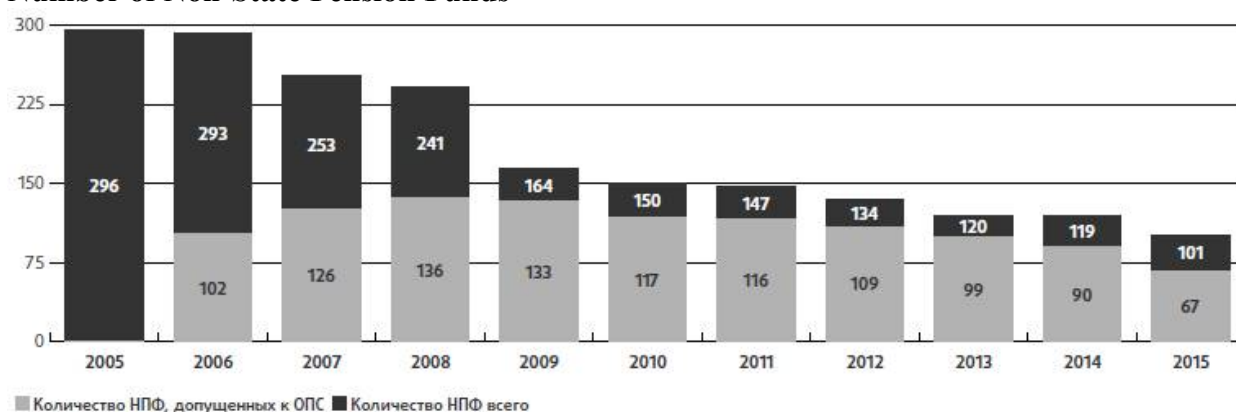
Most Profitable UIFs

No.	Fund name	Category	Managing Company	Increase, %
1	Eurobonds Fund	Bonds	Aton-Management, LLC	70.2
2	VTB – Eurobonds Fund	Bonds	VTB Capital Asset Management, CJSC	69.7
3	URALSIB Branch Investments	Shares	URALSIB, LLC	69.1
4	RSKhB – Exchange Bonds	Bonds	RSKhB Asset Management, LLC	61.7
5	Sberbank – Consumers’ Sector	Shares	Sberbank Asset Management, CJSC	60.2
6	Ingosstrakh Eurobonds	Bonds	Ingosstrakh – Investments, LLC	57.6
7	System of Investments – Equity Fund	Shares	Capital System, LLC (former DIC, LLC)	56.3
8	Reserve. Currency Investments	Bonds	Capital System, LLC (former DIC, LLC)	56.0
9	VTB – Consumers’ Sector Fund	Shares	VTB Capital Asset Management, CJSC	54.7
10	Ermak – Short-Term Investments Fund	Shares	Agidel MC, CJSC	54.4

Source: investfunds.ru

Figure 56

Number of Non-State Pension Funds

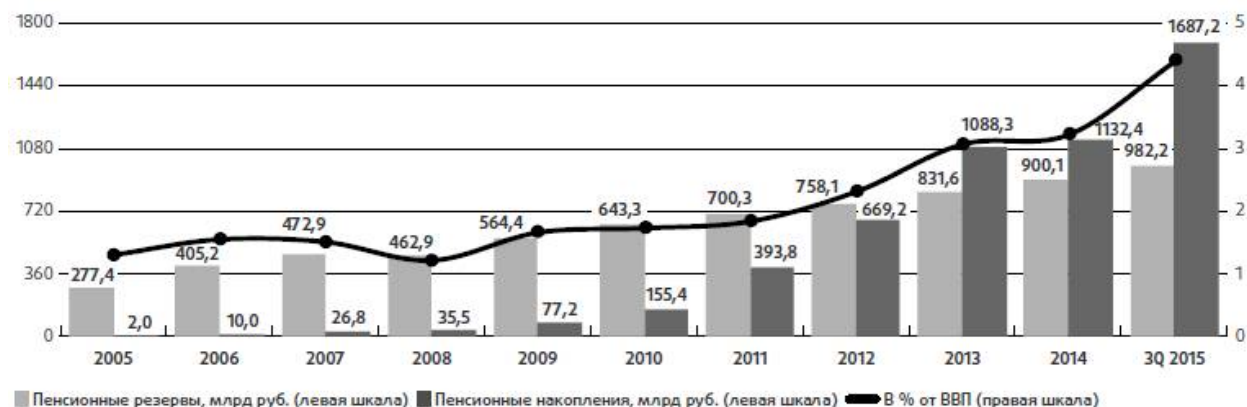


Количество НПФ, допущенных к ОПС	Number of NPFs licensed to carry out mandatory pension insurance
Количество НПФ всего	Total number of NPFs

Source: Bank of Russia

Figure 57

Investment Resources of NPFs



Пенсионные резервы, млрд руб. (левая шкала)	Pension reserves, billion Rubles (left scale)
Пенсионные накопления, млрд руб. (левая шкала)	Pension savings, billion Rubles (left scale)
В % от ВВП (правая шкала)	In % of GDP (right scale)

Source: Bank of Russia, FSSS

Over nine months of 2015, the investment resources of NPFs increased by 636.9 billion Rubles and made up 2,669.4 billion Rubles, of which pension reserves amounted to 36.8% (at the end of the year, the total amount equaled to 2.7 trillion Rubles). The stabilization of the pension savings amount was caused by the government decisions on temporary suspension of pension savings transfer from the Pension Fund of Russia to pension funds and management companies. The growth in pension reserves was not administratively restricted but it was insignificant, which, among other things, was related to closing up of corporate voluntary pension maintenance programs and low activity of the people.

2.2.6. Investment of Pension Savings

Individuals having the right to the funded component of a retirement pension may transfer their savings to NPF or transfer it for management to a management company, either private or state.

According to the data of the Pension Fund of Russia, 40 private management companies and state management company State Corporation Bank for Development and Foreign Economic Affairs, JSC (Vnesheconombank) are licensed to manage the pension savings.

As the state management company, Vnesheconombank is entitled to invest pension savings of nationals in two investment portfolios – an extended investment portfolio and a portfolio of state securities.

The extended portfolio is formed from government bonds of the Russian Federation, sub-federal bonds, corporate bonds, mortgage securities, bonds of international financial organizations as well as deposits in Rubles and foreign currencies in the Russian credit institutions. The funds from the state securities portfolio can be invested solely in government securities of the RF, corporate bonds (if performance of obligations is secured by the state guarantee) and monetary assets in Rubles and foreign currencies on accounts in the Russian credit institutions. Private

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management companies have wider investment opportunities including at the expense of equity securities.

Table 22 provides data on the net assets value of the pension savings at the disposal of Vnesheconombank and private management companies in 2005-2015.

Over 98% of the pension savings of the insured individuals transferred for trust management to management companies is permanently at the disposal of Vnesheconombank. At the end of 2015, the value of net assets managed by the state management company reached 2,053 billion Rubles, which exceeded the indicator of the previous year by 6%. The extended portfolio constitutes the main investment portfolio of the state management company, with the state securities portfolio being vanishingly small when compared to the above.

The net asset value of pension savings managed by private management companies increased by 8% over 2015 as compared to the previous year, and it amounted to 40.6 billion Rubles.

2.2.7. Commercial Banks

Many Russian banks hold licenses of professional securities market participants or act as investors.

Table 22

Net Value of Assets in Which Pension Savings were Invested, billion Rubles

Period	Vnesheconombank			Private management companies	TOTAL	Investment resources of MC/GDP (%)
	Extended portfolio	Portfolio of government securities	TOTAL			
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	495.4	1.23
2010	737.5	2.4	739.9	19.5	759.4	1.69
2011	1,328.6	5.2	1,333.8	28.8	1,362.6	2.44
2012	1,635.3	8.0	1,643.2	34.0	1,677.2	2.69
2013	1,854.1	10.9	1,865.0	37.5	1,902.5	2.85
2014	1,891.7	10.5	1,902.3	37.6	1,939.9	3.08
2015	1,989.7	22.7	2,012.4	40.6	2,053.0	3.38

Source: VEB, PFR, estimates of NAUFOR

Consolidated data on the volumes of various types of securities held as assets by credit institutions are shown in Table 23¹⁶.

¹⁶ Securities acquired both on the domestic and the foreign markets are taken into account.

In absolute terms, at the end of 2015, securities in assets of credit institution were assessed at 11,703.7 billion Rubles, with the annual growth of 20.7%. Currently, the banking system is the largest institutional investor, with the securities in bank assets exceeding 19% of GDP.

In 2015, the share of debt securities increased up to 82.2.9% of the total securities portfolio of credit institutions, which is beyond their usual range of 74-75%, and the percentage of shares (without account of shares of subsidiaries and affiliates) fell almost by half despite the growth in absolute values, and amounted to 2.5%.

2.2.8. Non-Residents

Figure 58 shows the information on the average annual number of unique non-resident customers of MICEX Stock Exchange. It is worth noting that since 2011, Moscow Exchange Group has altered the format of data submitted on the customer base associated with non-residents. In view of the above, the diagram in Figure 58 is of composite nature.

Table 23

Securities in the Assets of Credit Institutions, billion Rubles

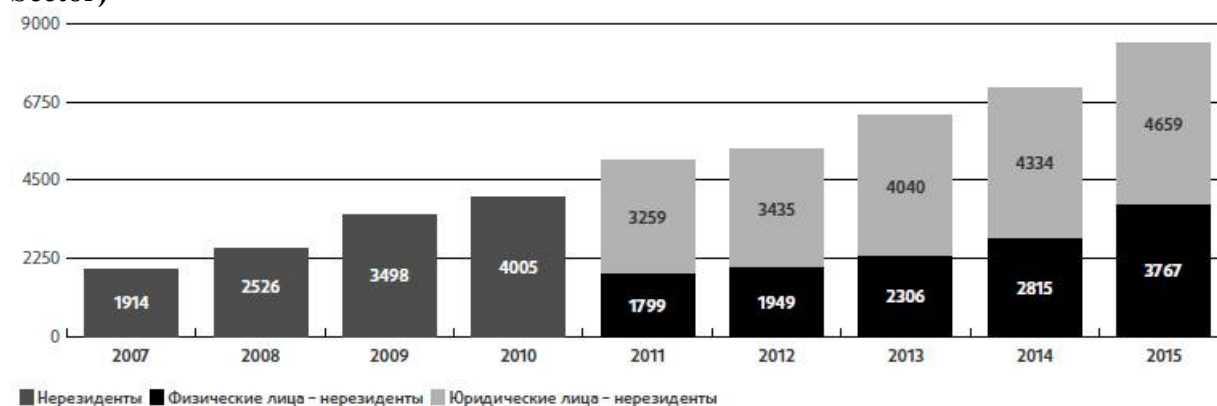
Period	Securities* (TOTAL)	% of GDP	Including			
			Debt instruments*	Equity securities*	Controlling portfolio in subsidiary and affiliate JSC	Discounted bills
2005	1,527.9	7.1	1,036.6	227.9	64.9	198.5
2006	1,956.2	7.3	1,341.2	311.2	79.8	224.1
2007	2,353.1	7.1	1,674.7	286.5	144.5	247.4
2008	2,350.7	5.7	1,760.3	193.4	212.0	185.0
2009	4,286.2	11.0	3,379.1	411.8	284.5	210.8
2010	5,810.1	12.5	4,419.9	710.9	368.2	311.1
2011	6,191.8	10.4	4,676.2	914.4	387.3	213.9
2012	6,944.4	11.2	5,265.1	791.6	579.4	308.2
2013	7,774.2	12.4	6,162.9	790.4	599.1	221.8
2014	9,694.5	15.4	7,651.4	488.7	1,365.9	188.4
2015	11,703.7	19.3	9,616.0	295.2	1,662.2	130.3

* Until February 1, 2008, without account of securities under repurchase agreements.

Source: Bank of Russia.

Figure 58

Non-Resident Customers on the Stock Market of Moscow Exchange Group (Main Market Sector)



Нерезиденты	Non-Residents
Физические лица – нерезиденты	Non-resident individuals

2.2 INVESTORS

Юридические лица – нерезиденты	Non-resident legal entities
--------------------------------	-----------------------------

Source: Moscow Exchange Group, estimates of NAUFOR

Since 2008, the number of non-residents being the MICEX customers has been growing. Over 2015, the number of unique MICEX customers being non-resident legal entities increased by 7.5% and reached 4,659 companies. Throughout the year, the number of non-resident individuals permanently increased, and at the end of 2015, their annual average number was 3,767 people, which exceeded the indicator of the previous year by 33.8%.

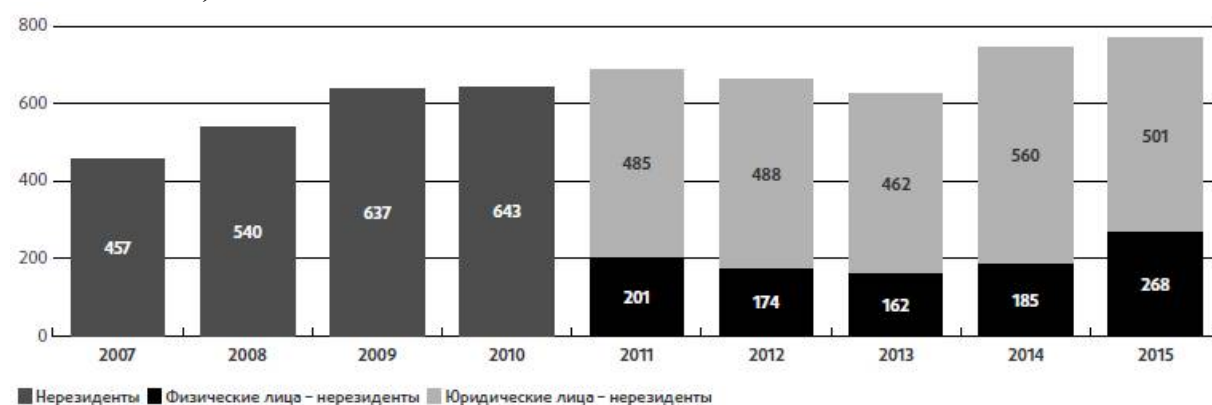
As opposed to the residents, where the number of individuals is two orders greater than the number of legal entities, the number of non-resident individuals is less than the number of non-resident legal entities almost 1.5 times. It may be related to the fact that some Russian private investors prefer to make investments on the Russian market through companies established in foreign jurisdictions.

The number of active non-resident customers (see Figure 59) was much smaller than the total number of non-resident customers. Over the period since 2011 till 2015, on average, the share of individuals acting as active customers amounted to 8.1%, and the share of legal entities, to 12.8%. Since the start of separate disclosure of information on non-resident individuals and legal entities, a reduction in the share of active customers is observed. However, in 2014-2015, the trend changed. In 2015, the number of active non-resident individuals increased by record 44.9%, up to 268 people. The number of active non-resident legal entities showed negative dynamics, and decreased by 10.5% to 501 companies.

Participation of non-residents in transactions in securities have widely varied depending on the situation on the local and the global markets (see Figure 60).

Figure 59

Active Non-Resident Customers on the Stock Market of Moscow Exchange Group (Main Market sector)

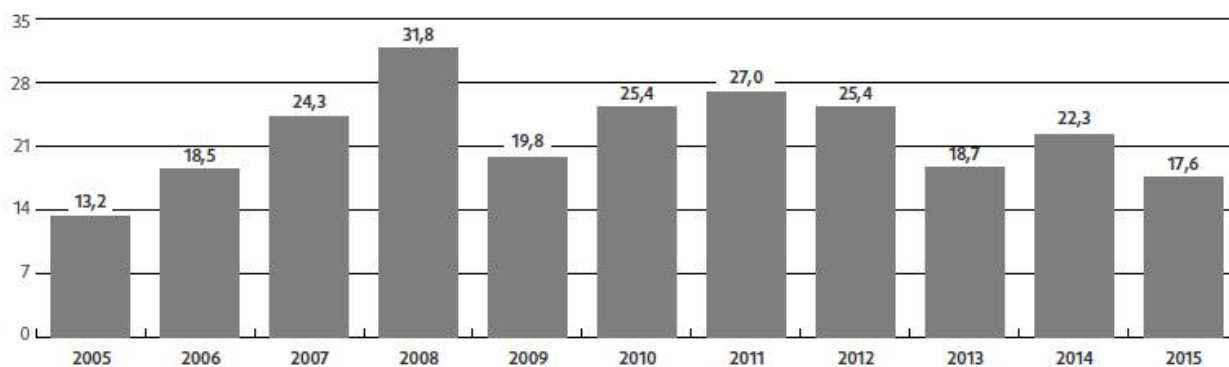


Нерезиденты	Non-residents
Физические лица – нерезиденты	Non-resident individuals
Юридические лица – нерезиденты	Non-resident legal entities

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 60

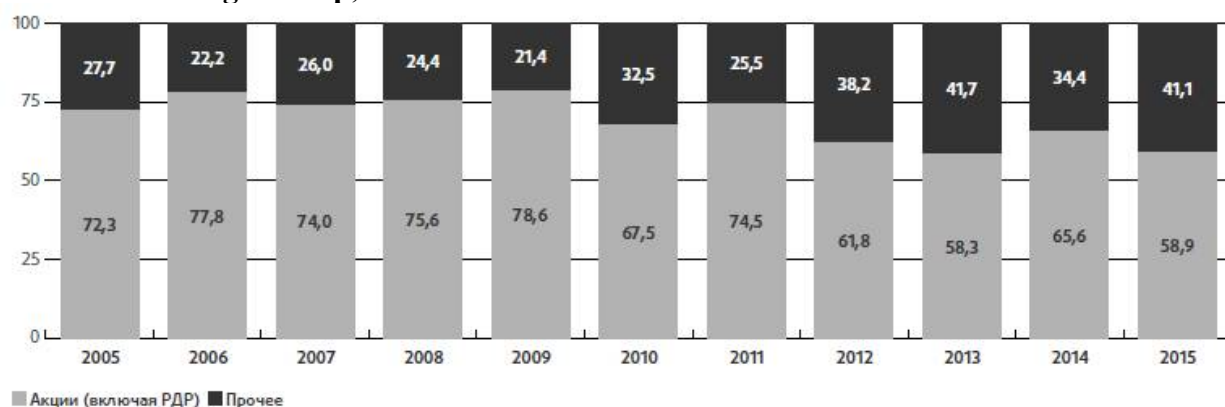
Share of Non-Residents in the Cost Volume of Transactions in Securities in Moscow Exchange Group (Main Market sector), %



Source: Moscow Exchange Group, estimates of NAUFOR

Figure 61

Structure of Transactions Settled by Non-Resident Customers on the Stock Exchange of Moscow Exchange Group, %



Акции (включая РДР)	Shares (including RDR)
Прочее	Others

Source: Moscow Exchange Group, estimates of NAUFOR

Starting from mid-2011, participation of non-residents in transactions on the stock market of Moscow Exchange Group was steadily decreasing. The year of 2014 was the only exception. In 2015, the share of non-residents in the total cost volume of transactions in securities kept decreasing, and it reached its minimum over the last ten year – 17.6%.

Upon settlement of transactions in securities on MICEX Stock Exchange, non-resident investors are mainly interested in shares. Figure 61 provides data on the structure of transactions settled by non-resident investors on the stock market of Moscow Exchange Group.

In the total number of transactions effected by non-residents in 2015 in all trading modes, the transactions in shares still prevailed and accounted for 58.9%. However, they decreased by 6.7 pp as compared to the previous year. Share of other types of securities, such as corporate, government, sub-federal and municipal bonds, and investment units, increased up to 41.1% in total.

2.3. Professional Participants of the Securities Market

2.3.1. General Information on the Professional Participants of the Securities Market

The number of professional participants of the securities market has been continually decreasing since 2009. While in 2012-2014, this decrease slowed down, in 2015, the number of professional participants significantly declined by 25.7% (281 companies in quantitative terms). At end of the year the number of legal entities holding licenses of professional securities market participants in various combinations made up 812 companies (see Figure 62)¹⁷.

2.3.2. Brokers, Dealers, Trustees

At the end of 2015, the total number of organizations holding licenses for performance of broker, dealer and securities management activities (for any combinations of licenses) made up 764 companies (early in the year, there were 1,033 such companies). 43.5% of the above are credit institutions. Most (64.4%) of the head offices of professional intermediary participants are located in Moscow.

The most common legal organizational form of professional intermediary participants is a limited liability company (45.3% of the total number of intermediaries) (see Table 24)¹⁸.

The Bank of Russia is authorized to carry out some transactions in securities, including those on the organized market, without special licenses.

The information on the number of valid licenses issued to professional intermediaries is shown in Figure 63, while Figure 64 describes the current combinations of various types of licenses.

The number of valid licenses has been decreasing along with the number of professional intermediary organizations.

The majority of companies (51.8%) holds all three licenses for performance of broker, dealer and securities management activities. About 65% of the companies holding broker, dealer or securities management licenses also holds a depositary license.

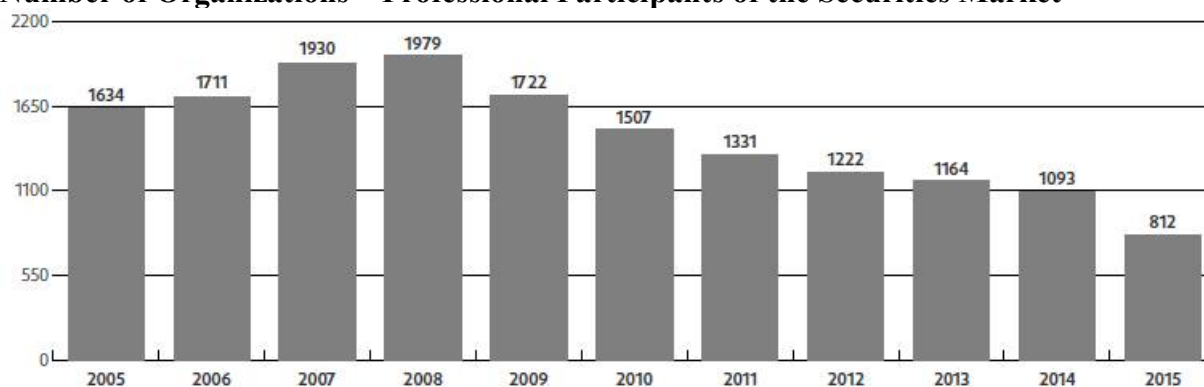
Over the last year, the number of issued and cancelled licenses has varied depending on the conditions of the securities market and the policy of the regulatory authority, including toughening of the capital adequacy standards (2010) and change in the rules for licensing of new companies (2012) (see Figures 65 and 66).

At the end of 2015, the number of cancelled licenses of Moscow companies increased by 70.9% which exceeds the indicator of the previous year; herewith, in 2015, for Moscow companies there were 14 cancelled licenses per each issued one. For regional companies the number of cancelled licenses increased more than twofold as compared to the previous year and disproportion became even greater: in 2015, there were 32 cancelled licenses per each issued one.

Figure 62

¹⁷ The table shows companies holding licenses for performance of broker, dealer, depositary or clearing activities, securities management activity, activity of registrars of security holders, and activity of trade organization on the securities market.

¹⁸ State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) also holds licenses of professional securities market participant; it is taken into account in the table.

Number of Organizations – Professional Participants of the Securities Market

Source: Bank of Russia, estimates of NAUFOR

Table 24

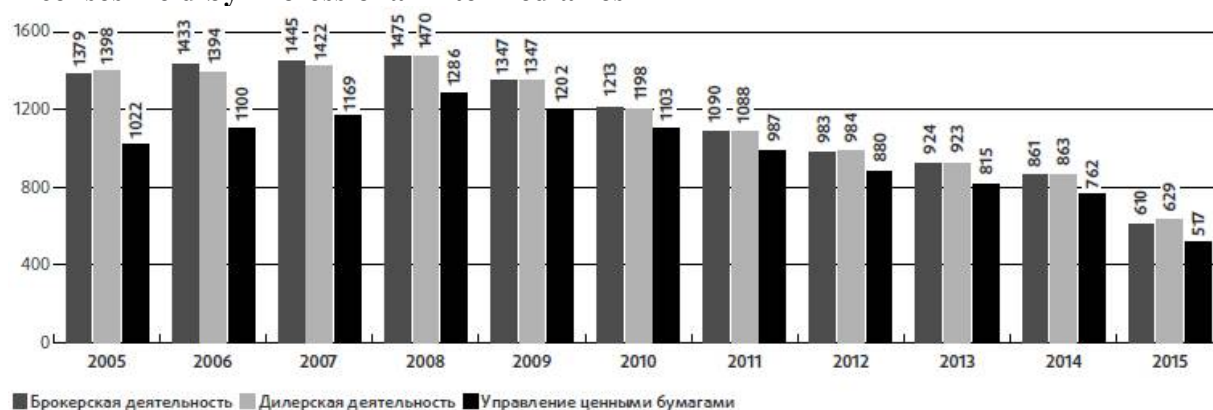
Legal Organizational Forms of Professional Securities Market Participants Holding Licenses for Performance of Broker, Dealer and Securities Management Activities in 2015

Legal organizational form	Number of companies	Share of the total number, %
Limited liability company	346	45.3
Joint-stock company	139	18.2
Closed joint-stock company	108	14.1
Public joint-stock company	90	11.8
Open joint-stock company	80	10.5
State corporation	1	0.1

Source: Bank of Russia, estimates of NAUFOR

Figure 63

Licenses Held by Professional Intermediaries



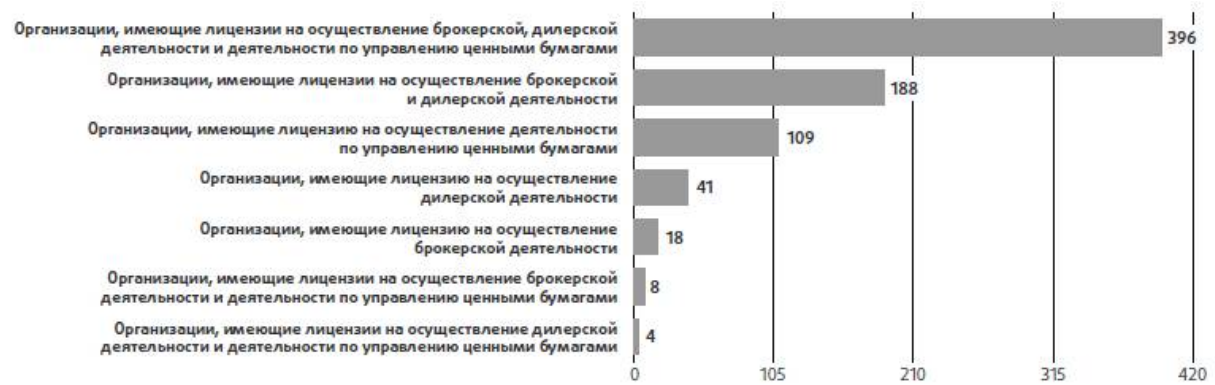
Брокерская деятельность	Broker activity
Дилерская деятельность	Dealer activity
Управление ценными бумагами	Securities management

Source: Bank of Russia, estimates of NAUFOR

Figure 64

Combination of Valid Licenses Held by Professional Intermediaries of the Securities Market in 2015

2.3 PROFESSIONAL PARTICIPANTS OF THE SECURITIES MARKET

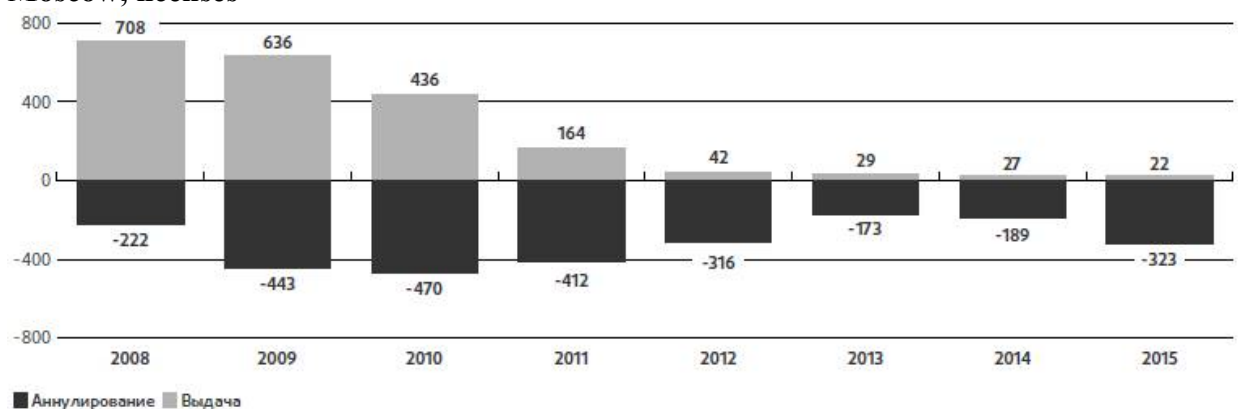


Организации, имеющие лицензии на осуществление брокерской, дилерской деятельности и деятельности по управлению ценными бумагами	Organizations holding licenses for performance of broker, dealer and securities management activities
Организации, имеющие лицензии на осуществление брокерской и дилерской деятельности	Organizations holding licenses for performance of broker and dealer activities
Организации, имеющие лицензию на осуществление деятельности по управлению ценными бумагами	Organizations holding licenses for performance of securities management activity
Организации, имеющие лицензию на осуществление дилерской деятельности	Organizations holding licenses for performance of dealer activity
Организации, имеющие лицензию на осуществление брокерской деятельности	Organizations holding licenses for performance of broker activity
Организации, имеющие лицензии на осуществление брокерской деятельности и деятельности по управлению ценными бумагами	Organizations holding licenses for performance of broker and securities management activities
Организации, имеющие лицензии на осуществление дилерской деятельности и деятельности по управлению ценными бумагами	Organizations holding licenses for performance of dealer and securities management activities

Source: Bank of Russia, estimates of NAUFOR

Figure 65

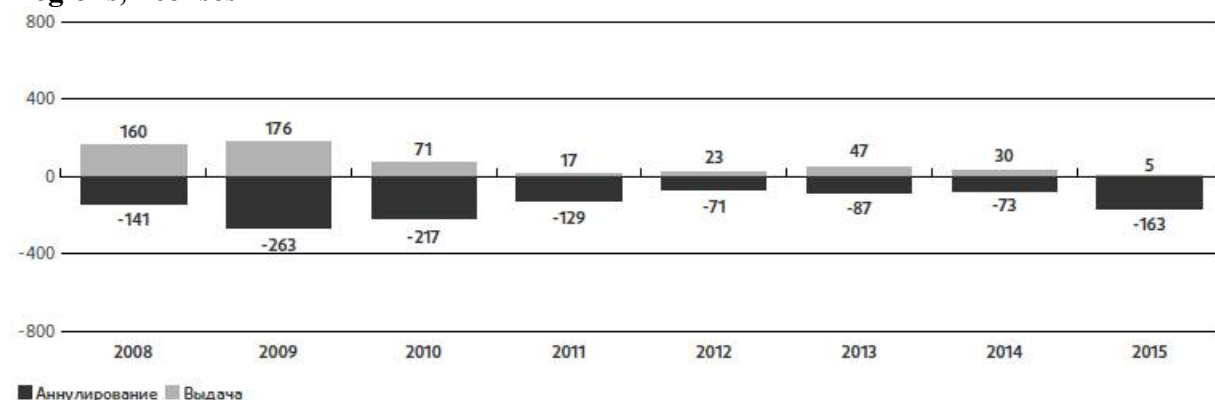
Issue and Cancellation of Licenses to Professional Participants of the Securities Market in Moscow, licenses



Аннулирование	Cancelled
Выдача	Issued

Source: Bank of Russia, estimates of NAUFOR

Figure 66

Issue and Cancellation of Licenses to Professional Participants of the Securities Market in Regions, licenses

Аннулирование	Cancelled
Выдача	Issued

Source: Bank of Russia, estimates of NAUFOR

In 2015, 486 licenses of professional intermediate participant of the securities market were cancelled, while 27 licenses were issued. The total number of intermediaries decreased by 269 companies.

In 2015, 452 organizations participated in trading on the stock market of Moscow Exchange Group (for more information about the markets, sectors and operating modes see Section 2.3.3). Tables 25¹⁹ and 26 provide lists of the traders that settled the greatest volume of transactions in shares and bonds in the Main Market sector in 2015²⁰.

In transactions in shares, the concentration of traders is traditionally higher than the indicator for the main market on the whole. The top ten companies ensured 69.1% of the transaction volume, which is slightly lower than 69.7% in the previous year. Furthermore, the Bank of Russia became a little bit less active.

In the corporate bonds sector, the concentration of turnovers on the top ten participants has decreased over the year from 67.6% to 61.8%, and the Bank of Russia ensured 23.7% of transactions in corporate bonds. In the previous year, its share was greater – 32.9%. The composition and positions of the most active traders in bonds remained almost unchanged.

Table 25

List of Traders that Concluded the Greatest Volumes of Transactions in Shares on the Main Market of Moscow Exchange Group Following the Results of 2015

Item No.	Name of organization	Transaction volume (purchase+sale), billion Rubles	Share in the total volume, %
1	Otkrytiye Group	15,686	15.0
2	Sberbank of Russia Group	12,832	12.2
3	VTB Group	9,933	9.5
4	Renaissance Group	8,437	8.1

¹⁹ Hereinafter the traders are combined into assumed groups of companies.

²⁰ Hereinafter in this section, all trading modes and REPO transactions in shares and bonds are taken into account.

2.3 PROFESSIONAL PARTICIPANTS OF THE SECURITIES MARKET

5	BCS Group	8,227	7.9
6	ALFA-BANK, JSC	4,626	4.4
7	Promsvyazbank, JSC	4,299	4.1
8	FINAM Group	3,104	3.0
9	Saint Petersburg Bank, PJSC	2,679	2.6
10	Gazprom Group	2,593	2.5
	TOTAL	72,416	69.1

Calculated on the basis of data provided by Moscow Exchange Group.

High concentration of transactions was also typical for clearing firms on the derivatives market of Moscow Exchange Group (see Table 27).

In 2015, the top ten of 71 clearing firms trading on the derivatives market accounted for 78.8% of the trade volume for all types of derivatives contracts. The share of the most active trader made up 26.7% of the total turnover. As compared to 2014, the concentration indices changed insignificantly. The composition and positions of the most active traders in futures remained almost unchanged.

2.3.3. Trading and Settlement Infrastructure

The trading and settlement infrastructure of the Russian securities market comprises:

- stock exchanges;
- clearing organizations;
- settlement depositories.

The infrastructure also includes credit institutions acting as settlement organizations.

According to the Bank of Russia, in 201, eight companies had licenses of the stock exchange (including Crimea Exchange, JSC that obtained license in July) and five companies held licenses of the clearing organization (including three acting as the central counterparty).

However, in practice, as a result of the integration processes since the end of 2011, there is one large infrastructure centre on the Russian financial market – Moscow Exchange Group.

Table 26

List of Traders that Concluded the Greatest Volume of Transactions in Bonds on the Main Market of Moscow Exchange Group Following the Results of 2015

Item No.	Name of organization	Transaction volume (purchase+sale), billion Rubles	Share in the total volume, %
1	Bank of Russia	TOTAL	23.7
2	Otkrytie Group	24,788	10.9
3	VTB Group	23,778	10.5
4	Sberbank of Russia Group	9,755	4.3
5	Renaissance Group	6,831	3.0
6	Gazprom Group	4,871	2.1
7	UBRD, JSC	4,605	2.0
8	UniCredit Group	4,574	2.0

9	Bank of Moscow, JSC	3,803	1.7
10	Citibank CB, JSC	3,712	1.6
	TOTAL	140,572	61.8

Calculated on the basis of data provided by Moscow Exchange Group.

Table 27

List of Traders that Concluded the Greatest Volume of Transactions in Futures on the Derivatives Market of Moscow Exchange Group Following the Results of 2015

Item No.	Name of organization	Transaction volume (purchase+sale), billion Rubles	Share in the total volume, %
1	BCS Company, LLC	34,188	26.7
2	OTKRYTIE Brokerage House, JSC	17,503	13.7
3	IT Invest IC, JSC	14,836	11.6
4	FINAM IC, CJSC	8,034	6.3
5	ZERICH Capital Management IC, JSC	6,274	4.9
6	Renaissance Online, LLC	5,876	4.6
7	FC Otkrytie Bank, PJSC	5,018	3.9
8	ALOR+, LLC	3,746	2.9
9	VESTA Investment Bank	2,760	2.2
10	VTB 24 Bank, PJSC	2,696	2.2
	TOTAL	100,931	78.8
	HH index		1,176

Calculated on the basis of data provided by Moscow Exchange Group.

Table 28

Equity Capitals of Organizations Comprising Moscow Exchange Group (million Rubles)

Period	Moscow Exchange, PJSC (Derivatives market)		MICEX SE, CJSC (Stock market)	NSD, CJSC (Settlements)	NCC, CJSC (Clearing)	TOTAL EC
	EC	Market capitalization				
2012	45,075		1,012	6,003	13,168	65,258
2013	81,794	154,031	1,222	7,308	28,755	119,080
2014	91,847	138,449	1,771	9,411	34,129	137,158
2015	113,610	211,207	1,789	11,274	54,310	180,983

Source: Moscow Exchange Group

Moscow Exchange Group

Moscow Exchange Group constitutes a vertically-integrated trading and settlement infrastructure with the parent organization MICEX-RTS Moscow Exchange, JSC (abbreviated as Moscow

2.3 PROFESSIONAL PARTICIPANTS OF THE SECURITIES MARKET

Exchange, JSC). According to the data for the fourth quarter of 2015, five legal entities are mentioned as the major shareholders holding more than 5% of the authorized capital:

- Bank of Russia - 11.768% of votes;
- Sberbank, PJSC – 9.992% of votes;
- Vnesheconombank – 8.395% of votes;
- European Bank for Reconstruction and Development – 6.064% of votes; and
- RDIF Management of Investments-6, LLC – 5.261% of votes.

Comparing data with those for the previous year, one may note that foreign investor Shengdong Investment Corporation that held 5.578% of votes reduced its share. Holdings of other major shareholders remained unchanged.

In 2015, Moscow Exchange Group maintained several markets and trading modes including: stock, currency, derivatives markets. The functions of certain organizations of the group are distributed as follows:

- **Moscow Exchange, PJSC**, in addition to its consolidating role in the group, is a trade organizer on the derivatives and the currency markets.
- **MICEX Stock Exchange, CJSC** is a trade organizer in all sectors of the stock market and on the market of government securities.
- **Non-Banking Credit Organization National Settlement Depository, CJSC** is a settlement depository; it performs monetary settlements on the stock market for the Main Market sector. It has the status of a central depository. NSD accounts include records of the guarantee and the insurance funds for the derivatives market. In addition, NSD provides settlement services for all types of equity securities on the OTC market.
- **National Clearing Centre Joint-Stock Commercial Bank, CJSC** acts as a clearing organization and the central counterparty on the stock market for the Main Market sector as well as on the derivatives and the currency markets.

The equity capitals of organizations comprising Moscow Exchange Group are shown in Table 28.

The equity capitals of the group companies directly engaged in supporting the stock, the derivatives and the currency markets grew by 32.0% at the end of 2015 and made up 180.9 billion Rubles while the market capitalization amounted to 211.2 billion Rubles. The ratio between the market capitalization and the equity capital was 1.17 against 1.01 in the previous year.

The most capitalized organization of the group is the parent company (Moscow Exchange, JSC) accounting for 62.8% of the aggregate equity capital. It is followed by the clearing organization (NCC, CJSC) accounting for 30.0% of the aggregate equity capital. In 2015, the highest growth of the equity capital (59.1%) was noted for NCC, CJSC.

Moscow Exchange Group supports several markets and trading modes.

Stock market of Moscow Exchange Group currently consists of one sector – the Main Market sector. In the Classica sector, trading was terminated in August 2015.

Main Market Sector is the exchange market of shares, corporate, government, sub-federal and municipal bonds, mortgage participation certificates, investment units (including exchange – ETF), and depository receipts where trading is conducted both with and without the participation of the central counterparty.

In this sector, two modes may be distinguished:

- Mode of shares and units. It provides for settlements based on trade with the central counterparty, partial security and deferred execution. Settlements are performed on the second day after the transaction date (T+2);
- Bonds market. It provides for settlements based on trade with the central counterparty, full security and execution on the transaction date. In case of government bonds, settlements and delivery are performed on the next day after the transaction date (T+1). In case of corporate, sub-federal and municipal bonds, trades with full security are conducted, and settlements and delivery are performed on the transaction date (T0).

The derivatives market of the Moscow Exchange Group is based on the anonymous order auction. Quotations and settlements are made in Rubles.

In December 2014, **MOEX Board** system of indicative quotations was launched. In 2015, this system was under formation.

By the end of 2015, the following structure of traded securities²¹ has been formed on the Moscow Exchange (see Table 29).

In 2015, the listing structure by types of securities has not undergone any fundamental changes as compared to the previous year. Decrease in the number of corporate bonds in the first tier of the listing and their increase in the third tier of the listing are noted.

The ratios of the volumes of transactions by listing tiers changed fairly significantly. Thus, according to the estimates made on the data of the Moscow Exchange, in 2015, 61% of the volume of all transactions in all trading modes were settled in securities included into the first tier of the listing (74% in the previous year); the second tier of the listing accounted for 11% (15% in the previous year), and the remaining turnover (28%) was ensured by transactions in the third-tier securities (11% in the previous year). Therefore, decrease in the trading transactions in securities of the higher tier of the listing and increase in transactions in the low-tier securities were observed.

In the Main Market sector, the Innovation and Investment Market (the IIM) characterized by independent procedures for acceptance of securities for trading also stood out. This market is focused on high-tech companies, and it is intended for their funding using exchange mechanisms including through private placements among funds and qualified investors.

By the end of 2015, 16 share issuers were present on this market. In the same place, units of eight venture funds, securities of two foreign issuers and bonds of four companies are traded.

Volumes of trades on the IIM are insignificant and have tendency to growth (see Figure 67²²).

Following the results of 2015, the volume of trades on the IIM in all financial instruments, except for bonds, amounted to 54.5 billion Rubles, which exceeded the indicator of the previous year by 81.7%.

Table 29

Structure of Securities Listing in Moscow Exchange Group

²¹ The shares include shares of Russian and foreign issuers, and depositary receipts. The corporate bonds include bonds of Russian and foreign issuers. The investment units include units of Russian and foreign funds as well as the mortgage participation certificates.

²² All securities, except for bonds, are taken into account.

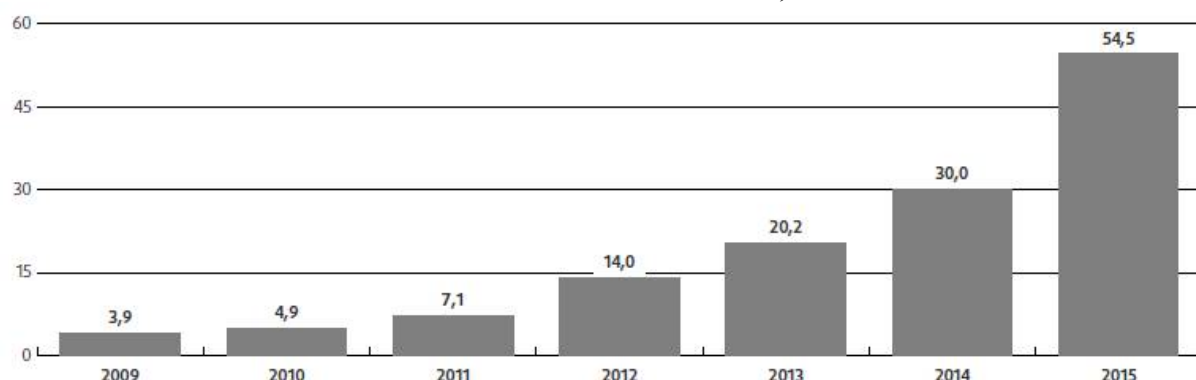
2.3 PROFESSIONAL PARTICIPANTS OF THE SECURITIES MARKET

Listing tier	Type of security			
	Shares	Corporate bonds	Sub-federal and municipal bonds	Investment units
I	76	274	92	32
II	41	197	3	37
III	201	629	21	181

Source: Moscow Exchange

Figure 67

Trade Volume on the Innovation and Investment Market, billion Rubles



Source: Moscow Exchange Group

The volumes of trade in bonds on the IIM far exceed the volumes of trade in other instruments. So, in 2014, the volume of transactions in bonds amounted to 352.1 billion Rubles. In 2015, significant decline was observed (by 36.9%), and the volume of transactions in bonds decreased to 222.0 billion Rubles.

Overall results of trades in securities, futures contracts and currency²³ in Moscow Exchange Group in 2005-2015 with account of all modes, are given in Table 30.

The total volume of transactions in all types of non-government securities in all sectors of the stock market of Moscow Exchange Group and in all trading modes made up 195,503 billion Rubles at the end of 2015. This indicator is by 4.1% lower than that of the previous year. Herewith, certain decrease in the total volumes of trades has continued for the second year in a row.

The derivatives market of Moscow Exchange Group keeps growing after the decline observed in 2012–2013. The volume of transactions in derivative financial instruments for all types of underlying assets made up 93,691 billion Rubles at the end of 2015, which exceeded the indicator of the previous year by 52.1%. Share of stock assets in the total volume of transactions on the derivatives market continuously decreases: in 2012, the volume of transactions for the future contracts the underlying assets for which were securities and stock indices amounted to 71.2% of the total turnover, and in 2015, this indicator decreased to 27.1%.

²³ Auction mode, negotiated deals mode, REPO transactions and initial offerings are taken into account. All types of the underlying assets are taken into account for the derivatives market. To maintain continuity of data during the long-term historical period, only comparable assets are taken into account.

Shares and bonds constitute the basis for the exchange turnover of securities on the stock market of Moscow Exchange Group. The share of other types of securities is not presented (see Figure 68²⁴).

In 2015, in the structure of the exchange turnover of securities the percentage of shares kept decreasing and the share of bonds kept growing. Thus, the percentage of shares decreased from 39.1% to 25.9%, which is a minimum value over the entire period of monitoring. The share of bonds in the total exchange turnover, on the contrary, increased from 60.8% up to 74.0%.

Figures 69 and 70 show diagrams characterizing the shares of auction mode, negotiated deals mode and REPO transactions mode of trading in shares and bonds on the stock market of Moscow Exchange Group.

Reduction in the volume of auction mode and increase in the share of REPO transactions were a long-term trend for transactions in shares on the domestic organized market. Over the period from 2005 till 2015, the share of auction mode in the total volume of transactions has decreased from 69.5% to 16.7%, while the share of REPO transactions mode, on the contrary, has increased from 18.5% up to 82.2%. In 2015, transactions in the negotiated deals mode occupied the remaining niche - 1.1%.

In transactions in corporate bonds, by the end of 2015, the share of REPO transactions became prevailing - 94.1%, and shares of the auction mode and the negotiated deals mode remained without visible changes.

Table 30

Results of Trade in Securities, Future Contracts and Currency in Moscow Exchange Group, billion Rubles

Group, billion Rubles						
Period	Stock market					Derivatives market
	Shares	Corporate bonds	Sub-federal and municipal bonds	Investment units of UIFs	TOTAL	
MICEX and RTS Groups						
2005	4,025	3,822	2	7,849	687	
2006	14,860	7,546	5	22,410	2,709	
2007	30,927	15,378	20	46,325	7,531	
2008	33,705	17,374	23	51,102	11,158	
2009	27,875	19,106	16	46,997	14,169	95,999
2010	30,108	42,777	31	72,916	29,350	79,519
2011	46,475	54,841	35	101,351	55,345	87,015
Moscow Exchange Group						
2012	46,499	136,004	75	182,578	49,969	116,980

²⁴ Auction mode, negotiated deals mode, REPO transactions and initial offerings are taken into account.

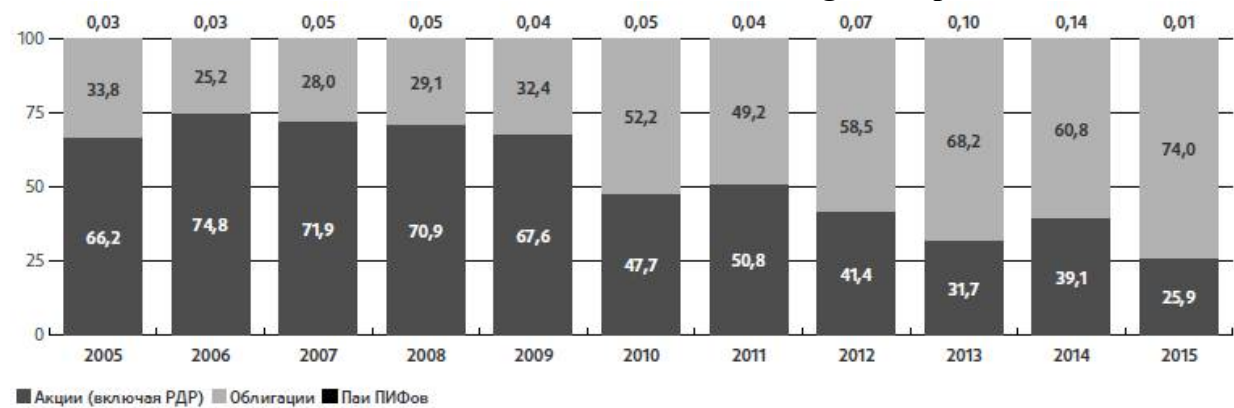
2.3 PROFESSIONAL PARTICIPANTS OF THE SECURITIES MARKET

2013	47,249	180,200	138	227,586	48,415	156,016
2014	54,573	149,124	177	203,874	61,601	228,546
2015	51,317	143,989	197	195,503	93,691	310,837

Source: Moscow Exchange Group

Figure 68

Structure of Trade on the Stock Market of Moscow Exchange Group, %

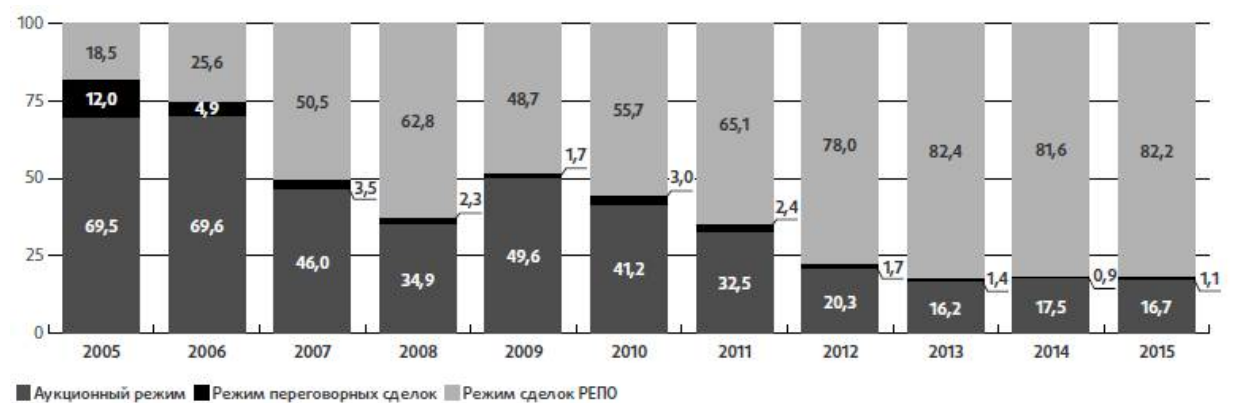


Акции (включая РДР)	Shares (including RDR)
Облигации	Bonds
Паи ПИФов	Units of UIFs

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 69

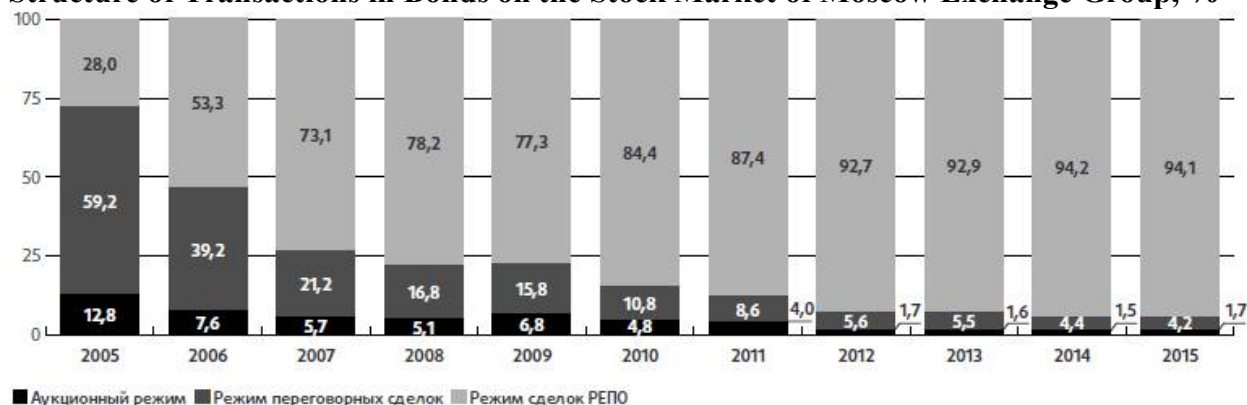
Structure of Trading Mode for Shares on the Stock Market of Moscow Exchange Group, %



Аукционный режим	Auction mode
Режим переговоров сделок	Negotiated trades mode
Режим сделок РЕПО	REPO transactions mode

Source: Moscow Exchange Group, estimates of NAUFOR

Figure 70

Structure of Transactions in Bonds on the Stock Market of Moscow Exchange Group, %

Аукционный режим	Auction mode
Режим переговоров сделок	Negotiated trades mode
Режим сделок РЕПО	REPO transactions mode

Source: Moscow Exchange Group, estimates of NAUFOR

Currency market. The functions of a trader and technical centre are performed by Moscow Exchange, JSC. The transactions are effected in the mode of double auction, central clearing are carried out by NCC, CJSC.

In the trading system on the currency market, US Dollar, Euro and other currencies are traded, and swap transactions with different maturity dates are effected. The trading results on the currency market are specified in Table 31.

In 2015, the volume of trading on the currency market grew by 36.0% up to 310.8 trillion Rubles. On the average, in 2009-2015, the spot transactions made up 42.4% of the total volume of currency trading. The most popular currency pair is US Dollar/Ruble; in 2015, trading in this pair in spot transactions made up 89.4% of the volume, and in swap transactions, 79.8%.

In 2015, there were 620 traders on the currency market including 569 credit institutions and 51 non-credit ones.

The rating of traders according to the volume of customer transactions (as of December 2015) is provided in Table 32.

The key figures of the Moscow Exchange Group according to the International Financial Reporting Standards are given in Table 33.

Table 31

Results of Trade on the Currency Market, billion Rubles

Period	2009	2010	2011	2012	2013	2014	2015
Currency market, total	95,999	79,519	87,015	116,980	156,016	228,546	310,837
Including							
Spot transactions	37,353	37,571	47,092	61,543	57,297	77,798	103,335
US Dollar/Ruble	34,297	34,625	42,742	55,795	49,327	67,267	92,383
Euro/Ruble	2,807	2,749	3,893	5,120	6,446	8,954	9,159
Euro/US Dollar	247	197	199	386	1,425	1,311	1,075

2.3 PROFESSIONAL PARTICIPANTS OF THE SECURITIES MARKET

Yuan/Ruble	0	0	4	8	20	252	697
Other currencies	0	0	74	191	79	14	20
Swap transactions	58,646	41,948	39,923	55,436	98,720	150,748	207,502
US Dollar/Ruble	43,342	33,833	30,241	42,355	77,899	121,555	165,600
Euro/Ruble	14,634	7,309	8,867	12,574	19,644	25,758	34,241
Euro/US Dollar	671	805	815	506	1,160	3,382	7,496
Yuan/Ruble	0	0	0	0	16	53	161

Source: Moscow Exchange Group

Table 32

Rating of Traders on the Currency Market According to the volume of Customer Transactions

Position in the rating	Dealer's name
1	BCS FG
2	Renaissance Capital IC
3	OTKRYTIE FG
4	FINAM, JSC; FINAM Investment Company, JSC
5	ZERICH Capital Management IC, JSC
6	IT Invest IC, JSC
7	ALFA-BANK, JSC
8	VELES Capital IC, LLC
9	URALSIB Capital – Financial Services, LLC
10	ATON, LLC

Source: Moscow Exchange Group

Table 33

Key Figures of Moscow Exchange Group, million Rubles

	2012	2013	2014	2015
Operating revenues	21,547	24,606	30,394	45,990
Including:				
fee and commission revenues	11,407	12,792	15,586	17,784
interest and other financial revenues	10,033	11,755	14,279	28,085
Other operating revenues	107	59	529	121
Net profit	8,200	11,582	15,993	27,852
Earnings per share (Rubles)	3.86	5.23	7.21	12.5
Return on equity (%)	7.50	9.37	9.95	13.2 (e)
Dividends per share (Rubles)	0.31	1.23	2.39	3.87

Source: Moscow Exchange Group

The revenues of Moscow Exchange Group at the end of 2015 grew by 51.3% up to 46 billion Rubles. The structure of operating revenues changed: following the results of 2012-2014, fee revenues, on average, amounted to 52% and interest revenues, to 47%; and in 2015, the fee revenues decreased to 38.7%, while the interest revenues, on the contrary, increased up to 61.7%. Net profit for 2015 grew by 74.1% up to 27.9 billion Rubles, and basic earnings per share increased by 73.59% up to 12.5 Rubles per share with nominal value 1.00 Ruble.

In the total structure of fee and commission revenue, based on the consolidated statements for 2015, trading on the currency market made up 24.3% of the revenues (21.8% in the previous year), on the money market, 21.8% (20.2% in the previous year), on the stock market, 18.4% (20.2% in the previous year), and on the derivatives market, 8.3% (10.5% in the previous year). Therefore, the currency market brings the more and more increasing operating income to Moscow Exchange Group, and the share of income from other markets of the group decreases.

The fee and commission revenue from trade in various securities on the stock market depends, to a large extent, on the general market conditions. Thus, in 2015, 50.1% of the fee and commission revenue on the stock market was received from transactions in shares (56.1% in the previous year) and 36.1% from transactions in bond (32.8% in the previous year). The revenues from securities listing and other service fees made up 13.8% (11.42% in the previous year). Thus, in 2015, the share of the fee and commission revenues from transactions in shares decreased, and from transactions in bond, increased. The share of the fee and commission revenues from listing and other service fees has been growing for the last three years.

3. Legislative Framework

The regulatory legal framework in the sphere of the securities market regulation in the Russian Federation is formed by several laws - On Securities Market, On Protection of Rights and Legal Interests of Investors on the Securities Market, On Mortgage Securities - which define the general rules applicable to the securities market, as well as by-laws which establish the special norms. The operation of individual institutions is regulated by special laws: On Investment Funds, On Non-State Pension Funds, On Investments for Financing of the Funded Component of Retirement Pension, On the Savings and Mortgage System of Housing Provision for Servicemen, which are also supported by significant volumes of by-laws.

The most important changes implemented in the regulatory legal framework in 2015 and related to the securities market regulation are reviewed below.

3.1. Taxation on the Securities Market

1. From January 1, 2015, amendments to the laws²⁵ regulating the procedure for opening and maintaining *individual investment accounts (the IIA)* as well as provision of tax deductions on the said accounts entered into force. The purpose of the said amendments is to stimulate individuals' investments on the Russian stock market by providing them with tax benefits.

An individual investment account is an internal account opened for a customer by a broker or a trustee, and intended for separate accounting of the customer's monetary funds, securities and liabilities. The owner of the individual investment account may apply either of two types of tax deductions:

- deduction on contribution: the taxpayer may obtain a tax deduction on the personal income tax on an annual basis in the amount of monetary funds placed into the IIA during the tax period (sub-paragraph 2, paragraph 1, Article 219.1 of the Tax Code of the Russian Federation);
- deduction on income: upon expiration of the contract for maintenance of the IIA, upon expiry of at least three years, the taxpayer may obtain a tax deduction on the personal income tax in the amount of income received from transactions on the IIA, i.e. the entire investment income of the taxpayer will be exempt (sub-paragraph 3, paragraph 1, Article 219.1 of the Tax Code of the Russian Federation).

The tax base for transactions on the individual investment account is determined upon termination of the contract for maintenance of the individual investment account²⁶ rather than at the end of the tax period (calendar year). Herewith, the financial result is determined on an annual basis for reference.

The amount which may be credited to the individual investment account by the taxpayer on an annual basis is limited to 400,000 Rubles. The individual may have only one individual investment account with an exception in case the customer switches to the services from one

²⁵ Federal Law No. 379-FZ On Amending Certain Legislative Acts of the Russian Federation dated December 21, 2013, Federal Law No. 420-FZ On Amending Article 27.5-3 of the Federal Law On Securities Market and Parts One and Two of the Tax Code of the Russian Federation dated December 28, 2013.

²⁶ Federal Law No. 327 On Amending Part Two of the Tax Code of the Russian Federation dated November 28, 2015.

professional securities market participant to another. The professional securities market participants shall inform the tax authority at their location of opening and closing their customers' individual investment accounts.

2. On January 1, 2015, the amendments²⁷ to the laws relating to application of investment tax deduction came into force. From January 1, 2017, upon determination of the tax base, the taxpayers acting as individuals will be able to receive tax deductions in the amount of positive financial result of sale (redemption) of securities acquired after January 1, 2014, and remaining in their ownership for more than three years. This benefit will be applicable to securities accepted by the Russian initiator of trades for trading on the securities market as well as to investment units of open unit investment funds, irrespective of the fact whether they are traded on the organized market or not.

3. From January 1, 2015 the amendments²⁸ to the Tax Code of the Russian Federation came into force. In accordance with them, the rate of tax on dividends was increased from 9% up to 13% both for individuals (upon calculation of the personal income tax) and for legal entities (upon calculation of the corporate income tax).

4. On November 28, 2015, the President of the Russian Federation signed amendments to the tax laws²⁹ transferring duties of the tax agent from the management company of unit investment funds to brokers and trustees in the event the investment units were repaid through them to the benefit of the taxpayer. The amendments also define more exactly the procedure for calculation of the period of holding of investment units for the purpose of tax benefit available after three-year holding of securities: it is specified that the exchange transaction in investment units does not cover the period of holding; the said period shall be calculated from the date of acquisition of the investment units till the date of repayment of the investment units obtained as a result of the exchange (exchanges).

3.2. Activity of Professional Participants and Management Companies

1. In July 2015, a Federal Law on Self-Regulatory Organizations in the field of the financial market³⁰ was adopted. The law provides for mandatory membership of financial organizations in self-regulatory organizations (the SRO). Financial organizations shall join one of the self-regulatory organizations within 180 days after the first of them obtained the status of the SRO under the new law. The Bank of Russia shall be entitled to revoke the license for performance of the relevant activity or to file a petition for dissolution of the financial organization to the court if the financial organization failed to join any of the SROs.

The financial organization may act as a member of only one SRO of certain type, except for cases of associate membership. Associate member do not have the right to vote at the general meetings of members of the SRO.

²⁷ Federal Law No. 420-FZ On Amending Article 27.5-3 of the Federal Law On Securities Market and Parts One and Two of the Tax Code of the Russian Federation dated December 28, 2013.

²⁸ Federal Law No. 366-FZ On Amending Part Two of the Tax Code of the Russian Federation and Certain Legal Acts of the Russian Federation dated November 24, 2014.

²⁹ Federal Law No. 327 On Amending Part Two of the Tax Code of the Russian Federation dated November 28, 2015, came into force on January 1, 2016.

³⁰ Federal Law No. 223-FZ On Self-Regulatory Organizations in the Field of the Financial Market and on Amending Articles 2 and 6 of the Federal Law On Amending Certain Legal Acts of the Russian Federation dated July 13, 2015.

3.2 ACTIVITY OF PROFESSIONAL PARTICIPANTS AND MANAGEMENT COMPANIES

According to the law, the Self-Regulatory Organizations shall impose requirements for their members in the form of standards: basic and internal. Basic standards will be developed by a special body, the Committee for Standards, and they will be binding on all financial organizations performing relevant activity, irrespective of their membership in one or another SRO. The law specifies the following types of basic standards:

- 1) risk management;
- 2) corporate governance;
- 3) internal control;
- 4) protection of rights and interests of individuals and legal entities acting as the recipients of financial services rendered by the members of the SRO;
- 5) settlement of transactions on the financial market.

The internal standards are developed by each SRO itself, and they will be binding only on members of the relevant SRO.

The law provides for the SRO's right to perform scheduled audits of its members at least once in five years, but no more than one audit per annum. Moreover, provision is made for unscheduled audits to be performed on the grounds of complaints or under instructions of the Financial Supervision Commission of the Bank of Russia, and in other cases specified in the internal documents of the SRO.

2. In summer 2015, significant amendments³¹ were introduced in the Federal Law On the Securities Market:

1) It is specified that the professional participants of the securities market shall organize a system for management of risks associated with performance of professional activity on the securities market and settlement of transactions in own assets. This system shall comply with the nature of transactions settled by the professional participant of the securities market and include a risk monitoring system ensuring timely bringing of the required information to the notice of the management bodies of the professional securities market participant. Requirements for organization of the risk management system by the professional participants of the securities market will be imposed by the Bank of Russia depending on the type of activity and nature of settled transactions.

2) For brokers acting as the participants of clearing, the obligation to require that the customer should open a special broker's account to fulfill and/or secure liabilities accepted for clearing and arising out of the contract concluded at the expense of this customer is imposed. It is specified that if securities are provided as a security for the customer's liabilities to the broker, they shall meet the liquidity criteria established by the regulations of the Bank of Russia.

3) Norm relating to the trustee's fee is defined more exactly: it is specified that the right of the trustee to the fee and reimbursement of expenses is not subject to acquisition of income from management of the securities.

4) A ban on return of monetary assets and securities recorded on its individual investment account to the customer or their transfer to another professional participant of the securities market without termination of the original contract for maintenance of the individual investment account is imposed. Moreover, the opportunity to acquire securities of foreign issuers at the expense of the assets recorded on the individual investment account (it is acceptable only on the

³¹ Federal Law No. 210-FZ On Amending Certain Legal Acts of the Russian Federation and Declaring Certain Provisions of the Legal Acts of the Russian Federation Null and Void dated June 29, 2015; Federal Law No. 231-FZ On Amending Certain Legal Acts of the Russian Federation dated July 13, 2015.

organized markets of the Russian initiator of trades), and to deposit monetary assets being in trust under the contract for trust management of securities providing for opening and maintaining the individual investment account in credit institutions (15 percent of the monetary assets transferred under the contract maximum) is limited³².

5) The procedure for delivery of information by the registrars, nominee holders and entities performing mandatory centralized storage of securities is established, and peculiarities of exercise of the rights under securities by the entities whose rights to the securities are recorded by the nominee holder, the foreign nominee holder, or the foreign organization are specified³³.

6) The procedure is established for delivery of information relating to exercise of rights under securities by issuers to the central depository which, in its turn, shall publish this information on its website in the Internet³⁴.

7) The procedure for cancellation and suspension of licenses of the professional securities market participants is defined more exactly.

8) It is specified that the professional securities market participants shall enable submission of electronic documents to the Bank of Russia and receipt of these documents from the Bank of Russia.

9) Norms obliging the depositories and registrars to submit information on securities belonging to candidates for deputy or other elective offices as well as their spouses and minor children to the Central Election Commission of the Russian Federation, election commissions of the constituent entities of the Russian Federation, upon their request are introduced. The procedure for receipt of requests and submission of responses will be established by the Bank of Russia as agreed upon with the Central Election Commission of the Russian Federation.

3. The Federal Law³⁵ supplementing the Federal Law On the Securities Market with new Clause 3.2 was published on December 30, 2015. The new clause regulates the procedure for performance of repository activity which is currently regulated by by-laws. Pursuant to the introduced amendments, the repository activity shall mean the activity performed on the grounds of the license of the Bank of Russia and relating to provision of services for collection, recording, processing and storage of information on concluded on the non-organized markets REPO contracts, contracts being derivative financial instruments, and contracts of other types provided for by the regulations of the Bank of Russia, as well as to maintenance of the register of the said contracts. The law does not restricts the scope of OTC contracts information on which shall be submitted to the repository (in accordance with the current laws, only information on contracts concluded subject to the terms and conditions of the master agreement shall be submitted).

The amendments to the Federal Law On the Securities Market relating to the repository activity shall come into force on June 28, 2016. Up until that time, the procedure for maintenance of the register of OTC contracts established by Instruction No. 3253-U³⁶ of the Bank of Russia that was slightly changed in 2015³⁷ shall be applicable.

³² Relevant restrictions came into force since January 1, 2016.

³³ Relevant restrictions came into force since July 1, 2016.

³⁴ Relevant restrictions came into force since July 1, 2016.

³⁵ Federal Law No. 430-FZ On Amending the Federal Law On the Securities Market and Certain Legal Acts of the Russian Federation dated December 30, 2015.

³⁶ Instruction No. 3253-U of the Bank of Russia On Procedure for Maintenance of the Register of Contracts Concluded Subject to the Terms and Conditions of the Master Agreement (Uniform Agreement), Terms for Provision of Information Required to Keep the Said Register and Information from the Said Register as well as Providing

3.2 ACTIVITY OF PROFESSIONAL PARTICIPANTS AND MANAGEMENT COMPANIES

4. Instruction No. 3533-U On Terms and Procedure for Preparation and Submission of Statements of Professional Securities Market Participants to the Central Bank of the Russian Federation³⁸ came into force on April 1, 2015. This document replaced Order No. 12-108/pz-n of the Federal Financial Markets Service of Russia On Terms and Procedure for Submission of Statements by Professional Securities Market Participants dated December 6, 2012. By the Instruction, the list of forms of statements to be submitted to the Bank of Russia was significantly extended, and the procedure for filling of the said forms and the terms of their submission to the Bank of Russia were established.

Moreover, in late 2015, the procedure³⁹ for preparation and submission of statements of management companies, unit investment funds and non-state pension funds to the Bank of Russia was approved.

5. The Instruction of the Bank of Russia⁴⁰ specifying structure, scope, procedure and terms for information disclosure by the professional participants of the securities market was approved on December 28, 2015. The Instruction substantially extends the scope of information to be disclosed on the websites of organizations in the Internet. By May 23, 2016, the professional participants of the securities market shall ensure fulfillment of new requirements.

6. On June 26, 2015, a new Instruction of the Bank of Russia On Recognition of Qualified Investors and Procedure for Maintenance of the Register of Entities Recognized as Qualified Investors⁴¹ came into force. It specifies the procedure for recognition of qualified investors in accordance with the previously adopted amendments to the laws⁴². At the same time, it toughens the requirements that shall be met by the entity to be recognized as the qualified investor. Moreover, a list of documents required for recognition as the qualified investor is specified, and the procedure for maintenance of the register of qualified investors is determined.

To be recognized as the qualified investor, an individual shall meet one of the following requirements:

1) total value of securities held by the individual and/or total amount of liabilities arising out of contracts regarded as derivative financial instruments and concluded at the expense of this individual shall amount to at least 6 million Rubles;

2) work experience in Russian and/or foreign organization that settled transactions in securities and/or concluded contracts regarded as derivative financial instruments amounts to at least two years, and in some cases, to three years;

Register of Contracts Concluded Subject to the Terms and Conditions of the Master Agreement (Uniform Agreement) to the Central Bank of the Russian Federation (the Bank of Russia) dated April 30, 2014.

³⁷ The amendments were introduced by Instruction No. 3567-U of the Bank of Russia dated February 16, 2015, and Instruction No. 3776-U of the Bank of Russia dated September 7, 2015.

³⁸ Instruction No. 3533-U of the Bank of Russia On Terms and Procedure for Preparation and Submission of Statements of Professional Securities Market Participants to the Central Bank of the Russian Federation dated January 1, 2015. Some amendments were introduced into it by Instruction No. 3794-U dated September 13, 2015.

³⁹ Instruction No. 3901-U of the Bank of Russia On Terms and Procedure for Preparation and Submission of Statements of Joint-Stock Investment Funds and Statements of Management Company of Investment Funds, Unit Investment Funds and Non-State Pension Funds to the Bank of Russia dated December 16, 2015, came into force on February 22, 2016.

⁴⁰ Instruction No. 3921-U of the Bank of Russia On Structure, Scope, Procedure and Terms for Information Disclosure by Professional Participants of the Securities Market dated December 28, 2015.

⁴¹ Instruction No. 3629-U of the Bank of Russia On Recognition of Qualified Investors and Procedure for Maintenance of the Register of Entities Recognized as Qualified Investors dated April 29, 2015.

⁴² Federal Law No. 379-FZ On Amending Certain Legal Acts of the Russian Federation dated December 21, 2013.

3) over the last four quarters, on average, the individual settled transactions in securities or derivative financial instruments at least 10 times per quarter; however, once a month minimum. Herewith, the aggregate price of these transactions (contracts) shall not be less than 6 million Rubles;

4) value of property of the individual is not less than 6 million Rubles;

5) the individual has higher economic education obtained in the higher educational institution which upon issue of the degree certificate performed attestation of citizens in the field of professional activity on the securities market, or any of the following certificates: Qualification Certificate of the Financial Market Specialist, Auditor Qualification Certificate, Qualification Certificate of the Insurance Actuary, certificate of Chartered Financial Analyst (CFA), certificate of Certified International Investment Analyst (CIIA), certificate of Financial Risk Manager (FRM).

The legal entity may be recognized as the qualified investor given one of the following requirements is met:

1) equity capital of the entity amounts to at least 200 million Rubles;

2) over the last four quarters, on average, the legal entity has settled transactions in securities or derivative financial instruments at least five times per quarter; however, once a month minimum. Herewith, the aggregate price of these transactions (contracts) shall not be less than 50 million Rubles;

3) according to the accounting statements for the last reporting year that ended, turnover (proceeds) of the legal entity from sale of goods (work, services) amounts to 2 billion Rubles minimum;

4) according to the accounting statements for the last reporting year that ended, assets of the legal entity amount to at least 2 billion Rubles.

The Instruction cancelled the quarterly statements which the management companies, the brokers and the securities managers were obliged to the Bank of Russia for entities recognized by them as the qualified investors.

7. On April 11, 2015, Instruction of the Bank of Russia On Types of Derivative Financial Instruments came into force⁴³. As compared to the previously applicable order of the Federal Financial Markets Service of Russia, the list of derivative financial instruments was supplemented by the credit default swap, a contract providing for the obligation of the party or the parties to pay money upon occurrence of circumstances regarded as the credit events from time to time and/or only once.

8. The Regulation of the Bank of Russia On Activity of Special Depositaries⁴⁴ came into force on July 11, 2015. The Regulation specifies a number of innovations as compared to Regulation No. 04-3/ps of the Federal Commission for the Securities Market dated February 10, 2014, which previously governed the activity of special depositaries:

⁴³ Instruction No. 3565-U of the Bank of Russia On Types of Derivative Financial Instruments dated February 16, 2015.

⁴⁴ Regulation No. 474-P of the Bank of Russia On Activity of Special Depositaries dated June 10, 2015.

3.2 ACTIVITY OF PROFESSIONAL PARTICIPANTS AND MANAGEMENT COMPANIES

1) requirement to disclose information on the structure and the list of shareholders (members) as well as the ultimate owners of special depositaries is imposed;

2) the requirements for maintenance by the special depositary of the accounting system are imposed. The accounting system is maintained in the form of an electronic database. It contains documents and information that the special depositary needs to perform its duties, and enables generation of a number of reports. The Regulation also establishes requirements for information security of the said system;

3) a ban is imposed with regard to consents given to the special depositary to disposal of the property of its customers (except for property of the underwriters) pursuant to which monetary assets are transferred to the bank account of the customer whose contract with the serving credit institution does not include provisions on mandatory signing by the special depositary of the relevant payment document;

4) a new requirement for the service contract of the special depositary is imposed: the contract provides for liability of the special depositary for total or partial loss of property of the customers in case of its safekeeping or accounting the title to it by the third parties. This requirements shall not be applicable if the registrar, the central depositary, the depositary performing mandatory centralized keeping of securities, or the foreign organization included into the list provided for by paragraph 4, Article 25 of Federal Law No. 414-FZ On Central Depositary dated December 7, 2011, was engaged to account the title.

9. The Instruction of the Bank of Russia⁴⁵ amending the requirements to the minimum size of the equity capital of depositaries was published on October 21, 2015. The Instruction establishes a new mechanism for calculation of the minimum equity capital of depositaries based on the market value of securities held on the accounts of the nominee holder opened for this depositary by other accounting organizations, and the “reliability” index of these accounting organizations.

10. Regulation No. 481-P⁴⁶ of the Bank of Russia dated July 27, 2015, came into force on September 15, 2015. The Regulation establishes new license requirements and conditions for performance of professional activity on the securities market. This document replaced Order No. 10-49/pz-n of the Federal Financial Markets Service of Russia dated July 20, 2010. The Regulation excluded the requirement to the licensee according to which the licensee settling transactions through customers that are not qualified investors should have the Board of Directors. Moreover, it is provided that the employees of the business subdivision of the credit institution exclusive duties of which include performance of professional activity on the securities market shall be entitled to fulfill the duties relating to settlement of transactions in securities, foreign currency or goods, and conclusion of contracts regarded as the derivative financial instruments both at the expense of the institution and at the expense of its customer. The Regulation specifies that the activity of the client broker shall be licensed under a separate sub-type of broker license.

⁴⁵ *Instruction No. 3787-U of the Bank of Russia On Amending Instruction No. 3329-U of the Bank of Russia dated July 21, 2014 On Requirements to Equity Capital of Professional Participants of the Securities Market and Management Companies of Investment Funds, Unit Investment Funds and Non-State Pension Funds dated September 9, 2015, came into force on January 1, 2016.*

⁴⁶ *Regulation No. 481-P of the Bank of Russia Regulation on License Requirements and Conditions for Performance of Professional Activity on the Securities Market, and on the Procedure and Terms for Submission to the Bank of Russia of Reports on Termination of Obligations Relating to Performance of Professional Activity on the Securities Market in Case the License of the Professional Securities Market Participant is Cancelled dated July 27.*

The Bank of Russia also approved instructions on the procedure for licensing of professional securities market participants⁴⁷, and management companies and special depositaries⁴⁸.

11. New Regulation of the Bank of Russia On Procedure for Opening and Maintaining DEPO and Other Accounts by Depositaries⁴⁹ was approved in the end of 2015. The Regulation more exactly specified the list of type of DEPO and other accounts opened by the depositary. The document also settles a number of practical issues detected upon use of the previously applicable procedure for opening and keeping of DEPO accounts⁵⁰. Thus, it specified the procedure to be followed by the depositary accounting securities of the depositor acting as the dissolved legal entity. Pursuant to the civil laws, new requirements as related to transfer of title to the uncertified securities and pledge recording are taken into account. Requirements to performance by the depositary and the registrars of inspection of securities for compliance in quantitative terms, requirements to provision of the depositor by the depositary with information on the titles to securities, requirements to determination of the length of the business day of the depositary and to disclosure of information on the same were specified in a separate regulation⁵¹.

12. Regulation No. 482-P⁵² of the Bank of Russia was officially published on December 23, 2015. It considerably changes the approach to regulation of trust management of securities. The Regulation cancels numerous restrictions on activity of the trustee (ban on transactions with affiliates, in securities of affiliated issuers, etc.), and introduces a new requirement instead – to invest funds of the customers in accordance with their investment profile. The investment profile shall be understood as a complex consisting of three elements:

- 1) yield from trust management expected by the customer;
- 2) risk which the customer can bear if the customer is not a qualified investor;
- 3) period of time for which the expected yield and the acceptable risk are determined.

The concept of the “investment profile” first appeared in the Russian law although previously it was used in the NAUFOR Standards of Professional Activity. Pursuant to the Regulation, to determine the investment profile of the customer, the trustees shall conduct an interview with it. Should the customer refuse to provide information for determination of its investment profile or should it disagree with the profile determined by the trustee, the trustee may not manage its securities and monetary assets. The Regulation obliges the trustees to bring their activity into compliance with the new requirements by July 3, 2016.

⁴⁷ *Instruction No. 168-I of the Bank of Russia On Procedure for Licensing by the Bank of Russia of Professional Activity on the Securities Market and Procedure for Maintenance of the Register of Professional Securities Market Participants dated September 13, 2015.*

⁴⁸ *Instruction No. 166-I of the Bank of Russia On Procedure for Licensing of Joint-Stock Investment Funds, Management Companies and Special Depositaries, Procedure for Maintenance of the Register of Licenses of Joint-Stock Investment Funds, the Register of Licenses of Management Companies, and the Register of Licenses of Special Depositaries, Procedure for Giving Notice to the Bank of Russia of Changes in Details Concerning Officials of Joint-Stock Investment Fund, Management Company and Special Depositary dated June 29, 2015.*

⁴⁹ *Regulation No. 503-P of the Bank of Russia On Procedure of Opening and Maintaining by the Depositaries of DEPO and Other Accounts dated November 13, 2015.*

⁵⁰ *Order No. 12-78/pz-n of the Federal Financial Markets Service On Approval of the Procedure for Opening and Maintaining by Depositaries of DEPO and Other Accounts dated August 30, 2012.*

⁵¹ *Instruction No. 3642-U of the Bank of Russia On Standard Requirements to Performance by the Depositary and the Registrar of Inspection of the Securities for Compliance in Quantitative Terms, to Provision of the Depositor by the Depositary with Information on Titles to the Securities, to Determination of the Length of Business Day of the Depositary and to Disclosure of Information on the Same dated May 19, 2015.*

⁵² *Regulation No. 482-P of the Bank of Russia On Standard Requirements to the Rules for Performance of Activity Relating to Management of Securities, to Procedure for Information Disclosure by the Trustees, and Requirements Aimed at Avoidance of the Trustee's Conflict of Interests dated August 3, 2015.*

13. In August 2015, Instruction No. 3758-U⁵³ of the Bank of Russia was approved. It establishes a new procedure for determination of net asset value (including annual average value) of joint-stock and unit investment funds. Value of assets and liabilities is calculated in accordance with IFRS 13 Fair Value Measurement. Furthermore, requirements to content of the rules for measurement of net asset value approved for each unit investment fund were specified. Inter alia, they shall specify criteria for acceptance of assets (liabilities), methods of their valuation, procedure for value conversion from one currency to another one.

14. Throughout 2015, active work for preparation and approval of industry-specific accounting standards was continued within the framework of preparation for transition of non-credit financial institution to the common accounting scheme and industry-specific accounting standards. Professional participants of the securities market and management companies will be obliged to keep accounting in accordance with the new rules since January 1, 2018.

3.3. Organized Trading

1. In the end of June 2015, the Federal Law On Clearing and Clearing Activity was amended⁵⁴. The concept of “property pool” was introduced. It shall mean a package of securities and other assets contributed by the clearing participants which was formed by the clearing organization. Requirements to the agreement on property pool and clearing participation certificates are specified.

Peculiarities of execution upon property of clearing organizations and clearing participants as well as peculiarities of imposition of arrest on the debtor’s property on the trading and/or clearing accounts are defined more precisely. Inter alia, it is specified that execution may not be levied and/or arrest may not be imposed on securities and other assets contributed into the property pool with regard to debts and liabilities of the participant of the pool, the clearing participant, the customer of the clearing participant, and/or the clearing organization. The only exception is execution on clearing participation certificate in the event the holder of the clearing participation certificates is the person whose assets are contributed into the property pool. In this case execution is levied on monetary assets remaining after fulfillment or termination of obligations of the clearing participant that contributed securities and other assets into the property pool which become (became) mature prior or on the day when the clearing organization received documents serving as the grounds for execution in the amount required to satisfy the demands contained in the court order with due account for collection of expenses for performance of executive actions and payment of the execution fee.

Furthermore, in the end of 2015, amendments⁵⁵ authorizing the central counterparty to give orders for writing of monetary assets and securities off the accounts of the clearing participant without instructions of the clearing participant in the event this clearing participant failed to fulfill its obligations were introduced into the laws. An obligation to approve the rules for organization of the risk management system that shall define measures aimed at reduction of risks of the central counterparty and risks associated with combination of the central

⁵³ *Instruction No. 3758-U of the Bank of Russia On Determination of Net Asset Value of Investment Funds Including Procedure for Calculation of Annual Average Net Asset Value of Unit Investment Fund and Annual Average Net Asset Value of Joint-Stock Investment Fund, Estimated Value of Investment Units of Unit Investment Funds, and Value of Property Transferred as Payment for Investment Units dated August 25, 2015. It came into force since January 1, 2016.*

⁵⁴ *Federal Law No. 210-FZ On Amending Certain Legal Acts of the Russian Federation and Declaring Certain Provisions of the Legal Acts of the Russian Federation Null and Void dated June 29, 2015.*

⁵⁵ *Federal Law No. 403-FZ On Amending Certain Legal Acts of the Russian Federation dated December 29, 2015.*

counterparty's activity with other types of activity, and measures taken by the central counterparty in non-standard and emergency situations, which may preclude regular performance of the central counterparty's activity, and aimed at securing continuity of this activity was imposed on the central counterparty.

2. Regulation of the Bank of Russia⁵⁶ that set out new requirements to the procedure for organized trading came into force on February 6, 2015. As compared to the previous order of the Federal Financial Markets Service of Russia, the Regulation specifies the procedure for keeping register of traders and their customers, register of contracts (transactions); certain amendments has been also introduced in the procedure for information disclosure by trader. The name of the index change in the value of which is used to suspend organized trading has been changed from stock to core, and the procedure for suspension of trading has been specified.

3.4. Anti-Money Laundering and Combating Terrorism Financing

1. On June 29, 2015, the Federal Law On Anti-Money Laundering and Combating Terrorism Financing was amended⁵⁷ as to simplify the procedure for identification by financial institutions of beneficial owners and beneficiaries. Inter alia, it is specified that identification of the beneficial owner is not performed in the event the customers acting as foreign legal entities whose securities underwent the listing procedure on a foreign exchange included into the list approved by the Bank of Russia are accepted for serving, and identification of beneficiaries is not performed if the customer is the public authority of the Russian Federation, the public authority of the constituent entity of the Russian Federation, the local authority or the public authority of a foreign state.

2. Instruction No. 3470-U⁵⁸ determining the requirements to special officials for AML/CFT in non-credit financial institutions came into force on January 11, 2015. The requirements relate to the availability of higher or secondary professional education, work experience in AML/CFT, and, in some cases, work experience in a senior position.

3. Instruction No. 3471-U of the Bank of Russia On Requirements to Training of Employees of Non-Credit Financial Institutions⁵⁹ came into force on March 1, 2015. The Instruction expanded the list of employees that are obliged to undergo mandatory training on AML/CFT.

The training is held in the form of introductory (initial) briefing, pre-job (extraordinary) briefing, advanced training (scheduled briefing). Pre-job briefing and advanced training may be also arranged with the involvement of outside organizations.

4. Regulation No. 444-P⁶⁰ of the Bank of Russia setting out the requirements to identification of customers, customers' representatives, beneficiaries and beneficial owners by non-credit

⁵⁶ Regulation No. 437-P of the Bank of Russia On Activities in Organized Trading dated October 17, 2014.

⁵⁷ Federal Law No. 210-FZ On Amending Certain Legal Acts of the Russian Federation and Declaring Certain Provisions of the Legal Acts of the Russian Federation Null and Void dated June 29, 2015.

⁵⁸ Instruction No. 3470-U of the Bank of Russia On Qualification Requirements to Special Officials Responsible for Implementation of Internal Control Rules for Anti-Money Laundering and Combating Terrorism Financing in Non-Credit Financial Institutions dated December 5, 2014.

⁵⁹ Instruction No. 3471-U of the Bank of Russia On Requirements to Training of Employees of Non-Credit Financial Institutions dated December 5, 2014.

⁶⁰ Regulation No. 444-P of the Bank of Russia On Identification of Customers, Customers' Representatives, Beneficiaries, and Beneficial Owners by Non-Credit Financial Institutions for Anti-Money Laundering and Combating Terrorism Financing dated December 12, 2014.

3.4 ANTI-MONEY LAUNDERING AND COMBATING TERRORISM FINANCING

financial institutions, procedure for identification, information received for identification, data included in the customer's questionnaire (file), and exceptions from the scope of identifiable persons came into force on March 1, 2015.

5. Moreover, Regulation No. 445-P⁶¹ of the Bank of Russia setting out the requirements to the internal control rules in non-credit financial institutions for AML/CFT came into force on March 1, 2015.

The internal control rules for AML/CFT shall include, among other things, such programmes as identification of the customer (its representative, beneficiary, beneficial owner), management of risk of legalization of "criminal" income, identification of transactions (operations) being subject to mandatory control, suspension of operations, etc.

The requirements to the internal control rules for AML/CFT are distinguished depending on the type to which the non-credit financial institution pertains:

- management companies, NPFs, credit unions, microfinancial institutions, pawn shops and other institutions meeting the criteria for small business;
- institutions mentioned above that do not meet these criteria as well as insurance enterprises and professional participants of the securities market.

⁶¹ Regulation No. 445-P of the Bank of Russia On Requirements to Internal Control Rules in Non-Credit Financial Institutions for Anti-Money Laundering and Combating Terrorism Financing dated December 15, 2014.

4. Regulatory System

4.1. Bank of Russia

4.1.1 General Powers

The Central Bank of the Russian Federation is not included in the system of executive authorities and operates subject to the special law⁶². As the organization responsible for arrangement for money turnover and stability of the Banking system of Russia, the Bank of Russia has a number of powers more or less influencing the entire financial market of the Russian Federation,

In cooperation with the Government of the Russian Federation, the Bank of Russia develops and implements the uniform state monetary policy, which has effect on many parameters of the securities market. To implement the monetary policy, it acts as the issuer of its own bonds and settles transactions in the government securities and its own bonds on the open market while being the major player on this market.

As a banking system regulator, the Bank of Russia determines peculiarities of the procedure for securities issue by credit institutions and registers issues of the respective securities. It performs banking supervision over the activities of credit institutions and banking groups including the activity performed by them as the investors on the securities market.

4.1.2 Powers to Regulate Activities of Non-Credit Financial Organizations and Issuers

The Bank of Russia regulates, controls and supervises on financial markets over non-credit financial organizations in order to ensure sustainable development of the financial market of the Russian Federation, effective management of risks arising on financial markets, protection of rights and legitimate interests of investors on the financial markets, underwriters, insured persons and beneficiaries, as well as the insured persons under mandatory pension insurance, depositors and participants of a non-state pension fund under non-state pension fund scheme, and over other consumers of financial services.

The Bank of Russia registers issues of equity securities, and regulates, controls and supervises over the issuers' compliance with the requirements of the laws of the Russian Federation on joint-stock companies and securities.

With regard to the professional securities market participants, the Bank of Russia develops and approves uniform requirements to the rules of professional activity in securities, is responsible for licensing of professional activities on the securities market, ensures information disclosure, and keeps the register of professional securities market participants. The Bank of Russia performs inspections of professional participants, which may result in issuing orders, suspending or revoking the breacher's license.

With regard to collective investment institutions, the Bank of Russia registers rules for trust management of UIFs and rules of non-state pension funds as well as documents of special depositaries. The Bank of Russia performs inspections of activities of all above entities and may issue orders to them.

The Bank of Russia sets forth the procedure for and the period of calculating the market value of the assets, in which the funds of pension reserves are placed, and the aggregate market value of the fund's pension reserves, approves standard insurance rules of the fund, a standard form of the

⁶² Federal Law No. 86-FZ On the Central Bank of the Russian Federation (Bank of Russia) dated July 10, 2002.

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service agreement of a special depositary for the fund, a standard form of agreement on mandatory pension insurance, approves requirements to pension schemes applicable to non-state pension schemes, procedure, form and term for preparation and submission of reports on the activities of funds, sets forth mandatory terms and conditions of the trust management agreement to be concluded by the fund with the management company.

The Bank of Russia also determines qualifying requirements for persons performing functions of the sole executive body of the fund and for inspectors (managers of the internal control service).

Upon agreement with the Ministry of Labour and Social Protection of the Russian Federation, the Bank of Russia approves a standard form of pension agreement for early non-state pension scheme and standard rules of early non-state pension scheme.

The Bank of Russia is entitled to prepare recommendations on the application of the laws of the Russian Federation governing the relations related to operation of the securities market. The Bank of Russia may, if necessary, bring actions and petitions before the court and the arbitration court. An important function of the Bank of Russia is its right to consider cases on administrative offenses referred to its competence as well as to apply sanctions set forth by the laws on administrative offenses.

4.2. Ministry of Finance of the Russian Federation

According to the applicable Regulation on the Ministry of Finance⁶³, it approves terms and conditions of issues and circulation of federal government securities, and resolutions on individual issues of the above securities as well as the reports on results of their issue. In addition, the Ministry of Finance itself acts as the issuer of federal government securities.

The Ministry of Finance acts as a regulatory authority with regard to government securities of the constituent entities of the Russian Federation and municipal securities – it is responsible for state registration of the terms and conditions of issue and circulation of these securities, and approves the standards of information disclosure for the above securities.

4.3. Ministry of Labour and Social Protection of the Russian Federation

According to the Regulation on the Ministry of Labour and Social Protection of the Russian Federation approved by Decree No. 610 of the Government of the Russian Federation dated June 19, 2012, the Ministry of Labour of Russia performs the functions associated with the development of the state policy and legislative regulation, including those in the spheres of pension schemes, non-state pension schemes, and social insurance (excluding mandatory medical insurance).

The Ministry of Labour of Russia approves the procedure for confirming periods of work entitling to early old-age retirement pension, the rules for application for retirement pensions of federal civil servants, its award and payment, the rules for payment of retirement pensions and pensions under the state pension scheme.

⁶³ Decree No. 329 of the Government of the Russian Federation On the Ministry of Finance of the Russian Federation dated June 30, 2004.

4.4. Other Government Bodies

The law enforcement system on the securities market also includes tax authorities, financial control and monitoring authorities, antimonopoly authority, judicial system, and law enforcement bodies. However, a detailed description of their functions and tasks is beyond the scope of this review.

5. Key Events Calendar for 2015

January	
1	The amendments to the law regulating the procedure for opening and maintaining the individual investment accounts (the IIA) and provision of investment tax deduction came into force
9	Fitch rating agency downgraded the Russian credit rating from BBB to BBB- with negative forecast
12	The trades on the derivatives market of the Moscow Exchange are suspended
16	Moody's rating agency downgraded the Russian credit rating from Baa2 to Baa3 Fitch rating agency cut one level of ratings of 30 Russian financial institutions
19	The Bank of Russia announced that upon application of its regulations it will take into account ratings of credit institutions applicable as of March 1, 2014
21	The Chairman of the Government of the Russian Federation announced principal provisions of the plan aimed at ensuring sustainable economic development (anti-crisis plan)
22	The European Central Bank announced the commencement of the "quantitative moderation" programme. The programme appears as purchase of bonds of the EU countries for the total amount of 1.2 trillion Euro, and it will continue till the end of 2016
26	Rosneft Oil Company, JSC placed eight issues of stock bonds totaling to 400 billion Rubles Standard&Poor's rating agency downgraded the Russian credit rating from BBB- to BB+
28	The Government of Russian Federation published the anti-crisis plan providing for reduction in public expenses by 5% per annum over three years in order to achieve budget balance in 2017 Ministers of Foreign Affairs of the EU member states agreed to extend sanctions against Russia for another six months starting from March 2015
30	The Board of Directors of the Bank of Russia decided to decrease the key rate from 17.00% to 15.00% per annum
February	
12	The peace plan with regard to Ukraine (Minsk-2 plan) was approved in Minsk
16	The Bank of Russia acceded to the multilateral Memorandum of Understanding of the International Organization of Securities Commissions concerning consultation, cooperation and the exchange of information (IOSCO MMoU)
21	Moody's rating agency downgraded the Russian credit rating from Baa3 to Ba1
25	The Bank of Russia and the Cyprus Securities and Exchange Commission signed the Memorandum of Understanding
March	
3	The President of the USA signed the executive order extending sanctions against Russia till March 6, 2016
5	The trades on the currency market of the Moscow Exchange are suspended

5. KEY EVENTS CALENDAR FOR 2015

13	The Board of Directors of the Bank of Russia decided to decrease the key rate from 15.00% to 14.00% per annum
	The Council of Europe extended sanctions against Russia and its nationals till September 15, 2015
25-26	Oil price surge on the backgrounds of news about announcement made by Saudi Arabia about commencement of military operation in Yemen
April	
1	New Instruction No. 3533-U of the Bank of Russia On Terms and Procedure for Preparation and Submission of Statements of Professional Participants of the Securities Market to the Central Bank of the Russian Federation came into force
2	The Bank of Russia made announcement on inexpedience of final withdrawal from capital of Moscow Exchange, JSC and Saint Petersburg Currency Exchange, CJSC taking into account development of geopolitical situation and need to control the national stock exchange infrastructure by the regulatory agency
15	New revision of the Moscow Exchange Listing Rules came into force
	The Bank of Russia and the Central Bank of the Democratic People's Republic of Korea signed the Memorandum of Understanding
20	NAUFOR, ARB, NAPF, NLT, and ARUU addressed the Chairman of the Government of the Russian Federation to support preservation of the accumulation system in the mandatory pension insurance due to discussion of its possible cancellation
23	NAUFOR sent a letter containing a request to take into account problems of implementation of Regulation No. 445-P governing the AML/CTF procedure in non-credit financial institutions to the Central Bank of the Russian Federation
27	NAUFOR addressed the Central Bank of the Russian Federation and the Ministry of Finance with regard to creation of the investment insurance system on the financial market
29	NAUFOR addressed the Ministry of Telecom and Mass Communications of the Russian Federation with the request to provide for the right of non-credit institutions authorized to perform simplified identification of customers under Federal Law No. 115 to obtain information on compliance of personal data of individuals
30	The Board of Directors of the Bank of Russia decided to decrease the key rate from 14.00% to 12.50% per annum
May	
25	The Central Bank of the Russian Federation cancelled currency REPO auctions for 1 year
27	A representative of the Bank of Russia suggested introduction of the institute of "transactions in financial regulators" within the framework of which the entities in breach will be offered to cooperate with the investigators in return for mitigation of punishment
29	Annual conference of NAUFOR <i>Russian Stock Market of 2015: in the Mist of Uncertainty</i> was held
June	
3	Armed conflict in the South East of Ukraine escalated
8	G7 summit ended, sanctions against Russia are associated with performance of Minsk-2 agreement
12	Sudden drop of indices of the China's stock market is noted

5. KEY EVENTS CALENDAR FOR 2015

15	The Bank of Russia and the Hellenic Republic Capital Market Commission signed the Memorandum of Understanding
	The Board of Directors of the Bank of Russia decided to decrease the key rate from 12.50% to 11.50% per annum
	The trades on the derivatives market of the Moscow Exchange are suspended
18	Russian institutions in Belgium received a notice of arrest imposed on their property under the action of former shareholders of YUKOS
19	The EU extended sanctions against the Crimea and Sevastopol till June 23, 2016
22	The EU extended sanctions against Russia till January 31, 2016
26	New Instruction No. 3629-U of the Bank of Russia On Recognition of Qualified Investors and Procedure for Maintenance of the Register of Entities Recognized as Qualified Investors came into force
29	Negotiations between Greece, the EU and the IMF are interrupted. In Greece, a referendum is scheduled on June 5, 2015. Quotes decreased on the majority of European stock exchanges
30	Standard&Poor's rating agency downgraded the credit rating of Greece from CCC to CCC-
July	
1	The IMF officially confirmed that Greece has not paid 1.6 billion EURO in due time
2	Sudden drop of indices of the China's stock market is noted
	Moody's rating agency downgraded the credit rating of Greece from Caa2 to Caa3 with negative forecast
5	In Greece, the referendum was held with regard to acceptance of the draft agreement on the procedure for debt repayment provided by the EU, the European Central Bank and the IMF. The majority of nationals did not agree with the demands of the creditors
8-9	Sudden drop of indices of the stock markets of Japan and Hong Kong is noted
10	The Bank of Russia informed of establishment of the fact of share market manipulation
11	Regulation No. 474-P of the Bank of Russia On Activity of Special Depositaries dated June 10, 2015, came into force
13	An extraordinary meeting of leaders of the Eurozone countries was held with regard to Greek crisis. It was agreed to render financial assistance to Greece in the amount of 25 billion Euro in exchange for a reform programme
	ARB, NAUFOR and NSMA signed the agreement on establishment of the Board for Derivative Financial Instruments
14	Iran and international intermediaries adopted a joint plan of actions for settlement of issues relating to Iran nuclear programme
	Federal Law No. 223-FZ On Self-Regulatory Organizations in the Field of the Financial Market dated July 13, 2015, is published. The document provides for the obligation of financial organizations to join a SRO within 180 days after the first of them obtains the relevant status
27	Sudden drop of indices of Asian stock markets is noted
	In the Bank of Russia, establishment of the national rating agency with the capital in the amount of 3 billion Rubles is announced
28	The Bank of Russia issued license to Crimea Exchange, JSC (Simferopol) for

5. KEY EVENTS CALENDAR FOR 2015

	arrangement for organized trades
29	NAUFOR sent comments on the draft Instruction of the Central Bank of the Russian Federation on calculation of own funds by professional participants and management companies
31	The Board of Directors of the Bank of Russia decided to decrease the key rate from 11.50% to 11.00% per annum
August	
3	After five-week break, the securities market of Greece opened, stock index decreased by 23%
	The Bank of Russia revoked licenses of five Non-state Pension Funds and imposed a ban on two funds with regard to settlement of transactions (thereafter the licenses were also revoked). According to the estimates, these funds held pension savings of 1.14 million people
	The trades in Classica sector of the stock market of the Moscow Exchange are terminated
12	The trades on the derivatives market of the Moscow Exchange are suspended
14	The Bank of Russia informed of establishment of the fact of the investment units market manipulation
19	Fitch rating agency upgraded the credit rating of Greece from CC to CCC
21	Significant decline of the US stock market and abrupt growth of VIX volatility index are noted. Decline was also observed on the stock markets of European and Asian countries including Russian indices
24	Significant decline of the China's stock market is noted. Stock markets of other countries also declined
September	
1	20 th anniversary of RTS index
	The trades on the stock market of the Moscow Exchange are suspended
2	Permanent representatives of the EU countries decided to extend individual sanctions against nationals of the Russian Federation
8	The trades on the stock, the derivatives and the currency markets of the Moscow Exchange are suspended
14	The Board of Directors of the Bank of Russia decided to keep the key rate at the level of 11.00%
	The EU extended sanctions against Russia till March 15, 2016
	Sudden drop of indices of the China's stock market is noted
	A fault of information disclosure occurred on the Moscow Exchange
15	Regulation of the Bank of Russia setting licensing requirements and conditions for performance of professional activity on the securities market came into force
21	The trades on the derivatives market of the Moscow Exchange are suspended
22	NAUFOR sent comments on the draft of a new Instruction On Content and Structure of UIF Assets to the Central Bank of the Russian Federation
29	The Moscow Exchange commenced calculation of indices of government sector companies
30	The Federation Council gave consent to use of the Armed Forces of Russia abroad
	The Ministry of Defence of the Russian Federation announced commencement of

5. KEY EVENTS CALENDAR FOR 2015

	the air mission in Syria
	The Government of the Russian Federation informed the State Duma of the Russian Federation of “freezing” of pension savings for 2016
October	
13	The first company (Vivait IC, LLC) was included into NAUFOR register, and it may reduce its equity capital to 15 billion Rubles
14	The Memorandum of Understanding is signed in the field of bilateral cooperation of the Bank of Russia and the Bank of the Lao People’s Democratic Republic
	The Sub-Commission for Use of Information Technology of the Ministry of Telecom and Mass Communication approved connection of the first participants of the securities market to the Unified System of Identification and Authentication (USIA) for simplified identification of individual customers
15	The trades on the derivatives market of the Moscow Exchange are suspended
	The first companies acting as professional securities market participants started to be connected to the Unified System of Identification and Authentication enabling remote conclusion of service agreements
19	New revision of the Moscow Exchange Listing Rules comes into force
	Standard&Poor’s rating agency confirmed the credit rating of Russia at the level of BB+
29	Fitch rating agency confirmed the credit rating of Russia at the level of BBB- with negative forecast
	The Bank of Russia transferred to the PFR pension savings of clients of seven Non-State Pension Funds whose licenses were revoked in August 2015 in the amount 38.6 billion Rubles
30	The Board of Directors of the Bank of Russia decided to keep the key rate at the level of 11.00%
November	
3	The Bank of Russia revoked licenses of three Non-State Pension Funds (total assets exceed 5 billion Rubles)
24	A Russian aircraft was shot down on the border between Syria and Turkey. The Government of the Russian Federation made strong statements against Turkey
28	The President of the Russian Federation signed amendments to Federal Law No. 327 explaining taxation of individual investment accounts and delegating duties of the tax agent from the management company of the unit fund to the brokers or the trustees if at the moment of repayment of the units they are kept on the accounts of the broker of the trustee
	The President of the Russian Federation signed the decree On Measures to Ensure National Security of the Russian Federation and Protection of Nationals of the Russian Federation against Criminal and Other Unlawful Actions, and On Application of Special Economic Sanctions against the Republic of Turkey
December	
2	The Bank of Russia published <i>Main Directions of Development and Ensuring Stable Operation of the Financial Market of the Russian Federation for the Period from 2016 till 2018</i>
3	The President of the Russian Federation addressed the Federal Assembly with an annual message. Among other things, he suggested that personal income from investment into bonds should be tax exempt

5. KEY EVENTS CALENDAR FOR 2015

4	The Bank of Russia informed of establishment of the fact of investment units market manipulation
8	The Chairman of the Government of the Russian Federation signed Regulation No. 1340 On Application of the Key Rate of the Bank of Russia since January 1, 2016. In all government documents, the key rte will be used instead of the refinancing rate
11	The Board of Directors of the Bank of Russia decided to keep the key rate at the level of 11.00%
	The Bank of Russia informed of establishment of the fact of investment units market manipulation
14	The Bank of Russia issued the first license of the professional securities market participant for performance of Forex dealer activity
16	For the first time since 2006, the Federal Open Market Committee of the US Federal Reserve System increased the key rate by 0.25 pp up to 0.25-0.5%
	The Board of Directors of the IMF acknowledged official status of the Ukraine's debt to Russia in the amount of 3 billion USD
17	The Bank of Russia published results of examination of the fact of significant change in price and volume of trade on February 27, 2015, with regard to US dollar-Ruble instrument on the currency market of the Moscow Exchange. It was established that transactions were settled on behalf of the credit institution by non-identified persons using integrated virus software. The fact of manipulation was not detected.
	The Bank of Russia and the People's Bank of China signed the Memorandum of Understanding
18	The Bank of Russia revoked licenses of three Non-State Pension Funds (total assets exceed 4 billion Rubles). In total, 19 funds are being dissolved
	The Bank of Russia informed of establishment of the fact of share market manipulation
21	The EU extended sanctions against Russia till July 31, 2016
	A fault in operation of the website occurred on the Moscow Exchange
28	The first companies acting as the professional securities market participants started to render the service for remote sale of products using the Unified System of Identification and Authentication.

For notes