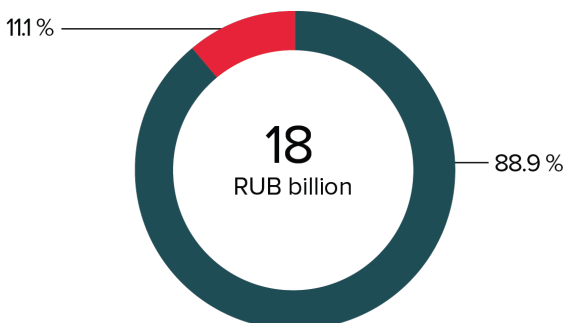
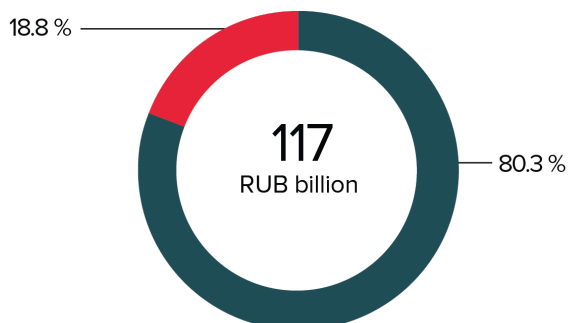


Commodities Market

2014



2015



■ Precious metals market	16 RUB billion (88.9 %)	■ Precious metals market	94 RUB billion (80.3 %)
■ Grain market	2 RUB billion (11.1 %)	■ Grain market	22 RUB billion (18.8 %)

On-exchange grain trading

2015 results

On 23 December 2015, the National Mercantile Exchange, which is part of Moscow Exchange Group, launched on-exchange trading in deliverable forward contracts with wheat as the underlying asset. Trading is carried out as a bilateral anonymous auction. The contract exercise period ranges from three days to six months. National Logistics Company organises transportation, alongside survey companies. The grain is stored in accredited grain elevators.

NCC Clearing Bank performs the functions of the central counterparty to the trades, as well as the operator of commodities deliveries, for which purpose it has obtained the relevant accreditation from the Bank of Russia. NCC Clearing Bank accredits commodity warehouses, maintains trading and commodity accounts to inventorise the property of clearing members and their clients based on a property storage contract, and conducts transactions with trading and commodity accounts related to the execution of property transfer obligations.

Trading members are offered forwarding services unparalleled in Russian and global exchange-based trading. The service allows the buyer to purchase the underlying assets on condition of delivery to a specified point (any railway station in Russia). Forwarding services to trading members were made possible due to a partnership between Moscow Exchange Group and Rusagrotrans, Russia's largest grain car fleet operator.

The project launch required the accreditation of grain elevators in the Volgograd and Stavropol regions. Once the elevators were accredited, an electronic document management system was set up, followed by inventory control performed for trading and commodity accounts of trading and clearing members.

Implementation of the project required a new trading and clearing system, UROZHAI, which will make it possible in future to launch trading in derivative instruments with any commodity as the underlying asset.

Market operation scheme



Commodity accounts and delivery scheme



Delivering to elevator, crediting the commodities account by a member firm/ member firm client

ELEVATORS

- Meet the Operator's standards
- Accredited by the Operator
- Accept, store and give out grain under the agreement with the operator



Quality monitoring at shipment

Grain insurance for storage and rail movement period

Delivery operator (NCC ClearingBank)



Keeps records on member firms commodities accounts/ members firms clients' nominee commodities accounts under the storage agreements



Storage grain on the accredited elevators



Keeps end-of-day records on commodities accounts with further shipment of the commodity (subject to trade terms)



Organises shipment to a station chosen by the buyer under an agreement with the member firm



Contacts freight companies on its own

Expeditor (National Logistics Company)

Government Interventions

Authorised by the Ministry of Agriculture, National Mercantile Exchange has since 2002 been involved in government commodity and procurement interventions on the grain market. In 2015, the Ministry of Agriculture conducted procurement interventions to purchase grain for the State Intervention Fund.

In 2015, more than 600 agricultural production participants were involved in procurement interventions, a four-fold increase on 2014.

Over 2.2 mln tons of grain, worth a total of RUB 22.4 bln, were purchased through the Exchange for the Intervention Fund (RUB 2.1 bln in 2014). Most of this was committed to the Ural and Siberia federal districts, which are traditionally active participants in state interventions.

2016 Outlook

In 2016, Moscow Exchange plans to continue expanding opportunities for participants of the Grain Market. To provide liquidity, the Exchange intends to be more active in attracting new participants, increase the number of commodity warehouses by accrediting elevators in various regions of Russia, and improve the inventory control system for commodities in accredited elevators.

As part of extending the product line, it is planned to launch trading in swaps to enable the participants to raise short-term financing against the collateral of left-over inventory on commodity accounts and to optimise payment streams. In addition, given demand by participants, Moscow Exchange is willing to add new groups of commodities as underlying assets.

Along with bilateral auctions, it is planned to provide an opportunity for trading in the format of a unilateral auction.

Precious metals trading

2015 Results

The Precious Metals Market launched by Moscow Exchange late in 2013 increased strongly in 2015. Total trading volumes increased six times year-on-year to RUB 94.1 bln, with physical volumes equal to 41.9 tonnes of gold and 1.4 tonnes of silver. Some of these volumes were physically disposed by participants, involving the acceptance and transfer of bullions to the vault of NCC Clearing Bank.

Gold and silver are traded on the FX Market platform using a unified system of margining and risk management. Trading collateral is accepted in RUB, USD, EUR and CNY, as well as precious metals.

In 2015, 15 new organisations including the Bank of Russia joined the Precious Metals Market. At the end of 2015, trading involved 61 organisations — 50 banks and 11 investment companies. To provide liquidity for the main market instruments, market-makers continued to operate under agreements concluded with the Exchange. Five non-banking institutions provide direct market access (DMA) for their clients, both individuals and legal entities.

2016 Outlook

In 2016, Moscow Exchange plans to continue improving services and conditions for on-exchange trading of precious metals for all categories of participants. The Exchange is considering expanding its product range with platinum group metals if there is interest from commodities and financial market participants.