

CSDs: NSD (Russia)

Date: 23 Aug 2013

SMI Markets: Russia

CMIRR Markets: Russia

Moscow Exchange Announces Changes Involving T+2 Settlement

Moscow Exchange (ME) has announced some changes that will become effective from 2 September 2013 in its operations, including in the introduction of T+2 settlement.

The salient points are:

On Trading:

- All listed stocks, Russian Depository Receipts (RDRs), mutual-fund units, mortgage-participation certificates (MPCs), and foreign ETFs will be traded with a T+2 settlement cycle only.
- Trading in all bonds (including OFZs) will continue in all regimes – repo, negotiated trades, Main Trading Mode T+0 – without a CCP.
- OFZs will continue to trade in both the T+ and T+0 Main Trading Modes.

On the Equities and Bonds Market:

- The 23 most-liquid shares will be admitted to trading in the CCP Repo Order Book Mode.
- The 13 most-liquid corporate bonds will be admitted to trading in the CCP Negotiated Trades and CCP Repo Off Order Book Modes.
- Introduction of a Closing Auction in the Equities Market replacing the current Post-trade Auction that will:
 - Use a new algorithm that utilises the principle of random auction termination, preventing the market price from being artificially increased or decreased;
 - Run from 6.40pm to 6.50 pm (Moscow Time). Consequently, the end of trading will move from 6.45pm to 6.40pm (Moscow Time).
- Participants will be allowed to hold a compensation and commission clearing account, from which commission will be withdrawn for all deals done with clearing accounts.
- Odd-lot trades will require just partial pre-funding, and can be trade in the T+2 mode.
- The Dark Pool algorithm will be updated allowing trades with large blocks to use the T+2 order book to calculate settlement prices.
- Definition of IDs' powers on the T+0 and T+2 markets.
- Introduction of a new code for settlement on Y0 and Y2 CCP Repo Order Book Mode trades.
- CCP Repo Order Book Mode trades will be limited to RUB1 million for stocks and RUB10 million for OFZs.
- Trading on securities denominated in EUR will be allowed.

The official announcements are available here: [Moscow Exchange Releases On T+2](#); [On Closing Auction](#); [On Trading with CCP](#); [On the Equities and Bonds Markets](#).

CSD Risk Impact

NSD (Russia)

CSD Rating: AA-

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = AA-

Flash Impact = On Watch

The increase in the settlement cycle may impact the availability of funds for market participants, by providing more flexibility in managing their funds for settlement obligations. However, since there will be a change from a fully pre-funded model, the precise impact will depend on the fails management procedures implemented in the market to reduce failed trades. In addition, the longer settlement cycle will extend the length of time that counterparties are exposed to each other. As result, the impacts on Liquidity Risk and Counterparty Risk have been placed "On Watch".

Market Information Impact

Russia

This information affects the data contained in the Stock Market and Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Russia

Market Rating: BBB

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = BB

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = BB

Flash Impact = On Watch

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Related Flash: [Moscow Exchange Introduces T+2 Settlement Cycle - Update, 25/06/2013 \(click to view\)](#)

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