



Electronic Trading in Russia

Sergey Romanchuk, Head Of FX&MM
SCB Metallinvestbank, President ACI Russia.

There is no closed FX market in Russia anymore, all trading is global now.

So, we will speak about:

- Electronic trading by Russian instruments – RUB products on all platforms including international
- Some practice of Russian based players on the market.
- Specialties of Russian based trading platforms.

Classification of electronic trading and FX e-commerce

There are 4 main activities:

1. Delivery of prices to the clients and counterparties – FX e-commerce
2. Facilitating access to the market for manual and algo trading (liquidity aggregation)
3. Algorithmic trading on own book
4. High Frequency Trading – using arbitrage opportunities and exploiting platforms features

Some trends on electronic trading landscape

1. Delivery of prices to the clients and counterparties – FX e-commerce
 - Must to have in order to serve clients;

2. Facilitating access to the market for manual trading (liquidity aggregation)

Competition between

- in house developed,
- 3-d party IT companies outsourced (Apama, Reuters, etc..)
- 3-d party vendors (Integral, FX All, 360T, etc..)

3. Algorithmic trading on own book;
 - rising;

4. High Frequency Trading – using arbitrage opportunities and exploiting platforms features
 - some pressure from regulation and trading venues rules.

Some trends on liquidity redistribution

We see liquidity drift from ECN's to single banks providers – competition between banks and market making funds.

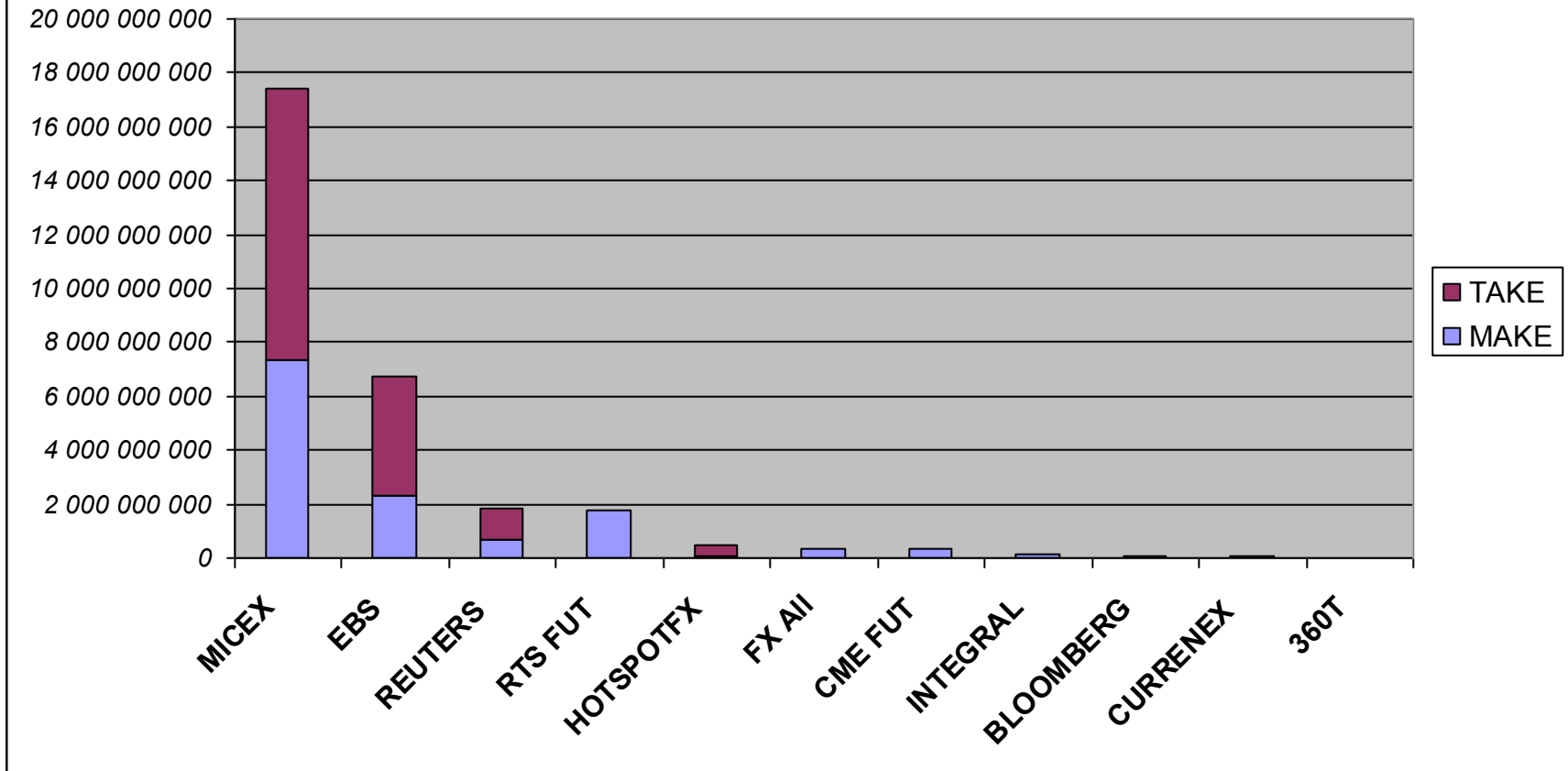
Current market leaders trying to find better business model (EBS and Reuters changing rules and playing with tick sizes, MQL, Fill ratio)

Rising of new projects for interbank trading (LMAX, PureFX) and joint eCommerce (FX SpotStream).

We could expect to see this for Russian FX market as well.

-> Fast changing environment -> necessity to have strong in house IT development team or IT Partner regardless positioning on the market.

Volume of bank's USDRUB trades for September 2012 via external platforms



General Architecture on Metallinvestbank's trading IT structure

- In-house developed Dealing Engine (launched in 2004)
- In-house developed liquidity providing solution Metallinvestbank FX (GUI and FIX)
- Same Moscow based server and application for market making on platforms (MICEX, RTS, CME, EBS, Reuters etc..) and clients distribution direct (MEIN FX) and 3-d party vendors (Integral, Bloomberg etc..)
- Plans to restructure for distributed solution (LD4 London, M1 Moscow, NY)

Nearest changes in MICEX-RTS (Moscow Exchange) infrastructure

- Clearing membership in currency market for non-banking institutions (brokers) -DEC2012
- Changing tick size from 0.0001 to 0.0005 for USDRUB.
- New calculated spot fix for USDRUB, changing for non-delivery futures cash settlement rate. DEC2012
- Changing location of matching server (M1 in November, own datacenter in 2015)
- Opening point of access in London - NOV2012
- Launch of OTC Derivatives Repository (NSD) – DEC2012.



Russian market players trends

- Rising competition between Russian banks as eCommerce providers to the clients
- Rising completion between Russian banks as market makers
- Rising competition between Russian brokers for providing DMA access to MICEX market for international clients (algo funds)
- Search for best IT solution.