



саморегулируемая организация
**НАЦИОНАЛЬНАЯ
ФИНАНСОВАЯ АССОЦИАЦИЯ**

SRO “National Financial Association” - NFA

Russian Derivatives Market (NFA 2016 Survey)

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“Russian Derivatives Market” Conference, 29/09/2016





NFA 2016 Survey Info

- 7-th Annual Survey on Russian derivatives (Initially conducted by NFEA in 2006 – 2011, 2-nd Survey done by NFA (first in 2015))
- Conducted in January-October 2015
- Participants: 22 institutions
- Coverage: > 90% of forwards & derivatives large banks active in derivatives reported
- Methodology: based on BIS (Basel) i.e. reporting is based on location of trading/sales desk regardless where the transactions are booked
- Focus on FX and Interest Rate (IR) derivatives
- Reporting of Daily volumes (ADV) but not Notionals





Participating Financial Institutions

17 domestic Russian banks incl. 6 subsidiaries of foreign banks

3 broker-dealers (few large banks did not provide info)

- Alfabank
- Alor+
- Credit Suisse
- FINAM
- Gazprombank
- Eurofinance – MNB
- ING Eurasia
- IT Invest
- Lanta
- Metallinvestbank
- Natixis
- NCC bank
- Otkritie bank
- Raiffeisen
- Rosbank
- Russian Agricultural
- Sberbank
- St.Petersburg
- Vnesheconombank
- VTB Capital
- Unicredit
- Uralsib

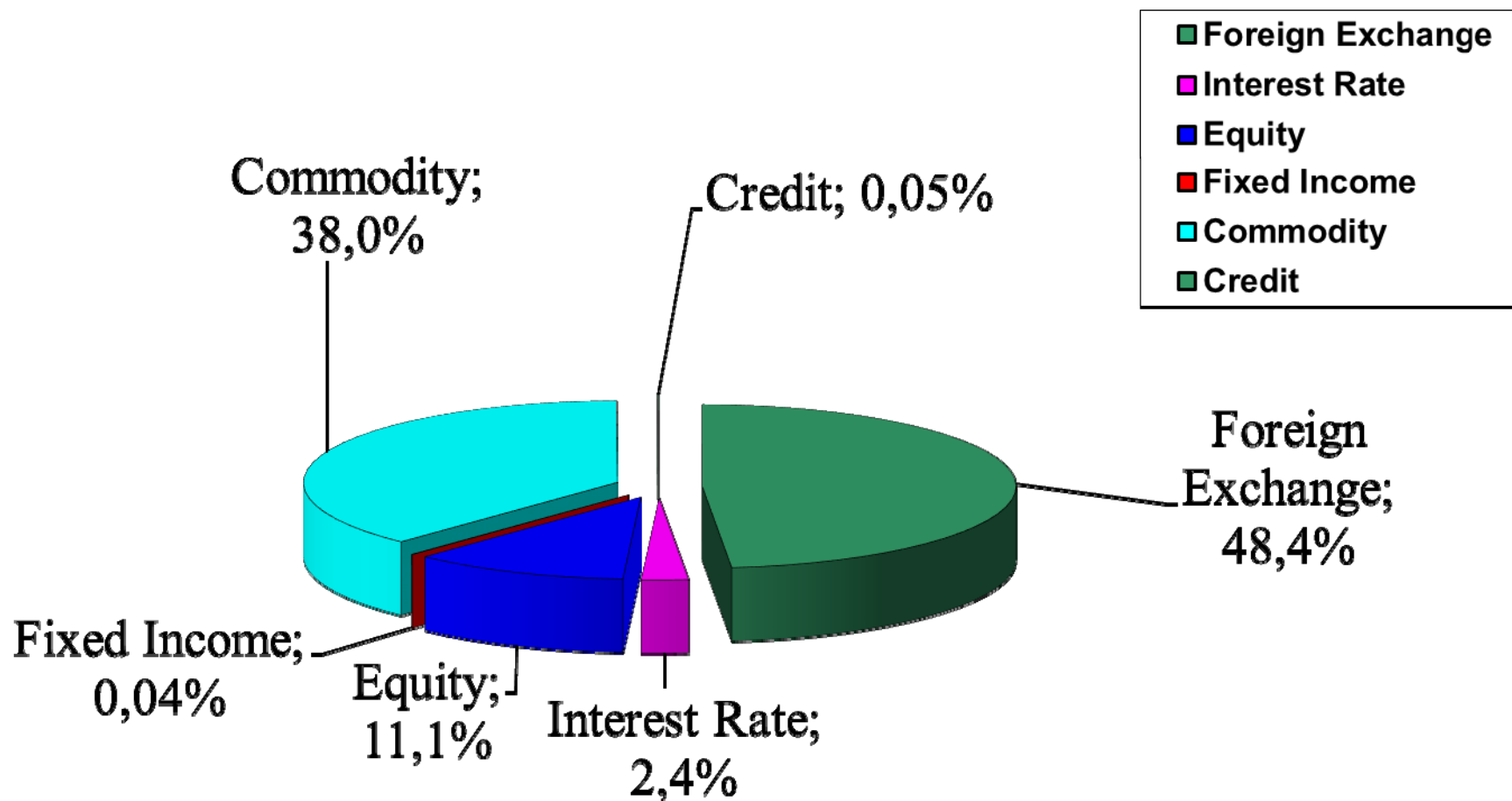
According to the CBR monthly “Surveys of FX and Derivatives Market Activity (BIS)”
the **number of banks accounting for 75 percent of the reported derivatives:**

January 2016: 1 bank of 16

June 2016: 5 banks of 19



Russian bank derivatives in 2016: Breakdown by underlying assets





2015-2016 trends in share of Russian derivatives by underlying assets

	2015	2016	Growth or Decline %
Total (all instruments):	100%	100%	
FX derivatives*	78.0%	48.4%	- 29.6 pp
Interest rate derivatives	6.3%	2.4%	-3.9 pp
Equity derivatives	7.9%	11.1%	+ 3.2 pp
Commodity derivatives	7.5%	38.0%	+30.5 pp
Fixed income derivatives	0.06%	0.04%	- 0.02 pp
Credit derivatives	0.3%	0.05%	- 0.25 pp

* Incl. Exchange traded FX futures



Russian derivatives ADV, \$mIn.

<i>mln.US\$</i>	2015	2016	Growth %
Total (all instruments):	<u>4,759</u>	<u>9,303</u>	+
FX derivatives*	3,611*	4,500*	+
	3,000**	2,500**	
Interest rate derivatives	330	120	-
Equity derivatives	410	1,064	++
Commodity derivatives	390	3,610	++
Fixed income derivatives	3.0	4.0	+
Credit derivatives	16	5.0	-

*Total Incl. Exchange traded FX futures

** excluding Exchange traded FX futures



Local vs International banks

Breakdown between Russian banks and local subsidiaries of international Banks (of total volume):



	2015	2016
Local banks	60.2%	97.3%
Foreign subs.	39.8%	2.7%



FX Derivatives 2015-2016

ADV: \$4,5 bln (2016) vs \$3.6 bln.(2015)

Client based volumes: 33%

<i>FX derivative instruments, %%</i>	<i>2015</i>	<i>2016</i>
FX forwards (NDF + Full Delivery outright)	29.7	17.0
<i>In FX Forwards (Full Delivery Outright forwards)</i>	81%	81,9%
FX swaps	53.7	62.1
FX futures	13.9	19.4
FX options	2.7	1.4



Maturity of FX derivatives

M a t u r i t y	%	2015	2016
1 month		67.5	55.7
3 months		21.2	26.5
6 months		8.2	8.2
12 months		2.3	4.4
3 years		0.3	5.0
> 3 years		0.5	0.3



FX derivatives done with/through



<i>Execution methods for FX deriv.</i>	2015 %	2016 %
Directly with other banks (OTC)	40.1	51.9
via Moscow Exchange (MOEX)	55.2	45.6
via foreign Derivatives Exchanges	0.6	0.6
Foreign trading venues (MTF, SEF)	4.1	1.9



Interest rate derivatives 2015-16

- Average daily volume in 2016: **120 mln.**
- 65% in Rubles, 26% in USD, 4% in EUR, 5% other
- Client based volumes: 22.4%



<i>IR derivative instruments</i>	%	2015	2016
Interest rate swaps (IRS)		33.0	31.2
Overnight index swaps (OIS)		24.2	38.6
Cross-currency swaps (CCS)		33.4	29.9
Interest rate futures		2.1	-
Forward rate agreements (FRA)		0.17	-
Interest rate options (IRO)		0.4	0.3



Interest rate derivatives ADV (by CBR statistics)

<i>Interest rate instruments</i>	2015		2016	
	ADV, mln.\$	%%	ADV, mln.\$	%%
CCS	39,6	22%	55,8	30%
IRS	57,6	37%	58,3	33%
OIS	55,6	41%	67,0	37%
OIS in Rubles	5,5	17%	17,4	23%
Total:	152,9	100%	181,1	100%

Source: CBR "Survey of Foreign Exchange and Derivatives Market Activity" by methodology of the Bank for International Settlements

ΗΦΑ Maturity of IR derivatives

M a t u r i t y	%	2015	2016
1 month		8.0	0.3
3 months		8.2	5.9
6 months		13.8	7.5
12 months		22.1	27.8
1-3 years		23.2	44.4
> 3 years		17.9	14.1





Russian ISDA agreement use

Number of agreements with banks and clients (breakdown only R(ISDA) or RISDA+R(CSA))

Number of agreements	with Banks 2015	with Corporates 2015	with Banks 2016	with Corporates 2016
Already use: only RISDA	723	1464	514	<u>1940</u>
Already use: R(ISDA) + R(CSA)	91	48	228	<u>158</u>
Plan to use: only R(ISDA)	21	63	42	48
Plan to use R(ISDA) + R(CSA)	70	5	14	22

Number of RISDA signed with corporates is growing

Number of CSA is growing



Legal agreements

Ranking of importance of bilateral legal agreements(10 max)

	2015	2016
Standard Documentation (RISDA 2011)	7.6	7.3
ISDA Agreement 2002	4.1	5.7
Elaborated by legal firms/or In-House agreements	6.0	4.5
Repo agreement (by NSMA,NFA)	2.7	4.0
GMRA 2000	3.1	3.2
NFEA interbank agreement	0.7	1.4
GMSLA	0.5	0.5

ΗΦΑ Problems of development

<i>Main problems that still hinder market development</i>	<i>Ranking of 2015</i>	<i>Importance 2016</i>
Legal (legislative) problems	7.4	7.5
Tax problems	5.8	4.9
Accounting problems	5.1	4.7
Lack of support from authorities	4.5	4.7
Lack of proper infrastructure	4.5	4.7
Lack of client demand	-	1.4

НФА Why corporates do not hedge

- Lack of qualified corporate Treasury culture
- Complexity of corporate tax accounting for hedging (risks) under Russian accounting standards
- Lack of financial literacy of corporate top-managers (when negative revaluation after adverse market movement –causes discontent of corporate heads and shareholders
- Planned introduction of central clearing, also for corporates
- Still not enough comprehension of market risk
- Lack of alternative local exchanges
- Low economic activity in Russia and low needs in hedging





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