

# Russian and IOB Equity Derivatives

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*London*  
**STOCK EXCHANGE**

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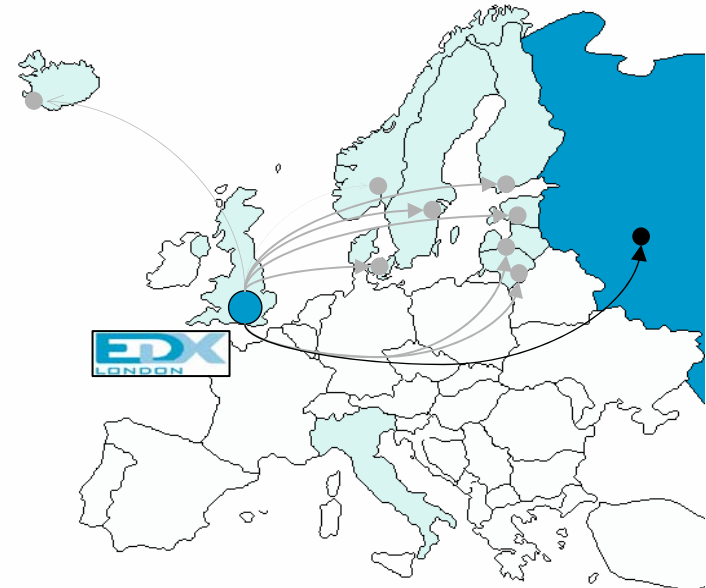
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## EDX London: Gateway to Russian and emerging market derivatives

- The international offering at EDX comprises derivative contracts based on
  - Depositary receipts (DRs) listed on the London Stock Exchange's International Order Book (IOB)
  - FTSE Russia IOB index as calculated by FTSE
- Designed and launched in close consultation with major European and Russian institutions
- Service **improves global access** to the Russian derivatives market, standardises market operations and provides certainty to investors through Exchange & Clearing services
- EDX is linked to Nordic derivatives liquidity and participants located in Finland, Sweden, Denmark, Norway, Iceland and the Baltic countries



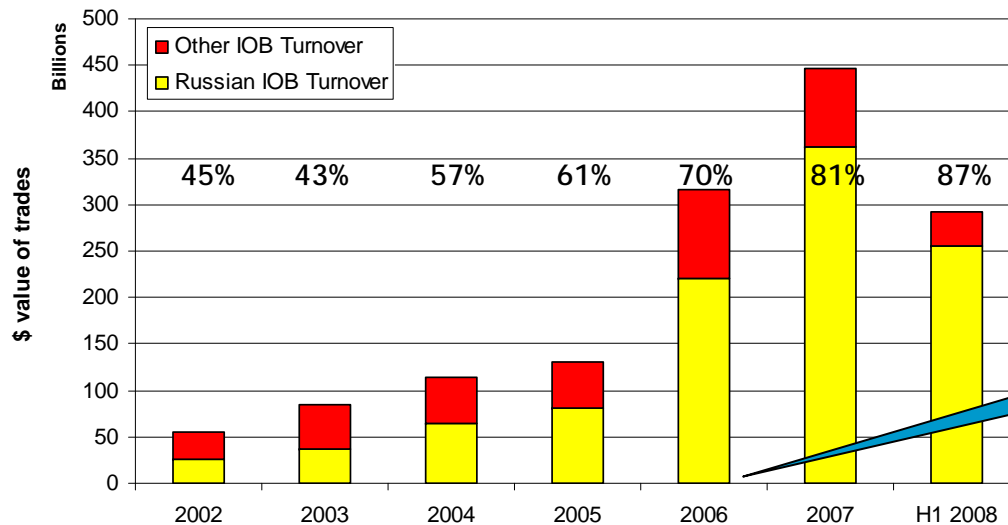
- Trading is conducted through electronic order books with obligated market makers guaranteeing liquidity through standardised contracts
- Derivative trades negotiated in the OTC market can also be reported to EDX London to benefit from exchange & clearing house efficiencies



# Russian DRs on the London Stock Exchange's IOB

- The London Stock Exchange's International Order Book is the marketplace for the trading of depository receipts of companies from over 40 countries
- Russian companies account for the majority of trading on the IOB
- Russian derivatives at EDX leverage this growth on the LSE

**IOB (Cash) breakdown Russian and non Russian companies**



→ Russian DR percentage of total IOB trading

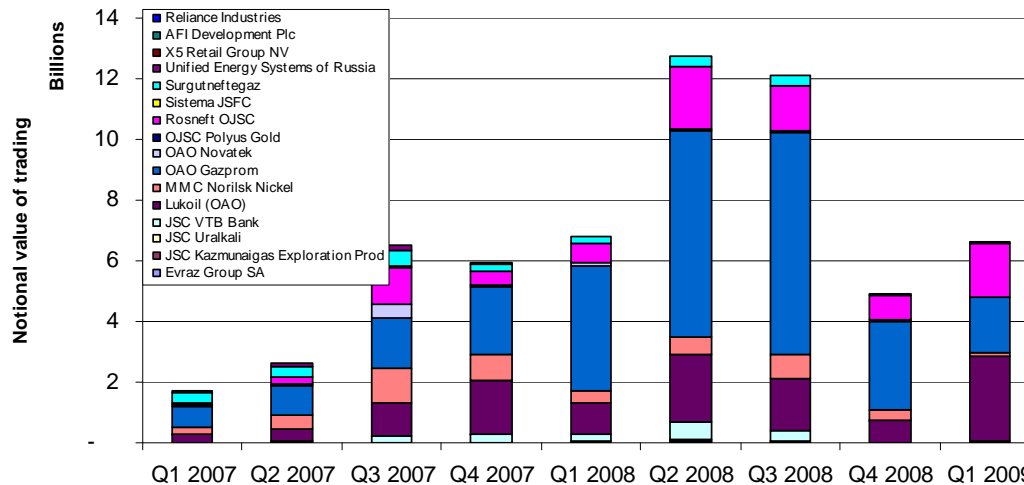
Dec '06: EDX launches Russia IOB derivatives service



## EDX is the marketplace for derivatives on individual Russian DRs

- Notional value traded in April 2009 was \$3.2 billion - nearing parity with pre-economic crunch levels
- August'08 = \$3.1bn
- September'08 = \$4.7bn
- June'08 = \$5.4bn **RECORD NOTIONAL**

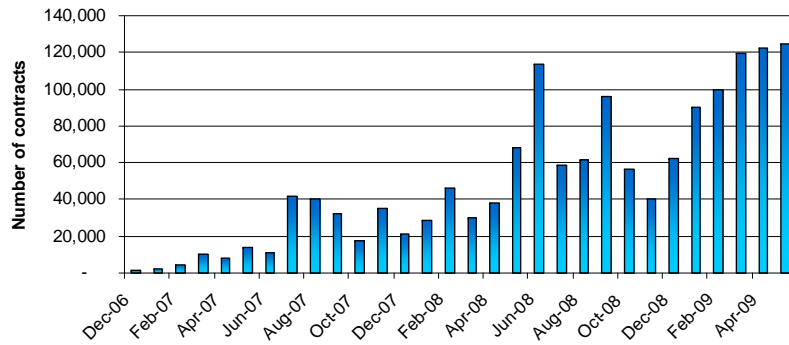
Derivative notional value traded by underlying DR



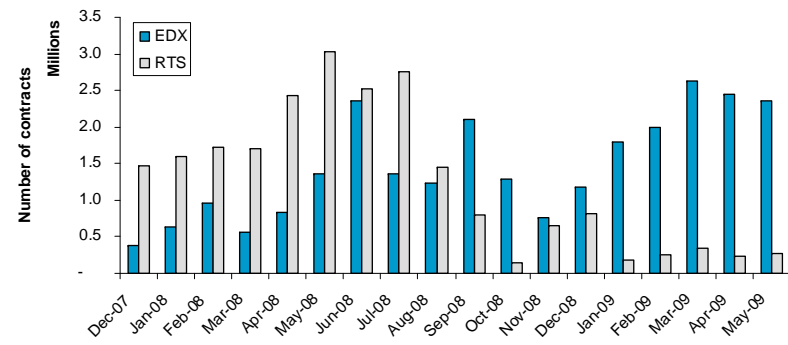
# EDX is now the market of choice for options on Russian companies

- Widespread service usage with over 20 global (including Russian) clients trading
- Volume highlights:
  - March ADV = 119,321 **RECORD ADV**
  - April ADV = 122,542 **RECORD ADV**
  - May ADV = 124,287 **RECORD ADV**
- Have averaged over 2 million contracts per month in 2009
- 2.63 million traded in May 2009 **RECORD VOLUME**
- Since launch in December 2006, EDX has attracted a significant number of market participants from Western Europe and Russia with over 30 million contracts traded
- EDX's market share in Russian options has been more than 88% for all of 2009
- This figure was 91.5% in April 2009

IOB average daily volume since service launch



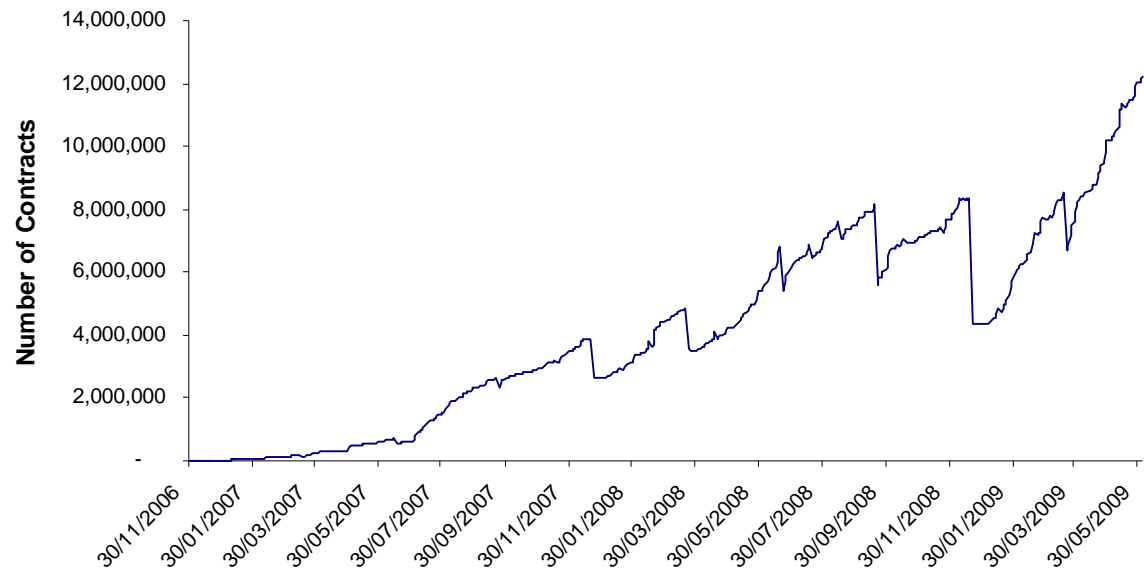
Stock options on Russian companies by exchange



# Sustained open interest growth

- Open interest on our IOB Service has been increasing steadily
- In the past month, open interest has increased by two million contracts, reaching over 12.2 million.

**Open Interest on TM and Standardised Series since launch**



## Major milestones and service enhancements since launch

2006	December	<ul style="list-style-type: none"> <li>Service launched with futures and options on 10 DRs (4 of which were order book traded with committed market makers) and new RIOB index</li> </ul>
2007	February	<ul style="list-style-type: none"> <li>3 months after launch, service traded more than <b>\$1 billion</b></li> </ul>
	April	<ul style="list-style-type: none"> <li>7 major Kazakhstan DRs added to the service</li> <li>EDX London wins prestigious Exchange Innovation of the Year Award</li> </ul>
	June	<ul style="list-style-type: none"> <li>Excellent start to VTB options - over <b>\$160 million</b> traded in first 3 months</li> <li>Standardised order book trading in Rosneft commenced with committed market makers providing liquidity</li> </ul>
	August	<ul style="list-style-type: none"> <li>A total of <b>36</b> major Russian and Kazakhstan DRs admitted to the service for trading and clearing</li> </ul>
	November	<ul style="list-style-type: none"> <li><b>\$17 billion</b> had been traded through EDX London</li> </ul>
	December	<ul style="list-style-type: none"> <li>Service internationalised with the addition of major DRs from Egypt, India and South Korea</li> <li><b>Over 20 global trading participants</b> had traded within the first 12 months of the service</li> </ul>



## Major milestones and key achievements in 2008

2008

- |       |   |
|-------|---|
| Feb   | <ul style="list-style-type: none"> <li>Record ADV of <b>46,000</b></li> </ul>   |
| Mar   | <ul style="list-style-type: none"> <li>Expanded the FTSE RIOB index to <b>15 constituents</b> in line with domestic and IOB market growth</li> <li>Deutsche Bank and Susquehanna Ireland recommitted as Primary Market Makers</li> <li>Société Générale continued to act as Designated Market Maker</li> </ul>  |
| April | <ul style="list-style-type: none"> <li>Enhanced Exchange market model to <b>deepen order book trading</b> <ul style="list-style-type: none"> <li>-Revised strike intervals improving the availability of standardised contracts</li> <li>-Market maker commitment to additional liquidity - 6 times more in certain DRs</li> </ul> </li> </ul>  |
| May   | <ul style="list-style-type: none"> <li>More than <b>1 million</b> contracts traded during May for the first time with an ADV of <b>70,000</b></li> <li>Record notional value traded of <b>\$4.7 billion</b></li> </ul>  |
| Jun   | <ul style="list-style-type: none"> <li>More than <b>2 million</b> contracts traded during June with a record ADV of <b>114,000</b></li> <li>Record notional value traded of <b>\$5.4 billion</b></li> <li>2 international FTSE 100 companies are added to the Tailor Made service:           <ul style="list-style-type: none"> <li>-Kazakhmys plc and Eurasian Natural Resources Corp plc</li> </ul> </li> <li>First trades reported in a Kazakhstani derivative - JSC Kazmunaigas Exploration Production</li> </ul> |
| Aug   | <ul style="list-style-type: none"> <li>EDX consolidates its recent success by trading over 1million contracts for a fourth consecutive month</li> </ul>   |
| Sept  | <ul style="list-style-type: none"> <li>EDX trades more stock options than RTS for the first time, securing a market share of 72% by trading over 2 million contracts</li> </ul>   |
| Dec   | <ul style="list-style-type: none"> <li>EDX and Oslo Bors agree strategic partnership based on their Nordic and Russian derivatives</li> <li>LSE Group purchases NASDAQ OMX's 24% in EDX London</li> </ul>   |



## Major milestones and key achievements in 2009

2009	January	<ul style="list-style-type: none"> <li>EDX market share in Russian equity options passes 90% for the first time</li> </ul>
	February	<ul style="list-style-type: none"> <li>ADV reaches 100,000 for only the second time</li> </ul>
	March	<ul style="list-style-type: none"> <li>LCH introduced as CCP to all trades in the top 50 DRs traded on the LSE's International Order Book - underlyings to EDX's derivative contracts</li> <li>EDX announces partnership with TMX Group involving migration of trading on to SOLA derivatives platform in November 2009</li> <li>Record <b>2.6 million</b> contracts traded with a record ADV of <b>119,326</b></li> <li>First trades in Indian derivative - Reliance Industries</li> </ul>
	April	<ul style="list-style-type: none"> <li>Record ADV of <b>122,542</b></li> <li>Market share in Russian options reaches <b>91.5%</b></li> </ul>
	May	<ul style="list-style-type: none"> <li>TMX Group takes 20% share in EDX London</li> <li>Record ADV of <b>124,287</b>, seventh consecutive month of ADV increase</li> <li>Open interest surges by two million to over <b>12.2 million</b> contracts</li> </ul>



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# Overview of products traded through service

- FTSE Russia IOB index options and futures
  - Order book trading available
  - Renewed interest in May 2009
  - Expire quarterly
  - Maturities of 6 and 12 months
  
- Equity options and futures\* on 38 DRs traded on LSE's IOB
  - 27 Russian
  - 7 Kazakhstan
  - 3 (Egypt, India, South Korea)
  
- Equity options and futures on 2 UK listed shares traded on LSE's Main Market
  - 2 Kazakhstan

\*For a full list of EDX underlyings please refer to the appendix at the end of this presentation

Overview of the 15 major IOB DRs (within the RIOB index)	
DRs	Service level
1. Gazprom	<ul style="list-style-type: none"> <li>• Order book trading with market maker commitments</li> <li>• Additional listed contracts on request</li> <li>• Tailor Made Service</li> </ul>
2. Lukoil	
3. Norilsk Nickel	
4. Surgutneftegaz	
5. Rosneft	
6. Tatneft	<ul style="list-style-type: none"> <li>• Additional listed contracts on request</li> <li>• Tailor Made Service</li> </ul>
7. VTB Bank	
8. Evraz Group S.A.	
9. Novolipetsk Steel	
10. Novatek	
11. Sistema	
12. Urakali	
13. Severstal	
14. PIK Group	
15. Gazpromneft	



# IOB derivatives market features

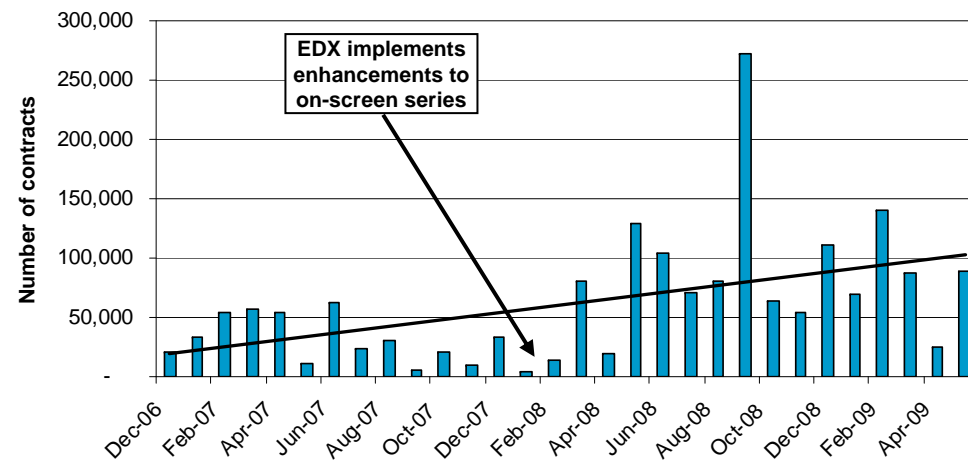
On-exchange benefits	Marketplace Service	Central Counterparty
<ul style="list-style-type: none"> <li>• Shared rulebook</li> <li>• Dedicated market supervision team</li> <li>• Centralised on-screen marketplace</li> </ul>	<ul style="list-style-type: none"> <li>• EDX broker desk</li> <li>• All IOB underlyings are accessible through MPS</li> <li>• Assist trading, execution and price discovery</li> </ul>	<ul style="list-style-type: none"> <li>• LCH.Clearnet is CCP to all trades</li> <li>• Reduced credit risk exposure for participants</li> <li>• Netting and novation</li> </ul>
On-Request service	Tailor-Made service	On-screen liquidity
<ul style="list-style-type: none"> <li>• Facility to list additional standardised series</li> <li>• Subject to LCH and EDX approval</li> </ul>	<ul style="list-style-type: none"> <li>• Exchange 'Cleared only' facility with OTC benefits</li> <li>• Flexible expiration maturity and strike</li> <li>• Available on all IOB underlyings</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitated by market makers and MPS</li> <li>• Large international participant base</li> <li>• Introducing enhanced SOLA platform in November 2009</li> </ul>



# Strengthening on-screen order book

- Enhancements to market maker obligations in April 2008, including
    - Increased minimum quoting sizes
    - Tightened strike price intervals
- ↓
- High growth in May 2008, sustained through economic crunch.
  - Over 270,000 contract traded on-screen in September 2008 **RECORD VOLUME**
  - 5 standardised order book traded futures and options
    - Expiry every month
    - Maturities of 3, 6 and 12 months

On-screen volume in Russian DR derivatives



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## Contact information

- For more information, please contact:



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- For further information
  - about EDX London please visit [www.edxlondon.com](http://www.edxlondon.com)
  - about the FTSE Russia IOB index visit [www.ftse.com/iob](http://www.ftse.com/iob)
  - about IOB visit [www.londonstockexchange.com/iob](http://www.londonstockexchange.com/iob)



# IOB underlyings list

	Underlying	Short Name	Reuters	ISIN	Settlement Venue
Russian	FTSE Russia IOB Index	RIOB	.FTRIOB	GB00B1G6XL00	
	LUKOIL	LKOD	LKOHq.L	US6778621044	DTCC
	SURGUTNEFTEGAZ	SGGD	SNGSyq.L	US8688612048	DTCC
	MMC NORILSK NICKEL	MNOD	NKELyq.L	US46626D1081	DTCC
	OAO GAZPROM	OGZD	GAZPq.L	US3682872078	Euroclear
	OJSC OC ROSNEFT	ROSN	ROSNq.L	US67812M2070	Euroclear
	OAO NOVATEK	NVTK	NVTKq.L	US6698881090	Euroclear
	OJSC NOVOLIPETSK STEEL	NLMK	NLMKq.L	US67011E2046	Euroclear
	SISTEMA JSFC	SSA	SSAq.L	US48122U2042	Euroclear
	EVRAZ GROUP S.A.	EVR	HK1q.L	US30050A2024	Euroclear
	AO MOSENERGO	AOMD	MROGyq.L	US0373763087	DTCC
	AO TATNEFT	ATAD	TATNq.DE	US6708312052	Euroclear
	COMSTAR - UNITED TELESYSTEMS	CMST	CMSTq.L	US47972P2083	Euroclear
	JSC CHELYABINSK ZINC PLANT	CHZN	CHZNq.L	US1635232028	Euroclear
	OAO OMZ (URALMASH-IZHORA GROUP)	OMZD	UHMVY.PK	US9109213036	DTCC
	OAO SEVERSTAL	SVST	CHMFq.L	US8181503025	Euroclear
	OJSC CHERKIZOVO GROUP	CHE	CHEq.L	US68371H2094	Euroclear
	ROSTELEKOM	RKMD	ROS	US7785291078	DTCC
	OJSC POLYUS GOLD	PLZL	OPYy.DE	US6781291074	DTCC
	X5 RETAIL GROUP N.V.	FIVE	PJPq.L	US98387E2054	Euroclear
	JSC VTB Bank	VTBR	VTBRq.L	US46630Q2021	Euroclear
OJSC PHARMSTANDARD	PHST	PHSTq.L	US7171402065	Euroclear	
AFI DEVELOPMENT	AFID	AFIDLq.L	US00106J2006	Euroclear	

## IOB underlyings list

	Underlying	Short Name	Reuters	ISIN	Settlement Venue
Russian (continued)	URALKALI	URKA	URKAq.L	US91688E2063	Euroclear
	PIK GROUP	PIK	PIKq.L	US69338N2062	Euroclear
	NOVOROSSIYSK SEA PORTS	NCSP	NCSPq.L	US67011U2087	DTCC
	POLYUS GOLD	PLZL	PLZLq.L	US6781291074	DTCC
Kazakhstani	JSC HALYK SAVINGS BAK OF KAZAKHSTAN	HSBK	HSBKq.L	US46627J3023	Euroclear
	JSC KAZKOMMERTSBANK	KKB	KKGBYq.L	US48666E6086	DTCC
	JSC KAZMUNAIGAS EXPLORATION PROD	KMG	KMGq.L	US48666V2043	Euroclear
	KAZAKHGOLD GROUP LD	KZG	KZGq.L	US48667H1059	Euroclear
	SHALKIYAZINC N.V.	SKZ	SKZq.L	US8192672041	Euroclear
	KAZAKHSTAN KAGAZY PLC	KAG	KAGq.L	US48667M2035	Euroclear
	JSC ALLIANCE BANK	ALLB	ALLBq.L	US0185311034	Euroclear
	KAZAKHMYS	KAZ	KAZq.L	GB00B0HZPV38	Crest
EURASIAN NATURAL RESOURCES	ENRC	ENRCq.L	GB00B29BCK10	Crest	
Egyptian	ORASCOM TELECOMS	OTLD	OTLDq.L	US68554W2052	Euroclear
South Korean	SAMSUNG ELECTRONICS	SMSD	SMSDq.L	US7960520218	Euroclear
Indian	RELIANCE INDUSTRIES	REYD	REYDq.L	US7594701077	Euroclear