

Commodity Exchange: Efficient Price Discovery and E-Trading Mechanism

2020



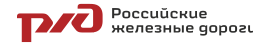


10-year anniversary of Russia's largest commodities exchange

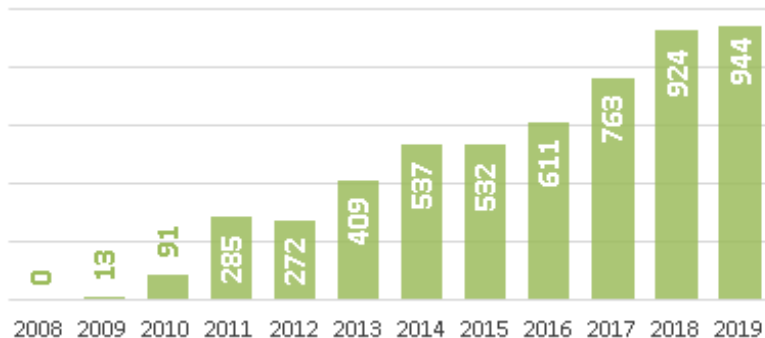


LAUNCHED under the **PRESIDENT'S**
and the **RUSSIAN FEDERAL**
GOVERNMENT'S DECISION

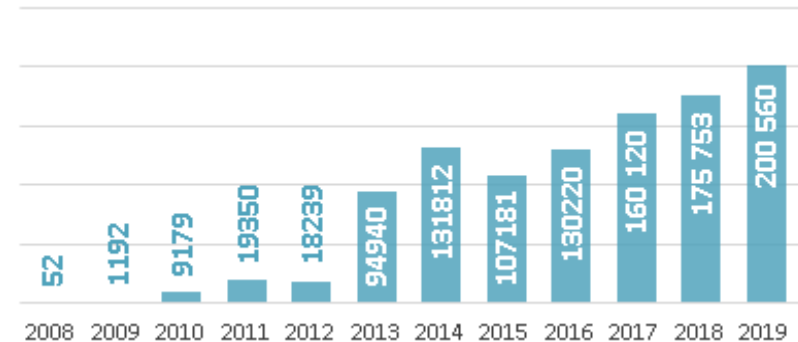
SHAREHOLDERS



VOLUME TRADED bn, Rub



NUMBER OF CONTRACTS





2,368+

TRADING
PARTICIPANTS

2,000+

TRADING
INSTRUMENTS

99%

SHARE of SPIMEX in all
exchange-traded refined
products in Russia

400

EXCHANGE & OTC INDICES for
all of the Russian commodities

2019

REFINED PRODUCTS

20.8+ mln tons

CRUDE OIL

2.2+ mln tons

NATURAL GAS

12.8+ bcm

TIMBER

4+ mcm

DERIVATIVES

9.3+ thou contracts

FERTILIZERS

10+ thou tons

COAL

1.7+ thou tons

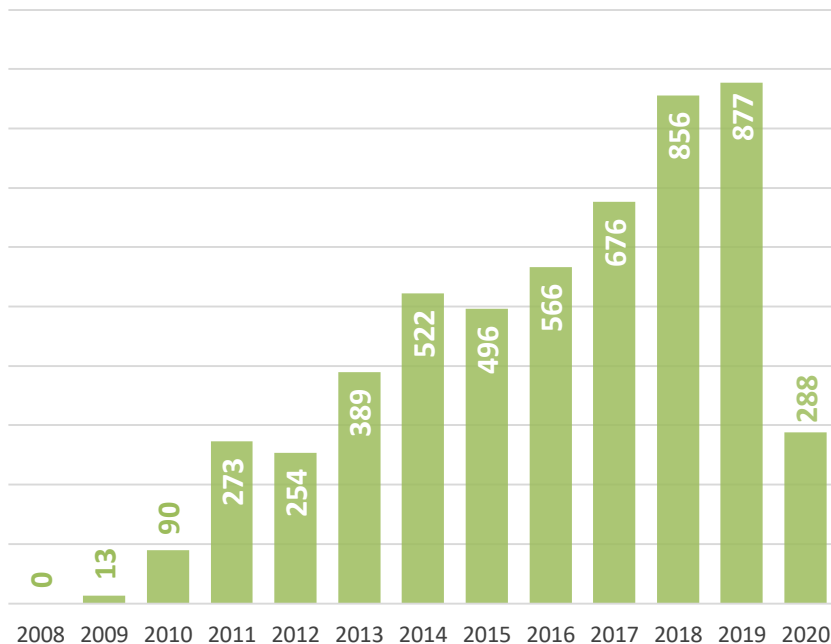


REFINED PRODUCTS

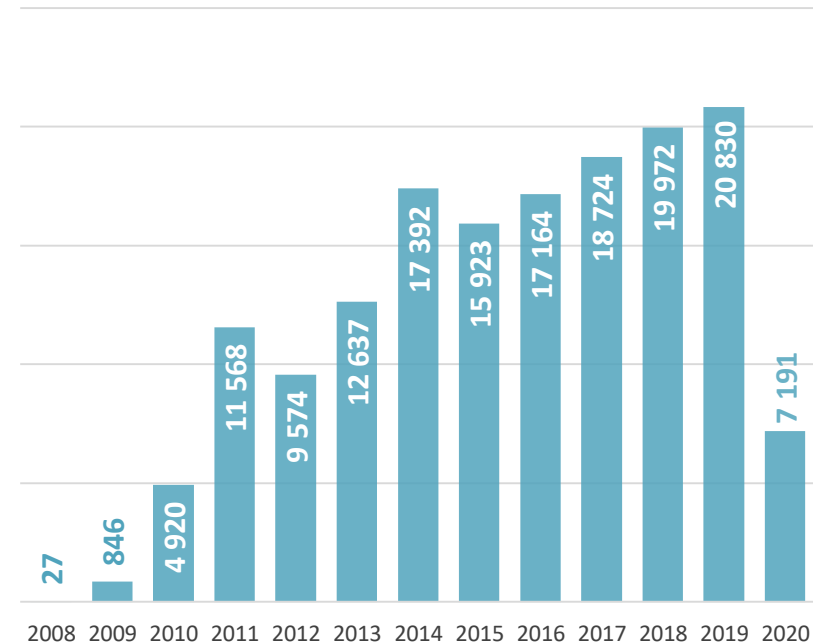


Volume traded

bn Rub



thousands of metric tonnes





Market overview



The SPIMEX designated delivery points include all key refineries in Russia. A buyer purchases refined products on the exchange and get them delivered to the relevant railway station in Russia.

Delivery terms: by rail (for dispatch station); in fuel trucks (ex-works); Ex-tank; Ex-pipe; by rail (ex-works).

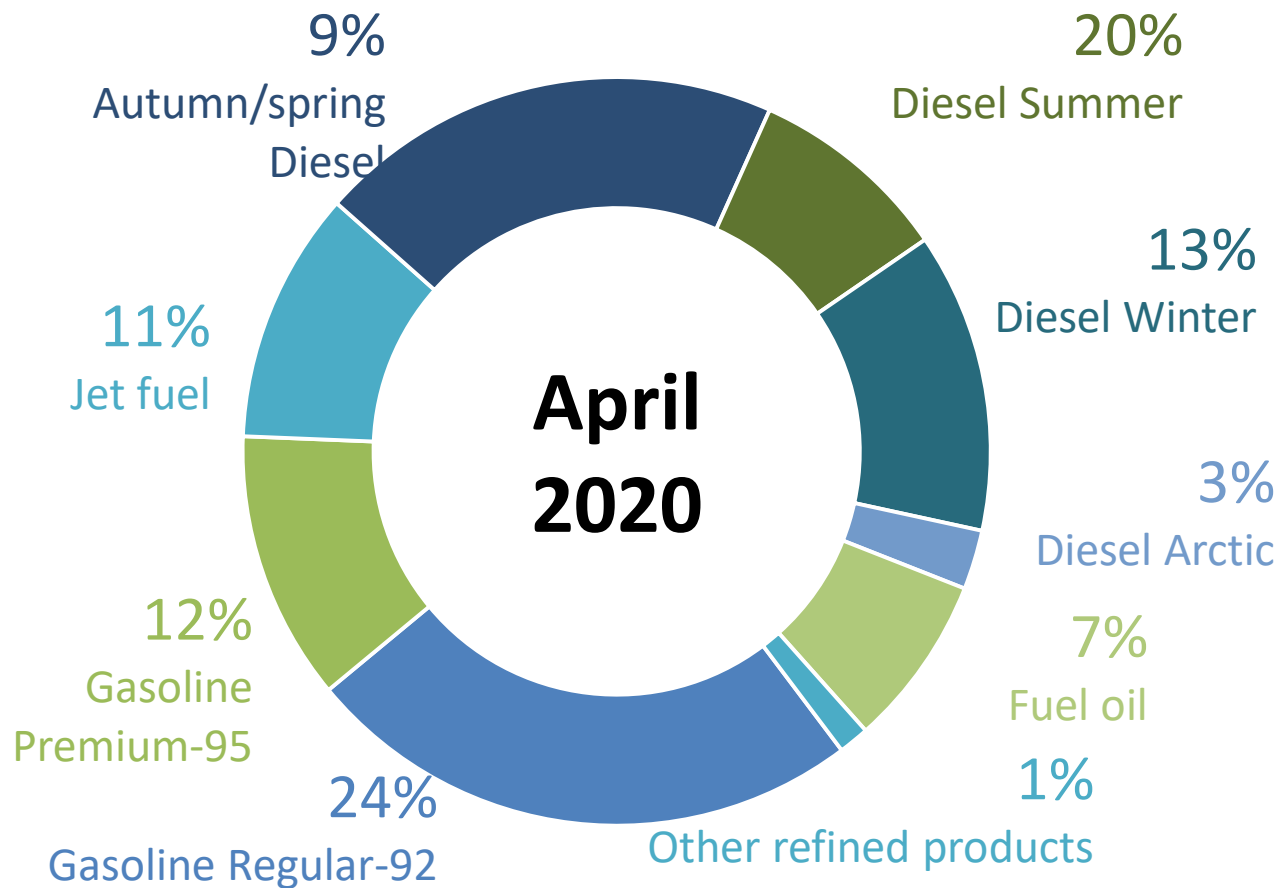
DELIVERY TERMS:

- by rail (for dispatch station);
- in fuel trucks (ex-works);
- Ex-tank;
- Ex-pipe;
- by rail (ex-works).





Volume traded by product



NATURAL GAS



Trades are carried out under the rules of the exchange and the clearing house associated with it

Trading is based on the following balancing points: Nadym; 622,5km (Lokosovo); Parabel

Contract size: **100,000 m3** (for month ahead trading)

Commodity price is set for 1,000 m3 (₽) including a 18% VAT

Minimum price flux: RUB 1.0

Associated clearing house of SPIMEX: Settlement Depository Company (SDCO)

‘Operator of energy commodity supplies’ (OTP TEK) provides agency services for natural gas transportation

Trading and clearing participants are accredited at SPIMEX and SDCO (the clearing house)

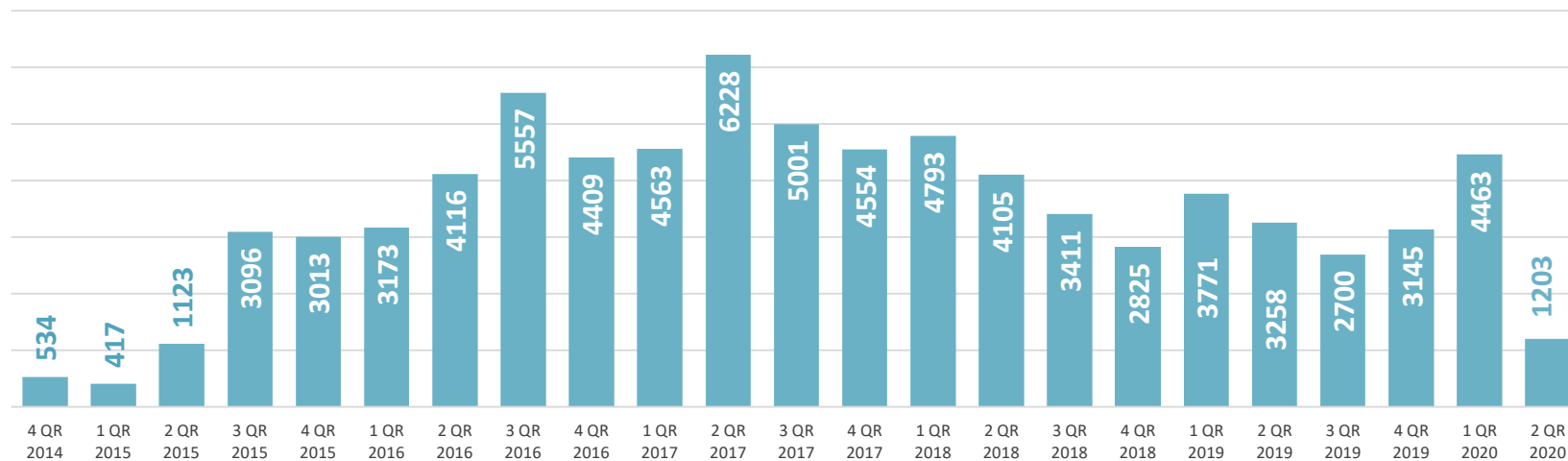
Gazprom acts as the natural gas transportation operator

In October 2015, SPIMEX launched **day ahead trading** in natural gas

In November 2016, trading in natural gas was launched with **delivery on a non-working day**



VOLUME TRADED, mcm

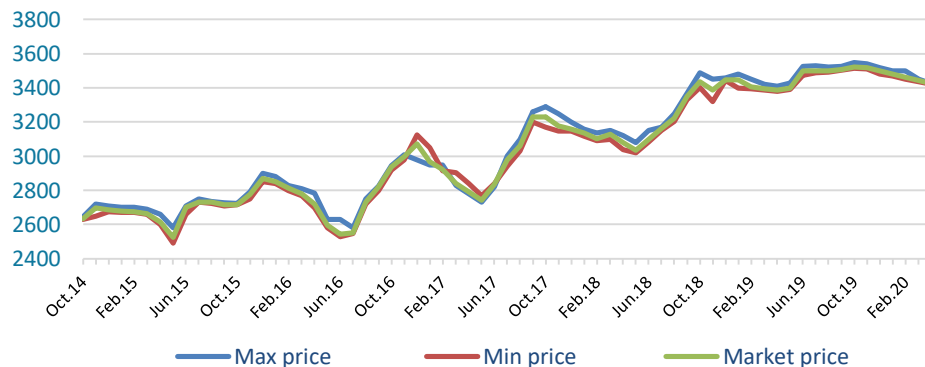




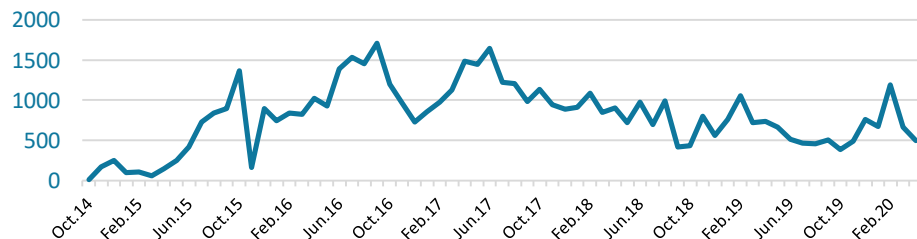
Nadym balancing point trading data



MARKET PRICE

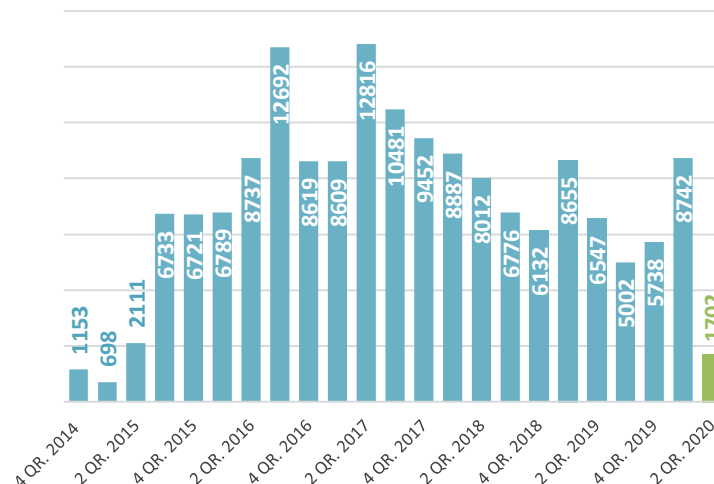


VOLUME TRADED mcm



53.5 bcm of natural gas sold at Nadym balancing point since the launch of trading at SPIMEX (**RUB 162 bn**)

VOLUME TRADED mn, Rub

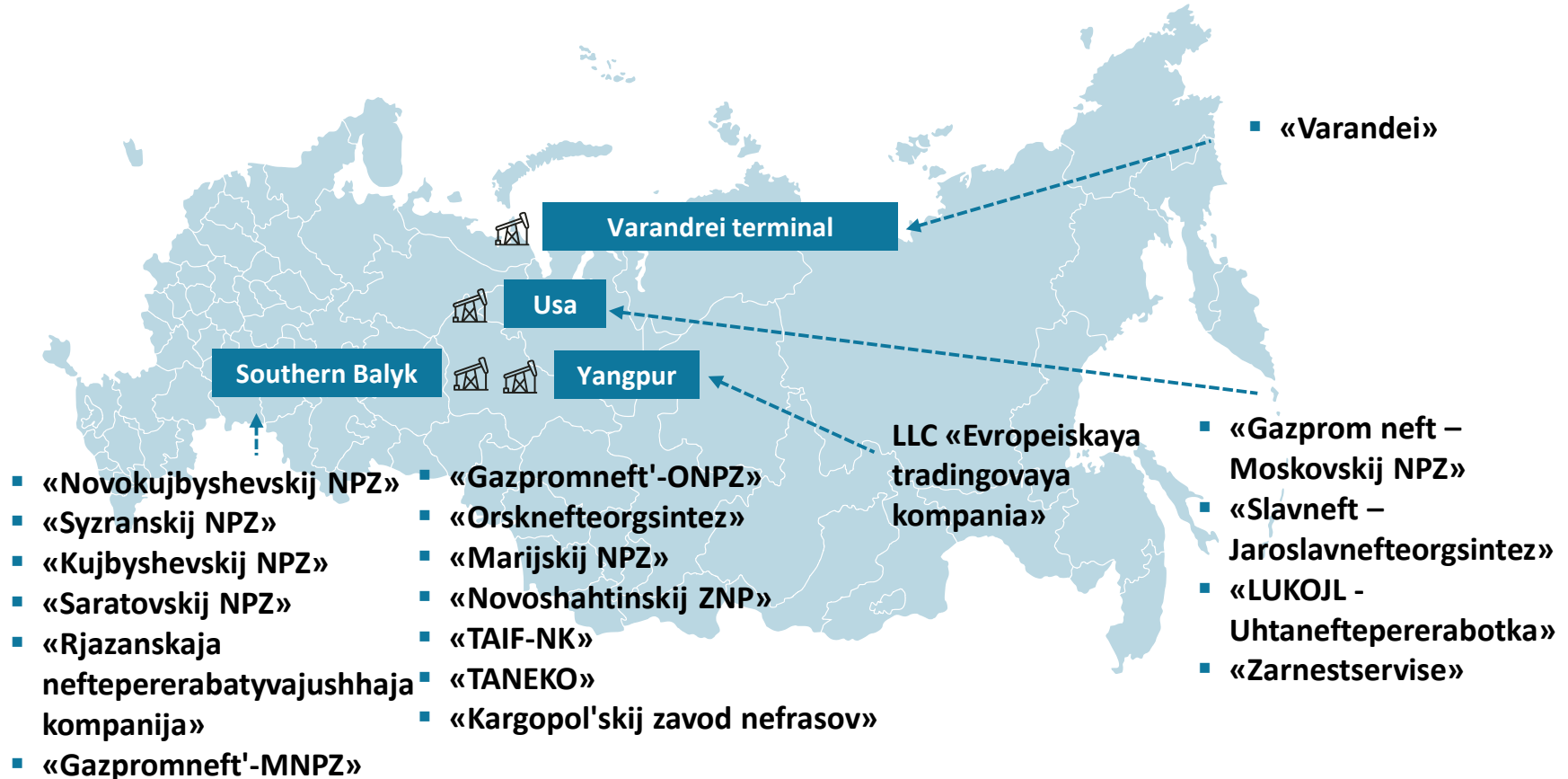




CRUDE OIL



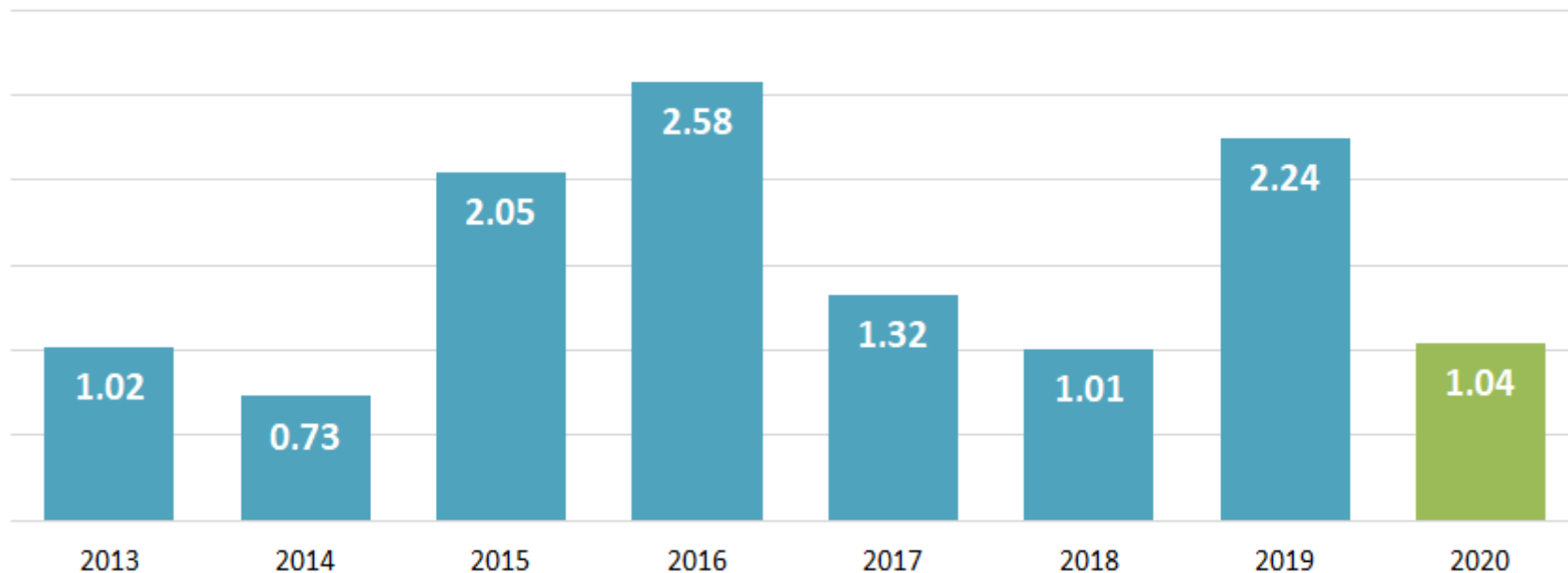
SPIMEX designated delivery points and destination bases





Volume Traded

bn, Rub



TIMBER





PRODUCTS:

- Various types of timber;
- Sawlog;
- Wood slabs;
- Bars and planks;
- Deal boards.

INITIAL STEPS:

On 11 July 2014, SPIMEX launched timber trading in its Timber and Construction Materials Market.

- Trading in conifer timber and processed forest products organized for deliveries originated in Irkutsk Oblast.
- SPIMEX brings together over 60 entities, including major logging companies, forest leaseholders and wood processing businesses.
- The exchange plans to add new trading instruments, to expand geographic reach and - in the long run - to launch a cross-border delivery mechanism.

PERSPECTIVES:

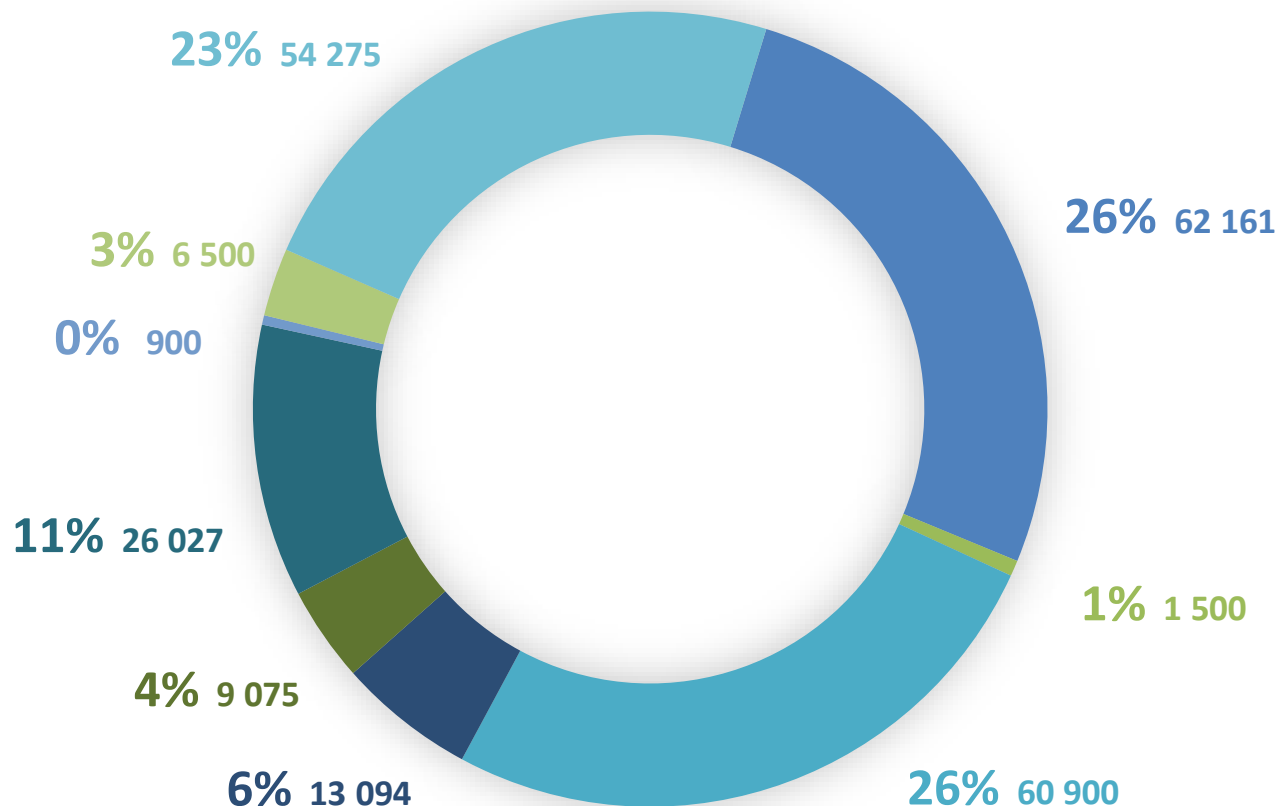
The exchange and market participants focus on broadening trading geography, raising the number of trading instruments, tools and delivery methods.



Volume traded by shipment point (m³)

Storages

- Baerskiy forestry
- Balaganskiy forestry
- Bratskiy forestry
- Kazachinsko-Lenskiy forestry
- Kostinskiy forestry
- Nizhneudinskiy forestry
- Osinskiy forestry
- Primorskiy forestry
- Cheremhovskiy forestry





SPIMEX Price Indices



SPIMEX Price Indices

- SPIMEX Price Indices are calculated on the basis of **actual transactions** (on-exchange and OTC);
- SPIMEX indices for exchange-trade commodities are calculated **on-line** each trading day;
- Historical data on SPIMEX indices since the launch of the relevant calculations **are available on the official website of the Exchange**;
- **Calculation methodologies are publicly available** making them transparent and verifiable;
- Unified approach laid as foundation for all calculation methodologies make it possible **to compare on-exchange, OTC and netback prices**;
- SPIMEX on-exchange, OTC and netback price indices - **a practical tool** for analysis of market situation in the commodity markets.



Refined Products



Natural Gas



Crude Oil



Coal



SPIMEX Refined Products Indices



Consolidated prices for Refined Products at Large Refineries

Volume weighted average wholesale prices of refined products and LPG at production sites. Such prices are used for calculation of SPIMEX Regional, SPIMEX Territorial and SPIMEX National indices for refined products.



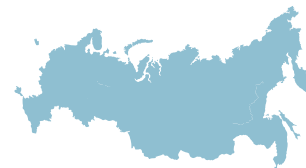
SPIMEX Regional Indices for Refined Products

Volume weighted average wholesale prices of refined products and LPG including transportation tariffs for delivery to 9* large demand centers in Russia.



SPIMEX Territorial Indices for Refined Products

Volume weighted average wholesale prices of refined products and LPG at production sites located in European Russia, Urals-Siberia and Siberia-Russian Far East.



SPIMEX National Indices for Refined Products

Volume weighted average wholesale prices of refined products and LPG at production sites located all over Russia.



SPIMEX Composite Index for Refined Products

A consolidated indicator of the domestic refined products market that measures the price performance of an average tonne of exchange-traded light refined products (gasoline, diesel and jet fuel) in the domestic Russian market.

* Regional Indices for LPG may be also calculated for any railway station in Russia.



SPIMEX Refined Products Indices

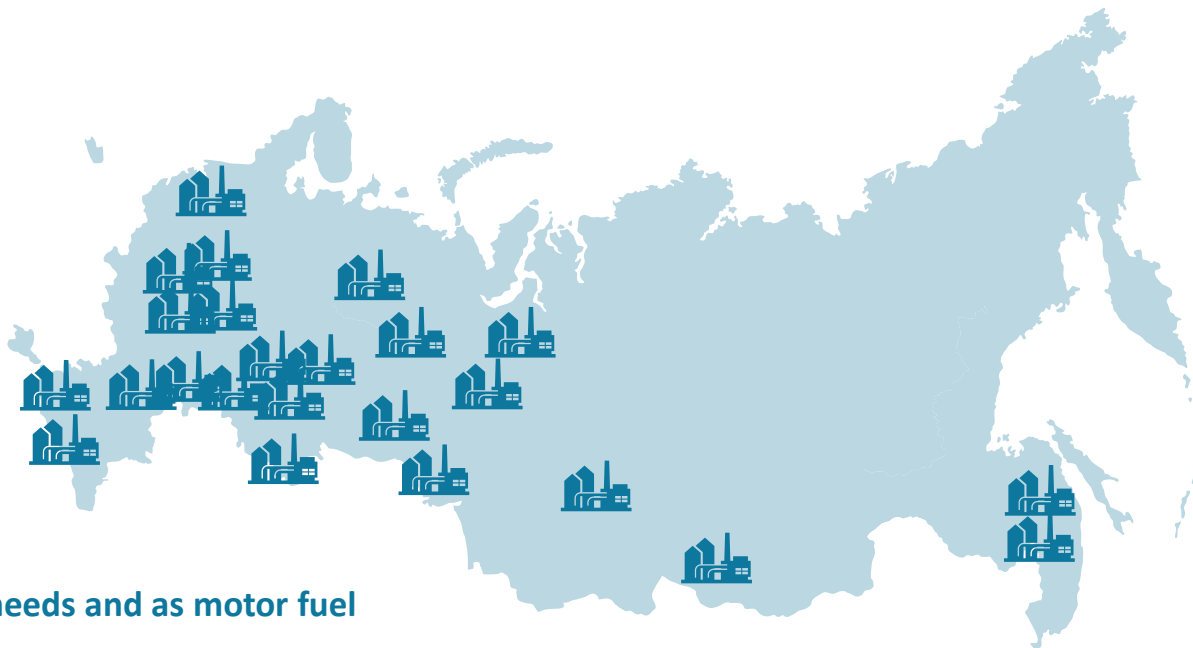
Consolidated prices for Refined Products at Large Refineries



For each refinery SPIMEX calculates consolidated prices for the following asset classes:

Such prices are used for calculation of SPIMEX Regional, SPIMEX Territorial and SPIMEX National indices for refined products.

- **REG** Gasoline Regular 92
- **PRM** Gasoline Premium 95
- **DTL** Summer Diesel
- **DTM** Autumn/Spring Diesel
- **DTZ** Winter Diesel
- **MZT** Residual Fuel Oil
- **TRD** Jet Fuel
- **LPG** LPG used for household needs and as motor fuel





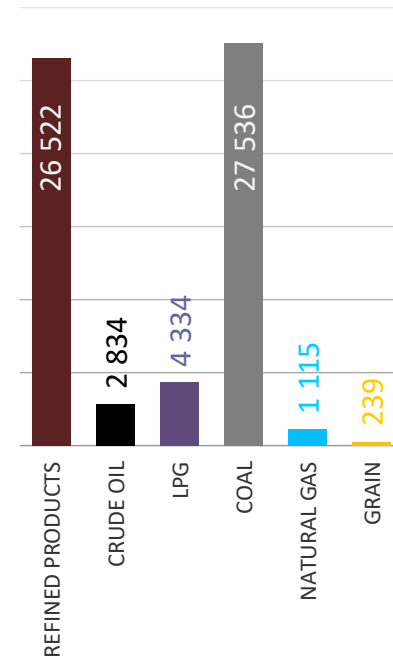
Registration by SPIMEX of OTC transactions In commodities traded at the Exchange



Acting under **Russian Federal Law No. 325-FZ** of 21 November 2011 and **Decrees of the Russian Government No. 623** of 23 July 2013 and No. 764 of 28 July 2015 , **SPIMEX registers OTC transactions** which result in transfer of title to the following commodities:

- **refined products**, provided that over the preceding calendar year the seller produced more than 100,000 mt thereof and the OTC contract size is equal or exceeds 60 mt;
- **crude oil**, provided that over the preceding calendar year the seller produced more than 1.0 mln mt thereof and the OTC contract size is equal or exceeds 1,000 mt;
- **coking coal, stone coal, brown coal and anthracite**, provided that over the preceding calendar year the seller produced more than 1.0 mln mt thereof and the OTC contract size is equal or exceeds 60 mt;
- **3rd and 4th grade wheat**, provided that over the preceding calendar year the seller sold more than 10,000 mt thereof and the OTC contract size is equal or exceeds 60 mt;
- **Natural gas** sold in the domestic market at free market prices, provided that over the preceding calendar year the seller produced more than 1.0 bcm thereof and the OTC contract size is equal or exceeds 10 mcm *;
- **LPG** , provided that over the preceding calendar year the seller produced more than 100,000 mt thereof and the OTC contract size is equal or exceeds 30 mt*.

NUMBER OF CONTRACTS



* SPIMEX started to register OTC transactions in this commodity on 30 Jan 2016



DERIVATIVES MARKET:

Physically-settled
and cash-settled
futures contracts



Russia's largest organized market for refined products



Futures contracts for refined products are used by the market participants both **for hedging and speculation.**

ADVANTAGES OF DERIVATIVES MARKET:

- **Market participants:** leading brokers and their customers in spot commodity markets, oil companies and end users of refined products.
- **Market makers provide permanent liquidity**
- Acts as a price fixing tool for future purchase/sale of refined products.
- **Central counterparty services** provided by Settlement Depository Company (SDCO)
- Contemporary risk management (**portfolio margining** based on SPAN© methodology)
- **Low initial margin** ~7% per volume contract in index futures contracts, **low commission.**



Types of futures contracts



PHYSICALLY-SETTLED

– a contract, under which the Parties **undertake to make or take delivery** in the future.

The exercise price is a settlement price on the expiration date of a contract.

Physically-settled futures contracts are executed at the SPIMEX spot market:

- Regular-92 (Moscow/Nizhnii Nivgorod/Perm-based)
- Premium-95 (Moscow/Nizhnii Nivgorod-based)
- DTL (Moscow/Nizhnii Nivgorod/Perm-based)
- DTZ (Moscow/Nizhnii Nivgorod/Perm-based)
- Gasoline AI-92-K5, AI-95-K5 (pricing reference point Allaguvat)
- LPG brand PBT (pricing reference point Surgut).



CASH-SETTLED

- a contract settled by accrual/write-off of monetary funds – variation margin.

On the expiration date the average value of SPIMEX index (underlying asset of a cash settled contract) is used as an exercise price.

The underlying asset for a cash settled futures contracts are SPIMEX Regional Indices:

- Index Regular-92
- Index DTL
- Index DTZ



Physically-settled futures contracts for petroleum products on pricing reference point



Pricing reference point – the place of formation of commodity prices.

Price of delivery = Futures execution price + transportation cost according to the tariffs stipulated in the contract specifications.

Supply contracts are made on DAP basis.

Destination place can be any railway station in Russian Federation at the choice of the buyer.



Contract Details

Underlying asset	AI-92-K5	AI-95-K5	LPG brand PBT
Pricing reference point:	Allaguvat	Allaguvat	Surgut
Lot:	60 tons	60 tons	36 tons
Quotation:	Roubles per 1 ton	Roubles per 1 ton	Roubles per 1 ton
Price tick:	One Russian Rouble	One Russian Rouble	One Russian Rouble
Delivery lot:	60 tons	60 tons	36 tons



Physically-settled futures contracts for petroleum products at pricing reference point

Destination railway stations on the territory of Russia



Delivery Volume, tons

Year	AI-92-K5	AI-95-K5	LPG	SGC
2018	34 260	-	396	-
2019	41 400	11 220	41 652	12 060
2020	18 450	6 960	6 192	11 820



Cash-settled futures for SPIMEX Regional Indices for refined products



Cash-settled futures – effective way of hedging against refined products' prices fluctuations

Execution procedure: periodic payout of variation margin

Execution price: final settlement price on the expiration date, average of 5-day Index value.

Demand center	Moscow
Indices for refined products:	<ul style="list-style-type: none">▪ Index Regular-92 (MOS_REG)▪ Index DTL (MOS_DTL)▪ Index DTZ (MOS_DTZ)
Contract Size (lot):	1 metric tonne
Price tick:	10 Rub
Initial Margin:	4-6%
Quotation:	Cost Index 1 metric tonne in Roubles



Physically-settled SPIMEX Urals Crude Futures (fob Primorsk)



On 29 November 2016, the Saint Petersburg International Mercantile Exchange (SPIMEX) launched trading in physically-settled SPIMEX Urals Crude Futures (fob Primorsk). The project aims to **create a new oil pricing mechanism for Russian export oil**.

CONTRACT DETAILS

Execution of the Contract: URALS supply

Contract Size: 1,000 bbls

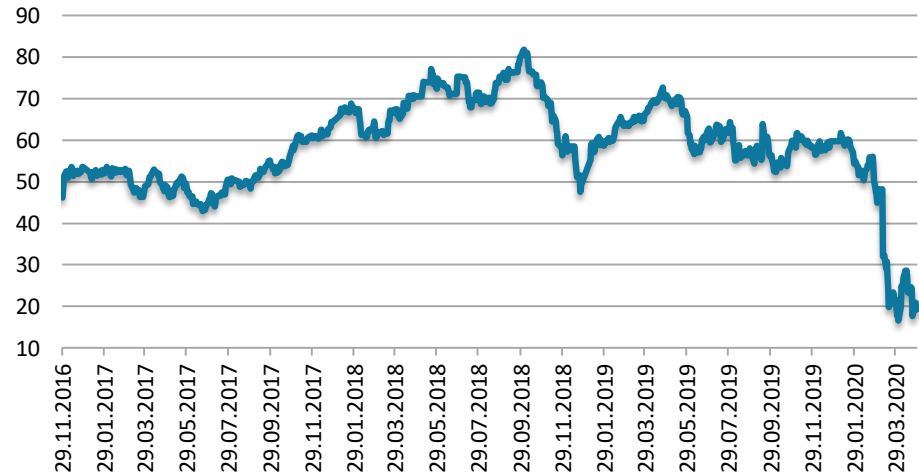
Underlying Asset: Urals grade crude oil

Standard Delivery: 720.000 bbls (100.000 mt)

Delivery Terms: fob Primorsk

Currency: US Dollar

PRICE CHANGES, FOB URALS-PRIMORSK, \$

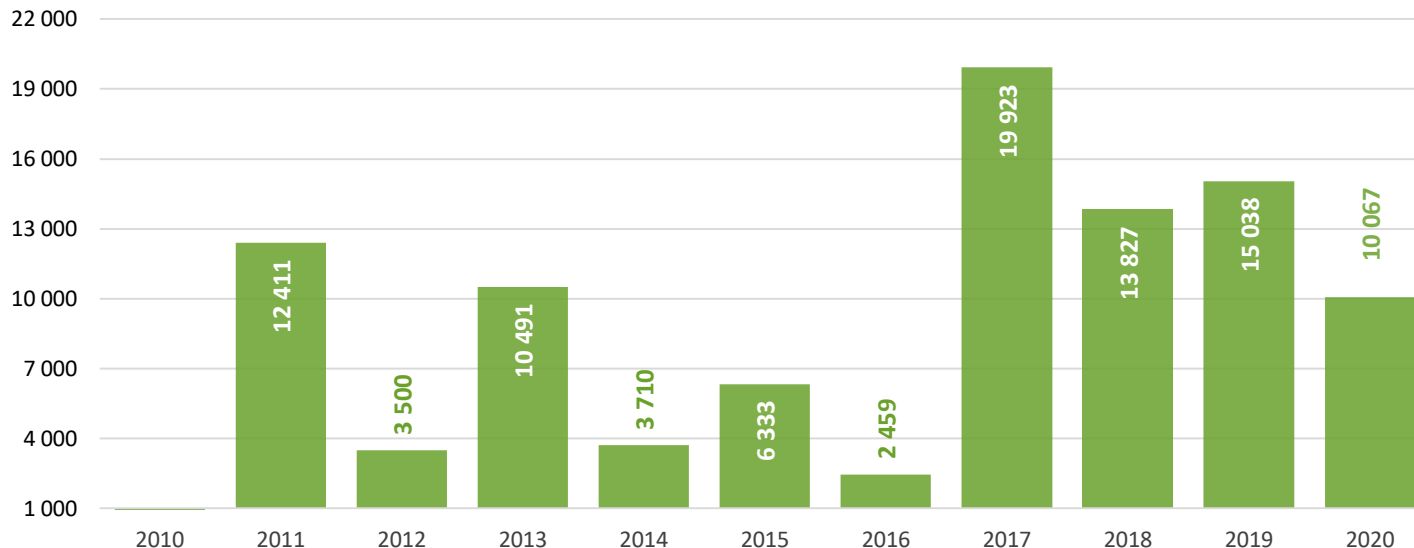




Volume Traded and Turnover

Trades in the SPIMEX Derivatives Market were launched on 17 December 2010.
Total volume traded and turnover: **1.874 million contracts (RUB 98,488 mn)**

TURNOVER, mn, Rub



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2019



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