APPROVED
by resolution of
the Executive Board of
the Open Joint Stock Company «Moscow Exchange MICEX-RTS»
(Minutes No 28 as of 25 April 2014)

RUSSIAN MARKET VOLATILITY
FUTURES CONTRACT SPECIFICATION

The Russian Market Volatility Futures Contract Specification (hereinafter, "Specification") establishes the standard terms and conditions under the cash-settled Russian Market Volatility Futures Contract (hereinafter, "Contract").

The Specification, together with the Clearing Rules of the Derivatives Market (hereinafter, "Clearing Rules") and Trading Rules of the Derivatives Market (hereinafter, "Trading Rules") define the obligations under the Contract, as well as the procedures for their creation, effects, and extinction.

The Contract's underlying asset is the Russian Market Volatility (hereinafter, "Contract's underlying"). For purposes of the Specification, Russian Market Volatility is defined as the measure of the market-expected future fluctuation in the value of the RTS Index. Volatility is calculated by the Moscow Exchange Group (hereinafter, "Exchange") based on the near-series and the next-series options on the RTS Index futures contract (hereinafter, "options" will refer to RTS Index futures options). The options must meet the following criteria:

- the near- and next-series options are either quarterly or monthly (no weekly options are used);
- time to expiration of the near-series and next-series options is at least 7 (seven) days.

Terms not explicitly defined in the Specification will have the same definitions as in the Trading Rules, the Clearing Rules, and the laws of the Russian Federation.

1. Entering into the Contract

1.1. Entering into the Contract in the course of trading is sanctioned by the Exchange, and must contain the following:

- Contract code (designation);
- Date of the first trading day when the Contract may be entered into (hereinafter, "first trading day");
- Opening time when the Contract may be entered into (i.e. the start of trading in the Contract);
- Initial settlement price of the Contract;
- Initial price bands for the Contract.

1.2. The code (designation) of the Contract consists of the following:

RVI–<settlement month>.<settlement year>

The settlement month and settlement year specified in the Contract code (designation) (hereinafter, "Contract's settlement month" and "Contract's settlement year", respectively) is stated in Arabic numerals and is used in determining the termination of trading in the Contract (hereinafter, "Contract's last trading day") and the Contract's final settlement date.

1.3. The Contract price.

1.3.1. Upon entering into the Contract in the course of trading, the Contract price will be quoted in points, which denote Volatility.

1.3.2. The Contract's minimum price interval (hereinafter, "tick") during the course of trading is 0.05 (five hundredth) points.

1.3.3. The value of a tick is USD 5.00 (five US Dollars), expressed in Rubles – the national currency of the Russian Federation, and converted from US Dollars into Rubles using the Exchange's official USD/RUB exchange rate (hereinafter, "USD/RUB exchange rate"). The Exchange determines the USD/RUB exchange rate according to the methodology described in the document titled, "Methodology for Calculation of the Indicative Foreign Exchange Rate", published on the Exchange's website. The USD/RUB exchange rate is bounded by price bands set by the National Clearing Centre, a subsidiary of the Moscow Exchange Group (hereinafter, "NCC"), which are published on the Exchange's website.

If the upper/lower price bands are exceeded, the USD/RUB exchange rate will be set equal to the upper/lower bound, respectively.

1.4. Unless otherwise specified by the Exchange, the Contract's last trading day will be the last trading day of the near-series options that expire in the Contract's settlement month and year.

2. Obligations under the Contract

2.1. The Parties to the Contract must pay each other variation margin in the form of cash, in the amount depending on the changes in the value of the Contract's underlying.

2.2. Variation margin will be calculated and must be paid during the life of the Contract. The Contract's final settlement date will coincide with the Contract's last trading day, except in the cases provided for in Sections 5.1-5.2 herein. Transfer of variation margin, determined during the evening clearing session on the Contract's final settlement date, will satisfy the settlement obligations under the Contract.

2.3. Variation margin for the Contract is calculated according to the following formulas.

2.3.1. During the intraday clearing session.

a) If the variation margin is being calculated for the first time:

$$\mathbf{VM_1 = Round\ (SP_1 * Round(W_1/R;\ 5);\ 2) - Round\ (P_0 * Round(W_1/R;\ 5);\ 2)}$$

where:

VM_1 – variation margin for the current trading day's intraday settlement period, calculated during the intraday clearing session;
Round – mathematical rounding to the specified precision;
P_o – execution price of the Contract;
SP_1 – current settlement price of the Contract;
W_1 – tick value;
R – tick size.

b) If the variation margin has been calculated before:

$$\mathbf{VM_1 = Round\ (SP_1 * Round(W_1/R;\ 5);\ 2) - Round\ (SP_p * Round(W_1/R;\ 5);\ 2)}$$

where:

VM_1 – variation margin for the current trading day's intraday settlement period, calculated during the intraday clearing session;
Round – mathematical rounding to the specified precision;
SP_1 – current settlement price of the Contract;
SP_p – settlement price of the Contract calculated during the previous trading day's evening clearing session;
W_1 – tick value;
R – tick size.

For the purpose of calculating the variation margin during the intraday clearing session, the tick value is determined using the USD/RUB exchange rate. The time of the USD/RUB exchange rate fixing is set by the Exchange and published on the Exchange's website.

2.3.2. During the evening clearing session.

a) If the variation margin is being calculated for the first time:

$$\mathbf{VM_2 = Round\ (SP_2*Round(W_2/R;\ 5);\ 2) - Round\ (P_0*Round(W_2/R;\ 5);\ 2)}$$

where:

VM_2 – variation margin for the current trading day's evening settlement period, calculated during the evening clearing session;
Round – mathematical rounding to the specified precision;
P_o – execution price of the Contract;
SP_2 – current settlement price of the Contract;
W_2 – tick value;
R – tick size.

b) If the variation margin has been calculated before:

$$\mathbf{VM_2 = VM - VM_1,}$$

where:

VM_2 – variation margin for the current trading day's evening settlement period, calculated during the evening clearing session;
VM – current trading day's total (intraday and evening trading sessions) variation margin;
VM_1 – variation margin for the current trading day's intraday settlement period, calculated during the intraday clearing session, as defined in Clause 2.3.1 of the Specification.

Value of VM is determined according to the following formulas:

i. If the variation margin has not been calculated during the previous trading day's evening clearing session:

$$\mathbf{VM = Round\ (SP_2*Round(W2/R;\ 5);\ 2) - Round\ (P_0*Round(W2/R;\ 5);\ 2)}$$

where:
Round – mathematical rounding to the specified precision;
SP_2 – current settlement price of the Contract;
P_0 – execution price of the Contract;
W_2 – tick value;
R – tick size.

ii. If the variation margin has been calculated during the previous trading day's evening clearing session:

$$\mathbf{VM = Round\ (SP_2*Round(W_2/R;\ 5);\ 2) - Round\ (SP_p*Round(W_2/R;\ 5);\ 2)}$$

where:
Round – mathematical rounding to the specified precision;
SP_2 – current settlement price of the Contract;
SP_p – settlement price of the Contract, calculated during the previous trading day's evening clearing session;
W_2 – tick value;
R – tick size.

For the purpose of calculating the variation margin during the intraday clearing session, the tick value is determined using the USD/RUB exchange rate. The time of the USD/RUB exchange rate fixing is set by the Exchange and published on the Exchange's website.

2.5. The obligation to pay variation margin in the amount calculated as per Section 2.3 of the Specification is to be fulfilled in accordance with the procedure and within the timeframe set forth in the Clearing Rules.

Whereby,

- If the variation margin is positive, the Seller is obligated to pay the variation margin.
- If the variation margin is negative, the Buyer is obligated to pay the absolute value of the variation margin.

2.6. The Exchange will determine the settlement price of the Contract in accordance with the procedure and within the timeframe set forth in the Trading Rules and the Specification.

2.7. For the purpose of determining settlement obligations, the settlement price will be the arithmetic mean of the values determined by the following formula, calculated on the Contract's settlement date from 14:03:15 through 18:00:00 MSK:

$$\mathbf{SP} = \mathbf{100} * \sqrt{\boldsymbol{\sigma}^{\mathbf{2}}}$$

where:

$$\boldsymbol{\sigma}^{\mathbf{2}} = \frac{\mathbf{2}}{\mathbf{T}} \sum_{\mathbf{i=-7}}^{\mathbf{7}} \frac{\mathbf{\Delta K_i}}{\mathbf{K_i^2}} * \mathbf{Pr(K_i)} - \frac{\mathbf{1}}{\mathbf{T}} * \left(\frac{\mathbf{F}}{\mathbf{K_0}} - \mathbf{1}\right)^{\mathbf{2}}$$

where:

SP	settlement price of the Contract;
σ^2	variance of the next-series options;
T	time to expiration, expressed as a fraction of a calendar year (year=365 days) of the next-series options. Updates every 15 seconds;
ΔK_i	interval between strike prices of the next-series options (only primary strike prices are used; half-interval strike prices are ignored);
K_i	i-th strike price of the next-series options. $K_i < K_{i+1}$ (only primary strike prices are used; half-interval strike prices are ignored);
K_0	At-the-money (hereinafter, "ATM") strike price of the next-series options.
$Pr(K_i)$	Value of a next-series option with strike price K_i determined using the following algorithm:

a) If there were trades in the next-series option with strike price K_i registered during the current trading session:

$$\mathbf{Pr(K_i)} = \begin{cases} \mathbf{Deal(K_i)} \rightarrow \text{if } \mathbf{ask(K_i)} \geq \mathbf{Deal(K_i)} \text{ and } \mathbf{bid(K_i)} \leq \mathbf{Deal(K_i)}, \\ \quad \text{or no } \mathbf{bid/ask} \text{ prices available;} \\ \mathbf{ask(K_i)} \rightarrow \text{if } \mathbf{ask(K_i)} \neq \mathbf{0} \text{ and } \mathbf{ask(K_i)} < \mathbf{Deal(K_i)}; \\ \mathbf{bid(K_i)} \rightarrow \text{if } \mathbf{bid(K_i)} > \mathbf{Deal(K_i)}. \end{cases}$$

where:

$\mathbf{Deal(K_i)}$	Last trade price of the current trading session for the next-series option with strike price K_i;
$\mathbf{bid(K_i)}$	Best bid price of the next-series option with strike price K_i, as of the end of the current trading session;
$\mathbf{ask(K_i)}$	Best ask price of the next-series option with strike price K_i as of the end of the current trading session.

b) If there were no trades in the next-series option with strike price K_i during the current trading session:

$$\mathbf{Pr(K_i)} = \begin{cases} \mathbf{TheorPrice(K_i)} \rightarrow \text{if } \mathbf{ask(K_i)} \geq \mathbf{TheorPrice(K_i)} \text{ and} \\ \mathbf{bid(K_i)} \leq \mathbf{TheorPrice(K_i)}, \text{ or no } \mathbf{bid/ask} \text{ prices available;} \\ \mathbf{ask(K_i)} \rightarrow \text{if } \mathbf{ask(K_i)} \neq \mathbf{0} \text{ и } \mathbf{ask(K_i)} < \mathbf{TheorPrice(K_i)}; \\ \mathbf{bid(K_i)} \rightarrow \text{if } \mathbf{bid(K_i)} > \mathbf{TheorPrice(K_i)}. \end{cases}$$

where:

	$\mathbf{TheorPrice(K_i)}$	Theoretical price of the next-series option with strike price K_i, derived from the underlying futures contract quotation and the K_i-th option's volatility curve, at the time of calculation;
	$\mathbf{bid(K_i)}$	Best bid price of the next-series option with strike price K_i, as of the end of the current trading session;
	$\mathbf{ask(K_i)}$	Best ask price of the next-series option with strike price K_i, as of the end of the current trading session.
	To determine $Pr(K_i)$ for seven options with strike prices above the ATM strike price, $Pr(K_i)$ for call options is used. To determine $Pr(K_i)$ for seven options with strike prices below the ATM strike price, bid/ask for put options is used. To determine $Pr(K_i)$ for an option contract with the ATM strike price, the next-series option's underlying futures quotation (hereinafter, "futures quote") is used. If the futures quote is higher than the ATM strike price, $Pr(K_i)$ of the Put option is used; otherwise, $Pr(K_i)$ of the Call option is used.	
F	Quotation of the next-series option's underlying futures contract ("futures quote"). The futures quote is one of the following: • last trade price of the underlying futures contract; or, • best ask price of the underlying futures contract, which is lower than the last trade price; or, • best bid price of the underlying futures contract, which is higher than the last trade price. If there were no trades in the underlying futures contract during the current trading session, the arithmetic mean of the best bid/ask prices is used. If no bid/ask prices for the underlying futures contract are available, the prior settlement period's settlement price is used.	

2.8. As proscribed by the Clearing Rules, the absolute value of the variation margin, calculated during the evening clearing session on the Contract's last trading day, may not exceed the value of the initial margin, calculated during the intraday clearing session on the Contract's last trading day. In the event that the aforesaid absolute value of the variation margin exceeds the aforesaid value of the initial margin, the absolute value of the variation margin will be set equal to the value of the initial margin.

3. Grounds and procedures for termination of obligations under the Contract

3.1. Obligations under the Contract are terminated in full upon due performance thereof.

3.2. A party's obligations under the Contract will be terminated prior to the final settlement by entering into an offsetting Contract with the same Contract code (designation), subject to the procedures and time limits set forth in the Clearing Rules.

3.3. Obligations under the Contract may be terminated on other grounds provided for in the Clearing Rules, in accordance with the procedures set forth thereof.

4. Liability of the parties for failure to perform the obligations under the Contract

4.1. Parties to the Contract are liable for nonperformance or improper performance of the obligations under the Contract, as provided for in the Trading Rules, Clearing Rules, and the laws of the Russian Federation.

5. Special Provisions

5.1. If trading in the Contract has been suspended or terminated, or in case of any other contingency provided for in the Trading Rules, the Exchange, in agreement with the NCC, may undertake one or more of the following actions:

- change the Contract's last trading day;
- change the Contract's final settlement date;

- change the current settlement price, or amend the calculation method for the variation margin and/or rules pertaining to its transfer;
- undertake other actions provided for in the Trading Rules.

5.2. The Exchange, upon agreement with the NCC, may alter the Contract's last trading day and/or the Contract's final settlement date if the Contract's last trading day is declared a public holiday by order of the appropriate state authorities of the Russian Federation.

5.3. Any changes adopted by the Exchange, pursuant to Sections 5.1-5.2 herein, will be published on the Exchange's website at least 3 (three) trading days prior to their taking effect, which serves as notice to the Trading Members.

In the case that the Contract's final settlement date falls within 3 (three) trading days of the date of adoption of changes by the Exchange, pursuant to Sections 5.1-5.2 herein, the said changes will be published on the Exchange's website prior to their taking effect.

5.4. As soon as the change(s) adopted by the Exchange, pursuant to Sections 5.1-5.2 herein, come(s) into effect, the terms of existing Contracts previously entered into will be deemed to have been amended in accordance with the aforementioned change(s).

6. Amendments and Supplements to the Specification

6.1. The Exchange, upon agreement with the NCC, is entitled to introduce Amendments and Supplements to the Specification.

6.2. Amendments and Supplements hereto go into force at the moment the Exchange puts into effect the updated Specification, containing such Amendments and Supplements, upon registration thereof at the Central Bank of The Russian Federation, in accordance with established procedures.

6.3. The updated Specification, containing Amendments and Supplements adopted by the Exchange, will be published on the Exchange's website at least 3 (three) trading days prior to their taking effect, which serves as notice to the Trading Members.

6.4. As soon as the Amendments and Supplements to the Specification come into effect, the terms of existing Contracts previously entered into will be deemed to have been amended in accordance with the aforementioned Amendments and Supplements.