

High hopes for Russia's new equities platform

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Roman Goryunov, RTS

RTS Standard, the new cash equities trading platform for blue-chip stocks launched by Russian stock exchange RTS on 23 April, has got off to a good start but there is still room for improvement, according to Roman Goryunov, the exchange's CEO.

The exchange reported that value traded on RTS Standard exceeded \$90 million dollars on 7 May, having hit \$74 million the previous day. Goryunov said the platform traded around \$70 million on 12 May.

"Volumes are already a little higher than on the RTS cash market in April before the launch of RTS Standard," says Goryunov. "However, we do not believe this level represents RTS Standard's true potential." He expects the platform to be able to trade \$500 million a day.

RTS developed RTS Standard in response to the financial crisis that erupted after the collapse of US investment bank Lehman Brothers in September last year. On the old RTS cash equities system, equity trades settled on a T+0 basis, requiring market participants to deposit 100% of the cash and stock at the exchange in advance of the trade. Firms financed this deposit through the repurchase agreement (repo) market. However, the crisis triggered defaults in the repo market, causing credit, and thus equity trading, to dry up.

"Market participants found it much harder to trade on the T+0 market because they could not raise the repo financing to support their activities," says Goryunov. "The need to move from T+0 to T+N, a global standard, was obvious to everybody."

Trades are settled on RTS Standard on a T+4 basis, and participants are not required to put up cash and stock up front.

RTS Standard is aiming to attract both domestic and international investors. Trading hours are 10.30 to 23.50 Moscow time to allow trading on RTS Standard to coincide with other major global exchanges.

While many international investors have access to Russian stocks through their home exchanges' global depository receipt (GDR) programmes, Goryunov contends there are a number of benefits to trading the stocks on RTS directly.

One is liquidity. "There are a lot of counterparties to trade with on the local market," he says. "Also, international investors might be interested in getting exposure to shares of Sberbank – the most liquid shares on the Russian market. The corresponding GDRs are relatively illiquid." He adds that more Russian issuers are represented on RTS than on foreign exchanges' GDR programmes.

Because RTS Standard and FORTS, RTS's derivatives platform, use the same settlement technology, users can net their equities and derivatives positions, and thus trade a variety of products from a single pot of collateral. "This opens up a lot of opportunities for investors," says Goryunov. "We have a very liquid market for futures and options contracts on RTS and a wide choice of single-stock contracts." RTS Standard's cross-margining capability also offers traders arbitrage opportunities between equities and derivatives, he added.

RTS Standard traded 20 Russian blue-chip stocks from launch and there are plans to add more. "We are certainly going to enlarge the product offering on RTS Standard, but we will do so conservatively, as we want to ensure that any stocks added are liquid," says Goryunov.