



Midlincoln Research

February 2018

This is a recent ETF related news column

ETFs On Moscow Exchange, Building New Asset Class.

Russia Might Back Out Of OPEC Deal (RSX)

ETF Daily News (blog)-
... unrest in Venezuela and Iran that may lead to supply disruptions;

Russian ETF business has been picking up recently. There are few ETFs trading on the Moex exchange. So far they are not really Russian products and registered in Ireland, but Moscow Exchange driven effort to increase liquidity and depth of the market in Russia has been supportive to accommodate these instruments onto trading floor.

	FinEx Gold ETF	FinEx Tradable Russian Corporate Bonds UCITS ETF (RUB)	FinEx Tradable Russian Corporate Bonds UCITS ETF (USD)	FinEx MSCI USA UCITS ETF	FinEx MSCI Australia UCITS ETF	FinEx MSCI United Kingdom UCITS ETF
	<i>Launched</i>	<i>Launched</i>	<i>Launched</i>	<i>Launched</i>	<i>Launched</i>	<i>Launched</i>
	FinEx Cash Equivalents UCITS ETF	FinEx MSCI Germany UCITS ETF	FinEx MSCI China UCITS ETF	FinEx Russian RTS Equity UCITS ETF (USD)	FinEx MSCI USA Information Technology UCITS ETF	FinEx MSCI Japan UCITS ETF
	<i>Launched</i>	<i>Launched</i>	<i>Launched</i>	<i>Launched</i>	<i>Launched</i>	<i>Launched</i>
	ITI Funds RTS Equity UCITS ETF	ITI Funds Russia-focused USD Eurobond UCITS ETF				
	RTS Index	Solactive Index				
	<i>Work in progress</i>	<i>Work in progress</i>				
	ITI Funds Global Fintech ETF	ITI Funds Emerging Markets High Yield	ITI Funds Global Energy ETF	ITI Funds Frontier Markets DRs		
Midlincoln Index	Midlincoln Index	Midlincoln Index	Midlincoln Index			
<i>Idea stage</i>	<i>Idea stage</i>	<i>Idea stage</i>	<i>Idea stage</i>			

Russia pulling out of the pact in June; OPEC members and other parties to the deal starting—or continuing—to cheat; and oil prices rising too high. The VanEck Vectors **Russia ETF (RSX)** was unchanged in premarket trading Wednesday.

RSX Has Topped Again

Seeking Alpha-Dec 25, 2017
Back at the beginning of 2017, I wrote an article titled "The Russian Market Has Topped", which turned out to be a mostly

Moscow exchange has been probably the sole and most active driver for ETF development business in Russia. In the past few years it has been supportive of few domestic groups to launch ETF products and to list them on exchange. Finex was pioneer here, while ITI Funds is the next group which is working on the ETF product line and their listing on Moex.

Moscow Exchange has also offered a few of the international ETF providers to cross list their products on its trading floor. This has not yet resulted in anybody actually listing ETFs on Moex although Moex still courting likes of Vanguard, State Street, Ishares , VanEck and Wisdomtree to cross list their ETFs on Moex.

So far these ETFs of the international providers are made available to Russia investors by brokers as foreign stocks just like ADRs and GDRs from LSE on NYSE. But the transaction costs in these instruments are normally high for Russian investors.



correct prediction: VanEck Vectors **Russia ETF** (RSX) soon fell to almost \$18, then climbed above \$22.50 only to fall below \$21 at the moment of writing this article. In this article, I'd like ...

[How To Pick Better Exchange Traded Funds](#)

[Forbes](#)-Jan 9, 2018

Let's start with a quick refresher on what an ETF is. An ETF provides a way to own a set of investments relatively easily and cheaply. For example, if you wanted to own a set of shares in the Russian stock market, then buying Russian shares yourself would likely be complicated, but a **Russian ETF** can do it ...

[8 Leveraged ETFs That Soared At Least 20% to Start 2018](#)

[Investorplace.com](#)-Jan 16, 2018

Russian stocks have been on a smooth ride buoyed by a rise in oil prices. The news of the buyback plan from **Russian** oil producer Lukoil also added to the optimism. The **ETF** creates a three times (3x or 300%) long position in the **MVIS Russia Index**. It has amassed about \$174.2 million in its asset base ...

[Russia, Saudi Arabia: Two Laggards Worth a Look](#)

[Barron's](#)-Jan 5, 2018

If Saudi Arabia suffered from too much happening last year, Russia suffered from too little. Hopes for a political rerating driven by the Donald Trump-Vladimir Putin bromance fizzled, and the VanEck Vectors **Russia ETF** (RSX) closed 2017 almost exactly flat. The 2018 outlook is emphatically for more of the ...

[iShares](#)

[MSCI Russia Capped ETF \(ERUS\) Rises 0.15% for Jan 1](#)

[KL Daily](#)-Jan 1, 2018

Jan 1 is a positive day so far for iShares

MSCI Russia Capped ETF(NYSEARCA:ERUS) as the **ETF** is

Moex has been active lobbyist with Russian regulator to accommodate legislature to allow internationally listed ETFs to cross list in Moscow. Moex as well as wider financials community in Russia have also been active in lobbying for legislature changes to support domestically registered ETFs (a legislature that was lacking still in the beginning 2018) and it has been lobbying that Russian pension managers be allowed to invest into ETFs.

Moex was also accommodative of the investment community requests to initiate the changes in methodology of the RTS and Moex Indexes, Russian main benchmarks to make it more suitable for the ETF creation. It also revised its sectoral benchmark approach to make it more suitable for future domestic sectoral ETFs.

In this study we explore the ETF market segment available for Russian domestic investors and also Russia focused ETFs available for international investors. We think that the efforts of the exchange, the regulator and the financial community will result in further growth of the ETF trading segment in Russia – which will affect investors risks and costs positively.

In the not too distant future there will be more of the ET products on Moex coming both from domestic groups, with focus on Russian and international markets. At the same time we think that Moex will be successful in including some of the ET products of the major international providers into its trading lists.

Key Russia Focused ETFs

Ticker	Fund	objective	assclass	AssetsUSD mn
RSX:US	Market Vectors Russia ETF is an	RUS	Equity	2071.62
LYRUS:SW	LYXOR ETF RUSSIA (Dow Jones Rus	RUS	Equity	804.34
CEBB:GR	iShares MSCI Russia ADR/GDR	RUS	Equity	399.66
XMRC:SP	db x-trackers MSCI Russia Cappe	RUS	Equity	287.1
H4ZM:GR	HSBC MSCI Russia Capped UCITS E	RUS	Equity	175.09
RUSL:US	Direxion Daily Russia Bull 3x S	RUS	Equity	163.91
RSXJ:US	RSX Russia Small Cap	RUS	Equity	62.109
FXRU	FinEx Tradable Russian Corporate Bonds UCITS ETF	RUS	Fixed Income	54.6
FXRB	FinEx Tradable Russian Corporate Bonds UCITS ETF	Russia	Fixed Income	54.7
RDXS:LN	Source RDX UCITS ETF is a UCITS	RUS	Equity	21.2
FXRL	FinEx Russian RTS Equity UCITS ETF	RUS	Equity	9.2

Source: MidLincoln Research



active during the day after gaining 0.15% to hit ... [ETF\(NYSEARCA:ERUS\)](#) news were published by: Seekingalpha.com which released: "Emerging Markets: Overview Of The **Russian** Equity **ETFs**" on ...

[iShares](#)
[MSCI Russia Capped ETF \(ERUS\) Rises 1.17% for Jan 13](#)

[Press Telegraph](#)-Jan 13, 2018
Jan 13 is a positive day so far for iShares

MSCI Russia Capped ETF(NYSEARCA:ERUS) as the **ETF** is active during the day after gaining 1.17% to hit \$37.07 per share. The exchange traded fund has 668.81M net assets and 1.25% volatility this month. Over the course of the day 678,559 shares traded ...

[What's Next For Gold Miners? \(GDX\)](#)

[ETF Daily News \(blog\)](#)-20 hours ago

ETF inflows were 18.9 tons, down from the record inflow levels of 144.3 tons in the prior-year quarter. In fact, the ... Also, stock markets at new highs led to the modest **ETF** inflows. ... Demands from central banks also remain strong with Turkish and **Russian** central banks adding to their gold reserves. Further ...

[Iran's Latest Crisis Could Spike Oil Back To \\$100 \(USO\)](#)

[ETF Daily News \(blog\)](#)-Jan 3, 2018

Reuters reported late last week that **Russian** oil tankers have sent fuel to North Korea on multiple occasions in the last few months by transferring cargoes at sea. If true, the actions would ... The United States Oil Fund LP **ETF** (USO) rose \$0.03 (+0.25%) in premarket trading Wednesday. Year-to-date, USO ...

[Crude Oil Closes 2017 On A High Note \(USO\)](#)

Current Drivers

Intentions of Russian players that want to list ETFs on Moex and offer it to clients are driven by few factors:

These players want to penetrate new asset class, although they understand that this is a difficult market segment to operate it. Usually they are new companies and their business platform is primarily focused on ET products.

They favor the global trend in passive management and they bet on the emergence of this market in Russia.

They would like to offer Russian domestic clients exposure to international markets.

Moscow Exchange views the ET market segment as lucrative and the emergence of this sector will lead to increased liquidity on the exchange.

Regulator view ET products and passive management products as lower risk and lower cost product suitable for domestic investors.

The obstacles to the growth in the ETF sectors are few:

Overall fund managers don't like added value of the index linked ETF products. Russian fund managers are seeking to maximize their margins offering 2-20 products. While Index tracking ETF business model provides only limited margins as ETF is generally much cheaper to manage and costs investors much less than managed product as pricing is set by international providers.

Second reason is that Russian market is quite concentrated. Diversification is difficult and not too stable from year to year. Russian market has been frequently considered as just one asset class. Therefore having an index linked ETF is no different than to buy RTS Index future which is easily available on Moex and very liquid.

Thirdly – some Russia focused fund managers are rarely focused purely on Russian domestic investor base and they want to reach as wide investor base as possible and therefore are creating products which can also be sold to international investors. This drives them out of Russia to look for jurisdictions for their products. Normally they like to choose European UCITS compliant platforms. But on the international field there are already few Russia focused ETF present and the market is much more difficult to penetrate.

Next and more general reason which is linked to the previous is the depth of the Russian domestic market. Absence of large investor pools which are normally linked to absence of long term investors due to structural problems in Russian savings policy which is skewed towards money markets and is a hostage to the unstable and underdeveloped pension system. The pension system in Russia is dominated by former Soviet socialist style pension policy and has not been linked to a believe that capital markets are there for long time to rely on them for 30-50 years of financial planning. This point of view is added additional evidence every time there is a Yukos style attack on yet another victim i.e. Vypelcom, AFK Systema or Lukoil etc.. With deep roots in mentality of policy makers this is a reflection of Russians in general, whose



ETF Daily News (blog)-Dec 30, 2017

Output from **Russia's** shale is not expected before the mid-2020s, but it could be crucial to offsetting declines from mature oil fields. The United States Oil Fund LP **ETF** (USO) closed at \$12.01 on Friday, up \$0.04 (+0.33%). Year-to-date, USO has gained 2.47%, versus a 21.71% rise in the benchmark S&P ...

Russian rouble up on month-end tax payments, higher oil

Kitco News-21 hours ago
The dollar-denominated **RTS index** was up 0.8 percent to 1,280.8 points, while the rouble-based MOEX Russian index, previously known as MICEX, gained 0.6 percent to 2,300.8 points. Shares in VTB outperformed by gaining 1.2 percent on the day in early trade on the Moscow exchange. As of 08.27 ...

Russian stocks surge to all-time high on strong ruble momentum

RT-Jan 19, 2018
The dollar-traded **RTS Index** was trading flat at 1,274 points. The RTS is still far from its record, seen in 2008, when it was double its current level. The ruble remains one of few currencies in surplus against the greenback over the last 52 weeks. The Russian currency is up over five percent against the dollar ...

European Stocks - 18-01-18

Armenpress.am-Jan 18, 2018

European Stocks - 26-12-17

Armenpress.am-Dec 26, 2017
RTS Index is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers

political views and values are still in transition and are quite mixed up. Russians normally label conservative right politicians as liberals while socialist left are labeled conservative and the rest of the problems follow from that.

Another general reason of the same nature although less philosophical is underdevelopment of Russian financial sector. Russian banking sector is roughly 20% of economy while probably a more stable economy implies that all assets on balance sheets should be matched closely with equity and debt. So that the resulting structure of economy implies a close to 50% share of financial sector. In Russia this is a result of privatization, legacy and depreciated Soviet assets, smaller capex investments and smaller p/b multiples. This is also a legacy of the Soviet period. For example even in Iran – a country frequently compared to Russia recently (hopefully this comparison will not fully materialise) financial sector is roughly half of the economy.

Industry Trends

The first ETF is the Toronto Index Participation Fund (TIP 35), listed on the Toronto Stock Exchange in 1990.

The first American ETF - Standard and Poor's 500 Depository Receipt (SPDR) - was created in 1993, followed the S & P 500 index, traded under the ticker SPY. Traders called it "Spider" ("Spider").

The SPDR was followed by the Middies (MDY) funds, which tracked the S & P 400 index, Dow Diamonds (or DIA) - Dow Jones Industrial Average, QQQ - NASDAQ-100 index.

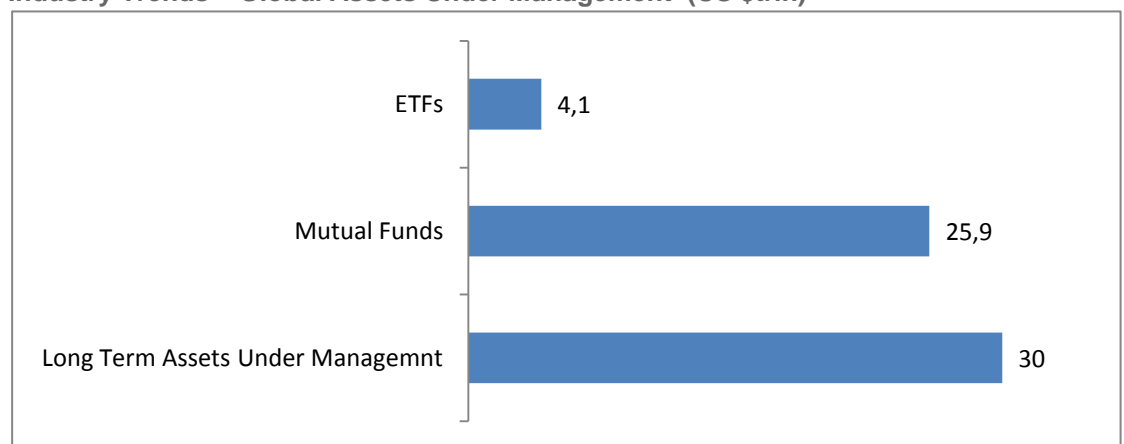
1996 - Barclays Global Investors with iShares entered the market.

1998 - Select Sectors SPDR have appeared and gained popularity, each of these ETFs represents the S & P 500 sector.

The volume of assets in ET products is 4.1 trillion dollars according to Morgan Stanley Industry Trends presentation

The first ETF admitted to the Moscow stock exchange - FinEx Tradable Russian Corporate Bonds UCITS ETF. The trading was launched on April 29, 2013.

Industry Trends – Global Assets Under Management (US \$trln)



Source: Morgan Stanley



presented on the Moscow Exchange. **RTS Index** was launched on September 1, 1995 at base value 100. The Index is calculated in real ...

[European Stocks - 28-12-17](#)

Armenpress.am-Dec 28, 2017
RTS Index is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers presented on the Moscow Exchange. **RTS Index** was launched on September 1, 1995 at base value 100. The Index is calculated in real ...

[Russian assets give up gains as oil heads lower](#)

Reuters-Jan 17, 2018
 Top government and central bank officials are expected to speak on Wednesday, the day after the finance ministry said it may revise spending plans as the World Bank urged Moscow to spend more on healthcare and education. Russian stock indexes went down. The dollar-denominated **RTS index** lost 1.2 ...

[Russia's benchmark MOEX](#)

[stock index climbs to all-time high](#)

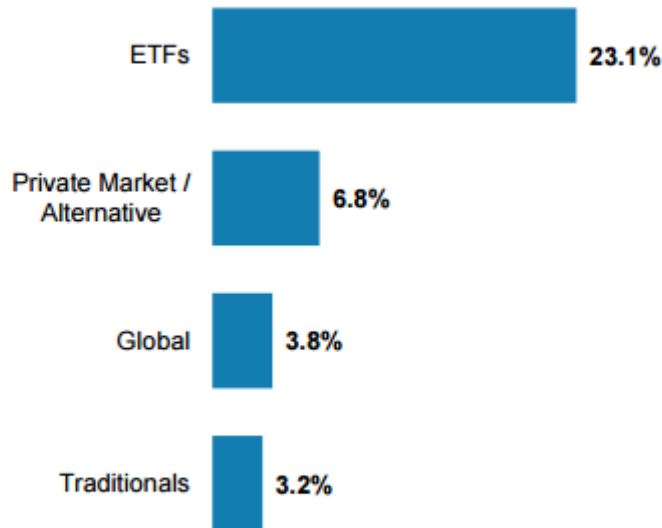
Reuters-Jan 18, 2018
 MOSCOW, Jan 18 (Reuters) - The Russian benchmark stock **index** hit an all-time high on Thursday, catching up with the gains of major global peers and ... As of 0757 GMT, the MOEX was 0.4 percent higher at 2,287.3, while its dollar-traded peer **RTS** also traded 0.4 percent higher at 1,269.2 after briefly ...

[It's not just the US. Global markets are kicking off 2018 making a killing](#)

CNBC-Jan 8, 2018
 The DAX traded a mere 1.5 percent below its all-time high

ETFs keep attracting the biggest inflows

Industry Trends Inflows 1H 2017



Source: Company Data, Morgan Stanley Research; as of 1H17. Note; analysis covers ~60 asset managers globally with ~\$30trn of AuM including listed, unlisted and captive names. Note: Averages were calculated using a dollar weighted average.

Source: Morgan Stanley

ETFs offer the lowest cost to investors and investment managers focused on ETFs are able to gather largest assets under management.



level, and Russia's **RTS index** turned in its best week in a little over a year. So, where should investors turn if they are considering foreign markets? German equities look particularly attractive relative to the U.S., said Boris Schlossberg, managing ...

[Russian rouble slips from 7-1/2 month high vs dollar](#)

Kitco News-Jan 16, 2018
 MOSCOW, Jan 16 (Reuters) - The Russian rouble edged down from a 7-1/2 month high against the dollar on Tuesday as a boost from high oil prices and a weaker dollar was countered by the finance ministry's large-scale currency buying programme. At 0743 GMT, the rouble was 0.19 percent weaker ...

[UPDATE 1-Russian stocks at more than 3-year high after holiday ...](#)

Kitco News-Jan 9, 2018
 MOSCOW, Jan 9 (Reuters) - Russian stocks hit their highest since mid-2014 on Tuesday as investors returned to work after the holiday break and the price of oil, the country's main export, remained high. At 1220 GMT, Russia's dollar-denominated **RTS index** was up 1.27 percent to 1,235.38 points, having ...

[Russian rouble treads water as oil prices rise](#)

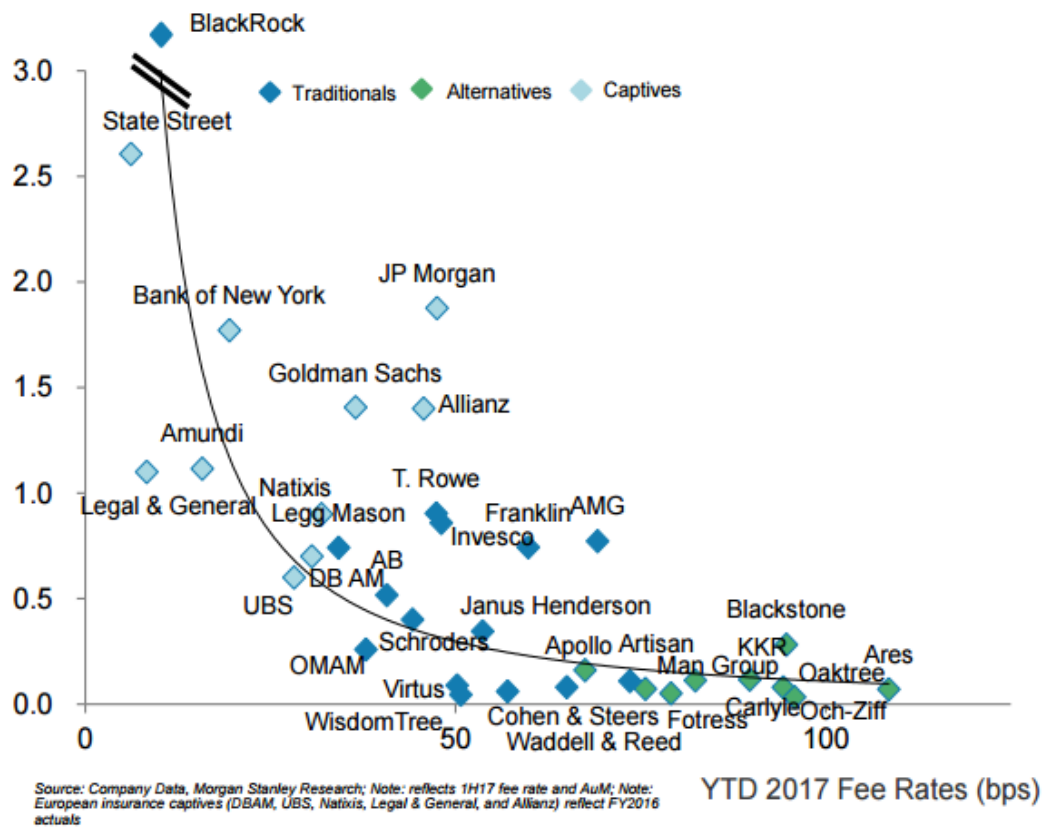
Nasdaq-Jan 8, 2018

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[European Stocks - 22-01-18](#)

Armenpress.am-39 minutes ago
RTS Index is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the

Industry Trends Scale vs. pricing (fees x axis, AUM y axis)
 2Q17 Fee Paying AUM (\$T)



Source: Morgan Stanley



largest and dynamically developing Russian issuers presented on the Moscow Exchange. **RTS Index** was launched on September 1, 1995 at base value 100. The Index is calculated in real ...

[HSBC ETFs Public Limited Company - HSBC MSCI Russia Capped ...](#)

BZ Weekly-14 hours ago
Shares of HSBC ETFs Public Limited Company – HSBC **MSCI Russia** Capped UCITS ETF (LON:HRUB) last traded at 831.5, representing a move of 0.35%, or 2.88 per share, on volume of 7,789 shares. After opening the trading day at 831.25, shares of HSBC ETFs Public Limited Company – HSBC MSCI ...

[What's Behind db x-trackers MSCI Russia Capped Index UCITS ETF ...](#)

Davidson Register-1 hour ago
Shares of db x-trackers **MSCI Russia** Capped Index UCITS ETF (3027.HK) are moving on volatility today 2.24% or 0.50 from the open. The HKSE listed company saw a recent bid of 22.80 and 2875 shares have traded hands in the session. Many individual investors would agree that self confidence can ...

[DB X-Trackers Dbx MSCI Russia 2 \(XMRC.L\): What Are the Charts ...](#)

Buckeye Business Review-5 hours ago
The Money Flow Index of DB X-Trackers Dbx **MSCI Russia 2** (XMRC.L) this week has place the shares on the radar as it nears the key 70 or 80 level. At the time of writing the MFI is holding above 60 and trending

History of the ETFs on Moex

Although historically likes of Ishares, Van Eck and Lyxor products have been pioneers on the Russian market. The first Russian ETF launched by domestics group was MSCI Renaissance Index ETF in 2007 cross listed on LSE and on Kazakhstan stock exchange but not on MOEX. The ETF did not survive 2008 crisis.



Troika Dialog has tried creating a quasi-ETF on the RTS Index launched in 2010 the. It was not an ET product but Troika managed to ensure high liquidity of this fund. The product was strangely discontinued when Sberbank took over the company.

Finex ETFs



The history of ETFs on Moex started not so long ago. In April 2013, Russian Finex group launched a line of the ET products aimed at increasing exposure for Russian investors to international markets. Currently Finex offers 12 funds all trading on Moex. However, liquidity in the funds is limited.

Finex took a path of registering funds in Ireland and technically listing them on Irish stock exchange under UCITS rules. The set up was costly but it was aimed at overcoming legislative deficiencies in Russian laws of registering the domestic ETFs.

It is possible to cross list the international ETF on Moex but it is so far impossible to create a



higher for the name. The Money Flow Index creates a ratio of Positive Money Flow and ...
[Investors Are Circling DB X-Trackers Dbx MSCI Russia 2 \(XMRD.L ...](#)

MTNV-16 hours ago
[Gearing for a bull run? DB X-Trackers Dbx MSCI Russia 2 \(XMRD.L ...](#)

Union Trade Journal-17 hours ago

[View all](#)
[What the MFI Reveals About DB X-Trackers Dbx MSCI Russia 2 ...](#)

Ozark Times-5 hours ago
 DB X-Trackers Dbx MSCI Russia 2 (XMRD.L) shares have sparked the interest of some chartists as the Money Flow Index has climbed above 60, potentially heading for key 70 levels. The Money Flow Index is an indicator that utilizes the volume and volatility of an asset to determine the buying or selling ...

[iShares MSCI iShares MSCI Russia ETF \(ERUS\) Short Interest ...](#)

registrarjournal.com-Jan 21, 2018
 iShares MSCI iShares MSCI Russia ETF logo iShares MSCI iShares MSCI RussiaETF (NYSEARCA:ERUS) was the recipient of a large decline in short interest during the month of December. As of December 29th, there was short interest totalling 558,588 shares, a decline of 44.5% from the December ...

[Shares On The Run: Globus Medical Inc \(GMED\) and Russia Index ...](#)

Aiken Advocate-9 hours ago
[View all](#)

[DB X-Trackers Dbx MSCI Russia 2 \(XMRC.L\) Sees a Nice](#)

purely Russian product due to legislative inefficiencies.

But it allows offering ETFs to European investors which are allowed to invest into UCITS products.

FinEx launched in 2016 FinEx Russian RTS Equity UCITS ETF (FRLX) the RTS Index tracking ETF. But the assets of the fund remain very small.

The entry ticket for the Finex funds is attractive to domestic investors on the order of 1000 rub or 20\$ and the management fee is also quite inexpensive.

Ticker	Fund	objective	assclass	Assets USD mn	Expense Ratio
FXMM	FinEx Cash Equivalents UCITS ETF	US	Government	17	0.49
FXCG	FinEx Gold ETF USD	Gold	Commodity	9.3	0.45
FXRB	FinEx Tradable Russian Corporate Bonds UCITS ETF	Russia	Fixed Income	54.6	0.95
FXRU	FinEx Tradable Russian Corporate Bonds UCITS ETF	RUSSIA	Fixed Income	54.7	0.5
FXAU	FinEx MSCI Australia UCITS ETF	Australia	Equity	30	0.9
FXUK	FinEx MSCI United Kingdom UCITS ETF	UK	Equity	23.9	0.9
FXDE	FinEx MSCI Germany UCITS ETF	Germany	Equity	32	0.9
FXCN	FinEx MSCI China UCITS ETF	China	Equity	48	0.9
FXRL	FinEx Russian RTS Equity UCITS ETF	RUSSIA	Equity	9.2	0.9
FXIT	FinEx MSCI USA Information Technology UCITS ETF	US	Equity	26	0.9
FXJP				40.8	0.9



Gain of ...

Union Trade Journal-17 hours ago

Shares of DB X-Trackers Dbx **MSCI Russia 2** (XMRC.L) have been trending up over the past five bars, revealing solid bullish momentum for the shares, as they ran 0.56% for the week. Looking further out we note that the shares have moved 9.17% over the past 4-weeks, 22.81% over the past half year and 4.51% over the ...

iShares MSCI

Russia Capped ETF (ERUS) Rises 1.57% for Jan 18

BZ Weekly-Jan 18, 2018

Jan 18 is a positive day so far for iShares **MSCI**

Russia Capped ETF (NYSEARCA:ERUS) as the ETF is active during the day after gaining 1.57% to hit \$37.63 per share. The exchange traded fund has 668.81M net assets and 1.25% volatility this month. Over the course of the day 505,444 shares traded ...

iShares MSCI iShares MSCI Russia ETF (ERUS) Sees Large ...

The Ledger Gazette-Jan 18, 2018

View all

DB X-Trackers

Dbx MSCI Russia 2 (XMRC.L) Ichimoku Levels ...

Stock Daily Review-Jan 20, 2018

Shares of DB X-Trackers Dbx **MSCI Russia 2** (XMRC.L) opened the last session at \$2097.50, touching a high of \$2097.50 and a low of \$2094.00, yielding a change of -17.50. The latest reading places the stock above the Ichimoku cloud which indicates positive momentum and a potential buy signal for the ...

iShares MSCI

Russia Capped ETF

ITI Funds developments



In May of 2015 another Russian group DaVinci invested into ETF platform ITI Funds. The intentions was to create own both ET products and to liaise with international ETF providers to facilitate marketing of their products in Russia. ITI Funds also took the path to register an umbrella fund in Europe under UCITs and cross list their ET products in Moscow after an initial technical listing on one of the European exchanges.

It took ITI funds almost 3 years to deal with red tape in Europe and they managed to register 2 Russia focused funds:

- [ITI Funds RTS Equity UCITS ETF](#)
[RTS index tracking fund](#)
- [ITI Funds Russia-focused USD Eurobond UCITS ETF](#)
[Solactive Russian Eurobond index tracking fund.](#)
- [ITI Funds Global Fintech ETF](#)
[Tracking Midlincoln Index Global Fintech Index](#)
- [ITI Funds Emerging Markets High Yield](#)
[Tracking Midlincoln Index Emerging Markets High Index](#)
- [ITI Funds Global Energy ETF](#)
[Tracking Midlincoln Index Global Energy Index](#)
- [ITI Funds Frontier Markets DRs](#)
[Tracking Midlincoln Index Global Frontier DRs Index](#)

However so far they have been unable to complete the final step list then on Moex and offer the funds to investors in Russia and abroad. But probably in 2018 we will see the launch of these products in Moscow.

In addition ITI Funds has a pipeline of creating at least 3 more ETFs focused on global and emerging markets.



(ERUS) Rises 0.15% for Jan 1

KL Daily-Jan 1, 2018

Jan 1 is a positive day so far for iShares **MSCI Russia** Capped ETF (NYSEARCA:ERUS) as the ETF is active during the day after gaining 0.15% to hit ... shares traded hands, as compared to an average volume of 370,300 over the last 30 days for iShares **MSCI Russia** Capped ETF (NYSEARCA:ERUS).

Russian legislative obstacles

In Russia, the legislature governing the ETF creation is strangely lacking. But starting from September 1, 2012, in accordance with Federal Law No. 145-FZ of 28.07.2012, "On Amending Certain Legislative Acts of the Russian Federation" introduces among other things a new kind of mutual funds – exchange traded mutual funds that can be considered a Russian analogue of ETF.

Central Bank of Russia which serves as a regulator for financial markets remarks that the are difficulties associated with the creation of a qualitative ETF counterpart: "The norms of the current legislation do not allow creating a tool which is exactly called in the western practice of ETF. Exchange funds (indirect analogue of ETF in accordance with Federal Law No. 156-FZ "On Investment Funds") differ significantly in concept from ETF. "

Currently in the Russian Federation, the ETF's circulation on the exchange is regulated by Art. 51.1 FZ-39 "On the securities market" and Order FFMS 10/5 pz-n of February 9, 2010 But the investment community expects that the legislature governing Russian ETFs will be implemented in 2018, which will give a fresh start to this business.

Conclusion

ETFs creation has been inaccessible to Russian domestic groups operating solely under Russian laws due to lack of legislature. When this changes the sector will grow. But before these changes Russian investors will be offered UCITS like products listed on international exchanges and cross listed on Moex.

Margins in the asset management business should see a contraction before Russian investment managers will consider launching passive ET products.

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