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BRICS exchanges alliance announced

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The exchanges of the BRICS emerging markets bloc have announced plans to form an alliance to expose foreign investors to their dynamic economies and to increase the liquidity of their trading venues. This initiative was announced at the 51st AGM of the World Federation of Exchanges (WFE) in Johannesburg.

The initiative brings together BM&FBOVESPA from Brazil, MICEX from Russia (currently merging with RTS Stock Exchange), Hong Kong Exchanges and Clearing Limited (HKEx, China) and Johannesburg Stock Exchange (JSE) from South Africa. The National Stock Exchange of India (NSE) and the BSE Ltd (India) have signed letters of support and will join the alliance after finalizing outstanding requirements.

At the first stage of this project the exchanges will begin **cross-listing of financial derivatives** on their benchmark equity indices. It is planned to launch cross-listed products by June 2012.

"Global investors are increasingly seeking exposure to leading developing markets," says Ronald Arculli, chairman of HKEx and of the WFE. "Thanks to this alliance, investors will gain easier access to major equity index derivatives of the BRICS markets which will now be offered in local currency on the alliance exchanges".

This is an important milestone in the history of developing countries, continues Mr Arculli. "The alliance enables more investors to gain exposure to the emerging economies of the BRICS group whose economic power is on the rise. From a global perspective this alliance highlights the growing significance of the BRICS economies and financial markets for the coming decade, and further underlines the importance of enhancing cooperation between the BRICS members".

At the second stage of the project members of the alliance plan to jointly develop new products for cross-listing on their exchanges. "In addition to measuring market performance, equity indices may be used as underlying assets to create new products, which can be the next step in the alliance development", says Russell Loubser, CEO of the JSE.

"The products designed at the second stage would then be cross listed and traded in local currencies," says Edemir Pinto, CEO of BM&F BOVESPA. "They will also ensure easy access for investors to other emerging markets through locally listed products."

The third stage may include further cooperation in joint products design and new services development.

"Apart from cross-listing products, there are other opportunities for growth and development within this alliance. For example, creation of joint products combining various underliers which will facilitate liquidity growth in the BRICS markets and improve the understanding of other developing markets by local investors," says Ruben Aganbegyan, President of MICEX.

All the partnering exchanges estimate the potential for cooperation created by this alliance very positively.

"The BRICS exchanges alliance has a great potential as it will create avenues for Indian investors to diversify their portfolios and expand into other emerging markets. It will also provide unique opportunities to investors in other BRICS nations to participate and contribute in India's growth. BSE will actively work towards bringing world-class products to India as well as developing new products for other BRICS markets." says Madhu Kannan, CEO of BSE Ltd.

Interest towards the BRICS markets is supported by the above-average growth forecast for these regions, as well as the rising consumer power generated by growing middle classes in each of the participating economies" says Ravi Narain, MD of the National Stock Exchange of India.

According to the WFE these six exchanges represent a combined market capitalization of USD 9.02 trillion, the average monthly trading volume on their securities markets reaches USD 422 billion and the number of their issuer companies totals 9.5 thousand.

As per the research by the Futures Industry Association these six exchanges accounted for 18% of the global turnover in financial derivatives in H1 of 2011.

For reference

About BM&FBOVESPA

One of the four largest exchanges in the world by market capitalisation, BM&FBOVESPA offers trading of cash markets in equities, gold, US Dollar and fixed income securities, as well as of derivatives on indices, interest rates, foreign exchange, agricultural and energy commodities. With its fully integrated business model BM&FBOVESPA offers not only a state-of-the-art trading environment, but also registration, clearing, settlement, risk management, central counterparty and depository services.

About MICEX and RTS

MICEX Group is an integrated exchange complex that renders a full range of competitive services to the financial market participants, including organization of trading, clearing and settlement of trades as well as depository and information services meeting the best global practices. MICEX Group offers to its local and foreign customers trading in currencies, stocks, government and corporate bonds, equity and financial derivatives, and in commodities. MICEX is ranked among top 20 global exchanges in terms of stocks turnover and is the largest stock exchange in the CIS, Central and Eastern Europe in terms of on-exchange trading volume. Currently MICEX is in the process of merger with RTS, the other major Russian exchange. RTS Group is an integrated trading and settlement infrastructure that provides an extensive set of reliable high-quality services. RTS is a major derivatives market operator. Its derivatives market FORTS is rated among the top 10 global derivatives exchanges. RTS also operates RTS Standard, a cash equities market where trades are executed with partial advance collateral depositing and are settled on T+4.

About HKEx

Hong Kong Exchanges and Clearing Limited, or HKEx, operates a securities market and a derivatives market in Hong Kong and the clearing houses for those markets. HKEx was listed in Hong Kong in 2000 and is now one of the world's largest exchange owners based on the market capitalisation of its shares.

About JSE

As South Africa's only full service securities exchange, the JSE connects buyers and sellers in equity, equity derivatives, currency derivatives, commodities derivatives and interest rate instrument markets. The JSE Ltd offers the investor a first world trading environment, with world class technology, surveillance and settlement in an emerging market context. It is amongst the top 20 largest equities exchanges in terms of market capitalisation in the world.

About BSE Ltd

Established in 1875, BSE Ltd. (formerly known as Bombay Stock Exchange), is Asia's first Stock Exchange and one of India's leading exchange groups and has played a prominent role in developing the Indian capital market. BSE is a corporatized and demutualised entity, with a broad shareholder-base which includes two leading global exchanges, Deutsche Bourse and Singapore Exchange as strategic partners. BSE provides an efficient and transparent market for trading in equity, debt instruments, derivatives and mutual funds. It also provides a host of other services to capital market participants including risk management, clearing, settlement, market data services and training. It has a global reach

with customers around the world and a nation-wide presence. BSE systems and processes are designed to safeguard market integrity, drive the growth of the Indian capital market and stimulate innovation and competition across all market segments. It operates one of the most respected capital market training institutes in the country (the BSE Training Institute).

About National Stock Exchange of India

National Stock Exchange of India was established by leading Indian financial institutions. It started operations in June 1994 and within a short span of 1 year became the largest stock exchange in India. NSE has been a change agent in the Indian markets and has catapulted India and its capital markets to amongst the top investment destinations in the world. NSE offers a wide array of asset classes to its investors, viz. government debt, corporate debt, equities, equity derivatives, currency derivatives, interest rate derivatives, commodity and its derivatives, mutual funds etc. either by itself or through its associate companies. NSE has leveraged information technology to provide access to the vast geography and investor population of India and at the same time provides sophisticated low latency, high throughput, and multi product platform to volume investors. Some of NSE's global rankings are - 4th in equity shares (no. of transactions), 2nd in stock index options, 3rd in single stock futures and 3rd in stock index futures. NSE through its international collaboration and alliances makes available futures and options in S&P 500 and futures in DOW Jones Industrial average to Indian investors.