

The Concept of Fair Pricing in the Regulation Framework of the Russian Securities Market

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Abstract: High risks and volatility in the stock market of Russia hinder the transformation of savings into investments and increase the speculative nature of transactions. Russian business does not use the securities market mechanism of financing investments widely enough. One of the causes of this is the faults in the model of securities market regulation in Russia and the legislative gaps. The aim of this article is developing suggestions concerning the improvement of government regulatory practice and self-regulation in securities market in Russia. The study is based on the methods of institutional, comparative and graphic analysis. Solving the problems connected with the set aim, the authors were the first to suggest the analysis of the relationship between the ability of the Russian capital markets to implement its allocative functions on the basis of fair pricing and the efficiency of the capital markets regulatory system. A relationship has been revealed between the speculative character of the Russian securities market and the faults in the model of its regulation. Suggestions have been grounded on the improvement of the existing rules and regulation in the Russian securities market, working out the foundations of long-term public policy for securities market regulation.

Keywords: Fair pricing, financial market regulation, volatility overflow, insider information, stock price manipulation.

Global scales of the modern financial markets in combination with their vulnerabilities make the task of their regulating very complicated. National regulators in cooperation with major supranational organizations make great efforts to ensure the further development of financial markets, preserving the market participants' trust to them, the required functionality and effectiveness from the point of view of the economy as a whole.

The aim of this paper consists in working out proposals concerning the improvement of current government regulatory practice and self-regulation in securities market in Russia. In order to achieve this aim, the following tasks are set: determining the position of the concept of fair pricing in the range of the directions of modern economic policy; studying today's approaches to financial market regulation in international practice; the analysis of the most nagging issues of the Russian stock market performance; identifying the relationship of these problems with failures of regulation and supervision and legislation lacunae; justification of suggestions concerning the securities market regulation in Russia.

The main directions and areas of concern on which modern regulation focuses in most countries in addressing the problem of fair pricing are:

- corporate governance quality;
- corporate transparency;
- financial market fragmentation;
- benchmarks;
- new trading technologies (high-frequency and algorithmic trading);
- unfair trade practices;
- margin trading in the securities market;
- securitization and its consequences;
- financial innovations;
- other.

A significant role in raising the interest in the problem of fair pricing was played by the financial and economic crisis of 2007-2009. One can say that the events that took place at that time threw into question many fundamental assumptions about the existing regulatory approach. The problems that arose actually meant the failure of a broadly shared conceptual framework for securities regulation which required a significant rethink.

The hardest conclusion is that the role of securities market regulators or financial market mega-regulators changes considerably. This change, above all,

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concerns the enforcement of old and new instruments for macro-prudential policy implementation. In our opinion, it is the macro-prudential policy that currently incorporates the bulk of the problem of fair pricing in the securities market. The resulting tasks include ensuring the effective regulation of entrepreneurial behavior in the market, giving the market more information effectiveness understood according to the EMH concept by ensuring the markets transparency, infrastructure development, and organizing comprehensive monitoring. All this, in turn, is to help mitigate systemic risk within securities markets and increase confidence.

Much of the work related to the revision of conceptual framework for securities market regulation and the regulation of financial market as a whole was undertaken by supranational institutions, such as the International Monetary Fund (IMF), the Financial Stability Board (FSB) and the Bank of International Settlements (BIS), International Organization of Securities Commissions (IOSCO). Central banks, financial authorities of countries, national bodies responsible for regulating the securities market, as well as relevant regional bodies, for example, the ECB and the European Securities and Market Administration (ESMA) were involved in this work.

The current stage of work aimed at ensuring financial stability and achieving one of its subordinate goals - fair pricing – was begun at the G-20 summit in April 2009. The participants of the summit recommended that regulatory frameworks be reinforced with a macro-prudential regulation (Krinichansky K.V., 2009). It was then that the Financial Stability Oversight Council (FSOC) was established as a successor of the Financial Stability Forum, with a mandate to address vulnerabilities and develop and implement regulatory, supervisory and other policies to achieve financial stability.

The approach to securities regulation that existed until 2009 was based on the provisions set forth by IOSCO in the document "Objectives and Principles of Securities Regulation" (hereinafter referred to as the Principles). This document was drafted in 1998 after the Asian financial crisis and was revised in 2003. It outlines a framework for the regulation of securities markets including regulation and oversight of intermediaries in those markets, controlling issue processes and regulating issuers' activities and matters relating to collective investment institutions. In fact, this document has become the basic international

regulatory standard for the securities industry. To assess national regimes for securities regulation, the degree of implementation of the IMF Principles, the World Bank and FSB use a specially developed methodology (IOSCO, 2008).

The Principles indicate that securities regulators carry the primary responsibility for maintaining and enhancing the integrity, efficiency and fairness of securities markets. They proclaim the priority of protecting investors from improper behavior by market insiders and others with informational advantages. Securities regulators have a fundamental role in maintaining confidence in the market and ensuring transparency.

The Principles focus on comprehensive disclosure and market discipline, backed up by supervision, in order to protect investors and enhance confidence. The document recognized the importance of systemic risk and the role of securities regulators in preventing and mitigating such risks, but paid insufficient attention to systemic risks. In general, the model of financial regulation until 2009 focused on the regulation of individual institutions and did not take into account the distribution of risks between entities representing different sectors. At the same time, it is *the overflow of risks that currently determines the true risk profile of individual financial sectors* and the entities operating in them.

Further improvement of approaches to the regulation of the securities industry presupposed the consideration of this and other components of systemic risks. In 2009, international organizations established an approach to assess the systemic significance of markets, markets participants, and financial instruments (BIS, 2009). However, the practical implementation of this approach remains a difficult task, in particular, because of the vagueness of the importance criteria.

Further, the concept was expanded by including in the view of the regulator the risks arising from the activities of hedge funds, the practice of high-frequency trade, the trade of CDS. They were also concerned with such potential problems as market concentration growth, collective behavior (herd effect, market freezes), contagion effects, etc. Thus, it turns out that, *in solving the problem of ensuring financial stability and fair pricing, regulators should take into account a lot of risks which are complex and various by nature.*

Facing the challenges caused by the crisis of 2007-2009, many countries undertook serious reforms of the regulatory framework designed to regulate financial markets. In particular, in the United States in 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) was enacted. The law is designed to eliminate the gap in risk management in the regulatory framework. The institutional measure is the establishment of the Financial Stability Oversight Council (FSOC), directly accountable to the US Congress. Following the United States, systemic risk committees were established in such countries as the United Kingdom, France, Germany, Spain, Hong Kong, Brazil. In the EU the European Systemic Risk Board (ESRB) was established. In the Russian Federation, these functions are assigned to Bank of Russia, in which the Financial Stability Department was established.

A deep reform of financial legislation and the regulation of the financial system was carried out in the UK. With the adoption of the Financial Services Act 2012, the country created a macro-prudential authority, the Financial Policy Committee (FPC), operating in the Bank of England and carrying out the functions of monitoring and responding to systemic risks. Much of the micro-prudential regulation was transferred to the new regulator – Prudential Regulation Authority (PRA), created as a branch of the Bank of England. Finally, the Financial Conduct Authority (FCA) was established as an independent non-governmental authority covering such sectors as banks, consumer lending, financial advisors, etc.

A significant part of the mandate of the newly created authorities for supervision and regulation of

financial markets is carrying out profound studies of financial stability and its violations, the conditions for ensuring fair pricing and increasing confidence in markets. This task is relevant for the Russian market, too.

The Russian securities market is characterized by weak information efficiency, low liquidity and high risks including market risks, corporate governance risks. This complicates the task of the regulator. Firstly, the probability of a systemic crisis in these conditions increases, and secondly, the regulator has problems with ensuring fair pricing because it is impossible to thoroughly control the pricing mechanisms, including those determining the assets' risk premium.

Raising money through the sale of shares and bonds at a fair price remains a very acute and painful problem for domestic companies. At the same time, the analysis of the primary-market offering shows that since 2014, Russian issuers have not offered any issues of stocks abroad (Figure 1). This means that access to a deeper and broader market with "more fair pricing" for Russian corporations is closed.

Taking into account that 15 843 Russian legal entities are public joint stock companies (as of early 2018), of which less than 1% is represented in organized securities markets, it can be assumed that there should be an increased demand for IPO in Russia. Instead, there is a reduction in the number of issuers whose shares are traded in the domestic exchanges. By the end of 2017, this figure was 230 companies compared to 242 a year earlier (a decrease of 5%). A significant number of companies do not resort to public offering of shares exactly because it is

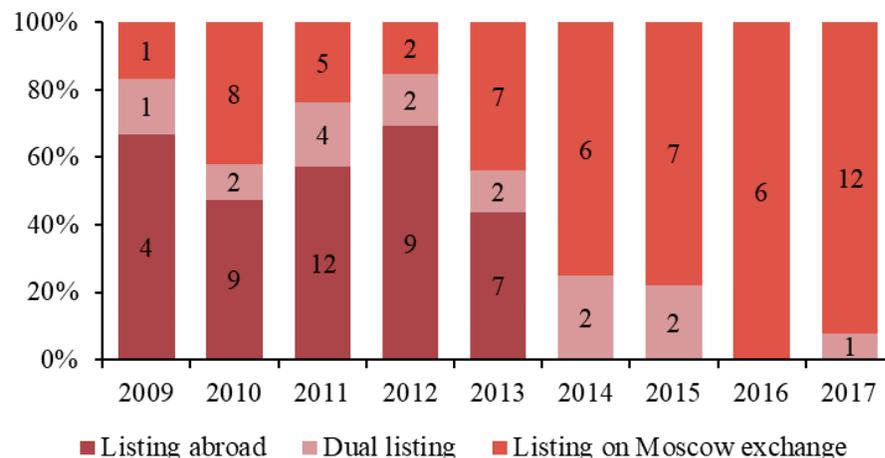


Figure 1: IPO/SPO and listing of Russian companies.*

* Calculated by the authors on the basis of the data of the Moscow Exchange group.

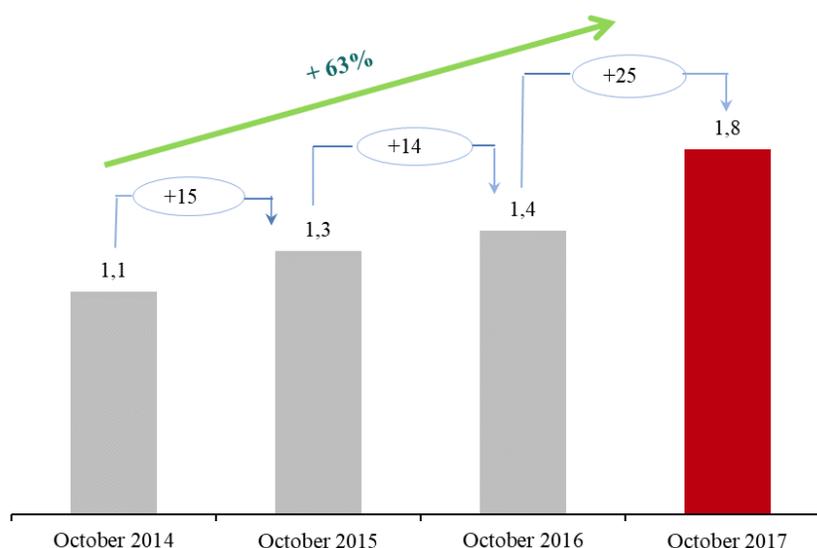


Figure 2: Moscow exchange: total number of clients accounts, million accounts.*

* Calculated on the basis of the data of the Moscow Exchange group.

impossible to raise capital at fair prices. The other weighty causes for this are poor macroeconomic conditions for public offerings, decreasing the interest in Russian assets in the conditions of sanctions against Russian citizens and legal entities.

For their part, investors demand a high premium for the risk of their investments. Although in the last 4 years there has been an apparent trend towards an increase of their interest in the services offered by domestic brokers (Figure 2). The number of retail investor accounts opened for trading in stock market is growing. Only in 2017, retail investors opened 250 thousand new brokerage accounts, as a result, the total number of such accounts reached the number of more than 1.9 million in Russia. The number of individual investment accounts opened by private investors increased from 195 thousand to 302 thousand (Moscow Exchange, 2018).

Fair pricing effectively connects the demand for capital with its supply, increasing the volume of transactions, and, consequently, the liquidity of the market. Fair prices stimulate the entry of private investors, which allows the personal savings to be included in the national savings accumulation process, having a direct impact on the national saving rate. The growth of the share of securities in the personal savings from 8% in 2012 to 16% in 2016 can be called a positive trend. However, this is still significantly lower than the similar indicator in many developed markets. In terms of the share of instruments of the stock market in the assets of the population in a number of other

countries, Russia is located between Germany and Japan (Figure 3). In addition, it should be borne in mind that during the same period, the household wealth accumulation in Russia increased from 17.3 to 27.4 trillion Roubles, as well as the deposit rates fell significantly.

To implement the concept of fair pricing, the regulator's efforts are needed to establish fair rules of game for all financial market players, to provide monitoring and to overcome asymmetric information. It seems that the quality and internal consistency of legislative and regulatory acts governing the pricing of stock assets in the domestic securities market, the organization of circulation of securities at the Moscow exchange are at the proper level. Thanks to the reform of the infrastructure of the Russian market in recent years, the quality of the organization of trading and post-trading procedures at the leading Russian stock exchange - the Moscow Exchange - began to meet the requirements of the largest international exchanges. In 2013, the securities market of the Moscow Exchange adopted the clearing technology accepted in international financial centers implying T+2 settlement model with partial pre-funding. The legal regulation of clearing meets the international standards and is carried out in the conditions of unification of the European Markets Infrastructure Regulation rules (EMIR).

The weak link in the model of securities market regulation in Russia is the ability of regulatory institutions to ensure the enforcement of these rules

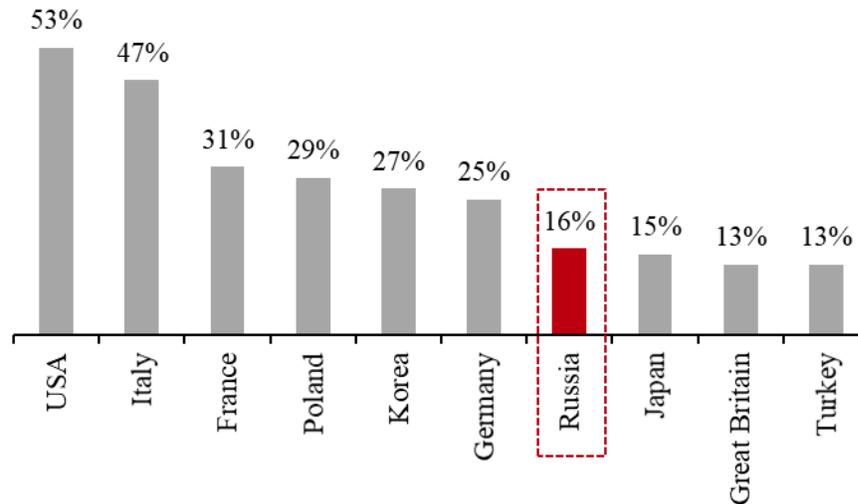


Figure 3: The share of stock market instruments in the assets of the Russian households, percent.*

* Calculated on the basis of the data of the Moscow Exchange group.

through effective disciplinary mechanisms. The existence of non-compliance mechanisms explains why regulatory functions and procedures - the entire range of actions through which regulation is carried out (legislative functions, registration procedures, licensing, supervisory, certification, control functions) in the model of regulation of the Russian securities market - do not have an automatic mandatory execution mode. They are implemented completely or partially depending on whether the regulatory institutions are interested in it and have enough resources to put them into full operation.

According to the standards of securities market regulation, Russia is one of the leaders among countries with transition economy. In particular, some recent reviews published by OECD argue for this fact. While for countries like China, Argentina, India, improving the regulation of financial market is recognized as a priority of economic policy, OECD experts do not give such a recommendation for Russia (OECD, 2017). De jure domestic investors are protected from the misuse of insider information and stock price manipulation as reliably as investors operating in well-developed exchange markets of western countries. However, the result of implementing this protection is not obvious. Analysis of exchange market characteristics shows that the Russian market depends heavily on the parameters of capital inflows into foreign portfolio funds investing in Russian equities. However, it does not seem possible for a private investor to take this factor into consideration in good time. Information concerning inflows and outflows of foreign capital to or from the Russian securities

market is provided with a significant lagging and may only be used for retrospective analysis, but not for forecasting.

Unfortunately, the regulator "does not see" the most acute problems that are destroying the basis of fair pricing - the dependence of the prices of shares of Russian companies traded on national stock exchanges on the largest players' activities. It is known that highly liquid markets where various groups of investors are represented are more resistant to attempts by a person or a group of persons to influence the pricing in the market and, thus, are less subject to manifestations of artificial volatility. Low liquidity in the vast majority of Russian shares contributes to the "artificial" prices movement, by "entering" and "withdrawing" capital solely for speculative purposes. Relatively high liquidity is characteristic for the shares of the top 10 largest blue chip stocks (Table 1). A positive trend is observed in the dynamics of the Herfindahl-Hirschman index, used to assess the degree of monopolization of the stock market. This indicator shows a noticeable decrease. In 2007 its value was 1767, in 2017 it fell to 921, thus, the Russian stock market moved from the category of moderately concentrated markets to the category of low concentrated ones.

Low liquidity and high concentration of the market in some shares determine a high volatility of the Russian securities market (Figure 4).

The increased volatility of the Russian equity market is the result of, among other things, the shortcomings of the current regulatory system, as well as high

Table 1: The Most Actively Traded Shares by Value in the Equity Market of the Moscow Exchange Group (Based on the Results of 2017)*

№	Issuer name (public joint-stock company)	Total volume		Percentage of the total volume
		billion rubles	billion US dollars	
1.	PJSC VTB Bank	13 736	235,40	18,9
2.	PJSC Gazprom	10 830	185,59	14,9
3.	PJSC Sberbank of Russia	8 598	147,34	11,9
4.	Polymetal International	6 734	115,40	9,3
5.	PJSC MMC "Norilsk Nickel"	4 958	84,97	6,8
6.	PJSC Rosneft Oil Company	4 047	69,35	5,6
7.	PJSC "LUKOIL"	3 187	54,62	4,4
8.	QIWI «BNY Mellon»	1 793	30,73	2,5
9.	Open Joint Stock Company «Surgutneftegas»	1 759	30,14	2,4
10.	PJSC "ALROSA"	1 263	21,64	1,7
Total		56 906	975,20	78,5
Herfindahl-Hirschman Index		921		

*Author's calculations. Calculated on the data of the Moscow Exchange.

**Figure 4:** The Russian Volatility Index (RVI), 2015-2018; the Moscow Exchange.

geopolitical risks. Thus, on April 11, 2018, the value of the RVI reached 44.32, showing excessive reaction (overreaction) to the introduction of sanctions by the US against Russia. The fall of the RTS Index (Moscow Exchange) was measured in double digits. However, as it is known, overreaction ends with the reverse movement of the market. The purchase of sharply depreciated stocks, led to the fact that their exchange value soon returned to the initial values, fixing high volatility.

This situation is beneficial for the speculator, but it is not interesting for the investor, and even less

interesting for the issuer who offers shares in the stock market and becomes dependent on the volatility of the share prices. Higher market risks do not allow an adequate assessment of Russian securities. High volatility of prices in the Russian equity market hinders the free overflow of capital from savings to investments and helps maintain the speculative nature of the market. In this connection, from the point of view of regulation of the national securities market, it is important to create conditions for the effective functioning of the market mechanism, limiting the *overflow of volatility* (spillover effects), reflecting the systemic risks of the global financial system.



Figure 5: The 1-year and 10-year U.S. Treasury yields, 2005-2018.*

*Based on data from the US Federal Reserve.

According to academic researches, after the crisis of 2008 in financial markets, the overflow of volatility became particularly noticeable. Asaturov and Teplova proved that the most influential origin of volatility for domestic securities markets is the US market (Asaturov K.G., Teplova T.V., 2014). The proof is based on the analysis of 25 national markets, each of which is subject to strong influence by the S&P500. The greatest effect of volatility from the US market is in Poland (55.51%), the smallest is in Germany (18.4%). The Russian equity market demonstrates one of the strongest dependencies on the dynamics of the S&P500 (44.05%), second only to Poland (55.51%) and Slovakia (45.93%).

The overflow of volatility also occurs between different segments of the financial market. Mikhailov when studying this phenomenon shows that for the largest emerging markets (Brazil, India, Russia, China), the phenomenon of volatility is predominantly in the following direction: from the FX market to the securities market (Mikhailov A.Yu, 2016). In order to build proper protection for its markets, regulatory authorities need to take into account that the overflow of volatility factor destroys fair pricing and the interaction of the national financial market with the real sector of the economy, and also learn how to cope with this problem.

Currently, the likelihood of strengthening the volatility influent into the Russian market is increasing, which is due to the development of the situation in the US debt market against the background of extremely

high values of US stock indices. In addition, the dynamics of short-term US Treasury bill rates is a risk factor, which is explained by the growth of inflation expectations and uncertainty in connection with Trump's "new policy".

The situation in the markets strongly resembles that in 2008 (Figure 5). 10-years UST rate continues to grow. It has hit the 3 per cent level i.e. grew by about 1 pp. over the past six months. Under the circumstances the "new reality" can reverse the views of investors on effective investment strategies. Individual and institutional investors may prefer the annual bond yield rate of 2.25% as an alternative to equity purchasing (the S&P 500 yield is below 2%). The flow of funds to the bond market certainly represents the most serious threat to the US equity market and is fraught with the overflow of volatility to emerging markets, including Russia.

Bank of Russia, putting forward initiatives for the strategic development of the Russian financial market, defines ensuring financial stability as a priority, focusing on monitoring risks (Andrianova L.N., Semenkova E.V., 2016). Price risks are complex in nature. But in the context of the issues discussed in this article, it is not only the risks of the collapse of stock prices associated with the overflow of volatility, but also the risks caused by information asymmetry, lack of transparency, insider trading and manipulation of equity prices that destroy the basis for fair pricing in the domestic securities market.

Asymmetry of information reduces the effectiveness of the Russian securities market and destroys the mechanisms of fair pricing. Informational asymmetries arise when information about the potential investment object, as well as on market prices, necessary for making investment decisions, is not open, accessible and reliable. Recently, this problem has gone beyond the issuer corporations and touched the couple of "investor - financial intermediary". In particular, we are speaking about actively developing complex financial products in the market, the risk and structure of which are poorly understood by the investor. Often, financial products intended for risk-neutral investors are offered to a mass investor, who for the most part rejects the risk. The Bank of Russia only recently identified an understanding of this problem. It should be noted that until things are put in order in this aspect, bona fide issuers will lose in competition for the investor's money, and honest investors will lose confidence in the market, facing unjustified expectations regarding the risk-return ratio of their investments.

The authors of the article relate the real increase of information transparency to the development of the digital economy. The regulator determines the key indicators that are necessary for investors to make an investment decision protecting the investors from excessive information. To provide the information that forms the traders' equity prices expectations and their forecasted dynamics, the regulator can use the model of predictive analytics.

Another practice that destroys the mechanism of fair pricing in the domestic securities market is insider trading and price manipulation. In 2010, Russia adopted the federal law "On Counteracting the Illegal Use of Insider Information and Market Manipulation". This law is based on international experience, but takes into account the legal system that has developed in Russia. At its core the law repeats the norms of similar laws of other countries, which allows adopting to a large extent the effective solutions in each area the law covers. In accordance with the definition of insider information provided in the law, the provisions of the law apply to companies whose securities are listed on the exchange, as well as to their shareholders and some contractors of such companies.

Before the law came into effect, there were no legal procedures of inspection to reveal insider trading in Russia. Offenses were latent in nature. Monitoring and control by the regulator and exchanges for suspicious

transactions were not enough to prevent dishonest and unethical trading practices.

When this law and some amendments in the Criminal Code of Russia and the Code of the Russian Federation on Administrative Offenses were adopted, administrative responsibility and criminal liability for insider information misuse and stock price manipulation were introduced. However, during 8 years this law has been in effect, the regulator has identified only 4 insider trading cases of and 53 facts of stock price manipulation. Meanwhile, in reality, according to the former head of the Federal Financial Markets Service, Vladimir Milovidov, only during the first 4 months of 2011, 730 cases suspicion of insider trading were identified. However, no insider trading was proven in any of those cases.

Let's compare this practice with the experience of developed markets. Thus, in the United States over the past 13 years, 50 cases of trading on the basis of material, non-public information have been detected annually (on the average); in the period from 2010, 408 cases of such practices have been revealed (SEC, 2017). Thus, the existing law and law enforcement practice is characterized by serious shortcomings, among them:

- there is a closed list of insiders and insider information;
- disproportionately low administrative fines (the maximum punishment for a legal entity is the reimbursement of the profits they received);
- the exchanges are obliged to develop the criteria of securities characteristics deviation;
- no external control over the Bank of Russia (it does not appear possible to trace the emergence of illegal trading practices without the participation of the Regulator itself).

There is also a risk of deliberately not including some of the information into the list of insider information in order to subsequently conduct insider trading, but "legally", which does not reduce the negative consequences of such practices. One of the solutions to this issue could be creating a special service that would facilitate more impartial control over the activities of insiders, including Bank of Russia.

At present, the Russian legislation contains several methodological recommendations to establish the

criteria of significant deviations in the characteristics of securities, the most recent of which are Bank of Russia's Methodical Recommendations No. 8-MR dated March, 23, 2016, "Methodological Recommendations of Bank of Russia to Establish Criteria for Substantial Deviation of Prices, Demand, Supply and the Volume of Trades in illiquid securities". This document gives recommendation to the exchanges to develop criteria for a significant deviation of the equity prices. Most of the regulator's recommendations have to do with the analysis of the price change for a particular financial instrument.

As already noted, the Russian securities market which belongs to emerging markets, is characterized as containing a large number of non-liquid or low liquid assets for which there is a strong price response even to a small increase in trading volume. Despite this, the approach to detecting insider trades which is necessary for the Russian market should be universal and suitable both for emerging and developed markets. The basis for this proposal is that the country is pursuing the course towards the development of securities market. This must lead to a growth of trading volume and, correspondingly, a decrease in the apparent dependence between small changes in turnover ratio and the price level. Another basis is today's availability of highly liquid securities for which price analysis is less effective when detecting insider trading.

The universal approach could include the following stages:

- analyzing the financial asset price dynamics;
- analyzing the dynamics of equities and bonds trading volumes;
- the correlation analyzes of equities prices and stock index values;
- comparing the results obtained.

This approach has to be tested on real historical data to understand the effectiveness of its application. Typically, when regulatory authorities publish reports on the disclosure of insider trading precedents, the methods applied to identify misuse of insider information and market abuse are omitted, and exact dates of transactions committed by the criminals are not specified. This secrecy allows the supervisors to keep it unexpected for potential criminals and make the planning of illegal insider trades more complicated.

One of the prerequisites for fair pricing is such a structure of the securities market that creates the conditions for the interaction between demand and supply for securities on the principles of the free market and competition. More transparency, an effective mechanism of civil independent control over pricing processes, as well as the development of securities markets' self-regulation play an important part in the implementation of the concept of fair pricing.

In 2015, Russia adopted a law on the self-regulation of securities markets. The law significantly expanded the scope of interaction between the regulator and self-regulatory organizations (SROs) and established the special role of the securities market self-regulators. Firstly, a professional securities market participant is obliged to become a member of the self-regulatory organization now. This norm must increase discipline in the market as a whole. Secondly, self-regulatory organizations received independent regulatory functions. In particular, they must prepare basic rules and standards for securities industry that members of self-regulatory organization must comply with. The basic standards are a completely new format for interaction between the financial market participants and the regulator, since specialists of financial companies, regulators and self-regulatory organizations participate in their drafting. The work of the standards committees is based on the principle of balancing all the interested parties. For the regulator and for the securities industry, the basic standards are very important, since they provide a flexible and quick response of the industry in the current conditions of rapidly changing environment. Thirdly, SROs have acquired an important function to monitor the activities of their members to comply with standards, including the possibility of disciplinary action. In May 2018, the Russian financial market had 21 self-regulatory organizations. In our opinion, the improvement of self-regulation contributes to the formation of an integrated regulatory framework that meets the interests of all participants and ensures the protection of investor rights.

The results of this study allow us to state the following. *Firstly*, the problem of fair pricing in the securities market should be addressed today in the context of macroprudential policy objectives and using its methods. This also follows from the analysis of the basic trends of changing the concepts of financial sector regulation developed by supranational organizations, including FSB, BIS, IOSCO, IMF.

Secondly, the qualities of establishing a fair pricing are not inherent in the Russian financial market. That makes it less attractive and less functional both from the point of view of individual participants or whole categories (conservative investors, issuers) and from the point of view of the needs of the entire Russian economy.

Thirdly, the speculative nature and high risks of the Russian securities market are related, among other things, to the shortcomings in its regulation model.

Fourthly, the prospects for the development of the Russian securities market, its ability to effectively perform its functions will be determined in the near future by the resoluteness of the regulator in using disciplinary mechanisms for the application of the adopted rules and regulations. It is also important for Bank of Russia to be resourceful in developing effective tools aimed at overcoming the problem of asymmetric information, achieving real success in eliminating or minimizing market abuse (insider trading and market manipulation) practices in the securities market.

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