



Bank of Russia



# ANNUAL REPORT 2020

MOSCOW



Bank of Russia

# Bank of Russia Annual Report for 2020

Approved by the Bank of Russia Board of Directors on 29 April 2021

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# Opening remarks by the Governor of the Bank of Russia

The year 2020 was dominated by the pandemic both in Russia and abroad.

The governments and financial regulators worldwide implemented extensive measures to protect people's health, provide social aid, and support the economy. Restrictions, which were especially tight in the first half of the year, helped slow down the spread of the coronavirus and save people's health and lives. However, they induced significant pressure on the economy, forcing a great number of companies to discontinue their operation. The transportation and services sectors, as well as a range of other industries were affected most seriously.

The economy needed support to be able to go through the period of the restrictions. The Government acted through fiscal and economic policies, while the Bank of Russia – through monetary policy and financial regulation.

The financial system, which is usually the first to be affected by a crisis, this time, on the contrary, became a pillar of support to the real economy hit by the pandemic. As early as late March, we made the decisions to grant loan repayment holidays to both households and businesses. Owing to this restructuring, borrowers were able to postpone loan repayments until their incomes stabilised.

Furthermore, the Bank of Russia applied macroprudential policy instruments and introduced regulatory easing thus enabling banks to release capital to expand lending. As a result, companies could raise loans when they needed borrowed funds.

These measures became possible owing to the safety cushion accumulated by the financial sector: banks' resilience and liquidity and capital buffers shielded both financial institutions and their clients from the shock of the pandemic.

The results of the Bank of Russia's work in recent years also made it possible to implement accommodative monetary policy. The Bank of Russia set a 4% inflation target and first achieved it in 2017. Over the years after that moment, inflation averaged 4.02%. The Bank of Russia was able to quickly reduce the key rate exactly because we started the year 2020 with relatively low inflation. In summer 2020, the key rate was cut to its record low of 4.25% p.a., as a result of which the economy received cheaper credit resources. This in turn helped us not only go through the crisis period with smaller losses, but also start to restore business activity earlier.

As we needed to mitigate the aftermath of the pandemic, we were forced to suspend a range of projects. Nonetheless, we continued our work in key areas, actively digitalising the financial sector and enhancing the accessibility of remote financial services. This is a strategic priority in our work, which became especially important during the pandemic. We completed the reform in compulsory motor third-party liability insurance according to the schedule, which stabilised insurance rates. As a result, despite a rise in prices for components, insurance premiums did not increase, and even edged down slightly. We also accomplished the reformation of credit history bureaus, making this service more transparent and convenient for users. The Bank of Russia especially focused on the protection of consumers' rights, particularly in the stock market.

In 2021, the Bank of Russia will continue to implement a policy ensuring price and financial stability, financial market development, and the financial system's active support to the economy to promote its rebound and return to the sustainable growth path.



**Elvira Nabiullina**

Governor of the Bank of Russia

# Summary

In accordance with Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia's 2020 Annual Report presents the results of its work in the key areas and analyses the economic situation in Russia and external conditions influencing the functioning of the Bank of Russia. The report also includes the Bank of Russia's annual financial statements, an audit report on them, and the statement by the Accounts Chamber of the Russian Federation.

In 2020, the main challenge for the Bank of Russia was **to mitigate the aftermath of the coronavirus pandemic**. The Bank of Russia developed and implemented a complex of measures to protect people's interests, support businesses, maintain the financial sector's potential to provide lending to the economy, and reduce regulatory and supervisory burden on banks and non-bank financial institutions.<sup>1</sup> The programmes for loan repayment holidays supported a large number of citizens and entrepreneurs suffering temporary income declines caused by restrictions.

Banks restructured 1.8 million loan agreements with individuals totalling about ₹860 billion. In June, after banks and households adjusted to the new approach to granting loan repayment holidays, there was observed a steady downward trend in the number of complaints from financial consumers regarding problems caused by the pandemic.

<sup>1</sup> The complex of measures implemented in the key areas to support the economy and households is described in Chapter 2 'Activities of the Bank of Russia', in the Section '[Measures taken by the Bank of Russia to support the economy and households amid the coronavirus pandemic](#)'. These measures are [described in detail on the Bank of Russia website](#).



Banks restructured 94,800 loans to small and medium-sized enterprises totalling ₹853.5 billion, which is 14.7% of the overall SME loan portfolio. This measure helped support SMEs' solvency, including in the hardest-hit economic sectors, and prevent a decline in the quality of the SME loan portfolio.

The Bank of Russia and the Government of the Russian Federation implemented prompt and well-coordinated measures that **significantly mitigated the adverse consequences of the crisis**. As of the end of the year, GDP was down by 3.0%. This is less than expected at the outbreak of the pandemic and observed in many other emerging market economies.

Concurrently, the conditions of the pandemic, including anti-coronavirus restrictions on people's movements, considerably accelerated the processes that had been developing gradually in the financial market and the economy in general. **The advancement and wide penetration of remote financial services based on digital technology** became a major trend. As uncertainty in 2020 was elevated, **the Bank of Russia's communication with the public, business representatives and the professional community became significantly more important**. Another trend of the year 2020 resulting from a slump in banks' deposit rates amid accommodative monetary conditions was **a substantial inflow of retail investors' funds to the stock market**.

Unprecedented restrictions imposed to combat the spread of the coronavirus pandemic drastically affected the economy.

As economic activity plunged, real disposable household incomes declined, consumer activity seriously decreased, and unemployment edged up to 5.8% (from a record low of 4.6% in 2019). Since economic activity, incomes, and demand contracted dramatically, this put disinflationary pressure on prices.

To enable conditions for economic recovery and stabilise annual inflation close to 4%, **the Bank of Russia shifted towards accommodative monetary policy**. In 2020, the Bank of Russia cut the key rate by a total of 200 basis points to a record low of 4.25% p.a.

As restrictions were eased in the second half of the year, this created short-term proinflationary factors which pushed up demand and accelerated price growth. Inflation expectations started to increase faster. As of the end of the year, annual inflation surged to 4.9% from 3% in 2019. In such an environment, the Bank of Russia decided not to change the key rate, maintaining accommodative monetary policy. In order to make its actions more predictable and coordinate market participants' expectations regarding key rate changes, the Bank of Russia also provided signals about its future monetary policy stance when announcing its key rate decisions.

Monetary conditions became accommodative as a result of the Bank of Russia's decisions to reduce the key rate, the regulatory easing, and the

subsidised lending programmes launched by the Government of the Russian Federation. Banks' credit and deposit rates predominantly trended downwards throughout the year. Over 2020, the weighted average interest rate on ruble loans to non-financial organisations for more than one year decreased by 1.5 pp to 6.8% p.a., and that on consumer loans in rubles<sup>1</sup> of the same maturity lowered from 14.3% p.a. to 13.1% p.a. Interest rates on mortgage loans and loans secured by claims under equity construction contracts declined most significantly as they were largely issued under subsidised government programmes.

The measures taken **helped maintain banks' potential to extend loans to the economy**. The banking sector's claims on the economy<sup>2</sup> increased by 13.1% (or 10.9% adjusted for foreign currency revaluation). Housing construction and SME lending were among the fastest-growing segments in the credit market. Contrastingly, the growth of unsecured consumer loans slowed down more than twofold due to the decreased demand and ratio of banks' approvals of these loans.

As deposit rates declined, the increase in household deposits was two times lower than in 2019. Higher demand for cash and its slower turnover accelerated the growth of ruble money supply (M2) which expanded by 13.5% over the year (vs +9.7% in 2019).

To maintain financial stability amid heightened market volatility and non-residents' sales of Russian assets during the first phase of the pandemic, **the Bank of Russia implemented a complex of measures to stabilise the foreign exchange market**, carrying out proactive foreign currency sales in the domestic FX market under the fiscal rule and other operations. Overall, Russia's international reserves increased by \$41.4 billion over 2020, to reach \$595.8 billion, which was mainly associated with the movements of the exchange rates of foreign currencies against the US dollar and higher gold prices. The portion of gold in the international reserves edged up from 19.9% to 23.3% over the year. As of 1 January 2021, the amount of the international reserves was sufficient to finance goods and services imports for 23 months.

**The Bank of Russia's regulatory and macroprudential measures** aimed at preventing a contraction in lending helped maintain macroeconomic stability. Credit institutions were allowed not to increase loss provisions for restructured loans. We eased the approaches to assessing credit risk. For system-

<sup>1</sup> Consumer loans – loans to individuals, other than housing mortgage loans.

<sup>2</sup> The banking system's claims on the economy mean all claims of the banking system on non-financial and financial organisations and households in Russian rubles, foreign currency, and precious metals, which include loans extended (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in non-financial and financial organisations' equity, and other receivables under settlement operations with non-financial and financial organisations and households.

ically important credit institutions, the Bank of Russia eased the procedure for complying with the liquidity coverage ratio and expanded opportunities for receiving Bank of Russia irrevocable credit lines. As an additional measure taken to support lending, banks were allowed to release their macroprudential buffers for mortgage loans in spring and for unsecured consumer loans in autumn. The temporary regulatory easing and macroprudential measures enabled banks to release over one trillion rubles of accumulated capital, thus expanding their capabilities to provide lending to the economy.

As regards supervision, the Bank of Russia implemented temporary measures to reduce administrative burden on banks and non-bank financial institutions. The regulator considerably decreased the number of inspections (and even totally suspended them from the end of March until June), reduced the number of regular inquiries as much as possible, extended the deadlines for submitting replies and prudential reporting to the Bank of Russia, as well as deferred the submission of information on internal capital adequacy assessment procedures. In addition, the Bank of Russia carried out the annual stress testing of the banking sector without engaging banks. Moreover, the stress testing method was adjusted to take into account the implications of the coronavirus crisis. The Bank of Russia also took on the calculations for banks' stress testing and adjusted the stress testing method given the conditions of elevated risk.

To support lending to the economy, the Bank of Russia launched **several temporary specialised refinancing facilities** on preferential terms with a total limit of ₹500 billion. These facilities were aimed at maintaining employment and lending to SMEs. As of 1 January 2021, the Bank of Russia's claims on credit institutions under these facilities amounted to ₹454.3 billion. In 2020, the well-coordinated complex of anti-crisis measures implemented by the Bank of Russia and the Government of the Russian Federation did not only prevent a reduction in the SME loan portfolio, but even helped promote its growth above the rate of 2019. Specifically, the SME loan portfolio added 22.6% last year, with the number of SME loans rising by 67.7% and the average interest rate dropping by 2.0–2.3 pp. In January–February 2021, the SME loan portfolio continued to expand, with its growth rate equalling 26.4% year-on-year.

Despite the challenging situation, **the portion of profit-making credit institutions remained high**. They accounted for 98% in the sector's total assets as of 1 January 2021. According to reporting, banks' net profit lowered only slightly<sup>1</sup> (from ₹1.7 trillion to ₹1.6 trillion), which is a good result given the actual macroeconomic environment and enables banks to expand lending. The

<sup>1</sup> Excluding financial performance of some large banks and the banks that incurred considerable one-time costs, the sector's net profit declined by nearly a third, which is more in line with the situation, according to the Bank of Russia's assessment.

banking sector formed a sufficient capital cushion<sup>1</sup> of ₹5.8 trillion, increasing it by 9.4% over the year. The banking sector's potential to build up lending<sup>2</sup> is estimated at ₹23.6 trillion.

**Non-bank financial institutions also maintained steady operation.** Insurers' overall assets increased by 14.5% over the year, to reach ₹3.8 trillion. Profit after tax totalled ₹201.3 billion. The overall amount of insurance premiums over 2020 rose by 3.9% to ₹1.5 trillion, and that of insurance payments – by 7.8% to ₹658.5 billion.

Non-governmental pension funds' overall assets expanded by 4.8% to ₹4.7 trillion as of the end of 2020. Their net profit in 2020 totalled ₹38.0 billion. Over 2020, NPFs expanded their investment portfolio of pension resources from ₹4.3 trillion to ₹4.5 trillion.

Microfinance organisations' net profit in 2020 was up by 11.8%, to reach ₹18.4 billion. MFOs increased their core assets<sup>3</sup> by 17.5% to ₹249.0 billion (vs +29% in 2019). The growth rate of SME lending was considerably higher than that in consumer microfinance.

Over 2020, the number of brokerage and trust management clients increased by 5.6 million (+131.8%) and 221,100 (+64.9%) to total 9.9 million and 561,900, respectively. The overall amount of brokerage clients' portfolios increased by 26.1% over the year, to exceed ₹14.3 trillion as of the end of 2020. The value of trust management clients' investment portfolios was up by 33.4% over the same period, to total over ₹1.5 trillion.

The number of individual investment accounts (IIAs) opened in 2020 more than doubled, numbering 3,456,800 (+110.5% over the year). The value of assets in IIAs surged by more than 90.4% over the year, to total ₹375.6 billion.

Despite the large-scale work associated with the measures implemented to mitigate the aftermath of the pandemic, the Bank of Russia never paused its **planned activity to enhance regulation and supervision in the financial market.**

The Bank of Russia continued to develop incentive-based banking regulation. It implemented a range of measures aimed at supporting and developing such top-priority areas as housing construction, mortgage lending, and SME lending. In order to promote lending needed to support borrowers' operations, the regulatory framework was amended to allow banks to form provisions taking into account the ultimate purpose of a loan. Furthermore, the regulator implemented the Basel III standards on operational risk man-

<sup>1</sup> Calculated as of 1 January 2021 as the minimum buffer to absorb losses estimated based on three ratios, taking into account unaudited profit reclassified to common equity Tier 1 capital and the positive effect of loss on risk-weighted assets.

<sup>2</sup> The potential to expand lending is the amount of risk-weighted assets banks are able to add, while staying compliant with the capital adequacy ratios and required buffers. It is measured as the minimum potential to expand lending calculated on the basis of three ratios, taking into account unaudited profit reclassified to common equity Tier 1 capital. Nonetheless, the actual potential is still lower as credit institutions tend to maintain their capital cushions above the level of the buffers.

<sup>3</sup> Outstanding principal on issued microloans.

agement and on measuring operational risk to be taken into account in credit institutions' capital adequacy ratio calculations.

The Bank of Russia achieved significant progress in its work aimed at streamlining regulatory burden. The economic effect of the 22 initiatives implemented by the Bank of Russia exceeded ₹13 billion a year.<sup>1</sup> These initiatives helped eliminate excessive requirements and arbitration and reduce companies' costs.

Banking supervision was enhanced based on proportionate and risk-based approaches. The Bank of Russia exercised consolidated supervision over the largest financial associations engaging specialists from the Bank of Russia's regional branches. Given the challenging conditions of the reporting year, the Bank of Russia extensively applied the practice of advisory supervision to prevent negative developments and trends in credit institutions' operations.

An important area of work was the improvement of the Russian system of bank deposit insurance. With the participation of the Bank of Russia, the authorities introduced amendments to the law<sup>2</sup> which, among other things, increased the maximum insurance compensation (to up to ₹10 million) for temporarily large balances in individuals' bank deposits where such balances result from specific circumstances, such as inheritance, compensation for damage inflicted to one's life, health or personal property, execution of court decisions, receipt of grants in the form of subsidies, severance payments and benefits, and the sale of the housing or housing land plot, as well as other cases as provided for by Federal Law No. 177-FZ, dated 23 December 2003 'On the Insurance of Deposits with Russian Banks'.

Furthermore, beginning from 1 October 2020, protection ensured by the deposit insurance system encompasses funds in accounts of certain categories of non-profit organisations and social associations of citizens (up to ₹1.4 million), as well as in special accounts intended to form and use the fund of capital repairs of common property in apartment houses (up to ₹10 million).

In 2020, the authorities strengthened the Bank of Russia's powers in supervision over insurance agents' activity and continued developing the legislative framework for the implementation of risk-based regulation and supervision over the insurance market. In the course of this work, the Bank of Russia introduced new approaches to assessing insurers' financial stability and solvency and calculating their capital and its adequacy. These decisions will improve the reliability of the insurance market.

<sup>1</sup> According to expert assessments by the Not-for-profit Fund Forum Analytical Center prepared jointly with the initiators of proposals.

<sup>2</sup> Federal Law No. 163-FZ, dated 25 May 2020, 'On Amending Certain Laws of the Russian Federation' (as regards the improvement of the compulsory deposit insurance system in Russian banks) (effective since 25 May 2020, except individual provisions effective since 1 October 2020).

The customisation of insurance premiums in compulsory motor third-party liability insurance and the solutions developed to establish a guarantee system in the life insurance market were the most important events in this sector. The Bank of Russia's proposals on enhancing laws will help guarantee the monetary rights of the clients of an insurer if its licence is revoked in the amount of up to ₺1.4 million (if an insured person dies – in the amount of up to ₺10 million). The new requirements developed by the Bank of Russia with regard to the calculation of insurance reserves will enable a more accurate valuation of insurance obligations and, accordingly, a more precise assessment of insurers' financial stability.

Within the establishment of a risk-based system of supervision over NPFs, the Bank of Russia formed a composite risk profile to assess risks in their operations across various areas. The Bank of Russia participated in the development of the legislative framework for guaranteeing the rights of NPF members in the non-governmental pension system. Management companies are now legally prohibited to perform transactions to the detriment of their clients. Furthermore, the Bank of Russia updated the standard for assessing the net asset value of unit investment funds and the value of an investment unit.

The Bank of Russia continued its efforts to enhance the legal framework for regulating microfinance market participants' activities: the powers in supervision over their activities were divided depending on their inherent risks, and the principles for the association of consumer credit cooperatives' members were improved. The Bank of Russia participated in the development of draft laws increasing administrative liability and introducing criminal liability for illegally issued consumer loans.

The Bank of Russia continues its **efforts aimed at countering misconduct in the financial market**, detecting facts of market manipulation and the illegal provision of financial services. As a result of this work, the Moscow Exchange launched the mechanism limiting market order aggressiveness developed by the Bank of Russia. With the engagement of the Bank of Russia, the authorities drafted amendments to the laws aimed at enhancing loan advertising requirements.

The Bank of Russia participated in the drafting of the laws expanding the scope of the **AML/CTF laws** to cover new financial market participants and regulating the issues of identification of parties to funds and securities transactions. The consistent work aimed at preventing illicit operations helped further reduce the amount of dubious transactions. As compared to 2019, the amount of money withdrawals abroad for dubious reasons decreased by 21%, cash-outs in the banking sector – by 29%, and dubious transit operations – by 17%. The Bank of Russia put a special focus on preventing shady

withdrawals of the funds allocated to aid the economy amid the coronavirus pandemic.

The **payment services market** demonstrated active growth. Over 2020, the portion of cashless payments in retail turnover<sup>1</sup> increased to 70.3% against 64.7% in 2019.

Anti-pandemic restrictions spurred demand for remote payment services and their broader supply owing to the advancement of digital platforms. The number and amount of households' money transfers made remotely were up by 22.0% and 24.2%, respectively, as compared to 2019. The use of contactless payment methods increased by 50% and 70% in terms of the number and amount. Moreover, nearly 70% of issued payment cards supported contactless payments. Overall, the majority of the constituent territories of the Russian Federation recorded an upward trend in the use of cards as the main payment instrument.

An important result was the increased level of the usage of Mir payment cards. As of 1 January 2021, the number of issued Mir cards approximated 95 million (which is 30% more than as of 1 January 2020), which made 30.6% of the overall issue of payment cards. Mir card transactions inside Russia accounted for 24% of all payment card transactions.

In 2020, the Bank of Russia organised the connection of new users to its Financial Messaging System (FMS) through the 'service bureau'. This scheme makes it easier and faster for both Russian and foreign legal entities, including credit institutions, to connect to the FMS. The number of messages through the FMS doubled over the year, to total 20.6% of the SWIFT traffic in Russia.

To enhance competition and improve the availability of payment services, the Bank of Russia continued to develop the services of the Faster Payments System (FPS) enabling 24/7 online payments between accounts held by clients with various credit institutions participating in the FPS. The main objectives of the FPS are to lower money transfer fees for people and costs for businesses. As of the end of 2020, 210 credit institutions, including all systemically important ones, connected to the FPS. As compared to 2019, the number and value of transactions via the FPS increased 16 and 13 times, respectively.

The **advancement of the remote identification mechanism** continued in 2020. As of the end of 2020, registration in the Unified Biometric System was available in more than 13,300 banking service points at 231 banks and outside offices across all Russian regions (courier model). The authorities adopted legislative changes enabling the usage of the Unified Biometric System to receive any financial, state and other services and qualifying it as a nationwide information system.

<sup>1</sup> Retail turnover – the overall turnover of retail and public catering and the value of commercial services to households.



The Bank of Russia continued the experiment for establishing and using the Digital Profile so as to ensure convenient and fast data exchange between consumers and information providers. By the end of 2020, 22 financial institutions offered the option of remote data submission to people for them to receive financial services. In 2020, individuals gave their consent to the provision of their data through the Digital Profile more than 1.5 million times.

In 2020, the authorities made regulatory decisions allowing the use of regulatory sandboxes for piloting digital innovative services and products, including in the financial market.

Within the development of the technology for online communication with market participants via online accounts, the Bank of Russia did not only expand the range of their functions, but also improved information provision to and methodological support for organisations in the course of using the functions of online accounts.

**Competition in the financial market is promoted by new participants offering remote financial services – these are financial platform operators<sup>1</sup> and investment platform operators.<sup>2</sup>** Federal Laws No. 211-FZ and No. 212-FZ, dated 20 July 2020, drafted with the engagement of the Bank of Russia within the action plan for promoting competition,<sup>3</sup> stipulate a legal framework for the functioning of financial platforms (the Marketplace project) where consumers, regardless of their location, can conduct transactions to receive banking and other financial services on a 24/7 basis.

The Bank of Russia participated in the drafting of the federal law<sup>4</sup> regulating the issue and turnover of digital financial assets and stipulating a legal framework for operations of two new types of financial market participants – operators of information systems where digital financial assets are issued and digital financial asset exchange operators. Furthermore, the Bank of Russia drafted the required regulatory framework supporting the activities of the above entities.

As part of the action plan for promoting competition, the authorities with the engagement of the Bank of Russia drafted regulations for switching to banks' selection based on their credit ratings for granting access to public financial resources. The law cancelling a so-called 'banking roaming' for money transfers was approved. Other measures reducing barriers and ensuring equal conditions in the financial market were implemented.

<sup>1</sup> In 2020, the authorities adopted and brought into force Federal Law No. 211-FZ, dated 20 July 2020, 'On Performing Financial Transactions Using a Financial Platform' and Federal Law No. 212-FZ, dated 20 July 2020, 'On Amending Certain Laws of the Russian Federation Regarding Financial Transactions Performed Using a Financial Platform'.

<sup>2</sup> Federal Law No. 259-FZ, dated 2 August 2019, 'On Investment Raising Using Investment Platforms and on Amending Certain Laws of the Russian Federation' became effective on 1 January 2020.

<sup>3</sup> The Action Plan (Roadmap) to Develop Competition in the Russian Economy and to Make Natural Monopolies Competitive in 2018–2020.

<sup>4</sup> Federal Law No. 259-FZ, dated 31 July 2020, 'On Digital Financial Assets, Digital Currency, and on Amending Certain Laws of the Russian Federation'.



The advancement of remote channels for rendering financial services became an important area of the Action Plan (Roadmap) for Enhancing Financial Inclusion for People with Disabilities, Physically Challenged and Elderly People in 2020–2021, which was partially implemented in the recommendations given by the Bank of Russia to financial institutions in compliance with this plan. According to a survey commissioned by the Bank of Russia in 2020, 81.3% of people with disabilities were completely or rather satisfied with the quality of servicing at credit institutions (which is 4.4 pp more than in 2018).

Digitalisation in socially important insurance types sped up. Nearly 40% of insurance products were sold via remote channels.

In 2020, we continued the analysis of the **prospects of the introduction of a digital ruble – the national digital currency**. In autumn 2020, the Bank of Russia presented its consultation paper on a digital ruble proposing models of its introduction. The paper describing the prospects of using another form of the Russian currency for reducing the cost of payment services, enhancing the resilience of the national financial system, and promoting the development of the digital economy aroused great interest among all economic agents and was actively discussed. The results of the public consultations will be considered in the course of further work in this area.

The Bank of Russia took **measures to limit and mitigate risks to information security and cyber resilience** which increased as a result of a broader usage of remote channels for communication between financial institutions and financial consumers. The Bank of Russia controlled compliance with the requirements it established for information security in the course of money transfers, cooperated with communication operators and domain registrars to counteract fraudsters, and carried out cyber security trainings, including for law enforcement officers.

As part of a new project for cyber trainings, the Bank of Russia formed supervised institutions' information security and cyber resilience risk profiles and stipulated regimes for future supervision.

As interest rates on bank deposits decreased, households altered their preferences and saving models. Increasingly more people preferred to transfer their funds from bank deposits to financial market alternatives, including shares and bonds. The number of retail investors more than doubled over 2020, reaching nearly ten million by the end of the year. Consequently, there was an increase in the portion of investors lacking sufficient experience in investment and knowledge of investment products. In this regard, the Bank of Russia put a **particular focus on the issues of selling complex financial products**, including structured ones, **to non-qualified investors**. Taking into account high investment risks for people, the Bank of Russia recommended that professional securities market participants and credit institutions should

not offer complex financial products to non-qualified investors, whether directly or through agents, before the launch of tests for understanding financial products offered to newcomers and their inherent risks.

The Bank of Russia continued efforts to create new opportunities for raising funds in the securities market. The revised securities issue standards prepared by the Bank of Russia in 2020 and the standardised forms for compiling certain documents available on the Bank of Russia website made the registration of securities issues simpler and more convenient for issuers. At the final stage of its work to launch the electronic registration of securities issues carried out from 2015, the Bank of Russia stipulated the ways for verifying registration in relevant regulations. In 2020, the amount of ruble-denominated securities placed in the financial market totalled ₹9.7 trillion, including shares – ₹1.7 trillion and bonds – ₹8.1 trillion (compared to ₹10.9 trillion in 2019, with shares and bonds accounting for ₹1.8 trillion and ₹9.1 trillion, respectively).

The Bank of Russia focused on the issues of **financing sustainable development, implementing the principles for responsible investment, and integrating environmental, social and corporate governance (ESG) factors in market participants' activities**. To this end, the Bank of Russia developed a legal framework regulating the issue and turnover of green and social bonds. In 2020, the first issues of green bonds<sup>1</sup> were successfully placed in the Russian financial market.

The Bank of Russia supported SMEs wishing to enter the securities market and carried out workshops about possibilities for raising funds using securities market instruments. The amount of bonds issued by SMEs and placed in the MOEX Growth Sector more than doubled as compared to 2019 (from ₹3.1 billion to ₹6.4 billion).<sup>2</sup>

The Bank of Russia **enhanced its communication with the public, business representatives and the professional community**, which significantly helped in achieving its objectives. This communication was vital during the acute stage of the crisis. The Bank of Russia promptly provided up-to-date information to the general public about anti-crisis measures implemented to aid households and businesses and the prospects of economic development in order to lower uncertainty in the financial market.

Over the year, topical issues of the information campaigns carried out by the Bank of Russia, including in social networks, covered investment risks, telephone frauds, and debt burden. The Bank of Russia launched a number of new publications, including regional materials. By publishing consultation

<sup>1</sup> Bonds conforming to the requirements stipulated in Chapter 65 of the securities issue standards and specified as green on the title page of the decision on issuing these bonds.

<sup>2</sup> According to the Moscow Exchange.

papers and discussing its recent proposals with the professional and expert community, the Bank of Russia improved the understanding of its decisions.

In 2020, in addition to the already available channels for communication with people (post, online reception, call centre), the Bank of Russia launched its **mobile application CB Online** which, among other functions, includes a chat where Bank of Russia specialists provide 24/7 consultations to consumers. This chat extends the set of functions of the Bank of Russia's Single Communication Centre.

In 2020, the Bank of Russia received 278,000 complaints from financial consumers, which is 12.7% more than in 2019. However, these complaints were largely associated with new issues that arose during the coronavirus pandemic. Without taking them into account, the overall number of complaints would have been 0.8% less than in 2019. Moreover, the number of complaints regarding crisis-related issues decreased substantially by the end of the year.

The Bank of Russia attaches great importance to **enhancing financial literacy among households and businesses**. This work includes integrating financial literacy into the education system at all levels, raising people's financial awareness, including among the most vulnerable groups of population, enhancing financial entrepreneurial literacy among SMEs, and communication with authorities and social organisations. The Bank of Russia started to employ more actively the online format and social networks for promoting educational materials. Over the year, the Bank of Russia demonstrated a large scope of its materials on financial literacy in 6,500 places across the country, including multi-purpose centres rendering state and municipal services, post offices, public transport, outdoor displays, etc. The year 2020 recorded an increase in the number of schools that included financial literacy in their educational programmes. Online financial literacy classes for schoolchildren were viewed nearly 2.9 million times.

In 2020, the Bank of Russia expanded the range of topics of its economic publications. Among other materials, the Bank of Russia started to release its regular review *Monitoring of Sectoral Financial Flows* presenting comprehensive up-to-date assessments of economic developments by industry and region. The Bank of Russia started to publish monthly statistical bulletins on the housing mortgage lending market and on SME lending. In 2020, the Bank of Russia released the first issue of its regular report *Regional Economy: Commentaries by Bank of Russia Main Branches* – it reviews the current economic situation in the seven Russian macro-regions, the boundaries of which correspond to the regions of operation of the Main Branches of the Bank of Russia. The Bank of Russia published the findings of its studies of the situation in the banking sector and risks to financial stability, regional

heterogeneity of economic trends, improvements to model-based approaches to scenario forecasting, etc.

The top-priority areas in the **development of international cooperation** were the formation of the EAEU common financial market, participation in international organisations' activities, and bilateral cooperation. The Bank of Russia participated in the drafting of the Action Plan for Harmonising the Financial Market Laws of the EAEU Member States and the Strategic Directions for Developing Eurasian Economic Integration until 2025 approved in 2020. The Bank of Russia implemented a number of projects within the BRICS during the year of the chairmanship of Russia in this organisation, expanded its cooperation with the Bank for International Settlements (BIS), signed a new bilateral credit agreement with the International Monetary Fund (IMF), and for the first time became a member of the IOSCO Board.

The Bank of Russia attached great importance to communication with foreign regulators within the work of international organisations and forums and took part in the discussion of urgent problems existing in the global economy, including those provoked by the coronavirus pandemic and the increased threat of the impact of environmental risks on the financial sector and the economy in general. In April 2020, the G20, with the engagement of the Bank of Russia, approved the G20 Action Plan which sets out the key principles and commitments for the implementation of the measures supporting the real economy and the financial sector and is regularly updated considering actual developments.

Despite the challenging conditions of the year under review, the Bank of Russia continued to properly fulfil its objectives by promptly readjusting its business processes in compliance with information security requirements and addressing organisational issues. Well-coordinated actions taken to efficiently organise its work and manage its resources helped the Bank of Russia adjust its operation in the situation where a considerable portion of its employees were shifted to remote work.

Reliability of the Bank of Russia's annual financial statements was verified, which is confirmed by independent auditors' report and the statement by the Accounts Chamber of the Russian Federation.



# The state of the economy of the Russian Federation

The chapter 'Economic situation in Russia' presents the analysis of key trends in the Russian economy observed in 2020 and the factors behind them. The Bank of Russia exercises its functions taking into account the internal and external conditions influencing the development of the Russian economy, including the financial sector. In turn, the Bank of Russia's decisions in various areas of its activities impact internal economic conditions. The coronavirus pandemic was the main challenge of the past year and drastically altered the conditions for pursuing economic policy. The package of measures implemented by the Russian Government and the Bank of Russia largely helped mitigate the worsening of internal conditions.

As regards external conditions, the Russian economy was significantly affected in 2020 by the dramatic slowdown in external demand, the decline in the global economy, and the continuing easing of monetary policies by major economies' central banks. Supply- and demand-side shocks brought about by the pandemic caused a slump in world GDP which shrank more considerably (–3.3%, according to the IMF) than over the global financial crisis of 2007–2009. Foreign trade contracted. Amid restrictions on transportation, world oil consumption and oil prices declined to multi-year lows (the Urals crude price plummeted by over a third in 2020). Due to lower prices for energy commodities and a decrease in global demand, inflation worldwide slowed down significantly (despite a faster rise in food prices). As economic activity declined and inflation fell below target levels, many central banks were

forced to cut their policy rates and launch asset purchase programmes or expand the existing ones. Uncertainty in the market caused capital outflows from emerging market economies (EMEs).

The Russian economy was also affected by the factors induced by the coronavirus pandemic. The ruble, just as the currencies of other EMEs, weakened against the US dollar. The indicators of the securities market declined due to the significant capital outflow. As foreign investors decreased their demand for Russian securities as compared to the previous year, this reduced trading volumes and yields on various instruments. Beginning from April, financial markets in most countries, including Russia, started to bounce back gradually. This was supported by the measures implemented by governments and central banks to aid the economy.

The introduction of unprecedentedly large-scale temporary anti-pandemic measures in Russia and abroad entailed a slump in economic activity, incomes, and demand. After a 2.0% growth in the previous year, GDP contracted by 3.0%. The main drag on GDP in 2020 was value-added decreases in mining and quarrying (-1.2 pp). This decline was induced by lower global demand for energy commodities in the first half of the year and the OPEC+ oil production cuts in the second half of the year. Domestic demand contracted due to the reduction in final consumption and gross fixed capital formation. As economic activity plunged, unemployment rose from a record low of 4.6% in 2019 to 5.8%.

Annual inflation sped up to 4.9% in 2020 (vs 3.0% in 2019). Its pace was largely affected by the economic consequences of the coronavirus spread, including the ruble depreciation, higher global prices for food products, disruptions in production and logistics chains, and increased costs. The acceleration of inflation was mostly associated with a faster rise in food prices driven, among other factors, by low harvests of a number of crops. The growth of non-food prices also sped up. The service sector hit by the toughest anti-pandemic restrictions recorded a decline in the annual price growth rate. Inflation in Russian regions was generally driven by countrywide factors, whereas regional differences were largely associated with the specifics of anti-pandemic measures.

Faster inflation worsened households' inflation expectations and companies' price expectations. At the end of the year, they significantly exceeded the level recorded in late 2019. Contrastingly, analysts' long-term inflation forecasts remained anchored at the Bank of Russia's target (close to 4%).

Given the disinflationary factors caused by demand trends and the coronavirus pandemic prevailing since the beginning of the year, the Bank of Russia shifted towards accommodative monetary policy. In 2020, the Bank of Russia cut the key rate four times, by a total of 200 bp, to a



record low of 4.25% p.a. In order to address the aftermath of the coronavirus pandemic and aid the economy, the Bank of Russia implemented a package of measures, including regulatory easing and specialised refinancing facilities.

The Russian Government significantly supported the economy through the measures introduced to maintain households' incomes and employment, including subsidies, loans and subsidised interest rates, a temporal reduction in or suspension of mandatory payments to the budget, and targeted financial aid to the most sensitive groups of the population. The Government also implemented special programmes to support particular industries. Overall federal budget spending for anti-crisis measures in 2020 is estimated at 3.5–4.0% of GDP. Federal budget expenditures thus exceeded the level provided for by the fiscal rule. A fiscal surplus of 1.9% of GDP recorded in 2019 reversed to a deficit of 4.0% of GDP.

Accommodative monetary policy and other measures implemented by the Bank of Russia and the Russian Government supported lending to the economy. Interest rates decreased across all segments of the financial market. Following the reduction in the key rate, monetary conditions eased and remained accommodative until the end of the year. Over 2020, the weighted average interest rate on ruble loans to non-financial organisations for more than one year decreased by 1.5 pp to 6.8% p.a. The growth of bank loans to companies accelerated as compared to 2019, whereas the expansion of lending to households slowed down. However, a slower rise in retail lending was only recorded in the consumer lending segment, while mortgage lending continued to increase at a significant pace. Banks' mortgage loan portfolio expanded by more than 20% over the year 2020.

Despite the slump in economic activity, the growth of money supply sped up in 2020 (to 13.5% from 9.7% in 2019), which was predominantly driven by the most liquid forms of money (cash rubles and current accounts). Furthermore, households still preferred to increase their savings in the national currency: ruble deposits expanded by 7.0% over the year, while foreign currency deposits in US dollar terms decreased by 4.6%.

The financial sector remained stable, among other things, owing to the government support measures and the package of measures implemented by the Bank of Russia to reduce regulatory and supervisory burden and thus help the financial sector adjust to anti-pandemic restrictions. Furthermore, an important contributor was the Bank of Russia's pre-pandemic macro-prudential policy aimed at creating capital cushions. The major challenge for the financial market was the soaring demand for remote financial services. On the one hand, this boosted the advancement of financial technologies and business models. However, on the other hand, this enabled the largest



market participants to strengthen their market power since they possess more mature technology infrastructure.

As before, the structure of the Russian financial sector in 2020 was dominated by credit institutions (in terms of total assets). The number of credit institutions decreased as some small banks exited the market. Banks from the Top-100 by assets, including systemically important ones, accounted for 92.2% of the banking sector's total assets. The percentage of profit-making banks in the sector's assets remained steadily high (98%). The banking sector improved its capital adequacy and demonstrated relatively high financial performance, considering the existing macroeconomic conditions. Specifically, the banking sector's profit in 2020 (₽1.6 trillion) was comparable with the result of the previous year (₽1.7 trillion). Excluding the financial performance of some large banks and the banks that incurred considerable one-time costs in 2019–2020, the sector's net profit declined by nearly a third, which is more in line with the situation.

Other sectors of the financial market continued to develop extensively. Financial institutions in the majority of segments showed an increase in assets, whereas their profit predominantly contracted (except in microfinance). As a large number of households transferred their funds to the financial market, this boosted a considerable rise in its indicators. Specifically, the overall amount of brokerage clients' portfolios increased by more than a fourth over the year, to exceed ₽14.3 trillion. The value of trust management clients' investment portfolios was up by a third over 2020. The number of opened individual investment accounts (IIAs) more than doubled over the year. Many types of services offered by non-bank financial institutions were used more actively, which became possible owing to improved financial inclusion and an increase in financial consumers' financial literacy. Concurrently, the number of non-bank financial institutions decreased in 2020 as a result of the Bank of Russia's measures aimed at removing weak and unfair players from the market.

# 1.1. The macroeconomic situation

## 1.1.1. EXTERNAL ECONOMIC CONDITIONS

**Global economic growth.** In 2020, the global economy faced a drastic decline induced by the coronavirus pandemic. The world GDP plunged (–3.3% according to the IMF) more significantly than over the 2007–2009 crisis. However, the unprecedented measures implemented by economic authorities worldwide to mitigate the aftermath of the pandemic for households and businesses apparently helped reduce the scale of this downfall.

The majority of countries experienced both a supply-side shock caused by restrictions on economic activity introduced to combat the spread of the coronavirus infection and a demand-side shock resulting from the lockdown of a considerable part of people and plummeting consumer activity.

In May–June, the global economy bounced back as restrictions were lifted. Industrial production recovered sufficiently quickly in China and other Asian countries owing to elevated external demand, primarily exports of medical goods and electronic devices needed for remote work. Restrictions in services were lifted gradually, and some of them (social distancing) remained in place. At the end of the year, the recovery in the global economy slowed down due to the resurgence of coronavirus cases and the tightening of restrictions in both advanced and emerging market economies. Considering the overall decrease in the demand for travel, the specifics of the development of the global economy in 2020 in terms of consumption patterns considerably altered as compared with the pre-pandemic situation.

**International trade.** As demand contracted amid the deep recession in the global economy

and disturbances in supply chains, the quantities of foreign trade shrank by 10% in 2020, according to the IMF, which is comparable with the decline in the crisis year 2009 (vs +1% in 2019). Trade in services decreased most significantly due to restrictions in transportation and tourism imposed to combat the spread of the coronavirus infection. According to the United Nations World Tourism Organization (UNWTO), 2020 was the worst year for international tourism on record. The number of international arrivals plummeted by 74% (vs –4% in 2009). The decline in export revenues caused by the reduced number of travels amounted to \$1.3 trillion, according to the UNWTO, which is more than 11 times higher than losses recorded in 2009. As the tourist flow and product supplies contracted, this caused a decline in foreign trade in transportation services. Nonetheless, the decrease in trade in tourism and transportation services was partially offset by the expansion of foreign trade in computer services driven by employees' transfer to work from home and the growth of the global demand for cloud computing, platforms, and virtual workplaces.

**Global commodity markets.** The coronavirus pandemic and related restrictions on people's movements caused a record slump in global oil consumption, with the oil price plunging in spring 2020 to its multi-year lows. Nevertheless, oil prices then picked up as demand bounced back gradually and the OPEC+ countries agreed upon a new deal on considerable oil production cuts (by 9.7 million barrels per day in May–July and by 7.7 million barrels per day in August–December).<sup>1</sup> In autumn, oil prices again declined due to the second wave



Supply- and demand-side shocks brought about by the coronavirus pandemic caused a slump in the world GDP which shrank more considerably than over the global financial crisis of 2007–2009

<sup>1</sup> Each of the countries cut production relative to respective fixed output quotas (11 million barrels per day for Russia and Saudi Arabia, and the level of October 2018 – for all other OPEC+ countries).



The Urals crude price plummeted by over a third in 2020

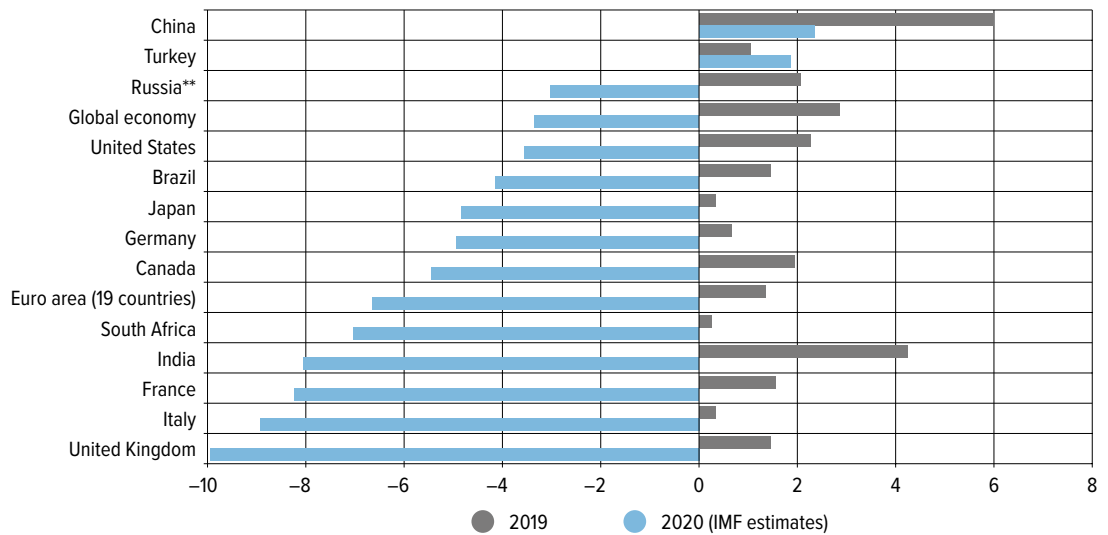
of the pandemic. However, the information about mass vaccination programmes inspired optimism and supported oil prices at the end of the year. Overall, the Urals crude price avera-

ged \$42 per barrel in 2020, plunging by 35% compared to 2019 (\$64 per barrel).

Conversely, global food prices increased. Amid limited supply and a weaker US dollar, the FAO Composite Index<sup>1</sup> in December 2020 reached its 2014 high, increasing by 7% compared to December 2019 (+9% in December 2019). Prices for vegetable oils and grains (including corn and wheat) rose most considerably.

GROWTH IN OUTPUT OF GOODS AND SERVICES IN THE GLOBAL ECONOMY AND CERTAIN COUNTRIES\* (PER CENT)

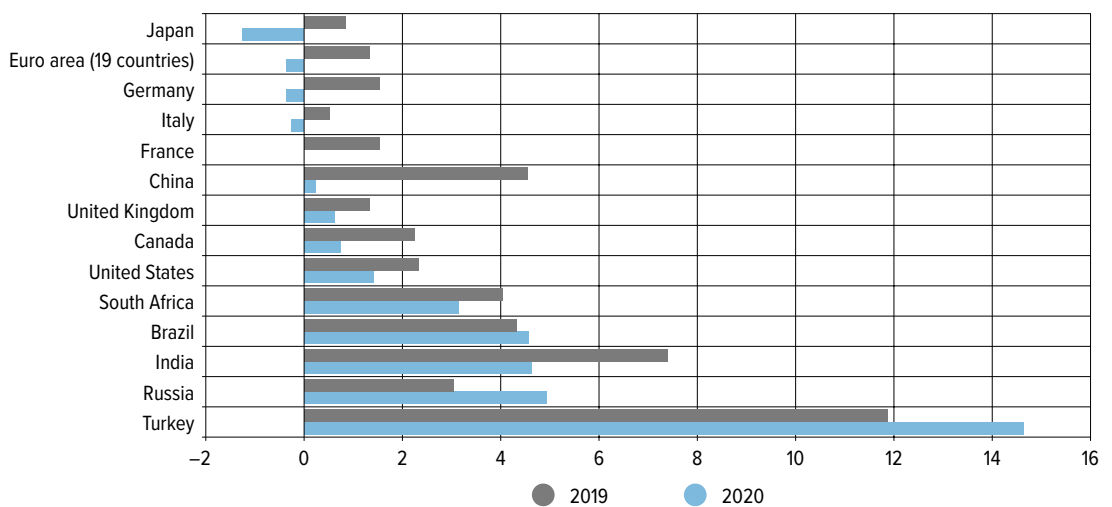
Chart 1



\* Based on IMF data (WEO Database, April 2021).  
 \*\* For Russia, Rosstat estimates.

INFLATION IN CERTAIN COUNTRIES\* (DECEMBER AS A PERCENTAGE OF PREVIOUS DECEMBER)

Chart 2



\* Based on Bloomberg data.  
 Inflation targets: US, UK, Euro area, Canada, Japan – 2%; Russia, India – 4%, Brazil, South Africa – 4.5%.

<sup>1</sup> An index calculated by the Food and Agriculture Organization of the United Nations (FAO).



Amid declining economic activity and growing demand for liquidity, G20 central banks pursued low rate policies and implemented unprecedented measures in terms of the scale of asset purchases and the list of instruments they bought out

**Inflation worldwide.** In February—March, inflation worldwide slowed down significantly due to plummeting prices for energy commodities and decreased demand. Annual inflation in the USA returned to its 2018 lows, whereas in the euro area it dropped to the pace recorded in late 2016. Long-term inflation expectations declined significantly. In April—May, inflation in major economies continued to subside due to low demand.

In the second half of the year, as economies reopened, prices for energy commodities bounced back, and demand recovered, including in services, inflation slightly rose in both advanced and emerging market economies. Nonetheless, inflation remained at lower levels in some advanced economies, primarily in the euro area, amid the extension of retail sales after the lifting of restrictions, a one-time VAT decrease, and other temporary factors. The acceleration of inflation which occurred in November—December in a range of EMEs was also driven by temporary factors, namely a rise in global food prices and a weakening of national currencies.

**Monetary policies of foreign countries.**

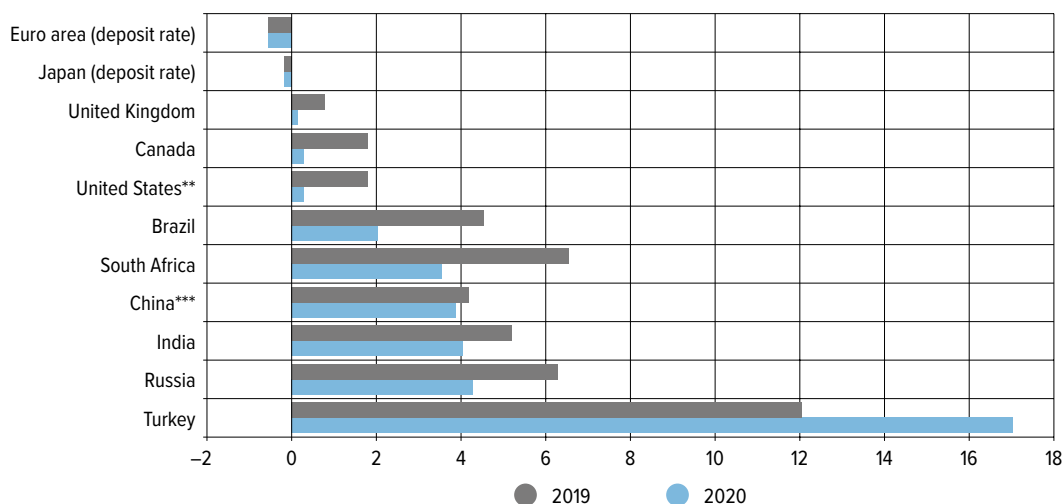
In the conditions of the coronavirus pandemic, the closure of economies, growing demand for liquidity and higher volatility in markets, the central banks of the majority of the G20 states in March—April rapidly reduced their policy rates and/or unprecedentedly expanded the scale of operations and the range of financial instruments covered by them.

The US Federal Reserve System (US Fed) narrowed the target range of its policy rate to 0—0.25% and substantially increased its balance sheet by buying Treasuries and mortgage-backed bonds and launching additional asset purchase programmes implemented jointly with the US Department of the Treasury (corporate bonds, including those that lost their investment-grade rating, and municipal bonds). The US Fed’s balance sheet expanded from \$4.3 trillion as of 10 March 2020 (when the US Fed started to respond to the pandemic-induced shock) to \$7.2 trillion as of the end of the year.

The European Central Bank (ECB) introduced its Pandemic Emergency Purchase

**CENTRAL BANKS’ KEY RATES\***  
(PER CENT P.A. AS OF END OF YEAR)

Chart 3



\* Based on Bloomberg data.  
\*\* Upper bound of the key rate corridor.  
\*\*\* Loan Prime Rate.

Programme totalling €750 billion, which was then increased by another €500 billion. This programme encompasses non-financial commercial papers and Greek sovereign bonds, whereas previously the ECB refused to buy Greek securities due to their low credit rating. Furthermore, the requirements for the credit ratings of instruments used as collateral in refinancing operations were lowered.

Other large economies also eased their monetary policies. The G20 central banks cut their policy rates by 30–250 bp (except the countries where policy rates were already in negative territory). Moreover, some central banks implemented extraordinary measures, for instance, the Reserve Bank of Australia started to target yields on government bonds, and Bank Indonesia directly participated in primary offerings to purchase government bonds.

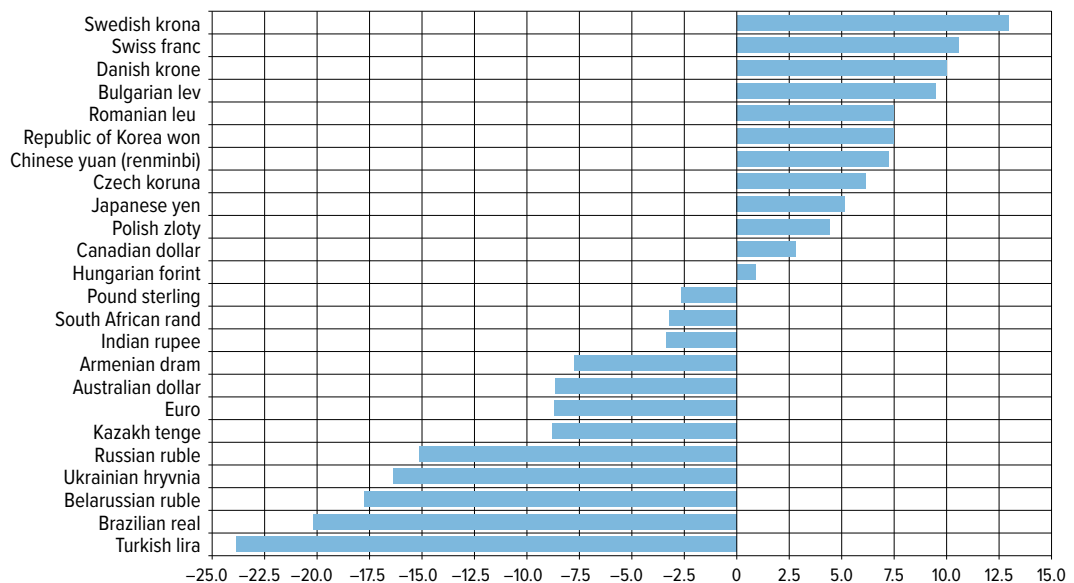
Further on, major central banks predominantly kept their policy rates and effective quantitative easing programmes unchanged, presuming that real rates might temporarily shift to negative territory as inflation bounced

back somewhat. In these conditions, many central banks emphasised the importance of maintaining accommodative monetary conditions.

**Exchange rates and capital flows.** The coronavirus pandemic seriously affected exchange rate dynamics and capital flows in 2020. In February–April, most EMEs' currencies weakened against the US dollar<sup>1</sup> amid the spread of the coronavirus infection and rising market uncertainty, which caused a slump in the demand for high-risk assets. In March,<sup>2</sup> the outflow of capital from EMEs reached an amount that was one of the largest in recent years. According to the IMF, the overall outflow of capital in February–April exceeded \$100 billion and was larger than the amount over the entire crisis year 2008. In May–August, the inflow of capital to EMEs resumed, and the exchange rates of many currencies adjusted, subsequently stabilising at lower levels as compared to the beginning of the year. In November, EMEs' currencies began to strengthen anew against the US dollar amid expectations about the upcoming start of vaccinations and the gradual recovery of

**GROWTH IN EXCHANGE RATES OF CERTAIN CURRENCIES AGAINST THE US DOLLAR IN 2020\***  
(DECEMBER AS A PERCENTAGE OF PREVIOUS DECEMBER)

Chart 4



\* '-' denotes the appreciation of the US dollar; '+' denotes its depreciation.  
Source: Bloomberg.

<sup>1</sup> JP Morgan Emerging Market Currency Index (FXJPEMCI) dropped from 60.9 in January to 53.0 by April. By June, FXJPEMCI rose to 55.3 and stabilised close to this level through October. In November, it resumed growth, reaching 57.5 in December. The FXJPEMCI index is calculated by JP Morgan for ten main EM currencies (BRL, CLP, CNY, HUF, INR, MXN, RUB, SGD, TRY, and ZAR) against the US dollar.

<sup>2</sup> According to the Institute of International Finance (IIF), the outflow of capital from EMEs in March 2020 exceeded \$80 billion.

the global economy. The movements of the ruble exchange rate in real terms were generally in line with the dynamics of other EMEs' currencies: the decline that started in February reached its lowest point in March–April, just as the slump in oil prices, after which the exchange rate partially adjusted upwards in May–June, driven by a decrease in the number of new coronavirus cases. In July–October, the ruble somewhat weakened again amid concerns about the risk of the resurgence of coronavi-

rus cases. In November–December, the ruble exchange rate resumed growth after the successful completion of the clinical trials of the Sputnik V vaccine and the rebound of global oil prices. As a result, the real effective exchange rate of the ruble declined by 14.4% over 2020 (December 2020 on December 2019).

According to the Institute of International Finance, the inflow of capital to EMEs shrank by 13% in 2020 as compared with 2019, declining to about \$313 billion.

## 1.1.2. INFLATION AND ECONOMIC ACTIVITY

### PRODUCTION ACTIVITY

In 2020, Russia's GDP contracted by 3.0% after a 2.0% increase in the previous year. The decline was caused by the dramatic external shock associated with the spread of the coronavirus infection. To counteract the rise in coronavirus cases, Russia, as many other countries worldwide, introduced temporary, yet unprecedentedly large-scale measures in 2020 that restricted activity. These restrictions affected all economic sectors, while to different extents, depending on their duration.

The main drag on GDP in 2020 was value-added decreases in mining and quarrying (-1.2 pp). This reduction was induced by the weaker global demand for energy commodities in the first half of the year and the OPEC+ oil production cuts in the second half of the year. Overall, mining and quarrying output contracted by 6.9% in 2020, primarily due to the reduction in oil production. The output of coal plummeted by 9.4%, which was caused by a decline in China's demand for it already in 2020 Q1. The portion of mining and quarrying in the structure of gross value added shrank to 9.8% in 2020 (vs 12.9% in 2019).

A significant contribution to the GDP decline in 2020 was made by transportation (-0.7 pp), trade (-0.4 pp), and the hotel and restaurant business (-0.2 pp). These industries were hardest hit by social distancing measures, including restrictions on travel.

A number of industries made a near-zero contribution to the reduction in value added in 2020. Output in **manufacturing** expanded by 0.6% on average in 2020, as compared to 2019. Moreover, consumer goods output increased to its five-year high (+4.3% vs 2019), and investment goods output remained close to its 2019 level. Investment activity was supported owing to an upward trend in output that started to bounce back in 2020 Q3–Q4, the anti-crisis measures implemented by the Russian Government, and accommodative monetary conditions maintained by the Bank

of Russia. Overall, fixed capital investment edged down by 1.4% in 2020, which was largely because companies significantly revised their investment plans amid the contraction of demand over the year. Industries manufacturing intermediate goods intended for exports were considerably affected by the pandemic. This negative effect was explained by a high volatility of global prices and restrictions on production activity and transportation remaining in a range of countries.

**Agricultural** output expanded by 1.5% in 2020, compared to 2019. The gross yield of grain in 2020 reached 133 million tons (+9.8% vs 2019). This was the second largest harvest after the 2017 record. Livestock production continued to demonstrate high growth rates.

The volume of **construction works** in 2020 remained the same as in 2019. As before, the industry was supported by the implementation of national projects, including the Housing and Urban Environment project. Anti-pandemic restrictions affected housing construction volumes most significantly, but this reduction was temporary. In 2020 H2, housing construction was promoted by the implementation of the subsidised mortgage lending programmes.

Gross value added in Russia's economy was supported owing to its increase in finance (+7.3%) and in general government activities (+2.3%), which was largely associated with the implementation of the anti-crisis measures by the Russian Government and the Bank of Russia in 2020.

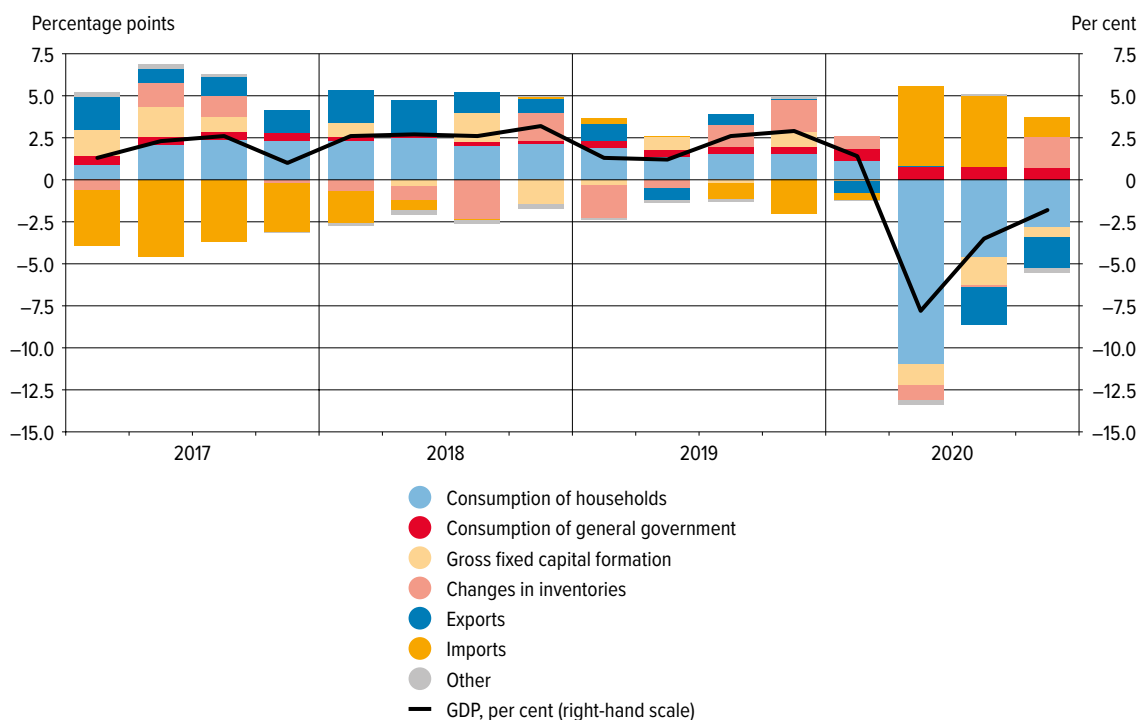
### DOMESTIC DEMAND AND LABOUR MARKET

Domestic demand<sup>1</sup> contracted by 4.4% in 2020, which was primarily due to decreases in household final consumption (-8.6%) and gross fixed capital formation (-4.3%). Consumption plummeted because of a decline in households' real disposable incomes, a rise in the propensity to save, and the imposed anti-pandemic restrictions. Growing uncertainty and a weaker

<sup>1</sup> Domestic demand implies final consumption expenditure and gross capital formation.

GDP GROWTH BY EXPENDITURE (CONTRIBUTION TO ANNUAL GROWTH)

Chart 5



ruble were the main reasons why gross fixed capital formation contracted. General government final consumption expenditure increased (+4.0%) due to the implementation of measures to support households and businesses and the expenses needed to combat the spread of the coronavirus infection. As demand was weak and companies had no opportunities to sell their products due to the restrictions, this caused inventory accumulation (contribution to GDP: +0.5 pp). The number of employed people declined to 70.6 million in 2020 from 71.9 million in the previous year. Furthermore, a part of them exited the labour market, which is why the number of the unemployed rose by only 0.8 million (+24.7%) to 4.3 million people. According to the ILO<sup>1</sup> methodology, unemployment increased from 4.6% (a record low of 2019) to 5.8% (over the previous periods of declines in economic activity: 5.6% in 2015 and 8.2% in 2009). The observed rise in unemployment triggered by the downturn in economic activity was associated with the partial adjustment of the labour market through the payroll channel. This was mostly explained

by low inflationary pressure in the economy during 2020 in contrast to 2014–2015.

The dynamics of economic activity over the year were uneven: stable growth in Q1, a slump in Q2, active recovery in Q3, and its subsequent slowdown in 2020 Q4.

Domestic consumption expanded by 2.9% in 2020 Q1 compared to the same quarter the year before, which was due to a rise in consumer activity, including soaring demand in March. However, the situation changed dramatically in April. The restrictions adversely impacted both production and consumer activity. Industries providing services to households and selling non-food goods were affected most seriously. The only exception was a number of individual segments, specifically trade in medicines, delivery services, and online trade. In 2020 Q2, domestic demand shrank by 13.4%. Gross fixed capital formation declined, which was associated with the uncertainty over economic developments in Russia and abroad and the shortage of imported components. The measures implemented by the Government of the Russian Federation and the Bank of Russia helped offset

<sup>1</sup> International Labour Organization.



a considerable portion of losses for households, businesses and the economy in general.

At the beginning of Q3, amid the easing of the restrictions both in Russia and abroad, economic activity in Russia was recovering, predominantly driven by industries focused on domestic consumption. Household final consumption was the main contributor to this rebound in Q3, including owing to the realisation of pent-up demand.

The worsening of the epidemic situation in Q4 and a partial reintroduction of restrictions decelerated the recovery of domestic demand. However, the extent of the influence of these restrictions on economic activity was consid-

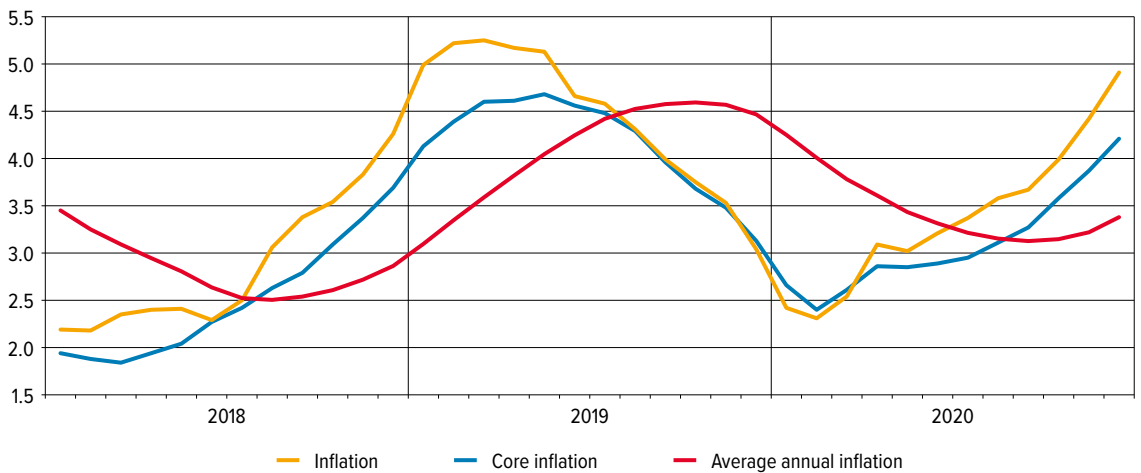
erably lower than in Q2 since the restrictions were targeted and households and companies had already adjusted to the new conditions.

**INFLATION**

In 2020, inflation was considerably impacted by the factors associated with the spread of the coronavirus infection. First of all, anti-pandemic restrictions caused a decline in economic activity, incomes, and demand, which became the main disinflationary factor. As restrictions were eased in the second half of the year, demand revived and price growth sped up. Nonetheless, **price growth** in the **services sector**, hardest hit by restrictions, **was moderate** over the year.

**INFLATION, CORE INFLATION, AND AVERAGE ANNUAL INFLATION\***  
(GROWTH AS A PERCENTAGE OF CORRESPONDING MONTH OF PREVIOUS YEAR)

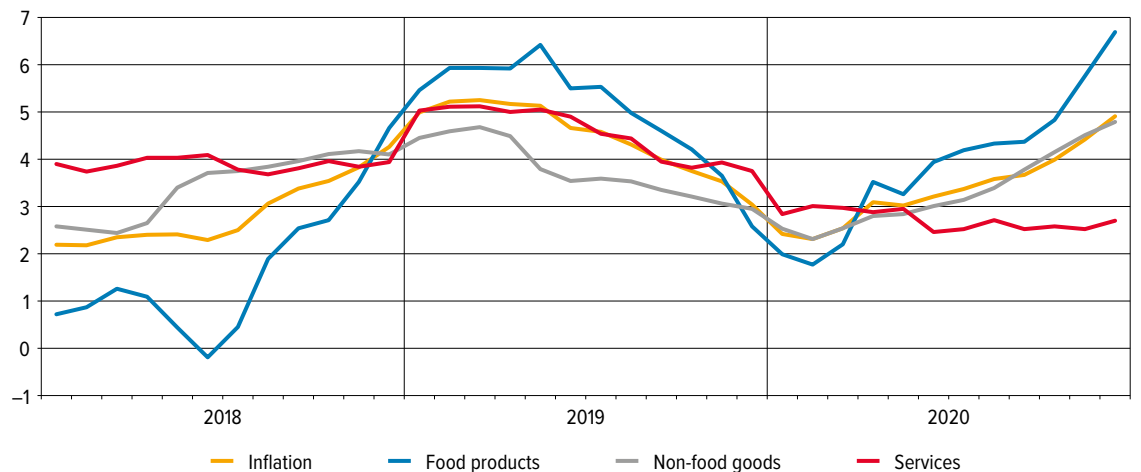
Chart 6



\* Reflects changes of the average level of prices over 12 months to the average level of prices over the previous 12 months.

**PRICES OF FOOD PRODUCTS, NON-FOOD GOODS AND TARIFFS OF SERVICES**  
(GROWTH AS A PERCENTAGE OF CORRESPONDING MONTH OF PREVIOUS YEAR)

Chart 7



**In December 2020, the annual growth of prices in services equalled 2.7%, which is 1.1 pp less than in the previous year.**

The pandemic intensified volatility in global financial markets. As a result, the ruble weakened, which put pressure on costs and prices. Other factors pushing up manufacturers' and retailers' costs included expenses for anti-epidemic measures, as well as for wage increases in some sectors facing staff shortages. As demand revived, the pass-through of higher costs to prices intensified in the second half of the year. The growth of prices for cars, construction materials, and furniture sped up. In December 2020, the annual growth of **non-food prices** reached 4.8%, which is 1.8 pp more than in December 2019.

Anti-pandemic restrictions also increased the volatility of food prices. Specifically, March–April recorded a surge in prices for the food products that households were buying in for the lockdown period (grain, chicken, and lemons). Over the year, prices for some fruits and vegetables were affected by disruptions in imports.

There were also additional proinflationary factors in a number of food market segments. Specifically, the growth of export parity prices for grain and sunflower caused by higher global prices and a weaker ruble sped up the rise in prices for products made of grains and sunflower (bread, pasta, cereals, sunflower oil, and mayonnaise). The rise in prices for feed grains, coupled with the ruble weakening, pushed up livestock producers' costs and, consequently, consumer prices for meat and milk products

and eggs. Another driver of price growth was the decline in the harvest of a number of crops (sugar beet, sunflower, and potatoes). The increase in sugar and sunflower oil prices was largely recovery-type after their reduction in previous years. However, it was too serious in October–November, which forced the Russian Government to introduce price caps and tax and tariff regulation.

In December 2020, the annual growth of **consumer prices** reached 4.9% (vs 3.0% in December 2019). Core inflation sped up to 4.2% (+1.1 pp). The annual growth of **food prices** accelerated to 6.7% (+4.1 pp), which was the main contributor to faster inflation.

The rise in inflation and especially spikes in prices for individual food products increased households' inflation expectations. At the end of 2020, the median estimates of inflation observed over the past 12 months and expected next year were considerably higher than the year before. Intensifying cost-side pressure and the ruble weakening formed an upward trend in companies' price expectations for the next three months. At the end of the year, they significantly exceeded the level recorded in late 2019. Contrastingly, analysts' long-term inflation forecasts remained anchored at the Bank of Russia's target (close to 4%).

Inflation in the Russian regions in 2020 was predominantly influenced by countrywide factors, with the economic consequences of the coronavirus pandemic being the main drivers. Regional differences in price dynamics were largely caused by the specifics of the impact of anti-pandemic measures.

### 1.1.3. FISCAL POLICY, GOVERNMENT FINANCE, AND DOMESTIC GOVERNMENT DEBT

The decline in economic activity in 2020 required a shift towards expansionary fiscal policy. Relying on the safety cushion created over previous years in public finance,<sup>1</sup> the Russian Government implemented anti-crisis measures in order to mitigate the aftermath of the coronavirus pandemic and aid Russia's economy and households. The decisions made increased federal budget spending which exceeded the threshold provided for by the fiscal rule. In 2020, federal budget and fiscal system expenditures were up by 25.3% and 12.8%, respectively, as compared to the previous year. As the Government needed to increase budget spending amid a reduction in budget revenues, which was primarily caused by lower global oil prices and oil production cuts, the fiscal system had to switch to a negative balance in 2020 executing the budget with a deficit equalling 4.0% of GDP.

Overall spending for the Russian Government's anti-crisis measures in 2020 totalled 3.5–4.0% of GDP. A considerable portion of the measures adopted by the Government of the Russian Federation were intended to maintain households' incomes and employment, which helped limit the decline in final consumption and economic activity. Companies were granted support both directly (e.g. as subsidies and subsidised loans) and indirectly, namely through a temporal reduction in writing-off or suspension of mandatory payments to the budget. Direct

aid to businesses was provided through the programme aimed at maintaining employment in the industries hardest hit by the pandemic.<sup>2</sup> Alongside with that, the Government introduced additional measures to aid companies in individual sectors, such as construction (including the expansion of the subsidised mortgage lending programmes), air transportation, and tourism.

The support measures for households primarily involved targeted transfers to the most sensitive groups of the population hit by anti-pandemic restrictions: these were sick leave payments for elderly people, allowances to families with children, unemployment compensations in the hardest-hit industries, and incentive payments in healthcare, social services, and law enforcement for the work in the conditions of the coronavirus pandemic. Furthermore, some business support measures partially offset wage reductions in the companies of the hardest-hit sectors.

#### FEDERAL BUDGET

The federal budget covered the largest portion of government expenditures that rose significantly. As of the end of 2020, the federal budget deficit reached ₺4,099 billion (3.8% of GDP) as compared to its surplus of ₺1,974 billion (1.8% of GDP) in the previous year. The non-oil and gas deficit of the federal budget (excluding the one-time income from the sale of the equity stake in Sberbank) expanded to



Overall spending for the Russian Government's anti-crisis measures in 2020 is estimated at 3.5–4.0% of GDP

<sup>1</sup> The effect of the fiscal rule made it possible to accumulate the resources of the National Wealth Fund (NWF) in the amount of 7.1% of GDP and another 2.7% of GDP of extra oil and gas revenues earned in 2019 in the foreign currency account of the federal budget with the Bank of Russia. The large amount of liquid financial assets and small government debt enabled the Russian Federation to maintain its credit rating in the investment grade category ('BBB' according to Fitch and 'BBB-' according to Standard & Poor's). These factors made it possible to considerably increase OFZ offerings in 2020 in order to finance the anti-crisis measures implemented by the Russian Government.

<sup>2</sup> The list of the industries was approved by Resolution of the Government of the Russian Federation No. 434, dated 3 April 2020, 'On the List of Sectors of the Russian Economy Most Affected by the Deterioration of the Situation Resulting from the Coronavirus Pandemic' (as amended).



The non-oil and gas deficit of the federal budget increased from 5.4% of GDP in 2019 to 9.7% of GDP in 2020

9.7% of GDP<sup>1</sup> (from 5.4% of GDP in 2019). The budget deficit was mostly financed through OFZ offerings, with their gross and net amounts equalling ₹5.2 trillion and ₹4.6 trillion, respectively.

Federal budget revenues in 2020 totalled ₹18,722 billion (17.5% of GDP), which is 7.3% less than in 2019. This was primarily due to a 33.9% slump in oil and gas revenues, as compared to the previous year, which resulted from the decline in commodity prices and the subsequent OPEC+ oil production cuts. The non-oil and gas revenues of the federal budget increased by 10.0% compared to the previous year owing to the sale of the equity stake in Sberbank, as a result of which the budget received ₹1.1 trillion. Excluding this deal, the non-oil and gas revenues of the federal budget expanded by 1.3%, and those of the fiscal system edged down by as little as 0.1% despite the unfavourable economic situation and tax easing.<sup>2</sup> The annual payments of VAT increased by 1.5%, while those of profit tax declined by 7.9%.

Federal budget expenditures surged by 25.3% in annualised terms, to total ₹22,822 billion (21.3% of GDP). Expenses increased at high paces in the following areas: 'Healthcare' (+87.2%), 'Social policy' (+43.2%), and 'National economy' (+23.2%).

### FISCAL SYSTEM

In 2020, fiscal deficit reached ₹4,294 billion (4.0% of GDP), whereas in 2019 the fiscal system had a surplus of ₹2,115 billion (1.9% of GDP). The non-oil and gas deficit of the fiscal system (excluding the one-time income from the sale of the equity stake in Sberbank) expanded to 9.9% of GDP (from 5.3% of GDP in 2019).

Revenues of the Russian fiscal system in 2020 totalled ₹37,857 billion (35.4% of GDP), which is 4.2% less than in 2019 ([Table 5 of Section 5.4 'Statistical tables'](#)). The fiscal system's non-oil and gas revenues expanded by 3.3% compared to the previous year, reaching ₹32,621 billion (30.5% of GDP). Excluding the deal with Sberbank shares, the fiscal system's non-oil and gas revenues edged down by 0.1% against 2019. As of the end of 2020, the payments of personal income tax increased (+7.5%), while those of profit tax declined (-11.6%).

The fiscal system's expenditures in 2020 totalled ₹42,151 billion (39.4% of GDP), which is 12.8% more than in the previous year. The largest expenses were in the items 'Social policy' and 'National economy'. The highest growth rate was in the item 'Healthcare'.

The revenues of the consolidated budgets of the constituent territories of the Russian Federation expanded by 9.8%, to reach ₹14,901 billion (13.9% of GDP); their expenditures were up by 14.8%, totalling ₹15,578 billion (14.6% of GDP). The consolidated budgets of Russia's constituent territories had a deficit of ₹677 billion (vs a surplus of ₹5 billion in 2019). Government extra-budgetary funds' revenues increased by 13.5% to ₹13,247 billion (12.4% of GDP), and their expenditures were up by 10.6% to reach ₹12,775 billion (11.9% of GDP). Thus, government extra-budgetary funds had a surplus of ₹473 billion (0.4% of GDP).

### NATIONAL WEALTH FUND

Over the year, the NWF's resources expanded by ₹5,773 billion (1.7 times), totalling ₹13,546 billion (12.7% of GDP) as of 1 January 2021. Of this amount, the NWF's liquid assets (the funds in its bank accounts with the Bank of

<sup>1</sup> Excluding the one-time income of ₹1.1 trillion from the sale of the equity stake in Sberbank.

<sup>2</sup> Including the reduction in social insurance premiums for SMEs (from 30% to 15%) and the IT industry (from 14% to 7.6%).

Russia) were equivalent to ₹8,658 billion (8.1% of GDP). The resources of the NWF denominated in the national currency increased owing to the transfer in March 2020 of extra oil and gas revenues received for 2019 (₹3,350 billion), a positive foreign currency revaluation due to a weaker ruble (₹1,774 billion), and the income earned from investing the NWF's resources in permitted financial assets and transferred to the federal budget (₹264 billion). Withdrawals from the NWF (₹293 billion), including to offset the decline in the federal budget's oil and gas revenues, reduced the NWF's resources in 2020.

In 2020, the Russian Government made a decision to invest a part of the NWF's resources in Sberbank shares<sup>1</sup> (₹2,139 billion) and Aeroflot shares (₹50 billion).

### PUBLIC DEBT

According to the Russian Ministry of Finance, the overall amount of public debt and municipal debt of the Russian Federation reached ₹21,824 billion as of 1 January 2021 (20.4% of GDP). As compared to the end of 2019, this is 35.9% higher in nominal terms and 5.7 pp more relative to GDP. The portion of the domestic debt in the overall amount of the public and municipal debt equalled 80.8%, which is 2.1 pp more than as of 1 January 2020.

The country's domestic debt totalled ₹14,751 billion (13.8% of GDP) as of 1 January

2021, increasing almost 1.5 times compared to the previous year. Government securities (₹14,056 billion) accounted for the largest part (95.3%) of the country's domestic debt. State guarantees (₹695 billion) made the remaining portion ([Table 6 of Section 5.4 'Statistical tables'](#)). In 2020, the net amount of OFZ offerings increased more than threefold compared to 2019 (to ₹4.6 trillion). Non-residents' portfolio in the OFZ market expanded by 11.2% in 2020, reaching ₹3,191 billion, while its share in the OFZ market as of 1 January 2021 shrank to 23.3% (from 32.2% as of early 2020).

Russia's external debt totalled ₹4,189 billion as of 1 January 2021 (3.9% of GDP), having increased by 22.4% in ruble terms. Its growth was caused by the ruble weakening and the placements of Eurobonds in November 2020 in the amount of €2 billion. Non-residents' portfolio of government Eurobonds contracted by 5.5% over 2020 from \$22.3 billion to \$21.1 billion, whereas its share over the year expanded from 54.8% to 55.1% of the market.

The Russian Government's debt to the Bank of Russia on government securities decreased by 6.6% over 2020, from ₹304 billion as of 1 January 2020 to ₹284 billion as of 1 January 2021 (including on Eurobonds — ₹71 billion and on bonds in the Russian currency — ₹213 billion) ([Table 7 of Section 5.4 'Statistical tables'](#)).



Russia's overall public debt expanded to 20.4% of GDP over 2020, while staying at an acceptably low level

<sup>1</sup> Federal Law No. 50-FZ, dated 18 March 2020, 'On the Acquisition by the Government of the Russian Federation of Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation'.

### 1.1.4. BALANCE OF PAYMENTS, INTERNATIONAL INVESTMENT POSITION, AND EXTERNAL DEBT OF THE RUSSIAN FEDERATION

In 2020, Russia's balance of payments formed under the influence of unfavourable world prices for key commodities, as well as anti-pandemic restrictions. As commodity exports contracted, the current account surplus decreased by half year-on-year.

Net lending to the rest of the world was mostly the result of a reduction in the economy's external liabilities. This factor, exacerbated by negative revaluations of ruble-denominated financial instruments and other changes, as well as a rise in external assets following a positive revaluation determined the increase in the country's net international investment position.

Over 2020, the external debt of the Russian Federation decreased predominantly due to the weakening of the Russian ruble.

The international reserves increased as a result of a considerable positive revaluation.

#### BALANCE OF PAYMENTS OF THE RUSSIAN FEDERATION

As of the end of 2020, the **current account** surplus decreased nearly by half down to \$33.9 billion due to the shrinkage of the balance of trade partially offset by a reduction in the deficit of other current account components.

As the value of goods exports dropped, this reduced the surplus of **foreign trade in goods** from \$165.3 in 2019 to \$91.8 billion in the reporting year.

**Goods exports** decreased by \$87.6 billion down to \$332.2 billion, as compared to 2019, due to the lower value of key fuel and energy commodity deliveries dragged down by both the adverse impact of pricing and the decreased volume of deliveries. Contrastingly,

exports of other goods slightly surpassed the level of the previous year. The composite export deflator index equalled 0.80, whereas for main fuel and energy commodities<sup>1</sup> it was 0.68. The overall volume of goods exports shrank by 1.6%, which included a 7.6% reduction in the volume of hydrocarbon deliveries.

Exports were down across the majority of main goods groups. Mineral commodity deliveries decreased most significantly, specifically by 35.9% to \$172.2 billion. As a result, the share of this group of commodities contracted by 12.1 pp, going down to 51.2%. The reduction in exports across other commodity groups was less considerable. Exports of ferrous and non-ferrous metals, including products made of them, decreased by 7.2% to \$34.9 billion, while their portion edged up by 1.5 pp to 10.4%. The value of exported chemicals decreased by 11.9% to \$23.9 billion, as compared to 2019, whereas the percentage of this group of products rose to 7.1% vs 6.4% in the previous year. Exports of engineering products amounted to \$25.0 billion, which was by 10.2% less than in the previous year, with this group of products accounting for 7.4% vs 6.6% in 2019. Contrastingly, the reporting period recorded a surge in exports of food products and raw materials for their manufacture, specifically by 19.2% to \$29.6 billion. The portion of this product group was up by 3.0 pp, to reach 8.8%.

The European Union (EU) countries accounted for 34.1% in the geographical structure of exports, which was 10.6 pp less than in 2019. This was caused by both the change in the EU membership (withdrawal of the UK), and the reduction in hydrocarbon exports to the EU. Conversely, the share of exports to

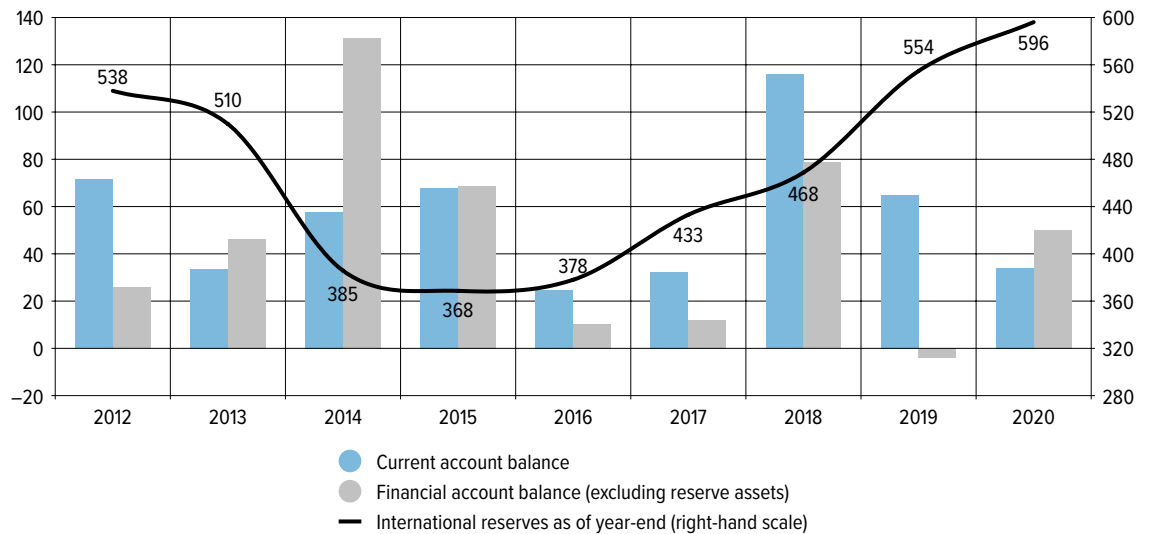


The balance of foreign trade in goods shrank 1.8 times as exports declined more significantly than imports

<sup>1</sup> Crude oil, petroleum products, natural gas, and liquefied natural gas.

**RUSSIA'S MAJOR BALANCE OF PAYMENTS COMPONENTS AND INTERNATIONAL RESERVES  
(BILLIONS OF US DOLLARS)**

Chart 8



the Asia-Pacific Economic Cooperation (APEC) countries expanded to 27.9% (from 26.3% in 2019), the share of exports to the Eurasian Economic Union (EAEU) member states rose to 9.8% (from 9.0% in 2019), and the share of exports to other countries increased to 28.2% (from 20.0% in 2019). In 2020, the largest volumes were exported to China (14.6%), the Netherlands (7.4%), the United Kingdom (6.9%), Germany (5.5%), Turkey (4.7%), and Belarus (4.7%).

**Goods imports** in 2020 fell by 5.6% to \$240.4 billion, as compared to 2019. Import volumes shrank by 3.4%, and prices declined by 2.3%.

The value of imports of machinery, equipment, and vehicles, which is the most important goods group, decreased by 2.2% to \$110.2 billion, whereas the share of these goods in the structure of imports expanded by 1.5 pp to 47.6%. Imports of chemicals and products of allied industries shrank by 11.4% to \$42.2 billion, with the percentage of this group in total imports dropping to 18.3% from 19.6% in 2019. Imports of food products and raw materials for their manufacture amounted to \$29.7 billion, which is almost the same as in 2019, whereas the portion of this group in total imports rose to 12.9% from 12.3% in the previous year.

The share of the EU states in the geographical structure of imports decreased to 34.1%

from 36.3% in 2019 (including due to the UK's exit from the EU). The ratio of the APEC countries increased to 42.5% from 41.3% in the previous year, whereas the EAEU states accounted for 8.0% in total imports as compared to 8.2% in 2019. Other countries accounted for 15.4% (vs 14.2% in the previous year). Russia's largest counterparties included China (23.7%), Germany (10.1%), the USA (5.6%), Belarus (5.4%), and Italy (4.4%).

The deficit of the balance of **foreign trade in services** shrank more than by half to \$17.4 billion as a result of the slump in imports of services.

**Exports of services** declined by \$15.0 billion to \$46.9 billion. The value of transport services to non-residents plummeted by 22.9% to \$15.9 billion mostly due to the reduced international passenger flow. Affected by the anti-pandemic restrictions imposed by the Russian Government on foreigners' entry to the Russian Federation, exports of travel services plunged to \$2.9 billion from \$11.0 billion the year before. The value of other services provided to non-residents edged down to \$28.2 billion as compared with \$30.3 billion in 2019. The amount of technical, trade mediation and other business services rendered to non-residents, as well as services for processing of goods owned by other parties decreased more significantly.





The balance of foreign trade in services decreased more than by half due to the slump in their imports. The pandemic caused a drastic reduction in the number of Russians travelling abroad

**Imports of services** decreased by 34.8% to \$64.3 billion. The major drag on this indicator was the slump in the value of travel services from \$36.2 billion in 2019 to \$9.1 billion, which resulted from the dramatic decline in the number of Russians who travelled abroad during the pandemic restrictions. The value of transport services provided by foreign companies declined from \$15.4 billion to \$11.5 billion. Imports of other services contracted from \$47.1 billion in 2019 to \$43.7 billion, which was caused by the reduction in the amount of technical, trade mediation and other business services rendered by non-residents.

The deficit in **compensation of employees** decreased to \$1.1 billion (vs \$3.6 billion in 2019). Compensation of employees to non-residents declined from \$7.6 billion to \$4.7 billion due to a reduction in both the number of non-residents temporarily employed in the Russian economy and their compensation of employees in US dollar terms. Compensation of employees payable to Russians working abroad also decreased from \$4.0 billion to \$3.6 billion.

The deficit of **investment income** fell from \$50.0 billion in 2019 to \$33.8 billion in 2020. The deficit of the private sector's investment income totalled \$33.0 billion as compared to \$50.9 billion the year before. This decline was due to reduced income paid to non-residents. The overall balance of investment income of the General Government and the Central Bank had a deficit of \$0.8 billion (compared to a surplus of \$0.9 billion in 2019).

The deficit in the **secondary income account** totalled \$5.6 billion, which is twice as low as in 2019, due to a reduction in personal money transfers abroad.

The **capital account** had a deficit of \$0.5 billion (compared to \$0.7 billion in 2019).

**Net lending to the rest of the world (the overall balance of the current and capital accounts)** diminished from \$64.1 billion in 2019 to \$33.4 billion in 2020. The ratio of net lending to GDP dropped from 3.8% in 2019 to 2.3% in 2020.

**The surplus of the financial account (net of reserve assets)** totalled \$50.0 billion (vs a deficit of \$3.9 billion in 2019). The main form of net lending to the rest of the world was a reduction in foreign liabilities to non-residents.

**External liabilities** decreased by \$40.0 billion (as compared to the \$28.7 billion growth in 2019).

Foreign liabilities of the General Government were up by \$3.7 billion (in 2019, they increased by \$22.0 billion) as a result of non-residents' purchases of sovereign securities.

Reduction in private sector foreign liabilities totalled \$42.9 billion (as compared to the \$5.3 billion growth in 2019).

Banks' liabilities to non-residents decreased by \$26.2 billion (vs the \$19.8 billion decline in 2019). As compared to 2019, the sector's external liabilities were affected by derivatives transactions.

Other sectors' foreign liabilities decreased by \$16.7 billion (in 2019, they gained \$25.2 billion). Direct investment liabilities to non-residents were up by \$7.2 billion (vs the \$28.9 billion growth in 2019), whereas portfolio investment liabilities and credit liabilities were down by \$15.3 billion and \$9.0 billion, respectively (vs the \$4.2 billion and \$6.2 billion decline, respectively, in 2019).



Net lending to the rest of the world in the amount of \$50.0 billion was due to a reduction in foreign liabilities to non-residents





The country's net international investment position increased as a result of a considerable decline in external liabilities and a rise in assets, mostly owing to revaluations

**Financial assets (excluding reserve assets)** gained \$9.9 billion in 2020 (vs \$24.8 billion in 2019).

Total foreign claims of the General Government and the Central Bank rose by \$1.5 billion (vs an increase of \$0.5 billion in 2019), mostly due to new public sector loans.

Private sector external assets<sup>1</sup> were up by \$8.3 billion in 2020 (as compared to the \$25.9 billion growth in 2019).

Banks' foreign assets shrank by \$4.5 billion (vs a decrease of \$2.1 billion in 2019), largely influenced by derivatives transactions, just as liabilities.

Other sectors' external claims<sup>1</sup> increased by \$12.8 billion (vs the \$28.0 billion growth in 2019). In contrast to the situation in 2019 when direct investment was the main contributor, the key factor in 2020 was the growth of investment in foreign securities held in Russian investors' portfolios. Owing to transactions with non-residents, portfolio investment expanded by \$11.9 billion in 2020 (in 2019, they gained \$2.3 billion), whereas direct investment increased by \$5.1 billion (in 2019, they grew by \$22.6 billion). As the number of Russians' foreign travels plummeted amid the pandemic, the decline in foreign currency cash as a result of other sectors' transactions with non-residents plunged to \$1.9 billion, as compared with \$7.7 billion in the previous year.

**Reserve assets** decreased by \$13.8 billion (after a rise by \$66.5 billion in 2019), which mostly resulted from fiscal rule-based foreign currency sales in the domestic market performed by the Bank of Russia and the redemption of foreign currency-denominated sovereign debt instruments.

The **balance of private sector financial transactions** totalled \$48.4 billion in 2020, as compared to \$22.1 billion in 2019. Net lending

to the rest of the world was predominantly in the form of a reduction in external liabilities by both banks and other sectors.

### INTERNATIONAL INVESTMENT POSITION OF THE RUSSIAN FEDERATION

As of 31 December 2020, foreign assets of the Russian Federation totalled \$1,555.1 billion, which is 2.8% or \$41.6 billion more than as of the end of 2019.

The positive revaluation of foreign claims totalled \$65.1 billion and primarily resulted from the increase in the value of reserve assets and derivatives which in aggregate exceeded the depreciation of foreign assets in the form of direct investment. Claims on non-residents resulting from transactions recorded in the balance of payments declined by \$3.8 billion. The negative value of other changes equalling \$19.6 billion was primarily the result of the reclassification of redomiciled companies' direct investment.

Direct investment dropped by \$31.1 billion to \$470.1 billion. At the same time, portfolio investment expanded by \$21.1 billion to \$101.4 billion, other investment increased by \$8.8 billion to \$381.1 billion, and the international reserves were up by \$41.4 billion to reach \$595.8 billion.

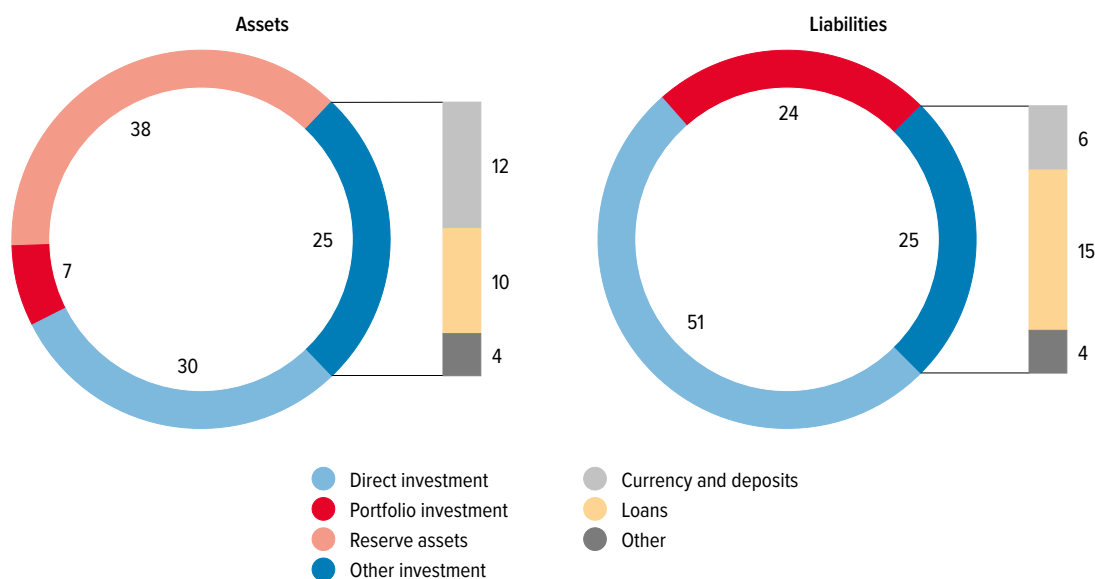
Foreign liabilities of the Russian Federation decreased by \$104.2 billion to \$1,050.6 billion, with similar almost equal contributions to this reduction made by negative revaluations (\$47.8 billion) and transactions recorded in the balance of payments (\$40.0 billion). The negative value of other changes totalling \$16.3 billion was due to redomiciliation, just as in relation to assets.

The negative revaluation was the main reason why direct investment in Russia decreased by \$49.9 billion to \$537.1 billion and

<sup>1</sup> Excluding receivables from deliveries under intergovernmental agreements.

## INTERNATIONAL INVESTMENT POSITION AS OF 31 DECEMBER 2020 (PER CENT)

Chart 9



portfolio investment declined by \$46.3 billion to \$255.9 billion. The reduction in liabilities resulting from transactions on the balance of payments was the main reason why non-residents' other investment dropped by \$10.5 billion to \$249.3 billion.

The slump in foreign liabilities, coupled with the growth of external assets, caused an increase in Russia's net international investment position from \$358.7 billion as of the end of 2019 to \$504.5 billion as of 31 December 2020.

#### INTERNATIONAL RESERVES OF THE RUSSIAN FEDERATION

The international reserves of the Russian Federation expanded by \$41.4 billion over 2020, to total \$595.8 billion.

The positive revaluations totalling \$52.2 billion, which were due to higher gold prices and the weakening of the US dollar against other foreign currencies, and other changes in reserve assets, which amounted to \$3.0 billion, exceeded the reduction in Russia's internation-

al reserves resulting from transactions recorded in the balance of payments.

The price of monetary gold as of 31 December 2020 reached \$138.8 billion. The country's gold reserves increased by \$28.4 billion, or more than a fourth, which was predominantly due to the positive revaluation in the amount of \$27.0 billion. As a result, the portion of gold in the international reserves went up from 19.9% to 23.3% over the year.

As of 31 December 2020, the amount of Russia's international reserves was sufficient to finance goods and services imports for 23 months.

#### EXTERNAL DEBT OF THE RUSSIAN FEDERATION

External debt of the Russian Federation totalled \$467.9 billion as of 31 December 2020, decreasing by \$23.6 billion or 4.8% over the year, which was mostly because of the negative revaluation of liabilities associated with the weakening of the Russian ruble.



The positive revaluation of Russia's international reserves exceeded its reduction resulting from transactions on the balance of payments

**RUSSIA'S EXTERNAL DEBT  
(BILLIONS OF US DOLLARS)**

Chart 10

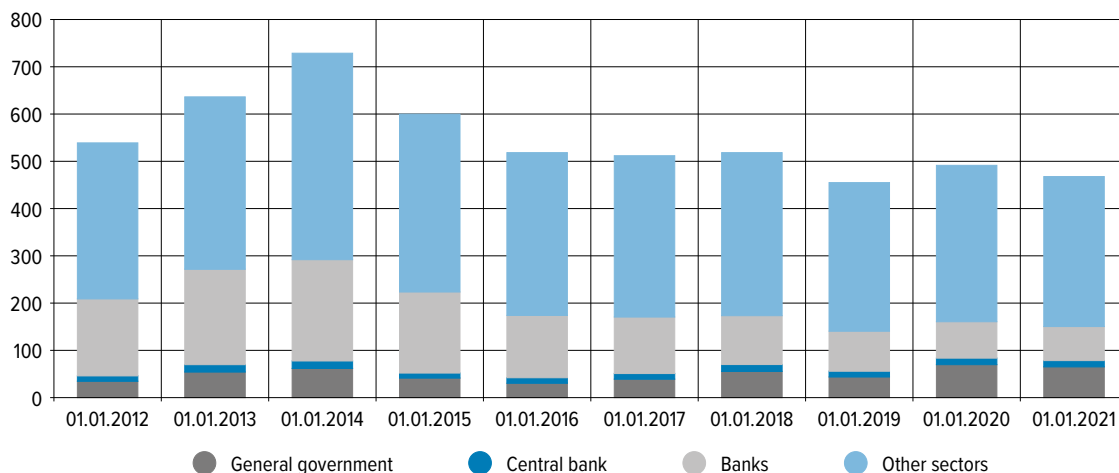
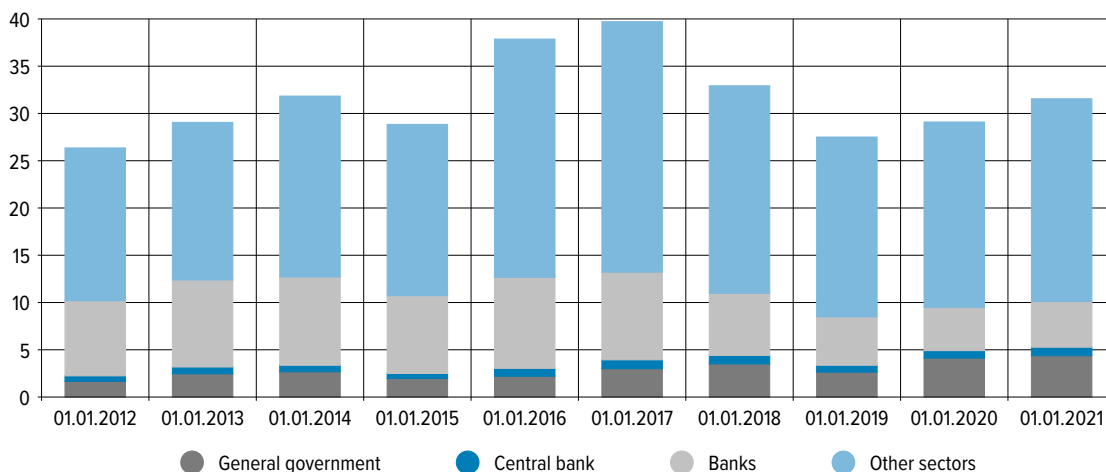
**RUSSIA'S EXTERNAL DEBT  
(PER CENT OF GDP)**

Chart 11



The share of private sector liabilities to non-residents accounted for 83.2% of Russia's overall external debt (\$389.4 billion as of 31 December 2020). External debt of the General Government and the Central Bank was equal to 16.8% (\$78.5 billion).

External debt of the General Government went down slightly from \$69.8 billion to \$65.2 billion as of the end of 2020, with the reduction recorded in sovereign securities denominated in both Russian rubles (by \$3.2 billion) and foreign currency (by \$1.2 billion). External debt of the constituent territories of the Russian Federation totalled \$0.1 billion as of 31 December 2020.

Banks' external debt declined by \$4.8 billion in 2020 to \$72.1 billion. Other sectors' external debt decreased by \$13.4 billion to \$317.3 billion.

The portion of short-term debt in the overall amount of external debt went down from 13.9% to 13.3%, reaching \$62.2 billion as of the end of 2020, while the share of long-term liabilities, accordingly, increased to 86.7% totalling \$405.7 billion. As debt on ruble-denominated instruments decreased significantly, the share of external liabilities in Russian rubles went down from 30.5% to 27.4%, to reach \$128.2 billion. Debt in foreign currency accounted for 72.6% of external liabilities, or \$339.7 billion.

According to international criteria, debt burden on the Russian economy remained moderate as of 31 December 2020, with the external debt-to-GDP ratio equalling 31.5% (vs

29.1% as of the end of 2019) and the General Government's external debt liabilities-to-GDP ratio rising to 4.4% (from 4.1% as of the end of 2019).

## 1.2. The financial sector

### 1.2.1. MONETARY AGGREGATES AND FINANCIAL AND COMMODITY MARKET CONDITIONS

Money supply growth sped up in 2020. Money supply in the national definition (the M2 aggregate) expanded by 13.5% in 2020 (vs +9.7% in 2019). Broad money increased by 16.7% in 2020 (vs +5.1% in 2019). Adjusted for foreign currency revaluation, its growth rate reached 12.6% (vs +7.6% as of the end of 2019).

The faster increase in money supply, observed despite the slowdown in economic activity, was largely driven by factors associated with the coronavirus pandemic. Higher uncertainty about economic prospects contributed to a rise in the demand for the most liquid financial assets, whereas a slower turnover of cash resulted in higher demand for funds needed to satisfy consumer demand. The easing of monetary policy and the subsidised lending programmes improving the affordability of credit, as well as fiscal operations amid the pandemic (see [Subsection 1.1.3 'Fiscal policy, government finance, and domestic government debt'](#)) helped satisfy the increased demand for money.

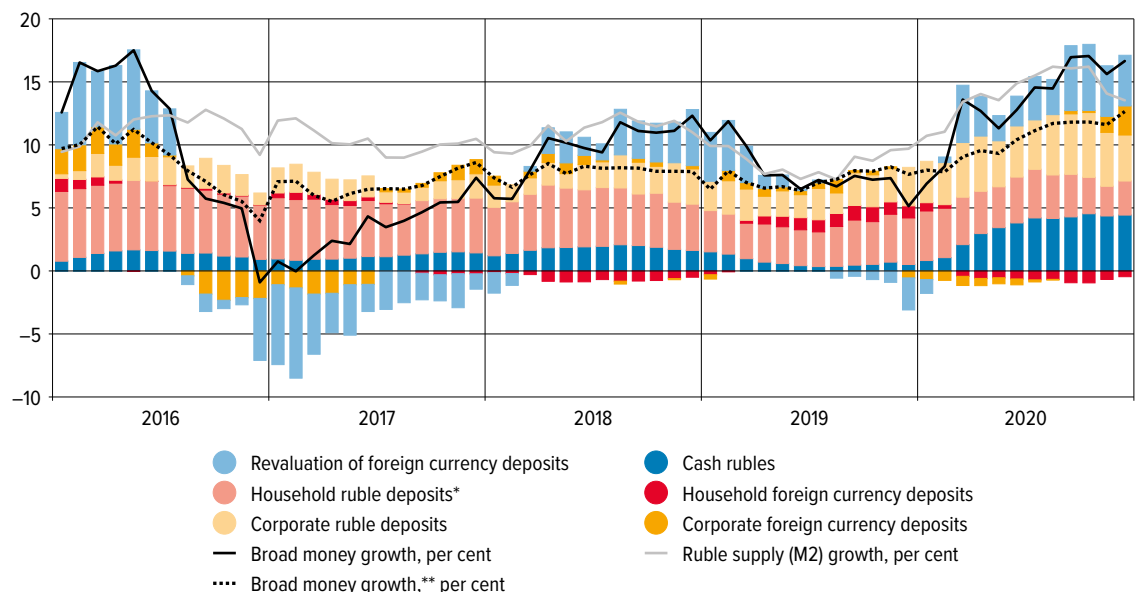
The main contributors to the growth of money supply in 2020 were the most liquid forms of money: cash and current accounts which ensured over 90% of this increase. The pandemic caused a surge in the growth of cash in circulation (the M0 aggregate) which sped up to 29.7% in 2020 (vs +3.4% in 2019). Companies' and households' current accounts in rubles accounted for in money supply increased by 35.6% over 2020 (vs +15.6% in 2019).

In 2020, households still preferred to build up their savings in the national currency: ruble deposits expanded by 7.0% over the year, while foreign currency deposits in US dollar terms decreased by 4.6%. There was a considerable rise in companies' foreign currency deposits: over 2020, foreign currency deposits in US dollar terms increased by 19.3%, whereas ruble deposits edged up by 14.1%.

As a result of the weakening of the nominal exchange rate of the ruble as of the end of the year and, consequently, the growth of

**BROAD MONEY**  
(CONTRIBUTION OF CERTAIN COMPONENTS TO ANNUAL GROWTH RATES, PERCENTAGE POINTS)

Chart 12



\* Adjusted for foreign currency revaluation.

\*\* Including certificates of deposit and savings certificates.

the ruble value of foreign currency deposits (coupled with a faster rise in companies' foreign currency deposits), the portion of foreign currency deposits in the portfolio expanded in 2020. As of 1 January 2021, the portion of foreign currency deposits in the overall amount of deposits included in broad money edged up to 26.5% as compared to 23.4% as of 1 January 2020. Foreign currency deposits in the retail portfolio<sup>1</sup> increased from 18.7% to 19.7% over 2020. The portion of foreign currency deposits in the corporate portfolio expanded more significantly – from 29.6% to 34.4%.

As in previous years, the banking system's claims on the economy<sup>2</sup> remained the major driver of the expansion of broad money in 2020. The annual growth of these claims reached 13.1% (or 10.9% adjusted for foreign currency revaluation).

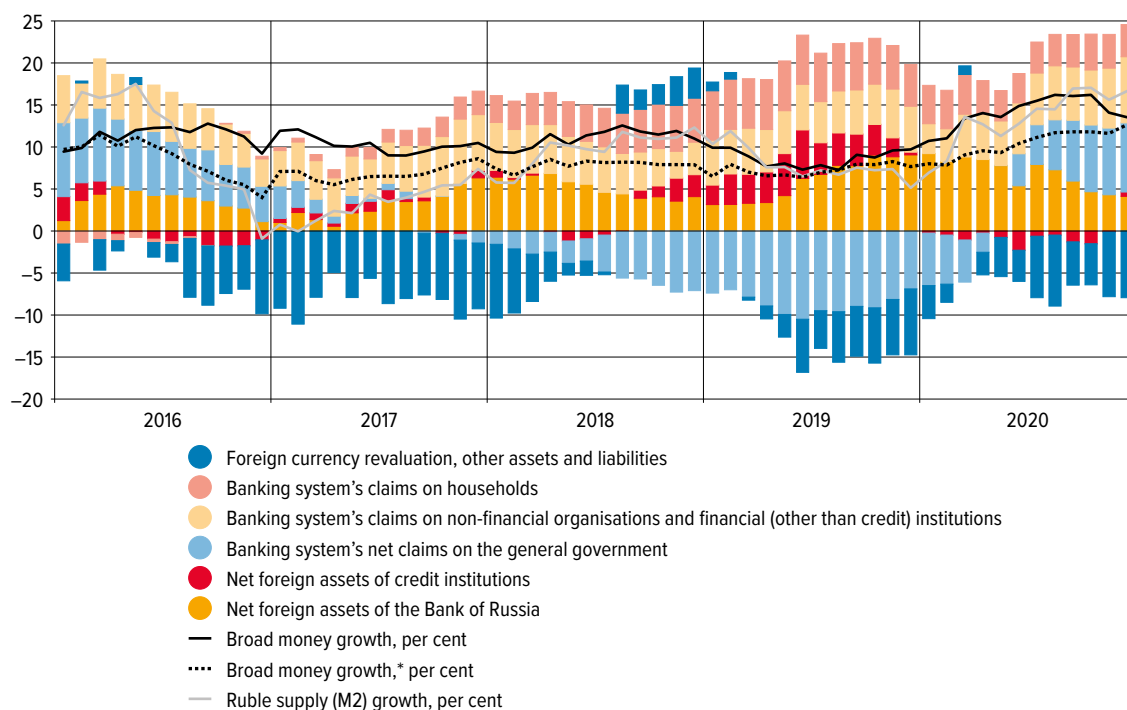
This upward trend was driven by the easing of bank lending conditions, primarily lower interest rates on retail and corporate loans.

The Russian banking system's ruble claims on companies increased by 11.4% over 2020 (vs +8.9% in 2019). The rise in ruble claims on households slowed down to 13.2% (vs +19.3% in 2019). Retail lending growth decelerated solely in consumer lending. Activity in the mortgage market increased somewhat in 2020 as compared to 2019, driven by the large-scale subsidised mortgage lending programme.

The overall amount of foreign currency-denominated claims on companies and households in US dollar terms edged up by 2.2% over 2020 (vs -1.6% in 2019). The low growth rate of foreign currency claims was associated with the fact that economic agents still preferred to avoid assuming excessive foreign exchange risks on their liabilities.

**BROAD MONEY SUPPLY SOURCES**  
(CONTRIBUTION TO BROAD MONEY ANNUAL GROWTH, PERCENTAGE POINTS)

Chart 13



\* Adjusted for foreign currency revaluation.

<sup>1</sup> This indicator is calculated according to the methodology described in the methodological note to [Table 1.16 of the Bank of Russia Statistical Bulletin](#).

<sup>2</sup> The banking system's claims on the economy mean all claims of the banking system on non-financial and financial organisations and households in Russian rubles, foreign currency, and precious metals, which include loans extended (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in non-financial and financial organisations' equity, and other receivables under settlement operations with non-financial and financial organisations and households.

The increase in money supply was also significantly driven by the expansion of the banking system's net claims on general government. This was due to the Government's active fiscal policy aimed at supporting the economy in the conditions of the pandemic (see [Subsection 1.1.3 'Fiscal policy, government finance, and domestic government debt'](#)).

Speaking of the money market, interest rates on ruble-denominated overnight inter-bank loans (IBL) stayed close to the Bank of Russia key rate. The average deviation of the IBL rate from the key rate in 2020 remained the same as in 2019, equalling – 15 bp. The spread ranged from –81 to 39 bp (in 2019 – from –55 to 31 bp) (see [Subsection 2.1.2 'Monetary policy instruments'](#)).

As regards the foreign exchange market, the ruble weakened against the US dollar and the euro in 2020 by 16.2% and 23.5%, respectively. As of 31 December 2020, the official exchange rates declined to 73.88 rubles per US dollar and 90.68 rubles per euro.<sup>1</sup>

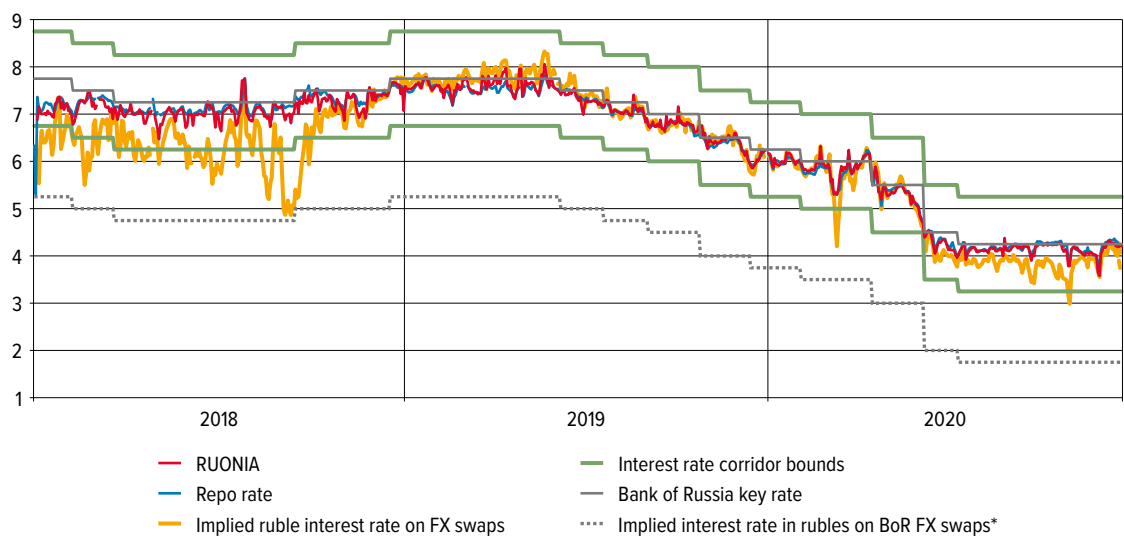
The ruble started to weaken from the first days of 2020. In the second ten days of March, its exchange rate dropped to 80 rubles per US

dollar. This was caused by the outbreak of the coronavirus pandemic, as a result of which the majority of countries closed their borders and investors massively transferred their funds into protective assets. Over this period, the ruble lost 22.8% against the US dollar (whereas other EMEs' currencies<sup>2</sup> declined by 13.6% on average). A more significant decrease in the ruble exchange rate was associated with the slump in global oil prices dragged down by subdued demand for energy commodities amid the pandemic and the termination of the OPEC+ deal. In these conditions, the exchange rate of the ruble was supported by the Bank of Russia's sales of foreign currency under the fiscal rule and the conversion of the NWF's foreign currency resources from the sale of Sberbank shares. In April–June, the situation began to normalise, and the ruble strengthened over this period. The exchange rate rose to 68 rubles per US dollar.

From late June to early October, the ruble was mostly weakening again, with the official exchange rate dropping to 79 rubles per US dollar as of the end of September. The decline in the ruble exchange rate over this period was

**INTEREST RATES IN CERTAIN MONEY MARKET SEGMENTS  
(PER CENT P.A.)**

Chart 14



\* Implied rate on BoR reverse FX swap = ruble lending rate – foreign currency borrowing rate + LIBOR  
(from 19.12.2016: key rate – 1 pp – (LIBOR + 1.5 pp) + LIBOR = key rate – 2.5 pp).  
Source: Bank of Russia calculations.

<sup>1</sup> Hereinafter, the official exchange rates are given as direct quotes, that is, the cost of foreign currency is expressed in national currency units; and movements of the exchange rates of the ruble against foreign currencies are calculated based on its indirect quotes.

<sup>2</sup> According to the JP Morgan EM Currency Index.





The ruble weakening in 2020 was comparable to its depreciation in 2018, while considerably less serious than in the worst periods of the 2007–2009 and 2014 crises

predominantly due to internal factors, whereas the exchange rates of other EMEs' currencies remained almost the same. The main factors were as follows: a decline in currency sales by exporters amid decreased export revenues, a gradual recovery of imports, and rising geopolitical risks. At the end of the year, the ruble partially offset the decline owing to higher risk appetite in global markets after the end of the US presidential election.

The ruble weakening in 2020 was comparable to its depreciation in 2018 when the ruble exchange rate against the US dollar plummeted by 17% amid escalated rhetoric about sanctions against Russia. Nonetheless, this is significantly less than over the worst period of the 2007–2009 crisis (the ruble lost 33% from March 2008 to February 2009) or the 2014 crisis (when the ruble exchange rate plunged two times).

The elasticity of the ruble exchange rate relative to oil prices remained low owing to the effect of the fiscal rule. The elasticity rose for a while in March when the crisis in financial markets peaked, but then it reversed to its earlier levels. The volatility of the ruble exchange rate increased in 2020, remaining elevated throughout the year, and was comparable to 2016 when oil prices plunged below \$30 per barrel.

The overall average daily USD/RUB and EUR/RUB trade turnover in the cash segment of the on-exchange FX market expanded by 23.7% in 2020, to reach \$4.6 billion.

In 2020, the situation in the **stock market**, just as all other economic sectors, was largely affected by the coronavirus pandemic. The crisis peaked in March 2020 when many countries started to introduce lockdowns and there was complete uncertainty about the scale of the pandemic. Another adverse factor impacting the Russian market was the slump in global oil prices to their lows of the early 2000s,

which was caused by the end of the OPEC+ deal, among other reasons. Beginning from April, the stock markets worldwide, including in Russia, started to bounce back gradually. This was driven by the measures implemented by governments and central banks to aid the economy, the progressive adjustment of countries to living in the pandemic conditions, and the development of coronavirus vaccines. Nonetheless, the recovery was uneven across market segments and was driven by a large number of local factors.

Yields on **federal government bonds (OFZ)** continued to decline in January–February as a result of the easing of the Bank of Russia's monetary policy. However, as volatility in the financial markets intensified in March, this caused an overall rise in the OFZ yield curve by 200–250 bp, although the Bank of Russia key rate was kept at the same level. The financial markets stabilised rather fast, with OFZ yields reversing to their earlier readings already by the end of April, whereas in May–June they plunged to their record lows after the key rate was cut to 4.5% p.a. Later on, until the end of the year, yields on short-term OFZ issues remained close to the levels achieved, whereas yields on long-term issues were rising gradually amid accelerating inflation and growing geopolitical risks. Overall, OFZ yields (Cbonds-GBI)<sup>1</sup> dropped by 45 bp over the year to 5.76% p.a.

In 2020, OFZ placements by Russia's Ministry of Finance in the primary government securities market reached a record-high amount of ₹5,279.2 billion at face value, which is 2.5 times more than the year before. Furthermore, 59.7% of the said placements were in September–November. Variable coupon-income federal government bonds (OFZ-PK) accounted for the largest portion of the record-high OFZ placements, specifically ₹3,245.4 billion. Government bonds

<sup>1</sup> The index of effective yield on government bonds calculated by the Cbonds.ru information agency.





In 2020, OFZ placements by Russia's Ministry of Finance hit a record high of over ₺5 trillion

were mostly purchased by domestic investors, namely Russian banks. Foreign investors decreased their demand for Russian securities as compared to the previous year. Their investment in OFZ bonds edged up by ₺321 billion over the year (vs +₺1,080 billion in 2019).

Over 2020, the amount of OFZ bonds in circulation (including OFZs for individuals) increased by 52.8% to ₺13.7 trillion at face value.

The amounts of corporate bond offerings also rose, with the portfolio of bonds in circulation expanding by 19.6% to ₺16.3 trillion. Yields on corporate bonds changed similarly to those in the OFZ segment and generally declined over the year (IFX-Cbonds)<sup>1</sup> by 62 bp to 6.11% p.a.

The value of secondary trading in OFZ bonds on the Moscow Exchange was up by 11.1% to ₺7.5 trillion. Contrastingly, this indicator in the corporate bond segment declined by 6.5% to ₺2.9 trillion.

In 2020, Russia's Ministry of Finance raised €1 billion under foreign currency-denominated

government bond loans. Repayments over the same period totalled \$5.1 billion. As a result, the portfolio of Russian sovereign Eurobonds in circulation contracted by 5.9% to \$38.3 billion as compared to the end of 2019.

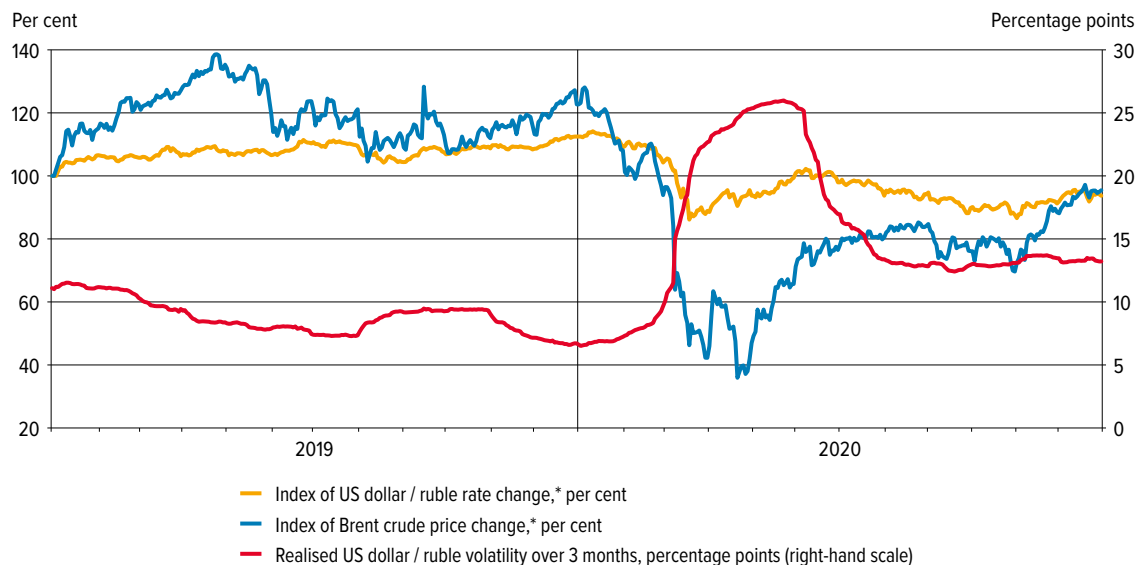
As of the end of 2020, the MOEX Index (calculated based on the prices of ruble-denominated shares) added 8.0%, whereas the RTS index (calculated based on the prices of US dollar-denominated shares) lost 10.4% due to a weaker ruble. Affected by the pandemic, the indices of Russian shares declined to their multi-year lows in March, but were gradually bouncing back over the remainder of the year, except the period from September to October when prices of shares started to fall again amid the resurgence of coronavirus cases and higher geopolitical risks.

Stock market capitalisation on the Moscow Exchange in ruble terms increased by 4.9% over 2020 to ₺51.4 trillion. In 2020, the amount of secondary trading in shares and depository receipts soared by 95.5% as compared to 2019, to reach ₺23.5 trillion.

In 2020, **on-exchange spot trading in commodities** took place on four exchanges. The overall amount of spot trading in commodities (in money terms) increased by over

RUBLE EXCHANGE RATE AND VOLATILITY

Chart 15



\* Indicators as of 31 December 2018 equal 100 per cent.  
Source: Thomson Reuters.

<sup>1</sup> The index of effective yield on corporate bonds (is calculated by the news agencies Interfax and Cbonds.ru).



The commodity exchange market in Russia has been steadily growing for six consecutive years. In 2020, it expanded by 12%

12% in 2020, as compared to 2019, despite the anti-coronavirus restrictions, and reached  $\text{R}1,076$  billion, which is slightly more than 1% of Russia's GDP for 2020.

There were no significant changes in the structure of the commodity exchange market as compared to 2019.

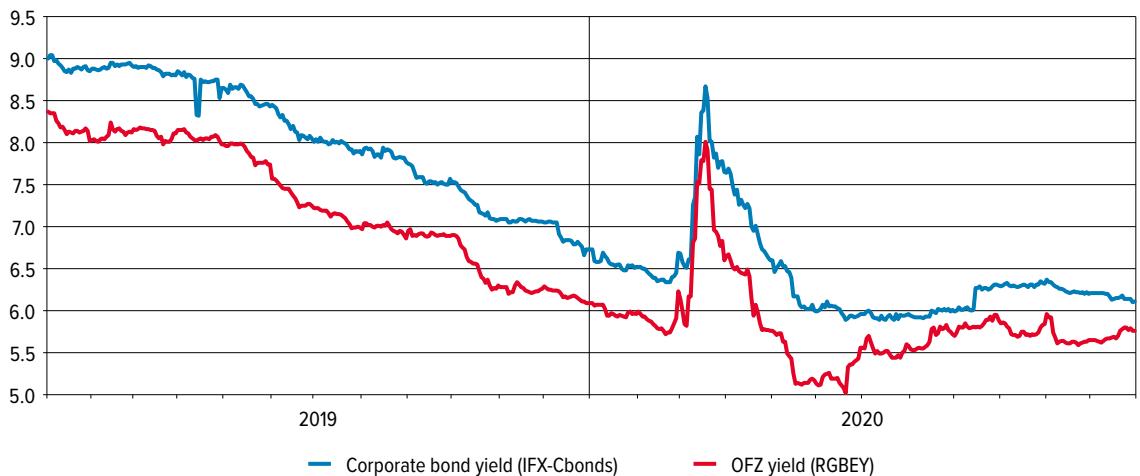
The segment of petroleum products accounted for the largest portion of trading,

adding 10% over the reporting year, to total  $\text{R}987.2$  billion, which is equivalent to 91.7% of the overall trading amount (vs 79.8% in 2019). Moreover, the quantities of trading were up by almost 15%, reaching 23.64 million tons of light petroleum products.

Another driver of on-exchange trading in commodities in 2020 was the **natural gas exchange market**, with its value of trading surging

**BOND YIELDS IN SECONDARY MARKET  
(PER CENT P.A.)**

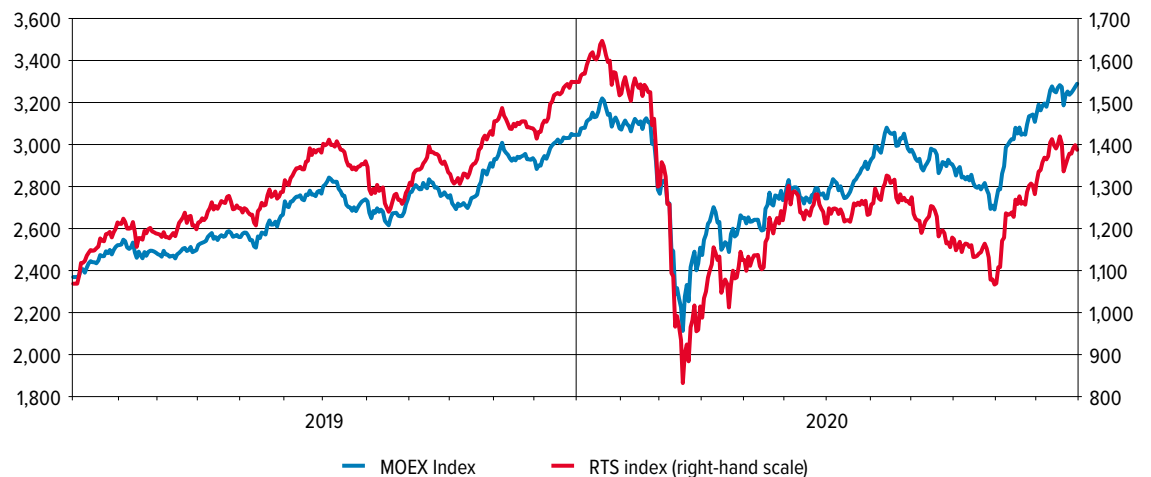
Chart 16



Sources: PJSC Moscow Exchange, Cbonds.ru news agency.

**STOCK PRICE INDICES IN SECONDARY MARKET  
(POINTS)**

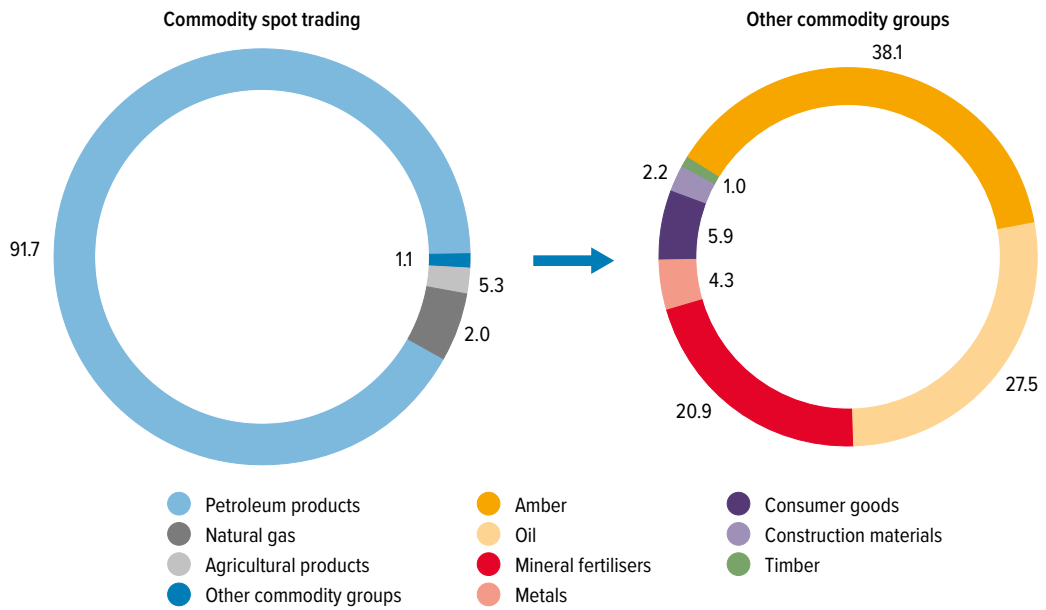
Chart 17



Source: Bloomberg.

**STRUCTURE OF ORGANISED COMMODITY SPOT TRADING IN 2020  
(AS A PERCENTAGE OF THE VOLUME OF COMMODITY SPOT TRADING)**

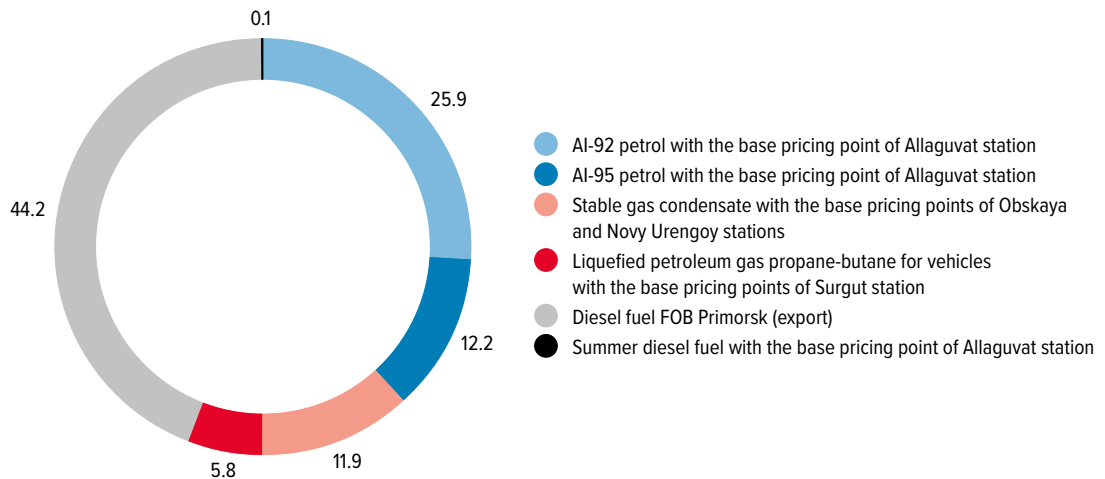
Chart 18



Sources: Bank of Russia, JSC SPIMEX, NAMEX, JSC SPBEX, PJSC SPB.

**STRUCTURE OF DELIVERABLE FUEL AND ENERGY COMMODITY FUTURES  
(AS A PERCENTAGE OF THE TOTAL VOLUME OF DELIVERABLE FUTURES TRADING)**

Chart 19



Sources: Bank of Russia, JSC SPIMEX, NAMEX, JSC SPBEX, PJSC SPB.

by almost 27%, to reach ₹56.58 billion as of the end of 2020. Furthermore, next-month delivery contracts accounted for the largest portion of instruments.

In addition, in 2020, the Saint Petersburg International Mercantile Exchange launched the

mechanism for commercial balancing of natural gas flows with the engagement of the infrastructure organisation — OTP TEK LLC (commodity delivery operator). The Moscow Exchange Group also implemented two new projects in the commodity market,<sup>1</sup> launching spot trading in sugar

<sup>1</sup> PJSC Moscow Exchange is the parent company of the Moscow Exchange Group (exchange holding company) which includes: 1) non-bank credit institution National Settlement Depository (joint-stock company), non-bank credit institution Central Counterparty National Clearing Centre (joint-stock company), Joint-Stock Company National Mercantile Exchange (are supervised by the Bank of Russia); 2) Limited Liability Company MICEX – Finance, MOEX Innovations LLC, and MOEX Information Security LLC (are not supervised by the Bank of Russia).

on the National Mercantile Exchange (an entity of the Moscow Exchange Group) carried out as a bilateral anonymous auction using simple clearing, and trading in deliverable futures contracts for wheat in the derivatives market section of the Moscow Exchange.

2020 recorded growth of **trading in deliverable futures contracts** for fuel and energy commodities. The overall amount of trading

exceeded ₹28.4 billion, which is 30% more than in 2019. Trading participants demonstrated the highest demand for such instruments as diesel deliverable futures (FOB Primorsk), with trading amounts exceeding ₹12.5 billion, or 44% of the overall amount of trading in deliverable futures in 2020, and AI-92 and AI-95 gasoline deliverable futures, with the total trading amount exceeding ₹10.8 billion, or 38%.

## 1.2.2. FINANCIAL MARKET PARTICIPANTS

### FINANCIAL INSTITUTIONS

Despite a considerable number of non-bank financial institutions operating in the Russian financial sector, it is still dominated by credit institutions in terms of assets. Over 2020, their number edged down from 442 to 406,<sup>1</sup> with the ratio of credit institutions' assets to GDP rising from 80.7%<sup>2</sup> to 97.4%. More detailed information about the numbers of credit and non-bank financial institutions in the financial market is given in [Table 9 of Section 5.4 'Statistical tables'](#).

### CREDIT INSTITUTIONS<sup>3</sup>

Credit institutions' assets (excluding foreign currency revaluation) increased by 12.5% in 2020 (vs +5.9% in 2019), reaching ₺103.8 trillion. The portion of the Top-100 banks' assets in the banking sector remained unchanged in 2020.

Amid conditions of the coronavirus pandemic, banks provided significant support to the economy, offering credit resources when it needed them the most.

In 2020, debt on *corporate loans* across the banking sector in general increased by 9.9%, which is nearly twice as much as in 2019 (+5.8%), with their amount growing to ₺44.8 trillion (43.1% of the sector's assets). The highest growth was recorded in March–April when many companies faced a reduction in cash flows due to the introduction of restrictions. Moreover, lending was driven by the active development of project finance in housing construction, which was one of the fastest-growing lending segments in 2020, surging 3.5 times, or by ₺0.7 trillion, largely because the industry switched to escrow accounts.

In 2020, outstanding bank *loans to SMEs* increased by 22.6%<sup>4</sup> (adjusted for foreign currency revaluation), reaching ₺5.8 trillion as of 1 January 2021. Furthermore, the number of SME borrowers significantly increased (1.7 times) over the year, namely from 275,000 to 465,000.<sup>5</sup>

The portfolio of *retail loans* expanded by 13.5% over 2020 (vs +18.6% in 2019), to total

### STRUCTURE OF CREDIT INSTITUTIONS' ASSETS, BY GROUP (SHARE IN THE BANKING SECTOR'S ASSETS, PER CENT)

	As of 01.01.2020	As of 01.01.2021
SICIs	73.1	75.9
Other banks from the Top-100*	19.1	16.3
Non-Top 100 banks	3.1	2.6
Non-bank credit institutions	4.7	5.2
Total	100.0	100.0

\* The Top-100 banks are the 100 largest banks in terms of assets.



The growth of corporate lending sped up amid the pandemic. Debt on corporate loans increased by 9.9%, including on SME loans — by 22.6%

<sup>1</sup> Nonetheless, the revocation of banking licences from credit institutions had actually no impact on the sector as the banks whose licences were revoked accounted for less than 0.1% of the sector's assets.

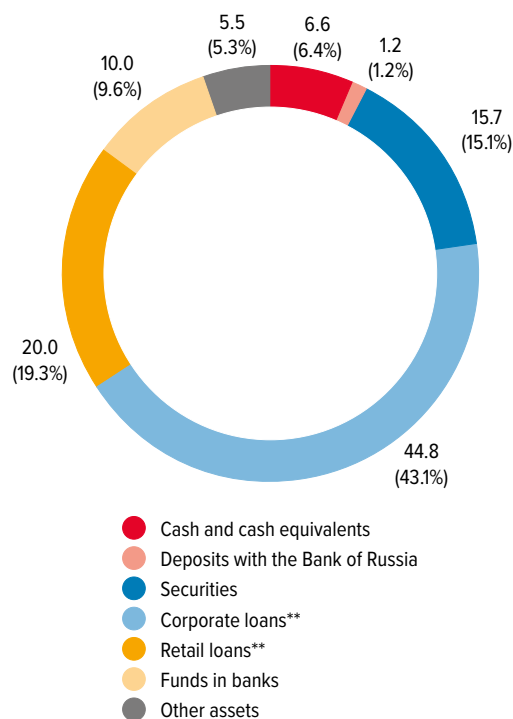
<sup>2</sup> As the information on GDP was updated and assets are given net of loss provisions, hereinafter the indicator as of early 2020 differs from the value specified in the [Bank of Russia's 2019 Annual Report](#).

<sup>3</sup> Assets are given net of loss provisions, unless specified otherwise. Corporate lending comprises loans to non-financial and financial (other than credit) institutions in accordance with the indicator used in the information and analytical commentary Russian Banking Sector Developments. Data on the SME loan portfolio are given including VEB.RF. Growth rates in the section on credit institutions are given adjusted for foreign currency revaluation for credit institutions operating in the reporting period (including reorganised banks).

<sup>4</sup> The growth of the SME loan portfolio, excluding VEB.RF and adjusted for foreign currency revaluation, reached 19.7%.

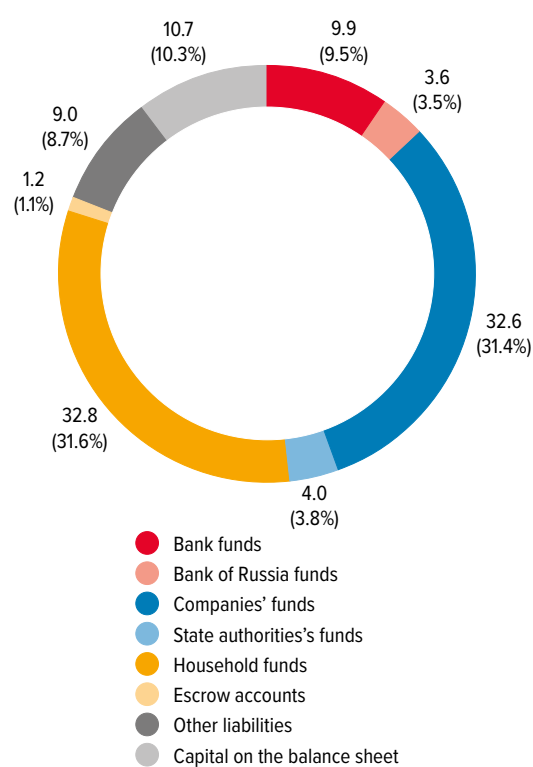
<sup>5</sup> According to Reporting Form O409303.

**ASSETS STRUCTURE AS OF 1 JANUARY 2021\*** *Chart 20*  
(TRILLIONS OF RUBLES  
(AS A PERCENTAGE OF ASSETS OF CIS)



\* Coupon OBRs are recognised as part of securities.  
\*\* Corporate and retail loans are given before provisions.  
Source: Reporting Form 0409101.

**LIABILITIES AND CAPITAL STRUCTURE AS OF 1 JANUARY 2021 (TRILLIONS OF RUBLES (AS A PERCENTAGE OF LIABILITIES OF CIS)** *Chart 21*



Source: Reporting Form 0409101.

₽20 trillion (19.3% of the sector's assets). The main driver in the retail segment was housing mortgage lending, which was largely associated with the effective government programmes.

As of the end of 2020, the *mortgage loan portfolio*<sup>1</sup> added 21%, surpassing the pace recorded in 2019 (about +20%), and totalled ₽9.5 trillion as of 1 January 2021.<sup>2</sup> Mortgage loans issued in 2020 numbered 1,713,000 and amounted to ₽4.3 trillion, which is more than in 2019 in terms of both their number (+35%) and value (+51%). In addition to lower interest rates, demand for loans was substantially supported by large-scale government support programmes. Loans issued under these pro-

grammes in 2020 amounted to approximately ₽1.4 trillion.<sup>3</sup>

The elevated demand for mortgage loans pushed up prices for residential property, with their growth rates significantly surpassing inflation: +12% and +9.5% in the primary and secondary markets, respectively.<sup>4</sup>

The rise in *unsecured consumer lending* slowed down considerably in 2020 (to 8.8% vs 21% in 2019). Amid the uncertainty brought about by the pandemic, banks decreased the ratio of loan approvals, and the demand for consumer loans edged down as well because borrowers were not confident about their future incomes and capabilities to repay their debts.

<sup>1</sup> Adjusted for securitisation.

<sup>2</sup> Includes data on outstanding loans from Section 1 of Reporting Form 0409316 'Loans to households', as well as data from the Subsection 'Memo item' of Section 1 of the above form on acquired housing mortgage loan claims. The overall amount of outstanding housing mortgage loans, including securitised ones, approximated ₽10 trillion as of 1 January 2021.

<sup>3</sup> Based on the analysis of the four largest subsidised programmes — 6.5% Mortgage Lending, Family Mortgage, Far Eastern Mortgage, and Agricultural Mortgage. Other subsidised mortgage lending programmes (for young families, servicemen, multi-child families, and others) were not analysed.

<sup>4</sup> According to Rosstat.



In 2020, retail and SME loan agreements restructured by banks totalled nearly  $\text{R}860$  billion and over  $\text{R}850$  billion, respectively. Corporate loans restructured by banks exceeded  $\text{R}5.4$  trillion

Banks restructured 1.8 million loan agreements with individuals totalling about  $\text{R}860$  billion.<sup>1</sup> Overall, borrowers submitted 3,203,500 loan restructuring applications to credit institutions, and the latter approved 60% of this number as of the end of December 2020.

Loan repayment holidays<sup>2</sup> were approved for nearly 160,000 requests to the amount exceeding  $\text{R}82$  billion.

Banks approved 15,000 requests for mortgage repayment holidays<sup>3</sup> (91% of the total number of approvals) to the amount of  $\text{R}40$  billion.

Outstanding corporate loans restructured by banks<sup>4</sup> exceeded  $\text{R}5.4$  trillion, or 15.2% of the overall portfolio of the surveyed banks (excluding SMEs).

Restructured SME loans numbered 94,800 (90% of the approved requests) and amounted to  $\text{R}853.5$  billion.

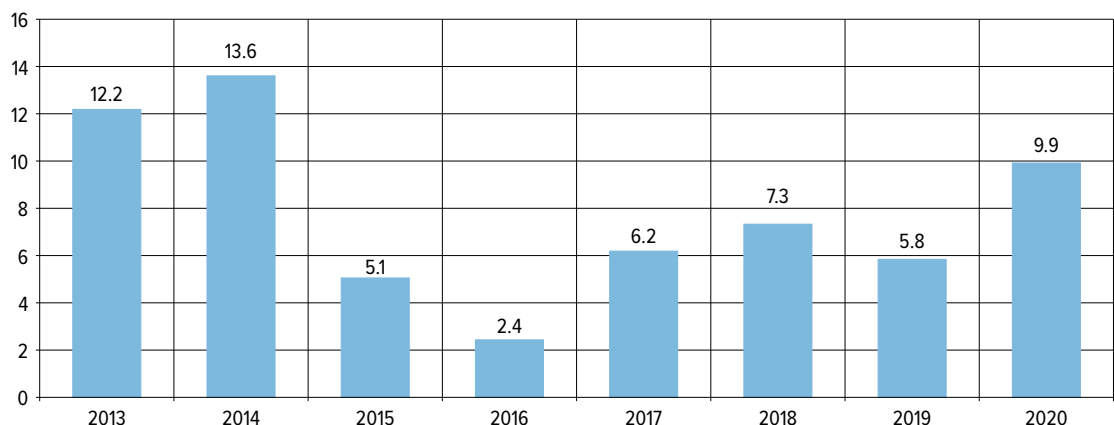
According to the information from the six banks making over 60% of the overall SME loan portfolio, loans to wholesale and retail companies accounted for about a half of the total number of loans restructured by these banks. Companies engaged in real estate operations accounted for the largest amount of outstanding loans (more than 45%), followed by trade enterprises (17.4%) and the hotel and public catering business (7.6%).

SMEs were granted loan repayment holidays under 61,800 requests to the amount of  $\text{R}141.3$  billion (approximately 28% of the total amount of outstanding loans to SMEs from the hardest-hit industries).<sup>5</sup>

The portfolio of securities on banks' balance sheets expanded by 28% over 2020, to total  $\text{R}15.7$  trillion. As Russia's Ministry of Finance increased OFZ issues, banks considerably built up

#### GROWTH RATE OF CORPORATE LOANS (PER CENT)

Chart 22



Source: Reporting Form 0409101.

<sup>1</sup> According to the Bank of Russia's survey of 75 credit institutions about their results in retail loan restructuring, including loan repayment holidays, over the period from 20 March to 29 December 2020.

<sup>2</sup> According to the procedure stipulated by Federal Law No. 106-FZ, dated 3 April 2020, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (the Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement'. Beginning from 1 October 2020, banks considered requests for loan repayment holidays under their in-house programmes in accordance with the Bank of Russia's recommendations.

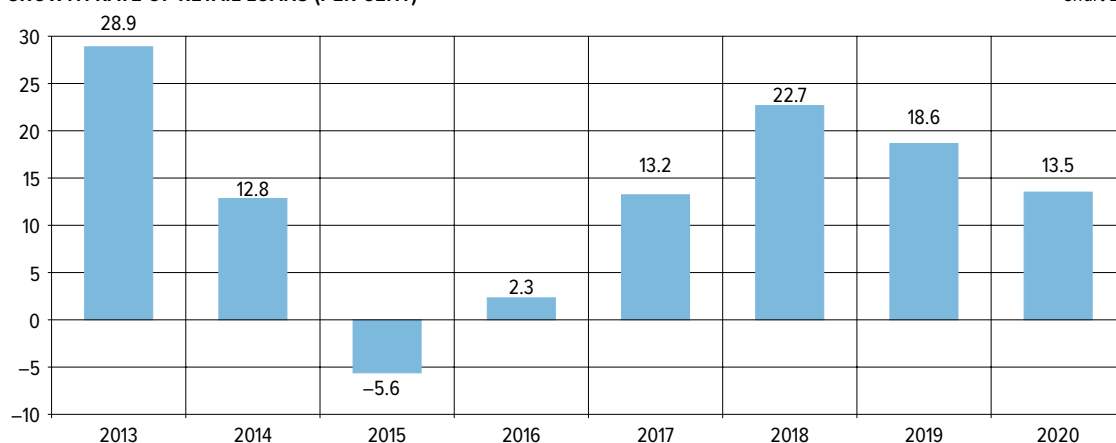
<sup>3</sup> According to Federal Law No. 76-FZ, dated 1 May 2019, 'On Amending Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement Concluded with a Retail Borrower for Purposes Not Related to Entrepreneurial Activities and Secured by Mortgage at the Borrower's Request'.

<sup>4</sup> According to the information from 33 largest banks, including 12 SICs, from 20 March 2020 to 1 January 2021.

<sup>5</sup> According to Resolution of the Government of the Russian Federation No. 434, dated 3 April 2020, 'On the List of Sectors of the Russian Economy Most Affected by the Deterioration of the Situation Resulting from the Coronavirus Pandemic'.

GROWTH RATE OF RETAIL LOANS (PER CENT)

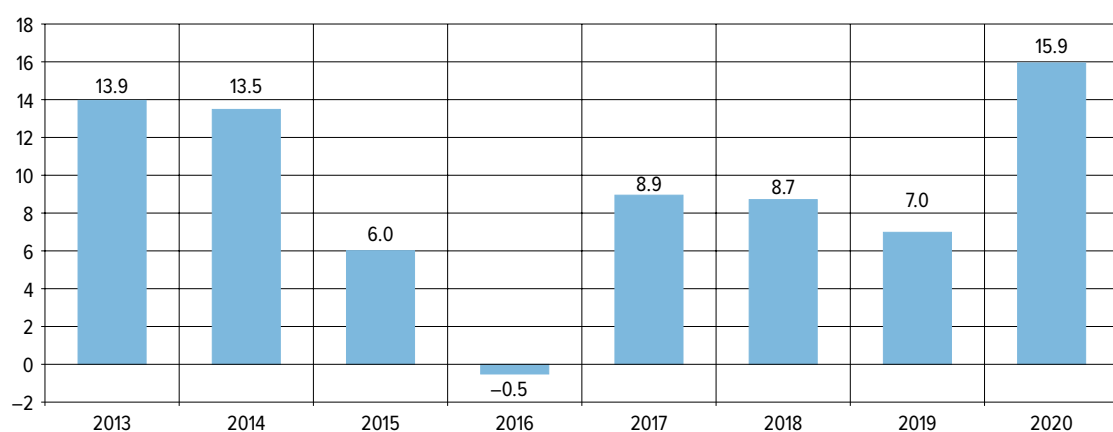
Chart 23



Source: Reporting Form 0409101.

GROWTH RATE OF FUNDS OF LEGAL ENTITIES (PER CENT)

Chart 24



Source: Reporting Form 0409101.

their investment in OFZ bonds. OFZ placements by Russia's Ministry of Finance in 2020 reached ₺5.3 trillion,<sup>1</sup> more than 80% of which were purchased by banks (predominantly, SICs).

The growth of credit institutions' assets was driven by a substantial inflow of *legal entities' funds* to the banking sector (+₺4.5 trillion, or 16%<sup>2</sup> over 2020 vs +₺1.8 trillion, or 7% in 2019) totalling ₺32.6 billion as of 1 January 2021. The portion of corporates' foreign currency funds edged up from 30.5% to 34.5%. However, its growth was minor, if adjusted for foreign currency revaluation, to 30.6%.

As of 1 January 2021, *household deposits* (excluding escrow accounts) totalled ₺32.8 trillion, increasing by ₺1.4 trillion, or 4.2%, which is less than in 2019 (+₺2.7 trillion, or 9.7%). This was associated with the higher demand for cash during the period of restrictions and the expansion of investment in savings alternatives (shares, bonds, and real estate) amid lower deposit rates. The portion of funds in current accounts in the total amount increased by more than 10 pp over 2020, to reach 35.4%.

Over 2020, *households foreign-currency deposits* edged up from 19.6% to 20.7%<sup>3</sup> in

<sup>1</sup> Refer to the information and analytical commentary [Banking Sector Liquidity and Financial Markets](#), No. 12 (58), December 2020.

<sup>2</sup> Adjusted for the value of Eurobonds issued by banks.

<sup>3</sup> The indicator is calculated as the portion of foreign currency funds in the total amount of household deposits (excluding escrow accounts). Accounts included in the total amount of deposits are listed in the Algorithms of the bulletin Statistics of the Russian Banking Sector.

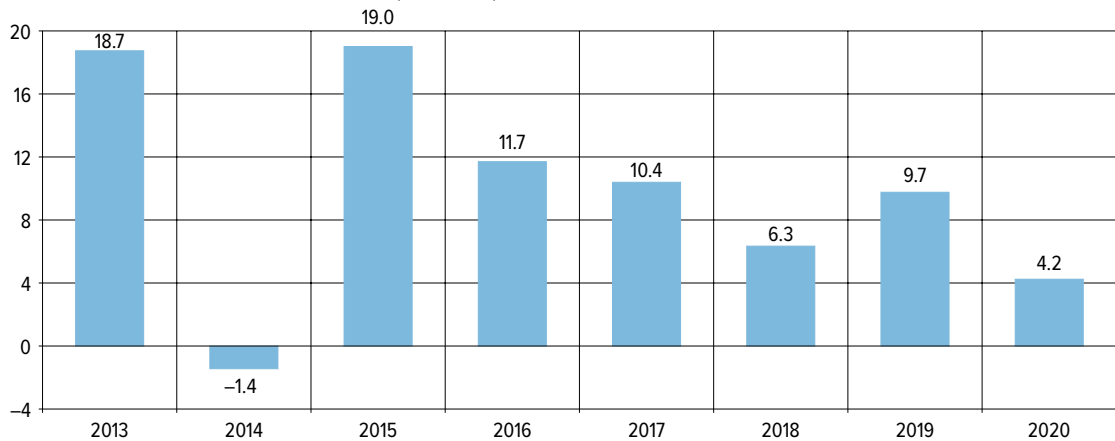




In December 2020, the weighted average interest rate on ruble loans to non-financial organisations for more than one year decreased to 6.8% p.a., and that on consumer loans in rubles of the same maturity lowered to 13.1% p.a. The average mortgage interest rate dropped to 7.4% p.a.

GROWTH RATE OF HOUSEHOLD DEPOSITS (PER CENT)

Chart 25



Source: Reporting Form 0409101.

nominal terms. However, adjusted for foreign currency revaluation, the portion of these deposits contracted to 18.5%,<sup>1</sup> which is evidence of the continuing trend for reducing the portion of foreign currency in the portfolio, including due to record-low interest rates.

In certain months of 2020, the banking sector observed a significant increase in the inflow of funds through the government channel (as deposits and repos of Russia's Ministry of Finance, as well as financial agencies of the constituent territories of the Russian Federation). The portion of government funds in banks' liabilities reached nearly 7% in November, but then they significantly decreased in December due to the seasonality of budget expenditures. As of 1 January 2021, government funds totalled ₺4.0 trillion (accounting for 4.3% in credit institutions' liabilities).

Funds raised by credit institutions from the Bank of Russia increased by 47% over 2020, to reach ₺3.6 trillion, which enabled them to offset uneven liquidity distribution.

#### Cost of credit and deposit operations.

In 2020, amid the easing of monetary policy, interest rates on core banking operations continued to trend downwards.

The weighted average interest rate on ruble loans to non-financial organisations for more than one year decreased to 6.8% p.a. as of December 2020, which is 1.5 pp lower than in December 2019. In addition to the overall reduction in interest rates, this was also associated with the subsidised programmes implemented by the Government to support corporate borrowers, including SMEs, as well as the active rise in project finance where interest rates are much lower than average rates due to escrow accounts opened free of charge.

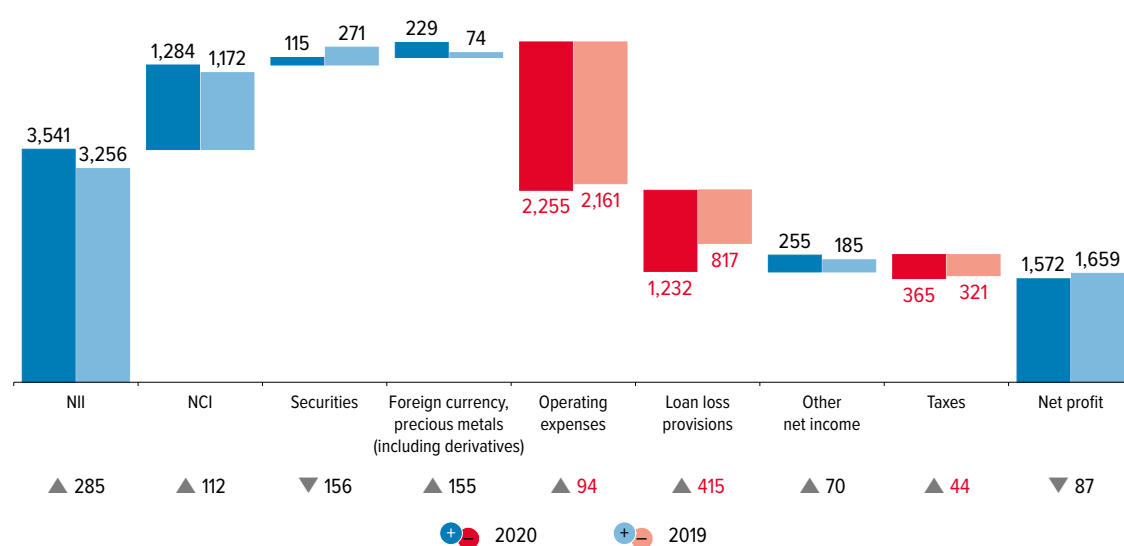
The average interest rate on consumer ruble loans for more than one year dropped to 13.1% p.a. over the year (vs 14.3% p.a. in December 2019).<sup>2</sup> Amid the implementation of the government programmes, the average weighted interest rate on mortgage loans declined by 1.6 pp over the reporting year to 7.4%

<sup>1</sup> The foreign currency component was recalculated into rubles at the exchange rate effective as of the beginning of the period under review.

<sup>2</sup> Banks can offer interest rates below 6.5% as the terms of subsidising enable them to reduce interest rate risk owing to the programme. The programme subsidises the difference between the mortgage rate (which may not be below 6.5%) and the key rate plus three percentage points.

**CHANGE IN COMPONENTS OF BANKING SECTOR PROFITS (EXCLUDING THE BANK OF NON-CORE ASSETS)  
IN 2019–2020 (BILLIONS OF RUBLES)**

Chart 26



Sources: Bank Reporting Forms 0409102 and 0409303.

in December 2020, as compared with 9.0% in December 2019. Interest rates on loans secured by claims under equity construction contracts declined most notably (by 2.5 pp to 5.8%) as these loans were largely issued under the government programmes.

The average weighted interest rate on non-bank financial institutions' ruble deposits for more than one year decreased by 1.1 pp over the year under review, to reach 4.7% p.a. in December 2020. The average interest rate on households' ruble deposits dropped to 4.2% p.a. in December 2020 (-1.4 pp on December 2019).

**Financial performance.** The banking sector's net profit in 2020 totalled ₹1.6 trillion (return on capital – 16%), which is only 6% below ₹1.7 trillion banks earned in 2019 (19%). Excluding financial performance of some large banks and the banks that incurred considerable one-time costs, the sector's net profit declined by nearly

a third, which is more in line with the situation, according to the Bank of Russia's assessment. Nevertheless, considering the existing macro-economic conditions, this is a sufficiently good result enabling banks to further expand lending.

The percentage of profit-making banks in the sector's assets<sup>1</sup> remained steadily high (98%), whereas losses were predominantly incurred by small banks.

The level of profit in 2020 was largely influenced by the growth of net interest income (+9%<sup>2</sup> or ₹0.3 trillion on 2019) and fee income (+10% or ₹0.1 trillion). In addition, net income from foreign currency and precious metal transactions (including derivatives)<sup>3</sup> more than doubled due to a weaker ruble, rising from ₹74 billion to ₹229 billion.

Profit growth was hindered by higher costs for provisioning which increased to ₹1.2 trillion in 2020 (from ₹0.8 trillion in 2019). Further on, costs for provisioning (from earnings, without reducing capital) might continue to rise gradually as not all borrowers whose loans were restructured will manage to restore their financial standing. Concurrently, profit dynamics were affected by a 58% decline (-₹156 billion) in income from securities (including derivatives)



The banking sector's capital adequacy increased to 12.5% over 2020

<sup>1</sup> In banks' overall assets, excluding non-bank financial institutions accounting for approximately 5% of the sector's assets.

<sup>2</sup> Hereinafter, financial performance components do not include the Bank of Non-Core Assets.

<sup>3</sup> Adjusted for foreign currency revaluation on corporate loans.

transactions, which was caused by technical factors (securities reclassification by a large bank), among other reasons.

**Capital adequacy.** The banking sector's capital adequacy<sup>1</sup> rose from 12.2% to 12.5% over 2020, predominantly driven by a more significant increase in capital (+3.9%) compared to the growth of risk-weighted assets (+2.1%).

The banking sector's capital expanded by 3.9% to ₹11.4 trillion, primarily owing to earnings. Dividend payouts (₹0.6 trillion, mostly by the largest bank) limited the growth of capital. Changes in other capital components are assessed as minor.

Risk-weighted assets edged up as little as 2.1%, which is considerably below the nominal growth rate of the loan portfolio (11%). This is because banks switched to the finalised approach to credit risk assessment,<sup>2</sup> risk-based buffers for mortgage and unsecured consumer loans were released as part of anti-crisis measures, and the credit risk mark-up was cancelled for banks applying internal ratings-based (IRB) approaches to credit risk assessment.

Overall, the banking sector increased its capital cushion<sup>3</sup> (before buffers) by 9.4% to ₹5.8 trillion in 2020 (10% of the loan portfolio).<sup>4</sup> The banking sector's potential to build up lending<sup>5</sup> was estimated at ₹23.6 trillion as of the beginning of 2021. However, the capital cushion and lending potential are distributed unevenly across banks.

**Non-residents' share in overall authorised capital.** Over 2020, the number of operating credit institutions where non-residents are shareholders decreased by 6.8% from 133 to

124. Furthermore, the number of credit institutions where non-residents hold over 50% of authorised capital edged down by 2.7% from 74 to 72. Non-resident shareholders in nine of these 72 credit institutions are controlled by residents of the Russian Federation.

Overall authorised capital<sup>6</sup> of operating credit institutions contracted by 2.5%<sup>7</sup> over 2020 to ₹2,813.8 billion.

In 2020, non-residents built up their investment in operating credit institutions' authorised capital by 0.86% to ₹404.4 billion. Non-residents' share in overall authorised capital of operating credit institutions edged up from 13.90% as of 1 January 2020 to 14.37% as of 1 January 2021.

The foreign capital stake in overall authorised capital of operating credit institutions, as calculated by the Bank of Russia according to the procedure stipulated by Article 18 of Federal Law No. 395-1,<sup>8</sup> equalled 10.96% as of 1 January 2021 (vs 11.79% as of 1 January 2020).

#### NON-GOVERNMENTAL PENSION FUNDS

Over 2020, the number of operating non-governmental pension funds (NPFs) decreased by four (as a result of reorganisation by way of merger with other NPFs) to total 43 as of the end of 2020. Of this number, 29 NPFs are participants in the guarantee system for insured persons' rights and are engaged in mandatory pension insurance.

As of the end of 2020, NPFs' investment portfolio of pension resources<sup>9</sup> totalled ₹4,466.4 billion, NPFs' pension savings port-

<sup>1</sup> The indicator is calculated based on the figures of credit institutions that shall comply with the relevant requirements.

<sup>2</sup> Following Bank of Russia Instruction No. 199-1, dated 1 January 2020, banks started to apply the new finalised approach to ratio calculation pursuant to the Basel 3.5 rules. Among other things, this approach specifies borrower categories with reduced risk ratios (e.g. in terms of requirements for SMEs, investment-grade borrowers, and mortgage loans) and allowed banks to release capital, thus providing more opportunities to expand lending. As of 1 January 2021, 43 banks accounting for 77% in the sector's total assets switched to the finalised approach. As a result, their estimated influence on the sector's N1.0 ratio approximates 1 pp.

<sup>3</sup> Calculated as of 1 January 2021 as the minimum buffer to absorb losses estimated based on three ratios, taking into account unaudited profit reclassified to common equity Tier 1 capital and the positive effect of loss on risk-weighted assets.

<sup>4</sup> The loan portfolio is calculated net of provisions and claims on reverse repos.

<sup>5</sup> The potential to expand lending is the amount of risk-weighted assets banks are able to add, while staying compliant with the capital adequacy ratios and required buffers. It is measured as the minimum potential to expand lending calculated on the basis of three ratios, taking into account unaudited profit reclassified to common equity Tier 1 capital. Nonetheless, the actual potential is still lower as credit institutions tend to maintain their capital cushions above the level of the buffers.

<sup>6</sup> For the purpose of calculating non-residents' capital stock in the banking system, overall authorised capital means the total value of registered authorised capital and the issues completed by credit institutions incorporated as joint-stock companies as of 1 January 2021.

<sup>7</sup> The portion of authorised capital in equity decreased by 1.5 pp over 2020 to 24%.

<sup>8</sup> Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities'.

<sup>9</sup> The figures are based on specialised depositories' statements (as of 4 March 2021).

folio — ₽2,973.4 billion, and NPFs' pension reserve portfolio — ₽1,493.0 billion.

People participating in voluntary pension schemes numbered 6.2 million as of late 2020. By the end of 2020, pension payments under non-governmental pension plans reached ₽74.0 billion. As of the end of 2020, people who opted for voluntary pension schemes numbered 1,571,000 (–0.5% vs 2019).

The number of insured persons holding their savings in NPFs edged down by 0.4% to 37.1 million over the year. As of the end of 2020, pension payments under the mandatory pension insurance programme were up by 12.4%, to reach ₽16.2 billion.

NPFs' overall assets<sup>1</sup> expanded by 4.8% to ₽4,668.8 billion as of the end of 2020. NPFs increased their capital by 3.8% to ₽478.8 billion. Their net profit<sup>2</sup> as of the end 2020 totalled ₽38.0 billion.

### INSURANCE AGENTS<sup>3</sup>

As of 1 January 2021, the number of insurance agents registered in the Russian Federation decreased by 9.0% to 232. Of this figure, the number of insurance companies declined by 10.1% to 160, the number of insurance brokers dropped by 10.6% to 59, and the number of mutual insurance companies increased by 18.2% to 13.

The insurance market expanded in 2020, despite the overall decline in economic activity caused by the pandemic. Insurance premiums totalled ₽1,538.7 billion in 2020, which is 3.9% more than the year before. The number of signed insurance contracts dropped by 15.9% to 175.1 million. Overall payments increased by 7.8% to ₽658.5 billion.

The amount of life insurance premiums was up by 5.2% in 2020, reaching ₽430.5 billion. The number of signed insurance contracts increased by 3.3% to 5.4 million. Payments surged by 53.3%, to total ₽204.5 billion.

The situation in the market of compulsory motor third-party liability insurance (CMT-

PLI) was sufficiently stable in 2020. Over 2020, CMTPLI premiums edged up by 2.4% to ₽220.0 billion. The number of signed insurance contracts declined by 0.1% to 39.7 million. Payments amounted to ₽137.4 billion, which is 3.5% less than the year before.

Accident and health insurance premiums totalled ₽202.3 billion, rising by 8.0% over 2020. The number of signed insurance contracts dropped by 27.7% to 39.9 million. Payments increased by 11.2%, to total ₽19.2 billion.

Among the key segments of the insurance market, voluntary health insurance was affected by the pandemic most seriously. Voluntary health insurance premiums edged down by 2.0% over 2020 to ₽177.0 billion. The number of signed insurance contracts dropped by 37.0% to 10.7 million. Payments were down by 6.6% to ₽118.2 billion.

Motor hull insurance premiums (for ground transport, excluding railway transport) increased by 2.9% over 2020, to reach ₽175.4 billion, as a result of a larger number of signed insurance contracts: it rose by 6.3% to 5.2 million. Payments edged up by 0.8% to ₽98.0 billion.

Premiums in insurance of other assets of legal entities increased by 9.5% over 2020, to total ₽113.1 billion. The number of signed insurance contracts lowered by 7.0% to 0.4 million. Payments decreased by 22.8% to ₽22.3 billion.

In 2020, the portions of insurance premiums under insurance contracts concluded through intermediaries and online equalled 74.6% and 4.7%, respectively.

Inward reinsurance premiums totalled ₽62.5 billion in 2020, which is 21.3% more than in the previous year. Outward reinsurance premiums surged by 20.0% to ₽148.8 billion.

Insurers' loss ratio remained steady in 2020. The 12-month moving average of the combined loss ratio in insurance, other than life insurance, equalled 88.0% in 2020, which is 0.1 pp more than the year before. The moving average of the loss ratio edged down by 1.0 pp to 47.6%.

<sup>1</sup> Hereinafter, data are provided based on NPF accounting (financial) statements approved by Bank of Russia Regulation No. 527-P, dated 28 December 2015, 'Sectoral Accounting Standard 'Procedure for Compiling Accounting (Financial) Statements by Non-governmental Pension Funds'.

<sup>2</sup> Profit (loss) after tax.

<sup>3</sup> Statistics based on insurers' reporting for 2020 are given according to the figures as of 15 February 2021; data based on accounting (financial) statements as of 31 December 2020 are given according to the figures as of 22 March 2021.

The moving average of the cost ratio added 1.1 pp, to reach 40.4%.

Profit after tax declined by 3.0% in 2020 to ₹201.3 billion. Capital increased by 8.5%, to total ₹879.0 billion. Return on capital was down by 4.5 pp to 28.6%.

Overall assets expanded by 14.5% over 2020, to reach ₹3,820.3 billion as of the end of the year. Return on assets declined by 1.1 pp to 6.8%.

Overall authorised capital of operating insurance companies contracted by 0.4% over 2020 to ₹219.799 billion.

In 2020, non-residents reduced their investment in operating insurance companies' authorised capital by 3.43% to ₹25.245 billion. Non-residents' share in overall authorised capital of operating insurance companies contracted from 11.94% as of 1 January 2020 to 11.49% as of 1 January 2021.

The foreign capital stake in overall authorised capital of licensed insurance companies, as calculated by the Bank of Russia according to the procedure stipulated by Article 6 of Federal Law No. 4015-1, dated 27 November 1992, 'On the Organisation of Insurance Business in the Russian Federation' and Bank of Russia Ordinance No. 3386-U, equalled 10.40% as of 1 January 2021 (vs 10.83% as of 1 January 2020).

#### MICROFINANCE MARKET PARTICIPANTS

Over 2020, the number of microfinance organisations (MFOs) decreased by 21.9% to 1,385, of which 37 entities are microfinance companies (MFCs) and 1,348 are microcredit companies (MCCs).

The pandemic, anti-coronavirus restrictions, and the tightening of companies' risk policies significantly affected the market: new consumer microloans issued in 2020 totalled ₹365 billion, which is 2% less than in 2019. The decline in the PDL segment over 2020 reached 10%, whereas the IL segment showed a 5% increase.

The only segment in the MFO market that expanded over 2020 was SME lending: loans issued to SMEs in 2020 totalled ₹52.5 billion, which is 22% more than in 2019. Among other factors, this growth was due to the additional capitalisation of state-owned MFOs under government support programmes implemented during the pandemic period.<sup>1</sup>

Microloan agreements signed over 2020 in all market segments numbered 31.6 million, which is 6.6% less than in 2019.

As of the end of the reporting period, MFOs' core assets (the outstanding principal on issued microloans) amounted to ₹249.0 billion (+17.5% over the year), including consumer microloans worth ₹188.2 billion. Furthermore, the growth rate in the SME segment over the period under review was considerably higher than that in consumer microlending, namely by 50.4%. PDL and IL loan portfolios expanded in 2020 by 6% and 11%, respectively.

As companies behaved more cautiously over the period under review, this helped prevent a serious increase in overdue debt: as of the end of 2020, the portion of NPL90+ in the portfolio equalled 28.9%, which is 0.96 pp more year-on-year. SME microlending showed a substantial reduction in the share of NPL90+ to 5.7% as of the end of 2020.

MFOs' net profit over 2020 was up by 11.8% as compared to 2019, reaching ₹18.4 billion.

As of 1 January 2021, the number of consumer credit cooperatives (CCCs) decreased by 4.2% to 1,971; the number of pawnshops – by 12.0% to 3,167; the number of agricultural consumer credit cooperatives (ACCCs) – by 13.3% to 748; and the number of housing savings cooperatives (HSCs) – by 14% to 43.

CCCs' core assets contracted by 13% over 2020, to total ₹46.5 billion as of the end of 2020. ACCCs' core assets expanded by 10% to ₹16 billion. Pawnshops' core assets increased to ₹40.8 billion,<sup>2</sup> which is 7% more than in 2019.

<sup>1</sup> Directive of the Government of the Russian Federation No. 1192-r, dated 30 April 2020, 'On Allocation of Subsidies to the Budgets of the Constituent Territories of the Russian Federation to Finance Emergency Support to Small and Medium-sized Enterprises amid the Deterioration of the Situation Resulting from the Spread of the Novel Coronavirus Infection'; Directive of the Government of the Russian Federation No. 1297-r, dated 16 May 2020, 'On Allocation in 2020 by the Russian Ministry of Economic Development from the Reserve Fund of the Russian Government of Budget Funds to Increase Financing of the Project 'Small and Medium-sized Enterprises and Support for Individual Entrepreneurship Initiatives' in 2020'.

<sup>2</sup> According to pawnshops' preliminary reporting as of 31 December 2020.

## PROFESSIONAL SECURITIES MARKET PARTICIPANTS

Over 2020, the number of credit and non-bank financial institutions licensed as professional securities market participants (PSMPs) decreased by 3.7% to 466. Of this number of PSMPs, 260 are non-bank financial institutions and investment advisers, and 206 are credit institutions. Moreover, the number of PSMPs providing investment advice increased by 37.7% over 2020, to reach 95 as of 1 January 2021.

The net profit of PSMPs that are non-bank financial institutions<sup>1</sup> totalled ₹33.3 billion in 2020, which is 6.3% less than in the previous year. As of the end of 2020, the industry's total assets exceeded ₹1.4 trillion, its capital and reserves – ₹0.3 trillion, and liabilities – ₹1.1 trillion.

As of the end of 2020 Q4, brokerage and trust management clients numbered 9.9 million and 561,900, respectively. Over the reporting year, the number of brokerage and trust management clients increased by 5.6 million (+131.8%) and 221,100 (+64.9%), respectively.

The overall amount of brokerage clients' portfolios increased by 26.1% over the year, to exceed ₹14.3 trillion as of the end of 2020.

The value of trust management clients' investment portfolios was up by 33.4% over the year, to total over ₹1.5 trillion. As of the end of 2020, opened individual investment accounts (IIAs) numbered 3,456,800 (+110.5% over the year), including 3,055,200 accounts opened under brokerage agreements. Moreover, credit institutions account for a considerable portion of opened IIAs, namely 2,673,200 accounts as of the end of the year (+132.7% over the year).

The value of assets in IIAs surged by more than 90.4% over the year, to total ₹375.6 billion. The value of the portfolios of IIAs opened with credit institutions soared by 105.9% over the year, to reach ₹270.0 billion.

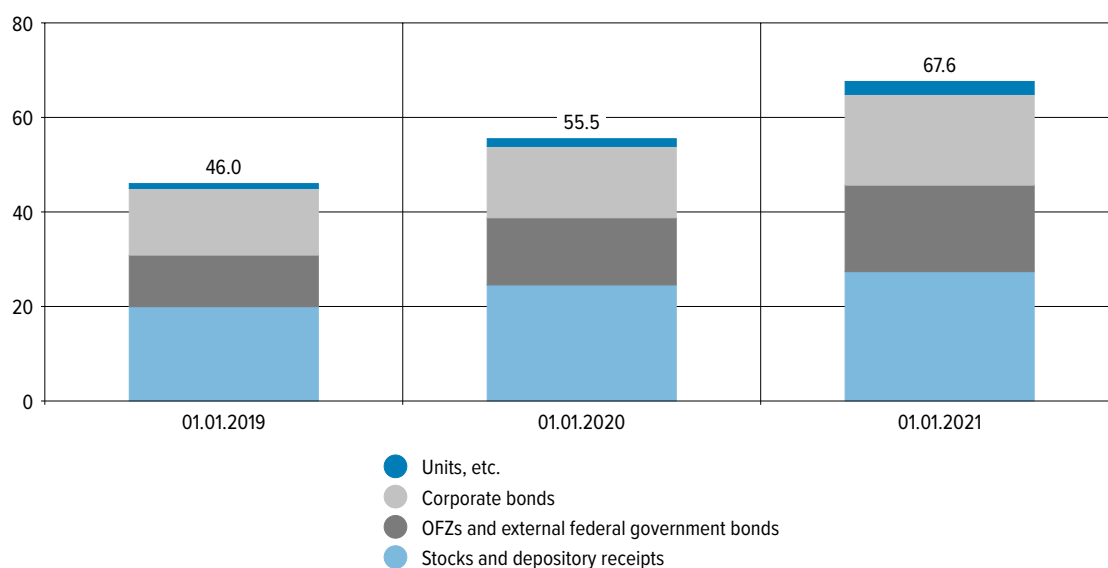
## UNIT AND JOINT-STOCK INVESTMENT FUNDS

Over 2020, the number of management companies operating in the collective investment market edged down from 269 to 268, and the number of management companies operating as a specialised depository of investment funds – from 26 to 25.

UIFs' net asset value (NAV) increased by more than 12% over 2020, to exceed ₹5 trillion. The largest type of UIFs are closed-end funds

VOLUME OF SECURITIES ACCOUNTED FOR BY THE CENTRAL DEPOSITORY (TRILLIONS OF RUBLES)

Chart 27



Sources: Bank of Russia, PJSC Moscow Exchange, PJSC Saint Petersburg Exchange, Bloomberg.

<sup>1</sup> Hereinafter, all indicators were calculated excluding data of FBSC AMC Ltd. and JSC DOM.RF due to the specifics of these companies' activity.



focused on legal entities and wealthy private clients (83.7% of UIFs' total NAV). Speaking of UIF types, the largest ones as of the end of 2020 were closed-end combined and open-end funds of financial market instruments accounting for 68.3% and 13.2% of the total NAV, respectively.

Exchange-traded UIFs attracted the largest number of investors in 2020. The number of investment unit holders in exchange-traded UIFs was up to 1,358,500 over the year (+1,287,900), the majority of whom were retail investors. As a result, the overall number of investment unit holders in UIFs surged by 92%, to reach 3,637,900.

### FINANCIAL MARKET INFRASTRUCTURES AND OTHER PARTICIPANTS

In 2020, activities in the financial market were carried out by infrastructures (exchanges, the central depository, repositories, clearing houses, including the central counterparty, legal entities (other than credit institutions) acting as a central counterparty,<sup>1</sup> commodity delivery operators, payment system operators, credit history bureaus, and information agencies accredited to arrange disclosure of information on securities and other financial market participants) and other financial market participants (financial market self-regulatory organisations, self-regulatory organisations of actuaries, responsible actuaries, credit rating agencies, and foreign credit rating agencies' branches and representative offices).<sup>2</sup>

#### *Exchanges*

Reviewing the 2020 results of exchanges' core activities, it should be noted that PJSC Moscow Exchange remains the leading platform for on-exchange trading in the Russian financial market and continues to offer a broad range of services to its clients across a variety of market segments.

At PJSC SPB Exchange focused on foreign securities trading, the amount of trading in 2020 surged more than 11 times as compared to 2019, to total ₹16 trillion.

The trading amount in the commodity exchange market in 2020 is estimated at ₹1,076 billion. The largest portion was made by the exchange trading of petroleum products at CJSC Saint Petersburg International Mercantile Exchange (gasolines, diesel fuel, liquefied petroleum gas, fuel oil, etc.).

#### *Central depository, central counterparties*

2020 recorded a rise in the key performance indicators of systemically important financial market infrastructures (FMIs), including non-bank credit institution Central Counterparty National Clearing Centre (joint-stock company) (CCP NCC), which is a central counterparty (CCP), and non-bank credit institution National Settlement Depository (joint-stock company) (NSD), which is the central depository (CD), a repository, a clearing house, a settlement depository, and a payment system operator.

The value of assets held in the CD increased by 22% over 2020, totalling ₹67.6 trillion<sup>3</sup> as of 1 January 2021, which was primarily associated with rises in the value of shares and bonds held in the CD and the inflow of new bond issues for servicing. Furthermore, the number of securities issues was up by 13.7% over the year, to reach 26,600. By the above indicators, the CD surpasses all other depositories taken together, which conforms to its status and the services it provides in terms of foreign securities accounting.

As of 1 January 2021, there were three CCPs operating in the Russian Federation, of which two were licensed as non-bank credit institutions — central counterparties in the reporting year. CCP NCC remains the only qualifying central counterparty, which enables professional securities market participants to minimise their

<sup>1</sup> The Bank of Russia assigned the status of a non-bank financial institution — central counterparty to two financial institutions under transitional provisions of Federal Law No. 403-FZ, dated 29 December 2015, 'On Amending Certain Laws of the Russian Federation'.

<sup>2</sup> More detailed information about the numbers of infrastructures and other financial market participants is given in [Tables 9–10 of Section 5.4 'Statistical tables'](#).

<sup>3</sup> This value does not include securities that were not traded as of the reporting data and securities recognised on accounts of clients of other depositories for which the NSD is a superior organisation, or on accounts of unidentified persons. In addition, where market prices or data on the NRD's charge were unavailable, securities were assessed based on their nominal value.

risks in transactions carried out in financial markets.

In 2020, the value of the initial margin posted to CCP NCC increased by ₹1.08 trillion, or 8%, to total ₹14.3 trillion. This was mostly due to a rise in prices for the assets posted as the initial margin. Moreover, the required amount of the initial margin is ₹2.2 trillion, which is more than six times less than the actually available collateral amount.

CCP NCC and CC Clearing Centre MFB (JSC) have a similar structure of the initial margin: securities (shares, bonds, and clearing participation certificates) account for 94% and 97%, respectively. The structure of the initial margin in NFI CCP RDC (JSC) is dominated by funds denominated in rubles accounting for 77% of the actually available initial margin.

#### *National Payment System*

In accordance with changes to Russian laws, the structure of entities of the National Payment System (NPS) was expanded. As of 1 January 2021, NPS entities included 407 funds transfer operators (including 80 electronic money operators), 28 payment system operators,<sup>1</sup> 36 payment infrastructure operators, two federal post service organisations, payment agents, 5,400 bank payment agents (subagents), including 31 bank payment agents engaged in payment aggregator operations, 62 payment application providers, 162 information exchange service operators, one foreign payment system operator, and 26 foreign providers of payment services.

As of the beginning of 2021, there were 28 payment systems operating in the Russian Federation.

The performance of the systemically important payment systems – the Bank of Russia Payment System (BRPS) and the NSD Payment System (NSD PS) – was positive, owing to high demand for the payment services offered and rising financial activity among clients.

Despite a reduction in the number of BRPS participants (from 1,779 to 1,638), the number and amount of money transfers<sup>2</sup> through the BRPS increased by 7.5% and 5.8% to 1.8 billion and ₹1,657.6 trillion, respectively. Transfers through the BRPS exceeded GDP 15.5 times (vs 14.3 times in 2019).

Money transfers through the NSD PS amounted to ₹120.0 trillion in 2020 (+2.0%). As in previous years, the NSD PS structure of money transfers was dominated by transfers conducted within on-exchange transactions (58.1%). Money transfers made in the off-exchange market accounted for 34.4%.

In 2020, amid the pandemic, banks expanded the range of payment services provided to households and business entities, focusing on digital technology development.

Cashless transactions conducted by credit institutions based on their clients'<sup>3</sup> orders and their own transactions numbered 56.0 billion in the year under review, totalling ₹914.2 trillion, which is 20.0% and 9.2% more, respectively, compared to the previous year.

Due to the lockdown, social distancing, and other anti-pandemic restrictions, credit institutions' clients increased even more the demand for accounts allowing remote access. Their growth rate (11.0%) almost doubled as compared to the previous year, and they numbered 290.0 million as of 1 January 2021. The share of such accounts in the number of active accounts<sup>4</sup> held by credit institutions' clients increased to nearly 90%.

Payment cards remained the major payment instrument used by households to conduct retail transactions. Transactions made in Russia using payment cards numbered 50.6 billion and amounted to ₹106.7 trillion, which is 19.5% and 15.2% more, respectively, compared to the previous year. Cashless transactions continued to steadily increase in the structure of payment card operations (by nearly 23% in terms of both their number and value), whereas the number

<sup>1</sup> Including the Bank of Russia and National Payment Card System Joint Stock Company.

<sup>2</sup> Including operations to implement monetary policy, settlements in the interbank and financial markets, and payment card transactions.

<sup>3</sup> Hereinafter, individuals and legal entities, other than credit institutions (including individual entrepreneurs).

<sup>4</sup> Active accounts mean accounts held by credit institutions' clients that are not credit institutions where at least one cashless transaction was carried out over the year.



and amount of cash withdrawals were down by 17.9% and 1.5%, respectively. The portion of cashless transactions in the structure of payment card operations expanded to 95.0% and 73.4% in terms of their number and value, respectively.

As increasingly more households preferred cashless payments, the portion of cashless payments in retail turnover<sup>1</sup> increased to 70.3% in 2020 against 64.7% in 2019.<sup>2</sup>

Credit institutions developed payment infrastructure for payment card acceptance, focusing on the expansion of the network of devices to conduct cashless payments. As of 1 January 2021, there were 3.6 million electronic terminals installed in trade and service companies (POS terminals),<sup>3</sup> 194,000 ATMs,<sup>4</sup> and 121,200 cashless payment terminals<sup>5</sup> operating in the country. The number of ATMs remained almost unchanged over the year, whereas the number of devices used for cashless payments continued to surge:

over the year, the numbers of POS terminals and cashless payment terminals increased by 23.5% and 30.8%, respectively.

Amid a reduction in the number of e-money transfer operators (from 86 to 80)<sup>6</sup> in the reporting year, their clients carried out 3.1 billion e-money transfers<sup>7</sup> (+11.8%) totalling ₺1.8 trillion (–7.0%).

#### *Credit history bureaus*

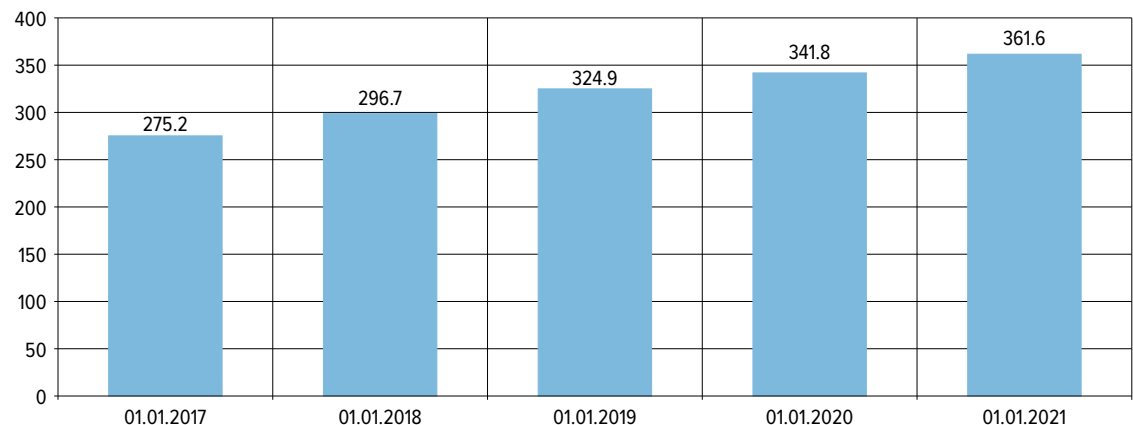
As of the end of the reporting year, the state register of credit history bureaus (CHBs) included nine organisations (two CHBs were excluded from the register over the year).

In 2020, there was observed a continuing upward trend in the number of title parts of credit histories at the Central Catalogue of Credit Histories (CCCH) and in the number of inquiries from credit history makers and users.

As of the end of the year, the number of title parts of credit histories at the CCCH totalled 361.6 million<sup>8</sup> (+5.8% over the year), including

#### NUMBER OF CREDIT HISTORY TITLES STORED IN THE CCCH (MILLIONS OF UNITS)

Chart 28



<sup>1</sup> Retail turnover — the overall turnover of retail and public catering and the value of commercial services to households.

<sup>2</sup> The assessment is based on the Bank of Russia's reporting forms and Rosstat's data.

<sup>3</sup> POS — point of sale.

<sup>4</sup> ATMs of credit institutions and the Bank of Russia.

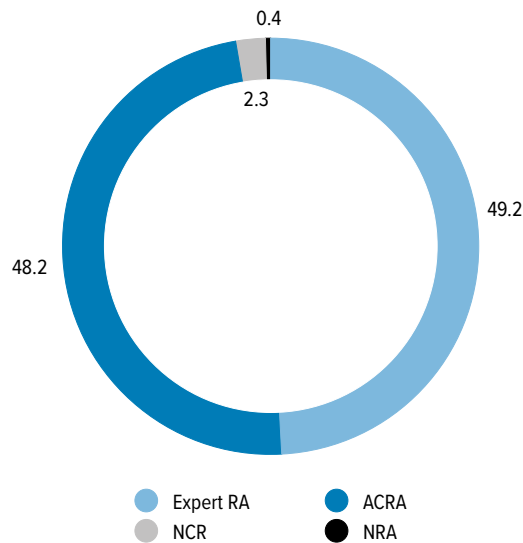
<sup>5</sup> Automatic devices enabling payment card holders to carry out cashless payment card transactions on their own (without the engagement of any authorised representatives of credit institutions or trade and service companies), the design of which does not allow cash withdrawal (acceptance).

<sup>6</sup> This was the result of the Bank of Russia's decisions aimed at financial resolution, revocation of credit institutions' licences, and the termination by credit institutions of operations related to e-money.

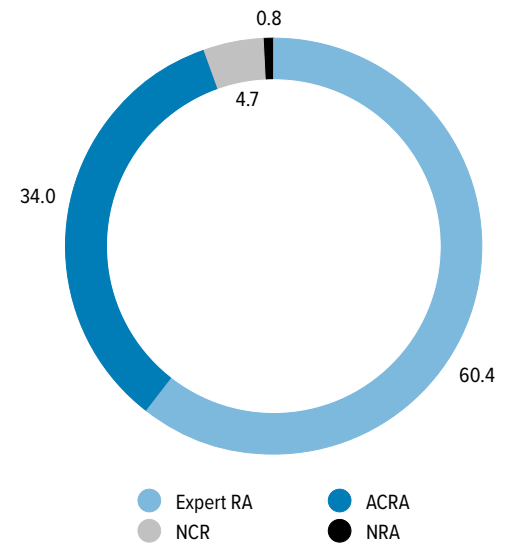
<sup>7</sup> Comprise transactions to transfer e-money, e-money balances, including balances withdrawn as cash.

<sup>8</sup> The number of title parts of credit histories is the total number of title parts of the credit histories forwarded to the CCCH of credit history bureaus recorded in the state register of credit history bureaus as of the end of the reporting year (information on the same borrower may be stored by several credit history bureaus). The Bank of Russia's annual reports for previous years provided information on the number of title parts of credit histories stored in the CCCH and received from all credit history bureaus, including those excluded from the state register of credit history bureaus as of the related calculation date.

SHARES BY NUMBER OF CREDIT RATINGS  
(PER CENT) *Chart 29*



SHARES BY NUMBER OF RATED PERSONS  
(PER CENT) *Chart 30*



360.6 million title parts of individuals' credit histories and 1.6 million title parts of legal entities' credit histories. In 2020, the top four credit history bureaus<sup>1</sup> accounted for 98.1% of all title parts of credit histories at the CCCH.

The number of inquiries sent to the CCCH by credit history makers, credit history users, and divisions of the Russian Federal Bailiff Service regarding credit history bureaus keeping credit history makers' credit histories, and requests to form, cancel, or change a credit history maker's code (additional code) increased by 4.2 million over 2020, to total 39.6 million since the launch of the CCCH.

The Unified Portal of State Services (UPSS) was the most popular channel for sending inquiries to the CCCH in 2020. The Bank of Russia has been offering the service for providing information from the CCCH based on requests via the UPSS on a permanent basis since 31 January 2019, and this service has become much more popular than through other channels (e.g. requests sent in 2020 via the UPSS numbered nearly 20 times more than

through credit institutions and 7.5 times more than through credit history bureaus). Requests sent via the UPSS numbered about 3.2 million in 2020.

#### *Credit rating agencies*

The Bank of Russia keeps the register of Russian credit rating agencies, as well as branches and representative offices of foreign credit rating agencies.

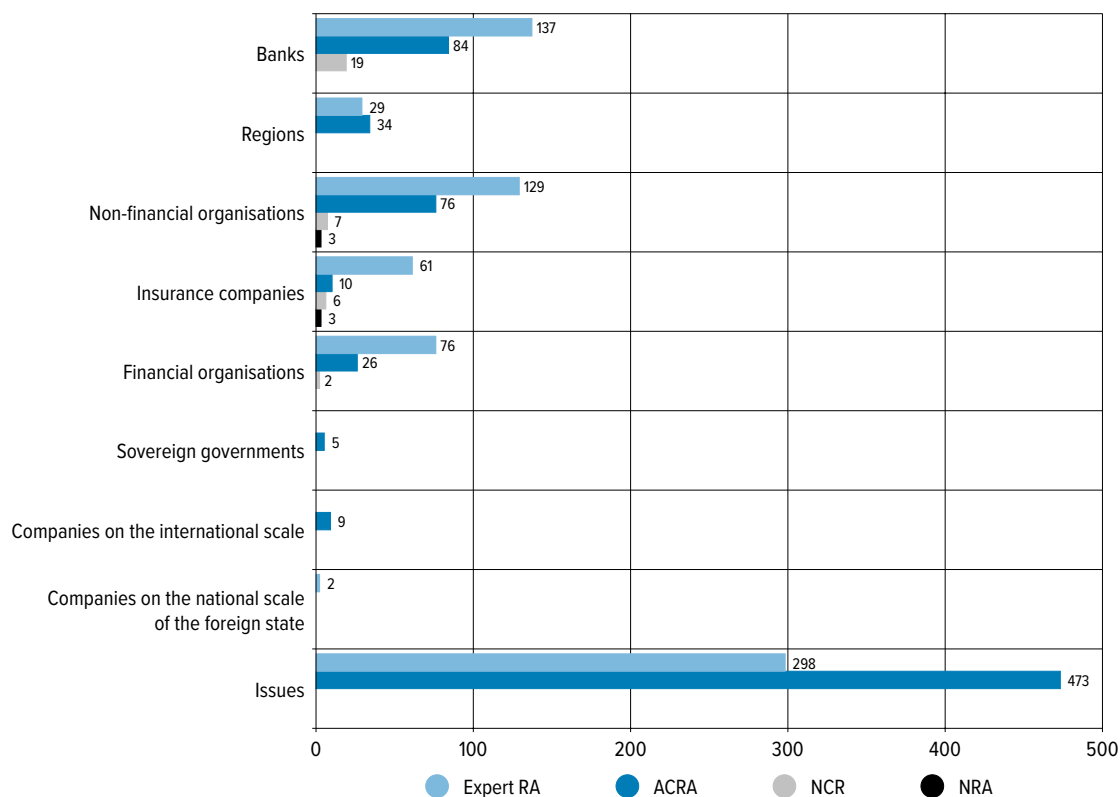
As of 1 January 2021, the Russian credit rating agencies JSC Expert RA, Analytical Credit Rating Agency (JSC), National Credit Ratings LLC, and National Rating Agency LLC assigned 1,489 credit ratings, including 1,473 according to the Russian national rating scale.

As of 1 January 2021, the number of entities rated by JSC Expert RA, Analytical Credit Rating Agency (JSC), National Credit Ratings LLC, and National Rating Agency LLC totalled 641. Furthermore, eight rated entities received credit ratings simultaneously from three credit rating agencies and 61 rated entities — simultaneously from two credit rating agencies.

<sup>1</sup> Credit History Bureau Equifax LLC (previously — Equifax Credit Services LLC), JSC National Bureau of Credit Histories, CJSC United Credit Bureau, and Credit Bureau Russian Standard Ltd.

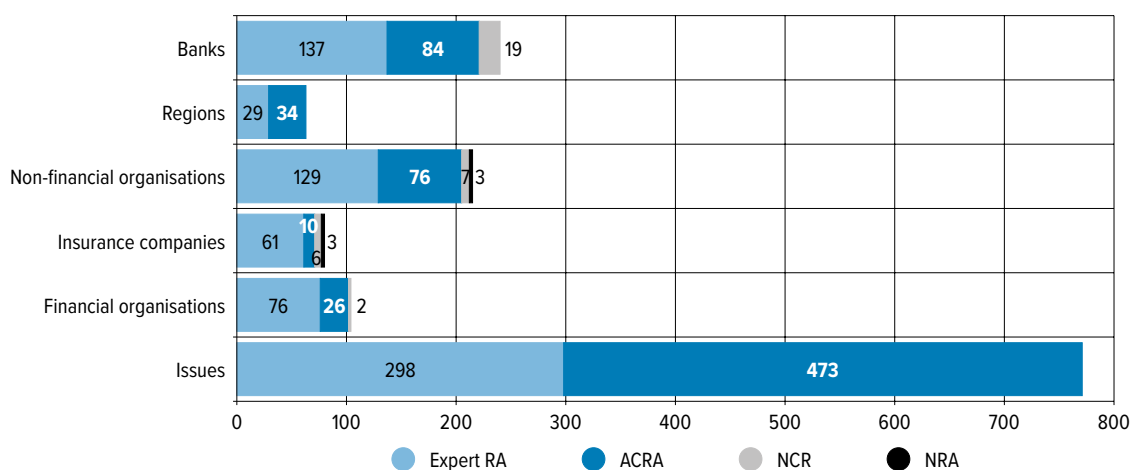
**CREDIT RATINGS ASSIGNED BY RUSSIAN CREDIT RATING AGENCIES AS OF 31 DECEMBER 2020 (UNITS)**

Chart 31



**CREDIT RATINGS ASSIGNED BY RUSSIAN CREDIT RATING AGENCIES ON THE NATIONAL RATING SCALE FOR THE RUSSIAN FEDERATION AS OF 31 DECEMBER 2020 (UNITS)**

Chart 32



### 1.2.3. COMPETITION IN THE FINANCIAL MARKET

The main challenge for the financial market in 2020, just as for all other economic sectors, was the consequences of the coronavirus pandemic, primarily associated with higher demand for remote financial services. This gave an extra boost to the advancement of financial technologies. On the one hand, such progress enhanced the accessibility and speed of financial services. On the other hand, it enabled largest market participants to strengthen their market power since they possess more mature technology infrastructure and contributed to their switch to new business models (ecosystems).

According to the Bank of Russia's assessment of the indicators of competition in the major product segments of the financial market,<sup>1</sup> the competitive environment generally worsened. However, this deterioration was not critical, including owing to the complex of temporary anti-crisis measures implemented by the Bank of Russia and the Government of the Russian Federation to support the financial market and the economy in general, which made it possible to partially offset the existing uncertainty about demand and supply trends.

The indicators of the competitive environment worsened in 2020 primarily due to a further strengthening of the market power of the two largest credit institutions in the Lending and Borrowing segments. The general level of competition was affected most seriously by changes in retail services, which might be asso-

ciated with both a much faster development of remote service channels by the market leaders and the natural intensification of people's welfare mentality during the crisis period.

According to the calculations, the souring Payments and Money Transfers segment, partly driven by the pandemic effects, is the most monopolised one among the analysed segments. Speaking of competition between payment systems (inter-network level) in 2020, the shares of oligopolists continued to align, which paves the way for stronger competition in the future. Contrastingly, at the level of competition among credit institutions (intra-network level), the market is still dominated by one leader in both payments and money transfers (on bank cards).

As regards the Insurance Services segment generally demonstrating a higher level of competition, the analysis of data for 2020 showed no significant changes. The indicators of competition in the Investment Services segment worsened as banking groups continued their active policy for increasing the number of clients in professional services in the securities market, which was possible, among other things, because they had considerable databases of bank clients and developed remote service channels.

More detailed information about measures promoting competition is provided in [Subsection 2.2.11 'Development of competition in the financial market'](#).

<sup>1</sup> Broken down by type of financial services: Lending, Borrowing, Payments and Money Transfers, Investment Services, and Insurance Services.

2



# The Bank of Russia's activities

This chapter covers the measures and decisions implemented by the Bank of Russia to achieve its strategic goals, that is, ensuring price stability and stability in the financial market, enhancing financial inclusion for households and businesses, advancing the national payment system, technology development, and support of innovations in the financial market. In 2020, the Bank of Russia largely focused its efforts on mitigating the negative impact of the coronavirus pandemic on the economy.

**Ensuring price stability.** The fast and massive spread of the novel infection in Russia and worldwide, the introduction of travel restrictions by countries, and bans on a whole range of activities in the service sector caused a drastic decline in demand. This increased the medium-term risks of a downward deviation of inflation from the 4% target. In order to support the economy and bring inflation back to the target, the Bank of Russia moved towards accommodative monetary policy, cutting the key rate by a total of 175 basis points over April–June to 4.25% p.a.

In 2020 H2, short-term proinflationary risks intensified as consumer demand bounced back swiftly after the lockdown, volatility in global markets rose, and the ruble weakened. Considering these factors, the Bank of Russia did not reduce the key rate in September–December, maintaining accommodative monetary policy.

Amid implemented anti-crisis measures, annual inflation gradually returned from 2.3–2.4% to the 4% target. At the end of the year, the growth



of consumer prices sped up to 4.9%, with the average inflation rate in 2020 equalling 3.4%.

Despite the crisis, the monetary policy operational procedure remained efficient, and short-term money market rates formed close to the key rate, predominantly in the lower half of the interest rate corridor. To smooth out temporary mismatches, the Bank of Russia carried out fine-tuning repo auctions and long-term repo auctions.

**Ensuring stability in the financial market.** In order to prevent the aggravation of the negative consequences of the pandemic, the Bank of Russia implemented a broad range of anti-crisis measures. These temporary measures were introduced only for the period until the economic situation stabilised. By introducing these measures, the Bank of Russia aimed to protect households' interests, support corporate borrowers, maintain the financial sector's potential to provide lending to the economy, and reduce the regulatory and supervisory burden. To stabilise the situation in the foreign exchange market during the period of elevated volatility, the Bank of Russia carried out proactive foreign currency sales under the fiscal rule in March–April.

The Bank of Russia provided up-to-date information to businesses and households regarding its anti-crisis measures. In April–June, when the pandemic situation was most acute, the Bank of Russia organised weekly online briefings of its Governor.

Loan repayment holidays and loan restructuring were the most significant and efficient decisions cushioning the consequences of the pandemic. The Bank of Russia contributed to the implementation of these measures by granting regulatory easing, specifically it allowed banks not to increase their provisions temporarily, partially released accumulated macroprudential buffers, and reduced buffers for new loans. To support lending to small and medium-sized enterprises and maintain employment, the Bank of Russia also used temporary specialised refinancing instruments.

The measures implemented helped support lending activity. Corporate lending expanded by 9.9%, which is nearly twice as much as in 2019 (5.8%). Project finance in housing construction was the fastest growing segment of corporate lending. The amount of funds held by equity construction participants in escrow accounts increased at a high pace.

Despite crisis developments, the financial market evolved. The banking sector continued to implement the standards of the Basel Committee on Banking Supervision. Proportionate regulation was applied to balance the competitive environment. Furthermore, the Bank of Russia amended banking regulation so as to expand the opportunities to provide lending to the economy. These measures were aimed at supporting housing construction, mortgage lending, and SME lending.



Earlier rehabilitation work helped the banking sector successfully weather the crisis and supported lending. In 2020, this process was at the final stage already. Banking licences were revoked from 16 credit institutions, but they only accounted for a minor share in the banking sector's total assets.

Amid lower deposit rates, a large number of non-qualified investors entered the securities market. As a result, the risks of abusing consumers' trust rose. To counteract these risks, the Bank of Russia recommended that professional securities market participants should not offer complex investment products to non-qualified investors. In addition, the Bank of Russia carried out analysis, risk assessment, and monitoring of complex investment products.

After the new version of the securities issue standards became effective, the procedure for securities issue registration became simpler for issuers. Moreover, it became possible to issue new bond types. For the first time, the Moscow Exchange offered green bonds.<sup>1</sup> The Bank of Russia extensively supported the development of responsible investment. According to its principles, investors should consider environmental and social factors in their operations.

The securities market also became a more convenient site for raising funds by small and medium-sized businesses. Over 2020, the MOEX Growth Sector arranged 14 placements of the bonds of 12 issuers that are SMEs totalling ₹6,425 million, which was twice as much as in the previous year.

In May 2020, the Bank of Russia became the administrator of the RUONIA benchmark rate. RUONIA is an important benchmark in financial markets. This benchmark is used to monitor and analyse the efficiency of pursuing the operational objective of the Bank of Russia's monetary policy. The organisational structure of the benchmark administration complies with the standards of the International Organization of Securities Commissions (see [Subsection 2.6.5 'Improvement of money market benchmarks'](#)).

By streamlining regulatory burden, the Bank of Russia managed to reduce excessive requirements for the organisation of financial market participants' activities and preparation of their reporting. The launch of the new procedure for on-site supervisions also helped lower regulatory and administrative burden on market participants. In accordance with the principles for consolidated supervision, the Bank of Russia as the mega-regulator harmonised the approaches to implementing its single management policy in relation to all supervised entities.

The Bank of Russia took part in the development and approval of the new version of the Standard of the National Association of Securities Market Participants on the procedure for assessing the net asset value of unit invest-

<sup>1</sup> Bonds conforming to the requirements stipulated in Chapter 65 of the securities issue standards and specified as green on the title page of the decision on issuing these bonds.

ment funds and the value of an investment unit.<sup>1</sup> Owing to the amendments introduced, market participants were able to reduce their costs for measuring receivables. The method for measuring credit risk was also updated.

As regards the area of corporate relations, the Bank of Russia streamlined the requirements for the content of joint-stock companies' charters and information disclosure by issuers of issue-grade securities.

Furthermore, the Bank of Russia temporarily reduced supervisory burden on banks amid the spread of the coronavirus infection. The Bank of Russia suspended inspections,<sup>2</sup> reduced the number of regulatory inquiries as much as possible and considerably extended the deadlines for submitting related replies, as well as increased the periods for compiling prudential regulatory reports and submitting them to the Bank of Russia.

The system for supervising financial market participants was developed relying on risk-based approaches. The authorities introduced amendments to insurance laws expanding the powers of the Bank of Russia. For the first time, the Bank of Russia developed and fulfilled individual supervision plans in relation to the largest non-governmental pension funds. Supervisors were appointed for all rating agencies. The Bank of Russia continued the work for introducing prudential ratios for professional securities market participants.

Many issues regarding financial market development were settled at the international level in the context of the formation of the EAEU common financial market, jointly with other authorities and the member states' regulators. The Bank of Russia prepared an agreement to simplify the foundation of banks' and insurers' subsidiaries within the EAEU. In addition, the Bank of Russia was engaged in the work for developing the common payment space, ensuring information security, and countering cyber attacks in the financial market.

The Bank of Russia took part in the development of initiatives aimed at the development of foreign trade, including the establishment of the information system Single Point of Contact and simplification of currency control procedures according to the amendments introduced to laws.

**Enhancing financial inclusion for households and businesses.** The Bank of Russia achieved significant results in many areas related to enhancing financial inclusion: more financial services were provided at post offices and cash-out points, and there was an increase in the number of credit institutions following the Bank of Russia's recommendations to create a barrier-free environment for physically challenged people. The measures aimed at enhancing financial inclusion in remote, sparsely populated and hard-to-reach areas in the Far

<sup>1</sup> Effective date – 1 January 2021.

<sup>2</sup> According to the decision of the Bank of Russia Board of Directors since late March until June 2020.

East, the Southern and North Caucasian Federal Districts enabled these regions to improve a number of indicators above Russian averages.

As financial services are becoming more diverse and accessible, people need more information to increase their financial literacy. In 2020, the number of subscribers to the Bank of Russia's accounts in social networks exceeded 67,500. The audience of the Bank of Russia's website Financial Culture (fincult.info)<sup>1</sup> expanded 1.7 times over the year, reaching nearly 0.5 million users in December 2020.

The Bank of Russia carried out workshops and lectures for small and medium-sized enterprises. Educational institutions of all levels continued to introduce financial literacy courses into their educational programmes. For people to learn more information on financial issues, the Bank of Russia demonstrated educational videos in the Moscow Metro, Russian Post offices, long-distance trains, Russian Railways' information systems, and airports.

A particular focus was put on countering the threat of cyber fraud. In 2020, the Bank of Russia initiated the blocking of 7,680 websites. To suppress telephone frauds, the Bank of Russia informed communication operators of 26,397 telephone numbers used by fraudsters to make telephone calls and send text messages.

The extraordinary pandemic situation caused a rise in the number of complaints from financial institutions' clients. To ensure prompt communication with financial consumers, the Bank of Russia launched its mobile application CB Online which, among other functions, includes a chat where Bank of Russia specialists provided 24/7 consultations to consumers. In November, inquiries related to crisis issues almost stopped.

**Advancement of the national payment system.** The Bank of Russia launched new functions in the Faster Payments System (FPS) enabling 24/7 online payments. Now, clients of the credit institutions that joined the FPS can make not only C2C money transfers and C2B payments for goods, works, and services, but also B2C transfers and C2C-pull operations (funds transfers between accounts of the same individual with different banks initiated by the payee).

**Technology development and innovation support in the financial market.** In the course of the implementation of the Marketplace project, financial platform operators (FPOs) started to function in the financial market, owing to which consumers can select sellers they prefer and purchase their services remotely on a 24/7 basis. FPOs provide assistance in concluding bank deposit agreements, CMTPLI contract procedures, and transactions for purchasing bonds and unit investment funds' units. The role of FPOs became

<sup>1</sup> The website Financial Culture (fincult.info) – the Bank of Russia's financial literacy website.

more significant amid anti-pandemic restrictions. The Bank of Russia carried out extensive work to build the system of control over these entities and monitored the process of their development.

Due to the rapid digitalisation of the financial sector, including the expanding list of remote services and the transfer of many business processes to the remote mode, the tasks of ensuring information security and higher cyber resilience became crucial. In order to promptly detect vulnerabilities in supervised institutions' information security processes, the Bank of Russia carried out the first cyber trainings with the 22 largest financial institutions within off-site supervision.

**Other areas of the Bank of Russia's activities.** The dramatic changes in the economic situation brought about by the coronavirus pandemic made it essential to develop economic research. The Bank of Russia focused its efforts on high-frequency monitoring of sectoral and regional financial flows, analysis of the situation in the banking sector and risks to financial stability, studying sectoral and regional heterogeneity, and assessing its implications for monetary policy. The Bank of Russia's specialists made reports on urgent issues that were published on the Bank of Russia website in the Research section.

To enhance the transparency and accessibility of statistics, the Bank of Russia started to release new information bulletins Statistics on Russia's Housing Mortgage Loan Market and Lending to Small and Medium-sized Enterprises, as well as the annual review Financial Accounts of the System of National Accounts of the Russian Federation.

## The Bank of Russia's measures to support the economy and households during the coronavirus pandemic

To overcome the economic consequences of the pandemic, the Bank of Russia has adopted and implemented a set of measures to support the economy and individuals in six main areas.

### **Protection of the interests of individuals.**

The Bank of Russia promoted the restructuring of loans to individuals who found themselves in a difficult life situation and forbearance on such loans and also recommended that credit institutions not view restructuring as a factor adversely affecting the credit history of individuals and suspend foreclosures on mortgaged housing and forced eviction. Insurance organisations were given recommendations to extend the period for the settlement of insured events, provide a payment grace period under voluntary insurance agreements and not apply fines or penalties during a period of temporary disability of the insured.

Moreover, to contain the spread of the pandemic and to minimise contacts between people, the Bank of Russia recommended transferring customer services to a remote format and also took a number of measures to increase the availability of bank card and online payments. Insurers were given the ability to conclude third-party liability insurance agreements without the insured having to provide a diagnostic assessment checklist or a technical inspection certificate.

In 2020, banks restructured 1.8 million loan agreements with individuals for a total amount of about  $\text{R}860$  billion.<sup>1</sup> Starting in June, after banks and individuals had adapted to the new mechanism of credit holidays, a steady trend developed toward a decrease in the number of

complaints from consumers of financial services concerning pandemic-related problems.

**Support for corporate borrowers.** The Bank of Russia facilitated the restructuring of corporate loans, including forbearance and prolongation. Credit institutions were granted regulatory relief to simplify this process. In particular, when classifying loans, they were temporarily allowed not to degrade the assessment of the financial standing of companies from vulnerable industries, the quality of debt servicing or the category of loan quality. Moreover, the Bank of Russia launched long-term repo auctions as a source of funding for banks that enable their clients to restructure loans.

The total volume of restructured corporate loan debt in 2020 exceeded  $\text{R}5.4$  trillion,<sup>2</sup> or 15.2% of the total portfolio of the banks surveyed (except for small- and medium-sized enterprises (SMEs)).

### **Support for lending to SMEs and assistance in the implementation of government programmes.**

The Bank of Russia expanded its refinancing programme for banks to support and stimulate lending to SMEs. Within the framework of the existing specialised refinancing mechanism, the interest rate was reduced, and industry restrictions were lifted. In addition, temporary preferential refinancing mechanisms were introduced with the total limit of  $\text{R}500$  billion. To a large extent, the new mechanisms focused on supporting lending to SMEs, but at the same time they involved stimulation of loans to support employment (including for large enterprises) in conjunction with a government programme to subsidise banks' interest on such loans. To support lending to

<sup>1</sup> According to a survey of 75 credit institutions conducted by the Bank of Russia on their efforts for restructuring the debt of individuals, including the provision of credit holidays, for the period from 20 March to 29 December 2020.

<sup>2</sup> According to the information received from 33 major banks, including 12 SICIs, in the period from 20 March 2020 to 1 January 2021.

SMEs, banks were also granted regulatory relief. Moreover, the Bank of Russia recommended that credit institutions not take restructuring into account as a factor adversely affecting the credit history of SMEs. 94,800 loans issued to SMEs for a total amount of ₹853.5 billion, which is 14.7% of their total loan portfolio, were restructured. This measure made it possible to maintain the solvency of SMEs, including those from the affected sectors of the economy, and to prevent a deterioration in the quality of the SME loan portfolio.

As of 1 January 2021, the Bank of Russia's claims on credit institutions under additional refinancing mechanisms totalled ₹454.3 billion. The portfolio of loans provided to SMEs as of the end of 2020 amounted to ₹5.8 trillion, growing 22.6%<sup>1</sup> over the year, which is almost twice as much as in 2019 (+12.4%).

**Mortgage lending support.** The Bank of Russia took a number of regulatory measures to support mortgage loans and to compensate banks for the decrease in capital adequacy ratios associated with the recognition of losses on mortgage loans. To promote mortgage lending, the Bank of Russia decided to accelerate the implementation of a new methodology for assessing mortgage credit risk. Macroprudential capital requirements for mortgage loans issued before 1 April 2020 were cancelled; for those issued after that date, they were reduced.

The release of macroprudential capital buffers for mortgage loans made it possible to free up capital stock accumulated by banks in the amount of ₹126 billion.

The decisions made and the measures taken by the Russian Government made it possible to support the development of lending in this market segment: in 2020, the mortgage portfolio<sup>2</sup> grew by 21% (in 2019, by approximately 20%). As of 1 January 2021, it totalled ₹9.5 trillion.<sup>3</sup> In 2020, 1,713,000 mortgage loans were issued for a total amount of ₹4.3 trillion, which is more

than in 2019, both in quantitative (+35%) and monetary (+51%) terms.

**Support for the financial sector's potential to provide resources to the economy.** The Bank of Russia implemented a number of regulatory decisions primarily related to easing capital adequacy requirements for banks, which were aimed at creating additional possibilities for lending to the economy. For example, banks were enabled to use supervisory capital adequacy buffers, and individual macroprudential capital adequacy requirements were relaxed. In particular, the Bank of Russia released macroprudential capital buffers for unsecured consumer loans issued before 31 August 2019 and also reduced macroprudential add-ons to risk ratios in the capital adequacy ratios of credit institutions for unsecured consumer loans issued after 1 September 2020. The release of macroprudential capital buffers for unsecured consumer loans made it possible to free up capital stock accumulated by banks in the amount of ₹168 billion.

Certain macroprudential measures were taken to support foreign currency lending to drug and medical equipment manufacturers.

Systemically important credit institutions were granted regulatory relief to comply with the liquidity coverage ratio, and the terms for granting irrevocable credit facilities were relaxed.

To support the lending activity of banks, temporary decisions were made regarding the procedure for assessing the assets most significantly affected by the pandemic, including restructured loans and securities. Additionally, the Bank of Russia postponed the imposition of a number of regulatory requirements.

The measures taken by the Bank of Russia made it possible to preserve the banking sector's potential for lending to the economy. In particular, debt on corporate loans in 2020 increased by 9.9%, which is almost twice as much as in 2019 (+ 5.8%), and their volume reached ₹44.8 trillion.

<sup>1</sup> Without excluding currency revaluation.

<sup>2</sup> Adjusted for securitisation.

<sup>3</sup> This includes data from Section 1 of Reporting Form 0409316 'Information on Loans Granted to Individuals' regarding the amount of debt as well as data from the 'Memo Item' subsection of Section 1 of this form regarding acquired rights of claim on housing mortgage loans. The total volume of mortgage loans, including securitised ones, which are in circulation as of 1 January 2021, amounted to some ₹10 trillion.



**Reducing the regulatory and administrative burden on the financial sector.** To help the financial sector adapt to the restrictive measures imposed to overcome the pandemic and to ensure business continuity of financial institutions, the Bank of Russia suspended its inspection activities,<sup>1</sup> prolonged the deadlines for the submission of certain reporting forms and information disclosure and set deferred deadlines for the entry into force of the Bank of Russia's regulations introducing new regulatory requirements that will affect the operational activities of entities supervised by the Bank of Russia, including the requirements to upgrade their information systems, and that will have an effect on the implementation of their business processes. The Bank of Russia also did not impose sanctions on financial institutions in 2020 for violations of federal laws, by-laws or Bank of Russia orders if such violations were caused by the pandemic. All

these measures allowed financial institutions to continue their operations despite the transfer of some employees from offices to remote work.

The measures implemented by the Bank of Russia along with the measures taken by the Russian Government provided comprehensive and prompt support to households and businesses during the most difficult period of the crisis and made it possible to limit its impact on the financial sector and the economy. Most of the Bank of Russia's measures taken in connection with the pandemic were taken in the period from 1 March to 30 September 2020. Certain regulatory exemptions were extended until 31 March 2021.

Measures for supporting the economy and individuals during the pandemic are discussed in detail in the following subsections of the Annual Report describing the Bank of Russia's activities.

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<sup>1</sup> Based on the resolution of the Bank of Russia Board of Directors, from the end of March through June 2020.



## 2.1. Ensuring price stability

### 2.1.1. MONETARY POLICY OBJECTIVES AND KEY MEASURES

#### MONETARY POLICY OBJECTIVES AND PRINCIPLES

The main objective of the Bank of Russia's monetary policy is to maintain price stability, that is, to maintain annual inflation constantly close to 4%.

The key rate is one of the main monetary policy tools under the inflation targeting strategy. By changing its key rate, the Bank of Russia affects the dynamics of interest rates in the economy, which, in turn, influence domestic demand and inflation. Changes in the key rate do not affect price dynamics immediately but over time, through a long chain of relationships; therefore, the Bank of Russia makes decisions on the key rate based on a macroeconomic forecast. In preparing it, the Bank of Russia conducts a detailed analysis of various information. Given forecast uncertainty factors, the Bank of Russia places a special focus on ensuring that balanced monetary policy decisions are taken in the context of the changing economic situation.

The Bank of Russia's explanation of the logic and reasons behind its decisions and the signals of further actions in respect of monetary policy help form inflationary expectations, which affect both the inflation dynamics and interest rates in the economy. In this regard, communication is one of the main tools, and information transparency is a necessary principle of monetary policy.

The Bank of Russia pursues a free-floating exchange rate regime. This is a market mechanism not hindered by foreign exchange transactions in the domestic market in connection with the application of the fiscal rule by the Ministry of Finance of Russia. The fiscal rule is aimed at smoothing the impact of the foreign economic situation on domestic conditions.

In 2020, in response to adverse developments related to the coronavirus pandemic, the Bank of Russia launched a countercyclical loose monetary policy. This was possible due to the

consistent use of inflation targeting principles along with a balanced macroeconomic policy in previous years.

#### BANK OF RUSSIA KEY RATE DECISIONS

##### Key rate reduction in early 2020

In February, the Bank of Russia Board of Directors, continuing the monetary policy easing cycle, lowered the key rate by 25 bp to 6.00% p.a. Inflation was slowing down faster than expected. In January 2020, the annual growth rate of consumer prices decreased to 2.4%. According to the Bank of Russia's estimates, the inflation indicators reflecting the most stable processes of price dynamics were close to or below 3%. Households' inflation expectations and companies' price expectations remained generally stable. The key rate was within the neutral interest rate range. The Bank of Russia saw room for further key rate cuts in the first half of 2020 provided that the situation developed in line with the baseline forecast. This signal was taken into account by financial market participants when forming their expectations.

##### Pause in the key rate reduction in March 2020

In March 2020, the situation in the global and Russian economies changed sharply and dramatically, both in terms of the spread of the coronavirus pandemic and the dynamics of global financial and commodity market indicators and in terms of the reaction of governments and central banks to those events. The sharp slowdown in the growth of domestic and foreign demand became a significant disinflationary factor that had a restraining effect on inflation over the medium term. However, in February–March, amid extremely high volatility of the financial markets in Russia and globally and a decrease in demand for EME assets, the ruble weakened, and short-term pro-inflationary



To stabilise inflation and to support the economy, the Bank of Russia switched to a loose monetary policy in April 2020

risks intensified: the growth rate of consumer prices accelerated, inflationary expectations of the population and business increased and risks to financial stability grew. In this situation, at the meeting on 20 March, the Bank of Russia Board of Directors paused the lowering of the key rate and kept it at the level of 6% p.a. The Bank of Russia forecast that inflation would temporarily rise above the inflation target in 2020 and subsequently return to 4% in 2021. Along with the decision on the key rate, the Bank of Russia took a number of measures aimed at supporting the economy and the financial sector during the pandemic.

#### **Rate reduction and transition to a loose monetary policy starting from April 2020**

Before its April decision, the Bank of Russia had substantially revised its macroeconomic forecast and risk estimates and switched to a loose monetary policy. From April through July 2020, the key rate was reduced by 175 bp to 4.25% p.a. (in April, by 50 bp, in June, by 100 bp, and in July, by 25 bp).

In April, the Bank of Russia forecast annual inflation in the range from 3.8% to 4.8% in 2020, and at 4%, in 2021 onwards, taking into account the then-current monetary policy. In June, the inflation forecast was revised to 3.7–4.2% in 2020, 3.5–4.0% in 2021, and close to 4% thereafter.

The key rate was reduced in the context of a significant drop in domestic and external demand, which posed risks of the deviation of inflation from the target value in the medium term. Inflation slowdown factors were stronger than previously expected due to the longer

duration of restrictive measures in Russia and globally. Disinflationary risks also exceeded pro-inflationary risks over the forecast horizon. The deep drop in demand had an adverse impact on economic activity and a significant and prolonged disinflationary effect on price movements. This factor compensated for the effects of temporary pro-inflationary factors. The Bank of Russia assessed the medium-term dynamics of aggregate demand and prices taking into account the effects of fiscal policy and the rate of budget consolidation in 2021–2022. According to the Bank of Russia, the influence of pro-inflationary factors, including the weakening of the ruble and episodes of increased demand for certain goods when people were preparing for the period of self-isolation, was expected to be limited both in time and scale. Inflation expectations of households and businesses had decreased by July after growing in March–April and generally stabilised close to the levels reached.

In July, the Bank of Russia revised the estimated range of the real neutral key rate from 2–3% to 1–2% p.a. This corresponds to a nominal neutral interest rate of 5–6% p.a., taking into account the inflation target of about 4%. The revision of the neutral interest rate range was due to both lower interest rates in the global economy and a decrease in the country risk premium for Russia.

#### **Keeping the key rate unchanged since September 2020**

In September–December 2020, the Bank of Russia did not change the key rate, maintaining an accommodative monetary policy. By pub-



Given the balance of risks, the Bank of Russia did not change its key rate since September 2020 and maintained a loose monetary policy

lishing a signal along with its decisions, the Bank of Russia announced potential for further reduction of the key rate at upcoming meetings if the situation developed in accordance with the baseline forecast.

In assessing the balance of risks when making decisions on the key rate in this period, the Bank of Russia took into account the increased influence of short-term pro-inflationary factors and the risks of their longer duration. At the same time, the Bank of Russia predicted the restraining influence of domestic demand on price dynamics over the medium term to continue.

Starting in September, inflation exceeded the Bank of Russia's expectations. As of the end of 2020, it amounted to 4.9%. According to the Bank of Russia's estimates, the indicators of the current growth rate of consumer prices reflecting the most stable processes of price dynamics also increased and were close to or slightly above 4% in annual terms.

The acceleration in inflation was primarily attributed to active recovery in demand after the period of self-isolation as well as the weakening of the ruble due to a general increase in volatility in global markets and increased geopolitical risks. The effect of temporary pro-inflationary factors in certain markets associated with supply-related factors and the transfer of the weakening of the ruble that took place in 2020 to prices lasted quite a long time, which affected the growth of inflation expectations of households and businesses.

The continued easing of monetary conditions associated with the key rate reduction in

2019 H2 – 2020 H1 continued to support the economy. Lending to the economy continued to expand with the stabilisation of loan and deposit rates as well as in view of the impact of preferential programmes of the Russian Government and regulatory easing.

In its baseline scenario calculations, the Bank of Russia expected a steady resumption of growth in the Russian economy in the spring of 2021 as the situation with the coronavirus incidence rate normalised. Uncertainty about the long-term structural consequences of the coronavirus pandemic for the Russian and global economy, in particular the scale of the decline in the potential of the Russian economy and its deviation from the potential, will continue to be a determining factor for medium-term inflation dynamics. In December, the Bank of Russia predicted that annual inflation would exceed its peak values in February–March 2021, after which it would decline as the effect of pro-inflationary factors was exhausted as well as due to the 2020 base effect. At the same time, it was taken into account that a loose monetary policy would continue to support the economy in 2021. It was envisaged that over the medium term, as economic conditions normalised and inflation stabilised near 4%, the Bank of Russia would assess the possible timing and pace for returning from a loose monetary policy to a neutral one, where the key rate would be in the neutral range of 5–6% p.a. At the same time, over the entire forecast horizon, the Bank of Russia will pursue a monetary policy so as to ensure the consolidation of inflation near 4%.

## 2.1.2. MONETARY POLICY INSTRUMENTS

Throughout 2020, the Bank of Russia used its instruments to effectively achieve the operational goal of its monetary policy; both in conditions of a significant surplus of liquidity at the beginning of the year and in conditions of a transitional state to a structural deficit at the end of the year, overnight money market rates formed close to the key rate. With the spread of the coronavirus infection, liquidity surplus declined primarily on the back of the increased demand for cash and the significant interest of banks in investing in OFZs with the Ministry of Finance of Russia increasing its borrowings in the domestic debt market. At the same time, given the prevalence of a liquidity surplus for most of the year, market rates formed with a small negative spread to the Bank of Russia's key rate.

### AUTONOMOUS LIQUIDITY FACTORS

The seasonal return of cash to banks after the New Year holidays and the increase in free budget funds placed with banks by the Federal Treasury largely determined the increase in the structural liquidity surplus in the first two periods of required reserves averaging (up to ₺3.7–3.8 trillion).

The spread of the coronavirus infection and the subsequent events were the key factors

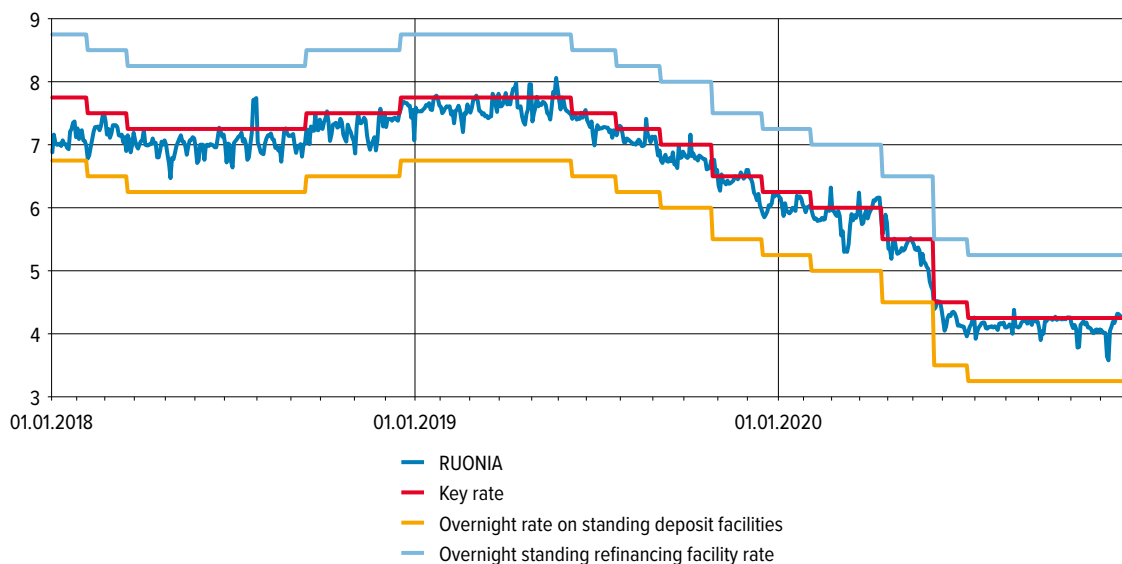
both for the dynamics of the main groups of autonomous factors in the formation of liquidity and for the structural position of the banking sector. The increased demand for cash practically for the entire remainder of the year caused liquidity outflow. The net outflow of liquidity via the fiscal channel in March, when revenues were still at a relatively high level, despite the decline in global oil prices, was gradually replaced by its net inflow by summer, when budget expenditures increased significantly, taking into account additionally allocated funds for medicine, support of the population, and economic recovery. However, in autumn, budgetary factors taken in the aggregate again led to a net outflow of liquidity as the Ministry of Finance of Russia increased its OFZ placements in September, budget system revenues recovered, and the Federal Treasury placed temporarily free budget funds with banks with a certain lag.

As a result, in spring, structural surplus decreased, but during the next four averaging periods it remained at about ₺1.7–1.9 trillion. In October, it dropped to approximately ₺1.0 trillion, and in November, to ₺0.5 trillion.

In December, due to the growth in cash in circulation, the outflow of liquidity was quite

**BANK OF RUSSIA INTEREST RATE CORRIDOR AND RUONIA RATE  
(PER CENT P.A.)**

Chart 33



expected, although it turned out to be higher than the Bank of Russia's forecast. On the contrary, the inflow of liquidity through the fiscal channel, despite large budget expenditures, was less than expected. At the same time, there was no expected proportional increase in the volume of operations of the Federal Treasury for the placement of temporarily free funds with banks. At the end of 2020, the balance of funds of the budgetary system with the Bank of Russia increased, and the status of liquidity in the last averaging period was transitional from a structural surplus to a structural deficit.

### BANKING SECTOR LIQUIDITY MANAGEMENT

In 2020, the Bank of Russia's approach to the management of banking liquidity and the system of instruments it uses did not undergo significant changes.

The structural surplus still forced the regulator to absorb excess liquidity to balance the overnight money market segment and to achieve the operational target. Therefore, 1-week deposit auctions held on Tuesdays remained the main instrument, using which the

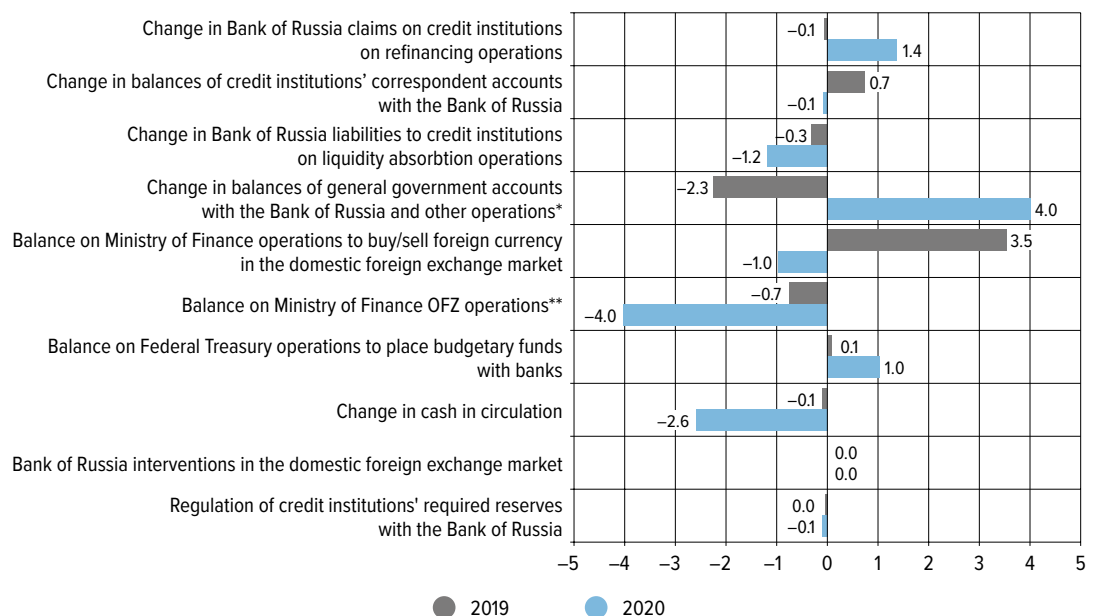
Bank of Russia absorbed on average  $\text{₽}1.3$  trillion in 2020 ( $\text{₽}1.6$  trillion in 2019).

The Bank of Russia also continued to place Bank of Russia coupon bonds (Coupon OBRs) to absorb a stable portion of excessive liquidity. In response to the sharp decline in the surplus, decisions were made several times to suspend or postpone the auctions. For example, Coupon OBRs of the 33<sup>rd</sup> and 34<sup>th</sup> issues came into circulation approximately two months after their issue, and Coupon OBRs of the 35<sup>th</sup> issue came into circulation about a month later; auctions for the placement of Coupon OBRs of the 40<sup>th</sup> issue were postponed to 2021. As a result, the average volume of liquidity absorbed with the help of Coupon OBRs decreased from  $\text{₽}1.4$  trillion in 2019 to  $\text{₽}1.1$  trillion in 2020.

In 2020, at the end of the averaging periods, the Bank of Russia usually held fine-tuning deposit auctions. However, in the March and April averaging periods, the Bank of Russia also held several fine-tuning repo auctions. This decision was intended to prevent unwanted tension in the money market given the uneven distribution of liquidity between banks after the imposition of restrictive measures.

### LIQUIDITY FACTORS (TRILLIONS OF RUBLES)

Chart 34

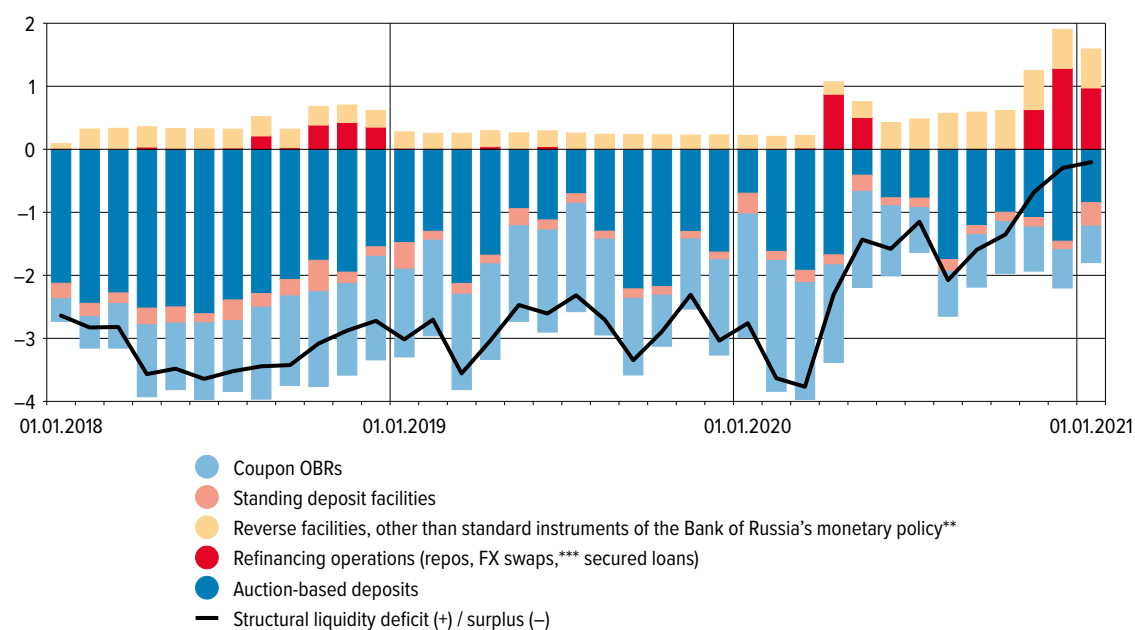


\* Net of Federal Treasury deposit and repo operations and Ministry of Finance OFZ operations, including Ministry of Finance operations to buy or sell foreign currency in the domestic foreign exchange market, settlements on Bank of Russia sell/buy USD/RUB FX swaps, Bank of Russia operations to buy monetary gold, and other operations.

\*\* Taking account of coupon payments.

STRUCTURE OF BANK OF RUSSIA OPERATIONS\*  
(TRILLIONS OF RUBLES)

Chart 35



\* Bank of Russia claims to credit institutions on refinancing instruments / Bank of Russia liabilities to credit institutions on excess liquidity absorption instruments as of start of business.

\*\* Bank of Russia specialised refinancing instruments, Bank of Russia loans under irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps.

\*\*\* Bank of Russia USD/RUB and EUR/RUB buy/sell FX swaps.

In May 2020, the Bank of Russia began holding repo auctions for 1 month at a fixed rate and for 1 year at a floating rate. Major banks with significant investments in new OFZ issues showed an increased interest in 1-month repo auctions in the fourth quarter. On its part, to prevent unwanted tension in the money market, the Bank of Russia increased the limit at such auctions from ₹0.4 trillion to ₹1.0 trillion and to ₹1.5 trillion afterwards.

### ACHIEVING THE OPERATIONAL OBJECTIVE OF MONETARY POLICY

The Bank of Russia has a wide range of instruments to compensate for the impact of autonomous factors on liquidity through operations differing in direction (provision or absorption of liquidity), regularity and urgency and, for liquidity-provision operations, in the type of collateral. All these operations are aimed at bringing money market rates closer to the key rate. By means of basic operations — weekly 1-week auctions to provide or absorb liquidity — the Bank of Russia compensates for the

liquidity deficit or surplus so that on average the banking sector preserves neutral liquidity for the duration of the operation. In addition, if a short-term liquidity deficit or surplus develops in the banking sector on certain days, the Bank of Russia compensates for it using fine-tuning auctions for 1–6 days. Finally, if the structural surplus or deficit reaches a significant level, the Bank of Russia partially compensates for it through medium-term operations for providing or absorbing liquidity to reduce the operating burden on credit institutions and rollover risks for weekly auctions. Thus, the framework of monetary policy instruments allows the Bank of Russia to achieve the operational objective of its monetary policy, i.e. to bring interbank money market rates close to the key rate, in any banking sector liquidity situation.<sup>1</sup>

In 2020, the interest rates in the overnight money market segment formed near the key rate with a small negative spread. On average, for 2020, the absolute deviation of RUONIA from the key rate was 17 bp, which is 1 bp less than for 2019. The spread between RUONIA

<sup>1</sup> For more information about the functioning of monetary policy instruments, see [Monetary Policy Operations](#).

and the key rate ranged from –81 to 39 bp (in 2019, from –55 to 31 bp). Despite a slight narrowing of the average spread, its volatility increased and amounted to 18 bp in 2020 (vs 15 bp in 2019).

But even in conditions of increased volatility in financial markets and growing uncertainty, including among credit institutions in respect of incoming and outgoing payments, the instruments used in the reporting year ensured the convergence of money market rates with the Bank of Russia's key rate.

#### **OPTIMISATION OF THE PROCEDURE FOR BANK OF RUSSIA OPERATIONS**

During the reporting year, the Bank of Russia strived to improve the efficiency of its operating procedure by modernising its monetary policy instruments and making them more accessible.

Since the beginning of 2020, credit institutions have been given the ability to use intraday loans from the Bank of Russia virtually on a 24/7 basis for settlements in the faster payment service. Also, in 2020, the exchange of a number of documents within the framework of standard instruments and specialised refinancing mechanisms between the Bank of Russia and credit institutions (their branches) was transferred to an electronic format through personal accounts. The introduction of long-term repo auctions in May 2020 required technical improvements that enabled floating-rate repo transactions.

Moreover, in 2020, preparatory work was carried out to update the mandatory provisioning mechanism. The Bank of Russia published a new draft regulation 'On Required Reserves of

Credit Institutions' for public consultations, and in October it piloted the target process for the regulation of the amount of required reserves.

#### **COLLATERAL FOR BANK OF RUSSIA OPERATIONS**

Effective 1 January 2020, the minimum credit rating requirements for assets accepted as a collateral for transactions were increased by one notch. The Bank of Russia Lombard List includes bonds of legal entities that are residents of the Russian Federation, bonds of constituent entities of the Russian Federation, and bonds of municipalities, if their issues (issuers) have credit ratings not lower than A+(RU) according to the classification of ACRA (JSC) or ruA+ according to the classification of JSC Expert RA, to the extent these securities comply with other requirements of the Bank of Russia. Similar requirements for the credit rating level are imposed on business entities when compiling the lists.<sup>1,2</sup> Issue-grade debt securities issued by legal entities that are non-residents of the Russian Federation are included in the Lombard List if the credit rating assigned to the issue is not lower than BB/Ba2 according to the classification of S&P Global Ratings, Fitch Ratings / Moody's Investors Service.

In 2020, the Bank of Russia did not take decisions to change the requirements for collateral.

In 2020, the volume of potential market collateral for refinancing operations increased from ₴8.3 trillion to ₴11 trillion,<sup>3</sup> mainly owing to OFZs. The volume of non-marketable assets included in the collateral pool for standard lending operations amounted to ₴4.9 trillion at the end of 2020 (vs ₴4.2 trillion at the end of 2019).

<sup>1</sup> The list of constituent entities of the Russian Federation and municipalities that may be liable under loan agreements the rights of claim under which may be included in the Bank of Russia's pool of loan collateral.

<sup>2</sup> The list of legal entities liable under loan agreements the rights of claim under which may be included in the collateral pool without the Bank of Russia checking the accounting (financial) statements or other information about these entities.

<sup>3</sup> Including securities used by credit institutions in repo transactions.



## 2.2. Ensuring financial market resilience

### 2.2.1. ENSURING FINANCIAL STABILITY

#### 2.2.1.1. MONITORING OF FINANCIAL STABILITY RISKS

##### EXTERNAL RISKS

In 2020, the world faced unprecedented challenges related to the spread of the coronavirus infection. Countries had to impose severe restrictions (lockdowns). As a result, a large-scale economic crisis unfolded, the situation with the liquidity and solvency of companies worsened, and global financial markets faced a sharp decline. According to the estimates of the International Monetary Fund (IMF) for April 2021, the global GDP dropped by 3.3% in 2020, which was the most significant decline since the Great Depression.

However, unprecedented support measures from governments and central banks helped limit the severity of the impact. The global financial markets stabilised by May–June 2020. In summer, as the restrictions were being lifted, economic activity began to recover. The deterioration of the epidemic situation in autumn did not have such a significant impact on the markets and the economy as in spring. At the same time, specific risks in certain EMEs as well as the elections in the United States were additional factors that affected market volatility in the second half of the year. By the end of the year, global growth prospects improved due to the advances in vaccine developments and the expectations of large-scale vaccinations. As a result, at the end of the year, global risk appetite increased, and stock indices in the US and EMEs reached new record highs.

According to the IMF estimates for April 2021, the total volume of fiscal stimuli amounted to 15.3% of the global GDP. Central banks responded to the crisis by lowering their key rates, expanding banks' access to the available refinancing mechanisms, and launching new lending support programmes (for lending to small- and medium-sized businesses and

consumers). Leading central banks significantly expanded their asset purchase programmes. The US Fed activated swap lines with a wider list of countries to support dollar liquidity in the global market. In the spring of 2020, a number of EMEs carried out foreign exchange interventions to support their national currencies and began to intervene in government bond markets. Many central banks introduced temporary regulatory easing, including the release of countercyclical capital buffers in some countries.

Large-scale measures helped significantly mitigate the impact of the pandemic but at the same time triggered new challenges. First, accommodative monetary policy in the leading countries is fraught with the formation of market bubbles. Second, support measures contribute to an increase in the debt burden in the real sector, and their overlong persistence may lead to the emergence of chronically insolvent companies over the medium term. Third, some countries may face problems in issuing and servicing sovereign debt, which increases because of the need to finance fiscal incentives. Fourth, the long-term use of government bond purchase programmes by the central banks of EMEs may raise doubts about their independence, which will increase market volatility.

##### FINANCIAL SECTOR RISKS

The spread of the coronavirus infection had a negative impact on the Russian financial markets in 2020. This was reflected primarily in the growth of volatility and sales of Russian assets by foreign market participants in the first phase of the pandemic. As in previous periods of volatility, there was an increased demand for foreign currency in the Russian market by non-residents. Overall, in March,



The Bank of Russia took measures to stabilise the foreign exchange market by proactively selling foreign currency under the fiscal rule and as part of the transaction for the sale of Sberbank shares

non-residents and foreign-owned banking subsidiaries purchased foreign currency in the equivalent of ₴390 billion. In March, the share of non-residents' investments in OFZs decreased from 34.9% to 31.7% (a decrease in investments by ₴293 billion in absolute terms). Bond sales by foreign investors spurred a sharp rise in yields, with the peak on 18 March: the yields of 10-year OFZs rose by 242 bp since 20 February to 8.42%, while corporate bond yields grew by 3 pp.

The Bank of Russia implemented a set of measures to stabilise the foreign exchange market. After the termination of foreign currency purchases in the domestic market on 9 March, starting from the next day, the Bank of Russia began proactively selling foreign currency under the fiscal rule, which took place before the start of regular sales of foreign currency from the NWF. However, since the ruble exchange rate continued to decline amid the collapse of oil prices, on 19 March the Bank of Russia began selling foreign currency received under the transaction for the sale of a block of Sberbank shares held by the Bank of Russia. These transactions were made when the oil price was below \$25 per barrel and continued until 12 May.

The Bank of Russia's actions in coordination with the Russian Government helped stabilise the situation in the foreign exchange market. Having peaked in the second decade of March, the ruble's exchange rate was mainly strengthening almost until the end of June, and the implied three-month ruble volatility decreased from 27 to 13 points.

The total volume of currency sold as part of the sale of Sberbank shares and the proactive sales in March–May 2020 amounted to the equivalent of ₴504.2 billion. The remaining volume of currency from the transaction with

Sberbank shares (₴1,635.2 billion) was used to offset the foreign currency purchases under the fiscal rule postponed in 2018 and March–April 2020. The Bank of Russia sold the balance in the amount of ₴185.4 billion in the domestic foreign exchange market in 2020 Q4.

Providing banks with liquidity through repo auctions, including for long terms, enabled credit institutions to quickly adapt to the changed liquidity situation. In addition, banks and NFIs were allowed not to revalue securities at fair value. Credit institutions were also permitted to calculate ratios using the exchange rates as of 1 March 2020.

After March 2020, there was no active withdrawal of foreign investors from the Russian market. A further decline in OFZ yields was limited by the influence of geopolitical factors.

In general, in 2020, the share of non-residents in the federal loan bond market decreased from 32.2% to 23.3%. OFZ yields decreased over the year by an average of 47 bp to 5.77%.<sup>1</sup> Thus, despite temporary fluctuations, the OFZ market remained stable due to low government debt (even despite new placements, the debt level is still lower than that of all G20 countries) and high demand from local investors.

The Bank of Russia monitored financial stability risks for systemically important FMIIs, including NCI NCC (JSC) and NCI JSC NSD. Based on its results, most of the risks were rated as 'low'. The financial stability risks (liquidity risk, credit and market risks) inherent in NCI NCC (JSC) were also assessed as 'low', including based on the results of regular stress testing (direct and reverse). Certain types of financial and non-financial risks were rated as 'medium', in particular:

- 1) central counterparty risk – a key risk that is a constant focus of attention;

<sup>1</sup> Moscow Exchange RGBITR index for the most liquid OFZs.

2) operational risk – one of the main risks inherent in both NCI NCC (JSC) and NCI JSC NSD. The recorded operational risk events were associated with the complexity of the software used as well as with the issue of information security given the need to ensure the remote work of companies during the coronavirus pandemic.

### BANKING SECTOR RISKS

In 2020, the banking sector provided significant credit support to the real economy sector.

Lending growth in 2020 became possible due to several factors: a significant capital cushion in the banking sector, which was formed thanks to the policy pursued by the Bank of Russia, the transition to accommodative monetary policy, and the effect of state concessional lending programmes for companies and individuals.

**Credit risk** remained predominant for banks. As a result of the coronavirus pandemic, household income decreased significantly (in 2020, real disposable household income decreased by 3.5%<sup>1</sup>), and many companies experienced a significant [contraction in their cash flows](#). As a result, credit risks for banks increased, which manifested in an increase in expenses for provisions for loans and other assets by 52% (₽1.2 trillion in 2020 vs ₽0.8 trillion in 2019<sup>2</sup>). However, growth in operating income allowed the banking sector to absorb the increase in credit losses without a significant impact on profitability and stability. The total share of problem and bad loans (quality categories IV and V) even decreased during 2020 (from 9.6% to 9.0%), mainly due to the outstripping growth of the loan portfolio, temporary regulatory easing adopted by the Bank of Russia, and write-offs and sale of problem loans by banks.

This primarily concerned corporate loans, for which the share of problem loans decreased (from 11.0% to 9.9%). For consumer lending, this indicator deteriorated (from 7.7% to 8.7%<sup>3</sup>) given the higher risks inherent in this segment and the additional impact of the pandemic. The share of non-performing loans in mortgage lending remained practically unchanged, staying at a low level (1.3% as of 1 January 2021).

The risk of impairment of non-performing loans was insignificant as such loans were sufficiently well covered by provisions (by 78% as of 1 January 2021, an increase of 3 pp over the year). Taking into account all provisions formed, including for performing loans, the coverage level was even higher (101%, an increase of 6.8 pp).

Measures to support borrowers from affected industries as well as active debt restructuring by banks (since the start of the pandemic, about ₽7.2 trillion, or 11% of the loan portfolio) helped avoid more serious implications for credit quality.

For such loans, additional provisions may be required, according to preliminary estimates, in an amount of up to ₽1.4 trillion (about 2% of the loan portfolio, or 12% of the banks' regulatory capital). However, credit losses will be recognised gradually, which will limit the pressure on the banks' profits and capital.

When the restrictive measures were introduced, banks tightened their retail lending standards; however, by the end of 2020, the requirements for borrowers had returned to their pre-pandemic levels. In 2020 Q4, the average value of individuals' debt burden on newly issued unsecured consumer loans was 62%, and 56% on mortgage loans (a decrease of 4 pp since the beginning of the year). The share of mortgage loans issued by banks with a



Banks actively restructured the debt of borrowers who suffered from the pandemic, which helped restrain the deterioration of the overall quality of the loan portfolio

<sup>1</sup> According to Rosstat.

<sup>2</sup> Excluding the Bank of Non-core Assets.

<sup>3</sup> Car loans and unsecured consumer loans overdue for over 90 days.

down payment of 10% to 20% increased slightly (from 29% in 2020 Q1 to 32% in 2020 Q4). The growth in the share of loans with a small down payment can be attributed, among other things, to the state programme of preferential mortgage lending, under which the minimum down payment can be 15%.

The quality of the mortgage loan portfolio also largely depends on a balanced growth in real estate prices. In the fourth quarter, the annual growth in real estate prices in the primary market amounted to 12%.<sup>1</sup> If the rise in property prices continues to accelerate, this may intensify the amplitude of the credit cycle and lead to an increased demand for mortgages and a subsequent deeper credit contraction.

In 2020 Q4, the Bank of Russia conducted a series of supervisory stress tests of the banking sector, taking into account the adverse scenario of economic development published in the [Monetary Policy Guidelines for 2020 and for 2021–2022](#). The estimates at an individual level included 29 banks holding over 80% of the banking sector's assets. The stress test results demonstrated that in most cases the accumulated capital cushion was sufficient to cover stress losses. As of 1 January 2021, the banking sector had a capital reserve above the capital adequacy ratios of ₺5.8 trillion<sup>2</sup> (about 10% of the loan portfolio less provisions, excluding claims on reverse repo transactions). A significant part of the sector's capital cushion is formed out of buffers accumulated during a favourable macroeconomic period and serving as a good defence mechanism in the event of stress. Moreover, as of 1 January 2021, banks had an accumulated macroprudential capital buffer in the amount of ₺0.6 trillion, which can be used in the event of cancellation of the Bank of Russia's regulatory easing and recognition of loan losses by banks. In 2020, the Bank of Russia, as part of its countercyclical policy to support retail lending and to cover bank losses on loans, already partially released the macroprudential capital cushion accumulated by banks for mortgage and unsecured consumer

loans (see [Subsection 2.2.1.2 'Macroprudential regulation measures to ensure financial stability'](#)).

**Interest rate risk.** Funding for Russian banks is generally shorter-term as compared to their assets. This poses a risk for banks of a reduction in net interest margin and, accordingly, profits in the event of an increase in market interest rates since liabilities are revalued in a shorter timeframe. However, the risk is limited as floating rates are set for about 40% of long-term corporate loans.

According to Bank of Russia estimates, if ruble interest rates increase by 2 pp, the reduction in the margin of the largest banks will not exceed 1 pp on average over the horizon of one year, which does not pose any significant threat to financial stability since banks generally maintain a high level of net interest margin (4.4% based on the results of 2020). At the same time, the interest margins of mostly corporate banks are significantly lower than the sector average, and a 1 pp decrease will have a significant adverse effect on their profitability.

**Liquidity risk.** Despite the reduction in the structural liquidity surplus to ₺0.2 trillion as of 1 January 2021 from ₺2.8 trillion as of 1 January 2020, the overall liquidity situation in the banking sector remained fairly stable. At the end of 2020, the total volume of ruble-denominated liquid assets of the banking sector amounted to about ₺15 trillion, having increased by more than ₺1 trillion over the year due to the growth of investments in securities (mainly OFZs). This covers a third of the total volume of customer funds in rubles, and this level remained stable throughout 2020.

Also, banks could attract liquidity from the Bank of Russia secured by non-marketable assets in the collateral pool for standard liquidity-provision operations (as of the end of 2020, their volume was about ₺5 trillion).

In 2020, the volume of liquid foreign currency assets increased from \$43 billion to \$47 billion, remaining at a level sufficient to cover about 20% of clients' foreign currency

<sup>1</sup> According to Rosstat.

<sup>2</sup> The capital stock is calculated as the least of the stocks under the three capital adequacy ratios and takes into account the reclassification of unaudited profit to common equity Tier 1 capital and the positive effect of loss on risk-weighted assets.

funds. Moreover, credit institutions were able to obtain additional foreign currency liquidity under the Bank of Russia's standing FX swap instrument (the limit ranged from \$3 billion to 5 billion<sup>1</sup>) as well as in the foreign exchange market.

However, despite the generally stable liquidity situation in 2020, the pandemic and low deposit rates caused a flow of customer funds from long-term deposits to shorter-term deposits, current accounts and alternative investment instruments. In these conditions, at the end of 2020 Q1, the actual values of the liquidity coverage ratio N26 (N27) (LCR) for many systemically important credit institutions (SICIs) decreased. Certain SICIs complied with regulatory requirements, taking into account the existing ratio compliance mechanisms<sup>2</sup> and temporary easing introduced by the Bank of Russia (see [Subsection 2.2.1.2 'Macropprudential regulation measures to ensure financial stability'](#)). During 2020, the Bank of Russia set non-zero maximum possible irrevocable credit line (ICL) limits for eight SICIs (as of 1 January 2021, for seven SICIs). The maximum possible limits under the open ICLs as of 1 January 2021 totalled ₺2,770 billion, of which ₺1,368 billion were included in the calculation of the liquidity coverage ratio (LCR) as of that date. In 2020, no loans were issued to credit institutions under this mechanism.

**Competition and margin lowering.** In 2020, the net interest margin dropped slightly (by 20 bp). The decline in the marginality of the traditional banking business forced banks to develop additional services (including based on ecosystems).

The Bank of Russia took steps to level the competitive environment. Proportional regulation continued to develop: SICIs applied

additional capital buffers and were required to comply with the Basel liquidity ratios.

In 2020, a federal law was adopted<sup>3</sup> that creates a legal basis for the functioning of a financial platform — a marketplace information system allowing, among other things, medium and small banks to have access to a remote sale platform and offer their services to a wide range of customers across the country.

The Faster Payments System (FPS) was developing, allowing people to transfer money instantly (on a 24/7 basis) using a mobile phone number, regardless of the bank in which the sender's or recipient's accounts were opened. As of the end of 2020, more than 200 credit institutions were connected to the FPS.

At the same time, in the context of ecosystem development, there is a risk of market monopolisation as the growing popularity of individual participants may lead to an excessive strengthening of their competitive position even in new business areas. So far, the volume of such investments is relatively small, and the risks are limited. At the same time, taking into account the possible growth of risks, the Bank of Russia is working on ecosystem regulation to maintain a balance between the development of financial innovations, the development of domestic ecosystems in the context of global competition, and the limitation of risks for bank customers and the financial system as a whole.

## RISKS OF NON-BANK FINANCIAL INSTITUTIONS

**Insurance companies.** The difficult economic situation caused by the coronavirus pandemic did not lead to a significant increase in risks in the insurance market.

The combined loss ratio<sup>4</sup> was 88.0%,<sup>5</sup> remaining practically unchanged since the previ-

<sup>1</sup> For the period from 10 March 2020 to 16 July 2020, the Bank of Russia increased the limit on FX swap transactions from \$3 billion to \$5 billion.

<sup>2</sup> When introducing a LCR, due to the lack of high-quality liquid assets (HQLAs) denominated in Russian rubles in the Russian financial sector meeting the Basel III criteria, the Bank of Russia, in accordance with the standard of the Basel Committee on Banking Supervision (BCBS), decided to include the limit value of the ICLs opened by the Bank of Russia and HQLAs in certain foreign currencies to the extent exceeding the net expected cash outflow in the respective currency in the calculation of the LCR numerator.

<sup>3</sup> Federal Law No. 211-FZ, dated 20 July 2020, 'On Performing Financial Transactions Using a Financial Platform'.

<sup>4</sup> Loss ratios are calculated for insurance other than life insurance.

<sup>5</sup> The information was prepared using the data provided by the Data Governance Department; the information may differ from the data presented in the analytical Review of Key Performance Indicators of Insurers for 2020 published on the Bank of Russia website due to the formation of data as of various dates.



ous year. The rolling loss ratio decreased over the year by 1.0 pp to 47.6%, including due to a decrease in the number of insured events during the self-isolation period, while the rolling cost ratio, on the contrary, increased by a comparable amount to 40.4%, which is a consequence of growth in the remuneration of insurance intermediaries.

High volatility in the stock market at the beginning of the coronavirus pandemic contributed to the increased risk of negative revaluation of financial assets, which was mitigated by the regulatory and supervisory easing of the Bank of Russia. The impact of foreign exchange risk on the insurance market was offset by the business model of some insurers, under which foreign currency assets are acquired to hedge foreign exchange liabilities.

During the pandemic, remote methods of interaction of insurers and insurance intermediaries with customers started to develop, which, by contributing to growth in the availability of services, increased the relevance of controlling operational risks.

**Non-governmental pension funds.** Significant fluctuations in stock market prices and the adverse effects of the coronavirus pandemic did not lead to the materialisation of systemic risks in the industry. At the same time, the period of high volatility in the stock market in 2020 Q1 did not cause a significant decrease in the value of investment portfolios of non-governmental pension funds (NPFs) due to the prevailing share of debt instruments in the structure of the funds' assets, including those valued at a depreciated cost. Against the background of positive dynamics in the stock market in 2020 Q2–Q4, the value of NPF portfolios increased by 6.1%, which offset the slight decrease in value in 2020 Q1. At the same time, NPFs demonstrated a restrained interest in risky assets.

The results of the investment of pension savings (PSs) of NPFs and the placement of pension reserves (PRs) of NPFs were lower as of the end of 2020 (the weighted average investment return at the end of 2020 was 7.2%

and 5.8% p.a., respectively) than in 2019, which is largely due to the pandemic-induced drop in stock markets in 2020 Q1. Nevertheless, during the pandemic, NPFs demonstrated the stability of their portfolios and were able to show profitability exceeding inflation, which amounted to 4.9% in 2020.

In addition, the Bank of Russia updated mandatory stress-testing scenarios for NPFs, taking into account the changing situation in the economy. Also, additional calculations of stress tests were performed subject to individual prerequisites that take into account the specific risks of the funds. The results of stress testing under the updated scenarios generally showed the high financial stability of NPFs.

**Brokers that are non-bank financial institutions.** The key factor of growth in the brokerage services market in 2020 was the flow of customer funds from bank deposits to stock market instruments, which was associated with declining interest rates and volatility in the securities market during the pandemic. By the end of the year, the number of customers of NFI brokers increased by 33% to 1.5 million customers; the volume of customer assets increased by 26% to ₹6.4 trillion. The main inflow of customer funds was observed in the largest market participants.

With the increase in the volume of customer assets, the brokers' risks of cash outflow increased. However, as of the end of 2020, the average liquidity coverage ratio of brokers was above the future ratio. Therefore, currently, brokers have enough liquid assets to cover the expected outflow of customer funds.

At the same time, the activities of brokerage companies are fraught with market risks, which is associated with the significant share of securities in the assets of brokers (over the year, the portfolio of securities became 1.5 times greater). At the same time, brokers' capital was sufficient to cover both market and credit risks.<sup>1</sup>

**Consumer microfinancing.** In 2020, the volume of the consumer microfinancing market reached ₹188.2 billion, and its annual growth rate slowed down as compared to 2019 from

<sup>1</sup> Pursuant to the methodology for calculating the capital adequacy ratio.

27.9% to 9.8%, which was largely caused by the restrictions imposed in connection with the spread of the coronavirus infection. At the same time, in the reporting year, despite the increase in the share of debt on microloans with payments overdue by over 90 days (NPL90+) by 4.2 pp to 34.1%, capital adequacy ratios remained at a high level (27.5% for NMFK1 and 58.2% for NMKK1). This may be attributed, among other things, to the regulatory easing introduced for microfinance organisations (MFOs) in terms of reserves and the application of an adjustment coefficient to loans with an increased debt-to-income ratio (DTI).<sup>1</sup> At the same time, according to the Bank of Russia's survey,<sup>2</sup> MFOs retained the same share of microloans with a DTI of over 50% in disbursements (58.0% in 2020 Q4 vs 57.9% in 2020 Q1).

### LEASING SECTOR RISKS

The leasing industry is not directly included in the perimeter of regulation and supervision of the Bank of Russia; however, it accounts for a significant share of the financial system. For example, according to the Bank of Russia's survey conducted in respect of major leasing companies<sup>3</sup> (82% of the total leasing portfolio), for 9 months of 2020, the volume of debt on lease payments of these companies reached ₹4.1 trillion, an increase of 13.6% over the year.<sup>4</sup> Despite the negative consequences of the restrictive measures imposed in 2020 Q1, in the third quarter, there was a 43.3% increase in new business volumes (for the rolling year). This was mainly due to deferred demand of past periods and the depreciation of the national currency. Against this background, the share of the problem financial leasing portfolio rose from 3.9% to 10.1% for 9 months of 2020 due

to an increase in restructuring and contracts overdue for over 90 days. At the same time, the profitability and marginality indicators of the leasing companies surveyed remain high: 17.6% and 6.8%, respectively. This divergence may be attributed to a slight increase in provisions for expected credit losses.

### RISKS OF DEVELOPMENT INSTITUTIONS

In 2020, the Bank of Russia continued to monitor the financial position of VEB.RF, JSC DOM.RF and JSC RSMB Corporation, which took an active part in anti-crisis programmes aimed at supporting the economy and individuals while maintaining high financial stability.

In 2020, VEB.RF issued loans in the amount of ₹243 billion and provided guarantees to banks in the amount of ₹500 billion. In this context, its capital adequacy ratio<sup>5</sup> rose from 13.6% to 17.0%, largely due to the increase in the authorised capital of VEB.RF.<sup>6</sup> At the end of 2020, a procedure for reforming development institutions was launched, involving the transfer of supervision of the largest development institutions to VEB.RF.<sup>7</sup> This will help increase the systemic importance of VEB.RF and its interconnection with the financial sector of the Russian Federation.

As part of stimulating mortgage lending, JSC DOM.RF significantly increased the issue of mortgage securities, the nominal volume of which amounted to ₹917 billion at the end of 2020. This trend was one of the factors behind the decline in the share of loans overdue by over 90 days (NPL90+) to 0.7% at the end of 2020 (–0.1 pp over the course of 2020). Thus, the quality of the mortgage portfolio of JSC DOM.RF remains high. Given the significant growth in the scope of activities and the systemic importance of the development

<sup>1</sup> Bank of Russia Information Letter No. IN-06-59/140, dated 30 September 2020, 'On the Extension of Certain Measures to Contain the Effects of the Spread of the Coronavirus Infection (COVID-19)'.

<sup>2</sup> The survey was conducted for 18 major MFOs (65% of the consumer microfinancing market).

<sup>3</sup> Leasing companies are surveyed in accordance with the Bank of Russia Survey Programme on Monitoring of the Leasing Market and Assessment of its Key Risks. The process of collecting and processing information for 2020 will be completed in May 2021.

<sup>4</sup> According to JSC Expert RA, as of 30 September 2020, the volume of the leasing market amounted to ₹5.1 trillion.

<sup>5</sup> Order of the Russian Government No. 1510-r, dated 23 July 2018, on the approval of the Memorandum on the Financial Policy of the State Corporation 'Bank for Development and Foreign Economic Affairs' (Vnesheconombank).

<sup>6</sup> Property contribution in the amount of ₹350 billion in accordance with Federal Law No. 160-FZ, dated 25 May 2020, 'On Amendments to Article 1 of the Federal Law 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from the Sale of Ordinary Shares of Sberbank of Russia'.

<sup>7</sup> Order of the Russian Government No. 3710-r, dated 31 December 2020, 'On Development Institutions'.



institution, the established standards and requirements for stress testing of equity and liquidity position<sup>1</sup> help limit financial stability risks in the future.

#### **IMPROVEMENT OF RISK ASSESSMENT METHODS**

Pursuant to the [Russian Financial Market Development Programme for 2019–2021](#), as part of measures for developing infrastructure and improving the tools for ensuring financial market stability, in December 2020, the Bank of Russia prepared and published an analytical note [Analysis of Systemic Risks in Macroprudential Stress Testing](#) concerning the development of macroprudential stress testing. In this document, the Bank of Russia described current trends in the development of the model apparatus of macroprudential

stress testing in Russia and globally, analysed the approaches to assessing risks in the markets with a central counterparty and assessing the effects of contamination, and described models for assessing the effects of mutual influence of the real and financial sectors and for evaluating anti-crisis measures for supporting the financial sector.

During the coronavirus infection pandemic, the Bank of Russia ensured continuous monitoring of financial sector risks, in particular, using the tools of the Situation Centre for Monitoring Exchange Trading, which monitors organised trading at Moscow Exchange and works with corporate news and macroeconomic indicators, including for the adoption of solutions by the Bank of Russia aimed at ensuring the resilience of organised trading to the development of shock imbalances.

<sup>1</sup> Resolution of the Russian Government No. 1680, dated 13 October 2020, 'On Matters Related to Ensuring the Financial Stability of a Single Development Institution in the Housing Sector'.

## 2.2.1.2. MACROPRUDENTIAL REGULATION MEASURES TO ENSURE FINANCIAL STABILITY

In 2020, to minimise financial stability risks and support the lending market, the Bank of Russia made the following decisions concerning macroprudential regulation.

### Measures in the segment of foreign currency loans to legal entities

In March 2020, to support lending to organisations producing pharmaceuticals and materials used for medical purposes as well as organisations producing medical equipment during the pandemic, the Bank of Russia decided not to apply add-ons to risk weights for foreign currency loans issued to such organisations or for investments made in debt securities denominated in a foreign currency until 30 September 2020. Subsequently, this measure was extended until 31 December 2021.

### Measures in the mortgage lending segment

To compensate for potential losses of credit institutions associated with a temporary decrease in interest income and to support mortgage lending, on 3 April 2020 the Bank of Russia decided to cancel the add-ons to risk weights for mortgage credit facilities (loans) issued in rubles before 1 April 2020 and credit facilities (loans) for financing issued under equity construction agreements. This decision made it possible to free up macroprudential capital stock for mortgage loans accumulated by banks in the amount of ₽126 billion.

Moreover, on 20 March 2020, the Bank of Russia decided to reduce the value of add-ons to risk weights<sup>1</sup> for mortgage credit facilities (loans) issued from 1 April 2020 in rubles as well as credit facilities (loans) issued for financing under equity construction agreements.

To stimulate mortgage lending, the Bank of Russia introduced amendments to the regulations<sup>2</sup> to ease the requirements for applying add-ons to risk weights to mortgage loans for which the down payment and/or the repayment of the principal debt and payment of interest are made out of federal subsidies for multiple-child families.<sup>3</sup>

### Measures in the unsecured consumer lending segment

To support the unsecured consumer lending segment, on 7 August 2020, the Bank of Russia made the following decisions:<sup>4</sup>

- to cancel risk ratio buffers for unsecured consumer loans in rubles issued before 31 August 2019, which made it possible to dissolve macroprudential capital stock accumulated by banks for unsecured consumer loans in the amount of ₽168 billion;
- to reduce the values of risk ratio buffers for unsecured consumer loans issued after 1 September 2020 in rubles.

### Measures for ensuring the continuity of the financial market infrastructure

To ensure financial stability and prevent the bankruptcy of the central counterparty (CCP) and the central depository (CD), the Bank of Russia and the Ministry of Finance of Russia took part in developing a draft federal law providing for:

- the Bank of Russia's right to provide financial assistance at the request of the CCP or the CD by participating in their capital in the event of a threat to financial stability or financial market stability;

<sup>1</sup> For ruble mortgage loans with the loan-to-value ratio is 80% to 85%, add-ons to risk weights were reduced from 100 pp to 20–80 pp, depending on the value of the borrower's debt-to-income ratio for loans issued after 1 April 2020. A similar measure is also stipulated for ruble loans issued for financing under equity construction agreements with the down payment is 15% to 20%.

<sup>2</sup> Bank of Russia Ordinance No. 5418-U, dated 24 March 2020, 'On Amendments to Bank of Russia Ordinance No. 4892-U, Dated 31 August 2018, 'On Types and Characteristics of Assets for Which Risk-weight Capital Add-ons are Set and on the Methodology for Applying Add-ons to the Said Types of Assets for Credit Institutions to Calculate Their Capital Adequacy Ratios'.

<sup>3</sup> These changes apply to loans where the borrower's debt-to-income ratio is more than 60%. For loans subject to government support measures where the borrower's DTI is less than 60%, no risk ratio buffers apply.

<sup>4</sup> [Press release of the Bank of Russia, dated 10 August 2020.](#)

- the introduction of additional measures to prevent the bankruptcy of the CCP or the CD with the participation of the Bank of Russia by extending measures to them similar to the measures for preventing the bankruptcy of banks licensed to open deposits and maintain accounts of individuals.

#### Measures for limiting liquidity risk

Taking into account the existing LCR compliance mechanisms, the Bank of Russia adopted the following interim measures:

- 1) From 27 March 2020 to 30 September 2020, high-quality liquid assets could be used due to the increase in the expected cash outflow as a result of changes in the term structure of liabilities. In this case, the decrease in the actual LCR value below 100% could be not viewed as non-compliance with the ratio (Information Letter of

the Bank of Russia No. IN-03-41/38, dated 27 March 2020).<sup>1</sup>

- 2) The parameters for the provision of an irrevocable credit line (ICL) were eased, and until 31 March 2021 SICIs were given the opportunity to receive ICLs in the amount of the maximum possible limit requested (in accordance with Bank of Russia Order No. OD-563<sup>2</sup>) (see [Section 5.2 'Liquidity support instruments to ensure the financial sustainability of banks. Specialised refinancing facilities'](#)).

#### Other macroprudential measures

Before 31 December 2020, there were also individual exemptions in terms of the application of risk ratio buffers for credit facilities (loans) issued to borrowers who became ill with the coronavirus infection<sup>3</sup> and loans restructured after 2 March 2020.<sup>4</sup>

<sup>1</sup> Credit institutions can still use HQLAs to cover actual cash outflows with a possible decrease in the actual LCR value below 100% without the Bank of Russia applying measures to them.

<sup>2</sup> Bank of Russia Order No. OD-563, dated 1 April 2020, 'On Amending the Appendix to Bank of Russia Order No. OD-3439, Dated 3 December 2015'.

<sup>3</sup> Bank of Russia Information Letters No. IN-03-35/31, dated 27 March 2020, 'On Non-application of Measures in Connection with the Coronavirus Infection (COVID-19)', No. IN-05-35/78, dated 20 April 2020, 'On Non-application of Measures in Connection with the Coronavirus Infection (COVID-19)', and No. IN-05-35/124, dated 24 August 2020, 'On the Application of Add-ons to Risk Weights'.

<sup>4</sup> Bank of Russia Information Letters No. IN-05-35/87, dated 14 May 2020, 'On the Application of Add-ons to Risk Weights for Restructured Credits (Loans)' and No. IN-05-35/124, dated 24 August 2020, 'On the Application of Add-ons to Risk Weights'.

## 2.2.2. MANAGING ASSETS IN FOREIGN CURRENCIES AND PRECIOUS METALS<sup>1</sup>

### ASSETS STRUCTURE

The foreign currency assets of the Bank of Russia include:

- government and non-government debt securities;
- deposits and balances of nostro accounts;
- funds invested under reverse repo transactions;<sup>2</sup>
- the net position of the Russian Federation in the IMF (net claims on the IMF);
- Eurobonds of the Russian Federation;
- other claims on counterparties under executed transactions.

The said instruments are denominated in US dollars, euros, pounds sterling, Canadian and Australian dollars, Swiss francs, yen, yuan,

and special drawing rights (SDR)<sup>3</sup> (the 'foreign currencies').

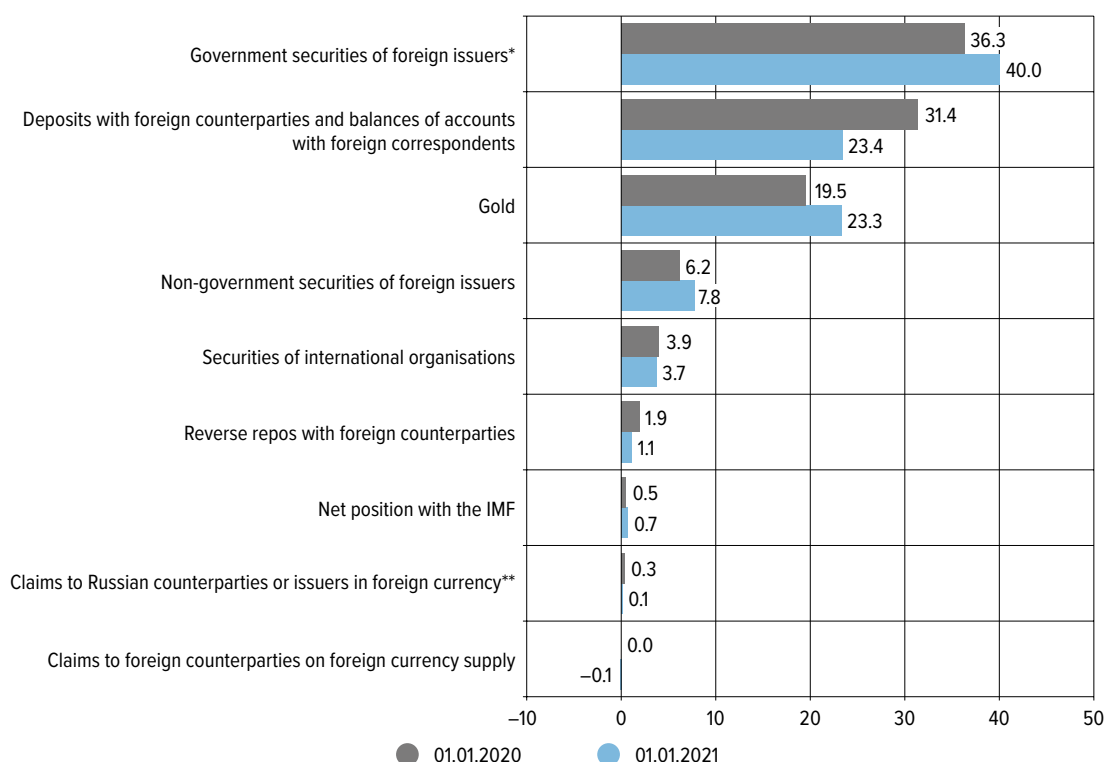
Bank of Russia assets in precious metals consist of gold stored in the territory of the Russian Federation.

As of the end of 2020, the amount of the Bank of Russia's assets in foreign currency and gold stood at \$588.0 billion, of which \$450.9 billion was foreign currency assets, and \$137.1 billion was gold.

The securities of foreign issuers are debt obligations mainly issued or secured by foreign governments (China, Germany, France, Japan, the United Kingdom, the USA, Canada, etc.) as well as government agencies and foundations, international organisations and banks.

**BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD BY INSTRUMENT  
(PER CENT)**

Chart 36



\* Securities issued by foreign government or foreign issuers with government guarantee.

\*\* Claims to Russian credit institutions, Eurobonds of the Russian Federation and Eurobonds of other Russian issuers.

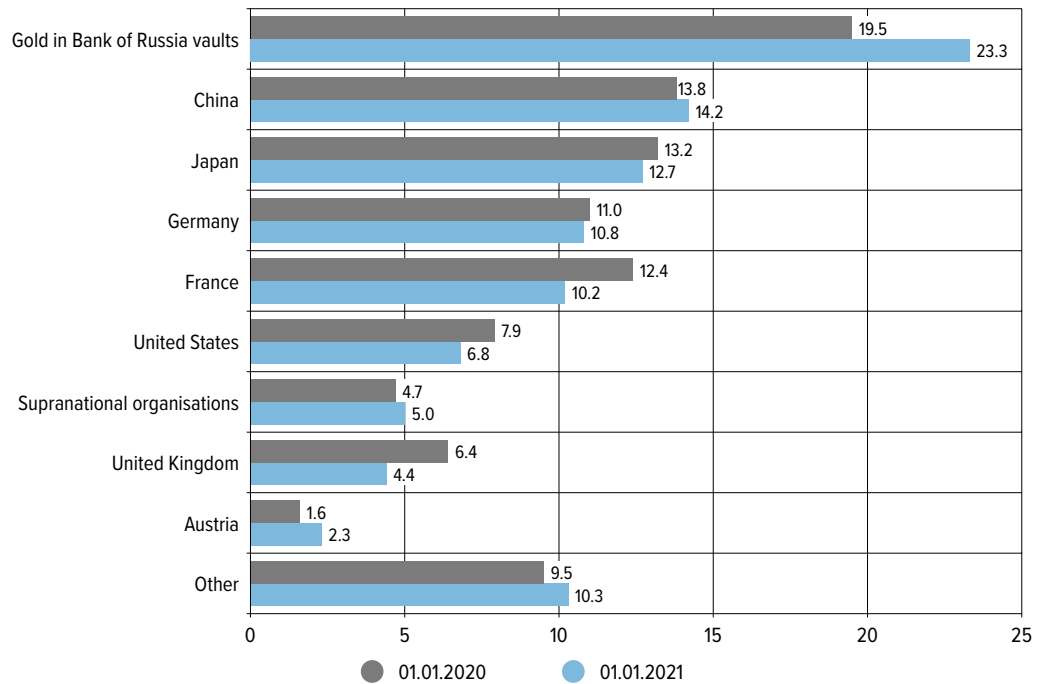
<sup>1</sup> All allocations and indicators provided in this section were calculated based on managerial reporting data.

<sup>2</sup> Transactions for the purchase of securities with the obligation to repurchase (sell) them after a certain period of time at a price agreed upon in advance. Securities purchased by the Bank of Russia with the obligation to sell them back under reverse repo transactions are not included in foreign currency assets.

<sup>3</sup> Unit of calculation used in IMF operations. The exchange rate of the SDR is determined based on the dollar value of a basket consisting of five currencies: the US dollar, the euro, the yen, the pound sterling, and the yuan.

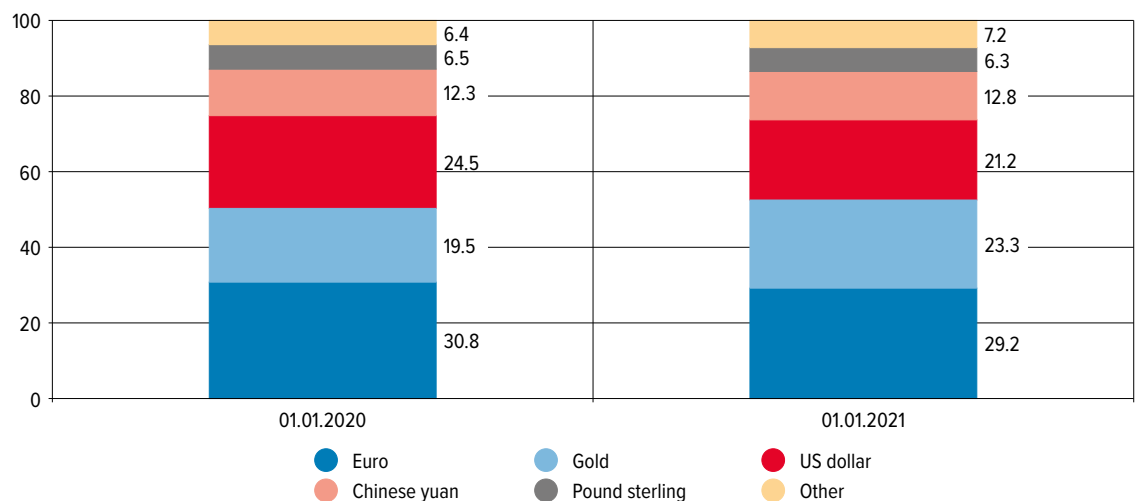
**BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD BY COUNTRY (PER CENT)**

Chart 37



**BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD\* (AS A PERCENTAGE OF THEIR MARKET VALUE)**

Chart 38



\* The breakdown of Bank of Russia assets includes foreign exchange transactions which have not been settled.

As part of its operations for the management of foreign currency assets, the Bank of Russia purchased and sold debt obligations of foreign issuers and conducted repo transactions with these securities and reverse transactions involving lending financial securities of foreign issuers.

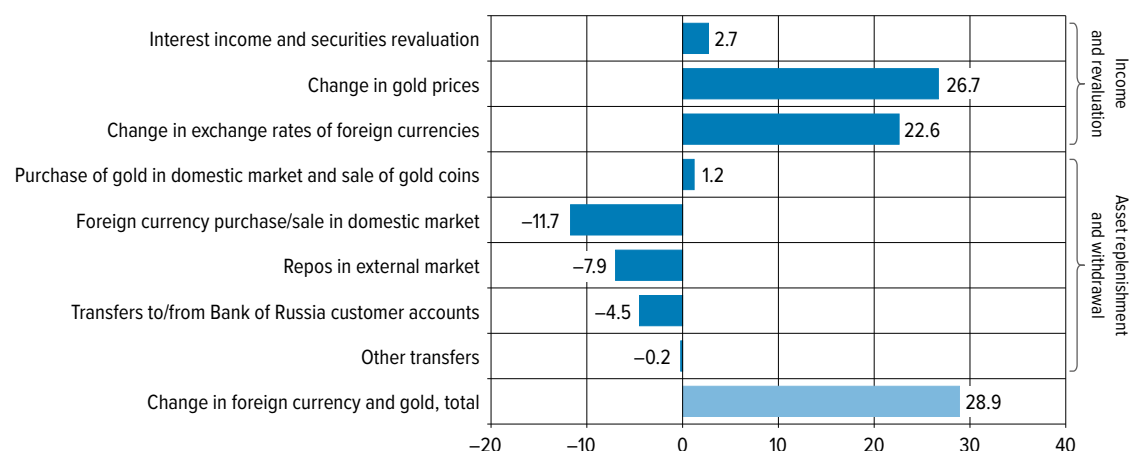
The geographic distribution of foreign currency assets is based on the location (place

of registration) of the legal entities which are the Bank of Russia's counterparties or foreign issuers of securities.

In the structure of the Bank of Russia's assets in foreign currency and gold, the category 'Other currencies' includes assets in the Japanese yen (3.9%), Canadian dollars (2.5%) and Australian dollars (0.8%). Account balances in Swiss francs were insignificant. Net claims of the Russian

**FACTORS BEHIND CHANGES IN BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD IN 2020**  
(BILLIONS OF US DOLLARS)

Chart 39



Federation on the IMF which are denominated in SDR were accounted in the distribution as assets in the foreign currencies included in the SDR basket, in the proportions determined by the IMF for calculating the value of the SDR.<sup>1</sup>

In 2020, the amount of the Bank of Russia's assets in foreign currency and gold grew by \$28.9 billion. The main factors behind the increase in the value of assets were the growth in the price of gold over the period and the change in the exchange rates of foreign currencies against the US dollar. The volume of assets decreased as a result of the net sale of foreign currency in the domestic foreign exchange market by the Bank of Russia in connection with the Federal Treasury's operations under the fiscal rule, a decrease in the volume of open direct repo transactions of the Bank of Russia with foreign counterparties as of the reporting date and an outflow of client funds from accounts with the Bank of Russia. These repo transactions are mainly concluded by the Bank of Russia to raise funds under a direct repo transaction and to simultaneously place funds with foreign counterparties in an appropriate amount at a higher rate on deposit, through a reverse repo or on a nostro account with a correspondent bank.

In 2020, the Bank of Russia's gold assets changed mainly owing to the purchase of gold

from Russian credit institutions (29 tonnes) and the sale of gold in the form of precious metal coins, and as of the end of 2020 the Bank of Russia's gold assets amounted to 2,255 tonnes.

## MANAGEMENT OF ASSETS

The assets of the Bank of Russia in foreign currencies are managed with due regard for the Bank of Russia's foreign currency liabilities – that is, balances of foreign currency accounts of the Bank of Russia's customers, which mainly consist of the accounts of the National Wealth Fund (NWF)<sup>2</sup> and funds of the Federal Treasury to be credited to the NWF.

Management of foreign currency assets is associated with the Bank of Russia's assumption of such financial risks as credit, foreign exchange, interest rate and liquidity risks. Risk management when performing operations with foreign currency assets of the Bank of Russia includes identifying risks, assessing them, setting risk limits and monitoring their observation. In making these decisions, the Bank of Russia also considers non-economic risks.

**Foreign exchange risk** means the risk of a decline in the value of net foreign currency assets as a result of changes in foreign currency exchange rates. The exposure to foreign exchange risk is equal to net foreign currency

<sup>1</sup> USD 0.58252; EUR 0.38671; GBP 0.085946; JPY 11.9; CNY 1.0174.

<sup>2</sup> The assets of the NWF are managed by the Ministry of Finance of the Russian Federation, including, *inter alia*, by placing them in foreign currency (US dollars, euros and pounds sterling) accounts with the Bank of Russia.

assets, which is the amount of foreign currency assets net of the Bank of Russia's foreign currency liabilities. The level of foreign exchange risk assumed by the Bank of Russia is established by the target shares and amounts of currencies in net currency positions and is limited by the allowed deviations from such shares and amounts.

**Credit risk** means the risk of default by a counterparty or issuer of securities on its liabilities to the Bank of Russia. Credit risk is constrained by various limits and requirements for the credit quality of foreign counterparties and issuers. The minimum required long-term credit rating of the Bank of Russia's foreign counterparties under operations with Bank of Russia foreign currency assets and securities issues of foreign issuers (the long-term credit rating of the issuer, if a securities issue has no rating) was established at 'A' (Fitch Ratings and S&P Global Ratings) or 'A2' (Moody's Investors Service).

**Interest rate risk** means the risk of a decline in the value of the Bank of Russia's foreign currency assets as a result of unfavourable changes in interest rates. The level of interest rate risk to be assumed by the Bank of Russia is determined by the duration<sup>1</sup> of assets in the relevant foreign currency. To manage interest rate risk, the Bank of Russia sets the minimum and maximum duration of assets in each foreign currency and limits the time left to maturity of securities and the terms of deposits and repo transactions.

**Liquidity risk** means the risk of loss as a result of the insufficiency of funds for the Bank of Russia to discharge its current foreign currency liabilities. To mitigate the risk, the amount of liquid assets in each of the currencies is maintained at a level exceeding the level of liabilities in the respective currency. The most liquid assets are government securities, which make up a significant share in the foreign currency assets of the Bank of Russia. Sources of liquidity also include the balances of nostro

accounts, credit facilities, short-term deposits and repo transactions, cash inflow from coupon payments and redemption of securities in foreign currencies. The volumes that can be accumulated by the Bank of Russia through the use of liquid assets and additional sources of liquidity exceed the volumes of liabilities for the discharge of which these funds may be spent within a specific period.

Under bank account agreements, the Bank of Russia accrues and pays interest on the balances in the foreign currency accounts of the NWF based on the yields of indices, each of which is an aggregate of foreign government securities (denominated in the currency of the account) that have specific shares in that aggregate. The set of foreign government securities included in these indices is established by the Federal Treasury and regularly revised in compliance with the procedures set forth in the said agreements. The Bank of Russia accrues interest on balances of the Federal Treasury's foreign currency accounts to be credited to the NWF based on money market rates in the respective currency. Liabilities related to the payment of interest on balances of Federal Treasury accounts are discharged by the Bank of Russia in Russian rubles. The Bank of Russia is the issuing bank, so the said liabilities do not create any interest rate risk or liquidity risk for it.

Bank of Russia foreign currency assets as well as claims and liabilities in the indicated currencies for concluded transactions are grouped into portfolios by the respective currency. For the purpose of evaluating the effectiveness of the management of the said portfolios, their yield is compared with the yield of standard portfolios.<sup>2</sup> The rate of return on these portfolios in foreign currencies was calculated as the total (realised and unrealised) return of the respective portfolio on investment as a percentage per annum. The cumulative rates of return for 2020 are available in [Table 23 of Section 5.4 'Statistical tables'](#).

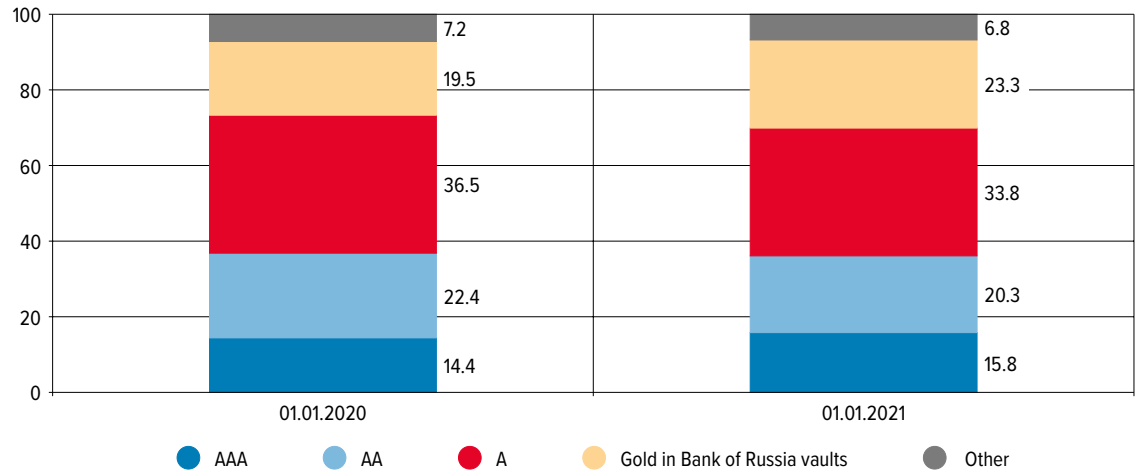
<sup>1</sup> The percentage change in the value of a financial instrument or a class of instruments against a change in the corresponding interest rates by 1 pp.

<sup>2</sup> The set of instruments available for investment in each foreign currency taken with certain weights. Standard portfolios reflect the target allocation of the Bank of Russia's assets and market structure in each of the foreign currencies.



**BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD BY CREDIT RATING\***  
(PER CENT)

Chart 40



\* For financial institutions related to the government with no credit rating assigned (for example, some national banks included in the ECB system) long-term solvency ratings of corresponding countries were used.

The Bank of Russia has a multi-tiered collegial system of investment decision-making. The Bank of Russia Board of Directors determines the objectives of the management of assets in foreign currency and precious metals, the list of eligible investment instruments and the target level of foreign exchange risk. A collegial body of the Bank of Russia accountable to the

Board of Directors and responsible for the investment strategy makes decisions on the level of interest and credit risks and determines the list of counterparties and issuers. Investment decisions are implemented by the structural units of the Bank of Russia. External organisations are not involved in the management of assets in foreign currency and precious metals.

## 2.2.3. ACCESS TO THE FINANCIAL MARKET

### 2.2.3.1. PARTICIPANTS

In 2020, the Bank of Russia published the consultation paper *Improving Access to the Financial Market. New Opportunities for Market Participants*, which, among other things, considers initiatives to unify the requirements and procedure for access to various types of financial activities, the possibility of access to the financial market by giving notice, provided that the established requirements are met, and a transition to a unified register of financial market participants. The proposed initiatives will reduce the burden on financial market participants in gaining access to the financial market and submitting information to be registered in the unified register by the Bank of Russia and simplify the search for information on financial market participants and verification of the lawfulness of their activities.

In 2020, a new procedure was established for disclosing information on the ownership structure of microfinance organisations, insurance companies, management companies of investment funds and unit investment funds on the Internet (Bank of Russia Ordinance No. 5432-U<sup>1</sup> and Bank of Russia Ordinance No. 5470-U<sup>2</sup>). The ownership structure of such financial institutions, with the exception of microcredit companies, must be disclosed on the Bank of Russia website.

#### Credit institutions

406 credit institutions were operating as of 1 January 2021 (of which 40 are non-bank credit institutions), which is 36 institutions or 8.1% less than on 1 January 2020.

In 2020:

- two legal entities received the status of non-banking credit institutions that are central counterparties;<sup>3</sup>
- 13 credit institutions terminated their operations as a result of mergers;
- 16 credit institutions had their banking licences revoked, and nine credit institutions had their licences cancelled.

As of 1 January 2021, the structure of credit institutions by type of licence was as follows:

- 248 banks, or 61.1% of the total number of operating credit institutions, had a universal licence;
- 118 banks, or 29.1% of the total number of operating credit institutions, had a basic licence.

The right to carry out banking operations with precious metals was granted to 183 credit institutions, or 45.1% of the total number of operating credit institutions; the right to carry out operations in foreign currencies was granted to 399 credit institutions, or 98.3%; the right to accept household deposits was granted to 334 credit institutions, or 82.3%.

Due to the optimisation of regional networks and the use of new financial instruments and technologies, the number of credit institution branches decreased by 14.2% and as of 1 January 2021 amounted to 530, credit institution representative offices decreased by 19.7% to 224, internal structural subdivisions of credit institutions (branches thereof) decreased by 4.0% to 27,907, including additional offices, which decreased by 2.7% to 19,453, cash op-

<sup>1</sup> Bank of Russia Ordinance No. 5432-U, dated 8 April 2020, 'On Amending Bank of Russia Regulation No. 622-P, Dated 26 December 2017, 'On the Procedure for Disclosing Information on Persons Controlling or Exerting Material Influence on Banks Participating in the Compulsory Household Deposit Insurance System of the Russian Federation and on the Procedure for Disclosing and Submitting Information to the Bank of Russia on the Structure and Composition of the Shareholders (Members) of Non-governmental Pension Funds, Insurance Companies, Management Companies and Microfinance Companies, Including Persons Controlling or Exerting Material Influence Thereon'.

<sup>2</sup> Bank of Russia Ordinance No. 5470-U, dated 29 May 2020, 'On the Timeframe for Microcredit Companies, Other Than Non-profit Organisations, to Disclose Information on the Structure and Composition of Their Shareholders (Members), Including on Individuals Controlling or Exerting Material Influence on the Microcredit Companies; the Procedure for Microfinance Organisations, Other Than Non-profit Organisations, to Forward Notifications to the Bank of Russia with Information That Is Not Disclosed; and the Procedure for the Bank of Russia to Forward Inquiries and Receive Information about Individuals Entitled, Directly or Indirectly or Jointly with Other Individuals, to Dispose of More Than 10 Per Cent of Shares (a 10 Per Cent Stake) of a Microcredit Company Constituting the Authorised Capital of the Microcredit Company as Well as about Individuals Performing the Functions of the Sole Executive Body of Such Entities'.

<sup>3</sup> NCI-CCP MSE Clearing Centre (JSC) and NCI-CCP RDK (JSC).

erations departments outside cash settlement centres decreased by 17.2% to 719, operational offices decreased by 4.3% to 5,479, cash and credit offices decreased by 10.5% to 1,967, and mobile points of cash operations decreased by 0.3% to 289.

In 2020:

- 824 applications for the approval of candidates for the posts of executives and other officials of credit institutions were approved (16 applications were denied);
- 141 applications for the Bank of Russia's approval of transactions aimed at acquiring more than 10% of the shares (stakes) of credit institutions or establishing control in relation to shareholders (participants) of credit institutions were considered (121 applications approved, 20 applications denied);
- 754 documentation packages with information on persons exercising control or significant influence over credit institutions were considered.

As of 1 January 2021, 40 representative offices of foreign credit institutions were accredited for operations in the Russian Federation by the Bank of Russia; in 2020, one representative office of a foreign credit institution was granted accreditation, 11 representative offices of foreign credit institutions had their accreditation prolonged, and one representative office of a foreign credit institution had its accreditation cancelled.

#### **Non-governmental pension funds**

As of 1 January 2021, 43 non-governmental pension funds were operating in the financial market.

In 2020:

- two reorganisations of NPFs through merger were approved;<sup>1</sup>
- 109 applications for the approval of candidates for the posts of executives and other officials of NPFs were approved;
- 14 applications for the Bank of Russia's approval (consent) for transactions aimed

at acquiring more than 10% of the shares (stakes) of NPFs or establishing control in relation to shareholders (participants) of NPFs were approved;

- 124 documents containing information on the structure and shareholders of NPFs, including persons exercising control or significant influence over NPFs, were considered.

#### **Insurance entities**

As of 1 January 2021, the total number of insurance entities was 232 (160 insurance companies, 59 insurance brokers, and 13 mutual insurance companies).

In 2020, the Bank of Russia licenced seven insurance entities to carry out insurance activities (one licence for compulsory third-party insurance of carriers against liability for causing harm to passengers' life, health and property during transportation, one licence for compulsory insurance of civil liability of hazardous facility owners for damages caused by accidents at hazardous facilities, one licence for reinsurance, four licences for mutual insurance) and renewed 29 licences of insurance entities.

In 2020:

- 281 applications for the approval of candidates for the posts of executives and other officials of insurance companies were approved (six applications were denied);
- 58 applications for the Bank of Russia's approval (consent) for transactions aimed at acquiring more than 10% of the shares (stakes) of insurance companies or establishing control in relation to the shareholders (participants) of insurance companies were considered (53 applications were approved, five applications were denied);
- 401 documents containing information on the structure and shareholders of insurance companies, including persons exercising control or significant influence over insurance companies, were considered.

<sup>1</sup> During 2020, Joint-stock Company Non-governmental Pension Fund Rostec was reorganised through the merger of Joint-stock Company Non-governmental Pension Fund Rostvertol into it, and Joint-stock Company Non-governmental Pension Fund Evolutsiya was reorganised through the merger of Joint-stock Company Non-governmental Pension Fund Soglasie, Joint-stock Company Non-governmental Pension Fund Obrazovaniye and Joint-stock Company Non-governmental Pension Fund Sotsialnoye Razvitiye into it.

### Microfinance market entities

As of 1 January 2021, 1,385 microfinance organisations were registered in the State Register of Microfinance Organisations (as of 1 January 2020: 1,774).

In 2020, 164 MFOs were entered into the register, and 553 MFOs were removed from the register.

In 2020:

- 53 applications for the approval of candidates for the posts of executives and other officials of MFOs were approved (four applications denied);
- eight applications for the Bank of Russia's approval (consent) for transactions aimed at acquiring more than 10% of the shares (stakes) of microfinance companies (MFCs) or establishing control in relation to shareholders (participants) of MFCs were approved;
- 83 documents containing information on the structure and shareholders (members) of MFOs, including persons exercising control or significant influence over MFOs, were considered.

### National payment system participants

As of 1 January 2021, 26 payment system operators (PSOs) were registered and entered in the register of payment system operators (as of 1 January 2020: 30).

In 2020:

- one organisation was registered as a PSO, and five organisations were removed from the register of payment system operators based on applications from the organisations (four cases) or upon revocation of the banking licence of a PSO credit institution (one case);
- one operator of a foreign payment system was admitted to the market as a new financial market entity.

### Other participants

As of 1 January 2021, there were 268 brokers (as of 1 January 2020, 290), 258 depositories (as of 1 January 2020, 276), 297 dealers (as of 1 January 2020, 319), 190 trustees (as of 1 January 2020, 202), 268 management companies (MCs) (as of 1 January 2020, 269), 95 investment advisers (as of 1 January 2020, 69), 93 responsible actuaries (as of 1 January 2020, 97), four credit rating agencies (unchanged YoY), and six organisations certifying financial market specialists (as of 1 January 2020, 11).

In 2020, the Bank of Russia registered 28 investment advisers in the unified register of investment advisers and licenced two brokers, two depositories, two dealers, three securities managers, one register operator, ten managers of investment funds, unit investment funds and non-governmental unit investment funds, and two specialised depositories.

In 2020, Bank of Russia Ordinance No. 5342-U<sup>1</sup> and Bank of Russia Ordinance No. 5379-U<sup>2</sup> became effective, regulating procedures for the access of investment platform operators and foreign payment system operators to the financial market. The Bank of Russia admitted three financial platform operators and 20 investment platform operators to the financial market.

In 2020:

- 181 candidates for the posts of executives and other officials of professional securities market participants were approved (one candidate was denied);
- 562 applications for the approval of candidates for the posts of executives and other officials of MCs were approved (eight applications were denied);
- 40 applications for the Bank of Russia's approval (consent) for transactions aimed at acquiring more than 10% of the shares (stakes) of MCs or establishing control in

<sup>1</sup> Bank of Russia Ordinance No. 5342-U, dated 4 December 2019, 'On the Procedure for Maintaining the Register of Investment Platform Operators' (became effective on 31 January 2020).

<sup>2</sup> Bank of Russia Ordinance No. 5379-U, dated 26 December 2019, 'On Registration by the Bank of Russia of Organisations as Payment System Operators, on the Inclusion of Foreign Organisations Which Are Foreign Payment System Operators in the Register of Foreign Payment System Operators and on the Procedure for Maintaining the Register of Payment System Operators and the Register of Foreign Payment System Operators' (became effective on 18 April 2020).

relation to the shareholders (participants) of MCs were considered (35 applications were approved, five applications were denied);

- 482 documents containing information on the structure and shareholders (members) of MCs, including persons exercising control or significant influence over MCs, were considered.

The Bank of Russia introduced a new procedure for access to the financial market for pawnshops (both new and existing).<sup>1</sup> Activities of pawnshops under the new rules will contribute to the further formation of a fair competitive environment in the consumer lending market, increase transparency in the pawnshop industry and protect consumer interests.

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<sup>1</sup> Bank of Russia Ordinance No. 5626-U, dated 19 November 2020, 'On Maintenance of a State Register of Pawnshops by the Bank of Russia' (became effective on 11 January 2021).

### 2.2.3.2. FINANCIAL INSTRUMENTS

In 2020, streamlined licencing procedures and creation of new opportunities to attract financing on the securities market remained the main trends in the access of financial instruments to the financial market.

The main event of the year was the entry into force of a revised version of the standards for the issue of securities,<sup>1</sup> which established a simpler and improved procedure for issuers to register securities issues.

An important provision of the new standards for the issue of securities regulates methods for confirming electronic registration of securities issues. The statutorisation of such methods was the final stage in the efforts to introduce electronic registration of securities issues, which have been ongoing in the Bank of Russia since 2015.

As a result, starting from May 2020, issuers have been able to send and receive issue documents in electronic form without filing them on paper, thus reducing the cost of preparing issue documents and streamlining interactions with the Bank of Russia. Electronic registration was especially popular among financial institution issuers that were already interacting with the Bank of Russia in electronic form and had all the necessary technical means. As a result, in 2020 H2, more than half (84 out of 163) of all registration actions of the Bank of Russia related to the issue of securities of financial institutions were carried out in an electronic form. Electronic registration actions of the Bank of Russia related to the issues of non-financial institutions in 2020 H2 amounted to less than 2% (27 out of 1,603 actions). However, the Bank of Russia expects that the demand for electronic registration, including among issuers in the non-financial sector, will continue to grow.

To further simplify the preparation and submission of issue documents to the Bank of Russia both in an electronic form and on paper, the Bank of Russia published standard forms for preparing certain documents on its website (with partial automatic filling and format and logical control to reduce the number of technical errors in the preparation of issue documents).

Important changes were made to the procedure for establishing joint-stock companies and the role of registrars in this process. Starting from 1 January 2020, registrars essentially obtained the ability to provide services in a 'one stop shop' format: they register share issues when joint-stock companies are established and independently submit applications for registration in the Unified State Register of Legal Entities on behalf of the joint-stock companies, which means that companies do not have to interact with the authorities.

Throughout 2020, the Bank of Russia supported registrars in their new role: it provided methodological assistance, held meetings for sharing experience, developed recommendations on the consideration of issue documents and acted as an intermediary in establishing interaction between registrars and the Federal Tax Service of the Russian Federation. The efforts of the Bank of Russia and the readiness of registrars to face new challenges resulted in about 75% of all share issues during the establishment of joint-stock companies (913 issues out of 1,220) in 2020 being registered by registrars.

In addition to registering share issues during the establishment of joint-stock companies, registrars were also authorised to register is-



A revised version of the standards for the issue of securities became effective, streamlining the procedure for registering issues

<sup>1</sup> Bank of Russia Regulation No. 706-P, dated 19 December 2019, 'On Securities Issue Standards' (became effective on 11 May 2020).



## Electronic registration of securities issues was launched

issues and additional issues of shares placed via investment platforms and registered ten additional issues of shares placed via investment platforms in 2020, eight of which were successfully placed.

Similar changes related to the redistribution of powers also affected the admission of non-issue-grade securities to the financial market: in 2020, specialised depositories were authorised to approve rules for trust management of unit investment funds, whose investment units are limited in circulation, as well as amendments and additions to such rules.<sup>1</sup>

As part of this process, in 2020, new regulations were registered by the Ministry of Justice of Russia and became effective: Bank of Russia Instruction No. 200-I<sup>2</sup> determining the procedure for registration by the Bank of Russia of unit investment funds whose investment units are limited in circulation and Bank of Russia Regulation No. 699-P<sup>3</sup> establishing the procedure for maintaining the register of unit investment funds.

The Bank of Russia clarified the transfer of the functions of admitting unit investment funds whose investment units are limited in

circulation to the financial market and provided methodological support to participants in the collective investment market.

The Bank of Russia's recommendations on the key features of the transitional provisions and conditions created to allow specialised depositories to submit approved documents to the Bank of Russia in an electronic form facilitated a smooth transition to the new procedure for admitting unit investment funds whose investment units are limited in circulation to the financial market.

By the end of 2020, 19 out of 25 operating specialised depositories started to approve rules for trust management of unit investment funds whose investment units are limited in circulation and amendments and additions to such rules.

The Bank of Russia continued to seek new opportunities to improve the convenience of the financial market as a source of financing, and in 2020 it directly participated in the development of a draft law on convertible loans<sup>4</sup> offering small- and medium-sized companies a new tool for attracting investments, including in the early stages of operations.



In 2020, ruble bonds admitted to the financial market amounted to about ₹7.6 trillion at par, while shares amounted to about ₹2.8 trillion.

In 2020, ruble bonds placed amounted to about ₹8.1 trillion at par, while shares amounted to about ₹1.7 trillion

<sup>1</sup> Amendments introduced by Federal Law No. 248-FZ, dated 26 July 2019, 'On Amending Certain Laws of the Russian Federation' to Federal Law No. 156-FZ, dated 29 November 2001, 'On Investment Funds' (became effective on 23 January 2020).

<sup>2</sup> Bank of Russia Instruction No. 200-I, dated 23 December 2019, 'On the Procedure for Registering Rules of Trust Management of Unit Investment Funds Whose Investment Units Are Not Intended Exclusively for Qualified Investors and Registering Amendments and Additions Thereto as well as on Forms of Reports on the Number of Additionally Issued Investment Units of a Closed-end Unit Investment Fund'.

<sup>3</sup> Bank of Russia Regulation No. 699-P, dated 13 November 2019, 'On the Procedure for the Bank of Russia to Maintain the Register of Unit Investment Funds, the Procedure and Timeframes for the Submission of Documents and Information Required for the Maintenance of the Said Register to the Bank of Russia, the Procedure for the Provision of Extracts Therefrom, and on the Submission of Notices (Reports) by Unit Investment Fund Management Companies to the Bank of Russia'.

<sup>4</sup> Draft Federal Law No. 972589-7 'On Amending Certain Laws of the Russian Federation Regarding Convertible Loans' (passed by the State Duma of the Federal Assembly of the Russian Federation (the 'State Duma') in the first reading).



**VOLUME OF ADMITTED AND PLACED ISSUE-GRADE SECURITIES IN THE FINANCIAL MARKET\***

SHARES					
		Number of issues, units	Volume of issues		
			RUB	USD	EUR
Admitted to the financial market	2019	2,336	3,362.52 billion	0.04 million	—
	2020	2,214	2,820.41 billion	—	0.006 million
Placed in the financial market	2019	2,345	1,819.14 billion	0.04 million	—
	2020	2,037	1,666.11 billion	—	0.005 million
BONDS					
		Number of issues, units	Volume of issues		
			RUB	USD	EUR
Admitted to the financial market	2019	1,115	22,986.48 billion	0.87 billion	0.15 billion
	2020	943	7,599.55 billion	1.15 billion	0.80 billion
Placed in the financial market	2019	923	9,128.76 billion	0.06 billion	0.15 billion
	2020	974	8,074.55 billion	0.50 billion	—
TOTAL SHARES AND BONDS					
		Number of issues, units	Volume of issues		
			RUB	USD	EUR
Admitted to the financial market	2019	3,451	26,349.00 billion	0.87 billion	0.15 billion
	2020	3,157	10,419.96 billion	1.15 billion	0.80 billion
Placed in the financial market	2019	3,268	10,947.91 billion	0.06 billion	0.15 billion
	2020	3,011	9,740.66 billion	0.50 billion	0.005 million

\* Minor discrepancies between values and their totals are due to data rounding.

One more tool for attracting investments in whose development the Bank of Russia participated is digital financial assets.<sup>1</sup> Admission of digital financial assets, which include shares in the form of digital financial assets, to the financial market will be facilitated by information system operators.

Like all other processes in 2020, the procedure for admitting financial instruments to the financial market was affected by the threats associated with the global coronavirus pandemic. The Bank of Russia took all the necessary measures and ensured the continuity of the procedure for admitting issue-grade securities to the financial market.

In 2020, a federal law developed with the participation of the Bank of Russia to grant a grace period to borrowers affected by the coronavirus pandemic<sup>2</sup> was adopted. According to this law, if claims for which borrowers

were granted a grace period constitute a part of mortgage coverage of bonds and such a grace period entails the inability of the issuer to properly fulfil its obligations on such bonds, the issuer of such mortgage-backed bonds has the right to amend the decision on their issue under a simplified procedure and to postpone the fulfilment of obligations under such bonds for an appropriate period (no more than six months).

Despite the efforts to create an environment for positive dynamics, the challenges of 2020, primarily the slowdown in economic activity due to the coronavirus pandemic, restrained the growth of the Russian financial market, and the volumes of issue-grade securities admitted<sup>3</sup> to the financial market in 2020 as well as the volumes of placed securities decreased compared to 2019, as can be seen from the presented figures.

<sup>1</sup> Federal Law No. 259-FZ, dated 31 July 2020, 'On Digital Financial Assets and Digital Currency and on Amending Certain Laws of the Russian Federation' (became effective on 1 January 2021).

<sup>2</sup> Federal Law No. 106-FZ, dated 3 April 2020, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement'.

<sup>3</sup> This refers to issues of securities registered by the Bank of Russia, issues of exchange-traded and commercial bonds registered by PJSC Moscow Exchange and NCI JSC NSD, issues of shares registered by registrars.

On the contrary, the collective investment market became more attractive for investors, and their growing interest in this form of investment was accompanied by the Bank of Russia's simplification of admission of such financial instruments to the financial market. For example, in 2020 H2, the number of approved documents submitted to the Bank of Russia was twice as high as in 2020 H1 (1,257 vs 627). In 2020, 1,884 sets of rules (and amendments and additions to such rules) for trust management of unit investment funds whose investment units are limited in circulation were approved (221 sets of rules, 1,663 amendments and additions to such rules).

In 2020, the Bank of Russia continued to register rules for trust management of unit investment funds and ensured regular admission of financial instruments to the financial market during the pandemic. In 2020, 1,040 sets of rules (and amendments and additions to such rules) for trust management of unit investment funds were registered (96 sets of rules, 944 amendments and additions to such rules).

The interest of financial market participants in exchange-traded unit investment funds persisted, and in 2020 the number of registered exchange-traded unit investment funds was 21 (in 2019, 16).

Overall, by the end of 2020, the number of effective rules for trust management of unit investment funds increased by more than 6% to 1,631, of which 261 were open-end unit investment funds, 41 were exchange-traded unit investment funds, 35 were interval unit investment funds, and 1,294 were closed-end unit investment funds. The number of effective rules for trust management of mortgage coverage continued to decline and by the end of 2020 amounted to 21, seven less than in 2019.

During the reporting period, the interest of credit institutions in deposit and savings certificates significantly decreased: in 2020, only one set of terms for issuing savings certificates of a credit institution was registered (in 2019, 14 sets of terms for issuing certificates of credit institutions, of which nine were for issuing savings certificates).

### 2.2.3.3. ACTIVITY OF THE BANK OF RUSSIA COMPLAINT COMMISSION

The Bank of Russia Complaint Commission for considering complaints about the decisions of Bank of Russia officials regarding the recognition of persons as not meeting the qualification requirements and/or business reputation requirements established by federal laws (the 'Commission') has been functioning since 28 January 2018.

As of 1 January 2021, a total of 732 complaints were received by the Commission since the beginning of its functioning; out of the 585 complaints considered, 326 (56%) were satisfied and 259 (44%) were denied.

In 2020, the Commission considered (processed) 190 complaints. In 2020, the Commission received 177 complaints, and out of the 141 complaints considered, 87 complaints (62%) were satisfied and 54 complaints (38%) were denied.

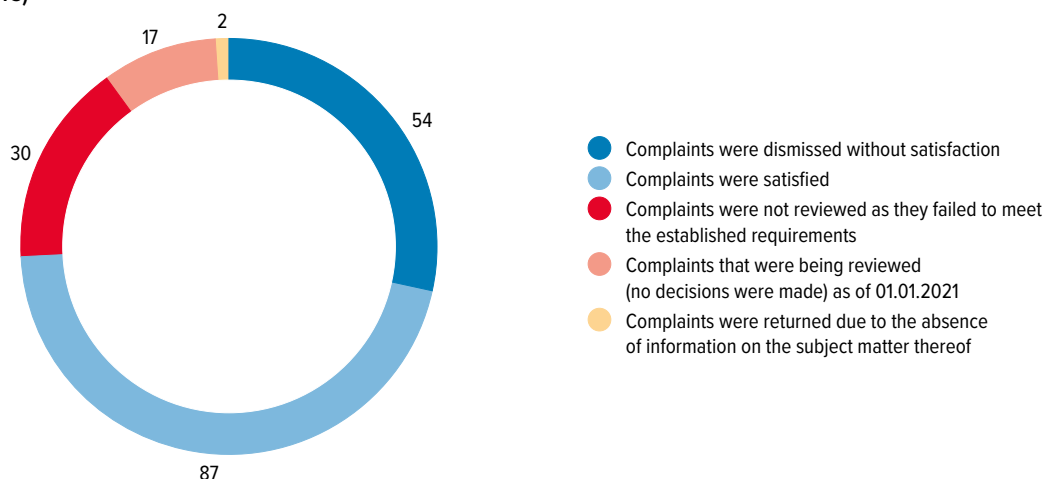
In the total amount of complaints received by the Commission in 2020, the prevailing types of complaints are complaints from members of boards of directors (29 complaints), members of collegial executive bodies (26), special AML/CFT/FPWMD officials (25), heads of branches (24), and chief accountants of financial institutions (21).

Despite the anti-pandemic restrictions introduced in 2020, the Commission operated as usual, and complaints were considered within the timeframes established by law.

To expand the options for sending complaints to the Commission, Bank of Russia Ordinance No. 5595-U<sup>1</sup> made it possible to submit complaints not only on paper but also in electronic form through the personal account of an information exchange participant according to the procedure established by Bank of Russia Ordinance No. 5361-U.<sup>2</sup>

STATISTICS OF APPEALS TO THE BANK OF RUSSIA COMPLAINT REVIEW COMMISSION IN 2020 (UNITS)

Chart 41



<sup>1</sup> Bank of Russia Ordinance No. 5595-U, dated 16 October 2020, 'On Amending Bank of Russia Ordinance No. 4666-U, Dated 26 December 2017, 'On the Procedure for Appealing Against a Person's Recognition as Non-compliant with Qualification Requirements and (or) Business Reputation Requirements'.

<sup>2</sup> Bank of Russia Ordinance No. 5361-U, dated 19 December 2019, 'On the Procedure for Interaction of the Bank of Russia with Credit Institutions, Non-bank Financial Institutions and Other Parties to Information Exchange via Bank of Russia Information Resources, Including Personal Accounts'.

## 2.2.4. REGULATION

### CREDIT INSTITUTIONS, BANKING GROUPS AND BANK HOLDING COMPANIES

To limit the **negative impact of the coronavirus pandemic** on the activities of credit institutions and to stimulate lending to the real sector of the economy, in 2020, the Bank of Russia implemented the following regulatory exemptions.

Banks were temporarily allowed not to lower their assessment of financial position and/or debt service quality and/or quality category for loans, other assets and contingent credit liabilities of various types of borrowers (counterparties) with various specifics of activities within various programmes (both banks' own and those of the Government of the Russian Federation) for restructuring loans for the purpose of creating provisions for possible losses.

These measures were applied to non-financial organisation borrowers (counterparties) (with the exception of small- and medium-sized enterprises (SMEs)) until 31 December 2020 and to individual and SME borrowers (counterparties) until 31 March 2021. For these categories of borrowers (counterparties), banks were allowed to create provisions for possible losses in the amounts conforming to the requirements of the regulations until 1 April 2021 and 1 July 2021, respectively.

In addition, until 31 December 2021, the Bank of Russia established a reduced risk ratio of 70% for the purpose of calculating required ratios on ruble claims on organisations producing pharmaceuticals, medical equipment and materials used for medical purposes.

With regard to systemically important credit institutions subject to liquidity ratios in accordance with Basel III, the Bank of Russia introduced a temporary exemption under which

a decrease in the actual value of the liquidity coverage ratio below the regulatory minimum value was not considered a violation not only in the event of cash outflow (the current procedure) but also in the event of an increase in the expected cash outflow due to the limited possibility (impossibility) of prolonging agreements for raising funds for a period exceeding 30 calendar days with simultaneous repayment of previously incurred long-term obligations (liabilities). In addition, to compensate for a temporary shortage of high-quality liquid assets under Basel III included in the numerator of the ratio, easing with regard to the receipt of irrevocable credit lines from the Bank of Russia by banks was provided for.

For banks using the internal rating-based ('IRB') approach to assessing credit risk, the Bank of Russia introduced the option of temporarily excluding restructuring from the list of default events if the borrower took advantage of preferential restructuring terms in accordance with the current laws.

To improve the methodology for assessing the financial position of banks and extend the timeframe for eliminating identified deficiencies in risk management and internal control systems, including in the context of anti-pandemic restrictions, banks will pay an increased additional rate of insurance premiums<sup>1</sup> in the event of a doubtful or unsatisfactory assessment of the risk management system (PU4) and/or internal control system (PU5) for two consecutive reporting quarters as of the assessment date (instead of one quarter, as established earlier).

As part of temporary regulatory exemptions in the context of the pandemic, in cases



Due to the coronavirus pandemic, the Bank of Russia temporarily allowed banks not to lower their assessment of borrowers' financial position and debt service quality for the purpose of creating provisions for possible losses on restructured debts

<sup>1</sup> Bank of Russia Ordinance No. 5451-U, dated 27 April 2020, 'On Amending Bank of Russia Ordinance No. 3801-U, Dated 17 September 2015, 'On Recognising Bank Financial Standing as Meeting the Criteria for the Payment of Insurance Premiums at Higher Additional Rates'. The document came into effect on 26 May 2020.

of insignificant violations<sup>1</sup> in the activities of credit institutions (parent credit institutions of banking groups) that arose between 1 March 2020 and 30 September 2020 due to systemic factors caused by the coronavirus pandemic, the Bank of Russia did not apply measures<sup>2</sup> under Article 74 of Federal Law No. 86-FZ<sup>3</sup> to them. In addition, the Bank of Russia increased the timeframes for disclosure of certain types of statements and for disclosure of information by parent companies of bank holding companies.<sup>4</sup>

To maintain the potential of banks for lending to the economy in the context of systemic factors linked to the coronavirus pandemic, on 20 April 2020 and 27 May 2020, the Board of Directors of the State Corporation Deposit Insurance Agency made a decision to lower contributions to the compulsory deposit insurance fund<sup>5</sup> starting from 2020 Q1, reducing the burden on banks during the stress period.

On 22 December 2020, a meeting of the Board of Directors of the DIA decided to maintain the lowered rate of insurance contributions for 2021 Q1–Q2.

In 2020, the Bank of Russia implemented a number of measures aimed at supporting and **developing housing construction and mortgage lending**.

In particular, a clarification was introduced to provide for the inclusion of loans secured by the rights of claim of equity construction participants in the portfolios of secured homogeneous loans, provided that the funds of equity construction participants are placed on escrow accounts.

For the purpose of creating provisions for possible losses,<sup>6</sup> the list of quality category II collateral includes pledge of the rights of claim of equity construction participants, provided that the funds of equity construction participants are placed in escrow accounts.

The timeframe for the sale of the pledge was increased from 270 to 365 days from the date of occurrence of a reason for foreclosure on the relevant type of pledge to allow the use of such pledge for reducing the provision for possible losses.<sup>7</sup>

Housing mortgage loans secured by a pledge,<sup>8</sup> including the rights of claim of equity construction participants (provided that the funds of equity construction participants are placed in escrow accounts), granted to household borrowers with an average financial position to purchase property received by a credit institution as compensation may now be classified higher than quality category III.

Simultaneously, the Bank of Russia introduced amendments<sup>9</sup> in terms of a new approach to **assessing credit risk for mortgage loans** for the purposes of calculating the capital adequacy ratios of banks. The new method provides for risk ratios for mortgage loans secured by residential real estate that take into account the values of the loan-to-value (LTV) ratio and the debt-to-income ratio. The Bank of Russia established 15 different risk ratios for mortgage loans, ranging from 20 to 95%.

As part of the **development of accommodative regulation**, for the purpose of calculating required ratios in 2020, the Bank of Russia excluded escrow account balances from the list of

<sup>1</sup> Except for cases when identified violations, banking operations or transactions of a credit institution created a high level of real threat to the interests of its creditors (depositors) or the stability of the banking system of the Russian Federation.

<sup>2</sup> Bank of Russia Information Letter No. IN-03-41-3/37, dated 27 March 2020, 'On Non-application of Measures to Credit Institutions'.

<sup>3</sup> Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'.

<sup>4</sup> Bank of Russia Information Letter No. IN-03-41/85, dated 30 April 2020, 'On Peculiarities of the Application of Regulations of the Bank of Russia'.

<sup>5</sup> Reduction of the base rate of banks' insurance contributions to the compulsory deposit insurance fund from 0.15% to 0.1% of the calculation base and a reduction of the additional and increased additional rates of insurance contributions from 50% to 25% and from 500% to 300% of the base rate, respectively.

<sup>6</sup> Bank of Russia Ordinance No. 5690-U, dated 11 January 2021, 'On Amending Bank of Russia Regulation No. 590-P, Dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

<sup>7</sup> According to Chapter 6 of Bank of Russia Regulation No. 590-P, dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

<sup>8</sup> According to the provisions of Chapter 6 of Bank of Russia Regulation No. 590-P, dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

<sup>9</sup> Bank of Russia Ordinance No. 5521-U, dated 3 August 2020, 'On Amending Bank of Russia Instruction No. 199-I, Dated 29 November 2019, 'On Banks' Required Ratios and Capital Adequacy Buffers for Banks with a Universal Licence' (became effective on 17 September 2020).

on-demand liabilities in calculating the instant liquidity ratio N2 and partially in calculating the current liquidity ratio N3 and reduced the risk ratio for ruble claims secured by the insurance coverage of EXIAR with a guarantee of the Russian Federation in rubles (or with payment in rubles) from 20% to 0%.<sup>1</sup>

To **stimulate lending for operational activities** of borrowers, the Bank of Russia developed amendments<sup>2</sup> that implemented a differentiated approach to the requirements for provisions for possible losses for bank loans to legal entities, taking into account the ultimate purpose of loans. Such regulatory measures provided for a more conservative approach to provisions for loans for financing mergers and acquisitions and aimed to encourage banks to provide lending for economic operational activities of borrowers and support economic growth.

In 2020, the Bank of Russia implemented measures to improve the availability of loans for SMEs (see [Subsection 2.3.3 'Expanding financial inclusion'](#)).

In addition, in 2020, the Bank of Russia introduced certain regulatory easing for the calculation of required ratios:<sup>3</sup>

- for banks that have switched to a finalised approach to calculating credit risk, a one-year extension of the transition period (from 2024 to 2025) for the gradual increase in risk ratios from the current values of 150% for investments in unlisted shares (stakes) and 200% for investments in unlisted shares (stakes) purchased for resale in the short term to 250% and 400%, respectively, was provided for;
- the effective date of the rule on application of a 150% risk ratio for claims on which default has occurred was postponed for one year (from 1 January 2021 to 1 January 2022).

As part of the stage-by-stage implementation of amendments to the IRB approach to calculating capital adequacy ratios under Basel III, in 2020, the Bank of Russia implemented the following key amendments.<sup>4</sup>

In terms of easing credit risk assessment requirements, the following measures were introduced:

- the 1.06 correction factor is no longer used when calculating the total amount of credit risk;
- the values of the level of loss given default for a part of corporate borrowers within the framework of foundation IRB and the minimum allowable level of loss given default for retail credit claims secured by the pledge of residential premises are reduced;
- the list of persons whose guarantees and sureties can be used to reduce the amount of credit risk was expanded;
- for banks that have switched to the finalised standardised approach to calculating capital adequacy ratios,<sup>5</sup> calculation of the amount of credit risk for investments in equity exposures will be carried out in accordance with the specified approach.

Other changes in terms of approaches to credit risk assessment:

- the minimum acceptable value of the probability of default for corporate and retail credit claims was increased;
- minimum values of the level of loss given default were introduced;
- the definition of default in terms of the introduction of certain quantitative criteria for default was clarified.

In the reporting year, the Bank of Russia allowed banks that have already switched to the IRB approach to calculate provisions for possible losses on loans, loan debts and equivalent debts of individuals and SMEs using internal

<sup>1</sup> Bank of Russia Regulation No. 590-P, dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

<sup>2</sup> Bank of Russia Ordinance No. 5690-U, dated 11 January 2021, 'On Amending Bank of Russia Regulation No. 590-P, Dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

<sup>3</sup> Bank of Russia Regulation No. 590-P, dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

<sup>4</sup> Bank of Russia Ordinance No. 5442-U, dated 15 April 2020, 'On Amending Bank of Russia Regulation No. 483-P, Dated 6 August 2015, 'On the Procedure for Assessing IRB Credit Risk'.

<sup>5</sup> Bank of Russia Instruction No. 199-I, dated 29 November 2019, 'On Banks' Required Ratios and Capital Adequacy Buffers for Banks with a Universal Licence'.





As part of consistent implementation of the Basel Committee on Banking Supervision standards, the Bank of Russia has approved requirements for operational risk management

quantitative risk assessment methodologies and models.<sup>1</sup>

In 2020, the **Bank of Russia continued to evaluate credit risk assessment methodologies and models** based on internal ratings used by banks to calculate credit risk. For example, the assessment of the corporate models of ALFA-BANK JSC was completed in the reporting year. The Bank of Russia continued the assessment of methodologies and models of Sberbank and JSC Raiffeisenbank that are already applying the IRB approach to parts of their loan portfolios and implementing plans for a gradual transition to the IRB approach for the remaining segments of credit claims.

In 2020, for the purpose of implementing the Basel III standard<sup>2</sup> **in terms of improving regulation of operational risk management** in credit institutions and banking groups, the Bank of Russia issued a regulation<sup>3</sup> establishing requirements for operational risk management systems and operational risk event databases. The Bank of Russia also clarified the requirements for operational risk management procedures<sup>4</sup> in connection with the issuance of Bank of Russia Regulation No. 716-P.

Simultaneously, the Bank of Russia approved the procedure for measuring operational risk for inclusion in capital adequacy ratios of credit institutions in accordance with Basel III.<sup>5</sup>

As part of the implementation of the BCBS standard<sup>6</sup> for assessing and managing interest rate risk, the Bank of Russia developed and published Bank of Russia Guidelines No. 8-MR<sup>7</sup> describing a standardised methodology for calculating **interest rate risk for a banking portfolio** based on the impact of scenario changes in interest rates on the amount of economic capital and interest income of a credit institution.

To improve the procedures for **disclosure of information by credit institutions** as part of the implementation of Pillar 3 'Market discipline' of Basel II<sup>8</sup> ('Pillar 3 of Basel II'), in 2020, the Bank of Russia clarified the forms of disclosure of information on encumbered and unencumbered assets of credit institutions (banking groups).<sup>9</sup>

As part of the implementation of Pillar 3 of Basel II, the Bank of Russia also developed requirements for the disclosure of information on the assessment of credit and operational risks in accordance with the new standardised ap-

<sup>1</sup> Bank of Russia Regulation No. 730-P, dated 24 August 2020, 'On the Procedure for the Creation of Loss Provisions by Banks Using Banking Risk Management Methodologies and Quantitative Risk Assessment Models, on Requirements for Banking Risk Management Methodologies and Quantitative Risk Assessment Models Used to Measure Expected Credit Losses and on Supervision by the Bank of Russia of Compliance with the Said Procedure'.

<sup>2</sup> Basel III: Finalising post-crisis reforms (December 2017).

<sup>3</sup> Bank of Russia Regulation No. 716-P, dated 8 April 2020, 'On the Requirements for the Operational Risk Management System of a Credit Institution or a Banking Group'.

<sup>4</sup> Bank of Russia Ordinance No. 5431-U, dated 8 April 2020, 'On Amending Bank of Russia Ordinance No. 3624-U, Dated 15 April 2015, 'On the Requirements for the Risk and Capital Management System of a Credit Institution or a Banking Group'. The document came into effect on 1 October 2020.

<sup>5</sup> Bank of Russia Regulation No. 744-P, dated 7 December 2020, 'On the Procedure for Measurement of Operational Risk (Basel III) and Supervision of Compliance Therewith by the Bank of Russia'.

<sup>6</sup> BCBS Standard 'Interest rate risk in the banking book'.

<sup>7</sup> Bank of Russia Guidelines No. 8-MR, dated 9 July 2020, 'On Calculating Interest Rate Risk on Assets (Claims) and Liabilities of a Credit Institution (Banking Group)'.

<sup>8</sup> Bank of Russia Ordinance No. 4482-U, dated 7 August 2017, 'On the Form and Procedure for a Credit Institution (Parent Credit Institution of a Banking Group) to Disclose Information on Risks Assumed, Risk Assessment Procedures and Risk and Capital Management Procedures'.

<sup>9</sup> Bank of Russia Ordinance No. 5416-U, dated 23 March 2020, 'On Amending Bank of Russia Ordinance No. 4482-U, Dated 7 August 2017, 'On the Form and Procedure for a Credit Institution (Parent Credit Institution of a Banking Group) to Disclose Information on Risks Assumed, Risk Assessment Procedures and Risk and Capital Management Procedures'.



proaches<sup>1</sup> and requirements for the disclosure of information on the assessment of interest rate risk of banking portfolios.

In addition, the Bank of Russia developed a unified format for credit institutions (parent credit institutions of banking groups) to disclose transactions with related parties to a wide range of users.<sup>2</sup>

In 2021, the Bank of Russia will continue to implement the provisions of Pillar 3 of Basel III in banking regulation.<sup>3</sup>

In the reporting year, the Bank of Russia further improved regulation of the activities of credit institutions **at the consolidated level**, including in terms of clarifying the procedure for calculating the equity (capital) and required ratios of banking groups taking into account amendments related to the implementation of IFRS 9 'Financial Instruments' ('IFRS 9') and the entry into force of Bank of Russia Instruction No. 199-I.<sup>4</sup>

## INFRASTRUCTURE ORGANISATIONS OF THE FINANCIAL MARKET<sup>5</sup>

In 2020, a number of regulations were adopted to regulate the activities of infrastructure organisations of the financial market.

In particular, to improve financial inclusion, Federal Law No. 116-FZ,<sup>6</sup> developed with the

participation of the Bank of Russia, was adopted to provide register holders with the right to carry out simplified customer identification.

Federal Law No. 253-FZ<sup>7</sup> was adopted in the reporting year to allow clearing organisations to form property pools of commodities and issue clearing participation certificates secured by such pools.

As part of support measures in the context of the coronavirus pandemic, Federal Law No. 259-FZ<sup>8</sup> was supplemented with an amendment<sup>9</sup> that extends the deadline for current operators of investment platforms to bring their activities in line with the requirements of the law to 1 July 2021.

The Bank of Russia issued regulations aimed at improving the requirements for disclosures by central counterparties<sup>10</sup> and at facilitating the most efficient implementation of the process of identifying operational risks of the central depository by expanding the list of risk self-assessment methods.<sup>11</sup>

In accordance with the new requirements of the law establishing a legal framework for the activities of new entities in the financial market, in 2020 the Bank of Russia issued the relevant regulations. They are aimed at ensuring the ability of digital financial asset exchange operators to conduct their activities<sup>12</sup> and

<sup>1</sup> BCBS document 'Basel III: Finalising post-crisis reforms (December 2017)'.

<sup>2</sup> These requirements are also scheduled to come into effect in 2021.

<sup>3</sup> BCBS document 'Pillar 3 disclosure requirements – updated framework (December 2018)'.

<sup>4</sup> Bank of Russia Instruction No. 199-I, dated 29 November 2019, 'On Banks' Required Ratios and Capital Adequacy Buffers for Banks with a Universal Licence'.

<sup>5</sup> In this subsection, infrastructure organisations mean clearing organisations (including those functioning as a central counterparty), trading organisers, professional securities market participants licenced to maintain a register of securities holders, depositories, specialised depositories, a central depository, repositories, financial transaction registrars, commodity delivery operators, credit rating agencies, price centres, financial platform operators, investment platform operators, operators of information systems in which digital financial assets are issued, and digital financial asset exchange operators.

<sup>6</sup> Federal Law No. 116-FZ, dated 7 April 2020, 'On Amending Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' in Terms of Clarifying the Rights and Obligations of Legal Entities Carrying out Certain Types of Professional Activities in the Securities Market'.

<sup>7</sup> Federal Law No. 253-FZ, dated 31 July 2020, 'On Amending the Federal Law 'On Clearing, Clearing Activities and the Central Counterparty' and Certain Laws of the Russian Federation in Terms of Creating a Legal Framework for the Formation of Commodity Property Pools'.

<sup>8</sup> Federal Law No. 259-FZ, dated 2 August 2019, 'On Investment Raising Using Investment Platforms and on Amending Certain Laws of the Russian Federation'.

<sup>9</sup> Article 12 of Federal Law No. 212-FZ, dated 20 July 2020, 'On Amending Certain Laws of the Russian Federation on the Execution of Financial Transactions via Financial Platforms'.

<sup>10</sup> Bank of Russia Ordinance No. 5452-U, dated 30 April 2020, 'On Requirements for the Composition of Information to Be Disclosed by the Central Counterparty, Procedure and Timeframe for Disclosure Thereof, as well as the Rules for Information Submission by the Central Counterparty to Clearing Members'.

<sup>11</sup> Bank of Russia Ordinance No. 5483-U, dated 22 June 2020, 'On Amending Bank of Russia Ordinance No. 4905-U, Dated 12 September 2018, 'On Requirements for the Central Depository's Activity with Regard to Managing Risks Related to its Activity, as well as for Rules to Manage the Said Risks'.

<sup>12</sup> Bank of Russia Ordinance No. 5647-U, dated 3 December 2020, 'On Requirements for Calculating the Net Assets of a Business Entity for the Purpose of Its Inclusion in the Register of Digital Financial Asset Exchange Operators by the Bank of Russia'.

terminating the activities of financial platform operators, operators of information systems in which digital financial assets are issued and digital financial asset exchange operators associated with the removal of these entities (information on them) from the respective registers by the Bank of Russia.<sup>1</sup> In addition, the Bank of Russia issued an ordinance establishing the legal framework for the exercise of the rights of depositories to maintain records of digital financial assets.<sup>2</sup>

During the coronavirus pandemic, the Bank of Russia supported supervised infrastructure organisations by adopting **regulatory and supervisory easing** comprehensive in nature and aimed at reducing the supervisory burden and reducing the number of regulatory requirements to adapt the financial sector to the anti-pandemic restrictions.

*Regulatory measures to neutralise the adverse impact of negative prices in the derivatives market*

20–21 April 2020 saw an abnormal situation in trading of a futures contract for Light Sweet Crude Oil series O4.20 related to its expiration at negative prices.

The Bank of Russia clarified the legislation and the current procedures of the trade organiser and the CCP in response to more than 350 appeals from financial consumers. In addition, the Bank of Russia concluded that, formally, no violations of the laws had been committed by the companies of the Moscow Exchange Group (the 'Group') but at the same time identified a number of methodological and organisational problems.

After assessing the situation, the Bank of Russia developed a set of recommendations for the Group companies and the professional community of the financial market. At pres-

ent, the Group has implemented most of the recommendations; in particular, it has updated technical means for trading in conditions of negative prices; ensured disclosure of instruments that may enter negative territory; developed key information documents containing detailed information on risks and risk parameters of a number of derivatives market instruments; ensured monitoring of information on contracts with external pricing; standardised the principles for changing risk parameters and the principles of decision-making in the event of emergency situations.

### **NON-GOVERNMENTAL PENSION FUNDS**

In 2020, the Bank of Russia participated in the development of a draft law on guaranteeing the rights of participants in non-governmental pension funds in the system of non-governmental pension provision by analogy with the existing guarantee system for pension savings. The Bank of Russia's proposals on the draft law were submitted to the Ministry of Finance of Russia.<sup>3</sup> The draft law is based on the existing mechanisms for guaranteeing the rights of insured persons in the mandatory pension insurance system and is aimed at protecting the rights and legitimate interests of NPF participants, increasing pension coverage for individuals by stimulating their and their employers' participation in NPF programmes and at improving confidence in the pension system of the Russian Federation. The main principles of the proposed system are obligatory participation of NPFs operating in the non-governmental pension provision system, a limitation on the maximum amount of guarantees ensuring the balance and stability of the guarantee system, and guarantee coverage of most of the pension savings in the non-governmental pension provision system.

<sup>1</sup> Bank of Russia Ordinance No. 5661-U, dated 11 December 2020, 'On the Procedure and Timeframes for the Bank of Russia to Decide to Remove Information on a Financial Platform Operator from the Register of Financial Platform Operators'; Bank of Russia Ordinance No. 5664-U, dated 16 December 2020, 'On the Procedure for the Bank of Russia to Remove an Operator of an Information System in Which Digital Financial Assets Are Issued from the Register of Operators of Information Systems in Which Digital Financial Assets Are Issued'; Bank of Russia Ordinance No. 5665-U, dated 16 December 2020, 'On the Procedure for the Bank of Russia to Remove a Digital Financial Asset Exchange Operator from the Register of Digital Financial Asset Exchange Operators'.

<sup>2</sup> Bank of Russia Ordinance No. 5646-U, dated 3 December 2020, 'On Instances of and the Procedure for Crediting Digital Financial Assets to a Nominal Holder of Digital Financial Assets That Keeps Records of Rights to Digital Financial Assets Belonging to Other Persons'.

<sup>3</sup> Draft federal law 'On Guaranteeing the Rights of Participants in Non-governmental Pension Funds within the Framework of Non-governmental Pension Provision Activities and on Amending Certain Laws of the Russian Federation'.

## MICROFINANCE MARKET ENTITIES

In 2020, the Bank of Russia **continued to improve the regulation** of the activities of microfinance market entities:

- Federal Law No. 196-FZ<sup>1</sup> developed by the Bank of Russia in cooperation with the Ministry of Finance of Russia that provides for the introduction of a procedure for admitting pawnshops to the financial market, improvement of the principles of establishing credit consumer cooperatives (CCCs) on a territorial, professional or social basis and improvement of disclosure of information to consumers of financial services of microfinance institutions was adopted, as was Federal Law No. 197-FZ,<sup>2</sup> which establishes the amount of the state fee for registering a legal entity in the state register of pawnshops;
- Federal Law No. 421-FZ<sup>3</sup> developed with the participation of the Bank of Russia that abolishes, for the purpose of implementing a proportionate approach, the obligation for agricultural credit consumer cooperatives (ACCC) with less than 200 members and ACCCs of the next level to comply with financial standards for risk concentration on savers and borrowers or their groups was adopted;
- Draft laws developed with the participation of the Bank of Russia providing for more serious administrative liability<sup>4</sup> and introduction of criminal liability<sup>5</sup> for illegal

professional activities in the provision of consumer loans were passed by the State Duma in the first reading.

During 2020, the following regulations were issued:

- Bank of Russia Ordinance No. 5391-U<sup>6</sup> improving the procedure for creation of loan loss provisions by microfinance organisations;
- Bank of Russia Ordinance No. 5457-U<sup>7</sup> specifying the values of loan loss provisions to be formed by CCCs and aimed at stimulating lending to SMEs;
- Bank of Russia Ordinance No. 5612-U<sup>8</sup> clarifying the procedure for calculating certain financial ratios of CCCs;
- Bank of Russia Ordinance No. 5472-U<sup>9</sup> establishing the methodology for measuring the equity (capital) of microcredit companies (MCCs). The requirement for the minimum amount of equity (capital) was introduced by Federal Law No. 271-FZ<sup>10</sup> at no less than ₹1 million from 1 July 2020, and by 2024, at no less than ₹5 million (i.e., with an annual increase of ₹1 million).

To implement the provisions of Federal Law No. 196-FZ,<sup>11</sup> regulations of the Bank of Russia established:

- criteria for the delineation of authorities of the Bank of Russia and self-regulatory organisations in the financial market in supervising MCCs as well as CCCs and ACCCs with

<sup>1</sup> Federal Law No. 196-FZ, dated 13 July 2020, 'On Amending Certain Laws of the Russian Federation'.

<sup>2</sup> Federal Law No. 197-FZ, dated 13 July 2020, 'On Amending Article 333.33 of Part 2 of the Tax Code of the Russian Federation to Establish the Amount of the State Fee for Registering a Legal Entity in the State Register of Pawnshops'.

<sup>3</sup> Federal Law No. 421-FZ, dated 8 December 2020, 'On Amending Article 40.1 of the Federal Law 'On Agricultural Cooperation'.

<sup>4</sup> Draft Federal Law No. 237560-7 'On Amending Articles 3.5, 4.1.1 and 14.56 of the Russian Federation Code of Administrative Offences'.

<sup>5</sup> Draft Federal Law No. 237666-7 'On Amending the Criminal Code of the Russian Federation'.

<sup>6</sup> Bank of Russia Ordinance No. 5391-U, dated 20 January 2020, 'On the Procedure for Making Loan Loss Provisions by Microfinance Organisations'.

<sup>7</sup> Bank of Russia Ordinance No. 5457-U, dated 13 May 2020, 'On Amending Bank of Russia Ordinance No. 3322-U, Dated 14 July 2014, 'On the Procedure for Consumer Credit Cooperatives to Make Loan Loss Provisions'.

<sup>8</sup> Bank of Russia Ordinance No. 5612-U, dated 5 November 2020, 'On Amending Bank of Russia Ordinance No. 3916-U, Dated 28 December 2015, 'On the Procedure for Calculating the Financial Ratios of Consumer Credit Cooperatives and Their Numerical Values'.

<sup>9</sup> Bank of Russia Ordinance No. 5472-U, dated 1 June 2020, 'On the Methodology for Measuring Capital of a Microcredit Company and the Form for Calculating Capital of a Microcredit Company'.

<sup>10</sup> Federal Law No. 271-FZ, dated 2 August 2019, 'On Amending Certain Laws of the Russian Federation'.

<sup>11</sup> Federal Law No. 196-FZ, dated 13 July 2020, 'On Amending Certain Laws of the Russian Federation'.

fewer than 3,000 members and associate members;<sup>1</sup>

- the procedure for maintenance of a state register of pawnshops by the Bank of Russia;<sup>2</sup>
- the form and procedure for a pawnshop to submit an application to the Bank of Russia to remove it from the state register of pawnshops.<sup>3</sup>

In accordance with the Core Standard for Credit Consumer Cooperative Transactions in the Financial Market, the procedure for determining the maximum limit on fees for the use of borrowed funds by CCCs was changed: compensation cannot exceed two times the key rate set by the Bank of Russia as of the date of the personal savings transfer agreement.

## PROFESSIONAL SECURITIES MARKET PARTICIPANTS

In 2020, the Bank of Russia continued to **improve regulation of the activities of professional securities market participants (PSMPs)** and provide support for the development of the financial market and the financial stability of PSMPs.

Bank of Russia Ordinance No. 5683-U<sup>4</sup> was issued to establish the necessary environment for the construction and operation of the internal control systems of PSMPs, including the establishment of requirements for the organisation and implementation of internal control and internal audit by PSMPs, and to introduce the principle of proportionate (adequate) regulation that provides for the organisation of an

internal control system taking into account the nature and scale of operations and the level and combination of assumed risks.

As part of **establishing a system of risk-based supervision**, the Bank of Russia continued to introduce prudential standards for PSMPs. In particular, to ensure a reliable level of liquidity of brokers by creating a reserve of unencumbered high-quality liquid assets enabling continuous operations amid a significant cash outflow over the course of one month (30 days), the Bank of Russia issued Ordinance No. 5436-U<sup>5</sup> establishing requirements for the minimum value of the liquidity coverage ratio for brokers to which customers have granted the right to use their funds in the brokers' interest.

## INSURANCE ENTITIES

In 2020, Federal Law No. 442-FZ<sup>6</sup> was adopted to **strengthen the powers of the Bank of Russia** in terms of supervising the activities of insurance entities, including in order to prevent illegal obstructions to provisional administrations of insurance entities associated with the withdrawal of the funds of the insurance entities.

In particular, the federal law entitles the Bank of Russia to suspend operations over bank accounts (deposits) and depository accounts (personal accounts) opened by insurance entities simultaneously with the issuance of an order to restrict and/or prohibit certain transactions and to suspend the execution of executive documents on pecuniary sanctions from the date of entry into force of the de-

<sup>1</sup> Bank of Russia Ordinance No. 5654-U, dated 9 December 2020, 'On Determining the Amount of Assets of a Consumer Credit Cooperative With the Total Number of Members Not Exceeding Three Thousand Individuals and/or Legal Entities upon the Exceedance of Which the Bank of Russia Shall Conduct Supervision of Compliance with the Requirements of the Russian Federation Legislation on Credit Cooperation'; Bank of Russia Ordinance No. 5655-U, dated 9 December 2020, 'On Determining the Amount of Assets of an Agricultural Consumer Credit Cooperative With the Total Number of Members Not Exceeding Three Thousand Individuals and/or Legal Entities upon the Exceedance of Which the Bank of Russia Shall Conduct Supervision of Compliance with the Requirements of the Russian Federation Legislation on Agricultural Cooperation'; Bank of Russia Ordinance No. 5656-U, dated 9 December 2020, 'On Determining the Amount of the Assets of Microcredit Companies and Outstanding Amounts under Loan Agreements Due to Microcredit Companies upon the Exceedance of Which the Bank of Russia Shall Conduct Supervision of Compliance with the Requirements of the Russian Federation Legislation on Microfinance Activities'.

<sup>2</sup> Bank of Russia Ordinance No. 5626-U, dated 19 November 2020, 'On Maintenance of a State Register of Pawnshops by the Bank of Russia'.

<sup>3</sup> Bank of Russia Ordinance No. 5631-U, dated 25 November 2020, 'On the Form and Procedure for a Pawnshop to Submit an Application to the Bank of Russia to Remove It from the State Register of Pawnshops'.

<sup>4</sup> Bank of Russia Ordinance No. 5683-U, dated 28 December 2020, 'On Requirements for the Internal Control System of a Professional Securities Market Participant'. The document comes into effect on 1 October 2021.

<sup>5</sup> Bank of Russia Ordinance No. 5436-U, dated 13 April 2020, 'On Setting Required Liquidity Coverage Ratio for Brokers, Where Customers Entitle Brokers to Use Their Funds in the Brokers' Interest'. The document comes into effect on 1 October 2021.

<sup>6</sup> Federal Law No. 442-FZ, dated 22 December 2020, 'On Amending Certain Laws of the Russian Federation in Terms of the Introduction of Interim Measures Aimed at Preserving the Property of an Insurance Entity for the Fulfilment of Its Obligations'.

cision of the insurance supervisory authority to revoke all licences and until a provisional administration completes its activities.

In accordance with this law, in 2020, **the timeframe for increasing the authorised capital** of insurance companies was extended by one year.

In 2020, the Bank of Russia continued to develop amendments to insurance laws in terms of expanding the powers of the Bank of Russia in connection with **the introduction of a risk-based approach to regulation and supervision** of the insurance market:

- Bank of Russia Regulation No. 710-P<sup>1</sup> was issued, introducing new approaches to determining the financial stability and solvency of insurers, establishing a methodology for determining equity (capital) and taking asset risk into account in determining capital adequacy.
- On 1 July 2021, requirements for calculating the amount of equity taking into account only concentration risk will come into effect. The assessment of the impact of all risks on capital will come into effect from 1 July 2022, and the remaining norms of Bank of Russia Regulation No. 710-P will come into effect from 1 July 2025.

In 2020, the Bank of Russia developed and published the Concept of Requirements for the Calculation of Insurance Reserves on its website. The concept provides for the calculation of insurance reserves exclusively by actuaries. The estimated value of insurance reserves is presented as a sum of the best estimate of the present value of cash flows associated with insurance (reinsurance) contracts and a risk premium reflecting the cost of capital required to form insurance reserves.

The new requirements will make it possible to more accurately calculate the amount of insurance liabilities and, accordingly, better assess the financial resilience of insurers.

In 2020, the Bank of Russia developed proposals for improving legislation which provide for the creation of a guarantee system in the life insurance market ([see the News section of the Bank of Russia website for details](#)). Within this system, the monetary rights of policyholders and beneficiaries under voluntary life insurance contracts will be guaranteed if the insurance company's licence is revoked (capped at ₱1.4 million) and in the event of death of an insured person (capped at ₱10 million). It is assumed that the guarantee system to be developed will contribute to an increase in consumer demand for long-term life insurance contracts and, accordingly, an increase in long-term investments of insurers.

In 2020, the Bank of Russia participated in the development of a draft law<sup>2</sup> providing for phased integration of information systems of professional associations of insurers created under insurance laws into a unified insurance information system with the transfer of the functions of its operator to a specialised legal entity controlled by the Bank of Russia.

## NATIONAL PAYMENT SYSTEM PARTICIPANTS

For national payment system participants that are payment system operators, payment infrastructure operators or funds transfer operators, the Bank of Russia introduced regulatory easing<sup>3</sup> aimed at reducing the impact of the coronavirus pandemic, in particular:

- from 31 March 2020 to 1 July 2020, inspections of the specified operators were suspended, and scheduled inspections were postponed until after 1 July 2020;
- funds transfer operators were exempted from the measures provided for by Article 74 of Federal Law No. 86-FZ for accepting electronic means of payment from foreign payment service providers if they

<sup>1</sup> Bank of Russia Regulation No. 710-P, dated 10 January 2020, 'On Certain Requirements for Financial Sustainability and Solvency of Insurers'.

<sup>2</sup> Draft Federal Law No. 1056530-7 'On Amending Certain Laws of the Russian Federation in Terms of Creation of an Automated Insurance Information System' (the document is undergoing interdepartmental approval).

<sup>3</sup> Bank of Russia Information Letter No. IN-04-45/43, dated 31 March 2020, 'On the Non-application of Measures, Actions and Enforcement Measures to Payment System Operators, Payment Infrastructure Operators and Funds Transfer Operators' and Bank of Russia Information Letter No. IN-04-45/99, dated 9 June 2020, 'On the Non-application of Measures to Funds Transfer Operators and Payment System Operators'.



did not comply with the requirements of Article 9.1 of Federal Law No. 161-FZ.<sup>1</sup>

As part of the implementation of the amendments introduced in 2019 to Federal Law No. 161-FZ, in 2020, the Bank of Russia developed an ordinance establishing the procedure for the maintenance by the Bank of Russia of lists of payment application providers, foreign payment service providers, information exchange operators and payment aggregators and the procedure for submitting information for the maintenance of the said lists to the Bank of Russia.<sup>2</sup>

Bank of Russia Ordinance No. 4973-U<sup>3</sup> was amended for the purpose of expanding the methods of interaction between the Bank of Russia and federal postal service organisations and receiving information on postal funds transfers through personal accounts.

## OTHER PARTICIPANTS

### *Collective investment market entities (besides NPFs)*

In 2020, amendments to the laws providing for the replacement of registration of rules for trust management of unit investment funds for qualified investors by the Bank of Russia with their approval by specialised depositories came into effect,<sup>4</sup> and requirements for such rules were developed to replaced their standard form effective 1 February 2021.<sup>5</sup>

To improve protection of the rights and lawful interests of investors and to increase confidence in the collective investment market, Bank of Russia Ordinance No. 5511-U<sup>6</sup> was issued, approving the requirements for

identifying and managing conflicts of interest among management companies and specialised depositories. This ordinance defines the cases when a financial institution may have a conflict of interest, sets out the procedure for identifying it and specifies types of conflicts of interest that companies must prevent. For example, it forbids carrying out transactions with customers' property on terms that are not the best available and management companies using information on customer transactions in its own transactions. In certain cases, a financial institution may enter into transactions with a conflict of interest, such as related-party transactions. But this is possible only if the financial institution confirms that such transaction is in the best interests of a customer and informs the customer of such conflict of interest.

### *Credit history bureaus*

In 2020, Federal Law No. 302-FZ<sup>7</sup> was adopted with the participation of the Bank of Russia, providing for the following:

- establishing uniform requirements and indicators for the procedure for generating credit histories;
- creating a new institution of qualified credit history bureaus (CHBs), which will provide lenders with close to real-time data on average monthly payments of credit history subjects for calculating the debt (payment) burden of borrowers;
- establishing a unified procedure and form for providing such data;
- establishing a procedure for the Bank of Russia to determine the average market

<sup>1</sup> Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System' (as amended by Federal Law No. 173-FZ, dated 3 July 2019, and Federal Law No. 264-FZ, dated 2 August 2019).

<sup>2</sup> Bank of Russia Ordinance No. 5429-U, dated 6 April 2020, 'On the Procedure for the Bank of Russia to Maintain the List of Payment Application Providers, List of Foreign Providers of Payment Services, List of Information Exchange Operators, and List of Bank Payment Agents Engaged in Payment Aggregator Operations; on the Procedure, Forms, Composition, and Timeframe for Funds Transfer Operators and Payment System Operators to Provide Information for the Maintenance of the Specified Lists'.

<sup>3</sup> Bank of Russia Ordinance No. 5484-U, dated 22 June 2020, 'On Amending Bank of Russia Ordinance No. 4973-U, Dated 26 November 2018, 'On the Procedure for Submission of Requests and Receipt of Information by the Bank of Russia from Federal Postal Service Organisations on Postal Funds Transfers'.

<sup>4</sup> Federal Law No. 248-FZ, dated 26 July 2019, 'On Amending Certain Laws of the Russian Federation'.

<sup>5</sup> Bank of Russia Ordinance No. 5642-U, dated 2 December 2020, 'On Requirements for the Rules of Trust Management of a Unit Investment Fund Whose Investment Units Are Intended Exclusively for Qualified Investors'.

<sup>6</sup> Bank of Russia Ordinance No. 5511-U, dated 22 July 2020, 'On Requirements for the Identification of the Conflicts of Interest of Management Companies of Investment Funds, Unit Investment Funds and Non-governmental Pension Funds, and a Specialised Depository'. The document came into effect on 1 April 2021.

<sup>7</sup> Federal Law No. 302-FZ, dated 31 July 2020, 'On Amending Federal Law 'On Credit Histories' in Terms of Modernising the System for Generating Credit Histories'.

- cost of providing a credit report to limit the cost of provision of data on average monthly payments;
- establishing requirements for the methodology of CHBs for calculating individual ratings of individual credit history subjects and the scope of information to be disclosed when providing such ratings to credit history subjects;
- determining the forms, procedure and terms for the preparation and submission of reporting to the Bank of Russia by CHBs.

To support businesses and households during the coronavirus pandemic, the Bank of Russia developed a package of clarifications on the work of CHBs and on sources of credit histories and users of credit histories which advise market participants not to take into account events of debt restructuring associated with the coronavirus pandemic (both under the mechanisms provided for by laws and under the lenders' (creditors') own programmes) in the development and use of models for assessing probability of a borrower's default (scoring models, individual ratings of credit history subjects).

#### *Self-regulatory organisations*

In 2020, the Bank of Russia summarised the results of public consultations on the state of the self-regulation system in the financial market and decided that it would be premature to reform the current self-regulation model.<sup>1</sup> The Bank of Russia identified the following as the key objectives for improving the activities of self-regulatory organisations in the financial market (SROs):

- improving the efficiency of the control and disciplinary mechanisms of SROs;
- eliminating duplicate functions of SROs in monitoring the compliance of financial organisations with the requirements of laws on the financial market and regulations of the Bank of Russia (except for certain

segments, for example, the microfinance market) to reduce the inspection burden on SROs and their members;

- incorporating promotion of principles of ethical conduct into the scope of SRO activities.

The Bank of Russia adopted Bank of Russia Ordinance No. 5561-U<sup>2</sup> to establish the option of electronic interaction with non-profit organisations submitting applications for the Bank of Russia to make a decision on entering them into the unified register of SROs and sending information for making changes to the unified register.

In 2020, 14 committees on standards were functioning at the Bank of Russia; their key objectives are approving basic standards developed by SROs and preparing proposals on the directions of development of financial institutions.

In 2020, new versions of two basic standards were developed by SROs and approved by the Bank of Russia:

- Basic standard for operations of credit consumer cooperatives in the financial market;<sup>3</sup>
- Basic standard for operations of brokers in the financial market.<sup>4</sup>

In total, as of the end of 2020, 19 basic standards approved by the Bank of Russia are in force, determining the requirements for the activities of microfinance organisations, credit consumer cooperatives, brokers, depositories, managers, FX dealers, insurance companies, insurance brokers, investment advisers, and specialised depositories.

#### **OPTIMISING REGULATORY BURDEN ON FINANCIAL MARKET PARTICIPANTS**

In August 2019, the Working Group on Optimising the Regulatory Burden on Financial Market Participants (the 'Working Group') was established. In general, based on the results of the Working Group's activities in 2020, some stable trends can be identified.

<sup>1</sup> The consultation paper *Self-regulation in the Russian Financial Market. Analysis of Efficiency and Matters of Improving the Existing Model* was published on 23 December 2019; the Report on the results of the public consultations was published on 18 August 2020.

<sup>2</sup> Bank of Russia Ordinance No. 5561-U, dated 24 September 2020, 'On the Maintenance by the Bank of Russia of a Unified Register of Self-regulatory Organisations in the Financial Market'.

<sup>3</sup> Approved by the Bank of Russia, Minutes No. KFNP-29, dated 13 October 2020.

<sup>4</sup> Approved by the Bank of Russia, Minutes No. KFNP-167, dated 24 December 2020.



The practice of implementing the Bank of Russia's initiative to optimise the regulatory burden on financial market participants fully confirmed the relevance of the set objectives and the appropriateness of the chosen measures. Productive dialogue was opened between the regulator and market participants. The enthusiasm of financial market participants gradually increased: while at the beginning of the Working Group's activities the main pool of initiatives came from self-regulatory organisations, as it developed, individual participants and representatives of other business units of financial groups previously represented in subgroups of different profiles started to actively join in the discussions. Therefore, the cross-sectoral approach to this work can be considered effective.

Despite the fact that in the context of the coronavirus pandemic the overall participation of financial market and infrastructure participants significantly declined amid reassessed priorities of various business processes, the activities of the Working Group remained in high demand, and its work continued in a remote format.

The nature of the initiatives also changed somewhat: at the initial stage, most of the initiatives were devoted to the elimination of legal conflicts and outdated and duplicate requirements; further on, participants' proposals were increasingly aimed at significant changes in regulation designed to reduce or optimise business costs.

In 2020, the Working Group held five meetings and supported 142 initiatives of market participants submitted by specialised subgroups (20 initiatives were returned to subgroups for revision). This work made it possible

to implement 74 initiatives. Optimising the regulation of the banking sector turned out to be the most productive area of work (22 initiatives to eliminate conflicts and excessive requirements for the organisation of activities and to reduce administrative burden in the form of supervisory measures). In addition, duplicate forms were eliminated, procedures and timing for the filing of reporting by credit and non-credit institutions were optimised (ten and nine initiatives, respectively), and redundant or outdated AML/CFT requirements (eight initiatives) were eliminated. The remaining 25 initiatives focused on improving corporate governance, admission rules, the insurance and microfinance markets, the collective investment market, and operations of PSMPs. According to the expert estimates of the Forum Analytical Centre Non-profit Foundation prepared jointly with the authors of the proposals, the economic effect of 22 initiatives implemented by the Bank of Russia amounted to more than  $\text{R}13$  billion per year.

For most initiatives in relation to Bank of Russia regulations, deadlines for their implementation fall before the end of 2021. The largest number of initiatives will be implemented in terms of regulating the activities of professional financial market participants (28) and matters concerning access to the financial markets (21) and the reporting of non-bank organisations (19). Most of these initiatives aim to eliminate outdated acts, unify requirements, reduce the administrative burden and eliminate legal conflicts in the relevant regulatory areas. The rest of the initiatives (19) envisage changes aimed at optimising banking regulation, financial market infrastructure, AML/CFT rules and insurance market regulation.

## 2.2.5. SUPERVISION

### 2.2.5.1. OFF-SITE SUPERVISION

#### 2.2.5.1.1. Credit institutions, banking groups and bank holding companies

In 2020, the centralised supervision of credit institutions was carried out by the Systematically Important Banks Supervision Department (SIBSD) and the Service for Ongoing Banking Supervision (SOBS).

As of 1 January 2021, SIBSD supervised the activities of 12<sup>1</sup> SICIs and 18 CIs which are members of banking groups whose parent organisations are SICIs as well as TRUST Bank (PJSC) acting as a Bank of Non-core Assets. The credit institutions supervised by SIBSD are members of 13 banking groups (including the banking group which includes TRUST Bank (PJSC) and three holding companies.

SOBS supervised the activities of 371 CIs, including 221 banks with a universal licence, 118 banks with a basic licence, and 32 non-bank credit institutions (NCIs). Among the institutions supervised by SOBS were members of 65 banking groups, 22 banking holdings, and 58 informal groups.

Four non-bank credit institutions (the central depository and three central counterparties) were supervised by the Financial Market Infrastructure Department.

All credit institutions are supervised by curators. The Bank of Russia's authorised representatives have been appointed for 112 credit institutions.

**CIs were supervised taking into account the specifics of their activities depending on the type of licence issued:**

- **Banks with a universal licence** generally have a rather wide range of products, which, in turn, poses a large number of risks. A universal licence implies a significant volume of transactions that can be performed by CIs (for example, in terms of transactions with securities, with non-residents etc). In this respect, banks holding a universal licence are often more exposed to market and legal

risks as well as the risk of loss of business reputation than basic licence-holder banks (BLBs). Given the potential impact on the market that may be caused by problems in the activities of banks holding a universal licence, supervision over them involves evaluating internal capital adequacy assessment processes, monitoring compliance with a larger number of standards as compared to BLBs and with buffers on the equity (capital) adequacy ratio, disclosure of financial statements for investors, etc.

- As far as **SICIs** are concerned, given their higher importance for the stability of the sector, increased regulatory requirements have been established for risk and capital management and internal control, which requires an in-depth analysis of the procedures and processes established in the bank.
- The specifics of the supervision of **BLBs** involve control over the operations carried out by CIs to prevent them from violating Article 5 of Federal Law No. 395-1,<sup>2</sup> which limits the list of operations BLBs may carry out.
- Supervision of **NCIs** considered risks in the area of payment systems since the business model in most NCIs is based on funds transfers, including electronic money transfers.

**Consolidated supervision** over the operations of major financial associations of CIs and non-bank financial institutions (NFIs) as of the end of 2020 was being carried out by 26 supervisory groups, which included both employees responsible for banking supervision and employees of other divisions of the Bank of Russia exercising supervision of NFIs.

Within the scope of consolidated supervision:

- there was prompt information exchange between curators from the units responsible for the supervision of banks and NFIs that are part of banking groups;

<sup>1</sup> In 2020, a decision was made to include Sovcombank PJSC in the list of systemically important credit institutions.

<sup>2</sup> Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities'.

- information on group companies was consolidated and regularly updated in an electronic dossier;
- key risks of financial associations were identified.

**The regional employees** of supervisory units participated or were appointed as the Bank of Russia's authorised representatives in the supervisory groups supervising CIs located outside the Moscow Region.

Within the scope of their functional duties, the regional employees visited CIs (or their branches) to obtain operational information on the banks' activities and participated in meetings and monitoring of the activities of CIs, including their correspondent accounts, in controlling the implementation of measures imposed on CIs (requirements, restrictions or prohibitions), in reviewing the communications of CIs, their customers and other legal entities and individuals, in inspections of CIs (or their branches).<sup>1</sup>

Within the scope of **advisory oversight** (the approach aimed at ensuring close interaction with the management bodies of CIs to prevent the development of negative phenomena or trends in their activities), meetings and workshops with top management and beneficiaries of CIs were regularly held to discuss significant risks, current operational issues and business plans of supervised CIs and banking groups as well as the revision of internal documents and the results of inspections. One of the key topics of the supervisory agenda of the meetings with representatives of CIs was their adaptation to the impact of the coronavirus pandemic, including its impact on financial stability after the termination of regulatory easing, and to volatility in financial markets.

During 2020, the supervisory units held 438 meetings with supervised CIs, including 75 meetings with SICIs. During the pandemic, meetings were conducted primarily through video and audio conferencing.

In connection with the spread of the coronavirus infection, the Bank of Russia took measures to reduce the regulatory and super-

visory burden on banks. The number of regular inquiries to CIs was significantly reduced, and response deadlines were extended, as were the deadlines for drawing up and submitting regular prudential reports to the Bank of Russia, including the extension of the deadline for submitting information about the organisation of the **internal capital adequacy assessment process (ICAAP)** and its results as of 1 January 2020 on an individual and consolidated basis to 30 September 2020.

In light of the decisions made by the Bank of Russia's management, the information provided by CIs on the organisation of ICAAP for 2019 on an individual and consolidated basis will be taken into account by supervisory units when assessing ICAAP for 2020. At the same time, the information provided by CIs was taken into account by the supervisory units when assessing the indicator of the risk management system (PU4) during the classification of CIs.<sup>2</sup>

In 2020, supervisory work with CIs and parent CIs of banking groups was continued to control the elimination of violations and deficiencies identified as a result of the assessment of ICAAP for 2018. Overall, and taking into account the identified shortcomings in the current activities of banks supervised by SOBS, 2,132 information letters were sent to them with recommendations as to the management of their main risks.

**The development of supervisory stress testing** in 2020 was focused on improving the methodology and calculation tools. As part of reducing the regulatory burden amid the spread of the coronavirus infection, the bottom-up supervisory stress testing programme for banks (where banks make their own calculations based on stress parameters set by the Bank of Russia) was cancelled, and stress tests were conducted by the Bank of Russia itself. At the same time, the stress testing methodology was adapted to take into account the increased risk in certain sectors of the economy (those vulnerable to the conditions of the self-isolation regime), loan repayment holiday programmes,

<sup>1</sup> In 2020, regional staff took part in audits of 28 CIs.

<sup>2</sup> In accordance with Bank of Russia Ordinance No. 4336-U, dated 3 April 2017, 'On Assessing Banks' Economic Situation'.

regulatory relief, and other specifics of the period of the spread of the coronavirus infection in Russia.

To conduct stress testing, the Bank of Russia developed 29 individual stress testing models for major banks, which account for over 80% of the banking sector's assets. Based on these models, two stress tests were performed for the banking sector – in March and in November. Also, within the framework of supporting the supervisory process, stress testing models were also used to review the financial recovery plans submitted by banks to the Bank of Russia.

In 2020 H2, preparatory work was carried out for resuming annual supervisory stress testing using the bottom-up method in 2021: the methodology and calculation templates were updated, in particular, to account for the experience of examining the financial stability recovery plans of banks. In October, a formal stress testing scenario was sent to banks participating in bottom-up stress testing, based on which supervisory stress testing will be conducted in 2021. The early distribution of the stress testing scenario enabled banks to use it already in 2020 in the process of business planning and as part of ICAAP.

In 2020, the Risk Analysis Service continued to **regularly assess various types of assets** of CIs and NFIs. In 2020, an analysis was made of more than 480 groups of companies and major borrowers, including related companies, with a total debt burden of over ₹33 trillion.

As part of the assessment of credit risk in the mass segment for 2020, over 11,000 corporate loans in the amount of ₹1.7 trillion were analysed. In 2020, 39 opinions were prepared with an assessment of retail loan portfolios for a total volume of over ₹255 billion (over 2.7 million loans), including an analysis of 305 internal regulatory documents of CIs.

An element in the comprehensive assessment of possible loan losses was the expert evaluation of pledged items accepted by CIs as collateral on loans, as part of which the exis-

tence of the pledged item and its legal status were established, and a judgement was made on the value of the pledged item. In 2020, 19,900 pledged items and 11,200 assets of credit institutions were assessed.

In 2020, the implementation of the objective of introducing a register of pledges continued:

- CI Reporting Form O409310 'Information on Pledged Items Accepted by Credit Institutions as Collateral for Loans' was approved as the main source for the formation of the register of pledges.<sup>1</sup> Credit institutions will start submitting reports to the Bank of Russia using this form in 2021 H2;
- over 130 CIs (including a number of SICIs) agreed to take part in the pilot collection of reports using Form O409310 (in 2021 H1);
- the development of IT solutions for the project continued.

In the area of market risk analysis, 358 reports were prepared in 2020 for 142 CIs on the assessment of the fair value of securities and financial derivatives, the quality categories of securities issues and the financial standing of their issuers, and analysis of transactions with financial instruments. The average monthly volume of the securities portfolio held by CIs and analysed as part of regular analysis was about ₹2.8 trillion.

As part of assessing the quality of operational risk management in CIs, including the quality of their business continuity and recovery plans, 144 opinions were prepared in 2020 for 133 CIs, including the analysis of 2,298 internal regulatory documents.

### **Supervisory measures related to information security**

The Bank of Russia has been improving its approach to the supervision of entities in the credit and financial sector in terms of their compliance with the requirements for information protection and the use of information technologies. The main goal of this approach is the transition to risk-based supervision within

<sup>1</sup> In accordance with Bank of Russia Ordinance No. 5456-U, dated 12 May 2020, 'On Amending Bank of Russia Ordinance No. 4927-U, Dated 8 October 2018, 'On the List, Forms and Procedure for Compiling and Submitting Credit Institutions' Reporting Forms to the Central Bank of the Russian Federation'.

the framework of off-site supervision and on-site inspections.

The improvement of remote work in terms of information security in 2020 was carried out in two areas: the introduction of advisory supervision over the activities of organisations in the credit and financial sector and cyberdrills.

Advisory supervision measures pertaining to information security make it possible to learn more about the organisations supervised and control the timeliness of improvement of business processes in accordance with the requirements of the Bank of Russia's regulations and international standards, which, taken together, contributes to an increase in the level of their cyber resilience. The main objective of advisory supervision is to promptly identify problems related to information security and the use of information technologies in the organisations supervised and to determine the scale of expected financial losses in order to make efforts to prevent them in the process of direct interaction.

Cyberdrills are a new project aimed at promptly identifying and confirming certain deficiencies in the information security processes of supervised organisations in the process of remote supervision. At the end of 2020, the first cycle of cyberdrills with 22 major financial institutions was completed, which made it possible to test the mechanism for rapid remote identification of defects in cyber resilience.

In the course of cyberdrills in stress testing mode, scenarios of actual computer attacks were simulated; not only was the readiness of information security and information technology units of supervised organisations for such scenarios checked, but also the Bank of Russia's ability to promptly interact in response and help eliminate the emerging threats was tested as well.

Several scenarios of computer attacks and the implementation of response plans were worked out with each organisation in the course of cyberdrills in simulation mode.

Within the scope of a new project for conducting cyberdrills, risk profiles of supervised organisations in terms of information security and cyber resilience were formed, and modes of

subsequent supervision were determined. Risk profiling is based on the following indicators:

- the level of cumulative losses as a result of the materialisation of information threats;
- the level of operational reliability in the provision of financial services in the event of materialisation of information threats;
- the level of unauthorised transactions;
- the level of maturity (efficiency) of information security and operational reliability processes.

After determining the values of indicators, the supervised organisation is classified into one of four risk level groups ('red', 'orange', 'yellow' or 'green'). Based on this, the terms of follow-up supervision are determined, including the need for advisory supervision actions, cyberdrills or on-site inspection. In turn, obtaining the necessary information within the scope of on-site inspections makes it possible to conduct additional analysis and adjustment (clarification) of the risk profile of the supervised entity.

In 2020, the risk profile was calculated in terms of the information security and cyber resilience of banks holding a universal license, CIs which are members of financial associations, and SICIs.

In the reporting period, the following activities were carried out within the scope of off-site supervision:

- preparing necessary pre-verification information and proposals in relation to risk-oriented assignments for conducting inspections of credit institutions;
- analysing and controlling the current results of inspections of credit institutions;
- analysing the results of inspections of credit institutions and preparing proposals for applying supervisory response measures;
- controlling the implementation of the applied supervisory response measures by credit institutions.

The data collected during off-site (advisory supervision or cyberdrills) and on-site supervision are used to draw conclusions on the state of information security of financial associations and are taken into account as part of the Information Security and Cyber Resilience block when forming a composite risk profile.

In 2020, a risk profile was calculated for the information security and cyber resilience of credit institutions with a universal banking license, credit institutions which are members of financial associations, and systemically important credit institutions.

In 2020, the **supervisory response measures** of the Bank of Russia were focused primarily on identifying negative trends in the operations of CIs at early stages and applying adequate measures to prevent the development of these trends. The information on the measures applied to CIs in 2020 is presented in [Table 34 of Section 5.4 'Statistical tables'](#).

If the owners failed to take effective measures to eliminate the identified violations and restore financial stability, the Bank of Russia revoked the banking licences of these CIs when there were grounds to do so. In 2020, the Bank of Russia revoked the licences of 16 CIs (in 2019, of 28 CIs) in accordance with Article 74 of Federal Law No. 86-FZ and Article 20 of Federal Law No. 395-1.

In 2020, the reasons for revoking banking licenses<sup>1</sup> included:

- in 15 cases (vs 27 cases in 2019), failure to comply with federal laws regulating banking activities and the Bank of Russia's regulations, if within one year the measures stipulated by Federal Law No. 86-FZ were repeatedly applied to a CI;
- in nine cases (vs 14 cases in 2019), repeated violations of the requirements set by Federal Law No. 115-FZ<sup>2</sup> and the Bank of Russia regulations issued in accordance therewith;
- in one case (vs four cases in 2019), a decrease in the values of all equity (capital) adequacy ratios of CIs below 2%;
- in one case (vs four cases in 2019), a decrease in the equity (capital) of CIs below the minimum value of their authorised capital established as of the date of their state registration.

Moreover, in the reporting period, the Bank of Russia cancelled the licences of nine CIs (vs three in 2019) based on the decision of their shareholders (members) on voluntarily liquidation.

CIs that had their banking licenses revoked in 2020 were mainly registered in Moscow (nine out of 16).

### 2.2.5.1.2. Infrastructure organisations<sup>3</sup>

#### *Completion of the NCI-CCP reform*

In 2020, the reform of central counterparty regulation initiated in 2015 was completed, resulting in the definition of the central counterparty as a separate type of non-bank credit institution (NCI-CCP) and the formation of a comprehensive risk-oriented model for regulating the activities of the central counterparty in accordance with international standards. In 2020, two organisations received the status of NCI-CCPs.

#### *Improving supervision of infrastructure organisations*

In the reporting year, the main area of supervision was the assessment of activities carried out by infrastructure organisations with the purpose of ensuring business continuity, including in connection with the spread of the coronavirus infection. To mitigate the impact of the pandemic, the Bank of Russia adopted temporary regulatory and supervisory easing. Moreover, daily interaction with market participants was carried out during which information support was provided, and feedback on current problems faced by market participants, including infrastructure organisations, was collected.

During the pandemic, infrastructure organisations continued to perform critical processes and promptly transitioned most of their employees to remote work, a new mode of work for them. In this respect, new electronic

<sup>1</sup> The licence of a CI could be revoked based on several grounds at the same time.

<sup>2</sup> Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

<sup>3</sup> In this section, infrastructure organisations refer to clearing organisations (including those functioning as a central counterparty), trade organisers, professional securities market participants licensed to maintain a register of securities holders, depositories, specialised depositories, the central depository, repositories, financial transaction registrars, commodity supply operators, credit rating agencies, price centres, financial platform operators, investment platform operators, information system operators in which digital financial assets are issued, and digital financial asset exchange operators.

services of record-keeping infrastructure organisations were widely adopted for clients, allowing them to receive services without their personal presence in the office of the organisation: personal accounts on websites, online submission and processing of orders, remote identification of clients, electronic voting, and other services.

Also, in 2020, the Bank of Russia continued to improve supervisory procedures in respect of infrastructure organisations of the financial market. For registrars, depositories and specialised depositories, criteria for the significance of identified violations were approved, which made it possible to unify approaches when making a decision on the application of supervisory response measures.

There was significant development in the supervision of specialised depositories. In particular, the developed methodology for categorising specialised depositories made it possible to establish proportionate regulation in the field of information protection.

To improve the supply infrastructure of the exchange commodity market and comply with Clause 4 of Section X of Directive of the Russian Government No. 1697-r, dated 16 April 2018, 'On the Approval of the Action Plan (Roadmap) to Develop Competition in the Russian Economy and to Make Natural Monopolies Competitive in 2018–2020', on 29 April 2020, the Bank of Russia decided to accredit the subsidiary structure of the Russian railway company Digital Logistics LLC as a commodity delivery operator. The introduction of rail transportation into the procedures for the fulfilment of exchange contracts will have a positive effect on market transparency and the traceability of the movement of exchange commodities (most of which are delivered by rail) as well as on the optimisation of dispute resolution between trading participants. The accreditation of two commodity delivery operators not carrying out any activities was terminated.

In 2020 H2, the building of a risk-based supervision system began, which was aimed at identifying and preventing negative trends in the activities of credit rating agencies. Dossiers

of credit rating agencies are being maintained. Curators were assigned to all credit rating agencies. The curators focus on identifying non-financial risks in the operations of credit rating agencies, taking into account their specifics. Work began on the automation of supervisory processes, including the formation of triggers, in particular the comparison of the levels of credit ratings assigned to one rated entity by different credit rating agencies.

Taking into account the increasing risks associated with the growth in the volume of trading in foreign securities, a supervisory group was created to control and supervise the activities of the group of companies that are members of the Association of Financial Market Participants the Non-profit Partnership for the Development of the Financial Market RTS (the 'Supervisory Group'), which combines the structural units of the Bank Russia whose competence includes the supervision of various areas of the activities of the exchange holding PJSC Saint Petersburg Exchange. The main objectives of creating the Supervisory Group are to exchange information relevant for supervision and to develop common approaches to supervision of the exchange holding company to obtain a synergistic effect of the measures imposed by the regulator on individual companies that are members of the Association of Financial Market Participants the Non-profit Partnership for the Development of the Financial Market RTS.

#### *Supervisory measures in respect of the companies of the Moscow Exchange Group*

The companies of the Moscow Exchange Group continued to be subject to monitoring of the implementation of measures imposed by the Bank of Russia following the scheduled coordinated audit by the Bank of Russia Chief Inspection, which was completed at the end of 2019. As of the end of 2020, the companies of the Moscow Exchange Group had eliminated over 85% of all identified violations (shortcomings).

The first comprehensive inspection of the end-to-end listing and registration procedures



for commercial bonds, including the exchange of information between the group companies forming the exchange holding, was performed. Thanks to the end-to-end assessment of the procedure, certain shortcomings and problem areas were identified in terms of ensuring the exchange of information in respect of issuers between the companies of the Moscow Exchange Group. The end-to-end inspection also revealed instances of the registration of issues of commercial bonds of issuers who had been denied registration of exchange-traded bonds due to high risks in their activities or their unsatisfactory financial standing. At the same time, the predominant share of these bonds were owned by retail investors. This information is taken into account by the Bank of Russia to assess compliance with the interests of retail investors and their awareness of assumed risks.

#### *Platform service oversight*

The emergence of organisations carrying out new types of activities in the financial market – financial platform operators (FPOs) – required building a system to exercise control over them. As of 1 January 2021, three organisations were included in the register of FPOs. In the absence of established reporting, the development of FPO activity is monitored on a daily basis: based on a request, the operators of financial platforms provide the Bank of Russia with statistical information on the number of consumers of financial services and the number and the total amounts of transactions concluded on a weekly and quarterly basis.

In 2020, the Bank of Russia developed and implemented a procedure for the supervision of investment platform operators (IPOs), in accordance with which supervisory meetings were held with each IPO. To ensure the transparency of IPO activities for clients, advisory letters were sent on the procedure for disclosing IPO information to comply with legal requirements.

The most common violations identified during 2020 included:

- failures on the part of IPOs to conclude contracts with credit bureaus and failure to submit the information stipulated by Federal

Law No. 218-FZ, dated 30 December 2004, 'On Credit Histories';

- non-disclosure by IPOs of information on their websites;
- disclosure on the website of current investment proposals for the general public, which contradicts legal requirements (including with respect to advertising);
- violation of the procedure for concluding investment agreements stipulated by the legislation of the Russian Federation.

The revealed violations were eliminated by the IPOs.

#### **2.2.5.1.3. Non-governmental pension funds**

In 2020, as part of the creation of a risk-oriented system of supervision over NPFs, individual supervisory plans for the ten largest NPFs, prepared for the first time in the reporting year, were fulfilled. These plans were prepared with an emphasis on the identified risks inherent in each NPF and contained special measures aimed at improving the financial stability of NPFs and preventing violations of the rights of NPF clients. A composite risk profile was formed, which makes it possible to assess risks in the activities of supervised organisations in various areas (corporate governance, information security, unscrupulous behaviour, etc.).

In 2020 Q3, in addition to the already existing methodology for assessing transactions with bonds and deposits, the Bank of Russia approved the internal Methodology for monitoring transactions on the placement of pension reserves and investment of pension savings of non-governmental pension funds for compliance with the best conditions available for non-governmental pension funds in respect of transactions with shares.

In 2020, an assessment was made of 1,213 transactions with ordinary bonds, 39 deposit agreements, and three transactions with shares made using the funds of NPFs that show signs of a violation of fiduciary obligations. As a result of the assessment, two transactions with common bonds and one transaction related to the long-term placement of a significant amount of funds in a settlement account with a credit institution without interest accrual were recognised

as not compliant with the best conditions available. Following the supervisory measures, three NPFs voluntarily made compensation for damage to pension funds in connection with the violation of their fiduciary obligations.

When preparing assignments for conducting inspections of NPFs, a risk-oriented approach is used, according to which the list of issues to be checked includes mainly questions on such areas of activity where significant risks were identified during off-site supervision or where there is an increased risk of violations.

As part of the 2020 transfer campaign, to prevent illegal transfers of insured persons, monitoring of the situation with the submission of applications for a change of insurer and notifications of refusal of a change of insurer and the situation with the conclusion of mandatory pension insurance (MPI) agreements continued. Over the past few years, there has been a steady downward trend in the number of violations of the rights of NPF customers as well as the number of early changes of insurers in the MPI system. According to the information provided by the Pension Fund of the Russian Federation (PFR), in 2020, individuals submitted 113,000 applications for an early change of insurers under MPI (260,000 applications in 2019, 1.57 million applications in 2018, and 4.87 million applications in 2017).

In 2020, the Bank of Russia took action to address the revealed violations of the requirements of Russian pension laws:

- 83 orders were sent to NPFs and their management companies to eliminate violations (including 17 orders based on the review of inspection reports), 44 letters within the scope of supervisory interaction concerning identified violations of Russian laws (including six letters based on the review of the inspection report), and 461 orders and requests for information;
- 27 protocols were drawn up on administrative offences against NPFs, and three were drawn up against management companies of NPFs.

In 2020, no NPF licences were cancelled for violations or based on applications from licensees for surrender of the license. The number of operating NPFs in 2020 decreased by four funds as a result of their reorganisation in the form of merger with other NPFs.

In the reporting period, risk profiles of 35 non-governmental pension funds were calculated in terms of information security and cyber resilience.

#### 2.2.5.1.4. Professional securities market participants

In 2020, as part of measures to support and mitigate the consequences of the negative impact of the spread of the coronavirus infection on PSMPs, the Bank of Russia Board of Directors approved a list of regulatory exemptions, including the non-application of enforcement measures against supervised organisations for late submission of reporting forms to the Bank of Russia as well as failure to calculate the liquidity coverage and capital adequacy ratios. These measures helped reduce the burden on market participants during the peak periods of the pandemic, ensure business continuity of PSMPs, and maintain market competitiveness.

The Bank of Russia paid close attention to the matters **of offering complex investment products**, including structured products, **to non-qualified investors** in connection with the growing number of investors and large-scale sales of such products to bank depositors.

During 2020, the structured products of major issuers offered in the Russian financial market were analysed, and the risks inherent in such instruments were assessed.

Given the increase in the number of retail investors in the market who do not have sufficient experience and knowledge regarding the placement of funds in investment products and the associated high investment risks for individuals, in December 2020, Bank of Russia Information Letter No. IN-01-59/174<sup>1</sup> was sent to PSMPs.

<sup>1</sup> Bank of Russia Information Letter No. IN-01-59/174, dated 15 December 2020, 'On the Inadmissibility of Offering Complex Investment Products to Non-qualified Investors'.

The Bank of Russia recommended<sup>1</sup> refraining from directly or indirectly (through intermediaries) offering complex financial instruments to non-qualified investors until testing of clients for understanding of the proposed instruments is introduced as well as taking note of the other recommendations set out in the information letter.

The Bank of Russia carried out systematic work with market participants to ensure the implementation of its recommendations and organised constant monitoring of sales of complex investment products. The monitoring results demonstrate a successful implementation of the Bank of Russia's recommendations.

As far as information security and cyber resilience are concerned, in the reporting period, risk profiles of the seven largest participants in the securities market were assessed, including trade organisers, clearing organisations, and depositories.

#### 2.2.5.1.5. Insurance entities

In the context of the current epidemiological situation in the Russian Federation due to the spread of the coronavirus infection, the Bank of Russia **took a number of measures** from 1 March to 30 September 2020 **to mitigate the consequences of the negative impact of the pandemic** on the financial sector of the economy in general and the insurance sector in particular, including:

- the suspension of inspections of insurance entities and their self-regulatory organisations as well as contact measures for preventive behavioural supervision. The planned inspections were postponed to the period after 1 July 2020;
- the restriction of the imposition of administrative penalties on supervised organisations (their officials);
- the extension of the deadline for the execution of orders and supervisory requests, generally for up to one month in addition to the standard deadline (except for cases requiring an urgent response).<sup>2</sup>

It was decided not to apply enforcement actions:<sup>3</sup>

- for a violation of the requirements for the structure of assets in which insurance reserves are invested, provided for in line 9 of the annex to the Bank of Russia Ordinance No. 4297-U;<sup>4</sup>
- for a violation of the requirements for the structure of assets in which an insurer's equity (capital) is invested, as stated in line 9 of the appendix to Bank of Russia Ordinance No. 4298-U.<sup>5</sup>

The Bank of Russia has also taken a number of measures aimed at supporting individuals who are customers of insurance organisations during the spread of the coronavirus infection.

In particular, it was recommended that until 31 December 2020<sup>6</sup> insurance companies satisfy insureds' applications to extend the



The Bank of Russia took a number of measures for the temporary non-application of certain requirements to insurance organisations and to support individual insureds in view of the coronavirus pandemic

<sup>1</sup> In accordance with Part 10 of Article 5 of Federal Law No. 306-FZ, dated 31 July 2020, 'On Amendments to the Federal Law 'On the Securities Market' and Certain Legislative Acts of the Russian Federation'.

<sup>2</sup> Bank of Russia Letter No. 015-53/2037, dated 20 March 2020, 'On the Complex of Measures for Supporting the Insurance Market'.

<sup>3</sup> In accordance with Bank of Russia Information Letter No. IN-015-53/63, dated 10 April 2020, no penalties were imposed for violations committed by insurers during the period from 1 March 2020 to 30 September 2020. These measures were subsequently extended until 1 July 2021 (the information from the Bank of Russia dated 10 August 2020 was published in the Bank of Russia Bulletin, No. 61, dated 13 August 2021, page 7).

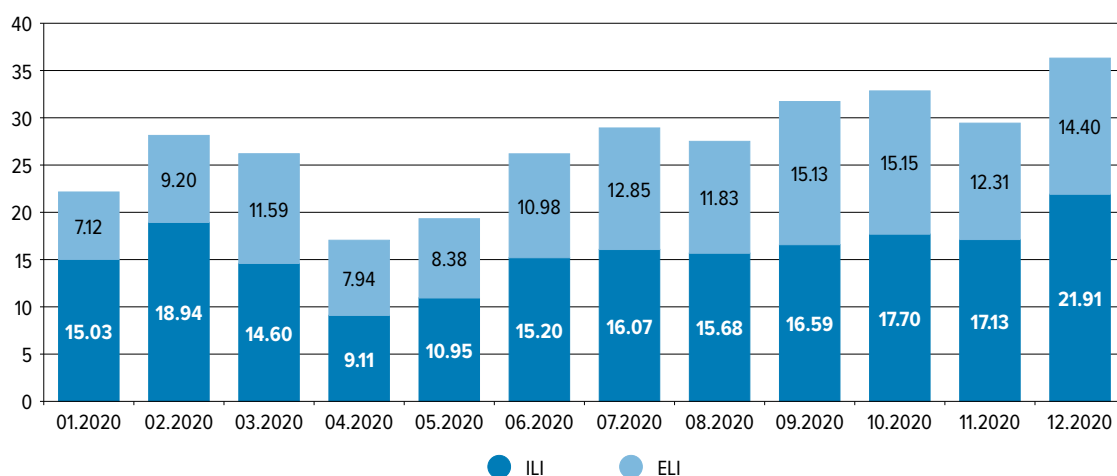
<sup>4</sup> Bank of Russia Ordinance No. 4297-U, dated 22 February 2017, 'On the Procedure for Investing Insurance Reserve Funds and the List of Assets Eligible for Investment'.

<sup>5</sup> Bank of Russia Ordinance No. 4298-U, dated 22 February 2017, 'On the Procedure for Investing Insurer's Capital and the List of Assets Eligible for Investment'.

<sup>6</sup> Bank of Russia Information Letter No. IN-06-59/140, dated 30 September 2020, 'On the Extension of Certain Measures to Limit the Consequences of the Spread of the Coronavirus Infection (COVID-19)'.

**MONTHLY MOVES OF ILI AND ELI PREMIUMS  
(BILLIONS OF RUBLES)**

Chart 42



period for the settlement of insured events, to defer payments under mandatory insurance contracts, not to charge forfeits (fines or penalties) and so on, for improper performance of voluntary insurance agreements during the period of the insurant's temporary incapacity to work.

From 1 March to 30 September 2020, a CMTPLI agreement could be concluded without the customer presenting a diagnostic card or a certificate of passing a technical inspection (with the possibility of subsequent submission of these documents to the insurer).<sup>1</sup>

The insurance market successfully coped with the challenges and consequences of the pandemic and remained a profitable segment of the financial market. Despite the difficult epidemic situation, the insurance market provided the broadest possible range of insurance services throughout the Russian Federation.

During the period of the main restrictive measures in connection with the spread of the coronavirus infection, a significant part of employees of insurers and insurance intermediaries were transitioned to remote work, which entailed a significant acceleration in the development of digitalisation processes and IT services in the insurance market, primarily for socially significant types of insurance.

The monitoring of the situation in the insurance market during this period revealed

that about 40% of sales of insurance products were carried out in a remote format (there were insurance companies with the share of remote sales close to 100%). Moreover, more than half of losses were claimed and settled remotely.

In 2020, the Bank of Russia continued its quarterly analysis of the investment life insurance (ILI) and endowment life insurance (ELI) markets, and in 2020 Q3, it additionally organised monthly monitoring of ILI and ELI in terms of the volume of premiums raised, the value of current liabilities, the profitability of completed agreements, and the level of terminations.

In 2020, premiums under ILI and ELI agreements amounted to ₹189 billion (-6% vs 2019) and ₹137 billion (+25% vs 2019), respectively.

As of the end of 2020, aggregate liabilities to insurants under ILIs and ELIs totalled ₹880 billion and ₹351 billion, respectively. The average yield on ILI policies that ended during 2020 was 4.6% p.a. for three-year policies and 3.2% p.a. for five-year policies. The main share of terminations under ILI and ELI agreements made in 2020 were terminations during the cooling-off period, which provides for the return of the amount of the premium paid to the insurant. The share of ILI and ELI agreements concluded before 1 January 2020 and terminated in 2020 was 4% of the number of agreements in force as of 1 January 2020.

<sup>1</sup> Federal Law No. 161-FZ, dated 25 May 2020, 'On Amending the Federal Law 'On Compulsory Third Party Liability Insurance of Vehicle Owners' and Suspending Certain Provisions of the Federal Law 'On Compulsory Third Party Liability Insurance of Vehicle Owners'.

As part of its off-site supervision, the Bank of Russia conducted an **analysis of the insurance market's readiness** to meet the requirements of Bank of Russia Regulation No. 710-P,<sup>1</sup> dated 10 January 2020, including an indicative assessment of compliance with the requirements of the new financial stability model, and requested that insurance companies provide a plan for preparing for the entry into force of the prospective regulations.

In 2020, the **monitoring of the insurance companies** that transfer a part of the insurance premium under developer civil liability insurance agreements terminated early effective 27 June 2019 to the nominal account of the public company Fund for the Protection of the Rights of Individual Equity Construction Participants (the 'Fund')<sup>2</sup> continued.

According to insurers of developer civil liability, as of the end of 2020, 13 insurers had an obligation to transfer part of the insurance premium under developer civil liability insurance agreements terminated early to the nominal account of the Fund; the total amount to be transferred was about ₹8.4 billion. As of the end of 2020, the insurers had transferred ₹3.6 billion to the Fund, ten insurers notified the Bank of Russia of the full transfer of money to the nominal account of the Fund, one insurance company was performing its obligation to transfer money to the Fund in instalments, which was recognised as justified by the Bank of Russia, and two insurers were declared bankrupt (the amount of their obligations to the Fund was ₹4.5 billion).

#### 2.2.5.1.6. Microfinance market entities

In 2020, the Bank of Russia continued to maintain a dossier of microfinance market entities. Each file contains complete information on

the institution, including an assessment of its business, financial performance indicators, information on risks, and the supervisor's report.

During 2020, within the scope of the Bank of Russia's supervisory powers, 2017 orders were issued to MFOs, CCCs, ACCCs, HSCs, and pawnshops to eliminate violations of the legislation of the Russian Federation, 121 orders were issued to restrict (prohibit) fund-raising, acceptance of new members, issuance of loans and the conduct of other operations, and 17 cases of administrative offences were initiated against MFCs, major CCCs, and their officials.

In the activities of individual microfinance market entities, instances of failure to ensure financial stability were revealed in terms of non-compliance with the financial standards and requirements for the minimum amount of MFOs' equity, and the fact that microfinance market entities repeatedly submitted substantially inaccurate reporting data to the Bank of Russia was established. Supervisory response measures were taken to address these facts.

To ensure financial stability and financial market development, the Bank of Russia continued to exclude organisations that did not comply with the legislative requirements of the Russian Federation, violated financial consumer rights, failed to comply with requirements for financial stability and reliability, did not join self-regulatory organisations in the financial market for MFOs or did not provide any microloans during the year from the state register of MFOs.

In 2020, 538 legal entities were removed from the state register of MFOs, including 185 organisations that ceased operations due to repeated violations of the laws of the Russian Federation during the year and 353 or-

<sup>1</sup> Bank of Russia Regulation No. 710-P, dated 10 January 2020, 'On Certain Requirements for Financial Sustainability and Solvency of Insurers' (effective from 1 July 2021 with the exception of individual provisions).

<sup>2</sup> For reference: in connection with the adoption of Federal Law No. 153-FZ, dated 27 June 2019, 'On the Invalidation of Certain Provisions of Article 25 of the Federal Law 'On a Public Law Company for the Protection of the Rights of Citizens Who Are Participants in Equity Construction in the Event of the Insolvency (Bankruptcy) of Developers and on Amendments to Certain Legislative Acts of the Russian Federation' and the Amendment of Article 62 of the Federal Law 'On the State Registration of Real Estate', all agreements for insurance of the civil liability of developers for non-fulfilment or improper fulfilment of their obligations to transfer residential premises under an agreement for participation in equity construction, for which the insured event did not occur, and no claim was filed for the payment of insurance compensation under the insurance agreement, were terminated effective 27 June 2019. In the event of the early termination of an insurance agreement in accordance with Part 2 of Article 3 of Federal Law No. 153-FZ, the insurer is entitled to a part of the insurance premium received under the insurance agreement in proportion to the time during which the insurance was valid. The insurer must transfer the remaining part of the insurance premium received under the insurance agreement to the Fund.

organisations that voluntarily ceased operations and lost their MFO status based on their applications.

#### **2.2.5.1.7. National payment system participants**

In 2020, supervision in the national payment system (NPS) was performed taking into account the volume of payment services provided by entities, the relationship between the entities and the most significant risks in terms of their impact on payment systems and the stability of the overall NPS.

The amendments made to the NPS legislation<sup>1</sup> expanded the powers of the Bank of Russia for supervising foreign payment systems in the Russian Federation.

Maintaining a register of operators of foreign payment systems and controlling the operators of information exchange services will enable the Bank of Russia to reduce the risks of sanctions for Russian banks and their customers holding payment cards and promptly respond to unilateral suspension of information exchange services by organisations.

The Bank of Russia has compiled and maintains lists of payment application providers, foreign payment service providers, information exchange service operators, and payment aggregators.<sup>2</sup> In 2020, one organisation was included in the register of foreign payment system operators.

During 2020, the Bank of Russia registered one payment system operator, the details of which are included in the register of payment system operators. Information on five payment system operators was excluded from the register based on applications submitted by payment system operators and upon revocation by the Bank of Russia of the credit institution's banking licence.

As part of measures for reducing the regulatory and supervisory burden during the spread of the coronavirus infection, the Bank of Russia decided to temporarily suspend inspections of NPS entities, not to impose sanctions for

certain types of violations and to extend the deadlines for submitting reports, information on new NPS entities and notifications of their participation (termination of participation) in foreign payment systems.

In the context of the easing introduced by the Bank of Russia for NPS entities, a number of violations were revealed in the course of off-site supervision. The most common violations included inconsistencies between the payment system rules and Federal Law No. 161-FZ, inaccurate reporting of money transfer operators, failure by payment system operators to comply with certain requirements for organising the uninterrupted operation of the payment system, insufficient control by payment system operators over compliance by the participants and operators of payment infrastructure services with the payment system rules, and deficiencies and violations associated with the provision of payment services, including with the use of electronic means of payment.

#### **2.2.5.1.8. Other participants**

##### *Collective investment market entities*

In 2020, the Bank of Russia introduced temporary regulatory and supervisory easing for asset management companies and specialised depositories aimed at mitigating the impact of the spread of the coronavirus infection. Easing was introduced for the reporting of management companies and specialised depositories on the portfolios of unit investment funds (UIF) intended for qualified investors. The frequency of reports to be submitted by management companies was changed from monthly to quarterly, and for specialised depositories, from daily to monthly. In addition, a decision was made to apply enforcement measures only in exceptional cases. Some of the exemptions introduced in 2020 will remain in effect in 2021.

To support the market and provide prompt consultations to supervised organisations, the Bank of Russia held meetings with them via videoconferencing.

<sup>1</sup> Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System'.

<sup>2</sup> The lists are published on the Bank of Russia website as of the 1<sup>st</sup> day of each month, if changes were made to them during the previous period.



In the reporting period, a new version of the Standard of the National Association of Stock Market Participants for Determining the Value of Net Assets of a Unit Investment Fund and the Value of an Investment Unit was developed and approved with the Bank of Russia's participation.<sup>1</sup> Market participants must bring their activities into line with the Standard starting from 1 April 2021. The revised version was amended to include a revised definition and deadlines for recognising receivables as operating receivables. It also specifies the methodology for calculating credit risk and identifies external sources of information that can be used to calculate risk metrics if a market participant does not have the necessary internal statistics.

#### *Credit history bureaus*

In 2020, two organisations were excluded from the state register of credit bureaus: one CHB made a decision on a voluntary withdrawal, and the other CHB was excluded by the Bank of Russia from said register based on a court decision.

During 2020, a number of remote control measures were taken in respect of CHBs as well as two inspections, as a result of which the Bank of Russia took supervisory response measures to eliminate the identified violations and shortcomings in their activities. Given the nature of these violations as well as the clear tendency for a decrease in their number, as compared with 2019 and 2018, it can be asserted with a sufficient degree of certainty that CHBs have become more responsible for the results of their activities.

#### *Self-regulatory organisations*

Within the scope of its supervisory powers, the Bank of Russia exercised control and supervision to verify compliance by self-regulating organisations with the requirements established by federal laws, regulations of the

Russian Federation, regulations of the Bank of Russia, and basic and internal standards.

In some periods, in view of the difficult epidemic situation and the remote work of SROs, control measures in respect of SROs were focused on the supervisory processes formalised by SROs in internal standards. The Bank of Russia recommended that SROs refrain from on-site activities, adjust the timing of control measures, and extend the deadline for bringing the activities of their members into compliance with the basic and internal standards taking effect.

Based on the results of control measures with regard to SROs, the Bank of Russia issued 15 orders to eliminate violations of the requirements of Russian laws and initiated two cases of administrative offences.

During the inspection of the frequency of scheduled inspections of members' operations by SROs (at least once every five years), organisations were identified that must be included by SROs in the inspection plan to ensure compliance with legislative requirements. As a result of supervisory measures taken by the Bank of Russia in respect of SROs, the said plan of inspections was adjusted.

SROs uniting microfinance market entities approved roadmaps for 2020–2022 to improve the quality of the control environment. The measures stipulated by the roadmaps are primarily aimed at bringing the internal regulatory framework of SROs into line with the standard (target) model of the internal documentation system of SROs developed by the Bank of Russia. This will eliminate differing approaches of SROs to exercising control and applying enforcement measures to their members and ensure the application of the best control and supervisory practices. In 2020, as part of efforts for improving the efficiency of the control function of SROs, the Bank of Russia held eight training events for SROs.

<sup>1</sup> Effective date: 1 January 2021.



### 2.2.5.2. ON-SITE SUPERVISION

In connection with the spread of the coronavirus infection, the Bank of Russia took measures to minimise the number of inspections of supervised entities<sup>1</sup> and carried them out only where a supervisory need arose, taking into account the priority of ensuring the protection of the legitimate interests of financial consumers. To this end, at the end of March 2020, by the decision of the Bank of Russia Board of Directors, inspection activities were suspended (until June 2020 inclusive<sup>2</sup>).

In 2020, a total of 239 inspections of supervised entities began (141 scheduled inspections and 98 unscheduled inspections), and 283 inspections of supervised entities were completed/terminated, of which 73 had been rolled over from 2019.

#### Credit institutions<sup>3</sup>

The main volume of violations identified in the course of CI inspections, was, as before, associated with underestimation of the quality of loans issued. At the same time, a number of CIs took advantage of the regulatory concessions in terms of asset valuation introduced by the Bank of Russia in connection with the spread of the coronavirus infection. The actual risks of CIs established during the inspections indicate that the cancellation of temporary concessions may require a certain additional formation of reserves corresponding to the real level of credit risk and, in some cases, taking measures in terms of additional capitalisation of CIs.

In terms of consumer lending, instances of the values of the total cost of credit (TCC) exceeding its maximum value established by the Bank of Russia, concealment of such excess (in particular, as a result of the non-inclusion

of insurance premiums in the TCC calculation) and incorrect calculation of the personal income tax of borrowers, among other things, were revealed.

Also revealed was the use of various schemes by credit institutions, including for the purpose of artificially improving performance indicators, concealing the real level of risks, withdrawing assets, withdrawing funds into shadow cash circulation, servicing illegal gambling business, and evading procedures for confirming the sources of funds.

#### Other supervised entities<sup>4</sup>

In the course of inspections of other supervised entities<sup>5</sup> (hereinafter in this subsection, 'SE'), violations of certain legislative requirements governing their activities, licensing requirements, requirements for information security, internal control and risk management and accounting and reporting procedure were established (in some cases, there were signs of fraud or embezzlement or submission of inaccurate reporting data).

#### Infrastructure organisations<sup>6</sup>

During the inspections of infrastructure organisations, violations and shortcomings of organisations were also revealed in terms of their management system, internal control and audit, failure to monitor compliance of members with the established requirements, violations to be included in reports and accounting records and information security.

#### Non-governmental pension funds<sup>7</sup>

Inspections of a number of non-governmental pension funds revealed violations of

<sup>1</sup> Supervised entities are credit institutions, non-bank financial institutions (as defined by Article 76.1 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'), self-regulating organisations in the financial market (SROs), payment system operators and operators of payment infrastructure services (subjects of the national payment system) that are not credit institutions.

<sup>2</sup> During the period of suspension of inspection activities, two inspections of CIs were carried out on mandatory grounds due to an increase in the authorised capital of CIs.

<sup>3</sup> 102 inspections.

<sup>4</sup> 137 inspections.

<sup>5</sup> Other supervised entities include non-bank financial institutions, SROs, and national payment system participants.

<sup>6</sup> One inspection of a clearing organisation and two inspections of trade organisers.

<sup>7</sup> 11 inspections.

the procedure for calculating equity and the rate of return on the placement of pension reserves and the procedure for maintaining pension accounts and risks associated with investing pension reserve funds in the assets of entities associated with the fund and assets of low investment quality.

#### *Insurance entities<sup>1</sup>*

The inspections of insurance agents revealed cases of non-fulfilment or untimely fulfilment by insurers of requirements to transfer insurance premiums under developer civil liability insurance agreements<sup>2</sup> to the Fund for the Protection of the Rights of Individual Equity Construction Participants and systematic violations of the procedure for concluding and executing insurance agreements (including the procedure for assessing insurance premiums, making insurance payments under CMTPLI agreements, and informing insuring persons about the specifics of life insurance agreements).

In the course of inspections, in view of the current epidemic situation, special focus was placed on the interaction of insurers with customers via online service channels (including websites and mobile applications).

#### *Microfinance market entities<sup>3</sup>*

Inspections of microfinance market entities revealed, among other things, incorrect calculation and non-compliance with economic standards and the procedure for calculating loan loss provisions, individual cases of increased financial burden on consumers of financial services and failure or incorrect calculation of personal income tax. Individual inspections of credit and consumer cooperatives revealed signs of bankruptcy, a financial pyramid and the involvement of CCPs and their shareholders in

operations for cashing out maternity (family) capital funds.

#### *National payment system participants<sup>4</sup>*

Inspections of payment system participants (operators of payment systems and operators of payment infrastructure services) revealed, among other things, cases of non-compliance with the requirements for ensuring the uninterrupted operation of the payment system and protecting information when making transfers.

#### *Professional securities market participants<sup>5</sup>*

Inspections of PSMPs revealed violations of the requirements for brokerage and depository activities, licensing requirements, the procedure for calculating equity and maintaining internal accounting and the register of securities owners and requirements for software and hardware and electronic document flow, risks associated with the captive nature of activities<sup>6</sup> and the concentration of transactions on related customers/counterparties, signs of manipulation of the securities market and signs of withdrawal of funds and securities outside the Russian Federation.

#### *Other participants<sup>7</sup>*

In the reporting period, the following was revealed:

- during the inspections of SROs uniting microfinance organisations: significant risks of the improper exercise of control functions by SROs;
- during the inspections of credit history bureaus: violations of the requirements for the completeness of credit histories and credit reports;
- during the inspections of management companies: violations of the procedure for

<sup>1</sup> 29 inspections.

<sup>2</sup> Civil liability of developers for non-fulfilment or improper fulfilment of their obligations to transfer residential premises under an agreement for participation in equity construction.

<sup>3</sup> 63 inspections, including 28 microfinance organisations, 34 credit consumer cooperatives, and one agricultural consumer cooperative.

<sup>4</sup> Five inspections.

<sup>5</sup> 15 inspections. One organisation was audited both as a PSMP and as a management company of investment funds, unit investment funds and private pension funds at the same time.

<sup>6</sup> Activities for the benefit of beneficiaries and related persons (a group).

<sup>7</sup> 11 inspections for five management companies, one specialised depository, three SROs, and two credit history bureaus.

determining the value of the net assets of unit investment funds and cases of UIFs holding assets with signs of impairment.

### Coordinated inspections

In 2020, the practice of conducting coordinated inspections for a consolidated risk assessment of financial groups and identification of systemic risks in the financial market continued. On a coordinated basis, inspections began for ten CIs that are members of five banking groups (formalised and non-formalised), four CIs and three SEs that are members of two banking groups/holdings as well as 16 SEs that are members of seven groups. The inspections of two more CIs forming a banking group, started in 2019, were completed.

The coordinated inspections revealed:

- numerous schemes to artificially improve the performance indicators of the group members, including through repo transactions, options, and factoring;
- schemes for income legalisation and illegal conversion of funds criminally obtained by the beneficial owner of the group into cash;
- the dependence of the group's key business processes on a company not supervised by the Bank of Russia, deficiencies in group-wide risk management and lack of unified anti-crisis centres for the group to resolve emergency situations;
- signs of misleading consumers of financial services (signs of misselling<sup>1</sup>) or hard-selling additional third-party services.

### Improving inspection activities

Within the scope of work for applying the principles of consolidated supervision, unified approaches to inspection activities were introduced for all supervised entities based on Bank of Russia Instruction No. 202-I<sup>2</sup> (which replaced five acts that separately regulated the procedure for conducting inspections of various types of activities of supervised entities). The new procedure for on-site supervision correlates with measures for reducing the regulatory and administrative burden on financial market participants and involves, among other things:

- decreasing the frequency of inspections of banks from 'at least once every 24 months' to 'at least once every three years';
- the interaction with the inspected supervised entities in electronic form through their personal accounts;
- the possibility of conducting one inspection of the supervised entity in the areas of activities carried out by it in various segments of the financial market;
- reducing the size of the inspection report by placing supporting documents in the electronic inspection passport;
- increasing the time period for the review of inspection reports by banks.

Moreover, in the reporting year, special attention was paid to improving inspection procedures with regard to matters related to ensuring the protection of the rights and interests of financial consumers and the stability of the financial system.

<sup>1</sup> Misselling is the unscrupulous practice of selling financial products (services) to consumers without providing complete, transparent and clear information about the nature of financial services and the associated risks, their cost and other material conditions as well as deliberate distortion of information or substitution of one product for another.

<sup>2</sup> Bank of Russia Instruction No. 202-I, dated 15 January 2020, 'On the Procedure for the Bank of Russia to Inspect Supervised Entities' (effective from 8 May 2020).

## 2.2.6. FINANCIAL REHABILITATION OF FINANCIAL INSTITUTIONS

In 2020, the Bank of Russia continued its efforts to prevent the bankruptcy of credit institutions in accordance with Federal Law No. 127-FZ, dated 26 October 2002.<sup>1</sup>

### **Sale of credit institutions after completion of bankruptcy prevention measures**

In 2020, the Bank of Russia began to define a strategy for its exit from the capital of PJSC Bank FC Otkritie banking group ('BFCO Group') as the measures to prevent the bankruptcy of the group were completed in 2019, and its financial rehabilitation goals were achieved; in January 2020, the Bank of Russia engaged professional consultants to participate in developing the strategy for its exit from the capital of PJSC Bank FC Otkritie banking group.

Following the analysis of the initial proposals of the professional consultants regarding the strategy for the Bank of Russia's exit from the capital of BFCO Group and taking into account the uncertain consequences of the coronavirus pandemic, the Bank of Russia is considering the sale of the first block of shares of BFCO Group in spring of 2022.

In 2020 H2, FBSC AMC Ltd. started to implement measures aimed at preparing for the possible sale of investments in BFCO Group by the Bank of Russia. The Bank of Russia held a tender among the professional consultants that sent initial proposals to be involved in the Bank of Russia's exit from the capital of BFCO Group, which was awarded to JSC VTB Capital and J.P. Morgan Bank International (LLC).

Together with FBSC AMC Ltd., BFCO Group and the professional consultants, in 2021 the Bank of Russia plans to carry out key strategic tasks for the sale of BFCO Group, including necessary measures aimed at preparing the group for sale.

### **Measures for preventing the bankruptcy of credit institutions**

During 2020, measures taken with the participation of the Bank of Russia to prevent bankruptcy were being implemented with regard to four credit institutions, including one systemically important institution.<sup>2</sup>

*JSC Asian-Pacific Bank.* In 2020, the Bank of Russia received applications of interested parties to take part in the sale of JSC Asian-Pacific Bank shares by the Bank of Russia. Following the consideration of these applications, the Bank of Russia decided to postpone the sale of the bank's shares to 2021–2022, re-holding all pre-sale procedures to provide an opportunity for potential investors to assess the performance and further development prospects of the bank in the new conditions.

At the moment, the Bank of Russia has completed the pre-sale preparation of the bank and initiated a public procedure for collecting investor applications.<sup>3</sup>

*PJSC MInBank.* In 2020, the Bank of Russia carried out a mandatory redemption of shares of PJSC MInBank from minority shareholders and became the owner of 100% of PJSC MInBank shares.

During 2020, the bank worked to create and develop a functioning business model and collect debts on its non-performing assets.

In August 2020, the bank's capital was significantly reduced due to the creation of additional provisions for possible losses in connection with materialised risks on old non-performing assets of PJSC MInBank and a significant amount of investments in property received as part of collected debts on non-performing assets, which led to a violation of a number of required ratios.

The Bank of Russia developed and started to implement a plan for the sale of PJSC MInBank shares.

<sup>1</sup> Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)'.  
<sup>2</sup> In accordance with the law, PJSC Promsvyazbank was assigned the status of a backbone bank for the defence sector. Rosimushchestvo owns 100% of PJSC Promsvyazbank's shares.  
<sup>3</sup> [Bank of Russia press release, dated 30 April 2021.](#)

*Bank of Non-core Assets.* During 2020, the Bank of Non-core Assets 'Trust'<sup>1</sup> (the 'BNA') continued to work with problem and non-core assets; based on the results of this work, it partially returned deposits previously raised from the Bank of Russia in the amount of ₹15.8 billion.

In December 2020, as part of the pre-sale preparation of PJSC Bank FC Otkritie, the BNA also acquired a number of its non-core assets, including shares of VTB Bank (PJSC). The assets were acquired at the expense of the BNA's liquidity in the amount of ₹40.4 billion formed as a result of work with non-core assets and a deposit from the Bank of Russia with a balance amounting to ₹53 billion as of 1 January 2021.

In 2020, the Bank of Russia *continued its efforts to recover losses caused by the wrongful actions/omissions of persons controlling credit institutions* before the start of measures to prevent the bankruptcy of the banks through judicial procedures. These efforts were aimed at compensating the Bank of Russia's expenses for the financial rehabilitation of credit institutions as well as at increasing the liability of banks' controlling entities for their decisions.

In 2020, there were ongoing court proceedings for claims to recover losses from entities that previously controlled PJSC Bank FC Otkritie, PJSC B&N Bank,<sup>2</sup> PJSC Promsvyazbank, ROST BANK JSC,<sup>3</sup> JSC Asian-Pacific Bank, and PJSC MInBank.

In 2020 H2, the Arbitration Court of the City of Moscow satisfied the claim of PJSC MInBank in full. The ruling has not come into effect; the defendants have filed appeals.

Following its hearing in courts of two instances, the claim of PJSC Bank FC Otkritie was satisfied in full.

*As of the beginning of 2020, measures to prevent the bankruptcy of 16 credit institutions were being carried out with the participation of the State Corporation Deposit Insurance Agency.*

<sup>1</sup> TRUST Bank (PJSC).

<sup>2</sup> A statement of claim was filed by the Bank of Russia on behalf of PJSC Bank FC Otkritie (as the legal successor to PJSC B&N Bank).

<sup>3</sup> A statement of claim was filed by the Bank of Russia on behalf of TRUST Bank (PJSC) (as the legal successor to ROST BANK JSC).

During 2020:

- The Plan for the Participation of the DIA in measures to prevent the bankruptcy of JSC Sevastopolsky Morskoy Bank was approved, the functions of provisional administration for the bank were assigned to the DIA and RNCB Bank (PJSC) was brought in as an investor. The bank received funding in the amount of ₹740.9 million to cover the imbalance between the fair value of the bank's assets and liabilities and for additional capitalisation of the bank.
- Four banks were reorganised to improve the efficiency of financial rehabilitation:
  - CB Finance Business Bank LLC was reorganised through its merger with PJSC MOSOBLBANK of the same banking group;
  - JSCB EXPRESS-VOLGA JSC was reorganised through its merger with its investor, Sovcombank (PJSC);
  - JSC GENBANK was reorganised through the merger of an investor, JSC Sobinbank, into it; starting from the date of reorganisation, JSC BANK ROSSIYA has been acting as an investor;
  - JSC CB Solidarnost was reorganised through the merger of CB MIA (JSC) into it.
- Reorganisation of JSC ROSCOSMOSBANK through its merger into PJSC Promsvyazbank is planned for 2021 H1. 100% of the shares of JSC ROSCOSMOSBANK were acquired by PJSC Promsvyazbank from State Space Corporation ROSCOSMOS; starting from the date of acquisition of the shares, PJSC Promsvyazbank has been acting as an investor.

In 2020, the Bank of Russia provided ₹3.2 billion for the implementation of bankruptcy prevention measures with the participation of the DIA. At the same time, the DIA repaid debt in the amount of ₹21.2 billion to the Bank of Russia. The outstanding debt of the DIA to the Bank of Russia under loans received for bankruptcy prevention measures amounted to

₽1,066.5 billion as of 1 January 2021.<sup>1</sup> Information on the total debt of the DIA to the Bank of Russia is given in [Table 35 of Section 5.4 'Statistical tables'](#).

As of 1 January 2021, the balance of credit institutions' debt on deposits provided by the Bank of Russia as part of financial assistance in accordance with the approved plans of the Bank of Russia's participation from funds constituting the Fund of Banking Sector Consolidation totalled ₽1,743.5 billion.<sup>2</sup>

As of 1 January 2021, the total value of assets held by banks with approved plans involving the participation of the Bank of Russia or the DIA in bankruptcy prevention measures totalled ₽5,876.5 billion, or 5.7% of the total assets of the banking sector.

The share of loans to non-financial organisations provided by these banks in the total amount of funds provided to non-financial organisations amounted to 7.0%, the share of household loans amounted to 3.3%, and the share of household deposits amounted to 3.5%. Banks in which bankruptcy prevention measures were being implemented with the participation of the Bank of Russia accounted for 3.3% of banking sector assets, 5.1% of corporate loans, 2.2% of household loans, and 2.1% of household deposits.

#### *Other information*

In 2020, 11 credit institutions were eligible for bankruptcy prevention in accordance with Article 189.10 of Federal Law No. 127-FZ; however, neither the Bank of Russia nor the DIA applied any bankruptcy prevention measures to these institutions. This includes:

- five credit institutions that had their banking licences revoked in 2020;
- one credit institution that had its banking licence cancelled due to the decision of its general meeting of shareholders on voluntary liquidation;
- five credit institutions that eliminated the reasons for bankruptcy prevention measures.

In 2020, the main reasons for banks to be monitored for the implementation of bankruptcy prevention measures were the following: an absolute decrease in capital (compared to the maximum value reached over the previous 12 months) by more than 20% with a simultaneous violation of one of the required ratios established by the Bank of Russia (seven credit institutions) and a decrease in capital at the end of the reporting month to a value lower than the authorised capital (four credit institutions) (clauses 3 and 6 of Article 189.10 of Federal Law No. 127-FZ, respectively).

#### **INFORMATION PROVIDED BY THE BANK OF RUSSIA'S CHIEF AUDITOR ON THE UTILISATION EFFICIENCY OF THE FUND OF BANKING SECTOR CONSOLIDATION**

In accordance with Article 76.12 of Federal Law No. 86-FZ, the chief auditor of the Bank of Russia evaluates on an annual basis how efficiently the money of the Fund of Banking Sector Consolidation ('FBSC funds') was used.

For the purpose of this assessment, efficiency means the achievement of goals and desired outcomes with the maximum return from available resources at the minimum resource cost.

When determining how efficiently FBSC funds were used, the assessment is divided into four stages:

1. assessing the comparative efficiency of the amount of money allocated by the Bank of Russia vs the extent of damage to the economy if the scenario of the credit institution's bankruptcy materialised;
2. establishing how optimal the use of resources for the restoration of credit institution' financial indicators was;
3. assessing how efficiently the resolved credit institution and the Bank of Non-core Assets used the funds;
4. assessing how efficiently the Bank of Russia sold the shares of the credit institution in the existing market conditions.

<sup>1</sup> Excluding accrued interest.

<sup>2</sup> Excluding accrued interest.



As of 1 January 2021, ₺2,444.7 billion of FBSC funds was provided for bank resolution, including ₺697.3 billion<sup>1</sup> for the purchase of shares, ₺1,743.5 billion for the provision of deposits, and ₺3.9 billion for the purchase of units of the closed-end mixed unit investment fund Spetsialny. Information on the placement of funds by banks is given in Chart 43.

In 2020, the Bank of Russia did not make decisions on the implementation of bankruptcy prevention measures with the use of FBSC funds for any credit institutions besides those for which reorganisation was started in previous periods (before 1 January 2020). Accordingly, there is nothing to evaluate in the first and second stages of the assessment.

The assessment of efficiency in the use of FBSC funds by such resolved credit institutions as PJSC Bank FC Otkritie and JSC Asian-Pacific Bank is the professional judgement of the chief auditor's service of the Bank of Russia based on the analysis of known material information on the activities of PJSC Bank FC Otkritie and JSC Asian-Pacific Bank and comparison of their activities with the results of other credit institutions of the Russian Federation to the

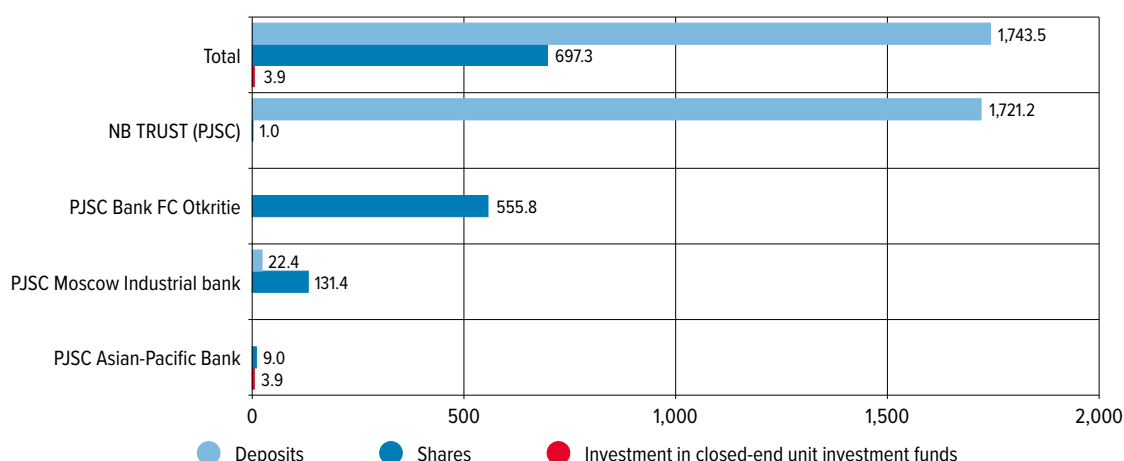
extent of the comparability of their general conditions of operations (legislative and legal regulations, pace and peculiarities of economic development) in accordance with the methodology used by the chief auditor's service of the Bank of Russia.

As of 1 January 2021, in terms of its total key results, PJSC Bank FC Otkritie was within the limits of standard deviation from the average value for the pool of credit institutions comparable by asset structure, the 50 nearest banks by assets and the banking sector in general.<sup>2</sup> The results of this assessment provide benchmarks for assessing the possibilities of effective activities in the Russian banking sector.

The chief auditor's service of the Bank of Russia notes the continuing conservative approaches of PJSC Bank FC Otkritie in determining risk appetite in the context of the significant influence of external economic factors on its activities. In 2020, the activities of PJSC Bank FC Otkritie were characterised by a tendency to significantly exceed the prudential requirements for liquidity<sup>3</sup> and capital adequacy<sup>4</sup> ratios. The conservative allocation of FBSC funds by PJSC Bank FC Otkritie appears more

**FBSC FUNDS PLACED WITH BANKS**  
(BILLIONS OF RUBLES)

Chart 43



Note. Minor discrepancies between the total and the sum of components are due to the rounding of data.

<sup>1</sup> Taking into account the rounding off of funds allocated for the acquisition of shares of the BNA and PJSC Bank FC Otkritie.

<sup>2</sup> The selected credit institutions excluded credit institutions with a significant share of settlement and other transactions (NCI, VEB, RF) and assets in the banking sector (Sberbank) on their balance sheet; credit institutions not participating in the deposit insurance system; credit institutions with basic licences; credit institutions undergoing resolution (except for those being analysed).

<sup>3</sup> As of 1 January 2021, its liquidity ratios had the following values: the instant liquidity ratio (N2) amounted to 187.00% (min 15%); the current liquidity ratio (N3), to 153.26% (min 50%); the long-term liquidity ratio (N4), to 54.87% (max 120%).

<sup>4</sup> As of 1 January 2021, the capital adequacy ratio (N1.0) amounted to 13.91% (min 8.0%); the core capital adequacy ratio (N1.1), to 11.31% (min 4.5%); the Tier I capital adequacy ratio (N1.2), to 11.33% (min 6.0%).



justified in the face of increased credit risks and uncertainties in the medium term.

The above considerations make it possible to recognise the activities of PJSC Bank FC Otkritie as effective in general.

As of 1 January 2021, in terms of its total key results, JSC Asian-Pacific Bank was within the limits of standard deviation from the average value for the pool of credit institutions comparable by structure, the 50 nearest banks by assets and the banking sector in general, which makes it possible to recognise the activities of the bank as effective.

The performance of PJSC MInBank was not benchmarked against the results of other credit institutions of the Russian Federation in a manner similar to the assessment of the performance of PJSC Bank FC Otkritie and JSC Asian-Pacific Bank as no non-core and non-performing assets were transferred from PJSC MInBank. In accordance with the methodology used by the chief auditor's service of the Bank of Russia, it was established that FBSC funds were placed by the bank in high-quality assets with returns within the limits of standard deviation of the average market returns on similar assets in the banking sector of the Russian Federation, which confirms the effective use of FCBS funds by PJSC MInBank during the reporting period.

The purpose of TRUST Bank (PJSC) is to ensure the maximum possible repayment of funds provided by the FBSC through compensation received following the resolution of non-core assets, including troubled assets, by the bank on an arm's-length basis.

To assess the efficiency of the use of FBSC funds by the BNA, two essential criteria were applied: the maximisation of proceeds from the resolution of assets and the minimisation

of costs incurred for the maintenance and sale of assets. The assessment of efficiency is a professional judgement by the chief auditor's service of the Bank of Russia driven by the analysis of activities conducted by the BNA, including the assessment of the resolution of the assets most significant in debt volume by the BNA and the justification of key cost items in accordance with the methodology used by the chief auditor's service of the Bank of Russia.

As of 1 January 2021, the book value of the BNA's assets amounted to ₹2,111.2 billion (as of 1 January 2020, ₹2,074.9 billion). Taking into account the quality of assets, their fair value as of 1 January 2021 amounted to ₹315.2 billion (as of 1 January 2020, ₹236.2 billion).

The BNA's resolution of assets involves the phased receipt of funds (proceeds) in the amount of ₹482 billion<sup>1</sup> by the end of 2023, taking into account identified risks, net of the results of resolution of assets accepted on the BNA's balance sheet in December 2020.<sup>2</sup>

It is expected that the surplus of proceeds over the fair value of assets will be achieved through development and implementation of strategies for resolution of assets by increasing the value and economic attractiveness of assets, including through their financing;<sup>3</sup> maximisation of the collection of troubled debts; receipts from the sale of assets and minimisation of costs. Depending on the methods used to recover the funds, the strategies of the BNA can be divided into default and non-default strategies.<sup>4</sup>

To maximise the recovery of funds from the resolution of assets, strategies of the BNA are developed for assets combined into projects (including the assets of subsidiaries and affiliates) based on the judgement of the BNA on their interconnectedness. Strategies include

<sup>1</sup> According to the approximate schedule of funds (proceeds) to be received by the BNA as a result of the resolution of non-performing assets, which is an addendum to the Plan for the Bank of Russia's Participation in Bankruptcy Prevention Measures for Public Joint-Stock Company National Bank TRUST. The proceeds of the BNA mean projected funds to be received on the BNA's consolidation perimeter based on the results of the bank's resolution of non-core, including non-performing, assets, net of funds for financing assets, payments to the bankruptcy estate and provisions for the bank's liabilities.

<sup>2</sup> Amendments to the Plan for the Bank of Russia's Participation in Bankruptcy Prevention Measures for Public Joint Stock Company National Bank TRUST approved by the decision of the Bank of Russia Board of Directors dated 27 November 2020 (Minutes No. 28).

<sup>3</sup> For an existing business and in order to generate the maximum return and maximise the value of its sale in the future.

<sup>4</sup> Default strategies provide for enforced debt recovery using legally established procedures. Non-default strategies are based on the continuity of the debtor's financial and economic activities, and the debt is usually repaid through cash flows from the debtor's operating activities or by selling property to third parties.

calculations for projected proceeds from each project.

In 2020, the BNA's proceeds from the resolution of assets amounted to ₹90.1 billion.<sup>1</sup> Taking into account the proceeds for 2019,<sup>2</sup> ₹198.4 billion was received, or 41% of the proceeds expected to be received by the end of 2023.

In 2019–2020, the BNA completed resolution of 52 projects, including 26 projects in 2020. The proceeds from projects completed in 2020 amounted to ₹29.8 billion, which is 169% higher than planned for these projects. Overall, the assessment of completed projects makes it possible to confirm that the BNA managed them efficiently.

At the end of 2019–2020, the BNA had returned deposits of the Bank of Russia in the amount of ₹134.9 billion and paid interest on them in the amount of ₹23 billion.

In 2020, the BNA's expenses for operations amounted to ₹8.7 billion, including ₹5.4 billion for personnel. In 2019, these expenses amounted to ₹7.6 billion,<sup>3</sup> including ₹5.4 billion for personnel.

A selective analysis of the BNA's expenditures for 2020 based on the relevance of individual cost items and specific costs confirmed their overall justification.

Taking into account the complexity of ongoing projects, expenses for collecting proceeds are also expected to increase in the next reporting year.

#### **Measures for preventing the bankruptcy of insurance companies**

During 2020, a temporary administration was appointed and operating in one insurance company; this was not due to a revocation of its licence.

In 2020, the implementation of bankruptcy prevention measures and a solvency recovery plan, as provided for by Article 184.1 of Federal Law No. 127-FZ, was monitored in seven insurance companies; of these:

- six insurance companies implemented solvency recovery plans;
- one insurance company had its licences revoked due to its failure to fulfil the solvency recovery plan.

<sup>1</sup> Net of funds for financing assets and payments to the bankruptcy estate of a borrower when accepting its property on the balance sheet.

<sup>2</sup> Calculated without rounding off.

<sup>3</sup> In 2019, proceeds were mainly received from projects that did not require lengthy court proceedings and other activities.

## 2.2.7. TERMINATION OF FINANCIAL INSTITUTIONS

The Bank of Russia's monitoring of the termination of financial institutions is mainly aimed at protecting the interests of creditors of liquidated financial institutions.

Accordingly, the Bank of Russia constantly monitors the activities of receivers (liquidators) of financial institutions, including for compliance with the requirements of the laws and regulations of the Russian Federation governing the liquidation of financial institutions.

As of 1 January 2020, 17 provisional administrations were active in financial institutions after revocation (cancellation) of licences, and one provisional administration was active in a tier 2 credit consumer cooperative, limiting the powers of its executive bodies. In 2020, 20 provisional administrations were appointed (changed) due to revocation (cancellation) of licences of financial institutions, and 26 provisional administrations were terminated, including one provisional administration of a tier 2 credit consumer cooperative. As of 1 January 2021, 12 provisional administrations were active.

### CREDIT INSTITUTIONS

As of 1 January 2021, the number of liquidated credit institutions decreased for the first time since 2014 and amounted to 379 (from

385 as of 1 January 2020). Out of the 379 liquidated credit institutions:

- 340 were declared insolvent (bankrupt), and bankruptcy proceedings were initiated against them (including nine credit institutions in 2020, and with regard to two of them commercial courts had previously ruled on their compulsory liquidation);
- with regard to 28 credit institutions, commercial courts ruled on their compulsory liquidation (in 2020, nine credit institutions);
- 11 credit institutions were liquidated voluntarily by decisions of their founders (participants) (in 2020, decisions on voluntary liquidation were made for nine credit institutions).

As of 1 January 2021, in 359 credit institutions, liquidation procedures were being carried out by State Corporation Deposit Insurance Agency (DIA), which included 337 credit institutions where the DIA acted as a receiver and 22 where it acted as a liquidator.

As of 1 January 2021, liquidation proceedings had been completed in 455 credit institutions whose banking licences had been revoked (cancelled) after 2004, when the institution of the corporate liquidator was established. The average percentage of creditors' claims

### PROVISIONAL ADMINISTRATIONS OF FINANCIAL INSTITUTIONS (UNITS)

Type of financial institution under provisional administration	Number of provisional administrations of financial institutions			
	as of 1 January 2020	in 2020		as of 1 January 2021
		appointed	terminated	
Credit institutions	8	16	16	8
Insurance companies	5	4	6	3
Specialised depositories	2	—	2	—
Management companies	2	—	1	1
Consumer credit cooperatives	1	—	1	—
<b>Total</b>	<b>18</b>	<b>20</b>	<b>26</b>	<b>12</b>



As of 1 January 2021, the number of liquidated credit institutions decreased for the first time since 2014 and amounted to 379

that were satisfied in respect of these credit institutions<sup>1</sup> was 42.9%, including 62.0% of claims of first-priority creditors (for credit institutions where the DIA performed the functions of a receiver (liquidator), 42.0% and 60.9%, respectively). In 2020, the Bank of Russia inspected the activities of 32 receivers of credit institutions (26 scheduled and six unscheduled inspections).

During the reporting period, 25 receivers were accredited as receivers for bankruptcies of credit institutions, 24 receivers extended their accreditation, nine receivers were denied accreditation, and two receivers were denied extension of accreditation due to non-compliance with accreditation conditions. As of 1 January 2021, 49 receivers were accredited with the Bank of Russia.

In 2020, based on the decisions adopted by the Bank of Russia, the registering authority registered the liquidation of 31 credit institutions in the Unified State Register of Legal Entities.

#### **NON-GOVERNMENTAL PENSION FUNDS**

As of 1 January 2021, liquidation procedures were being carried out in 41 NPFs, including bankruptcy procedures in 28 NPFs (in 2020, in one NPF) and compulsory liquidation procedures in 13 NPFs (in 2020, in one NPF). In 28 NPFs, liquidation procedures are being conducted by the DIA, including 27 where the DIA is acting as a receiver and one where it is acting as a liquidator.

As of 1 January 2021, liquidation proceedings had been completed in 31 NPFs which had their licences for non-governmental pension provision and pension insurance services revoked (cancelled) after 2014, when the institution of the corporate liquidator was established.

As of 1 January 2021, 39.86% of the Bank of Russia's claims acquired as a result of funds transfers to the Pension Fund of the Russian Federation in 2015–2018, including receipts in 2020, had been satisfied (₽26,657,949,100).

#### **INSURANCE ENTITIES**

During 2020, the Bank of Russia revoked the insurance licences of 24 insurance entities:

- 15 insurance companies, including 11 due to voluntary surrendering of licenses for some types of activities (with licences for other types of activities still valid);
- seven insurance brokers (voluntary surrender of licences);
- two mutual insurance companies (voluntary surrender of licences).

In 2020, liquidation procedures were completed in 16 insurance companies.

As of 1 January 2021, the Bank of Russia was monitoring the termination of 66 insurance companies; out of these, in 34 insurance companies recognised as insolvent (bankrupt), the functions of the receiver are being performed by the DIA.

In 2020, the Bank of Russia conducted ten scheduled inspections of the activities of receivers of insurance companies.

#### **INVESTMENT FUNDS**

In 2020, amendments<sup>2</sup> to Federal Law No. 156-FZ, dated 29 November 2001, 'On Investment Funds' came into force regarding the procedure for approving reports on the termination of unit investment funds (UIFs) whose investment units are limited in circulation (reports on the termination of UIFs for qualified investors are not approved by the Bank of Russia but by specialised depositories of such UIFs (except when UIFs for qualified investors are terminated by provisional administrations)).

117 reports on the termination of UIFs were approved; 58 UIFs were removed from the register by the Bank of Russia; 58 by specialised depositories; one by its provisional administration.

#### **MANAGEMENT COMPANIES**

In 2020, the Bank of Russia cancelled three licences of management companies due to identified violations of the laws of the Russian Federation and eight licences upon the applications of management companies.

<sup>1</sup> According to the reporting filed with the Bank of Russia.

<sup>2</sup> Federal Law No. 248-FZ, dated 26 July 2019, 'On Amending Certain Laws of the Russian Federation'.

## **PROFESSIONAL SECURITIES MARKET PARTICIPANTS**

In 2020, 64 licences for professional activities in the securities market<sup>1</sup> of 39 professional securities market participants (PSMPs) were cancelled,<sup>2</sup> and one investment adviser was removed from the register on the basis of an application.

In 2020, the Bank of Russia took measures to control the termination of 13 PSMPs and to regulate procedures related to the return of property to customers of PSMPs with cancelled licences. In respect of 12 PSMPs for which the deadline for termination of obligations specified in the orders to cancel their licences expired in 2020, obligations to return securities were 97% fulfilled, obligations to return funds in rubles were 15% fulfilled, obligations to return funds in US dollars were 95% fulfilled and obligations to return funds in euros were 97% fulfilled. In six PSMPs which failed to fulfil their obligations to customers with regard to professional activities on the securities market within the established period, grounds were identified for

forced liquidation following legal action taken by the Bank of Russia.

## **MICROFINANCE MARKET ENTITIES**

In 2020, one tier 2 CCC was ruled bankrupt by the arbitration court, and bankruptcy proceedings were initiated against it (signs of bankruptcy were identified by the provisional administration of the tier 2 CCC). In addition, during the year, the Bank of Russia filed bankruptcy petitions against one legal entity that had lost the status of a microfinance organisation in the form of a microfinance company and one CCC which were major participants in the microfinance market. Following the consideration of the cassation appeals of the Bank of Russia, the cases were sent for reconsideration to the courts of first instance. As of 1 January 2021, no court decisions had been made.

In 2020, 471 microfinance market entities (CCCs, ACCCs, HSCs, pawnshops) were removed from the unified state register of legal entities.

<sup>1</sup> Calculated for 2020 excluding depository licences.

<sup>2</sup> Including 17 licences of eight PSMPs due to identified violations of the laws of the Russian Federation, 25 licences of 20 PSMPs upon the applications of the PSMPs, two licences of two PSMPs due to failure to carry out activities for more than 18 months, nine licences of four PSMPs due to revocation of banking licences, and 11 licences of five PSMPs due to reorganisation.

## 2.2.8. COUNTERING MALPRACTICE IN THE FINANCIAL MARKET

In 2020, the Bank of Russia continued its efforts to counter misconduct to protect the competitive environment and interests of financial consumers and promote mutual trust among market participants. The Bank of Russia monitored the compliance of financial market participants with the established rules and identified companies that illegally provided financial services.

To ensure prompt **monitoring of the situation in Russian organised trading**, the Bank of Russia used the tools of the Situation Centre for Monitoring Exchange-Trading Markets to monitor trading activity and events in real time both in the domestic and foreign financial markets.



PJSC Moscow Exchange implemented a mechanism to limit the aggressiveness of market orders

Monitoring identified technical supply and demand imbalances which led to significant short-term changes in prices and created risks of the execution of orders at non-market prices and the incurrance of losses for market participants. As a result of consultations held by the Bank of Russia with market participants, PJSC Moscow Exchange implemented a mechanism to limit the aggressiveness of market orders at the stock market, which would mitigate price distortion as the result of a one-time (instant) supply and demand imbalance and its effect on the trading decisions of third parties as well as reduce the losses of individuals who lack skill in exchange trading.

The Situation Centre for Monitoring Exchange-Trading Markets works to prevent mar-

ket manipulation and other unfair practices in organised trading. When signs of misconduct were identified, trading participants were requested to preventively explain the inadmissibility of such actions during trading to the customers in question.

In 2020, the Bank of Russia conducted 26 inspections regarding instances of misuse of insider information and market manipulation ([Table 37 of Section 5.4 'Statistical tables'](#)).

In the current epidemic situation in the Russian Federation associated with the coronavirus pandemic and in the context of changes in the nature and conditions of the work of legal entities that are insiders,<sup>1</sup> including due to the transfer of some employees to remote work, the Bank of Russia introduced regulatory and supervisory easing in relation to the activities of such persons in the period from 3 March 2020 to 30 September 2020.<sup>2</sup> In particular, the Bank of Russia did not apply sanctions against these persons for violation of the deadlines for fulfilling certain obligations stipulated by the law on insider information<sup>3</sup> or for violation of certain provisions of internal documents developed in accordance with the requirements of the relevant laws of the Russian Federation.

Despite these exemptions, the Bank of Russia continued its routine work to **improve regulation regarding the misuse of insider information and market manipulation**. Namely, the Bank of Russia issued regulations to establish the following.

1. *The list of insider information of certain categories of insiders and the procedure and deadlines for its disclosure,*<sup>4</sup> which will enable synchronisation of the procedure and deadlines for disclosing insider information with the disclosure of such information in

<sup>1</sup> Legal entities that are insiders mean legal entities specified in Clauses 1, 3–8, 11 and 12 of Article 4 of Federal Law No. 224-FZ, dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation'.

<sup>2</sup> Bank of Russia Information Letter No. IN-06-39/77, dated 20 April 2020, 'On the Non-application by the Bank of Russia of Measures for Certain Violations of Russian Legislative Requirements on Countering Misuse of Insider Information and Market Manipulation'.

<sup>3</sup> Federal Law No. 224-FZ, dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation'.

<sup>4</sup> Bank of Russia Ordinance No. 5326-U, dated 21 November 2019, 'On the List of Insider Information of the Legal Entities Mentioned in Clauses 1, 3, 4, 11 and 12 of Article 4 of Federal Law No. 224-FZ, Dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation' and on the Procedure and Deadlines for its Disclosure'.



the financial market. To eliminate the differences in the regulation of corporate relations of foreign issuers in different jurisdictions and to create conditions for preventing such issuers from leaving the Russian financial market, the Bank of Russia also issued a regulation to clarify the list of insider information of foreign issuers with securities listed on certain foreign exchanges.<sup>1</sup>

2. *Requirements for notifications of trading organisers about detected non-standard transactions (orders) and the results of inspections of such transactions (orders); requirements for notifications of trading participants about detected non-standard transactions of customers.*<sup>2</sup> The standardisation of the best practices for fulfilling regulatory requirements is aimed at establishing a culture of the reasonable classification of transactions as non-standard by market participants, which will further improve the effectiveness of countering the misuse of insider information and market manipulation at all levels.
3. *Expansion of the methods for insiders to provide information on transactions performed* made it possible to eliminate the existing technical barriers for the proper fulfilment by insiders of the requirements of the law on insider information.<sup>3</sup>

Also, in 2020, the requirements for the rules of internal control for subjects of the laws on insider information<sup>4</sup> aimed at building an effective system for countering violations of these laws came into force, which is especially important amid uncertainty and volatility

in the financial markets. The Bank of Russia, NAUFOR, SRO NFA and NCFM<sup>5</sup> cooperated to develop and publish guidelines for the practical application of new requirements by financial market participants that take the specifics of their activities into account.<sup>6</sup>

In 2020, considerable attention was paid to the development of the professional ethics of financial market specialists. To prevent unfair competition in the financial market, the Bank of Russia and the FAS developed recommendations for financial market participants on the professional ethics of financial market specialists.

The Bank of Russia declared ([see the News / Press Releases section on the Bank of Russia website](#)) its commitment to the principles of the FX Global Code, promoting the **development of an environment of trust in the foreign exchange market**.

In 2020, the Bank of Russia continued its efforts to **counter illegal practices in the financial market**. It identified 1,549 entities exhibiting signs of illegal practices in the financial market, including signs of financial pyramid schemes.

Most illegal financial market participants (821 entities) are entities allegedly involved in illegal household lending (illegal issuance of loans).

395 entities exhibited signs of illegal FX dealing.

In 2020, the Bank of Russia also identified 111 entities with signs of other types of illegal practices in the financial market.

222 entities exhibited signs of financial pyramid schemes in 2020. About half of them

<sup>1</sup> Bank of Russia Ordinance No. 5719-U, dated 2 February 2021, 'On Amending the Appendix to Bank of Russia Ordinance No. 5326-U, Dated 21 November 2019, 'On the List of Insider Information of the Legal Entities Mentioned in Clauses 1, 3, 4, 11 and 12 of Article 4 of Federal Law No. 224-FZ, Dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation' and on the Procedure and Deadlines for its Disclosure'.

<sup>2</sup> Bank of Russia Ordinance No. 5549-U, dated 14 September 2020, 'On Requirements for the Content of the Notifications Stipulated by Clause 3 of Part 1 and Part 4 of Article 12 of Federal Law No. 224-FZ, Dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation' and on the Procedure and Deadlines for Submitting Such Notifications to the Bank of Russia'.

<sup>3</sup> Bank of Russia Ordinance No. 5621-U, dated 16 November 2020, 'On Amending Bank of Russia Ordinance No. 5128-U, Dated 22 April 2019, 'On the Procedure and Timeframes for the Submission of Information by Insiders Receiving a Request Specified in Parts 1–3 of Article 10 of Federal Law No. 224-FZ, Dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation'.

<sup>4</sup> Bank of Russia Ordinance No. 5222-U, dated 1 August 2019, 'On Requirements for the Internal Control Rules for Preventing, Detecting and Suppressing the Misuse of Insider Information and/or Market Manipulation of the Legal Entities Indicated in Clauses 1, 3–8, 11 and 12 of Article 4 of Federal Law No. 224-FZ, Dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation' (became effective on 20 April 2020).

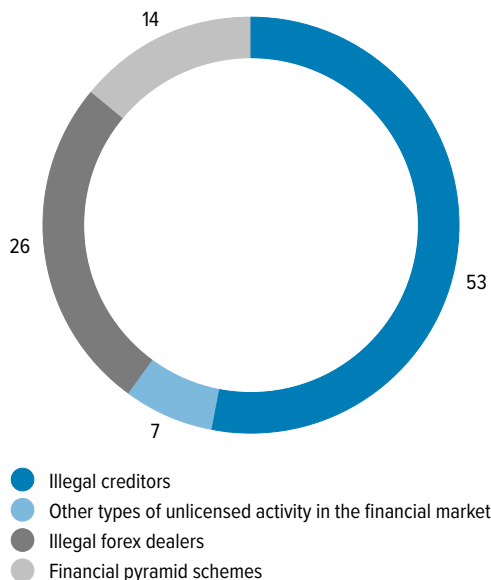
<sup>5</sup> Non-commercial Partnership National Council of Financial Market.

<sup>6</sup> Basic standard rules of internal control for the prevention, detection and suppression of the misuse of insider information and/or market manipulation (approved by NP NCFM on 28 February 2020).



**BREAKDOWN OF ENTITIES WITH SIGNS OF ILLEGAL ACTIVITY IN 2020 (PER CENT)**

Chart 44



Source: Bank of Russia.

were created in the form of Internet projects, and the rest were established in various forms of incorporation.

Detailed statistics on the types of entities identified by the Bank of Russia in 2020 are given in [Tables 38–39 of Section 5.4 ‘Statistical tables’](#).

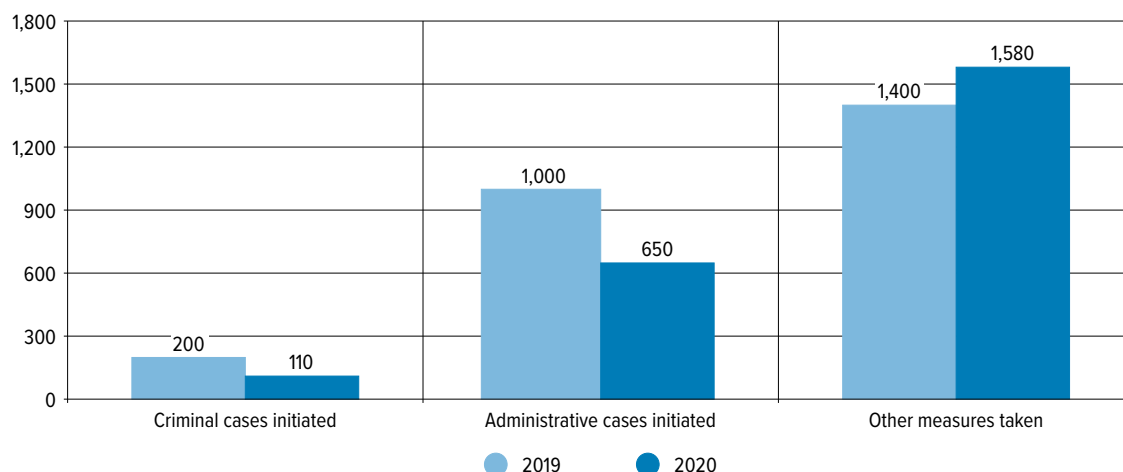
The Bank of Russia **promptly informs the relevant authorities**<sup>1</sup> of identified entities exhibiting signs of illegal practices in the financial market.

The creation of an interdepartmental working group (including representatives of the Bank of Russia) by the General Prosecutor’s Office of the Russian Federation was an important step in countering illegal practices in the financial market and ensuring efficient and thorough cooperation of various executive authorities.

The Bank of Russia participated in the development of draft laws<sup>2</sup> providing for **stricter**

**NUMBER OF MEASURES TAKEN BY AUTHORITIES AGAINST ILLEGAL ORGANISATIONS AND FINANCIAL PYRAMIDS (BASED ON BANK OF RUSSIA DATA)**

Chart 45



The General Prosecutor’s Office of the Russian Federation, with the participation of the Bank of Russia, has formed an interdepartmental working group to counter illegal practices in the financial market

<sup>1</sup> The Ministry of Internal Affairs, the General Prosecutor’s Office, the Federal Tax Service, the Federal Antimonopoly Service, and other authorities.

<sup>2</sup> Draft Federal Law No. 237560-7 ‘On Amending the Russian Federation Code of Administrative Offences’ (establishing stricter liability in the provision of consumer loans) and Draft Federal Law No. 237666-7 ‘On Amending the Criminal Code of the Russian Federation’ (on the introduction of liability for illegal professional activities in the provision of consumer loans) were passed by the State Duma in the first reading.

**liability for illegal lending** and aiming to establish fair punishments corresponding to the gravity of committed offences.

To ensure financial consumer protection and assist consumers in making informed decisions when concluding credit (loan) agreements, the Bank of Russia participated in the development of a draft law<sup>1</sup> providing for improved requirements for advertising services related to provision of credit facilities (loans).

In 2020, as part of supervising the **microfinance market**, the Bank of Russia sent 170 letters to law enforcement agencies in relation to 125 microfinance market entities and SROs of microfinance market entities that exhibited signs of high-risk activities, including falsification of financial documents and statements.

The Bank of Russia continued to monitor regional risks of **misconduct in compulsory motor third-party liability insurance** by analysing performance indicators of insurance companies and corresponding risk profiling of the constituent entities of the Russian Federation in terms of the degree and dynamics of changes in unfavourable factors associated with abuse of law, offences and crimes in this area. During 2020, the Bank of Russia posted five quarterly monitoring reviews on its website in the [Insurance/Analytics section](#), which enabled coordination of the efforts of regional authorities and other stakeholders in resolving emerging CMTPLI issues, taking into account the specific characteristics of the constituent entities of the Russian Federation.

Information on the efforts of the Bank of Russia in **countering Internet fraud** is given in [Subsection 2.5.3 'Ensuring information security and enhancing cyber resilience'](#).

To prevent the further **operation of entities with an unsatisfactory business reputation in the financial market**, in 2020, the Bank of Russia entered 1,205 entities in the database maintained in accordance with Articles 75 and

76.7 of Federal Law No. 86-FZ. As of 1 January 2021, the total number of entities in the database was 7,182.

The Bank of Russia continued to facilitate interaction with law enforcement agencies to prosecute persons guilty of unlawful acts in the financial market. In 2020, the Bank of Russia sent 48 messages to relevant investigating authorities regarding such acts. In addition, the provisional administrations of financial institutions appointed by the Bank of Russia after the revocation (cancellation) of licences submitted nine messages. During the reporting year, the law enforcement agencies informed the Bank of Russia of the initiation of 14 criminal cases based on reports in 2020. In total, since 2016, more than 280 criminal cases have been initiated after messages from the Bank of Russia.

In 2020, in accordance with an interdepartmental Regulation,<sup>2</sup> the Bank of Russia submitted 57 messages to Rosfinmonitoring and the General Prosecutor's Office of the Russian Federation on the identification of financial transactions of credit institutions (their customers) with signs of illegal activities and 16 messages on the connection of financial transactions with illegal activities. The investigating authorities initiated four criminal cases on the basis of these materials received from the Bank of Russia.

The Bank of Russia continued to **organise training**<sup>3</sup> for law enforcement officials, employees of federal and regional executive authorities and employees of legislative authorities. In 2020, 973 law enforcement officials took part in such training.

Distance learning formats are also being developed. The 'Qualification and Investigation of Financial Pyramid Schemes' distance learning course is available on the Bank of Russia University website (developed together with employees of the All-Russian Research Institute of the Ministry of Internal Affairs of the Russian Federation).

<sup>1</sup> Draft Federal Law No. 956425-7 'On Amending Articles 28 and 38 of the Federal Law 'On Advertising' (in terms of advertising services related to the provision of credit facilities or loans) was submitted to the State Duma.

<sup>2</sup> Regulation on information exchange between the Bank of Russia, the General Prosecutor's Office of the Russian Federation, law enforcement and other federal state bodies of the Russian Federation in identifying and suppressing illegal financial transactions of credit institutions and their customers approved by joint order No. 105/136/50/MM-7-2/117/131/98/447/12/OD-121, dated 12 March 2013.

<sup>3</sup> Training topics covered practices of detecting violations in the activities of insurance companies and NPFs, identification of unlawful acts of officials and owners of financial institutions, information security.

## 2.2.9. FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL

In 2020, the Bank of Russia continued to implement measures to liberalise the requirements of Russian foreign exchange legislation for the purpose of simplifying foreign exchange control procedures for foreign trade participants.

The Bank of Russia participated in introducing a number of conceptual amendments to Federal Law No. 173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control' to provide for:

- Expansion of the list of cases when residents are allowed not to credit foreign currency and currency of the Russian Federation to their bank accounts with authorised banks in the event of offsetting counterclaims on obligations arising from foreign trade agreements (contracts) providing for the provision of services included in the list of services approved by the Government of the Russian Federation in agreement with the Bank of Russia.<sup>1</sup> The Bank of Russia participated in the development by the Government of the Russian Federation of the list in question, including services for publishing and developing software and higher education services.<sup>2</sup>
- The possibility for residents engaged in foreign trade to offset counter-obligations with non-residents for international transportation and related services; expansion of the grounds for the use of accounts with banks located outside of the Russian Federation by resident legal entities; the obligation of residents to submit information to the tax authorities on the movement not only of cash but also of other financial assets in accounts with banks and other financial institutions outside of the Russian Federation; the obligation of authorised banks to inform<sup>3</sup> the foreign exchange control authorities of the non-fulfilment by residents exempted from the requirement to repatriate proceeds in the currency of the Russian Federation under foreign trade export contracts of the obligation to ensure the fulfilment or termination of obligations under such contracts in any way permitted by the laws of the Russian Federation.<sup>4</sup>
- Creation of information system Single Point of Contact in foreign trade.<sup>5</sup>
- The possibility of using the electronic means of payment provided to residents by foreign payment service providers for funds transfers without opening bank accounts and the obligation of residents to submit reports on such transfers to the tax authorities.<sup>6</sup>



Work on liberalising the foreign exchange legislation of the Russian Federation for foreign trade participants was continued

<sup>1</sup> Federal Law No. 118-FZ, dated 7 April 2020, 'On Amending Article 19 of the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control'.

<sup>2</sup> Resolution of the Government of the Russian Federation No. 1516, dated 23 September 2020, 'On Approval of the List of Services upon the Provision of Which Residents Are Entitled Not to Credit Foreign Currency or Currency of the Russian Federation to Their Bank Accounts with Authorised Banks in the Event of Offsetting Counterclaims on Obligations Arising from Foreign Trade Agreements (Contracts) between Residents and Non-residents Providing for the Provision of Services to Non-residents'.

<sup>3</sup> This obligation was introduced by Federal Law No. 291-FZ, dated 31 July 2020, 'On Amending Article 19 of the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control'.

<sup>4</sup> This obligation was introduced by Federal Law No. 265-FZ, dated 2 August 2019, 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control' Regarding Liberalisation of Restrictions on Currency Operations Carried out by Residents through Accounts (Deposits) with Banks Outside the Territory of the Russian Federation and Repatriation of Funds'.

<sup>5</sup> Federal Law No. 446-FZ, dated 22 December 2020, 'On Amending Certain Laws of the Russian Federation on the Creation and Operation of Information System Single Point of Contact in Foreign Trade'.

<sup>6</sup> Federal Law No. 499-FZ, dated 30 December 2020, 'On Amending Article 12 of the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control' and Article 8 of the Federal Law 'On the National Payment System' (becomes effective on 1 July 2021).

The Bank of Russia issued Ordinance No. 5529-U,<sup>1</sup> which allows authorised banks to send information<sup>2</sup> on the failure of residents to fulfil or terminate obligations under foreign trade contracts exempted from the requirement

to repatriate proceeds in the currency of the Russian Federation to the Federal Customs Service of Russia and the Federal Tax Service of Russia in order for them to perform the functions of foreign exchange control authorities.

<sup>1</sup> Bank of Russia Ordinance No. 5529-U, dated 10 August 2020, 'On Amending Bank of Russia Ordinance No. 4498-U, Dated 16 August 2017, 'On the Procedure for Authorised Banks, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconom-bank) to Pass over to Foreign Exchange Control Agencies Information about Violations of Russian Foreign Exchange Legislation and Acts of Foreign Exchange Regulatory Bodies by Entities Conducting Foreign Exchange Operations'.

<sup>2</sup> This obligation was introduced by Federal Law No. 265-FZ, dated 2 August 2019, 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control' Regarding Liberalisation of Restrictions on Currency Operations Carried out by Residents through Accounts (Deposits) with Banks Outside the Territory of the Russian Federation and Repatriation of Funds'.

## 2.2.10. COUNTERING THE LEGALISATION (LAUNDERING) OF CRIMINALLY OBTAINED INCOMES AND THE FINANCING OF TERRORISM

In 2020, the Bank of Russia continued to exercise its powers established by Federal Law No. 115-FZ. In this case, there was a particular focus on enhancing the effectiveness of the system for countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism (AML/CFT).

In 2020, a number of conceptual changes were introduced to Federal Law No. 115-FZ with participation of the Bank of Russia to improve national legislation, including to bring it into line with international AML/CFT standards, in particular:

- modernisation of the mechanism for financial institutions to inform Rosfinmonitoring of transactions subject to mandatory control based on the distribution of the obligation to identify such transactions among all organisations governed by Federal Law No. 115-FZ, taking into account the nature and specifics of their activities, and introduction of a mechanism for these organisations to inform Rosfinmonitoring of suspicious activities of customers;<sup>1</sup>
- modernisation of the tools of credit institutions for refusing to perform transactions/terminating bank account agreements and for actions of credit institutions related to such refusals;<sup>2</sup>
- granting professional securities market participants maintaining registers of securities owners the authority to delegate identification to third parties and to conduct simplified identification procedures; establishing cases when identification is not conducted; extending deadlines for updating information obtained during identification; excluding professional securities market participants that are only engaged in investment consulting from the entities governed by Article 5 of Federal Law No. 115-FZ;<sup>3</sup>
- extending the requirements of Federal Law No. 115-FZ to new financial market participants: financial platform operators,<sup>4</sup> operators of information systems in which digital financial assets are issued, digital financial asset exchange operators;<sup>5</sup>
- further development of the biometric identification mechanism (granting the right to conduct biometric identification to all organisations supervised by the Bank of Russia that carry out transactions with funds or other property; removing restrictions on the types of operations for which biometric identification is allowed; establishing a possibility of biometric identification of executives of legal entities for the provision of remote (without being present in person) services to such entities).<sup>6</sup>

Bank of Russia Regulation No. 375-P, dated 2 March 2012, 'On Requirements for a Credit Institution's Internal Control Rules Designed to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' was amended<sup>7</sup> to optimise the burden on credit institutions related to compliance with the requirements of anti-legalisation regulations, to reduce the burden on customers

<sup>1</sup> Federal Law No. 208-FZ, dated 13 July 2020, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' in order to Improve Mandatory Control'.

<sup>2</sup> Federal Law No. 536-FZ, dated 30 December 2020, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

<sup>3</sup> Federal Law No. 116-FZ, dated 7 April 2020, 'On Amending Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' in Terms of Clarifying the Rights and Obligations of Legal Entities Carrying out Certain Types of Professional Activities in the Securities Market'.

<sup>4</sup> Federal Law No. 211-FZ, dated 20 July 2020, 'On Performing Financial Transactions Using a Financial Platform' and Federal Law No. 212-FZ, dated 20 July 2020, 'On Amendments to Certain Legislative Instruments of the Russian Federation Regarding Performing Financial Transactions Using a Financial Platform'.

<sup>5</sup> Federal Law No. 259-FZ, dated 31 July 2020, 'On Digital Financial Assets, Digital Currency and Amending Certain Laws of the Russian Federation'.

<sup>6</sup> Federal Law No. 479-FZ, dated 29 December 2020, 'On Amending Certain Laws of the Russian Federation'.

<sup>7</sup> Bank of Russia Ordinance No. 5599-U, dated 20 October 2020, 'On Amending Bank of Russia Regulation No. 375-P, Dated 2 March 2012, 'On Requirements for a Credit Institution's Internal Control Rules Designed to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.



The mechanism for monitoring dubious transactions was improved, and the volume of such transactions continued to decline. The volume of transfer of funds abroad on dubious grounds dropped by 21%, and the volume of cash-out transactions dropped by 29%

of credit institutions by decreasing the number of documents (information) requested for operations and to reduce the number of unjustified refusals to carry out operations.

In addition, in 2020, the Bank of Russia focused on other matters of bringing the AML/CFT regulatory framework into line with the new legislative requirements in this field.<sup>1</sup>

Systematic efforts of the Bank of Russia ensured a further decrease in the volume of dubious transactions<sup>2</sup> in the banking sector in 2020 and a decrease in the scale of cash-out transactions in other sectors of the economy – that is, trade, tourism and payment systems.

Compared to 2019, in 2020, the volume of transfer of funds abroad on dubious grounds decreased by 21% (from ₹66 billion to ₹52 billion<sup>3</sup>), the volume of cash-out transactions in the banking sector decreased by 29% (from ₹111 billion to 78 billion<sup>4</sup>), and the volume of dubious transit operations decreased by 17% (from ₹0.7 trillion to ₹0.6 trillion).

The coronavirus pandemic and the anti-pandemic measures challenged the Bank of Russia to address new specific risks, including those associated with significant injections of budget funds into the economy. Accordingly, in 2020, the Bank of Russia paid special attention to improving measures for preventing the transfer of budget funds and funds of state corpora-

tions and enterprises of the real sector of the economy (construction, services, wholesale and retail trade) to shadow markets.

In 2020, the use of enforcement documents (court decisions, enforcement orders of notaries and certificates of labour dispute commissions) for cash-out transactions became more common. Compared to 2019, in 2020, the volume of such transactions increased by 61% (from ₹16 billion to ₹25 billion).

AML/CFT supervision functions were carried out by the Bank of Russia through off-site and on-site supervision measures. In 2020, off-site AML/CFT supervision measures were applied to 403 credit institutions, which amounted to 91% of the number of credit institutions operating in the reporting period in the Russian Federation.<sup>5</sup>

As part of AML/CFT on-site supervision measures, the Bank of Russia completed 48 inspections of credit institutions and 17 inspections of non-bank financial institutions, which amounted to 34% and 12%, respectively, of the total number of on-site inspections of credit institutions and NFIs.

For violations of legislative requirements, including AML/CFT-related violations, nine credit institutions had their banking licences revoked in 2020 (overall in 2020, the licences of 16 credit institutions were revoked). In 2020, for violations of AML/CFT-related regulations

<sup>1</sup> Bank of Russia Ordinance No. 5495-U, dated 6 July 2020, 'On Amending Certain Bank of Russia Regulations on Requirements for the Identification by Credit Institutions and Non-bank Financial Institutions of Clients, Clients' Representatives, Beneficiaries and Beneficiary Owners for the Purpose of Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'; Bank of Russia Ordinance No. 5496-U, dated 6 July 2020, 'On Amending Certain Bank of Russia Regulations on the Requirements for Personnel Training in Credit Institutions and Non-bank Financial Institutions on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism and Proliferation of Mass Destruction Weapons'; Bank of Russia Ordinance No. 5591-U, dated 8 October 2020, 'On the Submission of Information Stipulated by Article 7.1-1 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' to the Federal Financial Monitoring Service by Persons Listed in the Said Article'; Bank of Russia Ordinance No. 5640-U, dated 30 November 2020, 'On the Procedure for Operators of Information Systems Where Digital Financial Assets Are Issued and Digital Financial Asset Exchange Operators to Inform the Bank of Russia about Persons Assigned to Conduct Identification or Simplified Identification'.

<sup>2</sup> Transactions carried out by customers of credit institutions that are unusual in nature and show signs of having no clear economic sense or obvious legitimate purpose, which may be carried out to withdraw capital from Russia, finance 'grey' imports, convert funds from a non-cash form to cash and subsequently evade taxation or to financially support corruption and other illegal purposes.

<sup>3</sup> The data include estimates of the volume of transfers of funds abroad based on enforcement documents.

<sup>4</sup> The data include estimates of the volume of cash-out transactions based on enforcement documents and through deposit accounts of notaries.

<sup>5</sup> As of 1 January 2020, 442 credit institutions were operating in the Russian Federation.

and Federal Law No. 115-FZ,<sup>1</sup> supervisory measures were applied to 92 credit institutions in accordance with Article 74 of Federal Law No. 86-FZ, including fines (imposed on 73 credit institutions), restriction of certain transactions (six credit institutions), and orders to eliminate violations of AML/CFT regulations (52 credit institutions).

In 2020, for violations of the requirements of the AML/CFT laws of the Russian Federation, enforcement measures under Article 76.5 of Federal Law No. 86-FZ were applied to 1,568 NFIs, including instructions with requirements to eliminate violations and/or take measures aimed at preventing further violations, and four NFIs were prohibited from conducting part of their operations; preventive measures were applied to 2,471 NFIs, including advisory letters about identified deficiencies in their operations and other preventive measures.

In 2020, the Bank of Russia initiated 121 cases of administrative offences under Article 15.27 of the Russian Federation Code of

Administrative Offences<sup>2</sup> against the officials of 79 credit institutions. Over the course of 2020, it completed a review of 119 cases of administrative offences (including 27 cases initiated in 2019), which resulted in 21 decisions to impose fines, 16 decisions to issue warnings, and 82 decisions to terminate proceedings against the officials of credit institutions in cases of administrative offences.

In 2020, the Bank of Russia initiated 2,477 cases of administrative offences under Article 15.27 of the Russian Federation Code of Administrative Offences with regard to NFIs (including 1,187 cases against NFI officials). The review of 2,673 administrative cases (including 727 cases initiated in 2019) was completed; under those cases, 244 rulings for imposition of a fine (including 103 rulings with regard to NFI officials), 1,089 rulings on the issuance of a warning (including 532 rulings with regard to NFI officials), and 1,280 rulings on the termination of proceedings in administrative cases (including 624 rulings with regard to NFI officials) were issued.

<sup>1</sup> Excluding Clause 3 of Article 7 of Federal Law No. 115-FZ.

<sup>2</sup> According to the data of Section 3 of reporting form 0409028 'Report on Monitoring the Compliance of Credit Institutions and Non-bank Financial Institutions with the Requirements of Foreign Exchange Legislation of the Russian Federation, Regulations of the Foreign Exchange Regulation and Foreign Exchange Control Authorities and Legislation of the Russian Federation on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.



## 2.2.11. DEVELOPMENT OF COMPETITION IN THE FINANCIAL MARKET

In 2020, implementation of anti-crisis measures by the Bank of Russia and the Government of the Russian Federation helped maintain stability of the financial system and prevented significant deterioration in the competitive environment despite a sharp degradation in the position of a significant number of financial institutions and withdrawal of some of them from the market. The temporary nature of the measures made it possible to maintain the competitiveness of market participants during the crisis while not restricting incentives to compete and further develop financial technologies and digital business models.

In addition, in 2020, the Bank of Russia and the Government of the Russian Federation continued their planned efforts to create a favourable competitive environment in the financial market in the following areas:

- ensuring competitive access for financial market participants;
- lowering barriers for financial services consumers and providers;
- preventing anti-competitive violations against financial consumers;
- ensuring the balanced structure of the financial market.

In 2020, implementation of the roadmap for promoting competition for 2018–2020<sup>1</sup> and the roadmap for implementation of the financial market development programme for 2019–2021<sup>2</sup> continued. By the end of 2020, the planned events in the financial market with the participation of the Bank of Russia had been completed in full or to a high degree (see [Section 5.3 'Implementation of the financial market development programme'](#) for more details on the implementation of the Financial Market Development Programme for 2019–2021).

In 2020, federal laws<sup>3</sup> developed with the participation of the Bank of Russia were adopted to ensure the operation of specialised financial platforms (marketplaces) that allow consumers to conclude transactions 24/7 with various financial institutions for the provision of banking and other financial services, regardless of the location of customers; work continued to improve such national infrastructure projects as the Faster Payments System and the Unified Biometric System, which will contribute to the development of competition by reducing barriers and optimising financial services.

In 2020, the federal law on the abolition of 'bank roaming',<sup>4</sup> i.e. geographic discrimination of consumers of transfer services, came into effect. The law prohibited credit institutions from establishing different amounts of fees for funds transfers between bank accounts of individuals within one credit institution depending on whether these accounts were opened in one or different branch offices (internal structural divisions) of such an institution.

To comply with the interests of all categories of consumers of central depository services and to provide them with additional guarantees, amendments were made to the operating procedure of the committee of users of central depository services. The amendments provide for:

- postponed (for six months) entry into force of fees for the central depository services approved by its board of directors (supervisory board), if such fees were not approved by the said committee;
- coordination with the federal antimonopoly authority of additional requirements for the procedure for the formation of this committee approved by the Bank of Russia.

As part of the development of competition in the financial market, the Bank of Russia also

<sup>1</sup> The Action Plan (Roadmap) to Develop Competition in the Russian Economy and to Make Natural Monopolies Competitive in 2018–2020.

<sup>2</sup> The Action Plan (Roadmap) to Implement the Guidelines for the Development of the Russian Financial Market in 2019–2021.

<sup>3</sup> Federal Law No. 211-FZ, dated 20 July 2020, 'On Performing Financial Transactions Using a Financial Platform' and Federal Law No. 212-FZ, dated 20 July 2020, 'On Amendments to Certain Legislative Instruments of the Russian Federation Regarding Performing Financial Transactions Using a Financial Platform'.

<sup>4</sup> Federal Law No. 434-FZ, dated 16 December 2019, 'On Amending Article 29 of the Federal Law 'On Banks and Banking Activities'.

uses 'soft regulation' tools through issuing and publishing newsletters. For example, in December 2020, joint recommendations of the Bank of Russia and the FAS on the professional ethics of financial market specialists were published to prevent misconduct of financial institutions towards competitors and consumers.<sup>1</sup>

In addition, provisions on the conditions for ensuring the regional presence of registrars maintaining registers of securities holders of public joint-stock companies were excluded<sup>2</sup> from licencing requirements. This will prevent dependent relationships between competing registrars, which restrict competition in the registrar services market through transfer-agency agreements related to the fulfilment of these conditions.

As part of the development of a competitive environment in the stock market, on 24 August 2020, trading of global companies' shares was

launched at PJSC Moscow Exchange (before that, such shares were traded only at PJSC Saint Petersburg Exchange). Despite a noticeable increase in the number of active customers and the volume of transactions at PJSC Moscow Exchange, the volume of markets and customer activity of PJSC Moscow Exchange and PJSC Saint Petersburg Exchange are still incomparable (as of the end of 2020, 28,000 customers with a trading volume of \$144 million at PJSC Moscow Exchange vs 371,000 customers with a trading volume of \$9,304 million at PJSC Saint Petersburg Exchange).

In addition to the measures already planned for 2020, the Bank of Russia together with the FAS and other federal executive authorities participated in the development of new proposals for promoting competition in the financial market (for example, ensuring competitive access to data, improving competition law enforcement, etc.).

<sup>1</sup> Joint Information Letter of the FAS and the Bank of Russia No. AK/114267/20/IN-06-52/182, dated 25 December 2020, 'On Recommendations on the Professional Ethics of Financial Market Specialists'.

<sup>2</sup> Bank of Russia Ordinance No. 5666-U, dated 16 December 2020, 'On Amending Bank of Russia Regulation No. 481-P, Dated 27 July 2015'.

## 2.2.12. IMPROVING FINANCIAL AND COMMODITY MARKET INSTRUMENTS AND INFRASTRUCTURE

In 2020, the Bank of Russia continued its efforts aimed at developing the instruments and infrastructure of the financial and commodity markets, taking into account the needs of market participants, and improving regulation.

### DEVELOPMENT OF PLATFORM SERVICES

In 2020, new players appeared in the financial market: financial platform operators and financial transaction registrars. Together they constitute an independent distribution infrastructure for financial products (the Marketplace project) which can be used by financial institutions regardless of their size. This facilitates improvement of fair competition in the financial market, while the population receives a wide range of offers without geographical restrictions from financial institutions and issuers connected to the system.

During the implementation of the Marketplace project, the Bank of Russia developed proposals for the necessary regulatory changes.<sup>1</sup>

As of the end of 2020, the register of financial platform operators included PJSC Moscow Exchange (the Financial Services platform) offering bank deposits and CMTPLI policies; JSC VTB Registrar remotely selling government over-the-counter bonds of the Tomsk Region (government bonds); and JSC INFINITUM Specialised Depository offering a wide range of UIF units.

Household financial consumers can remotely purchase government over-the-counter bonds of the Tomsk Region, specially developed as a pilot product. Previously, for 18 years, such bonds had been sold only off-line in the offices of agent banks in the region.

The Bank of Russia developed proposals for the further expansion of products and services, including credit and pension products, and

individual investment accounts on financial platforms (the Marketplace 2.0 project). Legislative changes<sup>2</sup> were prepared to expand the mechanism for using the financial platforms by individual entrepreneurs and legal entities, including small- and medium-sized businesses.

Due to the entry into force of Federal Law No. 259-FZ<sup>3</sup> in 2020, the activities of crowdfunding sites (investment platform operators) are now regulated.

This made it possible to improve investor protection while maintaining the mechanisms previously functioning in the crowdfunding market and to better meet the interests of investors and entrepreneurs.

According to expert estimates, 39 crowdfunding websites were operating as of the date of entry into force of Federal Law No. 259-FZ. As of 1 January 2021, 20 organisations were listed in the register of investment platform operators. At the same time, a decision was made to extend the transitional period for inclusion in the register of investment platform operators until 1 July 2021. Thus, despite the emergence of additional (regulatory) requirements for the activities of investment platform operators, the number of market participants did not decline.

### DEVELOPMENT OF INDIVIDUAL INVESTMENT ACCOUNTS

In 2020, the Bank of Russia published the Concept for Improving the Mechanism of an Individual Investment Account to Stimulate Long-term Investments in the Russian Federation (the 'Concept') for discussion. The Concept proposes introducing a new investment instrument, type III individual investment accounts. It will have a 10-year restriction on withdrawals from the account. At the

<sup>1</sup> Federal Law No. 211-FZ, dated 20 July 2020, 'On Performing Financial Transactions Using a Financial Platform' and Federal Law No. 212-FZ, dated 20 July 2020, 'On Amendments to Certain Legislative Instruments of the Russian Federation Regarding Performing Financial Transactions Using a Financial Platform'.

<sup>2</sup> Draft Federal Law No. 1080911-7 'On Amending Certain Laws of the Russian Federation' (submitted for consideration to the State Duma).

<sup>3</sup> Federal Law No. 259-FZ, dated 2 August 2019, 'On Investment Raising Using Investment Platforms and on Amending Certain Laws of the Russian Federation'.

same time, investors will be entitled to double tax benefits: annual tax deduction from the amounts deposited (similar to type I individual investment accounts) and exemption of investment income from taxation (similar to type II individual investment accounts) when funds are withdrawn after 10 years for their intended use (for example, for the purchase of housing or retirement plans). In 2020, the growth of assets in individual investment accounts amounted to 90%. Their total volume increased to ₹375.6 billion. The number of individual investment accounts grew by 110%, to 3.5 million accounts.

To implement the Concept, the Bank of Russia participated in the development of draft federal laws 'On Amending the Federal Law 'On the Securities Market' and 'On Amending Part Two of the Tax Code of the Russian Federation', which provide for the introduction of type III investment tax deduction.

To implement Clause 4.2 of the Action Plan (Roadmap) to Implement the Russian Financial Market Development Programme for 2019–2021 and Clause 6 of Section 5.2 of the National Action Plan to Enable a Recovery in Employment and Household Incomes, Economic Growth and Long-term Structural Changes in the Economy,<sup>1</sup> the Bank of Russia participated in the development of the draft federal laws 'On Amending the Federal Law 'On the Securities Market' and Other Laws of the Russian Federation (In Terms of Improving Regulation of Individual Investment Accounts)' and 'On Amending Part Two of the Tax Code of the Russian Federation'. The documents provide for an increased limit of ₹3 million for annual contributions when using a type II investment tax deduction, the right to partially withdraw funds from an individual investment account without closing it and losing the right to the type II investment tax deduction and abolishing restrictions on opening one individual investment account.

On 31 December 2020, the Bank of Russia submitted the Progress Report on the Roadmap for Implementation of the Action Plan (Roadmap) to Implement the Russian Financial Market Development Programme for 2019–2021 in terms of improving the regulation of individual investment accounts, coordinated with the Ministry of Finance of Russia and the Ministry of Economic Development of Russia, to the Government of the Russian Federation.

In connection with the start of operation of financial platforms (the Marketplace project) and the emergence of the possibility of using such platforms to purchase bonds intended for the general public, the Bank of Russia submitted proposals to the Ministry of Finance of Russia to extend the individual investment account mechanism to financial platforms. This will allow individuals to make use of tax incentives not only when purchasing bonds through a broker but also when purchasing bonds directly from issuers using financial platforms.

#### **IMPROVING THE TOOLKIT OF THE FINANCIAL MARKET**

As part of improving the toolkit of the financial market, the Bank of Russia implemented measures to regulate the activities of professional securities market participants. In particular, in accordance with the competences granted to the Bank of Russia, to bring the current regulatory framework into line with the competences granted to the Bank of Russia by Federal Law No. 39-FZ<sup>2</sup> and to extend the procedure for the Bank of Russia's cancellation of licences of professional securities market participants to new cases of licence cancellation established by this law, the Bank of Russia issued Regulation No. 737-P.<sup>3</sup>

To synchronise the licencing requirements for professional securities market participants and licence applicants with the requirements for professional securities market participants and their activities established by Federal Law

<sup>1</sup> Approved at a meeting of the Government of the Russian Federation on 23 September 2020 (Minutes No. 36, No. P13-60855, dated 2 October 2020).

<sup>2</sup> Federal Law No. 39-FZ, dated 22 April 1996, 'On the Securities Market'.

<sup>3</sup> Bank of Russia Regulation No. 737-P, dated 27 October 2020, 'On the Procedure for Suspending and Revalidating a Professional Securities Market Participant Licence and the Procedure for the Bank of Russia to Take a Decision on Cancelling the Said Licence'.

No. 454-FZ,<sup>1</sup> the Bank of Russia issued Ordinance No. 5666-U.<sup>2</sup> The ordinance also updated the performance indicators for licensees and the limits of their values, taking into account the practical application of the current version of Bank of Russia Regulation No. 481-P<sup>3</sup> and the scale of the financial market for the most accurate application of proportionate regulation.

In February 2020, the Bank of Russia published the consultation paper Providing Information to Legal Entities When Entering into Complex Derivative Transactions. Proposals on establishing legal requirements for financial institutions to provide information when entering into complex derivative transactions with non-qualified corporate investors were discussed with market participants. The Bank of Russia believes that such requirements will eliminate the existing gap in regulation, enable sufficient protection of the interests of non-qualified corporate investors and reduce legal uncertainty regarding the responsibilities of financial institutions when entering into complex derivative transactions with non-financial companies.

Bank of Russia Ordinance No. 5516-U<sup>4</sup> was issued to recognise the model terms of derivative agreements developed by the Futures Industry Association<sup>5</sup> for use in Russia. This will make it possible to apply the provisions on close-out netting in the event of bankruptcy of a Russian counterparty to obligations arising from agreements based on the said model terms.

In 2020, Federal Law No. 418-FZ,<sup>6</sup> developed with the participation of the Bank of Russia, was adopted to provide for gradual withdrawal of mortgage participation certificates from circulation through scheduled redemption of the circulating certificates (due to lack of demand from market participants).

To ensure uniform application of Bank of Russia Ordinance No. 5352-U,<sup>7</sup> the Bank of Russia published an information letter<sup>8</sup> on the specifics of fulfilling the obligation for centralised clearing of OTC derivatives to answer frequently asked questions of financial institutions.

Together with the Ministry of Finance of Russia, the Bank of Russia prepared draft federal law No. 586986-7<sup>9</sup> for a second reading. Due to the fact that the Eurasian Economic Commission classified leasing as non-financial investment services, the Russian Federation, represented by the Ministry of Justice of Russia, petitioned the Court of the Eurasian Economic Union (the 'EAEU Court') to clarify the provisions of the Treaty on the Eurasian Economic Union. In its advisory opinion dated 10 July 2020, the EAEU Court confirmed the right of the Russian Federation to carry out prudential regulation of the leasing industry as a financial services industry.

According to the draft law, it is planned, in particular, to regulate the access of leasing entities to the financial market, to introduce common standards and requirements for disclosures of leasing entities through self-regu-

<sup>1</sup> Federal Law No. 454-FZ, dated 27 December 2019, 'On Amending the Federal Law 'On the Securities Market' and Article 73 of the Federal Law 'On Enforcement Proceedings' to Improve Regulation of Professional Activities in the Securities Market'.

<sup>2</sup> Bank of Russia Ordinance No. 5666-U, dated 16 December 2020, 'On Amending Bank of Russia Regulation No. 481-P, Dated 27 July 2015'.

<sup>3</sup> Bank of Russia Regulation No. 481-P, dated 27 July 2015, 'On Licensing Requirements for and Conditions of Professional Activity in the Securities Market, Restrictions on Holding Together Certain Types of Professional Activity in the Securities Market, and on the Procedure and Timeframes for Submitting to the Bank of Russia Reports on Terminating Obligations Related to Professional Activity in the Securities Market in Case of Cancellation of a Professional Securities Market Participant Licence'.

<sup>4</sup> Bank of Russia Ordinance No. 5516-U, dated 29 July 2020, 'On Approving the List of Foreign Organisations Developing (Approving) Indicative Terms of an Agreement (Other Similar Documents) for the Purpose of Clause 5 of Article 51.5 of Federal Law No. 39-FZ, Dated 22 April 1996, 'On the Securities Market'.

<sup>5</sup> The Futures Industry Association (FIA) is the leading international organisation for trading centrally cleared futures, options, and derivatives.

<sup>6</sup> Federal Law No. 418-FZ, dated 8 December 2020, 'On Amending the Federal Law 'On Mortgage Securities'.

<sup>7</sup> Bank of Russia Ordinance No. 5352-U, dated 16 December 2019, 'On Cases When Contracts That Are Derivatives Shall Be Concluded Only if the Other Party to Such Contracts Is a Person Performing Functions of a Central Counterparty'.

<sup>8</sup> Bank of Russia Information Letter No. IN-015-52/187, dated 31 December 2020, 'On Mandatory Centralised Clearing in accordance with Bank of Russia Ordinance No. 5352-U'.

<sup>9</sup> Draft Federal Law No. 586986-7 'On Amending Certain Laws of the Russian Federation for Regulating the Activities of Special Leasing Entities'.

lation, to impose a restriction on raising funds from individuals and to establish an authorised body for control and supervision of leasing entities.

### **IMPROVING THE TOOLKIT OF THE ORGANISED MARKET IN THE RUSSIAN FEDERATION**

#### *Commercial balancing mechanism (JSC SPIMEX)*

Due to the Bank of Russia's coordination of the interaction of infrastructure organisations of the financial market, its broad support and assistance in the implementation of the project and the creation of the necessary regulatory framework, on 23 December 2020, a mechanism for commercial gas balancing was launched in the Natural Gas Section of JSC SPIMEX with the participation of the infrastructure organisation OTP TEK LLC (a commodity delivery operator). This mechanism makes it possible to maintain accounting of commodity deliveries on trade commodity accounts and reflect them in statements and to re-sell undrawn volumes of gas.

#### *Spot trading in sugar (Joint-Stock Company National Mercantile Exchange)*

On 29 September 2020, NAMEX launched spot trading in sugar in the new Agro trading and clearing system accepted for operation by the Bank of Russia. In 2020, as part of the project, participants continued to register in the spot market and accredited new delivery bases. As of the end of 2020, there were 12

accredited bases in various federal districts of the Russian Federation.<sup>1</sup>

#### *Deliverable wheat futures (Moscow Exchange Group)*

Trading in deliverable wheat futures was launched on 21 December 2020. This tool contributes to the formation of a local price indicator and provides an opportunity to hedge price risks for commercial participants in the market of farm produce.

#### *New stock market instruments*

The number of international issuers' securities traded on PJSC Saint Petersburg Exchange in 2020 increased by 22% to 1,523 instruments (as of the end of 2020), including shares, depositary receipts, and Eurobonds. In August 2020, PJSC Saint Petersburg Exchange launched a market for European securities denominated in euros (issuers). As of the end of 2020, shares of the ten largest German issuers were available for trading at PJSC Saint Petersburg Exchange.

#### *Launch of trading in shares of foreign issuers (PJSC Moscow Exchange)*

On 24 August 2020, PJSC Moscow Exchange launched trading in shares of 19 global companies (by the end of 2020, 55 foreign securities were listed). Monitoring of the development of the project shows a weekly influx of active customers (as of the beginning of 2021, they totalled about 28,000 people) and an increase in the volume of trading in securities to approximately \$144 million per week.

<sup>1</sup> Nine in the Central Federal District, two in the Volga Federal District, and one in the Southern Federal District.



### 2.2.13. IMPROVING THE ACCOUNTING AND THE ACCOUNTING (FINANCIAL) STATEMENTS OF FINANCIAL INSTITUTIONS

To implement support measures for the financial sector approved by the Bank of Russia to limit the consequences of the coronavirus pandemic and within the framework of regulatory easing associated with the pandemic, in 2020, the Bank of Russia issued ordinances No. 5419-U,<sup>1</sup> No. 5420-U,<sup>2</sup> No. 5603-U,<sup>3</sup> and No. 5604-U.<sup>4</sup>

Bank of Russia Ordinances No. 5419-U and No. 5420-U granted credit institutions and certain non-bank financial institutions the right to recognise equity and debt securities acquired before 1 March 2020 at fair value as of 1 March 2020 until 1 January 2021 and to recognise debt securities purchased between 1 March and 30 September 2020 at fair value as of the date of acquisition. Explanations on the application of these regulations are also available on the Bank of Russia website.

Bank of Russia Ordinances No. 5603-U and No. 5604-U allowed credit institutions and non-financial institutions not to carry out inventory of certain types of property before preparing the annual accounting (financial) statements for 2020. In addition, Bank of Russia Ordinance No. 5604-U allowed NFIs to recognise debts as confirmed in case of confirmation through electronic communication channels for the purposes of reflecting the re-

sults of the inventory of receivables (payables) in the accounts.

As part of the measures of state support for households and small- and medium-sized businesses in connection with the establishment of regulation for the provision of loan repayment holidays to borrowers, the Bank of Russia amended Regulation No. 446-P;<sup>5</sup> explanations of the most complex accounting issues for loan agreements under which borrowers were granted a grace period, including on issues related to the application of IFRS 9 Financial Instruments, are available on the Bank of Russia website.

During 2020, other amendments were also introduced to the regulations of the Bank of Russia on accounting for credit institutions:

- Due to the introduction of amendments to the Budget Code of the Russian Federation in terms of treasury services and the treasury payment system, account No. 40102 'Treasury Single Account' was introduced into the Chart of Accounts for Credit Institutions.
- Due to the issue by the Ministry of Finance of Russia of FAS 5/2019 'Inventories',<sup>6</sup> amendments were made to Bank of Russia Regulation No. 448-P.<sup>7</sup> A Bank of Russia information letter<sup>8</sup> with recommendations

<sup>1</sup> Bank of Russia Ordinance No. 5419-U, dated 24 March 2020, 'On the Procedure for Individual Non-bank Financial Institutions to Account Placements in Securities (Excluding Promissory Notes) Assessed at Fair Value'. The document came into effect on 30 March 2020 and expired on 31 December 2020.

<sup>2</sup> Bank of Russia Ordinance No. 5420-U, dated 24 March 2020, 'On the Procedure for Credit Institutions to Account Placements in Securities (Excluding Promissory Notes) Assessed at Fair Value'. The document came into effect on 30 March 2020 and expired on 31 December 2020.

<sup>3</sup> Bank of Russia Ordinance No. 5603-U, dated 27 October 2020, 'On the Procedure for Credit Institutions to Account the Results of Stock-taking of Fixed Assets, Inventories, Real Estate Temporarily not Used in Operational Activity, Long-term Assets Held for Sale, Means and Objects of Labour of Undetermined Purpose Obtained under Compensation or Pledge Agreements'. The document came into effect on 11 November 2020 and expired on 31 March 2021.

<sup>4</sup> Bank of Russia Ordinance No. 5604-U, dated 27 October 2020, 'On the Procedure for Non-bank Financial Institutions to Account the Results of Stock-taking of Fixed Assets, Investment Property, Long-term Assets Held for Sale, Inventories, Means and Objects of Labour of Undetermined Purpose Obtained under Compensation or Pledge Agreements, Assets and (or) Estimated Balances Thereof Received Following Insurer's (Beneficiary's) Waiver of the Ownership of Insured Property'. The document came into effect on 1 January 2021 and expired on 31 March 2021.

<sup>5</sup> Bank of Russia Regulation No. 446-P, dated 22 December 2014, 'On the Procedure to Determine Credit Institutions' Revenues, Expenditures and Other Aggregate Income'.

<sup>6</sup> Federal accounting standard FAS 5/2019 'Inventories' (approved by Order of the Ministry of Finance of Russia, dated 15 November 2019 'On Approval of the Federal Accounting Standard FAS 5/2019 'Inventories' registered by the Ministry of Justice of Russia on 25 March 2020). Subject to mandatory application starting from the accounting (financial) statements for 2021.

<sup>7</sup> Bank of Russia Regulation No. 448-P, dated 22 December 2014, 'On Credit Institutions' Accounting of Fixed Assets, Intangible Assets, Real Estate Temporarily not Used in Operational Activity, Long-term Assets Held for Sale, Inventories, Means and Objects of Labour of Undetermined Purpose Obtained under Compensation or Pledge Agreements'.

<sup>8</sup> Bank of Russia Information Letter No. IN-012-17/161, dated 23 November 2020, 'On Some Matters Relating to Bank of Russia Accounting Regulations Which Will Come into Effect on 1 January 2021'.



on the transition to the new requirements for inventories accounting was posted on the Bank of Russia website.

- As part of the ongoing optimisation of the regulatory burden on financial market participants, Bank of Russia Regulation No. 579-P<sup>1</sup> abolished certain outdated accounting requirements and expanded the list of documents established by Bank of Russia Ordinance No. 2346-U<sup>2</sup> that credit institutions can store in electronic form.

In addition, accounting of purchased receivables and contingent credit liabilities was brought into line with the principles of the International Financial Reporting Standards.<sup>3</sup>

To achieve its strategic objective of ensuring financial market resilience, in 2020, the Bank of Russia adopted measures to improve accounting in NFIs.

To incorporate the requirements of IFRS 17 'Insurance Contracts', which from 1 January 2023 replaces IFRS 4 'Insurance Contracts' and establishes new principles of recognition, valuation, presentation and disclosure of insurance contracts and outbound reinsurance contracts, in the regulations on accounting and

accounting (financial) reporting for NFIs, the Bank of Russia issued Regulations No. 713-P,<sup>4</sup> No. 721-P,<sup>5</sup> No. 722-P,<sup>6</sup> No. 723-P,<sup>7</sup> No. 724-P,<sup>8</sup> No. 726-P,<sup>9</sup> No. 727-P,<sup>10</sup> and No. 728-P<sup>11</sup> and Ordinance No. 5494-U.<sup>12</sup> The regulations come into effect on 1 January 2023.

Bank of Russia Regulation No. 713-P establishes the Chart of Accounts for NFIs and the procedure for its use, introduces accounts for liabilities (assets) under insurance contracts depending on the valuation model, accounts and symbols for income and expenses for insurance, symbols for financial income and expenses for the Statement of Financial Performance for NFIs, which were previously listed in Bank of Russia Regulation No. 487-P.<sup>13</sup> In place of Bank of Russia Regulation No. 487-P, the Bank of Russia issued Regulation No. 726-P, which establishes the procedure for reflecting income, expenses and other comprehensive income on the accounts of NFIs and does not contain symbols for income and expenses of the Statement of Financial Performance for NFIs.

Bank of Russia Regulations No. 721-P, No. 722-P, No. 723-P, and No. 724-P, issued in place of Bank of Russia Regulations

<sup>1</sup> Bank of Russia Regulation No. 579-P, dated 27 February 2017, 'On the Chart of Accounts at Credit Institutions and the Procedure for Using It'.

<sup>2</sup> Bank of Russia Ordinance No. 2346-U, dated 25 November 2009, 'On Keeping Certain Electronic Documents Related to Accounting, Settlement and Cash Operations when Arranging Accounting in Credit Institutions'.

<sup>3</sup> Bank of Russia Ordinance No. 5586-U, dated 5 October 2020, 'On Amending Bank of Russia Regulation No. 605-P, Dated 2 October 2017, 'On the Procedure for Credit Institutions to Account Transactions to Place Funds under Loan Agreements, Transactions to Purchase Receivables from Third Parties Related to the Performance of Cash Liabilities, Transactions Related to Liabilities under Bank Guarantees Issued and Funds Provision'.

<sup>4</sup> Bank of Russia Regulation No. 713-P, dated 24 March 2020, 'On the Chart of Accounts at Non-bank Financial Institutions and the Procedure for Using It'.

<sup>5</sup> Bank of Russia Regulation No. 721-P, dated 15 June 2020, 'On the Procedure for Insurers to Account Life Insurance Agreements and Life Reinsurance Agreements'.

<sup>6</sup> Bank of Russia Regulation No. 722-P, dated 15 June 2020, 'On the Procedure for Insurers to Account Non-life Insurance Agreements, Non-life Reinsurance Agreements and Mandatory Medical Insurance Agreements'.

<sup>7</sup> Bank of Russia Regulation No. 723-P, dated 18 June 2020, 'On the Procedure for Non-governmental Pension Funds to Account Non-governmental Pension Provision Agreements'.

<sup>8</sup> Bank of Russia Regulation No. 724-P, dated 18 June 2020, 'On the Procedure for Non-governmental Pension Funds to Account Mandatory Pension Insurance Agreements'.

<sup>9</sup> Bank of Russia Regulation No. 726-P, dated 29 June 2020, 'On the Procedure for Non-bank Financial Institutions to Account Income, Expenditure and Other Aggregate Income'.

<sup>10</sup> Bank of Russia Regulation No. 727-P, dated 29 June 2020, 'On the Forms for Disclosing Information in Accounting (Financial) Statements of Non-governmental Pension Funds and the Procedure for Grouping Accounts in Accordance with Accounting (Financial) Statements Data'.

<sup>11</sup> Bank of Russia Regulation No. 728-P, dated 6 July 2020, 'On the Forms for Disclosing Information in Accounting (Financial) Statements of Insurance Companies and Mutual Insurance Companies and the Procedure for Grouping the Charts of Accounts in Accordance with Accounting (Financial) Statements Data'.

<sup>12</sup> Bank of Russia Ordinance No. 5494-U, dated 6 July 2020, 'On Invalidating Certain Regulations of the Bank of Russia on Issues of Accounting and Compiling Accounting (Financial) Statements by Non-bank Financial Institutions'.

<sup>13</sup> Bank of Russia Regulation No. 487-P, dated 2 September 2015, 'Sectoral Standard for Accounting Income, Expenses and Other Total Return of Non-bank Financial Institutions'. Expires on 1 January 2023.

No. 502-P<sup>1</sup> and No. 491-P,<sup>2</sup> establish a separate procedure for insurers to reflect life insurance and reinsurance agreements and non-life insurance and reinsurance agreements on accounts and for non-governmental pension funds to reflect non-governmental pension provision agreements and mandatory pension insurance agreements on accounts in connection with the peculiarities of the valuation models provided for by IFRS 17 and the laws of the Russian Federation.

Bank of Russia Regulations No. 727-P and No. 728-P, issued to replace Bank of Russia Regulations No. 527-P<sup>3</sup> and No. 526-P,<sup>4</sup> establish the forms of disclosures in accounting (financial) statements of non-governmental pension funds, insurance companies and mutual insurance companies and the procedure for grouping accounts in accordance with indicators of accounting (financial) statements of non-governmental pension funds, insurance companies and mutual insurance companies.

Bank of Russia Ordinance No. 5494-U invalidates certain regulations of the Bank of Russia on accounting and preparation of accounting (financial) statements by NFIs based on IFRS 4 'Insurance Contracts'.

Bank of Russia Ordinance No. 5533-U<sup>5</sup> was issued to extend the option for non-governmental pension funds, insurance companies and mutual insurance companies that meet the criteria listed in paragraph 20B of IFRS 4 'Insurance Contracts' to exercise the right to temporary exemption from IFRS 9 'Financial Instruments' until 1 January 2023.

During 2020, other amendments were introduced to the regulations of the Bank of Russia on accounting for NFIs:

Due to the release by the Ministry of Finance of Russia of FAS 5/2019 'Inventories' and FAS 'Accounting of Leases',<sup>6</sup> the Bank of Russia introduced amendments to Regulations No. 486-P,<sup>7</sup> No. 492-P,<sup>8</sup> No. 612-P,<sup>9</sup> and No. 635-P.<sup>10</sup>

A Bank of Russia information letter<sup>11</sup> with recommendations for NFIs on the transition to the new requirements for accounting of inventories is available on the Bank of Russia website.

In connection with changes in the laws of the Russian Federation, the Bank of Russia issued Ordinances No. 5616-U<sup>12</sup> and No. 5617-U.<sup>13</sup>

In accordance with Bank of Russia Ordinance No. 5616-U, operators of information

<sup>1</sup> Bank of Russia Regulation No. 502-P, dated 5 November 2015, 'Sectoral Standard for Non-governmental Pension Funds to Account Operations Related to Their Activities as Insurers in Mandatory Pension Insurance and Non-governmental Pension Provision'. Expires on 1 January 2023.

<sup>2</sup> Bank of Russia Regulation No. 491-P, dated 4 September 2015, 'Sectoral Standard for Accounting in Insurance Companies and Mutual Insurance Companies Located in the Russian Federation'.

<sup>3</sup> Bank of Russia Regulation No. 527-P, dated 28 December 2015, 'Sectoral Accounting Standard 'Procedure for Compiling Accounting (Financial) Statements by Non-governmental Pension Funds'. Expires on 1 January 2023.

<sup>4</sup> Bank of Russia Regulation No. 526-P, dated 28 December 2015, 'Sectoral Accounting Standard 'Procedure for Compiling Accounting (Financial) Statements by Insurance Companies and Mutual Insurance Companies'. Expires on 1 January 2023.

<sup>5</sup> Bank of Russia Ordinance No. 5533-U, dated 17 August 2020, 'On Amending Certain Bank of Russia Regulations on Accounting and Accounting (Financial) Statements by Non-bank Financial Institutions, Following the Implementation of IFRS 9 Financial Instruments'. The document came into effect on 31 December 2020.

<sup>6</sup> Federal accounting standard FAS 25/2018 'Accounting of Leases' (approved by Order of the Ministry of Finance of Russia No. 208n, dated 16 October 2018, 'On Approval of the Federal Accounting Standard FAS 25/2018 'Accounting of Leases'). Subject to mandatory application starting from the accounting (financial) statements for 2022.

<sup>7</sup> Bank of Russia Regulation No. 486-P, dated 2 September 2015, 'On the Chart of Accounts at Non-bank Financial Institutions and the Procedure for Using It'.

<sup>8</sup> Bank of Russia Regulation No. 492-P, dated 22 September 2015, 'Sectoral Standard for Accounting Fixed Assets, Intangibles, Investment Assets, Long-term Assets Held for Sale, Inventories, Means of Labour with Undetermined Designation Received under Agreements on Break-up Compensation or Pledge Agreements, and Assets and (or) Estimated Balances Thereof Received Following Insurer's (Beneficiary's) Waiver of the Ownership of Insured Property in Non-bank Financial Institutions'.

<sup>9</sup> Bank of Russia Regulation No. 612-P, dated 25 October 2017, 'On the Procedure for Non-bank Financial Institutions to Record Accounting Items'.

<sup>10</sup> Bank of Russia Regulation No. 635-P, dated 22 March 2018, 'On the Procedure for Non-bank Financial Institutions to Account Lease Agreements'.

<sup>11</sup> Bank of Russia Information Letter No. IN-012-17/166, dated 3 December 2020, 'On Some Matters Relating to Bank of Russia Accounting Regulations Which Will Come into Effect on 1 January 2021'.

<sup>12</sup> Bank of Russia Ordinance No. 5616-U, dated 10 November 2020, 'On the Application of Certain Bank of Russia Regulations on Accounting and Accounting (Financial) Statements'. The document came into effect on 1 January 2021.

<sup>13</sup> Bank of Russia Ordinance No. 5617-U, dated 10 November 2020, 'On Amending Certain Bank of Russia Regulations on Accounting and Accounting (Financial) Statements of Non-bank Financial Institutions'. The document came into effect on 1 January 2021.

systems where digital financial assets are issued and digital financial asset exchange operators shall start to apply the Bank of Russia regulations on accounting and accounting (financial) reporting for NFIs effective 1 January 2023.

In accordance with Bank of Russia Ordinance No. 5617-U, qualified credit history bureaus have no option of applying Bank of Russia Regulations No. 612-P and No. 613-P.<sup>1</sup>

The Bank of Russia continues its extensive efforts aimed at supporting and developing the collection and processing of accounting (financial), supervisory and statistical reporting in XBRL format. Amendments to the regula-

tions of the Bank of Russia establishing the procedure for accounting and preparation of accounting (financial), supervisory and statistical reporting for NFIs are taken into account when developing versions of the XBRL taxonomy of the Bank of Russia.

In 2020, the Bank of Russia implemented measures to facilitate the transition to the filing of reports, including accounting financial statements, in XBRL format by specialised depositories, insurance brokers and credit rating agencies. The start of filing in the new format by these organisations is scheduled for 2021 (see [Subsection 2.5.1 'Development of financial technologies'](#)).

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<sup>1</sup> Bank of Russia Regulation No. 613-P, dated 25 October 2017, 'On the Forms for Disclosing Information in Accounting (Financial) Statements of Non-bank Financial Institutions and the Procedure for Grouping Accounts in Accordance with Accounting (Financial) Statements Data'.

## 2.3. Financial consumer protection and expanding financial inclusion for households and businesses

### 2.3.1. SUPPORT OF HOUSEHOLDS AND BUSINESSES DURING THE PANDEMIC AND FINANCIAL CONSUMER AND INVESTOR PROTECTION

In 2020, the main challenge for the Bank of Russia's financial consumer protection activities was to provide support to households and SMEs affected by the spread of the coronavirus infection, and first of all, borrowers who encountered difficulties servicing their loans.

During the period of restrictive measures, the Bank of Russia developed clarifications and recommendations for households and SMEs on how to use government support measures and published them in its information resources. These materials gained extreme popularity with millions of views and downloads. The Bank of Russia also organised a special hotline on issues related to the consequences of the pandemic in its call centre, providing households and entrepreneurs with round-the-clock information support.

To limit the growth of overdue debt under loan agreements, Federal Law No. 106-FZ,<sup>1</sup> prepared with the participation of the Bank of Russia, was adopted, which provides for the possibility of granting a grace period under

loan agreements for households, individual entrepreneurs, and SMEs.

The Bank of Russia issued a number of information letters aimed at protecting the rights and interests of financial consumers in respect of the introduction of additional support measures and limitation of the consequences of the coronavirus pandemic.<sup>2</sup>

The Bank of Russia recommended<sup>3</sup> that creditors, such as credit institutions, microfinance organisations, credit consumer cooperatives, and agricultural credit consumer cooperatives, temporarily (until 31 March 2021) refrain from foreclosure on mortgaged property if it is the only housing suitable for living in the event the borrower or the borrower's family members fall ill with the coronavirus infection, or if the borrower's income decreases, as well as suspend actions to evict a borrower and the persons living with the borrower from residential premises previously foreclosed by the lender.

In particular, to prevent the deterioration of a borrower's credit history, it was recommended<sup>4</sup> (see ['Restructuring of loans to house-](#)

<sup>1</sup> Federal Law No. 106-FZ, dated 3 April 2020, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement'.

<sup>2</sup> Bank of Russia Information Letters No. IN-06-59/28, dated 24 March 2020, 'On Exercising by an Individual Borrower of His/Her Right under a Loan Agreement Secured by Mortgage to Apply to the Creditor for the Grace Period ('Mortgage Holidays')'; No. IN-06-59/49, dated 5 April 2020, 'On the Specifics of Applying Federal Law No. 106-FZ, Dated 3 April 2020'; No. IN-06-59/89, dated 15 May 2020, 'On the Procedure for Interacting with Borrowers Regarding a Grace Period or Restructuring Issues'; No. IN-06-59/90, dated 18 May 2020, 'On the Application of Federal Law No. 106-FZ, Dated 3 April 2020, 'On Amendments to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement'; No. IN-06-59/93, dated 28 May 2020, 'On the Implementation of Loan Restructuring Programmes by Creditors'; No. IN-06-59/98, dated 8 June 2020, 'On Granting a Grace Period to Small- and Medium-Sized Enterprises'; and No. IN-06-59/104, dated 30 June 2020, 'On the Withdrawal of an Application for a Grace Period and its Early Termination'.

<sup>3</sup> Bank of Russia Information Letters No. IN-06-59/22, dated 20 March 2020, 'On Deferring (Reducing) Payments in Connection with the Coronavirus Infection (COVID-19)'; No. IN-06-59/79, dated 22 April 2020, 'On the Suspension of the Procedure for Forced Eviction of Debtors from Residential Premises That Were Previously Foreclosed'; No. IN-06-59/140, dated 30 September 2020, 'On the Extension of Certain Measures to Contain the Effects of the Spread of the Coronavirus Infection (COVID-19)'; and No. IN-06-59/177, dated 24 December 2020, 'On the Extension of Certain Measures to Contain the Effects of the Spread of the Coronavirus Infection'.

<sup>4</sup> Bank of Russia Information Letters No. IN-06-59/24, dated 20 March 2020, 'On Restructuring SME Loans'; No. IN-06-59/42, dated 31 March 2020, 'On Granting a Grace Period in Connection with a Decrease in the Borrower's Income'; No. IN-06-59/141, dated 30 September 2020, 'On Restructuring SME Loans'; No. IN-06-59/142, dated 30 September 2020, 'On Restructuring Household Loans'; and No. IN-06-59/178, dated 24 December 2020, 'On Restructuring Household and SME Loans'.

holds and businesses') that lenders and credit bureaus not take the granting of credit holidays or credit restructuring under the lenders' own programmes into account as a negative factor.

The Bank of Russia paid great attention to the analysis of such an important issue for the population during the pandemic as the sale of insurance products for risks associated with contracting the coronavirus infection. The Bank of Russia identified instances of the use of mutually exclusive provisions in insurance agreements and insurance rules upon the occurrence of insured events as well as instances of insufficient provision of information to customers, issued an information letter<sup>1</sup> on the inadmissibility of misleading consumers and also recommended that insurance companies improve the quality of provision of information to financial consumers and establish transparent insurance conditions.

To support online trading, the Bank of Russia decided to limit the maximum value of acquiring commissions for online purchases and set it at maximum 1% for the period from 15 April 2020 to 30 September 2020.

Largely due to the implemented measures for supporting and protecting households and business, especially in terms of loan servicing, as well as the work on prompt response to consumer enquiries, it was possible to minimise adverse consequences both for consumers and for the overall accessibility of financial services in Russia. Moreover, the deep penetration of remote financial services achieved by the end of 2019<sup>2</sup> made it possible to significantly ease access to financial services during the pandemic for households and business.

## **RESTRUCTURING OF LOANS TO HOUSEHOLDS AND BUSINESSES**

As a measure aimed at preventing individuals (including those registered as individual entrepreneurs) and SMEs from incurring overdue debts under credit agreements (loan agreements) or at settling overdue debts, the Bank of Russia recommended<sup>3</sup> that until 30 June 2021, inclusive, credit institutions, microfinance organisations, credit consumer cooperatives and agricultural credit consumer cooperatives consider restructuring, including re-restructuring, the credit facilities (loans) issued to individuals or SMEs if they receive applications for such restructuring from them. In these cases, it is recommended not to impose forfeits (fines or penalties) on borrowers for non-performance or improper performance of credit (loan) agreements.

## **BUSINESS FINANCING SUPPORT MEASURES**

In 2020, in view of the spread of the coronavirus infection and its impact on the economic situation and in pursuance of the instructions of the President of the Russian Federation dated 25 March 2020, the Bank of Russia in cooperation with the Government of the Russian Federation implemented a set of measures aimed at maintaining the ability of the financial sector to provide necessary resources to the economy and support its most vulnerable industries and segments, including SMEs, that faced income reduction.<sup>4</sup>

For example, the Bank of Russia clarified the terms of the specialised refinancing mechanism aimed at maintaining acceptable rates on loans to SMEs issued under the SME Lending Incentive Programme, implemented by JSC RSMB Corporation: sectoral and lending purpose

<sup>1</sup> Bank of Russia Information Letter No. IN-06-59/102, dated 19 June 2020, 'On the Terms for Selling Products Hedging Against Risks Associated with the Spread of the Novel Coronavirus Infection (COVID-19)'.

<sup>2</sup> According to a survey conducted by the Bank of Russia in 2019, more than half of the adult population in Russia (55.2%) had used remote access to bank accounts to transfer funds over the past 12 months (Internet banking and/or mobile banking).

<sup>3</sup> Bank of Russia Information Letters No. IN-06-59/24, dated 20 March 2020, 'On Restructuring SME Loans'; No. IN-06-59/42, dated 31 March 2020, 'On Granting a Grace Period in Connection with a Decrease in the Borrower's Income'; No. IN-06-59/141, dated 30 September 2020, 'On Restructuring SME Loans'; No. IN-06-59/142, dated 30 September 2020, 'On Restructuring Household Loans'; No. IN-06-59/178, dated 24 December 2020, 'On Restructuring Household and SME Loans'; and No. IN-06-59/19, dated 30 March 2021, 'On Restructuring Household and SME Loans'.

<sup>4</sup> For more information on measures taken to ensure economic and financial stability during the period of combating the spread of the coronavirus infection, see the section 'Coronavirus: Measures for Supporting Households and Businesses' on the Bank of Russia's official website.



To support lending to the economy during the pandemic, the Bank of Russia temporarily expanded the range of specialised refinancing mechanisms

restrictions were lifted, the rate was reduced to 4% p.a. and the rates to end borrowers were limited to 8.5% p.a.

In 2020, the Bank of Russia temporarily expanded the range of specialised refinancing mechanisms to support lending to the economy during the pandemic by introducing several instruments to provide liquidity to banks on preferential terms with a total limit of ₽500 billion.<sup>1</sup>

These instruments were intended to stimulate banks to provide loans to non-financial institutions for the payment of wages and for other urgent needs (together with a government programme to subsidise interest rates on bank loans for urgent needs and preservation of employment) as well as other loans to businesses. To accomplish the first objective, a separate limit was allocated within the general limit for concessional funding of banks issuing interest-free loans to legal entities and individual entrepreneurs for the payment of salaries.<sup>2</sup> As of 1 January 2021, the Bank of Russia's claims on credit institutions for these instruments totalled ₽454.3 billion.

Financing for micro and small businesses through state-owned MFOs also became more

affordable; companies were able to expand the list of credit products available for use thanks to additional government financing.<sup>3</sup> The allocation of additional budgetary funds was accompanied by an active campaign to inform and attract borrowers at the local and regional levels.

#### MONITORING THE IMPLEMENTATION OF SUPPORT MEASURES

The economic situation and the anti-crisis support measures implemented through financial institutions required operational monitoring of their results.

The Bank of Russia monitored the restructuring of the debt of individuals and SMEs carried out by credit institutions, including in terms of granting them loan repayment holidays.<sup>4</sup> Information on some of the results of the implementation of credit restructuring programmes is provided in [Subsection 1.2.2 'Financial market participants'](#).

In 2020, the Bank of Russia also regularly monitored the government support measures implemented with the involvement of credit institutions in pursuance of Resolutions of the Government of the Russian Federation



The Bank of Russia constantly monitored the implementation of debt restructuring programmes for individuals and SMEs

<sup>1</sup> These specialised instruments were introduced for the period until 30 September 2020, and one of them was extended until 30 November 2020.

<sup>2</sup> Resolution of the Government of the Russian Federation No. 422, dated 2 April 2020, 'On the Rules for Subsidising Russian Credit Institutions from the Federal Budget to Compensate for Lost Income on Emergency Loans Granted in 2020 to Legal Entities and Individual Entrepreneurs to Support and Maintain Employment'.

<sup>3</sup> Order of the Government of the Russian Federation No. 1192-r, dated 30 April 2020, 'On the Distribution in 2020 of Subsidies to the Budgets of the Constituent Entities of the Russian Federation for Providing Urgent Support Measures to Small- and Medium-Sized Enterprises in View of the Worsening Situation with the Spread of the Novel Coronavirus Infection'; Order of the Government of the Russian Federation No. 1297-r, dated 16 May 2020, 'On the Allocation of Budgetary Resources to the Ministry of Economic Development of Russia for Increasing Financial Support for the National Project 'Small and Medium-sized Enterprises and Individual Entrepreneurship Support' in 2020'.

<sup>4</sup> Articles 6 and 7 of Federal Law No. 106-FZ, dated 3 April 2020, 'On Amendments to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to Special Aspects of Changing the Terms of a Loan Agreement'.



No. 422<sup>1</sup> (Employment Support Programme 'Loans for the Payment of Salaries'), No. 410<sup>2</sup> (Programme for Preferential Restructuring of Loans to SMEs), and No. 696<sup>3</sup> (Concessional Lending Programme for the Resumption of Activities). A mechanism was introduced for information exchange with the regions through the Bank of Russia regional branches (Bank of Russia RBs). The Bank of Russia RBs, as participants in the regional operational headquarters established under the auspices of the heads of regions, interacted with the business community, including regional ombudsmen for the protection of entrepreneurs' rights, and regularly provided relevant information on the implementation of programmes at the request of regional authorities and other stakeholders.

In cooperation with business associations, banking associations and the Ombudsman for the Protection of Entrepreneurs' Rights under the President of the Russian Federation, the Bank of Russia continued to work actively to improve financial inclusion for small and medium-sized businesses. In spring 2020, during the period of the most stringent restrictions because of the coronavirus pandemic, a special mechanism for interaction between business representatives and banks, the so-called 'green line', was introduced in conjunction with banks and business associations and with the participation of the Bank of Russia to promptly respond to issues related to the provision of credit holidays to SMEs and the implementation of financial support measures. The overwhelming majority of credit institutions joined the mechanism and allocated special staff and communication channels for this.

Within the scope of the 'green line', entrepreneurs brought their questions or problems on interaction with banks to representatives of business associations and the Ombudsman for the Protection of Entrepreneurs' Rights under the President of the Russian Federation, who

consolidated such enquiries and worked them through with credit institutions. If the issue could not be resolved, the business association contacted the Bank of Russia. The participants of the mechanism highly appreciated its effectiveness; therefore, the Bank of Russia plans to continue its implementation on an ongoing basis.

### **DEVELOPMENT OF MODERN CHANNELS FOR COMMUNICATION WITH FINANCIAL CONSUMERS**

The Bank of Russia attaches great importance to the development of channels for communication with financial consumers. The existing traditional channels for obtaining information, such as sending requests by mail or via the online reception desk on the Bank of Russia website or contacting the call centre or the Public Reception, were expanded to include another channel — a chat in the CB Online mobile application.

The CB Online mobile application released by the Bank of Russia features news and useful information materials about various sectors of the financial market and provides options to verify the legality of a financial organisation, leave feedback on its operations or get answers to questions in a chat where Bank of Russia employees give consultations to consumers on a 24/7 basis. The chat has already had about 6,500 conversations; users rate its quality at an average of 4.75 points on a five-point scale.

The chat complements the functionality of the Bank of Russia Single Communication Centre (SCC). During the year, the SCC received about 330,000 inquiries, and the call centre received over 270,000 calls. The Bank of Russia Public Reception, whose operations were suspended in March 2020 because of the current epidemic situation, received more than 400 individuals, including borrowers under mediation procedures.

<sup>1</sup> Resolution of the Government of the Russian Federation No. 422, dated 2 April 2020.

<sup>2</sup> Resolution of the Government of the Russian Federation No. 410, dated 2 April 2020, 'On the Rules for Subsidising Russian Credit Institutions in 2020 from the Federal Budget to Support the Deferral of Payments on Loans Granted to Small and Medium-Sized Enterprises'.

<sup>3</sup> Resolution of the Government of the Russian Federation No. 696, dated 16 May 2020, 'On the Rules for Subsidising Russian Credit Institutions from the Federal Budget to Compensate for Lost Income on Loans Granted in 2020 to Legal Entities and Individual Entrepreneurs to Resume Their Operation'.





### The Bank of Russia released its CB Online mobile app

Another channel for obtaining information on the state of the financial market was a completely anonymous service on the Bank of Russia website for receiving reports from employees (former employees) of financial

institutions about possible violations by their employers of the rights of financial consumers.

### CONDUCT SUPERVISION MEASURES AND RESULTS

The development of preventive conduct supervision is the Bank of Russia's main priority in protecting the rights of financial consumers. The improvement of internal business processes and corporate governance practices by financial institutions makes it possible not only

#### MEASURES AGAINST FINANCIAL MARKET PARTICIPANTS\*

Credit institutions	Insurance entities	MFOs, CCCs, pawnshops	Corporate relations participants, professional securities market participants, collective investment entities
<p>261 administrative offence reports</p> <p>923 recommendations sent to supervised organisations</p>	<p>207 instructions to remove/prevent violations</p> <p>245 administrative offence reports</p> <p>143 recommendations sent to supervised organisations</p>	<p>1,477 instructions to remove/prevent violations</p> <p>321 administrative offence reports</p> <p>3,019 recommendations sent to supervised organisations</p>	<p>123 instructions to remove/prevent violations</p> <p>396 administrative offence reports**</p> <p>29 recommendations sent to supervised organisations</p>

#### RESULTS OF CONDUCT SUPERVISION\*\*\*

Credit institutions	Insurance entities	MFOs, CCCs, pawnshops	Professional securities market participants, collective investment entities, industry-specific self-regulatory organisations
<p>340 amended internal procedures/documents</p> <p>More than 3 billion rubles of household debt on mortgage loans terminated by banks (according to the results of monitoring of compliance with Federal Law No. 102-FZ, dated 16 July 1998, 'On Mortgage (Pledge of Real Estate)')</p> <p>139 million rubles returned to consumers as part of complaint processing</p> <p>29.4 million credit histories corrected</p> <p>19 websites corrected</p>	<p>70 amended internal procedures/documents</p> <p>4,000 values of bonus-malus coefficient improved</p> <p>143 recommendations to change business processes</p> <p>29 updated software and hardware facilities</p> <p>42 websites corrected</p>	<p>249 amended internal procedures/documents</p> <p>91 million rubles returned to consumers</p> <p>4.2 million credit histories corrected</p> <p>175 adjusted their TCC</p> <p>1,453 agreements corrected with respect to consumer terms</p> <p>1,009 updated software and hardware facilities</p> <p>122 websites corrected</p> <p>25 MFOs removed from the state register</p>	<p>24 amended internal procedures/documents</p> <p>45 million rubles returned to consumers (PSMP)</p> <p>9,600 notices on the possibility to refuse to change current insurer sent by NPFs to insured persons</p> <p>3 updated software and hardware facilities</p> <p>5 websites corrected</p> <p>2 licenses cancelled (PSMP)</p>

\* Measures taken by the Service for Consumer Protection and Financial Inclusion.

\*\* Including reports against limited liability companies.

\*\*\* According to the Service for Consumer Protection and Financial Inclusion.

to suppress violations and restore the rights of a particular consumer in the course of reactive supervision but also to eliminate the causes for complaints.

In 2020, the Bank of Russia received 278,000 complaints from financial consumers, which is 12.7% more than in 2019.<sup>1</sup> However, a significant part of the complaints was related to new topics arising during the coronavirus pandemic, and without them the total number of complaints received would have been 0.8% less than in 2019. At the same time, the number of the crisis-related complaints decreased significantly by the end of the year.

In all cases where the review of individuals' complaints and appeals revealed violations of their rights, the Bank of Russia, within the scope of conduct supervision, took the necessary measures to restore the individuals' rights and eliminate the violations. Where individuals' issues fell within the competence of other state authorities, courts or the financial ombudsman, the Bank of Russia provided necessary explanations to consumers to inform them about ways to protect their rights and interacted with other state bodies within the scope of inter-departmental interaction. Effective cooperation regarding the protection of individuals' rights

has developed with the Federal Bailiff Service, Rospotrebnadzor, Roskomnadzor, the FAS, and the All-Russia People's Front, among other organisations.

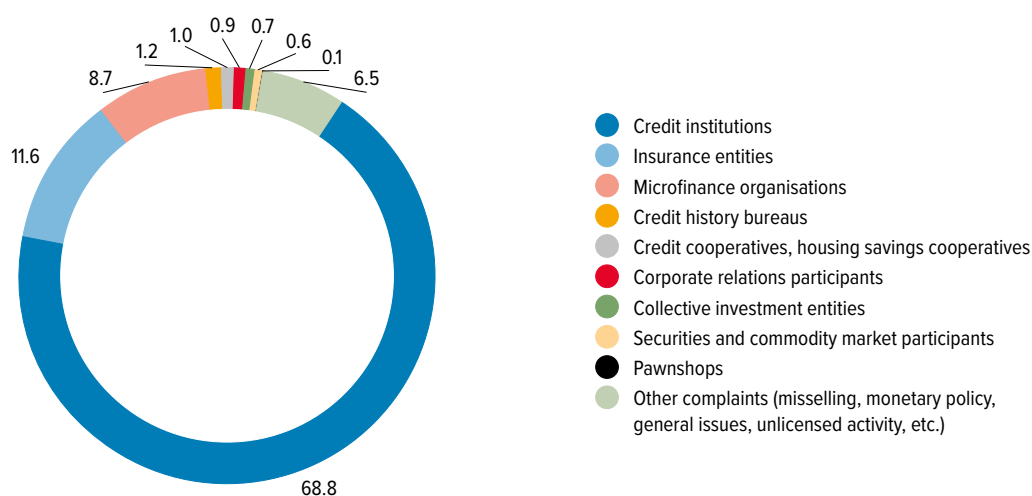
In 2020, the number of complaints decreased in almost all segments of the financial market, except complaints against credit institutions where the growth was associated with the restriction of the work of organisations and enterprises during the acute phase of the coronavirus pandemic and the introduction of credit holidays as well as against participants in the securities market where the growth was due, among other things, to an increase in the number of retail investors entering the market.

With regard to credit institutions, 191,400 complaints were received, which is 35.2% more than in 2019. By the end of 2020, the dynamics of such complaints returned to the 2019 level. The number of complaints against the activities of non-bank financial institutions (NFIs) and participants in corporate relations was 68,600, which is 21.3% less than in 2019.

An important systemic step taken in 2020 was the introduction of financial product passports. These key information documents (KIDs) will briefly and clearly inform consumers about the essence of products and their risks. Such

**BREAKDOWN OF COMPLAINTS BY PRINCIPAL FINANCIAL MARKET SECTOR (PARTICIPANT CATEGORY)  
IN 2020\* (PER CENT)**

Chart 46



\* The total of shares can deviate from 100.0% due to rounding.

<sup>1</sup> Detailed information about complaints from financial consumers received by the Bank of Russia in 2019 and 2020 is presented in the Report on the Processing of Complaints for January–December 2020 published on the Bank of Russia website.

passports were developed and recommended for use for products of banks, MFOs and CCCs. For a number of insurance products, they came into effect in 2021. KIDs are also expected to be used for certain types of complex financial instruments, and the respective provisions are enshrined in the internal standards of SROs in the field of the securities market.

In 2020, within the scope of preventive conduct supervision, in order for companies to implement a customer-oriented approach, a project was undertaken resulting in the development and implementation of roadmaps for reducing the level of consumer risk by the largest credit (Top 30), insurance (Top 15) and microfinance (Top 25) organisations.

### CREDIT INSTITUTIONS

In 2020, more than 40% of complaints against CIs concerned matters of loan repayment (+14% vs 2019), violations of legislative requirements for the collection of overdue debts (+60%), hard-selling of additional services (-12.4%), as well as new issues regarding the restructuring of loan agreements for individuals and the debts of SMEs in connection with the spread of the coronavirus infection.

In 2020, the Bank of Russia received 77,900 complaints regarding consumer lending, which is 40.3% more than in 2019. In terms of the main subjects of complaints, those against actions related with overdue debt collection demonstrated the largest increase (1.6 times more).<sup>1</sup>

The number of complaints concerning mortgage lending in 2020 doubled compared to the previous year to 30,100. At the same

time, complaints concerning the restructuring of mortgage loans in connection with the coronavirus pandemic accounted for about a quarter of all complaints about mortgage lending, and the number of complaints concerning the implementation of government programmes to support mortgage borrowers almost doubled.

In 2020, the number of complaints in the field of corporate lending increased significantly (10.6 times more than in 2019); the main growth drivers were complaints about state support for SMEs in connection with the coronavirus pandemic (57.2% of all complaints on corporate lending).

To improve the deposit insurance system with the participation of the Bank of Russia, amendments were made to the legislation aimed at expanding insurance coverage<sup>2</sup> and increasing the limit of insurance indemnity to ₹10 million for temporarily high balances of household funds that were formed in special life circumstances, for example, the sale of an apartment, receipt of an inheritance or execution of a court decision.

The Bank of Russia informed<sup>3</sup> credit institutions of the requirement to include the borrower's payments for additional services in the assessment of the TCC as separate payments (flows), regardless of whether they are made out of the borrowed funds or the borrower's own funds.<sup>4</sup>

One of the most significant results of conduct supervision was a 95% reduction in the number of complaints related to the coronavirus pandemic by the end of the year (vs April 2020).

<sup>1</sup> Federal Law No. 230-FZ, dated 3 July 2016, 'On Protecting the Rights and Lawful Interests of Individuals When Collecting Overdue Debt and on Amending the Federal Law 'On Microfinance Activities and Microfinance Organisations'.

<sup>2</sup> Federal Law No. 163-FZ of 25 May 2020 'On Amending Certain Laws of the Russian Federation' (regarding the improvement of the system of compulsory insurance of deposits in banks of the Russian Federation) entered into force on 25 May 2020, except for certain provisions that entered into force on 1 October 2020. Insurance coverage was extended to the funds of non-profit organisations operating in one of the following organisational and legal forms: associations of real estate owners; consumer cooperatives (except for entities recognised as non-bank financial institutions in accordance with Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'), Cossack societies, communities of indigenous peoples of the Russian Federation, religious organisations or charitable foundations; as well as non-profit organisations that are public service providers. In addition, insurance coverage applies to funds placed in special accounts (special deposits) intended for the accumulation and use of the money of a fund for capital repairs of common property in apartment buildings opened in accordance with the requirements of the Housing Code of the Russian Federation.

<sup>3</sup> Information Letter No. IN-08-41/189, dated 31 December 2020, 'On the Inclusion of Payments for Additional Services in the Assessment of the Total Cost of a Consumer Loan'.

<sup>4</sup> If such payments relate to payments established by Part 4 of Article 6 of Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans'.



## Banks cancelled over ₺3 billion in mortgage loan debt

Following the monitoring of compliance with mortgage legislation<sup>1</sup> conducted by the Bank of Russia, banks wrote off the mortgage debt of households in the amount of over ₺3 billion; the debt of over ₺600 million is also planned to be written off.

### INSURANCE ENTITIES

With regard to insurance entities, in 2020, the number of complaints decreased by 22.8% to 32,100. The number of complaints dropped due to both regulatory innovations and measures of preventive conduct supervision.

The number of complaints about CMTPLI issues accounted for 78.4% of all complaints about insurance entities and decreased by 24.2% over the year. Complaints about the use of the bonus-malus factor accounted for over half (55.3%) of CMTPLI-related complaints. At the same time, as of the end of the year, the number of complaints about its incorrect use decreased by 21.7% as compared to 2019.

In comparison with 2019, the number of complaints about life insurance decreased significantly (by 32.3%).

Among the most significant results of conduct supervision was the abolishment of the practices of imposing fees for inspection services and independent examination (assessment) of a damaged vehicle by insurance companies under CMTPLI on the victims, delaying the processing of applications for concluding CMTPLI agreements and filling in automatic consent to the conclusion of voluntary insurance agreements upon the conclusion of CMTPLI or voluntary insurance agreements on the websites of insurance companies, and the sale of other services.

To increase the transparency of liquidation procedures, in 2020, the Bank of Russia began publishing reports on its website on the

activities of provisional administrations of insurance companies after the revocation of their licences. This will allow the customers of an insurance organisation with a revoked licence to have access to the results of the activities of its provisional administration and information about the organisation's real financial standing.

### MICROFINANCE MARKET PARTICIPANTS

The number of complaints against MFOs decreased by 13.8% as compared to 2019. The decline was mainly driven by complaints about actions aimed at the collection of debt under microloan agreements, which dropped 1.9 times. At the same time, there was an increase in complaints about the hard-selling of additional paid services upon the conclusion of an agreement as well as about the provision of loans by organisations excluded from the register. In the field of CCC activities, the number of complaints was 1.8 times lower compared to 2019.

In 2020, the practice of supervising the MFOs for which the largest number of complaints were received proved to be effective: the decrease in the number of complaints against them was more significant than the sector average, which had an overall positive effect on the market. This was achieved primarily after the MFOs changed the business processes that caused complaints or misunderstandings among households.

In 2020, internal procedures for calculating a borrower's debt burden were inspected, and a random check of its calculation was conducted for 78 major MFOs accounting in the aggregate for 71.8% of the total portfolio of all MFOs, as a result of which supervisory response measures were taken, making it possible to bring the internal procedures of MFOs for calculating debt burden into line with the established requirements, improve their quality and eliminate technical errors in formulas and calculation algorithms.

On the basis of the regular reporting data submitted to the Bank of Russia, the regulator monitored the compliance of MFOs with the

<sup>1</sup> Federal Law No. 102-FZ, dated 16 July 1998, 'On Mortgage (Pledge of Real Estate)'.



In 2020, there was a steady downward trend in the number of early transfers of insured persons between NPFs

TCC limits by loan category and the maximum permissible amount of a borrower's debt to MFOs on microloans issued for a period of up to 1 year. Supervisory response measures were taken in respect of established cases of violations.

In the course of continuous inspections conducted in 2020 in respect of the submission of data by microfinance organisations to credit history bureaus, 706,100 credit histories were updated, and unique identifiers were assigned to 3.5 million loan agreements.

The Bank of Russia monitored the completeness and quality of information provided by microfinance organisations on credit holidays and restructuring. Based on the monitoring results, correct information was published on the websites of 176 MFOs which account for 85% of the total microloan portfolio and 91% of the total number of MFO borrowers.

#### **SECURITIES MARKET PARTICIPANTS, COLLECTIVE INVESTMENT MARKET ENTITIES AND PARTIES TO CORPORATE RELATIONS**

In 2020, the number of complaints against securities and commodity market participants increased by 73.8%. Such dynamics are due to both an increase in the number of retail investors in general and to individual surges in the number of complaints, in particular, related to a drop in the price of futures contracts for the American WTI crude oil and malfunctioning information and trading systems of brokers. Most consumer complaints were against brokers (48.1% of the total number of complaints against securities and commodity market participants).

The number of complaints about collective investment market entities was down 32.1% compared to 2019.

Effective supervisory interaction with the market to prevent violations of the rights of insured persons within the scope of the NPF transition campaign as well as the practice of taking control measures led to a decrease in the number of early transfers of insured persons between NPFs. This, in turn, influenced the number of complaints concerning the primary issue: disagreements with transitions from the PFR to NPFs and between NPFs (73.9% of the total number of complaints against collective investment market participants); the number of such complaints decreased by 26.3% as compared to 2019.

As of the end of the year, 29 NPFs were participants of the guarantee system for insured persons' rights in the mandatory pension insurance system of the Russian Federation. The total volume of the pension savings guarantee fund amounted to ₽4.3 billion.<sup>1</sup> During the time of the system's operation, there were no guarantee events related to the cancellation of the licences of participating funds or the imposition of a ban on all or part of operations.

The number of complaints against parties to corporate relations decreased by 25.4% vs 2019, mainly as a result of a 26.9% decrease in the number of complaints related to dividend payments.

#### **INTERACTION WITH THE INSTITUTION OF THE FINANCIAL OMBUDSMAN**

The institution of the financial ombudsman<sup>2</sup> was established for the pre-trial consideration of property disputes between financial consumers and financial institutions. In the cases stipulated by law, an appeal to the financial ombudsman must necessarily precede an appeal to court.

From 1 January 2020, the financial ombudsman, in addition to processing appeals against

<sup>1</sup> See the official website of the [DIA](#).

<sup>2</sup> Federal Law No. 123-FZ, dated 4 June 2018, 'On Financial Consumer Ombudsman'.

insurance organisations, began addressing appeals containing claims against microfinance organisations.

In 2020, FOOSS<sup>1</sup> received 185,500 applications from financial consumers in respect of insurance organisations and 834 applications in respect of microfinance organisations. The average amount of claims on insurance disputes amounted to ₹208,700, and almost ₹21,000, on disputes with microfinance organisations. Appeals were received in respect of 137 insurance organisations and 102 microfinance organisations.

The average time for the processing of consumer appeals, including the exercise of the financial ombudsman's right to suspend the processing of a dispute in order to conduct an independent examination, is 16 business days.

Financial ombudsmen made 98,800 decisions on the merits of disputes, of which 42,700 (43.3%) decisions were made to fully or partially satisfy consumer claims and 56,100 (56.7%) decisions were made to dismiss the claims. A total of 3,800 certificates were issued for the enforcement of decisions issued by financial ombudsmen.

Financial organisations appealed against 14,400 (33.7%) decisions on full or partial satisfaction of consumer claims made by financial ombudsmen. Following the review of petitions submitted by financial organisations, the court issued 7,300 decisions, and financial ombudsmen's decisions were invalidated in 300 cases.

The system of compulsory review of consumer claims by financial institutions before their processing by the financial ombudsman showed good results. At this stage, companies independently satisfy a significant part of the applicants' claims and thereby accelerate the restoration of infringed property rights and reduce the total costs of the parties.

In 2020, the chief financial ombudsman and the financial ombudsmen appointed by the Bank of Russia Board of Directors performed their functions in the fields of insurance and microfinance.

Starting from 1 January 2021, financial ombudsmen also review applications concerning credit consumer cooperatives, pawnshops, credit organisations, and non-governmental pension funds.

### **MEASURES FOR THE PROTECTION OF THE RIGHTS OF RETAIL INVESTORS**

To protect the rights of individuals in the securities market, Federal Law No. 306-FZ<sup>2</sup> was adopted, which is aimed at improving the interaction of brokers, forex dealers and management companies with non-qualified investors. The testing procedure prescribed by law requires that a professional participant obtain confirmation that the client knows the instrument with which the transaction is performed and understands the risks associated with it. This will enable the professional participant to make sure the financial instrument is suitable for the client in terms of the client's risk expectations. Moreover, the law requires that investors receiving the status of a qualified investor be notified about the consequences of such a decision.

In the course of preparing for the enactment of these changes, a working group was formed with the participation of SRO NFA, NAUFOR, the Bank of Russia and market representatives, which carried out work, among other things, on the analysis and improvement of the testing concept and the test questions in terms of protecting the rights of investors.

On 15 December 2020, the Bank of Russia published an information letter<sup>3</sup> in which professional securities market participants and banks were advised to refrain from offering

<sup>1</sup> In 2018, the Bank of Russia established the autonomous non-profit organisation Financial Ombudsmen Operations Support Service (FOOSS) to manage the fund for financing the activities of the financial ombudsman and assist the financial ombudsman in the processing of communications from financial consumers. The Bank of Russia participates in the management and development of the institution of the financial ombudsman through its collegial bodies – namely, the Service Council and the Expert Council of the Financial Ombudsman.

<sup>2</sup> Federal Law No. 306-FZ, dated 31 July 2020, 'On Amending the Federal Law 'On the Securities Market' and Certain Laws of the Russian Federation'.

<sup>3</sup> Bank of Russia Information Letter No. IN-01-59/174, dated 15 December 2020, 'On the Inadmissibility of Offering Complex Investment Products to Non-qualified Investors'.





In December 2020, Bank of Russia Information Letter 'On the Inadmissibility of Offering Complex Investment Products to Non-qualified Investors' was published

complex investment products to non-qualified investors until the introduction of investor testing as required by law.<sup>1</sup> Moreover, banks were advised to refrain from offering combined products to non-qualified investors<sup>2</sup> due to the risks that such investors may perceive these products as classic bank deposit agreements and the associated risks of misselling (product substitution by unscrupulous sellers).

In 2020, the Bank of Russia established the Expert Board for the Protection of the Rights of Retail Investors. Within the scope of its work, participants discussed the most pressing issues related to the protection of the rights of retail investors.

The Bank of Russia discussed the proposals of financial market participants on the report for public consultations 'On Matters of Improving the Rules for the Sale of Investment Products and Instruments' with the said participants. The report contained proposals for the introduction of product passports (KIDs). Following the discussion, [conceptual support was received for the introduction of KIDs by market participants](#).

The Bank of Russia published an information letter<sup>3</sup> with recommendations addressed to financial institutions on the development and implementation of measures aimed at preventing the risks of unfair behaviour, including in terms of preparing and approving standards for offering and selling financial instruments and services, as well as on using financial and

non-financial incentives for employees to comply with these standards and monitoring their implementation. Information letters aimed at protecting the rights of financial consumers and investors were also issued.<sup>4</sup>

### COUNTERING UNFAIR PRACTICES

The complaints about unfair behaviour at organised trading mostly concerned possible instances of manipulation of the markets of financial instruments, commodities and foreign currency. These complaints served as material for a comprehensive examination of possible unfair trading practices.

In 2020, the Bank of Russia processed more than 4,000 complaints from individuals about possible illegal activities in the financial market, including financial pyramids. Most complaints were related to signs of illegal activity when raising funds from the population. The main subjects of complaints concerned the activities of forex dealers (persons acting under the guise of providing services in the forex market) (49%) and activities having the attributes of a financial pyramid (21%).

On its website, the Bank of Russia published the first cross-sectoral Review of Unacceptable Practices and Recommendations, an informational and analytical material with a description of 14 practices and recommendations related to the activities of insurance entities, credit institutions, securities market and collective investment participants.

<sup>1</sup> Complex bonds (the amount of payments under which depends on the occurrence of certain events), complex derivative financial instruments (over-the-counter) and leveraged transactions, combined products (investment products involving the simultaneous conclusion of a bank deposit agreement and the purchase of a financial instrument).

<sup>2</sup> Investment products providing for the simultaneous conclusion of a bank deposit agreement and the purchase of a financial instrument.

<sup>3</sup> Bank of Russia Information Letter No. IN-01-59/27, dated 24 March 2020, 'On Recommendations for Countering Unfair Practices Associated with the Provision and Sale of Financial Instruments and Services'.

<sup>4</sup> Bank of Russia Information Letters No. IN-015-59/127, dated 27 August 2020, 'On Recommendations Concerning Remote Means of Interaction with Customers'; No. IN-06-59/145, dated 6 October 2020, 'On Mediation Activity of Professional Securities Market Participants Engaged in Broker and Depository Activities When Executing Loan Agreements under Civil Law'; and No. IN-06-59/149, dated 15 October 2020, 'On the Procedure for Considering Appeals Regarding the Investment in the Investment Shares of Unit Investment Funds'.



## **DEVELOPMENT AND SUPPORT OF SOCIALLY SIGNIFICANT TYPES OF FINANCIAL SERVICES**

### **Compulsory motor third-party liability insurance (CMTPLI)**

Federal Law No. 161-FZ,<sup>1</sup> dated 25 May 2020, developed with the participation of the Bank of Russia, and Bank of Russia Ordinance No. 5515-U<sup>2</sup> were adopted and are aimed at individualising CMTPLI insurance tariffs. In accordance with the above, insurers set the base rates of the insurance tariff depending on an independently determined set of factors (within the corridor established by the Bank of Russia, which was, for example, expanded by 10% for passenger cars of individuals). These factors should have a significant impact on the level of risk and should not be included in the list of prohibited factors established by the Bank of Russia.

This will make it possible to use a more fair tariff for each policyholder, depending on the policyholder's inherent individual characteristics that affect the level of insurance risk.

### **Insurance of overland transport vehicles (except for railway transport vehicles)**

To improve the quality, convenience and level of services provided, Bank of Russia Ordinance No. 5385-U<sup>3</sup> was issued, which allows

vehicle owners not to conclude a separate motor hull insurance agreement and to enter information about it in the CMTPLI policy, and also establishes the minimum requirements for the terms and procedure for such voluntary insurance.

### **Compulsory insurance of hazardous facilities**

To reduce the costs of owners of hazardous facilities for compulsory insurance of hazardous facilities, including to reduce the budgetary costs for such insurance, and to increase competition in the market of compulsory insurance of hazardous facilities, Bank of Russia Ordinance No. 5608-U<sup>4</sup> was issued, which provides for the establishment of a tariff corridor instead of the previously existing fixed base tariff rates as well as a reduction in insurance tariffs for all types of hazardous facilities except for hydraulic structures.

### **Insurance of residential premises**

Bank of Russia Ordinance No. 5504-U<sup>5</sup> was issued, aimed at reducing the risks arising from voluntary insurance and creating a market mechanism that would provide for an adequate assessment of the risk assumed by insurers under the main insurance agreement to be reinsured with the national reinsurance company.

<sup>1</sup> Federal Law No. 161-FZ, dated 25 May 2020, 'On Amendments to the Federal Law 'On Compulsory Civil Liability Insurance of Vehicle Owners' and the Suspension of Certain Provisions of the Federal Law 'On Compulsory Civil Liability Insurance of Vehicle Owners'.

<sup>2</sup> Bank of Russia Ordinance No. 5515-U, dated 28 July 2020, 'On Insurance Tariffs Used for Compulsory Third Party Liability Insurance of Vehicle Owners'.

<sup>3</sup> Bank of Russia Ordinance No. 5385-U, dated 10 January 2020, 'On Minimum (Standard) Requirements for the Conditions and Procedure for Providing Voluntary Insurance of Overland Transport Vehicles (Except for Railway Transport Vehicles)'.

<sup>4</sup> Bank of Russia Ordinance No. 5608-U, dated 2 November 2020, 'On Insurance Tariffs for Compulsory Third-Party Liability Insurance of Owners of Hazardous Facilities for Damage Caused by Accidents at Hazardous Facilities'.

<sup>5</sup> Bank of Russia Ordinance No. 5504-U, dated 16 July 2020, 'On Minimum (Standard) Requirements for the Conditions of Voluntary Insurance of Residential Premises'.

### 2.3.2. INCREASING FINANCIAL LITERACY OF INDIVIDUALS AND SMALL- AND MEDIUM-SIZED ENTERPRISES

Development of the financial market in the context of the growing use of digital technologies, the growing diversity and availability of financial instruments and services and instances of unfair practices and financial fraud make the issues of raising the financial literacy of the population increasingly important. The ability to navigate the world of finance, defend one's rights, make informed financial decisions and master the basics of personal financial security is becoming the most important factor in a person's economic wellbeing. The challenges of 2020 have determined the Bank of Russia's priority areas for 2021 for increasing the investment, digital and cyber literacy of various target audiences. The Bank of Russia pays great attention to introducing financial literacy at all levels of education and increasing the financial awareness of a wide audience, including the most vulnerable categories of individuals, such as pensioners, disabled people, orphans and children left without parental care, as well as improving the financial and entrepreneurial literacy of SMEs.

In 2020, together with the Government of the Russian Federation, the Bank of Russia continued its work to implement the Strategy for Improving Financial Literacy in the Russian Federation for 2017–2023 (the 'Strategy'). During the year, independent regional programmes for the improvement of financial literacy were initiated in 28 constituent entities of the Russian Federation in pursuance of the Guidelines for the development of regional programmes.<sup>1</sup> In 54 constituent entities of the Russian Federation, inter-departmental coordinating management bodies (under the co-chairmanship of the Bank of Russia and

regional administrations) were established for the implementation of regional programmes to improve the financial literacy of the population in accordance with the above guidelines.

According to the results of a sociological study conducted in 2020 as part of the implementation of the Strategy, the values of Russian financial literacy indices increased from 52 to 54 points for the adult population and from 55 to 57 points for young people (as compared to 2017).

#### FOR CHILDREN AND YOUNG PEOPLE

In 2020, the Bank of Russia, the Ministry of Education of Russia and the Ministry of Science and Higher Education of Russia continued their joint work for including financial literacy competencies in federal state educational standards (FSSES): 63 FSSES of secondary vocational education (SVE) and 277 FSSES of higher education (HE) were approved for bachelor (specialist) degree levels.

At the end of the 2019/2020 academic year, monitoring of the implementation of financial literacy in educational programmes at various levels of education was performed. The number of schools that included elements of financial literacy in the educational process increased by 8.6% compared to the 2017/2018 academic year (from 29,561 to 32,110 schools), and the number of schools in which financial literacy is taught as a separate course increased by 77.7% (from 4,472 to 7,946 schools). At the preschool education level, 59.9% of educational establishments are implementing financial literacy; at the level of technical schools and colleges, financial literacy is being adopted by 85.5%; and at the level of universities, by 58.1%.



The values of Russian financial literacy indices increased from 52 to 54 points for the adult population and from 55 to 57 points for young people (as compared to 2017)

<sup>1</sup> Approved by the Interdepartmental Coordination Commission for the Implementation of the Strategy in 2019.



## Online financial literacy lessons for schoolchildren had almost 2.9 million views in 2020

In 2020, the number of online financial literacy lessons for high school students exceeded 163,000 (vs 161,000 in 2019). Online lessons were held in 17,800 schools (44% of the total number of schools) and had nearly 2.9 million views.

With the participation of Bank of Russia representatives, 789 thematic events on financial literacy were organised and held for students, teachers, representatives of educational establishments and regional government authorities in the field of education. The audience covered was more than 244,000 people.

Based on the Bank of Russia's order, in 2020, educational and methodological kits on financial literacy were developed for the students of secondary vocational and higher education programmes.

In the first half of the reporting year, monitoring was conducted to identify organisations for orphans introducing financial literacy in educational activities, including extracurricular ones. Of the 675 organisations that were covered by the monitoring, 597 (88%) organisations hold classes on financial literacy. With the participation of Bank of Russia employees, 167 events were held for orphans and children left without parental care, in which 6,900 children and teachers took part.

As additional motivational materials, with the assistance of the Arifmetika Dobra Foundation, videos were prepared featuring orphanage graduates. They talk about their approach to money and share their personal finance management experiences, stressing the importance of financial literacy. The videos were posted on

the resources of the Bank of Russia and the Arifmetika Dobra Foundation.

### FOR ADULTS

The Financial Culture website ([fincult.info](http://fincult.info)) continued to play an important role in financial education. The average monthly number of unique website visitors by the end of 2020 was 462,800 (vs 258,000 in 2019). Through the Bank of Russia's accounts in social media (by the end of 2020, the total number of subscribers was about 109,000 (vs 58,300 in 2019)), educational content was distributed using advertising tools intended for various target audiences. In 2020, the main topics of such materials included various types of fraud and how to counteract it, credit and mortgage holidays, support measures during the pandemic, related financial matters. The total number of views was over 10 million.

In 2020, the Bank of Russia stepped up the use of the services Yandex.Zen and Yandex.Q to promote materials on financial literacy. For example, through Yandex.Q, the editors of the Financial Culture website ([fincult.info](http://fincult.info)) answer users' questions on financial topics.

During 2020, several comprehensive social media campaigns were carried out involving popular bloggers, using advertising tools and distributing materials to relevant communities. The campaigns focused on such topics as loans and debt burden, social engineering and anti-fraud methods, the Faster Payments System, credit holidays, and illegal forex activity. The total coverage of the campaigns was over 25 million views.



## In 2020, the coverage of the Bank of Russia's educational campaigns in social media amounted to over 25 million views



434,000 people took part in the third All-Russian Online Financial Literacy Test for the Population, and 22,000 people for SMEs

Throughout 2020, the Bank of Russia arranged for explanations for the media on innovations in the regulation of financial markets, initiated the publication of warning materials on unfair practices and anti-fraud rules and provided detailed expert comments on other socially significant financial topics. In 2020, a total of over 88,000 materials were released in federal and regional media as part of awareness-raising campaigns.

In 2020, Bank of Russia videos on financial literacy were broadcast in multifunctional centres, post offices, shops, public transport (including the metro), trains, regional airports, city monitors, etc. For static formats of outdoor advertising, similar graphic layouts (billboards, cityboards) were used. All over the country, videos and outdoor advertisements were displayed in more than 6,500 locations. In 2020, it was possible to expand outdoor advertising to warn about unfair practices and fraud due to joint branding and additional placement with the Ministry of Internal Affairs of Russia and the General Prosecutor's Office of Russia.

Financial literacy brochures are distributed through multifunctional centres, educational establishments and libraries (over 1 million copies throughout the country). Layouts of these materials are also available in the public domain for educational and non-profit organisations and volunteers. The restrictive measures associated with the pandemic did not allow the full use of this communication channel; in the future, the Bank of Russia plans to significantly increase the volume of printed materials to be distributed.

More than 679 financial literacy events were held for Russians of retirement and pre-retirement age, which were attended by 442,600 people. Also, online classes were held for the elderly and employees of comprehensive social service centres (PensionFG). The audience of such classes was over 35,000 people.

In 2020, the third All-Russian Online Financial Literacy Test for the population and SMEs was held. 434,000 people took part in the test for the population (vs 226,000 in 2019), and 22,000 people for SMEs. The results of the online test and the identified gaps in knowledge will be taken into account in further improving educational and information materials for the population and entrepreneurs and improving the quality of communication with various target audiences concerning financial literacy.

In view of the coronavirus pandemic in 2020, it was decided to hold the traditional Bank of Russia Open Day in an online format. To that end, a separate interactive website was developed, which, along with sections on history and the regulator's functions, contained a Financial Workshop with tests and mini-games on financial literacy. The online event was attended by 21,500 visitors; most of the developed materials and interactive elements were transferred to the Bank of Russia's permanent resources.

In 2020, the Action Plan of the Ministry of Defence of Russia and the Bank of Russia to improve the financial literacy of military personnel and civilian personnel of the Armed Forces of the Russian Federation for 2020–2022 was approved. The Bank of Russia held 340 events to improve the financial literacy of military personnel covering almost 29,000 participants.

#### **FOR SMALL- AND MEDIUM-SIZED ENTERPRISES**

In 2020, a column was organised on the Bank of Russia website with answers to entrepreneurs' questions about support measures during the coronavirus pandemic. In the first half of 2020, regular webinars were held, during which Bank of Russia experts talked about support measures and the specifics of their use and answered questions from entre-

preneurs who experienced difficulties during the pandemic.

Subsequently, the subjects of the webinars were expanded. For example, webinars were organised on such subjects as 'How small- and medium-sized businesses can raise financing using stock market instruments' (over 2,100 views) and 'The Faster Payments System for small businesses' (over 32,000 views).

Bank of Russia employees in all regions took part in events organised by business associations and regional executive authorities and delivered lectures on such topics as 'Financial instruments for business development', 'Rehabilitation', and 'The register of SMEs'. In 2020, a total of over 200 lectures took place in various regions of Russia.

In 2020, the audience of the Bank of Russia events for SMEs covered about 105,000 participants.

#### **INTERACTION WITH THE ASSOCIATION FOR THE DEVELOPMENT OF FINANCIAL LITERACY**

In 2019, to promote public-private partnerships in the implementation of financial literacy

programmes and events, the Association for Financial Literacy Improvement (AFLI) was established with the participation of the Bank of Russia, public organisations and financial market participants. One of its main tasks is to support private and public financial literacy initiatives.

In 2020, within the scope of interaction between the Bank of Russia and the AFLI, the Online Marathon of Financial Awareness Volunteers (over 18,000 participants) and the 6<sup>th</sup> Congress of Financial Awareness Volunteers were organised and held with over 3,500 participants.

The Bank of Russia took part in the All-Russian Programme Financial Literacy Days in Educational Organisations with an audience of over 400,000 people, in the events of the First Digital Financial Literacy Week in the regions of Russia (18,400 connections from 85 regions of Russia) and in the forum Digital Start (5,600 participants). Methodological seminars and all-Russian scientific and practical conferences of the AFLI on financial literacy with the participation of Bank of Russia representatives attracted audiences of 6,000 and 2,000 people, respectively.

### 2.3.3. EXPANDING FINANCIAL INCLUSION

In 2020, legislative changes assigned the functions of developing and implementing a policy for ensuring the accessibility of financial services for the population and SMEs to the Bank of Russia (in cooperation with the Government of the Russian Federation).<sup>1</sup> Accelerated digitalisation of financial services ensuring remote access to them from any place and at any time convenient for consumers became the priority focus in improving financial inclusion.

The Financial Inclusion Strategy of the Russian Federation for 2018–2020 (the 'FIS') was extended to 2021 (the decision of the Bank of Russia Board of Directors dated 23 October 2020), including for synchronisation of timeframes with the [Russian Financial Market Development Programme for 2019–2021](#) and the preparation of the next medium-term planning document for 2022–2024 in a single cycle.

Within the scope of the implementation of the FIS, the Bank of Russia identifies three special objectives to be addressed on a priority basis given their social significance. These are equal access to financial services for residents of remote and sparsely populated areas; ensuring the availability of various financial instruments for small- and medium-sized businesses; creation of a barrier-free financial environment for people with disabilities, elderly and low-mobility persons.

In 2020, the Bank of Russia, together with interested market participants, authorities, support organisations and other persons, updated the action plans in the FIS priority areas, taking into account the changes in the economic conditions caused by the impact of the consequences of the spread of the coronavirus infection.

#### Monitoring of financial inclusion

In 2020, the Bank of Russia assessed the implementation by the Russian regions of the Standard for Promotion of Competition in the Constituent Entities of the Russian Federation<sup>2</sup> in terms of measures for increasing the availability of financial services for economic entities.<sup>3</sup> According to the results of the work performed in 2019, 80 constituent entities of the Russian Federation monitored the accessibility of financial services and satisfaction with their quality among the population and entrepreneurs, and the plans (roadmaps) of 68 regions for the promotion of competition provided for appropriate systemic measures to improve financial inclusion.

The Bank of Russia attaches special importance to the transparency and availability of information about the infrastructure for the provision of financial services in Russia. Data about points of access to financial services in various formats were published on Bank of Russia website for the first time, broken down by constituent entity of the Russian Federation.<sup>4</sup> The Bank of Russia will continue publishing this information on an annual basis.

Moreover, the Bank of Russia monitored the status of financial inclusion in the priority areas of the FIS, including with the purpose of monitoring the potential impact of the unfavourable environment of 2020 (some results are given below in this subsection).<sup>5</sup>

#### Improving financial inclusion and quality of financial services in remote, sparsely populated and hard-to-reach territories

In 2020, the Bank of Russia's priority objectives included:

- maintaining the level of presence of financial organisations in rural, remote, sparsely populated and hard-to-reach areas;

<sup>1</sup> Federal Law No. 106-FZ, dated 3 April 2020, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement'.

<sup>2</sup> Approved by Directive of the Government of the Russian Federation No. 768-r, dated 17 April 2019, 'On the Approval of the Standard for Promotion of Competition in the Constituent Entities of the Russian Federation'.

<sup>3</sup> In 2019, at the suggestion of the Bank of Russia, the goal of increasing the accessibility of financial services for economic entities was identified as one of the goals of the Standard for Promotion of Competition in the Constituent Entities of the Russian Federation.

<sup>4</sup> As part of the measurement of financial inclusion indicators as of the end of 2019.

<sup>5</sup> At the same time, in view of the unfavourable epidemic situation, the Bank of Russia cancelled the all-Russian survey of the population and SMEs within the scope of the measurement of financial inclusion indicators, which was previously held in May.





## The Bank of Russia developed and published recommendations for credit institutions and payment system operators on the conditions of the provision of cash-out services

- taking advantage of remote channels of access to financial services;
- developing promising new service formats and improving the quality of financial services provided in such formats (the work was carried out by the respective working groups within the Bank of Russia<sup>1</sup>).

The main contribution to solving the problem of ensuring financial accessibility in rural areas was made by banks that are members of working groups under the Bank of Russia for improving financial inclusion in remote, sparsely populated<sup>2</sup> and hard-to-reach areas and implementing the pilot project for the provision of cash disbursement services to payment card holders by merchants.<sup>3</sup>

Recent years have seen increasing development of new formats for service of the population by credit institutions, for example, the range of banking operations carried out in post offices has been expanding (35,900 outlets as of the end of 2020<sup>4</sup>). Considering that the above service format already covers 95% of all operating stationary post offices that have access to the Internet, the medium-term focus is primarily on improving the quality and expanding the range of financial services provided by the outlets of this format.

Moreover, the network of cash-out<sup>5</sup> service outlets is expanding in Russia. As of 1 January 2021, they numbered almost 4,500,<sup>6</sup> and after the piloting of this service there was a

significant increase: over 3,700 outlets as of 1 January 2020 vs 93 outlets as of 1 January 2019. It should be noted that over 95% of these outlets are located in rural areas. Pilot outlets with a cash-out service offer services for accepting payments, applications for the issuance of debit cards, etc.

In 2020, the Bank of Russia developed and published recommendations for credit institutions and payment system operators on the procedure for the provision of cash disbursement services to holders of payment cards simultaneously with purchases from merchants (cash-out).<sup>7</sup> To take into account the special features of the distribution of cash-out services in the Republic of Crimea and the city of Sevastopol, at the invitation of the Bank of Russia, the working group was expanded to include representatives of the leading credit institutions operating in the region and ready to start introducing cash-out services in these territories in the first half of 2021.

The network of services to customers in stationary remote outlets with employees, agents and partners of credit institutions is also growing (524,500 outlets as of 1 January 2021<sup>8</sup>).

At the same time, for rural areas, the format of non-stationary service by agents of credit institutions in several settlements is relevant as agents mainly provide services for collection of documents as well as informa-

<sup>1</sup> The Working Group for increasing financial inclusion in remote, sparsely populated and hard-to-reach areas and the Working Group for the implementation of a pilot project for the provision of cash disbursement services to payment card holders by merchants.

<sup>2</sup> JSC Post Bank, Sberbank, JSC Rosselkhozbank.

<sup>3</sup> Sberbank, PJSC Promsvyazbank, Bank RRDB (JSC), AK BARS BANK (PJSC), JSC Rosselkhozbank, RNCB Bank (PJSC), JSC BANK ROSSIYA, JSC Russian Standard Bank, and JSC GENBANK.

<sup>4</sup> According to the data of credit institutions that are members of the Bank of Russia Working Group for improving financial inclusion in remote, sparsely populated and hard-to-reach areas.

<sup>5</sup> Cash-out operations are operations for disbursement of cash to holders of payment cards by merchants simultaneously with a purchase.

<sup>6</sup> According to the information provided by credit institutions that are members of the Bank of Russia Working Group for implementing the pilot project for provision of cash disbursement services to payment card holders by merchants. Excluding cash-out points of service in Vkusvill outlets.

<sup>7</sup> Bank of Russia Information Letter No. IN-06-59/157, dated 3 November 2020, 'On the Procedure to Disburse Cash to Payment-card Holders Concurrently with Their Purchases in Retail and Service Companies'.

<sup>8</sup> According to a survey of credit institutions conducted by the Bank of Russia.



tion and consulting services. As of the end of 2020, the number of such agents working in rural areas totalled over 1,100 with only credit institutions that are members of the Bank of Russia Working Group for improving financial accessibility in remote, sparsely populated and hard-to-reach areas.

In 2020, the implementation of action plans to increase financial inclusion in remote, sparsely populated and hard-to-reach territories of the Far East, Southern and North Caucasian Federal Districts continued. This work is carried out in close cooperation with state authorities of the constituent entities of the Russian Federation, administrations of municipalities, credit institutions, telecommunication operators and other stakeholders.

Some financial inclusion indicators for these regions exceed the national average values. In this respect, the Bank of Russia is currently considering the possibility of developing and implementing similar measures throughout the Russian Federation.

In 2020, the development of services continued (including in terms of improving their regulation), providing consumers who have access to the Internet equal access to a number of financial products and services, regardless of their place of residence:

- the Marketplace project was launched;
- within the scope of the Faster Payments System, a service was launched to transfer funds from legal entities to individuals (B2C payments<sup>1</sup>). MFOs were the first to use the service for issuing loans to individuals;
- in 2020, as part of the development of the insurance market infrastructure, a federal

law was adopted<sup>2</sup> repealing the ban on the activities of insurance agents and insurance brokers on the Internet. In addition, the possibility for them to provide services related to voluntary insurance and CMTPLI (on behalf and at the expense of the insurer) in electronic form was provided for, and the ability to provide insurance services remotely for all types of voluntary insurance was ensured.

### **Financial inclusion for people with disabilities, elderly and other low-mobility persons**

In 2020, an Action Plan (roadmap) was approved for increasing the accessibility of services of financial institutions for people with disabilities, people with limited mobility and the elderly for 2020–2021. In accordance with this plan, the Bank of Russia developed and published recommendations for credit and non-bank financial institutions on the accessibility of remote (digital) channels for financial consumers, including persons with disabilities and other low-mobility persons, and the provision of financial products (services) to the population via remote (digital) channels.<sup>3</sup>

According to the results of a survey conducted in 2020 and commissioned by the Bank of Russia, 81.3% of people with disabilities were completely satisfied or fairly satisfied with services provided by credit institutions (+4.4 pp vs 2018) including 35.2% that were completely satisfied (vs 30.8% in 2018). Over the past 12 months, 50.7% of the respondents used remote access to bank accounts to transfer funds (+14.1 pp vs 2018).



The Bank of Russia developed and published recommendations for financial institutions on the provision of financial products and services to the population via remote channels as well as on ensuring the accessibility of these channels to all groups of consumers

<sup>1</sup> B2C (business-to-customer) transactions are the transfer of funds by legal entities to individuals, except for payments in accordance with registers (salaries, etc.).

<sup>2</sup> Federal Law No. 149-FZ, dated 24 April 2020, 'On Amending Certain Laws of the Russian Federation'.

<sup>3</sup> Bank of Russia Information Letter No. IN-01-59/184, dated 29 December 2020, 'On Recommendations for Ensuring the Accessibility of Remote (Digital) Channels for Financial Consumers, Including Persons with Disabilities and Other Low-mobility Persons, and the Provision of Financial Products (Services) to the Population through Remote (Digital) Channels'.

The results of the third stage of the annual monitoring of the implementation by credit institutions of the Bank of Russia's recommendations<sup>1</sup> on the creation of a barrier-free environment for people with disabilities, the elderly and other low-mobility persons showed that these recommendations were fulfilled or almost completely fulfilled by 65% of credit institutions (+7 pp vs 2019), or, without taking into account the recommendations on the technical re-equipment of infrastructure, by 86% of credit institutions (+3 pp vs 2019).

In 2020, the Bank of Russia also assessed the preparedness of credit institutions to implement the recommendations set out in the national standard GOST R 52872-2019.<sup>2</sup> For example, 53% of credit institutions reported full or almost full preparedness to comply with the GOST.

Moreover, in 2020, an assessment was made of whether credit institutions implemented measures and/or had special products/services intended to improve the quality and convenience of services for people with mental disabilities, including people with memory disorders. Availability or development of such measures and/or products/services was reported by 73% of credit institutions.<sup>3</sup>

### Development of SME financing

The updated version of the national project Small- and Medium-Sized Enterprises and Individual Entrepreneurship Support<sup>4</sup> includes a number of proposals from the Bank of Russia:

- to preserve measures for the development of instruments for SME financing using the stock market and crowdinvesting;

- to include measures for developing online factoring for SMEs within the scope of the federal project Acceleration of Small- and Medium-Sized Enterprises;
- to introduce a Faster Payments System for paying for the goods and services of SMEs within the scope of the federal project Creating Conditions for an Easy Start and Comfortable Business.

The Bank of Russia was identified as the coordinator of these areas. Emphasis was also placed on them in the Bank of Russia's Roadmap for the Development of Funding for Small- and Medium-Sized Enterprises in 2021–2022 approved in late 2020 (taking into account the proposals of the members of the Bank of Russia Working Group for SME Financing).

In relation to the development of tools for raising SME financing by means of the stock market and with the methodological support of the Bank of Russia, which is responsible for this area in the context of the national project, the following measures were taken:

- SME issuers were supported in the form of anchor investments, reduced exchange rates and direct subsidies. JSC SME Bank acted as an anchor investor for ten placements for a total amount of ₺1.28 billion. 18 SME issuers received subsidies from the federal budget for coupon payments.<sup>5</sup> With the methodological support of the Bank of Russia, amendments were made to the rules for providing support;<sup>6</sup>
- PJSC Moscow Exchange reduced its tariffs for issuers with a placement volume of up to ₺1 billion and zeroed the tariffs for the placement and maintenance of issues in

<sup>1</sup> Bank of Russia Information Letter No. IN-03-59/20, dated 12 May 2017, 'On Recommendations for Ensuring Financial Inclusion of Persons with Disabilities, Physically Challenged and Elderly People'.

<sup>2</sup> GOST R 52872-2019 'Internet resources and other information presented in electronic digital form. Applications for stationary and mobile devices and other user interfaces. Requirements for accessibility for persons with disabilities and other persons with limitations on daily activities' (approved by Order of Rosstandart No. 589-st, dated 29 August 2019).

<sup>3</sup> The last two indicators were assessed for the first time and were not taken into consideration in the above overall assessment for 2020 to ensure correct comparison with the results of previous monitoring periods.

<sup>4</sup> The updated version was approved by minutes of absentee voting of the members of the project committee of the national project Small- and Medium-Sized Enterprises and Individual Entrepreneurship Support, No. 5, dated 29 September 2020, and minutes of the meeting of the Presidium of the Presidential Council for Strategic Development and National Projects (the 'Council') No. 11, dated 29 October 2020, and reviewed by the Council on 23 December 2020.

<sup>5</sup> Within the scope of the state support programme implemented by the Ministry of Economic Development of Russia in pursuance of Resolution of the Government of the Russian Federation No. 532, dated 30 April 2019, 'On the Approval of the Rules for the Provision of Subsidies from the Federal Budget to Russian Organisations That Are Small- and Medium-Sized Businesses to Compensate for Part of the Costs of Issuing Shares and Bonds and Payment of Coupon Yield on Bonds Placed on the Stock Exchange'.

<sup>6</sup> In terms of including the rating costs in the calculation of placement cost subsidies and exclusion of SMEs that are members of financial groups with a consolidated revenue (or profit, if applicable) of over ₺2 billion from the scope of subsidisation.

the first year for bond placements of up to ₽400 million. On 1 December 2020, PJSC Moscow Exchange began calculating the Growth Sector index, which characterises the development trend of this market segment;

- the Listing Rules of PJSC Moscow Exchange were changed. SMEs may raise financing in the Growth Sector either if they have a rating from one of the Russian credit rating agencies or with support from JSC SME Bank. In 2020, credit rating agencies began assigning ratings to SMEs: seven issuers received credit ratings, and eight issuers are in progress of receiving them;
- to inform SMEs about the possibilities of raising financing using stock market instruments, the Bank of Russia organised 12 regional events on this topic and one federal webinar.

In 2020, there were 14 placements of bonds of 12 SME issuers for an amount of ₽6,425 million in the Growth Sector of PJSC Moscow Exchange, which is more than twice the value of the previous year. Several new issuers entered the market, and the geography and the scope of activities of issuers expanded. The average deposit rates decreased to 11% p.a. (at the end of 2019, rates were at the level of 14.4% p.a.).

To stimulate SME lending in 2020, the Bank of Russia made a number of decisions providing for regulatory easing for credit institutions.

Credit institutions were given the option to continue using the approaches to the formation of provisions for possible losses established for SME borrowers (counterparties) for a

year from the date of their exclusion from the unified register of SMEs and to apply reduced risk ratios when calculating the required ratios for loans issued to such SMEs on a portfolio and individual basis (75% and 85%, respectively) during that period.

For banks with a basic licence, it was decided to exclude the use of an increased ratio of 2.0 for claims on non-core borrowers when calculating the concentration ratios (thus, the division of borrowers into 'core' and 'non-core' was excluded). This will allow basic licence-holder banks to free up capital, including for the purpose of increasing the volume of lending to SMEs, which are one of the key segments for banks with a basic licence.

#### **Use of Bank of Russia specialised refinancing instruments**

In 2020, the Bank of Russia continued using specialised refinancing instruments ('specialised instruments') that were in effect in previous years. The main approaches to their use remained unchanged: support for bank lending in such sectors of the economy as small- and medium-sized enterprises, leasing, large investment projects and non-commodity exports. Loans were issued at preferential rates for up to three years. In 2020, the debt on these specialised instruments decreased by 19% to ₽159.6 billion with the total limit of ₽440 billion.

In addition, since 28 September 2020, interaction with credit institutions within the scope of lending transactions using specialised instruments has been transferred to electronic document flow through personal accounts.

### 2.3.4. IMPROVING CORPORATE RELATIONS

In 2020, with the participation of the Bank of Russia, measures were taken at the legislative level to prevent the spread of the coronavirus infection at corporate events and to reduce the adverse consequences of the pandemic for issuers.<sup>1</sup> In particular, in 2020, the possibility of holding annual general meetings of shareholders in absentia was envisaged, and the period for holding them was increased. The deadlines for preparing minutes of general meetings of shareholders and meetings of the board of directors (supervisory board) were doubled, and the deadlines for disclosing annual and interim consolidated financial statements (financial statements) by securities issuers were prolonged. The accounting of adverse consequences of a decrease in the net asset value of joint-stock companies was suspended. For public companies, the period for the formation of the internal audit system was increased, and for public companies whose shares are exchange-listed, a simplified buy-back procedure was introduced. Moreover, in accordance with Part 8 of Article 12 of Federal Law No. 115-FZ, dated 7 April 2020, the Bank of Russia prolonged the deadlines for disclosure of information by issuers in 2020. Issuers were

given recommendations on holding general meetings of shareholders as well as on the holding of annual general meetings and profit distribution by financial institutions in 2020.<sup>2</sup>

In the reporting year, the Bank of Russia continued implementing measures to improve corporate relations, including those provided for in the action plans within the scope of the mechanism for managing systemic changes in the business environment 'Business Climate Transformation'<sup>3</sup> and the national action plan to ensure the restoration of employment and incomes of the population, economic growth and long-term structural changes in the economy.<sup>4</sup>

A draft federal law developed with the participation of the Bank of Russia<sup>5</sup> aimed at expanding the instrument for structuring transactions for the pledge of securities and enabling the optimum distribution of the scope of rights certified by pledged securities as well as draft federal laws<sup>6</sup> aimed at optimising the requirements for the contents of the charter of joint-stock companies and excluding the duplication of provisions of law in the charter were submitted to the State Duma.

The Bank of Russia completed the development of regulation aimed at improving and



The possibility of holding corporate events during the pandemic was ensured, and stabilisation measures were taken to support issuers

<sup>1</sup> Article 2 of Federal Law No. 50-FZ, dated 18 March 2020, 'On the Acquisition by the Government of the Russian Federation of Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation' and Articles 7 and 10–12 of Federal Law No. 115-FZ, dated 7 April 2020, 'On Amending Certain Laws of the Russian Federation in Terms of Harmonising the Content of Annual Reports of State Corporations (Companies) and Public Non-profit Companies, as well as in Terms of Establishing the Specifics of Regulation of Corporate Relations in 2020, and on Suspending the Provisions of Certain Laws of the Russian Federation'.

<sup>2</sup> Bank of Russia Information Letter No. IN-06-28/48, dated 3 April 2020, 'On Holding General Meetings of Shareholders in 2020' and Bank of Russia Information Letter No. IN-06-28/54, dated 9 April 2020, 'On Holding Annual General Meetings and Profit Distribution in 2020'.

<sup>3</sup> The action plan 'Business Climate Transformation' approved by Russian Government Directive No. 20-r, dated 17 January 2019, as well as the new action plan (roadmap) for the implementation of the mechanism for managing systemic changes in the legal regulation of entrepreneurial activities 'Business Climate Transformation', 'Corporate Governance, Special Administrative Regions, Bankruptcy Procedure and Appraisal Activity' approved by Russian Government Directive No. 1723-r, dated 2 July 2020.

<sup>4</sup> Approved at the meeting of the Government of the Russian Federation on 23 September 2020.

<sup>5</sup> Draft Federal Law No. 1070107-7 'On Amendments to Article 358.17 of Part 1 of the Civil Code of the Russian Federation'.

<sup>6</sup> Draft Federal Laws No. 1087244-7 'On Amendments to Part 1 of the Civil Code of the Russian Federation Regarding the Cancellation of Excessive Requirements for the Contents of the Charter of Joint-stock Companies' and No. 1087689-7 'On Amendments to the Federal Law 'On Joint-Stock Companies' Regarding the Cancellation of Excessive Requirements for the Contents of the Charter of Joint-stock Companies'.

optimising the requirements for information disclosure by the issuers of issue-grade securities.<sup>1</sup>

Bank of Russia Regulation No. 714-P<sup>2</sup> was published, which optimises the administrative burden on securities issuers associated with the disclosure of information in various forms. At the same time, a number of excessive requirements, which led to duplication of information to be disclosed and an increase in the flow of insignificant data in which information important for making investment decisions was lost, were excluded. In addition, it introduces a requirement to disclose the most important information on a consolidated basis for the issuer's group and expands the use of the materiality principle in information disclosure.

In 2020, the requirements<sup>3</sup> established by the Bank of Russia for the disclosure of information about payments on securities by the depository that records the rights to bonds on a centralised basis, additional requirements for the procedure for the payment of dividends on shares in cash as well as for the payment of income in cash and other cash payments on bonds took effect.

In 2020, the Bank of Russia continued to monitor how public joint-stock companies implement the principles and guidelines of the Corporate Governance Code<sup>4</sup> (the 'Code') as well as the quality of explanations provided for deviations from the practices recommended by the Code. The analysis of the annual reports for 2019 of public joint-stock companies whose shares are listed on PJSC Moscow Exchange demonstrates a steady trend of development

and improvement of corporate governance practices implemented by these companies. The results of monitoring corporate governance practices were published in the [Review of Corporate Governance Practices at Russian Public Companies for 2019](#).

In 2020, the Bank of Russia continued its explanatory and methodological work to stimulate public joint-stock companies to expand the practice of implementing the Code's recommendations and improve the quality of explanations of reasons for not adhering to the principles set forth in the Code. Within the scope of its methodological work aimed at promoting corporate governance practices, the Bank of Russia published recommendations for forming and ensuring the succession of the board of directors of public joint-stock companies<sup>5</sup> as well as recommendations on organising risk management, internal control, internal audit and the work of the audit committee of public joint-stock companies.<sup>6</sup>

In 2020, the Bank of Russia reviewed more than 2,000 applications submitted by individuals and legal entities, government authorities and other organisations to clarify issues in the area of corporate relations and information disclosure. As part of state control over the acquisition of large blocks of shares, 652 sets of documents were reviewed, including 311 sets of documents for exemption of issuers from the obligation to disclose information. In the course of the current supervision of corporate relations and information disclosure, the Bank of Russia issued over 5,700 orders and supervisory letters and identified more than 600 administrative offences.

<sup>1</sup> The above draft laws were developed in pursuance of Federal Law No. 514-FZ, dated 27 December 2018, 'On Amending the Federal Law 'On the Securities Market' and Certain Laws of the Russian Federation to Improve the Legal Regulation of Securities Issuance'.

<sup>2</sup> Bank of Russia Regulation No. 714-P, dated 27 March 2020, 'On Disclosing Information by Securities Issuers' (effective from 1 October 2021).

<sup>3</sup> Bank of Russia Ordinance No. 5364-U, dated 23 December 2019, 'On the Procedure, Deadlines and Scope of Disclosure of the Information Specified in Clause 13 of Article 8.7 of the Federal Law 'On the Securities Market' and on Additional Requirements for the Procedure for Making Payments on the Securities Provided for in Article 8.7 of the Federal Law 'On the Securities Market' (effective from 28 March 2020).

<sup>4</sup> Approved by the Bank of Russia Board of Directors on 21 March 2014 and recommended for use by joint-stock companies whose securities have been admitted to exchange trading by Bank of Russia Letter No. 06-52/2463, dated 10 April 2014, 'On the Corporate Governance Code'.

<sup>5</sup> Bank of Russia Information Letter No. IN-06-28/80, dated 22 April 2020, 'On Recommendations for Establishing and Ensuring the Continuity of Boards of Directors (Supervisory Boards) of Public Joint-stock Companies'.

<sup>6</sup> Bank of Russia Information Letter No. IN-06-28/143, dated 1 October 2020, 'On Recommendations for Public Joint-stock Companies to Organise Risk Management, Internal Control, Internal Auditing, and the Work of Auditing Committees under Boards of Directors (Supervisory Boards)'.

### 2.3.5. DEVELOPMENT OF THE BOND MARKET

New standards for the issue of securities,<sup>1</sup> which took effect in May 2020, led to the emergence of new types of bonds whose first issues were successfully placed on the Russian financial market in 2020:

- perpetual bonds providing for the issuer's right to unilaterally choose not to pay interest on them;
- 'Green' bonds, the first issues of which were registered by PJSC Moscow Exchange.<sup>2</sup>

'Green' bonds, together with social and infrastructure bonds, form a group of bonds for responsible investment, the specifics of the issue of which appeared for the first time in the Russian legal framework in the new standards for the issue of securities. The standards provide the terms and criteria based on which bonds can be called 'green', social or infrastructural, which will further help create regulatory incentives for the promotion of responsible investment.

The interest in new types of bonds is confirmed by a large number of proposals to improve their regulation received by the Bank of Russia from financial market participants. The Bank of Russia is reviewing these proposals.

In 2020, the Sustainable Development Sector of PJSC Moscow Exchange, created to finance projects in the field of ecology, environmental protection and socially significant projects, was expanded to include 12 bond issues of five issuers, of which ten bond issues of four issuers were included in the 'green' bond segment, and two bond issues of one issuer were included in the segment of social bonds. At the end of 2020, 13 issues of bonds with a total volume at par value of ₹23,928 million were included in the Sustainable Development Sector.

In 2020, the interest of issuers in structured bonds, which first appeared in the Russian financial market in 2019, continued.<sup>3</sup> There is a trend towards an increase in both the num-

ber of registered issues of structured bonds (38 issues in 2020, 18 issues in 2019) and their volume (₹286,200 million, \$300 million and €300 million in 2020; ₹40,100 million and \$224 million in 2019). Among the issuers of structured bonds, specialised financial companies prevail, and the circumstances on which payments on structured bonds (the underlying asset) depend are mostly credit events – that is, circumstances indicating a third party's default on its obligations (mostly for Eurobonds issued in the interests of major Russian issuers). Changes in share prices (of both Russian and foreign issuers) are the second most popular underlying asset for Russian structured bonds. In 2020, structured bonds payments on which depend simultaneously on two underlying assets (changes in securities prices and currency exchange rates, or the occurrence of a credit event and a change in interest rates) appeared. Thus, there is a tendency toward 'complicating' the terms of issue of structured bonds and expanding the range of underlying assets used.

In accordance with the current regulation, these instruments are only available to qualified investors. The Bank of Russia has the right to determine the criteria based on which structural bonds may be available to non-qualified investors. At the same time, in the context of mass retail investors entering the stock market, the Bank of Russia deems it necessary to be cautious with the liberalisation of the market of difficult-to-understand instruments.

For the Bank of Russia, keeping the focus not only on the development of new types of bonds but also on the observance of the interests of investors is an important condition for the balanced development of the market as a whole.

In cooperation with PJSC Moscow Exchange, the Bank of Russia continued to work

<sup>1</sup> Bank of Russia Regulation No. 706-P, dated 19 December 2019, 'On Securities Issue Standards'.

<sup>2</sup> Bonds that meet the terms set out in Chapter 65 of the standards for the issue of securities, the title page of the decision on the issuance of which indicates that the bonds are 'green'.

<sup>3</sup> In this section, structured bonds mean bonds provided for by Article 27.1-1 of Federal Law No. 39-FZ, dated 22 April 1996, 'On the Securities Market', payments for which (including the repayment of the principal amount and not only the amount of income) depend on the occurrence or non-occurrence of circumstances established by law.



to enhance investor confidence in the Russian bond market by labelling the bonds of issuers characterised by increased (uncertain) investment risk. As of the end of 2020, 178 issues of securities of 88 issuers, including 150 bond issues of 68 issuers, were included in the Sector of Companies with Increased Investment Risk designated by PJSC Moscow Exchange.

To assess possible violations of the balance of interests of bond issuers and investors, the Bank of Russia proposed a consultation paper [On the Conceptual Approaches to Regulating the Protection of Bondholders' Rights](#)<sup>1</sup> to financial market participants for discussion. Market participants (institutional investors, representatives of bondholders and professional participants) were asked to answer questions, choose the best variants of changes to the current regulation and comment on the Bank of Russia's initiatives or propose their own approaches.<sup>2</sup>

Following the consultations, several blocks of proposals were formed, including proposals on improving the protection of investors in corporate bonds.

In particular, with regard to the restructuring of bond obligations, the proposals concern:

- establishing the criteria for the comparability (comparison among themselves) of the terms of different restructurings of the same issuer to protect the rights of bondholders in court;
- expanding the scope of information disclosed by an issuer about large bondholders;
- approval of the terms of restructuring by the issuer's governing bodies and the liability of the members of the governing bodies.

A number of proposals concern the procedure for holding a general meeting of bondholders, including an online meeting, as well as expanding the list of information (materials) provided to bondholders.

Regarding the regulation of the activities of bondholder representatives, changes were proposed in respect of the procedure for bondholder representatives to join court proceedings related to the protection of the rights of bondholders, additional means of compensation of bondholder representatives' costs and expansion of the list of requirements for bondholder representatives and the grounds for their exclusion from the list of persons authorised to carry out this activity.

<sup>1</sup> Published on the Bank of Russia website on 23 July 2020.

<sup>2</sup> [The report on the results of the public discussion](#) of the paper was published on the Bank of Russia website on 30 December 2020.



### 2.3.6. DEVELOPMENT OF PROJECT FINANCING OF EQUITY CONSTRUCTION

In 2020, the Bank of Russia continued participating in the implementation of the Housing and Urban Environment national project, one of the key activities of which is the introduction of a new financing scheme for equity construction based on bank loans to developers with the placement of funds of equity construction participants on escrow accounts.

According to the Unified Information System for Housing Construction, as of 1 January 2021, over 50% of equity construction projects were implemented using escrow accounts (48.5 out of 94.0 million sq. m).

The coronavirus pandemic and the related restrictions did not have any significant impact on funding. This was facilitated by measures taken by the Russian Government, including the programme of preferential mortgages and subsidisation of interest rates on loans to developers. The Bank of Russia also took a number of measures to support the mortgage market and lending to developers.

In 2020, project financing for housing construction was a dynamically developing segment of corporate lending. The volume of funds deposited by equity construction participants in escrow accounts increased rapidly. Some of the projects using escrow accounts in 2020 were completed, and escrow accounts for them were released in connection with the construction completion, and

the savings were transferred to developers/banks to repay loans.

In 2020, with the purpose of developing project financing and mortgage lending, the Bank of Russia introduced a number of amendments to regulations to reduce the regulatory burden on banks. On the order of the President of the Russian Federation, proposals were prepared to reduce the timeframe for providing project financing to developers as well as draft application forms and an approximate list of documents to be submitted by developers to a bank to receive project financing.<sup>1</sup>

In 2020, representatives of the Bank of Russia took part in the work of the project committee of the Housing and Urban Environment national project. Given the importance of cooperation for successful development of project financing, the Bank of Russia regularly communicated with banks, developers, public authorities and JSC DOM.RF to discuss and develop solutions for pressing issues of project financing.

To monitor the transition of equity housing construction to project financing, the Bank of Russia conducted a survey of authorised banks where current accounts of developers and escrow accounts may be opened. The results of the transition to project financing were regularly communicated to federal and regional authorities.

<sup>1</sup> They will be published and recommended for use after discussion with market participants.

## 2.4. Development of the National Payment System

### 2.4.1. DEVELOPMENT OF THE PAYMENT SERVICES MARKET

In 2020, despite the challenges associated with the spread of the coronavirus infection, the payment services market showed dynamic growth.



In 2020, the share of cashless payments in retail turnover amounted to 70.3%

With active expansion of the use of cashless payment instruments, the share of cashless payments in retail turnover<sup>1</sup> in 2020 amounted to 70.3% (vs 64.7% in 2019).

In the reporting year, the number of cashless transactions<sup>2</sup> increased compared to 2019 by 20.0% to 56.0 billion transactions, and their value amounted to ₹914.2 trillion (an increase of 9.2%). At the same time, there was increased consumer demand for remote banking channels. For example, compared to 2019, payments and transfers by individuals made remotely increased by 22.0% in terms of quantity and by 24.2% in terms of volume.

In 2020, there was a significant (50% in terms of quantity and 70% in terms of volume) growth in the use of contactless payment methods amounting to 27.2 billion transactions in the amount of ₹22.7 trillion. Most of them were made using payment cards with a contactless payment function (20.5 billion transactions in the amount of ₹17.1 trillion). 6.7 billion transactions for ₹5.6 trillion were made using mobile devices through pay services.<sup>3</sup> Contactless technologies were actively used to pay for goods and services with payment cards (over 2/3 of payments), which was facilitated by the expansion of the network of POS terminals

supporting contactless technologies to 3.0 million devices.

In the reporting year, the payment cards market was characterised by steady growth, primarily in the segment of cashless payments and transfers. As of 1 January 2021, the total number of payment cards issued by Russian credit institutions amounted to 305.6 million (an increase of 6.9%), of which, almost 70% supported contactless payments. Cards were used in 50.6 billion transactions for the amount of ₹106.7 trillion (the volume of transactions increased by 23%). Cashless payments and transfers accounted for the majority of transactions with payment cards (95% in terms of quantity and 73% in terms of volume). Card withdrawals continued to decline.

The upward trend in the use of cards as the main payment instrument was typical of most constituent entities of the Russian Federation. In 2020, in 48 regions, the volume of cashless payments for goods and services made by their residents using payment cards exceeded the volume of cash withdrawals (vs only 18 regions in 2019). At the same time, all regions demonstrated an increase in payments for goods and services via the Internet, which generally grew by 46.5% in terms of quantity and by 38.3% in terms of volume across Russia.

The Bank of Russia supported business and households by taking measures aimed at reducing the impact of the coronavirus pandemic. In particular, the maximum acquiring fee of banks was temporarily established at the level of 1% for medical and socially important goods and services, the option of crediting pension and social payments to any payment cards

<sup>1</sup> The total turnover of retail trade, public catering and the volume of paid services provided to households.

<sup>2</sup> Operations carried out at the order of customers of credit institutions (individuals and legal entities that are not credit institutions, including individual entrepreneurs) as well as credit institutions' own operations.

<sup>3</sup> For example, via such services as Mir Pay, Apple Pay, and Samsung Pay.



### Mir cards accounted for 24% in the total volume of domestic card transactions

was extended, and transactions using expired payment cards were allowed.

To improve financial inclusion, increase competition in the financial market and reduce the costs for its participants, the Bank of Russia developed the Faster Payments System. In 2020, 111.3 million transactions for the amount of ₹795.1 billion were made using the FPS.

It is important to note the development of the Mir national payment system (Mir PS), which was created to ensure the continuity, accessibility and efficiency of funds transfer services in the Russian Federation using national payment instruments as well as to increase households' confidence in cashless payments. As of 1 January 2021, there were about 95 million Mir cards issued by banks (+30% vs 1 January 2020), which accounted for 30.6% of payment cards issued across Russia. The use of Mir cards reached a new level: their holders made 13.6 billion transactions worth ₹24.2 trillion, which is 1.5 times more by number and 1.4 times more by volume than in 2019. Mir cards accounted for 24% of the total volume of domestic card transactions.

In the reporting year, projects for the introduction of non-financial services using Mir

cards were successfully implemented. By the beginning of 2021, the Resident Card projects were implemented in 15 constituent entities of the Russian Federation. Mir cards can also be used to pay overland transport fares in 77 regions and metro fares in seven cities.

By the beginning of 2021, the service of direct payments of insurance coverage by the Social Insurance Fund of the Russian Federation to insured persons on Mir cards was introduced throughout the entire territory of the Russian Federation.

To increase the involvement of Mir card holders and banks, the loyalty programme (cashback service) of the Mir payment system and the Mir Pay mobile contactless payment application by NSPK JSC were successfully developed. As of 1 January 2021, the number of registered Mir cards in the loyalty programme reached 19.3 million (vs 12.2 million at the beginning of 2020).

As of the end of the reporting year, customers of 66 credit institutions were able to pay for purchases using the Mir Pay mobile contactless payment application. Moreover, 35 banks participating in the Mir PS are connected to the Samsung Pay service, ensuring its accessibility for holders of national payment instruments.

Within the framework of the promotion of Mir cards outside the Russian Federation, their acceptance has been arranged for in 13 foreign countries, including all EAEU countries.<sup>1</sup>

<sup>1</sup> Mir cards are accepted in Abkhazia, Armenia, Belarus, Vietnam, Kazakhstan, Cyprus, Kyrgyzstan, Tajikistan, Turkey, Uzbekistan, and South Ossetia. The first operations with Mir cards were performed in the UK and South Korea.

## 2.4.2. THE BANK OF RUSSIA'S SERVICES

### BANK OF RUSSIA PAYMENT SYSTEM

In 2020, the Bank of Russia ensured uninterrupted operation of the Bank of Russia payment system (Bank of Russia PS). The number and volume of funds transfers through the Bank of Russia PS increased as compared to the previous year by 7.5% and 5.8%, respectively, and amounted to 1.8 billion transfers for a total amount of ₹1,657.6 trillion.

As of 1 January 2021, 1,638 organisations were members of the Bank of Russia PS (vs 1,779 as of 1 January 2020), of which 1,263 were credit institutions (branches), 144 were participants that are not credit institutions, and 231 were Bank of Russia structural divisions. On average, each member of the Bank of Russia PS carried out 1.1 million transactions for the amount of ₹1.0 trillion, which exceeds the values for 2019 by 16.7% and 14.9%, respectively.

In the structure of Bank of Russia PS services, the speedy funds transfer service accounted for 83.2% in terms of volume and less than 0.3% in terms of the number of transactions, while the non-speedy funds transfer service accounted for 16.8% and 93.7%, respectively.

Within the scope of the implementation of the [Russian Financial Market Development Programme for 2019–2021](#), the Bank of Russia PS provided for an option of completing settlements for OTC transactions performed in the financial markets using the DVP-2 and DVP-3 models.

In pursuance of Federal Law No. 479-FZ,<sup>1</sup> dated 27 December 2019, effective 1 January

2021, the Federal Treasury shifted to operations through the Treasury Single Account (TSA) – 87 accounts in the TSA pool instead of over 45,000 active accounts. The transition to the TSA will make it possible to optimise the operating costs of servicing the TSA in the Bank of Russia PS and to expand the options for placing temporarily free budget funds with banks.

### FASTER PAYMENTS SYSTEM

In 2020, to increase the accessibility of payment services, the Bank of Russia continued to develop the Faster Payment System, which allows 24/7 online transfers between the accounts of customers of credit institutions participating in the FPS. The reporting year was characterised by a significant increase in consumer interest in its use. In 2020, operations through the FPS increased many times over compared to 2019 (16 times more in quantity and 13 times more in volume).

In the reporting year, in addition to the transfers of funds between individuals (C2C<sup>2</sup> transactions) and to legal entities for goods (work or services) (C2B<sup>3</sup> transactions), the FPS provided for the option of transferring funds from legal entities to individuals (B2C<sup>4</sup> transactions) as well as transfers between accounts of the same individual with different banks at the beneficiary's initiative (C2C-pull<sup>5</sup> transactions).

To minimise the costs of credit institutions for the creation of their own mobile applications and to promote competition in the payment services market, a mobile application for the FPS was created and tested by the



In 2020, operations through the FPS increased many times compared to 2019 (16 times more in quantity and 13 times more in volume)

<sup>1</sup> Federal Law No. 479-FZ, dated 27 December 2019, 'On Amending the Budget Code of the Russian Federation in Terms of Treasury Services and the Treasury Payment System'.

<sup>2</sup> C2C – customer-to-customer.

<sup>3</sup> C2B – customer-to-business.

<sup>4</sup> B2C – business-to-customer.

<sup>5</sup> C2C-pull – customer-to-customer-pull.

Joint-stock Company National Payment Card System<sup>1</sup> (SBPay).

In 2020, to reduce the cost of transfers for households and the costs for the acceptance of cashless payments by businesses, the following was established:

- the maximum fee to be charged by banks to customers that are beneficiaries under C2B transactions: no more than 0.7% or, for socially significant categories (medical, educational, insurance, transport and other services), no more than 0.4%;
- the maximum fee to be charged by banks to individual customers for C2C transactions: up to ₹100,000 per month – free of charge; over ₹100,000 – 0.5% of the transfer amount (but not more than ₹1,500 for a transfer).

In addition, the Bank of Russia set zero tariffs on the part of banks for C2C transactions, and tariffs of ₹0.05–3.00 for C2B and B2C transactions (depending on the transfer amount).

To increase the accessibility of payment services for households and businesses, Bank of Russia Regulation No. 732-P<sup>2</sup> stipulates the deadlines for banks to implement the scenarios for transferring funds to the FPS:

- for systemically important credit institutions: starting 1 October 2021 for C2B, B2C and C2C-pull operations
- for other credit institutions holding a universal licence that are members of the Mir payment system: starting 1 October 2021 for C2C-pull operations and starting 1 April 2022 for C2B and B2C operations.

In the reporting year, Bank of Russia Regulation No. 747-P<sup>3</sup> established requirements for ensuring the protection of information upon the transfer of funds to the FPS as well as for mandatory application of the national stan-

dards of the Russian Federation for the protection of information of financial institutions.

The Bank of Russia together with NSPK JSC developed the OPCC FPS<sup>4</sup> Standard 'The Procedure for Taking Measures to Prevent Unauthorised Funds Transfers', which provides for mandatory use of business data elements characterising the level of transaction risk in electronic messages when making C2C transfers.

The Bank of Russia established signs of unauthorised funds transfers and developed models for assessing the risk of funds transfers in the FPS. When an order to transfer funds through the FPS is accepted for execution, the sending bank and the beneficiary bank assign transaction risk level values (the so-called indicator of a suspicious transaction of the OPCC FPS) and exchange this information through the OPCC FPS. These measures made it possible to ensure a high level of security for transactions of the FPS users.

## FINANCIAL MESSAGING SYSTEM OF THE BANK OF RUSSIA

In 2020, the development of the Bank of Russia Financial Messaging System (FMS) continued. The list of users of the Bank of Russia FMS was expanded: as of 1 January 2021, it included 404 organisations, including 19 non-residents (vs 391 organisations as of 1 January 2020).

In the reporting year, new users were connected to the FMS through the 'service bureau'. This scheme makes it possible to simplify and speed up the connection process for both Russian and foreign legal entities, including credit institutions.

In 2020, the number of messages transmitted via the FMS doubled, accounting for 20.6% of Russia's domestic SWIFT traffic.

<sup>1</sup> Serves as the operational and payment clearing centre of the FPS.

<sup>2</sup> Bank of Russia Regulation No. 732-P, dated 24 October 2020, 'On the Bank of Russia Payment System'.

<sup>3</sup> Bank of Russia Regulation No. 747-P, dated 23 December 2020, 'On the Requirements for Data Protection in the Bank of Russia Payment System'.

<sup>4</sup> OPCC FPS – the FPS operational payment clearing service.

### 2.4.3. CASH CIRCULATION

Among the important objectives of the Bank of Russia are ensuring stable cash turnover in banknotes and coins, enhancing the effectiveness of cash circulation business processes and mitigating risks.

The wider use of cashless payment instruments had an impact on the decline in the share of cash payments in the total turnover of retail trade, public catering and paid services to households from 35.3% in 2019 to 29.7% in 2020.

At the same time, in the reporting year, amid the pandemic and a worsening socio-economic situation, there was an increase in cash<sup>1</sup> in circulation (including cash in the cash offices of the Bank of Russia divisions), which amounted to ₺2,808.4 billion (+26.4% vs 2019), including ₺2,802.1 billion in banknotes and ₺6.3 billion in coins.

As of 31 December 2020, the amount of the Bank of Russia currency units in circulation, including coins made of precious metals, was ₺13,435.9 billion, including banknotes in the amount of ₺13,322.4 billion (6.8 billion units), coins in the amount of ₺113.2 billion (69.1 billion units) and coins made of precious metals in the amount of ₺0.3 billion. Banknotes accounted for 99.2% of the total value of cash in circulation and coins accounted for 0.8%. As for the total number of banknotes and coins, the former made up 9.0%, and the latter totalled 91.0%.

In 2020, the number of banknotes increased by 0.6 billion units, and the number of coins (excluding coins made of precious metals) rose by 1.3 billion units.

The Bank of Russia monitored cash turnover and examined its structure, analysing the note structure of cash in circulation and the reserves of Bank of Russia units to make sure that it matched the needs of cash turnover.

The share of ₺5,000 banknotes in the note structure of cash in circulation increased from 76.8% to 79.9% in the reporting period. At the same time, there was a decrease in the share

of ₺1,000 banknotes (from 14.5% to 12.0%) and the share of 500-ruble banknotes (from 2.5% to 1.9%). The respective shares of ₺2,000, ₺200, ₺100, ₺50, ₺10 and ₺5 banknotes remained at 2019 levels.

In 2020, cash turnover through the cash offices of the Bank of Russia divisions and credit institutions declined by 4.1% compared to the previous year and amounted to ₺94.2 trillion (₺98.2 trillion in 2019).

As of 1 January 2021, the Bank of Russia divisions provided cash services to 3,123 credit institutions and their units as well as 797 non-credit institutions. In 2020, the number of customers receiving cash services in the Bank of Russia divisions decreased by 20% due to structural changes in the banking sector, the closure of bank accounts of regional offices of the Federal Treasury and the transition of budgetary institutions to credit institutions for cash services.

In 2020, work was carried out to improve the Bank of Russia's regulatory framework in the area of organising cash circulation, conducting cash transactions and storing, transporting and collecting cash in view of changes in the economy and the legislation of the Russian Federation as well as with the purpose of reducing the regulatory burden on financial market participants.

In the reporting year, a new form of cash services was introduced for divisions of credit institutions using cash of the Bank of Russia, which makes it possible to reduce the costs of financial market participants for organising cash circulation and provides cash to business entities in territories having no Bank of Russia divisions. The Bank of Russia concluded agreements with Sberbank and Bank GPB (JSC) for cash services with the Bank of Russia's cash.

To involve a larger number of credit institutions in participation in cash services using the Bank of Russia's cash, the Bank of Russia adopted a regulation amending

<sup>1</sup> An increase in the amount of currency units of the Bank of Russia, including coins made of precious metals, based on balance-sheet data.





The level of counterfeiting in Russia remains consistently low — seven counterfeits per one million banknotes in circulation

Bank of Russia Ordinance No. 5071-U,<sup>1</sup> which eases the requirements for the equity and classification group or credit rating of credit institutions.

In 2020, the level of counterfeiting remained consistently low, with seven counterfeits per one million banknotes in circulation (same as in 2019). In the reporting year, 48,293 counterfeit banknotes, including 33,707 ₺5,000 banknotes and 7,480 ₺1,000 banknotes, were detected, withdrawn from turnover, and handed over to the police.

The share of counterfeit ₺5,000 banknotes increased by 0.5 pp to 69.8%. The share of counterfeit ₺1,000 banknotes in the total number of counterfeits amounted to 15.5% in 2020 (20.8% in 2019).

The largest number of counterfeit banknotes was detected in the Central Federal District; the smallest number was detected in the Far Eastern Federal District.

The share of counterfeit banknotes of the Bank of Russia detected in credit institutions declined by 3.0 pp compared to 2019

to 31.0% of the total number of detected counterfeits.

In 2020, the Bank of Russia divisions and credit institutions detected and handed over to the police 1,730 counterfeit banknotes of foreign countries (groups of foreign countries), which is 26.8% less than in 2019.

In 2020, the Bank of Russia divisions conducted 0.69 million expert assessments of the Bank of Russia's currency units, including 0.41 million expert assessments of suspicious currency units and 0.28 million expert assessments of the accuracy with which banknotes and coins were exchanged.

In 2020, the Bank of Russia issued 40 kinds of coins made of precious metals (five gold coins and 35 silver coins), two kinds of investment coins (gold and silver), and 21 kinds of commemorative coins made of base metals, including two coins with a coloured image in souvenir packaging. The Bank of Russia regularly updates the [list of organisations](#) with signed agreements on the sale of commemorative and investment coins.

<sup>1</sup> Bank of Russia Ordinance No. 5071-U, dated 12 February 2019, 'On the Procedure for the Bank of Russia to Provide Cash Services to Credit Institutions and Legal Entities Other than Credit Institutions'.



## 2.5. Technology development and innovation support in the financial market

### 2.5.1. DEVELOPMENT OF FINANCIAL TECHNOLOGIES

In 2020, the Bank of Russia continued to work on the development of a remote identification mechanism. As of the end of 2020, registration in the Unified Biometric System was offered by over 13,300 banking service points in 231 banks and outside offices in all regions of the country (courier model).

In December 2020, Federal Law No. 479-FZ,<sup>1</sup> dated 29 December 2020, was adopted, providing for:

- the expansion of the use of the Unified Biometric System for state and any financial and non-financial services;
- the possibility of collecting biometric data into the Unified Biometric System at multi-functional centres for the provision of state and municipal services;
- giving the Unified Biometric System the status of a state information system.

provide data through the Digital Profile more than 1.5 million times.

In November 2020, Decree of the Government of the Russian Federation No. 1911,<sup>3</sup> which was developed with the participation of the Bank of Russia, was adopted, enabling financial institutions to receive 15 new types of information, extending the experiment until 31 December 2021, and expanding the list of experiment participants to include all credit, insurance and microfinance organisations and operators of financial platforms.

The Digital Profile infrastructure provides a simple, fast and legal exchange of data between consumers and information providers. It aims to expand the range and improve the quality and accessibility of services for end users and will increase the speed and transparency of data provision by enabling individuals to manage digital consents for data exchange.

The Bank of Russia took part in the revision of draft law No. 747513-7 'On Amending Certain Laws (Regarding the Clarification of Identification and Authentication Procedures)', which regulates the creation and use of the Digital Profile infrastructure.

Piloting of transactions with digital bank guarantees and testing of business functionality continued on the Masterchain platform developed by the FinTech Association with the participation of the Bank of Russia together with financial market participants. As a result, seven organisations connected to the service by the end of 2020. The electronic



Individuals used the Digital Profile  
more than 1.5 million times

Within the scope of the experiment<sup>2</sup> for the creation and use of the Digital Profile infrastructure, 22 financial organisations (19 banks and three insurance organisations) enabled individuals to remotely provide data necessary for obtaining financial services: filling out a credit questionnaire and/or receiving a loan, including mortgage loans, and purchasing CMT-PLI or motor hull insurance policies. Since its launch, individuals have given their consent to

<sup>1</sup> Federal Law No. 479-FZ, dated 29 December 2020, 'On Amending Certain Laws of the Russian Federation'.

<sup>2</sup> The experiment is provided for by Russian Government Resolution No. 710, dated 3 June 2019, 'On the Experiment for Improving the Quality and Coherence of Data in State Information Resources' (as amended on 24 November 2020).

<sup>3</sup> Russian Government Resolution No. 1911, dated 24 November 2020, 'On Amending Russian Government Resolution No. 710, dated 3 June 2019'.



## Four open banking interface standards were published

mortgage registration service (Decentralised Depository System) was launched in commercial production in the first quarter of 2020. Its development and the expansion of its functionality continued. As of the end of 2020, seven participants connected to the service and another seven participants were at the stage of connection.

In October 2020, the Bank of Russia published four standards for open banking interfaces (open APIs<sup>1</sup>):

- general provisions;
- receipt of information about customer accounts by third parties;
- initiation of transfers of customer funds by third parties in the currency of the Russian Federation;
- requirements for security of financial services based on the OpenID protocol.

Standards of open banking interfaces are aimed at ensuring equal access to information for service providers as well as competitive and secure data exchange between the financial market participants by unifying their interactions. They allow banks and fintech companies to ensure the transfer and receipt of information between the information systems of financial institutions using standard data exchange protocols as well as to set up a seamless exchange of data about customers with their consent and to generate the most beneficial personal offers for them.

Analysis of the prospects of issuing a national digital currency of the Central Bank of the Russian Federation, the digital ruble, continued. On 13 October 2020, the [consultation paper The Digital Ruble](#) was published to collect the opinions of market participants.

In the report, the Bank of Russia proposed four models for the implementation of the digital ruble:

1. Model A. The Central Bank opens wallets for banks for interbank settlements.
2. Model B. The Central Bank opens wallets for customers and carries out settlements on them on the digital ruble platform, interacts directly with customers and conducts KYC<sup>2</sup> and anti-fraud checks.<sup>3</sup>
3. Model C. The Central Bank opens wallets for customers and carries out settlements on them on the digital ruble platform, while banks / financial intermediaries interact with customers, initiate the opening of wallets for customers and settlements on them, and perform AML/CFT and anti-fraud checks.
4. Model D. The Central Bank opens wallets for banks / financial intermediaries on the digital ruble platform, while banks / financial intermediaries interact with customers, open wallets, carry out settlements on them for customers on the digital ruble platform, and conduct AML/CFT and anti-fraud inspections.

The report analysed the advantages and disadvantages of these models and formulated additional questions on the subject for market participants.

The opinions and answers of market participants were received and analysed, and meetings were held with credit institutions, associations and depositories, during which potential advantages and risks of launching the digital ruble as well as the specifics of its operation in the Russian payment market were discussed. According to the survey, the majority of market participants favoured Model D.

Since the launch of the regulatory sandbox,<sup>4</sup> the Bank of Russia has received 70 applications from banks, fintech, and other companies to pilot financial services. The main objective of the regulatory sandbox is to create a mechanism for the quick and safe implementation of

<sup>1</sup> API (application programming interface) means an application interface which defines ways for different programmes to communicate with each other.

<sup>2</sup> Know Your Customer, a set of procedures for determining customer information.

<sup>3</sup> Other checks aimed at detecting fraudulent activities.

<sup>4</sup> The Bank of Russia launched a regulatory sandbox in April 2018.



### During 2020, seven services were piloted in the regulatory sandbox

innovative products, services and technology in the Russian financial market.

The regulatory sandbox enables the verification of hypotheses on the positive effects of the use of financial services and technology, the identification of relevant risks, and the determination of measures needed to create the legal and technological conditions for their implementation. During 2020, seven services were piloted:

- a service for payments using digital currency;
- a service for investments in digital currency;
- an automatic pawnshop service for appraising gold jewellery and issuing loans to individual customers secured by such items;
- a service for collective mining of digital currencies;
- a financial marketplace for SMEs;
- a service for payments to merchants using the Faster Payments System;
- a customer identification service for AML/CFT purposes using commercial video communication systems.

In July 2020, Federal Law No. 258-FZ<sup>1</sup> was adopted, providing for the option of establishing experimental legal regimes for testing digital innovations, including in the financial sector.

In pursuance of this federal law, three regulations of the Bank of Russia were developed and adopted which regulate certain aspects of establishing and implementing experimental legal regimes in the financial market.

In December 2020, with the participation of the Bank of Russia, Resolution of the Government of the Russian Federation No. 2115, dated 15 December 2020, 'On Approving the Regulation on the Specifics of the Application of the Provisions of the Federal Law 'On Experimental Legal Regimes in the Field of Dig-

ital Innovations in the Russian Federation' to Legal Relations Arising in Connection with the Establishment and Implementation of an Experimental Legal Regime in the Field of Digital Innovations for the Financial Market' was developed and adopted.

A draft federal law 'On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law 'On Experimental Legal Regimes in the Field of Digital Innovations in the Russian Federation' (in Terms of Development and Testing of Digital Innovations in the Financial Market)' was developed and submitted for approval to the relevant authorities, providing the option of establishing experimental legal regimes in the financial market without defining the specific provisions of federal laws from which deviations are possible in accordance with the programme of the experimental legal regime.

In July 2020, Federal Law No. 259-FZ<sup>2</sup> was adopted to regulate relations arising from the creation, issue, storage and circulation of digital financial assets as well as the use of digital currencies. In pursuance of this federal law, the Bank of Russia:

- developed and adopted 13 regulations governing individual matters related to the activities of operators of an information system in which digital financial assets are issued and operators of an exchange of digital financial assets as well as with the specifics of the circulation of digital financial assets;
- prepared draft federal laws 'On Amending the Criminal Code of the Russian Federation and the Code of Criminal Proceedings of the Russian Federation', 'On Amending the Russian Federation Code of Administrative Offences', 'On Amending Parts One and Two of the Tax Code of the Russian Federation' and 'On Amending Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

<sup>1</sup> Federal Law No. 258-FZ, dated 31 July 2020, 'On Experimental Legal Regimes in the Field of Digital Innovations in the Russian Federation'.

<sup>2</sup> Federal Law No. 259-FZ, dated 31 July 2020, 'On Digital Financial Assets, Digital Currency and on Amending Certain Laws of the Russian Federation'.

Within the framework of the national programme 'Digital Economy':

- Federal Law No. 290-FZ<sup>1</sup> was adopted, which obliges organisations selling goods via the Internet to provide consumers with the option of paying with Mir cards. The adoption of the law will improve financial inclusion and lead to an increase in the share of cashless payments;
- Federal Law No. 149-FZ<sup>2</sup> was adopted, which enables insurance organisations to expand distribution channels for their products on the Internet by regulating the activities of insurance intermediaries (insurance agents and insurance brokers) and also regulates electronic turnover between the parties upon conclusion of agreements via the Internet. For example, the law lifted the ban on the participation of insurance intermediaries in the conclusion of insurance agreements in an electronic form, which will increase the convenience of obtaining services in this area for consumers, including by using the website or mobile application of an insurance intermediary;
- to improve the identification and simplified identification procedures, the Ministry of Economic Development of Russia together with the Bank of Russia developed and submitted the draft federal law 'On Amending Article 7 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' to the Government of the Russian Federation in terms of improving the identification and simplified identification procedures. The draft law enables all organisations carrying out transactions with funds or other property to delegate identification to credit institutions, and also allows for simplified customer identification using a driver's licence;
- the Concept for the Development of Regulation of Relations in the Field of Artificial

Intelligence and Robotics Technology for the Period up to 2024 was approved.<sup>3</sup>

The Concept also provides for the use of a mechanism of experimental legal regimes for testing certain new instruments using artificial intelligence in the financial sector.

A pilot project for open information APIs providing access to information on organisations and their products was initiated for the development of open APIs in the EAEU. A unified standard for open information APIs was developed to conduct the pilot project in the EAEU. Approaches to ensuring information security at a cross-border level were determined, the legal concept of the pilot project was defined, and the necessary infrastructure was developed for its implementation. Based on the results of the pilot project, the Working Group will evaluate the possibility of harmonising standards in the field of open APIs developed by the EAEU member states and formulate general recommendations for market participants.

Within the scope of the development of other areas of project interaction with EAEU countries, proposals were developed for a pilot project for cross-border remote identification using national identification systems, and a target model for such interaction was agreed upon.

To examine the possibility of digitalisation of trade finance instruments (digital bank guarantees and letters of credit) in the EAEU, a Concept for the creation of a trade finance system based on a blockchain platform was developed. On its basis, work was initiated to identify legal and technological barriers to the digitalisation of such trade finance instruments in the EAEU.

The Bank of Russia prepared educational programmes of the Bank of Russia Fintech Hub for their launch in 2021 and created educational modules for students in the following areas:

<sup>1</sup> Federal Law No. 290-FZ, dated 31 July 2020, 'On Amending the Russian Federation Law 'On Consumers' Rights Protection'.

<sup>2</sup> Federal Law No. 149-FZ, dated 24 April 2020, 'On Amending Certain Laws of the Russian Federation'.

<sup>3</sup> Order of the Government of the Russian Federation No. 2129-r, dated 19 August 2020, 'On Approving the Concept for the Development of Regulation of Relations in the Field of Artificial Intelligence and Robotics Technology for the Period up to 2024'.

Distributed Ledger Technologies, Biometrics, Innovations in Payments, and Financial Cybersecurity.

Educational events on financial technologies were held on a regular basis. In total, 45 events on financial technologies were

held in 2020 for financial market participants (credit, insurance and microfinance organisations), IT companies, government agencies, schoolchildren, students, and Bank of Russia employees. The total audience coverage in 2020 amounted to almost 15,000 people.

## 2.5.2. DEVELOPMENT OF ELECTRONIC INTERACTION MECHANISMS

The draft federal law on the use and storage of electronic documents, revised with the participation of the Bank of Russia for consideration by the State Duma in the first reading, was submitted by the Ministry of Economic Development of Russia to the Government of the Russian Federation.

This draft law provides for:

- the option of replacement scanning to convert paper-based documents into electronic files while preserving their legal status, making it possible to significantly reduce the cost of workflow by switching to electronic storage of documents;
- the option of conversion of electronic documents.

Development of a universal REST service continued, enabling electronic document flow with the Bank of Russia through the External Portal of the Unified Platform for External Interaction with the integration of information systems of information exchange participants; examples of information requests and other supporting materials were published.

During 2020, more than 12,000 personal accounts were created, including within the scope of the transfer of electronic interaction of various financial market participants (operators of investment platforms, issuers of securities, operators of the exchange of digital financial assets, etc.) to their personal accounts.

Interaction between financial organisations and the Central Election Committee was transferred to the personal account platform within the framework of checks of the property of candidates for elective positions.

When choosing priority areas for the development of electronic interaction technology through personal accounts, the Bank of Russia is not only expanding their functionality but also pays great attention to informing orga-

nisations about the current functionality (information materials sent through the personal account, information published on the Bank of Russia website) as well as providing methodological support in organising the exchange process within individual tasks performed via personal accounts, which is confirmed by surveys conducted by the Bank of Russia indicating an increase in the level of satisfaction with the service.

On 1 December 2020, the reporting of payment system operators and operators of payment infrastructure services which are not credit institutions was transferred to personal accounts.

A project was launched for transferring the reporting of credit institutions (branches), bank holdings and subjects of the national payment system which are credit institutions to personal accounts (the expected implementation period according to the project roadmap is 1 January 2023).

In 2020, the Bank of Russia continued collecting reports in XBRL format and improving the XBRL taxonomy in terms of implementing updated reporting requirements for the NFI<sup>1</sup> market segments that already submit XBRL reports as well as developing new XBRL taxonomy modules for other NFI<sup>2</sup> market segments. The preliminary, final and corrective versions of the Bank of Russia XBRL taxonomy (version 4.0) are published on the Bank of Russia website.

In 2020, Bank of Russia regulations were issued on reporting by insurance brokers (Bank of Russia Ordinance No. 5522-U<sup>3</sup>) and credit rating agencies (Bank of Russia Ordinance No. 5518-U<sup>4</sup>) in XBRL format.

With the Bank of Russia's assistance, the Autonomous Non-profit Organisation XBRL Implementation and Development Centre

<sup>1</sup> Insurance organisations and mutual insurance companies, non-governmental pension funds, professional securities market participants, trade organisers, clearing organisations, joint-stock investment funds, and management companies.

<sup>2</sup> Insurance brokers, specialised depositories, credit rating agencies, and credit history bureaus.

<sup>3</sup> Bank of Russia Ordinance No. 5522-U, dated 3 August 2020, 'On Forms, Timeframe and Procedure for Compiling and Submitting Insurance Brokers' Statistical Reporting to the Bank of Russia'.

<sup>4</sup> Bank of Russia Ordinance No. 5518-U, dated 30 July 2020, 'On the Content of Statements of a Credit Rating Agency, Their Form, Timeframe and Procedure for Compiling and Submitting to the Bank of Russia'.



launched a system of voluntary certification of software for working with XBRL.

To streamline the collection and processing of detailed data according to the data model of the XBRL taxonomy, a project was completed

for the introduction of a new specification for the presentation of detailed XBRL-CSV data, the use of which will help significantly reduce technological costs and increase the speed of processing large detailed data.

### 2.5.3. ENSURING INFORMATION SECURITY AND ENHANCING CYBER RESILIENCE

The Bank of Russia took part in the preparation of Federal Law No. 259-FZ,<sup>1</sup> which empowers the Bank of Russia to determine mandatory information protection requirements for operators of information systems in which digital financial assets are issued and operators exchanging digital financial assets.

In connection with the adoption of Federal Law No. 514-FZ,<sup>2</sup> the Bank of Russia establishes operational reliability requirements binding on credit institutions and non-bank financial institutions.

Bank of Russia Regulation No. 719-P<sup>3</sup> establishes information security requirements for funds transfers as well as the procedure for the Bank of Russia to monitor compliance with these requirements within the scope of supervision in the national payment system.

To ensure national sovereignty and the uninterrupted functioning of payment systems in the context of sanctions pressure, the Bank of Russia published functional and technical requirements for hardware and software on its website.

The Bank of Russia organised interaction with the Ministry of Digital Development, Communications and Mass Media and telecommunication operators to block phone numbers from which fraudsters made calls and sent SMS messages as well as to counter phone number spoofing. In 2020, the Bank of Russia sent information about 26,397 telephone numbers used for illegal purposes to telecommunication operators for the purpose of taking response measures.

Within the scope of countering fraud in the financial sector on the Internet, the Bank of Russia interacted with domain registrars in order to block fraudulent resources. During the reporting year, the Bank of Russia initiated blocking of 7,680 websites. Moreover, information on 377 Internet domains was sent to the General Prosecutor's Office of the Russian Federation for verification and appropriate response measures.

The Digital Economy of the Russian Federation programme provides for the implementation of a system of practice-oriented training on cybersecurity based on the experience of leading companies in the digital economy.<sup>4</sup> In this regard, the Bank of Russia developed a practice-oriented training programme on information security. In 2020, over 1,400 employees of the Bank of Russia and 920 representatives of law enforcement authorities from the Ministry of Internal Affairs, the Investigative Committee, the General Prosecutor's Office, the Russian National Guard, and the Federal Security Service were trained.

The level of trust of customers and counterparties of financial institutions in the security of the electronic payment services implemented was 73.32% in 2020, which is 2.39 pp higher than a year earlier.

In 2020, the share of the volume of unauthorised transactions in the total volume of funds transfers was 0.00117%. This value does not exceed the target indicator of the share of such transactions in the total volume of transactions established by the Bank of Russia (0.005%).

<sup>1</sup> Federal Law No. 259-FZ, dated 31 July 2020, 'On Digital Financial Assets, Digital Currency and on Amending Certain Laws of the Russian Federation'.

<sup>2</sup> Federal Law No. 514-FZ, dated 30 December 2020, 'On Amending Certain Laws of the Russian Federation'.

<sup>3</sup> Bank of Russia Regulation No. 719-P, dated 4 June 2020, 'On the Requirements to Protect Information Related to Funds Transfers and on the Procedure for the Bank of Russia to Control the Compliance with the Requirements to Protect Information Related to Funds Transfers'.

<sup>4</sup> Clause 1.55 of the Federal Information Security project of the national programme Digital Economy of the Russian Federation.

## 2.6. Other activities

### 2.6.1. INFORMATION POLICY

In 2020, the information policy of the Bank of Russia was primarily aimed at informing businesses and households about the anti-crisis measures taken by the Bank of Russia in connection with the coronavirus pandemic, financial education and improvement of investment literacy of financial consumers, as well as warning people about potential risks associated with fraud in the financial market. In 2020 (as in 2019), the Bank of Russia adhered to the strategy for the development of integrated communications focused on different target audiences.

The main items on the anti-crisis agenda were the explanation of measures for the support of individuals (the options of using credit holidays, the availability and safety of remote payments and services) and business entities (including the specifics of lending to SMEs), regulatory easing for financial market participants and the prospects for the development of the economic situation in conditions of increased uncertainty.

To promptly inform the public about the decisions taken by the Bank of Russia and the progress in implementing anti-crisis measures, it was decided to hold weekly online briefings for journalists with the Bank of Russia Governor, which were broadcast on the website as well as on all official accounts of the Bank of Russia in social media. This format allowed both federal and regional reporters to participate in live press conferences and ask their questions.

For the convenience of users, special sections were opened on the Bank of Russia website ([www.cbr.ru](http://www.cbr.ru)) where all materials for households, businesses and market participants were promptly posted. At the same time, articles on the most relevant topics were published on the Financial Culture website ([fincult.info](http://fincult.info)). Their relevance is confirmed by the influx of viewers, which, according to data as of December 2020, amounted to more than 463,500 users per month (vs 274,300 users per month in 2019).

For the most popular topics, the Bank of Russia developed and launched special projects targeted at a wide audience through its official social media accounts. For example, the campaign What Shall be Done with Debt conducted in several stages covered 8.4 million users. In its work, the Bank of Russia paid great attention to the promptness and accessibility of answers to questions that people asked on social media.

Raising the awareness of the population about monetary policy was primarily aimed at clarifying the decisions of the regulator, including on the successive reduction of the key rate. In September, the Bank of Russia launched a new project — publication of information and analytical materials in the regional sections of its website. The media showed an increased interest in this project, which explains the dynamics of consumer prices in specific regions. After the publication of these materials, the number of articles and TV reports on the topic of monetary policy with a reference to the Bank of Russia increased by 73% compared to October–December 2019. Monetary policy was also one of the most discussed topics on the Bank of Russia official accounts in social media. In 2020, the number of their subscribers exceeded 67,500.

An important stage in the development of information policy in the regions was the publication of the report Regional Economy: Commentaries by Bank of Russia Main Branches (published in the [Analytics](#) section of the Bank of Russia website). It will be released eight times a year. This is new analytical material on the economy in Russian regions. It provides up-to-date (using business surveys) information on the main trends in the economic development of Russian regions which is taken into account when making monetary policy decisions.

The consultation paper on the digital ruble became one of the most talked about materials published by the Bank of Russia in 2020. The

ideas presented in it were widely discussed at various venues by analysts in the field of monetary policy, payment market experts, members of the Association of Russian Banks and the FinTech Association as well as by the State Duma, the Federation Council of the Federal Assembly of the Russian Federation and other audiences. This made it possible to collect various opinions, analyse them and base further work on the project on the preferences of market participants.

In 2020, the Bank of Russia paid special attention to the matters of financial education and investment literacy in connection with a sharp increase in individuals' interest in financial market instruments, including the stock market. The focus in communications was not only on the opportunities but also on the risks associated with investing. In 2020, the information agenda also included support for the adoption of draft laws on the marketplace and on the categorisation of investors, including the clarification of the requirement to introduce testing for non-qualified investors. For direct communication with investors, the Bank of Russia held a series of online webinars with the participation of the Bank of Russia management, which were watched by over 170,000 people. To bring information about possible risks of retail investment to the widest possible audience, the Bank of Russia prepared videos that were posted in the metro, in fixed-route taxis, MFCs and long-distance trains – in total at over 6,500 points throughout the country. This topic became the most popular in the Bank of Russia's new project in Yandex.Q, where answers to users' questions are published. In 2020, the answer to the question 'How, in what instruments and where is it better to invest?' scored 37,400 views.

An equally important issue for the Bank of Russia was informing people about cyber threats and risks of telephone fraud associated with the substitution of telephone numbers.

The regulator's goal was to form a pattern of behaviour for individuals in the event of unauthorised phone calls or SMS messages. The information campaign included almost daily publication of explanatory materials and videos in the media, promotion through popular bloggers and social advertising of basic tips and guidelines on how to behave in case of fraudulent calls. For broader coverage, the Bank of Russia held a joint campaign with the Ministry of Internal Affairs and the General Prosecutor's Office of the Russian Federation to post thematic videos in the metro and other means of transport as well as on billboards in Moscow and some other cities. The total audience covered by this campaign reached 11 million people.

In view of the increased activity of financial fraudsters during the pandemic, the Bank of Russia intensified its awareness-raising efforts to warn people about various types of illegal activities and new fraud schemes. The Bank of Russia actively explained the signs of financial pyramid schemes to individuals as well as all the risks of the new type of threat associated with the migration of illegal activities to the Internet.

The online educational campaign on social engineering had over 5.5 million views, and the one on illegal forex had over 3 million views.

The use of innovative technologies for financial services aimed at increasing the accessibility of products and services for users was also in the Bank of Russia's area of focus. The development of the Faster Payments System, the launch of the Digital Profile and the adoption of new regulatory documents required regular awareness-raising and explanatory work. As in 2019, the Bank of Russia continued to inform individuals about the implementation of the project for financing housing construction (escrow accounts), individualising CMTPLI tariffs, and countering unscrupulous sales of financial products (misselling).

## 2.6.2. ECONOMIC RESEARCH

In the context of an unprecedented shock to the Russian and global economies associated with the consequences of the coronavirus pandemic, the Bank of Russia's economic research during 2020 focused primarily on the following topics:

- the improvement of approaches to operational monitoring of the state of business activity, including in the sectoral and regional contexts;
- the assessment of the situation in the Russian banking sector and financial stability risks;
- studying the sectoral and regional heterogeneity of the Russian economy.

To address these problems, the Bank of Russia had to accelerate the introduction of new data sources into economic research, including data from the Bank of Russia payment system, the Input-Output tables and the credit register.

Moreover, planned research aimed at improving the model apparatus for scenario forecasts continued.

To improve the approaches to operational monitoring of the state of business activity, in spring 2020, the Bank of Russia started a weekly publication [Monitoring of Sectoral Financial Flows](#), which presents estimates of the dynamics of payments made by companies from various economy sectors. This made it possible to develop an indicator for tracking financial flows at the industry level in practically real time. The analytical model developed by the Bank of Russia based on input-output balance data made it possible to assess the trajectory of the expected recovery growth of the Russian economy as the epidemiological situation normalises, taking into account the

structural shifts caused by the coronavirus pandemic as well as the long-term spillover effects from the recession in the most affected industries for overall business activity.

The Bank of Russia employees prepared 13 working papers and 18 analytical notes on relevant topics, which were published in the [Research](#) section on the Bank of Russia website. 16 papers were published in [peer-reviewed academic journals](#), of which 11 in foreign ones, including with co-authors from other organisations.

**Assessment of the situation in the banking sector and risks to financial stability** plays an important role in the context of a recession in the global economy. The working paper [Measuring the Debt Service Ratio in Russia: Micro-level Data Approach](#) presents an approach to assessing debt burden using bank reporting data broken down by individual loans, which will in the future allow for a more detailed tracking of structural changes in debt burden dynamics. The same data were used to build the credit risk prediction model presented in the report [Probability of Default \(PD\) Model to Estimate Ex Ante Credit Risk](#).<sup>1</sup> The working paper [Incorporating Financial Development Indicators into Early Warning Systems](#) shows how to improve the accuracy of financial crisis forecasts.

**The analysis of bank reporting data** was also aimed at forming practical conclusions about the macroprudential policy pursued by the Bank of Russia. The working paper [Macropudential Policy Efficiency: Assessment for the Uncollateralised Consumer Loans in Russia](#) showed that the applied macroprudential measures help reduce the riskiness of loan portfolios. The working paper [Domestic Macropudential Policy and Inward Transmis-](#)



The Bank of Russia focused its efforts on examining the risks of financial stability amid the crisis caused by the pandemic, analysing regional heterogeneity in macroeconomic processes and weekly monitoring of sectoral financial flows

<sup>1</sup> Since 2019, the main page for economic research papers is the English version of the Bank of Russia website.

[sion of Foreign Monetary Shocks: The Case of Russia](#), prepared within the scope of the Bank of Russia's cooperation with the International Banking Research Network (IBRN), presents the conclusion that the Bank of Russia's macroprudential policy is capable of reducing the dependence of domestic lending on foreign monetary policy.

An important area of work for the Bank of Russia in 2020 was **the analysis of regional heterogeneity**. A number of papers on this topic were published on the Bank of Russia website in the [Research](#) section. The working paper *The Phillips Curve: Inflation and NAI-RU in Russian Regions* contains a conclusion that the relationship between inflation and unemployment in the Russian regions is heterogeneous. The working paper *Methods for Calculating the Leading Indicator of the Gross Regional Product* presents a new approach to calculations which provides more accurate estimates of the quarterly values of the index of the physical volume of gross regional product (GRP). The analytical note *Regional Credit Cycles* addressed the issue of risks to price stability in regions associated with the growth of loan portfolios. The issues of accounting for regional heterogeneity when making decisions on monetary policy are considered in the paper *Monetary Policy in an Economy with Regional Heterogeneity: Approaches Based on Aggregate and Regional Information*.

In 2020, the Bank of Russia continued its research aimed at improving the model apparatus for scenario forecasts. The paper [Estimating Fiscal Multipliers in Russian Economy](#) evaluates the multipliers of aggregate government incomes and expenditures and their components based on structural vector autoregression models. The paper [Disentanglement of Natural Interest Rate Shocks and Monetary Policy Shocks Nexus](#) uses the procedure for distinguishing

neutral interest rate shocks from monetary policy shocks in the Russian economy in the period after the transition to inflation targeting. The article [A Multi-country BVAR Model for the External Sector](#) describes a model that makes it possible to prepare coordinated scenario forecasts for the main macrovariables of the US, the Euro area and China.

In 2020, Bank of Russia employees made presentations at many conferences with preliminary competitive selection of participants, most of which were held online. Among them are the Econometric Society and Bocconi University World Congress 2020, the 40<sup>th</sup> International Symposium on Forecasting, the 6<sup>th</sup> International Symposium in Computational Economics and Finance and the Bank for International Settlements and Bank of Korea 13<sup>th</sup> Annual Workshop of the Asian Research Network. The reports of Bank of Russia employees were extensively presented at the 21<sup>st</sup> April International Academic Conference On Economic and Social Development held at the Higher School of Economics and the 4<sup>th</sup> Russian Economic Congress.

In 2020, the Bank of Russia organised several online events with external experts on research and policy issues relevant in view of the coronavirus pandemic, including the conference *Post-Coronavirus Economy and Challenges to Central Bank Policies* as well as the joint workshop with the New Economics School (NES) *Research on Granular Credit Register / Historical Data Relevant to Monetary Policy and (Macro) Prudential Regulation*.

The use of online platforms made it possible for the first time to reach audiences throughout Russia. In 2020, the Bank of Russia presented more than 20 papers at Russian universities, including regional ones. A monthly Interregional Online Research Workshop was held jointly with the Higher School of Economics.



### 2.6.3. STATISTICAL ACTIVITIES

In accordance with its [Statistical Services Strategy for 2016–2020](#) (the 'Strategy'), the efforts of the Bank of Russia in the reporting year were focused on systemic development of macroeconomic financial statistics to generate and publish new statistical datasets in line with the advanced international standards and initiatives, improving the quality of statistical publications and developing promising areas in data processing. In 2020, the Bank of Russia developed and published on its website the [Bank of Russia Statistical Services Development Programme in Macroeconomic Statistics for 2021–2025](#), which became a logical continuation of the Strategy.

In 2020, the Bank of Russia, as before, provided information support to the Government of the Russian Federation within the scope of the 'Small- and Medium-Sized Enterprises and Support for Individual Entrepreneurship Initiatives' and 'Housing and Urban Environment' national projects (including the 'Mortgage' federal project).

To monitor the implementation of anti-crisis measures aimed at limiting the consequences of the coronavirus pandemic, the Bank of Russia provided the Ministry of Economic Development of the Russian Federation with up-to-date statistical information on bank lending.

Within the framework of its participation in information support for monitoring the achievement of Russia's national development goals, the Bank of Russia expanded the presentation of information on statistics on bank lending to legal entities and individual entrepreneurs and began posting information on its website on the number of borrowers with loan debt, including arrears, borrowers who received a loan during the reporting period and the number of loans issued to each group of borrowers.

The Bank of Russia entered into agreements for information exchange with the ministries and agencies of the Russian Federation concerning the statistics of Russia's international

trade in services and monitoring the implementation of the state programmes to increase the export of services in accordance with the goals of the 'International Cooperation and Export' and 'Healthcare' national projects.

As part of its interaction with the Russian Export Centre (JSC) in providing information for the Single Window information system in the field of foreign trade, the Bank of Russia began providing data on legal entities that are exporters of services on a regular basis, as stipulated by Executive Order of the Government of the Russian Federation No. 30-r,<sup>1</sup> dated 19 January 2019.

In 2020, an important area of statistical activities was the performance of new functions transferred to the Bank of Russia by the Federal State Statistics Service (Rosstat) for building a complete set of accounts for the financial corporations sector within the system of national accounts of the Russian Federation (SNA). The Bank of Russia assumed the function of developing a methodology and compiling a complete set of macroeconomic indicators characterising the processes of providing financial services (production) and generating and distributing income, investments and transactions with financial assets across all financial sector organisations. To implement the new functions, the Bank of Russia interacted with Rosstat on methodological issues and created a roadmap for compiling a complete set of SNA accounts for the financial corporations sector. As a result, amendments were made to the Agreement for Information Interaction between the Federal State Statistics Service and the Central Bank of the Russian Federation.

Methodological materials for the publication of information in the regional context were developed. The Bank of Russia website contains the methodology for statistical accounting of cross-border Transport services and services under the Travel item, taking into account the formation of data for the constituent entities

<sup>1</sup> Executive Order of the Government of the Russian Federation No. 30-r, dated 19 January 2019, 'On the List of Documents (Information) that Joint-stock Company Russian Export Centre Is Entitled to Receive and Transmit through the Unified System of Interagency Electronic Interaction'.

of the Russian Federation and for counterparty countries. The Bank of Russia participated in international working groups on the development of approaches to the classification of direct investment by ultimate investing economy and ultimate host economy and accounting of pass-through funds, financial conduits,<sup>1</sup> arrears and other objects of macroeconomic financial statistics.

In 2020, based on the results of the Bank of Russia's participation in the twelfth Triennial Review of the Bank for International Settlements in 2019, in order to improve information support for users, the Bank of Russia updated the methodology for producing the indicators of the gross volume of open positions in operations with OTC financial derivatives as well as the methodology for compiling indicators of the turnover structure of the foreign exchange market and the financial derivatives market.

To increase accessibility and popularise statistical information, a new activity area, Understandable Statistics, is being developed. On the Bank of Russia website, information and analytical materials addressed to a wide range of consumers were published, in particular, on [statistics of the exports of travel services to China](#); a commentary on trends in the use of the Russian ruble in cross-border payments of the Russian Federation was prepared; and a methodological note was published revealing the differences between the two approaches to presenting data on direct investment (the directional principle and the asset/liability principle). For the first time, the Bank of Russia published interactive dashboards for statistics on direct investment in the Russian Federation and interest rates on ruble loans and deposits. The dashboards enable users to interactively analyse the dynamics of statistical indicators.

In 2020, the Bank of Russia began publishing a monthly newsletter Information on

the Mortgage Lending Market in Russia. The bulletin contains full information about the housing mortgage lending (HML) market: data on the dynamics of interest rates and the number and volume of HMLs and overdue debt as well as key indicators of the national 'Housing and Urban Environment' project, including the 'Mortgage' federal project, the prices for housing according to Rosstat and information according to the Ministry of Finance of Russia on the amount of subsidies issued to the citizens of the Russian Federation with children. The statistical bulletin Lending to Small- and Medium-Sized Enterprises began to be published, which includes such indicators as the volume of loans provided to SMEs, weighted average interest rates, the average size of loans, their structure and issue dynamics. Both newsletters contain short commentaries on the latest reporting data reflecting the main trends in these critical segments of the lending market.

In 2020, the Bank of Russia began publishing the annual statistical bulletin [Financial Accounts of the System of National Accounts of the Russian Federation](#) in addition to the published data on financial accounts and financial assets and liabilities of the System of National Accounts of the Russian Federation. The first issue presents annual data for the Russian Federation for 2012–2019 on the financial assets and liabilities of such institutional sectors as Non-financial Corporations, Banking System, Investment Funds, Insurance Corporations, Non-governmental Pension Funds, Other Financial Intermediaries, General Government, Households and Non-profit Institutions Serving Households, and Rest of the World. The new publication expands the options of using the system of national accounts of the Russian Federation for analysing the financial condition of sectors of the economy.

<sup>1</sup> A financial conduit company is an institutional unit that raises funds on open financial markets for their subsequent passing on to other affiliated enterprises.

#### 2.6.4. DATA MANAGEMENT IN THE BANK OF RUSSIA

In 2020, the Bank of Russia continued to implement a data management system according to the Bank of Russia Data Management Strategy for 2019–2021.

In the reporting year, the Bank of Russia developed appropriate data management techniques to ensure the unification, coherence and quality of critical data and to establish the principles and rules for data modelling.

To improve information flows, the Bank of Russia continued to implement collection of reporting based on the data model. In 2020, the Bank of Russia together with the Association Rossiya created a working group to study the transition to data-centric collection of information from credit institutions and development of a unified data model. The group includes representatives of the banking community, companies providing consulting and technology services and software developers. The group discussed an approach to the collection of reporting based on a unified data model for specific areas, which involves integration of data requirements for individual reporting forms, alignment of data detail levels and unification of identification codes for objects and subjects of reporting. The introduction of the data model will allow integrated use of the data from the reporting forms of supervised entities for analysis, supervision and inspection.

The first reporting form based on the primary data model, 0409310 'Information on pledged items accepted by credit institutions as collateral on loans', was approved in 2020.<sup>1</sup> The Bank of Russia published the data model, collection scheme and requirements for data quality checks for credit institutions on its website.

The working group also discussed a data model for payments of credit institutions. The Bank of Russia plans to receive such data using the mechanism of standard requests and responses.

In 2020, the Bank of Russia continued to optimise the regulatory burden for minimising the costs of supervised entities for preparing and submitting regulatory reporting. The Bank of Russia approved more than 80 out of over 150 proposals received from credit institutions and non-bank financial institutions, of which 59 have already been implemented or included in draft regulations.

Taking into account the assessment of the feasibility of obtaining additional information from financial market participants and rational use of the already available data, in 2020, the Bank of Russia introduced a procedure for submitting applications justifying the need for data to the Data Management Committee of the Bank of Russia. The new approach to decision-making on organising the collection of new (previously lacking in the Bank of Russia) data makes it possible to assess the use of new data in the business processes of structural units, develop the optimal composition and structure of the collected data, and eliminate duplication of the requested information.

As part of support measures for financial market institutions in the context of the coronavirus pandemic, in 2020, the Bank of Russia extended the deadlines for the submission of certain reporting forms by supervised entities and introduced regulatory easing in terms of requirements for drawing up and submitting regulatory reporting. At the same time, in 2020 Q2–Q3, the Bank of Russia shortened the list of statistical and other data planned for collection in accordance with the Bank of Russia Survey Programme that is published on its website.

To form a unified source of registry data and shorten the list of requested data in the reporting of financial institutions in 2020, the Bank of Russia continued to develop the Persons and Securities centralised registries. The Bank of Russia implemented measures to regulate the quality of all-Russian classifiers and orga-

<sup>1</sup> Bank of Russia Ordinance No. 5456-U, dated 12 May 2020, 'On Amending Bank of Russia Ordinance No. 4927-U, Dated 8 October 2018, 'On the List, Forms and Procedure for Compiling and Submitting Credit Institutions' Reporting Forms to the Central Bank of the Russian Federation'.

nise incident management (error detection and correction) for registers and reference books used in the Bank of Russia.

To improve data analysis skills of managers and specialists and involve them in data management processes, in 2020, the Bank of Russia launched a training programme covering the fundamentals of modern data analysis, the

culture of data-driven decision-making, methods and tools for data analysis, data management processes and key information resources of the Bank of Russia. In 2020, the Big Data Researchers Club of the Bank of Russia held workshops to exchange experience in solving analytical problems using artificial intelligence and machine learning.

## 2.6.5. IMPROVEMENT OF MONEY MARKET BENCHMARKS

### DEVELOPING RUSSIAN FINANCIAL BENCHMARKS

In accordance with the Roadmap for the Implementation of the Russian Financial Market Development Programme for 2019–2021, developed together with the Government of the Russian Federation, in 2020, the Bank of Russia prepared a draft report for the Government of the Russian Federation on measures for developing significant (critical) Russian financial benchmarks in the context of the global reform of financial benchmarks under the G20 resolutions and submitted it for approval to the relevant authorities.

The draft report identified the following benchmarks as significant (critical): RUONIA, RUSFAR, MosPrime Rate, MOEX/RTS Index, MOEX USD/RUB FX FIXING, and the Bank of Russia key rate.<sup>1</sup> The results of the analysis show that introducing regulation of significant (critical) Russian financial benchmarks and their administrators seems premature given the development phase of the Russian financial market.

As part of the work on the accreditation of financial benchmarks,<sup>2</sup> in 2020, the Bank of Russia assessed the RUSFAR financial benchmark family (in rubles, with the maturities of overnight, one week, two weeks, one month and three months; in US dollars, with the overnight maturity) and PJSC Moscow Exchange as its administrator as satisfactory.<sup>3</sup>

In 2020, the Bank of Russia continued its efforts to support Russian financial market participants by bringing national financial benchmarks in line with the [Principles for Financial Benchmarks of the International Organisation of Securities Commissions](#) (the 'IOSCO Principles').

### ADMINISTERING RUONIA

In 2020, the Bank of Russia started to administer<sup>4</sup> RUONIA, a risk-free interest rate benchmark used to monitor and analyse the efficiency of achieving the operational objective of the Bank of Russia's monetary policy. Pricing of several financial instruments, such as loans, bonds and derivatives, is linked to RUONIA. The Bank of Russia is fully in charge of all the stages of administering RUONIA, including the methodology, compilation of the list of contributor banks, data collection, calculation and publication of the interest rate.

The IOSCO Principles require administrators to engage independent external auditors with appropriate qualifications and experience to periodically review and report on the administrators' compliance with the IOSCO Principles. Accordingly, an external audit of the process of administration of RUONIA in the Bank of Russia was carried out by the audit company Ernst & Young.

In 2020, the Bank of Russia implemented the recommendations of the external auditor in its administration procedures. On 22 June 2020, the Bank of Russia established the Committee for RUONIA Supervision, which oversees the administration of RUONIA in accordance with the IOSCO Principles.

The Committee has the following functions:

- monitoring the administration of RUONIA
- coordination of documents and procedures related to the administration of RUONIA
- interaction with RUONIA users and other stakeholders, including the Expert Council on Benchmarks and Rates of the SRO National Finance Association.

The updated RUONIA methodology was approved on 1 December 2020 (with the im-

<sup>1</sup> This is not a financial benchmark; it was included in the list due to its extensive use in financial instruments.

<sup>2</sup> In accordance with Bank of Russia Information Letter No. 06-51/8518, dated 30 September 2015, 'On Evaluating the Quality of Formation of Financial Benchmarks and the Quality of the Functioning of Organisations Forming Financial Benchmarks'.

<sup>3</sup> See the press release '[Bank of Russia accredits Moscow Exchange's financial benchmark](#)' on the Bank of Russia website.

<sup>4</sup> Before 2020, RUONIA was administered by SRO National Finance Association, or SRO NFA (before 2015, by the National Foreign Exchange Association, which became part of SRO NFA in 2015). The Bank of Russia performed the functions of a settlement agent and published rates.



## The Bank of Russia published a statement on compliance with international standards in administering RUONIA

plementation start date of 23 December 2020). Key changes included no longer filtering large transactions (as back testing<sup>1</sup> showed the low efficiency of filtering), the replacement of MosPrimeRate as it did not meet international standards, and bringing the publication format in line with the requirements of the International Organisation of Securities Commissions. Thus, after the establishment of administration and external audit were completed, the structure of the benchmark and its publication were brought in line with international standards.

In December 2020, the Bank of Russia published a [statement on compliance with the international standards in administering the RUONIA interest rate](#). The statement discloses the organisational structure of administration, current documents and procedures. In collecting and processing data, providing methodological support and calculating and publishing RUONIA, the Bank of Russia adheres to the standards of the International Organisation of Securities Commissions. This ensures the transparency, integrity and independence of administration. The audit company Ernst & Young confirmed that the Bank of Russia's statement was accurate in all material aspects.

### Statistics of benchmark interest rates

In 2020, the Bank of Russia undertook preparations to start publishing on its website a set of indicators of the structure of the loan portfolio of Russian credit institutions in the context of benchmark interest rates in the form of aggregated time series.

In addition, in 2020, the Bank of Russia prepared information on debt securities issued broken down by type of coupon rates and category of baseline indicators for variable-coupon debt securities. The new data will provide users with an additional opportunity to analyse the formation of coupon income on debt securities issued in the domestic market by category of baseline indicators.

### LIBOR reform

In 2020, the Bank of Russia supported Russian financial market participants' adaptation to the global reform of financial benchmarks through facilitating the replacement of LIBOR rates<sup>2</sup> with alternative financial benchmarks by the end of 2021:

- market participants received recommendations on transition to new benchmarks;<sup>3</sup>
- a Schedule for the Development of Laws and Regulations of the Government of the Russian Federation to ensure implementation of the relevant amendments to laws and regulations in terms of replacing LIBOR with alternative benchmarks was approved, in accordance with which the Bank of Russia is participating in developing a number of draft federal laws and other regulations;
- the Bank of Russia has identified a list of its regulations and other documents that require amendments in terms of replacing LIBOR with alternative benchmarks.

LIBOR is used by the Bank of Russia to decide on the maximum interest rate to be introduced as a limit for interest rates that

<sup>1</sup> Back testing is a study of the impact of the procedure of various kinds of filtering or its absence on historical series of RUONIA and comparison of the results obtained.

<sup>2</sup> [Due to the confirmation of the UK Financial Conduct Authority's unchanged plans to discontinue LIBOR at the end of 2021.](#)

<sup>3</sup> Bank of Russia Information Letter No. IN-03-42/91, dated 25 May 2020, 'On the Roadmap for the Transition of Credit Institutions to New Foreign Benchmarks', Bank of Russia Information Letter No. 05-35/3903, dated 29 May 2020, 'On Developing a Plan for the Transition to New Benchmarks of PJSC Moscow Exchange Group', Bank of Russia Information Message, dated 29 June 2020, 'List of Foreign Financial Benchmarks under the Principles for Financial Benchmarks of the International Organisation of Securities Commissions and the Requirements of the Laws of the European Union', Bank of Russia Information Letter No. IN-015-52/121, dated 12 August 2020, 'On Transition to New Foreign Interest Benchmarks'.



Due to the planned termination of LIBOR administration, the Bank of Russia participated in developing draft law proposals to provide for the replacement of LIBOR

credit institutions specify in agreements for foreign currency bank deposits entered into (extended) during the effective period of such a limit in accordance with Clause 7 of Part Three of Article 74 of Federal Law No. 86-FZ. The Bank of Russia participated in developing draft law proposals providing for the replacement of LIBOR with an interest rate calculated by the Bank of Russia for the purposes of the above-mentioned clause. It is proposed that

the interest rate be calculated as the arithmetic average of weighted average interest rates on household deposits in Russian credit institutions in US dollars and euros.

To ensure uniform approaches, a similar replacement with a new interest rate benchmark calculated in rubles is planned for the Bank of Russia key rate used by the Bank of Russia to limit interest rates of credit institutions on ruble deposits.



## 2.6.6. BANK OF RUSSIA ACTIVITIES TO FINANCE SUSTAINABLE DEVELOPMENT

In 2020, the Bank of Russia paid significant attention to financing sustainable development, introducing responsible investment principles and integrating environmental, social and corporate governance factors (the so-called ESG factors<sup>1</sup>) into the activities of financial market participants.

To develop practices of sustainability-driven decision-making for institutional investors, the Bank of Russia published the Guidelines on Responsible Investment.<sup>2</sup>

At the end of 2020, the Bank of Russia established a working group for financing sustainable development aimed at defining the internal strategic agenda of the Bank of Russia in this area and monitoring its implementation. To support its work, expert subgroups were formed on a number of issues related to sustainable development.<sup>3</sup>

In 2020, the Bank of Russia actively assisted the Government of the Russian Federation and development institutions in implementing the national sustainable development agenda. The Bank of Russia took part in developing Directive of the Government of the Russian Federation No. 3024-r, dated 18 November 2020, which secures the status of VEB.RF as a methodological hub for financing sustainable development, identifies the Ministry of Economic Development of Russia as the coordinator of efforts toward financing sustainable development in the Government of the Russian Federation and provides for the establishment of a working group, including representatives of federal executive authorities, the Bank of Russia, development institutions and market participants to agree on methodological documents

and regulations in the area of financing sustainable development.

Together with the Bank of Russia, VEB.RF developed draft methodological documents on financing sustainable development, including the Guidelines for the Implementation of Green Projects in the Russian Federation (taxonomy), the Methodological Recommendations for the Development of Green Investment in the Russian Federation, and the Model Verification Methodology.

### *Development of the financial instruments market and sustainable development infrastructure*

In 2020, the Bank of Russia worked on issues of improving sustainable development tools and infrastructure. To create the regulatory environment for the issuance and circulation of green and social bonds, the Bank of Russia issued Regulation No. 706-P, dated 19 December 2019, 'On Securities Issue Standards'. Additional requirements for disclosures by issuers of green and social bonds are established in Bank of Russia Regulation No. 714-P, dated 27 March 2020, 'On Disclosing Information by Securities Issuers'.

### *Bank of Russia policy in the area of assessment and regulation of environmental, social and governance (ESG) risks*

For the past two years, international organisations and national regulators, including the Bank of Russia, have been paying special attention to environmental factors. In the [Financial Stability Review for 2019 Q2–Q3](#), the Bank of Russia reported that climate risks could have a significant impact on the activities of financial

<sup>1</sup> Environmental, Social and Governance factors. Currently, increasingly more companies and organisations of all forms are taking ESG factors into account in their activities. Such factors are also considered in the investment strategies and lending policies of institutional investors and financiers. In addition, many countries incorporate ESG factors in their national long-term and medium-term development strategies.

<sup>2</sup> Bank of Russia Information Letter No. IN-06-28/111, dated 15 July 2020, '[On the Guidelines for the Implementation of Principles for Responsible Investment](#)'.

<sup>3</sup> Such issues include forming and improving sustainable development infrastructure and tools, integrating sustainable development factors into corporate practices, facilitating sustainability-driven risk assessment for investment decisions and investment management of financial institutions, forming micro- and macroprudential supervision approaches to risk and asset assessment with consideration for new types of risks, and developing incentives for the development of the sustainable finance market and integration of sustainable development approaches into the activities of the Bank of Russia as a legal entity.

institutions and financial stability in general. Since then, the importance of such risks has continued to grow.

However, a holistic and internationally agreed-upon approach to assessing and managing climate risks remains to be developed. In 2020, international organisations<sup>1</sup> and national regulators focused on studying transmission channels of climate risks in the financial sector and the economy as a whole, developing approaches to stress testing and drafting requirements for accounting, management and disclosure of information on climate risks (see [Subsection 2.6.8 'International cooperation'](#)). In 2020, the Bank of Russia analysed the transmission channels of climate risks in the economy. Due to the specifics of the Russian economy, special attention was paid to a preliminary assessment of possible consequences of the introduction of cross-border carbon taxes for Russian exporting companies (especially in the oil and gas and mining industries). The key research findings were published in the [Financial Stability Review for 2020 Q2–Q3](#).

To improve the climate risk awareness of financial market participants, in particular, insurance companies and credit institutions, determine their current approach to climate change threats and assess their readiness to take such risks into account in their activities, in 2020, the Bank of Russia published the consultation paper *Impact of Climate Risks and Sustainable Development of the Financial Sector of the Russian Federation*. The feedback received facilitated expert assessment of the scale of the potential impact of climate risks on the financial sector and identified its needs for the development of appropriate regulation.

While the coronavirus pandemic resulted in reduced atmospheric emissions and had a short-term positive impact on the environment, a long-term negative effect is the reduced capacity of companies to finance the transition to

a low-carbon economy. Therefore, joint efforts of the Bank of Russia and the Government of the Russian Federation in this area are especially important.

#### *Introduction of sustainable development-oriented approaches into the activities of the Bank of Russia as a legal entity*

In 2020, the Bank of Russia as a legal entity focused on environmental and gender aspects of sustainable development-oriented approaches in its activities.

To reduce the burden on the environment and introduce an environmental approach to its activities, the Bank of Russia took measures to ensure responsible resource consumption and optimal waste management.

In 2020, the Bank of Russia introduced quarterly reporting on the energy efficiency of its facilities and implemented an annual schedule of measures for reducing energy costs and improving energy efficiency in the use of Bank of Russia facilities.

The Bank of Russia operates a system of separate accumulation of production and consumption waste in accordance with the environmental hazard class. Waste prohibited for burial in landfills is transferred for disposal to specialised organisations.

In 2020, a gradual reduction of paper workflow, transition to a full cycle of electronic document workflow and expansion of the scope of legally significant electronic document workflow ensured an increase in the share of paperless electronic documents to 86% of the internal electronic document workflow of the bank. The share of inter-departmental electronic document workflow carried out using the inter-departmental electronic document workflow system is maintained at 99%.

As part of achieving the social goals of sustainable development, in 2020, the Bank of Russia conducted the first assessment of the practices of recruiting, promoting and remunerating employees from the point of view

<sup>1</sup> The Network for Greening the Financial System (NGFS), the Financial Stability Board (FSB), the Task Force on Climate-related Financial Risks (TCFR) of the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors (IAIS), and the G20 Sustainable Finance Study Group (SFSG).

of enabling equal opportunities for men and women. The assessment showed the following results.

In 2020, the number of male and female employees of the bank was close to equal (45.5% and 54.5%, respectively). In management positions, the share of women was 44%, and in top management, 33%. The structure of career development in 2020 was as follows: out of employees who received promotions, 60.5% were women, 39.5% were men. The average difference in annual remuneration was 6.5% in favour of men.

In 2020, the Bank of Russia started to develop an agenda for promoting diversity and inclusion in the Bank of Russia's personnel management practices.

*Bank of Russia's efforts in the area of carbon regulation and the carbon credits trading system<sup>1</sup>*

In December 2020, the Bank of Russia became a member of a working group under the Government of the Russian Federation formed to implement a pilot project in the Sakhalin Region for regulation of greenhouse gas emissions and circulation of carbon credits.<sup>2</sup> To establish the procedure for this pilot project and the basic requirements for its results, in 2020, the working group developed a draft concept of the federal law 'On a Pilot Project in the Sakhalin Region for Regulation of Greenhouse Gas Emissions and Circulation of Carbon Credits'. If the pilot project is successful, its results will be expanded to the entire territory of Russia.

<sup>1</sup> Carbon credits are objects of property rights representing the verified result of the implementation of a climate project expressed as the mass of greenhouse gases equivalent to one metric ton of carbon dioxide emissions.

<sup>2</sup> The pilot project was launched in 2020. It is aimed at establishing a system for verification, accounting and absorption of greenhouse gases and organising infrastructure for accounting and trading of carbon credits.

## 2.6.7. INFORMATION TECHNOLOGY DEVELOPMENT IN THE BANK OF RUSSIA

In 2020, the Bank of Russia continued to implement key projects and measures to unify and streamline IT solutions under the Bank of Russia IT Strategy for 2016–2020.

Ensuring the technological capability of the structural units of the Bank of Russia to implement support measures aimed at overcoming the consequences of the coronavirus pandemic was a priority focus.

To ensure the continuity of critical business processes of the Bank of Russia, employees of a number of structural subdivisions worked at reserve facilities to ensure maximum protection from the risk of infection. The necessary IT infrastructure was promptly deployed at several remote facilities and workplaces.

Despite the difficult epidemic situation, the Bank of Russia continued to create new services for market participants and users. The Bank of Russia Repo Operations subsystem of the Securities system was promptly updated to provide credit institutions with greater flexibility in managing their liquidity. The introduction of the Floating Rate Repo Auction instrument allowed credit institutions to conduct repo transactions with new maturities (month, year) and rules for setting lending rates.

Taking into account the increased demand for remote interaction, the Bank of Russia strived to increase the share of electronic document workflow. About 30 new types of applications may now be submitted through personal accounts of financial market partic-

ipants. Review and approval procedures are now carried out in the developed Electronic Documents Collection application according to scenarios that include automatic data quality checks, sending notifications on resolutions, and submission of information to the FTS. Additionally, personal accounts are used for direct interaction of the State Corporation Deposit Insurance Agency with credit institutions. Furthermore, responses to individuals' appeals received via the Bank of Russia online reception are now completely paperless.

The Bank of Russia released the Central Bank Online mobile application where consumers can ask the regulator questions on financial products and receive prompt advice.

As part of the transition to modern standards for presenting information, the Bank of Russia launched a new version of its official website, which enables convenient use of the website on both desktop computers and mobile devices and makes it more usable for people with visual impairment.

The improvement of the functional subsystem Registers of Financial Market Participants made it possible to implement the provisions of Federal Law No. 514-FZ<sup>1</sup> which provide for partial delegation of the functions of registering issues of securities to registrars, and the provisions of Federal Law No. 248-FZ<sup>2</sup> which provide for the delegation of authority to approve the rules of trust management of unit investment funds whose units are restricted in circulation.

<sup>1</sup> Federal Law of No. 514-FZ, dated 27 December 2018, 'On Amending the Federal Law 'On the Securities Market' and Certain Legislative Acts of the Russian Federation to Improve the Legal Regulation of Securities Issuance'.

<sup>2</sup> Federal Law No. 248-FZ, dated 26 July 2019, 'On Amending Certain Laws of the Russian Federation'.

## 2.6.8. INTERNATIONAL COOPERATION

In 2020, international cooperation was developed in accordance with the Priority Areas of the Bank of Russia's International Activities for 2019–2021. The coronavirus pandemic led to adjustments in the format and agenda of most areas of international cooperation, shifting the focus of the discussion to the consequences of the pandemic and measures for overcoming them.

One of the main areas of cooperation is the implementation of the Treaty on the Eurasian Economic Union in terms of building a common financial market of the EAEU member states. The Bank of Russia prepared an agreement simplifying the establishment of subsidiaries of banks and insurance companies within the EAEU and worked on developing a common payment space, ensuring the information security of the financial market and countering computer attacks in the credit and financial sector. In addition, the Bank of Russia participated in developing draft sectoral treaties for the financial market, the Action Plan for Harmonising the Laws and Regulations of the Eurasian Economic Union Member States on the Financial Market<sup>1</sup> and the Strategic Directions for Developing the Eurasian Economic Integration until 2025.<sup>2</sup>

In addition, the Bank of Russia continued to cooperate with the central (national) banks of the EAEU countries as part of bilateral comparisons of data on balance of payments statistics.

Cooperation was also developing with regard to the relevant issues of the integration agenda of the **Union State of Russia and Belarus** and the **Commonwealth of Independent**

**States (CIS)**. The Bank of Russia took part in the development of the CIS Economic Development Strategy until 2030,<sup>3</sup> the draft action plan for the implementation of its first stage and a draft agreement on free trade in services and on establishment of investments and investment activities of CIS member states. The Bank of Russia chaired the Interstate Coordination Council of Heads of Insurance Supervision Bodies of the CIS Member States and participated in the preparation of the analytical review On the Development of the Insurance Market in the CIS Member States in 2019. Within the Union State of Russia and Belarus, the Bank of Russia and the National Bank of the Republic of Belarus agreed on the values of statistical indicators of mutual claims and obligations of residents and on the international investment position and balance of payments of the Union State of Russia and Belarus for 2019.

As part of Russia's presidency of the **Shanghai Cooperation Organisation (SCO)** in 2019–2020, the Bank of Russia together with the Russian Ministry of Finance organised a round table on increasing the share of mutual settlements in national currencies for representatives of regulators of the SCO member states.

In the context of the coronavirus pandemic, the Bank of Russia took part in the efforts of international organisations aimed at developing measures to support the real economy and the financial sector and mitigate the consequences of the pandemic. The Bank of Russia participated in the development of the G20 Action Plan by finance ministers and central bank governors of the G20 countries. The Bank of Russia took



The Bank of Russia continues its efforts aimed at building a common financial market for the EAEU

<sup>1</sup> Approved by Order of the Council of the Eurasian Economic Commission No. 27, dated 23 November 2020, 'On the Action Plan for Harmonising the Laws and Regulations of the Eurasian Economic Union Member States on the Financial Market'.

<sup>2</sup> Approved by Resolution of the Supreme Eurasian Economic Council No. 12, dated 11 December 2020, 'Strategic Directions for Developing Eurasian Economic Integration until 2025'.

<sup>3</sup> Approved by the Resolution of the Council of Heads of State of the CIS, dated 29 May 2020, 'On the Economic Development Strategy of the Commonwealth of Independent States until 2030'.

part in a discussion on the reasons for capital outflow from EMEs during the onset of the pandemic and on ways to strengthen the resiliency and stability of capital flows in this group of countries at an extraordinary G20 meeting.

In cooperation with the **Financial Stability Board (FSB)**, the Bank of Russia participated in regular monitoring of risks and implementation of support measures for the economy during the coronavirus pandemic, following which the FSB prepared a corresponding report. In addition, in accordance with the priorities stated by the G20, the FSB continued to implement projects not related to the pandemic, including those aimed at promoting the reform of financial benchmarks and the retirement of LIBOR as a benchmark for determining short-term interest rates on loans, securities and derivatives, assessing the effectiveness of reforms for major financial institutions and improving the efficiency of cross-border payments.

The Bank of Russia co-authored the FSB report on the activities of large technology companies in EMEs and the annual report on global monitoring of non-bank financial intermediation and took part in the development of regulatory standards and analysis of best practices in the field of labour remuneration in financial institutions.

The Bank of Russia supervised an analysis of the current state of macroprudential policy in Germany and an assessment of the risks to its financial stability arising from the activities of non-bank financial intermediaries. The findings of the experts were published by the FSB in the Country Peer Review for Germany and proved valuable for improving the regulation of the Russian financial market.

In 2020, the Bank of Russia participated in consultations in accordance with Article IV of the Articles of Agreement of the **International Monetary Fund (IMF)**, which for the first time took place fully online. IMF experts acknowledged that the measures taken by the Bank of Russia to support the financial sector in the context of the coronavirus pandemic contributed to the recovery of the Russian economy.

They also noted high levels of liquidity and capital adequacy of the banking sector.

As part of the reform of the IMF's resources, the Bank of Russia signed a new bilateral loan agreement (BLA) with the IMF, which provides for the redistribution of the Bank of Russia's liabilities to provide the IMF with borrowed funds under BLAs and NABs<sup>1</sup> starting 1 January 2021. The BLA was concluded for the period until 31 December 2023 with the possibility of prolongation for one year with the consent of the Bank of Russia. The redistribution of liabilities of the Bank of Russia results from the IMF decision to increase the amount of funds under NABs and to prolong loan agreements (BLAs and NABs) with participating countries to maintain lending potential.

The IMF amended the Balance of Payments and International Investment Position Manual, with the Bank of Russia as one of the key developers of methodological materials on the classification of direct investments. The position of the Bank of Russia was also taken into account on a number of other topics regarding external sector statistics. In addition, within a specialised working group under the IMF, the Bank of Russia participated in the start of the development of new approaches to statistical accounting of cross-border transactions classified as part of the informal economy.

In 2020, the Bank of Russia coordinated the meetings of the **Central Banks Governors' Club of Central Asia, Black Sea Region and Balkan Countries**, acting as an author of reports and the chair and keynote speaker at the sessions. The Bank of Russia chaired the 44<sup>th</sup> meeting of the Club focused on overcoming the consequences of the coronavirus pandemic. In addition, the Bank of Russia initiated a discussion of the possibility and consequences of the issuance of digital currencies by central banks. At the invitation of the Bank of Russia, the meeting was attended by the representatives of the IMF, the World Economic Forum (WEF) and the Bank for International Settlements (BIS), which are conducting cutting-edge research in these areas.

<sup>1</sup> New Arrangements to Borrow.



In 2020, Russia chaired **BRICS**. The key achievements of the Bank of Russia this year included a successful third testing of the mechanism of the BRICS Contingent Reserve Arrangement; the release of the first Economic Bulletin on the impact of the coronavirus pandemic on the BRICS economies and the results of anti-crisis measures; the launch of a communication channel between central banks for the exchange of data on computer attacks, cyberthreats, and the best national cybersecurity practices; and the establishment of the BRICS Payments Task Force.

The Bank of Russia was involved in sharing experience on pressing issues on the international financial agenda at the meetings of central bank governors at the **Bank for International Settlements (BIS)**.<sup>1</sup> The Bank of Russia continued to develop its cooperation with the relevant committees of the BIS, including the Committee on Payments and Market Infrastructures (CPMI), the Irving Fisher Committee on Central Bank Statistics, and the Basel Committee on Banking Supervision (BCBS). In 2020, the Bank of Russia significantly expanded the areas of cooperation with the BIS, joining such bodies of the BIS as the Committee on the Global Financial System, the Markets Committee, and the Innovation Group. The Bank of Russia took part in the study of changes in capital flows and in the analysis of the impact of total debt in the financial system on financial stability.

As part of its participation in an international project to create a network for exchanging experiences on statistical handling of granular data (INEXDA<sup>2</sup>) under the aegis of the Irving Fischer Committee, the Bank of Russia prepared materials for studying ways to provide access to granular data in different countries.

In connection with the completed development of the package of reforms by the BCBS, the Bank of Russia took part in the discussion of strategic matters of the Committee's activities, including reorganising its structure and reorienting its activities to ensure the imple-

mentation of standards in the BCBS member countries and regulating emerging types of risks and relevant supervisory issues. In addition, the Bank of Russia participated in the BCBS annual survey to determine the list of global systemically important banks for 2019, the survey on the use of the countercyclical capital buffer (national countercyclical buffer) in Russia and other BCBS projects.

In 2020, the Bank of Russia expanded its cooperation with the **International Association of Insurance Supervisors (IAIS)**, including as part of committees and working groups and within the framework of regional initiatives. The Bank of Russia participated in the efforts of the IAIS aimed at global monitoring in the insurance sector during the pandemic, in discussing responses to identified risks and in compiling a database of support measures.

In 2020, the Bank of Russia took part in the development of the following IAIS documents:

- practical guidelines on liquidity risk management;
- a broad overview of the implementation of a number of the Insurance Core Principles by the IAIS member states: licencing, compliance of significant entities, corporate governance, risk management and internal control;
- a report on the impact of the coronavirus pandemic on the insurance market.

The Bank of Russia passed the IAIS baseline assessment in terms of introducing an integrated approach to analysing and limiting the systemic importance of insurance companies and took part in a broad review of the implementation of the Insurance Core Principle 'Conduct of Business'.

The Bank of Russia participated in the development of documents of the **Network for Greening the Financial System** aimed at managing climate and environmental risks for the financial system:

- progress report on the implementation of sustainable and responsible investment

<sup>1</sup> Including activities of central banks in the context of the coronavirus pandemic, interaction of monetary and fiscal policies during the crisis, development of strategies for discontinuing the policy of exceptional economy support measures, problems of the global monetary system, real estate price dynamics, supervision and risks of the banking system, and cybersecurity in the financial sector.

<sup>2</sup> The International Network of Exchanging Experiences on Statistical Handling of Granular Data.



practices in central banks' portfolio management;

- study on the recognition of climate risks in monetary policies of central banks.

The Bank of Russia cooperated with the **Organisation for Economic Cooperation and Development (OECD)**<sup>1</sup> and took part in the activities of its working bodies. The Bank of Russia analysed the feasibility of integrating OECD legal instruments in Russian laws. In 2020, the Bank of Russia took part in the discussion of the OECD Codes of Liberalisation of Capital Movement and amendments to the current edition of the OECD Benchmark Definition of Foreign Direct Investment and presented measures for financial consumer protection taken in the context of the coronavirus pandemic in Russia as part of a joint study by the G20 and the OECD.

Within the framework of the **United Nations Conference on Trade and Development (UNCTAD)**, the Bank of Russia participated in the preparation of the Manual for the Production of Statistics on the Digital Economy.

The Bank of Russia took part in developing the Russian Federation's negotiating position on e-commerce in the **World Trade Organisation (WTO)**.

In 2020, with the mediation of the Ministry of Economic Development of Russia as part of the Economic Committee of the **Asia-Pacific Economic Cooperation (APEC)**, the Bank of Russia carried out a research project on expanding the capacity of regulatory sandboxes.<sup>2</sup> The main purpose of the project was to study the experience of APEC economies in creating and managing regulatory sandboxes. The project engaged market participants in assessing the effectiveness of sandboxes.

In 2020, the Bank of Russia became a member of the Board of the **International Organisation of Securities Commissions (IOSCO)**. In its new status, the Bank of Russia took part in events organised by the IOSCO Board, continued its work in policy development com-

mittees and the Monitoring Group of the IOSCO Multilateral Memorandum of Understanding on consultations, cooperation and information exchange and in other IOSCO project associations, participated in the preparation of a number of reports, in particular, the Securities Markets Risk Outlook 2021.

The Bank of Russia held the 4<sup>th</sup> World Investor Week in Russia,<sup>3</sup> an information campaign initiated by IOSCO. The event focused on the issues of safe investment, countering fraud and unfair practices in the financial market, ensuring digital security and financial consumer protection measures. The Bank of Russia presented the results of its work in the field of investor protection in the IOSCO Committee on Retail Investors.

As a co-president of a committee of the **International Financial Consumer Protection Organisation (FinCoNet)**, a representative of the Bank of Russia together with a representative of the financial regulator of Canada coordinated a study on the regulation of advertising of financial services and prepared a report based on the results of this study that was presented at the FinCoNet Annual General Meeting 2020 and published on the FinCoNet website. At the end of 2020, a representative of the Bank of Russia was elected co-president of the FinCoNet Standing Committee for the use of innovative supervisory technology by market conduct supervisors. The Bank of Russia published a number of papers on improving financial consumer protection in Russia on the FinCoNet website.

The Bank of Russia continued to develop cooperation with the **Global Partnership for Financial Inclusion (GPII)** on revising the principles and restructuring of the GPII and agreeing on an Action Plan to Improve Financial Inclusion.

The Bank of Russia's cooperation with the **Alliance for Financial Inclusion (AFI)** was focused on matters of the continued functioning of financial market entities and support for

<sup>1</sup> Including on matters of the liberalisation of capital flows, statistics of foreign investment and foreign trade, insurance and pension provision, corporate governance, financial consumer protection and development of financial markets.

<sup>2</sup> APEC FinTech Regulatory Sandboxes Capacity Building.

<sup>3</sup> The event was attended by 900,000 participants, 3.4 times more than in 2019.



### The Bank of Russia expanded cooperation with foreign financial regulators

financial consumers during the pandemic. The Bank of Russia continued to implement the Regional Financial Inclusion Policy Initiative.

The Bank of Russia extensively used a remote format to develop bilateral cooperation with foreign financial regulators, including those of Argentina, Bangladesh, Vietnam, Qatar, China, Cuba, Mauritius, Morocco, Serbia, Laos, Turkmenistan, Turkey, and Uzbekistan, in order to expand cooperation in the development of financial markets, payment systems,

information security and settlements in national currencies and to exchange experiences in various areas of financial regulation. Indicators of the external sector were compared with the key trading partner countries of the Russian Federation, for example, Germany and China.

The Bank of Russia expanded the legal framework for its **cooperation with foreign financial regulators** on matters related to the supervision of financial market participants, payment systems, AML/CFT supervision, information security, and personnel training. Memoranda of understanding were signed with financial regulators of Argentina, China, Republika Srpska and the Federation of Bosnia and Herzegovina,<sup>1</sup> Sudan, and Uzbekistan.

<sup>1</sup> A trilateral memorandum was signed by the Bank of Russia, the Banking Agency of the Republika Srpska and the Banking Agency of the Federation of Bosnia and Herzegovina.

## 2.6.9. BANK OF RUSSIA EQUITY STAKES IN RUSSIAN ECONOMIC ENTITIES

In accordance with Article 8 of Federal Law No. 86-FZ, the Bank of Russia holds a stake in the authorised capital of the following entities: PJSC Moscow Exchange and Joint-stock Company Saint Petersburg Currency Exchange (JSC SPCEX),<sup>1</sup> National Payment Card System Joint Stock Company (NSPK JSC),<sup>2</sup> Joint-stock Company Russian National Reinsurance Company (JSC RNRC),<sup>3</sup> and in accordance with Article 76.10 of Federal Law No. 86-FZ, in the authorised capital of Limited Liability Company Fund of Banking Sector Consolidation Asset Management Company (FBSC AMC Ltd.).<sup>4</sup>

In addition, the Bank of Russia owns shares in PJSC Bank FC Otkritie, PJSC MInBank, TRUST Bank (PJSC) and JSC Asian-Pacific Bank<sup>5</sup> acquired as part of the financial rehabilitation of the banks.

In the reporting year, in accordance with Federal Law No. 50-FZ,<sup>6</sup> the Bank of Russia sold its entire stake in Sberbank to the Government of the Russian Federation represented by the Ministry of Finance of Russia. The revenue (positive financial result) received by the Bank of Russia from the sale of shares of Sberbank in the amount established by Federal Law No. 49-FZ, dated 18 March 2020, 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from

the Sale of Ordinary Shares of Sberbank of Russia' was transferred by the Bank of Russia to the federal budget in cash and to the treasury in the form of claims against Sberbank and the State Development Corporation VEB.RF.

The Bank of Russia sold Sberbank shares before the date the persons entitled to receive dividends for 2019 were determined; therefore, no dividends were paid to the Bank of Russia in 2020.

In 2020, the Bank of Russia's stake in the authorised capital of PJSC Moscow Exchange remained at 11.78%. The dividends for 2019 paid by PJSC Moscow Exchange to the Bank of Russia in the reporting year totalled ₽1.85 billion (₽1.8 billion for 2018).

The Annual General Meeting of Shareholders of PJSC Moscow Exchange for 2019 approved a new version of the Charter of PJSC Moscow Exchange, the Provisions on the Procedure of Preparation, Convocation and Holding of the General Shareholders Meeting and the Provisions on the Supervisory Board. The new version of the Charter of PJSC Moscow Exchange does not provide for the establishment of a Revision Commission.

In 2020, the Bank of Russia's stake in the capital of JSC SPCEX remained at 8.9%. The Annual General Meeting of Shareholders of JSC



In 2020, the Bank of Russia sold its stake in Sberbank to the Government of the Russian Federation

<sup>1</sup> Participation in these organisations is aimed at implementing the strategic objectives of the state economic policy and the further development of the financial market infrastructure for successful open market operations by the Bank of Russia.

<sup>2</sup> Established in 2014 in compliance with the requirements of Parts 1 and 2 of Article 30.2 of Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System'.

<sup>3</sup> Established in 2016 in accordance with Part 1 of Article 13.1 of Law of the Russian Federation No. 4015-1, dated 27 November 1992, 'On the Organisation of the Insurance Business in the Russian Federation' to provide the Russian reinsurance market with additional capacity to create a mechanism for protecting the property interests of policyholders sanctioned by foreign governments or international organisations and ensure the financial stability of insurers.

<sup>4</sup> Established in 2017 in accordance with Article 76.10 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'.

<sup>5</sup> Participation in these credit institutions is a result of bankruptcy prevention measures. The shares of PJSC MInBank, TRUST Bank (PJSC) and JSC Asian-Pacific Bank are in trust management by FBSC AMC Ltd.

<sup>6</sup> Federal Law No. 50-FZ, dated 18 March 2020, 'On the Acquisition by the Government of the Russian Federation of Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation'.

SPCEX, following the results of 2019, decided not to pay dividends for 2019.

The Bank of Russia is the sole shareholder of NSPK JSC. The authorised capital of NSPK JSC did not change in the reporting year and amounted to ₹4.3 billion. The dividends for 2019 paid by NSPK JSC to the Bank of Russia in the reporting year totalled ₹2.8 billion (₹2.4 billion for 2018).

The Bank of Russia is the sole shareholder of JSC RNRC. The authorised capital of JSC RNRC in 2020 remained at ₹21.3 billion. The dividends for 2020 H1 paid by JSC RNRC to the Bank of Russia in the reporting year totalled ₹830.7 million (none paid for 2019, ₹447 million for 2018). The amount of dividends increased as a result of the substantially higher net profit of JSC RNRC under IFRS.

In April 2020, the credit rating agency ACRA (JSC) confirmed the rating of JSC RNRC at AAA (RU) with a stable outlook. In December 2020, the international rating agency Fitch Ratings confirmed the financial stability rating of the insurer at BBB with a stable outlook.

The Bank of Russia is the sole stakeholder of FBSC AMC Ltd. In 2020, the Bank of Russia's participation in the authorised capital of FBSC AMC Ltd. remained at ₹1.5 billion.

In July 2020, the Bank of Russia became the sole shareholder of PJSC Bank FC Otkritie. The Annual General Meeting of Shareholders of PJSC Bank FC Otkritie decided not to pay dividends for 2019 (₹2 billion for 2018). In addition, the meeting approved a new version of the Charter and the Regulation on the Supervisory Board.

In October 2020, the rating agency Expert RA confirmed the credit rating of PJSC Bank FC Otkritie at ruAA- with a positive outlook. In December 2020, the credit rating agency ACRA (JSC) upgraded the rating of PJSC Bank FC Otkritie from AA-(RU) to AA(RU).

In the reporting year, the Strategy of PJSC Bank FC Otkritie for 2021–2023 was approved; in accordance with the resolution of the bank's Supervisory Board, it will become the basis for the development of the Strategy of the Otkritie Group for 2021–2023.

In July 2020, the Bank of Russia became the sole shareholder of PJSC MInBank. In the reporting year, the sole shareholder of PJSC MInBank decided not to pay dividends for 2019. In addition, it decided to reduce the authorised capital of PJSC MInBank to ₹5 billion. The sole shareholder of PJSC MInBank approved a new version of the Regulation on Remuneration and Compensation to the Members of the Board of Directors.

The share of the Bank of Russia in the capital of JSC Asian-Pacific Bank in 2020 amounted to over 99.99%. The Annual General Meeting of Shareholders of JSC Asian-Pacific Bank decided not to pay dividends for 2019. The Annual General Meeting of Shareholders of JSC Asian-Pacific Bank, following the results of 2019, approved a new version of the Charter and the Regulation on Remuneration and Compensation to the Members of the Board of Directors and resolved to terminate the bank's public status.

In November 2020, the international rating agency Fitch Ratings upgraded the stability rating of JSC Asian-Pacific Bank from negative to stable. In December 2020, the credit rating agency ACRA (JSC) upgraded the rating of the bank from BB+(RU) to BBB(RU).

The share of the Bank of Russia in the capital of TRUST Bank (PJSC) in 2020 amounted to 97.7%. The Annual General Meeting of Shareholders of TRUST Bank (PJSC) decided not to pay dividends for 2019. The Annual General Meeting of Shareholders of TRUST Bank (PJSC) for 2019 approved a new version of the Charter, the Regulation on the Supervisory Board and the Regulation on the Executive Board.

## 2.6.10. BANK OF RUSSIA EQUITY STAKES IN RUSSIAN CREDIT INSTITUTIONS UNDERGOING FINANCIAL REHABILITATION

The Bank of Russia participates in the authorised capital of credit institutions (see [Subsection 2.6.9 'Bank of Russia equity stakes in Russian economic entities'](#)) as a result of financial rehabilitation measures.

In 2020:

- the stakes of the Bank of Russia in JSC Asian-Pacific Bank and TRUST Bank (PJSC) as of 1 January 2021 remained at more than 99.99% of shares and 99.01% of shares,<sup>1</sup> respectively;
- the stake of the Bank of Russia in PJSC MInBank slightly increased from more than 99.99% to 100% of shares as a result of

the buyback of PJSC MInBank shares from minority shareholders;

- the stake of the Central Bank of Russian Federation in the authorised capital of PJSC Bank FC Otkritie<sup>2</sup> increased from more than 99.99% to 100% of shares as a result of the removal of encumbrances in the form of seizure of repurchased shares previously owned by minority shareholders.

See detailed information on measures for the financial rehabilitation of credit institutions in [Subsection 2.2.6 'Financial rehabilitation of financial institutions'](#).

<sup>1</sup> Taking into account indirect control: more than 97.70% of the shares of TRUST Bank (PJSC) are owned by the Bank of Russia, and 1.31% of shares are owned by PJSC Bank FC Otkritie.

<sup>2</sup> Bankruptcy prevention measures for PJSC Bank FC Otkritie were completed in 2019.

### 2.6.11. BANK OF RUSSIA EQUITY STAKES IN INTERNATIONAL ORGANISATIONS

Pursuant to Article 9 of Federal Law No. 86-FZ, in 2020, the Bank of Russia held stakes in the capital of such international organisations as the Swiss-based BIS (0.57%<sup>1</sup> of the authorised capital) and the Belgium-based Society for Worldwide Interbank Financial Telecommunications (SWIFT) (0.006% of the authorised capital). The Bank of Russia also reflects the stakes held by the Russian Federation in the Russia-based Interstate Bank in its balance sheet. The Russian Federation holds 50% of the Interstate Bank's authorised capital and a corresponding percentage of the votes in the bank's Board, which is its highest management body.

In accordance with Article 4 of Federal Law No. 86-FZ, the Bank of Russia is the depository of the IMF funds in the currency of the Russian Federation and performs operations and transactions provided for by the IMF Articles of Agreement and agreements with the IMF. Starting in 2011, the Russian Federation's quota with the IMF has been included in the Bank of Russia's balance sheet, which amounted to SDR12,903.7 million as of 31 December 2020. The stake of the Russian Federation in the aggregate quotas (capital) of the IMF did not change during 2020 and as of 31 December 2020 amounted to 2.71%, representing 2.59% of the total number of its member countries' votes.



The Bank of Russia participates in the capital of the BIS (0.57%) and SWIFT (0.006%). The Bank of Russia shows Russia's participation in the capital of the Interstate Bank (50%) and the IMF (2.71%) on its balance sheet

<sup>1</sup> In 2020, the stake of the Bank of Russia in the capital of the BIS decreased by thousandths of a per cent due to the entry of new shareholders (see [Chapter 4 Annual financial statements of the Bank of Russia and auditors' reports](#) for details).



## 2.6.12. IMPROVING LEGISLATION

In 2020, more than 70 federal laws developed with the active participation of the Bank of Russia were adopted to **improve the legislative regulation of the financial market**.

**To mitigate the negative impact of the coronavirus pandemic** on the sector of servicing loans, Federal Law No. 106-FZ<sup>1</sup> was adopted to provide an opportunity for individuals, individual entrepreneurs and small- and medium-sized businesses to apply to lenders for credit holidays (a grace period for a deferral of repayment of the principal and payment of interest on loans) by 30 September 2020 if their monthly income dropped by more than 30% compared to their average monthly income for 2019.

At the same time, Federal Law No. 150-FZ<sup>2</sup> established an exemption from personal income tax for any income of taxpayers in the form of material benefits obtained from savings on interest for the use of borrowed (credit) funds during such grace period.

In the area of corporate governance, the authorities also took anti-pandemic measures to prevent the spread of the infection during corporate events and stabilisation measures to mitigate the negative impact of the pandemic on issuers. In particular, Federal Law No. 50-FZ<sup>3</sup> and Federal Law No. 115-FZ<sup>4</sup>, dated 7 April 2020, provided for the possibility of holding a general meeting of shareholders (participants) of joint-stock companies and limited liability companies in 2020 in the form of absentee voting (by poll), extended the dead-

lines for a number of corporate procedures, and suspended the accounting of negative consequences from a decrease in the value of net assets of joint-stock companies.

Development of the digital technology market was an important area of legislative activity in 2020. Federal Law No. 211-FZ<sup>5</sup> and Federal Law No. 212-FZ<sup>6</sup> established a legal framework for the marketplace system involving interaction of financial institutions or issuers with financial consumers for financial transactions via the Internet. The laws determined the requirements for the activities of financial platform operators and regulated the execution of financial transactions with financial institutions using information technologies.

Federal Law No. 258-FZ<sup>7</sup> established the goals and principles of experimental legal regimes in the field of digital innovation and regulated relations associated with their establishment and implementation, including their amendment, suspension, termination, monitoring, and assessment of their effectiveness and efficiency. Experimental legal regimes in the field of digital innovations can be established in such an area of development, testing and implementation of digital innovations as the financial market.

The legal status of digital financial assets (DFAs) and digital currencies, the use of the distributed ledger technology and other issues of DFA circulation were regulated by Federal Law No. 259-FZ.<sup>8</sup> The document specifies requirements for the creation, issue, circulation and

<sup>1</sup> Federal Law No. 106-FZ, dated 3 April 2020, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement'.

<sup>2</sup> Federal Law No. 150-FZ, dated 21 May 2020, 'On Amending Article 212 of Part Two of the Tax Code of the Russian Federation'.

<sup>3</sup> Federal Law No. 50-FZ, dated 18 March 2020, 'On the Acquisition by the Government of the Russian Federation of Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation'.

<sup>4</sup> Federal Law No. 115-FZ, dated 7 April 2020, 'On Amending Certain Laws of the Russian Federation in Terms of Harmonising the Content of Annual Reports of State Corporations (Companies) and Public Non-profit Companies, as well as in Terms of Establishing the Specifics of Regulation of Corporate Relations in 2020, and on Suspending the Provisions of Certain Laws of the Russian Federation' (as amended by Federal Law No. 297-FZ, dated 31 July 2020).

<sup>5</sup> Federal Law No. 211-FZ, dated 20 July 2020, 'On Performing Financial Transactions Using a Financial Platform'.

<sup>6</sup> Federal Law No. 212-FZ, dated 20 July 2020, 'On Amendments to Certain Legislative Instruments of the Russian Federation Regarding Performing Financial Transactions Using a Financial Platform'.

<sup>7</sup> Federal Law No. 258-FZ, dated 31 July 2020, 'On Experimental Legal Regimes in the Field of Digital Innovations in the Russian Federation'.

<sup>8</sup> Federal Law No. 259-FZ, dated 31 July 2020, 'On Digital Financial Assets, Digital Currency and on Amending Certain Laws of the Russian Federation'.

storage of DFAs, for the operators of information systems in which DFAs are issued and for their activities, for information protection. The establishment of rules for investment in new digital instruments made it possible to eliminate possible 'black' and 'grey' zones in the economy.

The adoption of Federal Law No. 479-FZ<sup>1</sup> enabled the provision of financial services remotely using the Unified Biometric System not only to individuals but also to legal entities. In addition, banks with a universal licence are now required to provide individual customers with the ability to open ruble accounts and deposits and receive ruble loans without personal presence after such individual customers undergo a customer identification procedure.

An entire set of federal laws adopted in 2020 was aimed at improving the activities of non-bank financial institutions. To personalise CMT-PLI insurance rates, Federal Law No. 161-FZ,<sup>2</sup> dated 25 May 2020, was adopted to allow insurers to set base rates of insurance tariffs taking into account the individual characteristics of drivers and independently determining factors that significantly affect the likelihood of damage and the potential extent of damage when using a vehicle. The same law provided for the possibility of entering into agreements for compulsory third-party liability insurance of vehicle owners without presenting a diagnostic card or a certificate of technical inspection to the insurer from 1 March to 30 September 2020.

Federal Law No. 442-FZ<sup>3</sup> authorised the Bank of Russia to suspend, in whole or in part, debit transactions on bank accounts (deposits) and depository accounts (personal accounts) opened by insurance entities in order to enforce restrictions and/or a prohibition on certain transactions by such insurance entities.

In the microfinance sector, Federal Law No. 196-FZ<sup>4</sup> improved the procedures for ac-

cess of pawnshops to the financial market and expanded the list of types of activities permitted for pawnshops. In addition, the law introduced additional requirements for the activities of credit consumer cooperatives, including their establishment on a territorial, professional and social basis, and the activities of agricultural credit consumer cooperatives, pawnshops, and microfinance organisations.

To ensure an adequate level of financial consumer protection, Federal Law No. 306-FZ<sup>5</sup> specified a list of the simplest and least risky financial instruments available to any non-qualified investor and a range of financial instruments transactions with which are possible for individual non-qualified investors only after testing. The law also establishes a procedure for such testing and the specifics of transactions on behalf of individuals aimed at purchasing financial instruments.

Federal Law No. 514-FZ<sup>6</sup> provided for the annual preparation of the Russian financial market development programme starting from 2022 and authorised the National Financial Council (a collegial body of the Bank of Russia that includes representatives of the Federal Assembly of the Russian Federation, the President of the Russian Federation, and the Government of the Russian Federation) to consider draft guidelines for the development of the Russian financial market and submit its recommendations for the document. This law also enabled the Bank of Russia to proactively implement supervisory measures in relation to insurance entities if it identifies situations that threaten the stability of the financial market and/or the rights and interests of policyholders, insured persons or beneficiaries.

Federal Law No. 163-FZ<sup>7</sup> was adopted as part of improvement of the compulsory deposit insurance system, in particular, providing for the

<sup>1</sup> Federal Law No. 479-FZ, dated 29 December 2020, 'On Amending Certain Laws of the Russian Federation'.

<sup>2</sup> Federal Law No. 161-FZ, dated 25 May 2020, 'On Amendments to the Federal Law 'On Compulsory Civil Liability Insurance of Vehicle Owners' and the Suspension of Certain Provisions of the Federal Law 'On Compulsory Civil Liability Insurance of Vehicle Owners'.

<sup>3</sup> Federal Law No. 442-FZ, dated 22 December 2020, 'On Amending Certain Laws of the Russian Federation in Terms of the Introduction of Interim Measures Aimed at Preserving the Property of an Insurance Entity for the Fulfilment of Its Obligations'.

<sup>4</sup> Federal Law No. 196-FZ, dated 13 July 2020, 'On Amending Certain Laws of the Russian Federation'.

<sup>5</sup> Federal Law No. 306-FZ, dated 31 July 2020, 'On Amending the Federal Law 'On the Securities Market' and Certain Laws of the Russian Federation'.

<sup>6</sup> Federal Law No. 514-FZ, dated 30 December 2020, 'On Amending Certain Laws of the Russian Federation'.

<sup>7</sup> Federal Law No. 163-FZ, dated 25 May 2020, 'On Amending Certain Laws of the Russian Federation'.

extension of insurance coverage to deposits of certain legal entities that are non-profit organisations and to accounts of the fund for capital repairs of common property in apartment buildings. In addition, the law provides for an increased amount of insurance compensation (up to ₺10 million) on deposits to which funds are credited due to special circumstances, such as the sale of residential premises, inheritance, compensation for harm to life, health or personal property, receipt of insurance payments and benefits, execution of court decisions, receipt of grants in the form of subsidies.

Federal Law No. 302-FZ<sup>1</sup> introduced a mechanism for providing information on average monthly payments of credit history subjects. This law also specifies the requirements for credit history bureaus and the powers of the Bank of Russia to supervise their activities, amends regulation in terms of obtaining the consent of credit history subjects, clarifies sources for the formation of credit histories and lists types of data included in credit histories and transactions for which information is sent to CHBs. The requirements will be introduced in stages from 1 January 2021 to 1 July 2024.

To improve the mechanism of syndicated lending and develop the institutions of a credit manager and a collateral manager, Federal Law No. 447-FZ<sup>2</sup> was adopted, allowing one of the participants in the creditor syndicate to enter into an agreement for financing of participation in a loan with a third party (an external participant). The law clarified standards regulating the procedure for actions of credit managers under syndicated loan agreements in debtors' bankruptcy cases and established the possibility of specifying the details of collateral managers when registering or recording pledges in the relevant registers instead of details

of the pledgees. The law becomes effective (with the exception of certain provisions) on 21 June 2021.

The corresponding amendments to the Civil Code of the Russian Federation were introduced by Federal Law No. 528-FZ,<sup>3</sup> which becomes effective on 29 June 2021.

To improve the legislative regulation of the system for countering the legalisation (laundering) of criminally obtained incomes, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, Federal Law No. 208-FZ<sup>4</sup> was adopted as part of reforming the institution of mandatory control in terms of establishing a differentiated approach to determining the list of operations subject to mandatory control and to provision of information on such operations by entities carrying out transactions with monetary funds or other property based on the nature (type) of activities of the relevant entities.

Federal Law No. 536-FZ<sup>5</sup> was adopted to prevent unjustified use by credit institutions of the right to refuse to execute orders of customers for the performance of transactions.

Furthermore, from 1 January to 31 December 2020, the Bank of Russia issued 183 regulations of the Bank of Russia and registered them with the Ministry of Justice of Russia. In addition, 34 Bank of Russia regulations issued in 2019 were registered with the Ministry of Justice of Russia.

The Bank of Russia drew up 188 information letters providing explanations and clarifications (118 for organisations supervised by the Bank of Russia, 60 for both regional branches of the Bank of Russia and organisations supervised by the Bank of Russia, and 10 for regional branches of the Bank of Russia). The Bank of Russia drew up 18 guidelines providing methodological recommendations.

<sup>1</sup> Federal Law No. 302-FZ, dated 31 July 2020, 'On Amending the Federal Law 'On Credit Histories' in Terms of Modernising the System for Generating Credit Histories'.

<sup>2</sup> Federal Law No. 447-FZ, dated 22 December 2020, 'On Amending the Federal Law 'On Syndicated Loans and on Amending Certain Laws of the Russian Federation' and Certain Laws of the Russian Federation'.

<sup>3</sup> Federal Law No. 528-FZ, dated 30 December 2020, 'On Amending Article 356 of Part One and Article 860.1 of Part Two of the Civil Code of the Russian Federation'.

<sup>4</sup> Federal Law No. 208-FZ, dated 13 July 2020, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

<sup>5</sup> Federal Law No. 536-FZ, dated 30 December 2020, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

### 2.6.13. ADDRESSING ADMINISTRATIVE AND LEGAL ISSUES

In 2020, the officials of the Bank of Russia initiated 11,947 administrative proceedings.

This included:

- 9,683 administrative offence cases reviewed by the officials of the Bank of Russia (including cases left unsettled from previous periods);
- 1,367 applications to hold non-bank financial institutions administratively liable under Part 3 of Article 14.1 and Article 14.36 of the Code of Administrative Offences of the Russian Federation reviewed by arbitration courts (including cases left unsettled from previous periods);
- 1,424 protocols on administrative offences prepared in accordance with Part 1 of Article 20.25 of the Code of Administrative Offences of the Russian Federation reviewed by magistrate judges.

In 2020, officials of the Bank of Russia reviewed 315 complaints against rulings in administrative offences and rulings on a refusal to initiate administrative proceedings, which resulted in 49 rulings to sustain the complaints, 233 rulings to dismiss the complaints, and 33 rulings to modify previous rulings in terms of administrative fines imposed on the subjects of administrative liability.

In 2020, administrative fines imposed by Bank of Russia officials and courts following consideration of administrative cases amounted to ₹632,477,300. In the same period, the budgets of the Russian Federation received ₹287,998,860<sup>1</sup> as payments of administrative fines, including ₹229,895,760 paid voluntarily by entities subject to administrative liability and ₹58,103,100 collected from entities subject to administrative liability in an enforcement procedure.

<sup>1</sup> The difference in the amounts of administrative fines accrued and paid within the specified period was mainly due to the breach of payment deadlines for administrative fines by the persons fined, which provided the grounds for the Bank of Russia to send the relevant documents to the Federal Bailiff Service of the Russian Federation for enforcement of the rulings ordering administrative sanctions as well as to the bankruptcy and/or forced liquidation of sanctioned organisations supervised by the Bank of Russia.

## 2.6.14. ADDRESSING JUDICIAL ISSUES

In 2020, as part of exercising its functions to monitor and supervise credit institutions and non-bank financial institutions, the Bank of Russia filed 694 suits in court, including:

- 19 suits for recognition of credit institutions as insolvent (bankrupt) and forced liquidation of credit institutions;
- 661 suits for recognition of non-bank financial institutions as insolvent (bankrupt) and forced liquidation of non-bank financial institutions;
- 14 suits on disputes associated with supervisory response measures with regard to non-bank financial institutions.

568 suits filed by the Bank of Russia were satisfied in 2020 (including cases left unsettled from previous periods), including 15 suits against credit institutions and 553 suits against non-bank financial institutions.

In the reporting year, credit institutions filed 42 appeals against actions and decisions of the Bank of Russia; three appeals were sustained (including cases left unsettled from previous periods), two of which were against decisions (rulings) in cases of administrative liability, including the liability of officials, among which were rulings on a refusal to initiate administrative proceedings, and one of which was an appeal against measures applied under Article 74 of Federal Law No. 86-FZ 'On the Central Bank of the Russian Federation (Bank of Russia)'. During the same period, non-bank financial

institutions filed 700 appeals against actions and decisions of the Bank of Russia; 184 appeals were sustained in 2020 (including cases left unsettled from previous periods), of which 171 appeals were against decisions (rulings) in cases of administrative liability, including the liability of officials, among which were rulings on a refusal to initiate administrative proceedings; four appeals were against measures applied under Articles 76.2 and 76.5 of Federal Law No. 86-FZ 'On the Central Bank of the Russian Federation (Bank of Russia)'; and nine appeals were against actions (omissions) of the Bank of Russia, including those of its officials.

In 2020, 116 suits arising out of business and other activity were brought against the Bank of Russia, including property-related suits totalling ₹1,107,354,010. Overall, 17 suits were upheld in court (including cases left unsettled from previous periods), including property-related suits totalling ₹1,116,400.

In 2020, the Bank of Russia filed 91 suits arising out of business and other activity, including property-related suits totalling ₹22,126,130. Overall, in 2020, 50 suits in this category were upheld in court (including cases left unsettled from previous periods), including property-related suits totalling ₹6,260,720.

In 2020, 40 suits arising from employment relations were filed against the Bank of Russia, of which eight were upheld (including cases left unsettled from previous periods).



3



# Organisational development of the Bank of Russia

To efficiently perform its tasks and functions amid the anti-pandemic restrictions, it was crucial for the Bank of Russia to organise well-coordinated work in the area of organisational development and resource management. The organisational conditions of the Bank of Russia's activities considerably changed in 2020. During the most acute period of the pandemic, up to 80% of the employees of the structural units of the Bank of Russia's head office and 60–65% of the employees of its regional branches were transferred to work from home. This required prompt readjustment of the business processes and their transfer to the remote mode. To this end, the Bank of Russia adjusted staff training and advanced training, project and process management and sped up the deployment and spread of information technologies.

Considering the changed environment, the Bank of Russia continued to organise and carry out staff and external audience training and to form a talent pool, including for the executive positions and management of the Bank of Russia's regional branches. Advanced training of the Bank of Russia's employees, including with the engagement of foreign partners, the development of staff competencies, and staff assessment were transferred to online platforms. In order to continue training and development, the Bank of Russia launched its digital educational ecosystem. As regards the external audience training and development, in 2020 the Bank of Russia focused on advanced training of law enforcement officers, training of central (national) banks' representatives, financial market participants, retail chains' cashiers,



and students, and on enhancement of financial literacy among households and small and medium-sized enterprises. The Bank of Russia provided support to the Sirius University<sup>1</sup> helping talented children choose professions and evolve. The Bank of Russia also established an educational site at the university to train specialists in financial technology, cyber security, and payment instruments.

In the area of process management, to address the key objective of ensuring the continuity of its operations, the Bank of Russia created a system (matrix of measures) for responding to threats given the required changes in the IT infrastructure and the regulatory framework. The Bank of Russia developed an action plan for the continuous performance of its critical business processes (their efficient recovery) during the crisis period providing for the creation of backup offices and staff teams.

Developing its project management, the Bank of Russia continued to implement its critical projects. In order to combat the spread of the coronavirus infection, the Bank of Russia elaborated a matrix for project portfolio management providing for a suspension or resumption of the implementation of a number of projects depending on the level of the threat.

In 2020, the Bank of Russia accomplished a range of strategically important projects aimed at enhancing the efficiency of performance of the Bank of Russia's functions. Specifically, the Bank of Russia launched applications to automate the procedures for admission and registration of financial market participants' securities issues through online accounts; updated the Bank of Russia website and adjusted it for mobile devices; developed and piloted a platform for robotisation of business processes.

Over the year under review, the Bank of Russia completed the implementation of its IT Strategy for 2016–2020 and performed the main tasks for the development and deployment of the data management system and the target IT infrastructure, the implementation of the target IT landscape, a new operational IT model, the quality management system, and cyber resilience tools, and for the development of the risk-based IT management model.

The Bank of Russia continued its efforts to enhance its organisational structure and optimise the headcount. The head office completed the reorganisation of the block of non-bank financial institutions, which included the establishment of two departments based on abolished structural units. When re-engineering its business processes, the Bank of Russia applied the interregional principle for creating new structural units. Some of the planned measures for optimising the headcount were suspended due to the pandemic.

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<sup>1</sup> Autonomous non-profit higher education institution Sirius University.

Despite the effective restrictions, the Bank of Russia continued its procurement procedures based on the regulations on the procurement system. There were no significant changes in the portfolio of procurements compared to previous years. Nonetheless, the Bank of Russia carried out procurements to support the implemented anti-coronavirus measures. Based on the results of completed competitive procurement procedures and procurements from a single supplier, the overall number and amount of the concluded contracts decreased. Furthermore, the Bank of Russia gave preference to competitive procurements. The implementation of restrictions boosted the development of automation and transfer of some process stages to the remote mode.

The Bank of Russia carried out the internal audit of its main activity areas and business processes and accelerated the deployment of remote audit methods. In some areas of its activities, the Bank of Russia carried out monitoring on a continuous basis. Where functions were transferred or new risks arose that had not been assessed previously (including those associated with remote work), the Bank of Russia carried out special analytical work and procedures. The audit results confirmed the fulfilment by the audited entities of their functions and compliance with the laws of the Russian Federation, the regulations and other documents of the Bank of Russia. The internal audit results and the performance of the Bank of Russia's risk management system were reported to the Bank of Russia's executives and the National Financial Board.

## 3.1. Training and development of Bank of Russia personnel and external audience

Despite the anti-coronavirus restrictions, the cancellation of in-person trainings, and the transfer of a considerable part of employees to work from home, the Bank of Russia continued to carry out its activity aimed at training and development of its personnel and the external audience. All processes meant for advanced training, competency development, and staff assessment were transferred to various online platforms, first of all to the Bank of Russia's external educational portal. Remote courses and webinars played an important role in the training system, and micro trainings were used more extensively. Over the year, the Bank of Russia created its digital educational ecosystem which enabled the personnel to continue training and development, while working from home.

In 2020, the Bank of Russia carried out 99% of staff training and development online. The total number of participants in the Bank of Russia's staff training events exceeded 730,000 in 2020.

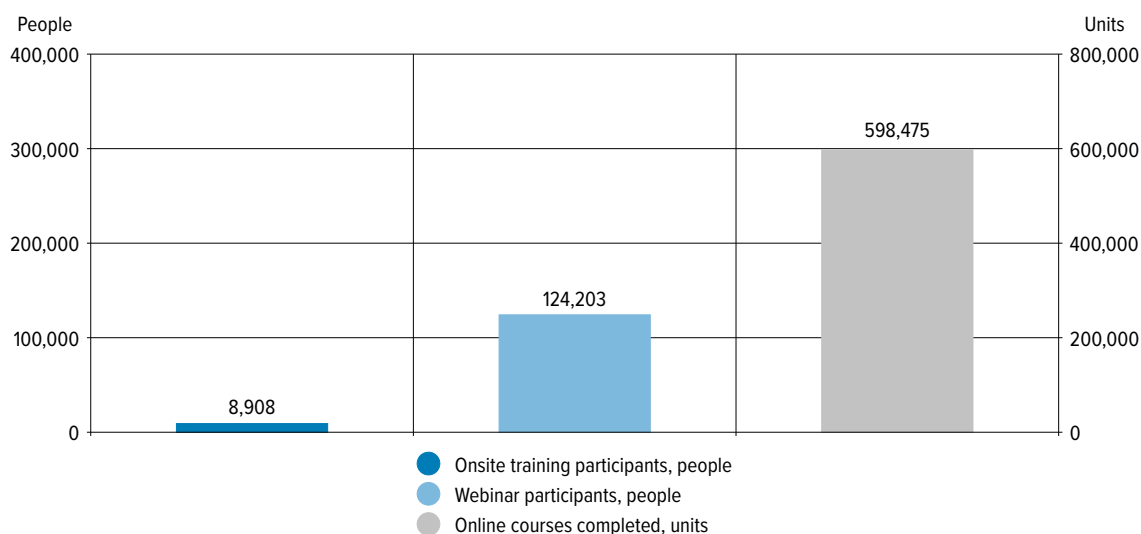
The main areas of the development of professional competencies in 2020 were advanced information technologies, data management and analytics, supervision over credit and non-bank financial institutions, anti-money laundering and counter-terrorist financing, the functioning of the national payment system, the application of the International Financial Reporting Standards, and others.

Over the year under review, the Bank of Russia accomplished a large-scale project for assessing the level of the management competencies of the Bank of Russia's unit leaders using the 180 Degrees<sup>1</sup> method in accordance with the management model of competencies developed in 2019. Nearly 6,000 specialists (91.5% of the target audience) passed the assessment remotely.

The Bank of Russia's leaders continued their training within the management modular programmes Development Momentum (for executives; 71 persons), Leadership Steps (for mid-level managers; 1,500 persons; as of the

**BANK OF RUSSIA PERSONNEL TRAINING IN 2020**

Chart 47



<sup>1</sup> The 180 Degrees assessment is carried out to measure the level of management competencies; a leader (the person assessed) and his/her immediate superior (the person who assesses) take part in the assessment.



### The Bank of Russia carried out 99% of staff training and development events online

end of December 2020, 450 leaders completed training), and Big Change (for line managers; 5,500 persons; as of the end of December 2020, 799 leaders completed training).

In order to form a federal-level talent pool to the position of a regional branch head, the Bank of Russia updated the profile of this position by adding nine key and eight additional professional competencies. Furthermore, in 2020, the Bank of Russia's regional branches held the meetings of the regional HR Committees<sup>1</sup> to form a talent pool to the positions of mid-level managers. 41 persons completed training under the special programme for the development of the federal-level talent pool.

Over the year, 11 off-site events and 134 remote programmes of foreign partners were carried out for Bank of Russia employees, including events arranged by the Bank of England, the Joint Vienna Institute, Deutsche Bundesbank, the Bank of France, the Bank of Italy, and the National Bank of Poland, as well as webinars with the participation of professors from leading international business schools, including IMD, ESMT, IE / Business School, and others.

In the area of international activity related to training and development of foreign central (national) banks' representatives, beginning from June 2020, the Bank of Russia carried out 21 remote educational events of various types (webinars, practical trainings, video conferences, and trainings) for over 1,200 participants.

As regards the external audience training and development, in 2020 the Bank of Russia focused on advanced training of law enforcement officers on topical issues, training of microfinance market participants to ensure an efficient migration to the single chart of accounts and industry accounting standards,

and training of retail chains' cashiers on how to identify the authenticity and purchasing power of the currency units of the Bank of Russia. Furthermore, the Bank of Russia carried out trainings for financial market participants to raise their awareness about the effective requirements for business reputation of financial institutions' executives, officials and owners, for various groups of the population and SMEs to enhance their financial literacy, and for students within the educational projects being implemented.

The Bank of Russia's representatives took part in the development of the youth movement in the Coordination Council for the Development of Communities of Young Specialists under the Civic Chamber of the Russian Federation. In 2020, the Bank of Russia established its own Youth Council. Young employees of the Bank of Russia were engaged in social, cultural, and awareness-building activities carried out by the Bank of Russia.

In 2020, the Bank of Russia provided assistance to the Sirius University in the development of the system for identifying and training talented children, recipients of grants of the Russian President, winners and runners-up of field-specific competitions, for helping them choose professions and evolve. The Bank of Russia's structural units cooperated with the Sirius University in different forms, including, among other things, participation of the Bank of Russia's experts in field-specific awareness-building and educational events (interactive lectures, master classes, and business games).

In 2020, the Bank of Russia established the Fintech Hub in the Sirius University, which is an educational site to train specialists in financial technology, cyber security, and payment instruments. The Bank of Russia arranged awareness-building and educational events in partnership with financial market participants – fintech leaders, engaging their experts in these events as the authors of educational programmes, speakers, and coaches.

<sup>1</sup> HR Committee – a collegial body coordinating the creation of talent pools and planning executive succession.

## 3.2. Process management development

The deployed process management system enabled the Bank of Russia to adapt its operations given that a considerable part of its employees were transferred to work from home (including during the most acute period of the coronavirus pandemic – up to 80% of the employees of the head office units and 60–65% of the staff of the regional branches). For these purposes, the Bank of Russia took appropriate measures:

- developed the matrix of measures to respond to threats which determined the following:
  - several levels of a threat and criteria for the transfer to them;
  - critical and non-critical business processes of the Bank of Russia;
  - required measures to be implemented at each level of a threat;
- developed the required IT infrastructure enabling remote performance of critical business processes;
- created backup teams of employees and full-cycle backup offices at the Bank of Russia's facilities.

Given the acquired experience, the Bank of Russia carries out work to ensure the conditions enabling remote performance of a range of the Bank of Russia's functions:

- adjustment of the regulatory framework to work from home;
- arrangement of office rooms for the staff;
- IT support of remote work (technical devices, access to IT services, and information security);
- creation of permanent isolated backup offices to perform critical business processes;
- development of the system for planning and implementing measures aimed at ensuring continuous performance (efficient recovery) of the Bank of Russia's critical functions during crisis periods.

## 3.3. Project management development

By the moment of the pandemic outbreak (March 2020), the Bank of Russia's project portfolio comprised 123 projects, of which 71% of projects included an IT component.

The project management system deployed in the Bank of Russia enabled it to prioritise projects and reallocate resources for the implementation of critical projects during the pandemic period.

In 2020, the Bank of Russia accomplished work on a range of strategic projects aimed at enhancing the efficiency of performance of the Bank of Russia's functions:

1. The Bank of Russia launched the application Electronic Document Collection into regular operation. The Bank of Russia automated financial market participants' document workflow with the Bank of Russia as regards the fulfilment of the procedures for getting access via online accounts.
2. The Bank of Russia launched the application Registration of Issue-Grade Securities Issues into regular operation. The Bank of Russia automated the document workflow in the course of registration of financial market participants' securities issues via online accounts.
3. The Bank of Russia updated its website, with the functions maintained and the design of the interface improved. The website is now completely adjustable to using on both PCs and mobile devices.
4. The Bank of Russia continued the work for robotisation of business processes. The Bank of Russia developed a platform for robotisation and launched the first robots in a production environment in the pilot mode.
5. The Bank of Russia completed the implementation of its IT Strategy for 2016–2020 and performed the main tasks for the development and deployment of the data management system and the target IT infrastructure, the implementation of the target IT landscape, a new operational IT model, the quality management system, and cyber resilience tools, and for the development of the risk-based IT management model.

The Bank of Russia continued to advance its project management instruments, specifically:

- issued the amended version of its regulation<sup>1</sup> on project management activity;
- optimised project management document templates; and
- enhanced the tool for automating the management of the Bank of Russia's projects, including due to the transfer of a part of its employees to work from home.

<sup>1</sup> Bank of Russia Regulation No. 720-P, dated 10 June 2020, 'On Project Management in the Bank of Russia'.

## 3.4. Changes in the organisational structure

In 2020, the Bank of Russia continued the work aimed at enhancing its organisational structure.

The Bank of Russia reorganised the block of non-bank financial institutions of the head office. Within the optimisation of the regulation and supervision system, the Bank of Russia established the Financial Market Infrastructure Department and the Investment Finance Intermediation Department which are based on the abolished Securities Market and Commodity Market Department and Collective Investment and Trust Management Department.

In 2020, the Bank of Russia continued to implement the measures initiated in previous years. Within business process re-engineering, the Bank of Russia created new structural units performing business processes according to the interregional principle, including financial

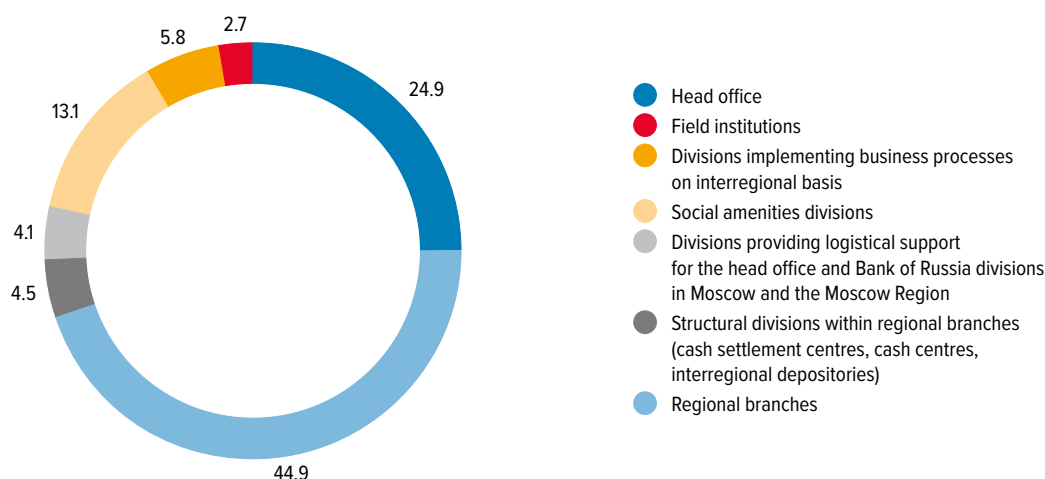
monitoring and currency control centres and analytical centres for pawnshops, microfinance organisations, and consumer cooperatives.

Due to the coronavirus pandemic, the Bank of Russia suspended some of the planned measures for optimising the headcount, as a result of which it remained almost unchanged in 2020, totalling 49,400 employees.

As of 1 January 2021, the Bank of Russia comprised 366 structural units, including the head office, seven main branches with their internal 74 divisions (divisions – national banks), one interregional depository, 55 cash centres and cash settlement centres, 41 units performing business processes based on the interregional principle; 91 field institutions, the Representative Office of the Bank of Russia in the People's Republic of China, and auxiliary units.

NUMBER OF BANK OF RUSSIA PERSONNEL BY STRUCTURAL DIVISION AS OF 1 JANUARY 2021  
(PER CENT)

Chart 48





## 3.5. The Bank of Russia's procurements

In 2020, the regulatory framework of the Bank of Russia's procurement system enabled it to carry out procurements amid effective restrictions, giving preference to competitive procurements. The portfolio of procurements remained almost the same as in previous years. Based on the results of completed competitive procurement procedures and procurements from a single supplier, the overall number of the concluded contracts decreased 1.3 times to 1,454 (vs 1,911 in 2019). The amount of the concluded contracts totalled ₹12.0 billion (vs ₹16.6 billion in 2019).

To meet the needs of its structural units for face masks and protective gloves, sanitisers, staff test services, and other needs to support the implementation of anti-pandemic measures, the Bank of Russia made procurements totalling ₹0.59 billion both from a single supplier and on a competitive basis. In order to ensure equal conditions for market participants and flexibly respond to a significant volatility in prices for face masks and protective gloves, the Bank of Russia made these procurements in small batches on a diversified basis.

The implemented restrictions boosted more extensive automation of the procurement process: the Bank of Russia launched the mechanism enabling tender winners to send their contracts in electronic form and started to carry out procurement commissions' meetings remotely and in absentia.

As business activity recovered gradually, market participants' interest in the Bank of Russia's procurements remained at an acceptable level. As of the end of 2020, their average number per procurement procedure equalled 3.3 compared to 3.4 in 2019. One of four procurement procedures included four or more tender participants. The Bank of Russia's accreditation procedure was completed by over

1,600 new suppliers, 67% of which took part in procurement procedures in 2020 (vs 60% in 2019). The accreditation process was enhanced, with the period for considering accreditation requests decreased from 5.6 business days in 2019 to 3.5 business days in 2020.

As the Bank of Russia ensured equal conditions for procurement participants, this promoted more active engagement of SMEs. In 2020, they accounted for more than 45% of the total value of the contracts concluded based on the results of the tenders and procurements from a single supplier. As in the previous year, SMEs remained leaders in some procurement categories.

The Bank of Russia saved ₹2.04 billion in the course of competitive procurements in 2020 (vs ₹2.3 billion in 2019), with a decrease from the initial (maximum) contract amount averaging 11.3%.

In 2020, there was a reduction in the number of complaints sent by procurement participants to the Bank of Russia's independent collegial body for handling such complaints to 16 (vs 19 complaints in 2019). Three complaints were recognised as justified (vs six complaints in 2019). The percentage of justified complaints per 100 procurement procedures declined to 10% in 2020 (vs 30% in 2019).

In 2020, central (national) banks arranged an online discussion site for their representatives to share experience in procurement activities. As a result, the number of participants in such discussions increased 2.5 times. The online webinar was attended by representatives of the National Bank of the Kyrgyz Republic, the National Bank of Kazakhstan, and the Central Bank of Armenia.

In 2020, the Bank of Russia launched an online lecture centre of the procurement system to train the Bank of Russia's procurement specialists and develop their competencies.

## 3.6. Internal audit

The key objective of the Bank of Russia's internal audit is to submit independent and reliable information to the National Financial Board and the Bank of Russia's executives on compliance by the Bank of Russia's structural units and organisations – legal entities established by the Bank of Russia and forming part of its structure with the laws of the Russian Federation, the regulations and other documents of the Bank of Russia, performance of their functions, the efficiency of risk management and internal control, and the management of the Bank of Russia's operations and structural units.

As the epidemic situation was challenging, the Bank of Russia's units were transferred to work from home, and business trips were prohibited, the Bank of Russia accelerated the deployment of remote audit methods in its operations.

Over 2020, the Bank of Russia carried out 47 internal audit procedures, including 24 audits, nine monitoring procedures, and 14 analytical events. The Bank of Russia audited its key activity areas and business processes. Organising its internal audit, the Bank of Russia took into consideration the criticality of business processes for fulfilling the Bank of Russia's objectives and functions.

To provide analytical support, the Bank of Russia carried out continuous monitoring of the work aimed at forecasting macroeconomic conditions for implementing monetary policy.

Given the persistently high uncertainty regarding the effect of external factors on the financial markets, the Bank of Russia continued its daily monitoring of the management of the Bank of Russia's assets denominated in foreign currencies and precious metals and the timeliness of settlements under the conducted transactions, including also the assessment of the measures implemented to respond to arising risks.

Pursuant to Article 76.12 of Federal Law No. 86-FZ, the Bank of Russia continued to carry out its annual analytical event for review-

ing the efficiency of using resources provided by the Fund of Banking Sector Consolidation.

As the RUONIA administration function was transferred from the self-regulatory organisation National Finance Association to the Bank of Russia, monitoring of the RUONIA administration process at the Bank of Russia was carried out.

In the course of the audit of the efficiency of control over the activities of receivers appointed to credit institutions, auditors assessed how efficiently the Bank of Russia implemented the mechanisms for control over the management of bankruptcy procedures in banks whose licences were revoked in order to make sure they respect their depositors' and creditors' rights and legitimate interests.

The audit of work with non-bank financial institutions (NFIs) included the review of such issues as supervision, communication between the Bank of Russia's structural units in the course of organising and conducting inspections, and NFI admission to the financial market,

Within the audit of the development of the national payment system (NPS), auditors assessed the efficiency of the key events under the National Payment System Development Strategy adopted in 2013, as well as additional projects implemented to establish and enhance the national payment infrastructure ensuring the stability, sovereignty, and competitiveness of the Russian payment space. A particular focus was put on the elaboration of strategic goals for the NPS advancement in 2021–2023.

In order to assess compliance of the Bank of Russia's supervision and oversight in the NPS with the goals for ensuring the NPS stability and evolution, an analytical event was carried out to review a broad range of issues, including the organisation of the business process following the re-engineering and the performance of functions within the target business process.

In the course of the audit of the organisation and support of cash circulation, the progress towards the goals stipulated by the Strategy for

Cash Circulation Development in 2016—2020 was assessed, and consultation support was provided in the course of the development of strategic and methodological documents regulating the procedures for the organisation of the issue and distribution of the Bank of Russia's commemorative and investment precious metal coins and base metal coins.

In the reporting period, auditors, when reviewing the efficiency of using the Bank of Russia's funds and property management, focused on the assessment of the progress towards the strategic goals and the objectives of the re-engineering of business processes related to the functioning of recreational facilities, the construction and operation of real estate, and procurements. To mitigate operational and reputational risks, consultations on procurement and contracting procedures were provided to the Bank of Russia's units.

As the majority of the Bank of Russia's employees were transferred to work from home, this caused new risks that had not been assessed previously and increased operational risks in communications, IT support and information security of the Bank of Russia. In order to assess and control these risks, auditors reviewed the Bank of Russia's preparedness for organising remote work and analysed the current state of the management of accounts

and access rights in the Bank of Russia's Single Catalogue Service and Centralised Access Management System. The efficiency of internal security at the Bank of Russia's facilities was audited in the reporting year.

Within the Bank of Russia's budget mandate to exercise internal financial audit, auditors assessed the reliability of internal financial control and the accuracy of the Bank of Russia's budget reporting.

Overall, the internal audit findings confirmed that the internal audit entities properly performed their respective functions and complied with the laws of the Russian Federation and the regulations and other documents of the Bank of Russia, and that the Bank of Russia's risk management system conformed to the internal and external environment. The internal audit results were reported to the Bank of Russia's executives and the National Financial Board. In relation to revealed drawbacks and challenging issues, the Bank of Russia's executives made appropriate management decisions and exercised control over their fulfilment.

During the year under review, the Bank of Russia communicated with the Accounts Chamber of the Russian Federation in the course of its control and expert analytical measures, as well as took necessary action to fulfil the tasks set following the said measures.



4

# Annual financial statements of the Bank of Russia and auditors' reports

## Introduction

The Annual Financial Statements include information on banking operations and other transactions conducted by the Bank of Russia to perform its functions set out in Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended) (hereinafter, the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)').

The Annual Financial Statements for 2020 presented below (hereinafter, the financial statements) comprise the following:

- Annual Balance Sheet;
- Statement of Financial Performance;
- Statement of Profit and its Allocation;
- Statement of Bank of Russia Reserves and Funds;
- Statement of Bank of Russia Management of Securities and Equity Stakes in Organisations Constituting the Bank of Russia's Property;
- Statement of Bank of Russia Securities Transactions on Exchanges;
- Statement of Bank of Russia Personnel Costs;
- Statement of Capital Investment Budget Performance.

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The principal objectives of the Bank of Russia are to:

- protect the ruble and ensure its stability
- upgrade and strengthen the Russian banking system;
- ensure the stability and development of the national payment system;
- develop the Russian financial market;
- ensure the stability of the Russian financial market.



# Annual balance sheet as of 31 December 2020

(millions of rubles)

	Note	2020	2019
<b>ASSETS</b>			
<b>1. Precious metals</b>	4	<b>10,410,422</b>	<b>6,952,779</b>
<b>2. Funds placed with non-residents and foreign securities</b>	5	<b>30,452,905</b>	<b>25,342,948</b>
<b>3. Loans and deposits</b>	6	<b>3,761,861</b>	<b>3,305,659</b>
<b>4. Securities, of which:</b>	7	<b>1,027,005</b>	<b>1,121,602</b>
4.1. Federal government debt obligations		296,485	317,875
4.2. Shares acquired as part of bankruptcy prevention measures		701,141	701,140
<b>5. Claims on the IMF</b>	8	<b>1,910,150</b>	<b>1,537,338</b>
<b>6. Other assets, of which:</b>	9	<b>2,710,278</b>	<b>2,252,748</b>
6.1. Fixed assets		79,163	84,219
6.2. Profit tax advance payments		118	131
<b>Total assets</b>		<b>50,272,621</b>	<b>40,513,074</b>
<b>LIABILITIES</b>			
<b>1. Cash in circulation</b>	10	<b>13,419,999</b>	<b>10,616,469</b>
<b>2. Funds in accounts with the Bank of Russia, of which:</b>	11	<b>16,622,299</b>	<b>16,951,714</b>
2.1. Federal government funds		10,191,815	10,734,056
2.2. Funds of resident credit institutions		4,488,296	4,273,927
<b>3. Securities issued</b>	12	<b>574,160</b>	<b>1,952,884</b>
<b>4. Obligations to the IMF</b>	13	<b>1,610,934</b>	<b>1,363,959</b>
<b>5. Other liabilities</b>	14	<b>391,553</b>	<b>190,562</b>
<b>6. Capital, of which:</b>	15	<b>17,653,676</b>	<b>9,437,486</b>
6.1. Authorised capital		3,000	3,000
6.2. Reserves and funds		18,765,163	10,487,333
6.3. Previous years losses		(1,052,978)	(870,278)
6.4. Reporting year losses		(61,509)	(182,569)
<b>Total liabilities</b>		<b>50,272,621</b>	<b>40,513,074</b>

Governor of the Bank of Russia



Elvira Nabiullina

Bank of Russia Chief Accountant



Irina Granovskaya

29 April 2021



# Statement of financial performance

(millions of rubles)

	Note	2020	2019
<b>INCOME</b>			
Interest income	16	292,911	363,317
Income from securities trading	17	2,094,359	28,610
Income from equity stakes in credit institutions and other organisations,	18	5,496	187,390
including income from equity stakes in Sberbank		0	180,696
Net income from the recovery of provisions	23	0	40,632
Other income	19	11,411	10,841
<b>Total income</b>		<b>2,404,177</b>	<b>630,790</b>
<b>EXPENSES</b>			
Interest expenses	20	283,390	369,021
Expenses on securities trading	21	16,620	7,608
Cash turnover management expenses	22	11,958	17,176
Net expenses on the creation of provisions	23	116,329	0
Expenses on the discharge of obligations to the federal budget to transfer part of income from the sale of Sberbank shares	24	1,766,498	0
Other operating expenses	25	154,406	120,679
Bank of Russia personnel costs	26	116,485	118,179
<b>Total expenses</b>		<b>2,465,686</b>	<b>632,663</b>
<b>Financial result before transferring income from equity stakes in Sberbank at end-year</b>		<b>(61,509)</b>	<b>(1,873)</b>
Income received from equity stakes in Sberbank at end-year and transferred to the federal budget in line with federal laws		0	(180,696)
<b>Reporting year loss</b>		<b>(61,509)</b>	<b>(182,569)</b>

# Capital, funds and profit allocation

(millions of rubles)

	Authorised capital	Reserves	Social fund	Reserve of unreliaed revaluation of precious metals	Reserve of unreliaed exchange rate differences	Positive revaluation of securities available for sale	Growth in asset value upon revaluation	Reporting & previous years losses	Total capital	Profit for the year
<b>Balance as of 31 December 2018, after tax for 2018</b>	<b>3,000</b>	<b>87,040</b>	<b>2,216</b>	<b>3,223,207</b>	<b>8,872,726</b>	<b>68,267</b>	<b>7,966</b>	<b>(870,278)</b>	<b>11,394,144</b>	<b>0</b>
Loss for 2019	0	0	0	0	0	0	0	(182,569)	(182,569)	0
Transferred to funds in 2019	0	0	0	415,780	0	10,935	0	0	426,715	0
Paid from funds in 2019	0	(4,346)	0	0	(2,165,653)	(30,805)	0	0	(2,200,804)	0
<b>Balance as of 31 December 2019, before tax for 2019</b>	<b>3,000</b>	<b>82,694</b>	<b>2,216</b>	<b>3,638,987</b>	<b>6,707,073</b>	<b>48,397</b>	<b>7,966</b>	<b>(1,052,847)</b>	<b>9,437,486</b>	<b>0</b>
Taxes and duties, including those paid in advance in 2019	0	0	0	0	0	0	0	(131)	(131)	0
<b>Balance as of 31 December 2019, after tax for 2019</b>	<b>3,000</b>	<b>82,694</b>	<b>2,216</b>	<b>3,638,987</b>	<b>6,707,073</b>	<b>48,397</b>	<b>7,966</b>	<b>(1,052,978)</b>	<b>9,437,355</b>	<b>0</b>
Loss for 2020	0	0	0	0	0	0	0	(61,509)	(61,509)	0
Transferred to funds in 2020	0	0	0	3,419,092	4,841,398	35,943	0	0	8,296,433	0
Paid from funds in 2020	0	0	0	0	0	(18,603)	0	0	(18,603)	0
<b>Balance as of 31 December 2020, before tax and allocation of profit for 2020</b>	<b>3,000</b>	<b>82,694</b>	<b>2,216</b>	<b>7,058,079</b>	<b>11,548,471</b>	<b>65,737</b>	<b>7,966</b>	<b>(1,114,487)</b>	<b>17,653,676</b>	<b>0</b>
Taxes and duties, including those paid in advance in 2020	0	0	0	0	0	0	0	(118)	(118)	0
<b>Balance as of 31 December 2020, after tax for 2020</b>	<b>3,000</b>	<b>82,694</b>	<b>2,216</b>	<b>7,058,079</b>	<b>11,548,471</b>	<b>65,737</b>	<b>7,966</b>	<b>(1,114,605)</b>	<b>17,653,558</b>	<b>0</b>

Information on the reserves and funds of the Bank of Russia is disclosed in the Statement of Bank of Russia Reserves and Funds.

# Notes to Annual Financial Statements for 2020

## 1. ACCOUNTING AND FINANCIAL REPORTING FUNDAMENTALS

The Bank of Russia carries out accounting records and compiles its financial reporting in accordance with the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', Federal Law No. 402-FZ, dated 6 December 2011, 'On Accounting', Bank of Russia Regulation No. 567-P, dated 19 December 2016, 'On the Chart of Accounts for Accounting Purposes at the Central Bank of the Russian Federation (the Bank of Russia) and the Procedure for Using it', Bank of Russia Regulation No. 522-P, dated 21 December 2015, 'Bank of Russia Accounting Policy for Accounting Purposes' (hereinafter, the Accounting Policy), and other Bank of Russia regulatory documents issued in pursuance of the said federal laws.

The financial statements were compiled on the basis of the annual accounting statements of the Bank of Russia, including its regional branches and other units in the structure of the Bank of Russia as a legal entity; accounting registers; and information set out in Bank of Russia regulations on accounting in the Bank of Russia and other Bank of Russia regulations.

These financial statements do not include the financial statements of credit institutions and other organisations, operating in Russia and abroad, where the Bank of Russia holds equity stakes and/or whose activities it controls, as well as of legal entities established by the Bank of Russia. Under Russian law, the Bank of Russia is not required to compile consolidated financial statements that include the financial statements of credit institutions and other organisations where it holds equity stakes and/or whose activities it controls, as well as of legal entities established by the Bank of Russia.

These financial statements were compiled in the currency of the Russian Federation, the Russian ruble (hereinafter, rubles), or in millions of rubles.

The financial statements cover a period from 1 January through 31 December 2020.

Bracketed figures in tables are negative values.

For the purposes of these financial statements, Bank of Russia operations with credit institutions and the State Development Corporation VEB.RU (hereinafter, VEB RF) are jointly referred to as operations with resident banks.

Resident banks, with government stakes in their authorised capitals ranging from 50% to 100%, are categorised as resident banks directly controlled by the Russian Federation represented by the Russian Ministry of Finance, the Federal Agency for State Property Management, constituent territories of the Russian Federation represented by their ministries and agencies, the Bank of Russia, the State Corporation Deposit Insurance Agency and VEB.RF.

## 2. ACCOUNTING POLICY PRINCIPLES, ACCOUNTING ITEMS AND METHODS FOR THEIR APPRAISAL

Assets (claims) and liabilities are recorded at their initial value as of the moment of their acquisition or occurrence. The initial value does not change until their retirement, sale, or redemption, unless otherwise provided for by the Russian legislation, the Accounting Policy, and Bank of Russia regulations or other documents. The specifics of any subsequent appraisal (revaluation) of assets (claims) and liabilities are described in this Note.

### (A) PRECIOUS METALS

Assets (claims) and liabilities denominated in precious metals, including precious metals contained in commemorative and investment coins that are legal tender in the Russian Federation, placed in the Bank of Russia's correspondent account, trading bank account in precious metals or custody account, precious metals in deposit accounts, are entered in the books at the value of precious metals according to the book prices for refined precious metals established by the Bank of Russia (hereinafter, the book price) as of the date of a transaction with precious metals and shall be revalued according to changes in book prices. The Bank of Russia calculates book prices based on the current fixed prices of precious metals on the London Metal Exchange.

Assets (claims) and liabilities denominated in precious metals are reflected in the books as of the end of the reporting year at fair value. The fair value of precious metals as of the end of the reporting year is the last price for the precious metals as fixed in the London metals spot market in the reporting year and recalculated based on the official USD/RUB exchange rate effective as of the reporting date.

The excess of positive unrealised differences, which arise from the revaluation of precious metal balances due to the change in the book prices and fair value of precious metals as of the end of the reporting year over negative unrealised differences is recorded in the balance sheet account *Reserve of unrealised revaluation of precious metals* as part of capital and is not included in the statement of financial performance.

If the negative unrealised difference exceeds the positive unrealised difference in the results of the year's activities, this amount is compensated for from previously accrued unrealised differences recorded to the balance sheet account *Reserve of unrealised revaluation of precious metals* as part of capital. If there are no funds in the balance sheet account *Reserve of unrealised revaluation of precious metals* or if the funds are insufficient, the negative unrealised difference is entirely (or in the amount that exceeds the credit balance in the aforementioned balance sheet account) attributed to Bank of Russia expenses for the corresponding reporting year.

Realised differences (income or expenses) that arise when trade operations with precious metals are conducted at a price different from the book price of such precious metals are calculated individually for each operation. A realised difference is the difference between the actual value of a transaction and the value based on the book price of the corresponding precious metal.

Realised differences in operations with precious metals are calculated as of the date of transfer of the title to the precious metal (date of delivery of precious metals) to which the transaction relates. Net positive realised differences are recorded in financial statements in the *Other income* item, while net negative realised differences are recorded in the *Other operating expenses* item of the statement of financial performance.

Bank of Russia claims and liabilities with respect to the delivery of precious metals in forward transactions under signed contracts are recorded to off-balance sheet accounts at book prices from the transaction date to the date of delivery of the precious metals or the settlement date, whichever is earlier, and revalued as the book prices change.

The value of precious metals used to recalculate assets (claims) and liabilities in precious metals as of the reporting date was as follows: ₹4,491.6600 per gram of gold (2019: ₹3,031.2500 per gram of gold); ₹62.9100 per gram of silver (2019: ₹35.9200 per gram of silver); ₹2,553.2900 per gram of platinum (2019: ₹1,932.5900 per gram of platinum); ₹5,629.1200 per gram of palladium (2019: ₹3,821.4000 per gram of palladium).

## **(B) FOREIGN CURRENCY ASSETS AND LIABILITIES**

Foreign currency assets (claims) and liabilities are entered in the books as of the date of the operation or transaction in foreign currency at the official exchange rate of the foreign currency against the ruble set by the Bank of Russia as of that date (hereinafter, the official exchange rate).

Foreign currency assets (claims) and liabilities are revalued as the official exchange rate changes, except for amounts received, advances paid and down payments made under business transactions with non-resident companies (for goods delivered, works performed or services rendered), as well as the amounts of down payment in Bank of Russia transactions related to its equity stakes in other companies which are not subject to revaluation.

The excess of the positive unrealised exchange rate differences that arise from the revaluation of balances in the balance sheet accounts, where funds in foreign currency are reflected, over the negative unrealised exchange rate differences due to changes in the official exchange rates, is recorded to the balance sheet account *Reserve of unrealised exchange rate differences* as part of capital and is not included in the statement of financial performance.

If the negative unrealised exchange rate differences exceed positive unrealised exchange rate differences accrued over the year, this excess amount is offset by previously accrued unrealised exchange rate differences recorded to the balance sheet account *Reserve of unrealised exchange rate differences* as part of capital. If there are no funds in the balance sheet account *Reserve of unrealised exchange rate differences*, or if the funds are insufficient, the negative unrealised exchange rate differences are posted entirely (or, accordingly, in the amount that exceeds the balance in the above balance sheet account) to Bank of Russia operating expenses for the corresponding reporting year.

Realised exchange rate differences that arise in foreign exchange transactions conducted at exchange rates that differ from official exchange rates are calculated individually for each transaction and are posted to Bank of Russia income or expenses as of the transaction date. Net positive realised exchange rate differences are recorded in financial statements in the *Other income* item, while net negative realised exchange rate differences are recorded in the *Other operating expenses* item of the statement of financial performance.

Bank of Russia claims and liabilities denominated in foreign currency under the signed foreign currency purchase and sale forward contracts are posted to off-balance sheet accounts at official exchange rates from the transaction date to the first settlement date stipulated by transaction terms and are revalued as official exchange rates change.

The official exchange rates used to recalculate assets (claims) and liabilities in foreign currency as of the reporting date were as follows: ₹73.8757 per US dollar (2019: ₹61.9057 per US dollar); ₹90.6824 per euro (2019: ₹69.3406 to the euro); ₹100.0425 per pound sterling (2019: ₹81.1460 per pound sterling); ₹57.7289 per Canadian dollar (2019: ₹47.3611 per Canadian dollar); ₹71.4915 per 100 Japanese yen (2019: ₹56.7032 per 100 Japanese yen); ₹106.4010 per SDR (special drawing right) (2019: ₹85.4398 per SDR); ₹56.5223 per Australian dollar (2019: ₹43.2597 per Australian dollar); ₹11.3119 per Chinese yuan (2019: ₹88.5937 per 10 Chinese yuan).

## **(C) SECURITIES**

Investments in debt securities, other than promissory notes, are categorised as follows, depending on the purpose of their purchase:

- *Appraised at fair value through profit or loss*. These include securities purchased to be sold in the short term (up to one year) whose fair value can be determined reliably;
- *Held to maturity*. These include securities that the Bank of Russia intends to hold to maturity, regardless of the period between the purchase date and the maturity date;
- *Available for sale*. These include securities that are not categorised as *Appraised at fair value through profit or loss* or *Held to maturity* when purchased.

Securities are accounted for at their initial value, which includes the purchase price (purchase value) and, for securities *Available for sale* or *Held to maturity*, material additional expenses (costs) directly associated with their purchase. Expenses (costs) exceeding 5.0% of the transaction value are recognised as material.

Securities are entered in the accounts in the currency of their denomination.

The price of securities purchased in a currency other than that of their denomination is determined at the official exchange rate as of the purchase date, or at the cross rate calculated using official exchange rates.

The balance sheet value of securities after their initial recognition changes by the amount of interest income (interest expenses) accrued, amounts of partial redemption of the nominal value of securities and coupon payments, and for securities *Appraised at fair value through profit or loss* and *Available for sale*, where their fair value can be determined reliably, with due regard to their revaluation at fair value.

The amount of discount and interest (coupon) income less the premium amount is recognised as interest income. A discount on the security means a positive difference between the nominal value (current face value) of the security and its initial value less interest (coupon) income included in the purchase price.

The amount of premium in excess of interest (coupon) income is recognised as interest expense. A premium on the security means a negative difference between the nominal value (current face value) of the security and its initial value less interest (coupon) income included in the purchase price.

Interest income and expenses are accrued on a uniform basis from the purchase date of securities and during their remaining maturity, unless otherwise specified in Bank of Russia regulations.

Interest income on securities where there is no uncertainty as to the receipt of the said income, as well as interest expenses on securities are recognised as income or expenses respectively on the last business day of the month when the securities are retired (sold) or redeemed (partially redeemed), and when interest (coupon) income is paid by the issuer. Interest income on securities where the receipt of the income is recognised to be uncertain is recorded to separate off-balance sheet accounts for unreceived interest income and is recognised as income when the funds are actually received.

Market prices posted by exchanges based on the latest results of exchange trading are used to evaluate the fair value of securities traded in a foreign financial market in exchange trading and of securities eligible for exchange organised trading in the domestic financial market (excluding Russian Federation Eurobonds). The latest quotations (prices) posted by the Bloomberg information system are used to evaluate the fair value of securities that are traded in a foreign financial market not on exchange (over-the-counter), securities traded in the domestic financial market which are not eligible for exchange trading in the domestic financial market, and Russian Federation Eurobonds. Valuation models based on market data are used to estimate the fair value of securities that do not have representative quotations (prices).

The securities revaluation amount is the difference between the fair value of securities of a corresponding issue (issuer) and their balance sheet value, net of the revaluation reflected in the corresponding balance sheet accounts.

The revaluation of securities categorised as securities *Available for sale* is posted during the year to the balance sheet accounts *Revaluation of securities available for sale – positive differences* and *Revaluation of securities available for sale – negative differences*.

At year-end, excess of positive revaluation over negative revaluation of securities categorised as *Available for sale* of the corresponding issue (issuer) is written down to the account for income from securities transactions within the limits of negative revaluation of the corresponding issue (issuer), recorded to the account for expenses from securities transactions in previous years; in the absence of a negative revaluation of the corresponding issue (issuer) posted to expenses in previous years or in the amount of its excess, it is recorded to the balance sheet account *Positive revaluation of securities available for sale* as part of capital. With respect to securities categorised as *Available for sale* that were acquired in the reporting year, the positive revaluation of such securities of the corresponding issue (issuer) is recorded to the balance sheet account *Positive revaluation of securities available for sale* as part of capital.

At year-end, the excess of the negative revaluation over the positive revaluation of securities categorised as *Available for sale* of the corresponding issue (issuer) is written off against the positive revaluation accounted for as capital within the limits of the previously accrued positive revaluations of this issue (issuer). In the absence (or shortage) of the previously accrued positive revaluations of this issue (issuer) accounted for as capital, it is recorded to the account for expenses on securities transactions. With respect to securities categorised as *Available for sale* and acquired in the reporting year, the sum of the negative revaluation of such securities of the corresponding issue (issuer) is written down to the account for expenses on securities transactions.

Securities categorised as *Held to maturity* are not subject to revaluation; they are reflected in the financial statements net of impairment provisions.

Residents' or non-residents' debt securities are recorded in the financial statements in the balance sheet items *Securities or Funds placed with non-residents and foreign securities*, respectively.

Upon the retirement (sale) of securities, the price of such securities shall be determined using the FIFO method, which stipulates that the retirement (sale) of securities be recorded in the accounts in the order of their acquisition. The price of retired (sold) securities includes the price of securities that were acquired first.

The financial result of the retirement (sale) or redemption of securities is calculated as the difference between the balance sheet price of the security as of the retirement date, inclusive of accrued interest income (for securities in the category *Appraised at fair value through profit or loss*, net of revaluation amounts), and the contractual redemption price or retirement (sale) price and is recorded to the income or expenses on securities operations in the statement of financial performance. For securities in the category *Available for sale*, alongside showing the retirement (sale) or redemption of such securities, the amount of the accumulated revaluation of retired securities is transferred to accounts for income or expenses from securities transactions in the statement of financial performance.

Securities transferred by the Bank of Russia in reverse transactions (including securities in repo transactions with non-resident banks) are recognised in the same category of securities, in which they were recognised before the transaction, in separate balance sheet accounts. Funds raised by the Bank of Russia in repo transactions are recognised in Bank of Russia balance sheet accounts for funds raised.

Securities received by the Bank of Russia in reverse transactions (including securities in repo transactions with resident or non-resident banks) are recorded to off-balance sheet accounts and revalued at fair value on the last working day of the month. Funds provided by the Bank of Russia in repo transactions are accounted for in Bank of Russia balance sheet accounts for funds placed.



Income received or expenses incurred by the Bank of Russia in reverse transactions are recorded in the financial statements as *Interest income* or *Interest expenses* items of the statement of financial performance respectively.

Promissory notes issued by credit institutions are accounted for in the financial statements at their purchase price net of impairment provisions.

#### **(D) BANK OF RUSSIA BONDS**

Bank of Russia coupon bonds (coupon OBRs) are accounted for at their par value reduced or increased by the discount or premium (the difference between the par value and the offering or selling price) inclusive of accrued interest.

The amount of the discount and coupon income payable to coupon OBR holders less the premium amount are recognised as interest expenses. Interest expenses are accrued starting from the date of coupon OBR placement (sale) throughout the remaining maturity on a uniform basis. Interest expenses are recorded to expense accounts on the last working day of the month when the coupon OBRs are bought back or redeemed, and coupon income is paid.

Coupon OBRs received by the Bank of Russia in repos with resident banks are recorded to off-balance sheet accounts as securities received in repos.

#### **(E) INVESTMENTS**

Bank of Russia investments in the authorised capital of credit institutions and other organisations are accounted for at their initial price as of the date of transfer of the title to shares (stakes), as specified in the documents confirming the transfer of the title to the shares (stakes).

The initial value of shares (stakes) entered in the books includes the purchase price (purchase value) and material additional expenses (costs) directly associated with their purchase.

Expenses (costs) exceeding ₹25,000 are recognised as material.

Immaterial additional expenses (costs) directly related to the purchase of shares (stakes) are included in expenses on securities trading.

Bank of Russia investments in credit institutions' shares acquired for the purpose of participation in bankruptcy prevention measures and transferred to trust management are accounted for in the balance sheet accounts for assets transferred to trust management; in the financial statements these investments are recorded to the Securities item of the balance sheet.

Foreign currency investments in legal entities' shares (stakes) denominated in foreign currency are accounted for in rubles at the official exchange rate as of the date when the title to the shares (stakes) is transferred or at the official exchange rate as of the date when they are paid up with a prepayment.

The value of shares (stakes) denominated in a foreign currency is not subject to further re-valuation following a change in the official exchange rate.

Bank of Russia investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions are accounted for at their initial value as of the date of registration of the Bank of Russia's title to the units indicated in confirming documents.

The initial value of the units of unit investment funds entered in the books equals the amount of funds paid for them.

Bank of Russia investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions are recognised in the financial statements at their initial value net of impairment provisions.

#### **(F) LOANS AND DEPOSITS**

Loans, including subordinated loans, provided to credit institutions, state corporations, other legal entities, and deposits placed, *inter alia*, in accordance with federal laws and decisions

by the Bank of Russia Board of Directors, are recognised in the financial statements as part of the principal, including accrued interest whose receipt is regarded as certain, net of impairment provisions. Interest income where there is uncertainty as to its receipt is recorded to off-balance sheet accounts for unearned interest income and is recognised as income when the funds are actually received.

The Bank of Russia issues loans against the pledge (blocking) of securities, pledge of receivables on loan agreements and/or sureties, as well as unsecured loans based on the decision of the Bank of Russia Board of Directors.

Securities received as collateral for issued loans are appraised at their market value determined as of the transfer date of these securities as collateral on a Bank of Russia loan, using the adjustment ratios established by the Bank of Russia, and are not subject to further revaluation.

Claims under loan agreements received as collateral for issued loans are accounted for at the value determined according to the procedure defined by the loan agreement, adjusted by the adjustment ratios established by the Bank of Russia.

The value of collateral for Bank of Russia loans provided against sureties is calculated as the amount of loan debt plus interest to be paid for the anticipated period of use of the loan, calculated based on the conditions of the loan agreement signed with the Bank of Russia.

Within the framework of implementing measures aimed at stabilising the financial market of the Russian Federation, the Bank of Russia places funds as part of bankruptcy prevention measures at credit institutions using the money of the Fund of Banking Sector Consolidation.

#### **(G) LOSS PROVISIONS FOR BANK OF RUSSIA OPERATIONS**

To cover possible financial losses if risks materialise under Bank of Russia claims and liabilities (including contingent ones) in the currency of the Russian Federation and in a foreign currency, which arise in the course of the Bank of Russia's performing its functions in accordance with Russian laws, the Bank of Russia makes the following provisions for: credit and other similar exposures (hereinafter, exposures), including those on securities held to maturity; claims on interest income under exposures reflected in balance sheet accounts (hereinafter, claims on interest income); investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions; funds deposited by the Bank of Russia with credit institutions to compensate for the part of losses (expenses) incurred by credit institutions under transactions with other credit institutions whose banking licences have been revoked; securing obligations to participants in the Bank of Russia's Pension Plan; liabilities of credit institutions whose participation in the international payment system has been suspended; amounts paid by the Bank of Russia to the Pension Fund of the Russian Federation in accordance with Russian laws to compensate for the shortage of pension savings; amounts transferred by the Bank of Russia to the Pension Fund of the Russian Federation in the event of the forced winding up of a non-governmental pension fund; and receivables under the business activity of the Bank of Russia.

Provisions are made in the currency of the Russian Federation. Bank of Russia provisions are made on the basis of decisions by the Bank of Russia Board of Directors and are recognised as Bank of Russia expenses.

Given a decrease in the amount of claims and liabilities in the event of their full or partial payment, mitigation of the risk of possible financial losses thereunder, or decrease in the official exchange rate of foreign currencies against the ruble, the corresponding part of the provisions made for the claims and liabilities should be reduced and posted (recovered) to Bank of Russia income.

Provisions are used to cover financial losses under liabilities in the event that risks thereunder materialise and to write off claims the Bank of Russia cannot recover after it has undertaken all necessary and sufficient legal and actual measures to recover them and to exercise the rights

arising from the availability of collateral for these claims, including when an entry on the debtor's registration in connection with its liquidation is made in the Unified State Register of Legal Entities.

Provisions for exposures as well as exposures to credit interest income are made by the Bank of Russia when the risk of possible financial loss (credit risk) arises as a result of a borrower's default on or improper fulfilment (where there is a threat of such default or improper fulfilment) of obligations in accordance with the terms and conditions of agreements or other documents confirming the provision and placement of funds by the Bank of Russia or as a result of the revocation of the borrower's banking licence.

The Bank of Russia determines the level of credit risk and makes provisions in the amount corresponding to the identified credit risk level for the following exposures: loans issued by the Bank of Russia (*inter alia*, under opened credit lines); deposits placed by the Bank of Russia; funds placed by the Bank of Russia under repo operations; and securities held to maturity. When assessing credit risk, the Bank of Russia evaluates the financial standing of a borrower and the quality of its debt servicing.

Provisions for exposures of the Bank of Russia in rubles and foreign currency are made on an individual basis or for portfolios of homogeneous credit claims (on a portfolio basis).

For exposures having no individual signs of impairment and meeting the criteria for the formation of portfolios of homogeneous credit claims, provisions are made on a portfolio basis.

Provisions for exposures pooled in the portfolios of homogeneous credit claims are made for a portfolio as a whole and reflect the amount of possible financial losses that may result from the overall impairment of homogeneous exposures pooled (grouped) in the same portfolio. When determining criteria for attributing credit claims to the portfolio of homogeneous credit claims, the Bank of Russia may take into account the following properties of exposures: the type of exposures, emergence of exposures as a result of transactions under a single agreement; placement of funds on similar conditions; placement of funds in compliance with certain federal laws; the net settlement of debt obligations under several transactions; and other properties of transactions.

The amount of provisions for exposures is determined taking into account the value (amount) of collateral provided under concluded agreements calculated using adjustment ratios (discounts) (Note 2(f)).

The Bank of Russia makes provisions for investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions; the amount of these provisions is determined taking into account the fact that the value of investments in the said units net of provisions shall not exceed the value of the net assets of the unit investment fund.

Loss provisions for the funds deposited by the Bank of Russia with credit institutions to compensate, pursuant to federal laws, for the portion of losses (expenses) sustained by credit institutions in transactions with other credit institutions whose banking licences have been revoked (hereinafter, the compensation deposit) are made when credit institutions write off the compensation deposit in whole or in part.

Provisions to secure Bank of Russia obligations to participants in its Pension Plan are made to secure the fulfilment of supplementary pension obligations to Bank of Russia employees in accordance with the terms and conditions of the Pension Plan. The amount of provisions to be made is determined by the excess of the forecast value of pension obligations over the anticipated balance of the Bank of Russia pension fund as of the end of the year following the reporting one.

Provisions for credit institutions' obligations, the fulfilment of which is not subject of an international payment system's subsidiary liability to the Bank of Russia and/or when such institutions' participation in the international payment system has been suspended, are formed in the amount of the claim for compensation consisting of the amount of the credit institution's obligation to the Bank of Russia the fulfilment of which is not a subject of the international payment system's subsidiary liability to the Bank of Russia, and/or when the institution's participation in the inter-

national payment system has been suspended, which occurred because of the insufficiency of funds in its correspondent account to fulfil the collection order in the amount of the debit net position and a fine for unfulfilled obligations.

Provisions for the amounts of compensation paid by the Bank of Russia to the Pension Fund of the Russian Federation for the shortage of pension savings are formed when, in accordance with Russian laws, the Bank of Russia, as a result of compensating for the shortage of pension savings, acquired claims which, in the event of the bankruptcy of a non-governmental pension fund, that is not a participant fund, or in the event of its forced liquidation, shall be satisfied using the equity (assets securing statutory activity, if the non-governmental pension fund is a non-profit organisation) of such non-governmental pension fund.

Provisions for the amounts of funds transferred by the Bank of Russia to the Pension Fund of the Russian Federation are made if an arbitration court issues a ruling, upon the Bank of Russia's application, on the forced liquidation of a non-governmental pension fund which has not been registered in the system guaranteeing the rights of insured persons because of the cancellation of its licence.

Provisions to cover possible financial losses under receivables from economic activity determined in the values established by the Bank of Russia's regulation governing the procedure for the Bank of Russia to write off assets, receivables and other expenditures are formed for receivables recognised in the books in the balance sheet accounts for settlements with employees with regard to imprest amounts (in respect of the amounts of shortages); settlements with suppliers, contractors, and buyers; settlements with non-residents under business transactions; or settlements with other debtors where such receivables involve the risk of possible financial loss due to the default on (improper performance of) obligations by the Bank of Russia's debtor under the contract for the delivery of goods, performance of works, or provision of services.

Bank of Russia assets, for which provisions are made, are accounted for in the financial statements net of the amount of provisions made.

#### **(H) FIXED ASSETS**

Bank of Russia fixed assets are defined as tangible property having a service life of over 12 months and a value exceeding the limit set by the Bank of Russia for recognising property as fixed assets which are used as tools for the provision of services or management of a Bank of Russia unit, as well as in the cases stipulated by health and safety, technical and maintenance, and other special technical standards and requirements. Since 1 January 2016, the limit value of property to be entered into the books as fixed assets was set by the Bank of Russia at over €100,000 per accounting unit put into operation from 1 January 2016. Property entered into the books as fixed assets before 1 January 2016 are accounted for as part of fixed assets.

Fixed assets are recognised in the financial statements at their residual value, i.e. at the purchase price including revaluation less accrued depreciation, in the *Other assets* item of the balance sheet.

Bank of Russia fixed assets have been revalued in accordance with Russian Federation Government resolutions. The latest revaluation was made as of 1 January 1997.

Depreciation allowances are made each month, beginning on the first day of the month following the month a fixed asset is put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout its entire service life (except in cases when the asset is under reconstruction or modernisation for more than 12 months or under temporary shutdown for over three months according to the decision of the Bank of Russia). They are discontinued from the first day of the month following the month when the cost of the asset was fully repaid, or the asset was retired.

The maximum amount of accrued depreciation equals the balance sheet value of a fixed asset, which means the initial or current (replacement) value of the asset (including revaluation).

Fixed assets put into operation prior to 1 January 2002 are subject to the following rates of depreciation:

	2020	2019	%
Buildings and other facilities	1–5	1–5	
Equipment (including computers, furniture, vehicles, etc.)	1–5	1–6	

Fixed assets put into operation from 1 January 2002 are subject to the following rates of depreciation:

	2020	2019	%
Buildings and other facilities	1–32	1–36	
Equipment (including computers, furniture, vehicles, etc.)	2–67	2–67	

The maximum annual depreciation rate decreased as a result of 100% accrual of depreciation for fixed assets that were subject to the highest depreciation rates in the previous reporting period.

Expenses for the repair and maintenance of fixed assets are recorded to the financial statements in the *Other operating expenses* item of the statement of financial performance.

Income or expenses following the retirement of fixed assets are calculated as the difference between their balance sheet value (including accrued depreciation) and retirement cost and are recorded to the statement of financial performance in the *Other income* or *Other operating expenses* items.

#### (I) INTANGIBLE ASSETS

Intangible assets are identifiable objects whose initial value may be accurately measured. These do not have a physical form and are meant for long-term use (i.e., during a service life of over 12 months). They are not intended for sale within 12 months and are capable of bringing further economic advantages, the economic advantages of which the Bank of Russia is entitled to get, whereas any other entities have only limited access to such economic advantages.

Intangible assets are accounted for in the financial statements at their residual value, i.e. at the purchase price net of accrued amortisation, in the *Other assets* item of the balance sheet.

Amortisation allowances are made each month, starting the first day of the month following the month intangible assets are put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout their entire service life. They are discontinued from the first day of the month following the month when the cost of the asset was completely repaid, or the asset was retired.

The maximum amount of accrued amortisation equals the balance sheet value of an intangible asset.

The following rates of amortisation are applied to intangible assets put into operation beginning on 1 January 2002:

	2020	2019	%
Intangible assets	10–57	10–57	

The service life of intangible assets is established on the basis of the duration of Bank of Russia rights to the results of intellectual work or means of identification, and the period of control over intangible assets; and the expected service life of intangible assets during which the Bank of Russia intends to derive economic benefits (or use them in its work).

Income or expenses arising following the retirement of intangible assets are calculated as the difference between their balance sheet value (including accrued amortisation) and the retirement value, and are recorded to the statement of financial performance in the *Other income* or *Other operating expenses*.

#### **(J) CASH IN CIRCULATION**

The Bank of Russia is the sole issuer of cash and the organiser of cash circulation. Banknotes and coins put into circulation are shown in the financial statements at their nominal value, exclusive of ruble cash at Bank of Russia tills, Bank of Russia ATMs and cash in transit, as well as cash held by the Bank of Russia and dispensed to provide cash services to credit institutions.

#### **(K) FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA**

Funds in accounts with the Bank of Russia are comprised of federal government funds, resident banks' funds in correspondent accounts, credit institutions' required reserves deposited with the Bank of Russia, credit institutions' and other organisations' deposits taken by the Bank of Russia, regional and local government budget funds and government extra-budgetary funds, funds of organisations that are federal or public property, as well as funds raised from non-resident banks in repos executed in the external market. Funds in accounts with the Bank of Russia are reflected in the financial statements at their nominal value, inclusive of interest accrued.

#### **(L) CAPITAL**

The Bank of Russia's capital consists of:

- authorised capital. Under Article 10 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia has authorised capital in the amount of ₪3 billion;
- various reserves and funds created to enable the Bank of Russia to perform its functions stipulated by the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'. Information about the sources and use of Bank of Russia reserves and funds is contained in the Statement of Bank of Russia Reserves and Funds, which is part of these financial statements;
- loss of the reporting year and previous years (Note 2(n)).

#### **(M) RECOGNITION OF BANK OF RUSSIA INCOME AND EXPENSES**

Income and expenses are formed as a result of conducting transactions in rubles, foreign currency and precious metals and are recorded on an accrual basis, that is, they are posted as soon as they occur, rather than after the funds (or their equivalents) have been actually received or paid.

Records across accounts for income and expenses are maintained in rubles.

Income and expenses are recorded in the period to which they relate.

Income and expenses earned (incurred) in foreign currency are converted into rubles at the official exchange rate as of the date of their recognition in the books. Income and expenses earned (incurred) in precious metals are recalculated into rubles at the book prices in effect as of the date of their recognition in the books.

Expenses on the replenishment of supplementary pension funds for Bank of Russia employees are recorded to the statement of financial performance, after they have been incurred, based on the actuarial valuation of pension obligations of the Bank of Russia.

Income in the form of dividends due for the Bank of Russia's stakes in legal entities' authorised capitals in foreign currency and the currency of the Russian Federation is recorded in the books based on information on the decision to pay dividends made by the legal entity's authorised body.

Income (expenses) received (incurred) and accrued for previous reporting periods is (are) recorded to the financial statements in the items of the statement of financial performance for the reporting period with corresponding economic content.

Interest income and interest expenses are accrued during the period of placement (attraction) of funds on a uniform basis, unless otherwise stipulated by Bank of Russia regulations.

The receipt of interest income on all exposures with regard to borrowers against which claims, according to the provisioning procedure, are classified into groups that are below the groups involving no credit risk or insignificant or moderate credit risk, is deemed to be uncertain for accounting from the date of the classification.

The amount transferred to the federal budget in pursuance of Part 1 of Article 1 of Federal Law No. 49-FZ, dated 18 March 2020, 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from the Sale of Ordinary Shares of Sberbank of Russia', is recorded to the Bank of Russia's expenses.

#### **(N) FINANCIAL PERFORMANCE**

Financial performance: profit or loss is calculated in accordance with the legislation of the Russian Federation as the difference between total income and expenses of the Bank of Russia for the reporting year, as reflected in the books.

Loss of the reporting year and previous years is entered in the books as part of capital (Note 2(l)).

#### **(O) TAXATION OF THE BANK OF RUSSIA**

The Bank of Russia pays taxes and duties in compliance with the Tax Code of the Russian Federation. It has drawn up and approved its accounting policy for the purposes of taxation, which sets out the applicable tax accounting principles and methods, alongside the rules on, and procedure for, creating a tax base for the calculation of taxes and duties payable by the Bank of Russia.

#### **(P) TRANSFER OF PROFIT TO THE FEDERAL BUDGET**

Pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', after the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia transfers 75% of the actual annual profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation to the federal budget.

In accordance with Federal Law No. 454-FZ, dated 28 November 2018, 'On the Specifics of Transferring the Income for 2018 Received by the Central Bank of the Russian Federation from its Equity Stake in Sberbank of Russia in 2019', the income received in 2019 by the Bank of Russia from its equity stake in Sberbank as of the end of 2018 shall be transferred by the Bank of Russia to the federal budget on or before 1 August 2019. The part of the Bank of Russia's profit to be transferred to the federal budget in 2020 in accordance with Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' shall be reduced by the amount transferred to the federal budget in 2019.

Given the actual loss incurred as of the end of 2019, the income earned from the equity stake in Sberbank and transferred to the federal budget in accordance with the legislation of the Russian Federation was posted to the 2019 expenses.

#### **(Q) CLAIMS ON THE IMF AND OBLIGATIONS TO THE IMF**

Pursuant to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia serves as a depository for IMF funds in the currency of the Russian Federation and performs operations and transactions stipulated by the IMF's Articles of Agreement and contracts with the IMF.



The Bank of Russia keeps records of the Russian Federation's claims on the IMF (including the Russian Federation's quota in the Fund) and its obligations to the IMF.

Claims on the IMF include the Russian Federation's quota in the Fund; funds in the Russian Federation's account with the IMF's Special Drawing Rights Department (SDR Department); and loans provided by the Bank of Russia to the IMF under the New Arrangements to Borrow (NAB), inclusive of interest accrued.

IMF quotas are subscriptions of all member states, which are paid in national and foreign currencies. The portion of the quota paid in a foreign currency constitutes a position on the reserve tranche. Quotas are denominated in Special Drawing Rights (SDRs).

The SDRs are reserve assets created by the IMF. The SDR value is posted daily based on the basket of currencies, consisting of the US dollar, euro, Chinese yuan, Japanese yen and pound sterling.

The New Arrangements to Borrow are a lending facility to provide funds to the IMF by a group of member countries with a sustainable balance of payments and sufficient international reserves. The maximum maturity of claims under the New Arrangements to Borrow is ten years. The Bank of Russia can recall its committed funds at any time, if necessary.

Obligations to the IMF are represented by the ruble balances in the IMF's Number 1 and 2 Accounts with the Bank of Russia and by the obligations on SDRs received by the Russian Federation during previous issues of SDRs by the IMF, inclusive of accrued interest.

The IMF's Number 1 Account is used for financial operations and trades. The IMF's Number 2 Account is used to pay for the administrative expenses of the IMF representative office in the Russian Federation and is replenished by withdrawing funds from the IMF's Number 1 Account.

The accounting of claims on the IMF and obligations to the IMF as well as interest accrual is performed in line with IMF recommendations and Bank of Russia regulations. In order to maintain the total of Bank of Russia ruble-denominated obligations to the IMF in SDR terms at the ruble exchange rate set by the IMF, the balances in the IMF's Number 1 and 2 Accounts are revalued on a monthly basis on the first working day of the month following the reporting month. The total exchange rate differences accrued on the IMF's Number 1 Account are recognised in correspondence with the account for recording the part of the quota paid in rubles. The total exchange rate differences accrued to the IMF's Number 2 Account are recorded to the Bank of Russia's income or expenses. At the end of the IMF's fiscal year (30 April) and by the decision of the IMF or at the request of the Bank of Russia, the amount of the accrued exchange rate differences from the revaluation of the IMF's Number 1 Account is recorded to the increase (decrease) in the balance of the IMF's Number 1 Account; and the revaluation of the IMF's Number 2 Account is recorded to the increase (decrease) in this account's balance.

SDR-denominated claims on the IMF and obligations to the IMF are revalued at the official exchange rate of the SDR to the ruble set by the Bank of Russia.

**(R) REPORTING OF OPERATIONS UNDER THE CHINESE YUAN (CNY) / RUSSIAN RUBLE  
FX SWAP AGREEMENT BETWEEN THE PEOPLE'S BANK OF CHINA  
AND THE BANK OF RUSSIA AND OPERATIONS TO PROVIDE YUANS RECEIVED  
UNDER THE AGREEMENT TO RUSSIAN CREDIT INSTITUTIONS THROUGH SWAPS**

The CNY/RUB bilateral FX Swap Agreement between the People's Bank of China and the Bank of Russia (hereinafter, the National Currency Swap Agreement) was concluded to develop the bilateral economic relations by funding trade and direct investment. Under this Agreement, the parties can provide their own national currency or obtain the national currency of the other party through swaps within the maximum limits established. The Bank of Russia provides yuans to Russian credit institutions through swaps under agreements between the Bank of Russia and Russian credit institutions.

The current maximum amount in rubles (Chinese yuans) that may be supplied (received) by the Bank of Russia through swaps under the National Currency Swap Agreement is recorded to off-balance sheet accounts under the item *Unused limits to provide (receive) funds in the form of overdrafts and 'against the debt limit' loans*. The total of the maximum amount in the currency (rubles or yuans) posted to the off-balance sheet account is decreased in terms of the currency provided through swaps and is recovered after the transaction period ends.

The current amount of rubles (yuans) that may be provided (received) by the Bank of Russia through swaps between the Bank of Russia and the People's Bank of China if the People's Bank of China (the Bank of Russia) requests funds through a swap is recorded to off-balance sheet accounts under the item *Unused limits to provide (receive) funds in the form of overdrafts and 'against the debt limit' loans*. The respective amount of yuans (rubles) is posted to the off-balance sheet accounts for the bank guarantees and sureties received (issued) during the effective period of a swap. The total of the current amount in rubles (yuans) posted to the off-balance sheet account under the item *Unused limits to provide (receive) funds in the form of overdrafts and 'against the debt limit' loans* is decreased when the Bank of Russia provides rubles to the People's Bank of China (when the Bank of Russia receives yuans from the People's Bank of China) by the amount of funds provided (received) and is recovered upon their repayment.

The rubles supplied by the Bank of Russia to the People's Bank of China (yuans received by the Bank of Russia from the People's Bank of China) under the swaps are recorded to the financial statements under the item *Funds placed with non-residents and foreign securities* (under the item *Funds in accounts with the Bank of Russia*).

### 3. IMPACT OF ECONOMIC CONDITIONS ON BANK OF RUSSIA FINANCIAL STATEMENTS

Bank of Russia balance sheet indicators and financial performance in 2020 were shaped by the slowdown in economic activity compared to 2019, decreased prices for commodities in external markets, a weaker ruble, anti-crisis measures implemented by the Russian Federation Government and the Bank of Russia, and a gradual reduction of the structural liquidity surplus in the banking sector.

According to Rosstat estimates, Russia's gross domestic product in real terms declined by 3.0% after growing by 2.0% in 2019. The spread of the coronavirus infection and the introduction of anti-pandemic restrictions, as well as a drop in global commodity prices limited business activity and depressed households' and businesses' demand. The ruble's depreciation, the easing of the fiscal policy and growing food prices in global markets in the second half of 2020 were important factors behind the increase in annual consumer price growth rates in 2020 (to 4.9%) and a pickup in inflation expectations.

The USD/RUB exchange rate increased by 19.3% from ₴61.9057 as of 31 December 2019 to ₴73.8757 as of 31 December 2020, and the EUR/RUB exchange rate was up by 30.8% from ₴69.3406 as of 31 December 2019 to ₴90.6824 as of 31 December 2020.

The unfavourable external economic environment associated with the average annual Urals price declining from \$63.59 per barrel in 2019 to \$41.73 per barrel in 2020 (below the basic level under the fiscal rule) made the Ministry of Finance of Russia to switch from foreign currency purchases in the amount of additional oil and gas revenues of the budget to foreign currency sales in the amount of the shortfall in oil and gas revenues of the budget.

In early March 2020, amid a sharp decline in oil prices and a gradual introduction of anti-pandemic restrictions in the global economy, the Bank of Russia suspended its regular foreign cur-

rency purchases, which had been postponed in 2018, as part of mirroring the fiscal rule-based operations conducted by the Ministry of Finance of Russia.

In January–March 2020, the Bank of Russia continued to purchase gold, whose price grew from \$1,518 as of 31 December 2019 to \$1,901 per troy ounce as of 31 December 2020. On 1 April 2021, the Bank of Russia announced the suspension of its gold purchase operations.

Despite the net sales of foreign currency as part of mirroring fiscal rule-based operations conducted by the Ministry of Finance of Russia and other operations with the assets of the National Wealth Fund, overall for the year, the Bank of Russia increased the assets in foreign currency and gold as compared with 2019 on account of the growth of both their foreign currency component (by \$1.1 billion, or 0.2%) and the gold reserve and value (by \$27.9 billion, or 25.5%). Bank of Russia foreign currency assets grew in dollar terms because of the positive exchange rate revaluation of reserve assets in euro, pound sterling, Japanese yen, and Chinese yuan against the US dollar. At the same time, the ruble's weakening against main reserve currencies made an additional contribution to the increase in Bank of Russia foreign currency and gold assets in ruble terms. Given the effect of the above factors, in 2020, the balances of funds grew by 20.2% (from ₹25,342,948 million to ₹30,452,905 million) under the item *Funds placed with non-residents and foreign securities* and by 49.7% (from ₹6,952,779 million to ₹10,410,422 million) under the item *Precious metals*. The ruble's weakening against main reserve currencies also led to the increase in the balances of funds by 24.2% (from ₹1,537,338 million to ₹1,910,150 million) under the item *Claims on the IMF*.

Despite the decline in household final consumption expenditure by 5.5% in nominal terms in 2020, households' and businesses' demand for cash increased, which may be associated with the formation of stocks to live through the period of anti-pandemic restrictions and the officially announced non-work days, as well as with a decrease in cash collected as retailers' earnings during the period of anti-pandemic restrictions. As a result, the volume of cash in circulation grew by 26.4% over the year (from ₹10,616,469 million to ₹13,419,999 million).

In 2020, the amount of funds of the Government of the Russian Federation held in accounts with the Bank of Russia decreased by 5.1% to ₹10,191,815 million. This trend evolved in the context of a considerable growth in expenses and deficit of the federal budget. The need to finance expenses led to a decline in the ruble balances of budget funds in the banking sector.

2020 saw a gradual reduction in the banking sector's structural liquidity surplus: from ₹2,761 billion as of 1 January 2020 to ₹204 billion as of 1 January 2021. This caused a pickup in the demand of credit institutions for liquidity provision operations and a drop in their demand for liquidity absorption operations, thereby changing the structure of Bank of Russia instruments to regulate banking sector liquidity. The balances of funds under the item *Loans and deposits* held with the Bank of Russia grew by 13.8% over 2020 (from ₹3,305,659 million to ₹3,761,861 million). A decrease in the volume of Bank of Russia liquidity absorption operations through holding auctions for the placement of coupon OBRs led to a more than threefold reduction in the balances under the item *Securities issued* in 2020 (from ₹1,952,884 million to ₹574,160 million).

In 2020, balances under the item *Funds of resident credit institutions in accounts with the Bank of Russia* grew by 5.0% over 2020 (from ₹4,273,927 million to ₹4,488,296 million) due to an increase in the required reserves as a result of the growing volume of credit institutions' reservable liabilities in rubles and the foreign currency revaluation of the reservable liabilities in foreign currency.

Similar to 2019, the Bank of Russia had a negative financial result (loss) as of the end of 2020. In 2020, the financial result was influenced by diverse factors. A positive impact on the financial result was exerted by proceeds from the sale of Sberbank shares retained by the Bank of Russia in accordance with Federal Law No. 49-FZ, dated 18 March 2020, 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from the Sale of Ordinary Shares

of Sberbank of Russia'. Given a decrease in the structural liquidity surplus of the banking sector and the key rate cut compared to 2019, the Bank of Russia's interest expenses on liquidity absorbing operations declined. Because of falling rates in the global financial markets, income from the placement of Bank of Russia reserve assets decreased. Due to changes in the structure and quality of Bank of Russia assets, 2020 posted net expenses on the formation of Bank of Russia provisions (vs net income from the recovery of provisions posted in 2019). The financial result was also influenced by the net negative realised exchange rate differences recorded as of the year-end, which resulted from the foreign currency purchases (sales) in the domestic and international markets at exchange rates that differ from the official exchange rates set by the Bank of Russia.

#### 4. PRECIOUS METALS

	(millions of rubles)	
	2020	2019
Precious metals in physical form	10,403,870	6,938,071
Precious metals in coins and commemorative medals	6,552	14,708
<b>Total</b>	<b>10,410,422</b>	<b>6,952,779</b>

The increase in the item *Precious metals in physical form* was mainly due to the change in the fair value of precious metals as of the end of the reporting year, as well as the purchase of gold through purchase and sale transactions with Russian credit institutions under master agreements.

The decrease in the item *Precious metals in coins and commemorative medals* was mainly due to the sale of precious metal coins in the domestic and international financial markets.

#### 5. FUNDS PLACED WITH NON-RESIDENTS AND FOREIGN SECURITIES

	(millions of rubles)	
	2020	2019
<b>Funds placed with non-residents and foreign securities</b>		
<b>in foreign currency, of which:</b>	<b>30,446,381</b>	<b>25,335,405</b>
– foreign securities	22,315,005	15,975,557
– balances in correspondent accounts and deposits placed with non-resident banks	7,657,667	8,692,078
– other funds placed with non-residents	473,709	667,770
<b>Funds placed with non-residents in rubles</b>	<b>6,524</b>	<b>7,543</b>
<b>Total</b>	<b>30,452,905</b>	<b>25,342,948</b>

##### **Funds placed with non-residents and foreign securities in foreign currency**

##### ***Foreign securities***

Foreign securities in foreign currency are classified as *Securities available for sale* and mostly comprise government debt securities of China, France, Germany, Japan, the United Kingdom, Austria, Finland, Canada, the US, non-government bonds, including those guaranteed by foreign governments, and debt obligations issued by supranational financial institutions.

As of 31 December 2020, foreign securities in foreign currency had maturities ranging from 2021 to 2034 and were either coupon-free or had coupon income rates between 0% and 8% p.a.

As of 31 December 2019, foreign securities in foreign currency had maturities ranging from 2020 to 2026 and were either coupon-free or had coupon income rates between 0% and 8% p.a.

As of 31 December 2020, the fair value of foreign securities in foreign currency in the Bank of Russia's portfolio totalled ₹22,315,005 million (2019: ₹15,975,557 million) (Statement of Bank of Russia Management of Securities and Equity Stakes in Organisations Constituting the Bank of Russia's Property).

The fair value of foreign securities in foreign currency was measured using their latest purchase quotes (prices), as shown in the Bloomberg information system, or for coupon-free commercial securities and certificates of deposit without representative quotes (prices), the fair value was determined according to a model for assessing future cash flows discounted using government stock yield rates with respective maturities and denominations adjusted for the credit risk premium (spread).

As of 31 December 2020, the fair value of foreign securities in foreign currency appraised using the quotes (prices) shown in the Bloomberg information system totalled ₹20,882,325 million (2019: ₹14,555,226 million).

As of 31 December 2020, the fair value of foreign securities in foreign currency appraised using the model of future cash flow assessment totalled ₹1,432,680 million (2019: ₹1,420,331 million).

The change in the balance of this item was mostly due to increases in the official exchange rates of the foreign currencies of the securities against the ruble, as well as the growth of Bank of Russia investments in foreign securities.

This item includes foreign securities transferred by the Bank of Russia in repo transactions with the total fair value of ₹187,688 million (2019: ₹645,570 million) (Note 11), those transferred as additional collateral (margin) in repo transactions with the total fair value of ₹4,666 million (2019: ₹0 million), and those transferred as a loan with the total fair value of ₹209,770 million (2019: ₹154,744 million).

#### ***Balances in correspondent accounts and deposits placed with non-resident banks***

The item *Balances in correspondent accounts and deposits placed with non-resident banks* includes deposits with non-resident banks and funds in correspondent accounts with non-resident banks, plus interest accrued. Among other things, balances in correspondent accounts include funds in Bank of Russia accounts held with the national banks of Eurasian Economic Union member states.

In accordance with the Eurasian Economic Union Treaty, dated 29 May 2014, the central (national) banks of one party are to sell US dollars to the central (national) banks of the other party for the amount in the national currency equal to the amount of distributed customs duties in the national currency in favour of the other party. Settlements between the parties are made by offsetting the amount equal to the difference between the parties' mutual obligations in US dollars.

According to the bilateral agreements signed by the Bank of Russia with the Central Bank of Armenia, the National Bank of the Republic of Belarus, the National Bank of Kazakhstan and the National Bank of the Kyrgyz Republic, the mentioned banks opened for the Bank of Russia correspondent accounts in the national currencies of the member states of the Eurasian Economic Union.

As of 31 December 2020, funds in correspondent accounts with the said banks totalled ₹392 million (2019: ₹398 million).

The change in the item *Balances in correspondent accounts and deposits placed with non-resident banks* was mostly due to the decrease in the total amount of money deposited by the Bank of Russia with non-resident banks and in correspondent accounts opened with

non-resident banks as of the end of the reporting period. The mentioned factor was in part offset by the growth of the official exchange rates of the foreign currencies in which the funds were deposited, against the ruble.

#### **Other funds placed with non-residents**

The item *Other funds placed with non-residents* shows funds placed with non-resident banks in transactions for the purchase of foreign securities with an obligation to resell (reverse repos), plus interest accrued on these transactions. As of 31 December 2019, this item comprised money placed with non-resident banks in the amount of ₴389,025 million received in transactions to sell securities with an obligation to repurchase (repo transactions) concluded with the same counterparty. As of 31 December 2020, there was no debt under the mentioned transactions.

Securities received by the Bank of Russia in reverse repos with non-residents are recorded to off-balance sheet accounts at fair value and total ₴479,814 million (2019: ₴671,929 million, of these securities received in reverse repos conducted to place the funds received in repos totalling ₴389,677 million) (Notes 11 and 27).

The change in the balance of the item *Other funds placed with non-residents* was mostly due to the decrease in the total amount of funds placed by the Bank of Russia in reverse repos. This factor was partially offset by the increase in the official exchange rates of foreign currencies against the ruble.

#### **Funds placed with non-residents, in rubles**

The item *Funds placed with non-residents in rubles* reflects Bank of Russia ruble-denominated claims on the People's Bank of China under the bilateral National Currency Swap Agreement, including accrued interest.

## **6. LOANS AND DEPOSITS**

	(millions of rubles)	
	<b>2020</b>	<b>2019</b>
Loans and deposits with resident banks, of which:	2,804,018	2,862,406
– issued using the money of the Fund of Banking Sector Consolidation	1,743,656	1,706,507
– issued and placed under certain federal laws	349,100	499,498
Other funds placed with resident banks (in repo transactions)	844,560	0
Other, of which:	1,456,303	1,673,312
– issued and placed under certain federal laws	1,453,714	1,670,723
Provisions	(1,343,020)	(1,230,059)
<b>Total</b>	<b>3,761,861</b>	<b>3,305,659</b>

The item *Loans and deposits with resident banks* mostly reflects ruble-denominated debt under Bank of Russia deposits placed as part of bankruptcy prevention measures using money of the Fund of Banking Sector Consolidation (hereinafter, the FBSC), including accrued and unpaid interest,<sup>1</sup> under unsecured Bank of Russia loans issued to support lending to small- and

<sup>1</sup> Assets providing for the receipt of interest income are reflected in the financial statements as part of the principal, including accrued interest whose receipt is recognised as certain.

medium-sized enterprises, including emergency loans to support and retain employment, as well as under Bank of Russia loans secured by receivables under loan agreements or sureties, and the pledge of securities.

The item *Loans and deposits with resident banks, of which: issued and placed under certain federal laws* shows outstanding subordinated loans provided by the Bank of Russia to Sberbank in 2008 and 2014 as part of statutory measures implemented by the Russian Federation to support the national financial system.

The decrease in Sberbank's outstanding amounts was mostly related to the transfer by the Bank of Russia of receivables under subordinated loans issued to Sberbank in the amount of ₹150,000 million against the transfer by the Bank of Russia to the federal budget of a part of the income from the sale of ordinary shares of Sberbank in accordance with Federal Law No. 49-FZ, dated 18 March 2020, 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from the Sale of Ordinary Shares of Sberbank of Russia'.

Outstanding amounts on loans and deposits with resident banks where the government has equity stakes from 50.0% to 100.0% totalled ₹2,658,599 million (2019: ₹2,772,062 million), including accrued interest.

The item *Other funds placed with resident banks (in repo transactions)* reflects funds deposited by the Bank of Russia with resident banks under repos in the amount of ₹844,560 million (2019: ₹0 million), including accrued interest.

The increase in the item was due to funds provided by the Bank of Russia under repos concluded as of the reporting date.

Other funds placed in repos with resident banks where the government has equity stakes from 50.0% to 100.0% totalled ₹832,517 million (2019: ₹0 million), including accrued interest.

Securities received by the Bank of Russia in repo transactions with resident banks are recorded to off-balance sheet accounts at fair value and total ₹844,968 million (2019: ₹0 million) (Note 27).

The item *Other* mainly reflects outstanding amounts on Bank of Russia loans provided to the State Corporation Deposit Insurance Agency (hereinafter, the DIA) to implement bankruptcy prevention measures at credit institutions (in accordance with Article 189<sup>56</sup> of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)'), ensure the financial sustainability of the deposit insurance system, and finance the payment of compensations for deposits (to replenish the compulsory deposit insurance fund) (in accordance with Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Household Deposits with Russian Banks') in the amount of ₹1,451,494 million (2019: ₹1,668,503 million).

The decrease under this item was due to a decline in outstanding amounts on loans provided by the Bank of Russia to the DIA.

The value of collateral received under loans issued, including sureties, was ₹192,191 million (2019: ₹223,956 million).

Provisions totalling ₹1,343,020 million were made for loans issued, deposits and other funds placed (2019: ₹1,230,059 million), of which:

- provisions for unsecured loans, loans secured by receivables under loan agreements or sureties, pledged securities, and deposits placed in the total amount of ₹1,047,912 million (2019: ₹891,549 million);
- provisions for outstanding amounts on funds provided by the Bank of Russia to finance bankruptcy prevention measures for credit institutions, ensure the financial sustainability of the deposit insurance system, and finance the payment of compensations for deposits totalling ₹290,299 million (2019: ₹333,701 million);
- provisions for outstanding amounts on other loans, deposits and funds placed with resident banks totalling ₹4,809 million (2019: ₹4,809 million).



## 7. SECURITIES

	(millions of rubles)	
	2020	2019
<b>Debt obligations Available for sale, of which:</b>		
Russian federal government debt obligations, of which:	83,654	105,009
– Russian government external foreign currency- denominated loan bonds (Russian Eurobonds)	83,654	104,975
– federal government bonds (OFZs)	0	34
<b>Total</b>	<b>83,654</b>	<b>105,009</b>
<b>Debt obligations Held to maturity:</b>		
Russian federal government debt obligations (OFZ)	212,831	212,866
<b>Total</b>	<b>212,831</b>	<b>212,866</b>
Securities acquired for the participation in bankruptcy prevention measures, of which:	701,141	701,140
– credit institutions' shares acquired for the participation in bankruptcy prevention measures	697,277	697,276
– units of the unit investment fund set up to implement bankruptcy prevention measures at financial institutions	3,864	3,864
Shares issued by credit institutions and other organisations (Bank of Russia equity stakes)	31,723	104,661
Credit institutions' promissory notes acquired by the Bank of Russia	23	23
Provisions	(2,367)	(2,097)
<b>Total</b>	<b>1,027,005</b>	<b>1,121,602</b>

**Debt obligations Available for sale****Russian government external foreign currency-denominated loan bonds  
(Russian Eurobonds)**

Russian government external foreign currency-denominated loan bonds (Russian Eurobonds) are US dollar-denominated government securities issued by Russia's Ministry of Finance.

As of 31 December 2020 and as of 31 December 2019, the Eurobonds of the Russian Federation in the Bank of Russia's portfolio were to mature in 2030 and had a coupon income of 7.5% p.a.

As of 31 December 2020, the fair value of Russian Eurobonds was ₴83,654 million (2019: ₴104,975 million).

The decrease in the balance under the item was mostly associated with a partial repayment of the principal and sale of securities. The impact of these factors was partially offset by the increase in the official exchange rates of the US dollar against the ruble.

The fair value of Russian Eurobonds was determined using their latest purchase quotes (prices) provided in the Bloomberg information system.

**Debt obligations Held to maturity**

The item Russian federal government debt obligations (OFZs) includes OFZs acquired in 2019 under the securities purchase and sale agreement with VEB.RF. The said OFZs are set to mature in 2044 and have a coupon income rate of 0.25% p.a.

### Securities acquired for the participation in bankruptcy prevention measures and securities issued by other organisations (Bank of Russia equity stakes)

The structure of Bank of Russia investments in securities acquired for the participation in bankruptcy prevention measures (including those transferred in trust management) and shares issued by credit institutions and other organisations is shown in the Statement of Bank of Russia Management of Securities and Equity Stakes in Organisations Constituting the Bank of Russia's Property.

### Credit institutions' promissory notes acquired by the Bank of Russia

Promissory notes issued by credit institutions are accounted for at their purchase price.

This item includes the outstanding amount on a promissory note acquired by the Bank of Russia in 2001 under the terms and conditions of an Amicable Agreement.

### Provisions

Provisions totalling ₹2,365 million were created for investment in the units of the unit investment fund set up for the implementation of bankruptcy prevention measures at financial institutions (2019: ₹2,095 million), and provisions totalling ₹2 million were created for the promissory note issued by a credit institution (2019: ₹2 million).

## 8. CLAIMS ON THE IMF

	(millions of rubles)	
	2020	2019
The Russian Federation's quota with the IMF, of which:	1,372,966	1,102,490
– quota with the IMF paid in rubles	1,005,956	878,731
– IMF reserve tranche position	388,091	225,452
– revaluation of the Russian Federation's quota with the IMF paid in rubles, negative differences	(21,081)	(1,693)
Funds in the Russian Federation's account with the IMF SDR Department	516,869	415,016
Loans to the IMF issued by the Bank of Russia according to the New Arrangements to Borrow	20,255	19,570
Fee for the reserve tranche position	60	262
<b>Total</b>	<b>1,910,150</b>	<b>1,537,338</b>

The quota of the Russian Federation in the IMF in SDR terms (SDR12,903.7 million, or 2.71% of all IMF quotas) did not change in 2020 (the ruble equivalent of the quota was up owing to the increase in the official exchange rate of the SDR against the ruble).

The change in the components of Russia's quota with the IMF was due to the issuance of loans in 2020 by the IMF to borrower states using quota resources of the fund within the framework of the Financial Transactions Plan. When providing funds to the IMF, the Bank of Russia transferred US dollars to IMF borrower states, which caused an increase in the IMF's reserve tranche position and a decline in Russia's quota with the IMF paid in rubles equivalent to the amount of funds transferred.

The increase in the item *quota with the IMF paid in rubles* was due to the growth of the SDR's official exchange rate against the ruble set by the IMF, which offset the decline in the volume of the mentioned component of Russia' quota with the IMF.

The increase in the item *Funds in the Russian Federation's account with the IMF SDR Department* was chiefly associated with the decline in the official exchange rate of the SDR against the ruble. Moreover, interest accrued in the SDR was credited to this account.

Due to the Russian Federation's participation in the IMF credit facility under the New Arrangements to Borrow, in 2020, the Bank of Russia received SDR38.4 million from the IMF as repayment for outstanding amounts (2019: SDR148 million). In 2019 and 2020, the Bank of Russia did not provide any loans to the IMF under the said Arrangements.

As of 31 December 2020, the claims on the IMF under the New Arrangements to Borrow amounted to SDR190.3 million, or ₺20,251.3 million (2019: SDR228.7 million, or ₺19,541.6 million), and interest accrued on SDR loans amounted to ₺3.6 million (2019: ₺28.1 million).

## 9. OTHER ASSETS

	(millions of rubles)	
	2020	2019
<b>Fixed assets (at residual value)</b>		
Buildings and other facilities	53,333	54,416
Equipment (including computers, IT and data processing systems, furniture, transport vehicles and other)	25,830	29,803
<b>Subtotal fixed assets</b>	<b>79,163</b>	<b>84,219</b>
Till cash	2,578,915	2,134,555
Bank of Russia claims on credit institutions with revoked banking licences	42,997	42,997
Compensation from the Bank of Russia to the Pension Fund of the Russian Federation for shortfall in pension savings	40,214	40,505
Bank of Russia correspondent accounts	21,521	2,019
Construction projects in progress	10,833	11,155
Intangible assets (at residual value)	2,611	2,451
Bank of Russia funds contributed to the authorised capitals of organisations	1,510	1,510
Settlements with suppliers, contractors and buyers	1,381	1,566
Profit tax advance payments	118	131
Other	15,231	16,133
Provisions	(84,216)	(84,493)
<b>Subtotal other assets</b>	<b>2,631,115</b>	<b>2,168,529</b>
<b>Total</b>	<b>2,710,278</b>	<b>2,252,748</b>

The table below shows the movement of fixed assets:

	(millions of rubles)	
	2020	2019
<b>Fixed asset value net of accrued depreciation</b>		
Balance as of 1 January	197,898	193,017
Receipt	5,978	12,008
Retirement	(4,044)	(7,127)
<b>Balance as of 31 December</b>	<b>199,832</b>	<b>197,898</b>
<b>Accrued depreciation</b>		
Balance as of 1 January	113,679	109,805
Depreciation allowances due to expenses	10,759	10,816
Accrued depreciation of retired fixed assets	(3,769)	(6,942)
<b>Balance as of 31 December</b>	<b>120,669</b>	<b>113,679</b>
<b>Fixed asset residual value as of 31 December</b>	<b>79,163</b>	<b>84,219</b>

Fixed asset structure and value net of accrued depreciation:

	(millions of rubles)	
	2020	2019
Buildings and other facilities	71,782	71,709
Equipment	60,942	60,516
Computers, office equipment and furniture	34,538	33,231
IT and data processing systems	28,477	28,339
Transport vehicles	2,466	2,474
Other	1,627	1,629
<b>Total</b>	<b>199,832</b>	<b>197,898</b>

Change in the item *Fixed assets* was largely due to the commissioning of the computing infrastructure equipment of the Bank of Russia Private Cloud and the equipment purchased to organise remote work booked as *Computers, office equipment and furniture*.

The item *Bank of Russia claims on credit institutions with revoked banking licences* reflects Bank of Russia claims on credit institutions whose banking licences were revoked, listed in the register of creditors' claims and subject to settlement using the credit institution's property, that constitutes bankruptcy assets.

The item *Compensation from the Bank of Russia to the Pension Fund of the Russian Federation for a shortfall in pension savings* reflects claims acquired by the Bank of Russia as a result of the transfer of funds determined in accordance with Parts 1 and 2 of Article 6 of Federal Law No. 422-FZ, dated 28 December 2013, to the Pension Fund of the Russian Federation, as well as the payment reserve funds and pension savings of insured persons entitled to receive a fixed-term pension payment, formed as of the cancellation date of the licences of the non-governmental pension funds, for the fulfilment by the Pension Fund of the Russian Federation of its obligations under compulsory pension insurance agreements.

The decrease in the item was due to the receipt of funds from the DIA for the satisfaction of claims acquired by the Bank of Russia as a result of funds transfer to the Pension Fund of the Russian Federation.

The item *Bank of Russia correspondent accounts* reflects balances in foreign currencies in Bank of Russia correspondent accounts with resident banks.

The item *Bank of Russia funds contributed to the authorised capitals of organisations* reflects the funds contributed by the Bank of Russia to the authorised capital of Limited Liability Company Fund of Banking Sector Consolidation Asset Management Company (hereinafter, FBSC AMC Ltd.) in the amount of ₹1,500 million (2019: ₹1,500 million) and to the authorised capital of the Interstate Bank in the amount of ₹10 million (2019: ₹10 million) (Statement of Bank of Russia Management of Securities and Equity Stakes in Organisations Constituting the Bank of Russia's Property).

The item *Profit tax advance payments* reflects profit tax advance payments made in 2020.

The item *Provisions* reflects provisions totalling ₹84,216 million (2019: ₹84,493) created for:

- Bank of Russia claims on credit institutions whose banking licences were revoked, totalling ₹42,997 million (2019: ₹42,997 million);
- claims acquired by the Bank of Russia following the transfer of funds in the amount determined in accordance with Parts 1 and 2, Article 6, Federal Law No. 422-FZ, dated 28 December 2013, to the Pension Fund of the Russian Federation, as well as the payment reserve funds and pension savings of insured persons entitled to receive a fixed-term pension payment, formed as of the cancellation date of the licence, for the fulfilment by the Pension Fund of the Russian Federation of its obligations under their compulsory pension insurance agreements, totalling ₹40,214 million (2019: ₹40,505 million);
- other assets totalling ₹1,005 million (2019: ₹991 million).

## 10. CASH IN CIRCULATION

The increase in the item *Cash in circulation* was due to the growing demand for cash among households and businesses during the COVID-19 pandemic.

## 11. FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA

(millions of rubles)

	2020	2019
Federal government funds,	10,191,815	10,734,056
of which:		
– National Wealth Fund	8,657,892	6,140,294
Funds of resident credit institutions,	4,488,296	4,273,927
of which:		
– credit institutions' funds in correspondent accounts	2,553,960	2,630,073
– deposits taken by the Bank of Russia from resident banks	1,220,701	1,026,429
– required reserves deposited with the Bank of Russia	713,611	617,402
Regional and local budget funds	652,636	548,294
Government and other extra-budgetary funds	506,256	263,085
Funds of federal or public organisations	462,410	358,196
Other funds taken from non-residents	187,633	646,006
Other	133,253	128,150
<b>Total</b>	<b>16,622,299</b>	<b>16,951,714</b>

The item *Federal government funds* mostly reflects the funds of the federal budget kept in foreign currency accounts with the Bank of Russia under bank account agreements concluded with the Federal Treasury: funds in accounts opened for the National Wealth Fund (hereinafter, the NWF) and other accounts of the federal budget.

The increase in the item *Funds of the National Wealth Fund* was mainly associated with the transfer in March 2020 of foreign currency purchased under the fiscal rule from the foreign currency accounts of the federal budget to the NWF to replenish the NWF, and also with the increase in the ruble equivalent of the balance in these accounts due to the growth of the official exchange rates of the foreign currencies of the NWF accounts against the ruble.

The effect of the mentioned factors was partially offset by foreign currency sales from NWF accounts as well as the investment of NWF resources in Sberbank shares sold by the Bank of Russia in 2020 in accordance with Federal Law No. 50-FZ, dated 18 March 2020, 'On the Acquisition by the Government of the Russian Federation of Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation'.

The item *Funds of resident credit institutions, of which: deposits taken by the Bank of Russia from resident banks* is comprised of funds raised in Russian rubles from resident banks, including banks where the government holds equity stakes from 50% to 100%, totalling ₹207,740 million (2019: ₹140,464 million), including accrued interest. The change in the item was due to the increase of funds raised from resident banks as of the end of the reporting period.

The increase in the item *Funds of resident credit institutions, of which: required reserves deposited with the Bank of Russia* is explained by the growth of credit institutions' reservable liabilities, mostly because of their foreign currency revaluation, as well as the growth of the deposit base.

The item *Other funds taken from non-residents* is comprised of funds raised from non-resident banks in transactions to sell foreign securities with an obligation to repurchase them (repo transactions) amounting to ₹187,633 million (2019: ₹646,006 million), including accrued interest under these transactions.

The Bank of Russia concludes repos to bridge cash gaps and raise funds under a repo transaction with a simultaneous placement of the corresponding amount with foreign counterparties at a higher rate on a deposit account, a nostro account with a correspondent bank, or under a reverse repo transaction, including the one concluded with the same counterparty (securities lending collateralised by other securities).

As of 31 December 2019, the amount of funds raised in repos opened as of the end of the year and placed in reverse repos, concluded with the same counterparty, totalled ₹389,025 million. As of 31 December 2020, there are zero outstanding amounts on these transactions.

Foreign securities provided in repos with a total fair value of ₹187,688 million (2019: ₹645,570 million) were accounted for as foreign securities in the item *Foreign securities* (Note 5).

Change in the balance of the item *Other funds taken from non-residents* was due to the decrease in the volume of funds raised by the Bank of Russia in transactions to sell securities with an obligation to repurchase them.

The item *Other* mainly includes funds in accounts of other clients totalling ₹123,608 million (2019: ₹100,249 million), the deposit taken from the DIA totalling ₹4,960 million (2019: ₹22,446 million), and funds in the correspondent accounts of the Central Bank of Armenia, the National Bank of the Kyrgyz Republic, the National Bank of the Republic of Belarus, and the National Bank of Kazakhstan, that were opened with the Bank of Russia within the framework of the Eurasian Economic Union, totalling ₹1,112 million (2019: ₹936 million).

## 12. SECURITIES ISSUED

	(millions of rubles)	
	2020	2019
Bank of Russia coupon bonds	574,160	1,952,884
<b>Total</b>	<b>574,160</b>	<b>1,952,884</b>

In 2020, the Bank of Russia continued to place coupon OBRs in order to absorb part of the banking sector structural liquidity surplus. Coupon OBRs were issued for three months at a floating coupon rate linked to the Bank of Russia key rate.

The item *Bank of Russia coupon bonds* shows the value of coupon OBRs placed as of 31 December 2020, including interest expenses accrued. The change in the item is conditioned on a decline in the amount of coupon OBRs placed.

## 13. LIABILITIES TO THE IMF

	(millions of rubles)	
	2020	2019
Balances in IMF Number 1 and 2 Accounts with the Bank of Russia	1,007,344	878,731
Liabilities on the funds provided to the Russian Federation as a result of the SDR allocation by the IMF	603,590	485,228
<b>Total</b>	<b>1,610,934</b>	<b>1,363,959</b>

The change in the item *Balances in IMF Number 1 and 2 Accounts with the Bank of Russia* was mainly due to the increase in the balance of funds in IMF Number 1 Account resulting from the revaluation caused by an increase in the SDR/RUB exchange rate established by the IMF. The influence of this factor offset the decrease in the balance of funds in IMF Number 1 Account resulting from the issuance of IMF loans to borrower states in 2020 using the fund's quota resources of the fund as part of the Financial Transactions Plan.

The liabilities on the funds provided to the Russian Federation under SDR allocations at the IMF did not change in 2020 in SDR terms, totalling SDR5,671.8 million, or ₴603,485.5 million (2019: SDR5,671.8 million, or ₴484,597.7 million), net of accrued interest. The increase in the ruble equivalent of the liabilities resulted from the growth in the official exchange rate of the SDR against the ruble.



## 14. OTHER LIABILITIES

	(millions of rubles)	
	2020	2019
Bank of Russia liabilities to the federal budget to transfer part of income from the sale of Sberbank shares	200,000	0
Assets of the Bank of Russia pension fund	158,333	162,094
Other	17,870	16,489
Provisions	15,350	11,979
<b>Total</b>	<b>391,553</b>	<b>190,562</b>

Bank of Russia liabilities to the federal budget to transfer a part of the income from the sale of Sberbank shares are recorded in accordance with Federal Law No. 49-FZ, dated 18 March 2020, 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from the Sale of Ordinary Shares of Sberbank of Russia', and are to be transferred to the federal budget by 1 April 2021 (Note 28).

Pursuant to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia Board of Directors sets up a supplementary pension fund for its employees. The fund is created without establishing a separate legal entity and is financed by the Bank of Russia. This takes into account the fact that Bank of Russia employees are not covered by the guarantees to which civil servants of the Russian Federation are entitled. The Bank of Russia is implementing the Pension Plan with defined benefits that are open-ended (lifetime) in nature. The eligibility criteria for receiving a supplementary pension are determined by Bank of Russia regulations.

Obligations under the Bank of Russia pension fund and the adequacy of its resources are subject to an annual actuarial assessment carried out by a responsible actuary.

The *Provisions* item shows the following:

- provisions to secure obligations to the participants in the Bank of Russia's Pension Plan totalling ₹15,340 million (2019: ₹11,879 million) based on the indicative assessment of pension obligations (Notes 2(g) and 23);
- provisions for Bank of Russia potential losses with regard to pension savings to be transferred by the Bank of Russia to the Pension Fund of the Russian Federation totalling ₹10 million (2019: ₹100 million) (Note 2(g)).

## 15. CAPITAL

As in 2019, the Bank of Russia had a negative financial result in 2020.

The factors causing a loss in the reporting year are shown in the Statement of Profit and its Allocation.

**16. INTEREST INCOME**

	(millions of rubles)	
	2020	2019
Interest income from securities	183,922	203,800
Interest income from ruble loans, deposits and other placements, of which:	72,306	66,952
– issued and placed under certain federal laws	26,623	32,405
– interest income from Bank of Russia funds placed as part of bankruptcy prevention measures	12,923	10,231
Interest income from foreign currency loans, deposits and other placements	21,821	75,780
Interest income from Bank of Russia claims on the IMF	1,467	6,449
Other, of which:	13,395	10,336
– issued and placed under certain federal laws	11,470	8,021
<b>Total</b>	<b>292,911</b>	<b>363,317</b>

The item *Interest income from securities* consists of ₱179,671 million in interest income from foreign issuers' debt obligations (2019: ₱195,097 million) and of ₱4,251 million in interest income from Russian issuers' debt obligations (2019: ₱8,703 million).

The item *Interest income from ruble loans, deposits and other placements* reflects interest income from Bank of Russia ruble-denominated loans issued against the pledge of receivables under loan agreements, securities put on the Lombard List, and secured by guarantees; interest income from Bank of Russia unsecured loans issued to support SME lending and emergency lending to maintain and retain employment; interest income from funds provided to resident banks under repo transactions in rubles; and interest income from other placements in rubles provided to the People's Bank of China through swaps under the National Currency Swap Agreement.

The item *Interest income from ruble loans, deposits and other placements, of which:*

- *issued and placed under certain federal laws* reflects interest income from subordinated loans provided to Sberbank (Note 6);
- *from Bank of Russia funds placed as part of bankruptcy prevention measures* reflects interest income from deposits placed to provide financial assistance to credit institutions which are to undergo bankruptcy prevention measures with the participation of the Bank of Russia using the resources of the FBSC (Note 6).

The item *Interest income from foreign currency loans, deposits and other placements* reflects interest from Bank of Russia deposits with non-resident banks as well as funds provided in repo transactions with foreign securities.

The item *Interest income from Bank of Russia claims on the IMF* reflects interest on the funds in the Russian Federation's account with the SDR Department, on loans issued under the New Arrangements to Borrow and the amounts of remuneration on the reserve tranche position.

The item *Other* mostly includes interest income from loans provided to the DIA totalling ₱11,470 million (2019: ₱8,021 million), as well as interest income from securities lending to non-resident banks on a reverse basis, and interest income received on accounts opened with non-resident banks.

**17. INCOME FROM SECURITIES TRADING**

	(millions of rubles)	
	2020	2019
Income from the sale of Sberbank shares	2,066,498	0
Net income from the retirement (sale) of foreign securities available for sale	20,292	12,882
Income from operations with foreign securities	6,874	2,591
Net income from the retirement (sale) of Russian securities available for sale	695	9,591
Income from operations with Russian debt obligations	0	3,546
<b>Total</b>	<b>2,094,359</b>	<b>28,610</b>

The item *Income from the sale of Sberbank shares* reflects income worth ₺2,066,498 million from the sale of Sberbank shares in accordance with Federal Law No. 50-FZ, dated 18 March 2020, 'On the Acquisition by the Government of the Russian Federation of Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation'. Part of the mentioned income worth ₺1,766,498 million was transferred to the federal budget (Note 24). Thus, the Bank of Russia's positive financial result from the sale of the mentioned shares, net of expenses on writing off their balance sheet value, totalled ₺300,000 million.

The item *Net income from the retirement (sale) of foreign securities available for sale* includes net income from the retirement (sale) and revaluation at fair value of retired (sold) foreign issuers' securities.

The item *Income from operations with foreign securities* includes income from the positive revaluation of foreign securities at fair value, which was used to offset the negative revaluation of corresponding issues posted to expenses in previous years.

The item *Net income from the retirement (sale) of Russian securities available for sale* reflects net income from the retirement (sale) and revaluation at fair value of retired (sold) securities of Russian issuers.

**18. INCOME FROM EQUITY STAKES IN CREDIT INSTITUTIONS AND OTHER ORGANISATIONS**

	(millions of rubles)	
	2020	2019
Income from equity stakes in credit institutions and other organisations, including:		
– JSC NPCS	2,815	2,382
– Moscow Exchange	1,850	1,796
– JSC RNRC	831	447
– Sberbank	0	180,696
– Bank Otkritie Financial Corporation (Public Joint-Stock Company)	0	2,000
– Bank for International Settlements (Basel)	0	69
<b>Total:</b>	<b>5,496</b>	<b>187,390</b>

## 19. OTHER INCOME

	(millions of rubles)	
	2020	2019
Fees for Bank of Russia services provided to clients	7,408	7,902
Income from the sale of coins made of precious metals	1,906	488
Net positive realised differences for precious metals	580	0
Fines and penalties received	96	228
Income of previous years (net of interest income) identified in the reporting year	76	422
Other	1,345	1,801
<b>Total</b>	<b>11,411</b>	<b>10,841</b>

The item *Fees for Bank of Russia services provided to clients* mainly consists of ₴7,339 million received as fees for settlement services provided by the Bank of Russia (2019: ₴7,846 million).

The item *Net positive realised differences for precious metals* reflects net positive realised differences arising from the purchase (sale) of precious metals in the domestic and international financial markets.

## 20. INTEREST EXPENSES

	(millions of rubles)	
	2020	2019
Interest expenses on federal budget balances, of which:	83,436	77,344
– National Wealth Fund balances	78,763	41,559
Interest expenses on deposits taken from resident banks in the domestic market	75,468	131,046
Interest expenses on issued Bank of Russia debt obligations	60,140	105,703
Interest expenses on acquired debt obligations (premium)	49,685	35,091
Interest expenses on Bank of Russia obligations to the IMF	1,083	5,036
Interest expenses on deposits taken from the state corporation	928	2,107
Interest expenses on other foreign currency funds taken from non-residents	557	1,376
Other	12,093	11,318
<b>Total</b>	<b>283,390</b>	<b>369,021</b>

The item *Interest expenses on federal budget balances* reflects interest accrued on the balances of foreign currency accounts of the National Wealth Fund and other federal budget accounts.

In 2020, interest was accrued on the balances of National Wealth Fund foreign currency accounts in the amount calculated based on the yield on the indices of government securities generated in accordance with the bank account agreement.

The increase in the amount of interest was due to a positive yield on the indices of government securities, the increase of funds in National Wealth Fund accounts (interest accrual base) beginning from March 2020, and the growth of the official exchange rates of foreign currencies, in which the mentioned accounts were opened, against the ruble.

In 2020, interest was accrued on the balances of other foreign currency accounts of the federal budget. The amount of such interest was calculated based on the rates set by a corresponding central bank in order to influence the level of short-term rates in the money market in the corresponding foreign currency.

The amount of interest accrued on the balances of other foreign currency accounts for federal budget funds in 2020 was ₹4,673 million (2019: ₹35,785 million).

The decrease in the amount of interest was associated with the decline in funds in the said accounts in 2020 as a result of crediting foreign currency to National Wealth Fund accounts and foreign exchange sales, as well as with a lower level of interest rates over this period, compared with 2019, that were used to accrue interest on the specified accounts' balances.

The item *Interest expenses on deposits taken from resident banks in the domestic market* reflects interest expenses on funds deposited by resident banks with the Bank of Russia.

The item *Interest expenses on issued Bank of Russia debt obligations* reflects interest expenses on Bank of Russia coupon bonds (Note 2(d)).

The item *Interest expenses on acquired debt obligations (premium)* reflects the premium on securities where the terms of their issue do not provide for the payment of interest (coupon) income and the excess of premium over interest (coupon) income payable on securities (net of interest (coupon) income included in the purchase price).

The item *Interest expenses on Bank of Russia obligations to the IMF* includes interest accrued and paid on the balance of the Russian Federation's obligations to the IMF with regard to the allocated SDRs.

The item *Interest expenses on deposits taken from the state corporation* includes interest expenses on deposits taken from the DIA.

The item *Interest expenses on other foreign currency funds taken from non-residents* includes interest expenses on other funds taken from non-resident banks (repo transactions).

The item *Other* mainly reflects interest expenses incurred when funds are placed in correspondent accounts and in deposits with non-resident banks on the conditions of a negative interest rate.

## 21. EXPENSES ON SECURITIES TRADING

	(millions of rubles)	
	2020	2019
Expenses on operations with foreign securities	16,382	7,059
Expenses on operations with debt obligations of Russian issuers	0	455
Other	238	94
<b>Total</b>	<b>16,620</b>	<b>7,608</b>

The item *Expenses on operations with foreign securities* includes the amounts of the negative unrealised revaluation as of the end of 2020 with respect to securities available for sale from individual issues of foreign debt obligations posted to Bank of Russia expenses.

The item *Other* mainly includes expenses on fee payments to organisations supporting securities trading in the domestic market.

## 22. CASH TURNOVER MANAGEMENT EXPENSES

This item includes expenses for the manufacture, destruction and anti-counterfeit protection of banknotes and coins, as well as the purchase and delivery of packaging materials and accessories necessary for the processing of cash. Decline in expenses was due to a lower volume of manufactured banknotes and coins.

## 23. NET EXPENSES (INCOME) ON THE FORMATION (FROM THE RECOVERY) OF PROVISIONS

	(millions of rubles)	
	2020	2019
Increase in provisions for loans to, and deposits with, resident banks	156,363	16,719
Increase in provisions to secure obligations to participants in the Bank of Russia's Pension Plan	3,461	7,577
Increase/(decrease) in provisions for securities acquired from resident banks	270	(21,295)
Increase/(decrease) in provisions for other active operations	18	(1)
(Decrease) in provisions for the Bank of Russia's compliance with Federal Law No. 422-FZ, dated 28 December 2013	(381)	(1,355)
(Decrease) in provisions for funds provided to the state corporation	(43,402)	(42,277)
<b>Total</b>	<b>116,329</b>	<b>(40,632)</b>

The increase in provisions for loans to, and deposits with, resident banks was mainly associated with outstanding amounts of unsecured loans, growing deposits of individual borrowers, and also changes in their risk levels (Note 6).

The provisions to secure obligations to participants in the Bank of Russia's Pension Plan were increased in accordance with the decision by the Bank of Russia Board of Directors (Note 14).

The increase in provisions for securities is linked to the increase in provisions for investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions (Note 7).

The increase in provisions for other operations was mainly associated with provisioning for overdue receivables.

The decrease in provisions to secure the Bank of Russia's compliance with Federal Law No. 422-FZ, dated 28 December 2013, occurred in connection with the Bank of Russia's receipt of cash funds from the DIA as a result of non-governmental pension funds' fulfilment of Bank of Russia claims acquired in accordance with Part 6 of Article 23 of Federal Law No. 422-FZ, dated 28 December 2013 (Note 9), as well as in connection with the recovery of a part of loss provisions of the Bank of Russia in respect of pension savings to be transferred by the Bank of Russia to the Pension Fund of the Russian Federation (Note 14).

The decrease in provisions for funds provided to the state corporation was due to the decrease in the amount of funds provided by the Bank of Russia to the DIA to implement bankruptcy prevention measures at banks, as well as in the amount of loans issued to ensure the financial sustainability of the deposit insurance system and to finance compensation payments on deposits (Note 6).

## 24. EXPENSES ON THE DISCHARGE OF OBLIGATIONS TO THE FEDERAL BUDGET TO TRANSFER PART OF INCOME FROM THE SALE OF SBERBANK SHARES

The item includes expenses worth ₹1,766,498 million on the discharge of obligations to the federal budget in accordance with Federal Law No. 50-FZ, dated 18 March 2020, 'On the Acquisition by the Government of the Russian Federation of Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation'.

## 25. OTHER OPERATING EXPENSES

	(millions of rubles)	
	2020	2019
Net negative realised foreign currency exchange rate differences	101,001	12,866
Expenses on IT maintenance and logistics	13,999	12,828
Depreciation allowances	11,620	11,713
Expenses on the maintenance of buildings	4,382	4,391
Security expenses	4,343	4,379
Expenses involved in the use of titles to intellectual property	3,735	3,586
Expenses on the delivery of bank documents and valuables	1,899	1,765
Repair expenses	1,871	2,171
Taxes and duties paid	1,660	1,661
Postage, telegraph and telephone expenses, and expenses on renting communication lines and channels	1,611	1,483
Net negative realised differences for precious metals	0	2,122
Expenses on the replenishment of the Bank of Russia pension fund	0	53,608
Other	8,285	8,106
<b>Total</b>	<b>154,406</b>	<b>120,679</b>

The item *Net negative realised foreign exchange differences* mainly reflects net realised foreign exchange differences arising from the purchase (sale) of foreign currency in the international and domestic markets at exchange rates that differ from official exchange rates.

The item *Other* mainly reflects expenses related to the purchase of equipment and accessories put into operation/use, expenses on medical insurance of Bank of Russia employees, expenses on subscriptions to purchase publications, including periodicals, expenses on the disposal (sale) and writing-off of Bank of Russia assets, business travel and representative expenses, as well as expenses on personnel training.

## 26. PERSONNEL COSTS

For explanation, see the Statement of Bank of Russia Personnel Costs.



## 27. OFF-BALANCE SHEET CLAIMS AND OBLIGATIONS ACCOUNTS

Claims and obligations on forward operations recorded to off-balance sheet accounts are as follows:

	(millions of rubles)	
	2020	2019
<b>Claims</b>		
Claims for the delivery of rubles in spot transactions	123,632	12,555
Claims for the delivery of foreign currency in spot transactions	0	12,074
Claims for the delivery of foreign currency from non-residents in spot transactions	58,374	214,332
Claims for the delivery of foreign currency-denominated securities from non-residents in spot transactions	76,141	52,093
Claims for the delivery of foreign currency from non-residents in forward transactions	3,149,486	2,820,838
Claims for the delivery of foreign currency-denominated securities from non-residents in for-ward transactions	0	208,223
Unrealised (negative) exchange rate differences from the revaluation of foreign currency	21,544	0
Unrealised (negative) exchange rate differences from the revaluation of securities	2	3
<b>Total claims</b>	<b>3,429,179</b>	<b>3,320,118</b>
<b>Obligations</b>		
Obligations to deliver rubles in spot transactions	0	12,063
Obligations to deliver foreign currency in spot transactions	123,539	12,505
Obligations to deliver foreign currency to non-residents in spot transactions	134,194	266,275
Obligations to deliver foreign currency-denominated securities to non-residents in spot transactions	67	0
Obligations to deliver foreign currency to non-residents in forward transactions	3,171,379	3,008,987
Unrealised (positive) exchange rate differences from the revaluation of foreign currency	0	20,274
Unrealised (positive) exchange rate differences from the revaluation of securities	0	14
<b>Total obligations</b>	<b>3,429,179</b>	<b>3,320,118</b>

Claims and obligations in spot transactions included in the items are claims and obligations on swaps and conversion transactions executed in the domestic financial market, as well as claims and obligations on conversion transactions and securities purchase and sale transactions executed in the international financial market.

Claims and obligations in forward transactions included in the items are claims and obligations on swaps and conversion transactions executed in the international financial market.

Other claims and obligations recorded to the off-balance sheet accounts include:

	(millions of rubles)	
	2020	2019
Unused limits for the provision of funds in the form of overdrafts and 'against the debt limit' loans	7,034,286	4,713,748
Unused limits to receive interbank funds in the form of overdrafts and 'against the debt limit' loans	3,026,548	2,443,208
Securities received in reverse transactions	1,324,782	672,181
Securities accepted as collateral for funds placed	230,748	168,919
Unused lines of credit facilities	203,006	188,000
Assets accepted as collateral for funds placed, except for securities and precious metals	139,183	170,116
Guarantees and sureties received	92,448	96,869
Guarantees and sureties issued	49,700	49,700
Settlements with the IMF related to servicing funds raised and placed	9,174	7,366
Arrears in interest payments on the principal not written off the balance sheet	1,636	6,387

**Unused limits for the provision of funds in the form of overdrafts and 'against the debt limit' loans**

Unused limits for the provision of funds in the form of overdrafts and 'against the debt limit' loans include:

- unused lines of Bank of Russia credit facilities to be provided under agreements to open irrevocable credit lines in the amount of ₹2,770,000 million (2019: ₹1,303,000 million);
- unused ruble limit for the execution of swaps between the Bank of Russia and the People's Bank of China under the bilateral National Currency Swap Agreement in the amount of ₹1,741,500 million (2019: ₹1,316,500 million) and unused limit to provide rubles under swaps that have already been concluded with the People's Bank of China in the amount of ₹2,000 million (2019: ₹1,000 million). These limits constitute the current maximum amount of rubles the Bank of Russia may provide under the said Agreement. Change in the amount of the unused limit for the execution of swaps is caused by increase in the maximum amount of rubles, which the Bank of Russia may provide via swaps concluded under the bilateral National Currency Swap Agreement.<sup>2</sup> Change in the amount of limit for the provision of rubles under concluded swaps was conditioned on a decline in the amount of funds provided under swaps with the People's Bank of China concluded in 2020. These funds are reflected in the item *Funds placed with non-residents and foreign securities* (Note 5);
- unused limit for the Bank of Russia to provide US dollars under the Treaty for the Establishment of a BRICS Contingent Reserve Arrangement in the amount of \$18,000 million, or ₹1,329,763 million (2019: \$18,000 million, or ₹1,114,303 million);
- unused line of Bank of Russia credit facilities to be provided under the bilateral credit agreement between the Bank of Russia and the IMF in the amount of \$10,000 million,<sup>3</sup> or ₹738,757 million (2019: \$10,000 million, or ₹619,057);

<sup>2</sup> In accordance with the Addendum to the National Currency Swap Agreement concluded in 2020, the maximum amount of rubles that may be provided by the Bank of Russia to the People's Bank of China via swaps increased to ₹1,750,000 million.

<sup>3</sup> From 1 January 2021, the maximum amount of the obligations of the Russian Federation under the bilateral credit agreement between the Bank of Russia and the IMF decreased to \$3,901 million (Note 28).

- unused line of Bank of Russia credit facilities to be provided to the IMF under the New Arrangements to Borrow in the amount of SDR4,251 million, or ₴452,266 million (2019: SDR4,212 million, or ₴359,888 million)<sup>4</sup> (Note 8).

**Unused limits to receive interbank funds in the form of overdrafts and 'against the debt limit' loans**

Unused limits to receive interbank funds in the form of overdrafts and 'against the debt limit' loans include:

- unused limit in Chinese yuans to conclude swap transactions between the Bank of Russia and the People's Bank of China under the bilateral National Currency Swap Agreement totalling CNY150,000 million or ₴1,696,785 million (2019: CNY150,000 million, or ₴1,328,905 million). This limit constitutes the current maximum amount of Chinese yuans, which the Bank of Russia may receive via swaps;<sup>5</sup>
- unused limits for the Bank of Russia to receive US dollars under the Treaty for the Establishment of a BRICS Contingent Reserve Arrangement totalling \$18,000 million, or ₴1,329,763 million (2019: \$18,000 million or ₴1,114,303 million).

**Securities received in reverse transactions**

Securities included in the item *Securities received by the Bank of Russia in reverse transactions* are securities received from counterparties in repos with resident banks in the domestic market and with non-residents in international markets.

Securities received by the Bank of Russia from counterparties in repos in the domestic market are accounted for at fair value which totalled ₴844,968 million as of 31 December 2020 (2019: ₴0) (Note 6).

Securities received by the Bank of Russia from counterparties in repos concluded in international markets are accounted for at fair value which totalled ₴479,814 million as of 31 December 2020 (2019: ₴671,929 million) (Note 5).

The increase in this item mainly resulted from the growing volume of repos concluded in the domestic market.

**Securities accepted as collateral for funds placed**

Securities accepted as collateral for funds placed mainly comprise foreign securities accepted by the Bank of Russia as collateral in securities lending on a reverse basis in international markets (Note 5), and securities accepted by the Bank of Russia from credit institutions as collateral for issued loans (Note 6).

**Unused lines of credit facilities**

Unused lines of credit facilities constitute Bank of Russia obligations under the lending agreement with the DIA to ensure the financial sustainability of the deposit insurance system and finance the payment of compensations for deposits in the amount of ₴188,000 million (2019: ₴188,000 million), and foreign currency deposit transactions concluded in international markets not yet due as of 1 January 2021 in the amount of ₴15,006 million (2019: ₴0 million).

<sup>4</sup> In 2019 and 2020, the maximum amount of obligations of the Russian Federation under the New Arrangements to Borrow did not change and totalled SDR4,440.9 million. From 1 January 2021, the amount of these obligations increased to SDR8,881.8 million.

<sup>5</sup> In accordance with the bilateral National Currency Swap Agreement and the Addendum thereto concluded in 2020, the maximum amount of Chinese yuans the Bank of Russia may receive from the People's Bank of China under swaps is CNY150,000 million.

***Assets accepted as collateral for funds placed, except for securities and precious metals***

Assets accepted as collateral for funds placed, except for securities and precious metals, constitute credit claims under loan agreements accepted by the Bank of Russia as collateral for loans granted to credit institutions (Note 6).

The decrease in the item was due to the drop in the volume of placed funds secured by credit claims under loan agreements.

***Guarantees and sureties received***

Guarantees and sureties received by the Bank of Russia are predominantly sureties accepted as collateral for issued loans (Note 6).

Additionally, this item includes CNY741 million, or ₸8,379 million (2019: CNY935 million, or ₸8,280 million) under the swap concluded by the Bank of Russia with the People's Bank of China under the National Currency Swap Agreement (Note 2(r)).

***Guarantees and sureties issued***

Guarantees and sureties issued constitute the maximum amount of Bank of Russia contingent liabilities for paying up the authorised capital of JSC Russian National Reinsurance Company.

***Settlements with the IMF related to servicing funds raised and placed***

As an IMF member country, the Russian Federation participates in the burden-sharing mechanism for debt arrears. Under this mechanism, in order to compensate for third-party defaults on payments to the IMF, IMF borrower countries pay surcharges on the SDR interest rate, while a deduction on this rate is withheld from creditor countries. Settlements with the IMF related to servicing borrowed and placed funds mainly represent amounts of the Russian Federation's claims on the IMF for paid interest rate surcharges and withheld interest rate deductions under the burden-sharing mechanism. Increase in the item was due to the growth of the official exchange rate of the SDR against the ruble.

***Arrears in interest payments on the principal not written off the balance sheet***

Arrears in interest payments on the principal not written off the balance sheet consist mainly of claims on credit institutions whose banking licences were revoked as regards the accrued interest income due to the Bank of Russia, which is posted to off-balance sheet accounts.

**28. POST-REPORTING DATE EVENTS**

On 17 March 2021, the Bank of Russia transferred to the federal budget ₸200,000 million in accordance with Federal Law No. 49-FZ, dated 18 March 2020, 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from the Sale of Ordinary Shares of Sberbank of Russia' (as amended).

## Statement of profit and its allocation

	(millions of rubles)	
	2020	2019
1 Actual loss for the year, total:	(61,509)	(182,569)
2 of which:		
– transferred to the federal budget in accordance with federal laws	0	(180,696) <sup>6</sup>
3 Taxes and duties paid from the Bank of Russia's profit, <sup>7</sup> total:	(118)	(131)
of which:		
– for the reporting year	(116)	(131)
– additional profit tax payments for previous years	(2)	0
4 Loss after the payment of taxes and duties under the Tax Code of the Russian Federation	(61,627)	(182,700)

In accordance with Article 11 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia's profit is calculated as a difference between total income from banking operations and transactions stipulated by the legislation of the Russian Federation, including the said Federal Law, income from equity stakes in organisations and other income from Bank of Russia activities and total expenses associated with the fulfilment of Bank of Russia functions stipulated by Article 4 of the said Federal Law, including expenses for supporting Bank of Russia operations, and its organisations and employees.

In 2020, the Bank of Russia's income and expenses were shaped by mixed factors. A positive impact on the financial result was made by proceeds from the sale of Sberbank shares retained by the Bank of Russia in accordance with Federal Law No. 49-FZ, dated 18 March 2020, 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from the Sale of Ordinary Shares of Sberbank of Russia'. Given a decrease in the structural liquidity surplus of the banking sector and the key rate cut compared to 2019, Bank of Russia interest expenses on liquidity absorbing operations declined. As a result of falling interest rates in global financial markets, income from the placement of Bank of Russia reserve assets decreased. Due to the change in the structure and quality of Bank of Russia assets, 2020 posted net expenses on the formation of Bank of Russia provisions (vs net income from the recovery of provisions posted in 2019). In addition, the financial result was influenced by the end-year net negative realised exchange rate differences incurred by the purchase (sale) of foreign currency in the domestic and international markets at exchange rates that differ from the official exchange rates set by the Bank of Russia.

Due to a loss posted at the end of the reporting year, no allocations were made either to the Bank of Russia Reserve Fund or to its Social Fund.

<sup>6</sup> In accordance with Article 1 of Federal Law No. 454-FZ, dated 28 November 2018, 'On the Specifics of Transferring the Income for 2018 Received by the Central Bank of the Russian Federation from its Equity Stake in Sberbank of Russia in 2019'.

<sup>7</sup> Corporate profit tax defined as per Article 284 of the Tax Code of the Russian Federation.

## Statement of Bank of Russia reserves and funds

(millions of rubles)

	Reserve fund	Social fund	Reserve of unrelieved revaluation of precious metals	Positive revaluation of securities available for sale	Reserve of unrealised exchange rate differences	Growth in the value of property after revaluation	Total
<b>Opening balance of the reporting year, inclusive of funds received as a result of profit allocation for the year preceding the reporting year</b>	<b>82,694</b>	<b>2,216</b>	<b>3,638,987</b>	<b>48,397</b>	<b>6,707,073</b>	<b>7,966</b>	<b>10,487,333</b>
Transferred to funds from other sources	0	0	3,419,092	35,943	4,841,398	0	8,296,433
Funds used	0	0	0	(18,603)	0	0	(18,603)
<b>Opening balance of the year following the reporting year</b>	<b>82,694</b>	<b>2,216</b>	<b>7,058,079</b>	<b>65,737</b>	<b>11,548,471</b>	<b>7,966</b>	<b>18,765,163</b>
Transferred from reporting year profit	0	0	0	0	0	0	0
<b>Total, inclusive of funds received as a result of reporting year profit allocation</b>	<b>82,694</b>	<b>2,216</b>	<b>7,058,079</b>	<b>65,737</b>	<b>11,548,471</b>	<b>7,966</b>	<b>18,765,163</b>

Pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', once the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia allocates to various reserves and funds its profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation and after transferring a part of this profit to the federal budget. The procedure for the allocation of the profit retained by the Bank of Russia is established by the Bank of Russia Regulation on the procedure for allocating profit retained by the Bank of Russia.

Pursuant to the Bank of Russia Ordinance on the Bank of Russia Reserve Fund, the Bank of Russia created the Reserve Fund to ensure that the Bank of Russia stably performs the functions assigned to it by law. The Bank of Russia Reserve Fund is formed from allocations made from the Bank of Russia's profit. According to the decision of its Board of Directors, the Bank of Russia may also transfer money from its Social Fund to replenish the Reserve Fund. Money from the Bank of Russia Reserve Fund is used in accordance with a decision by the Bank of Russia Board of Directors. In 2020, no money from the Bank of Russia Reserve Fund was used.

According to the Bank of Russia Ordinance on the Bank of Russia Social Fund, this fund is designed to cover expenses on social needs, which are not financed through the Bank of Russia's expense budget. The Bank of Russia Social Fund is formed from allocations made from the Bank of Russia's profit. According to the decision of its Board of Directors, the Bank of Russia may also transfer money from its Reserve Fund to replenish the Social Fund. Money from the Bank of Russia Social Fund is used in accordance with a decision by the Bank of Russia Board of Directors. In 2020, no money from the Bank of Russia Social Fund was used.

Due to a loss posted at the end of 2020, no allocations were made in 2020 either to the Bank of Russia Reserve Fund or to its Social Fund.

Pursuant to the Bank of Russia Accounting Policy, assets (claims) and liabilities denominated in precious metals, including precious metals in commemorative and investment coins, are entered in the books at the value of precious metals at the book prices for refined precious metals, as established by the Bank of Russia as of the date of the operation (transaction), and are revalued as book prices change. In 2020, based on the annual results, positive unrealised differences exceeded negative ones by ₹3,419,092 million. This excess was recorded to the balance sheet account *Reserve of unrealised revaluation of precious metals* as part of the Bank of Russia capital (in 2019, ₹415,780 million).

Pursuant to the Bank of Russia Accounting Policy, debt obligations categorised as *Available for sale* are subject to revaluation at the fair value of the securities. In 2020, based on the annual results, the positive revaluation of debt obligations categorised as *Available for sale* totalling ₹35,943 million was posted to the balance sheet account *Positive revaluation of securities available for sale* as part of the Bank of Russia capital (2019: ₹10,935 million). The positive revaluation of securities accrued in previous years was written off to settle the negative unrealised revaluation of securities of the corresponding issue (issuer) accrued in 2020 in the total amount of ₹18,603 million (2019: ₹30,805 million).

Foreign currency exchange rate differences result from the revaluation of assets (claims) and liabilities denominated in foreign currency, caused by changes in the official exchange rates of foreign currencies against the ruble. In 2020, based on the annual results, positive unrealised differences exceeded negative ones by ₹4,841,398 million. This excess was recorded to the balance sheet account *Reserve of unrealised exchange differences* as part of the Bank of Russia capital (in 2019, negative unrealised differences exceeded positive ones by ₹2,165,653 million).

The increase in the value of property because of revaluation is the revaluation of fixed assets made in compliance with the Russian Government Resolutions in 1992, 1994, 1995, 1996 and 1998.



# Statement of Bank of Russia management of securities and equity stakes in organisations constituting the Bank of Russia's property

## Bank of Russia investments in debt obligations

(millions of rubles)

	2020	2019
<b>Foreign issuers' debt obligations, of which:</b>		
EU issuers' debt obligations	11,572,678	8,478,130
– denominated in euros	9,108,326	6,654,845
– denominated in pounds sterling	1,693,486	1,592,960
– denominated in US dollars	697,127	180,308
– denominated in Australian dollars	53,540	13,433
– denominated in Canadian dollars	20,199	18,868
– denominated in Chinese yuans	0	17,716
Chinese issuers' debt obligations	5,944,807	4,547,974
– denominated in Chinese yuans	5,185,160	4,108,892
– denominated in US dollars	450,369	360,606
– denominated in pounds sterling	148,028	48,601
– denominated in Australian dollars	72,603	8,636
– denominated in euros	45,361	0
– denominated in Canadian dollars	43,286	21,239
Japanese issuers' debt obligations:	1,610,913	61,539
– denominated in Japanese yen	1,610,913	61,539
Debt obligations of international organisations:	1,590,537	1,327,702
– denominated in euros	1,405,021	1,200,579
– denominated in US dollars	71,024	30,428
– denominated in pounds sterling	56,003	35,429
– denominated in Australian dollars	35,522	31,018
– denominated in Canadian dollars	22,967	30,248
US and Canadian issuers' debt obligations:	1,433,668	1,351,288
– denominated in Canadian dollars	945,818	661,090
– denominated in US dollars	452,605	676,454
– denominated in euros	18,557	3,588
– denominated in Australian dollars	9,179	0
– denominated in pounds sterling	7,509	10,156
Australian issuers' debt obligations:	162,402	208,924
– denominated in Australian dollars	162,402	180,560
– denominated in Canadian dollars	0	28,364
<b>Subtotal</b>	<b>22,315,005</b>	<b>15,975,557</b>

(millions of rubles)

2020 2019

**Russian issuers' debt obligations, of which:**

Russian federal government debt obligations:	296,485	317,875
– denominated in rubles	212,831	212,900
– denominated in US dollars	83,654	104,975
Other Russian issuers' debt obligations (excluding promissory notes)	0	0
– denominated in rubles	0	0
Promissory notes issued by credit institutions <sup>8</sup>	23	23
<b>Subtotal</b>	<b>296,508</b>	<b>317,898</b>
<b>Total</b>	<b>22,611,513</b>	<b>16,293,455</b>

Note. Bank of Russia investments in debt obligations comprise securities owned by the Bank of Russia, excluding those acquired in reverse transactions (including repos) and securities transferred by the Bank of Russia in reverse transactions.

The Bank of Russia's investments in debt obligations are categorised as securities available for sale and held to maturity (Notes 5 and 7).

Foreign issuers' debt obligations mostly consist of the government bonds and bills of China, France, Germany, Japan, the United Kingdom, Austria, Finland, Canada, the USA, non-government bonds, including those guaranteed by foreign governments, and debt obligations issued by supranational financial institutions.

Change in the structure and volume of investments in foreign securities is related to Bank of Russia transactions to purchase and sell them.

Increase in the balance on this item was mostly caused by the growth of the official exchange rates of the foreign currencies in which those securities were denominated against the ruble and increase in Bank of Russia investments in foreign securities.

Ruble-denominated debt obligations of the Government of the Russian Federation are represented by OFZs acquired by the Bank of Russia in 2019 under the securities purchase and sale agreement with VEB.RF. By way of payment for OFZs, the Bank of Russia transferred VEB.RF bonds.

Over 2020, the Bank of Russia sold OFZs acquired in 2018 following the foreclosure on pledged securities under the loan issued to, and defaulted by, a credit institution; and OFZs that remained its property in 2018 under repos with Russian credit institutions, which terminated following the revocation of banking licences from credit institutions.

Russian federal government debt obligations denominated in US dollars are external foreign-currency bonds of the Russian Federation (Russian Eurobonds).

The decrease in the balance under the item was associated with the partial repayment of the principal on these securities, and with their sale by the Bank of Russia.

<sup>8</sup> The value of securities not accounted for at fair value is indicated net of provisions created (Note 7).

**The Bank of Russia's investments in the capitals of credit institutions and other organisations**

(millions of rubles)

	2020		2019	
	Investment amount	Share in authorised capital, %	Investment amount	Share in authorised capital, %
<b>Investments in resident shares,</b>	<b>728,673</b>		<b>801,610</b>	
<b>of which:</b>				
Public Joint-Stock Company Bank Otkritie Financial Corporation, Bank Otkritie Financial Corporation (Public Joint-Stock Company), Moscow	555,841	100	555,841	over 99.99
Joint-Stock Company Moscow Industrial bank, JSC Moscow Industrial bank, Moscow	131,431	100	131,430	over 99.99
Joint Stock Company Russian National Reinsurance Company, JSC RNRC, Moscow	21,300	100	21,300	100
Joint stock company Asian-Pacific Bank, JSC Asian-Pacific Bank, <sup>9</sup> Blagoveshchensk	9,015	over 99.99	9,015	over 99.99
Public Joint-Stock Company Moscow Exchange MICEX-RTS, Moscow Exchange, Moscow	5,793	11.78	5,793	11.78
National Payment Card System Joint Stock Company, NSPK JSC, Moscow	4,300	100	4,300	100
National Bank TRUST, NB TRUST, Moscow	990	over 97.70 <sup>10</sup>	990	over 97.70 <sup>10</sup>
Stock company Saint Petersburg Currency Exchange, SPCEX SC, Saint Petersburg	3	8.90	3	8.90
Sberbank of Russia, Sberbank, Moscow	0	—	72,938	50.00% + 1 share
<b>Investments in non-resident shares,</b>	<b>327</b>		<b>327</b>	
<b>of which:</b>				
Bank for International Settlements, Basel	326	0.57	326	0.57
Society for Worldwide Interbank Financial Telecommunications (SWIFT), Belgium	1	0.006	1	0.006

<sup>9</sup> Until 30 November 2020, JSC Asian-Pacific Bank.<sup>10</sup> Taking into consideration the indirect control, over 99.01%.

The Bank of Russia holds stakes in the capitals of credit institutions and other organisations pursuant to Articles 8 and 76.10 of Federal Law No, 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', Parts 1 and 2 of Article 30<sup>2</sup> of Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System', and Part 1 of Article 13<sup>1</sup> of Law of the Russian Federation No. 4015-I, dated 27 November 1992, 'On the Organisation of Insurance Business in the Russian Federation'.

The decrease in the item *Investment in resident shares* was due to the sale in 2020 by the Bank of Russia of its ordinary shares in Sberbank in accordance with Federal Law No. 50-FZ, dated 18 March 2020, 'On the Acquisition by the Government of the Russian Federation of Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation'.

Following the completion in 2020 of transactions with shares previously owned by minority shareholders of Bank Otkritie Financial Corporation (Public Joint-Stock Company) and JSC Moscow Industrial bank, the Bank of Russia became the sole shareholder of these companies.

In 2020, the volume of investments in the property of Closed-end Combined Unit Investment Fund 'Special' using the funds of FBSC remained unchanged at ₺3,864 million.

The Bank of Russia is the sole member of FBSC AMC Ltd. In 2020, the Bank of Russia's investments in the authorised capital of FBSC AMC Ltd. remained unchanged at ₺1,500 million.

In pursuance of the requirements stipulated by Parts 1 and 2 of Article 30.2 of Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System', the Bank of Russia holds stakes in the capital of JSC NPCCS. In 2020, the authorised capital of JSC NPCCS remained unchanged at ₺4,300 million. The Bank of Russia is the sole shareholder of JSC NPCCS.

The Bank of Russia also reflects in its balance sheet the Russian Federation's stakes in international financial institutions: the quota of the Russian Federation in the IMF in the amount of SDR12,903.7 million, which is 2.71% of the total quotas (capital) of the IMF and 2.59% of the total votes of IMF member states, as well as investments of the Russian Federation in the authorised capital of the Interstate Bank in the amount of ₺10 million, which is 50% of its authorised capital and 50% of the total votes of Interstate Bank member states.

Information on income from equity stakes in credit and other institutions is provided in Note 18.

## Statement of Bank of Russia securities transactions on exchanges

(millions of rubles)

Exchange	Volume of Bank of Russia own securities trading (including repos)		Volume of Bank of Russia securities trading on the instruction of its clients		Volume of Bank of Russia sales of collateral under Lombard loans and repos	
	2020	2019	2020	2019	2020	2019
	Public Joint-Stock Company Moscow Exchange MICEX-RTS, Moscow Exchange, Moscow	8,065,019	6,342,493	5,302,608	2,084,225	0
Stock company Saint Petersburg Currency Exchange, SPCEX SC, Saint Petersburg	20	0	0	0	0	0
	<b>8,065,039</b>	<b>6,342,493</b>	<b>5,302,608</b>	<b>2,084,225</b>	<b>0</b>	<b>0</b>

The column *Volume of Bank of Russia own securities trading (including repos)* shows summary data on the volumes of the following Bank of Russia transactions with securities in 2020:

- acquisition of securities in the first leg of repos in the currency of the Russian Federation;
- placement (sale) of securities issued by the Bank of Russia (Bank of Russia bonds);
- sale of securities acquired by the Bank of Russia in 2018 following the foreclosure on pledged securities under the loan issued to, and defaulted by, a credit institution; and also OFZs that remained the Bank of Russia's property in 2018 under repos with Russian credit institutions which terminated following the revocation of banking licences from credit institutions.

The column *Volume of Bank of Russia securities trading on the instruction of its clients* shows summary data on the sale of Russian government securities by the Bank of Russia on the instructions of the Russian Ministry of Finance under an agency agreement.

## Statement of Bank of Russia personnel costs

Expense item	(millions of rubles)	
	2020	2019
Compensation expenses and other payments to Bank of Russia personnel	94,579	96,326
Charges on compensation and other benefits	21,906	21,853
<b>Total Bank of Russia personnel costs</b>	<b>116,485</b>	<b>118,179</b>

Bank of Russia personnel costs decreased by ₹1,694 million or 1.4% compared to 2019, with compensation-related expenses and other benefits to Bank of Russia personnel down by ₹1,747 million or 1.8%. Charges on compensation and other benefits grew by ₹53 million, or 0.2%.

Compensation expenses and other benefits to Bank of Russia personnel include: salary payments, additional payments for participation in inspections, other increments and benefits established by Bank of Russia regulations, monthly and year-end bonuses, outstanding performance bonuses, payments for regular leaves and study leaves, one-off allowances for annual paid leaves, payments of regional coefficients and interest allowances to employees working in the Extreme North and similar regions in accordance with the legislation of the Russian Federation, one-off allowances upon old age retirement, financial support to compensate for spending on improving living conditions, allowances in emergencies and other situations, benefits to employees living (working) in regions affected by the radiation following the Chernobyl nuclear power plant disaster, benefits to employees taking parental leave until their child reaches the age of three, allowances for temporary disability due to a disease or injury paid for the first three days of temporary disability, holiday travel expenses to employees working in the Extreme North and similar regions and to their non-working family members for the payment of their round-trip tickets, and for expenses incurred in moving to a new place of residence in a different region upon the expiration of their employment agreement or due to retirement, compensation for expenses incurred by employees and their family members due to moving to another region to work at another Bank of Russia branch, and other benefits.

The average number of Bank of Russia employees fell by 633 in 2020 (1.4%) to 45,746.

The average monthly income per employee was ₹172,290 in 2020 (2019: 173,078 rubles).

Insurance contributions constituted 23.0% of total compensation and other benefit-related expenses paid to employees (2019: 22.5%). Charges to the Social Insurance Fund of the Russian Federation for compulsory social insurance against on-the-job accidents and occupational diseases were made at the fixed rate of 0.2%.

Expenses for the compensation of key management (members of the Bank of Russia Board of Directors, the Deputy Governors of the Bank of Russia, and the Chief Auditor of the Bank of Russia – 20 persons) amounted to ₹614.1 million, or 0.6% of the Bank of Russia's total expenses on compensation and other benefits to Bank of Russia employees, including ₹172.0 million in year-end bonuses for 2020 (2019: 18 persons, ₹647.0 million, or 0.7%, including ₹174.2 million in year-end bonuses for 2019).

# Statement of capital investment budget performance

(millions of rubles)

<b>Capital investment</b>	<b>Approved for 2020</b>	<b>Actual amount in 2020</b>	<b>Actual amount in 2019</b>
Ensuring the functioning of payment, operational, information and analytical, and information and telecommunications systems	3,594	3,500	7,691
Ensuring the security of payment, operational, information and analytical systems, and information and telecommunications systems; and protection of facilities	1,714	1,465	1,397
Construction (reconstruction) and logistics	2,337	601	670
Acquisition of means of transport, medical and other equipment and tools	472	428	319
Cash turnover management	383	234	300
Acquisition of other intangible assets	1	1	1
Centralised reserve	11,099	—	—
<b>Total capital expenses</b>	<b>19,600</b>	<b>6,229</b>	<b>10,378</b>

In 2020, capital investment of the Bank of Russia declined by ₴4,149 million.

In the structure of capital investment, investment in ensuring functioning of payment, operational, information and analytical systems, and information and telecommunications systems made up the biggest part (56.2%). Capital investment in ensuring security of payment, operational, information and analytical systems, and information and telecommunications systems, and the protection of facilities accounted for 23.5%; in construction (reconstruction) and logistics – 9.6%; in acquisition of means of transport, medical and other equipment and tools – 6.9%; and in cash turnover management – 3.8%.

Capital investment in ensuring functioning of payment, operational, information and analytical systems, and information and telecommunications systems decreased by ₴4,191 million. The decline of expenses results from a reduced scope of work under the Bank of Russia IT Strategy, as well as a shift in the deadline of works due to anti-pandemic restrictions. Capital investment, including acquisition of intangible assets, is aimed at creating a gateway to exchange payment and financial messages with Bank of Russia clients as part of the Faster Payments System development; developing the Unified Data Warehouse application platform and implementing the Big Data processing segment; developing a system ensuring information security of the Bank of Russia Private Cloud; developing automated systems for interaction with financial market participants; maintenance and development of the existing information and computing and analytical systems and technical infrastructure (including engineering systems) of the Bank of Russia; replacing equipment of the computing infrastructure at Bank of Russia divisions; and acquiring mobile access facilities to organise remote work.

Capital investment in ensuring functioning of payment, operational, information and analytical systems, and information and telecommunications systems increased by ₴68 million. Funds were mainly used to replace expired and obsolete systems, including fire alarm, video security and surveillance, and control and access systems, as well as to ensure data encryption in Bank of Russia automated systems and software complexes, and to acquire technical means for data protection and secure design computers.

Capital investment in construction (reconstruction) and logistics decreased by ₴69 million. Funds were used to construct (reconstruct) and equip office buildings and other facilities; to set up engineering and technical systems and installations for the operation and maintenance of buildings and facilities; to purchase equipment, tools and furniture to replace those with expired service life.



Capital investment in the acquisition of means of transport, medical and other equipment and tools increased by ₹109 million. Funds were mostly used to replace expired property and acquire remote temperature measuring complexes to be installed in the entrance halls of Bank of Russia buildings as part of the measures to control and prevent the spread of the coronavirus infection.

Capital investment in cash turnover management decreased by ₹66 million. Funds were used to create (upgrade) video systems for the surveillance and recording of operations with valuables, to install in Bank of Russia offices modular complexes based on high-performance banknote processing machines, to modernise transport and warehousing systems, and to purchase cash-office hardware and technological equipment.

Expenses for purchasing licences and certificates amounted to ₹1 million (remaining at the previous year's level).

The centralised reserve reflects funds totalling ₹8,800 million for completing the settlements related to the acquisition of an office building in Moscow. However, these funds were not used due to the abandonment of the deal.

# Auditors' reports



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## Auditor's report of independent auditors

To the management of the Central Bank of the Russian Federation

### Report on the audit results of annual financial statements

#### Opinion

We have audited the Annual Financial Statements of the Central Bank of the Russian Federation (hereinafter, the Bank of Russia) for the period from 1 January to 31 December 2020 inclusive. Pursuant to Article 25 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia Annual Financial Statements consist of the annual balance sheet, the statement of financial performance (including the statement of profit and its allocation), the statement of Bank of Russia reserves and funds, the statement of Bank of Russia management of securities and stakeholdings in organisations constituting Bank of Russia property, the statement of Bank of Russia personnel costs, the statement of capital investment budget performance, and the statement of the volume of Bank of Russia securities trading on organised trading venues (hereinafter all these statements are collectively referred to as the Annual Financial Statements).

In our opinion, the Annual Financial Statements attached hereto present, in all material aspects, a reliable picture of the Bank of Russia's financial standing as of 31 December 2020 and the results of its financial performance for 2020 in accordance with the requirements of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', Federal Law No. 402-FZ, dated 6 December 2011, 'On Accounting', Bank of Russia Regulation No. 567-P, dated 19 December 2016, 'On the Chart of Accounts for Accounting Purposes at the Central Bank of the Russian Federation (Bank of Russia) and the Procedure for Using it' and Bank of Russia Regulation No. 522-P, dated 21 December 2015, 'Bank of Russia Accounting Policy for Accounting Purposes'.

#### Basis for expressing an opinion

We have conducted the audit in compliance with the International Standards on Auditing (ISA). Our duties under these standards are described in the section 'The auditor's responsibility for the audit of the Annual Financial Statements' of our report below. We are independent of the Bank of Russia in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (the IESBA Code of Ethics) and ethical requirements applicable to our audit of annual financial statements in the Russian Federation, and we have discharged other ethical duties in accordance with these requirements and the IESBA Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the grounds for expressing our opinion.



### **Critical audit matters**

Critical audit matters are the issues, which, according to our professional judgement, were the most significant for our audit of the Annual Financial Statements for the current period. These matters were considered in the context of our audit of the Annual Financial Statements as a whole and in the course of preparing our opinion on these statements, and we do not express a separate opinion on these matters. In respect of the matter mentioned below, our description of how it was reviewed in the course of our audit is given in this context.

We have performed the duties described in the section 'The auditor's responsibility for the audit of the Annual Financial Statements' hereof, *inter alia*, in respect of the said matter. Accordingly, our audit included the implementation of procedures developed in response to our assessment of the risks of material misstatement in the Annual Financial Statements. The results of our audit procedures, including procedures performed while examining the matter below, serve as basis for expressing our auditor's opinion on the Annual Financial Statements attached.

#### **Critical audit matters**

##### **Provisions for credit claims**

In performing its functions in accordance with the laws of the Russian Federation, the Bank of Russia incurs claims, which bear the risk of possible financial losses. Such claims, as of the reporting date, specifically include loans and deposits provided by the Bank of Russia.

The Bank of Russia assesses the risk of possible financial losses on these claims and creates provisions to cover this risk on an individual or on a portfolio basis. For assessing individual provisions, the Bank of Russia determines the quality category of each exposure based on the assessment of a borrower's financial standing and quality of its debt servicing.

Due to the considerable amount of credit claims and the subjectivity of judgement used for assessing provisions, this was one of the critical audit matters.

#### **The following critical matter was examined in the course of our audit**

Our audit procedures included analysis of the methods used by the Bank of Russia to assess borrowers' financial position, review of the judgement used by the Bank of Russia's management when assessing their financial position and determining the quality category and the amount of provisions, as well as the analysis of credit claims' conformity to the criteria for their attributing to homogeneous credit portfolios and verification of the calculation of provisions for such portfolios.

We examined the information on provisions for credit claims disclosed in Note 6 to the Bank of Russia's Annual Financial Statements.



### **Other matters**

In accordance with Article 25 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', the reliability of the Bank of Russia's accounts and operations to which access is limited pursuant to Russian Federation Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' (hereinafter, the Russian Federation Law 'On State Secrecy'), which have been included in the items of the annual balance sheet and the statement of financial performance, has been confirmed by the Accounts Chamber of the Russian Federation in its Statement of 27 April 2021 as a result of the examination of the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and also data covered by the Russian Federation Law 'On State Secrecy' for the year 2020.

### **Other information included in the Bank of Russia's Annual Report for 2020**

Other information includes information contained in the Bank of Russia's Annual Report for the year 2020 but does not include the Annual Financial Statements and our auditor's report on them. Responsibility for other information shall be borne by the management.

Our opinion on the Annual Financial Statements does not cover other information, and we do not provide a conclusion expressing our confidence in any form in respect of such information.

In connection with our auditing of the Annual Financial Statements, our duty consists in acquainting ourselves with the other information and concurrently examining whether there are any material inconsistencies between the other information and the Annual Financial Statements or our knowledge received during the audit and whether the other information contains other material misstatements. If based on our work we arrive at the conclusion that such other information contains any material misstatements, we must report this fact. We do not have information about such facts.

### **Responsibility of the management for the Annual Financial Statements**

The management of the Bank of Russia shall bear responsibility for compilation and reliable presentation of the said Annual Financial Statements in accordance with the requirements of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', Federal Law No. 402-FZ, dated 6 December 2011, 'On Accounting', Bank of Russia Regulation No. 567-P, dated 19 December 2016, 'On the Chart of Accounts for Accounting Purposes at the Central Bank of the Russian Federation (Bank of Russia) and the Procedure for Using it', and Bank of Russia Regulation No. 522-P, dated 21 December 2015, 'Bank of Russia Accounting Policy for Accounting Purposes', and also for the internal control system which the Bank of Russia's management considers necessary for the compilation of the Annual Financial Statements without any material misstatement as a result of malpractice or errors.

When preparing the Annual Financial Statements, the management shall be responsible for assessing the ability of the Bank of Russia to continue as a going concern, for disclosing information pertaining to going concern issues, when necessary, and for compiling the statements based on the going concern assumption.



### ***The auditor's responsibility for the audit of the Annual Financial Statements***

Our goals consist in obtaining reasonable confidence that the Annual Financial Statements as a whole do not contain material misstatements due to malpractice or errors and in issuing the auditor's report with our opinion. Reasonable confidence constitutes a high level of certainty but does not guarantee that an audit performed in accordance with the International Standards on Auditing will always reveal material misstatements, if these exist. Misstatements may result from malpractice or errors and are considered material if it may be reasonably assumed that they could influence, individually or in aggregate, users' economic decisions made based on these Annual Financial Statements.

In the course of an audit performed in accordance with the International Standards on Auditing, we apply professional judgement and retain professional scepticism throughout the audit. Furthermore, we perform the following:

- ▶ we identify and assess the risks of material misstatement of the Annual Financial Statements as a result of malpractice or errors; develop and carry out audit procedures in response to these risks; and obtain audit evidence which is sufficient and adequate to serve as grounds for expressing our opinion. The risk of failure to discover material misstatement as a result of malpractice is higher than the risk of failure to discover material misstatement as a result of errors because malpractice may include conspiracy, falsification, deliberate omission, distorted presentation of information or circumvention of the internal control system;
- ▶ we obtain an understanding of the internal control system which is important for the audit in order to develop audit procedures corresponding to the circumstances, but not for the purpose of expressing our opinion on the effectiveness of the Bank of Russia's internal control system;
- ▶ we evaluate the appropriateness of applicable accounting policies and the soundness of accounting estimates made by the management and the respective disclosure of information;
- ▶ we arrive at a conclusion on the appropriateness of the going concern assumption made by the management and, based on the obtained audit evidence, a conclusion on whether there is material uncertainty in connection with events or conditions which could give rise to significant doubts as to the Bank of Russia's ability to continue as a going concern. If we arrive at a conclusion that there is material uncertainty, we must draw attention in our audit report to the respective disclosure of information in the Annual Financial Statements or, if such disclosure of information is improper, modify our opinion. Our findings are based on the audit evidence received before the date of our audit report;
- ▶ we evaluate the presentation of the Annual Financial Statements as a whole, their structure and contents, including information disclosure, and whether the Annual Financial Statements represent the underlying operations and events in such a way as to ensure their reliable presentation.

We maintain information exchange with the Bank of Russia's management and communicate to them, among other things, information on the scheduled scope and timing of the audit and on material comments based on the audit findings, *inter alia*, on considerable deficiencies in the internal control system, should we discover any in the course of the audit.



We also submit to the Bank of Russia's management a statement that we have complied with all relevant ethical requirements related to independence issues and informed them of all mutual relationships and other matters which could be reasonably considered as influencing the auditor's independence and, if necessary, of appropriate precautions.

Among the issues, which we have brought to the attention of the Bank of Russia's management, we determine the issues, which were the most significant for the audit of the Annual Financial Statements for the current period and which, therefore, are critical audit matters. We describe these issues in our audit report, except when public disclosure of information on these issues is prohibited by law or a specific regulation, or when, in exceedingly rare cases, we arrive at the conclusion that information on a certain issue should not be included in our report, as it may be reasonably assumed that the negative consequences of such disclosure would exceed its public benefit.

The executives charged with the conduct of audit as a result of which this auditor's report of independent auditors has been released are D.Ye. Vainstein and N.A. Kozlova.

D.Ye. Vainstein  
Partner  
Ernst & Young LLC  
29 April 2021

N.A. Kozlova  
General Director  
FinExpertiza LLC

#### **Information on the audited entity**

Name: The Central Bank of the Russian Federation (Bank of Russia)  
An entry was made in the Unified State Register of Legal Entities under No. 1037700013020 based on certificate series 77 No. 006996300, dated 10 January 2003.  
Domicile: 12 Neglinnaya Street, Moscow 107016, Russia  
The Bank of Russia performs its functions pursuant to the Constitution of the Russian Federation, Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' and other federal laws.

#### **Information on the auditors**

Name: Ernst & Young LLC  
An entry was made in the Unified State Register of Legal Entities on 5 December 2002 under the state registration number 1027739707203.  
Domicile: Bldg.1, 77 Sadovnicheskaya Naberezhnaya, Moscow 115035, Russia  
Ernst & Young LLC is a member of the self-regulatory organisation of auditors Association Sodruzhestro. Ernst & Young LLC was included in the control copy of the register of auditors and auditing organisations under the main registration entry number 12006020327.

Name: FinExpertiza LLC  
An entry was made in the Unified State Register of Legal Entities on 29 August 2002 under the state registration number 1027739127734.  
Domicile: Bldg. 1, 16 Krasnoproletarskaya Street, office 1, room 29, floor 6, Moscow 127473, Russia  
FinExpertiza LLC is a member of the self-regulatory organisation of auditors Association Sodruzhestro. FinExpertiza LLC was included in the control copy of the register of auditors and auditing organisations under the main registration entry number 12006017998.



# ACCOUNTS CHAMBER OF THE RUSSIAN FEDERATION

2 Zubovskaya St., Moscow 119121

Tel.: 986-05-09, fax: 986-09-52

27 April 2021

No. 05-77/05-03

To the Governor of the Central Bank  
of the Russian Federation

E.S. NABIULLINA

## Statement

on the Results of Examination of the Accounts and Operations of the Central Bank of the Russian Federation (Bank of Russia) and Data for 2020 Covered by the Russian Federation Law 'On State Secrecy' (approved by the decision of the Collegium of the Accounts Chamber of the Russian Federation of 27 April 2021, protocol No. 33K (1476))

The Accounts Chamber of the Russian Federation has examined the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and the data for 2020 covered by the Russian Federation Law 'On State Secrecy' at the Bank of Russia's structural units and regional branches, pursuant to the provisions of Article 25 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and in accordance with the Work Plan of the Accounts Chamber of the Russian Federation for 2021.

The management of the Bank of Russia is responsible for assigning information to the category of data covered by the Russian Federation Law 'On State Secrecy', and for delineating the competence of the Accounts Chamber of the Russian Federation and the consortium of auditing organisations – Ernst & Young LLC and FinExpertiza LLC (the Auditor of the Bank of Russia Annual Financial Statements for the year 2020).

Under the applicable legislation, the Accounts Chamber's duty is to present to the Bank of Russia a statement on the results of examination of the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and data for 2020, covered by the Russian Federation Law 'On State Secrecy', and to express an opinion on the credibility in all material aspects of the Bank of Russia Annual Financial Statements for 2020, and on compliance of the accounting procedure with Russian federal legislation and Bank of Russia regulations.



The Accounts Chamber of the Russian Federation has conducted an examination of Bank of Russia accounts and operations, and also data for 2020 covered by the Russian Federation Law 'On State Secrecy', in the structural divisions and regional branches of the Central Bank of the Russian Federation (Bank of Russia) in such a way as to become sufficiently convinced that the Bank of Russia's annual balance sheet (with respect to sub-accounts and off-balance sheet accounts) as of 31 December 2020 (as of 1 January 2021), and its statement of financial performance for the period from 1 January to 31 December 2020, falling within the scope of competence of the Accounts Chamber of the Russian Federation, do not contain any material errors and adequately recognise in all aspects the assets and liabilities of the Central Bank of the Russian Federation (Bank of Russia) as of 31 December 2020, and the income and expenses of the Central Bank of the Russian Federation (Bank of Russia) for the period from 1 January to 31 December 2020, in line with the Bank of Russia's accounting policy.

Having examined the Bank of Russia's accounts and operations and data for 2020, covered by the Russian Federation Law 'On State Secrecy', the Accounts Chamber of the Russian Federation confirms, within the scope of its competence, the following data:

the Bank of Russia annual balance sheet as of 31 December 2020 (balance sheet assets totalling ₹2,823,897 million and balance sheet liabilities totalling ₹207 million), the statement of financial performance for the period from 1 January to 31 December 2020 (income totalling ₹3,242 million and expenses totalling ₹(26,765) million);

precious metals revaluation for the period from 1 January to 31 December 2020: positive unrealised differences from the revaluation of precious metals totalling ₹74,681 million;

foreign currency revaluation for the period from 1 January to 31 December 2020: positive unrealised exchange rate differences from the revaluation of foreign currency totalling ₹446,559 million;

annual balance sheet as of 31 December 2020 (as of 1 January 2021) (with respect to sub-accounts and off-balance sheet accounts) and the statement of financial performance for the period from 1 January to 31 December 2020 (for 2020);

data on the total number of Bank of Russia notes and coins (exclusive of coins containing precious metals), which should be in circulation as of 31 December 2019 (as of 1 January 2020).

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Russian Federation Law 'On State Secrecy', a total of ₹10,627,165.4 million in Bank of Russia notes and coins should be in circulation as of 1 January 2020 (exclusive of coins containing precious metals).

Over the period from 1 January to 31 December 2020, the Bank of Russia put into circulation banknotes and coins (exclusive of coins containing precious metals) totalling ₹11,778,755.3 million, and withdrew from circulation Bank of Russia banknotes and coins (exclusive of coins containing precious metals) totalling ₹8,970,371.2 million.

Consequently, in the period under review, the amount of Bank of Russia notes and coins (exclusive of coins containing precious metals) in circulation increased by ₹2,808,384.1 million.

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Russian Federation Law 'On State Secrecy', a total of ₹13,435,549.5 million in Bank of Russia notes and coins should be in circulation as of 31 December 2020 (as of 1 January 2021 (exclusive of coins containing precious metals)).

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Provisions for assets covered by the Russian Federation Law 'On State Secrecy' have been created in line with Bank of Russia regulations.

The Accounts Chamber of the Russian Federation confirms the credibility, in all material aspects, of the Bank of Russia Annual Financial Statements for 2020 and compliance of the accounting procedure with the Russian federal legislation and Bank of Russia regulations.

Auditor

A.L. Savatyugin

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# Addenda

## 5.1. Measures to implement the single state monetary policy

<b>The Bank of Russia key rate and the system of interest rates on monetary policy instruments</b>	
The Bank of Russia key rate was lowered	To support aggregate demand during the pandemic and growing disinflationary pressure in 2020 H1, the Bank of Russia took four decisions to cut the key rate. The key rate was cut from 6.25% to 4.25% p.a.
<b>Required reserves</b>	
The Bank of Russia continued improving approaches to creating required reserves	<p>Required reserve ratios and required reserve averaging ratios did not change in 2020</p> <p>In order to simplify approaches to creating required reserves and to reduce the regulatory burden on credit institutions, the Bank of Russia developed a new draft Regulation 'On Credit Institutions' Required Reserves'. This document changes the procedure for the creation of required reserves by credit institutions. In particular, instead of specialised reports prepared by credit institutions, required reserve amounts will be calculated by the Bank of Russia based on credit institutions' reporting forms. In the course of the monthly regulation of required reserve amounts, only the averaged value will be changed, while balances of funds in required reserve accounts will change once a year. The new approach clarifies the composition and categories of reservable obligations of credit institutions and updates the procedure for calculating and imposing penalties on credit institutions breaching the mandatory reserve requirements. The new regulation is to become effective on 1 October 2021</p> <p>In October 2020, the Bank of Russia launched a pilot project for regulating the amount of required reserves in line with the new draft regulation. Credit institutions participating in this project can estimate the amount of changes in required reserves due to the application of the new procedure, including in order to improve the quality of their liquidity forecasts</p>
<b>Liquidity provision and absorption instruments</b>	
The Bank of Russia offered banks a 24/7 access to its intraday loans	From the beginning of 2020, the Bank of Russia enabled the use of intraday loans at night, on weekends and holidays in order to process settlements in the Bank of Russia's Faster Payments System
The Bank of Russia clarified the parameters of operations on non-work days declared as such to prevent the spread of the coronavirus infection	During the year, the Bank of Russia clarified the parameters of its operations due to the overall non-standard situation and the declaration of non-work days to prevent the spread of the coronavirus infection. At the same time, it was decided to continue operations without demanding that credit institutions repay loans, execute second legs of repos or revalue collateral on non-work days
The Bank of Russia cancelled auctions to place certain issues of Bank of Russia coupon bonds	During the year, on the back of an unforeseen decline in liquidity surplus, the Bank of Russia several times decided to cancel auctions to place Bank of Russia coupon bonds. As a result, bonds of issues 33 and 34 entered circulation nearly two months and bonds of issue 35 — nearly one month after their issuance, while bonds of issue 40 did not enter circulation in December 2020
The Bank of Russia introduced long-term repo auctions	In May 2020, the Bank of Russia launched new long-term instruments to provide ruble liquidity to credit institutions — one-month and one-year repo auctions. These operations primarily aimed to improve the balance between banks' assets and liabilities in terms of their maturities amid the shrinking surplus of liquidity and reducing maturities of credit institutions' liabilities. Long-term repo auctions are held regularly; their schedule is published on the Bank of Russia website. The minimum interest rate at one-month repo auctions is equal to the key rate plus ten basis points. The minimum interest rate at one-year repo auctions is equal to the key rate plus 25 basis points. Deals at one-year repo auctions are conducted at a floating interest rate
Development of electronic document workflow	Since 9 January 2020, the Bank of Russia has exchanged documents related to the formation of collateral pools comprising non-marketable assets within the standard refinancing mechanism with credit institutions (or their branches) electronically through their personal accounts
	Since 19 August 2020, notices to credit institutions under overnight deposits has been transferred to electronic document workflow through personal accounts

<b>Managing financial risks on Bank of Russia operations</b>	
Security under operations	Since 1 January 2020, the minimum credit rating for bonds of Russian legal entities, constituent entities or municipalities to be included in the Bank of Russia Lombard List has been set at A+(RU) / ruA+ assigned by the credit rating agencies ACRA JSC / JSC Expert RA; for debt instruments issued by non-Russian residents — at BB/Ba2 assigned by S&P Global Ratings, Fitch Ratings / Moody's Investors Service
	In 2020, in accordance with decisions of the Bank of Russia Board of Directors, 126 issues of corporate and regional debt securities were added to the Bank of Russia Lombard List
	Launching long-term repo auctions, the Bank of Russia decided to limit the list of securities that may be used in transactions to federal government bonds and securities of the constituent territories of the Russian Federation and municipalities, the issues of which have the highest credit rating according to the national rating scale
	Starting from 1 January 2020, the Bank of Russia shapes the List of Russian constituents and municipalities which can be debtors under loan agreements, claims on which can be included in the pool of collateral on Bank of Russia loans, based on the credit rating no lower than A+(RU) / ruA+ assigned by the credit rating agencies ACRA JSC / JSC Expert RA
	Starting from 1 January 2020, the Bank of Russia shapes the Register of legal entities which can be debtors under loan agreements, claims on which are included in the loan collateral pool without the Bank of Russia's check of accounting (financial) statements or other information on such entities, from non-financial organisations registered in Russia based on the credit rating no lower than A+(RU) / ruA+ assigned by the credit rating agencies ACRA JSC / JSC Expert RA
	In early 2020, the Bank of Russia changed the algorithm for selecting securities and non-marketable assets as collateral to back Bank of Russia loans. Preference is given to assets with the highest values of adjustment ratios. Then, assets' price and maturity are taken into account.
Counterparties	When providing credit institutions with access to liquidity provision operations in the domestic market, the Bank of Russia plans to: from 1 November 2021, cease to apply the criteria related to required reserves; from 2022, replace the criterion related to assigning credit institutions a specific classification group in line with Bank of Russia regulations with a criterion related to the fact that a credit institution should have a credit rating above a specific level

## 5.2. Liquidity support instruments to ensure the financial sustainability of banks. Specialised refinancing facilities

<b>Irrevocable credit lines</b>	
The Bank of Russia temporarily (from 1 April 2020 to 31 March 2021) changed the parameters of irrevocable credit lines (ICLs)	The maximum aggregate ICL limit was increased from ₱1.5 trillion to ₱5.0 trillion, the fee for the right to use an ICL was decreased from 0.5% to 0.15% per year of the maximum possible limit set for the credit institution
	It was decided to set maximum possible ICL limits for credit institutions in the requested amounts; the implementation of the plan to gradually reduce the dependence of credit institutions on ICLs was suspended
	Credit institutions may request that the limit under an already open ICL be increased (before that, the limit changed if a new ICL was opened)
	When the ICL fee was reduced, a credit institution could apply to the Bank of Russia for the adjustment of the fee amount, and the difference was returned to it (unless the credit institution applied for an increase in the ICL limit; in that case, the adjustment was made based on the new limit, and either the credit institution paid the extra amount or received a refund, depending on the new limit and the new fee)
<b>Foreign currency refinancing facilities</b>	
The Bank of Russia adjusted the limit under FX swaps to sell US dollars	On 10 March 2020, the daily limit under TODTOM FX swaps to sell US dollars was raised to \$5 billion to support financial stability amid the spread of the coronavirus infection. On 17 July 2020, this limit was lowered back to \$3 billion due to the lack of demand for this foreign currency liquidity-provision instrument
The Bank of Russia set the aggregate limit on foreign currency repos	On 1 January 2020, the maximum debt under foreign currency repo operations was set at the existing level, equivalent to \$15 billion
<b>Specialised refinancing facilities</b>	
The Bank of Russia changed certain parameters of specialised refinancing facilities	Interest rates on specialised refinancing facilities were reduced following the key rate. At the same time, in 2020, interest rates on Bank of Russia loans to refinance loans secured by insurance contracts of JSC Russian Agency for Export Credit and Investment Insurance (EXIAR) and loans secured by claims to leasing companies were equal to the key rate, while interest rates on Bank of Russia loans to support large investment projects were 100 bp lower than the key rate. In 2020 H2, the purpose of loans secured by EXIAR insurance contracts claims on which can be accepted under Bank of Russia loans was expanded to include products which correspond to the category of non-commodity non-energy exports defined in the International Cooperation and Exports national project
	On 23 March 2021, the interest rate on specialised refinancing facilities to support small and medium-sized businesses was lowered from 6% to 4% p.a. (before that, the interest rate was equal to the lower of the two values: 6.5% p.a. or the key rate)
	At the same time, as part of the programme of JSC RSMB Corporation, it was stipulated that the ultimate interest rate for a SME borrower must not exceed 8.5% p.a. All industry-specific restrictions on lending to SMEs were lifted
As part of combating the coronavirus infection, the Bank of Russia established additional temporary lending support mechanisms	In April 2020, the Bank of Russia established two temporary specialised refinancing facilities: <ul style="list-style-type: none"> <li>– a mechanism to support lending to small and medium-sized enterprises;</li> <li>– a mechanism to support emergency lending to support and maintain employment</li> </ul>
	The aggregate limit under these mechanisms was established at ₱500 billion, of which ₱150 billion were allocated for the mechanism to support emergency lending to support and maintain employment
	The interest rate on Bank of Russia loans provided under these mechanisms was set at 4% p.a. and reduced afterwards to 2.25% following the key rate reduction
	Bank of Russia loans as part of the mechanism to support lending to small and medium-sized enterprises were issued until 30 September 2020; as part of the mechanism to support emergency lending to support and maintain employment — until 30 November 2020 (at the same time, credit institutions and borrowers were able to conclude emergency loan agreements until 1 October 2020)
Improvement of the procedure to provide funds under specialised refinancing facilities	On 28 September 2020, the Bank of Russia approved the use of personal accounts to conduct credit operations under the majority of specialised refinancing facilities. From that date, loan applications, application revocation requests, notices on the early performance of loan obligations, applications to exclude assets from the list of assets accepted as collateral under Bank of Russia loans and/or from collateral under Bank of Russia loans can only be submitted electronically



## 5.3. Implementation of the financial market development programme<sup>1</sup>

No.	Measure	Implementation results
1.8	Development of a remote identification platform	<p>Federal Law No. 271-FZ, dated 2 August 2019, 'On Amending Certain Laws of the Russian Federation' was adopted, which enables microcredit companies to task credit institutions with an identification or simplified identification of individual clients, their representatives, beneficiaries and beneficiary owners. Besides, microfinance organisations were allowed to identify clients using public information systems</p> <p>Federal Law No. 479-FZ, dated 29 December 2020, 'On Amending Certain Laws of the Russian Federation' was adopted (with regard to the expansion of the use of the Unified Biometric System)</p>
2.1	Implementation of Section XIV 'Financial markets' of the action plan (road map) of the Russian Government to develop competition in 2018—2020 (Russian Federation Government Directive No. 1697-r, dated 16 August 2018)	<p>13 measures implemented fully, including:</p> <ul style="list-style-type: none"> <li>– federal laws establishing the legal base for the functioning of the Faster Payments System and financial platforms (the Marketplace project) were adopted;</li> <li>– a legal ban on 'bank roaming' of credit institutions with respect to individuals' accounts was imposed;</li> <li>– a federal law and a Bank of Russia regulation aiming at increasing the effectiveness of the activity of the committee of users of central depository services were adopted;</li> <li>– a ban was imposed on including payment acceptance costs in housing services fees in order to increase payment services transparency and avoid double fees;</li> <li>– a number of joint information letters of the FAS of Russia and the Bank of Russia were adopted aimed at ensuring fair conduct of financial institutions;</li> <li>– recommendations were published for regional authorities with regard to possible measures to improve competition in constituent entities of the Russian Federation;</li> <li>– based on the results of joint analytical work of interested departments and market participants, in which the Bank of Russia participated, payment systems disclose information about interbank commissions related to acquiring; the amount of these commissions for certain categories of goods was also reduced (socially important goods and services, large purchases: cars, real estate)</li> </ul> <p>Nine measures were implemented within the remit of the Bank of Russia (the Bank of Russia's position has been formulated and submitted to the competent authority; further work is performed as soon as updated draft laws, reports, etc. are available). In particular, the Bank of Russia has offered its position on the following:</p> <ul style="list-style-type: none"> <li>– a migration to using credit ratings when selecting banks to place funds of the federal budget, state corporations, extrabudgetary funds, etc., as well as issuing certain types of bank guarantees;</li> <li>– the liberalisation of banks' access to state programmes and subsidies by cancelling capital and credit rating requirements;</li> <li>– establishing cases when state participation in the capital of financial institutions is acceptable;</li> <li>– restricting the provision of financial services, their promotion or advising on such services in the premises where bodies or organisations providing state or municipal services are located;</li> <li>– ensuring competition when financial institutions provide agency services to other financial institutions</li> </ul>
2.2	Establishing a legal base for the creation, operation and development of the marketplace platform	<p>Federal Law No. 211-FZ, dated 20 July 2020, 'On Performing Financial Transactions Using a Financial Platform' was adopted</p> <p>Federal Law No. 212-FZ, dated 20 July 2020, 'On Amending Certain Laws of the Russian Federation Regarding Financial Transactions Performed Using a Financial Platform' was adopted</p> <p>A Financial Transaction Registrar based on the Central Depository (NSD) was launched. Extracts can be obtained through the UPSS</p> <p>The Tomsk Region government bonds can now be purchased remotely without any geographical restrictions as a pilot project to look into scaling this product further. These bonds were specifically designed for households. Before that, for 18 years, these bonds had been sold offline only through agent banks' offices located in the region</p> <p>Proposals were prepared on further expanding the product line and services, including through the possibility to open individual investment accounts on financial platforms (the Marketplace 2.0 project). Draft law No. 1080911-7 'On Amending Certain Laws of the Russian Federation' was submitted to the State Duma. It concerns the expansion of the mechanism of financial platforms to include individual entrepreneurs and legal entities, including SMEs</p>

<sup>1</sup> Measures are numbered in accordance with the Action Plan (Road Map) to Implement the Russian Financial Market Development Programme for 2019—2021, published on the Bank of Russia website.

3.2	Implementation of the Bank of Russia's Roadmap to Develop Funding for Small and Medium-sized Enterprises (Bank of Russia Order No. OD-2387, dated 13 September 2018)	<p>Monitoring of implementation was completed; 40 out of 42 urgent measures were implemented; one measure was deemed unreasonable; one measure was transformed into another measure 'Creation of the Know Your Customer (KYC) Service' of the national action plan aimed at restoring the employment and incomes of the population, economy growth and long-term structural changes</p> <p>As part of the implementation of the road map, the following results were achieved, <i>inter alia</i>:</p> <ul style="list-style-type: none"> <li>– Federal Law No. 259-FZ, dated 2 August 2019, 'On Investment Raising Using Investment Platforms and on Amending Certain Laws of the Russian Federation' was adopted (effective from 1 January 2020);</li> <li>– On 15 February 2019, Bank of Russia Ordinance No. 5035-U, dated 24 December 2018, 'On Amending Bank of Russia Instruction No. 153-I, Dated 30 May 2014, 'On Opening and Closing Bank Accounts and Deposit Accounts' entered into force. In particular, it provided for amendments that allow credit institutions to use the form of the bank card established by banking rules with information determined by the credit institution itself taking into account the 'necessary minimum' as per Bank of Russia Instruction No. 153-I. Other amendments included a possibility for customers to submit information and documents in the electronic form to update information provided when opening an account;</li> <li>– On 24 September 2019, Bank of Russia Ordinance No. 5211-U, dated 18 July 2019, 'On Amending Bank of Russia Regulation No. 590-P, Dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts' entered into force. It provided for the introduction of a separate procedure for creating provisions for portfolios of homogeneous loans to SMEs where the risk is assessed based on banks' internal assessments of borrowers' solvency without their official reporting.</li> </ul>
4.3	A possibility to register securities issues electronically	Since 1 January 2020, it has been possible to register securities electronically; the necessary software has been developed and implemented. In May–June 2020, the Bank of Russia received first electronic issuance documents and sent electronic documents confirming the state registration back to the issuer
4.5	Development of instruments of control over the implementation of long-term investment projects to provide long-term financial resources to the economy	<p>Consultation paper '<a href="#">Development of alternative investment mechanisms: direct investment and crowdfunding</a>' was published on the Bank of Russia website on 11 August 2020. Public discussion of the consultation paper was held</p> <p><a href="#">The report on the results of the public discussion</a> was published on the Bank of Russia website on 23 December 2020</p>
4.6	Improvement of the regulation of individual investment accounts (IIAs)	The Bank of Russia developed, agreed with the Ministry of Finance and the Ministry of Economic Development of Russia, and submitted to the Russian Government a report on the improvement of the regulation of individual investment accounts. Suggestions with regard to opening individual investment accounts on financial platforms were submitted to the Ministry of Finance
4.7	Attracting investors focused on financing socially responsible projects, including green finance	The Bank of Russia took part in the preparation and agreement of the Russian Federation Government directive on developing investment activity in the Russian Federation and attracting extra-budgetary funds into projects of sustainable (including 'green') development (adopted on 18 November 2020), as well as in the agreement of the Model Verification Methodology, Taxonomy and Methodological Recommendations on the Development of Investment Activity in the Sphere of 'Green' Funding in the Russian Federation developed by VEB.RF as the methodological centre on sustainable financing
5.4	Improvement of the procedure for disclosing information by issuers of issue-grade securities	Bank of Russia Regulation No. 714-P, dated 27 March 2020, 'On Disclosing Information by Securities Issuers' was published
6.5	Improvement of the methodology of supervisory stress-testing of the banking sector	<p>The Bank of Russia launched a project 'Complex system of supervisory stress-testing'. This project is implemented with the help of independent advisers and IT counterparties and comprises two parallel parts: research studies and IT activities</p> <p>The Bank of Russia continues to use a set of stress-testing models developed in accordance with the recommendations received as a result of research to conduct individual stress tests of banks and complex stress tests of the banking sector. As part of the IT activities (developing a specialised application for the Bank of Russia to process supervisory stress tests of individual banks and banking groups), the development of an IT system to process stress tests was completed</p>
8.5	Creating conditions for cross-border exchange of information that is part of credit histories within the Eurasian Economic Union	<p>On 23 June 2020, the Board of the Eurasian Economic Commission approved a draft Agreement on the exchange of information that is part of credit histories within the Eurasian Economic Union (hereinafter, the draft Agreement)</p> <p>By Order of the Board of the Eurasian Economic Commission No. 17, dated 2 September 2020, the draft Agreement was sent to EAEU member states to pass internal procedures required for its adoption</p> <p>The Russian Federation completed the internal procedures required for the adoption of the draft Agreement (Russian Federation Government Directive No. 3291-r, dated 11 December 2020)</p>
9.3	Increasing the quality and reliability of CHB data, including through the use of scoring of information from social networks and other legal sources	<p>On 26 June 2019, a consultation paper 'Development of individual ratings of credit history subjects' was published on the Bank of Russia website</p> <p>The Bank of Russia held meetings with financial market representatives on the issue of the development of individual ratings of credit history subjects</p> <p>Federal Law No. 302-FZ, dated 31 July 2020, 'On Amending the Federal Law 'On Credit Histories' with Regard to Modernising the System of Credit History Formation' was adopted</p>

10.3	Development of the institution of financial consumer ombudsman	<p>The Bank of Russia issued the following regulations:</p> <ul style="list-style-type: none"> <li>– Bank of Russia Ordinance No. 5038-U, dated 25 December 2018, 'On the Procedure for Nominating Representatives of Financial Market Self-regulatory Organisations as well as Associations (Unions) of Credit Institutions Specified in Part 1 of Article 7 of Federal Law No. 123-FZ, Dated 4 June 2018, 'On Financial Consumer Ombudsman' to the Board of the Financial Ombudsman Service';</li> <li>– Bank of Russia Ordinance No. 5070-U, dated 12 February 2019, 'On the Procedure for Maintaining the Register of Financial Institutions Engaged in Cooperation with Financial Consumer Ombudsman at the Bank of Russia', in line with which information contained in the register of financial institutions engaged in cooperation with financial consumer ombudsman are to be published on the Bank of Russia website and updated daily since 1 June 2019</li> </ul>
12.2	Improvement of the regulation of central counterparties	<p>The Bank of Russia issued the following regulations:</p> <ul style="list-style-type: none"> <li>– Bank of Russia Ordinance No. 5452-U, dated 30 April 2020, 'On Requirements for the Composition of Information to Be Disclosed by the Central Counterparty, Procedure and Timing for Disclosure Thereof, as well as Rules for Information Submission by the Central Counterparty to Clearing Members';</li> <li>– Bank of Russia Ordinance No. 5456-U, dated 12 May 2020, 'On Amending Bank of Russia Ordinance No. 4927-U, dated 8 October 2018, 'On the List, Forms and Procedure for Compiling and Submitting Credit Institutions' Reporting Forms to the Central Bank of the Russian Federation'</li> </ul>
12.3	Improvement of macroprudential stress testing methodology	<p>In addition to consultation paper 'Macroprudential stress testing concept', on 28 December 2020, the Bank of Russia published on its website analytical note <a href="#">'Analysis of systemic risks in macroprudential stress testing'</a></p>
18.4	Creating an opportunity for the participants of systemically important payment systems and financial market infrastructure (central depository, central counterparty) to complete settlements under obligations in Russian rubles through the Bank of Russia Payment System	<p>A meeting was held with the representatives of securities market infrastructures and banks that are financial market participants to discuss their interest in using the Bank of Russia Payment System to settle deals made in organised trading</p> <p>The terms and conditions of correspondent account agreements with a clearing organisation and credit institutions that are clearing participants were amended</p> <p>On 1 January 2020, a possibility to execute payment instructions (collection orders) using reserved funds was introduced in the Bank of Russia Payment System software</p>

## 5.4. Statistical tables

### KEY MACROECONOMIC INDICATORS (PER CENT OF PREVIOUS YEAR)

Table 1

	2018	2019	2020
Gross Domestic Product <sup>1,2</sup>	2.8	2.0	-3.0
of which: <sup>3</sup>			
– agriculture, forestry, hunting, fishery and fish farming	1.7	3.5	0.2
– mining and quarrying	2.3	2.5	-9.5
– manufacturing	4.0	2.8	0.0
– electricity, gas and steam supply; air conditioning	2.2	-1.0	-3.3
– water supply and disposal, waste collection and utilisation, pollution elimination	0.3	0.4	-4.6
– construction	1.9	-1.8	0.0
– wholesale and retail trade, and other	1.5	0.1	-2.9
– transportation and storage	3.0	1.4	-10.6
– information and communications	5.8	6.3	0.2
GDP deflator index <sup>2</sup>	10.0	3.1	0.9
Consumer price index (December on previous December) <sup>2</sup>	4.3	3.0	4.9
Fixed capital investment <sup>1,2</sup>	5.4	2.1	-1.4
Retail trade turnover <sup>1,2</sup>	2.8	1.9	-4.1
Unemployment rate (annual average), as per cent of labour force <sup>2</sup>	4.8	4.6	5.8
External trade (per balance of payments methodology) <sup>4</sup>			
– exports of goods	25.8	-5.4	-20.9
– imports of goods	4.4	2.3	-5.6
– exports of services	12.3	-4.2	-24.3
– imports of services	6.6	4.1	-34.8

<sup>1</sup> Index of quantity.<sup>2</sup> Rosstat data.<sup>3</sup> Gross value added in core prices.<sup>4</sup> Bank of Russia data.

**CONSUMER PRICES BY GROUP OF GOODS AND SERVICES<sup>1</sup>**  
**(GROWTH, DECEMBER AS A PERCENTAGE OF PREVIOUS DECEMBER)**

Table 2

	2018	2019	2020
Consumer prices, total	4.3	3.0	4.9
of which:			
– food prices	4.7	2.6	6.7
of which:			
– food prices exclusive of fruit and vegetables	4.6	3.1	5.4
– fruit and vegetables	4.9	–2.1	17.4
– non-food prices	4.1	3.0	4.8
– paid services provided to the public	3.9	3.8	2.7
Prices of goods and services included in calculation of core consumer price index (CCPI)	3.7	3.1	4.2

<sup>1</sup> Rosstat data.**CONSUMER PRICE INFLATION STRUCTURE<sup>1</sup>**

Table 3

	2019		2020	
	growth, percentage points	contribution to growth, per cent	growth, percentage points	contribution to growth, per cent
Headline inflation (December on December)	3.0	100.0	4.9	100.0
Inflation growth due to:				
– change in prices of goods and services included in CCPI calculation	2.2	72.3	2.9	59.9
– change in prices of goods and services not included in CCPI calculation	0.8	27.7	2.0	40.1
of which:				
– change in fruit and vegetable prices	–0.1	–2.7	0.7	13.6
– change in administered service and fuel prices	0.9	30.1	1.3	25.9

<sup>1</sup> Rosstat data, Bank of Russia calculations.

**BALANCE OF HOUSEHOLD MONEY INCOME AND EXPENDITURES<sup>1</sup>**  
**(MILLIONS OF RUBLES, UNLESS INDICATED OTHERWISE)**

Table 4

	2019	2020	2020 as a percentage of 2019
<b>Money income</b>	<b>62,235,779.1</b>	<b>62,700,756.1</b>	<b>100.7</b>
Wages and salaries	35,824,665.5	36,676,675.0	102.4
Share, per cent	57.6	58.5	
Social allowances	11,758,432.5	13,065,107.3	111.1
Share, per cent	18.9	20.8	
Income from entrepreneurial activities	3,703,975.8	3,254,586.4	87.9
Share, per cent	5.9	5.2	
Income from property	3,159,648.1	2,742,298.2	86.8
Share, per cent	5.1	4.4	
Other income	7,789,057.1	6,962,089.2	89.4
Share, per cent	12.5	11.1	
<b>Money expenditures</b>	<b>59,823,531.7</b>	<b>57,384,281.6</b>	<b>95.9</b>
– consumer expenditures	50,301,064.6	47,723,236.9	94.9
– compulsory payments and contributions	8,055,062.2	8,356,907.7	103.7
– other expenditures	1,467,404.9	1,304,136.9	88.9
<b>Growth in savings<sup>2</sup></b>	<b>2,412,247.4</b>	<b>5,316,474.6</b>	<b>220.4</b>
of which:			
– ruble and foreign currency deposits, government and other securities	2,818,907.2	2,903,143.0	103.0
– rubles and foreign currency cash on hand	325,889.1	2,689,100.2	825.2
<b>Memo item</b>			
<b>Share of money income, per cent</b>			
– consumer expenditures	80.8	76.1	
– compulsory payments and contributions	12.9	13.3	
– other expenditures	2.4	2.1	
– savings	3.9	8.5	
of which:			
– ruble and foreign currency deposits, government and other securities	4.5	4.6	
– rubles and foreign currency cash on hand	0.5	4.3	
<b>Disposable money income</b>	<b>54,180,716.9</b>	<b>54,343,848.4</b>	<b>100.3</b>
Share of, per cent			
– consumer expenditures	92.8	87.8	
– other expenditures	2.7	2.4	
– savings	4.5	9.8	
of which:			
– ruble and foreign currency deposits, government and other securities	5.2	5.3	
– rubles and foreign currency cash on hand	0.6	4.9	

<sup>1</sup> The table was compiled based on Rosstat data (Methodological regulations for calculating household monetary income and expenditures approved by Rosstat Order No. 465, dated 2 July 2014, and amended by Order No. 680, dated 20 November 2018).

<sup>2</sup> Savings include increase (decrease) in deposits, purchase of securities, change in accounts of individual entrepreneurs, purchase of real estate, purchase of cattle and poultry by households, change in ruble and foreign currency cash on hand, change in outstanding loans and other savings.

## BUDGET SYSTEM AND GOVERNMENT DEBT

Table 5

	2019		2020	
	billions of rubles	percentage of GDP	billions of rubles	percentage of GDP
<b>Consolidated budget</b>				
<b>Revenue</b>	<b>39,497.6</b>	<b>36.2</b>	<b>37,856.7</b>	<b>35.4</b>
– oil and gas revenues	7,924.3	7.3	5,235.2	4.9
– non-oil and gas revenues	31,573.3	28.9	32,621.5	30.5
<b>Expenditure</b>	<b>37,382.2</b>	<b>34.2</b>	<b>42,150.9</b>	<b>39.4</b>
<b>Balance</b>	<b>2,115.3</b>	<b>1.9</b>	<b>–4,294.2</b>	<b>–4.0</b>
<b>Federal budget</b>				
<b>Revenue</b>	<b>20,188.8</b>	<b>18.5</b>	<b>18,722.2</b>	<b>17.5</b>
– oil and gas revenues	7,924.3	7.3	5,235.2	4.9
– non-oil and gas revenues	12,264.5	11.2	13,486.9	12.6
<b>Expenditure</b>	<b>18,214.5</b>	<b>16.7</b>	<b>22,821.5</b>	<b>21.3</b>
<b>Balance</b>	<b>1,974.3</b>	<b>1.8</b>	<b>–4,099.4</b>	<b>–3.8</b>
<b>Sources of financing of federal budget deficit</b>				
Net placement of domestic government securities	1,377.6	1.3	4,600.6	4.3
Net replenishment / usage of balances of the federal budget account in foreign currency and NWF funds in the amount of extra oil and gas revenues or the shortfall thereof (MinFin interventions, the ‘–’ sign)	–2,956.8	–2.7	322.3	0.3
<b>State financial assets and public debt</b>				
<b>National Wealth Fund (as of year-end)</b>	<b>7,773.1</b>	<b>7.1</b>	<b>13,545.7</b>	<b>12.7</b>
Balances of funds of federal authorities in accounts with the banking system (rubles) <sup>1</sup>	4,816.0	4.4	5,941.3	5.6
Balances of funds of Russian constituents and local authorities in accounts with the banking system (rubles)	2,358.2	2.2	1,890.7	1.8
<b>Aggregate public debt (as of year-end)<sup>2</sup></b>	<b>16,060.6</b>	<b>14.7</b>	<b>21,823.9</b>	<b>20.4</b>
– aggregate public and municipal domestic debt	12,638.7	11.6	17,634.9	16.5
– aggregate public and municipal external debt	3,421.9	3.1	4,189.0	3.9
– federal domestic debt, of which:	10,171.9	9.3	14,751.4	13.8
– in securities	9,331.4	8.5	14,056.2	13.1
– OFZ	8,969.1	8.2	13,708.9	12.8
– other securities	362.3	0.3	347.3	0.3
– in government guarantees	840.5	0.8	695.2	0.6

<sup>1</sup> Including funds of the National Wealth Fund in accounts with the Bank of Russia in national currency and in foreign currency, and also funds in credit institutions, State Development Corporation VEB.RF, preference shares of non-financial organisations, and other assets.

<sup>2</sup> Including obligations of federal authorities, Russian constituents and local authorities under budget loans.



**RUSSIA'S DOMESTIC GOVERNMENT DEBT AS OF 1 JANUARY 2021  
(AT FACE VALUE, BILLIONS OF RUBLES)**

Table 6

<b>Debt instruments</b>	<b>Russia's domestic government debt</b>
Permanent coupon-income federal government bonds (OFZ-PD)	8,102.2
Debt depreciation federal government bonds (OFZ-AD)	282.6
Variable coupon-income federal government bonds (OFZ-PK)	4,709.3
Inflation-indexed federal government bonds (OFZ-IN)	574.8
Federal government bonds for individuals (OFZ-n)	39.9
Government savings bonds (GSO)	347.3
Russian government guarantees in national currency	695.2
<b>Total</b>	<b>14,751.4<sup>1</sup></b>

<sup>1</sup> Discrepancies are due to rounding.**MINISTRY OF FINANCE DEBT TO THE BANK OF RUSSIA AS OF 1 JANUARY 2021**

Table 7

	<b>Type of debt obligations</b>	<b>At face value, millions of US dollars</b>	<b>At face value, millions of rubles</b>
<b>Russian government debt obligations:</b>			
– Russian government debt obligations available for sale, in foreign currency	Russian government external foreign currency-denominated bonds	961	70,966 <sup>1</sup>
– Russian government debt obligations held to maturity, in national currency	federal government bonds		212,636

<sup>1</sup> The ruble equivalent was calculated at the rate as of 31 December 2020.

**VOLUME (TURNOVER) OF RESIDENTS' TRANSACTIONS WITH NON-RESIDENTS TO BUY AND SELL  
RUSSIAN GOVERNMENT FOREIGN CURRENCY BONDS IN THE SECONDARY MARKET  
(AT MARKET PRICES, BILLIONS OF US DOLLARS)**

Table 8

	Currency	Q1	Q2	Q3	Q4	2020
Eurobonds maturing in 2020	US dollar	0.57	0.03	—	—	0.60
Eurobonds maturing in 2020	Euro	0.02	0.03	0.00	—	0.05
Eurobonds maturing in 2022	US dollar	0.26	0.12	0.12	0.09	0.59
Eurobonds maturing in 2023	US dollar	0.47	0.18	0.22	0.15	1.03
Eurobonds maturing in 2025	Euro	0.38	0.17	0.15	0.33	1.02
Eurobonds maturing in 2026	US dollar	0.74	0.77	0.31	0.18	2.00
Eurobonds maturing in 2027	US dollar	0.39	0.56	0.41	0.19	1.54
Eurobonds maturing in 2027	Euro	—	—	—	1.38	1.38
Eurobonds maturing in 2028	US dollar	1.14	0.73	0.59	0.48	2.95
Eurobonds maturing in 2029	US dollar	0.57	0.55	0.33	0.21	1.66
Eurobonds maturing in 2030 (issued in the course of the second restructuring of debt to the London Club of creditors)	US dollar	0.63	0.15	0.06	0.26	1.11
Eurobonds maturing in 2032	Euro	—	—	—	2.88	2.88
Eurobonds maturing in 2035	US dollar	1.22	0.69	0.54	0.87	3.33
Eurobonds maturing in 2042	US dollar	1.10	0.72	0.51	0.59	2.91
Eurobonds maturing in 2043	US dollar	0.26	0.32	0.27	0.20	1.05
Eurobonds maturing in 2047	US dollar	1.51	0.79	1.04	0.82	4.16

**INSTITUTIONAL FINANCIAL MARKET PARTICIPANTS  
(UNITS)**

Table 9

Name of institutional financial market participants	Number of participants	
	as of 01.01.2020	as of 01.01.2021
Credit institutions	442	406
of which:		
– banks	402	366
– non-bank credit institutions	40	40
Credit institutions with foreign stakes in authorised capital	133	124
Branches of operating credit institutions, total	623	535
of which:		
– in Russia	618	530
– abroad	5	5
Representative offices of operating Russian credit institutions, total	302	224
of which:		
– in Russia	279	201
– abroad	23	23
Representative offices of foreign credit institutions	40	40
Internal divisions of credit institutions (branches), total	29,079	27,907
of which:		
– additional offices	19,997	19,453
– mobile cash offices	870	719
– credit and cash offices	2,198	1,967
– operations offices	5,724	5,479
– mobile banking vehicles	290	289
Insurance market entities, total	255	232
of which:		
– insurance companies <sup>1</sup>	178	160
– mutual insurance companies	11	13
– insurance brokers	66	59
Professional securities market participants, <sup>2</sup> total	484	466
of which:		
– brokers	290	268
– forex dealers	4	3
– dealers	319	297
– trustees	202	190
– depositories	276	258
– register holders	32	32
– investment advisers	69	95
Infrastructures, <sup>3</sup> total	61	77
of which:		
– clearing houses	6	6
of which:		
– institutions performing the functions of the central counterparty <sup>4</sup>	2	0
– central counterparties <sup>5</sup>	1	3
– exchanges	6	6
– commodity delivery operators	5	4
– repositories	2	2
– central depository	1	1
– payment system operators	30	26
– nationally important payment system operators <sup>6</sup>	2	2
– credit history bureaus	11	9
– news agencies <sup>7</sup>	5	5
– operators of foreign payment systems <sup>8</sup>	–	1
– operators of investment platforms <sup>9</sup>	–	20
– operators of financial platforms <sup>10</sup>	–	3

End

Name of institutional financial market participants	Number of participants	
	as of 01.01.2020	as of 01.01.2021
Collective investment market entities, total	344	338
of which:		
– non-governmental pension funds	47	43
– joint-stock investment funds	2	2
– management companies	269	268
– specialised depositories	26	25
Unit investment funds, total <sup>11</sup>	1,531	1,631
of which:		
– open-end	255	261
– interval	40	35
– closed-end	1,216	1,294
– exchange-traded	20	41
Microfinance agents and cooperatives, total	8,344	7,314
of which:		
– microfinance organisations	1,774	1,385
– housing savings cooperatives	50	43
– consumer credit cooperatives	2,058	1,971
– agricultural consumer credit cooperatives	863	748
– pawnshops	3,599	3,167
Responsible actuaries	97	93
Self-regulatory organisations, total	21	18
of which:		
– self-regulatory organisations in the financial market	19	16
– self-regulatory organisations of actuaries	2	2
Credit rating agencies	4	4
Branches and representative offices of foreign credit rating agencies	3	3

<sup>1</sup> Including Joint-stock Company Russian National Reinsurance Company (JSC RNRC).

<sup>2</sup> Including credit institutions, which are professional securities market players.

<sup>3</sup> The data include information on operators of national importance:

1) the Bank of Russia;

2) National Payment Card System Joint Stock Company (NSPK JSC).

The number of infrastructure organisations excluding the above mentioned entities was 59 as of 1 January 2020 and 75 as of 1 January 2021.

<sup>4</sup> Organisations performing the functions of the central counterparty in pursuance of the transitional provisions of Federal Law No. 403-FZ, dated 29 December 2015, 'On Amending Certain Laws of the Russian Federation' (Joint-stock Company Settlement and Depository Company and Public Joint-stock Company Clearing Centre MFB). In 2020, these organisations were granted a central counterparty status.

<sup>5</sup> Organisations which have been assigned the status of the central counterparty in pursuance of Federal Law No. 7-FZ, dated 7 February 2011, 'On Clearing, Clearing Activities and the Central Counterparty': As of 1 January 2021, non-bank credit institution — Central Counterparty National Clearing Centre (Joint-stock Company), non-bank credit institution — Central Counterparty Clearing Centre MFB (Joint-stock Company) (earlier, Public Joint-stock Company Clearing Centre MFB; central counterparty status granted on 1 October 2020); Nonbank Financial Institution — Central Counterparty RDC (Joint Stock Company) (earlier, Joint-stock Company Settlement and Depository Company; central counterparty status granted on 25 December 2020).

<sup>6</sup> The Bank of Russia and National Payment Card System Joint Stock Company (NSPK JSC) are operators of the Bank of Russia payment system and the Mir payment system respectively based on Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System'. The procedure for registering these operators and entering them into the register of payment system operators has not been specified.

<sup>7</sup> News agencies accredited to disclose information about securities and other financial instruments.

<sup>8</sup> The Bank of Russia enters information on foreign organisations in the register of payment system operators in accordance with Part 7 of Article 19.2 of Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System' from 2 August 2019.

<sup>9</sup> The Bank of Russia enters information on operators of investment platforms in the register of investment platform operators in accordance with Clause 2 of Part 1 of Article 16 of Federal Law No. 259-FZ, dated 2 August 2019, 'On Investment Raising Using Investment Platforms and on Amending Certain Laws of the Russian Federation' from 1 January 2020.

<sup>10</sup> The Bank of Russia enters information on operators of financial platforms in the register of financial platform operators in accordance with Clause 2 of Part 1 of Article 17 of Federal Law No. 211-FZ, dated 20 July 2020, 'On Performing Financial Transactions Using a Financial Platform' from 20 July 2020.

<sup>11</sup> Including funds whose trust management rules are approved by a specialised depository in accordance with the effective version of Federal Law No. 156-FZ, dated 29 November 2001, 'On Investment Funds'.

**SELF-REGULATORY ORGANISATIONS**

Table 10

Financial market participants	As of 01.01.2020			As of 01.01.2021		
	number of self-regulatory organisations, units	number of members of self-regulatory organisations, units	share of members of self-regulatory organisations in the total number of financial institutions of the respective type of activity, per cent	number of self-regulatory organisations, units	number of members of self-regulatory organisations, units	share of members of self-regulatory organisations in the total number of financial institutions of the respective type of activity, per cent
Professional securities market participants (brokers, dealers, managers, depositories, register holders, forex dealers, investment advisers)	4	478	98.8	4	464	99.6
Joint-stock investment funds and management companies of investment funds, unit investment funds and non-governmental pension funds	1	267	98.5	1	264	97.8
Specialised depositories	2	24	92.3	2	25	100.0
Non-governmental pension funds	2	47	100.0	2	43	100.0
Insurance companies	1	178	100.0	1	160	100.0
Insurance brokers	1	65	98.5	1	59	100.0
Microfinance organisations	3	1,726	97.3	3	1,367	97.7
Consumer credit cooperatives	5	1,036	50.3	2	1,008	51.1
Agricultural consumer credit cooperatives	3	617	71.5	3	578	77.3
Actuaries	2	293	100.0	2	300	100.0

INFRASTRUCTURE OF FINANCIAL SERVICES PROVISION<sup>1</sup>

Table 11

	01.01.2020	01.01.2021
<b>Credit institutions</b>		
Number of stand-alone structural units of credit institutions	897	731
of which:		
– branches	618	530
– representative offices	279	201
Number of internal divisions of credit institutions (branches)	29,079	27,907
of which:		
– additional offices	19,997	19,453
– mobile cash offices	870	719
– credit and cash offices	2,198	1,967
– operations offices	5,724	5,479
– mobile banking vehicles	290	289
<b>Other formats of services provided by credit institutions</b>		
Number of operating credit institutions providing services to open accounts without visiting the bank	101	115
Number of operating credit institutions issuing payment cards	297	274
Number of operating credit institutions with the infrastructure permitting acceptance of payment cards	277	248
Number of Russian Post branches performing certain banking operations and related technological activities (including withdrawing and depositing cash) <sup>2</sup>	36,916	35,915
of which:		
– number of Russian Post branches where account opening documents can be accepted	15,150	15,000
Number of remote service points with employees of credit institutions	24,350	18,532
<b>Insurance market entities</b>		
Number of stand-alone units of insurers	2,197	1,876
<b>Professional securities market participants</b>		
Number of stand-alone units of professional securities market participants that are not credit institutions	618	624
<b>Microfinance agents and cooperatives</b>		
Number of stand-alone units of microfinance companies	1,318	1,142
Number of stand-alone units of microcredit companies	14,929	13,070
Number of stand-alone units of consumer credit cooperatives	2,034	1,728
Number of stand-alone units of agricultural consumer credit cooperatives	175	191
Number of stand-alone units of pawnshops	8,689	9,497

End

	01.01.2020	01.01.2021
<b>Payment infrastructure</b>		
Number of cash dispensing and/or receiving ATMs of credit institutions (cash dispensing/depositing with the use of payment cards or their details)	195,458	193,937
Number of cash receiving ATMs of credit institutions (cash depositing without the use of payment cards or their details)	7,039	5,985
Number of POS terminals	2,913,026	3,598,729
Number of ATMs of bank payment agents (subagents) <sup>3</sup>	232,606	142,518
Number of cash desks of bank payment agents (subagents) <sup>3</sup>	186,886	182,454
Number of payment terminals of bank payment agents (subagents) <sup>4</sup>	185,058	196,356
Number of cash desks of payment agents (subagents) <sup>4</sup>	40,831	47,213
Number of federal post offices offering payment services (including funds transfers)	38,765	38,761
of which:		
– Russian Post branches <sup>5</sup>	38,215	38,215
– Post of Crimea branches <sup>6</sup>	550	546
Number of outlets with the possibility to provide cash withdrawal services to payment cardholders in trade (service) organisations that are bank payment agents using POS terminals <sup>7</sup>	3,747	4,472

<sup>1</sup> The number of financial services access points operating in the Russian Federation is specified. Data as of 1 January 2020 were updated with new information received from financial institutions as part of reporting adjustment.

<sup>2</sup> According to PJSC Post Bank data.

<sup>3</sup> Data about bank payment agents (subagents) were received based on credit institutions' reporting forms.

<sup>4</sup> Information about payment agents was obtained during a survey of credit institutions conducted by the Bank of Russia.

<sup>5</sup> According to Russian Post data.

<sup>6</sup> According to Post of Crimea data.

<sup>7</sup> According to credit institutions that are members of the Bank of Russia Working Group for the implementation of a pilot project to provide cash withdrawal services to payment card holders at trade and service companies. Excluding cash-out points of service in Vkusvill outlets.



**BALANCE OF PAYMENTS<sup>1</sup> OF THE RUSSIAN FEDERATION  
(ANALYTICAL PRESENTATION, MILLIONS OF US DOLLARS)**

Table 12

	Q1	Q2	Q3	Q4	2020	Memo item: 2019
<b>Current account</b>	<b>22,979</b>	<b>1,300</b>	<b>3,529</b>	<b>6,141</b>	<b>33,949</b>	<b>64,806</b>
Goods	33,097	16,503	18,424	23,824	91,848	165,252
<i>Exports</i>	<i>89,272</i>	<i>70,454</i>	<i>78,805</i>	<i>93,699</i>	<i>332,231</i>	<i>419,851</i>
oil	25,602	13,589	16,052	17,123	72,366	122,229
oil products	16,718	9,386	8,620	10,622	45,346	66,947
natural gas	7,245	4,325	5,120	8,557	25,247	41,787
liquefied natural gas	1,818	2,107	1,996	825	6,746	7,920
other	37,890	41,047	47,017	56,571	182,525	180,969
<i>Imports</i>	<i>56,175</i>	<i>53,951</i>	<i>60,382</i>	<i>69,874</i>	<i>240,382</i>	<i>254,599</i>
Services	-6,630	-1,986	-3,685	-5,113	-17,415	-36,745
<i>Exports</i>	<i>13,519</i>	<i>10,004</i>	<i>10,637</i>	<i>12,727</i>	<i>46,886</i>	<i>61,910</i>
transport	4,657	3,765	3,477	3,979	15,878	20,605
travel	1,597	361	470	427	2,854	10,961
other services	7,265	5,878	6,690	8,321	28,154	30,343
<i>Imports</i>	<i>20,149</i>	<i>11,990</i>	<i>14,322</i>	<i>17,840</i>	<i>64,301</i>	<i>98,655</i>
transport	3,461	2,272	2,642	3,103	11,478	15,442
travel	5,519	1,043	1,377	1,201	9,140	36,152
other services	11,168	8,675	10,304	13,537	43,684	47,060
Compensation of employees	-683	-367	-92	45	-1,097	-3,603
Investment income	-1,670	-11,434	-9,472	-11,265	-33,841	-50,007
Receivable	9,759	8,961	10,294	11,438	40,453	49,740
Payable	11,429	20,396	19,766	22,704	74,294	99,747
<i>Federal government</i>	<i>-657</i>	<i>-801</i>	<i>-652</i>	<i>-775</i>	<i>-2,884</i>	<i>-2,606</i>
Receivable	447	188	325	175	1,136	1,260
Payable	1,104	988	978	950	4,020	3,866
<i>Local government (payable)</i>	<i>4</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>12</i>	<i>16</i>
<i>Central bank</i>	<i>719</i>	<i>525</i>	<i>425</i>	<i>416</i>	<i>2,085</i>	<i>3,510</i>
Receivable	738	526	427	418	2,109	3,609
Payable	19	1	2	2	24	99
<i>Banks</i>	<i>989</i>	<i>161</i>	<i>-1,942</i>	<i>251</i>	<i>-542</i>	<i>-377</i>
Receivable	1,802	1,663	1,740	1,634	6,839	8,971
Payable	814	1,502	3,683	1,383	7,381	9,348
<i>Other sectors<sup>2</sup></i>	<i>-2,716</i>	<i>-11,317</i>	<i>-7,300</i>	<i>-11,155</i>	<i>-32,489</i>	<i>-50,517</i>
Receivable	6,771	6,584	7,801	9,211	30,368	35,899
Payable	9,488	17,901	15,101	20,367	62,857	86,417
Rent	18	18	12	17	65	89
Secondary income	-1,155	-1,433	-1,657	-1,366	-5,611	-10,180
<b>Capital account</b>	<b>-9</b>	<b>-206</b>	<b>-88</b>	<b>-219</b>	<b>-522</b>	<b>-684</b>
<b>Net lending (+) / net borrowing (-) (balance from current and capital accounts)</b>	<b>22,969</b>	<b>1,095</b>	<b>3,441</b>	<b>5,922</b>	<b>33,426</b>	<b>64,122</b>

End

	Q1	Q2	Q3	Q4	2020	Memo item: 2019
<b>Net lending (+) / net borrowing (-) (balance from financial account, excluding reserve assets)</b>	<b>18,326</b>	<b>13,903</b>	<b>7,873</b>	<b>9,858</b>	<b>49,960</b>	<b>-3,864</b>
<b>Net incurrence of liabilities ('+' – increase, '-' – decrease)</b>	<b>-13,644</b>	<b>-2,906</b>	<b>-13,342</b>	<b>-10,147</b>	<b>-40,039</b>	<b>28,698</b>
<i>Federal government</i>	580	1,149	-431	2,405	3,702	22,007
Portfolio investment	587	1,240	-425	2,482	3,884	22,223
issue	0	0	0	1,460	1,460	2,676
redemption	-1,006	-1,867	-911	-1,185	-4,970	-4,740
principal	-64	-634	-48	-22	-769	-917
coupons	-942	-1,233	-863	-1,163	-4,202	-3,822
interest reinvestment	1,103	982	976	946	4,006	3,841
secondary market	491	2,125	-490	1,261	3,388	20,445
Loans	-5	-89	0	-82	-177	-213
Other liabilities	-2	-2	-5	5	-5	-3
<i>Local government</i>	2	-1	-15	-14	-28	-24
<i>Central bank</i>	-919	-1,287	2,358	-958	-806	1,377
<i>Banks</i>	-6,817	-9,166	-2,243	-7,944	-26,170	-19,828
Direct investment	317	390	371	401	1,478	3,092
Loans and deposits	747	-2,651	492	-1,221	-2,634	-10,055
Other liabilities	-7,881	-6,905	-3,105	-7,123	-25,014	-12,866
<i>Other sectors<sup>2</sup></i>	-6,489	6,399	-13,012	-3,636	-16,738	25,166
Direct investment	-4,076	5,871	1,905	3,485	7,185	28,883
Portfolio investment	-2,227	-7,278	-3,622	-2,176	-15,302	-4,228
Loans	1,438	-2,017	-2,934	-5,499	-9,012	-6,164
Other liabilities	-1,624	9,823	-8,361	553	392	6,676
<b>Net acquisition of financial assets, excluding reserve assets (+' – increase, '-' – decrease)</b>	<b>4,682</b>	<b>10,997</b>	<b>-5,470</b>	<b>-289</b>	<b>9,921</b>	<b>24,834</b>
<i>General government</i>	55	1,192	-676	1,045	1,617	501
Loans	614	-74	-21	1,066	1,585	-38
Other assets	-559	1,266	-655	-21	31	539
<i>Central bank</i>	-48	-2	-3	-17	-69	-33
<i>Banks</i>	2,506	-2,010	-7,382	2,394	-4,494	-2,086
Direct investment	251	-189	-125	245	182	-688
Loans and deposits	1,473	-596	-2,426	6,770	5,221	1,229
Other assets	782	-1,226	-4,831	-4,621	-9,897	-2,627
<i>Other sectors<sup>2</sup></i>	2,169	11,817	2,592	-3,710	12,867	26,452
Direct investment	367	4,828	-2,992	2,913	5,116	22,611
Portfolio investment	2,268	4,856	2,132	2,690	11,945	2,281
Cash foreign currency	-1,141	-230	-289	-266	-1,927	-7,713
Trade credit and advances	-4,751	7,873	6,100	-5,075	4,146	9,561
Indebtedness on supplies according to intergovernmental agreements	-529	306	171	129	77	-1,519
Non-classified operations <sup>3</sup>	38	11	6	9	64	164
Other assets	5,919	-5,827	-2,537	-4,109	-6,554	1,067
<b>Net errors and omissions</b>	<b>380</b>	<b>-74</b>	<b>2,169</b>	<b>290</b>	<b>2,766</b>	<b>-1,505</b>
<b>Change in reserve assets ('+' – increase, '-' – decrease)</b>	<b>5,023</b>	<b>-12,881</b>	<b>-2,263</b>	<b>-3,647</b>	<b>-13,768</b>	<b>66,481</b>

<sup>1</sup> The balance of payments is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). The use of signs corresponds to BPM6.

<sup>2</sup> Other sectors include other financial corporations (except banks), non-financial corporations, households, and non-profit institutions serving households.

<sup>3</sup> Includes fictitious transactions related to foreign trade in goods and services, securities trading, lending to non-residents and fictitious transactions with money transfers to residents' accounts abroad, which purpose is cross-border money transfer.

**FINANCIAL TRANSACTIONS OF PRIVATE SECTOR**  
**(BASED ON THE BALANCE OF PAYMENTS DATA, BILLIONS OF US DOLLARS)**

Table 13

	Financial transactions of private sector (net lending (+) / net borrowing (-))	Banks			Other sectors			
		financial transactions (net lending (+) / net borrowing (-))	net acquisition of financial assets	net incurrence of liabilities	financial transactions (net lending (+) / net borrowing (-))	net acquisition of financial assets <sup>1</sup>	net incurrence of liabilities	net errors and omissions of the balance of payments <sup>2</sup>
2019	22.1	17.7	-2.1	-19.8	4.3	28.0	25.2	-1.5
Q1	23.8	12.3	9.2	-3.2	11.5	14.7	5.7	-2.5
Q2	-0.6	13.3	6.6	-6.7	-13.9	0.8	13.0	1.6
Q3	-2.1	2.0	-5.8	-7.9	-4.1	-0.4	5.5	-1.7
Q4	0.9	-9.9	-12.0	-2.1	10.8	12.9	1.0	1.1
2020	48.4	21.7	-4.5	-26.2	26.8	12.8	-16.7	2.8
Q1	18.1	9.3	2.5	-6.8	8.8	2.7	-6.5	0.4
Q2	12.3	7.2	-2.0	-9.2	5.2	11.5	6.4	-0.1
Q3	8.1	-5.1	-7.4	-2.2	13.3	2.4	-13.0	2.2
Q4	9.8	10.3	2.4	-7.9	-0.5	-3.8	-3.6	0.3

<sup>1</sup> Indebtedness on supplies of goods according to intergovernmental agreements is excluded.

<sup>2</sup> 'Net errors and omissions' entirely relates to Other sectors. It could be explained by the fact that most noticeable difficulties arise upon the recording of financial transactions undertaken by these sectors in the balance of payments.

**FINANCIAL TRANSACTIONS OF PRIVATE SECTOR BY TYPE OF INVESTMENT  
(BASED ON THE BALANCE OF PAYMENTS DATA, BILLIONS OF US DOLLARS)**

Table 14

	Q1	Q2	Q3	Q4	2020	Memo item: 2019
Direct investment	4.4	-1.6	-5.4	-0.7	-3.4	-10.1
Net incurrence of liabilities	-3.8	6.3	2.3	3.9	8.7	32.0
<i>Banks</i>	0.3	0.4	0.4	0.4	1.5	3.1
<i>Other sectors</i>	-4.1	5.9	1.9	3.5	7.2	28.9
Net acquisition of financial assets	0.6	4.6	-3.1	3.2	5.3	21.9
<i>Banks</i>	0.3	-0.2	-0.1	0.2	0.2	-0.7
<i>Other sectors</i>	0.4	4.8	-3.0	2.9	5.1	22.6
Portfolio investment	7.6	17.0	3.5	0.9	29.1	9.5
Net incurrence of liabilities	-2.6	-7.6	-3.0	-1.8	-15.0	-4.7
<i>Banks</i>	-0.3	-0.3	0.6	0.4	0.3	-0.5
<i>Other sectors</i>	-2.2	-7.3	-3.6	-2.2	-15.3	-4.2
Net acquisition of financial assets	5.1	9.4	0.5	-0.9	14.1	4.8
<i>Banks</i>	2.8	4.6	-1.6	-3.6	2.1	2.5
<i>Other sectors</i>	2.3	4.9	2.1	2.7	11.9	2.3
Financial derivatives	-0.4	-0.6	1.3	1.6	1.9	2.6
Net incurrence of liabilities	-7.7	-6.6	-7.0	-6.1	-27.4	-13.9
<i>Banks</i>	-6.8	-6.3	-6.7	-5.8	-25.5	-13.4
<i>Other sectors</i>	-0.9	-0.4	-0.3	-0.3	-1.9	-0.5
Net acquisition of financial assets	-8.0	-7.2	-5.7	-4.6	-25.4	-11.3
<i>Banks</i>	-7.6	-7.1	-5.4	-4.1	-24.2	-10.9
<i>Other sectors</i>	-0.4	-0.1	-0.3	-0.5	-1.2	-0.4
Other investment	6.9	-2.6	10.8	8.4	23.6	18.5
Net incurrence of liabilities	0.7	5.2	-7.5	-7.6	-9.2	-8.0
<i>Banks</i>	0.0	-3.0	3.5	-2.9	-2.4	-9.1
<i>Other sectors</i>	0.7	8.2	-11.0	-4.6	-6.8	1.1
Net acquisition of financial assets	7.5	2.6	3.3	0.8	14.3	10.5
<i>Banks</i>	7.1	0.7	-0.2	9.8	17.4	7.0
<i>Other sectors<sup>1</sup></i>	0.5	2.0	3.5	-9.0	-3.0	3.5
Net errors and omissions of the balance of payments	0.4	-0.1	2.2	0.3	2.8	-1.5
<b>Private sector financial transactions (net lending (+) / net borrowing (-))</b>	<b>18.1</b>	<b>12.3</b>	<b>8.1</b>	<b>9.8</b>	<b>48.4</b>	<b>22.1</b>

<sup>1</sup> Indebtedness on supplies of goods according to intergovernmental agreements is excluded.

CROSS-BORDER TRANSFERS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS)<sup>1</sup> IN 2020

Table 15

	Q1	Q2	Q3	Q4	2020	Memo item: 2019
<b>Total, millions of US dollars</b>						
<b>Money transfers from individuals in the Russian Federation</b>	<b>10,235</b>	<b>8,698</b>	<b>10,367</b>	<b>10,805</b>	<b>40,105</b>	<b>41,682</b>
– to non-CIS countries	7,926	6,310	7,046	7,787	29,069	28,792
– to CIS countries	2,309	2,388	3,321	3,017	11,035	12,890
<b>Money transfers in favour of individuals to the Russian Federation</b>	<b>5,945</b>	<b>5,227</b>	<b>6,057</b>	<b>6,173</b>	<b>23,402</b>	<b>25,095</b>
– from non-CIS countries	5,150	4,579	5,127	5,150	20,008	21,610
– from CIS countries	794	647	930	1,023	3,394	3,484
<b>Balance<sup>2</sup></b>	<b>-4,291</b>	<b>-3,471</b>	<b>-4,309</b>	<b>-4,631</b>	<b>-16,703</b>	<b>-16,588</b>
– with non-CIS countries	-2,776	-1,730	-1,918	-2,637	-9,062	-7,182
– with CIS countries	-1,515	-1,741	-2,391	-1,995	-7,641	-9,406
<b>Average transfer, US dollars</b>						
<b>Money transfers from individuals in the Russian Federation</b>	<b>148</b>	<b>129</b>	<b>137</b>	<b>165</b>	<b>144</b>	<b>144</b>
– to non-CIS countries	135	110	113	148	126	122
– to CIS countries	225	228	245	234	234	238
<b>Money transfers in favour of individuals to the Russian Federation</b>	<b>304</b>	<b>263</b>	<b>303</b>	<b>314</b>	<b>296</b>	<b>338</b>
– from non-CIS countries	328	281	329	345	320	369
– from CIS countries	207	180	210	216	205	223

<sup>1</sup> Cross-border transfers of individuals (residents and non-residents) — money transfers to Russia in favour of resident and non-resident individuals and money transfers from Russia of resident and non-resident individuals made via credit institutions (with/without opening an account) including remittances via money transfer operators.

<sup>2</sup> Negative balance reflects the excess of the amount of remittances from the Russian Federation over the amount of remittances to the Russian Federation.

Note. Minor discrepancies between the total and the sum of components are due to the rounding of data.

Sources: Reports of the credit institutions 'Data on Cross-border Transfers of Individuals'; FGUP 'Pochta Rossii'.

**NET INCURRENCE OF LIABILITIES BY RUSSIAN FEDERATION RESIDENTS BY TYPE OF INVESTMENT  
(BASED ON THE BALANCE OF PAYMENTS DATA, BILLIONS OF US DOLLARS)**

Table 16

Type of investment	Q1	Q2	Q3	Q4	2020	Memo item: 2019
Direct investment	-3.8	6.3	2.3	3.9	8.7	32.0
Portfolio investment	-2.0	-6.3	-3.5	0.7	-11.1	17.5
Financial derivatives	-7.7	-6.6	-7.0	-6.1	-27.4	-13.9
Other	-0.3	3.8	-5.2	-8.6	-10.2	-6.9
<b>Total</b>	<b>-13.6</b>	<b>-2.9</b>	<b>-13.3</b>	<b>-10.1</b>	<b>-40.0</b>	<b>28.7</b>

Note. Net incurrence of liabilities reflects a difference between increase in liabilities and their decrease; '-' denotes net decrease in residents' foreign liabilities.

**NET ACQUISITION OF FINANCIAL ASSETS BY RUSSIAN FEDERATION RESIDENTS,  
EXCLUDING RESERVE ASSETS, BY TYPE OF INVESTMENT  
(BASED ON THE BALANCE OF PAYMENTS DATA, BILLIONS OF US DOLLARS)**

Table 17

Type of investment	Q1	Q2	Q3	Q4	2020	Memo item: 2019
Direct investment	0.6	4.6	-3.1	3.2	5.3	21.9
Portfolio investment	5.1	9.5	0.5	-0.9	14.2	4.8
Financial derivatives	-8.0	-7.2	-5.7	-4.6	-25.4	-11.3
Other	7.0	4.0	2.8	2.0	15.9	9.4
<b>Total</b>	<b>4.7</b>	<b>11.0</b>	<b>-5.5</b>	<b>-0.3</b>	<b>9.9</b>	<b>24.8</b>

Note. Net acquisition of financial assets reflects a difference between increase in assets and their decrease; '-' denotes net decrease in residents' foreign assets.

INTERNATIONAL INVESTMENT POSITION OF THE RUSSIAN FEDERATION  
(MILLIONS OF US DOLLARS)

Table 18

	Position as of 31.12.2019	Transactions	Valuation changes	Other changes	Total changes	Position as of 31.12.2020
	1	2	3	4	5	6
<b>Net international investment position</b>	<b>358,702</b>	<b>36,192</b>	<b>112,915</b>	<b>-3,276</b>	<b>145,831</b>	<b>504,533</b>
<b>Assets</b>	<b>1,513,480</b>	<b>-3,847</b>	<b>65,074</b>	<b>-19,602</b>	<b>41,625</b>	<b>1,555,105</b>
<b>Direct investment</b>	<b>501,157</b>	<b>5,298</b>	<b>-20,545</b>	<b>-15,812</b>	<b>-31,059</b>	<b>470,098</b>
Equity and investment fund shares	391,125	6,813	-15,608	-12,629	-21,425	369,700
Debt instruments	110,032	-1,515	-4,937	-3,183	-9,634	100,398
<b>Portfolio investment</b>	<b>80,294</b>	<b>14,157</b>	<b>6,938</b>	<b>-22</b>	<b>21,072</b>	<b>101,367</b>
Equity and investment fund shares	8,457	5,100	3,004	478	8,581	17,038
Debt securities	71,837	9,057	3,933	-500	12,491	84,328
<b>Financial derivatives (other than reserves) and employee stock options</b>	<b>5,362</b>	<b>-25,420</b>	<b>27,077</b>	<b>-283</b>	<b>1,373</b>	<b>6,736</b>
<b>Other investment</b>	<b>372,307</b>	<b>15,886</b>	<b>-563</b>	<b>-6,500</b>	<b>8,823</b>	<b>381,130</b>
Other equity	7,759	468	37	1	507	8,266
Currency and deposits	168,750	6,977	4,070	563	11,610	180,360
Loans	157,425	4,494	-4,244	-6,981	-6,731	150,693
Insurance, pension, and standardised guarantee schemes	1,435	334	-250	0	84	1,520
Trade credit and advances	23,818	4,223	472	0	4,695	28,513
Other accounts receivable	13,121	-610	-649	-84	-1,342	11,779
<b>Reserve assets</b>	<b>554,359</b>	<b>-13,768</b>	<b>52,168</b>	<b>3,015</b>	<b>41,415</b>	<b>595,774</b>
<b>Liabilities</b>	<b>1,154,778</b>	<b>-40,039</b>	<b>-47,841</b>	<b>-16,326</b>	<b>-104,206</b>	<b>1,050,571</b>
<b>Direct investment</b>	<b>586,994</b>	<b>8,663</b>	<b>-39,164</b>	<b>-19,375</b>	<b>-49,876</b>	<b>537,118</b>
Equity and investment fund shares	437,042	12,159	-37,147	-17,129	-42,117	394,924
Debt instruments	149,952	-3,497	-2,017	-2,246	-7,759	142,194
<b>Portfolio investment</b>	<b>302,253</b>	<b>-11,140</b>	<b>-37,173</b>	<b>1,984</b>	<b>-46,329</b>	<b>255,925</b>
Equity and investment fund shares	211,459	-14,794	-28,732	1,418	-42,108	169,351
Debt securities	90,794	3,654	-8,440	565	-4,221	86,574
<b>Financial derivatives (other than reserves) and employee stock options</b>	<b>5,733</b>	<b>-27,370</b>	<b>30,046</b>	<b>-143</b>	<b>2,533</b>	<b>8,265</b>
<b>Other investment</b>	<b>259,798</b>	<b>-10,192</b>	<b>-1,550</b>	<b>1,208</b>	<b>-10,534</b>	<b>249,263</b>
Other equity	105	-34	13	32	10	115
Currency and deposits	66,518	-1,556	-1,800	-70	-3,426	63,092
Loans	166,089	-11,059	879	1,138	-9,042	157,047
Insurance, pension, and standardised guarantee schemes	744	84	-134	0	-50	694
Trade credit and advances	9,691	3,934	-116	0	3,819	13,509
Other accounts payable	8,799	-1,552	-718	108	-2,162	6,637
Special drawing rights	7,853	-9	326	0	317	8,170

Notes. 1. The international investment position of the Russian Federation is compiled on the basis of the methodology set out in the 6<sup>th</sup> edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6).

2. '+' in columns 2 to 5 denotes net increase in assets or liabilities, '-' denotes their net decrease.

3. Data on portfolio investment (including government securities) are presented at market value.



INTERNATIONAL INVESTMENT POSITION OF THE BANKING SECTOR OF THE RUSSIAN FEDERATION  
(MILLIONS OF US DOLLARS)

Table 19

	Position as of 31.12.2019	Transactions	Valuation changes	Other changes	Total changes	Position as of 31.12.2020
	1	2	3	4	5	6
<b>Net international investment position</b>	<b>61,705</b>	<b>21,676</b>	<b>6,257</b>	<b>-19,166</b>	<b>8,767</b>	<b>70,472</b>
<b>Assets</b>	<b>193,692</b>	<b>-4,494</b>	<b>25,091</b>	<b>-19,604</b>	<b>993</b>	<b>194,685</b>
<b>Direct investment</b>	<b>11,183</b>	<b>182</b>	<b>-990</b>	<b>44</b>	<b>-763</b>	<b>10,419</b>
Equity and investment fund shares	9,420	549	-996	153	-294	9,125
Debt instruments	1,763	-367	6	-108	-469	1,294
<b>Portfolio investment</b>	<b>36,594</b>	<b>2,128</b>	<b>-401</b>	<b>-3,558</b>	<b>-1,831</b>	<b>34,763</b>
Equity	1,937	-509	-308	-140	-957	980
Debt securities	34,657	2,637	-93	-3,418	-874	33,783
Short-term	1,730	-1,077	2	-36	-1,111	619
Long-term	32,927	3,714	-94	-3,382	237	33,165
<b>Financial derivatives</b>	<b>5,355</b>	<b>-24,178</b>	<b>25,841</b>	<b>-283</b>	<b>1,380</b>	<b>6,735</b>
Options	1,012	201	0	-1	199	1,211
Forward-type contracts	4,343	-24,379	25,841	-281	1,180	5,524
<b>Other investment</b>	<b>140,561</b>	<b>17,374</b>	<b>641</b>	<b>-15,807</b>	<b>2,207</b>	<b>142,768</b>
Other equity	7	0	1	1	2	10
Foreign currency	10,224	12,595	826	-12,538	884	11,108
Deposits	45,867	-737	760	322	345	46,211
Short-term	39,094	161	726	-641	246	39,340
Long-term	6,773	-898	33	963	98	6,871
Loans	74,199	5,958	-459	-3,572	1,927	76,126
Short-term	6,615	4,034	22	-1,030	3,026	9,641
Long-term	67,584	1,923	-481	-2,542	-1,099	66,485
Other accounts receivable	10,264	-443	-487	-21	-950	9,313
Short-term	4,963	9,066	-224	-8,258	584	5,546
Long-term	5,301	-9,508	-263	8,237	-1,534	3,767

End

	Position as of 31.12.2019	Transactions	Valuation changes	Other changes	Total changes	Position as of 31.12.2020
	1	2	3	4	5	6
<b>Liabilities</b>	<b>131,987</b>	<b>-26,170</b>	<b>18,833</b>	<b>-437</b>	<b>-7,774</b>	<b>124,214</b>
<b>Direct investment</b>	<b>25,794</b>	<b>1,478</b>	<b>-3,762</b>	<b>-28</b>	<b>-2,312</b>	<b>23,482</b>
Equity	21,234	1,158	-3,504	10	-2,336	18,898
Debt instruments	4,560	320	-257	-39	24	4,584
<b>Portfolio investment</b>	<b>32,442</b>	<b>307</b>	<b>-4,040</b>	<b>-274</b>	<b>-4,007</b>	<b>28,436</b>
Equity	28,011	280	-3,423	-32	-3,175	24,836
Debt securities	4,431	27	-617	-242	-832	3,599
Short-term	872	12	-72	-205	-264	607
Long-term	3,560	15	-546	-37	-568	2,992
<b>Financial derivatives</b>	<b>5,731</b>	<b>-25,514</b>	<b>28,180</b>	<b>-143</b>	<b>2,523</b>	<b>8,254</b>
Options	571	-10	315	0	305	877
Forward-type contracts	5,160	-25,504	27,864	-143	2,217	7,377
<b>Other investment</b>	<b>68,020</b>	<b>-2,441</b>	<b>-1,545</b>	<b>8</b>	<b>-3,978</b>	<b>64,042</b>
Other equity	57	13	24	-12	25	82
Deposits	64,402	-2,422	-1,426	-108	-3,956	60,447
Short-term	25,755	1,936	-1,507	-129	301	26,056
Long-term	38,647	-4,359	81	21	-4,256	34,391
Loans <sup>1</sup>	312	-212	-6	0	-218	93
Short-term	312	-212	-6	0	-218	93
Other accounts payable	3,249	180	-137	128	171	3,420
Short-term	3,083	1,572	-148	-1,544	-120	2,963
Long-term	165	-1,392	11	1,672	291	457

<sup>1</sup> Liabilities of banks on securities repurchase agreements with non-residents which are not banks.

Notes. 1. The international investment position of the banking sector is compiled on the basis of the methodology set out in the 6<sup>th</sup> edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6).

2. The table covers data on credit institutions, excluding non-bank credit institutions, and includes data of State Development Corporation VEB.RF.

3. Forward-type contracts include forwards, swaps and futures.

4. '+' in columns 2 to 5 denotes net increase in assets or liabilities, '-' denotes their net decrease.

5. Column 4 shows, inter alia, assets and liabilities of credit institutions that had their banking licences revoked within the reporting period.

**CURRENCY COMPOSITION OF FOREIGN ASSETS AND LIABILITIES OF THE BANKING SECTOR OF THE RUSSIAN FEDERATION  
(PER CENT)**

Table 20

	Foreign assets					Foreign liabilities				
	US dollar	Euro	Russian ruble	other currencies	total	US dollar	Euro	Russian ruble	other currencies	total
01.01.2013	59.1	14.0	20.4	6.5	100.0	49.9	5.3	39.8	5.0	100.0
01.04.2013	62.3	14.4	17.5	5.8	100.0	49.9	6.0	39.2	4.9	100.0
01.07.2013	67.0	11.4	16.0	5.6	100.0	51.5	6.3	37.4	4.9	100.0
01.10.2013	65.2	12.0	16.2	6.5	100.0	51.7	6.5	37.3	4.5	100.0
01.01.2014	65.8	11.2	17.0	6.0	100.0	52.9	7.0	37.3	2.9	100.0
01.04.2014	64.3	12.4	16.6	6.7	100.0	56.0	7.9	32.7	3.4	100.0
01.07.2014	63.7	13.3	16.9	6.2	100.0	52.9	8.8	35.1	3.3	100.0
01.10.2014	63.4	13.4	16.4	6.7	100.0	55.4	9.8	31.3	3.5	100.0
01.01.2015	67.8	15.5	10.8	5.9	100.0	59.9	10.5	26.1	3.5	100.0
01.04.2015	68.6	14.5	11.1	5.8	100.0	59.9	10.0	26.2	3.8	100.0
01.07.2015	67.5	13.6	12.8	6.1	100.0	56.7	10.2	29.1	3.9	100.0
01.10.2015	70.7	13.8	10.1	5.4	100.0	58.6	11.5	26.6	3.4	100.0
01.01.2016	71.1	14.9	8.8	5.3	100.0	58.5	11.4	26.8	3.3	100.0
01.04.2016	69.5	15.1	8.9	6.5	100.0	56.7	11.1	28.5	3.7	100.0
01.07.2016	68.9	14.8	9.8	6.5	100.0	54.1	10.2	32.0	3.7	100.0
01.10.2016	67.8	14.5	10.9	6.8	100.0	52.8	9.9	33.7	3.6	100.0
01.01.2017	67.5	15.5	10.4	6.5	100.0	51.5	8.8	36.8	2.9	100.0
01.04.2017	67.2	16.6	9.9	6.4	100.0	50.4	9.5	37.2	2.9	100.0
01.07.2017	65.7	17.9	9.9	6.5	100.0	48.9	9.9	38.0	3.1	100.0
01.10.2017	63.7	17.5	11.9	7.0	100.0	45.3	9.6	42.1	3.1	100.0
01.01.2018	61.1	18.4	12.8	7.7	100.0	40.0	12.6	44.1	3.3	100.0
01.04.2018	60.5	19.5	12.8	7.2	100.0	39.4	12.5	44.8	3.3	100.0
01.07.2018	61.1	20.2	11.8	7.0	100.0	39.6	12.0	44.7	3.7	100.0
01.10.2018	58.8	23.9	10.9	6.4	100.0	39.9	12.6	43.8	3.8	100.0
01.01.2019	56.7	25.1	11.4	6.8	100.0	39.7	12.1	43.6	4.6	100.0
01.04.2019	55.5	24.7	12.7	7.1	100.0	37.2	11.1	47.2	4.5	100.0
01.07.2019	56.3	23.1	13.4	7.1	100.0	34.4	9.5	51.6	4.5	100.0
01.10.2019	57.4	23.5	13.6	5.6	100.0	35.0	9.5	50.9	4.5	100.0
01.01.2020	53.1	26.3	14.8	5.8	100.0	33.3	8.3	53.9	4.5	100.0
01.04.2020	57.2	25.0	12.3	5.6	100.0	40.1	8.7	45.7	5.4	100.0
01.07.2020	56.5	24.4	13.3	5.8	100.0	36.7	7.2	50.9	5.2	100.0
01.10.2020	56.2	27.1	11.8	4.9	100.0	36.0	7.6	50.8	5.5	100.0
01.01.2021	52.3	29.7	12.6	5.5	100.0	32.8	6.7	54.5	6.1	100.0

Note. Excluding data on financial derivatives.

FOREIGN ASSETS AND LIABILITIES OF THE BANKING SECTOR OF THE RUSSIAN FEDERATION BY GROUP OF COUNTRIES AS OF 31 DECEMBER 2020  
(MILLIONS OF US DOLLARS)

Table 21

	Foreign assets						Foreign liabilities						Net international position	
	interbank		other		total		interbank		other		total		short-term	long-term
	short-term	long-term	short-term	long-term	short-term	long-term	short-term	long-term	short-term	long-term	short-term	long-term		
<b>Total</b>	<b>55,898</b>	<b>14,805</b>	<b>17,163</b>	<b>106,820</b>	<b>73,060</b>	<b>121,625</b>	<b>15,156</b>	<b>33,105</b>	<b>23,298</b>	<b>52,656</b>	<b>38,453</b>	<b>85,760</b>	<b>34,607</b>	<b>35,864</b>
of which:														
<b>CIS countries</b>	<b>2,054</b>	<b>6,151</b>	<b>931</b>	<b>6,079</b>	<b>2,985</b>	<b>12,230</b>	<b>1,693</b>	<b>288</b>	<b>2,745</b>	<b>837</b>	<b>4,438</b>	<b>1,126</b>	<b>-1,453</b>	<b>11,104</b>
of which:														
– EAEU countries	1,569	2,777	386	4,934	1,955	7,711	1,131	167	1,346	403	2,477	570	-522	7,141
– other countries	485	3,374	545	1,145	1,030	4,519	563	121	1,398	435	1,961	556	-931	3,963
<b>Non-CIS countries</b>	<b>50,410</b>	<b>7,777</b>	<b>15,713</b>	<b>94,989</b>	<b>66,123</b>	<b>102,766</b>	<b>12,574</b>	<b>29,255</b>	<b>18,525</b>	<b>47,160</b>	<b>31,099</b>	<b>76,414</b>	<b>35,025</b>	<b>26,352</b>
of which:														
– EU countries	21,327	5,107	6,150	66,030	27,477	71,137	4,554	12,265	9,008	33,713	13,562	45,978	13,915	25,158
– APEC countries	15,602	315	1,413	7,033	17,015	7,348	1,147	14,893	2,024	8,099	3,171	22,993	13,843	-15,644
– other countries	13,481	2,356	8,150	21,926	21,632	24,282	6,873	2,097	7,493	5,347	14,365	7,444	7,266	16,838
<b>Unallocated by country</b>	<b>3,433</b>	<b>876</b>	<b>444</b>	<b>5,195</b>	<b>3,877</b>	<b>6,071</b>	<b>888</b>	<b>3,562</b>	<b>1,132</b>	<b>4,392</b>	<b>2,020</b>	<b>7,953</b>	<b>1,857</b>	<b>-1,882</b>
<b>International organisations</b>	<b>0</b>	<b>0</b>	<b>75</b>	<b>558</b>	<b>75</b>	<b>558</b>	<b>0</b>	<b>0</b>	<b>896</b>	<b>267</b>	<b>896</b>	<b>267</b>	<b>-821</b>	<b>291</b>

**INTERNATIONAL RESERVES OF THE RUSSIAN FEDERATION  
(BILLIONS OF US DOLLARS)**

Table 22

	2020												2021
	01.01	01.02	01.03	01.04	01.05	01.06	01.07	01.08	01.09	01.10	01.11	01.12	01.01
Reserve assets	554.4	562.3	570.4	563.5	566.0	566.1	568.9	591.8	594.4	583.4	582.8	582.7	595.8
Foreign currency assets	444.0	446.5	450.6	443.6	439.9	438.6	438.1	447.4	449.8	444.3	444.2	449.0	457.0
Monetary gold	110.4	115.8	119.8	119.8	126.1	127.6	130.8	144.3	144.6	139.1	138.7	133.7	138.8

**RETURN<sup>1</sup> ON BANK OF RUSSIA FOREIGN CURRENCY ASSETS IN 2020<sup>2</sup>  
(PER CENT P.A.)**

Table 23

	Actual	Standard
US dollar	0.56	0.29
Euro	-0.21	-0.47
Pound sterling	0.81	0.67
Canadian dollar	2.11	1.96
Australian dollar	1.35	1.06
Chinese yuan	2.26	2.17
Japanese yen	-0.02	-0.08

<sup>1</sup> Percentage change in the value of the portfolio during one business day. The daily portfolio rate of return is calculated according to this formula:

$$R = \frac{MV_1 - MV_0 \pm CF}{MV_0},$$

where  $R$  is the daily portfolio rate of return;

$MV_0$  is the market value of the portfolio as of the end of the previous day;

$MV_1$  is the market value of the portfolio as of the end of the day;

$CF$  is the cash flows into or out of the portfolio during the day.

<sup>2</sup> Cumulative portfolio rate of return is calculated on the basis of the chained indices method. The rate of return over period is calculated according to this formula:

$$R = (1 + R_1) \times (1 + R_2) \times \dots \times (1 + R_n) - 1,$$

where  $R_i$  is the portfolio rate of return over day  $i$ .

## BASIC DERIVED INDICATORS OF RUBLE'S EXCHANGE RATE DYNAMICS IN 2020

Table 24

	January	February	March	April	May	June	July	August	September	October	November	December
Nominal exchange rate of US dollar against ruble, end of period	63.04	66.99	77.73	73.69	70.75	69.95	73.36	74.64	79.68	79.33	75.86	73.88
Nominal exchange rate of US dollar against ruble, period averages	61.78	63.88	73.15	75.22	72.61	69.22	71.28	73.80	75.65	77.59	77.03	74.05
Nominal exchange rate of US dollar against ruble, period averages from the beginning of the year	61.78	62.82	66.09	68.26	69.11	69.13	69.43	69.96	70.57	71.25	71.75	71.94
Nominal exchange rate of euro against ruble, end of period	69.42	73.72	85.74	80.05	78.55	78.68	86.25	88.74	93.02	92.63	90.46	90.68
Nominal exchange rate of euro against ruble, period averages	68.72	69.69	80.91	81.92	79.05	77.96	81.36	87.34	89.28	91.29	91.08	90.07
Nominal exchange rate of euro against ruble, period averages from the beginning of the year	68.72	69.21	72.91	75.06	75.84	76.19	76.91	78.14	79.31	80.43	81.35	82.04
<b>Percentage change over December 2019<sup>1</sup></b>												
Nominal exchange rate of ruble against US dollar	1.9	-1.5	-14.0	-16.3	-13.3	-9.1	-11.7	-14.7	-16.8	-18.9	-18.3	-15.0
Nominal exchange rate of ruble against euro	1.7	0.3	-13.6	-14.7	-11.6	-10.3	-14.1	-20.0	-21.7	-23.4	-23.3	-22.4
Nominal effective exchange rate of ruble vis-à-vis foreign currencies	1.6	-0.2	-11.9	-12.6	-9.5	-7.1	-10.4	-14.8	-16.6	-18.6	-18.6	-17.0
Real exchange rate of ruble against US dollar	1.9	-1.3	-12.9	-13.9	-10.5	-6.5	-9.4	-12.8	-15.2	-17.0	-16.0	-12.2
Real exchange rate of ruble against euro	2.4	1.2	-12.4	-13.0	-9.4	-8.4	-11.9	-17.9	-19.6	-21.2	-20.0	-18.7
Real effective exchange rate of ruble vis-à-vis foreign currencies	1.5	-0.1	-11.2	-11.2	-7.7	-5.4	-7.0	-13.2	-15.2	-17.1	-16.5	-14.4
<b>Percentage change over previous period<sup>1</sup></b>												
Nominal exchange rate of ruble against US dollar	1.9	-3.3	-12.7	-2.8	3.6	4.9	-2.9	-3.4	-2.5	-2.5	0.7	4.0
Nominal exchange rate of ruble against euro	1.7	-1.4	-13.9	-1.2	3.6	1.4	-4.2	-6.8	-2.2	-2.2	0.2	1.1
Nominal effective exchange rate of ruble vis-à-vis foreign currencies	1.6	-1.7	-11.7	-0.8	3.5	2.7	-3.5	-5.0	-2.1	-2.4	-0.1	2.0
Real exchange rate of ruble against US dollar	1.9	-3.1	-11.8	-1.2	4.0	4.5	-3.1	-3.8	-2.7	-2.1	1.2	4.4
Real exchange rate of ruble against euro	2.4	-1.3	-13.4	-0.6	4.1	1.3	-3.9	-6.7	-2.1	-2.0	1.4	1.7
Real effective exchange rate of ruble vis-à-vis foreign currencies	1.5	-1.7	-11.1	0.0	3.8	2.6	-3.3	-5.1	-2.4	-2.2	0.8	2.5
<b>Percentage change over corresponding period of 2019<sup>1</sup></b>												
	January	January–February	January–March	January–April	January–May	January–June	January–July	January–August	January–September	January–October	January–November	January–December
Nominal exchange rate of ruble against US dollar	9.0	6.0	0.0	-3.7	-5.2	-5.5	-6.4	-7.0	-7.8	-8.8	-9.6	-10.0
Nominal exchange rate of ruble against euro	11.9	9.6	3.1	-0.8	-2.3	-3.1	-4.6	-6.1	-7.8	-9.3	-10.6	-11.6
Nominal effective exchange rate of ruble vis-à-vis foreign currencies	10.8	8.6	3.1	-0.1	-1.5	-1.9	-3.0	-4.1	-5.3	-6.6	-7.6	-8.5
Real exchange rate of ruble against US dollar	8.8	6.0	0.4	-2.6	-3.7	-3.8	-4.5	-5.0	-5.8	-6.7	-7.4	-7.8
Real exchange rate of ruble against euro	12.7	10.5	4.2	0.7	-0.6	-1.4	-2.7	-4.2	-5.7	-7.1	-8.3	-9.2
Real effective exchange rate of ruble vis-à-vis foreign currencies	9.5	7.4	2.2	-0.6	-1.6	-1.9	-2.6	-3.8	-4.9	-6.0	-6.9	-7.5

<sup>1</sup> '+' denotes appreciation of the Russian ruble vis-à-vis foreign currencies, '-' denotes depreciation of the Russian ruble vis-à-vis foreign currencies.

EXTERNAL DEBT OF THE RUSSIAN FEDERATION  
(MILLIONS OF US DOLLARS)

Table 25

	31.12.2019	31.03.2020	30.06.2020	30.09.2020	31.12.2020
<b>Total</b>	<b>491,418</b>	<b>459,091</b>	<b>483,753</b>	<b>463,213</b>	<b>467,859</b>
<b>General government</b>	<b>69,930</b>	<b>59,687</b>	<b>65,346</b>	<b>59,544</b>	<b>65,306</b>
<b>Federal government</b>	<b>69,783</b>	<b>59,570</b>	<b>65,216</b>	<b>59,445</b>	<b>65,212</b>
<b>New Russian debt</b>	<b>69,343</b>	<b>59,130</b>	<b>64,810</b>	<b>59,039</b>	<b>64,840</b>
Multilateral creditors	396	391	338	338	291
<i>IBRD</i>	330	325	284	285	249
<i>other</i>	66	66	54	54	42
Foreign currency bonds	22,297	21,251	20,329	20,533	21,071
<i>Eurobonds</i>	22,216	21,232	20,289	20,485	20,919
<i>Eurobonds (related to the second London Club debt restructuring)</i>	81	19	40	48	152
Ruble-denominated bonds	46,359	37,200	43,857	37,886	43,190
<i>OFZ</i>	46,359	37,200	43,857	37,886	43,190
<i>Eurobonds</i>	0	0	0	0	0
Other debt liabilities	291	288	286	282	288
<b>Debt of the former USSR</b>	<b>440</b>	<b>440</b>	<b>406</b>	<b>406</b>	<b>372</b>
Debt owed to former socialist countries	21	21	21	22	23
Other official creditors	419	419	384	384	350
<b>Local government</b>	<b>147</b>	<b>117</b>	<b>130</b>	<b>99</b>	<b>93</b>
Ruble-denominated bonds	147	117	130	99	93
<b>Central bank</b>	<b>13,914</b>	<b>12,252</b>	<b>11,183</b>	<b>13,534</b>	<b>13,151</b>
Loans	4,153	2,605	917	3,255	2,540
Currency and deposits	1,908	1,900	2,463	2,295	2,441
Other (SDR allocations)	7,853	7,747	7,804	7,985	8,170
<b>Banks</b>	<b>76,954</b>	<b>72,655</b>	<b>71,181</b>	<b>72,900</b>	<b>72,143</b>
Debt liabilities to direct investors and to direct investment enterprises	4,560	4,630	4,370	4,274	4,584
Loans	312	148	212	102	93
Currency and deposits	64,402	61,968	60,626	60,116	60,447
Debt securities	4,431	3,404	3,731	3,331	3,599
Other debt liabilities	3,249	2,505	2,242	5,076	3,420
<b>Other sectors</b>	<b>330,619</b>	<b>314,497</b>	<b>336,042</b>	<b>317,235</b>	<b>317,259</b>
Debt liabilities to direct investors and to direct investment enterprises	145,392	134,126	142,439	138,249	137,609
Loans and deposits	151,050	145,451	146,799	141,821	140,530
Debt securities	8,538	7,552	8,710	8,006	8,563
Trade credits	9,691	10,747	11,787	12,282	13,509
Financial leases	9,945	13,664	13,572	13,389	13,424
Other debt liabilities	6,003	2,957	12,734	3,487	3,623

Notes. 1. Information on external debt is compiled on the basis of the methodology set out in the 6<sup>th</sup> edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) and in the External Debt Statistics. Guide for Compilers and Users (2013).

2. Included is the indebtedness in domestic and foreign currencies.

3. Only non-resident holdings of government securities are reported. Data are presented at face value.

4. Debt securities of other sectors are stated at face value since 31 December 2017.

5. Data on banks includes data of State Development Corporation VEB.RF.



EXTERNAL DEBT OF THE RUSSIAN FEDERATION  
(IN DOMESTIC AND FOREIGN CURRENCIES BY MATURITY, MILLIONS OF US DOLLARS)

Table 26

	31.12.2019	31.03.2020	30.06.2020	30.09.2020	31.12.2020
<b>Total</b>	<b>491,418</b>	<b>459,091</b>	<b>483,753</b>	<b>463,213</b>	<b>467,859</b>
<b>Foreign currency</b>	<b>341,729</b>	<b>342,231</b>	<b>340,240</b>	<b>343,274</b>	<b>339,657</b>
<b>Domestic currency</b>	<b>149,689</b>	<b>116,860</b>	<b>143,513</b>	<b>119,940</b>	<b>128,202</b>
<b>General government</b>	<b>69,930</b>	<b>59,687</b>	<b>65,346</b>	<b>59,544</b>	<b>65,306</b>
Foreign currency	23,424	22,370	21,359	21,559	22,022
Short-term	291	288	286	282	288
Long-term	23,133	22,082	21,073	21,277	21,734
Domestic currency	46,506	37,317	43,987	37,985	43,284
Short-term	0	0	0	0	0
Long-term	46,506	37,317	43,987	37,985	43,284
<b>Central bank</b>	<b>13,914</b>	<b>12,252</b>	<b>11,183</b>	<b>13,534</b>	<b>13,151</b>
Foreign currency	12,006	10,352	8,721	11,239	10,710
Short-term	4,153	2,605	917	3,255	2,540
Long-term	7,853	7,747	7,804	7,985	8,170
Domestic currency	1,908	1,900	2,463	2,295	2,441
Short-term	1,908	1,900	2,463	2,295	2,441
Long-term	0	0	0	0	0
<b>Banks (excluding debt liabilities to direct investors and to direct investment enterprises)</b>	<b>72,394</b>	<b>68,025</b>	<b>66,811</b>	<b>68,626</b>	<b>67,559</b>
Foreign currency	54,259	53,418	50,422	50,723	48,918
Short-term	18,657	17,728	16,351	18,101	17,549
Long-term	35,601	35,689	34,071	32,621	31,369
Domestic currency	18,135	14,607	16,388	17,903	18,641
Short-term	11,364	9,334	10,620	12,576	12,170
Long-term	6,771	5,273	5,768	5,328	6,471
<b>Other sectors (excluding debt liabilities to direct investors and to direct investment enterprises)</b>	<b>185,227</b>	<b>180,372</b>	<b>193,603</b>	<b>178,986</b>	<b>179,650</b>
Foreign currency	141,561	146,003	145,850	144,292	143,086
Short-term	13,073	13,709	15,246	15,369	16,665
Long-term	128,488	132,294	130,604	128,923	126,421
Domestic currency	43,666	34,369	47,753	34,694	36,563
Short-term	8,622	5,905	15,519	6,504	6,219
Long-term	35,044	28,464	32,234	28,190	30,344
<b>Banks and other sectors — debt liabilities to direct investors and to direct investment enterprises</b>	<b>149,952</b>	<b>138,756</b>	<b>146,810</b>	<b>142,523</b>	<b>142,194</b>
Foreign currency	110,479	110,089	113,889	115,461	114,920
Domestic currency	39,474	28,667	32,921	27,062	27,273

Notes. 1. Information on external debt is compiled on the basis of the methodology set out in the 6<sup>th</sup> edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) and in the External Debt Statistics. Guide for Compilers and Users (2013).

2. Included is the indebtedness in domestic and foreign currencies.

3. Only non-resident holdings of government securities are reported. Data are presented at face value.

4. Debt securities of other sectors are stated at face value since 31 December 2017.

5. Data on banks includes data of State Development Corporation VEB.RF.

## MONEY SUPPLY (NATIONAL DEFINITION) AND ITS STRUCTURE

Table 27

	31.12.2019		31.12.2020		31.12.2020 as a percentage of 31.12.2019
	billions of rubles	per cent	billions of rubles	per cent	
<b>Money supply (M2), total</b>	<b>51,660.3</b>	<b>100.0</b>	<b>58,652.1</b>	<b>100.0</b>	<b>113.5</b>
of which:					
– currency in circulation (M0) <sup>1</sup>	9,658.4	18.7	12,523.9	21.4	129.7
– deposits	42,001.9	81.3	46,128.2	78.6	109.8
of which:					
– non-financial and financial organisations <sup>2</sup>	16,733.9	32.4	19,093.9	32.6	114.1
– households	25,268.0	48.9	27,034.3	46.1	107.0

<sup>1</sup> Currency in circulation outside the banking system.<sup>2</sup> Except credit institutions.

## MONETARY BASE (BROAD DEFINITION) AND ITS STRUCTURE

Table 28

	31.12.2019		31.12.2020		31.12.2020 as a percentage of 31.12.2019
	billions of rubles	per cent	billions of rubles	per cent	
<b>Monetary base (broad definition)</b>	<b>16,822.1</b>	<b>100.0</b>	<b>18,472.4</b>	<b>100.0</b>	<b>109.8</b>
of which:					
– currency in circulation, including balances in credit institutions' cash vaults <sup>1</sup>	10,616.1	63.1	13,419.6	72.6	126.4
– credit institutions' correspondent accounts with the Bank of Russia <sup>2</sup>	2,625.5	15.6	2,548.5	13.8	97.1
– required reserves <sup>3</sup>	617.4	3.7	713.6	3.9	115.6
– credit institutions' deposits with the Bank of Russia	1,026.4	6.1	1,220.7	6.6	118.9
– Bank of Russia bonds with credit institutions <sup>4</sup>	1,936.7	11.5	570.0	3.1	29.4

<sup>1</sup> Excluding cash rubles in Bank of Russia vaults, ATMs and in transit, as well as precious metal coins in circulation.<sup>2</sup> Balances of ruble-denominated accounts, including the average amount of required reserves.<sup>3</sup> Balances of required reserve accounts deposited by credit institutions with the Bank of Russia on funds raised in rubles and foreign currency.<sup>4</sup> At market value.

**INTEREST RATES ON MONETARY POLICY INSTRUMENTS<sup>1</sup>**  
(PER CENT P.A.)

Table 29

Purpose	Type of instrument	Instrument	Maturity	Frequency	Interest rates as spreads to the key rate, percentage points	As of 01.01.2020	From 10.02.2020	From 27.04.2020	From 22.06.2020	From 27.07.2020	
Liquidity provision	Standing facilities	Overnight loans; lombard loans; loans secured by non-marketable assets; repos; FX swaps <sup>2</sup>	1 day	Daily	+1.00	7.25	7.00	6.50	5.50	5.25	
		Loans secured by non-marketable assets	2 to 549 days <sup>3</sup>		+1.75	8.00	7.75	7.25	6.25	6.00	
	Open market operations (minimum interest rates)	Auctions to provide loans secured by non-marketable assets	3 months <sup>3</sup>	Monthly <sup>4</sup>	+0.25	6.50	6.25	5.75	4.75	4.50	
			1 year <sup>3</sup>		—	—					
		Repo auctions	1 month	Weekly <sup>5</sup>	+0.10	—	—	5.60	4.60	4.35	
			1 week		Occasionally <sup>6</sup>	0.00	6.25 (key rate)	6.00 (key rate)	5.50 (key rate)	4.50 (key rate)	4.25 (key rate)
			1 to 6 days								
FX swap auctions <sup>2</sup>	1 to 2 days	Weekly <sup>5</sup>	—	6.25 (key rate)	6.00 (key rate)	5.50 (key rate)	4.50 (key rate)	4.25 (key rate)			
Liquidity absorption	Open market operations (maximum interest rates)								Deposit auctions	1 to 6 days	
	Standing facilities	Deposit operations	1 day	Daily	-1.00	5.25	5.00	4.50	3.50	3.25	

<sup>1</sup> The rates are set by the Bank of Russia Board of Directors.

<sup>2</sup> The interest rate is given for the ruble leg; the interest rate on the foreign currency leg equals LIBOR on overnight loans in US dollars or euros (depending on the currency of transactions).

<sup>3</sup> Loans and repo operations conducted at a floating interest rate linked to the Bank of Russia key rate.

<sup>4</sup> Loan auctions were discontinued in April 2016, repo rate auctions were introduced in May 2020.

<sup>5</sup> Either a repo or a deposit auction is held depending on the situation with liquidity.

<sup>6</sup> Fine-tuning operations.

Memo item: from 1 January 2016, the value of the Bank of Russia refinancing rate equals its key rate as of the respective date.

Source: Bank of Russia.

MONETARY POLICY INSTRUMENTS  
(BILLIONS OF RUBLES)

Table 30

Purpose	Type of instrument	Instrument	Maturity	Frequency	Bank of Russia claims under liquidity provision instruments and liabilities under liquidity absorption instruments	
					as of 01.01.2020	as of 01.01.2021
Liquidity provision	Standing facilities	Overnight loans	1 day	Daily	0.0	5.4
		Lombard loans			0.0	0.0
		Repo operations			0.0	0.1
		FX swaps			12.6	118.4
		Loans secured by non-marketable assets	1 to 549 days		5.1	5.1
	Open market operations	Auctions to provide loans secured by non-marketable assets	3 months	Monthly <sup>1</sup>	0.0	0.0
		Repo auctions	1 year		—	36.7
			1 month		—	810.2
			1 week	Weekly <sup>2</sup>	0.0	0.0
		FX swap auctions	1 to 6 days	Occasionally <sup>3</sup>	0.0	0.0
1 to 2 days			0.0		0.0	
Liquidity absorption	Open market operations	Deposit auctions	1 to 6 days	Weekly <sup>2</sup>	696.6	843.9
		1 week	Weekly <sup>2</sup>			
	Auctions for the placement of coupon OBRs	Up to 3 months	Weekly <sup>4</sup>	1,956.3	574.9	
	Standing facilities	Deposit operations	1 day	Daily	329.7	376.7

<sup>1</sup> Loan auctions were discontinued in April 2016, repo rate auctions were introduced in May 2020.

<sup>2</sup> Either a repo or a deposit auction is held depending on the situation with liquidity.

<sup>3</sup> Fine-tuning operations.

<sup>4</sup> New issues of coupon OBRs are usually placed once a month, and after that they are placed on a weekly basis. If the reporting date falls on a weekend or holiday, the indicated amount of outstanding Bank of Russia coupon OBRs includes the accrued coupon interest as of the first working day following the reporting date.

Source: Bank of Russia.

Area of indirect support of bank lending	Maturity	Security	Interest rate on new loans, rules and levels, per cent p.a.							Bank of Russia claims, billions of rubles		Limit, billions of rubles
			Rule	01.01.2020 as of	10.02.2020 from	23.03.2020 from	27.04.2020 from	22.06.2020 from	27.07.2020 from	01.01.2020 as of	01.01.2021 as of	
Large-scale investment projects <sup>2</sup>	Up to 3 years	Receivables on bank loans to implement investment projects, obligations under which are secured by state guarantees of the Russian Federation	The least of the two values: 9.00% p.a. or the key rate less 1.00 pp.	5.25	5.00	5.00	4.50	3.50	3.25	89.0	68.0	150
		Bonds placed for investment project funding and included in the Bank of Russia Lombard List <sup>6</sup>		5.25	5.00	5.00	4.50	3.50	3.25	0.0	0.0	
Non-commodity exports	Up to 3 years	Credit claims on agreements backed by insurance contracts of JSC EXIAR	The least of the two values: 6.50% p.a. or the key rate	6.25	6.00	6.00	5.50	4.50	4.25	54.5	44.9	75
Small and medium-sized enterprises	Up to 3 years	Claims under loan agreements of JSC SME Bank <sup>7</sup>	No <sup>8</sup>	6.25	6.00	4.00	4.00	4.00	4.00	3.7	4.2	175
		Surety of JSC Russian Small and Medium Business Corporation		6.25	6.00	4.00	4.00	4.00	4.00	50.7	42.5	
Leasing	Up to 3 years	Credit claims on leasing companies	The least of the two values: 6.50% p.a. or the key rate	6.25	6.00	6.00	5.50	4.50	4.25	0.0	0.0	10
Military mortgage <sup>3</sup>	Up to 3 years	Mortgages issued under the Military Mortgage Programme	Key rate	6.25	6.00	6.00	5.50	4.50	4.25	0.0	0.0	30
Small and medium-sized enterprises (lending) during the coronavirus pandemic <sup>4</sup>	1 year	No collateral	No	—	—	4.00	3.50	2.50	2.25	—	392.6	500
Urgent needs and to maintain employment during the coronavirus pandemic <sup>5</sup>	Up to 1 year	Surety of JSC Russian Small and Medium Business Corporation									0.1	
		No collateral									61.6	

<sup>1</sup> Specialised refinancing facilities are Bank of Russia instruments aimed at encouraging bank lending to certain segments of the economy whose development is hampered by structural factors. Under these facilities, the Bank of Russia provides funds to credit institutions at lower rates and for longer maturities compared with standard Bank of Russia operations. Specialised refinancing facilities are temporary Bank of Russia instruments, which will be valid until conditions for their replacement with market instruments are created in the financial market. The provision of funds under the specialised facilities is restricted, because their application should not distort the stance of the monetary policy and prevent the achievement of its key objective of ensuring price stability.

<sup>2</sup> Projects are selected in compliance with the rules established by Regulation of the Government of the Russian Federation No. 1016, dated 14 December 2010, 'On Approving the Rules to Select Investment Projects and Principals for the Provision of the Russian Federation State Guarantees on Loans or Bonded Loans Attracted to Carry out Investment Projects' or Regulation of the Government of the Russian Federation No. 1044, dated 11 October 2014, 'On Approving the Programme to Support Investment Projects Implemented in the Russian Federation Based on Project Financing'.

<sup>3</sup> Loan issuance suspended from 1 July 2016.

<sup>4</sup> Loans were issued from April 2020 through 30 September 2020.

<sup>5</sup> Loans were issued from April 2020 through 30 November 2020.

<sup>6</sup> Loan issuance suspended from 21 May 2019.

<sup>7</sup> Claims under loans granted by JSC Russian Small and Medium Enterprises Support to its partner banks and microfinance organisations under the SME Financial Support Programme for lending to SMEs and to its partner leasing companies for property leasing to SMEs.

<sup>8</sup> Until 23 March 2020, the interest rate equalled the lower of the two values: 6.50% p.a. or the Bank of Russia key rate.

**BANKING SYSTEM SURVEY  
(BILLIONS OF RUBLES)**

Table 32

	31.12.2019	31.12.2020	31.12.2020 as a percentage of 31.12.2019
Net foreign assets	40,805.7	51,967.5	127.4
Claims on non-residents	46,362.8	58,078.1	125.3
Monetary gold and SDR	7,247.9	10,767.5	148.6
Foreign currency and deposits	14,780.0	14,992.7	101.4
Debt securities	18,193.8	24,979.8	137.3
– in rubles	174.1	197.5	113.4
– in foreign currency	18,019.7	24,782.2	137.5
Loans	5,439.4	6,605.9	121.4
– in rubles	1,239.9	1,225.0	98.8
– in foreign currency	4,199.5	5,380.8	128.1
Equity and investment fund shares	688.0	715.9	104.1
– in rubles	9.6	30.6	318.8
– in foreign currency	678.3	685.2	101.0
Other claims	13.7	16.4	119.7
– in rubles	3.8	5.1	134.2
– in foreign currency	9.9	11.3	114.1
Liabilities to non-residents	5,557.1	6,110.6	110.0
Deposits	4,470.7	5,053.0	113.0
– in rubles	913.4	1,183.8	129.6
– in foreign currency	3,557.3	3,869.3	108.8
Debt securities	265.2	217.6	82.1
– in rubles	265.2	217.6	82.1
– in foreign currency	0.0	0.0	–
Loans	331.4	230.7	69.6
– in rubles	17.1	3.6	21.1
– in foreign currency	314.3	227.0	72.2
Liabilities on SDR allocations	485.2	603.6	124.4
Other liabilities	4.6	5.7	123.9
– in rubles	0.3	0.7	233.3
– in foreign currency	4.2	5.0	119.0
Domestic claims	57,705.1	70,474.9	122.1
Net claims on general government	–11,306.9	–7,583.2	–
Claims on federal government	4,650.9	8,731.2	187.7
Debt securities	4,568.0	8,654.8	189.5
– in rubles	3,929.7	8,001.5	203.6
– in foreign currency	638.4	653.4	102.3
Loans	82.9	76.4	92.2
– in rubles	82.9	76.4	92.2
– in foreign currency	0.0	0.0	–
Other claims	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Claims on state and local government	1,206.8	1,264.8	104.8
Debt securities	385.2	456.1	118.4
– in rubles	385.2	456.1	118.4
– in foreign currency	0.0	0.0	–

Cont.

	31.12.2019	31.12.2020	31.12.2020 as a percentage of 31.12.2019
Loans	821.6	808.6	98.4
– in rubles	821.5	808.5	98.4
– in foreign currency	0.1	0.1	100.0
Other claims	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Liabilities to federal government	14,806.3	15,688.4	106.0
Deposits	14,590.0	14,887.0	102.0
– in rubles	4,816.0	5,941.3	123.4
– in foreign currency	9,774.0	8,945.7	91.5
Other liabilities	216.4	801.3	370.3
– in rubles	90.3	600.0	664.5
– in foreign currency	126.1	201.3	159.6
Liabilities to state and local government	2,358.2	1,890.8	80.2
Deposits	2,358.2	1,890.8	80.2
– in rubles	2,358.2	1,890.7	80.2
– in foreign currency	0.1	0.1	100.0
Other liabilities	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Claims on other sectors	69,011.9	78,058.0	113.1
– in rubles	61,315.7	68,673.9	112.0
– in foreign currency	7,696.2	9,384.1	121.9
Claims on other financial institutions	10,684.8	13,155.1	123.1
In rubles	9,241.5	10,947.4	118.5
– debt securities	994.0	1,354.5	136.3
– loans	6,567.9	7,494.3	114.1
– other claims	1,679.6	2,098.6	124.9
In foreign currency	1,443.4	2,207.7	153.0
– debt securities	47.8	55.0	115.1
– loans	964.2	1,569.4	162.8
– other claims	431.4	583.3	135.2
Claims on non-financial organisations	39,226.7	43,314.4	110.4
In rubles	33,103.0	36,250.0	109.5
– debt securities	1,398.1	1,894.2	135.5
– loans	28,910.0	31,341.2	108.4
– other claims	2,794.9	3,014.6	107.9
In foreign currency	6,123.7	7,064.4	115.4
– debt securities	8.4	10.8	128.6
– loans	5,941.9	6,829.0	114.9
– other claims	173.4	224.6	129.5
Claims on households	19,100.4	21,588.5	113.0
In rubles	18,971.2	21,476.5	113.2
– debt securities	0.0	0.0	–
– loans	18,971.2	21,476.5	113.2
– other claims	0.0	0.0	–



End

	31.12.2019	31.12.2020	31.12.2020 as a percentage of 31.12.2019
In foreign currency	129.2	112.0	86.7
– debt securities	0.0	0.0	—
– loans	129.2	112.0	86.7
– other claims	0.0	0.0	—
Broad money liabilities	64,535.5	75,284.8	116.7
Money supply (national definition)	51,660.3	58,652.1	113.5
In rubles			
Currency outside banking system	9,658.4	12,523.9	129.7
Transferable deposits	14,203.3	19,261.7	135.6
Other financial institutions	511.8	508.7	99.4
Non-financial organisations	6,821.2	8,404.3	123.2
Households	6,870.2	10,348.7	150.6
Other deposits	27,798.6	26,866.5	96.6
Other financial institutions	1,557.1	1,766.5	113.4
Non-financial organisations	7,843.7	8,414.4	107.3
Households	18,397.8	16,685.6	90.7
In foreign currency	12,837.9	16,619.2	129.5
Transferable deposits	0.0	0.0	—
Other financial institutions	0.0	0.0	—
Non-financial organisations	0.0	0.0	—
Households	0.0	0.0	—
Other deposits	12,837.9	16,619.2	129.5
Other financial institutions	235.9	414.2	175.6
Non-financial organisations	6,794.1	9,591.5	141.2
Households	5,807.9	6,613.5	113.9
Securities other than shares included in broad money <sup>1</sup>	37.3	13.5	36.2
Other financial institutions	0.0	0.0	—
Non-financial organisations	3.7	0.9	24.3
Households	33.6	12.6	37.5
Deposits excluded from broad money	1,103.4	1,266.3	114.8
Debt securities excluded from broad money	1,991.8	2,486.5	124.8
Shares and other equity	21,403.7	28,213.1	131.8
Other items (net)	9,476.3	15,191.7	160.3
Other liabilities, of which	19,344.8	23,258.1	120.2
– funds in escrow accounts of individuals <sup>2</sup>	138.8	1,177.4	848.3
Other assets	6,222.1	7,219.3	116.0
Consolidating adjustment	–3,646.4	–847.2	—

<sup>1</sup> Certificates of deposit and savings certificates.

<sup>2</sup> Funds in escrow accounts of individuals under equity construction agreements and real estate purchase and sale transactions.

CREDIT INSTITUTIONS SURVEY  
(BILLIONS OF RUBLES)

Table 33

	31.12.2019	31.12.2020	31.12.2020 as a percentage of 31.12.2019
Net foreign assets	7,187.9	8,936.1	124.3
Claims on non-residents	12,001.0	14,252.3	118.8
Foreign currency and deposits	3,945.5	4,749.3	120.4
Debt securities	2,218.2	2,664.8	120.1
Loans	5,138.4	6,109.3	118.9
Equity and investment fund shares	688.0	715.9	104.1
Other claims	10.9	13.0	119.3
Liabilities to non-residents	4,813.0	5,316.2	110.5
Deposits	4,469.0	5,049.9	113.0
Debt securities	265.2	217.6	82.1
Loans	74.4	43.0	57.8
Other liabilities	4.6	5.7	123.9
Claims on central bank	7,165.1	5,949.9	83.0
Currency	957.7	895.7	93.5
Deposits, of which	4,270.8	4,484.3	105.0
– required reserves	617.4	713.6	115.6
Debt securities	1,936.7	570.0	29.4
Net claims on general government	457.7	4,409.5	963.4
Claims on federal government	4,332.6	8,434.7	194.7
Debt securities	4,249.7	8,358.3	196.7
– in rubles	3,716.8	7,788.6	209.6
– in foreign currency	532.9	569.7	106.9
Loans	82.9	76.4	92.2
– in rubles	82.9	76.4	92.2
– in foreign currency	0.0	0.0	–
Other claims	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Claims on state and local government	1,206.8	1,264.8	104.8
Debt securities	385.2	456.1	118.4
– in rubles	385.2	456.1	118.4
– in foreign currency	0.0	0.0	–
Loans	821.6	808.6	98.4
– in rubles	821.5	808.5	98.4
– in foreign currency	0.1	0.1	100.0
Other claims	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Liabilities to federal government	3,572.4	4,440.5	124.3
Deposits	3,482.1	4,040.5	116.0
– in rubles	3,415.5	4,028.5	117.9
– in foreign currency	66.6	12.0	18.0
Other liabilities	90.4	400.0	442.5
– in rubles	90.3	400.0	443.0
– in foreign currency	0.1	0.0	0.0

Cont.

	31.12.2019	31.12.2020	31.12.2020 as a percentage of 31.12.2019
Liabilities to state and local government	1,509.2	849.5	56.3
Deposits	1,509.2	849.5	56.3
– in rubles	1,509.2	849.4	56.3
– in foreign currency	0.1	0.1	100.0
Other liabilities	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Claims on other sectors	67,226.7	76,476.4	113.8
– in rubles	59,530.4	67,092.3	112.7
– in foreign currency	7,696.2	9,384.1	121.9
Claims on other financial institutions	8,901.2	11,574.9	130.0
In rubles	7,457.8	9,367.2	125.6
– debt securities	994.0	1,354.5	136.3
– loans	4,858.9	6,002.6	123.5
– other claims	1,604.9	2,010.2	125.3
In foreign currency	1,443.4	2,207.7	153.0
– debt securities	47.8	55.0	115.1
– loans	964.2	1,569.4	162.8
– other claims	431.4	583.3	135.2
Claims on non-financial organisations	39,225.1	43,313.0	110.4
In rubles	33,101.4	36,248.5	109.5
– debt securities	1,398.1	1,894.2	135.5
– loans	28,910.0	31,341.2	108.4
– other claims	2,793.3	3,013.1	107.9
In foreign currency	6,123.7	7,064.4	115.4
– debt securities	8.4	10.8	128.6
– loans	5,941.9	6,829.0	114.9
– other claims	173.4	224.6	129.5
Claims on households	19,100.4	21,588.5	113.0
In rubles	18,971.2	21,476.5	113.2
– debt securities	0.0	0.0	–
– loans	18,971.2	21,476.5	113.2
– other claims	0.0	0.0	–
In foreign currency	129.2	112.0	86.7
– debt securities	0.0	0.0	–
– loans	129.2	112.0	86.7
– other claims	0.0	0.0	–
Liabilities to central bank	2,910.1	3,718.3	127.8
In rubles	2,907.7	3,696.1	127.1
– deposits, loans, of which	2,907.7	3,696.1	127.1
– repos	0.0	846.8	–
– debt securities	0.0	0.0	–
– other liabilities	0.0	0.0	–
In foreign currency	2.4	22.2	925.0
– deposits, loans, of which	2.4	22.2	925.0
– repos	0.0	0.0	–
– debt securities	0.0	0.0	–
– other liabilities	0.0	0.0	–

End

	31.12.2019	31.12.2020	31.12.2020 as a percentage of 31.12.2019
Deposits included in broad money	54,803.1	62,727.9	114.5
In rubles	41,965.2	46,108.7	109.9
Transferable deposits	14,189.1	19,247.1	135.6
Other financial institutions	510.3	505.0	99.0
Non-financial organisations	6,808.6	8,393.4	123.3
Households	6,870.2	10,348.7	150.6
Other deposits	27,776.1	26,861.5	96.7
Other financial institutions	1,534.6	1,761.6	114.8
Non-financial organisations	7,843.7	8,414.4	107.3
Households	18,397.8	16,685.6	90.7
In foreign currency	12,837.9	16,619.2	129.5
Transferable deposits	0.0	0.0	—
Other financial institutions	0.0	0.0	—
Non-financial organisations	0.0	0.0	—
Households	0.0	0.0	—
Other deposits	12,837.9	16,619.2	129.5
Other financial institutions	235.9	414.2	175.6
Non-financial organisations	6,794.1	9,591.5	141.2
Households	5,807.9	6,613.5	113.9
Securities other than shares included in broad money <sup>1</sup>	37.3	13.5	36.2
Deposits excluded from broad money	1,103.4	1,266.3	114.8
Debt securities excluded from broad money	1,991.8	2,486.5	124.8
Shares and other equity	9,446.1	10,690.1	113.2
Other items (net)	11,745.6	14,869.3	126.6
Other liabilities, of which	17,905.9	21,856.7	122.1
– funds in escrow accounts of individuals <sup>2</sup>	138.8	1,177.4	848.3
Other assets	5,797.9	6,636.6	114.5
Consolidating adjustment	–362.4	–350.8	—

<sup>1</sup> Certificates of deposit and savings certificates.<sup>2</sup> Funds in escrow accounts of individuals under equity construction agreements and real estate purchase and sale transactions.

## MEASURES TAKEN AGAINST CREDIT INSTITUTIONS IN 2020

Table 34

No.	Measures	Number of credit institutions
<b>Measures taken as part of advisory supervision</b>		
1	Notifying in writing the management and/or board of directors (supervisory board) of a credit institution of shortcomings in its work, and recommending remedial action	428
2	Calling a meeting <sup>1</sup>	262
<b>Measures applied in line with Article 74 of Federal Law No. 86-FZ<sup>2</sup></b>		
3	Fines <sup>3</sup>	147
	of which:	
3.1	for non-compliance with reserve requirements	21
3.2	for breaches of federal laws and Bank of Russia rules and regulations issued in pursuance thereof and for non-reporting, under-reporting, or false reporting	130
4	Restrictions on individual banking operations conducted by credit institutions <sup>3</sup>	29
	of which:	
4.1	taking household funds on deposit	21
4.2	settlements on behalf of corporate entities relating to transfer of funds to budgets of all levels and government extra-budgetary funds	—
4.3	opening bank accounts to corporate entities and households	21
4.4	interest rate on bank deposit agreements concluded (prolongated) in the restriction period	—
5	Prohibiting credit institutions from conducting certain banking operations <sup>3</sup>	—
	of which:	
5.1	taking household funds on deposit	—
5.2	opening bank accounts to households, including unallocated metal accounts (demand and time accounts)	—
5.3	Other	—
	Memo item	
	Bans on taking household funds on deposit and opening bank accounts to households imposed on credit institutions pursuant to Article 48 of Federal Law No. 177-FZ <sup>4</sup>	—
6	Prescriptive orders <sup>3</sup>	220
	of which:	
6.1	orders to comply with Bank of Russia required ratios	1
6.2	orders to replace persons whose positions are indicated in Article 60 of Federal Law No. 86-FZ due to their failure to comply with the qualification requirements and/or requirements for business reputation in accordance with Russian laws	9
6.3	orders to reclassify receivables	75
6.4	orders to build up loan loss provisions	91
7	Prohibiting credit institutions from opening branches	3
8	Appointing provisional administrations to credit institutions without revoking their licences (including provisional administrations whose functions have been assigned to the DIA and the FBSC AMC Ltd.)	1
9	Banking licence revocation	16

<sup>1</sup> This does not include meetings conducted at the CI's request.

<sup>2</sup> Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (the Bank of Russia)'.

<sup>3</sup> The number of credit institutions indicated under clauses 3 to 6 differs from the sub-clauses total, as in some cases banks have been subjected to several actions and placed under several sub-clauses.

<sup>4</sup> Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Deposits with Russian Banks'.

**STATE CORPORATION DEPOSIT INSURANCE AGENCY'S DEBT TO THE BANK OF RUSSIA  
(MILLIONS OF RUBLES)**

Table 35

	01.01.2020	01.01.2021
<b>Bank of Russia loans, total</b>	<b>1,668,503</b>	<b>1,451,494</b>
of which:		
– extended for the purpose of taking measures to prevent bankruptcy of credit institutions	1,084,503	1,066,494
– extended for the purpose of ensuring the financial stability of the deposit insurance system and financing the payment of indemnities in respect of deposits	584,000	385,000

**BANKS THAT ARE MEMBERS OF THE DEPOSIT INSURANCE SYSTEM  
(UNITS)**

Table 36

	01.01.2020	01.01.2021
Number of banks participating in the deposit insurance system <sup>1</sup>	723	689
of which:		
– operating banks <sup>1</sup>	371	340
– under liquidation	352	349
Number of banks included in the deposit insurance system in the reporting period	0	0
Number of banks excluded from the deposit insurance system in the reporting period	34	34
Insured events in the reporting period	24	18
of which the moratorium on meeting creditor claims imposed	0	0

<sup>1</sup> Banks participating in the deposit insurance system include six credit institutions that used to attract deposits but lost the right to attract household funds.

**OUTCOMES OF BANK OF RUSSIA ACTIVITY TO COUNTER ABUSES ON RUSSIAN ORGANISED TRADING  
(UNITS)**

Table 37

Indicator	2018	2019	2020
Number of inspections with respect to possible MIIMM, <sup>1</sup> total	36	33	26
of which:			
– held in the reporting year	15	16	13
Number of disclosures with regard to violations of the Russian Federation legislation on CMIIMM, <sup>2</sup> total	16	16 <sup>3</sup>	8
of which:			
– as a result of market manipulation	14	16	8
– as a result of misuse of insider information	2	1	0
Measures taken as a result of inspections with respect to possible MIIMM			
of which:			
– number of licences of financial market participants cancelled	0	12	4
– number of certificates of financial market experts cancelled	6	9	7
– number of orders to eliminate violations of the Russian Federation legislation and take measures to prevent future violations	84	69	49
– number of instances of blocking accounts of persons involved in market manipulation	10	0	0
Number of instances the materials of which have been submitted to law enforcement agencies	3	7	0
Number of financial instruments analysed with respect to possible organised market manipulation	290	358	178

<sup>1</sup> MIIMM means misuse of insider information and market manipulation.<sup>2</sup> CMIIMM means countering the misuse of insider information and market manipulation.<sup>3</sup> One of cases of disclosure contained information on an identified misuse of insider information and market manipulation case.



## OUTCOMES OF BANK OF RUSSIA ACTIVITY TO COUNTER ORGANISATIONS BEING FINANCIAL PYRAMID SCHEMES

Table 38

Indicator	2018	2019	2020
Number of organisations being financial pyramid schemes exposed by the Bank of Russia, units	168	237	222
Amount of damage inflicted by financial pyramid schemes (according to law enforcement agencies), billions of rubles	2.4	8.4	data were not provided

OUTCOMES OF COUNTERING UNLICENSED ACTIVITY IN THE FINANCIAL MARKET  
(UNITS)

Table 39

Indicator	2018	2019	2020
Number of exposed by the Bank of Russia organisations supposedly:			
– acting as illegal creditors	2,293	1,845	821
– performing other types of unlicensed activity in the financial market	88	308	111
– acting as illegal forex dealers <sup>1</sup>	data were not gathered	210	395

<sup>1</sup> In 2019, information was gathered with respect to websites of illegal forex dealers. In 2020, the data gathering methodology was changed; information was gathered on entities supposedly acting as illegal forex dealers.

OUTCOMES OF BANK OF RUSSIA ACTIVITY TO EXCHANGE INFORMATION, INCLUDING CONFIDENTIAL ONE,  
WITH FOREIGN FINANCIAL MARKET REGULATORS UNDER IOSCO MMOU<sup>1</sup> (UNITS)

Table 40

Indicator	2018	2019	2020
Number of Bank of Russia requests to provide information and documents	77	130	47
Number of requests to provide information and documents answered by foreign regulators <sup>2</sup>	46	63	41
Number of foreign regulators' requests to render assistance	22	35	26
of which:			
– with regard to business reputation of owners, managers and employees of organisations, financial market participants	11	13	18

<sup>1</sup> IOSCO MMoU means multilateral memorandum of understanding concerning consultation and cooperation and the exchange of information under the International Organization of Securities Commissions.

<sup>2</sup> Responses to requests received over the reporting period.

## STRUCTURE OF BANK OF RUSSIA BANKNOTES IN CIRCULATION

Table 41

Denomination, rubles	Total in circulation, millions of rubles		01.01.2021 as a percentage of 01.01.2020	Share, per cent	
	as of 01.01.2020	as of 01.01.2021		as of 01.01.2020	as of 01.01.2021
5,000	8,077,858.0	10,641,216.0	131.7	76.8	79.9
2,000	477,688.9	643,331.4	134.7	4.5	4.9
1,000	1,528,042.9	1,602,318.6	104.9	14.5	12.0
500	257,126.8	256,455.3	99.7	2.5	1.9
200	32,108.2	30,689.3	95.6	0.3	0.2
100	115,458.7	115,172.1	99.8	1.1	0.9
50	28,295.4	29,559.0	104.5	0.3	0.2
10	3,684.1	3,597.2	97.6	0.0	0.0
5	35.6	35.6	100.0	0.0	0.0
<b>Total balance sheet number of banknotes</b>	<b>10,520,298.6</b>	<b>13,322,374.5</b>	<b>126.6</b>	<b>100.0</b>	<b>100.0</b>

STRUCTURE OF BANK OF RUSSIA COINS IN CIRCULATION<sup>1</sup>

Table 42

Denomination	Total in circulation, millions of rubles		01.01.2021 as a percentage of 01.01.2020	Share, per cent	
	as of 01.01.2020	as of 01.01.2021		as of 01.01.2020	as of 01.01.2021
1 kopeck	72.8	72.8	100.0	0.1	0.1
5 kopecks	288.3	288.3	100.0	0.3	0.3
10 kopecks	2,541.1	2,541.8	100.0	2.4	2.2
50 kopecks	3,648.8	3,650.0	100.0	3.4	3.2
1 ruble	8,610.1	9,018.8	104.7	8.0	8.0
2 rubles	7,607.4	8,086.8	106.3	7.1	7.1
5 rubles	14,919.1	16,052.8	107.6	13.9	14.2
10 rubles	65,486.1	69,210.6	105.7	61.3	61.1
25 rubles	3,693.1	4,253.1	115.2	3.5	3.8
<b>Total balance sheet number of coins</b>	<b>106,866.8</b>	<b>113,175.0</b>	<b>105.9</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Excluding coins made of precious metals.

## NATIONAL PAYMENT SYSTEM KEY INDICATORS

Table 43

	2018	2019	2020
<b>National payment system participants<sup>1</sup></b>			
Number of money transfer operators	485	443	407
of which:			
– Bank of Russia	1	1	1
– VEB.RF	1	1	1
– credit institutions	483	441	405
Number of payment system operators	36	32	28
of which:			
– Bank of Russia	1	1	1
– credit institutions	15	14	12
– organisations other than credit institutions	20	17	15
Number of operators of payment infrastructure services	45	43	36
of which:			
– operating centres	32	28	23
– payment clearing centres	31	28	24
– settlement centres	28	27	25
Number of e-money operators	93	86	80
Number of federal post offices <sup>2</sup>	2	2	2
Number of payment application providers	–	–	62
Number of foreign payment service providers	–	–	26
Number of information exchange service operators	–	–	162
Number of bank payment agents (subagents)	N/A	5,176	5,397
Number of payment aggregators	–	–	31
Number of foreign payment system operators	–	–	1
<i>Memo item</i>			
Number of Bank of Russia establishments	253	231	231
Number of branches of credit institutions	709	709	618
Number of establishments of federal post offices <sup>3</sup>	42,948	42,946	42,942
of which rendering payment services	38,712	38,765	38,761
Number of payment systems operating in the Russian Federation	36	32	28
of which:			
– Bank of Russia Payment System	1	1	1
– Mir payment system	1	1	1
– payment systems registered by the Bank of Russia	34	30	26
of which:			
– nationally important	17	15	13
– systemically important	2	2	2
– socially important	4	4	4

Cont.

	2018	2019	2020
<b>Money transfer operators – credit institutions</b>			
Number of payments effected by credit institution customers being credit institutions, million	162.1	167.0	177.1
Number of payments effected by credit institution customers other than credit institutions, <sup>4</sup> million:	35,638.5	46,706.0	56,033.8
of which, by payment instrument:			
– credit transfers <sup>5</sup>	2,568.3	2,726.4	2,785.4
– direct debits <sup>6</sup>	143.9	199.6	225.9
– payment cards <sup>7</sup>	29,127.8	39,217.0	48,028.5
– electronic means of payment to transfer e-money <sup>8</sup>	2,165.7	2,773.4	3,103.6
– other payment instruments <sup>9</sup>	1,632.8	1,789.7	1,890.3
Volume of payments effected by credit institution customers being credit institutions, trillions of rubles	696.6	720.6	807.0
Volume of payments effected by credit institution customers other than credit institutions, <sup>4</sup> trillions of rubles:	758.6	837.1	914.2
of which, by payment instrument:			
– credit transfers <sup>5</sup>	696.1	755.8	806.1
– direct debits <sup>6</sup>	2.0	2.5	2.8
– payment cards <sup>7</sup>	49.7	63.7	78.3
– electronic means of payment to transfer e-money <sup>8</sup>	1.6	1.9	1.7
– other payment instruments <sup>9</sup>	9.2	13.3	25.3
Number of payment cards issued by Russian credit institutions, <sup>1</sup> million	272.6	285.8	305.6
Number of payment card operations in Russia and abroad, <sup>10</sup> million	32,324.1	42,305.2	50,563.6
of which:			
– cash withdrawals	3,196.3	3,088.2	2,535.0
– cashless operations	29,127.8	39,217.0	48,028.6
of which payments of goods and services	24,638.6	32,807.8	39,422.2
Volume of payment card operations in Russia and abroad, <sup>10</sup> trillions of rubles	77.9	92.6	106.7
of which:			
– cash withdrawals	28.1	28.9	28.4
– cashless operations	49.8	63.7	78.3
of which payments of goods and services	21.3	26.8	31.9
Share of cashless operations <sup>11</sup> in the total turnover of retail trade, public catering and paid services, per cent	55.6	64.7	70.3
<b>E-money transfer operators</b>			
Number of electronic means of payment to transfer e-money used since start of year, million	376.0	534.6	348.7
Number of operations using electronic means of payment to transfer e-money, million	2,175.2	2,789.3	3,118.7
Volume of operations using electronic means of payment to transfer e-money, billions of rubles	1,675.3	1,967.6	1,829.6
<b>Federal post offices<sup>3</sup></b>			
Number of money orders and household payments accepted by federal post offices as payment agents and operations effected by federal post offices as bank payment agents, million	519.8	527.2	474.3
Volume of money orders and household payments accepted by federal post offices as payment agents and operations effected by federal post offices as bank payment agents, billions of rubles	521.5	514.2	467.5

End

	2018	2019	2020
<b>Payment agents and bank payment agents (subagents)</b>			
Number of accounts opened with credit institutions for payment agents and bank payment agents (subagents), <sup>1</sup> thousand	20.3	17.3	15.5
of which:			
– payment agents (subagents)	16.7	13.8	12.5
– bank payment agents (subagents)	3.6	3.5	3.0
Volume of operations effected through payment agents and bank payment agents (subagents), billions of rubles	1,604.8	1,340.9	886.9
of which:			
– payment agents (subagents)	843.0	635.2	457.6
– bank payment agents (subagents)	761.8	705.7	429.3

<sup>1</sup> As of end of year.<sup>2</sup> JSC Russian Post, FSUE Post of Crimea.<sup>3</sup> According to JSC Russian Post, FSUE Post of Crimea.<sup>4</sup> Including payments of credit institution customers — households and legal entities other than credit institutions and credit institutions' own payments. Excluding loan and deposit operations, foreign exchange operations, and operations with securities.<sup>5</sup> Including payments effected using payment orders and letters of credit as well as household remittances without opening a bank account.<sup>6</sup> Including payments effected using payment requests and collection orders.<sup>7</sup> Excluding operations to withdraw cash.<sup>8</sup> Excluding operations to transfer e-money balance withdrawn in cash.<sup>9</sup> Including payments effected using cheques and bank orders.<sup>10</sup> Including operations to withdraw cash, pay for goods and services, customs payments and other operations (for example, payments from one bank account to another) using payment cards issued by Russian credit institutions.<sup>11</sup> Including operations using payment cards and e-money as well as other payment instruments (e.g. payment orders generated based on invoices).Note. Certain indicators are updated as compared with those published in the [Bank of Russia Annual Report for 2019](#).

## BANK OF RUSSIA PAYMENT SYSTEM

Table 44

	2018	2019	2020
<b>Number of remittances effected, million</b>	<b>1,591.3</b>	<b>1,715.7</b>	<b>1,844.0</b>
of which:			
– by credit institutions (branches)	1,316.7	1,404.8	1,479.4
– by customers other than credit institutions	274.2	310.5	364.3
– by Bank of Russia divisions	0.4	0.4	0.3
including via transfer services:			
– via the speedy funds transfer service	5.2	4.4	4.4
– via the non-speedy funds transfer service	1,586.1	1,704.5	1,728.3
– via the faster payments service	—	6.8	111.3
<b>Volume of remittances effected, trillions of rubles</b>	<b>1,715.1</b>	<b>1,566.5</b>	<b>1,657.6</b>
of which:			
– by credit institutions (branches)	1,334.8	1,250.9	1,332.4
– by customers other than credit institutions	148.6	155.4	169.0
– by Bank of Russia divisions	231.7	160.2	156.2
including via transfer services:			
– via the speedy funds transfer service	1,447.7	1,304.6	1,378.8
– via the non-speedy funds transfer service	267.4	261.8	278.0
– via the faster payments service	—	0.1	0.8

Note. Certain indicators are updated as compared with those published in the [Bank of Russia Annual Report for 2019](#).

STRUCTURE OF BANK OF RUSSIA CUSTOMERS OTHER THAN CREDIT INSTITUTIONS AND NUMBER OF ACCOUNTS OPENED FOR THEM  
(THOUSAND)

Table 45

	Number of customers			Number of accounts		
	as of 01.01.2020	as of 01.01.2021	change over 2020	as of 01.01.2020	as of 01.01.2021	change over 2020
<b>Total</b>	<b>0.7</b>	<b>0.7</b>	<b>0.0</b>	<b>48.3</b>	<b>47.1</b>	<b>-1.2</b>
Federal Treasury	0.1	0.1	0.0	46.6	45.4	-1.2
Regional and local budget management bodies	0.3	0.3	0.0	1.3	1.4	0.1
State-owned institutions financed from budgets of all levels	0.1	0.1	0.0	0.1	0.1	0.0
Government and other extra-budgetary funds	0.01	0.01	0.00	0.02	0.01	-0.01
Election commissions (referendum commissions)	0.1	0.1	0.0	0.1	0.1	0.0
Other organisations	0.1	0.1	0.0	0.2	0.1	-0.1

**MEASURES TO ENHANCE FINANCIAL LITERACY FOR VARIOUS TARGET AUDIENCES IN 2020  
(UNITS)**

Table 46

<b>Events</b>	<b>Number</b>	<b>Participants (outreach)</b>
<b>For teachers and experts</b>		
Events for teachers and experts, representatives of educational institutions and regional educational authorities	789	244,664
<b>For children and young people</b>		
Online lessons for students	163,253	2,860,315
Online and offline events for orphans, children without parental care, and mentors	167	6,900
Online and offline events as part of additional education for children	81	1,300
Educational game 'The Secret of the Lost Money Box'	1	11,201
<b>For adults and pensioners</b>		
Offline events	679	442,600
Online events (PensionFG)	146	35,250
For servicemen	340	28,623
Online test for individuals and SMEs	1	456,000
Onsite and offsite events for SMEs	206	104,803
Publications in federal and regional media	> 88,000	
Information campaigns in social media	11	> 35,000,000
Materials on the Financial Culture (fincult.info) website (unique visitors)		5,562,864
Printed materials (copies)		> 1,000,000
Outdoor advertisements and advertisements on information media in transport	> 6,500	
<b>For mixed (family) audience</b>		
Bank of Russia Open Day (online)	1	21,500



## List of abbreviations

- ACCC** – agricultural consumer credit cooperative
- ACRA (JSC)** – Analytical Credit Rating Agency (Joint-stock Company)
- AFI** – Alliance for Financial Inclusion
- AML/CFT/CFPWMD** – countering the legalisation (laundering) of criminally obtained incomes, financing terrorism and proliferation of weapons of mass destruction
- ANPF** – Self-regulatory organization Association of Non-state Pension Funds  
'Alliance of Pension Funds'
- APEC** – Asia-Pacific Economic Cooperation
- API** – application programming interface
- Bank of Russia PS** – Bank of Russia Payment System
- BCBS** – Basel Committee on Banking Supervision
- BIS** – Bank for International Settlements
- BNA** – Bank of Non-core Assets
- BoR CC** – Bank of Russia cash centre
- BPM6** – the 6<sup>th</sup> edition of the IMF's Balance of Payments and International Investment Position Manual
- BRICS** – Brazil, Russia, India, China, and South Africa
- CC Clearing Centre MFB (JSC)** – Central Counterparty Clearing Centre MFB (Joint-stock Company)
- CCC** – consumer credit cooperative
- CCCH** – Central Catalogue of Credit Histories
- CCP** – central counterparty
- CD** – central depository
- CDS** – credit default swap
- CHB** – credit history bureau
- CI** – credit institution
- CI PSMP** – credit institution that is a professional securities market participant
- CIS** – Commonwealth of Independent States
- CMTPLI** – compulsory motor third-party liability insurance
- Coupon OBR** – Bank of Russia coupon bonds
- CPMI** – BIS Committee on Payments and Market Infrastructures
- CSC** – Bank of Russia cash settlement centre
- DCL** – developer civil liability
- DIA** – State Corporation Deposit Insurance Agency
- DTI** – debt to income ratio
- EAEU** – Eurasian Economic Union
- ECB** – European Central Bank
- ELI** – endowment life insurance
- EMEs** – emerging market economies
- E-money** – electronic money
- EMP** – electronic means of payment
- EROPS** – early-retirement occupational pension schemes

**EU** – European Union

**EXIAR** – Russian Agency for Export Credit and Investment Insurance

**FAO** – UN Food and Agriculture Organisation

**FAS** – Federal Antimonopoly Service

**FATF** – Financial Action Task Force

**FBSC** – Fund of Banking Sector Consolidation

**FBSC AMC Ltd.** – Limited Liability Company Fund of Banking Sector Consolidation Asset Management Company

**FCS** – Federal Customs Service

**FD** – financial derivatives

**Federal Law No. 115-FZ** – Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'

**Federal Law No. 127-FZ** – Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)'

**Federal Law No. 161-FZ** – Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System'

**Federal Law No. 395-1** – Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities'

**Federal Law No. 86-FZ** – Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'

**FGUP** – federal state unitary enterprise

**FMII** – financial market infrastructure institution

**FMS** – Bank of Russia financial messaging system

**FPO** – financial platform operator

**FPS** – Faster Payments System

**FSB** – Financial Stability Board

**FSES** – federal state educational standard

**FTS** – Federal Tax Service

**GDP** – gross domestic product

**GKO** – government short-term bonds

**GSO** – government savings bonds

**HML** – housing mortgage loans

**HSC** – housing savings cooperative

**IAIS** – International Association of Insurance Supervisors

**IBL** – loans, deposits and other funds placed (raised) in the interbank market

**IBRD** – International Bank for Reconstruction and Development

**IC** – insurance company

**ICAAP** – internal capital adequacy assessment process

**ICL** – irrevocable credit line

**ID** – interregional depository

**IE** – insurance entities

**IFRS** – International Financial Reporting Standards

**IFX-Cbonds** – the index of effective yield on corporate bonds (calculated by Interfax and Cbonds.ru news agencies)

- IIA** – individual investment account
- IL** – installment loans (medium-term consumer microloans to individuals for more than 30 days and for the amount of more than 30,000 rubles)
- ILI** – investment life insurance
- IMF** – International Monetary Fund
- IOSCO** – International Organization of Securities Commissions
- IOSCO MMoU** – IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information
- IPO** – investment platform operator
- IRB approach** – internal ratings-based approach to calculating credit risk
- IT** – information technologies
- JSC Expert RA** – Joint-stock Company Rating Agency Expert RA
- JSC RNRC** – Joint-stock Company Russian National Reinsurance Company
- JSC SPBEX** – Joint-stock Company Exchange Saint Petersburg
- JSC SPCEX** – Joint-stock Company Saint Petersburg Currency Exchange
- JSC SPIMEX** – Joint-stock Company Saint Petersburg International Mercantile Exchange
- JSIF** – joint-stock investment fund
- LCR** – liquidity coverage ratio
- LIBOR** – London Interbank Offered Rate
- MC** – management company
- MCC** – microcredit company
- MFC** – microfinance company
- MFO** – microfinance organisation
- MIC** – mutual insurance company
- Moscow Exchange** – Public Joint-stock Company Moscow Exchange MICEX-RTS
- MultiFC** – multifunctional centre
- NAMEX** – Joint-Stock Company National Mercantile Exchange
- NAUFOR** – National Association of Securities Market Participants
- NAV** – net asset value
- NCFM** – Non-commercial Partnership National Council of Financial Market
- NCI** – non-bank credit institution
- NCI JSC NSD** – Non-bank Credit Institution Joint-stock Company National Settlement Depository
- NCI NCC (JSC)** – Non-bank Credit Institution – Central Counterparty National Clearing Centre (Joint-stock Company)
- NCR LLC** – Limited Liability Company National Credit Ratings
- NFI** – non-bank financial institution
- NFI CCP RDC (JSC)** – Nonbank Financial Institution – Central Counterparty RDC (Joint Stock Company)
- NFI PSMP** – non-bank financial institution that is a professional securities market participant
- NGPS** – non-governmental pension schemes
- NPF** – non-governmental pension fund
- NPL90+** – Non-performing loans 90+ (loans overdue for over 90 days)
- NPS** – national payment system
- NRA LLC** – Limited Liability Company National Ratings Agency

**NRU HSE** – National Research University Higher School of Economics  
**NSD PS** – NSD payment system  
**NSPK JSC** – National Payment Card System Joint Stock Company  
**NWF** – National Wealth Fund  
**OECD** – Organisation for Economic Cooperation and Development  
**OFZ** – federal government bonds  
**OFZ-AD** – debt depreciation federal government bonds  
**OFZ-IN** – inflation-indexed federal government bonds  
**OFZ-n** – federal government bonds for individuals  
**OFZ-PD** – permanent coupon-income federal government bonds  
**OFZ-PK** – variable coupon-income federal government bonds  
**OPEC** – Organisation of the Petroleum Exporting Countries  
**OPEC+** – OPEC countries and other countries that are participants of oil production restriction agreements  
**PDL** – payday loans (short-term consumer microloans to individuals for up to 30 days for a small amount (up to 30,000 rubles)  
**PFR** – Pension Fund of the Russian Federation  
**PJSC SPB** – Public Joint-stock Company Saint Petersburg Exchange  
**PSMP** – professional securities market participant  
**PSO** – payment system operator  
**RGBEY** – Russian Government Bonds Effective Yield to Redemption  
**RTS** – Russian Trading System  
**RUONIA** – Ruble OverNight Index Average (reference weighted rate of overnight ruble deposits in the Russian interbank market)  
**Sberbank** – Sberbank of Russia  
**SDR** – Special Drawing Rights  
**SIBSD** – Systematically Important Banks Supervision Department  
**SICI** – systemically important credit institution  
**SME** – small and medium-sized enterprises  
**SOBS** – Service for Ongoing Banking Supervision  
**SRO** – self-regulatory organisation  
**SROFM** – self-regulatory organisation in the financial market  
**SRO NFA** – self-regulatory organisation National Finance Association  
**SRP** – solvency recovery plan of an insurance company  
**SWIFT** – Society for Worldwide Interbank Financial Telecommunications  
**TCC** – total cost of credit  
**TSA** – Treasury single account  
**UIF** – unit investment fund  
**UN** – United Nations  
**UPSS** – unified portal of state and municipal services (functions)  
**US Fed** – US Federal Reserve System  
**VAT** – value added tax  
**VEB.RF** – State Development Corporation VEB.RF  
**XBRL** – eXtensible Business Reporting Language

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