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The Central Bank of the Russian Federation

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# CONTENTS

<b>INTRODUCTION .....</b>	<b>14</b>
<b>I. THE ECONOMIC AND FINANCIAL SITUATION IN RUSSIA .....</b>	<b>17</b>
I.1. The global economy and international markets .....	18
I.2. The economic situation in Russia .....	21
I.3. The financial sector .....	24
I.3.1. Credit institutions .....	24
I.3.2. Nonbank financial institutions .....	30
I.3.3. Financial markets .....	33
I.4. Organised commodity market .....	37
I.5. Government finance and domestic government debt .....	38
I.6. Balance of payments and external debt .....	40
I.7. The national payment system .....	45
<b>II. BANK OF RUSSIA ACTIVITIES .....</b>	<b>49</b>
II.1. Monetary policy .....	50
II.1.1. Monetary policy objectives and key measures .....	50
II.1.2. Monetary policy instruments .....	53
II.1.3. Bank of Russia specialised refinancing instruments and other operations .....	57
II.2. Reserves management .....	60
II.3. Ensuring financial stability .....	64
II.3.1. Global risks and their impact on the Russian financial sector .....	64
II.3.2. Financial stability of the nonfinancial sector .....	66
II.3.3. Financial stability and banking sector risks .....	68
II.4. Banking regulation and supervision .....	70
II.4.1. Regulation of credit institutions' activities .....	70
II.4.2. Registration and licensing of banking activities .....	72
II.4.3. Off-site supervision .....	74
II.4.4. Inspection of credit institutions .....	78
II.4.5. Financial resolution and liquidation of credit institutions .....	80
II.4.6. Household deposit insurance in Russian banks .....	82
II.4.7. Supervisory response .....	83
II.5. Regulation, control and supervision of the activities of nonbank financial institutions .....	85
II.5.1. Nonbank financial institutions' access to the financial market .....	85
II.5.2. Regulation, control and off-site supervision of the activities of nonbank financial institutions .....	86
II.5.3. Inspection of nonbank financial institutions .....	91
II.6. Financial market development .....	92
II.7. Regulation, control and supervision of corporate relations in joint-stock companies .....	96
II.8. Countering malpractice in the open market .....	97
II.9. Protecting the rights of financial services consumers and increasing financial services accessibility .....	98

II.10. Increasing financial literacy of the population .....	99
II.11. Foreign exchange regulation and foreign exchange control .....	100
II.12. Bank of Russia activities to counter the legalisation (laundering) of criminally obtained incomes and the financing of terrorism .....	101
II.13. Cash circulation management .....	103
II.14. Stability and development of the national payment system .....	105
II.14.1. Bank of Russia activities to ensure the stability and development of the national payment system .....	105
II.14.2. Development and upgrading of the Bank of Russia payment system.....	107
II.15. Improving the accounting and reporting of credit institutions and nonbank financial institutions .....	108
II.16. Improving legislation .....	109
II.17. Internal auditing .....	111
II.18. Other Bank of Russia activities .....	113
II.18.1. Changes in the Bank of Russia's organisational structure .....	113
II.18.2. Staffing and personnel training .....	115
II.18.3. Bank of Russia information and telecommunications system development .....	118
II.18.4. International cooperation.....	119
II.18.5. Bank of Russia stakeholdings in the capital of Russian and foreign credit institutions and other organisations .....	122
II.18.6. Managing lawsuits and claims .....	124
<b>III. BANK OF RUSSIA ANNUAL FINANCIAL STATEMENTS AS OF 1 JANUARY 2016 AND AUDITORS' REPORTS .....</b>	<b>125</b>
Introduction.....	126
Annual balance sheet as of 1 January 2016 .....	127
Statement of financial performance .....	128
Capital, funds and profit allocation .....	129
Notes to Annual Financial Statements as of 1 January 2016 .....	131
1. Accounting and financial reporting principles.....	131
2. Impact of economic conditions on Bank of Russia financial statements.....	142
3. Precious metals .....	144
4. Funds placed with nonresidents and foreign securities .....	144
5. Loans and deposits.....	146
6. Securities .....	148
7. Claims on the IMF .....	150
8. Other assets .....	151
9. Cash in circulation .....	154
10. Funds on accounts with the Bank of Russia.....	154
11. Float.....	155
12. Securities issued .....	155
13. Obligations to the IMF.....	156
14. Other liabilities .....	156
15. Reporting year profit .....	157
16. Interest income .....	157

17. Income from securities trading .....	158
18. Income from stakeholdings in credit institutions and other organisations .....	159
19. Other income .....	159
20. Interest expenses .....	160
21. Expenses on securities trading .....	161
22. Cash turnover management expenses .....	161
23. Net expenses (income) on the formation (from the recovery) of provisions .....	161
24. Expenses on negative revaluation of securities available for sale .....	162
25. Other operating expenses .....	162
26. Personnel costs .....	163
27. Off-balance sheet claims and obligations accounts .....	163
28. Post-accounting date events .....	166
Statement of profit and its allocation .....	168
Statement of Bank of Russia reserves and funds .....	170
Statement of Bank of Russia management of securities and stakeholdings in the capital of organisations constituting Bank of Russia property .....	172
Statement of the volume of Bank of Russia securities trading on organised trading venues .....	175
Statement of Bank of Russia personnel costs .....	176
Statement of capital investment budget performance .....	177
Auditors' reports .....	179
<b>IV. ADDENDA .....</b>	<b>185</b>
IV.1. Principal measures to implement the single state monetary policy in 2015 .....	186
IV.2. Principal measures to upgrade banking regulation and supervision in 2015 .....	190
IV.3. Principal measures to improve regulation in the national payment system in 2015 .....	198
IV.4. Principal measures to develop the financial markets in 2015 .....	200
IV.5. Statistical tables .....	205

## LIST OF CHARTS

1. Growth in output of goods and services .....	19
2. Growth in exchange rates of certain currencies against the US dollar in 2015 .....	20
3. GDP by expenditure .....	22
4. Inflation, core inflation, and change in administered services prices .....	22
5. Key banking sector indicators.....	24
6. Structure of banking sector corporate lending portfolio by economic activity.....	26
7. Banking sector profit factors.....	27
8. Capital adequacy.....	28
9. Spreads between interest rates and Bank of Russia key rate and turnovers in certain segments of money market in 2015.....	33
10. Ruble exchange rate and its volatility in 2015.....	34
11. Bond yields in secondary market.....	35
12. Stock price indices in secondary market .....	35
13. Structure of organised commodity trading in 2015 .....	37
14. Federal budget performance in 2015.....	38
15. Federal budget accounts with the Bank of Russia.....	39
16. Russia's major balance of payments components and international reserves.....	40
17. Russia's external debt (billions of US dollars).....	43
18. Russia's external debt (percent of GDP) .....	43
19. Bank of Russia interest rate corridor and overnight MIACR in 2015 .....	50
20. Money supply (contribution of certain components to M2X annual growth rates) .....	51
21. Factors affecting broad money.....	52
22. Liquidity factors and growth in outstanding amount on Bank of Russia refinancing operations in rubles .....	53
23. Change in balances of general government accounts with Bank of Russia and other operations in 2015, on accrual basis since start of year .....	54
24. Change in volume of cash in circulation, on accrual basis since start of year.....	55
25. Structure of Bank of Russia refinancing operations.....	55
26. Credit institutions' outstanding amount to Bank of Russia on repos and foreign currency loans in 2015 .....	58
27. Factors behind changes in Bank of Russia foreign currency reserve assets in 2015 .....	60
28. Bank of Russia foreign currency reserve assets by eligible currency as of 1 January 2016.....	61
29. Bank of Russia foreign currency reserve assets by credit rating as of 1 January 2016.....	61
30. Bank of Russia foreign currency reserve assets by instrument as of 1 January 2016.....	62
31. Bank of Russia foreign currency reserve assets by country as of 1 January 2016.....	62
32. Number of registered operating credit institutions and banking licences granted to them .....	72
33. Average monthly growth rates in lending by group of banks supported by government through the DIA as of 1 January 2016 (as per banks' special statements to the DIA) .....	77
34. Cash in circulation .....	103
35. Detection of counterfeit Bank of Russia notes and coins .....	104
36. Detection of counterfeit foreign banknotes .....	104
37. Structural divisions as a percentage of Bank of Russia personnel as of 1 January 2016.....	113
38. Age structure of Bank of Russia executives and specialists.....	115
39. Centralised Bank of Russia personnel training in 2015.....	116

## LIST OF TABLES

1. Key macroeconomic indicators.....	205
2. Consumer prices by group of goods and services .....	206
3. Consumer price Inflation structure .....	206
4. Balance of household money income and expenditures .....	207
5. Russia's domestic government debt as of 1 January 2016 (at face value) .....	208
6. Ministry of Finance debt to the Bank of Russia as of 1 January 2016.....	208
7. Volume (turnover) of residents' transactions with nonresidents to buy and sell Russian government foreign currency bonds in secondary market (at market prices).....	208
8. Institutional financial market participants .....	209
9. Balance of payments of the Russian Federation (analytical presentation).....	210
10. Net inflows (outflows) of capital by private sector (based on the balance of payments flows data) .....	212
11. Private sector net capital inflow (outflow) by type of investment (according to balance of payments data) .....	213
12. Cross-border transfers of individuals (residents and nonresidents) .....	214
13. Net incurrence of liabilities by Russian Federation residents by type of investment (according to balance of payments data) .....	215
14. Net acquisition of financial assets by Russian Federation residents, excluding reserve assets, by type of investment (according to balance of payments data) .....	215
15. International investment position of the Russian Federation .....	216
16. International investment position of the banking sector of the Russian Federation.....	217
17. Currency composition of foreign assets and liabilities of the banking sector of the Russian Federation.....	219
18. Foreign assets and liabilities of the banking sector of the Russian Federation by group of countries as of 31 December 2015 .....	220
19. Russia's international reserves .....	221
20. Return on Bank of Russia foreign currency reserves in 2015 .....	221
21. Bank of Russia foreign exchange interventions in 2015.....	221
22. Basic derived indicators of ruble's exchange rate dynamics in January–December 2015 .....	222
23. External debt of the Russian Federation .....	223
24. External debt of the Russian Federation (analytical presentation) .....	224
25. Money supply (national definition) and its structure.....	225
26. Monetary base and its structure .....	225
27. Bank of Russia interest rates in 2015.....	226
28. Interest rates on Bank of Russia operations to provide foreign currency on repayable basis in 2015 .....	227
29. Bank of Russia operations to provide and absorb liquidity.....	227
30. Bank of Russia operations to provide foreign currency on repayable basis .....	228
31. Bank of Russia specialised refinancing instruments.....	229
32. Banking sector survey .....	230
33. Survey of credit institutions.....	231
34. Corrective measures taken against credit institutions in 2015.....	232
35. Structure of Bank of Russia banknotes in circulation .....	233
36. Structure of Bank of Russia coins in circulation.....	233
37. National payment system key indicators .....	234
38. Bank of Russia payment system .....	237
39. Structure of Bank of Russia customers other than credit institutions and number of accounts opened for them .....	238

## LIST OF ABBREVIATIONS

AIF – joint-stock investment fund  
AML/CFT – anti-money laundering and countering the financing of terrorism  
APEC – Asia-Pacific Economic Cooperation  
BCBS – Basel Committee on Banking Supervision  
BESP – banking electronic speedy payment system  
BIC – Bank Identification Code  
BIS – Bank for International Settlements  
BPM6 – the 6<sup>th</sup> edition of the IMF's Balance of Payments and International Investment Position Manual  
BRICS – Brazil, Russia, India, China, South Africa  
CC – Bank of Russia cash centre  
CCC – consumer credit cooperative  
CCHC – Central Catalogue of Credit Histories  
CCP – central counterparty  
CFD – Central Federal District  
CHB – credit history bureau  
CI – credit institution  
CMTPLI – compulsory motor third party liability insurance  
CPMI – Committee on Payments and Market Infrastructures at the Bank for International Settlements  
CSC – Bank of Russia cash settlement centre  
DIA – Deposit Insurance Agency  
EAEU – Eurasian Economic Union  
ECB – European Central Bank  
EEC – Eurasian Economic Commission  
EIR – effective interest rate  
EM – electronic money  
EME – emerging market economies  
EPF – electronic payment facilities  
EurAsEC – Eurasian Economic Community  
EXIAR – Russian Agency for Export Credit and Investment Insurance  
FAO – UN Food and Agriculture Organisation  
FAS – Federal Antimonopoly Service  
FFMS – Federal Financial Markets Service  
FMI – financial market infrastructure  
FMTS – financial message transmission system  
FSB – Financial Stability Board  
FSUE – federal state unitary enterprise  
FTS – Federal Tax Service  
GKO – government short-term bond  
HML – housing mortgage lending  
IAIS – International Association of Insurance Supervisors  
IBL – loans, deposits and other funds placed (raised) in the interbank market  
IFRS – International Financial Reporting Standards  
IMF – International Monetary Fund



IOSCO – International Organization of Securities Commissions  
IRBA – internal ratings-based approach to calculating credit risk  
ISO – International Organization for Standardization  
IT – information technology  
LCR – liquidity coverage ratio  
MBA – Master of Business Administration  
MFO – microfinance organisation  
MIACR – Moscow Interbank Actual Credit Rate  
MICEX – Moscow Interbank Currency Exchange  
MOEXREPO – MOEX CCP Bond Repo Rate  
MOEXREPOEQ – MOEX CCP Equity Repo Rate  
MPC – mortgage participation certificate  
NAV – net asset value  
NBRB – National Bank of the Republic of Belarus  
NCC – National Clearing Centre  
NCI – nonbank credit institution  
NFI – nonbank financial institution  
NGPS – Bank of Russia next-generation payment system  
NPCS – national payment card system  
NPF – non-governmental pension fund  
NPS – national payment system  
NSD – National Settlement Depository  
OFZ – federal government bonds  
OFZ-IN – inflation-indexed federal government bonds  
OFZ-PK – variable coupon-income federal government bonds  
OPEC – Organisation of the Petroleum Exporting Countries  
PBC – People's Bank of China  
PIF – unit investment fund  
PPP – public-private partnership  
PSO – payment system operator  
RTS – Russian trading system  
RUONIA – Ruble Overnight Index Average  
SDR – special drawing rights  
SICI – systemically important credit institutions  
SIFMIO – systemically important financial market infrastructure organisation  
SME – small and medium-sized enterprise  
SPCEX – Saint Petersburg Currency Exchange  
SRO – self-regulatory organisation  
SWIFT – Society for Worldwide Interbank Financial Telecommunications  
UN – United Nations  
US Fed – US Federal Reserve System  
VAT – value added tax  
ZPIF – closed-end unit investment fund



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## OPENING REMARKS

The year of 2015 marked a period in which the Russian economy adapted to falling oil prices and other external shocks that first emerged back in 2014. In these conditions, the Bank of Russia faced a far from simple task: to help rapidly and painlessly tune the economy to the new reality, while at the same time reducing inflation and inflation expectations, and ensuring stability of the banking and financial systems. The strategy developed by the Bank of Russia is allowing these challenges to be sufficiently met.

With regard to monetary policy, by pursuing an inflation-targeting regime, the Bank of Russia strove to strike a balance between inflation reduction, economic growth, and financial stability. The floating exchange rate made it possible to absorb the negative impact of external factors on internal economic processes. As the situation stabilised, the Bank of Russia gradually reduced its key rate. However, increased inflation risks and heightened volatility in financial markets in the second half of the year halted this process.

In 2015, the banking system maintained its stability and ability to lend to the economy, aided by regulatory concessions over a large part of the year. The Bank of Russia continued its policy aimed at recovering the banking sector and opposing fictitious transactions by credit institutions. As a result, the amount of fictitious transactions (including cross-border deals and operations to cash funds) contracted compared with 2014.

One of the Bank of Russia's most important objectives was to create conditions to promote growth in various sectors of the financial market without threatening stability of the financial system as a whole. This is the very objective that determines how we approach the supervision and regulation of credit institutions, insurance companies, pension funds, infrastructure organisations, and other financial market participants.

In 2016, we consider it a priority to transition to a proactive supervisory policy in order to identify problems at early stages and adopt the necessary supervisory decisions in a timely manner.

For the first time, last year the Bank of Russia made public its Guidelines for the Development of the Russian Financial Market in 2016–2018. This strategic document is intended to ensure that financial instruments help raise the living standards of Russian citizens and promote growth in Russian companies and regions, and the economy as a whole.

The Bank of Russia's activity to raise the level of financial literacy among the population across the country is also of great social importance. This work is still a priority in 2016.

A key event in 2015 was the initial issuance of cards for the Mir national payment system, whose name and logo were chosen based on a national competition. At present, all card transactions within Russia across all payment systems, including international payment systems, are processed through the National Payment Card System.

In 2015, the Bank of Russia paid great attention to developing its collaboration with market participants and individuals, in part through electronic means, which helped raise the effectiveness and efficiency of processing citizens' applications and allowed it to refine the mechanism for feedback and direct dialogue with the market.

We have tried to follow the principle of information transparency in the preparation of the Annual Report which follows.

Governor of the Bank of Russia



Elvira S. Nabiullina

## INTRODUCTION

In compliance with the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia Annual Report for 2015 reflects the main results of the bank's performance and contains an analysis of the external and internal conditions that affected its decision-making and results. It also includes the Bank of Russia's annual financial statements, the auditor's report, and a statement by the Audit Chamber of the Russian Federation.

In 2015, the Russian economy continued to experience the negative effects of ongoing sanctions, retaliatory sanctions, and Russian companies' limited access to external financial resources. Global prices for Russia's main exports continued to fall. These factors caused the ruble to depreciate and, as a result, inflation accelerated. At the end of 2015, inflation stood at 12.9% and was higher than the previous year. For the first time since 2009, GDP fell and fixed capital investment continued to decline, while labour productivity dropped despite high employment.

However, compared with 2014, private capital outflow shrank by a factor of more than 2.5 and the current account surplus increased. External corporate debts were paid off as per their payment schedules without putting any additional pressure on the ruble exchange rate or threatening financial stability.

Deciding factors in the stabilisation of the situation in the financial markets and the economy as a whole were the key rate rise at the end of 2014 to 17.00% p.a., the use of foreign currency refinancing instruments, the temporary easing of prudential regulations for banks, and measures for their additional capitalisation.

In 2015, in its decision-making regarding changes to the monetary policy key rate, the Bank of Russia prioritised price stability, taking into account the state of the economy while simultaneously being guided by its objective of maintaining financial stability. As inflation slowed, the key rate was repeatedly lowered, reaching 11.00% p.a. in August 2015. However, thereafter, due to increasing inflation risks, the key rate remained unchanged until the end of the year.

In 2015, the Bank of Russia managed its money market interest rates amid a structural liquidity deficit in the

banking sector and provided refinancing to credit institutions in the required amounts. However, for most of 2015, as a result of the inflow of liquidity through the budgetary channel, credit institutions' demand for Bank of Russia refinancing operations reduced. However, the Bank of Russia continued to support certain economic activities of special social and economic importance through specialised refinancing instruments for credit institutions.

In 2015, the Bank of Russia completed its work to change the role of the refinancing rate, and from 1 January 2016 its value was made equal to the Bank of Russia key rate.

Despite the complex macroeconomic and external conditions, the banking sector remained stable. The increase in banking sector capital, due in part to government support measures, fostered conditions for an expansion in bank lending, investment in bonds of constituent territories of the Russian Federation and mortgage bonds, and growth in mortgage lending. The ratio of banking sector assets to GDP exceeded 100% at the end of 2015. This did not result in a systemic long-term crisis; the inflow of household savings pointed to the public's confidence in banks.

The supervision and regulation of banks' and non-bank financial institutions' activities in 2015 were generally driven by the need to guarantee financial stability and effectively limit risks.

In March 2016, based on an assessment carried out as part of the Regulatory Consistency Assessment Programme (RCAP), the Basel Committee on Banking Supervision (BCBS) acknowledged that the Russian banking system regulation is compliant with Basel II, Basel 2.5 and Basel III standards, in terms of both regulating capital adequacy and liquidity, including organisation of the supervisory process under the second pillar of Basel II and the requirements for credit institutions to disclose information on their activities.

To reinforce stability and confidence in various financial market institutions, in 2015 the Bank of Russia took significant steps to remove unscrupulous financial organisations from the market, increase the quality of active financial market participants, and develop financial market infrastructure.

As a mega-regulator, the Bank of Russia introduced far-reaching reforms in the regulation and supervision of all segments of the financial sector in order to increase savings, improve savings safety, and protect them from risks, all with a view to investing in the economy. Measures were adopted to formulate and introduce common approaches to regulatory rules and methods in all segments, in particular regarding capital adequacy and the application of common accounting and reporting standards, including international standards. Concurrently with the work to consolidate the supervision of financial market participants, supervisory methods were standardised, in part by identifying groups of systemically important organisations and applying risk-based methodologies.

To identify consolidated risks, simultaneous checks were carried out on economically interdependent supervised organisations, which made it possible to identify and record high-risk operations that were previously not transparent to the regulator.

The measures adopted by the Bank of Russia to improve its ability to identify fictitious transactions resulted in a significant reduction in the outflow of funds abroad and monetisation operations in the banking sector in 2015. The problem of black-market circulation of funds accumulated by payment systems was also solved.

The Bank of Russia took steps to increase the transparency of ownership structures for credit institutions which are members of the deposit insurance system. Information on the individuals controlling or significantly influencing banks started to be uploaded centrally to the Bank of Russia's official website.

In 2015, measures were implemented to increase access to financial services and protect the rights of consumers of financial services and investors. The international association of financial regulators Alliance for Financial Inclusion commended the Bank of Russia's regional leadership in the development of digital financial services. With a view to increasing its information transparency in 2015, the Bank of Russia introduced the first stage of its 'Bank of Russia online reception' software to automate its complaints handling

processes. The Bank of Russia considerably stepped up its involvement in improving the public's financial literacy.

Over the reporting year, considerable work was undertaken to defend the national payment environment from external risks. Internal transactions using cards of international payment systems were switched over to processing through the National Payment Card System. At the end of the year, the Bank of Russia started a pilot project to issue cards for the Mir payment system.

In order to reduce external risks in payments and settlements, the Bank of Russia developed its own systems, which offer financial message transmission services using the SWIFT format and proprietary user formats, and commenced transmissions of these messages.

The development of off-site payment services and improved national payment system products based on electronic document management and other modern technologies helped increase the accessibility of payment services and enhance the domain of cashless payments.

In 2015, all structural divisions at the Bank of Russia worked under the new organisational design of a head office and Bank of Russia regional network. The establishment of the Far Eastern Main Branch of the Central Bank of the Russian Federation at the start of 2015 marked the final stage of the Bank of Russia's organisational renovation of its regional network.

Due to a revision of the tasks and duties of a number of key head office divisions, the structure of operational divisions was reorganised along with IT and telecommunications divisions, eliminating duplication in the organisation of internal processes. The centralisation of the Bank of Russia Chief Auditor Service was also completed. The Bank of Russia set up an Expert Committee for Regulation, Internal Audit Methodology, Internal Controls and Risk Management at the Bank of Russia and financial organisations. On the regional level, organisational reform was linked to the centralisation of accounting departments and improvements to operations involving cash circulation and cash services.





## **I. THE ECONOMIC AND FINANCIAL SITUATION IN RUSSIA**

## I.1. THE GLOBAL ECONOMY AND INTERNATIONAL MARKETS

In 2015, the growth in goods and services output globally dropped from 3.4% in 2014 to 3.1%, according to International Monetary Fund (IMF) estimates<sup>1</sup>. Despite this, the mixed pace of economic growth in various countries around the world remained. According to the IMF, GDP in developed countries increased in 2015 compared with 2014, from 1.8% to 1.9%, while it slowed (from 4.6% to 4.0%) in emerging market economies, causing a reduction in GDP growth for the global economy as a whole.

As in the previous year, economic growth in the US<sup>2</sup> and UK<sup>3</sup> was the highest among developed countries, with GDP growth at 2.4% and 2.3% respectively (2.4% and 2.9% in 2014). Economic growth accelerated considerably in the euro area and Japan<sup>4</sup>, with GDP in 2015 increasing by 1.6% and 0.5% respectively (0.9% and 0.0% in 2014). However, over the year, the US witnessed a slight reduction in business activity, while in the euro area and Japan business activity indices actually demonstrated growth (in Japan, a 0.3% reduction in GDP was recorded in Q4).

As in 2014, consumer expenditures and fixed capital investment made the greatest contribution to US economic growth. At the same time, as in the previous year, net exports had a negative impact on economic growth, while government consumption had a moderately positive impact (in 2014 it had a slightly negative impact). However, the US economic growth was hampered by the dollar appreciation and markets preparing for a round of rates increases by the US Federal Reserve (Fed). The overall stability and relatively assured recovery of the US economy enabled the US Fed to begin its round of rates increases in December 2015. Nevertheless, according to statements by the regulator's head, the rate increases will be gradual: besides low inflation and concerns about the labour market, the US Fed fears that the global economic situation will deteriorate further and potentially impact the US economy.

In turn, the European Central Bank's (ECB) stimulatory policy, low euro exchange rate, and low energy prices contributed to economic growth in the euro area. However, GDP growth in various countries differed considerably – Italy recorded the slowest growth (by 0.8%, falling by 0.3% in 2014) and Spain the fastest (by 3.2%, increasing by 1.4% in 2014) among the major countries in the euro area. In Germany and France, GDP rose by 1.7% and 1.2% respectively (1.6% and 0.2% in 2014). As a result, economic growth increased in all major euro area countries compared with 2014, and out of the 19 euro area countries only four (Greece, Slovenia, Lithuania, and Estonia) recorded lower growth than the previous year.

The policy of monetary authorities played an important role in improving the economic situation in the euro area. At the start of 2015, the ECB announced the start of its quantitative easing policy. In March, the European regulator began purchasing sovereign bonds of euro area countries, resulting in total monthly purchases of government and private bonds reaching €60 billion a month. In addition, in December 2015, the ECB Board of Directors decided to reduce deposit rates by 10 basis points (from –0.20% to –0.30%) and to extend the quantitative easing programme to March 2017 (initially the programme was planned to run until September 2016). However, many experts and market participants have doubts as to euro area countries' ability to achieve a 2% inflation target amid the significant disinflationary pressure caused by low commodity prices. Similarly, market participants expect the ECB's stimulus measures to be expanded in 2016.

Measures to offer monetary support to the economy adopted in Japan had a positive impact on the situation in the Japanese economy, e.g. the Bank of Japan's ongoing asset purchase programme, which is aimed at ¥80 trillion growth in the monetary base

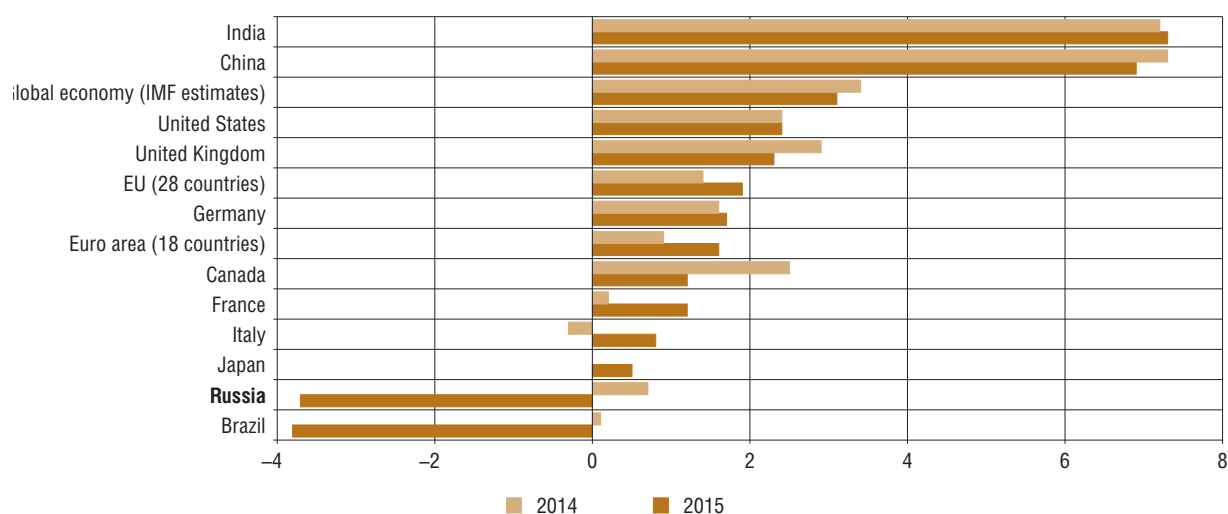
<sup>1</sup> All data on economic growth and inflation in various countries and regions are from the World Economic Outlook (IMF), unless otherwise indicated.

<sup>2</sup> Data from the Bureau of Economic Analysis.

<sup>3</sup> Data on the euro area and United Kingdom from Eurostat.

<sup>4</sup> According to Japanese government data.

### Growth in output of goods and services (percent)



annually (the target growth was raised from ¥50 trillion in October 2014).

GDP growth in emerging markets was the lowest since the global financial crisis of 2008–2009. The fall in commodity prices and geopolitical tension in various regions around the world had a negative impact on a number of emerging market countries. The Chinese economy continued to slow, with growth falling to 6.9% (its lowest growth in the last 25 years). GDP of Latin American countries fell by 0.1%, but the lowest growth was recorded in the CIS countries where GDP (excluding Russia) fell by 0.6%.

Growth in the international trade of goods and services slowed from 3.5% in 2014 to 2.8% in 2015, according to the IMF. However, growth in the imports of goods and services by developed countries increased from 3.5% to 4.3%, whereas emerging markets witnessed the opposite, with a sharp fall from 3.7% to 0.5%.

Expectations that the US Fed's interest rates will rise further have led to a strengthening of the US dollar against global currencies, which, together with the increase in excess supply and weak demand, was a factor underlying the fall in commodity prices in the global market.

Global oil prices fell sharply in 2015, with the average price of Urals crude in particular dropping by 47.5%. Such a drastic fall in oil prices was down to the persistent excess supply in the market amid weak growth in demand and increasing supplies from major producers, combined with the fact that OPEC member states and other major players are unwilling to reduce production (due to fears of losing their

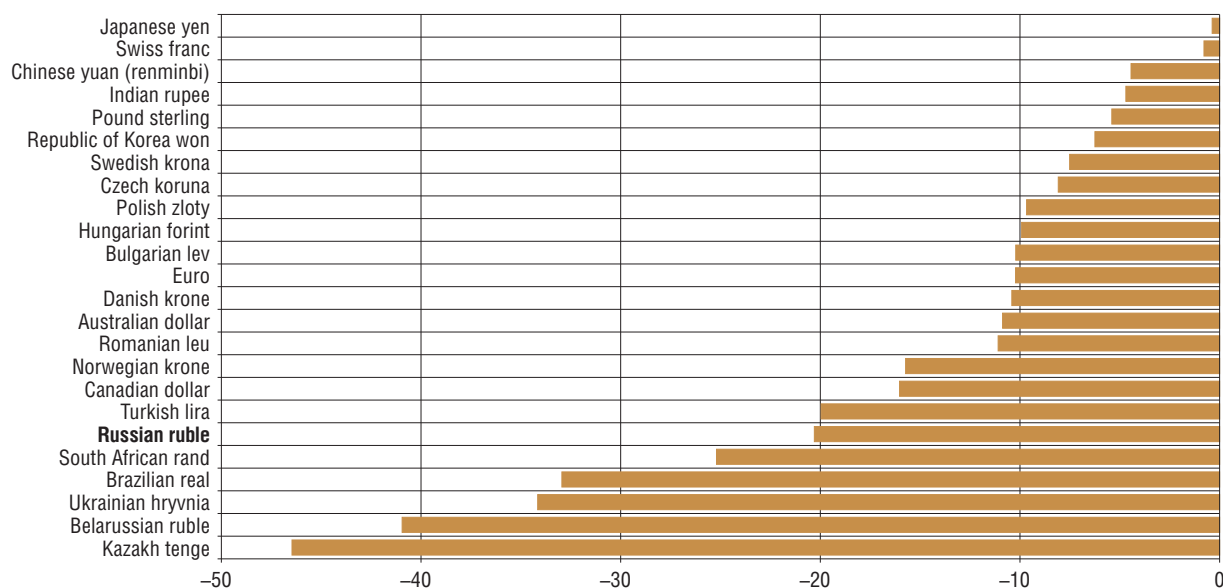
market share) and global reserves have increased to their historical highs (primarily due to reserves in the US). An important factor underpinning the fall in oil prices was the concern expressed by market participants regarding economic growth prospects of China, the world's largest consumer of oil. The situation in China also had an impact on other countries, in particular emerging markets, causing oil demand to fall far below forecasts in 2015 and the excess supply in the market remaining throughout the year.

Annual average prices for foodstuffs in global markets (index published by the UN Food and Agriculture Organisation, the FAO) dropped by 18.7% in 2015 (3.8% in 2014), with prices falling for all five of the main components of the index – meat, grain, dairy, vegetable oil, and sugar. Increased production amid poor growth in demand and the global economy's slow recovery put a downward pressure on prices.

The slowing GDP growth in Russia's trading partners and the deteriorating situation in the global commodity markets led to a reduction in Russia's export earnings. Together with the financial sanctions against Russian companies and banks and the increased external economic uncertainty, this put pressure on the ruble exchange rate. As a result, the average annual real effective exchange rate of the ruble against foreign currencies fell by 16.5% in 2015 (in 2014 it fell by 8.4%), and the nominal exchange rate of the ruble against the US dollar weakened even more, by 37.4%.

The fall in energy and food prices combined with the continued weak economic activity contributed to low inflation rates in many countries around the world.

**Growth in exchange rates of certain currencies against the US dollar in 2015\*  
(December 2015 as a percentage of December 2014)**



\* A '-' denotes the appreciation of the US dollar; '+' – its depreciation; Bloomberg data.

The average annual inflation in developed countries dropped from 1.4% in 2014 to 0.3% in 2015, while the aggregate price growth in emerging markets (excluding Argentina and Venezuela) remained unchanged at 4.7%. However, inflation in the euro area (December on December of the previous year) rose from -0.2% in 2014 to 0.2% in 2015, while in the US inflation dropped from 0.8% to 0.7%<sup>1</sup>. At the same time, the Russian economy continued to be affected by specific factors, in particular the fall in prices for major Russian exports and the depreciation of the Russian ruble. Therefore, the low external inflationary pressure played a minor role in the Russian economy.

In 2015, the financial markets experienced heightened volatility, with trends being shaped primarily by emerging market countries, chiefly China. In the first half of the year, the Chinese stock market witnessed rapid growth, giving way to a sharp decline in June. In three months, the main Chinese stock index, the Shanghai Composite, fell by more than 40%. Investor fears about a downturn in the Chinese economy were reflected in the demand for high-risk assets: in the first half of the year, the global stock market witnessed minor growth on average, but in the second half of the year, global indices shifted downwards.

The growing concerns regarding the outlook for Chinese economic growth, expectations that the US Fed would increase its key rate, and the fall in prices

in global commodity markets, which had a negative impact on exporting nations, all contributed to faster capital outflow from emerging markets. According to data from Emerging Portfolio Fund Research (EPFR) Global, capital outflow from funds investing in emerging market assets (equities and bonds) increased in 2015 compared with 2014 by almost threefold from \$13.6 billion to \$39.4 billion. As a result, the monetary authorities of many emerging market countries were forced to adopt stimulatory monetary policy measures. In particular, China, India, Indonesia, South Korea, Turkey, Poland, Bulgaria, Serbia, and other countries all rushed to reduce rates and adopt measures to ease the monetary policy in 2015. In addition to cutting rates, the People's Bank of China decided to reduce its required reserve ratios and devalue the yuan by significantly liberalising the exchange rate mechanism. The countries that found themselves in the most serious situation were those reliant on commodity exports and those sensitive to capital flows from abroad. In these countries, the monetary authorities were actually forced to tighten their policy in order to reduce inflation amid the significant downturn in their national currencies due to the fall in export prices. Brazil, South Africa, Chile, and Mexico all raised their rates in 2015 as a result of these factors.

On the whole, in 2015 external conditions were unfavourable for the Russian economy.

<sup>1</sup> Data from the US Bureau of Labor Statistics.

## I.2. THE ECONOMIC SITUATION IN RUSSIA

External factors had a negative impact on the Russian economic growth in 2015. The deterioration in the external economic climate and an on-going impact of bilateral trade and financial sanctions led to the ruble depreciation, contraction in the balance on trade, increased economic uncertainty, and stricter non-price lending conditions. Against this backdrop, aggregate demand shrank.

However, in 2015 economic agents started to adapt to the new conditions. The floating exchange rate helped the economy adapt to the changing market climate. The weak ruble caused a reduction in demand from Russian companies, banks and households for foreign assets, leading to a significant fall in private capital outflow. In addition, the ruble depreciation offset in part the fall in exporters' and the budget system's income from foreign trade operations and helped promote import substitution in certain industries.

Unfavourable external and internal structural and cyclical factors led to a reduction in economic activity. GDP<sup>1</sup> fell by 3.7% in 2015 compared with the previous year. A reduced output of goods and services was recorded in most types of economic activity. For the first time since 2003, gross value added decreased in the financial services sector. Only agriculture and mining and quarrying made a significant positive contribution to GDP growth in 2015.

The unfavourable external economic climate, shrinking internal demand, and exchange rate fluctuations had a negative impact on the financial performance of Russian organisations<sup>2</sup>. The share of overdue accounts payable as a percentage of the total amount due at the end of December 2015 increased compared with the equivalent figure for 2014 by 0.5 percentage points to 6.2%, and for bank loans by 0.2 percentage points to 0.8%. The share of overdue accounts receivable as a percentage of the total amount due fell by 0.1 percentage points to 6.4%. The new economic conditions encouraged organisations to optimise their spending (including by switching over to Russian suppliers) and

seek out profitable segments of the market. As a result, at the end of 2015 organisations' net profits were 53.1% higher than in 2014. The low base effect played a key role in this increase in net profits. Among core types of activities, net profits rose the most in transport and communications and manufacturing.

One of the methods used by organisations to optimise their spending was to reduce expenditure on labour. In 2015, real wages fell by 9.3% compared with 2014 and the unemployment rate rose to 5.6% (5.2% in 2014). However, labour utilisation remained high and part-time employment figures increased only slightly compared with 2014.

Overall, real disposable household incomes contracted by 4.3%. Amid the low level of consumer confidence and relatively high interest rates on ruble-denominated loans and deposits, household savings ratios<sup>3</sup> increased considerably (from 7.8% in 2014 to 15.9% in 2015). Falling incomes, tighter consumer lending conditions, and households' transition to a savings model led to a fall in consumer demand. In 2015, household final consumption expenditures fell by 9.6% (in 2014 they grew by 1.5%). Budget restrictions caused a reduction in general government expenditures on final consumption.

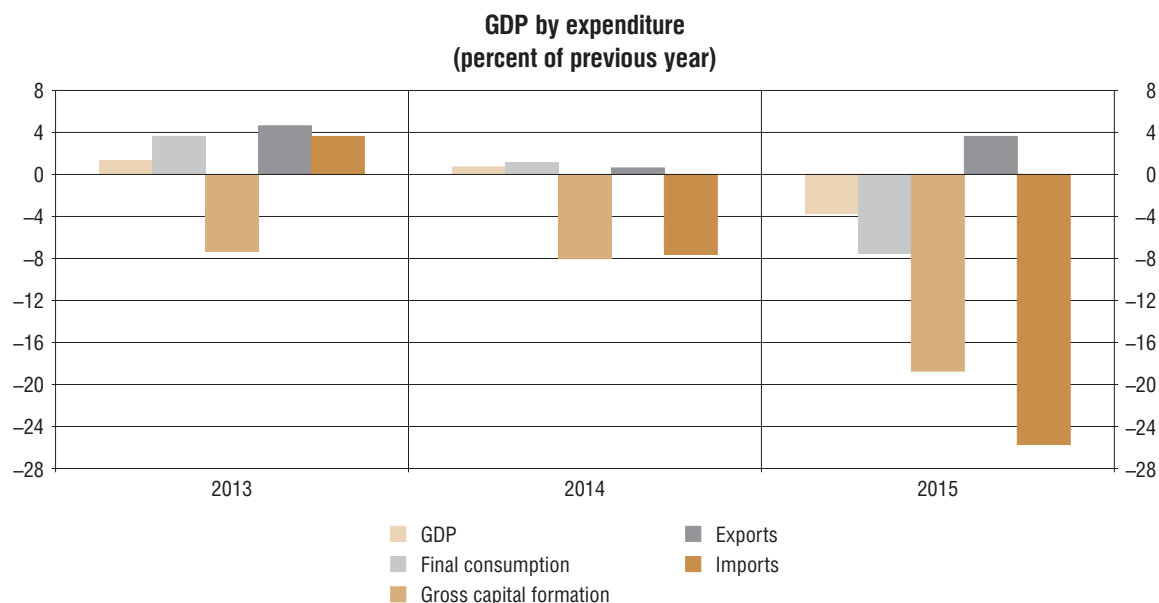
Reduced access to loan funds, including as a result of growth in the risk premium, and the increased cost of imported capital goods intensified the investment slump. The lending opportunities of real sector companies were restricted by the fact that they had a significant debt burden. In 2015, gross fixed capital formation fell by 7.6% compared with the previous year (it fell by 2.6% in 2014). Inventories continued to decrease. As a result, in 2015 the negative contribution of gross capital formation to GDP growth increased by more than two-fold compared with the previous year.

The increased growth in exports of goods and services in 2015 caused growth in net exports' positive contribution to GDP dynamics compared with the previous year, amid a significant reduction in imports.

<sup>1</sup> Here and throughout we are using GDP data from Rosstat for 2011–2015 (as of 4 April 2016).

<sup>2</sup> Excluding small businesses, banks, insurance companies and budget-financed organisations.

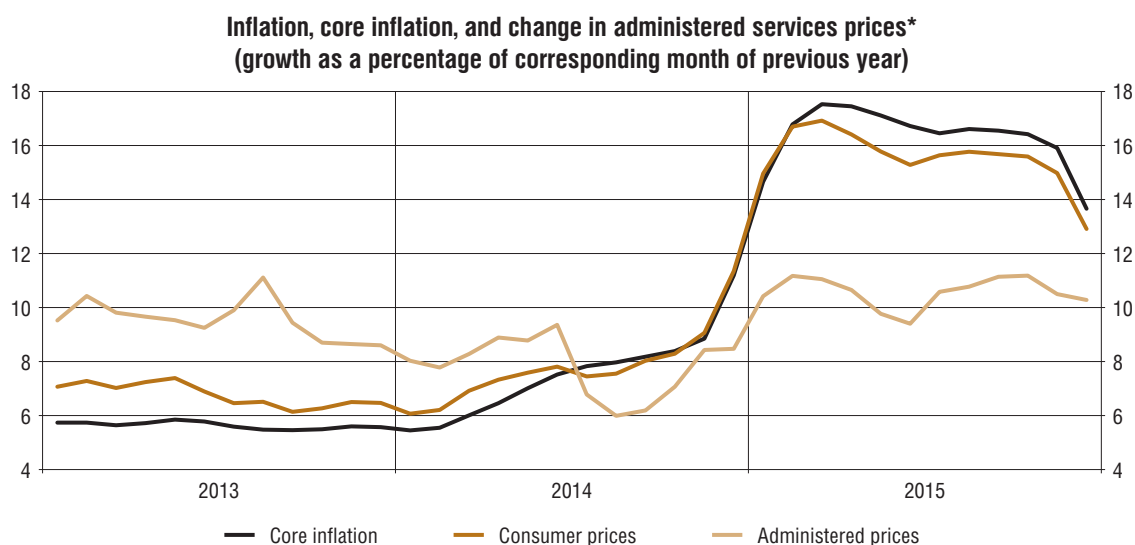
<sup>3</sup> Savings include growth (drop) in deposits, acquisition of securities, changes in balances of the accounts of individual entrepreneurs, changes in overdue loans, purchasing of real estate, and purchasing of livestock and poultry by households. The savings ratio is the ratio of savings to household disposable incomes.



The main factor shaping price dynamics at the start of 2015 was the acceleration of ruble depreciation, which led to an increase in industrial and agricultural producers' prices and consumer prices. Russia's counter-sanctions on a number of food goods, introduced in August 2014, contributed to the increase in inflation. As the scale of exchange rate fluctuations reduced and markets adjusted to the ruble depreciation, and as a result of active measures adopted by the Bank of Russia to neutralise exchange rate and inflation risks, from 2015 Q2 price growth started to slow down. The reduction in global agricultural raw materials and produce prices, a moderate price and tariff indexation for natural monopolies' goods and services, and a good harvest all helped slow inflation. An even greater restraining effect was exerted by weakening consumer demand, which

was a result of falling household incomes and household propensity to save.

Overall, industrial producer prices rose by 10.7% in 2015, 4.8 percentage points higher than in 2014. Manufacturing output prices rose most of all (by 11.2%), due to growth in the cost of imports and increased demand for domestic products in a number of industries. The largest downturn in price dynamics was observed in the mining and quarrying: while in December 2014 internal producer prices were 1.6% lower than the year before, in December 2015 they were 9.8% higher. These dynamics contributed to the change in ruble-denominated prices for exported output. Producer prices in agriculture rose less than in 2014 (by 8.5% and 14.1% respectively) due to the slowing inflation of livestock prices. Freight tariffs increased by 11.5% (0.9% in 2014).



\* Bank of Russia estimate.

Overall, the consumer price growth accelerated in 2015 compared with 2014. The increase in inflation was linked to a marked increase in the rate of price growth for nonfood goods – to 13.7% in December 2015 compared with 8.1% in December 2014 (relative to the corresponding month of the previous year). The ruble depreciation impacted price dynamics for this group of goods both in 2015 and at the end of 2014. At the start of 2015, it was amplified by a surge in demand for durable goods amid the increase in household depreciation expectations. Prices for nonfood goods only started to slow in December 2015 (relative to the comparable month of the previous year).

Conversely, the growth in prices for food goods was 1.4 percentage points lower in 2015 than in 2014, at 14.0%. Exchange rate dynamics are shifting to the change in food prices faster than prices for nonfood goods. Increased exchange rate volatility was reflect-

ed in prices for food goods as early as the end of 2014. Growth in food goods prices peaked in February 2015 (23.3% relative to February 2014). In subsequent months, inflation in the food goods market fell gradually.

Services prices increased the least of all – by 10.2% in 2015, which was 0.3 percentage points lower than in 2014. Administered tariffs for utility and transport services increased more than in 2014, but the growth in prices for market services sensitive to decreases in demand slowed.

Overall, after peaking in March 2015 (16.9% relative to March 2014), inflation started to fall. In December 2015, consumer prices were 12.9% higher than in the corresponding month of the previous year (in December 2014 they were 11.4% higher than the previous year). This is the highest value since 2009. Core inflation was 13.7% (11.2% in 2014).



## I.3. THE FINANCIAL SECTOR

### I.3.1. Credit institutions

In 2014 Q4, the starting conditions were unfavourable for growth in the banking sector in 2015. Nonetheless, the banking sector remained stable and fulfilled its main systemic functions in full during the reporting year.

For most of the year, growth in lending to the economy slowed. However, the foreign exchange revaluation had a significant impact on banking sector figures. The overall situation in the banking sector improved in the second half of 2015.

One of the most important prerequisites for increased lending is a sufficient level of capital at credit institutions. In the second half of 2015, growth in lending came largely from banks involved in the banking sector recapitalisation programme and taking upon themselves the task of expanding lending to priority sectors of the economy, small and medium-sized enterprises (SMEs), mortgage lending, and investing in bonds of constituent territories of the Russian Federation and mortgage bonds.

2015 saw an inflow of household deposits to banks, pointing to continued trust in the banking sector.

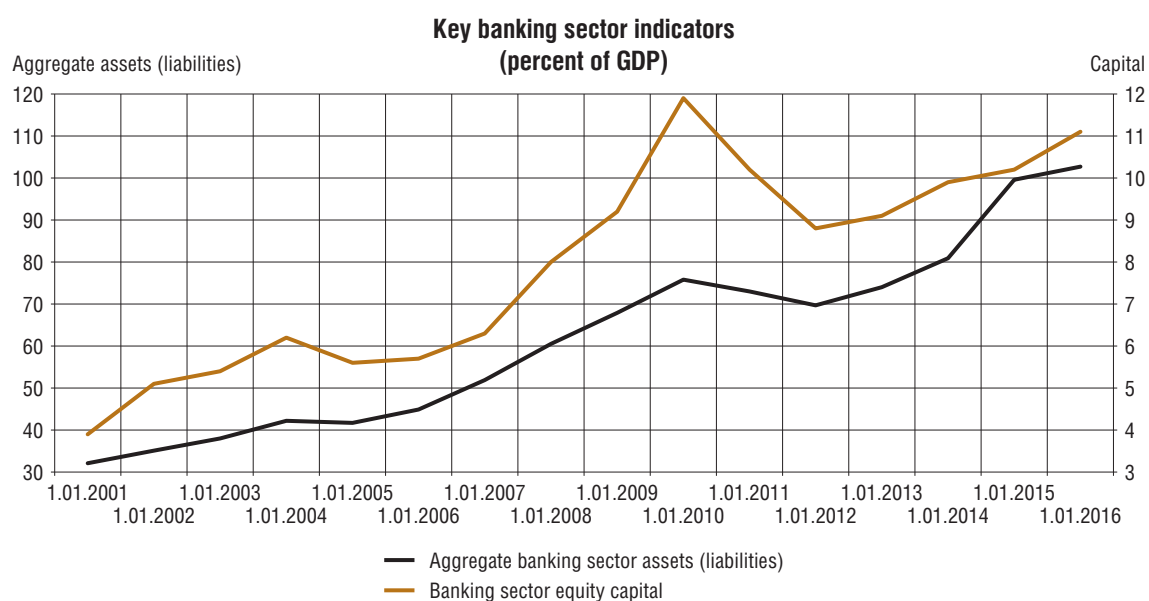
Banking sector assets grew by 6.9% over 2015 (assets fell by 1.6% when adjusted for foreign exchange revaluation) compared with 35.2% (18.3% excluding the foreign exchange revaluation) in 2014. The total assets held by Russian banks as of 1 January 2016 reached ₸83.0 trillion. As a result of the rapid growth in bank assets relative to GDP, the assets to GDP ratio increased from 99.6% to 102.7% over the year.

Banking sector equity capital increased by 13.6% over 2015 (by 12.2% over 2014) to ₸9.0 trillion, largely due to government support measures. The ratio of banking sector capital to GDP increased over the year from 10.2% to 11.1%.

#### Credit institution liability structure

Credit institutions' funding base continued to expand in 2015 thanks to funds in customer accounts.

Over 2015, the total amount of deposits and funds from organisations (excluding banks) in accounts<sup>1</sup> rose by 15.6% (excluding the foreign exchange revaluation, by 2.7%); the total amount as of 1 January



<sup>1</sup> This figure includes deposits and other funds deposited by legal entities (excluding credit institutions), net of deposits by the Russian Ministry of Finance and extra-budgetary funds, and funds deposited by organisations (excluding credit institutions) in settlement and other accounts. The figure has been included in the 2015 Annual Report in place of the 'funds deposited by organisations (excluding banks)' figure previously used.



2016 reached ₽27.1 trillion, which accounts for 32.6% of credit institutions' liabilities (30.2% as of 1 January 2015). The amount of funds deposited by organisations in rubles rose by 5.1%, while funds in foreign currency (in dollar terms) decreased by 0.5%.

Total household deposits<sup>1</sup> for 2015 rose by 25.2% (9.4% in 2014) to ₽23.2 trillion, and excluding the exchange rate factor the growth in deposits over the year was 16.8% (in 2014 deposits fell by 2.5%). The share of foreign currency deposits increased from 26.1% to 29.4% (excluding the exchange rate factor, the share fell to 24.3%). As of 1 January 2016, deposits accounted for 28.0% of banking sector liabilities (23.9% as of 1 January 2015). The share of Sberbank in the household deposit market increased over the year from 45.0% to 46.0%.

Through a more active use of conventional sources of funding in 2015, credit institutions significantly reduced their borrowing from the Bank of Russia (by 42.3%, to ₽5.4 trillion), with the share of Bank of Russia funds in banks' liabilities reducing from 12.0% to 6.5%. In 2015, the amounts outstanding on deposits placed with banks by the Federal Treasury reduced by 28.4% to ₽0.4 trillion (a significant decrease occurred in December – by a factor of 2.7 or by ₽0.7 trillion), with their share in banking sector liabilities reducing from 0.7% as of 1 January 2015 to 0.5% as of 1 January 2016.

The weighted average interest rate on ruble-denominated deposits by nonfinancial organisations for terms over one year reduced from 13.6% p.a. in January to 10.8% p.a. in December 2015. The weighted average interest rate on ruble-denominated deposits by households for the same terms during this period fell from 13.1% p.a. to 9.3% p.a.

Credit institutions' liabilities in foreign currency decreased by 5.4% over 2015 in dollar terms and, as of 1 January 2016, accounted for 33.2% of total banking sector liabilities (27.8% excluding the exchange rate factor), compared with 29.0% the previous year.

### Credit institution asset structure

2015 saw moderate growth rates in lending: the total amount of lending to the economy (to nonfinancial organisations and households) rose by 7.6% (25.9% in 2014) to ₽44.0 trillion; excluding the foreign exchange revaluation, lending to the economy remained virtually unchanged (growth of 0.1%). The ratio of lending to the

economy to GDP increased over the year from 52.4% to 54.4%.

The amount of loans and other funds placed by non-financial organisations rose over this period by 12.7% (31.3% over 2014) to ₽33.3 trillion; excluding the foreign exchange factor, growth was 2.5%. The share of these loans in banking sector assets increased from 38.0% to 40.1% over 2015.

Overdue loans to small and medium-sized businesses totalled ₽4.8 trillion as of 1 January 2016 or 14.5% of banks' total corporate loan portfolio. As of 1 January 2016, total loans to SMEs reduced by 5.7% year-on-year (0.8% in 2014).

Broken down by type of economic activity, loans to manufacturing businesses accounted for the largest share (23.5% of the corporate loan portfolio as of 1 January 2016)<sup>2</sup>. The share of loans to wholesale and retail businesses reduced from 18.2% as of 1 January 2015 to 14.7% as of 1 January 2016.

The dynamics of loans to various types of businesses in 2015 were different. Overdue loans to construction organisations and trade businesses reduced year-on-year by 7.4% and 12.9% respectively (by 12.5% and 15.9% when adjusted for the foreign exchange revaluation). Overdue loans to manufacturing businesses increased by 14.4% in 2015 (by 5.3% excluding the exchange rate effect), but loans to mining businesses rose the most, as in 2014, by 21.3% (by 4.4% when adjusted for exchange rate dynamics).

The share of the foreign currency component of lending to nonfinancial organisations increased from 33.3% as of 1 January 2015 to 39.8% as of 1 January 2016. The share of foreign currency loans increased in all types of economic activity except agriculture, where the figure dropped from 7.8% to 6.9%. Mining businesses still account for the highest share of overdue foreign currency loans – 61.4% as of 1 January 2016.

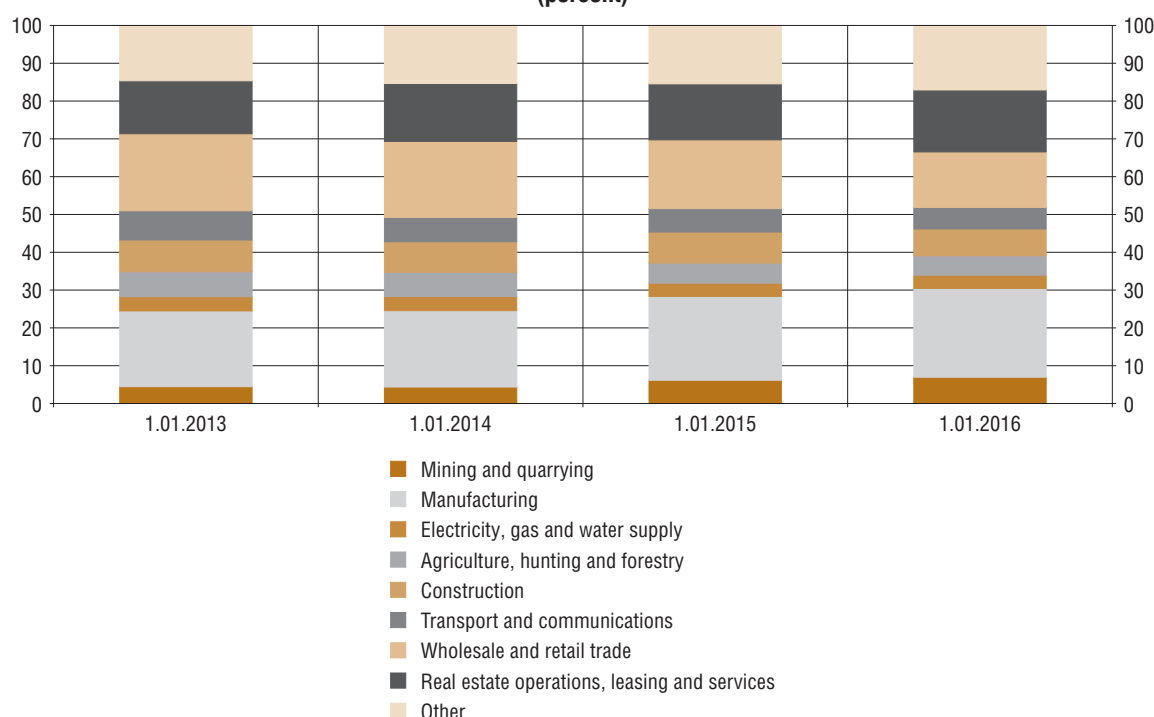
Overdue loans to households fell by 5.7% over 2015 (a growth of 13.8% was registered in 2014) to ₽10.7 trillion. The share of these loans in banking sector assets was 12.9% as of 1 January 2016. The foreign exchange revaluation had a negligible impact on growth in retail lending. Household lending reduced mainly due to a fall in unsecured consumer lending.

The total debt on mortgage loans for 2015 increased by 12.9% to ₽4.0 trillion. As before, overdue ruble loans

<sup>1</sup> Including savings certificates.

<sup>2</sup> For loans granted to resident legal entities and individual entrepreneurs, excluding loans for settlements. Here and throughout, the lending figures broken down by type of economic activity are presented taking into account data on the state corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank).

**Structure of banking sector corporate lending portfolio by economic activity (percent)**



dominate – ₴3.9 trillion (accounting for 96.7% of mortgage lending). Over the reporting year, roughly 700,000 mortgages were provided (1.013 million in 2014).

Credit institutions' total claims against the Bank of Russia (for correspondent accounts, deposits, and other funds placed with the Bank of Russia) decreased by 25.9% over 2015 (in 2014 they increased by 51.8%) to ₴2.1 trillion; the share of these claims in banking sector assets fell from 3.6% to 2.5%.

Interest rates on lending to nonfinancial organisations decreased in 2015: the weighted average rate on ruble-denominated loans for terms over one year was 13.0% p.a. in December, which is 2.1 percentage points lower than in January 2015. For ruble-denominated household loans of the same terms, the weighted average rate fell from 19.5% p.a. in January to 17.5% p.a. in December 2015. The weighted average rate for ruble-denominated mortgages fell from 14.2% p.a. in January to 12.9% p.a. in December 2015.

In 2015, the securities portfolio increased by 21.1% (24.3% in 2014) to ₴11.8 trillion and its share in banking sector assets rose from 12.5% to 14.2%. Total investments in debt liabilities reached ₴9.6 trillion by the end of 2015, accounting for 81.6% of the securities portfolio. However, equities shrank by 39.6%, with their share in

the securities portfolio halving from 5.0% to 2.5% at the end of 2015.

Credit institutions' foreign currency assets reduced by 4.6% over 2015 in dollar terms and, as of 1 January 2016, amounted to 34.7% of total banking sector assets (29.1% excluding the exchange rate factor) compared with 30.0% the previous year.

### Claims and obligations on interbank loans

The total portfolio of interbank loans<sup>1</sup> granted in 2015 increased by 24.9% (34.4% in 2014) to ₴8.6 trillion, and its share in banking sector assets rose from 8.9% to 10.4%. At the same time, the amount of interbank loans offered to resident banks increased by 33.2% and to non-resident banks by 14.8%; excluding the foreign exchange revaluation, loans to nonresident banks fell by 9.6%.

The amount of interbank loans from nonresident banks decreased by 19.8% in 2015.

At the end of 2015, the Russian banking sector continued to be a net creditor in operations with nonresident banks: net claims to nonresidents in the interbank market rose from ₴0.5 trillion to ₴1.5 trillion in 2015, due primarily to the reduction in Russian banks' external liabilities.

<sup>1</sup> Interbank loans are loans, deposits and other funds placed (raised) in the interbank market.

## Banking sector financial results and capital

In 2015, the net profit of operating credit institutions was ₧192 billion (₧589 billion in 2014). The main factors causing this fall in profits were a ₧425-billion (or 16.8%) reduction in net interest income received over 2015 to ₧2.1 trillion (₧2.5 trillion in 2014) and a ₧211-billion (or 14.0%) increase in net expenditures on loss provisions (less provisions recovered from income)<sup>1</sup>.

The reduction in the net interest income was a consequence of a significant increase in the cost of funding and a simultaneous decrease in demand for new loans amid unfavourable macroeconomic conditions. The ratio of banks' net interest income to gross interest income reduced from 48.0% as of 1 January 2015 to 32.4% as of 1 January 2016. Nonetheless, the net interest income remained the most significant item in banks' financial results: its share in factors contributing to profit growth was 59.8% (60.8% in 2014).

The dynamics of the net interest income were largely shaped by its reduction in operations with households (by ₧630 billion or nearly 65%). The interest income on household loans fell by 2.3%, while interest expenditures on household operations rose by 68.2%, reflect-

ing the increase in household deposit rates to prevent an outflow of deposits.

The net fee income increased by ₧47 billion in 2015, or by 6.5% (10.8% in 2014). The share of this item in the structure of profit growth factors increased from 17.4% to 21.9% over the year.

The share of net income from foreign currency operations (primarily, revaluation) in the structure of profit growth factors rose over the year from 10.1% to 12.8%.

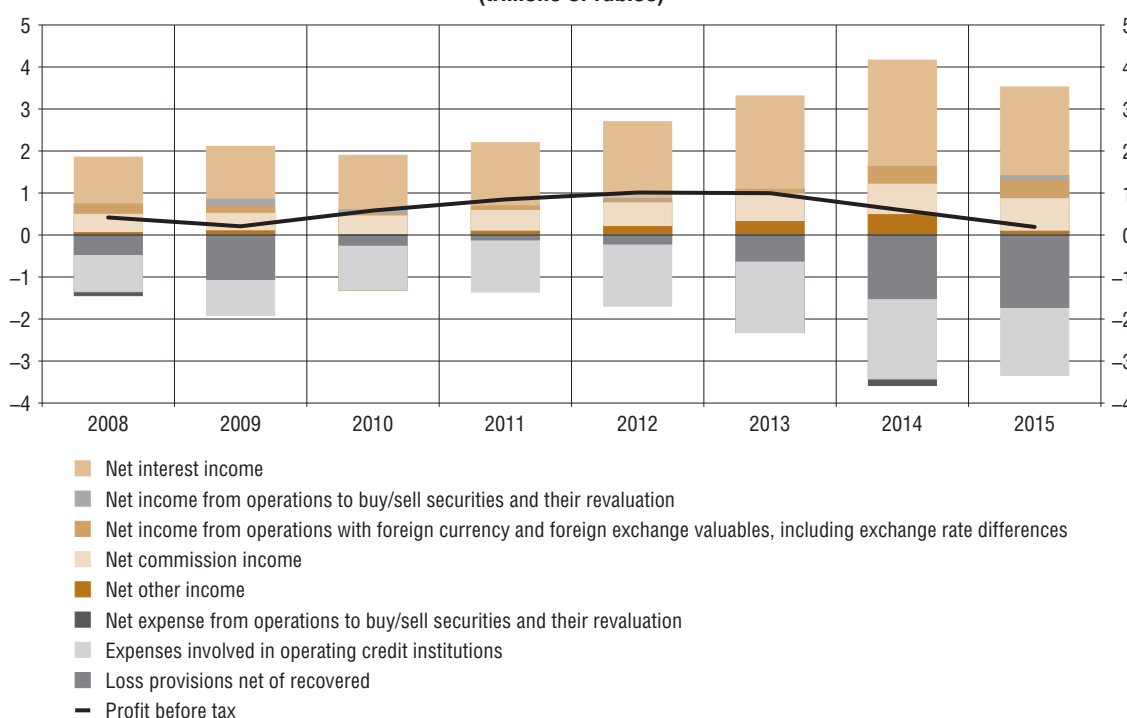
The net income from securities operations in 2015 was ₧103 billion, with this income accounting for 2.9% in the structure of profit growth factors (in 2014, a net loss was recorded from these operations, amounting to 4.3% of profit growth factors).

In 2015, the share of banks' net other income in profit growth factors reduced from 11.6% to 2.6%, largely due to operations with financial derivatives. The net expenditures from financial derivatives were caused by the growing volatility of currency exchange rates. Over 2014, these operations largely contributed to growth in profits.

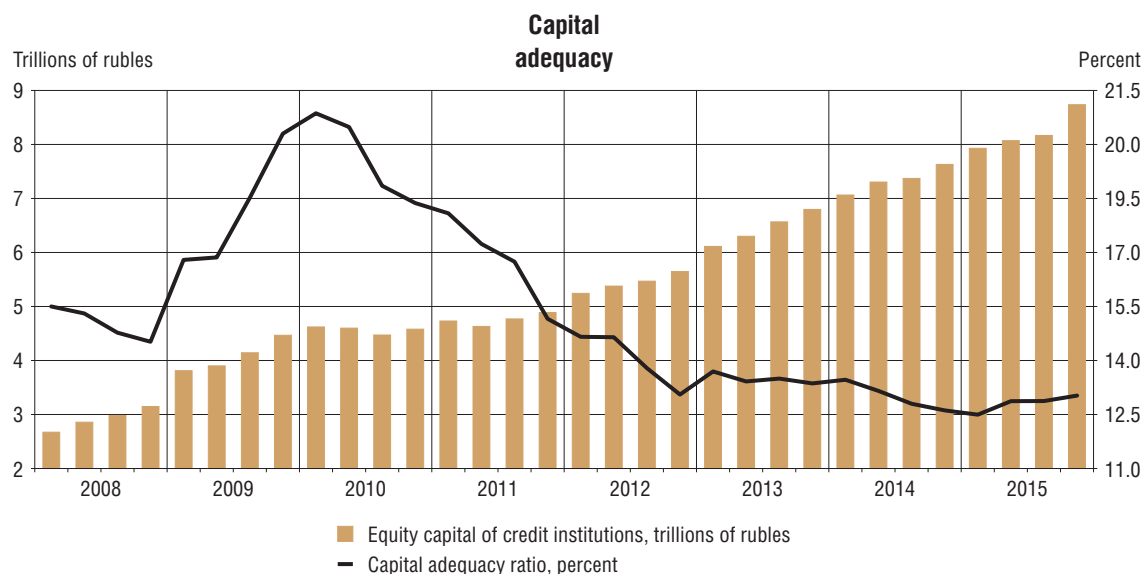
Expenditures related to the activities of credit institutions fell by 15.5% over 2015.

The return on bank assets for 2015 fell from 0.9% to 0.3% and the return on capital fell from 7.9% to 2.3%.

**Banking sector profit factors**  
(trillions of rubles)



<sup>1</sup> The structure of the factors affecting performance in 2015 is based on data from reporting form 0409102 'Credit institution's income statement'.



The share of profit-making credit institutions over the course of the year fell from 84.9% to 75.4%, with their profit totalling ₹736 billion. Moreover, 180 credit institutions reported losses totalling ₹544 billion over 2015; roughly 30% of the losses were reported by banks undergoing bankruptcy-prevention measures.

In 2015, credit institutions' equity capital increased by 13.6% (₹1.1 trillion), fixed capital by 5% (₹284 billion), and core capital by 3.9% (₹220 billion).

As many as 542 credit institutions raised capital totalling ₹1.7 trillion and 191 credit institutions experienced a decline in their equity capital by ₹371 billion<sup>1</sup>, with 59% of this decline attributed to banks undergoing bankruptcy-prevention measures.

The number of credit institutions with capital exceeding ₹10 billion increased in 2015 from 85 to 86.

The growth in equity capital in 2015 was mostly caused by an increase in bank subordinated borrowing. The total growth in equity capital was ₹1.0 trillion, with banks receiving ₹295 billion as part of bank recapitalisation programmes through the state-owned corporation Deposit Insurance Agency (DIA). The second most important source of bank recapitalisation was an increase in authorised capital and share premium (₹532 billion, of which ₹507 billion was received by banks in the form of preference shares owing to recapitalisation through the DIA). The growth in credit institutions' capital from profits amounted to ₹351 billion (₹384 billion in 2014). The main factors behind the fall in capital were capital losses and de-

ductions, linked to investments in financial organisations' equities (shares).

The banking sector equity capital adequacy ratio (N1.0) increased in 2015 from 12.5% to 12.7%. At the same time, given that most of the subordinated debt is taken into account in additional capital sources, the core capital adequacy ratio (N1.1) fell from 8.9% to 8.2%, and the fixed capital adequacy ratio (N1.2) fell from 9.0% to 8.5%.

### Foreign-controlled banks

In 2015, the number of foreign-controlled banks<sup>2</sup> fell from 113 to 106. As of 1 January 2016, 15 foreign-controlled banks ranked among the top 50 credit institutions in Russia in terms of assets. Foreign-controlled banks' share in the Russian banking sector assets fell from 13.9% to 13.0%, and in equity capital from 17.2% to 16.7%. For 29 out of these 106 banks, the ultimate beneficiaries were residents of the Russian Federation.

The share of loans provided by foreign-controlled banks to nonfinancial organisations increased by 6.6% over 2015, while loans to households shrank by 20.5%. However, the share of loans provided by foreign-controlled banks to nonfinancial organisations as a percentage of total banking sector corporate loans reduced from 11.6% to 10.9%, and in the household lending portfolio from 18.6% to 15.7%.

The share of foreign-controlled banks in the household deposit market also fell over 2015 (from 12.0% to 11.4%).

<sup>1</sup> In 2015, 104 credit institutions ceased operating due to the revocation of their licences, restructuring or cancellation of their licences. At the start of 2015, their capital totalled ₹231 billion. Three organisations obtained banking licences (as of 1 January 2016, their capital amounted to ₹0.5 billion).

<sup>2</sup> Banks with foreign stakes in authorised capital exceeding 50%.

In 2015, the share of nonresident banks' interbank lending in Russian foreign-controlled banks' liabilities continued to fall (reducing from 6.8% to 5.6%). At the same time, the role of this group of banks changed in interbank operations with nonresidents: they turned

from net borrowers (the total net obligations to nonresident banks stood at ₴155 billion as of 1 January 2015) into net creditors (the total net claims against nonresident banks equalled ₴111 billion as of 1 January 2016).

### 1.3.2. Nonbank financial institutions

**Insurance entities.** As of 1 January 2016, 478 insurance entities were registered in the Unified State Register of Insurance Entities: 334 insurance companies, 134 insurance brokers, and 10 mutual insurance companies. Over 2015, the number of insurance companies fell by 70, insurance brokers by 17, and mutual insurance companies by two.

The total assets held by insurers as of 31 December 2015 was ₱1,624.9 billion<sup>1</sup> (₱1,547.4 billion as of 31 December 2014). The total capital held by insurers was ₱395.1 billion (₱389.9 billion as of 31 December 2014) and the total insurance reserves amounted to ₱972.9 billion (₱900.8 billion as of 31 December 2014). Insurers' net profit was ₱91.7 billion (₱50.7 billion as of 31 December 2014).

In 2015, the insurance market faced a downturn in demand, caused by the general recession in the Russian economy: 129.4 million insurance agreements were signed with households, which is 10.0% less than the figure for 2014, and 14.0 million insurance agreements were signed with legal entities (a fall of 13.5%).

However, insurers' total insurance premiums in 2015 rose by 3.3% compared with 2014 to ₱1,023.8 billion. The 20 largest insurers accounted for 77.5% of premiums collected in 2015 (72.6% in 2014) and the 100 largest insurers – for 96.2% (93.7% in 2014). Total indemnities to insurance policy holders increased by 7.1% to ₱509.2 billion by the end of 2015.

The persistence of positive growth dynamics for insurance premiums was largely down to increased rates for compulsory motor third party liability insurance, which led to 44.2% growth in this segment compared with 2014. The total insurance premiums collected for CMTPLI amounted to ₱218.7 billion in 2015.

The life insurance market also continued to show signs of growth in 2015. The total life insurance premiums amounted to ₱129.7 billion, an increase of 19.1% compared with 2014. Total indemnities amounted to ₱23.7 billion.

For the market as a whole, the sliding indemnity ratio for 2015 reached 49.7%, which is 1.9 percentage points higher than the figure for 2014, including: 77.3% for voluntary medical insurance (an increase of

0.5 percentage points), 76.9% for land-based transport (excluding railway transport) insurance (a decrease of 1.7 percentage points), and 56.6% for CMTPLI (a decrease of 3.3 percentage points).

**Non-governmental pension funds (NPFs).** As of 31 December 2015, there were 102 NPFs registered in the Unified State Register of NPFs (compared with 120 NPFs as of 31 December 2014). This reduction in the number of NPFs is due to licence revocations. The main reason for licence revocations was poor asset quality.

As of 31 December 2015, the sum total of assets held by NPFs amounted to ₱2,886.9 billion; the amount of equity capital held by NPFs and assets for statutory activities was ₱160.3 billion (an increase of 11.9% compared with the same period in 2014) and liabilities on the key type of NPF activities<sup>2</sup> (pension funds) totalled ₱2,698.8 billion (an increase of 33.0%), of which the total pension savings held by NPFs (balance sheet value) was ₱1,707.1 billion (an increase of 51.2%); and the amount of pension reserves held by NPFs was ₱991.6 billion (an increase of 10.2%). At the end of 2015, the net profit of NPFs was ₱232.5 billion (a 288.9% increase compared with the previous year). In 2015, ₱616.0 billion of pension savings<sup>3</sup> were transferred from the Pension Fund of the Russian Federation to NPFs.

The submission period for NPFs to apply to join the system guaranteeing the rights of insured persons ended on 31 December 2015. As of 1 January 2016, 33 NPFs were part of this system, accounting for 95% of pension savings.

The main changes in the pension market in 2015 were associated with stricter requirements on NPFs investing pension savings in the banking sector and the introduction of new rules regarding the transfer of the cumulative part of the pension, which in fact increase the investment horizon from one year to five years.

**Unit and joint-stock investment funds.** As of 1 January 2016, 1,559 funds were registered in the Unified State Register of Unit Investment Funds (PIFs): 1,137 closed-end, 372 open-end and 50 interval PIFs. Over 2015, the number of PIFs fell by 27.

In 2015, the net inflow of investments into PIFs exceeded the 2014 figure twofold, reaching ₱134.1 bil-

<sup>1</sup> Here and throughout we present data on insurers' activities based on information as of 18 February 2016 (excluding accounting (financial) data for 2015). Accounting (financial) data for 2015 are given as of 1 April 2016.

<sup>2</sup> Liabilities on the key type of NPF activities are the total pension reserves and pension savings held by NPFs.

<sup>3</sup> According to data from the Pension Fund of the Russian Federation.



lion. Closed-end PIFs recorded a significant net inflow of investments: ₱133.3 billion in 2015 (₱101.0 billion in 2014). The net inflow of investments into open-end PIFs was ₱2.2 billion in 2015 (by the end of 2014, open-end PIFs recorded a net outflow of ₱34.7 billion). By the end of 2015, interval PIFs recorded a net outflow of investments, exceeding the figure for the previous year: ₱1.4 billion compared with ₱0.7 billion in 2014.

The net asset value (NAV) of PIFs was ₱2.4 trillion as of 31 December 2015 (growth of 12.2% over the year), with closed-end PIFs accounting for the majority of the NAV structure among PIFs (94.4%).

The total asset value of PIFs as of 31 December 2015 was ₱2.7 trillion (3.3% of GDP). Real estate investments accounted for a significant portion of PIFs' assets (42.3% of PIFs' aggregate portfolio). This type of assets is concentrated in the portfolio of closed-end PIFs. A significant amount of PIFs' aggregate portfolio is occupied by investments in Russian-issued equities, accounting for a 15.9% share of PIFs' portfolio as of 31 December 2015 (16.7% the previous year).

The weighted average yield of PIFs in 2015 was 5.5%, which is lower than inflation in 2015 (12.9%) and lower than PIFs' yield in 2014 (7.1%). The yield of open-end PIFs was 27.3%, and interval and closed-end PIFs 15.0% and 4.5% respectively.

The number of joint-stock investment funds (AIFs) in the register of joint-stock investment funds was four as of 31 December 2015 (six as of 31 December 2014). The NAV of AIFs for the year grew by 12.3% to ₱5.8 billion.

**Professional securities market participants.** In 2015, the Russian financial market continued to see downward trends in the number of credit and nonbank financial institutions with professional securities market licences: their number fell from 1,079 as of 1 January 2015 to 875 as of 1 January 2016. The number of broker licences fell in 2015 by 170 to 633 licences, together with the number of dealer licences by 166 to 651, trust manager licences by 165 to 541 and depository licences by 77 to 502. The number of registrars and clearing houses was unchanged over the reporting period at 39 and 5 respectively as of 1 January 2016. The number of stock exchange licences increased by one over 2015 to nine licences by the end of the year. In 2015, one forex dealer licence was also issued; as of 1 January 2016

two goods supply operators were accredited (including one in 2015).

The total assets of professional participants – non-bank financial institutions (hereinafter, professional participants – NFI) amounted to ₱761.8 billion (0.9% of GDP) as of 31 December 2015. Short-term investments accounted for the largest share of the total assets of professional participants – NFI (35.7%): ₱272.0 billion. Accounts receivable totalled ₱239.3 billion (31.4%). Cash amounted to ₱123.2 billion (16.2% of total assets).

Short-term liabilities dominated the structure of liabilities of professional participants – NFI (₱454.1 billion or 59.6% of total liabilities).

The equity capital of professional participants – NFI increased from ₱198.8 billion as of 31 December 2014 to ₱207.4 billion as of 31 December 2015, mainly due to significant growth in accounts receivable.

**Microfinance market participants.** The number of microfinance organisations (MFOs) in the state register of MFOs fell by 12% in 2015 to 3,688 as of 1 January 2016<sup>1</sup>; the number of consumer credit cooperatives (CCCs) in the state register of CCCs shrank by 1% to 3,500; and the register of housing savings cooperatives included 77 organisations. The number of pawnshops was 8,417 and of agricultural consumer credit cooperatives – 1,738. As of 1 January 2016, there were three self-regulatory MFOs and nine self-regulatory CCCs in operation.

The portfolio of microloans issued by MFOs totalled ₱70.3 billion as of 31 December 2015, an increase of ₱13.0 billion over the year (22.7%). Active growth was recorded in 2015 in the portfolio of microloans issued by MFOs affiliated with major retail banks. Over the year, MFO data showed growth in the microloan portfolio outstripping market growth (134.4%), increasing their market share from 7.3% to 13.8%<sup>2</sup>.

According to preliminary data from the Bank of Russia's quarterly quality survey of the microloan portfolios of some of the largest MFOs<sup>3</sup>, in 2015 the growth in overdue debt slowed amid a satisfactory level of loss provisions for loans. Thus, annual growth in overdue debt dropped from 63.0% to 38.9% and loss provisions for loans amounted to 13.5% of the microloan portfolio as of 31 December 2015. Microloans to legal entities and entrepreneurs accounted for 32% of the microloan portfolio at the end of 2015.

<sup>1</sup> In exercising its powers, the Bank of Russia removed 1,703 MFOs from the state register of microfinance organisations in 2015.

<sup>2</sup> According to preliminary data from the supervisory reports for 2015.

<sup>3</sup> In 2015 Q4, 89 private and public MFOs took part in the project, representing 48% of the market in terms of loan debt in the microloan portfolio.

In 2015, the Bank of Russia calculated and published average market figures each quarter for effective interest rates (EIR) in the microfinance market. Depending on the category of a consumer loan, they ranged from 23.3% to 686.1% (for unsecured loans for terms up to one month and an amount up to ₺30,000). These high MFO rates can in part be explained by the unsecured nature of microloans, an increased risk of default, as well as the higher share of operating costs

for each microloan. In the second half of 2015, due to growing competition and information disclosure requirements, the market average EIR in this category of microloans fell by 74.8 percentage points in absolute terms.

The combined portfolio of loans issued by CCCs was valued at ₺50 billion at the start of 2015. Based on 2015 results, the portfolio of loans issued by CCCs rose by 10% to ₺55 billion.



### I.3.3. Financial markets

In the **money market**, rates for overnight ruble-denominated interbank loans (IBL) remained within the Bank of Russia's interest rate corridor in 2015. Over the reporting period, the IBL rate dynamics were primarily shaped by the situation with ruble and foreign currency liquidity.

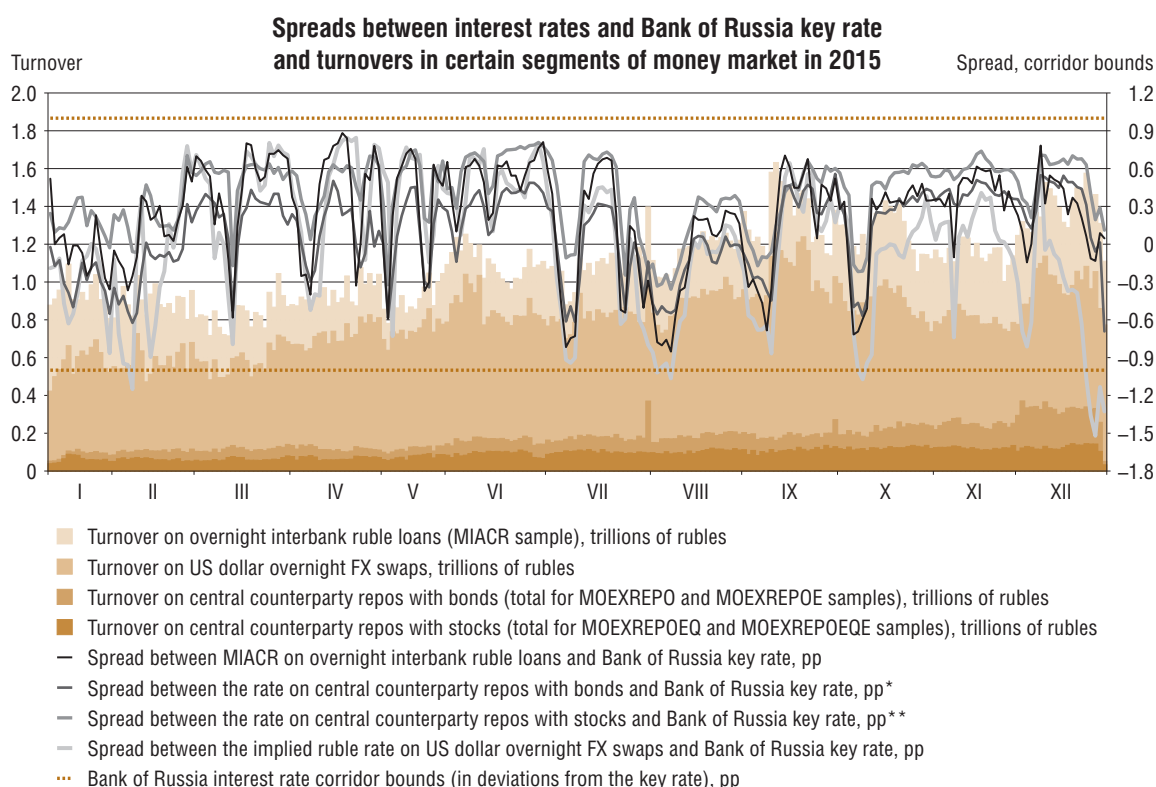
The inflow of liquidity into the banking sector due to autonomous factors affecting liquidity caused a significant reduction in the structural liquidity deficit in 2015. In these conditions, the Bank of Russia reduced the limits on ruble-denominated one-week repo auctions proportionately. Small banks with limited opportunities to raise liquidity in the money market exhibited high demand for liquidity through Bank of Russia repos, which helped to raise the cut-off rate at repo auctions. In these conditions, major credit institutions increased their borrowing in the money market, causing overnight ruble-denominated IBL rates to sit predominantly in the upper half of the Bank of Russia's interest rate corridor.

In January – early February and in December 2015, the increased supply of ruble liquidity in the FX swap segment, caused by high demand for FX liquidity, con-

tributed to a reduction in ruble-denominated rates in the money market.

In the Russian **foreign exchange market**, the ruble exchange rate dynamics were largely shaped by global oil prices in 2015. The volatility of the ruble exchange rate reduced due to adaptation of economic agents to the floating exchange rate and new external economic conditions. However, the volatility of the US dollar/ruble exchange rate remained higher than the values observed before the transition to the floating exchange rate in November 2014 due to persistently high volatility in global oil prices.

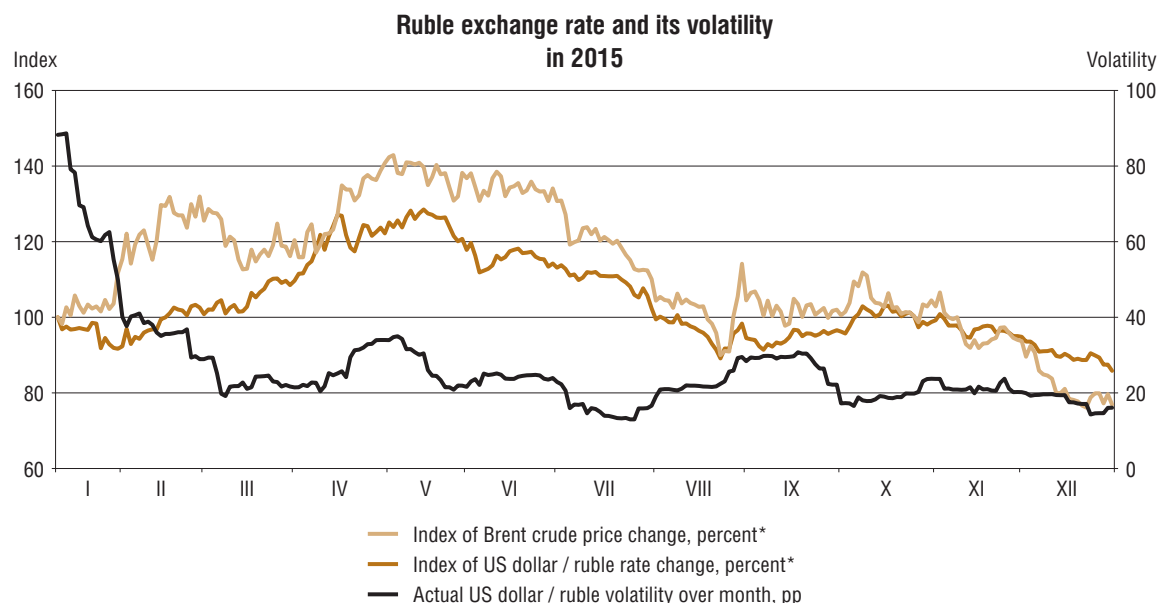
The Bank of Russia raised its key rate to 17.00% p.a. at the end of 2014, which helped strengthen the ruble in February–April 2015, together with the growth in the amount of FX liquidity provided to banks on a repayable basis. Expectations that the US Fed would tighten its monetary policy contributed to the depreciation of the ruble and most global currencies over 2015. By the end of 2015, the official US dollar/ruble exchange rate had risen by 30% relative to 31 December 2014, to ₴72.8827 per dollar as of 31 December 2015 and



\* Weighted average value of MOEXREPO and MOEXREPOE.

\*\* Weighted average value of MOEXREPOEQ and MOEXREPOEQE.

Sources: Bank of Russia, Thomson Reuters, and PJSC Moscow Exchange.



\* Indicators as of 12 January 2015 equal 100 percent.  
Source: Thomson Reuters.

the euro/ruble exchange rate had risen by 17% to ₪79.6972 per euro.

The average daily trading turnover in the spot segment of the FX market for the US dollar/ruble and euro/ruble currency pairs reduced by 14% in 2015 to \$6.4 billion.

In connection with the Federal Treasury selling foreign currency to the Bank of Russia in January 2015, the Bank of Russia proceeded to sell the currency in the domestic FX market. In May, the Bank of Russia decided to purchase foreign currency to replenish its international reserves, given that the situation had normalised in the domestic FX market. These purchases were made evenly across the trading sessions in moderate amounts in order to minimise the impact of these operations on the dynamics and volatility of the ruble's exchange rate against foreign currencies. In July 2015, the Bank of Russia ceased these operations due to growing risks of a downturn in the ruble exchange rate as a result of the renewed slump in global oil prices.

In 2015, the Bank of Russia continued to provide credit institutions with FX liquidity on a repayable basis through FX repos and foreign currency loans secured by the pledge of receivables under foreign currency loans. On certain days in 2015, the Bank of Russia carried out FX swap transactions with credit institutions to sell US dollars for rubles.

The situation in the Russian **debt securities market** deteriorated in 2015 compared with the end of 2014. In January–May 2015, the yields of government and corporate bonds reduced as a result of the Bank of Russia easing its monetary policy and the situation stabilising in the domestic FX market. In June–December 2015, the slump in Russian bond yields came to an end under the influence of falling global oil prices and the ruble depreciation. However, the overall situation in the domestic bond market was relatively resilient to the effects of negative factors: market participants did not significantly change their assessments of the risk premiums for investments in Russian bonds, expecting a further reduction in the Bank of Russia key rate. OFZ yields (RGBEY index<sup>1</sup>) decreased from 14.36% at the end of 2014 to 9.87% at the end of 2015. Corporate bond yields (IFX-Cbonds index<sup>2</sup>) fell from 15.65% to 11.57% p.a. respectively.

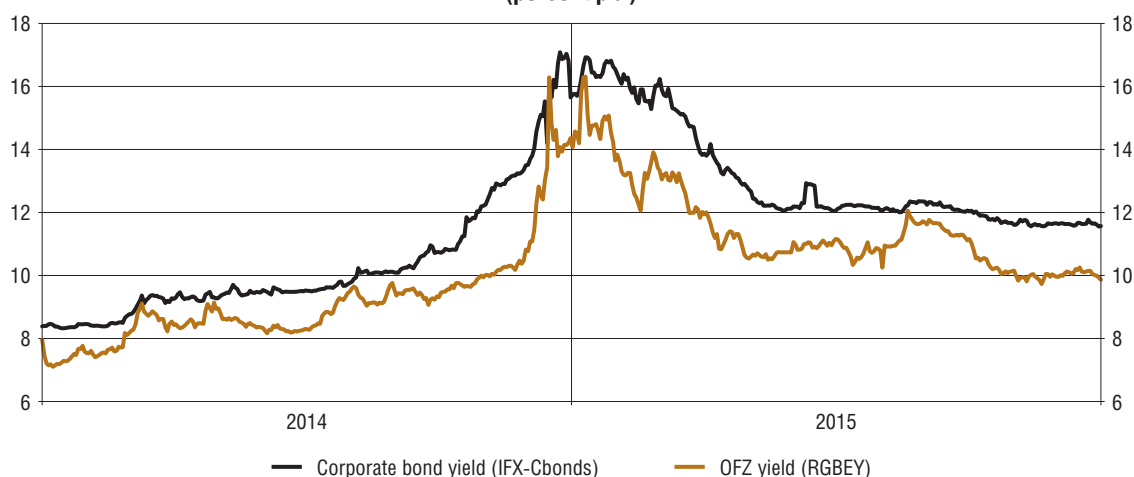
Compared with 2014, issuing activity by Russian borrowers increased in 2015. From 20 January onwards, the Russian Ministry of Finance resumed its regular auctions to place OFZs in the primary government securities market and introduced two new instruments into circulation: OFZs with a coupon tied to the RUONIA money market rate (OFZ-PK) and OFZs with a nominal value indexed to inflation (OFZ-IN). The market portfolio of OFZ issues outstanding at the end of 2015 increased by 33.4% to ₪4.8 trillion<sup>3</sup> at face value. The

<sup>1</sup> An indicator of the effective yield of government bonds calculated by PJSC Moscow Exchange.

<sup>2</sup> An indicator of the effective yield of corporate bonds calculated by the news agency Cbonds.ru.

<sup>3</sup> Including the OFZ issues (totalling ₪802.7 billion) transferred by the DIA to 25 Russian banks in May–December 2015.

**Bond yields in secondary market  
(percent p.a.)**



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

**Stock price indices in secondary market  
(points)**



Source: PJSC Moscow Exchange.

market portfolio of corporate bond issues outstanding in the domestic market increased by 21.8% at the end of 2015 compared with the end of 2014 to ₸8.1 trillion at face value. Secondary trading volumes in OFZs on the PJSC Moscow Exchange fell by 7.7% to ₸3.6 trillion and those of corporate bonds increased by 4.4% to ₸4.5 trillion. The value of the Russian corporate Euro-bonds market shrank by 16.1% over 2015 to \$139.1 billion at the end of the year<sup>1</sup>.

In the Russian **stock market**, the price index volatility reduced in 2015 compared with figures at the end of 2014. However, the dynamics of the RTS index and

MICEX index differed significantly in 2015. The RTS index mostly followed changes in the ruble exchange rate and by the end of the reporting period had fallen by 4.3%, coming close to the low recorded in December 2014. The MICEX index fluctuated across a wide range, rising at times to the high values recorded in 2008, and increasing by 26.1% by the end of 2015. Stock market capitalisation on the PJSC Moscow Exchange increased by 24.2% to ₸28.8 trillion in ruble terms over 2015. The turnover of secondary trading in stocks and Russian depository receipts on the PJSC Moscow Exchange dropped by 9.2% in 2015 compared with 2014 to ₸9.2 trillion.

<sup>1</sup> According to data from the news agency Cbonds.ru.

## Securities of Russian issuers

In 2015, the Bank of Russia registered 3,326 issues of securities<sup>1</sup>, of which 146 were issues by credit institutions. The nominal value of equity issues amounted to ₹3,669.9 billion with 3,161 issues, of which the nominal value of equity issues by credit institutions totalled ₹675.7 billion with 125 issues<sup>2</sup> (in 2014, ₹2,631.1 billion with 4,804 issues, of which 162 were equity issues by credit institutions with a value of ₹603.4 billion). The nominal value of bond issues during the reporting period amounted to ₹858.5 billion and \$0.06 million with 165 issues, of which the nominal value of bond issues by credit institutions totalled ₹114.3 billion and \$0.06 million with 21 issues (in 2014, ₹774.0 billion with 167 issues, of which 18 were bond issues by credit institutions with a value of ₹48.7 billion).

Reports on 3,299 issues of securities were registered (4,950 issues in 2014), resulting in the nominal value of floated equities amounting to ₹1,847.4 billion (₹1,717.1 billion in 2014) and bonds to ₹690.0 billion (₹789.4 billion in 2014). Reports on 153 issues of securities by credit institutions were registered (192 issues in 2014), resulting in the nominal value of equities floated by credit institutions amounting to ₹654.5 billion (₹431.6 billion in 2014) and of bonds amounting to ₹103.6 billion (₹70.6 billion in 2014).

In 2015, the Bank of Russia registered 160 securities prospectuses (128 prospectuses in 2014), of which 46 were for equities (50 prospectuses in 2014) and 114 were for bonds (78 prospectuses in 2014). In addition, during the reporting period, the Bank of Russia registered 72 agreements to issue and circulate certificates: 22 – for registered certificates of deposit, 14 – for bearer certificates of deposit, 13 – for registered savings certificates, and 23 – for bearer savings certificates.

Over the reporting period, the Bank of Russia cancelled 184 securities issues amounting to a total of ₹427.3 billion as a result of non-placement of securities during the issue, due to violation of Russian Federation laws on securities, and as part of DIA bankruptcy-prevention measures. Of these, 31 securities issues were by credit institutions, totalling ₹48.3 billion (in 2014, 171 issues totalling ₹341.9 billion, of which 36 securities issues were by credit institutions, totalling ₹40.5 billion).

The most active in issuing equities in 2015 were issuers registered in Moscow (31% of all registered issues of equities), Saint Petersburg (8%), the Republic of Crimea (6%), the Moscow Region (5%), the Sverdlovsk Region (3%), the Republic of Tatarstan (3%), the Novosibirsk Region (2%), and the Samara Region (2%). The share of equities issues by issuers registered in other constituent territories of the Russian Federation amounted to less than 2%.

<sup>1</sup> Issues of securities placed by subscription made up the largest share of the nominal value of securities issues (90%) in 2015 (the nominal value of issues placed by public subscription amounted to ₹700.5 billion, of which ₹261.9 billion were equities and ₹438.6 billion were bonds, and the nominal value of issues placed by private subscription amounted to ₹2,665.3 billion, of which ₹2,359.7 billion were equities and ₹305.6 billion were bonds).

<sup>2</sup> Of which the nominal value of equity issues related to increases in the authorised capital of credit institutions was ₹644.5 billion with 99 issues; 18 equity issues for ₹3.1 billion were registered with a view to reducing the nominal value of stocks; and the nominal value of equity issues not affecting the size of the authorised capital of credit institutions amounted to ₹28.1 billion with eight issues (in 2014, 146 issues totalling ₹596.5 billion, six issues totalling ₹0.8 billion and 10 issues of ₹6.1 billion respectively).

## I.4. ORGANISED COMMODITY MARKET

In 2015, commodity trading took place on six exchanges in the Russian Federation. The total volume of trading in the organised commodity market increased by 28% relative to 2014, to ₪732.7 billion, which was 0.9% of Russia's GDP for the year.

In 2015, the following commodity groups were traded on the exchanges: petroleum products, precious metals, natural gas, oil, timber, agricultural produce (wheat and sugar), construction materials, and ferrous and non-ferrous metals. As in the previous year, most goods in 2015 were traded in the petroleum products segment, but the share of these products reduced significantly from 94.7% to 70.1%. These changes took place due to the growing volume of transactions involving precious metals, whose share reached 26% of total trading in the exchange-traded commodity market. The number of stock exchange transactions in 2015 increased by 18%, but the average value of transactions fell by 30%, pointing to an overall increase in the application of the arm's length principle in relations in the commodity market. In addition, in 2015 more than half of vertically integrated oil companies in the petroleum products market started to use indices calculated on the basis of stock exchange trading to conclude formula-based long-term commodity supply agreements. This trend suggests that stock exchange quotations and indices have started to be recognised by participants in the real sector of the economy as a fair assessment of the market price of commodities admitted to organised trading.

In 2015, the Bank of Russia played an active role in developing stock exchange commodity trading. Over the reporting period, trading began in the grain market together with trading under the new regime in the natural gas market. Both of these markets are characterised by their high potential for making use of stock market mechanisms.

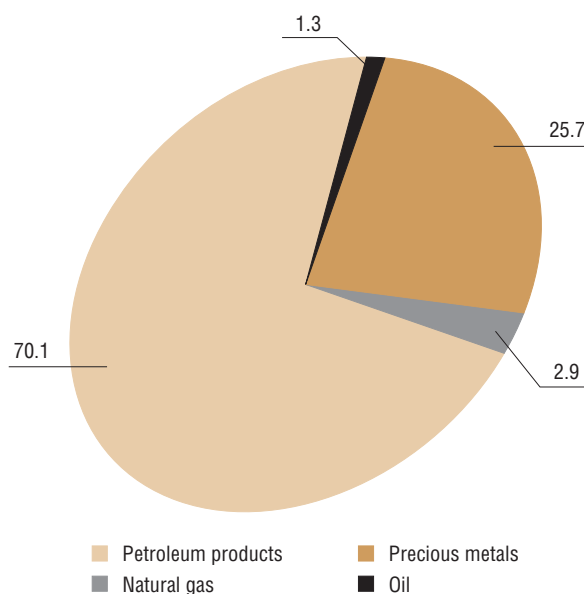
The distinguishing feature of the grain market is that calculations based on trading results have for the first time involved infrastructure organisations such as commodity supply operators and central counterparties

(CC). This configuration makes it possible to solve one of the most important problems facing the stock commodity market – guaranteeing the supply of the commodities. As part of the project to launch grain trading, the problem of tax risks arising when the central counterparty performs its duties in the commodity market was solved (charging VAT on simultaneous purchase/sale of goods).

Furthermore, one of the outcomes of this work was the introduction in the exchange-traded natural gas market of the 'day-ahead' system in October 2015, which allowed energy market participants to smooth out peaks in gas consumption amid drastic changes in weather conditions.

As part of wider inter-agency collaboration, in 2015 the Bank of Russia signed a trilateral Memorandum of Collaboration to develop the commodity markets with the FAS of Russia and the FTS of Russia. The main objectives of this memorandum are to improve the organised trading mechanisms and to develop uniform approaches to price formation to facilitate tax and anti-monopoly regulation of the commodity markets.

Structure of organised commodity trading in 2015  
(percent)



## I.5. GOVERNMENT FINANCE AND DOMESTIC GOVERNMENT DEBT

According to the Federal Treasury's report, Russia's general government revenues in 2015 were ₹26,494.1 billion, or 32.8% of GDP, a decrease of 1.6 percentage points compared with 2014. This reduction can be explained by the fall in oil and gas revenues (by 2.3 percentage points of GDP) with a simultaneous growth in non-oil and gas revenues (by 0.7 percentage points of GDP). Russia's general government expenditures were 0.8 percentage points higher in 2015 than in 2014 at ₹29,307.8 billion, or 36.3% of GDP. As a result, the general government deficit for 2015 was ₹2,813.7 billion, or 3.5% of GDP, which is ₹1,968.1 billion (2.4 percentage points) higher than in 2014.

Federal budget revenues in 2015 totalled ₹13,655.7 billion, or 16.9% of GDP, which is 1.7 percentage points lower than the equivalent figure for 2014. Federal budget expenditures in 2015 were ₹15,610.9 billion, or 19.3% of GDP, which is 0.3 percentage points higher than the corresponding figure for 2014. The federal budget deficit for 2015 was ₹1,955.2 billion (2.4% of GDP), which is ₹1,620.5 billion (2.0 percentage points) higher than in 2014.

The revenues and expenditures of the consolidated budgets of the constituent territories of the Russian Federation in 2015 stood at ₹9,308.2 billion and ₹9,479.7 billion respectively, and the deficit amounted to ₹171.6 billion (11.5%, 11.7% and 0.2% of GDP respectively). The revenues of the Russian Federation Pension Fund

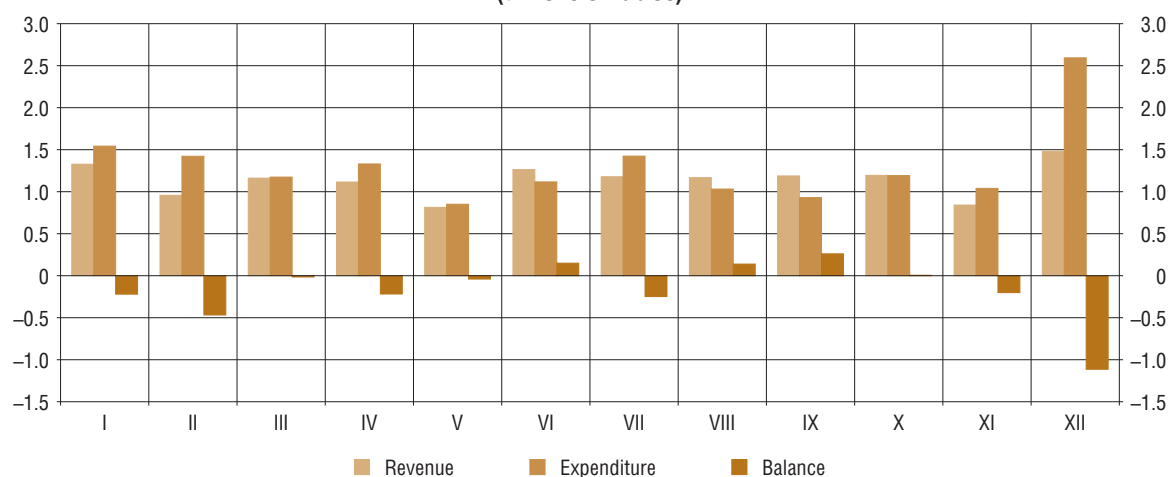
in 2015 totalled ₹7,126.6 billion and its expenditures ₹7,670.3 billion, giving a deficit of ₹543.6 billion. The corresponding figures for the Federal Compulsory Medical Insurance Fund were ₹1,573.5 billion, ₹1,638.8 billion, and ₹65.3 billion respectively, and for the Social Insurance Fund of the Russian Federation ₹541.3 billion, ₹612.1 billion, and ₹70.9 billion respectively.

The value of the Reserve Fund as of 1 January 2016 stood at ₹3,640.6 billion (4.5% of GDP), the Reserve Fund expenditures on funding the federal budget deficit for 2015 were ₹2,622.9 billion, the value of the National Wealth Fund totalled ₹5,227.2 billion (6.5% of GDP), and the total value of sovereign funds amounted to ₹8,867.8 billion (11.0% of GDP).

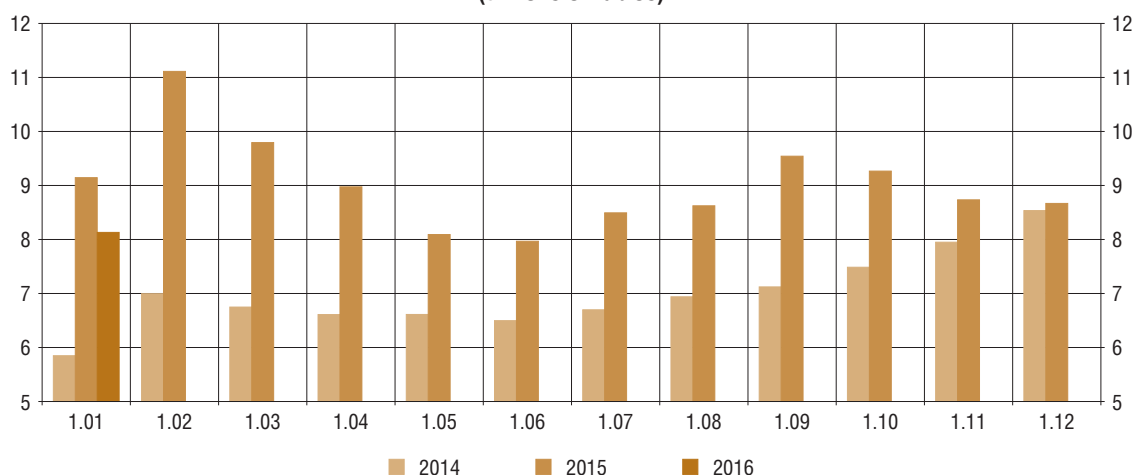
According to the Ministry of Finance, Russia's total domestic government and municipal debt for 2015 rose by 3.3% and as of 1 January 2016 stood at ₹9,934.7 billion, or 12.3% of GDP (the same as at the start of 2015). The share of domestic debt in total government and municipal debt was 73.0%, which is 2.7 percentage points lower than the corresponding value as of 1 January 2015.

The amount of the Russian government domestic debt as of 1 January 2016 was ₹7,307.6 billion, or 9.0% of GDP, which is 0.2 percentage points lower than as of 1 January 2015. Government securities of the Russian Federation accounted for ₹5,573.1 billion or 76.3% of the Russian government domestic debt, an increase of

**Federal budget performance in 2015**  
(trillions of rubles)



**Federal budget accounts with the Bank of Russia  
(trillions of rubles)**



₽97.4 billion, while government guarantees accounted for ₽1,734.5 billion, or 23.7%, a decrease of ₽30.9 billion. The volume of outstanding government securities in the domestic securities market increased over the year by 38.9% and, as of 1 January 2016, totalled ₽4,990.6 billion, or 89.5% of the total volume of government securities.

The Ministry of Finance's ruble-denominated debt to the Bank of Russia measured at the nominal value of government securities, including government securities purchased by the Bank of Russia under repo transactions, shrank by 30.6% over 2015 and stood at ₽813.7 billion. Excluding repos, it fell by 10.4% to ₽228.1 billion.

The Ministry of Finance's foreign currency debt to the Bank of Russia in ruble terms, including repo trans-

actions, increased over 2015 by 78.9% and as of 1 January 2016 accounted for ₽897.6 billion at the nominal value of government securities. Excluding repos, it increased by 35.8% to ₽240.8 billion.

Federal budget funds held in the currency of the Russian Federation in accounts with the Bank of Russia amounted to ₽720.3 billion as of 1 January 2016, a decrease over the year by ₽36.7 billion, or 4.9%. Federal budget funds held in foreign currencies totalled ₽7,410.4 billion in ruble terms as of 1 January 2016, a decrease over the year by ₽976.9 billion, or by 11.6%, of which the funds of the Reserve Fund and the National Wealth Fund (excluding accrued interest) totalled ₽3,640.6 billion and ₽3,501.9 billion (₽4,945.5 billion and ₽3,288.3 billion as of 1 January 2015).



## I.6. BALANCE OF PAYMENTS AND EXTERNAL DEBT

### Balance of payments<sup>1</sup>

In 2015, the fall in merchandise exports as a result of a major slump in global prices was offset by both the decline in merchandise imports and in the deficits in other current account components. Accumulated current account resources were used to extinguish external liabilities of the economy.

#### Current account and capital account

The **current account** surplus rose in 2015 compared with 2014 by \$11.2 billion to \$69.6 billion. With the fall in energy prices against the background of decreased imports, the trade balance fell to \$148.5 billion (from \$189.7 billion in 2014). At the same time, the deficits in other current account components decreased, largely as a result of a significant reduction in the deficits under such items as investment income and external trade in services.

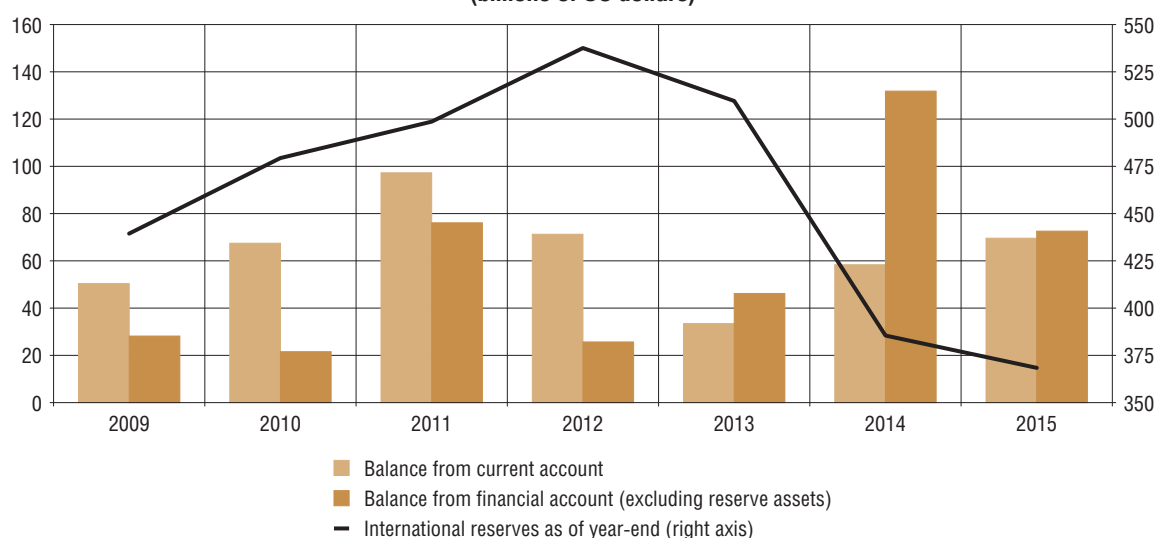
**Merchandise exports** fell by almost one-third, to \$341.5 billion. The dynamics were shaped by falling global prices for major Russian export commodities. The export prices deflator was 64.6%, with crude oil prices and petroleum products prices falling most rapidly (by 46.8% and 44.0% respectively) and natural gas

prices dropping by 28.8%. The outcome for the year for the three main fuel and energy products resulted in the price index of 57.2%.

Nonetheless, Russian exporters offset in part the impact of the extremely unfavourable price conditions by increasing supply quantities. Exports of the main energy products increased in volume by 6.9%, with crude oil supplies increasing by 9.4%, those of natural gas by 6.4% and petroleum products by 3.9%. Supplies of other products increased in volume by 4.9%. The quantum index for all commodity groups was 106.2%.

The value of fuel and energy exports fell from \$346.1 billion in 2014 to \$216.2 billion in the reporting period, causing this commodity group's share in total exports to shrink from 69.5% to 62.9% in 2015. Amid the drastic reduction in exports of key energy products, supplies of other commodity groups also fell, but not as significantly, resulting in an increase in their share in the exports composition. Exports of ferrous and non-ferrous metals, including products thereof, declined to \$33.0 billion, or by 18.5%, with the share of the group rising to 9.6% (from 8.1% in 2014). Supplies of chemicals fell by 13.1% to \$25.4 billion, with their share rising

Russia's major balance of payments components and international reserves  
(billions of US dollars)



<sup>1</sup> The balance of payments of the Russian Federation is developed using the methodology of the 6<sup>th</sup> edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6); the use of symbols corresponds to BPM6.



to 7.4% (from 5.9%). Shipments of machinery products decreased only slightly to \$25.4 billion (by 3.7%), while the share of the group increased to 7.4% (from 5.3%). Exports of food products and raw materials for their production declined by 14.6% to \$16.2 billion, with the share of the commodity group reaching 4.7% (from 3.8%).

The share of EU countries in the geographical breakdown of exports fell to 48.2% (from 52.0% in 2014). The share of the Asia-Pacific Economic Cooperation (APEC) countries grew to 22.8% (from 21.5%). The combined share of Russia's partners in the Eurasian Economic Union (Belarus, Kazakhstan, Armenia, and Kyrgyzstan) increased to 8.1% (from 7.2%). The largest export volumes went to the Netherlands (11.9%), China (8.3%), Germany (7.4%), and Italy (6.5%).

**Merchandise imports** totalled \$193.0 billion in 2015, a reduction of 37.4% compared with 2014. The reduction was caused by both a 15.2% fall in prices and a 26.1% decrease in import quantities due to the recession in Russia's economy, the decline in domestic investment and consumer demand.

Imports of machinery, equipment and transport means declined by 39.9% to \$81.9 billion, with the biggest drop occurring in the segment of ground means of transport. The share of the group in the commodity composition of imports went down from 47.6% to 44.8%. Imports of chemicals and related products fell relatively slower in 2015, by 26.9% to \$34.0 billion, largely due to the major items in the group, i.e. pharmaceuticals and petrochemicals. As a result of the restrictions, imports of food products dropped by one third to \$26.6 billion.

The partial substitution of European imports by supplies of products from Asia caused EU countries' share in the geographical distribution of imports in 2015 to decline to 38.4% (from 41.3% in 2014) while the APEC countries' contribution increased to 38.0% (from 36.2%). The share of EAEU countries rose to 7.6% (from 7.0%). China remained Russia's most important partner, with its share increasing by 1.4 percentage points to 19.1%. Other important counterparties were Germany (11.2%), the USA (6.3%), and Belarus (4.8%).

The deficit in **the balance on external trade in services** shrank from \$55.3 billion in 2014 to \$36.6 billion in 2015 as a result of a more pronounced reduction in the volume of services received.

**Exports of services** declined to \$51.8 billion (from \$65.7 billion in 2014). The volume of transport services provided to nonresidents fell by 18.1% to \$16.8 billion. A more than 25% decrease in the volume of services

rendered under the 'Travel' item, to \$8.5 billion, was partially explained by the reduced spending by foreign citizens in dollar terms associated with their stay in Russia. Far fewer other services were provided to nonresidents in the amount of \$26.5 billion (against \$33.4 billion in the previous year).

**Imports of services** shrank by more than one quarter to \$88.4 billion in 2015. The largest decrease was recorded in the 'Travel' item (by \$15.5 billion, or almost by one third) to \$34.9 billion, due to a substantial reduction in the number of residents' trips abroad. Imports of transport services declined by 24.4% to \$11.7 billion. Amid the economic recession, demand for other categories of services fell by one quarter to \$41.8 billion.

The deficit in **the compensation of employees' balance** shrank by almost one half to \$5.1 billion. Payments to foreign citizens working in Russia less than one year decreased to \$8.6 billion (from \$14.2 billion in 2014), both as a result of a reduction in dollar values of foreign workers' wages and of the drop in the size of foreign workforce. Compensation of employees payable to Russian citizens working abroad declined only slightly from \$4.1 billion to \$3.5 billion.

The deficit in **the balance on investment income** narrowed from \$58.0 billion in 2014 to \$31.6 billion in 2015 amid a significant reduction in dollar terms of private sector profits in the Russian economy. The excess of investment income receivable over the corresponding income payable caused a shift from a deficit to a surplus in the banks' balance on investment income amounting to \$1.6 billion. In its turn, the deficit in other sectors' income shrank by 37.8% to \$33.3 billion.

The deficit in **the balance on secondary income** decreased to \$5.6 billion in 2015 (from \$8.2 billion in 2014) with a significant reduction in both incoming and outgoing income flows. The reporting period was characterised by a considerable downturn in personal transfers abroad.

The **capital account** deficit stood at a mere \$0.3 billion.

**Net lending to the rest of the world (combined balances from current and capital accounts)** increased to \$69.2 billion in 2015 (from \$16.3 billion in 2014). The ratio of net lending amount to GDP grew from 0.8% in 2014 to 5.2% in 2015.

**Net lending to the rest of the world as reflected in the financial account (excluding reserve assets)** dropped to \$72.6 billion in 2015 (from \$131.8 billion in 2014). It was provided in the form of repayment of the economy's external liabilities.

**External liabilities** shrank by \$73.4 billion (a decrease of \$49.8 billion in 2014).

The general government's foreign liabilities fell by \$7.7 billion (a reduction of \$9.5 billion in the preceding year). Secondary market purchases of foreign currency denominated sovereign securities from nonresidents totaling \$8.8 billion played a key role in the aggregate's dynamics. Payments related to the repayment and servicing of external government debt decreased from \$5.2 billion in 2014 to \$3.5 billion in 2015.

A \$1.3-billion growth in central bank's external liabilities (which decreased by \$2.7 billion in 2014) was associated with repo transactions with nonresident banks.

The net reduction in private sector liabilities amounted to \$67.0 billion.

The banking sector's external liabilities shrank by \$59.8 billion, accounting for 81.5% of the overall reduction in external liabilities in the economy resulting from transactions. Due to the sanctions limiting access to foreign capital funding, Russian credit institutions practically have not drawn any new large borrowings in the external markets. Therefore, in order to fund the repayment of liabilities to nonresidents, banks used both their own resources and funds accumulated from current account transactions.

Other sectors' liabilities decreased by \$7.2 billion (a reduction of \$0.2 billion in 2014). A \$4.7-billion reduction in the value of Russian-issued financial instruments in the portfolios of foreign investors was in part due to the repurchase by resident issuers of traded financial instruments from nonresidents in the secondary market. The net reduction in outstanding external loans amounted to \$4.6 billion. A \$4.3-billion net growth in direct investment came from new capital contributions to resident companies and reinvestment of earnings amid a reduction in liabilities under debt instruments to affiliated foreign companies.

In 2015, **financial assets**, excluding reserve assets, fell for the first time since the beginning of Russia's balance of payments compilation. They fell by \$0.8 billion (after growing by \$82.0 billion in 2014).

General government's foreign assets rose by \$2.2 billion, in part due to the extension of new loans

amounting to \$1.0 billion in net terms (in 2014, due to a large-scale debt forgiveness transaction of the amounts owed to the former USSR by foreign governments, the assets fell by \$39.4 billion).

The net reduction in the private sector's financial assets<sup>1</sup> was \$3.9 billion in 2015 (\$123.3 billion in 2014).

A \$25.8-billion reduction in banks' foreign assets (after growth of \$48.5 billion in the previous year) was in part due to the mobilisation of resources to repay the banking sector's external liabilities.

Net acquisition of financial assets by other sectors decreased from \$74.7 billion in 2014 to \$21.9 billion in 2015<sup>1</sup>. The dynamics of the aggregate reflected the impact of an almost threefold reduction in direct investment abroad (to \$19.8 billion). The share of new capital contributions to foreign companies decreased within the composition of direct investment abroad, amid a substantial increase in the share of reinvested earnings and investment in debt instruments issued by affiliated foreign enterprises.

In 2015, the volume of cash foreign currencies generated by other sectors' transactions with nonresidents shrank by \$14.2 billion (against a decrease of \$8.6 billion in 2014)<sup>2</sup>.

The size of fictitious transactions<sup>3</sup> fell almost sixfold compared with the 2014 outcome to \$1.5 billion.

**Net outflow of private capital** contracted 2.6 times in the reporting period to \$58.1 billion.

**International reserves of the Russian Federation** totalled \$368.4 billion as of 31 December 2015, a reduction of \$17.1 billion on end of previous year outcome (having fallen by \$124.1 billion in the preceding year).

In the structure of changes, the increase resulting from transactions reflected in the balance of payments amounted to \$1.7 billion. Unlike the preceding year, in 2015 the Bank of Russia was a net buyer of foreign currency in the domestic market. Nonetheless, the change resulting from transactions had a negligible impact on the dynamics of international reserves. By the end of the year, they declined predominantly as a result of a significant negative exchange rate revaluation which was determined by the strengthening of the US dollar in the international for-

<sup>1</sup> Excluding indebtedness on supplies of goods according to intergovernmental agreements.

<sup>2</sup> Since 2015, the Bank of Russia has started recording transactions with cash foreign currencies in accordance with BPM6: only transactions between residents of the Russian Federation and nonresidents are reflected in the Russian Federation's balance of payments, and transactions with cash foreign currencies between residents of the Russian Federation are reflected under the 'Other changes' column in the international investment position.

<sup>3</sup> Fictitious transactions include transactions showing signs of being fictitious and related to foreign trade in goods and services, securities trading, lending to nonresidents, and money transfers to own accounts abroad with the purpose of cross-border money transferring.

eign exchange markets and the corresponding reduction in the dollar value of reserve assets denominated in other currencies.

The value of monetary gold as of 31 December 2015 stood at \$48.6 billion. A \$2.5-billion increase in gold stocks in 2015 was exclusively due to growth in asset quantities, which offset the amount of negative

revaluation of \$5.1 billion. The share of the metal in international reserves increased from 12.0% at the start of the year to 13.2% on 31 December 2015.

As of 31 December 2015, the international reserves were sufficient to finance imports of goods and services for 16 months (as of 31 December 2014, the import cover was 11 months).

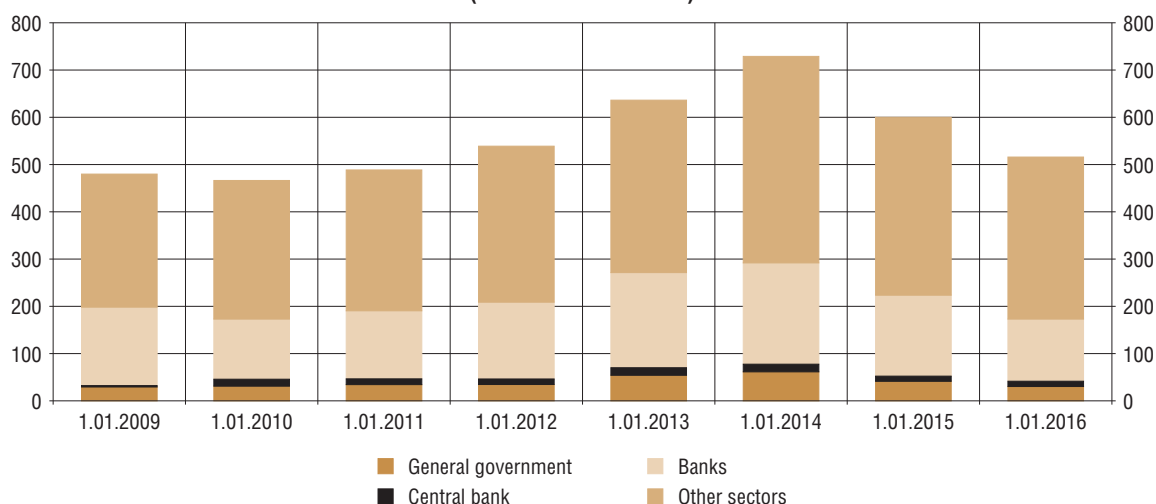
## External debt

The external debt of the Russian Federation decreased in 2015 by \$84.1 billion (or by 14.0%), standing at \$515.8 billion as of 31 December 2015. As a result of transactions recorded in the balance of payments, indebtedness declined by \$49.3 billion, whilst due to

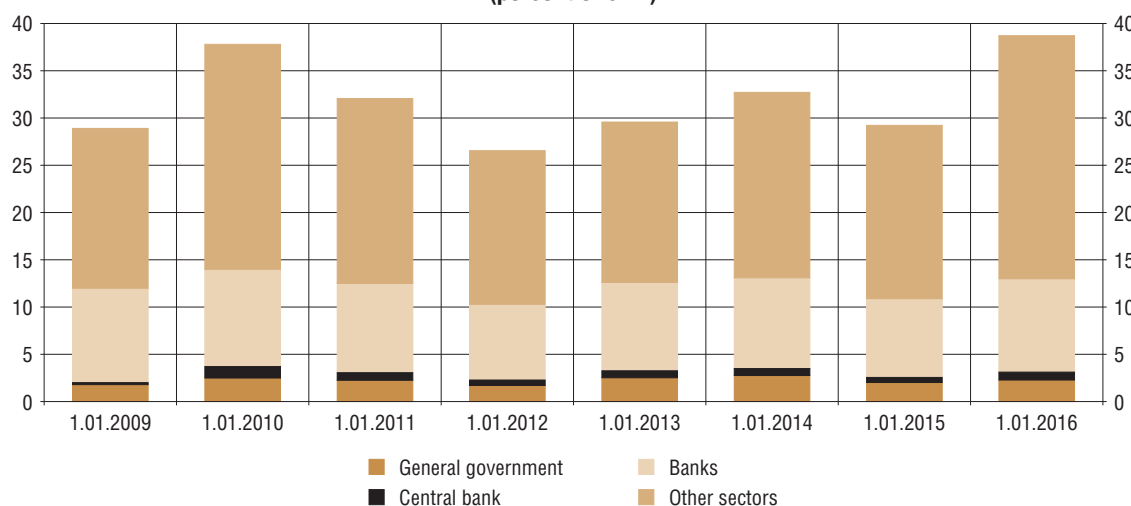
other changes including exchange rate and price revaluations, it fell by \$34.8 billion.

External debt liabilities of the private sector totalled \$474.3 billion as of 31 December 2015 representing 91.9% of total external debt of the Russian Federation.

**Russia's external debt  
(billions of US dollars)**



**Russia's external debt  
(percent of GDP)**



The share of general government and central bank liabilities stood at 8.1% (\$41.6 billion), whereas the external debt of the public sector<sup>1</sup> accounted for 52.0% of the total external debt of the Russian Federation (\$268.1 billion).

The general government's debt shrank by \$11.1 billion to \$30.6 billion. The liabilities inherited by the Russian Federation as the successor of the former USSR declined by \$0.5 billion. In the composition of the new Russian debt, the decrease came largely in the segment of traded foreign currency denominated debt instruments (by \$8.8 billion), while the indebtedness on ruble-denominated securities fell by \$1.4 billion. The external debt of local governments of the Russian Federation remained virtually unchanged.

The Bank of Russia's external debt, totaling \$11.0 billion, included liabilities to the IMF on SDRs allocated to the Russian Federation (representing 71.2%), liabilities under repo transactions with nonresidents (19.3%), and

cash rubles held by nonresidents, as well as their accounts and deposits (9.5%).

Banks' external debt liabilities shrank in 2015 by \$39.7 billion, or almost by one quarter, to \$131.7 billion. The external debt of other sectors decreased by \$33.7 billion to \$342.6 billion.

In 2015, the share of short-term liabilities in total external debt fell from 10.5% to 8.6% (\$44.4 billion) and the share of long-term liabilities rose to 91.4% (\$471.5 billion). The share of external debt denominated in national currency declined from 17.9% to 15.6% (\$80.7 billion) and the share of liabilities in foreign currency rose to 84.4% (\$435.2 billion).

As of 31 December 2015, the debt burden of the Russian economy remained moderate according to international criteria: the external debt to GDP ratio stood at 39% (29% at the beginning of 2015), and general government's external debt to GDP ratio remained at the level of 2%.

<sup>1</sup> External debt of the public sector broadly defined, apart from liabilities of general government and central bank, covers banks and nonbank corporations in which general government and central bank hold, directly or indirectly, 50% and more of the equity or control them otherwise.

## I.7. THE NATIONAL PAYMENT SYSTEM

In 2015, as part of the national payment system (NPS), NPS entities continued to improve high-tech payment services and products capable of raising the accessibility of payment services and expanding cashless payments.

As of 1 January 2016, there were 735 money transfer operators (including 51 credit institutions recognised as being important in the payment services market), 35 payment system operators, including the Bank of Russia and the joint-stock company National Payment Card System (NPCS), 52 payment infrastructure services operators (35 operations centres, 35 payment clearing centres, 30 settlement centres)<sup>1</sup>, 104 electronic money operators, Federal State Unitary Enterprise Russian Post (FSUE Russian Post), payment agents, and bank payment agents operating as NPS entities (as of 1 January 2016, they were opened 26,700 accounts with credit institutions).

At the start of 2016, 35 payment systems were in operation in the Russian Federation of which two were systemically important, five were socially important, and 18 were nationally important.

The Bank of Russia's payment system, which is systemically important, continued to be a key component of ensuring the financial stability of the country. In 2015, 1.4 billion transfers of funds totalling ₹1,356.5 trillion were made through the Bank of Russia payment system, an increase of 2.0% in number and 12.6% in value over the previous year's figure. On average, 5.7 million transfers totalling ₹5.5 trillion were made every day (in 2014, 5.5 million totalling ₹4.9 trillion). The ratio of money transfers made through the Bank of Russia payment system to GDP was 16.8 (in 2014, 15.5).

In connection with the Bank of Russia's financial resolution measures, the liquidation of credit institutions, and credit institutions' measures to optimise their branch network, the number of customers (credit institutions and their branches) reduced by 16.4% to 1,959. The number of Bank of Russia customers other than credit institutions reduced in 2015 by 22.9% to 1,600, with Federal Treasury bodies falling by 15.1% to 197.

Transfers by credit institutions, the main users of the Bank of Russia payment system, accounted for 85.2%

of operations in terms of number and 75.9% in terms of value. Transfers by Bank of Russia customers other than credit institutions accounted for 14.8% and 15.3% respectively. Of these, the majority were transfers by Federal Treasury bodies involved in the exchange of electronic messages with the Bank of Russia (95.3% of the total value of fund transfers by customers other than credit institutions). In 2015, they made 157.0 million transfers totalling ₹198.4 trillion through the Bank of Russia payment system. Moreover, 84.3% of the total value of transfers by Federal Treasury bodies were made electronically.

One of the main areas in which the Bank of Russia carried out work to improve its own payment system in 2015 was to further develop the banking electronic speedy payment (BESP) system which, among other things, allows for speedy payments for the purposes of implementing monetary policy, payments by the Federal Treasury and its regional bodies, and settlements in the interbank market with financial market infrastructure organisations and payment card transactions. In 2015, 3.3 million transfers were made through the BESP system, totalling ₹535.7 trillion (growing by 11.2% in number and 12.6% in value), of which roughly 4.5% in number and 14.5% in value were transfers by the Federal Treasury and its regional bodies. On average, 13,200 transfers totalling ₹2.2 trillion were made every day (in 2014, 11,800 totalling ₹1.9 trillion). The average transfer value was ₹164.6 million.

Since 6 February 2015, the Bank of Russia has been transferring funds based on NPCS net positions register. In 2015, 18,000 transfers were made through the BESP system totalling ₹1.2 trillion to settle transactions using payment cards.

In 2015, 500.5 million funds transfers totalling ₹127.8 trillion were made through the interregional electronic settlement system (an increase of 11.7% and 4.9% respectively compared with 2014) and 894.8 million transfers totalling ₹693.0 trillion were made through the intraregional electronic settlement system (a decrease of 2.7% in number and an increase of 14.0% in value).

The value of funds transfers through the systemically important National Settlement Depository (NKO

<sup>1</sup> An organisation can be a transaction payment clearing and settlement centre for several payment systems at the same time.

ZAO NSD) payment system in terms of settlements under deals concluded at organised trading (Moscow Exchange) and OTC markets rose by almost 20% relative to 2014, reaching ₽155.4 trillion by the end of 2015, exceeding GDP by a factor of 1.9. On average, ₽619.1 billion worth of funds transfers were made every day (₽525.4 billion in 2014).

In 2015, the number of funds transfers processed through the infrastructure of other payment systems<sup>1</sup> increased by 35% (from 4.6 billion to 6.2 billion transfers) and their value by 7% (from ₽14.3 trillion to ₽15.3 trillion). However, the share of orders made through the payment infrastructure of socially important payment systems was 99% in number and 84% in value.

Money transfer operators (credit institutions) made 75.2 million payments from the accounts of their customers (credit institutions), totalling ₽493.6 trillion (an increase of 5.0% and 12.8% respectively compared with 2014).

The number and value of cashless payments by customers of credit institutions (households and legal entities other than credit institutions) and credit institutions in terms of internal transactions increased in 2015 by 23.6% and 0.4% respectively and by the end of 2015 amounted to 15.5 billion payments totalling ₽548.2 trillion. Of this amount, household payments rose by 27.8% in number and 11.9% in value.

A key factor in solving the problem of establishing an innovative development model for cashless payments and ensuring public access to payment services is developing off-site payment services, a key instrument of which is currently payment cards.

The number of payment cards issued by Russian credit institutions was 243.9 million at the start of 2016 (an increase of 7.1%). In 2015, 13.1 billion transactions totalling ₽41.5 trillion were made using such cards within the Russian Federation and abroad (an increase of 29.7% and 14.9% respectively).

The share of cashless payments in the total number of operations using payment cards increased by 7.3 percentage points to 74.7% compared with 2014, while their share in the total value of payments increased by 6.1 percentage points to 39.5%. Most of these were payments for goods and services (92.2% and 55.3% respectively). On average, payment card holders made 24.8 million payments daily to pay for goods and services totalling ₽24.8 billion (an increase by a factor of

1.4 in the number of transactions and 1.3 in their value). The growth in cashless transactions using payment cards far exceeded the growth in cash withdrawal operations (43.9% compared with 0.4% in terms of number and 36.0% compared with 4.3% in terms of value).

In 2015, the infrastructure to accept payment cards developed dynamically at trade and services organisations. Over the year, the number of point-of-sale terminals and imprinters at these organisations increased by 14.3% to 1.5 million devices, with electronic devices accounting for 99.4%. At the same time, due to the reduction in the number of operating credit institutions and the end of regional projects by certain banks, the number of ATMs, the majority of which are also intended to be used for cashless transactions, shrank by 6.9% to 207,400 devices.

As of 1 January 2016, 104 credit institutions operated as electronic money (EM) operators in the Russian Federation. The composition of EM operators changed slightly over the reporting year. The number of electronic payment facilities (EPFs) issued by them for EM transfers stood at roughly 318 million, which were used to make 1.2 billion transactions totalling ₽909.7 billion<sup>2</sup>. The share of non-personalised EPFs was 87.2%, which were used to make 87.1% of transactions in terms of number and 60.9% in terms of value. The share of transactions using personalised EPFs was 12.6% and 36.7% respectively, while the percentage of corporate EPFs was negligible.

In 2015, credit institutions paid considerable attention to the task of establishing a payment infrastructure in the Crimea Federal District. As of 1 January 2016, 584 credit institution branches were operating on its territory (an increase of 10.2%), 1,685 ATMs were installed (an increase by a factor of 1.4), and 7,115 point-of-sale terminals were in place at trade and services organisations (an increase of 6.0%). The number and value of payments made by customers of credit institutions in the Crimea Federal District amounted to 26.6 billion transactions for a total of over ₽768.9 billion (an increase by a factor of 6.6 and 3.4 respectively), of which 2.6 million were cashless transactions using payment cards, totalling ₽5.7 billion (an increase by a factor of 8.3 and 6.6 respectively).

As of 1 January 2016, FSUE Russian Post, a NPS entity, comprised 41,600 divisions offering payment services to the population and economic entities<sup>3</sup>. In

<sup>1</sup> Excluding transactions through the Mir payment system.

<sup>2</sup> This includes electronic money transfers and electronic money balance transfers, including cash withdrawals.

<sup>3</sup> According to FSUE Russian Post data.



2015, the number and value of postal transfers and payments by individuals through FSUE Russian Post divisions and payment terminals, both in Russia and abroad, amounted to 645.6 million transactions totalling ₹584.7 billion. The majority of these were payments by households taken by FSUE Russian Post in its capacity as a payment agent (86.4% in terms of number and 61.9% in terms of value).

The value of payments made involving payment agents and bank payment agents receiving funds increased by 13.3% to ₹1.5 trillion in 2015. Of these, 88.4% were through payment agents and 11.6% were through bank payment agents (86.0% and 14.0% respectively in 2014). The share of funds taken by agents

to pay for services was 25.6% of total transfers by households without opening a bank account<sup>1</sup>.

In 2015, the Bank of Russia took steps to calculate, account for, and monitor the completeness and timeliness of payments to the federal budget by the Bank of Russia. The value of proceeds administered by the Bank of Russia in 2015 was ₹800.6 million or 98% of the amount stipulated by Federal Law No. 384-FZ, dated 1 December 2014, 'On the Federal Budget for 2015 and the Plan Period of 2016 and 2017'. The amounts outstanding on monetary sanctions (fines) totalled ₹1,759.7 million as of 1 January 2016, a decrease of ₹1,205.8 million or 40.7% compared with 1 January 2015.

<sup>1</sup> Including transfers by households without opening a bank account made through the infrastructure of credit institutions, FSUE Russian Post, as well as payment agents and bank payment agents.





## **II. BANK OF RUSSIA ACTIVITIES**

## II.1. MONETARY POLICY

### II.1.1. Monetary policy objectives and key measures

Since 2015, the Bank of Russia has been implementing monetary policy as part of an inflation targeting regime. Its main monetary policy objective is to ensure price stability, which means achieving and maintaining sustainably low inflation. Price stability forms a more predictable environment for long-term planning and economic decision-making and maintains money purchasing power, thus helping to increase confidence in the national currency and create the necessary conditions for investment growth and structural changes in the economy. In order to achieve its target, the Bank of Russia primarily influences the price of money in the economy, i.e. interest rates. To do so, the Bank of Russia sets a key rate and carries out operations to bring rates in the overnight money market segment closer to the key rate. Given that monetary policy does not affect the economy immediately, but gradually (taking up to two years), decisions on the key rate are taken on the basis of macroeconomic forecasts. Moreover, in order to effectively implement its monetary policy, the Bank of Russia adheres to a principle of openness thus increasing the transparency of its policy.

The Guidelines for the Single State Monetary Policy in 2015 and for 2016 and 2017 set an objective of

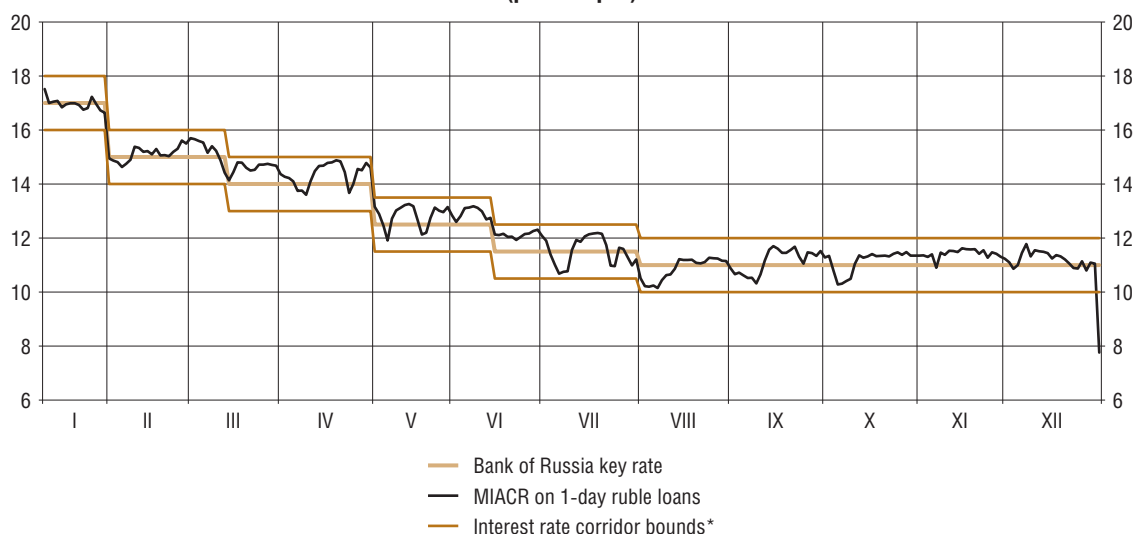
reducing inflation to 4% in 2017 and keeping it close to this level thereafter. Accordingly, in 2015 the Bank of Russia was guided by the need to achieve this objective in its key rate decision-making. Looking at different development scenarios for the economic situation, the Bank of Russia sought to choose the best path to reduce inflation, which is brought about given a specific path of key rate changes. At the same time, in its decision-making the Bank of Russia took into account the Russian economy's opportunities, and also considered the need to maintain financial stability.

#### Key monetary policy decisions

In 2015, the Bank of Russia pursued its monetary policy amid unfavourable external economic conditions and persistently high uncertainty surrounding the economy's growth outlook. Moreover, the situation in the first half of the year was more stable than in the second half.

In the first half of 2015, the fall in oil prices halted and started to recover slightly. The situation in the foreign exchange market stabilised. After significant growth in the first few months of the year, in April–June inflation started to decline and was forecast to slow further. However, oil prices remaining at a lower level than

Bank of Russia interest rate corridor and overnight MIACR in 2015  
(percent p.a.)



\* The rate on repos and 1-day secured loans is the upper bound of the corridor.  
The fixed rate on 1-day Bank of Russia deposits is the lower bound of the corridor.

in previous years posed the risk of a significant cooling of the economy. Faced with these conditions, the Bank of Russia cut its key rate. In the first half of 2015, the key rate was reduced by 5.5 percentage points overall to 11.50% p.a.

In the second half of the year, the slump in oil prices resumed and the ruble exchange rate dropped again, which hampered any progress towards reducing annual inflation. Furthermore, inflation risks rose significantly. These risks were primarily linked to a potential continuation of the drop in oil prices and the possibility that prices may remain low for a long time due to an increased oil supply from OPEC member-states and oil production from unconventional sources, the slowdown in Chinese economic growth, and the normalisation of the US Fed's monetary policy. An easier fiscal policy and persistently high inflation expectations could also have posed a risk to achieving inflation targets. The dynamics of the majority of macroeconomic indicators testified to the fact that the acute phase of the Russian economy's recession was over. However, uncertainty still remained surrounding the pace of the economy's further adjustment to the new external economic conditions. Faced with these conditions, the Bank of Russia implemented a moderately tight monetary policy. In July, the scale of the key rate cut was reduced to 50 basis points, and from September the monetary policy easing came to a halt. Thus, in the period from August to December 2015, the key rate remained at 11.00% p.a.

At the end of the year, inflation stood at 12.9%. The decisions taken by the Bank of Russia in 2015 will cre-

ate the conditions necessary for inflation slowdown in 2016 and achievement of the 4% target in 2017.

## Money supply

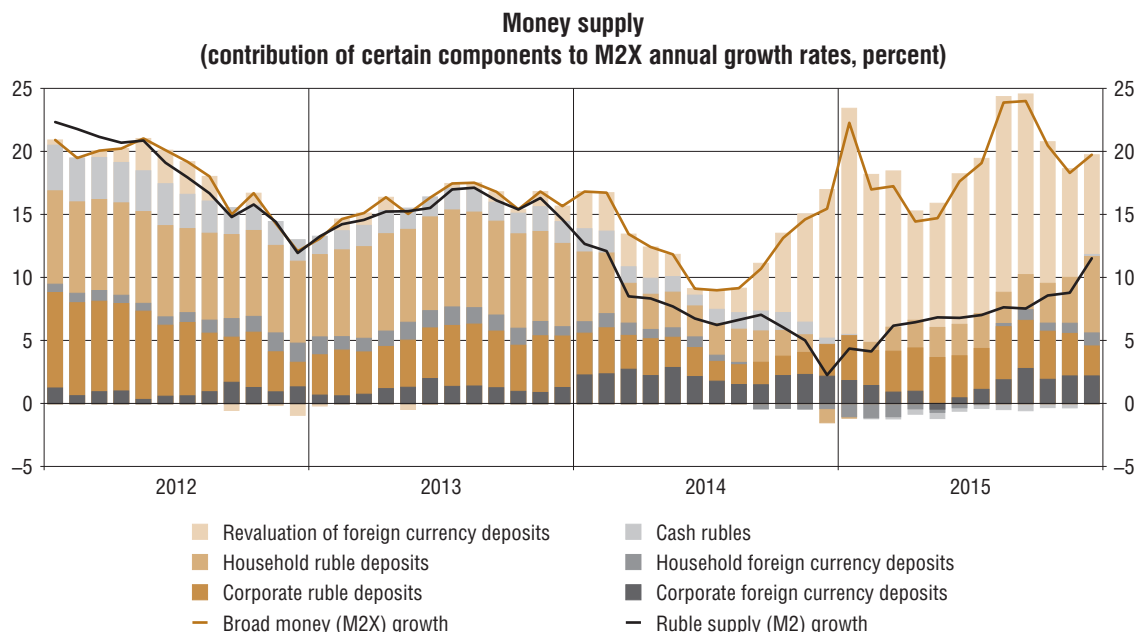
The dynamics of monetary aggregates did not create any significant supply-side pro-inflationary risks in 2015.

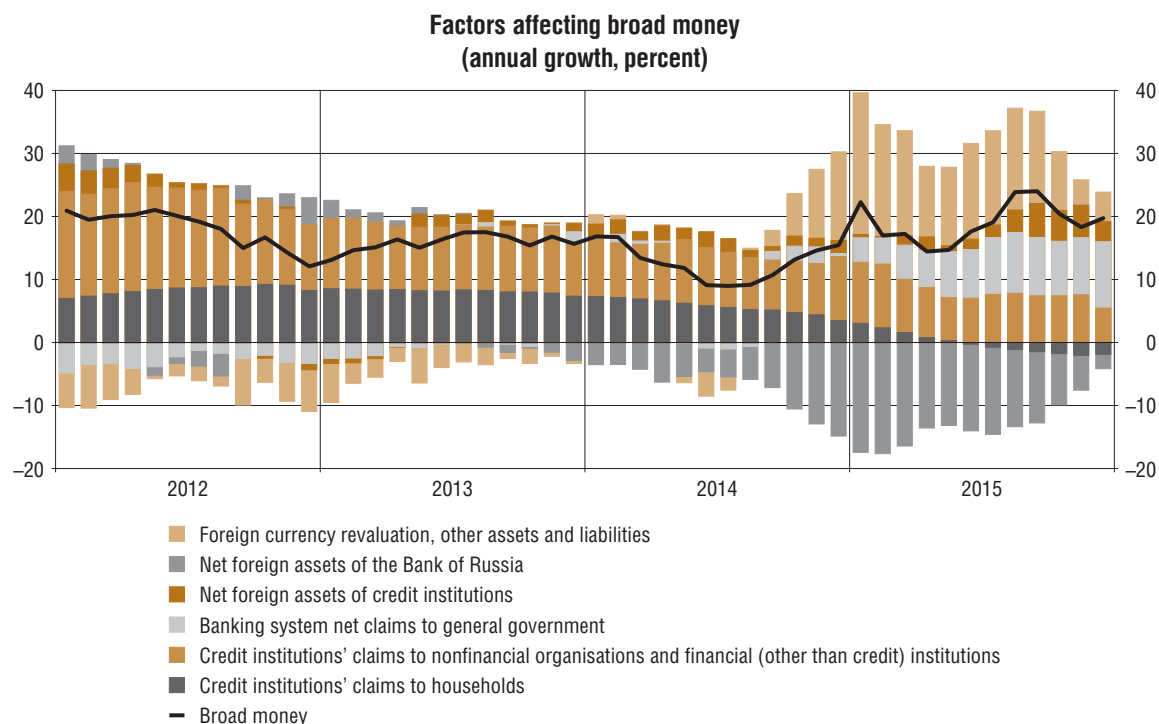
Over 2015, money supply in the national definition (the M2 aggregate) rose by 11.5% (2.2% over 2014). Growth in broad money (the M2X aggregate) also increased slightly (from 15.5% in 2014 to 19.7% in 2015), however a significant portion of the growth in broad money by the end of 2015 was down to the revaluation of foreign currency deposits.

Ruble-denominated household deposits were the main component of the money supply in the national definition, which increased in 2015. Over 2015, household deposits grew by 19.4%. Due to the increase in ruble-denominated household deposits, their share in the M2 monetary aggregate rose from 41.8% as of 1 January 2015 to 44.8% as of 1 January 2016.

Annual growth in cash in circulation (the M0 aggregate) fell from 2.7% at the start of 2015 to 0.9% at the end of 2015. The share of cash in money supply in the national definition also reduced over 2015 (20.2% at the end of the year as compared with 22.3% at the start of the year).

Balances in resident organisations' bank accounts (excluding credit institutions) continued to grow. Over 2015, ruble-denominated bank deposits made by these organisations increased by 8.9% and their foreign currency deposits in dollar terms rose by 13.2% (over





2014, they increased by 8.9% and 19.6% respectively). At the same time, the share of corporate deposits in the M2 aggregate decreased from 35.8% as of 1 January 2015 to 35.0% as of 1 January 2016.

The main source of broad money increase in 2015 was growth in the banking system's net claims on general government amid budget deficit funding from the Russian Federation Reserve Fund.

Conversely, low lending activity held back growth in broad money. Over 2015, the Russian banking system's ruble-denominated claims on households shrank by 5.9% and on organisations (excluding credit institutions) rose by 6.3% (over 2014, they rose by 13.1% and 16.6% respectively). The total claims on households and organisations in foreign currency in dollar terms increased by 7.0% in 2015.

## II.1.2. Monetary policy instruments

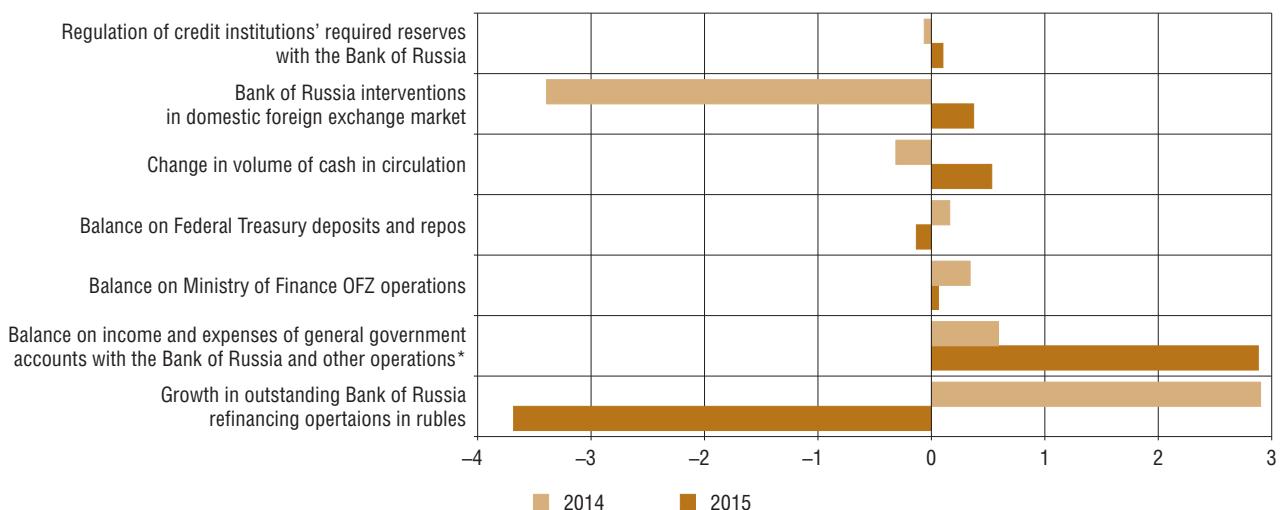
In 2015, the Bank of Russia continued to implement its monetary policy amid a structural liquidity deficit in the banking sector. The Bank of Russia's auction-based refinancing operations continued to be a key instrument to provide funds and influence interbank lending market rates. The Bank of Russia sets the amount of funds supplied through these operations on the basis of a banking sector liquidity forecast. These operations by the Bank of Russia help keep balances in credit institutions' correspondent accounts with the Bank of Russia at a sufficient level to fulfill the required reserve ratios and make payments and settlements, taking into account the dynamics of liquidity factors. The minimum cost of funds supplied through Bank of Russia auctions is tied to the Bank of Russia key rate. This creates the necessary conditions for credit institutions to reallocate funds in the money market at rates close to the key rate, while the latter in its turn is set to achieve inflation targets.

The liquidity factors in 2015 were conducive to an inflow of funds into the banking sector for a large part of the reporting period. These dynamics differ considerably from previous years. The main source of the liquidity inflow was significant revenues into budget system accounts. A more even spending of funds by budget-financed organisations contributed to growth in federal budget expenditures at the start of the reporting period and their corresponding reduction compared

with previous years' levels at the end of 2015. A significant portion of the federal budget deficit was funded in 2015 by the Reserve Fund, which paid ₽2.6 trillion into the Federal Treasury's single account with the Bank of Russia. Federal Treasury operations to place temporarily unallocated budget funds with credit institutions smoothed over the impact of budgetary flows on banking sector demand for liquidity. In certain periods, the funds withdrawn from the banking sector in the form of tax payments were, with a small lag, offset by the growth in funds placed by the Federal Treasury in deposits with credit institutions. Similarly, funds withdrawn by the Federal Treasury from bank deposits at the end of 2015 were returned to the banking sector in the form of budget expenditures. To expand opportunities to manage funds in its single account with the Bank of Russia, the Federal Treasury set about carrying out operations to place funds with credit institutions under repo contracts. These operations were primarily conducted on overnight terms and predominantly amounted to ₽100–150 billion, varying in the range from ₽20 billion to ₽300 billion.

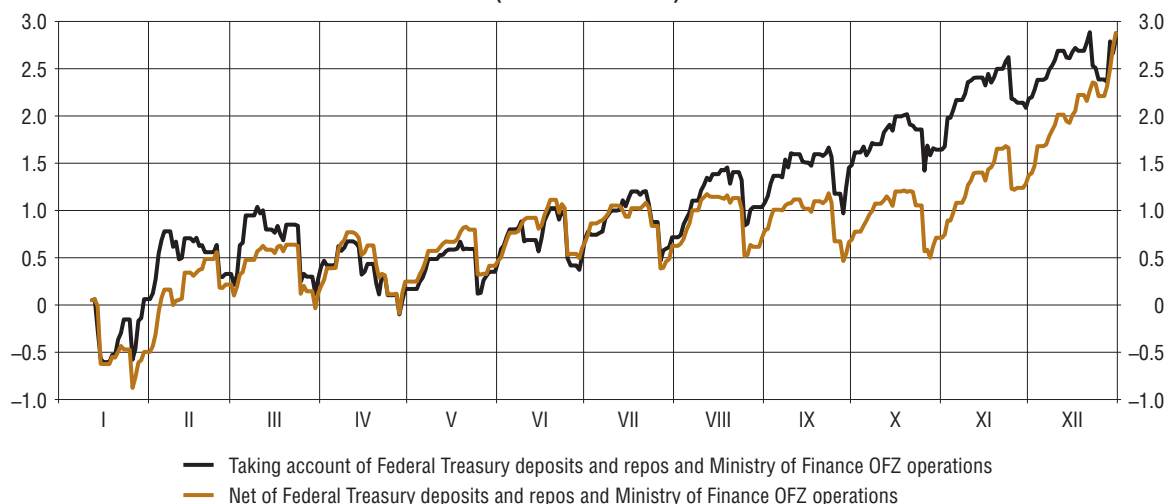
In 2015, the amount of OFZs placed by the Russian Ministry of Finance was less than the amount redeemed, which led to a ₽0.1 trillion inflow of funds into the banking sector. Further sources of the increase in banking sector liquidity were the transfer of pension savings to non-governmental pension funds, the Bank

**Liquidity factors and growth in outstanding amount on Bank of Russia refinancing operations in rubles (trillions of rubles)**



\* Net of Federal Treasury deposits and Ministry of Finance OFZ operations, taking account of interest payments on Bank of Russia refinancing and liquidity-absorbing operations and the inflow of funds resulting from USD/RUB FX swaps.

**Change in balances of general government accounts with Bank of Russia  
and other operations\* in 2015, on accrual basis since start of year\*\*  
(trillions of rubles)**



\* Taking account of interest payments on Bank of Russia refinancing and liquidity-absorbing operations.

\*\* '+' signifies decrease, '-' signifies increase.

of Russia's transfer of funds to the state corporation Deposit Insurance Agency to rehabilitate troubled banks and pay insurance indemnities to depositors, and operations to invest National Wealth Fund resources. At the end of the reporting period, due to changes in balances of general government accounts with the Bank of Russia (including interest payments on Bank of Russia refinancing and absorbing operations and the inflow of funds resulting from FX swap operations to sell US dollars for rubles, but excluding Federal Treasury deposit and repo operations and Russian Ministry of Finance operations with OFZs), the inflow of liquidity into the banking sector totalled  $\text{P}2.9$  trillion.

Over the reporting year, the amount of cash in circulation reduced, leading to an inflow of liquidity into the banking sector totalling  $\text{P}0.5$  trillion (2014 saw an outflow of  $\text{P}0.3$  trillion). This deviation from the long-standing trend was due to the fact that in the first half of 2015, the amount of cash in circulation decreased as a result of a slump in household economic activity and an increased household propensity to save, in part due to a growing appeal of ruble-denominated bank deposits, which was caused by a rise in deposit rates. In the second half of 2015, the dynamics of cash in circulation returned to seasonal trends.

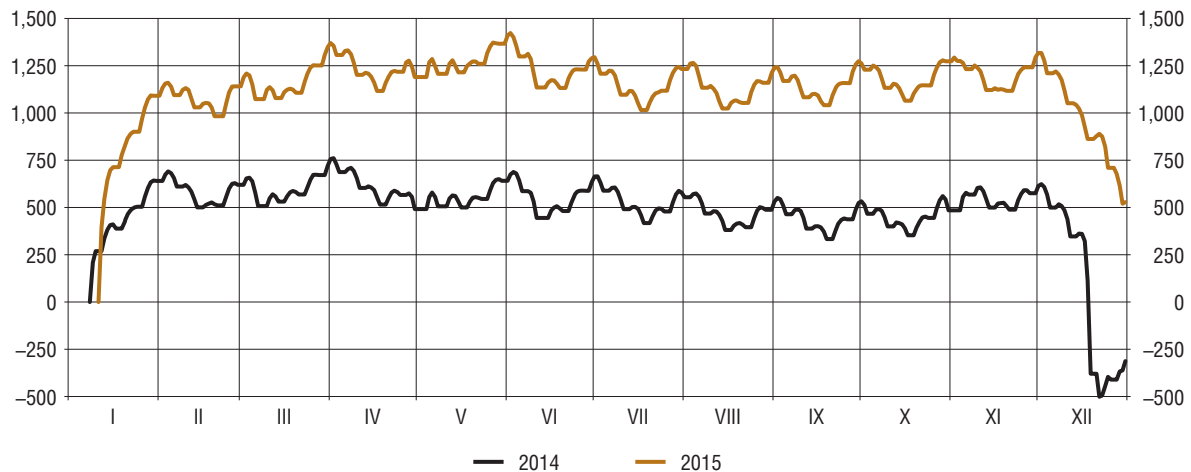
The Bank of Russia's operations in the domestic foreign exchange market contributed to an inflow of liquidity into the banking sector, totalling  $\text{P}0.4$  trillion. However, the operations to sell foreign currency in January–February 2015, linked to the Federal Treasury's conversion operations, contributed to an outflow of li-

quidity from the banking sector. In the period from May to July 2015, the Bank of Russia carried out operations to purchase foreign currency in the domestic foreign exchange market to replenish its international reserves.

In 2015, the main factor behind the increase in the balances of credit institutions' correspondent accounts with the Bank of Russia, which characterises the banking sector's demand for liquidity, was an increase in the averaged component of required reserves. The average balances of correspondent accounts with the Bank of Russia increased by  $\text{P}0.2$  trillion to  $\text{P}1.3$  trillion, with the averaged component of required reserves increasing by  $\text{P}0.4$  trillion to  $\text{P}1.3$  trillion over the same period. This was primarily due to the September 2015 increase in the required reserves averaging ratio from 0.7 to 0.8. For nonbank credit institutions carrying out deposit and lending operations, the ratio was raised from 0.7 to 1.0. However, the balances of the required reserve accounts reduced by  $\text{P}0.1$  trillion over 2015, taking into account the growth in reservable liabilities. The increase in the averaging ratio expanded credit institutions' ability to reallocate funds in the money market and enhanced their resilience to changes in the banking sector liquidity. This measure led to a reallocation of funds between accounts with the Bank of Russia, which had a negligible impact on banking sector demand for Bank of Russia refinancing operations.

The combined impact of the factors examined above meant that credit institutions' debt from Bank of Russia refinancing operations decreased by  $\text{P}3.7$  trillion to  $\text{P}3.7$  trillion in 2015. Moreover, it was not only the

Change in volume of cash in circulation, on accrual basis since start of year\*  
(billions of rubles)



\* '+' signifies decrease, '-' signifies increase.

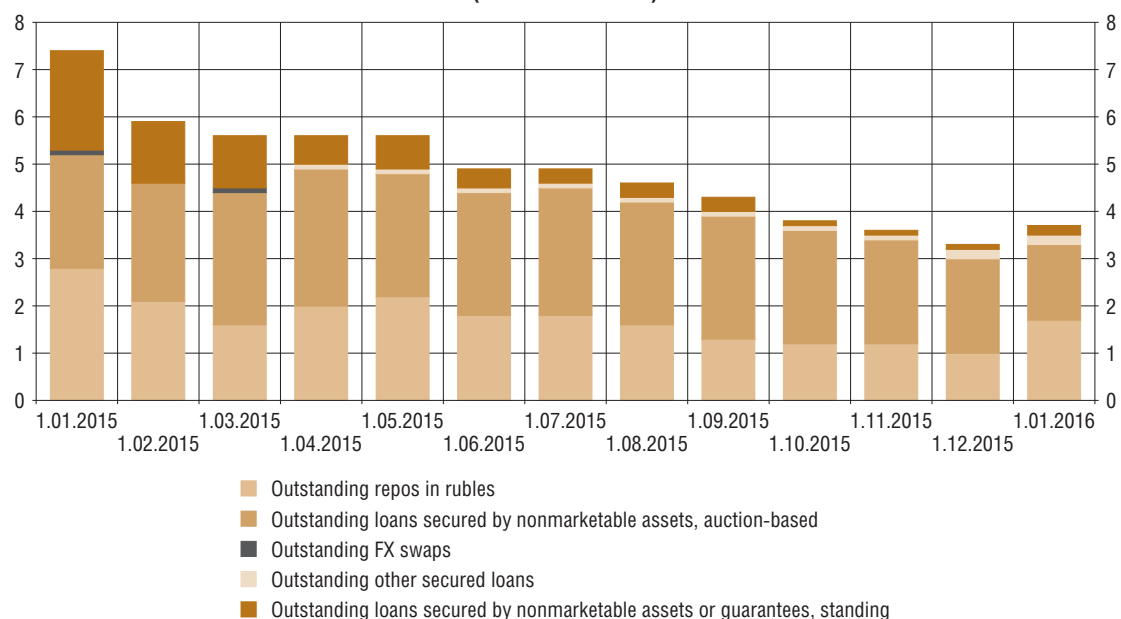
amount of debt that changed, but also its structure. In particular, the share of Bank of Russia standing facilities in banks' total debt reduced from 31% to 19%.

The Bank of Russia fully met banking sector demand for liquidity through its auction-based operations. In order to effectively manage banking sector liquidity and influence money market rates, as in the past, the Bank of Russia made use of one-week auction-based repos, the debt from which varied from ₰0.6 trillion to ₰2.7 trillion over the reporting period. Credit institutions' average debt from repos in 2015 decreased by ₰1.2 trillion to ₰1.5 trillion compared with 2014, of which ₰1.4 trillion were auction-based repos. To offset the significant excess of demand over supply, on certain days

the Bank of Russia carried out one- to six-day fine tuning repo auctions. Demand for these operations peaked in March, April and June 2015.

In June 2015, to expand credit institutions' access to refinancing the Bank of Russia supplemented its system of monetary policy instruments with one- to two-day fine tuning FX swap auctions to purchase US dollars and euros for rubles. These auctions may be held at the Bank of Russia's discretion alongside with fine tuning repo auctions if the high burden on market collateral for core operations could have a negative impact on the Bank of Russia's ability to regulate money market rates. There was no demand for these operations during the reporting period.

Structure of Bank of Russia refinancing operations  
(trillions of rubles)



Loans secured by credit institutions' nonmarketable assets or guarantees continued to be the most important instrument in the refinancing of the banking sector in 2015. As the structural liquidity deficit declined, banks' debts on these operations reduced by ₽2.6 trillion over the reporting period to ₽1.8 trillion, without taking account of the specialised refinancing instruments. In 2015, the Bank of Russia continued to hold monthly auctions to provide three-month loans secured by nonmarketable assets. In July 2015, an auction was held to provide 18-month loans secured by nonmarketable assets at a floating interest rate. This auction allowed it to refinance credit institutions' debts on similar loans provided in 2014 with 12-month terms. In January–March 2015, the Bank of Russia increased the amount of funds provided at loan auctions to replace banking sector debts on equivalent standing facilities. In the second half of 2015, as banking sector demand for refinancing operations decreased, the Bank of Russia in contrast reduced the amount of funds provided through these operations. In 2015, the Bank of Russia's claims on auction-based loans secured by nonmarketable assets decreased overall by ₽0.8 trillion to ₽1.6 trillion. Credit institutions' demand for Bank of Russia standing facilities to provide loans secured by credit institutions' nonmarketable assets or guarantees ranged from ₽2.1 trillion at the start of the reporting period to ₽0.1 trillion in the second half of 2015. As of 1 January 2016, banks' debts on these operations amounted to ₽0.2 trillion.

Credit institutions' demand for Bank of Russia FX swaps to purchase US dollars for rubles and subse-

quently sell them was irregular. It emerged in periods of increased demand for ruble liquidity from certain money market participants.

The amounts of other standing refinancing facilities (overnight loans, Lombard loans, and loans secured by gold) remained at usual low levels in 2015. In order to support certain segments of the economy which have been hampered by structural factors, the Bank of Russia provided funds to credit institutions through specialised refinancing mechanisms (see Section II.1.3 'Bank of Russia specialised refinancing instruments and other operations' for more details).

The Bank of Russia continued to take steps to expand the amount of collateral used in its refinancing operations. In 2015, securities with a total nominal value of ₽4.4 trillion were included on the Bank of Russia Lombard list. Furthermore, the amount of potential marketable collateral under Bank of Russia refinancing operations increased by ₽2.7 trillion to ₽9.0 trillion (as of 1 January 2016). The amount of potentially nonmarketable collateral also increased, in part due to the expansion of the Bank of Russia's list<sup>1</sup>.

Amid the persistent liquidity shortage in the banking sector, credit institutions' demand for Bank of Russia deposit operations remained low for most of 2015. In certain periods where liquidity supply exceeded demand, the Bank of Russia carried out fine-tuning operations, involving one- to six-day deposit auctions. Demand for these operations emerged in January and February 2015. The average Bank of Russia debt on deposit operations was ₽0.3 trillion in 2015, an increase of ₽0.2 trillion compared with 2014.

<sup>1</sup> The list of organisations stipulated in subclause 3.6.1 of Clause 3.6 of Bank of Russia Regulation No. 312-P, dated 12 November 2007, 'On the Procedure for Extending Bank of Russia Loans Secured by Assets or Guarantees to Credit Institutions'. Credit claims on these organisations are accepted as soft collateral under the simplified scheme.



### II.1.3. Bank of Russia specialised refinancing instruments and other operations

In 2015, the Russian economy continued to adapt to changes in the external economic climate, including a further downturn in global oil prices and on-going sanctions on Russian organisations' ability to raise funds in external financial markets. Amid these conditions, the task of maintaining confidence in the national currency and ensuring a stable functioning of the Russian banking sector and the financial system as a whole was of particular importance. In this regard, during the reporting period the Bank of Russia took steps to maintain stability in the domestic foreign exchange market and expand Russian credit institutions' and nonfinancial organisations' opportunities to service external debt.

At the start of 2015, Russian credit institutions showed higher demand for foreign currency with the approach of a peak in external debt repayments in 2015 Q1. In these conditions, in the period from January to mid-April 2015, the Bank of Russia increased its supplies of foreign currency on a reverse transaction basis to maintain stability in the domestic foreign exchange market, offering one-week, 28-day and 12-month repo auctions and 28-day and 365-day loan auctions<sup>1</sup> secured by receivables on foreign currency loans. As a result, in mid-April 2015 credit institutions' debt on foreign currency refinancing operations reached its highest value since such operations began – \$36.9 billion – of which credit institutions' debt on foreign currency repos totalled \$33.9 billion<sup>2</sup> and overdue foreign currency loans secured by receivables on foreign currency loans totalled \$3.0 billion.

Beginning mid-April 2015 and continuing until the end of the reporting period, the Bank of Russia gradually reduced the amount of funds supplied in foreign currency refinancing operations as the foreign currency liquidity situation improved in the Russian banking sector. As of 31 December 2015, this debt decreased to \$22.2 billion, of which credit institutions' debt on foreign currency repos totalled \$20.7 billion and overdue foreign currency loans secured by receivables on foreign currency loans totalled \$1.5 billion.

Over the reporting period, the Bank of Russia supplied foreign currency, accounting for assessments of the banking and nonfinancial sectors' demand for for-

foreign currency based on forecasts of key components of Russia's balance of payments (including expected external debt repayment amounts), within the cumulative limit on foreign currency refinancing operations previously set at \$50 billion.

When refinancing Russian credit institutions in foreign currency, the Bank of Russia took into account the on-going adaptation of the Russian economy to the sanctions and the fall in demand for foreign currency liquidity, as well as the need to encourage Russian borrowers to re-orient themselves to market funding sources. To this end, in 2015 the Bank of Russia raised its interest rates on foreign currency repos and operations to provide credit institutions with foreign currency loans secured by receivables on foreign currency loans.

Taking into account the gradual change in the Russian financial market climate, in the period from 1 June to 13 December 2015 the Bank of Russia suspended its 12-month foreign currency repos. These operations resumed on 14 December 2015. However, by establishing limits, the Bank of Russia enabled credit institutions to refinance debts on 12-month foreign currency repos with 28-day operations. This measure by the Bank of Russia allowed credit institutions to more flexibly manage their own foreign currency liquidity.

From 13 May 2015, taking into account the stabilising situation in the domestic foreign exchange market, the Bank of Russia started to carry out operations to purchase foreign currency in order to replenish its international reserves. The Bank of Russia took this decision proceeding from the need to maintain the stable functioning of the Russian financial sector in the event of negative external shocks, which could last for a long time. Under such circumstances, more international reserves may be required, in excess of the level calculated on the basis of standard approaches to assessing reserve adequacy. The Bank of Russia estimated the necessary amount of international reserves at around \$500 billion.

The Bank of Russia determined the volumes of foreign currency purchases considering the situation in the domestic exchange market, changes in external economic conditions, and the state of the Russian econo-

<sup>1</sup> The Bank of Russia conducted these operations in 2015 in US dollars only.

<sup>2</sup> Here and throughout, the debt on foreign currency repo auctions is given for the second leg of transactions.

my and the balance of payments. These volumes were established in such a way as to minimise the impact of Bank of Russia operations on the dynamics and volatility of the ruble exchange rate against other foreign currencies, by limiting the level of risks to price and financial stability. The Bank of Russia purchased \$100–200 million of foreign currency each day, spread evenly over the trading session, but these operations could be halted for one day or a longer period if necessary. Thus, the Bank of Russia did not purchase any foreign currency during trading sessions on 22 May and 5 June 2015. From 28 July 2015, amid the growing volatility of the ruble exchange rate against foreign currencies under the influence of external economic factors, the Bank of Russia suspended replenishment of its international reserves. Total purchases of foreign currency by the Bank of Russia in May–July 2015 totalled \$10.1 billion.

In 2015, the Bank of Russia continued to allow credit institutions to engage in one-day FX swaps to purchase US dollars with ‘today/tomorrow’ and ‘tomorrow/day-after-tomorrow’ settlements. The limits on these operations remained unchanged at \$1 billion and \$2 billion respectively. Interest rates for the ruble leg of the transactions were set at the Bank of Russia key rate minus 1.00 percentage point and for the foreign currency leg –

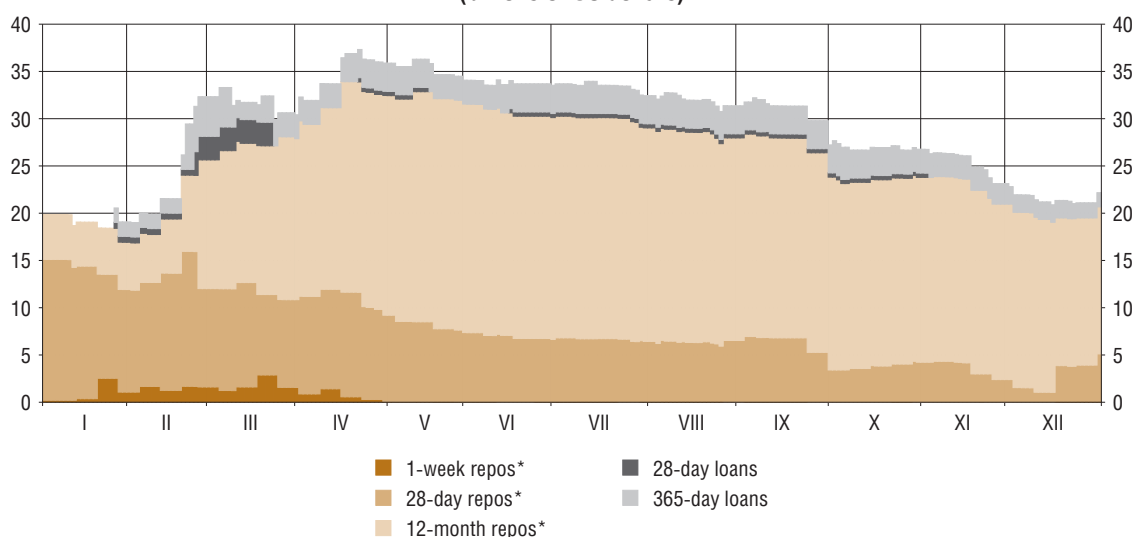
at 1.50% p.a. Credit institutions showed weak demand for these operations in 2015: they were only conducted for 11 days, with the average daily operation value at \$139 million.

In 2015, the Bank of Russia’s foreign currency re-financing operations helped normalise the situation with foreign currency liquidity in the banking sector and helped Russian companies and banks make repayments on external debts without putting additional pressure on the ruble exchange rate against foreign currencies and without posing risks to financial stability.

In 2015, the Bank of Russia continued to provide ruble funds to credit institutions as part of specialised mechanisms for longer terms but at lower rates compared with the Bank of Russia’s main refinancing operations, thereby stimulating certain segments of the economy whose growth had been restrained by structural factors. At the same time, the amount of funds supplied through specialised instruments was limited so as to avoid skewing the monetary policy stance and not prevent the Bank of Russia from achieving its main goal: ensuring price stability.

These specialised refinancing instruments used by the Bank of Russia included mechanisms aimed at supporting the financing of investment projects<sup>1</sup>, lend-

**Credit institutions’ outstanding amount to Bank of Russia on repos and foreign currency loans in 2015  
(billions of US dollars)**



\* Bank of Russia claims to credit institutions on the second leg of repos may decrease by the amount of compensation payments and payments on securities. Should the value of securities fall below the level set by the Bank of Russia, credit institutions make compensation payments with monetary funds, thus decreasing their obligations to the Bank of Russia on the second leg of repos. When receiving payments (coupon income, partial redemption of the par value) on securities from credit institutions on the first leg of repos, the Bank of Russia adjusts credit institutions’ obligations on the second leg by the same amount (i.e., the said payments are accounted for as debt repayment by credit institutions). Taking account of the above factors, the amount of the first leg of repos may exceed the total amount of the second leg.

<sup>1</sup> Loans secured by receivables on loans for investment project financing as well as loans secured by bonds which have been placed to finance investment projects and which are on the Bank of Russia Lombard List.

ing to small and medium-sized businesses (SMEs)<sup>1</sup> and non-commodity export businesses<sup>2</sup>, and mortgage lending<sup>3</sup>. A number of these instruments were developed and implemented as part of state development programmes for certain sectors of the economy or were implemented jointly with the Government of the Russian Federation (the parameters of these specialised refinancing instruments are detailed in Table 31 of Section IV.5 'Statistical tables').

The interest rates on all specialised refinancing instruments in use in 2015 remained unchanged and continued to be below the key rate.

In addition, with a view to further stimulate priority areas of economic activity in 2015, the Bank of Russia made several changes to the parameters of specialised refinancing instruments introduced earlier. Thus, on 30 January 2015, a decision was made that loans secured by mortgages issued under the Military Mortgage programme – all terms – would be provided at a fixed interest rate (previously, loans for terms of 1 to 90 calendar days were provided at a fixed interest rate, while loans for terms of 91 to 1,095 calendar days were provided at a floating interest rate). Moreover, the maximum loan term was increased to three years as part of the mechanism to support lending to SMEs and export-oriented sectors of the economy. The Bank of Russia also raised the maximum amount of funds supplied through the mechanism to support financing for investment projects from ₹50 billion to ₹100 billion. Furthermore, a decision was made to raise the adjustment ratio used to adjust the value of receivables on loans obtained for investment projects from 0.85 to 0.95.

In 2015, the mechanism to support lending to SMEs continued to be improved. The Bank of Russia allowed

the joint-stock company SME Bank to refinance loans granted to microfinance organisations for the purpose of lending to SMEs and leasing companies to lease out property to SMEs. In addition, a mechanism was developed to provide loans secured by guarantees of JSC Federal Corporation for the Development of Small and Medium Enterprise<sup>4</sup> with terms of up to 3 years at a rate of 6.50% p.a.

In December 2015, the Bank of Russia decided to create a mechanism to provide loans for a term of up to 3 years secured by receivables on loans granted to leasing companies<sup>5</sup>. The rate on this instrument was set at 9.00% p.a.

As of 31 December 2015, the amount outstanding on specialised refinancing instruments totalled ₹157.15 billion, an increase of ₹131.04 billion over the year.

Other operations held by the Bank of Russia in 2015 which had an impact on banking sector liquidity included providing the state corporation Deposit Insurance Agency with loans, the debt from which amounted to over ₹1.1 trillion as of 1 January 2016 (an increase of nearly 75% compared with 1 January 2015).

The DIA's debt structure was dominated by loans provided in accordance with Federal Law No. 175-FZ, dated 27 October 2008, 'On Additional Measures to Strengthen Banking System Stability in the Period until 31 December 2014' and Article 189<sup>56</sup> of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' to implement measures to prevent bankruptcy and aid the financial recovery of credit institutions (₹1,047.9 billion as of 1 January 2016).

As of 1 January 2016, the amount owed by the state corporation Deposit Insurance Agency for loans provided by the Bank of Russia to ensure financial stability amounted to ₹75.0 billion.

<sup>1</sup> Loans secured by receivables on loan agreements concluded between JSC SME Bank and credit institutions, microfinance organisations, and leasing companies.

<sup>2</sup> Loans secured by receivables on loan agreements secured by insurance agreements of JSC EXIAR.

<sup>3</sup> Loans secured by mortgages issued under the Military Mortgage programme.

<sup>4</sup> The programme was originally intended to refinance loans secured by guarantees of JSC Nonbank Deposit-Credit Institution Loan Guarantee Agency. On 29 June 2015, JSC Nonbank Deposit-Credit Institution Loan Guarantee Agency was transformed into JSC Federal Corporation for the Development of Small and Medium Enterprise.

<sup>5</sup> In accordance with the requirements set by the Industry Development Fund.

## II.2. RESERVES MANAGEMENT<sup>1</sup>

The Bank of Russia's reserves comprise foreign currency reserve assets<sup>2</sup> and gold reserves. The Bank of Russia's foreign currency reserve assets are net claims on foreign counterparties and the securities of foreign issuers<sup>3</sup> denominated in US dollars, euros, pounds sterling, Canadian dollars, Australian dollars, yen, Swiss francs and special drawing rights (SDR) (hereinafter, eligible currencies).

The Bank of Russia's objective for foreign currency reserves management is to ensure an optimal trade-off between safety, liquidity and return.

While managing foreign currency reserve assets, the Bank of Russia takes into account other assets which are denominated in eligible currencies but not belonging to the reserve category<sup>4</sup> (non-reserve assets); it also takes foreign currency liabilities<sup>5</sup> into account. The gold assets of the Bank of Russia are managed separately from its foreign currency reserve assets.

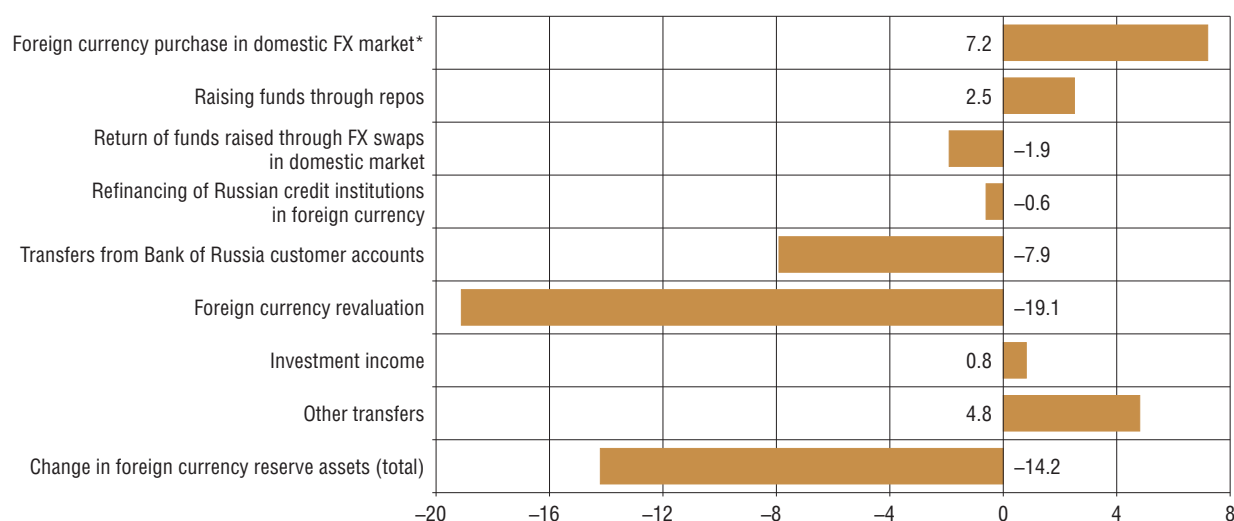
In 2015, the safety of foreign currency reserve assets was ensured through the use of an integrat-

ed risk management framework based on using high-quality financial instruments, making high demands on the reliability of counterparties and reducing risks associated with each of them depending on assessment of their solvency, as well as conducting operations in accordance with agreements concluded with foreign counterparties to protect Bank of Russia interests.

An optimal trade-off between liquidity and return of foreign currency reserve assets was achieved by combining short-term instruments (deposits, repo transactions, short-term securities) and long-term securities of foreign issuers. Investment decisions were based on the current conditions in the global financial market and forecast market conditions.

Over 2015, Bank of Russia foreign currency reserve assets decreased by \$14.2 billion, largely as a result of a change in the exchange rates of foreign currencies against the US dollar (foreign currency revaluation).

**Factors behind changes in Bank of Russia foreign currency reserve assets in 2015**  
(billions of US dollars)



\* Taking account of transactions settled in the period under review; amounts in currencies other than the US dollar were converted at the exchange rate as of the settlement date.

<sup>1</sup> All the breakdowns and indicators provided in this section are based on management accounting data.

<sup>2</sup> Including the net position (claims net of liabilities) of the Russian Federation with the IMF.

<sup>3</sup> Excluding foreign issuers' securities denominated in eligible currencies obtained by the Bank of Russia through reverse repo transactions.

<sup>4</sup> Mostly funds provided by the Bank of Russia to Russian credit institutions in a foreign currency and Bank of Russia investments in Eurobonds issued by the Russian Federation.

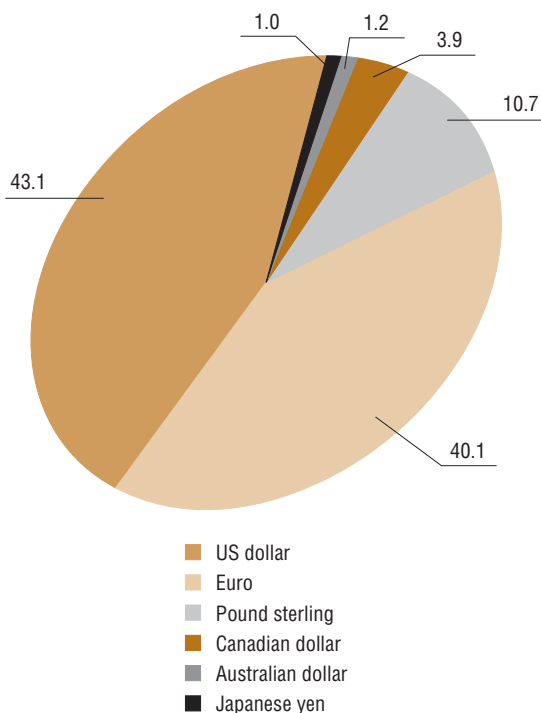
<sup>5</sup> Balances of customers' accounts, mostly of the accounts of the Federal Treasury with the Bank of Russia.

## Risk management for Bank of Russia foreign currency reserve assets

Foreign currency reserve asset management is linked to the Bank of Russia taking on certain financial risks, the main types of which are foreign exchange, credit and interest rate risks. The risk management of the Bank of Russia's foreign currency reserve assets includes the identification of risks, risk assessment, the setting of risk limits, as well as compliance monitoring.

Since the US dollar is the base currency for calculation of the total amount and composition of the Bank of Russia's foreign currency assets and liabilities, the foreign exchange risk is a decrease in the value of foreign currency assets resulting from changes in foreign currencies' exchange rates against the US dollar. The exposure to the foreign exchange risk is equal to net foreign currency assets, which is the sum of the foreign currency reserve and non-reserve assets of the Bank of Russia, net of its liabilities in eligible currencies. The Bank of Russia sets limits on the level of foreign exchange risk by specifying a benchmark currency structure of net foreign currency assets with target weights of eligible currencies and the limits of their deviations.

**Bank of Russia foreign currency reserve assets by eligible currency\* as of 1 January 2016 (as a percentage of their market value)**



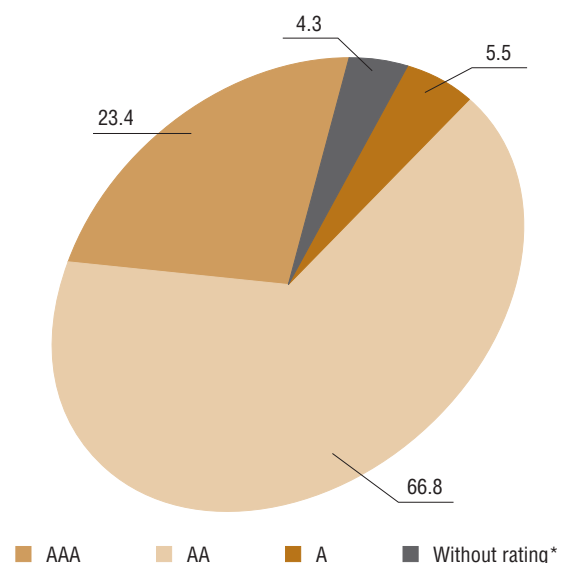
\* The breakdown of Bank of Russia foreign currency reserve assets by eligible currency includes conversion transactions not settled as of 1 January 2016.

As of 1 January 2016, 43.1% of the Bank of Russia's foreign currency reserve assets were denominated in US dollars, 40.1% in euros, 10.7% in pounds sterling, 3.9% in Canadian dollars, 1.2% in Australian dollars, and 1.0% in Japanese yen. Reserve assets in Swiss francs were negligible at the end of 2015. To calculate the currency structure, the Russian Federation's position with the IMF, denominated in SDR, is considered as assets in eligible foreign currencies in the proportions defined by the IMF to calculate the SDR value (0.66 US dollars, 0.423 euros, 0.111 pounds sterling, and 12.1 Japanese yen).

In order to manage credit risk during the reporting period, the Bank of Russia limited exposure on counterparties and set requirements for the credit quality of issuers and securities eligible for the Bank of Russia's foreign currency reserve assets. The minimum required long-term credit rating<sup>1</sup> of the Bank of Russia's counterparties for operations involving the Bank of Russia's foreign currency reserve assets was 'A' (Fitch Ratings and Standard & Poor's), or 'A2' (Moody's Investors Service). The minimum rating of securities (or the long-term credit rating of the issuer, if a securities issue has no rating) was 'AA-' (Fitch Ratings and Standard & Poor's) and 'Aa3' (Moody's Investors Service).

As of 1 January 2016, 'AAA'-rated assets accounted for 23.4% of all of the Bank of Russia's foreign currency reserve assets, followed by 'AA'-rated assets, which

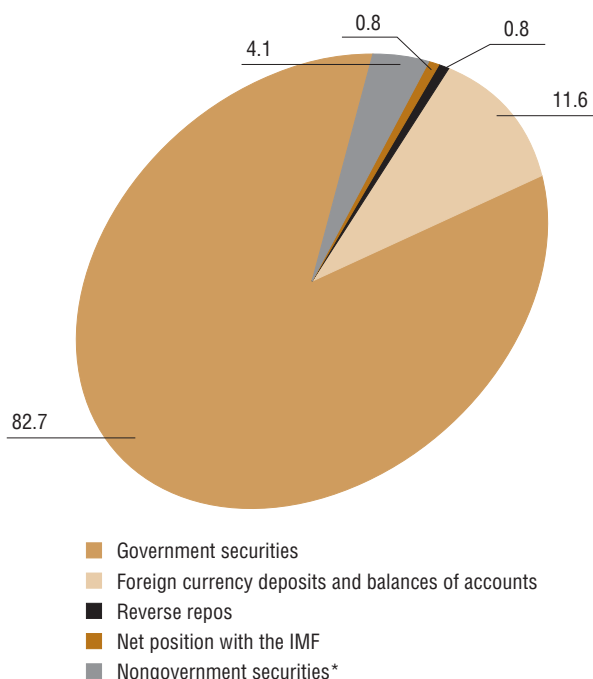
**Bank of Russia foreign currency reserve assets by credit rating as of 1 January 2016 (percent)**



\* Assets without rating are mostly the Russian Federation's position with the IMF.

<sup>1</sup> The long-term credit ratings of the relevant countries were used as the credit ratings of counterparties that are central banks without any assigned credit ratings.

**Bank of Russia foreign currency reserve assets  
by instrument as of 1 January 2016  
(percent)**



\* Nongovernment debt securities guaranteed by the government have been categorised as government securities.

accounted for 66.8%, and 'A'-rated assets, which accounted for 5.5%<sup>1</sup>. The share of assets without any rating was 4.3%. The fall in the share of 'AA'-rated assets and the rise in the share of 'A'-rated assets was in part caused by the change in the amount of deposits placed

at the Bank of Russia's foreign counterparties with a corresponding rating.

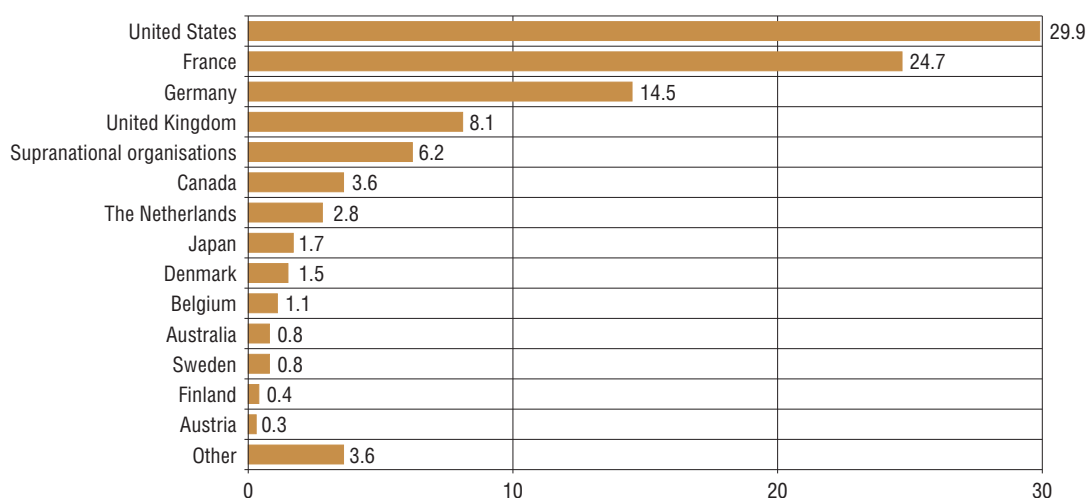
Interest rate risk is a decrease in the value of foreign exchange assets due to an unfavourable change in interest rates and, correspondingly, the prices of financial assets. The benchmark portfolios of each of the eligible currencies reflect the target allocation of the Bank of Russia's assets and are used to compare the risk and rate of return on the Bank of Russia's assets.

The level of interest rate risk for the assets and corresponding benchmark portfolios was measured by duration<sup>2</sup>. The Bank of Russia interest rate risk exposure was limited by setting the minimum and maximum durations allowed in each of the eligible currency portfolios.

The rate of return on Bank of Russia's foreign currency assets was calculated as the total (realised and unrealised) return on investment as a percentage p.a. for each of the eligible currencies. The cumulative rates of return on the Bank of Russia's foreign currency reserve assets over 2015 are given in Table 20 of Section IV.5 'Statistical tables'.

As of 1 January 2016, the Bank of Russia's foreign currency reserve assets were invested in the following instruments: government securities of foreign issuers (82.7%), non-government securities of foreign issuers (4.1%), deposits and cash balances of correspondent accounts with foreign banks (11.6%), reverse repo transactions (0.8%), and a net position with the IMF (0.8%).

**Bank of Russia foreign currency reserve assets by country as of 1 January 2016  
(percent)**



<sup>1</sup> The breakdown of Bank of Russia foreign currency reserve assets by credit risk is based on the long-term credit ratings by Fitch Ratings, Standard & Poor's and Moody's Investors Service of foreign counterparties and foreign issuers' securities. The ratings are used in the main rating categories, 'AAA', 'AA', 'A', without further specification. If the ratings of a counterparty or an issuer by the above-mentioned rating agencies differed, the lowest rating was applied.

<sup>2</sup> Duration is a measure of the relative sensitivity of the value of an instrument or a class of instruments to changes in the corresponding interest rates by 1 percentage point.

Foreign issuers' securities mostly consisted of US treasuries, the government bonds and bills of France, Germany, the United Kingdom, Canada, the Netherlands, Denmark, Australia, Sweden, Finland, and Austria, non-government bonds guaranteed by the aforementioned governments, and the bonds of international financial institutions.

The geographical breakdown of foreign currency reserve assets<sup>1</sup> as of 1 January 2016 was as follows: the USA accounted for 29.9% of assets, France 24.7%,

Germany 14.5%, the United Kingdom 8.1%, and other countries and international financial institutions accounted for 22.8%.

Over 2015, the Bank of Russia's gold reserves grew by 125.7 tonnes and amounted to 1,382.5 tonnes as of 1 January 2016. The amount of monetary gold increased in 2015 by 203.5 tonnes through the purchase of gold in the domestic market and amounted to 1,382.5 tonnes as of 1 January 2016.

<sup>1</sup> The breakdown is based on the country of domicile (registration) of Bank of Russia counterparties and issuers of securities included in the foreign currency reserve assets of the Bank of Russia.



## II.3. ENSURING FINANCIAL STABILITY

### II.3.1. Global risks and their impact on the Russian financial sector

In 2015, growth in global GDP slowed against the backdrop of heightened volatility in global commodity and financial markets amid the expected tightening of the US Fed's policy and slowing GDP growth in China. However, the fall in commodity prices had an overall negative impact on global economic growth. The negative repercussions for exporter countries were greater than the positive effects for importer countries. Moreover, the lower risk appetite of global investors had an adverse impact on emerging market countries. Taking into account the higher instability in the global markets, in April 2016 the IMF reduced its global GDP growth forecast for 2016–2017 to 3.2% and 3.5% respectively.

In 2015, economic growth was lower than expected in the US. The slowdown in growth in the US witnessed in the second half of the year was in many ways linked to the strengthening of the US dollar, which had a negative impact on exports. Q4 saw a reduction in business activity and five-year inflation expectations (calculated from prices indexed to bond inflation) remained at their historical low at the end of the year. Amid these conditions, after the US Fed raised its rate by 0.25 percentage points (December 2015), expectations of its subsequent growth fell to almost zero.

The European Central Bank and the Bank of Japan signalled they would maintain a stimulatory monetary policy amid growing deflation risks. The average annual consumer price growth slowed both in the euro area from 0.4% in 2014 to 0% in 2015 and in Japan from 2.7% to 0.8% respectively. However, risks increased that low interest rates' negative impact on the banking sector profitability would intensify.

In China, amid the structural transformation of the economy, GDP growth continued to slow (to 6.9% in 2015 from 7.3% in 2014). The slowing growth in the Chinese economy was a significant factor behind the falling oil prices. The average annual price of Brent crude in 2015 was \$52 per barrel, a decrease of 47% compared with 2014 (in 2014, Brent crude cost \$99 per barrel, 9% less than the corresponding figure for 2013).

The low commodity prices had a negative effect on the budgets of oil exporting countries and countries with a high proportion of commodity exports.

The growing volatility in the Chinese stock market and expectations of the US Fed rate rise adversely affected global investors' risk appetite, leading to a more intense capital outflow from emerging market economies and depreciation of their currencies against the US dollar. According to the data from the Institute of International Finance, 2015 saw a net capital outflow from emerging market countries totalling \$735 billion. The majority of this sum was from China. National currencies depreciated against the US dollar by 33% in Brazil, 25% in South Africa, and 20% in Turkey.

In 2015 Q1, the situation in the Russian financial market stabilised after a surge of volatility at the end of 2014. Many indicators (including money market spreads, FX and stock market volatility indicators, the cost of government and corporate borrowing) returned to October 2014 levels.

In the second half of 2015, amid the growing volatility in external markets, the situation in the Russian financial market remained relatively stable. The ratio of the historical monthly volatility of the US dollar-ruble exchange rate to Brent crude prices remained low in the second half of 2015 (0.6 on average). Despite the ruble depreciation against the US dollar, the risk of a dollar liquidity deficit did not materialise, as indicated by the fall in the Bank of Russia's claims against credit institutions on foreign currency repos (from a maximum of \$33.9 billion in April 2015 to \$20.7 billion at the end of the year).

Overall, the Russian financial sector was relatively stable in the face of external risks in 2015. This is corroborated by Russian CDS premiums<sup>1</sup> falling below the level of countries with comparable sovereign credit ratings in November 2015. This trend was in part caused by shrinking leverage in the private sector of the Russian economy amid limited access to external markets. Moreover, the Bank of Russia already has a relatively large amount of foreign currency reserves to

<sup>1</sup> CDS – Credit Default Swap.



offset potential demand for foreign currency liquidity. According to Bank of Russia estimates, foreign currency reserves cover 62% of total external debt as of 1 January 2016, which is higher than the level typical of

many other countries. According to World Bank data, as of 1 January 2016 this figure was 24% in Turkey, 25% in Chile, 33% in Indonesia, 34% in South Africa, and 42% in Mexico.

## II.3.2. Financial stability of the nonfinancial sector

In 2015, the quality of loans provided by banks differed significantly depending on the type of economic activity exercised by legal entities. The highest growth in the share of overdue loans was seen in the non-tradable sector of the economy, in such types of economic activity as construction (growth of 8.4 percentage points to 17.9%), wholesale and retail trade (by 4.7 percentage points to 10.1%), and transport and communications (by 3.6 percentage points to 6.2%). As for loans to export-oriented businesses (such as production of coke, petroleum products, and nuclear materials, and the chemical industry), the share of overdue loans remained virtually unchanged or fell. A heightened credit risk was characteristic of small and medium-sized businesses, whose share of overdue loans increased by 6.1 percentage points to 13.8%, with every fifth loan being given IV or V quality category. Amid the increased risks, banks restricted lending to small and medium-sized businesses, causing the total outstanding loans to this segment to reduce by 5.7% to ₹4.8 trillion.

### The situation in certain types of economic activity

**Oil and gas sector.** In 2015, oil companies increased their oil production only slightly and reduced their oil refining and production of natural gas, but in view of the slump in domestic demand they significantly increased exports of crude oil, petroleum products, and natural gas<sup>1</sup>. A further ruble depreciation made it possible to partly offset an almost twofold fall in average annual oil quotations, resulting in a 1.5% rise in the ruble-denominated earnings of the largest oil and gas companies as compared with the previous year<sup>2</sup>. However, due to the optimisation of operating expenses and the specifics of the oil and gas sector taxation, the average EBITDA margin<sup>3</sup> remained relatively stable and only decreased slightly to 24.5%<sup>4</sup>. The limited access to foreign capital markets led to faster repayment of external debt. Moreover, companies raised funds in

the domestic market rather moderately. As a result, at the end of the year an assessment of the debt burden in terms of the median net liabilities / EBITDA<sup>5</sup> was virtually unchanged, amounting to roughly 1.0. Thus, the debt burden of the largest oil and gas companies is still low relative to other industries.

**Metallurgy industry.** The main challenge facing metallurgy companies in 2015 was a continuing decline in global commodity and metal prices caused by the imbalance between supply and demand for ferrous and non-ferrous metal products. Most metallurgy companies were forced to reduce their production volumes and limit the commissioning of new capacity due to both stagnation of internal demand and continued excess supply in export markets.

Ferrous metallurgy companies faced a significant downturn in demand in the domestic market amid falling production in key consuming industries – engineering and construction. The ruble depreciation helped offset the negative impact of the low prices for exporter companies and significantly enhanced their competitiveness in external markets. This allowed their average EBITDA margin to increase considerably to 23.8% (14% in 2013)<sup>6</sup>. The debt burden in the metallurgy industry had increased slightly by the end of the year, with median net liabilities / EBITDA increasing by a small amount to 2.9, but remaining at an acceptable level for most metallurgy companies. Amid significant growth in cash flow from operations in 2014–2015 and the end of the investment cycle, ferrous metallurgy companies actively channelled funds to repay outstanding loans, early redeem bonded loans, and pay dividends.

Companies operating in the non-ferrous metallurgy industry, in particular the precious metals industry, are geared towards exporting products and are largely dependent on global market conditions. Higher profitability and lower debt burdens are characteristic of non-ferrous metallurgy companies compared with ferrous metallurgy ones. A milder fall in dollar prices for key non-ferrous and

<sup>1</sup> According to Rosstat, by 9.4%, 3.8% and 6.4% year-on-year respectively.

<sup>2</sup> The sample includes eight of the largest oil and gas companies that publish consolidated financial statements; the calculation of the figures for the last 12 months is based on data as of 15 March 2016.

<sup>3</sup> Earnings before interest, taxes, depreciation and amortisation (EBITDA).

<sup>4</sup> Earnings net of export duties and excises are used when calculating this figure.

<sup>5</sup> Here and throughout this section, net liabilities / EBITDA is calculated based on published consolidated financial statements of non-financial organisations compiled in accordance with International Financial Reporting Standards and Generally Accepted Accounting Principles (USA). Net liabilities are defined as financial debt net of monetary funds and equivalents.

<sup>6</sup> The sample includes nine of the largest ferrous metallurgy companies that publish consolidated financial statements.

precious metals in the global markets in 2015 allowed companies to increase their average EBITDA margin from 36.4% to 41.9% due to a drastic reduction in operating expenses, which contributed to a decrease in the debt burden (median net liabilities / EBITDA shrank from 1.6 in 2014 to the comfortable level of 1.2 at the end of 2015)<sup>1</sup>. Non-ferrous metallurgy companies with a high debt burden primarily directed additional operating income towards repaying outstanding loans.

**Vehicle production.** In 2015, the fall in sales of light and heavy vehicles accelerated to 36%, compared with 11% the previous year. Sales of new light and commercial vehicles reduced by 35.7% in real terms<sup>2</sup> and sales of heavy vehicles by 41.9%<sup>3</sup>. The reduction in solvent consumer and investment demand from households and the nonfinancial sector resulted in utilisation of vehicle manufacturers' capacity only reaching 40% in 2015. At the end of the first half of 2015, the EBITDA margin of the largest vehicle manufacturers<sup>4</sup> fell by 0.3 percentage points to 6%, while the debt burden, based on net liabilities / EBITDA, rose from 4.3 to 4.8. Some vehicle manufacturers increased the share of Russian manufactured components in the overall expenditure structure compared with 2014, but a significant portion of their spending was still in a foreign currency with a

predominantly ruble-denominated revenue component, which affected financial results at the end of 2015.

**Construction.** According to Rosstat, by the end of 2015 new housing growth had shifted into negative territory, to –0.5%. Positive dynamics persisted in the low-end housing segment, partly due to the government programme subsidising mortgage rates on flats in new buildings. The commercial real estate market, especially the office space segment, is most vulnerable in the current conditions due to a fall in lease rates in dollar terms and a growing proportion of vacant premises. The main problem in the construction segment is still the debt burden, which is one of the highest among other types of economic activity<sup>5</sup>.

**Agriculture.** One of the few types of economic activities showing growing profits and falling debt burdens is agriculture. The main factors behind the growth in agricultural output are the embargo on supplies of food goods from a number of Western European countries and North America, favourable weather conditions, and government subsidies for bank loan interest rates. Despite an increase in overdue loans, the overall debt burden in this type of economic activity fell: the ratio of overdue loans to sales profits had decreased from 5.2 to 4.2 by the end of 2015.

<sup>1</sup> The sample includes eight of the largest non-ferrous and precious metals companies that publish consolidated financial statements.

<sup>2</sup> Data from the European Business Association.

<sup>3</sup> Data from the Autostat analytic agency.

<sup>4</sup> The sample includes four of the largest companies that publish IFRS compliant statements.

<sup>5</sup> The dynamics of figures characterising the debt burden and profitability of construction companies are not provided, since the construction industry is notable for inadequate transparency in terms of public disclosure of financial information.

### II.3.3. Financial stability and banking sector risks

Credit risk dominates in the bank risk portfolio. The share of the total loan portfolio in the banking sector assets increased from 66.7% to 68.9% in 2015. In 2015, due to the growing risks in the nonfinancial sector and household sector, the quality of loan portfolios decreased. Overdue loans to the economy increased overall by 53.3% over 2015 (39.6% in 2014) and their share in total loans to the economy increased from 4.7% to 6.7%.

Despite the fall in economic activity and growth in external risks, in 2015 the banking sector remained stable, as shown in part by the results of stress tests: taking into account recapitalisation measures, the aggregate capital adequacy of the banking sector, even in the pessimistic scenario – where average oil prices fell to \$25 per barrel – exceeded the regulatory minimum. Creditors and depositors continued to show confidence in banks.

**Bank risks on loans to nonfinancial organisations.** In the first half of 2015, the quality of the loan portfolio to nonfinancial organisations deteriorated, accompanied by an increase in the share of restructured loans and quality category IV–V loans and growth in the share of overdue loans (by 2.0 percentage points to 6.2% as of 1 January 2016). In the second half of 2015, figures reflecting the quality of the loan portfolio to nonfinancial organisations remained relatively stable<sup>1</sup>. Overdue loans continued to grow, most likely due to defaults on loans moving into quality category IV–V in the first half of 2015.

**Bank risks on loans to households.** In 2015, the heightened risks on loans to households led to a rise in overdue loans by 29.4% since the start of the year to ₽863.8 billion and a rise in their share of the household loan portfolio by 2.2 percentage points to 8.1%.

Annual growth in the unsecured consumer loan portfolio reduced by 21.3 percentage points over 2015 to –12.4% as of 1 January 2016. A fall in the loan purchasing power in this segment was linked to banks'

simultaneous raising of underwriting standards. The share of bad loans (overdue for more than 90 days) rose over 2015, reaching its highest value (17.1%) at the end of October. At the end of December 2015, this figure was 16.9%<sup>2</sup>.

A decrease in overdue loans issued in 2012–2013 and characterised by a high debt burden contributed to a recovery in the financial position of retail banks specialising in unsecured consumer lending<sup>3</sup>. Their return on equity was –0.3% at the end of 2015, with the lowest value for this figure over the year reaching –10.8% as of 1 July. Overall, the situation in the unsecured lending market shows signs of overcoming the negative trends of 2014–2015.

Unlike other household lending segments, annual growth in outstanding loans in the residential lending segment (including housing mortgage lending) remained in the positive territory throughout 2015.

The programme to subsidise mortgage interest rates helped maintain demand for mortgage lending. Loans issued as part of this programme<sup>4</sup> accounted for a major part of loans issued (roughly 40% in Q3 and 33% in Q4 2015). As a result, despite a 34.2% drop in newly issued mortgages in 2015 compared with 2014<sup>5</sup>, the mortgage loan portfolio showed growth (12.9% in 2015 compared with 33.2% in 2014). The decline in household solvency was the main factor limiting demand for mortgages.

The credit quality of the mortgage loan portfolio as a whole remained high, due to banks' underwriting standards. The share of loans overdue for more than 90 days for the segment as a whole increased in 2015 by 0.9 percentage points to 2.9% as of 1 January 2016. However, for foreign currency mortgages, the overdue loans stood at 35%.

**Market risks.** Bank investments in securities increased over 2015 from ₽9.7 trillion to ₽11.8 trillion, largely through debt securities, investment in which rose from ₽7.7 trillion to ₽9.6 trillion. In 2015, investments in

<sup>1</sup> The share of quality category IV–V loans to legal entities (excluding credit institutions), including small and medium-sized businesses increased by 1.8 percentage points over 2015 to 9.0%. The share of restructured loans increased by 4.4 percentage points to 30.6% (based on data from reporting form 0409117 'Data on Large-scale Loans'). As of 1 January 2016, the total claims recorded on reporting form 0409117 amounted to 41.6% of outstanding loans of nonfinancial organisations.

<sup>2</sup> According to data from reporting form 0409115 'Information on the Quality of Assets of a Credit Institution (Banking Group)'.

<sup>3</sup> Banks with total unsecured loans amounting to more than ₽10 billion, an unsecured loans to bank assets ratio of more than 20%, and a share of interest income on household loans in total interest income of more than 35%.

<sup>4</sup> Based on the results of the quarterly Bank of Russia survey of the largest banks specialising in household lending.

<sup>5</sup> According to data from reporting form 0409316 'Data on Housing Loans'.

securities increased faster than banking sector assets. As a result, the share of securities in the banking sector assets increased over the year from 12.5% to 14.2%.

Investments in held-to-maturity securities increased from ₺2.2 trillion to ₺3.2 trillion (or from 23.4% to 27.6% of total investments in securities), primarily due to investments in securities denominated in a foreign currency (their share in total investments in securities increased from 7.5% to 12.0%). The increased value of the portfolio of foreign currency held-to-maturity securities was down to the higher investment in securities in foreign currency terms and a positive foreign exchange revaluation of securities.

The reduction in the Bank of Russia's key rate combined with growth in ruble-denominated bond values and an increase in the share of held-to-maturity securities limited credit institutions' exposure to market risk in 2015.

**Liquidity risk.** Amid the falling structural liquidity deficit, credit institutions' outstanding debt to the Bank of Russia reduced from 12.0% to 6.5% of banking sector liabilities over 2015. Auction-based loans provided by the Bank of Russia and secured by nonmarketable assets and ruble-denominated repos continued to be the main refinancing instruments. The amount of the banking sector debt on ruble-denominated repos with the Bank of Russia reduced over 2015 from ₺2.8 trillion to ₺1.7 trillion. The debt structure on lending operations secured by credit institutions' nonmarketable assets and guarantees changed. Credit institutions' debts on standing facilities secured by nonmarketable assets and guarantees were replaced with auction-based operations. As a result of the downturn in banking sector demand for refinancing, credit institutions' debt on standing facilities secured by nonmarketable assets or guarantees reduced from ₺2.1 trillion to ₺0.2 trillion, while the maturity increased. At the same time, the total debt on ruble-denominated loans secured by nonmar-

ketable assets and guarantees reduced over 2015 to ₺1.8 trillion (excluding specialised refinancing instruments).

In 2015, demand for foreign currency persisted due to the need among nonfinancial companies and banks to repay significant external debts. In order to stabilise the situation in the foreign exchange market, the Bank of Russia used foreign currency repos and auctions to provide foreign currency loans secured by receivables on foreign currency loans. These measures enabled the Bank of Russia to ease getting through the most acute stage of the economy's adaptation to the limited access to global financial markets.

As part of its preparations to establish the liquidity coverage ratio for systemically important credit institutions, from 1 January 2016 the Bank of Russia has allowed credit institutions to sign agreements to open irrevocable credit lines. Systemically important credit institutions and credit institutions whose equity capital is over ₺25 billion and which are subsidiaries of systemically important credit institutions whose stakeholding in the equity capital of the subsidiary credit institutions exceeds 50% can sign agreements with the Bank of Russia. This measure has widened the range of refinancing instruments available to manage liquidity risk.

**Funding risks.** In 2015, the banking sector witnessed a downturn in the growth of funds obtained by banks from the nonfinancial sector. Annual growth in total household and corporate deposits decreased from 28% to 19% in 2015, and, excluding exchange rate effects, remained at 8%. In contrast with the previous year, growth in corporate deposits slowed in 2015, while household deposits continued to exhibit stable growth. The increase in the most stable component of liabilities – ruble-denominated household deposits – was a positive factor for the banking sector. On the whole, banking sector funding risks remained at an acceptable level in 2015.

## II.4. BANKING REGULATION AND SUPERVISION

### II.4.1. Regulation of credit institutions' activities

In 2015, the Bank of Russia continued its efforts to improve banking regulation on the basis of internationally recognised approaches, including the implementation of recommendations from the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board, and also adopted regulatory measures to maintain stability in the banking sector amid instability in the financial markets.

The outcome of the changes made to the Bank of Russia's regulatory framework for banking regulation was a successful completion of the regulatory consistency assessment programme (RCAP) by the BCBS. Banking regulation in the Russian Federation has been recognised as compliant with Basel II, Basel 2.5 and Basel III standards.

In implementing the approaches found in the Basel II, Basel 2.5 and Basel III international agreements, regulatory documents were adopted to introduce the following measures, among others:

- the methodology used to determine the amount of equity capital of a credit institution was specified in terms of definitions of significant investments and counter investments in the equity of financial institutions. Extended 50-year subordinated debt instruments were moved from sources of Additional Tier 1 capital to sources of Tier 2 capital;
- requirements for calculating equity capital adequacy ratios for credit institutions were specified (the risk ratios and collateral requirements were revised). Equity capital buffers were established for credit institutions and banking groups: a capital conservation buffer, a countercyclical buffer, and a systemic capital charge;
- minimum requirements for the core capital adequacy ratio (N1.1) were reduced from 1 January 2016 from 5.0% to 4.5%, and the equity capital adequacy ratio (N1.0) from 10.0% to 8.0%;
- reduced risk ratios were introduced for credit claims against small businesses (75%) and for mortgages (35%), for both credit institutions and banking groups;
- the requirement for systemically important credit institutions<sup>1</sup> to comply with the minimum liquidity coverage ratio (LCR) of 70% from 1 January 2016 was introduced, with subsequent annual increases by 10 percentage points up to 100% from 1 January 2019; liquidity risk management principles were also established. The procedure for calculating the short-term liquidity indicator, which is used to calculate the LCR, was clarified;
- the procedure for credit institutions to calculate market risk was brought in line with the standards set out in Basel II, Basel 2.5 and Basel III;
- the requirements were established for the systems used to manage credit institutions' risks and equity capital, which will allow credit institutions to comprehensively assess significant and potential risks and ensure capital adequacy to cover these risks on a continuous basis;
- the requirements were established regarding disclosure of information by credit institutions on the equity capital structure, financial leverage figures, and the LCR calculation in accordance with Basel III, on an individual and consolidated basis.

Moreover, banks with assets less than ₹500 billion were allowed to assess the credit risk using the internal ratings-based approach (IRB) and a procedure was established for obtaining permission to use this approach.

In order to maintain stability in the Russian banking system amid the high volatility in the financial markets, the Bank of Russia extended certain measures adopted at the end of 2014. The validity of the provisions set out in Bank of Russia Letters No. 209-T, No. 210-T

<sup>1</sup> In 2015, as part of its work to establish a list of systemically important credit institutions (SICI), the Bank of Russia issued Ordinance No. 3737-U, dated 22 July 2015, 'On the Methodology for Identifying Systemically Important Credit Institutions' (Ordinance No. 3737-U), which establishes, pursuant to the recommendations of the Basel Committee on Banking Supervision and the practices of foreign regulators and taking account of the specifics and operating conditions of the Russian banking sector, the methodology for identifying SICIs, including quantitative indicators of credit institutions' activities and criteria for internationally active credit institutions. Furthermore, Ordinance No. 3737-U establishes the decision-making procedure followed by the Bank of Russia to approve the list of SICIs. On 15 October 2015, the Bank of Russia followed the methodology set out in Ordinance No. 3737-U and approved a list of 10 systemically important credit institutions. This list was posted on the Bank of Russia website on 20 October 2015.

and No. 211-T, dated 18 December 2014, concerning benefits when appraising the quality of restructured debts and a borrower's financial position in cases where the payment deadlines had been violated due to restrictions imposed by foreign states, was extended until the end of 2015, and the possibility of using a

special exchange rate when calculating the required ratios was maintained.

Information on other regulatory measures and a list of regulatory documents adopted by the Bank of Russia is provided in Section IV.2 'Principal measures to upgrade banking regulation and supervision in 2015'.



## II.4.2. Registration and licensing of banking activities

In 2015, the number of operating credit institutions with banking licences shrank by 101 to 733 as of 1 January 2016.

In 2015, eight banks ceased their operations as a result of a merger, while four banks changed their form of incorporation as a result of reorganisation (in 2014, seven credit institutions and two banks respectively).

Five banks changed their status from bank to non-bank credit institution in 2015, having failed to comply with the requirements for minimum equity capital as set out in Article 112 of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities' (hereinafter, Federal Law No. 395-1).

Two newly created nonbank credit institutions – NCI Perspektiva (LLC) and NCI International Settlement Centre (LLC) were registered in 2015, and three credit institutions expanded their operations by obtaining licences to carry out a wider range of activities.

Over the reporting period, the Bank of Russia decided to refuse state registration to the founders of six newly-established credit institutions (refusing one of them twice) because of the founders' unsatisfactory financial position and non-compliance of documents submitted to the Bank of Russia for state registration of the credit institution and receipt of a banking licence with the requirements of federal laws and Bank of Russia regulations adopted in accordance with these laws. These numbers correspond to those seen in 2014.

Due to non-compliance with the requirements set out in Bank of Russia regulations, one credit institution was refused expansion of activities and documents submitted with a view to expand activities were returned to another credit institution.

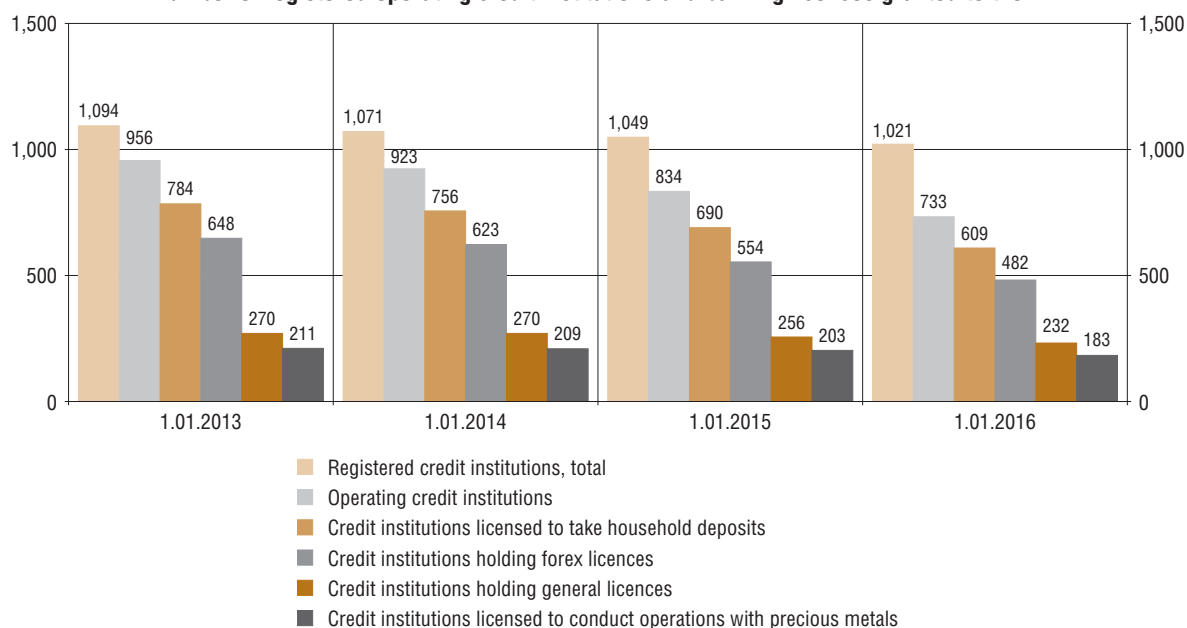
In 2015, 354 credit institutions had their banking licences replaced in connection with bringing their names in line with Federal Law No. 99-FZ, dated 5 May 2014, 'On Amending Chapter 4 of Part 1 of the Civil Code of the Russian Federation and Invalidating Certain Provisions of Russian Laws' (with regard to the status of a joint-stock company).

In 2015, the total authorised capital of operating credit institutions increased by ₴489 billion, or by 26.6%, to ₴2,329 billion as of 1 January 2016.

Nonresidents' total investments in the total paid-up authorised capital of operating credit institutions increased to ₴409 billion, or by 0.7%, in 2015 (by ₴0.8 billion or 0.2% in 2014). The stakeholding of nonresidents in the Russian banking system reduced to 16.9% as of 1 January 2016 (from 21.7% as of 1 January 2015).

In 2015, the trend towards reducing numbers of operating credit institutions with nonresident stakeholdings persisted. In 2015, the number of such credit institutions decreased by 26 to 199. The number of operating credit institutions with nonresident stakeholdings of more than 50% reduced by seven to 106 credit institutions as of 1 January 2016 (in 2014, by nine to 113 as of 1 January

Number of registered operating credit institutions and banking licences granted to them





2015). However, foreign investment in the authorised capital of such credit institutions rose by ₽5.9 billion (₽5.5 billion in 2014).

For the first time, the Bank of Russia-calculated amount of foreign capital in the total authorised capital of operating credit institutions, in compliance with Article 18 of Federal Law No. 395-1, stood at 13.4% as of 1 January 2016.

Over the reporting period, the number of branches of operating credit institutions decreased by 18.1% to 1,398 as of 1 January 2016.

In 2015, the total number of internal divisions of credit institutions and their branches reduced by 10.9% to 37,221 as of 1 January 2016. The number of credit and cash offices decreased to 1,853 (19%), while the number of additional offices reduced to 21,836 (6.3%)

and the number of mobile cash offices rose to 227 (15.8%).

The shrinking regional presence of credit institutions and their structural divisions in 2015 was due not only to the exit of unfair participants from the banking market, but also the development of electronic banking services technologies by credit institutions.

As of 1 January 2016, the Bank of Russia had accredited 67 representative offices of foreign credit institutions. In 2015, the Bank of Russia accredited one representative office of a foreign credit institution to operate on the territory of the Russian Federation, extended the validity of accreditations previously issued to 17 foreign credit institutions' representative offices, and terminated the accreditations of seven credit institutions' representative offices.

### II.4.3. Off-site supervision

In 2015, the Bank of Russia continued to implement risk-based approaches to bank supervision, proceeding from the following core principles:

- prioritising a substantive approach over a formal one;
- prevention, identifying problems in a bank at an early stage, appropriate assessment and prudential risk limitation;
- continuous improvement of dialogue with banks regarding organisation of their activities and risk-management;
- the effectiveness of measures undertaken, their fit with the situation at the credit institution, taking into account equal measures taken against different banks for the same infringements.

With these approaches in mind, the Bank of Russia continued its efforts to reinvigorate the banking system with a view to protecting the interests of credit institutions' creditors and depositors.

In the context of the Bank of Russia's work as a mega-regulator, further opportunities arose in banking supervision to obtain information on the activities of banks, banking groups and financial conglomerates, including with regard to banks' operations with other financial market participants.

Following a downturn in the macroeconomic situation in 2015 and due to credit institutions accumulating significant risks, the off-site supervision had to drastically intensify efforts to analyse the activities of supervised organisations and raise the efficiency of responses to unfavourable developments in certain banks based on conservative approaches to assessing banking risks.

Four groups of credit institutions have been provisionally identified in order to concentrate efforts on solving priority objectives when organising supervision:

- banks whose activity holds regional or federal significance, including systemically important banks. More detailed work was carried out on all aspects of these credit institutions' activities by both a Bank of Russia regional branch and its head office. In this respect, components of consolidated supervision of banking groups were used (including informal components), assuming in particular that credit institutions' risks would be limited to the owners' business;
- banks engaged in fictitious transactions (including transactions linked to transferring funds abroad and converting funds to cash). The Bank of Russia took steps to identify such credit institutions and their cus-

tomers. In 2015, the Bank of Russia applied a wide range of measures against these banks in accordance with the law, in an attempt to stop the banks from carrying out such transactions. Restrictions were broadly enforced against these banks, and if the credit institutions committed repeated violations of the law within a year, their licences were revoked;

- banks that are not systemically important credit institutions and are experiencing problems in their operations;
- banks with no prospects of restoring their financial stability. This group also includes banks that have adopted aggressive strategies of taking household funds on deposit, including at higher interest rates. Intensive supervision has been conducted over these banks and their owners.

In 2015, in line with the Bank of Russia's new regional structure, a vertical system of supervision and supervisory measures was applied at the levels of the main branch, division and head office.

The practice of consolidated supervision of banking groups underwent further development, in part taking into account the powers of the Bank of Russia as a mega-regulator – primarily to assess risks based on coordinating and exchanging information between Bank of Russia structural divisions responsible for supervision of banks and nonbank financial institutions.

The Bank of Russia continued its supervision of the activities of systemically important banks. Bank of Russia supervisory groups were set up to supervise the activities of banking groups whose parent organisations are systemically important credit institutions. As of 1 January 2016, there were six supervisory groups operating within the consolidated supervision framework.

As of 1 January 2016, Bank of Russia authorised representatives appointed on the basis of Article 76 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' operated in 156 Russian credit institutions and two credit institutions pursuant to Article 7 of Federal Law No. 37-FZ, dated 2 April 2014, 'On the Specifics of the Functioning of the Republic of Crimea's and the Federal City of Sevastopol's Financial System in the Transition Period'.

Under Article 76 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', Bank of Russia authorised representatives have been appointed to all systemically important credit institutions.

In 2015, credit risk was the focus of supervisory attention. The following factors were considered to be priorities:

- the reality of a borrower's business, which is a source of funds for servicing and repaying bank loans, the quality and adequacy of the collateral used to adjust the amount of provisions made;
- the adequacy of the collateral assessment. In this respect, the Bank of Russia's supervision efforts were aimed at raising the standard of expert assessments of the price of the collateral, in part through working with appraisal companies and self-regulatory organisations;
- the risks of portfolio loans to households. The priority of supervisory work in this field in 2015 was to prevent attempts to withdraw funds from banks by providing retail loans based on counterfeit documents and manipulating the level of arrears to transfer loans into lower risk portfolios;
- claims on import letters of credit to nonresidents and lending to nonresident companies. These operations are not transparent to the Bank of Russia, including in terms of their conditions, the way they are formalised, and the difficulty of obtaining a reliable confirmation of the reality and substance of transactions due to the counterparty's jurisdiction. They also show signs of assets being withdrawn from credit institutions, including for the purpose of lending to the owners' business and fraudulently increasing the equity capital of the bank itself;
- interbank funds (interbank loans, NOSTRO accounts), securities placed abroad. During the reporting period, the Bank of Russia carried out work to clarify the nature of such assets in order to determine whether or not an asset exists and is encumbered, including in certain cases with the involvement of the supervisory bodies of countries in which

the Russian banks' counterparties are situated.

- the level of risk concentration per the owners' business.

In practice, when there is a drastic change in the ruble exchange rate and the cost of borrowed funds is higher, supervision looks to monitor the impact of changes in the exchange rate and interest rates on the level of income and equity capital of banks whose balance sheets show a high proportion of items denominated in a foreign currency. Significant attention has been paid to identifying schemes for credit institutions to formally comply with set limits on open foreign currency positions by regulating net balance sheet foreign currency positions using nonmarketable forward transactions with affiliated companies. Special attention has been paid to assessing the quality of foreign exchange risk management at banks.

Considerable supervision efforts were directed at discouraging banks from increasing their foreign currency assets and liabilities. Attention was also paid to entities affiliated with banks, which actually engage in speculative foreign currency trading, using ruble-denominated borrowed funds to acquire foreign currencies in anticipation of a fall in the ruble exchange rate.

In 2015, bank operations with securities were subject to further attention (securities of an uncertain quality, nonpublic issuers, hard-to-sell securities, etc.), for example, operations involving the units of certain closed-end unit investment funds (ZPIFs), mortgage participation certificates (MPC) kept at nonpublic companies (including nonresident companies), inaccurate recording of the value of such instruments in statements, and the presence of concealed encumbrances.

During the supervisory process, the circumstances surrounding the formation of sources of equity capital were also examined, including free financial aid, income from one-time transactions (including foreign exchange

**Summary data on number of credit institutions consented to disclose information as of 1 January 2016  
(percent of the total number of operating credit institutions)**

Reporting form	Disclosure (percent of the total number of operating credit institutions)
0409101 'The Trial Balance of a Credit Institution'	97
0409102 'Statement of Financial Performance of a Credit Institution'	97
0409134 'Calculation of Equity Capital'	97
0409135 'Information on Credit Institutions' Required Ratios and Other Performance Indicators'	97
0409123 'Calculation of Equity Capital (Basel III)'	97
All reporting forms (0409101, 0409102, 0409134, 0409135, 0409123)	97

transactions and transactions involving ZPIFs), revaluation of assets and other nontransparent (nonmarketable) sources, such as nonresident funds. Moreover, the aim of supervision was to confirm the quality of sources of capital and to disallow credit institutions themselves from investing in sources of equity capital.

To guarantee transparency of international banking operations and determine the supervisory regime over credit institutions in banking groups, in 2015 Bank of Russia representatives participated in international supervisory college meetings held by the supervisory authorities of Hungary and Kazakhstan and a meeting of the Subcommittee for Interbank and Investment Cooperation between the Russian Federation and the Republic of Kazakhstan.

An important component of the measures to improve banking sector transparency was work to disclose information on the Bank of Russia's official website, including the publication of credit institutions' balance sheets and financial statements, as well as information on equity capital and required ratios.

The Bank of Russia also calculates and publishes the following on its official website:

- the average market effective interest rate by type of consumer loans to determine the maximum effective interest rate in accordance with Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans' (quarterly);
- the basic rate of return on ruble and foreign currency deposits in order to establish which banks pay insurance premiums into a deposit insurance fund at an additional rate or at a higher additional rate, in accordance with Federal Law No. 177-FZ, dated 23 December 2003, 'On Insurance of Household Deposits in Russian Banks' (monthly).

The Bank of Russia monitors the highest interest rates on ruble-denominated deposits at the 10 credit institutions that attract the largest amount of household deposits and publishes the summary results every ten days.

In 2015, in order to improve the quality of supervision activity, the Bank of Russia continued to collect and analyse information on businesses in the nonfinancial sector of the economy, which borrow from credit institutions. Special attention was paid to analysing activities of borrowers that are especially significant to the economy.

### **The Bank of Russia's monitoring of credit institutions' use of funds obtained as part of the recapitalisation programme through the state corporation Deposit Insurance Agency**

In 2015, the Bank of Russia monitored banks' use of funds received in accordance with Federal Law No. 451-FZ, dated 29 December 2014, 'On Amending Article 11 of the Federal Law 'On Insurance of Household Deposits in Russian Banks' and Article 46 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

As of 1 January 2016, a total of more than ₴802 billion were transferred as part of the recapitalisation programme through the state corporation Deposit Insurance Agency (DIA): ₴507 billion through the acquisition of banks' privileged shares and ₴295 billion through the acquisition of banks' subordinated liabilities. These funds were transferred to 25 banks<sup>1</sup> (the parent organisations of the banking groups received funds to recapitalise their subsidiary banks (three in total))<sup>2</sup>.

Having received funds to increase capitalisation through the DIA<sup>3</sup>, the banks are making a significant contribution to growth in lending to the economy. Due to the length of the process to obtain the capitalisation funds, 21 banks had to adhere to the condition of increasing lending in priority areas by at least 1% per month as of 1 January 2016.

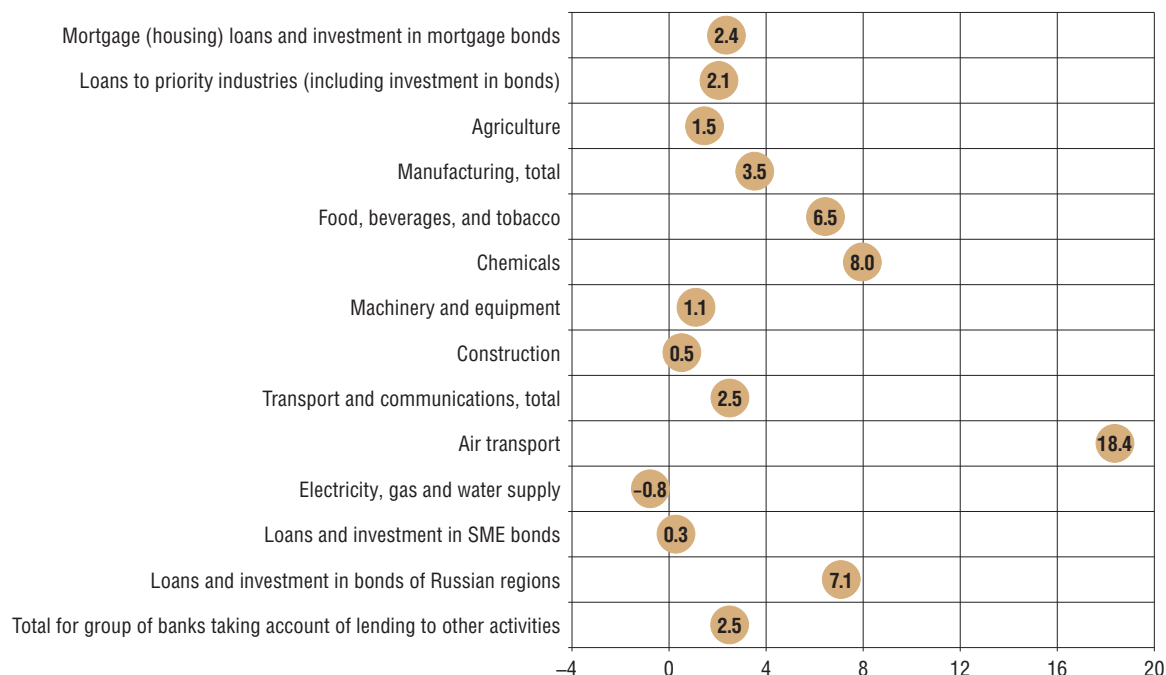
Banks capitalised through the DIA must submit reports to the DIA on fulfilment of their obligations, including on independent increases in a bank's equity capital,

<sup>1</sup> PJSC Sovcombank, OJSC Bank Petrokommerts, PJSC Bank FC Otkritie, OJSC MOSCOW CREDIT BANK, PJSC AK BARS BANK, JSC JSCB NOVIKOMBANK, JSCB Absolut Bank (PJSC), Bank VTB (PJSC), Bank GPB (JSC), PJSC Promsvyazbank, PJSC BINBANK, PJSC Bank ZENIT, PJSC Bank Saint Petersburg, PJSC JSCB Sviaz-Bank, PJSC MDM Bank, Bank Vozrozhdenie (PJSC), JSCB ROSSIYSKY KAPITAL (PJSC), JSC Rosselkhozbank, PJSC MTS Bank, PJSC MlnBank, JSC ALFA-BANK, RNKB Bank (PJSC), JSC Bank Russkiy Standart, OJSC MBSP, and JSC SME Bank.

<sup>2</sup> VTB 24 (PJSC) and OJSC Bank of Moscow, which are part of the VTB banking group, and PJSC Khanty-Mansiysk Bank Otkritie from the PJSC Bank FC Otkritie banking group.

<sup>3</sup> One of the main conditions of obtaining these funds was the obligation for banks to increase their total ruble-denominated lending within three years of the recapitalisation, including mortgage lending, and (or) lending to small and medium-sized businesses, and (or) constituent territories of the Russian Federation, and (or) entities operating in one or more sectors of the economy. When calculating the growth figure, along with loans, banks' investment in mortgage bonds denominated in rubles was taken into account, together with the amount of ruble-denominated bonds acquired by banks and issued by the entities listed above.

**Average monthly growth rates in lending by group of banks supported by government through the DIA as of 1 January 2016  
(as per banks' special statements to the DIA, percent)**



and restrictions on the compensation of employees. The DIA monitors performance of these obligations as part of monitoring agreements concluded with the banks.

In order to ensure collaboration in terms of information exchange, on 21 July 2015 the Bank of Russia and the DIA signed an Inter-Agency Agreement on Information Exchange as part of measures to raise banks' capitalisation.

The Bank of Russia's monitoring shows, according to data from banks' reports, that from the time of receiving OFZs from the DIA banks provided loans and in-

vested funds predominantly in bonds of manufacturing companies (37% of the total growth in the receivables portfolio), constituent territories of the Russian Federation (14%), mortgage loans and mortgage bonds (20%), and loans to transport and communications businesses (12%)<sup>1</sup>.

Overall, the average monthly growth of the aggregate portfolio was 2.5% for the aforementioned 21 banks. All banks fulfilled their obligations to increase total lending and bond acquisitions by at least 1% per month on average.

<sup>1</sup> According to data from the state corporation Deposit Insurance Agency.

## II.4.4. Inspection of credit institutions

In total in 2015, authorised representatives of the Bank of Russia carried out<sup>1</sup> 647 inspections of credit institutions and their branches (including 201 inspections of credit institutions subject to the 'second line' of supervision and 45 inspections of systemically important credit institutions). The practice of using risk-based approaches to organising inspections was continued. Basically (99.7% of all inspections carried out), inspections were carried out for certain areas of credit institutions' activities or certain types of banking operations and transactions. Inspections were predominantly scheduled (70.2%). Unscheduled inspections (29.8%) were used in cases of increases in authorised capital and where there was a need to investigate operations which, according to off-site supervisory assessments, could generate a high level of risk.

Along with inspections, representatives of the Bank of Russia Chief Inspection (hereinafter, Chief Inspection) and the DIA carried out an assessment of the adequacy of assets of 15 credit institutions in terms of settling liabilities. The Bank of Russia used the results to decide on the feasibility of a bank's financial recovery.

When organising and carrying out the inspections, the Bank of Russia focused its attention on identifying consolidated risks characteristic of credit institutions and affiliated organisations in the non-credit sector. To this end, simultaneous and coordinated inspections were carried out in credit institutions belonging to banking groups and bank holding companies, as well as credit institutions and nonbank financial institutions (NFI) that were either economically affiliated or under the control of a single group of entities.

As a result, significant risks and violations were revealed in the activities of both credit institutions and NFIs, instances of financial market participants' transactions showing signs of being 'schemes' were established, including transactions aimed at withdrawing funds abroad and camouflaging the heightened risks of a consolidated group (for example, by transferring problem assets from the balance sheets of some credit institutions to the balance sheets of other credit institutions and (or) NFIs with a view to 'wash out' the group's risk), and high-risk operations carried out in the interests of

the group's beneficiaries and previously not transparent to the regulator were registered.

The inspections of credit institutions registered violations related mainly to credit risk underestimation (64.9% of all violations) and failure to comply with the requirements of law on anti-money laundering and countering the financing of terrorism (AML/CFT) (21.1%). In terms of overstating the quality of assets, aside from the underestimation of credit risk as noted above, instances were registered where loans had been used to repay bad debts from previously issued loans and collateral had been used illegally to minimise loan loss provisions. Inspection practice has shown that there are significant risks posed by banks' lending to legal entities that are not engaged in any real activity. The manipulation of promissory notes continued: instances were established where third party promissory notes avalised by banks had not been recorded, and fictitious corporate promissory notes were recorded in banks' portfolios (the promissory notes had the same details, but were acquired by different individuals).

Instances were registered where credit institutions had camouflaged risks by providing funds to nonpublic nonresident companies to finance their activities abroad, including by paying letters of credit. These transactions were characterised by nontransparent settlements and movements of goods, and by legal risks for Russian banks under foreign laws.

In the course of the inspections, problems were noted in corroborating the authenticity of information on balances of funds or securities when they were placed in foreign banks (in correspondent accounts or in the form of interbank loans) and foreign depositories. Moreover, over a long period of time there had been minimum balances for these assets, and little or no turnover, which suggested a possible lack of economic expediency in investing assets and (or) signs of fiduciary transactions.

There were instances of artificial creation of an 'active market' for ZPIF units, which involved maintaining their stock exchange quotations in order to shape the current value for these assets. Nontransparent operations with securities were also discovered, which were designed to conceal the absence of the securities<sup>2</sup>. Transactions were registered where doubtful loans

<sup>1</sup> The inspections began in 2015.

<sup>2</sup> For example, by engaging in transactions to repeatedly transfer rights of claim on securities.



were replaced with MPCs, and the mortgage collateral included real estate whose value had been significantly overstated.

During the course of inspections of consumer lending, instances of concealing the real period over which loans were in default were uncovered, as well as instances where borrowers' passports were invalid and borrowers provided false information on their income.

Cases were registered where banks adopted an aggressive policy of attracting household funds through 'scheme' transactions. A number of schemes were aimed at reducing the actual value of banks' liabilities towards depositors: a portion of liabilities were posted to off-system records, including through multiple transactions to transfer depositors' funds into the accounts of subordinate NFIs. The funds received were transferred to NFIs to issue microloans to households and in a number of cases were the sole funding base of these NFIs, which posed a significant risk to bank creditors and depositors.

Improper sources, made up of interest income, fees, and payments from affiliated insurance companies and formed from the banks' own funds, were discovered in the equity capital of a number of credit institutions.

Cases were discovered where credit institutions had lost liquidity and had failed to execute customers' orders in a timely fashion.

Credit institutions' compliance with AML/CFT legislative requirements was examined in 268 inspections. During the inspections, cases were revealed where banks had not sent (or had failed to send on time) information to the authorised body on transactions subject to mandatory controls or had provided unreliable infor-

mation on these transactions and had failed to fulfil their obligations to adopt valid and accessible measures to identify the beneficiary owners. A number of credit institutions were involved in carrying out transactions for customers showing various signs of being fictitious.

The Chief Inspection's internal control divisions carried out a current and subsequent analysis of inspection materials. During the monitoring of the inspections, on-going checks were carried out on the implementation of recommendations made to working groups, adjustments were made to their activity, and the conformity of the final part of the report on the inspection of information provided as part of the monitoring and recorded in the analytical part of the report was checked. These measures generally helped to raise the quality and information value of inspection reports.

A mechanism was also adopted to coordinate the approaches of inspection divisions and off-site supervision divisions to assessing problem assets before drawing up the inspection report, which helped reduce the legal risk and strengthen the working group's position when classifying areas of heightened risk at a credit institution.

In the context of its inspection measures, the Chief Inspection collaborated actively on information matters with supervisory, controlling, and law-enforcement bodies: 170 communications from these bodies were reviewed, 210 requests for information were sent to them in relation to customers at 27 credit institutions, and 64 communications were sent regarding the operations and transactions of credit institutions and their dubious customers with links to unlawful activities and the legalisation (laundering) of criminally obtained income.



## II.4.5. Financial resolution and liquidation of credit institutions

In 2015, the Bank of Russia and the DIA carried out work to prevent the insolvency (bankruptcy) of credit institutions within the framework of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (hereinafter, Federal Law No. 127-FZ).

When making a decision on feasibility of a financial resolution of a particular bank, the Bank of Russia took into account the bank's systemic importance to the Russian banking sector or a specific region, the economic feasibility of the resolution, including from the perspective of possible losses when paying insurance indemnities, and the willingness of investors (major creditors) to play a role in the financial resolution of the bank.

In 2015, the Bank of Russia and the DIA pursued measures under approved plans for the DIA's involvement in steps to prevent the bankruptcy of 31 banks, one of which had its licence revoked.

In addition, the Bank of Russia approved plans for the DIA's involvement in settling liabilities in relation to two banks (NOTA-Bank (PJSC) and OJSC JSCB Pro-businessbank). As of 1 January 2016, these banks had transferred their liabilities and some of their assets to acquiring banks. The courts of arbitration ruled that these banks were to be recognised as bankrupt and winding up proceedings were initiated.

As of 1 January 2016, 30 banks were implementing measures to prevent bankruptcy. The DIA's debt to the Bank of Russia for loans granted in accordance with plans for the DIA's involvement in bank bankruptcy prevention measures totalled ₱1,047.9 billion as of 1 January 2016.

In 2015, the Bank of Russia took steps to monitor operations of 92 credit institutions for insolvency (bankruptcy) prevention purposes. These 92 credit institutions had grounds for implementing the bankruptcy prevention measures provided for in Article 189<sup>10</sup> of Federal Law No. 127-FZ, of which:

- 12 banks independently eliminated these grounds;
- three credit institutions independently decided to implement financial resolution measures;
- four credit institutions, which had been allowed to decrease the size of their equity capital below the registered authorised capital at the end of the reporting month, were not required to bring their equity capital in line with the authorised capital, since they have operated for less than two years since the issue of their banking licences;
- two credit institutions were required to bring their equity capital in line with the authorised capital;
- 25 banks saw the Bank of Russia and the DIA initiate bankruptcy prevention measures against them;
- 46 credit institutions had their banking licences revoked.

As of 1 January 2016, 32 credit institutions had grounds for implementation of bankruptcy prevention measures.

During the course of 2015, the Bank of Russia appointed 107 provisional administrations to manage credit institutions (hereinafter, provisional administration), of which: 14 provisional administrations were appointed to banks in accordance with approved plans for the DIA's involvement in bankruptcy prevention at banks, and 93 provisional administrations were appointed to credit institutions due to the revocation of their banking licences. Three provisional administrations appointed in accordance with Clause 4 of Part 2 of Article 74 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter, Federal Law No. 86-FZ) had their duties and terms changed due to the revocation of banking licences.

In 2015, 89 provisional administrations appointed in 2014–2015 ceased operating. As of 1 January 2016, 42 provisional administrations were operating, including provisional administration duties being entrusted to the DIA at 11 active banks.

As of 1 January 2016, 288 credit institutions were subject to liquidation, all of which had their licences revoked (cancelled) in the period from 2006 to 2015, and the Bank of Russia did not receive any certificates of their state registration from the authorised registration body in relation to their liquidation. Of these, 265 credit institutions were undergoing liquidation proceedings and 23 credit institutions had not had the respective court rulings handed down after the revocation of their licences in 2015.

Of the 265 credit institutions undergoing liquidation, the majority (213) were declared insolvent (bankrupt) and winding up proceedings began, including 61 credit institutions that were declared bankrupt in 2015 (of these, three credit institutions had an arbitration court ruling on forced liquidation earlier). Arbitration court rulings on forced liquidation were handed down with regard to 50 credit institutions. Of these, 26 credit insti-

tutions had court rulings on forced liquidation handed down against them in 2015. In addition, two credit institutions are undergoing voluntary liquidation based on a decision by their founders. At 204 credit institutions the DIA acted as a receiver and at 40 as a liquidator.

As of 1 January 2016, 1,660 records of state registration had been made in the Unified State Register of Legal Entities in relation to the liquidation of credit institutions. According to reporting data submitted to the Bank of Russia, the average percentage of satisfied creditor claims at these credit institutions was 12%, of which 67.6% were first line creditors. For those liquidated credit institutions where the DIA acted as a receiver (liquidator), the average percentage of satisfied creditor claims was 23.8%, of which 54.6% were first line creditors, 34.7% were second line creditors, and 12.3% were third line creditors and other creditors whose claims are due to be satisfied after satisfying the claims of creditors listed in the register of creditors' claims.

In order to monitor the activity of credit institutions' receivers (liquidators), the Bank of Russia conducted 50 inspections in 2015. In 46 cases, the focus of the inspection was the activities of the DIA and in four cases the activities of individual court-appointed receivers.

In 2015, 23 receivers were accredited with the Bank of Russia as official receivers in the bankruptcy of credit institutions and 33 receivers had their accreditation extended. In addition, 10 receivers were denied accreditation or refused an extension of their accreditation due to a failure to meet the accreditation criteria. Furthermore, one receiver had its accreditation cancelled due to the discovery, during an inspection of its activities as a liquidator of a credit institution, of violations seriously infringing the rights of creditors of this credit institution. At the request of the Bank of Russia, this receiver was dismissed from its duties by the arbitration court and the DIA took over as liquidator.

As of 1 January 2016, 55 receivers were accredited with the Bank of Russia.

## II.4.6. Household deposit insurance in Russian banks

As of 1 January 2016, 842 banks were deposit insurance system participants (860 banks as of 1 January 2015), of which 616 were operating banks and 226 were undergoing liquidation.

In 2015, 18 banks were excluded from the deposit insurance system.

In 2015, insured events occurred at 77 banks.

As of 1 January 2016, the size of the compulsory household deposit insurance fund was ₽57 billion.

In 2015, the Bank of Russia supervised banks participating in the deposit insurance system to identify the occurrence of the conditions stipulated by Article 48 of Federal Law No. 177-FZ, dated 23 December

2003, 'On Insurance of Household Deposits in Russian Banks' (hereinafter, Federal Law No. 177-FZ) in order to terminate the right of the banks listed in the bank register to take household funds on deposit and to open and maintain household bank accounts. This ban on banks participating in the deposit insurance system was not enforced during the reporting period.

Pursuant to Article 27 of Federal Law No. 177-FZ, for the purposes of applying the additional or higher additional insurance premium rate, the Bank of Russia provided the DIA with information on banks meeting the criteria for payment of the additional or higher additional rate provided for in Article 36 of Federal Law No. 177-FZ.

## II.4.7. Supervisory response

In 2015, the Bank of Russia's supervisory response was primarily geared towards supervisory measures aimed at preventing negative trends in the activities of credit institutions at an early stage.

As part of an early response procedure, the management and (or) boards of directors (supervisory boards) of 813 credit institutions received written information on shortcomings in their activities and recommendations on how to correct them.

Supervisory meetings were held with representatives of 494 credit institutions to demonstrate to the management and owners of the credit institutions the problems identified and the need to remedy them independently.

In 50 cases, recommendations were sent on developing an action plan to remedy the identified shortcomings, improve reporting controls, and adequately assess credit risk, among other things.

Where required, the following punitive measures were imposed on banks:

- fines (212 credit institutions);
- restrictions on certain types of transactions carried out by credit institutions (243 credit institutions, of which 138 banks saw restrictions on taking household funds on deposit and 143 banks saw restrictions on opening corporate and household bank accounts);
- bans on certain types of banking transactions carried out by credit institutions (73 credit institutions);
- demands (on 623 credit institutions, including demands to reclassify their loan debt – on 376 credit institutions and to supplement their loss provisions – on 409 credit institutions);
- bans on opening branches (50 credit institutions).

When the owners did not adopt any measures to eliminate the violations identified and restore financial stability, the Bank of Russia took an extreme measure, i.e., the revocation of a banking licence, if there were grounds to do so.

In 2015, credit institutions included on the list<sup>1</sup> of systemically important credit institutions predominantly saw the use of punitive measures (193 times) in the

form of Bank of Russia demands (142 times), including to reclassify loan debt and to replenish loss provisions on loan and similar debts, fines (37 times), including administrative fines for the administrative offences provided for in Article 15.27 of the Code of Administrative Offences of the Russian Federation and other punitive measures (excluding fines) against officials of supervised credit institutions (13 times) and one supervised credit institution (once)<sup>2</sup> for the administrative offences provided for in Article 15.27 of the Code of Administrative Offences of the Russian Federation.

Preventive measures were used against systemically important credit institutions 144 times in 2015.

In 2015, pursuant to Article 74 of Federal Law No. 86-FZ and Article 20 of Federal Law No. 395-1, the Bank of Russia revoked the banking licences of 93 credit institutions (in 2014, 86 credit institutions).

The grounds for revoking the banking licences were as follows:

- failure to comply with federal banking laws and Bank of Russia regulations, if, within one year, the measures set forth in Federal Law No. 86-FZ had been enforced against a credit institution more than once: 83 cases (in 2014, 75);
- repeated violations, within one year, of the requirements set out in Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and Bank of Russia regulations issued in accordance with Federal Law No. 115-FZ: 34 cases (in 2014, 36);
- evidence of significant misreporting of data: 11 cases (in 2014, 13);
- a credit institution's equity capital falling below the minimum authorised capital amount set by the Bank of Russia on the date of the credit institution's state registration: 26 cases (in 2014, 14);
- capital adequacy below 2%: 27 cases (in 2014, 12);
- inability to satisfy creditors' liability claims within 14 days of the due date: 13 cases (in 2014, 26);

The total assets of credit institutions whose banking licences had been revoked by the Bank of Russia

<sup>1</sup> Published on the Bank of Russia's official website on 20 October 2015.

<sup>2</sup> The warning resolution entered into force on 15 January 2015.

in 2015 amounted to ₪1,144 billion, or 1.5% of total banking sector assets; their total deposits amounted to ₪457 billion, or 2.5% of banking sector deposits<sup>1</sup>.

In addition, during the reporting period, the Bank of Russia cancelled the licences of two credit institutions

after their participants (shareholders) decided to liquidate voluntarily.

Most credit institutions (65 out of 93) whose licences had been revoked during the reporting period were registered in Moscow and the Moscow Region.

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<sup>1</sup> The calculation used figures for the last reporting date before revocation of the bank's licence relative to total bank assets and household deposits respectively as of 1 January 2015.

## II.5. REGULATION, CONTROL AND SUPERVISION OF THE ACTIVITIES OF NONBANK FINANCIAL INSTITUTIONS

### II.5.1. Nonbank financial institutions' access to the financial market

As part of allowing nonbank financial institutions to access the financial market, in 2015 the Bank of Russia issued 37 licences of professional securities market participant, including one licence for forex dealing, which the Bank of Russia began licensing on 1 October 2015.

In 2015, the Bank of Russia issued one stock exchange licence and accredited one organisation as a goods supply operator. With financial market infrastructure organisations bringing their activities in line with the Russian Federation legislation and the introduction of new products to the financial and commodity markets in 2015, the Bank of Russia registered 125 trade organiser documents and 38 clearing house documents.

In 2015, collective investment market participants were issued 10 licences to manage investment funds, PIFs and NPFs, and three licences to engage in the activities of a specialised depository of investment funds, PIFs and NPFs.

With the timeframe stipulated in Federal Law No. 410-FZ, dated 28 December 2013, 'On Amending the Federal Law 'On Non-Governmental Pension Funds' and Certain Laws of the Russian Federation' coming to an end for the incorporation of NPFs operating as insurers for compulsory pension insurance, the number of NPFs that are joint-stock companies increased in 2015 by 32 organisations (including five funds that were set up following spin-offs and received a licence in 2015) to 66 NPFs. In 2015, the Bank of Russia considered 39 applications to obtain preliminary approval to engage

in transactions with NPF equities and (or) to establish control over funds' shareholders.

During the reporting year, the Bank of Russia registered 180 new rules and 1,489 amendments and addenda to the rules on trust management of NPFs, 18 new rules and 14 amendments and addenda to the rules on trust management of mortgage collateral.

In the year under review, 15 licences were issued to insurance entities, of which eight licences were issued to insurance brokers and seven to insurance companies. Furthermore, pursuant to the provisions of Federal Law No. 234-FZ, dated 23 July 2013, 'On Amending the Russian Federation Law 'On the Organisation of Insurance Activities in the Russian Federation' on the replacement of previously issued insurance (re-insurance) licence forms, 821 licences were issued to active insurance companies.

In 2015, 60 actuaries were entered in the unified register of authorised actuaries. Information on 4,710 financial market specialist qualification certificates was recorded in the register of qualified professionals.

Furthermore, during the reporting year, the details of 1,191 organisations were added to the state register of microfinance organisations.

Due to the enactment of amendments to Federal Law No. 193-FZ, dated 8 December 1995, 'On Agricultural Cooperatives', in 2015 the Bank of Russia started to keep a state register of agricultural consumer credit cooperatives, which held information on 1,738 organisations as of 31 December 2015.

## II.5.2. Regulation, control and off-site supervision of the activities of nonbank financial institutions

In 2015, the Bank of Russia continued its work to further improve regulation and supervision of nonbank financial institutions' (NFI) activities, in particular to improve the regulatory framework governing the activities of NFIs.

**Professional securities market participants.** As part of improving regulation of the activities of professional securities market participants (hereinafter, professional participants), in 2015 the Bank of Russia issued regulatory documents providing for the following changes:

- with regard to defining the licensing requirements for admission to and professional activity in the securities market, the following were established:
  - licensing requirements and conditions governing professional activities in the securities market;
  - restrictions on combining certain types of professional activities in the securities market;
  - the procedure and deadline for submitting to the Bank of Russia reports on the discharge of obligations associated with professional activities in the securities market, in the event that the professional securities market participant licence has been revoked;
- with regard to improving requirements for the activities of depositories, the following were established:
  - single requirements for the checks performed by depositories and registrars regarding the conformity in the number of securities and the list of documents on the basis of which the checks are being carried out;
  - single requirements for defining the duration and disclosure of information on the duration of the depository's business day, including disclosure of the notion of 'business day' and clarifying the requirements for the business day duration;
  - single requirements for depositories supplying depositors with information on their rights to securities and specifying requirements regarding the depository's documents containing information on the number of securities in a depo account;
  - risk-based requirements for the procedure to calculate depositories' minimum equity capital;
  - the procedure for depositories to open and maintain depo accounts and other accounts in order to create the necessary conditions to organise

supervision of depositories' compliance with the requirements for opening and maintaining depository accounts and to update this procedure, taking into account new requirements of the Russian Federation legislation with regard to the transfer of rights to uncertified securities and recording the collateral, other encumbrances of uncertified securities, and restrictions on their disposal;

- with regard to establishing single requirements for securities management, the procedure for managers to disclose information, and the requirements aimed at avoiding conflicts of interests for the manager, provisions have been put in place for the manager to act in accordance with the customer's risk profile;
- with regard to raising transparency of professional participants' activities, requirements have been established for the structure of professional participants' websites, as well as for the list of information and time frames for disclosing information on these sites.

As part of the Bank of Russia's supervisory duties over the activities of professional participants, in 2015, 37 off-site inspections were carried out, 238 orders and inquiries were sent regarding information, and 33 orders were sent to eliminate violations of Russian Federation legislation and to adopt measures to prevent further violations in subsequent activity. As many as 112 records of administrative violations were drawn up and 99 resolutions on administrative penalties were handed down against professional participants.

**Insurance entities.** In order to improve regulation of insurance entities' activities, in 2015 the Bank of Russia issued regulatory documents providing for the following changes:

- with regard to regulating mandatory types of insurance:
  - the basic tariffs and regional coefficients for basic tariffs on compulsory motor third party liability insurance (CMTPLI) for vehicle owners were revised due to a legislative increase of the insurance payment, from P160,000 to P500,000 (within the limits of which any harm caused to the life or health of the victim is compensated); a change in the procedure for determining the amount of insurance indemnities when harm is caused to an



individual's health depending on the seriousness of the harm, in accordance with the standards set by the Russian Federation Government; as well as the currently high level of unprofitability in this insurance segment. This measure made it possible to balance insurers' insurance portfolios and helped reduce tension in terms of access to CMTPLI for owners of certain categories of vehicles in many regions across the Russian Federation;

- insurance tariffs on CMTPLI for owners of a dangerous vehicle were revised for harm caused as a result of an incident involving the dangerous vehicle, taking into account the current level of unprofitability in this insurance segment;
- in order to improve access to CMTPLI, from July 2015 CMTPLI agreements were allowed in electronic form, which significantly raises the accessibility of CMTPLI services and makes the agreement process faster and more convenient for both the insured party and the insurer. At the end of 2015, roughly 60,000 CMTPLI agreements had been signed in electronic form;
- with regard to developing information exchange between insurance market participants and countering fraud in the insurance sector, a single automated system has been in place since 1 August 2015, which contains information on comprehensive vehicle insurance agreements and voluntary motor third party liability insurance agreements, as well as any insured events under these types of insurance agreements. As of 31 December 2015, information on more than 1.5 million agreements had been entered into the single automated system;
- with regard to standardising insurance services:
  - a 'cooling-off period' was introduced, during which the insured party has the right to withdraw from certain voluntary insurance agreements and to obtain a refund of the insurance premium in full or proportionate to the actual period of insurance coverage, which was a significant step towards protecting the rights of insurance services consumers, who are primarily borrowers under consumer lending agreements (with regard to insurance being forced on borrowers on unfavourable terms);
  - minimum (standard) requirements have been established regarding the conditions and procedure for medical insurance in terms of voluntary medical insurance for foreign citizens and stateless persons arriving in the Russian Federation and

intending to work or working based on a work permit or licence, in order to protect the interests of migrant workers, which are associated with paying for the organisation and provision of medical care;

- with regard to regulating the financial stability and solvency of insurance companies:
  - restrictions were introduced on the amount of net reinsurance liability and the need to recapitalise when exceeding the amount set for insurers offering insurance, co-insurance, and reinsurance of tour operators' liability and developers' civil liability, and a procedure was established for insurance companies to account for subordinated loans and independent guarantees and sureties;
  - a procedure for transferring the liabilities of an insurance company under an insurance agreement and a procedure for approving such transfers with the Bank of Russia during application of bankruptcy prevention measures at the insurance company or in the event of revocation of the insurer's insurance licence were established, together with the requirements on the content of an agreement to transfer the insurance portfolio and an acceptance certificate.

In order for the Bank of Russia to monitor the financial stability and solvency of insurance companies, in 2015 it conducted a comprehensive analysis of activities of insurance companies (including an analysis of business models). The results of this analysis were used to group insurers according to risk, and supervisory regimes were established in line with the level of risk. On 21 September 2015, the Bank of Russia Board of Directors drew up a list of systemically important insurance companies. Curators were appointed to 118 insurance companies. The Bank of Russia made effective use of insurance supervisory measures and the measures set out in insolvency (bankruptcy) laws, if violations of financial stability requirements were identified.

The Bank of Russia continued to collect data on the activities of insurance companies concentrating risks in socially important segments, excluding compulsory types of insurance (tour operator liability insurance, state-backed agricultural insurance, developer civil liability insurance), determine the level of risk concentration, and analyse balance sheet figures reflecting insurers' activities with a view to assessing their ability to cover these risks. Beginning 1 October 2015, the Bank of Russia started to publish a list of insurers complying with the requirements of Part 1 of Article 152 of Federal

Law No. 214-FZ, dated 30 December 2004, 'On Participating in Shared-equity Construction of Multi-apartment Residences and Other Real Estate and Amending Certain Laws of the Russian Federation' on its official website. As of 31 December 2015, the list included 18 insurance companies and one mutual insurance company.

Furthermore, starting April 2015, the Bank of Russia began monitoring insurers' CMTPLI activities on a daily basis. The results of this monitoring show in many Russian regions a significant reduction in the number of insurers' violations of the procedure for concluding CMTPLI agreements, in terms of refusing to sign agreements or imposing additional services compared with 2013–2014.

In 2015, as part of its role to prevent bankruptcy and recover the solvency of insurance companies, the Bank of Russia appointed 79 provisional administrations, of which 56 were still operating as of 31 December 2015. These provisional administrations carried out a financial analysis of 45 insurance companies, implemented two solvency rehabilitation plans, adopted 28 decisions where the provisional administrations applied to court to recognise insurance companies as insolvent (bankrupt), and examined nine applications to recognise insurance companies as bankrupt. In 2015, 23 provisional administrations ceased operating<sup>1</sup>.

**Collective investment entities and trusts.** To improve the regulation of NPFs' and investment funds' activities, in 2015 the Bank of Russia issued regulatory documents providing for the following:

- establishing requirements for the activities of specialised depositories (including credit institutions) when providing specialised depository services to insurance companies and mutual insurance companies (hereinafter, insurers), excluding insurers providing compulsory medical insurance, to management companies enlisted by insurers to invest insurers' insurance reserve funds and equity capital, to AIFs or AIFs' management companies, PIFs' management companies, NPFs and management companies engaged in trust management of pension reserve funds or pension savings on the basis of an agreement with an NPF, and to the Pension Fund of the Russian Federation and management companies engaged in trust management of pension savings on the basis of an agreement with the Pension Fund of the Russian Federation;

- establishing the procedure and time frames for determining the net asset value of investment funds, including the procedure for calculating the average annual net asset value of PIFs and net assets of AIFs, net asset value of AIFs per share, determining the estimated value of investment units at PIFs, and the procedure for determining the cost of assets transferred in payment of investment units.

In 2015, having uncovered violations of the laws of the Russian Federation, the Bank of Russia sent 150 instructions to eliminate violations to NPFs, 327 instructions to eliminate violations to management companies of investment funds, PIFs and NPFs (hereinafter, management companies), and 60 instructions to eliminate violations to specialised depositories of investment funds, PIFs and NPFs (hereinafter, specialised depositories).

Over the reporting period, three NPFs, 30 management companies and six specialised depositories were held administratively liable.

The licences of 21 NPFs, 22 management companies and one specialised depository, and the qualification certificates of 27 financial market specialists were cancelled for repeated violations of Russian Federation legislation.

The licences of two investment funds (AIFs) were cancelled for failure to perform the licensed activities.

Two NPFs, 12 management companies and one specialised depository had their licences cancelled at the licensees' request to relinquish their licences.

**Microfinance organisations.** To improve the regulation of microfinance organisations' activities, in 2015 the Bank of Russia issued regulatory documents providing for the following:

- establishing the procedure for bankruptcy and restoring solvency in microfinance organisations (MFO) and consumer credit cooperatives (CCC);
- establishing values and a procedure for calculating CCC financial ratios;
- determining the procedure for investing CCC reserve funds;
- determining the procedure for submitting reports of agricultural consumer credit cooperatives, which assumes that the amount of submitted reports depends on the size of the agricultural consumer credit cooperative.

In 2015, following control and supervisory measures conducted as part of off-site supervision of the microfi-

<sup>1</sup> Of these 19 provisional administrations ceased operating due to the insurance company being declared bankrupt, two due to the solvency rehabilitation plan coming to an end, and two due to achieving their objectives.

nance market participants, the Bank of Russia discovered more than 44,000 violations and 34,800 instructions were issued to supervised organisations.

In 2015, large-scale work was conducted to identify and remove organisations from the microfinance market which violate Russian Federation legislation, do not operate, do not submit reports, are not part of self-regulatory organisations, and also show signs of setting up pyramid schemes in their activities.

In addition, in 2015, the Bank of Russia started systematic work to adopt supervisory response measures in relation to insolvency (bankruptcy) in consumer credit cooperatives, resulting in two provisional administrations at consumer credit cooperatives being appointed for the first time.

At the end of 2015, as a result of supervisory activities, the Bank of Russia excluded 948 legal entities from the state register of microfinance organisations, 660 organisations lost their MFO status based on applications to the Bank of Russia, and 95 organisations were struck off from the register due to liquidation and restructuring. One decision was made by the Bank of Russia to refer a case to court to remove information on a self-regulatory organisation from the state register of self-regulatory consumer credit cooperatives. Liquidation applications for 690 CCCs have now been referred to and/or are being considered by court. As many as 613 CCCs are in the process of liquidation, bankruptcy, restructuring or a change in activity<sup>1</sup>. 472 pawnshops are in the process of liquidation, restructuring or a change in activity (347 pawnshops are undergoing voluntary liquidation) and applications for liquidation of 602 pawnshops are being considered by court. In 2015, the Bank of Russia contacted FTS of Russia in relation to 4,637 pawnshops, of which 2,220 cannot be found at the reported address and 2,417 fulfil the criteria of being inoperative organisations.

In order to identify those organisations providing illegal consumer loans and attracting household funds, in 2015 the Bank of Russia started to implement an automated supervision model that makes use of big data technologies<sup>2</sup>. This system makes it possible to detect and generate reports on web resources containing advertising for consumer loans and solicitations for household funds, as soon as possible after such resources are made.

**Financial market infrastructures.** To guarantee a smooth and stable functioning of the financial market, in 2015 the Bank of Russia continued its work to improve regulation of financial market infrastructures' (FMI) activities. Among other things, the Bank of Russia issued regulatory documents providing for the following:

- establishing requirements for the creation of risk management systems by clearing houses;
- specifying requirements for assessing internal controls and corporate governance at a central counterparty (CC) and introducing criteria for the central counterparty to set up a unified structure of protection in the served markets with a view to reduce systemic risks in the Russian financial market.

With the Bank of Russia's involvement, Federal Law No. 403-FZ, dated 29 December 2015, 'On Amending Certain Laws of the Russian Federation' was drafted, with the aim of introducing a comprehensive risk-based approach to regulating CCs' activities and expanding the Bank of Russia's authority to supervise and oversee CCs. Special statutory requirements have been established for CCs, together with the requirements for their establishing a structure of protection in the served markets, requirements for stress-testing methodologies for CC risks, and requirements for plans to ensure smooth operation and restore financial stability; a ban was also introduced on voluntary liquidation or restructuring of the CC without the Bank of Russia's approval. The notion of a qualified central counterparty was defined. Clearing participants were granted the right to use lower risk coefficients for transactions with such central counterparty. These innovations in the regulation of CCs are aimed at reducing infrastructure risks in the Russian financial market, expanding operational opportunities of CCs, and creating conditions for centralised clearing of a wide range of financial instruments.

To ensure operational continuity of FMIs recognised as systemically important (SIFMI) by the Bank of Russia, in 2015 the Bank of Russia issued Methodological Recommendations on Ensuring the Operational Continuity of Systemically Important Financial Market Infrastructures' (No. 20-MR, dated 27 July 2015), which contains recommendations on identifying factors causing non-standard and emergency situations; carrying out stress tests and providing for the information security of SIFMI hardware and software; determining

<sup>1</sup> Of these, 298 CCCs are undergoing liquidation pursuant to a court ruling regarding actions brought by Bank of Russia regional branches and 70 CCCs are undergoing liquidation proceedings based on actions by the FFMS of Russia.

<sup>2</sup> Big Data technologies.

the existence, content and regular testing of plans to ensure continuity and rehabilitation of SIFMIs; and the existence and testing of SIFMI reserve offices.

As part of the Bank of Russia's supervision of FMIs, in 2015 two comprehensive inspections and two thematic inspections were carried out at trade organisers and two thematic inspections were performed at clearing houses. Following these inspections, these organisations were sent instructions on how to eliminate violations and prevent them in future, as well as Bank of Russia information letters containing recommendations on measures to improve their operational mechanisms. Records of administrative violations were drawn up in relation to two discovered violations.

In addition, in 2015 the Bank of Russia sent 36 instructions to supply documents, 10 instructions to eliminate and/or prevent further violations of Russian Federation legislation in operations, and 43 recommendation letters to FMIs and registered 201 internal FMI documents.

As part of oversight of the National Clearing Centre Bank (JSC) and NKO ZAO National Settlement Depository (hereinafter, NCC, NSD), which are both SIFMIs, in view of the persistently high volatility in the financial markets and unstable external conditions in 2015, the Bank of Russia paid special attention to analysing the impact of financial risks on the activities of NCC and NSD, the adequacy of the collateral rates set by NCC for the Moscow Exchange markets on operations with partial collateral, and stress testing and reverse stress testing at NCC and NSD, which showed that these organisations maintained their financial stability without any threat to the continuity of their operations.

**Actuaries.** To improve the regulation of actuaries' activities, in 2015 the Bank of Russia issued regulatory documents providing for the following:

- establishing additional requirements for the content of and procedure for submission and publication of actuarial findings prepared at the end of a compulsory actuarial appraisal of insurance companies' activities;

- establishing a procedure for keeping a register of members of a self-regulatory organisation of actuaries and guaranteeing free access to the information contained in the register for interested persons;
- specifying requirements for the content of actuarial findings, the procedure for the qualifying examination for individuals wishing to join a self-regulatory organisation of actuaries, the qualifications of responsible actuaries, and the procedure for certifying responsible actuaries.

These Bank of Russia regulatory documents were also examined at sessions of the Council for Actuarial Activity set up at the Bank of Russia in 2014.

As part of its supervisory measures with respect to responsible actuaries' actuarial appraisals, the Bank of Russia examined actuarial findings and sent requests to self-regulatory organisations of actuaries to carry out inspections of some of their members. Based on these inspections, disciplinary measures were taken against a number of responsible actuaries. The Bank of Russia decided to exclude the details of two responsible actuaries from the unified register of responsible actuaries.

In 2015, the Bank of Russia held two qualifying examinations for individuals wishing to join self-regulatory organisations of actuaries, in accordance with the procedure set out in Bank of Russia Ordinance No. 3359-U, dated 5 August 2014, 'On the Procedure for Holding the Qualifying Examination for Individuals Wishing to Join a Self-Regulatory Organisation of Actuaries and the Approval Procedure for its Passing', which 28 individuals successfully passed. As part of the implementation of the procedures required to obtain the status of a responsible actuary, in 2015 the Bank of Russia took part in five certifications held by SROs of actuaries in accordance with Bank of Russia Ordinance No. 3435-U, dated 6 November 2014, 'On Additional Requirements for the Qualifications of Responsible Actuaries and the Responsible Actuary Certification Procedure'. As of 31 December 2015, the unified register of responsible actuaries contains the details of 98 responsible actuaries entitled to carry out compulsory actuarial appraisals.

### II.5.3. Inspection of nonbank financial institutions

As part of its inspection activity regarding NFIs and self-regulatory organisations of nonbank financial institutions (SROs of NFIs), from 1 January to 31 December 2015, Bank of Russia authorised representatives carried out on-site inspections of 191 NFIs and their structural divisions<sup>1</sup>, as well as seven SROs of NFIs. Inspections of 19 NFIs could not be held because the supervised entities no longer reside at the addresses held by the Bank of Russia or because of a strong opposition to the inspection. Inspections of 12 NFIs<sup>2</sup> and two SROs of NFIs, which began in 2015, continued into 2016.

In 2015, the time frames and subject matter of 73 inspections of NFIs, SROs of NFIs, and credit institutions were also coordinated. As part of this coordination, to satisfy the aims of the inspections and synchronise the actions of the inspection groups, the latter collaborated with one another and exchanged information during pre-inspection preparations, as well as during and at the end of the inspections. These actions specifically led to a more responsive and systematic approach to identifying risks in the activities of the inspected entities, including consolidated risks for financial groups, which points to the synergetic effect of the collaboration. With a view to improving its coordinated supervision as the sole financial market regulator, the Bank of Russia expanded its practice of planning coordinated inspections of members of financial groups, as well as credit and nonbank financial institutions connected by mutually nontransparent operations.

The main violations established during the NFI inspections in the reporting period were violations of licensing requirements and criteria, violations of internal control regulations, including to counter the legalisation (laundering) of criminally obtained incomes and the financing of terrorism, and violations of Russian Federation legislation governing NFIs' corresponding activities. The inspections analysed the level of risks assumed by NFIs, together with the causes and consequences of those risks. They also uncovered instances where the real value of assets and liabilities had been distorted or reported data were inaccurate.

The Bank of Russia paid special attention to inspections of NFIs where there was information pointing to their involvement in various types of fictitious transactions and 'schemes' to ensure the supervised organisations' technical compliance with regulatory requirements. The inspections identified instances of illegal formation (increase) of equity capital<sup>3</sup> at NFIs, low asset quality, operations showing signs of funds potentially being transferred outside the Russian Federation<sup>4</sup>, signs of financial pyramid schemes<sup>5</sup>, and signs of illegal operations to cash funds.

During inspections of SROs of NFIs in 2015, instances were uncovered where certain SROs of NFIs did not carry out their legal duties (according to Russian Federation legislation) to monitor the activities of their members and where there were signs of conflicts of interest in carrying out their duties.

<sup>1</sup> Of which 25 inspections of professional securities market participants, 79 collective investment entities, 32 consumer credit cooperatives, seven microfinance organisations, and 48 insurance entities.

<sup>2</sup> Including five collective investment entities, six insurance entities, and one consumer credit cooperative.

<sup>3</sup> Including using borrowed funds.

<sup>4</sup> Including, in the case of insurance companies, using reinsurance operations through the intermediation of nonresident insurance brokers; and in the case of professional securities market participants, using unusual fictitious transactions that show signs of having no economic purpose.

<sup>5</sup> In the case of consumer credit cooperatives, using payments of interest and the principal through the contributions of new individuals joining the credit cooperative.



## II.6. FINANCIAL MARKET DEVELOPMENT

To further develop the Russian financial market and increase the transparency and comprehensibility of its activities, the Bank of Russia drafted its Guidelines for the Development of the Russian Financial Market in 2016–2018. The document offers a cross-sectoral description of the Bank of Russia's planned actions to develop all sectors of the financial market in the medium term. In view of the current economic and geopolitical climate, the Bank of Russia identified three priority developmental aims for the Russian financial market in the medium term:

1. Increasing the level and quality of life of Russian citizens using financial market instruments.
2. Contributing to economic growth by granting Russian economic entities competitive access to debt and equity funding and insurance instruments.
3. Creating the necessary conditions for the financial industry to grow.

To achieve these aims, the Bank of Russia defined a series of measures to be implemented in the medium term in 2016–2018 and, in part, in the long term. These measures can be categorised under the following ten main areas of the financial market development:

- protecting the rights of financial services consumers and increasing the financial literacy of the Russian population;
- improving access to financial services for households and small and medium-sized businesses;
- discouraging dishonest conduct in the financial market;
- increasing investor appeal of equity funding of public companies by improving corporate governance;
- developing the bond market and syndicated loan market;
- improving financial market regulation, including the use of proportionate regulation and optimising the regulatory burden on financial market participants;
- raising the level of qualifications of individuals whose professional activity is linked to the financial market;
- encouraging the use of electronic interaction mechanisms in the financial market;

- international collaboration in developing and implementing global financial market regulation rules;
- improving the set of tools available to ensure the financial market stability.

The draft Guidelines for the Development of the Russian Financial Market was posted on the Bank of Russia's official website on 2 December 2015 for public discussion. In addition, in January–February 2016, the Bank of Russia held onsite meetings at its regional branches with financial market participants from regions across Russia, at which the document was presented by the Bank of Russia's management and discussed.

A final draft of the Guidelines for the Development of the Russian Financial Market was approved by the Bank of Russia Board of Directors on 19 February 2016, and on 3 March 2016 was approved by the Government of the Russian Federation and sent to the President of the Russian Federation and the State Duma of the Federal Assembly of the Russian Federation. This draft is expected to receive final approval in 2016.

In 2015, the Bank of Russia also implemented the measures to develop the Russian financial market, which had been formulated in autumn 2013 at the initiative of the Bank of Russia by the Working Group for the Creation of an International Financial Centre in the Russian Federation under the Russian Presidential Council for the Development of the Financial Market in the Russian Federation<sup>1</sup>. As of December 2015, 49 initiatives had been classified as implemented.

To further develop **the insurance market**, in 2015 a series of legal prerequisites were defined for vehicle owners to sign third party liability insurance agreements electronically (Bank of Russia Ordinance No. 3648-U, dated 24 May 2015, 'On the Requirements for the Use of Electronic Documents and the Procedure for Exchanging Information Electronically for Vehicle Owners' Compulsory Third Party Liability Insurance'), which will raise the quality of services to a fundamentally new level when concluding CMTPLI agreements. In addition, the Bank of Russia issued regulatory documents to improve the tariff regulation of compulsory third party liability insurance for vehicle owners and third party li-

<sup>1</sup> In autumn 2013, at the initiative of the Bank of Russia, the Working Group for the Creation of an International Financial Centre in the Russian Federation under the Russian Presidential Council for the Development of the Financial Market in the Russian Federation drew up a list from the professional community's 233 proposals to improve the financial market regulation, ranking them by priority.

ability insurance for owners of a dangerous vehicle to cover losses as a result of an incident involving the dangerous vehicle<sup>1</sup>.

Following the implementation of Article 26<sup>2</sup> of Federal Law No. 4015-1, dated 27 November 1992, 'On the Organisation of Insurance Activities in the Russian Federation' on 1 July 2015, a specialised depository was set up in the insurance market with the primary purpose of identifying insurers' violations of Russian Federation legislation using daily controls on insurers' compliance with restrictions on the placement of insurance reserves and equity capital, requirements for the composition and structure of all assets used to cover the insurer's insurance reserves and equity capital, and rules on the placement of the insurer's insurance reserves and equity capital.

In terms of developing **the collective investment market**, Federal Law No. 167-FZ, dated 29 June 2015, 'On Amending Certain Laws of the Russian Federation'<sup>2</sup> was adopted to bring about changes to protect insured entities. Provisions were made, in the interests of insured entities, to allow forced liquidation of non-governmental pension funds, in which case the Bank of Russia is to transfer funds to the Pension Fund of the Russian Federation before the liquidation proceedings commence, with the Pension Fund becoming the insurer for the insured entities.

Bank of Russia Ordinance No. 3758-U, dated 25 August 2015, 'On the Valuation of Net Assets of Investment Funds and on the Procedure for Calculating the Average Annual Net Assets Value of Unit Investment Funds and Net Asset Value of Joint-stock Investment Funds, Estimated Value of Investment Units of Unit Investment Funds, and the Value of Property Transferred as Payment for Investment Units' made it mandatory to determine the value of assets and amount of liabilities held by investment funds at their fair value in accordance with International Financial Reporting Standards (IFRS) 13 'Fair Value Measurement'<sup>3</sup>, which will raise flexibility and accuracy of calculations and bring the calculation methodology closer to global practices.

In terms of developing **the microfinance market**, Federal Law No. 407-FZ, dated 29 December 2015, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws' was adopted, which allows microfinance organisations to be categorised depending on the level of risk into microloan companies and microfinance companies, and limits the accrual of interest under short-term consumer microloan agreements to prevent borrowers from falling into excessive debt (a ban on accruing interest if the total interest accrued reaches four times the loan amount). It also prohibited microloan companies from taking funds from individuals who are not their founders (shareholders). Microloan companies also saw the maximum household microloan fall to ₺500,000. However, to encourage entrepreneurial activity, the microloan limit was increased to ₺3 million for legal entities and individual entrepreneurs.

This federal law also made changes to legislation on anti-money laundering and countering the financing of terrorism, allowing microfinance companies to use a delegated customer identification mechanism to sign consumer loan agreements for sums up to ₺15,000 provided to a customer by means of a money transfer.

As a result of the amendments to Federal Law No. 209-FZ, dated 24 July 2007, 'On the Development of Small and Medium-sized Businesses in the Russian Federation', microfinance organisations offering business funding were categorised as part of the infrastructure providing support for small and medium-sized businesses.

In addition, the changes made to Federal Law No. 193-FZ, dated 8 December 1995, 'On Agricultural Cooperatives' specified the Bank of Russia's powers to control and supervise agricultural consumer credit cooperatives. The amendments adopted also set mandatory financial standards for credit cooperatives and introduced additional measures to protect the rights of cooperative members.

A key event in **the ratings industry** in 2015 was the enactment of Federal Law No. 222-FZ, dated 13 July 2015, 'On the Activities of Credit Rating Agencies in

<sup>1</sup> Bank of Russia Ordinance No. 3384-U, dated 19 September 2014, 'On the Limits of Insurance Tariff Base Rates and Ratios, Requirements for Insurance Tariff Structure, and the Procedure for Insurers to Apply Them when Calculating the Insurance Premium for Compulsory Motor Third Party Liability Insurance' and Bank of Russia Ordinance No. 3739-U, dated 23 July 2015, 'On Insurance Tariffs, Insurance Tariff Structure, and the Procedure for Applying Them when Calculating the Insurance Premium for Compulsory Third Party Liability Insurance for Owners of a Dangerous Vehicle to Cover Losses as a Result of an Incident Involving the Dangerous Vehicle'.

<sup>2</sup> Amendments were made to Federal Laws No. 75-FZ, dated 7 May 1998, 'On Non-governmental Pension Funds', No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)', and No. 422-FZ, dated 28 December 2013, 'On Guaranteeing the Rights of Insured Entities in the Compulsory Pension Insurance System of the Russian Federation When Forming and Investing Pension Savings Funds and Determining and Paying Indemnities Using Pension Savings Funds'.

<sup>3</sup> IFRS 13 was implemented within the territory of the Russian Federation by Russian Ministry of Finance Order No. 106n, dated 18 July 2012, 'On the Implementation and Repeal of International Financial Reporting Standards Documents within the Territory of the Russian Federation'.



the Russian Federation, on Amending Article 76<sup>1</sup> of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Invalidating Certain Provisions of Russian Laws', which established a common set of legal foundations for activities of rating agencies on the Russian territory.

At the start of 2015, pursuant to Bank of Russia Ordinance No. 3453-U, dated 25 November 2014, 'On the Specifics of Using Credit Solvency Ratings for the Purposes of Applying Bank of Russia Regulations', the Bank of Russia Board of Directors set fixed dates for applying ratings, in part to minimise the impact of the fall in Russia's sovereign credit rating: 1 March 2014 – for credit institutions and financial instruments issued by them, and 1 December 2014 – for other entities and financial instruments issued by them.

In 2015, the Bank of Russia continued to collaborate with credit rating agencies with respect to their implementation of recommendations following a qualifying assessment of their activities in 2014. In 2015, a number of credit rating agencies underwent a second qualifying assessment. A number of positive shifts were observed in corporate governance, prevention of conflicts of interest, methodological coverage, and the quality of credit analysis at credit rating agencies.

With a view to drafting recommendations for the Bank of Russia's strategy- and policy-making in terms of improving regulation and monitoring of credit rating agency activities, in 2015 the Bank of Russia set up a Credit Rating Agencies Committee.

At the same time, in line with recommendations from the Financial Stability Board, the Bank of Russia took steps to reduce its dependence on assessments from credit rating agencies. In particular, on 6 August 2015, the Bank of Russia adopted Regulation No. 483-P 'On the Procedure for Assessing IRB Credit Risk'. Internal ratings can be used for major Russian banks with assets of more than ₹500 billion. At the same time, further requirements were established for asset quality, taking into account external credit ratings, for a number of nonbank financial institutions (NPFs and CCCs).

An important event in the ratings industry was the creation of a new local credit rating agency in December 2015 at the initiative of financial market participants – Analytical Credit Rating Agency (a joint-stock company). In February 2016, this agency submitted an application to the Bank of Russia to be included in the register of credit rating agencies.

To aid in the uninterrupted monitoring of credit rating agencies and their activities, in 2015 the Bank of Rus-

sia launched a project to set up a ratings repository – a database of assigned credit ratings and credit rating forecasts.

To further develop **the forward market**, the Bank of Russia issued Bank of Russia Ordinance No. 3565-U, dated 16 February 2015, 'On Types of Financial Derivatives', which amended the list of types of financial derivatives and expanded the notion of the underlying asset of a financial derivative and swap-agreement. In addition, on 10 February 2015, the International Swaps and Derivatives Association secured a positive legal outcome on the possibility of using close-out netting in accordance with Russian Federation legislation.

Federal Law No. 430-FZ, dated 30 December 2015, 'On Amending the Federal Law 'On the Securities Market' and Certain Laws of the Russian Federation' was adopted with a view to categorising repository activities as a separate type of licensed activities, establishing requirements for repository activities and the repository risk management system, and establishing restrictions on combining repository activities with other types of activity. To further develop repository activities, the Bank of Russia issued Ordinances No. 3567-U, dated 16 February 2015, and No. 3776-U, dated 7 September 2015, amending Bank of Russia Ordinance No. 3253-U, dated 30 April 2014, 'On the Procedure for Maintaining the Register of Agreements Concluded on Terms of a General Agreement (Master Agreement), Timeframes for Providing Information Required for Maintaining the Said Register and Information from the Said Register, and Submitting the Register of Agreements Concluded on Terms of a General Agreement (Master Agreement) to the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter, Ordinance No. 3253-U). In addition, the Bank of Russia drafted amendments to Ordinance No. 3253-U, which set out detailed methodological instructions on providing information to repositories in terms of creating and assigning a unique agreement identification code.

In terms of developing **the asset-backed securities market**, in 2015 the Bank of Russia set up an Expert Committee for Debt Instruments Market and an Expert Committee for Financial Assets Securitisation.

To increase demand for securitisation transactions and reduce the burden on originating credit institutions' capital, amendments were drafted for Bank of Russia Ordinance No. 3309-U, dated 7 July 2014, 'On the Forms and Methods for Assuming Risks on Bonds Secured by Collaterals of Special Financial Companies and Special Project Financing Companies', which made

provisions for bond risks to be assumed through the buyout of at least 20% of bonds from different tranches released from a single collateral portfolio.

In addition, the Bank of Russia drafted an ordinance 'On Establishing a List of Other Assets (Including Receivables) Which May Be Used as Security for Bonds Secured by Collateral', extending the list of assets able to be handed over as security on bonds.

As part of its work to improve the mechanisms of funding public-private partnership (PPP) projects, measures were drafted to improve the investment appeal of bonds issued to fund PPP projects, including concessions. The Bank of Russia started work on proposals to make amendments to Russian Federation legislation with a view to simplifying the issuing procedure, harmonising information disclosure standards for bonds, including on infrastructure projects implementation, and

establishing the procedure for determining the estimated value of illiquid bonds.

With a view to regulating the calculation of **financial indicators** and operation of **pricing centres**, the Bank of Russia published Letter No. 06-51/8518, dated 30 September 2015, 'On Assessing the Quality of Financial Indicators Calculation and the Quality of Operation of Organisations Calculating Financial Indicators' and commenced the corresponding work in this regard.

In addition, on 29 March 2016, the Bank of Russia published Information Letter No. IN-06-51/15 'On Assessing the Quality of Operation of Pricing Centres' and is now developing approaches to determining the estimated value of securities not circulating in organised securities markets with a view to implementing Chapter 25 of the Russian Federation Tax Code.

## II.7. REGULATION, CONTROL AND SUPERVISION OF CORPORATE RELATIONS IN JOINT-STOCK COMPANIES

As part of work to regulate, control and supervise corporate relations in joint-stock companies, the Bank of Russia took steps to put the provisions of the Corporate Governance Code (hereinafter, the Code) into practice at Russian joint-stock companies.

An informational letter was drafted<sup>1</sup> containing recommendations on preparing reports on compliance with the Code's principles and recommendations, recommendations on explaining the key reasons, factors and (or) circumstances causing public joint-stock companies to not comply with or not fully comply with the corporate governance principles set out in the Code, and recommendations on describing the most important aspects of the model and corporate governance practices at a public joint-stock company.

To improve legislation in corporate governance and information disclosure, the Bank of Russia played an active role in the development of the following draft federal laws:

- 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws'<sup>2</sup>;
- 'On Amending Certain Laws of the Russian Federation (to Bring Them into Compliance with the New Version of Chapter 4 of the Civil Code of the Russian Federation)';
- 'On Amending the Federal Laws 'On Joint-stock Companies' and 'On Limited Liability Companies' (With Regard to the Regulation of Major Transactions and Related-Party Transactions)';
- 'On Amending the Federal Law 'On Joint-stock Companies' and Certain Other Laws of the Russian Federation (With Regard to Improving the Legal Regulation of Acquisitions of Large Stakeholdings in Joint-stock Companies)'.

An informational letter for securities market participants was drafted and published regarding the application of provisions set out in Federal Law No. 210-FZ, dated 29 June 2015, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws'.

A Report was drafted and made public 'On Improving Corporate Governance in Public Joint-stock Companies'.

The Bank of Russia carried out work to prepare some explanatory notes on the practical application of provisions of Russian Federation legislation on corporate relations and information disclosure with regard to inquiries from individuals and legal entities, government authorities and other organisations. As part of government monitoring of the acquisition of shares in joint-stock companies, documents submitted to the Bank of Russia in accordance with Chapter XI.1 of Federal Law No. 208-FZ, dated 26 December 1995, 'On Joint-stock Companies' were examined, and decisions were made to release (refuse to release) issuers from their duty to disclose information. Work was also carried out to monitor the transfer of the maintenance of joint-stock companies' registers to registrars.

Over 2015, the Bank of Russia examined more than 2,500 communications from individuals, legal entities and other applicants regarding corporate relations and information disclosure, 551 sets of documents submitted as part of government monitoring of the acquisition of shares in joint-stock companies, and 164 sets of documents submitted to make decisions on releasing issuers from the duty to disclose information. As part of the supervision of corporate relations and information disclosure, roughly 20,000 instructions of various kinds were issued and more than 800 records of administrative violations were drawn up.

<sup>1</sup> Bank of Russia Letter No. IN-06-52/8, dated 17 February 2016, was published on the Bank of Russia's website on 19 February 2016.

<sup>2</sup> Federal Law No. 210-FZ, dated 29 June 2015.

## II.8. COUNTERING MALPRACTICE IN THE OPEN MARKET

Continuing its policy of introducing to the Russian financial market internationally recognised approaches to preventing, identifying and intercepting abuse of organised trading through misuse of insider information and (or) market manipulation, in 2015 the Bank of Russia stepped up its work to prevent risks associated with malpractice in the open market.

Based on the powers extended to the Bank of Russia by 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', the Bank of Russia issued Instruction No. 167-I, dated 10 August 2015, on the procedure for inspecting cases of possible misuse of insider information and market manipulation.

By adopting a risk-based approach to monitoring the activities of financial organisations, the Bank of Russia paid special attention to intercepting unlawful financial operations to create fictitious values for assets circulating in organised trading, which would subsequently be used by financial organisations to cover reserves and equity capital.

The prevention of such violations by financial organisations is closely linked to investigating instances of market manipulation of financial instruments in the open market, primarily the markets for units of closed-end unit investment funds, unsecured bonds, and mortgage participation certificates.

In 2015, the Bank of Russia uncovered information on instances of market manipulation involving 19 securities, a number of which were important to financial market participants.

In order to reduce the concentration of risks associated with malpractice in the open market, a wide range of supervisory responses were used. Having established cases of market manipulation, 12 licences issued to six professional securities market participants were revoked, seven qualification certificates of finan-

cial market specialists were cancelled from individuals involved in market manipulation, and 31 mandatory orders to eliminate similar violations in future were sent.

After the Bank of Russia signed the International Organisation of Securities Commissions's (IOSCO) Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information on 16 February 2015, the intensity and breadth of cooperation with foreign financial market regulators increased considerably, including uncovering instances of misuse of insider information and market manipulation.

In 2015, the Bank of Russia received 28 inquiries from foreign regulators and responded to 20 inquiries. In turn, in 2015 the Bank of Russia also sent 28 inquiries to foreign regulators.

The tool kit for receiving confidential information from foreign financial market regulators is especially important in cases of cross-border financial flows and relationships between financial organisations.

Under the aegis of the IOSCO, the Bank of Russia and foreign financial market regulators investigated the problem of financial pyramids appearing and operating in different jurisdictions and shared experience in combating such schemes. The problem of expanding financial pyramids affects wide sections of the population in all regions of the Russian Federation, and combating such schemes is made harder by the fact that most financial pyramids operate across regions. In 2015, all the Bank of Russia regional branches played an active role in work to suppress and prevent financial pyramid schemes.

Over 2015, the Bank of Russia submitted to law-enforcement agencies materials relating to more than 150 organisations whose activities showed signs of a criminal offence. Using these materials, more than 30 criminal cases were initiated against the founders and managers of financial pyramids.

## II.9. PROTECTING THE RIGHTS OF FINANCIAL SERVICES CONSUMERS AND INCREASING FINANCIAL SERVICES ACCESSIBILITY

The Service for Protecting the Rights of Financial Services Consumers and Minority Shareholders<sup>1</sup> (hereinafter, the Service) has been working to effectively perform the Bank of Russia's duties to protect the rights and legal interests of shareholders and investors in the financial markets, insurers, insured entities and beneficiaries recognised as such in accordance with insurance legislation, as well as entities insured under compulsory pension insurance, depositors, and non-governmental pension fund participants with non-governmental pension coverage.

From 1 January to 31 December 2015, the Bank of Russia received more than 68,000 communications in relation to NFIs and issuers.

The majority of these communications were linked to violations of the rights of insurance consumers – over 53,000 – which accounts for 78% of the total number of communications received.

Of these, 42,500 communications related to compulsory motor third party liability insurance. The main reasons for these communications from insurance consumers are questions about the use of an incorrect bonus-malus coefficient, the imposition of additional services (life insurance, health insurance, etc.), and refusal to sign an agreement, including due to the lack of insurance policy forms. The Bank of Russia introduced new quality standards for insurance companies' dealings with customers when signing CMTPLI agreements and imposed a visual check on such agreements directly in insurance companies' sales offices. As a result, the number of communications linked to the imposition of additional services and refusal to sign CMTPLI agreements has reduced by 70% overall in the insurance services market.

More than 5,000 communications involved voluntary insurance for vehicle damage and theft (comprehensive insurance). The main reasons for comprehensive insurance customers submitting communications included violation of timeframes and payment procedures for insurance indemnities and refusal to pay insurance indemnities.

More than 4,000 communications concerned corporate relations: failure by a joint-stock company to provide information, failure to send a mandatory offer to purchase

securities, and non-payment of dividends (not deciding to pay dividends). Roughly 1,800 communications were linked to the activities of professional securities market participants and collective investment entities.

More than 7,000 communications were related to the activities of microfinance organisations and consumer credit cooperatives. Of these 2,000 communications were received in relation to entities involved in debt collection.

Based on a review of these communications received by the Bank of Russia concerning NFIs and issuers, the Service and its regional branches sent NFIs and issuers more than 8,000 instructions to eliminate violations and to take steps to prevent violations of the Russian Federation legislation, and brought 4,700 administrative violation cases against NFIs.

In 2015, as part of its planned measures aimed at improving financial inclusion, the following key measures were implemented:

- a definition of financial inclusion was drafted and placed on the Bank of Russia's official website;
- a methodology to assess the accessibility of financial services for households and small and medium-sized businesses (taking into account the recommendations of international bodies setting standards in the financial sphere) was developed, together with a set of indicators describing financial inclusion at a country level;
- a pilot calculation of indicators based on reporting data for the provision of financial services was carried out and published and demand for and satisfaction with the quality of the services provided were investigated (using the approved set of financial inclusion indicators);
- a methodology for assessing draft Bank of Russia regulatory documents addressing the matter of financial inclusion using the I-SIP methodology<sup>2</sup> was developed and tested on the Bank of Russia's regulatory documents governing microfinance activities;
- a Plan of Measures Aimed at Improving Financial Inclusion was drafted for 2016.

<sup>1</sup> Decision of the Bank of Russia Board of Directors of 29 November 2013.

<sup>2</sup> I-SIP stands for Inclusion, Stability, Integrity and Protection.

## II.10. INCREASING FINANCIAL LITERACY OF THE POPULATION

In 2015, the Bank of Russia took active steps to raise the level of financial literacy among the population.

Over the course of the reporting year, roughly 3,000 educational activities were conducted in Russia, including seminars and lectures, as well as excursions using the Bank of Russia's museum and exposition resources, a financial literacy week in the Republic of Crimea and the city of Sevastopol and the Khanty-Mansi Autonomous Area, and 'Financial Literacy Days at Educational Institutions' across Russia.

Work continued to establish the Bank of Russia's Museum and Education Centre. The centre is being built to popularise the history of the Bank of Russia and its activities.

At the session 'Bank of Russia. Financial Education' as part of the 24<sup>th</sup> International Banking Congress 'The Financial Industry: Challenges and Solutions' (5 June 2015), delegates from the central banks of Latvia, Finland and Armenia shared their experience in setting up financial education centres.

On 3 October 2015, the Bank of Russia's headquarters hosted the first ever 'Open Door Day'. More than 400 people looked around the interior of the building in organised tour groups. More than 2,000 people visited organised exhibition spaces at the complex at 12 Neglinnaya Street.

As part of regular collaboration with the mass media, more than 70 public education programmes were

broadcast over radio and television. The Bank of Russia conducted a campaign to inform the public about changes to CMTPLI legislation.

Materials in the 'Financial Education and Museum' section on the Bank of Russia's website are continually being updated, with work starting on the 'Virtual Museum' section and a '70 Years since Victory Day' section being set up. As many as 65 pieces of historical information were prepared for the 'Regional Section' of the Bank of Russia website.

At the initiative of the Bank of Russia and in line with its recommendations, the Russian Ministry of Education and Science incorporated a section on teaching basic financial literacy into its core educational syllabus for the subject 'Social Studies'. Steps were taken to train specialists who will in future train teachers in the basics of financial literacy and teaching methods.

As part of the 2<sup>nd</sup> All-Russia Congress 'Financial Education of Citizens', delegates discussed the issues of systemic cooperation with interested agencies and organisations to improve financial literacy, as well as key figures on the effectiveness of the financial literacy programme. More than 130 representatives of federal and regional ministries and agencies, social organisations, volunteer associations and educational institutions took part in the Congress.



## II.11. FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL

In 2015, as part of its mandate established by Federal Law No. 173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control', the Bank of Russia continued to improve foreign exchange control technology to increase its effectiveness. The measures adopted were aimed at harmonising requirements for residents' transaction specifications for foreign trade contracts (loan agreements). According to these requirements, such specifications are only to be drawn up at authorised banks (as a result of this work, Bank of Russia regional branches were no longer able to do this).

In addition, it was made possible to conduct foreign exchange operations between residents under finance agreements against the assignment of receivables (factoring) arising from the foreign trade agreements (contracts) with nonresidents<sup>1</sup>, as well as checks on such operations and residents' compliance with the requirement for the repatriation of funds in such cases. A requirement was established for authorised banks to inspect bank control records at the Bank of Russia in the event of transaction specifications being transferred from one authorised bank to another or a new transaction specification being drawn up when a resident assigns receivables (transfers a debt) under a foreign trade contract to another resident. This enables authorised banks to identify 'counterfeit' bank control records

submitted by residents and timely suppress attempts at unlawful activity.

To implement these measures, amendments and addenda were made to one of the Bank of Russia regulations on foreign exchange regulation and foreign exchange control<sup>2</sup>.

2015 saw a slight reduction in consumer activity in the domestic FX cash market compared with 2014. The amount of FX cash purchased by households from authorised banks fell by 48% compared with 2014, to \$37.1 billion (here and up to the end of this section, figures are given in dollar terms). Moreover, the amount of FX cash sold to authorised banks dropped by 20% to \$25.3 billion.

The net demand for FX cash (the difference between the amount of FX cash sold to households and withdrawn from their foreign currency accounts and the amount of FX cash purchased from households and credited to their accounts) decreased by a factor of 8.5 compared with 2014, to \$5.5 billion.

Amid shrinking household demand for FX cash, authorised banks reduced its imports into the country and increased its exports. Overall, in 2015, \$19.5 billion of FX cash was imported, which was 3.1 times less than in 2014. The volume of FX cash exported by authorised banks increased by a factor of 2.2 compared with 2014, to \$17.5 billion.

<sup>1</sup> These operations are classified as eligible currency operations under Federal Law No. 181-FZ, dated 29 June 2015, 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control' and Article 15.25 of the Code of Administrative Offences of the Russian Federation', which entered into force on 28 December 2015.

<sup>2</sup> Bank of Russia Ordinances No. 3671-U, dated 11 June 2015, and No. 3865-U, dated 30 November 2015, on amending Bank of Russia Instruction No. 138-I, dated 4 June 2012, 'On the Procedure for Submitting Documents and Information Related to Foreign Exchange Transactions to Authorised Banks by Residents and Nonresidents, the Procedure for Executing Transaction Specification, and the Procedure for Registering and Monitoring Foreign Exchange Transactions by Authorised Banks'.



## II.12. BANK OF RUSSIA ACTIVITIES TO COUNTER THE LEGALISATION (LAUNDERING) OF CRIMINALLY OBTAINED INCOMES AND THE FINANCING OF TERRORISM

In 2015, one of the main priorities in improving AML/CFT legislation was to ensure that all entities liable to Federal Law No. 115-FZ 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (hereinafter, Federal Law No. 115-FZ) have access to information on the persons against whom the said entities have exercised their powers to refuse bank account (deposit) contracts, refuse to execute a customer's order to carry out a transaction, and terminate a bank account (deposit) contract<sup>1</sup>. Access to this information enables financial organisations to better assess the risks associated with serving dishonest economic entities.

In 2015, the Bank of Russia took steps to reduce the number of fictitious transactions, including the amount of dishonest economic entities' operations to illegally withdraw funds abroad through transactions involving securities and operations using schemes to repeatedly hike up the value of goods imported into the Russian Federation<sup>2</sup>.

The Bank of Russia paid greater attention to improving regulation regarding the identification of customers, their representatives, beneficiaries, and beneficial owners. The Bank of Russia published a regulatory document to this end<sup>3</sup>.

Another important area was the Bank of Russia's involvement in work to implement orders handed down by Russian President Vladimir Putin<sup>4</sup>, resulting in the issuance of Federal Law No. 159-FZ, dated 29 June 2015, 'On Amending the Federal Law 'On the State Defence Order' and Certain Laws of the Russian Federa-

tion' (hereinafter, Federal Law No. 159-FZ), which was designed to set up an interagency system to control the use of budget funds when allocating and fulfilling state defence orders.

To exercise the powers granted to the Bank of Russia by Federal Law No. 159-FZ, the Bank of Russia issued a number of regulatory documents to regulate the activities of authorised banks making payments under state defence orders and to provide banking support for the state contract and contracts concluded to fulfil it<sup>5</sup>. Among other things, these regulatory documents set out criteria for operations suspended under the Federal Law 'On the State Defence Order', the procedure for an authorised bank to inform the financial monitoring body if it refuses to carry out a transaction or if it carries out previously suspended operations in accounts opened for payments under the state defence order, and the procedure for an authorised bank to provide information to the unified information system of the state defence order.

In 2015, the Bank of Russia and its regional branches carried out 626 inspections of credit institutions in execution of its supervisory powers. Issues related to AML/CFT legislation were examined at 42% of all completed scheduled and unscheduled inspections of credit institutions.

In 2015, 34 credit institutions had their banking licences revoked for violation of legislative provisions, including with respect to AML/CFT.

In addition, 854 measures were brought against credit institutions for violation of AML/CFT legislation, of

<sup>1</sup> Federal Law No. 424-FZ, dated 30 December 2015, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

<sup>2</sup> Bank of Russia Methodological Recommendations No. 9-MR, dated 2 April 2015; No. 10-MR, dated 2 April 2015; No. 12-MR, dated 5 May 2015; No. 16-MR, No. 17-MR, and No. 18-MR, dated 15 July 2015; and No. 35-MR, dated 4 December 2015.

<sup>3</sup> Bank of Russia Regulation No. 499-P, dated 15 October 2015, 'On the Identification by Credit Institutions of Customers, Customer Representatives, Beneficiaries and Beneficiary Owners in Order to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

<sup>4</sup> Point 3 of the List of Orders from the Address of the President of the Russian Federation to the Federal Assembly of the Russian Federation on 4 December 2014, as approved by Russian President Vladimir Putin on 5 December 2014, No. Pr-2821, and Orders No. Pr-184 and No. Pr-185, dated 31 January 2015.

<sup>5</sup> Bank of Russia Ordinances No. 3641-U, dated 19 May 2015; No. 3659-U, dated 4 June 2015; Nos. 3729-U, 3730-U, 3731-U, 3732-U and 3733-U, dated 15 July 2015; and No. 3775-U, dated 3 September 2015.

which 330 were preventive (letters, business meetings, etc.) and 524 were punitive (of which 103 were fines, 115 were restrictions on certain operations, 10 were bans on certain operations, and 296 were demands to eliminate violations).

As many as 1,070 measures were brought against nonbank financial institutions for violation of Russian legislation, including Federal Law No. 115-FZ, of which 884 were preventive (letters, business meetings, etc.) and 186 were punitive (of which 176 were fines and 10 involved the revocation of licences).

In 2015, the Bank of Russia continued to exercise its powers to institute proceedings and review cases on administrative violations associated with credit institutions', nonbank financial institutions', and their officials' failure to comply with AML/CFT legislative requirements. As a result, Bank of Russia regional branches brought 365 administrative violation cases

against the officials of 202 credit institutions and five administrative violation cases against five credit institutions<sup>1</sup>, completed proceedings for 373 administrative violation cases, with 64 rulings to impose a fine against credit institution officials, 189 rulings to issue a warning (of which 188 rulings were against credit institution officials), and 120 rulings to terminate administrative cases (of which 116 rulings were against credit institution officials).

In 2015, Bank of Russia regional branches brought 852 administrative violation cases against nonbank financial institutions and 390 cases against officials of nonbank financial institutions, completed proceedings for 1,380 administrative violation cases, with 116 rulings to impose a fine, 1,070 rulings to issue a warning, and 194 rulings to terminate administrative cases (of which 42, 373, and 82 rulings were against officials of nonbank financial institutions respectively).

<sup>1</sup> With the enactment of Federal Law No. 484-FZ, dated 29 December 2014, 'On Amending Certain Laws of the Russian Federation', credit institutions can be held liable under administrative law for the AML/CFT violations stipulated only in Part 1.1 of Article 15.27 of the Code of Administrative Offences of the Russian Federation.

## II.13. CASH CIRCULATION MANAGEMENT

Some of the Bank of Russia's most important tasks are to ensure the continuous supply of banknotes and coins of various denominations and to increase the efficiency of cash circulation business processes linked to the processing, storage and transportation of cash, while minimising risks.

In 2015, the economy's demand for cash was met in full and on time.

During the reporting year, ₽317.1 billion were withdrawn from circulation<sup>1</sup>, with the amount of banknotes reducing by ₽322.1 billion and the amount of coins increasing by ₽5.0 billion. In 2014, ₽533.2 billion of cash was issued.

The amount of cash in circulation (taking into account cash in cash offices at Bank of Russia establishments) decreased by 3.6% compared with the previous year, which can be explained by the reduction in real disposable household incomes, a drop in consumer demand, and growth in cashless retail payments.

As of 1 January 2016, there was ₽8,531.4 billion worth of the Bank of Russia's token money in circulation, including coins made of precious metals, of which ₽8,448.4 billion were banknotes (6.2 billion pieces), ₽82.7 billion were coins (62.5 billion pieces), and ₽0.3 billion were coins made of precious metals. Banknotes accounted for 99.0% of the total value of cash in circulation and coins 1.0%, while in the total

number of cash in circulation banknotes accounted for 9.0% and coins 91.0%.

In 2015, the number of banknotes fell by 0.4 billion, while the number of coins (excluding coins made of precious metals) increased by 1.9 billion.

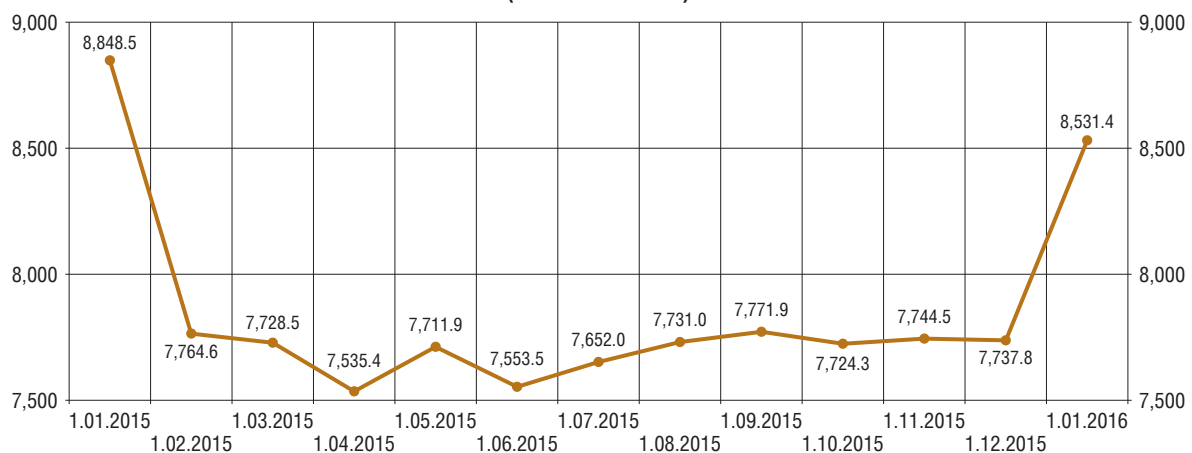
In the note structure of cash in circulation, the share of ₽5,000 banknotes expanded from 68.6% to 70.5% over the reporting period. At the same time, the shares of ₽1,000 banknotes and ₽500 banknotes both contracted (from 24.9% to 23.6% and from 4.6% to 4.1% respectively). The respective shares of ₽100, ₽50, ₽10 and ₽5 banknotes essentially remained at 2014 levels.

In 2015, ₽10 banknotes were replaced with coins with the same face value, and the number of such coins increased by 8.3%.

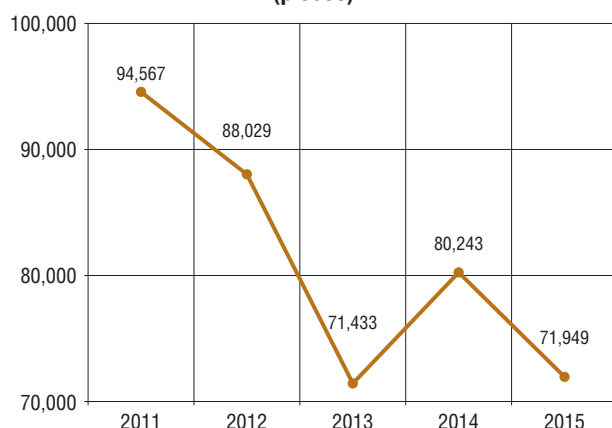
The Bank of Russia monitored cash turnover and examined its structure, analysing the note structure of cash in circulation and the reserves of Bank of Russia establishments to make sure that it matched the needs of payment turnover.

At the end of 2015, cash turnover through the cash offices of Bank of Russia establishments and credit institutions reduced by 2.7% compared with the previous year to ₽99.0 trillion. Receipts through the main sources decreased: receipts from sales of goods and services decreased by 3.9%, receipts from sales of FX cash to

**Cash in circulation  
(billions of rubles)**



<sup>1</sup> The change in the amount of Bank of Russia banknotes and coins, including coins made of precious metals, based on balance-sheet data.

**Detection of counterfeit Bank of Russia notes and coins (pieces)**

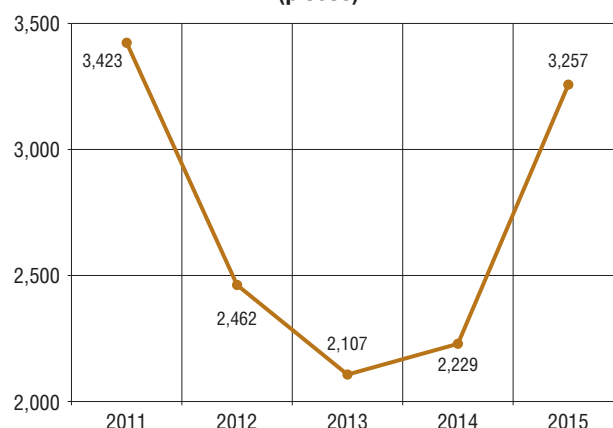
households by 20.4% and receipts into household deposit accounts by 2.0%. A reduction was also seen in payments from household deposit accounts (by 13.1%) and from household bank accounts (by 11.9%). However, payments increased for household purchases of FX cash, by 25.0%.

In 2015, the Bank of Russia improved its regulations related to the organisation of cash circulation, cash issuance and other cash operations, as well as the storage, collection and transportation of cash, in view of the changes in the economic conditions and federal legislation.

As of 1 January 2016, Bank of Russia establishments provided cash services to 6,518 credit institutions and their divisions and 15,035 non-credit institutions. In 2015, the number of credit institutions and their divisions that used the cash services of Bank of Russia establishments decreased by 1,379 as a result of structural changes in the banking sector. The number of non-credit institutions using cash services of Bank of Russia establishments decreased by 27,958, which is explained by the closing of public organisations' accounts with Bank of Russia establishments.

The Bank of Russia continued its efforts to optimise the number of cash centres and reduce the cost of cash processing, storage and transportation, as well as to improve the working conditions of cash clerks.

On 23 December 2015, the Bank of Russia issued into circulation a ₱100 commemorative banknote dedicated to the Republic of Crimea and Federal City of Sevastopol joining the Russian Federation. Information on the design and security features of the Bank of Rus-

**Detection of counterfeit foreign banknotes (pieces)**

sia's commemorative banknote has been made available on the Bank of Russia's official website.

In 2015, Bank of Russia establishments carried out 0.98 million expert assessments of Bank of Russia's token money, including 0.52 million assessments of suspect token money and 0.46 million control assessments of the accuracy with which banknotes and coins were exchanged. In the reporting period, 71,949 counterfeit Bank of Russia notes and coins were detected in the Russian banking system, withdrawn from circulation and handed over to law-enforcement agencies, which is 10.3% less than in 2014.

The share of counterfeit ₱1,000 banknotes in the total number of forged banknotes was 23.0% in 2015 (20.6% in 2014). The share of counterfeit ₱5,000 banknotes decreased by 2.7 percentage points to 73.2%.

The largest number of counterfeit token money was detected in the Central and North-Western Federal Districts.

The share of counterfeit Bank of Russia token money identified by credit institutions decreased by 0.4 percentage points compared with 2014 to 35.4% of the total volume of detected forgeries.

In 2015, Bank of Russia establishments and credit institutions identified 3,257 counterfeit banknotes of foreign countries (or a group of foreign countries) and delivered them to law-enforcement agencies; this is 46.1% more than the figure for 2014.

In 2015, the Bank of Russia issued 75 types of precious metal coins into circulation (10 gold and 65 silver) and 18 types of commemorative coins made from non-precious metals.

## II.14. STABILITY AND DEVELOPMENT OF THE NATIONAL PAYMENT SYSTEM

### II.14.1. Bank of Russia activities to ensure the stability and development of the national payment system

In 2015, the Bank of Russia continued its work to ensure the stability and development of the national payment system in accordance with Russian Federation legislation and the National Payment System Development Strategy.

To protect the sovereignty and integrity of the Russian Federation's payment environment, in 2015 the Bank of Russia moved internal Russian transactions using international payment system cards over to the National Payment Card System's (NPCS) operational payment clearing centre making settlements through the Bank of Russia, pursuant to Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System' (hereinafter, Federal Law No. 161-FZ).

One of the Bank of Russia's priorities was contributing to the creation and development of national payment instruments. During the reporting year, its own NPCS card brand – the Mir payment card – was approved, together with its logo. To organise the issue and settlement of transactions using the Mir payment card, Mir Payment System Regulations were approved, a procedure for using guarantee funds was elaborated, and the conditions for supplementary agreements to correspondent account agreements with credit institutions, which had endorsed the Mir Payment System Regulations, were drafted. December 2015 saw the Mir payment card launched as part of a pilot project involving roughly 30 credit institutions. By the start of 2016, roughly 40 credit institutions had endorsed the Mir Payment System Regulations.

As part of its activities to register payment system operators (PSO), in 2015 the Bank of Russia registered and entered information into the PSO register on four organisations and removed three organisations from the register. As of 1 January 2016, 35 PSOs were operating on Russian territory, including the Bank of Russia and JSC NPCS.

The Bank of Russia continued its work to inspect the regulations of socially and systemically important payment systems. It assessed important payment systems in terms of their compliance with Bank of Russia recommendations adopted on the basis of Committee on

Payments and Market Infrastructures (CPMI) standards and the International Organisation of Securities Commissions' 'Principles for Financial Market Infrastructures' (Principles for FMI). In 2015, the Bank of Russia finished its assessment of two socially important payment systems.

As part of the CPMI's monitoring of the introduction of Principles for FMI in Russia, the CPMI awarded the Russian Federation the maximum compliance rating for its payment systems in 2015.

To further improve NPS legislation, the Bank of Russia refined its procedure for imposing the fines provided for in Federal Law No. 86-FZ on PSOs, together with the procedure for PSOs to calculate, deposit, and return security deposits on money transfers within the Russian Federation through the payment system. According to this Federal Law, PSOs that are not nationally important payment systems transferred funds to form a security deposit. As of 1 January 2016, the amount of funds in accounts under the security deposit item opened with the Bank of Russia totalled more than ₱1 billion.

As a result of the enforcement of fines against PSOs as provided for in Article 82<sup>4</sup> of Federal Law No. 86-FZ and Article 15.36 of the Code of Administrative Offences of the Russian Federation, in 2015 roughly ₱17 million were paid into the federal budget.

In 2015, audits were carried out in supervised organisations to monitor their compliance with NPS legislation. These organisations were subsequently provided with information on any discovered violations and timeframes to remedy these violations.

The payment services market was monitored to detect electronic money transfer schemes not in compliance with the requirements set out in Federal Law No. 161-FZ and to identify any organisations illegally using the words 'payment system' in their company name.

As part of its international cooperation on payment systems, the Bank of Russia signed a bilateral collaboration agreement on joint supervision (oversight) of payment systems with the Central Bank of the Republic of Armenia, the National Bank of the Kyrgyz Republic

and the National Bank of the Republic of Kazakhstan, as well as an Agreement on the Creation of a Working Group to Coordinate the Development of National Payment Systems between the Bank of Russia, the National Bank of the Republic of Belarus and the National Bank of the Republic of Kazakhstan.

The Advisory Council on the Development of the NPS, reporting to the Bank of Russia Governor, which was set up to ensure the Bank of Russia's coordinating role in the NPS, started its work in 2015.

To improve regulations on transfers of funds, it was made possible to indicate a unique payment identification number in money transfer orders in accordance with federal laws and normative legal acts of the Russian Federation, and the procedure for indicating and checking the particulars on money transfer orders when making payments to the budget system of the Russian Federation was refined.

In 2015, the Bank of Russia worked together with the Federal Treasury and Russian Ministry of Finance to examine a new draft of the Budget Code of the Russian Federation, which was approved in 2015, and assisted the Federal Treasury in organising transfers of funds from its cash accounts to credit institutions chosen on the basis of a tender to expand use of payment cards in the public administration sector.

The methodology used to service the accounts holding the Russian Federation budget system's budget funds was improved in terms of determining the specifics of cash servicing of regional Federal Treasury bodies, the financial bodies of constituent territories of the Russian Federation (municipal entities) and government extra-budgetary fund administration bodies of the Russian Federation, and with respect to Bank of Russia divisions' transfer of unused balances to the bank accounts of Federal Treasury departments.

The improvements in the methodology used by the Bank of Russia to administer receipts of different types of revenue into the budget system of the Russian Federation were aimed at refining payment types, supplementing the budget with certain sources of revenue in accordance with Russian Federation legislation, carrying out an inventory of debts on payments to the budget, and carrying out an internal financial audit at the Bank of Russia.

In 2015, the work on the Bank of Russia's administration of certain types of revenue into the budget system of the Russian Federation was aimed at intensifying controls over receipts of funds into the budgets, reducing debts on penalties (fines), raising the quality of accounting and budget reporting, and improving forecasts of incoming budget funds.

## II.14.2. Development and upgrading of the Bank of Russia payment system

In 2015, in implementing the National Payment System Development Strategy, work was carried out to set up the Bank of Russia next-generation payment system.

Together with credit institutions, financial market infrastructure organisations and the Federal Treasury, the Bank of Russia defined the services provided to next-generation payment system participants (including in transactions involving a single treasury account) and developed business requirements for the automated next-generation payment system.

Considering its work plan for the creation of the next-generation payment system and preparations for the introduction of national financial message standards into the Bank of Russia payment system, work started to develop a set of interbank message formats based on the ISO 20022 standard for the next-generation payment system.

As part of its improvements to the existing Bank of Russia payment system, the Bank of Russia refined the regulations on filling in payment orders for the total amount with the register for budget revenue administrators to correctly identify budget receipts.

To increase the level of automated money transfer order processing at credit institutions, provisions were made for all credit institutions (their branches) to use a special order form for expedited money transfers through the Bank of Russia payment system – a bank order, the particulars of which will be compatible with SWIFT financial messages.

A range of measures was introduced allowing credit institutions, customers of NKO ZAO NSD, to settle the

money leg of transactions conducted with securities according to 'delivery versus payment' (DVP-1<sup>1</sup>) through the BESP system in real time.

Changes were made to the Bank of Russia payment system's regulations, which allow the National Clearing Centre Bank (JSC), a central counterparty, to withdraw funds from the correspondent accounts of credit institutions participating in the clearing based on collection orders sent through the BESP system.

As part of developing the Bank of Russia payment system, in 2015 the Bank of Russia started work to increase the power and efficiency of hardware at collective data processing centres for the Moscow and Nizhny Novgorod regions (CDPC-MR and CDPC-1) at the Bank of Russia's Interregional Data Processing Centre.

In 2015, the Bank of Russia was legislatively permitted to provide financial message transmission services to organisations that are not currently Bank of Russia customers. The Bank of Russia set tariffs for its financial message transmission services, drafted the conditions of agreements concluded between Bank of Russia regional branches and corporate customers of credit institutions, and provided financial message transmission system (FMTS) services allowing complete control over SWIFT financial messages, transmission of messages in their own proprietary formats (file exchange), and the ability for FMTS participants to define a list of counterparties and types of financial messages received from them.

<sup>1</sup> DVP (delivery versus payment) – a settlement principle for transactions involving securities where the final transfer of securities takes place at the same time as the final and irrevocable transfer of the funds. Under the DVP-1 model, settlements are made separately for each transaction without netting the money leg of the transaction and netting the securities.



## II.15. IMPROVING THE ACCOUNTING AND REPORTING OF CREDIT INSTITUTIONS AND NONBANK FINANCIAL INSTITUTIONS

In 2015, two industry accounting standards based on IFRS were developed and issued for credit institutions in accordance with the Federal Law 'On Accounting': one on compensation of employees and the other on hedging operations. In addition, the accounting procedure for securities lending operations was brought in line with IFRS.

New special bank accounts were introduced for authorised banks to provide separate accounts for the funds of state defence order contractors, for the purposes of complying with the provisions set out in the Federal Law 'On the State Defence Order'.

With PJSC Moscow Exchange introducing its new 'Grain Market' and 'Equity Repos with Clearing Certificates' projects and the corresponding changes to the Federal Law 'On Clearing, Clearing Activities and the Central Counterparty', new balance sheet and off-balance sheet accounts were introduced to the Chart of Accounts at credit institutions.

As part of the Bank of Russia's measures to support borrowers of credit institutions under foreign currency mortgages, the procedure for credit institutions to report expenses from conversion of such loans into the currency of the Russian Federation was developed and published.

In the context of its Concept for the Development and Improvement of Accounting at Nonbank Financial Institutions, the priority areas of the Bank of Russia's activities in 2015 included:

- finalising a chart of accounts for nonbank financial institutions and a procedure for using this chart based on the Chart of Accounts at credit institutions. In 2015, a Chart of Accounts at nonbank financial institutions and the procedure for its use was approved by the Bank of Russia Board of Di-

rectors and registered with the Russian Ministry of Justice;

- finalising industry accounting standards for nonbank financial institutions, including industry standards that account for specific activities of certain types of nonbank financial institutions (insurers and non-governmental pension funds), obtaining approval of the standards from the Bank of Russia Board of Directors, and registering the standards with the Russian Ministry of Justice. In this regard, the Bank of Russia Board of Directors approved 16 industry accounting standards for nonbank financial institutions, including two industry standards that account for specific activities of certain types of nonbank financial institutions (insurers and non-governmental pension funds);
- finalising industry standards on accounting (financial) statements for insurers, non-governmental pension funds and other nonbank financial institutions, obtaining approval of the standards from the Bank of Russia Board of Directors, and registering the standards with the Russian Ministry of Justice. In this regard, the Bank of Russia Board of Directors approved two regulatory documents establishing requirements for the content, preparation procedure, submission to the Bank of Russia, and publication of nonbank financial institutions' accounting (financial) statements;
- developing regulatory documents for nonbank financial institutions to implement the requirements set out in IFRS 9 'Financial Instruments'. In 2015, draft ordinances aimed at implementing this standard were prepared.

Thus, in 2015 the Bank of Russia Board of Directors approved 19 industry standards for nonbank financial institutions.

## II.16. IMPROVING LEGISLATION

In 2015, 56 federal laws aimed at improving banking legislation or legislation governing the financial market as a whole were approved. The laws adopted can be categorised as follows: anti-crisis federal laws; federal laws aimed at improving the activities of nonbank financial institutions and supervision over them; federal laws aimed at improving the activities of credit institutions; and federal laws regulating the activities of the Bank of Russia.

Federal Law No. 167-FZ, dated 29 June 2015, 'On Amending Certain Laws of the Russian Federation' was adopted to support the interbank lending market. The document makes provisions for the restoration of the Bank of Russia's mechanism to sign offset agreements with credit institutions, whereby the Bank of Russia is obliged to offset a portion of credit institutions' losses (expenditure) on loans issued to other credit institutions which have had their banking licences revoked. At the same time, provisions were made so that the Bank of Russia could enter into offset agreements with entities acting as a central counterparty (credit institutions and nonbank financial institutions).

Federal Law No. 222-FZ, dated 13 July 2015, 'On the Activities of Credit Rating Agencies in the Russian Federation, on Amending Article 76<sup>1</sup> of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Invalidating Certain Provisions of Russian Laws' was adopted to establish the legal foundations to regulate the activities of ratings agencies in Russia and reduce dependence on assessments by foreign rating agencies. This law removed the definition of a rating agency from Federal Law No. 39-FZ, dated 22 April 1996, 'On the Securities Market'.

Among the federal laws aimed at improving the activities of nonbank financial institutions, Federal Law No. 210-FZ, dated 29 June 2015, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws' was adopted, which improves the Bank of Russia's supervisory mechanisms to monitor the activities of financial market participants and develop a prudential supervisory system on the basis of these mechanisms.

The aim of Federal Law No. 223-FZ, dated 13 July 2015, 'On Self-regulatory Organisations in the Financial Market and on Amending Articles 2 and 6 of the Federal Law 'On Amending Certain Laws of the Rus-

sian Federation' is to increase the role of self-regulation in the activities of financial market participants and to increase the effectiveness of collaboration between self-regulatory organisations and the regulator in the financial markets.

Federal Law No. 430-FZ, dated 30 December 2015, 'On Amending the Federal Law 'On the Securities Market' and Certain Laws of the Russian Federation' was adopted to establish organisational and legal foundations for the activities of repositories. The law defined the procedure for licensing repository activities and established the basic requirements for such activities and repositories' risk-management systems.

With the development of the microfinance market, the system became two-tiered, categorising microfinance organisations into two types: microfinance companies and microloan companies. This was reflected in Federal Law No. 407-FZ, dated 29 December 2015, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws', which sets out a differentiated approach to the regulation of participants' activities in this market, the different rights of such participants, and the different regulatory and supervisory requirements for them. In addition, this law imposes restrictions on the amount of interest and other payments accrued by household borrowers under short-term consumer loan agreements if the total accrued interest and other payments under the agreement reach four times the total loan amount.

In view of the large number of nonbank financial institutions supervised by the Bank of Russia and the need to make effective decisions about unscheduled inspections of NFIs and other entities, among other things, Federal Law No. 427-FZ, dated 30 December 2015, 'On Amending Certain Laws of the Russian Federation with Regard to Refining the Supervisory Powers of the Central Bank of the Russian Federation (Bank of Russia) and Invalidating Certain Provisions of Russian Laws' made changes to a number of federal laws regulating the activities of investment funds, non-governmental pension funds, clearing houses, trade organisers, and other entities over which the Bank of Russia has audit (supervisory) powers.

Federal Law No. 403-FZ, dated 29 December 2015, 'On Amending Certain Laws of the Russian Federation'

was adopted to improve the activities of credit institutions and makes provisions for a new type of nonbank credit institution – a central counterparty. Such an organisation has to have a licence to carry out clearing activities. In addition, it must be granted the status of a central counterparty. The Bank of Russia decides on the permitted combination of banking operations for a central counterparty. The law establishes the minimum amount of equity capital that the central counterparty must have – ₽300 million – as well as a common amount of authorised capital (equity capital) for all forms of newly created and operating nonbank credit institutions – ₽90 million. Operating nonbank credit institutions with capital of less than ₽90 million can continue their activities provided that they do not reduce their capital from the amount as of 1 July 2016 and increase their capital to ₽90 million by 1 July 2019.

Federal Law No. 372-FZ, dated 14 December 2015, 'On Amending Articles 16 and 18 of the Federal Law 'On Banks and Banking Activities' was adopted to bring Russian banking legislation in line with obligations regarding access to the banking services market, which the Russian Federation assumed when joining the WTO. This law sets a maximum stake (quota) of foreign capital in the total authorised capital of credit institutions with banking licences at 50%. The law also defines a list of investments that will not be included in the calculation of this quota and sets out measures

to be carried out by the Bank of Russia when reaching this quota.

With the adoption of Federal Law No. 426-FZ, dated 30 December 2015, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia's official website became a source for official publication of the Bank of Russia's regulatory documents.

This law also made provisions for a new framework for the Bank of Russia to exchange information with foreign financial market regulators – the International Association of Insurance Supervisors' Multilateral Memorandum of Understanding on Cooperation and Information Exchange.

In addition to this, according to this law, the Russian Collection Association will be responsible for protecting the Bank of Russia's assets.

Along with the work associated with the preparation and consideration of the aforementioned federal laws and other draft federal laws, the Bank of Russia issued and registered with the Russian Ministry of Justice 268 regulatory documents during the period from 1 January to 31 December 2015, including eight instructions, 37 regulations, and 223 ordinances.

The Bank of Russia prepared and sent out 278 informational and other letters and 36 methodological recommendations to its regional branches for explanatory and methodological purposes.

## II.17. INTERNAL AUDITING

In the last few years, the Bank of Russia has transformed its internal auditing system. The centralisation of the Bank of Russia (hereinafter, the Service) was completed, and it operates in organisational and functional isolation and reports directly to the Bank of Russia Governor.

In 2015, all key business processes underwent an internal audit as per the Bank of Russia's obligations, with a view to assessing the effectiveness of the processes and the achievement of targets. The Chief Auditor's Service carried out 92 internal audits, including 76 audit inspections, two analytical measures, 13 monitoring measures and one project audit.

The audited subjects included divisions of the Bank of Russia's head office, Bank of Russia regional branches, including their structural divisions, the Bank of Russia Central Depository, the Bank of Russia Interregional Security Centre, Bank of Russia field institutions, and other organisations founded by the Bank of Russia: the Russian Collection Association and the Moscow Banking School (College).

The analytical measures looked at how corporate governance was organised amid the reorganisation of the Bank of Russia regional network.

The Service continued to monitor transactions conducted by the Bank of Russia involving assets in foreign currency and precious metals.

The internal audit of business processes as part of banking supervision was intended to identify and analyse systemic problems in the organisation and exercise of supervisory functions in relation to credit institutions' activities and to develop recommendations to solve these problems.

Considering the importance of the Bank of Russia's regulatory and control duties in the financial market, the Service audited the business processes involved in organising the regulation, control, and supervision of NFIs' activities and the implementation of plans to automate the activities of NFIs.

As part of the Bank of Russia's activities to ensure stability and development of the national payment system, the business processes involved in the development of the Bank of Russia next-generation payment system and national payment card system were audited. The regulations governing the Bank of Russia payment

system were audited together with the business processes surrounding the organisation and conduct of supervision and oversight in the national payment system.

Taking into account the social, economic and political importance of ensuring the needs of cash circulation and the costly nature of this process, in 2015 an audit was carried out on the business processes involved in organising and transporting the Bank of Russia's valuables, manufacturing, issuing into circulation and selling commemorative and investment precious metal coins in foreign and Russian numismatic markets, and automating cash circulation.

In the context of digitising the Bank of Russia's activities, the business processes involved in setting up and operating the information and telecommunications systems, which have a direct impact on the Bank of Russia performing its main duties, underwent an audit. The Service audited the effectiveness of the Bank of Russia's spending on purchases of hardware and peripheral equipment and developing its consolidated data server systems.

Taking into account the Bank of Russia's expense optimisation policy, the Service audited the business processes surrounding investment in current and major repairs of Bank of Russia facilities, Bank of Russia asset management and the commissioning of unused property.

In 2015, the Service paid special attention to the process of developing a new management model for the Bank of Russia's accounting departments and investigated problems of functional transformations and their impact on the organisation of work in the Bank of Russia's accounting departments.

The results of the internal audit confirm that the audit divisions have carried out the duties entrusted to them in line with Russian Federation legislation, regulatory and other Bank of Russia documents, and that the internal control and risk management system corresponds to the nature of the operations.

The National Financial Board and the Bank of Russia's management were informed of the results of the internal audits and appropriate administrative decisions were made. Considering the results of the internal audit, in order to minimise risks in the Bank of Russia's activities, changes were made to Bank of Russia

regulatory documents, software was improved, and the work of structural divisions was optimised, along with the internal control and risk management system. Checks were also carried out on the implementation of administrative decisions, adopted based on the audit results, by audit divisions and divisions of the Bank of Russia head office.

The Service ensured cooperation between the Bank of Russia and the Audit Chamber of the Russian Federation in the course of its control and expert assessment measures at the Bank of Russia. Together with the Accounting and Reporting Department, steps were taken to ensure collaboration with the auditor of the Bank of Russia's annual financial statements.

To further develop the Bank of Russia's risk management system, the Service, together with Bank of Russia structural divisions, prepared a Risk Management Strategy and carried out work to develop a methodology to manage operational risk based on best practices.

At the initiative of the Service, the Bank of Russia set up an Expert Committee for Regulation, Internal Auditing Methodology, Internal Control and Risk Management at the Bank of Russia and financial organisations. This committee was made up of representatives of Bank of Russia structural divisions, major credit institutions, auditing and consultancy companies, professional associations, educational institutions, and expert organisations.

## II.18. OTHER BANK OF RUSSIA ACTIVITIES

### II.18.1. Changes in the Bank of Russia's organisational structure

In 2015, the Bank of Russia continued its work to improve its organisational structure and optimise staff numbers.

Operational divisions were restructured. The creation of an Operations Department in place of the closed Market Operations Department and Bank of Russia First Operations Department eliminated duplication of duties and raised the efficiency of internal processes.

The work to reform IT and telecommunications divisions, which continued in 2015, was aimed at optimising the administrative architecture and increasing the fault tolerance and reliability of IT systems.

In 2015, a Research and Forecasting Department was set up to serve as an authoritative source of knowledge on economic theory and practice based on the results of theoretical and applied economic research into current issues in the Russian economy and the economies of other countries, and to implement an integrated expert model approach to macroeconomic forecasting.

During 2015, a large number of economic studies were carried out to solve a range of practical Bank of Russia objectives linked to maintaining financial and price stability and developing the banking sector and the financial market. A number of macroeconomic models have been developed and used to assess the current situation in the economy and compile short- and medium-term forecasts of key macroeconomic indicators.

Research papers and the results of applied research are published in Russian and international journals and presented at international conferences. Moreover, a subsection entitled 'Research and Publications' was set up on the Bank of Russia's official website in 2015 to provide the expert community and public with research results. The Bank of Russia also organised regular publication of research reports, analytical pieces, and the monthly macroeconomic bulletin 'Talking Trends'.

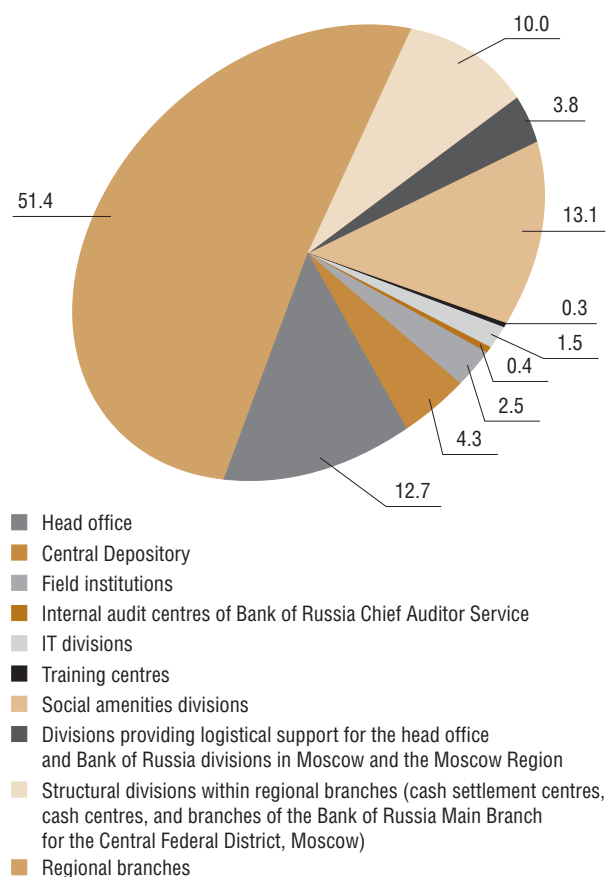
In 2015, two key stages of the centralisation of the accounting department were completed: at the Bank of Russia's head office for Moscow and the Moscow Region and at the Bank of Russia's North-Western Main Branch for the regional divisions in this region.

In 2015, significant work was carried out in the cash circulation and cash service divisions. A Cash Centre was set up at the Bank of Russia's Ural Main Branch, which took on the duties of the liquidated Interregional Depository (Yekaterinburg), and the structure and staff numbers were optimised at divisions providing special transfer services.

As part of its settlement network reorganisation, the Bank of Russia closed 92 cash settlement centres at its regional branches, two divisions, and Operations Division of the Bank of Russia Main Branch for the Central Federal District (situated in Moscow), and liquidated four Bank of Russia field institutions.

During the course of its measures to optimise the Bank of Russia regional branches' divisions involved with social and communal activities, the Bank of Rus-

**Structural divisions as a percentage of Bank of Russia personnel as of 1 January 2016**



sia liquidated four rehabilitation divisions, two medical divisions, one public catering division, six hotels, and three hostels.

As of 1 January 2016, the Bank of Russia's structure comprised 553 divisions, including: the head office, seven main branches with 72 divisions (national banks), the Republic of Crimea Division and the Sevastopol Division, 186 cash settlement centres, two cash centres, two divisions of the Bank of Russia Main Branch for the Central Federal District (Moscow), seven internal auditing centres, an Interregional Security Centre, two

information technology and computing divisions, two Central Depository divisions, and 91 field institutions and ancillary divisions.

In addition to the changes in its organisational structure in 2015, the Bank of Russia took steps to reduce expenditure on compensation of employees and day-to-day activities.

In general, as a result of the staffing measures taken in 2015, the Bank of Russia's staff decreased by 2,400 employees or by 3.9% to 59,400 employees as of the beginning of 2016.



## II.18.2. Staffing and personnel training

In 2015, the Bank of Russia's human resources policy was aimed at improving staff performance, mobilising staff potential for quality work against the background of centralisation of the Bank of Russia's functions and optimisation of its structure, and forming a Bank of Russia staff reserve.

During the reporting period, the number of executive and specialist positions at the Bank of Russia reduced by 6.3%. Staffing levels in these positions rose by 3.4 percentage points to 99.9% as of 1 January 2016.

More than half of the Bank of Russia's personnel in executive or specialist positions were between 30 and 50 years old (57.7%) and have more than 15 years' work experience in the Bank of Russia system (53.4%). In 2015, the share of employees of pensionable age fell by 0.5 percentage points to 10.2%.

The overwhelming majority of employees (87%) had a higher professional education. The proportion of such employees in executive and specialist positions is growing steadily.

Efforts to create motivating conditions, reinforce employee loyalty to the Bank of Russia, and establish positive motivation to succeed are all particularly important in staff management. During the reporting period, staff bonuses were based on performance results at all Bank of Russia regional branches. In 2015, employees at the Bank of Russia's head office underwent staff appraisal. As many as 4,175 executives and specialists from 36 structural divisions of the head office took part in the appraisal. As a result of the appraisal process, 98%

of the employees were recognised as qualified for their positions.

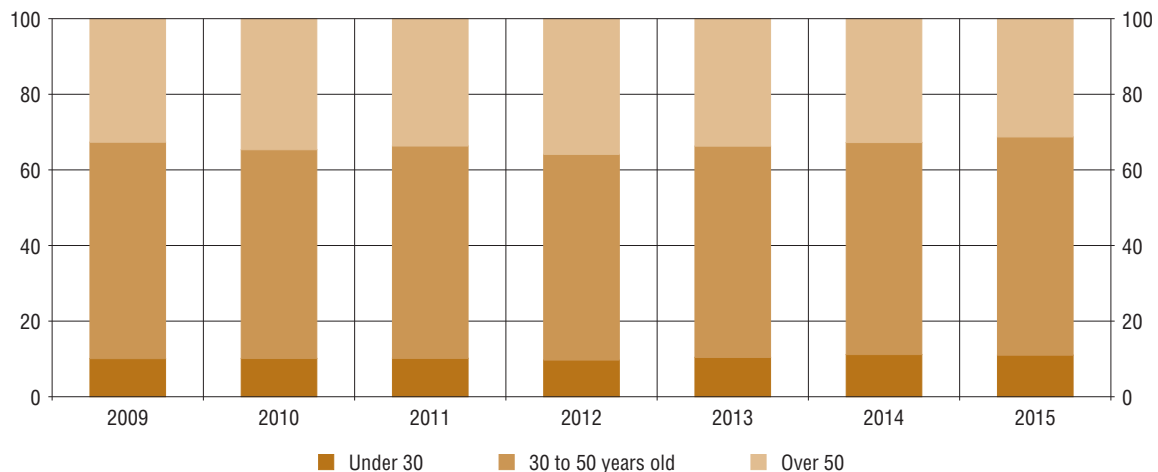
To uphold the values of staff professionalism, responsibility and cohesion at the Bank of Russia, in addition to the appraisal procedures undertaken, various forms of professional development for specialists continued to be actively used in 2015: conferences and meetings were held, working and initiative groups comprised of promising employees were set up to solve pressing issues, and professional skill competitions were organised.

An important area of staffing in the Bank of Russia's activities is training, retraining and raising the qualifications of executives and specialists to develop their professional and managerial skills. In 2015, in terms of additional professional programmes, roughly 3,000 educational measures were taken for Bank of Russia employees, through which more than 30,000 executives and specialists were trained.

Centralised training for Bank of Russia staff, which accounted for 57% of the total number of employees trained, took place at education centres and banking colleges belonging to the Bank of Russia, through paid educational/consultancy services agreements with leading higher education establishments, consultancy companies and specialised education centres, and through international collaboration.

To further develop the managerial potential of executives of structural divisions at all levels, optimise intraorganisational relations and raise the efficiency of employees, during the reporting period, 48 social, psy-

**Age structure of Bank of Russia executives and specialists  
(percent)**



chological and managerial training sessions were held, which were attended by 824 Bank of Russia employees. The practice of conducting corporate training was developed with the intention to create a cooperative team style and develop the skills to optimise individual work styles.

Professional retraining programmes with a practical orientation have been developed and delivered by higher education establishments on request of the Bank of Russia since 2003, and are aimed at mastering the use of modern management techniques, corporate governance, business process management, and decision-making methodologies in finance and banking. The expansion of programme fields and specialisations in recent years points to the growing interest in such programmes among specialists. This is linked to both the high assessment of the training's effectiveness and the new requirements for professional activities carried out by the Bank of Russia's core departments.

In 2015, 81 specialists working as inspectors, financial resolution consultants, provisional administration managers at credit institutions, and Bank of Russia inspectors working as financial market entity managers completed their professional retraining. Payment system and settlement specialists and credit institution cu-

rators commenced training (with their training ending in 2016).

From 2003 to 2015, 2,112 people have undertaken professional retraining programmes, of which 408 specialists, or 19% of the total number of graduates from basic programmes, received a Master of Business Administration qualification. In 2015, the training of a group of specialists from the Bank of Russia's legal divisions as part of the MBA 'Finance and Banks' programme came to an end and a group of credit institution inspectors started their training on the MBA 'Banks' programme.

To ensure effective problem-solving in financial market regulation, significant attention was still paid to increasing the level of qualifications of employees working in divisions responsible for the regulation, control and supervision of the activities of nonbank financial institutions. In 2015, more than 1,200 people raised their skills in this area through centrally administered programmes and roughly 300 employees underwent training at regional branches.

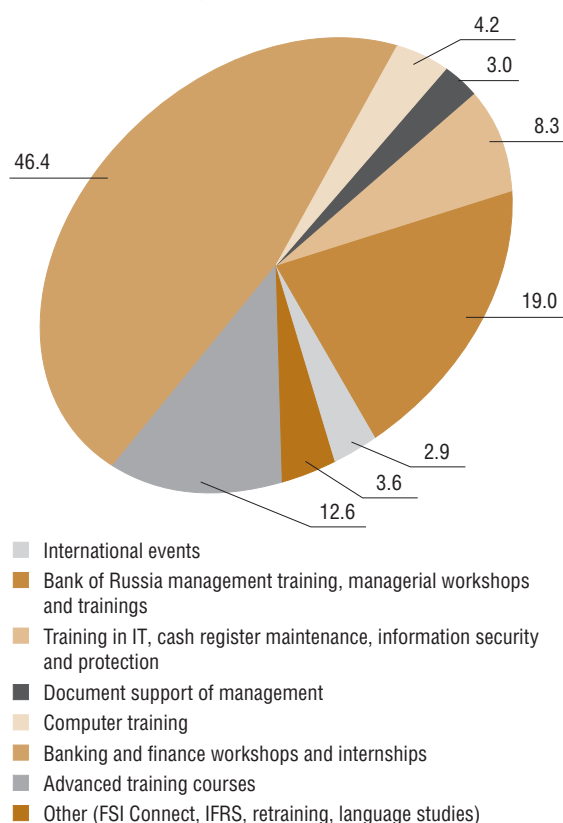
As in previous years, Bank of Russia employees raised their qualifications with respect to monetary policy, foreign exchange regulation, countering the legalisation of criminally obtained incomes and the financing of terrorism, development of the national payment system, cash circulation, banking regulation and supervision, inspections, licensing activities, financial resolution at credit institutions, ensuring the stability of the financial markets, accounting, and financial statements.

Bank of Russia specialists continued to learn modern software, including training for specialists in divisions responsible for banking regulation, supervision, inspection, internal auditing, and the collection and processing of reports from nonbank financial institutions, with respect to IT systems based on the 'FORECAST' analytical system, and training on the introduction and use of modern information technologies for document management, automated document turnover, and information security and protection.

Internships for Bank of Russia regional branch executives and specialists at structural divisions of the Bank of Russia's head office helped to reinforce professional knowledge and skills in practice and share professional experience.

The use of remote technologies helped to significantly expand the audience of educational measures, primarily through the involvement of specialists at Bank of Russia regional branches. In 2015, specialists from the Bank of Russia's banking supervision divisions

**Centralised Bank of Russia personnel training in 2015  
(as a percentage of total number of trainees)**



(118 people) continued their training through the FSI Connect programme developed by the Financial Stability Institute of the Bank for International Settlements (Basel). Training in the form of webinars was expanded, combined with full-time staff training. About 1,000 people took part in this training, of which 76% was distance learning.

A major addition to the centralised training of Bank of Russia regional branch staff was on-site training through intraregional studies and internships at regional branches (176 educational measures, more than 4,600 people trained), which was undertaken to meet internal needs without significant financial expenditure, as well as through independent agreements between regional branches and external organisations (more than 1,600 educational measures, 8,800 people trained).

In 2015, the Bank of Russia continued its collaboration with key staff training partners: the German Federal Bank, the Bank of France, the Bank of England, the Bank of Italy, and the US Federal Reserve System. Col-

laboration was also intensified with the central banks of Hungary, Sweden, Switzerland and Brazil, and renewed with the Bank of Finland, the Reserve Bank of India, and the National Bank of Bulgaria. In total, 202 educational measures were organised, in which 515 Bank of Russia specialists participated.

The Bank of Russia continued to provide educational support to the National Bank of the Republic of South Ossetia and the National Bank of the Republic of Abkhazia – 15 specialists took part in 12 educational measures organised at the Bank of Russia.

According to the Programme of Professional Training of the Personnel of Central (National) Banks of the EurAsEC Member States, in 2015, 18 international seminars were held, of which eight were hosted by the Bank of Russia. As many as 17 internships were organised for representatives of EurAsEC central (national) banks at various Bank of Russia divisions. In total, 146 representatives of central (national) banks were trained through EurAsEC programmes in 2015.

## II.18.3. Bank of Russia information and telecommunications system development

According to the Key Principles and Areas for IT Development at the Bank of Russia in 2014–2015, in 2015 various measures were undertaken to develop, maintain and operate IT.

Project management was introduced to raise work performance and optimise Bank of Russia expenditure. The IT Department's activities were structured according to the development and operation of IT solutions and organised based on project and process management.

As part of developing tools to analyse the use of monetary regulation instruments, a solution was developed to provide the Bank of Russia's management, regional branches, and external users with results from the analysis of monetary regulation instruments, calculated using common algorithms to take into account the changed regulatory framework.

The preparation and management of repos with foreign currency settlements, the accounting and control of securities accepted by the Bank of Russia as collateral for repos with foreign currency settlements, and the preparation, printing, review, and offloading of accounting and settlement documents to the automated system were all automated.

Technologies to download information on rating activities from credit rating agencies were developed and tested.

As part of the project to centralise accounting for internal transactions, work was carried out at the Bank of Russia head office and Moscow region branch to significantly expand their communications channels, among other things. Work continued to centralise accounting for internal transactions at Bank of Russia regional branches.

The processing of administrative violation cases was automated. A single information system to automate the Bank of Russia's procurement was developed and introduced, allowing for greater transparency and efficiency in procurement.

The necessary infrastructure (private accounts) was put in place to set up electronic document turnover with various counterparties and organisations supervised by the Bank of Russia: credit institutions, nonbank financial institutions, direct investment entities, the Central Election Commission of the Russian Federation, and others.

In 2015, work was carried out to standardise technology policy and improve methodologies, a classification of IT risks was developed, and a list of critical IT systems was drafted.

With a view to defining the IT development vector in the long term, in 2015 the Bank of Russia Board of Directors developed and approved the Guidelines for the Bank of Russia's IT Strategy for 2016–2020.

## II.18.4. International cooperation

One of the Bank of Russia's priorities for international collaboration in 2015 was cooperation within the BRICS group, which was presided over by the Russian Federation during the reporting period.

Some of the main achievements of the Russian presidency include the signing of an Operating Agreement during a meeting of finance ministers and the central bank governors of the five states on 7 July 2015. This agreement was developed from the 2014 Treaty for the Establishment of a BRICS Contingent Reserve Arrangement, and defined the procedure governing the functioning of the reserve pool mechanism. The BRICS summit in Ufa (8–9 July 2015) announced the full-fledged launch of two new BRICS financial institutions – the New Development Bank and the Foreign Currency Reserve Pool.

In 2015, a number of decisions were adopted to support the enactment in January 2016 of a package of reforms on the IMF quotas and management system. The Russian Federation's quota with the Fund was raised from 5,945.4 million SDR to 12,903.7 million SDR. At the same time, the maximum liabilities of the Russian Federation under the New Arrangements to Borrow with the IMF were reduced from 8,740.8 million SDR to 4,440.9 million SDR. As a result of the reforms, the BRICS nations' total share of the votes moved close to achieving the blocking package of votes held by the US, which creates preconditions favourable to increasing the BRICS nations' influence over the decision-making process at the IMF.

In 2015, the Bank of Russia actively used central bank governors' meetings at the Bank for International Settlements (BIS) to report its position on some of the most pressing problems on the international financial agenda (the impact of the monetary policies of leading developed countries on emerging market economies, centralised clearing and sovereign ratings, digital currencies, financial inclusion and financial literacy). The Bank of Russia took part in two studies by the BIS: 'Inflation Mechanisms, Expectations, and Monetary Policy' and 'The Legal Aspects of Central Banks' Activities to Provide Liquidity'.

Bank of Russia representatives participated in the work of the Basel Committee on Banking Supervision (BCBS) and its working groups and sub-groups. Work was carried out under the BCBS's regional Group of Banking Supervisors from Central and Eastern Europe.

To coordinate the activities of bodies supervising the activities of banking groups' cross-border institutions, the Bank of Russia collaborated with the supervisory bodies of foreign states through supervisory colleges. During the reporting period, Bank of Russia representatives participated in the work of supervisory colleges organised by the Central Bank of Hungary and the National Bank of the Republic of Kazakhstan.

In 2015, the BCBS carried out assessment of banking regulation in the Russian Federation to check its compliance with international standards. Taking into account the observations and proposals received at the end of this assessment, in 2015 the Bank of Russia issued regulatory documents to amend regulation of banking risks as part of the Russian Federation's implementation of approaches developed by the BCBS.

In 2015, the Bank of Russia continued to collaborate actively with the G20, Financial Stability Board (FSB), and International Association of Insurance Supervisors (IAIS).

One of the areas of the collaboration with the G20 was the drafting of a revised growth strategy for the Russian Federation, which was approved and published at the end of the G20 leaders' summit in November 2015, as well as a template to assess obligations previously taken on by G20 member states.

Through its collaboration with the FSB, the Bank of Russia was involved in preparing surveys on regulation of the insolvency of financial institutions and central counterparties, trends and risks in the parallel banking system, as well as achievable reforms in the over-the-counter derivatives market, providing data to trading repositories and reporting the results of work on reforming approaches to compensation of employees at financial institutions.

In 2015, the Bank of Russia conducted a survey on the 'Undesired Consequences of Introducing International Financial Regulation Reforms for the National Financial Markets' among members of the FSB Regional Consultative Group for CIS, the results of which were discussed at a regular meeting of the G20 in Moscow in November 2015.

Through its collaboration with the IAIS, the Bank of Russia drafted comments on the consultation document on a global capital standard for internationally active insurance groups, including global systemically important insurance companies, and questionnaires on

the Russian Federation's implementation of the Key Insurance Principles were completed. In 2015, an application was submitted to accede to the IAIS Multilateral Memorandum of Understanding on Cooperation and Information Exchange.

In 2015, the Executive Committee of the International Organisation of Pension Supervisors approved the Bank of Russia's application to join the organisation as a full-fledged member. This will allow the Bank of Russia to play a role in the development of international standards on pension supervision, in international information exchange, and to study leading global experience and have access to research on pension supervision.

The Bank of Russia took consistent steps to preserve and strengthen core integral structures in the CIS. In 2015, through its collaboration with securities market regulatory bodies, the Bank of Russia prepared a comparative analysis of the legislation of CIS member states governing certain aspects of joint-stock company operations and an analysis of legislation governing the procedure for prudential supervision in the securities market. Through the CIS insurance supervision bodies, the Bank of Russia was entrusted with drafting an international agreement defining the procedure for electronic document turnover between insurers, insured, and injured parties for motor third party liability insurance.

With the termination of the Eurasian Economic Community (EurAsEC) Treaty on 1 January 2015, the Bank of Russia, in collaboration with the central (national) banks of EurAsEC member states, took steps to reform the industry Council of Governors of EurAsEC Central (National) Banks into a Eurasian Council of Central (National) Banks, which may be joined by any interested financial regulator from the CIS countries. A corresponding agreement was signed in November 2015.

During the reporting year, which was the first year of full-fledged functioning of the Eurasian Economic Union (EAEU), the Bank of Russia continued to play an active role in the work of various consultancy and working bodies set up under the Eurasian Economic Commission Collegium (EEC). The Consultative Committee on Macroeconomic Policy drafted regulatory documents aimed at ensuring stable economic growth and coordinating the macroeconomic policy of EAEU member states, Guidelines for EAEU Economic Development for the Period up to 2030, and Guidelines for the EAEU's Two-Year Macroeconomic Policy and Implementation Measures.

Through the Consultative Committee on Statistics, the Bank of Russia, as the authorised body of the Rus-

sian Federation, provided official statistics to the EEC with respect to the approved list of statistical indicators.

In 2015, the Bank of Russia played an active role in developing the EAEU's contractual and legal framework, in particular in preparing drafts of the Agreement on Coordinated Approaches to the Regulation of Foreign Currency Legal Relationship and Liberalisation Measures in the EAEU, the Agreement on the Requirements for Activities in the Financial Markets, the Agreement on Allowing Brokers and Dealers of one EAEU Member State to Trade in Exchanges (Trade Organisers) of Other Member States, the Agreement Between EAEU Member States on Collaboration in Pension Provision, and the Agreement on the Free Trade Zone between the EAEU and its Member States, on the one hand, and the Socialist Republic of Vietnam, on the other hand (signed on 29 May 2015).

An important instrument for integral collaboration is the Consultative Committee on Foreign Exchange Policy, which was joined by the Central Bank of the Republic of Armenia and the National Bank of the Kyrgyz Republic in 2015. Some of the most pressing issues of collaboration between EAEU central (national) banks were examined at the meetings of this committee. In particular, it discussed the banks' monetary policy, financial stability issues, and harmonisation of legislation in the financial sphere.

Intensive cooperation on foreign currency and financial relations is taking place with Belarus. Two meetings of the Interbank Currency Council of the Central Bank of the Russian Federation and the National Bank of the Republic of Belarus (NBRB) were held in 2015. An important area of cooperation between the Bank of Russia and the NBRB continued to be their work to establish a balance of payments for the Union State.

During the reporting year, the Bank of Russia and other founders of the Interstate Bank undertook further steps to reinvigorate the bank, which enabled it to report positive financial results. At the same time, work started to refine key areas of its activity, taking into account integration circumstances and needs of the founding countries.

In 2015, the Bank of Russia further developed bilateral cooperation with central (national) banks and national financial regulators of foreign states and as part of intergovernmental commissions with foreign countries.

The most intensive and multifaceted collaboration was with the People's Bank of China (PBC), covering such areas as settlements in national currencies, stronger collaboration between commercial banks, support-



ing the issuing of bonds in national currencies in the markets of the two countries, and payment system collaboration. October 2015 saw the signing of the Memorandum of Cooperation between the Bank of Russia and the PBC, which made their joint work in these areas a priority, and November 2015 saw the signing of the Memorandum of Understanding between the China Insurance Regulatory Commission and the Central Bank of the Russian Federation on Cooperation in the Field of Insurance.

Over the course of the year, the national currency swap agreement signed between the Bank of Russia and the PBC in October 2014 was prepared for implementation, with the aim of supporting bilateral trade and direct investment between the two countries. Starting in October 2015, the FX swap instrument was successfully tested in several deals, allowing the Bank of Russia and the PBC to ensure their operational readiness to set the swaps in motion if needed in future.

The Bank of Russia and the PBC Governors reached an agreement on establishing a Bank of Russia office at the PBC.

In 2015, the Bank of Russia participated in bilateral international partnerships with more than 20 countries. In particular, regular meetings of sub-committees (working groups) on interbank and financial cooperation through intergovernmental commissions with China, India, Vietnam, Iran and Kazakhstan were held. An agreement was reached with the Central Bank of Egypt on renewing the activities of a working group on interbank cooperation. A core working group was set up as part of the Russo-Thai intergovernmental commission and held its first session. The issue of setting up working groups on interbank and financial cooperation with Singapore, Indonesia, and the United Arab Emirates was also considered. The main task of these working groups is to regulate the process of banking support for trade and economic cooperation between countries, including using national currencies in mutual settlements. Over the course of the year, in addition to working group meetings, this issue was also discussed in meetings with representatives of the national regulators from Argentina, Belarus, Brazil, Egypt, Kyrgyzstan, Cuba, and Mongolia.



## II.18.5. Bank of Russia stakeholdings in the capital of Russian and foreign credit institutions and other organisations

Pursuant to Article 8 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter, Federal Law No. 86-FZ), the Bank of Russia participated in the capital of Sberbank of Russia (Sberbank) and resident organisations that support the Bank of Russia's operations: Public Joint-stock Company Moscow Exchange MICEX-RTS (PJSC Moscow Exchange) and Closed Joint-stock Company St Petersburg Currency Exchange (CJSC SPCEX). The Bank of Russia was involved in these resident organisations through its representatives in their management and controlling bodies for the purpose of implementing the strategic objectives of the government economic policy and consistently upgrading the financial market's infrastructure for successful open market operations.

The Bank of Russia's stake in Sberbank's authorised capital was unchanged at 50% plus one voting share in 2015. The total dividends received by the Bank of Russia in the reporting year from Sberbank was ₽5.1 billion (₽36.1 billion in 2014). The amount of dividends received was reduced as a result of the change in Sberbank's approaches to dividend payments, which take into account capital requirements for business development and the deterioration of the macroeconomic climate, amid a fall in net profits received by Sberbank in 2014.

In 2015, Sberbank's Supervisory Board approved the Sberbank Corporate Governance Code, which set out the main approaches, requirements and principles of its corporate governance system to satisfy the interests of its stable development, increase the transparency and investment appeal of Sberbank and protect the rights and interests of shareholders. Taking into account the recommendations made in the Sberbank Corporate Governance Code and the amendments to legislation, during the reporting period Sberbank's Supervisory Board examined and approved a new version of Sberbank's charter at the Annual General Shareholders' Meeting at the end of 2014. The Annual General Shareholders' Meeting also approved a number of internal documents regulating the activities of Sberbank's governing bodies.

During the reporting year, based on the changing external operating conditions (sanctions, geopolitical tension, deterioration of Russia's economic growth

forecasts), Sberbank made adjustments to its Development Strategy for 2014–2018.

In 2015, the Bank of Russia's stake in the authorised capital of PJSC Moscow Exchange increased from 11.73% to 11.77% following the acquisition of PJSC Moscow Exchange shares through repo transactions whose obligations have now ended.

The dividends paid to the Bank of Russia by PJSC Moscow Exchange for 2014 amounted to ₽900 million in 2015 (₽580 million in 2014).

In 2015, PJSC Moscow Exchange's Supervisory Board approved the Moscow Exchange Group's strategy for 2015–2020, which sets out its mission statement and main areas of development and facilitates the creation of an international centre for bringing in capital, pricing, settlements and risk management.

During the reporting year, PJSC Moscow Exchange took steps to develop its corporate governance. At the Annual General Shareholders' Meeting at the end of 2014, it approved the new version of the Charter of the Public Joint-stock Company Moscow Exchange MICEX-RTS, Regulation on the Procedure for Preparing, Calling and Conducting General Shareholders' Meetings of the Public Joint-stock Company Moscow Exchange MICEX-RTS, and Regulation on the Supervisory Board of the Public Joint-stock Company Moscow Exchange MICEX-RTS.

The Bank of Russia's stake in the capital of CJSC SPCEX did not change in 2015 and stood at 8.9%. The Bank of Russia holds a stake in CJSC SPCEX because St Petersburg is the country's second largest financial centre and CJSC SPCEX may be used as a backup trading floor. Under a decision by the general shareholders' meeting of CJSC SPCEX, the profit generated by the exchange in 2014 was allocated to CJSC SPCEX funds.

The Bank of Russia is the sole shareholder of Joint-stock Company National Payment Card System (JSC NPCS), which was set up in 2014 pursuant to 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'. JSC NPCS's authorised capital was increased during the reporting year to ₽4.3 billion through an additional issue of ordinary registered uncertified shares acquired by the Bank of Russia in accordance with the agreement on the acquisition of shares in JSC NPCS.

Pursuant to Article 9 of Federal Law No. 86-FZ, in 2015 the Bank of Russia participated in the capital of international organisations such as the Basel-based Bank for International Settlements (0.57% of the authorised capital) and the Belgium-based Society for Worldwide Interbank Financial Telecommunications (SWIFT) (0.006% of the authorised capital). At the same time, the Russian Federation's stake in the Moscow-based Interstate Bank also appears on the Bank of Russia's 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.

Moreover, in accordance with Article 4 of Federal Law No. 86-FZ, the Bank of Russia is the depository of IMF funds in the currency of the Russian Federation and performs operations and transactions provided for by the IMF Articles of Agreement and contracts with the IMF. That is why the Russian Federation's quota with the IMF, which amounts to 5,945.4 million SDR, has been included on the Bank of Russia's balance sheet since 2011. The Bank of Russia's stake in the IMF's aggregate quotas (capital) did not change in 2015 and amounted to 2.5%, representing 2.39% of the total number of its member countries' votes.

## II.18.6. Managing lawsuits and claims

In 2015, 185 property-related suits and claims were brought against the Bank of Russia's regional branches for a total of ₹115.81 million, of which 45 were settled out of court for a total of ₹3.57 million and 31 were settled in court for a total of ₹8.73 million.

In 2015, 82 labour relations claims were initiated against the Bank of Russia.

Some credit institutions and nonbank financial institutions disputed the actions and decisions of the Bank

of Russia. Out of the 1,350 claims brought, 350 were settled.

As part of their duty to monitor and supervise the activities of credit institutions and nonbank financial institutions, Bank of Russia regional branches brought 53,089 in-court and out-of-court claims and 3,851 suits against the said institutions, for an amount totalling ₹2,891.58 million, of which 25,588 claims and petitions for a total of ₹1,131.55 million had been settled by the end of the reporting period.

**III. BANK OF RUSSIA  
ANNUAL FINANCIAL STATEMENTS  
AS OF 1 JANUARY 2016  
AND AUDITORS' REPORTS**

## INTRODUCTION

The Annual Financial Statements include information on banking operations and other transactions conducted by the Bank of Russia to fulfil its duties 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).

The Annual Financial Statements as of 1 January 2016 presented below (hereinafter, the financial statements) are comprised of:

- 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 Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property;
- Statement of Volume of Bank of Russia Securities Trading on Organised Trading Venues;
- Statement of Bank of Russia Personnel Costs;
- Statement of Capital Investment Budget Performance.

The principal objectives of the Bank of Russia are:

- to protect the ruble and ensure its stability;
- to upgrade and strengthen the Russian banking system;
- to ensure the stability and development of the national payment system;
- to develop the Russian financial market;
- to ensure the stability of the Russian financial market.

## ANNUAL BALANCE SHEET AS OF 1 JANUARY 2016

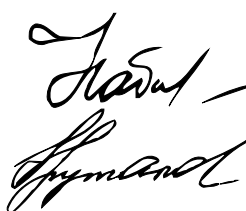
(millions of rubles)

	Note	2015	2014
<b>ASSETS</b>			
1. Precious metals	3	3,647,255	2,726,229
2. Funds placed with nonresidents and foreign securities	4	21,995,155	18,378,563
3. Loans and deposits	5	6,400,256	9,950,119
4. Securities, of which:	6	719,867	622,456
4.1. Federal government debt obligations		512,720	368,160
5. Claims on the IMF	7	1,264,249	1,033,600
6. Other assets, of which:	8	920,403	186,590
6.1. Fixed assets		75,192	75,547
6.2. Profit tax advance payments		189	162
<b>Total assets</b>		<b>34,947,185</b>	<b>32,897,557</b>
<b>LIABILITIES</b>			
1. Cash in circulation	9	8,522,509	8,840,852
2. Funds on accounts with the Bank of Russia, of which:	10	12,573,294	13,876,032
2.1. Federal government funds		8,130,708	9,144,361
2.2. Funds of resident credit institutions		2,528,346	2,869,702
3. Float	11	414	1,897
4. Securities issued	12	0	0
5. Obligations to the IMF	13	1,074,275	840,763
6. Other liabilities	14	160,371	100,404
7. Capital, of which:		12,503,747	9,054,101
7.1. Authorised capital		3,000	3,000
7.2. Reserves and funds		12,500,747	9,051,101
8. Reporting year profit	15	112,575	183,508
<b>Total liabilities</b>		<b>34,947,185</b>	<b>32,897,557</b>

Governor of the Bank of Russia

Bank of Russia Chief Accountant

29 April 2016



E.S. Nabiullina

A.V. Kruzhalov

# STATEMENT OF FINANCIAL PERFORMANCE

(millions of rubles)

	Note	2015	2014
<b>INCOME</b>			
Interest income	16	789,930	518,683
Income from securities trading	17	100,246	23,969
Income from stakeholdings in credit institutions and other organisations	18	6,038	36,756
Other income	19	11,942	11,452
<b>Total income</b>		<b>908,156</b>	<b>590,860</b>
<b>EXPENSES</b>			
Interest expenses	20	89,855	69,453
Expenses on securities trading	21	55,163	1,293
Cash turnover management expenses	22	7,600	10,486
Net expenses on the creation of provisions	23	466,286	122,918
Expenses on negative revaluation of securities available for sale	24	18,087	42,642
Other operating expenses	25	52,028	56,243
Bank of Russia personnel costs	26	106,562	104,317
<b>Total expenses</b>		<b>795,581</b>	<b>407,352</b>
<b>Financial result: profit</b>		<b>112,575</b>	<b>183,508</b>



# CAPITAL, FUNDS AND PROFIT ALLOCATION

(millions of rubles)

	Authorised capital	Reserves	Social fund	Accrued revaluation of precious metals	Accrued foreign currency exchange rate differences	Positive revaluation of securities available for sale	Growth in asset value upon revaluation	Total capital	Profit for the year
<b>Balance as of 1 January 2013, after tax and allocation of profit for 2012 in 2013</b>	<b>3,000</b>	<b>284,655</b>	<b>5,183</b>	<b>1,197,224</b>	<b>1,160,044</b>	<b>90,762</b>	<b>7,966</b>	<b>2,748,834</b>	<b>0</b>
Profit for 2013	0	0	0	0	0	0	0	0	129,261
Transferred to funds in 2013	0	0	42	0	828,707	4,025	0	832,774	0
Paid from funds in 2013	0	0	(3,337)	(385,733)	0	(40,620)	0	(429,690)	0
<b>Balance as of 1 January 2014, before tax and allocation of profit for 2013</b>	<b>3,000</b>	<b>284,655</b>	<b>1,888</b>	<b>811,491</b>	<b>1,988,751</b>	<b>54,167</b>	<b>7,966</b>	<b>3,151,918</b>	<b>129,261</b>
Taxes and duties paid from Bank of Russia profit for 2013	0	0	0	0	0	0	0	0	(160)
Contribution to the compulsory deposit insurance fund transferred to the state corporation Deposit Insurance Agency in accordance with Federal Law No. 40-FZ, dated 2 April 2014	0	0	0	0	0	0	0	0	(60,000)
Transferred to the federal budget	0	0	0	0	0	0	0	0	(51,826)
Allocation of profit for 2013 retained by the Bank of Russia	0	16,584	691	0	0	0	0	17,275	(17,275)
<b>Balance as of 1 January 2014, after tax and allocation of profit for 2013 in 2014</b>	<b>3,000</b>	<b>301,239</b>	<b>2,579</b>	<b>811,491</b>	<b>1,988,751</b>	<b>54,167</b>	<b>7,966</b>	<b>3,169,193</b>	<b>0</b>
Profit for 2014	0	0	0	0	0	0	0	0	183,508
Transferred to funds in 2014	0	0	1	1,141,562	4,764,965	20,167	0	5,926,695	0
Paid from funds in 2014	0	0	(185)	0	0	(41,602)	0	(41,787)	0

	Authorised capital	Reserves	Social fund	Accrued revaluation of precious metals	Accrued foreign currency exchange rate differences	Positive revaluation of securities available for sale	Growth in asset value upon revaluation	Total capital	Profit for the year
<b>Balance as of 1 January 2015, before tax and allocation of profit for 2014</b>	<b>3,000</b>	<b>301,239</b>	<b>2,395</b>	<b>1,953,053</b>	<b>6,753,716</b>	<b>32,732</b>	<b>7,966</b>	<b>9,054,101</b>	<b>183,508</b>
Taxes and duties paid from Bank of Russia profit for 2014	0	0	0	0	0	0	0	0	(163)
Transferred to the state corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) in accordance with Federal Law No. 109-FZ, dated 2 May 2015	0	0	0	0	0	0	0	0	(27,502)
Transferred to the federal budget	0	0	0	0	0	0	0	0	(137,509)
Allocation of profit for 2014 retained by the Bank of Russia	0	17,601	733	0	0	0	0	18,334	(18,334)
<b>Balance as of 1 January 2015, after tax and allocation of profit for 2014 in 2015</b>	<b>3,000</b>	<b>318,840</b>	<b>3,128</b>	<b>1,953,053</b>	<b>6,753,716</b>	<b>32,732</b>	<b>7,966</b>	<b>9,072,435</b>	<b>0</b>
Profit for 2015	0	0	0	0	0	0	0	0	112,575
Transferred to funds in 2015	0	0	1	462,078	2,953,341	31,201	0	3,446,621	0
Paid from funds in 2015	0	0	(204)	0	0	(15,105)	0	(15,309)	0
<b>Balance as of 1 January 2016, before tax and allocation of profit for 2015</b>	<b>3,000</b>	<b>318,840</b>	<b>2,925</b>	<b>2,415,131</b>	<b>9,707,057</b>	<b>48,828</b>	<b>7,966</b>	<b>12,503,747</b>	<b>112,575</b>
Taxes and duties, including those paid in advance in 2015 from Bank of Russia profit for 2015	0	0	0	0	0	0	0	0	(189)
Taxes and duties levied additionally and paid in 2016 after final settlement from Bank of Russia profit for 2015	0	0	0	0	0	0	0	0	(6)
Profit after the payment of taxes and duties under the Tax Code of the Russian Federation	0	0	0	0	0	0	0	0	112,380
Funds to be transferred to the federal budget	0	0	0	0	0	0	0	0	(101,142)
Allocation of profit for 2015 retained by the Bank of Russia	0	10,788	450	0	0	0	0	11,238	(11,238)
<b>Balance as of 1 January 2016, after tax and allocation of profit for 2015 in 2016</b>	<b>3,000</b>	<b>329,628</b>	<b>3,375</b>	<b>2,415,131</b>	<b>9,707,057</b>	<b>48,828</b>	<b>7,966</b>	<b>12,514,985</b>	<b>0</b>

The information on funds and the allocation of Bank of Russia profit is disclosed in the Statement of Profit and its Allocation and Statement of Bank of Russia Reserves and Funds.

# NOTES TO ANNUAL FINANCIAL STATEMENTS AS OF 1 JANUARY 2016

## 1. Accounting and financial reporting principles

The Bank of Russia's accounting and financial reporting practices conform to 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. 66-P, dated 1 January 2006, 'On Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' and other Bank of Russia regulatory documents issued pursuant to these federal laws.

### (a) Accounting principles

Assets are recorded at their initial value. Liabilities are recorded according to contractual terms. Specifics of any subsequent appraisal (revaluation) of the value of assets and liabilities are described below.

### (b) Financial reporting principles

These financial statements have been compiled on the basis of the balance sheet data provided by the Bank of Russia, its regional branches, and other divisions incorporated in the Bank of Russia as a legal entity.

These financial statements have been compiled exclusive of the financial statements of credit institutions and other organisations within and outside Russia in which the Bank of Russia holds a stake, and/or whose activities it controls. Under Russian law, the Bank of Russia is not required to compile a consolidated financial statement that includes financial statements of credit institutions and other organisations in which it holds a stake, and/or whose activities it controls.

These financial statements have been compiled in the currency of the Russian Federation, the Russian ruble (hereinafter, rubles), in millions of rubles.

The financial statements cover a period from 1 January to 31 December 2015 inclusive.

Bracketed figures in tables are negative values.

For the purposes of these financial statements, Bank of Russia operations with credit institutions and the Bank for Development and Foreign Economic Affairs (Vnesheconombank), a state corporation, are jointly referred to as operations with resident banks.

### (c) Precious metals

Precious metals are recorded at their book price and revalued as the book prices of precious metals are set in accordance with Bank of Russia regulations.

The Bank of Russia calculates book prices on the basis of the current fixed prices of precious metals on the London Metal Exchange. The fixed prices of precious metals, denominated in US dollars, are recalculated into rubles at the official US dollar / ruble exchange rate, effective as of the day following the day the book prices are fixed, which also become effective as of the following day.

The excess of positive unrealised differences that arise from the revaluation of precious metal balances, due to the change in the book prices of precious metals, over negative unrealised differences is recorded to the balance sheet account *Accrued 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, the excess is compensated for from previously accrued unrealised differences recorded to the balance sheet account *Accrued revaluation of precious metals* as part of capital, in accordance with a decision of the Bank of Russia Board of Directors. If there are no funds in the balance sheet account *Accrued 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 operating expenses for the corresponding reporting year in accordance with a decision of the Bank of Russia Board of Directors.

The realised differences (income or expenditure) 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. The 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. The realised differences in operations with precious metals are calculated as of the transfer date of the title to the precious metal to which the transaction relates. Net positive realised differences are recorded as other income, while net negative realised differences are recorded as other operating expenses.

Precious metals in commemorative and investment coins in the currency of the Russian Federation, old coins, samples of commemorative and investment coins in the currency of the Russian Federation and old-design coin samples recorded to the Bank of Bank of Russia balance sheet are revalued as the book prices for precious metals are established in accordance with Bank of Russia regulatory documents.

Over the year, any unrealised revaluation of precious metals in coins is recorded to separate sub-accounts of balance sheet accounts: *Revaluation of precious metals – positive differences* and *Revaluation of precious metals – negative differences*.

At the end of the year, the accrued revaluation of precious metals in coins is transferred to the balance sheet account *Accrued revaluation of precious metals*.

Any funds recorded to the separate sub-account of the balance sheet account *Accrued revaluation of precious metals*, in accordance with a decision of the Bank of Russia Board of Directors, may be used at the end of the year to offset a negative unrealised revaluation of precious metals in coins formed when the negative unrealised revaluation of precious metals in coins exceeds the positive unrealised revaluation of precious metals in coins.

If there are no funds (or insufficient funds) in a separate sub-account of the balance sheet account *Accrued revaluation of precious metals*, the negative unrealised revaluation of precious metals in coins may be booked to Bank of Russia operating expenses, in accordance with a decision of the Bank of Russia Board of Directors.

The value of any precious metals in coins used to conclude a purchase and sale transaction and their nominal value on the date when the specification is prepared are entered to the balance sheet account for the retirement (sale) of assets. No further revaluation of the indicated precious metals is performed.

Precious metals placed on deposits or unallocated metal accounts at nonresident credit institutions are recognised at their book price, revalued according to Bank of Russia regulations, and posted to *Funds placed with nonresidents and foreign securities* inclusive of accrued interest.

Bank of Russia claims and obligations with respect to the delivery of precious metals in forward transactions under signed contracts are recorded to off-balance sheet accounts from the transaction date to the settlement date, and revalued as the book prices of precious metals are set.

Book prices used to recalculate assets and liabilities in precious metals as of the date of the financial statements were as follows: ₧2,502.1000 per gram of gold (2014: ₧2,146.0800 per gram of gold), ₧32.6400 per gram of silver (2014: ₧28.9400 per gram of silver), ₧2,080.7900 per gram of platinum (2014: ₧2,183.1600 per gram of platinum), and ₧1,298.1500 per gram of palladium (2014: ₧1,465.0900 per gram of palladium).

#### (d) Foreign currency assets and liabilities

Foreign currency assets and liabilities are accounted for in rubles at the official rates of exchange of the ruble against foreign currencies set by the Bank of Russia as of the balance sheet compilation date (hereinafter, official exchange rates). Foreign currency assets and liabilities are revalued daily at the official exchange rates. Income and expenditure relating to Bank of Russia foreign currency operations are accounted for on the balance sheet in rubles at the official exchange rates, as of the day income is received or expenses are incurred.

The excess of positive unrealised exchange rate differences that arise when revaluing the balances of balance sheet accounts over the negative unrealised exchange rate differences due to changes in the official exchange rates, is recorded to the balance sheet account *Accrued foreign currency 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, the excess is offset by previously accrued unrealised exchange rate differences recorded to the balance sheet account *Accrued foreign currency exchange rate differences* as part of capital in accordance with a decision of the Bank of Russia Board of Directors. If there are no funds on the balance sheet account *Accrued foreign currency exchange rate differences* or if the funds are insufficient, the negative unrealised exchange rate differences are entirely (or in the amount that exceeds the credit balance of the above balance sheet account) posted to Bank of Russia expenses for the corresponding reporting year in accordance with a decision of the Bank of Russia Board of Directors.

Realised exchange rate differences that arise in foreign exchange transactions conducted at rates that differ from official exchange rates are calculated individually for each transaction, and are posted to Bank of Russia income or expenses. The total excess of positive realised exchange rate differences from foreign exchange operations over negative realised exchange rate differences is recorded as part of other income under *Net positive realised foreign currency exchange rate differences*, whereas the total excess of negative realised exchange rate differences from foreign exchange operations over the positive realised exchange rate differences is recorded as part of other operating expenses to *Net negative realised foreign currency exchange rate differences*.

Bank of Russia claims and obligations under foreign currency purchase and sale forward contracts are posted to off-balance sheet accounts from the transaction date to the settlement date and revalued at the official exchange rates.

The official exchange rates used to recalculate assets and liabilities in foreign currency as of the date of the financial statements were as follows: ₴72.8827 to the US dollar (2014: ₴56.2584 to the US dollar), ₴79.6972 to the euro (2014: ₴68.3427 to the euro), ₴107.9830 to the pound sterling (2014: ₴87.4199 to the pound sterling), ₴52.5735 to the Canadian dollar (2014: ₴48.4026 to the Canadian dollar), ₴60.5087 to 100 Japanese yen (2014: ₴47.0644 to 100 Japanese yen), ₴101.2377 to 1 SDR (special drawing rights) (2014: ₴81.5015 to 1 SDR), ₴53.1242 to the Australian dollar (2014: ₴45.9125 to the Australian dollar), and ₴11.2298 to the Chinese yuan / renminbi (2014: ₴9.0707 to the Chinese yuan / renminbi).

### (e) Securities

Securities are accounted for at the purchase price, including coupon income paid, increased by other material additional expenses (costs) directly related to their purchase. Expenses exceeding 5.0% of the transaction value are regarded as material.

Securities are entered in the accounts in the currency in which they are issued.

The price of securities purchased in a currency other than that in which they were issued is calculated at the official exchange rate as of the purchase date, or at the cross rate set for corresponding currencies.

Investments in securities other than promissory notes are categorised as follows, depending on the purpose of the purchase:

debt obligations appraised at fair value through profit or loss. These include securities purchased for short-term sale (up to one year), whose current (fair) value can be determined;

debt obligations held to redemption. These include securities that the Bank of Russia intends to hold to maturity, regardless of the period between the purchase date and the redemption date;

debt obligations available for sale. These include securities that are not categorised as 'appraised at fair value through profit or loss' or 'held to redemption' when purchased.

The balance sheet value of securities after their initial recognition is altered by the amount of the discount (premium) and coupon (interest) income accrued and received from the time of their initial recognition until their retirement, as well as by the amount of the partial redemption of the nominal value of securities.

The amount of the discount and coupon (interest) income on securities, less the premium amount, is recognised as interest income accrued uniformly over the securities' circulation period.

Interest income on securities where there is no uncertainty as to the receipt of the said income is recognised as income on the last working day of the month in which the securities are retired (sold) or when interest income is paid by the issuer. Interest income on securities where the receipt of the income is recognised to be uncertain

is recorded in separate balance sheet accounts for interest income on debt obligations accrued prior to sale or redemption and is recognised as income when the funds are actually received.

Securities categorised as securities appraised at fair value through profit or loss and securities categorised as available for sale are revalued at current (fair) value.

Market quotations (prices) posted by trading organisers from the latest organised trades are used to evaluate the current (fair) value of securities traded in a foreign financial market in organised (stock exchange) trading and securities eligible for circulation in organised trading in the domestic financial market (excluding Russian Federation Eurobonds). The latest representative quotations (prices) posted by the financial news and data service Bloomberg are used to evaluate securities traded in non-organised (over-the-counter) trading of a foreign financial market, securities traded in the domestic financial market which are not eligible for circulation in organised trading in the domestic financial market, and Russian Federation Eurobonds. Assessment models based on market data are used to evaluate the current (fair) value of securities which do not have representative quotations (prices).

The securities revaluation amount is the difference between the fair price of securities and their balance sheet price, inclusive of accrued interest income. Revaluation amounts that arise during the year due to a change in the current (fair) value are recorded to accounts, reflecting a positive or negative revaluation of securities.

The revaluation of securities categorised as securities appraised at fair value through profit or loss is recorded to the accounts reflecting the income from securities trading (positive differences) or to the accounts reflecting expenses incurred in securities trading (negative differences).

At year end, the excess of the positive revaluation over the negative revaluation of securities available for sale is written down to the account for income from securities transactions within the limits of the negative revaluation of the corresponding issue (issuer), recorded to the account showing expenses from the negative revaluation of securities available for sale in previous years; and in the absence of a negative revaluation of the corresponding issue (issuer), it is recorded to the expenses incurred in previous years or in the amount exceeding it to the account *Positive revaluation of securities available for sale* as part of capital. With respect to securities available for sale that are acquired in the reporting year, the positive revaluation of such securities available for sale from 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 available for sale from the corresponding issue (issuer) is written down against the positive revaluation of securities available for sale, and accounted for as capital within the limits of the previously accrued positive revaluations of this issue (issuer). In the absence (or shortage) of previously accrued positive revaluations of this issue (issuer) accounted for as capital, it is recorded to the account showing expenses on the negative revaluation of securities available for sale. With respect to securities available for sale and acquired in the reporting year, the sum of the negative revaluation of such securities from the corresponding issue (issuer) is written down to the account reflecting expenses on the negative revaluation of securities available for sale in the statement of financial performance.

When reclassifying securities from the 'available for sale' category into the 'held to redemption' category, the total revaluation amount is recorded to the income or expenses on securities operations in the statement of financial performance.

The financial result of the retirement 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 'available for sale', taking into account the total revaluation) and the contractual retirement (selling) price and is recorded to the income or expenditure on securities operations in the statement of financial performance.

For securities in the category 'available for sale', as well as showing the retirement (sale) or redemption of securities, the total revaluation is transferred to the accounts showing income on or expenses from securities trading.

Securities received by the Bank of Russia in reverse transactions (including repo transactions with resident or nonresident banks) are recorded to off-balance sheet accounts and revalued at their current (fair) value. Funds provided in repo transactions with resident or nonresident banks are recorded to Bank of Russia balance sheet accounts as operations to provide funds.

Securities transferred by the Bank of Russia in reverse transactions (including securities in repo transactions with resident or nonresident banks) continue to be recognised on the Bank of Russia balance sheet in the same category of securities as they were recognised before the transaction, in separate balance sheet accounts. Funds



obtained in repo transactions with resident or nonresident banks are accounted for on the Bank of Russia balance sheet accounts as fund-raising operations.

Income received or expenses incurred by the Bank of Russia in reverse transactions are recorded as part of interest income or interest expense respectively.

Securities received by the Bank of Russia as dividends paid with property (in a cashless form) are recognised as of the date of the transfer of title to the relevant securities.

Securities classified as held to redemption are recorded in the Bank of Russia's financial statements at the balance sheet value net of depreciation provisions and the accrued interest whose receipt is recognised as uncertain.

Promissory notes issued by credit institutions are accounted for at their purchase price net of depreciation provisions.

#### **(f) Bank of Russia bonds**

Bank of Russia bonds (OBRs), when placed and sold, are accounted for at the nominal value net of the discount (the difference between their nominal value and the placement or selling price) inclusive of accrued interest.

The discount is recognised as interest expenses accrued during the OBR's period to maturity and recorded to expense accounts on the last working day of the month in which the OBRs are bought back or redeemed.

When OBRs are bought back by the Bank of Russia, securities that were placed first chronologically are written off the Bank of Russia balance sheet, while the difference between the balance sheet price of the securities (including accrued interest expenses) and the amount paid is recorded to the statement of financial performance as expenses (income) relating to securities trading.

OBRs received by the Bank of Russia in repos with resident banks are recorded to off-balance sheet accounts as securities received as collateral in repos.

#### **(g) Investments**

Bank of Russia investments in the authorised capital of credit institutions and other organisations inside and outside Russia are accounted for at their purchase price.

#### **(h) Loans and deposits**

Loans and deposits extended to credit institutions and state corporations, including those extended pursuant to federal laws and decisions made by the Bank of Russia Board of Directors, are recognised as part of the principal, including accrued interest whose receipt is regarded as certain, net of depreciation provisions.

The Bank of Russia extends loans against gold, collateral (blocking) of securities, and credit institutions' assets or guarantees.

Securities received as loan collateral are appraised at their market value as of the transfer date of the indicated securities as collateral on a Bank of Russia loan, using the adjustment ratios established by the Bank of Russia, and are not revalued in future.

Gold bars received as loan collateral are appraised at the value of gold bars determined by the book price of gold set by the Bank of Russia as of the transfer date of the pledged property as collateral on a Bank of Russia loan, using the adjustment ratios established by the Bank of Russia, and is not revalued in future.

The value of collateral on Bank of Russia loans provided against credit institution guarantees is calculated as the amount of loan debt increased by the interest to be paid in the period remaining to maturity, in accordance with the loan agreement signed with the Bank of Russia.

The Bank of Russia places deposits and extends subordinated loans in accordance with certain federal laws and decisions of the Bank of Russia Board of Directors.

Foreign currency-denominated deposits placed with nonresident banks are recognised as part of the principal, including accrued interest.

#### **(l) Bank of Russia loss provisions**

To cover risks (probable losses) to which it may be exposed when conducting its operations or fulfilling its obligations, the Bank of Russia, pursuant to the applicable laws of the Russian Federation, makes provisions for:



probable losses on credit and other similar exposure; claims on interest income related to loans and other similar exposure; securities held to redemption; the Ministry of Finance's debt to the Bank of Russia (except debt in the form of government securities); Bank of Russia compensation payments for household deposits at bankrupt banks not covered by the compulsory household deposit insurance system; other Bank of Russia operations in rubles and foreign currency; deferred expenses involved in guaranteeing obligations to the participants in the Bank of Russia's Pension Plan; deferred expenses related to streamlining the Bank of Russia's structure; claims acquired by the Bank of Russia as a result of the transfer of funds in the amount determined in accordance with Parts 1 and 2 of Article 6 of Federal Law No. 422-FZ, dated 28 December 2013, 'On Guaranteeing the Rights of Insured Entities in the Compulsory Pension Insurance System of the Russian Federation when Forming and Investing Pension Savings Funds and Determining and Making Payments out of Pension Savings' to the Pension Fund of the Russian Federation, as well as the indemnity reserve funds and pension savings funds of insured persons which are entitled to receive a fixed-term pension payment, formed on the cancellation date of the licences, in fulfilment by the Pension Fund of the Russian Federation of obligations under compulsory pension insurance agreements. The Bank of Russia may make provisions for other assets and probable losses if there is any reason to believe that losses may occur.

Provisions for credit and other similar exposures of the Bank of Russia in rubles and foreign currency are made according to a uniform scale for measuring credit risk on an individual basis and/or for homogeneous loan portfolios with similar credit exposure characteristics.

Provisions for credit claims attributed to a homogeneous credit portfolio are made for the portfolio as a whole and reflect the amount of probable losses that may result from the overall impairment of homogeneous credit claims pooled (grouped) in the portfolio. When determining the criteria for attributing credit claims to the portfolio of homogeneous credit claims, the Bank of Russia may be guided by the following: types of credit claims; claims emerging from transactions under a single agreement; placement of funds in compliance with certain federal laws; the net settlement of debt obligations under several transactions; and other transaction characteristics.

Provisions are made in rubles. Bank of Russia provisions are made on the basis of decisions of the Bank of Russia Board of Directors and recognised as Bank of Russia expenses. Given a decrease in the amount of provisions in the event of full or partial repayment of loans, repayment of deposits, settlement of interest claims, repayment of other debts, change of the official rate of exchange of foreign currencies against the ruble, improvement of asset quality and mitigation of the risk of probable losses for Bank of Russia assets (contingency obligations), the corresponding part of the provisions is recovered to Bank of Russia income.

Provisions are used to write off assets the Bank of Russia cannot recover after it has undertaken necessary and sufficient legal and actual measures to recover them and to exercise the rights arising from the availability of collateral for such assets, and to cover other losses and guarantee pension obligations and/or expenses.

The risk of probable losses on the Bank of Russia's assets (for which provisions are made) is assessed by measuring the probability of losing funds placed by the Bank of Russia, and the amount of its probable losses according to the approved provisioning procedure.

Provisions for credit and similar exposure, for exposure to credit interest income and other similar exposure are made by the Bank of Russia when the risk of probable losses (credit risk) arises in ruble- and foreign currency-denominated operations with credit institutions and other borrowers. Such risks are due to borrowers' default or improper fulfilment (if there is a threat of such default or improper fulfilment) of their obligations with respect to Bank of Russia loans (deposits) and other placed funds, under the terms and conditions of agreements or other relevant documents that confirm the provision of loans (placement of deposits) and the placement of other funds by the Bank of Russia, and its other Bank of Russia claims.

The Bank of Russia assesses credit risk associated with the following credit and similar exposures: loans extended (deposits placed) by the Bank of Russia; and other claims exposed to credit risks. When assessing credit risk, the Bank of Russia evaluates the financial standing of a borrower and the quality of its debt servicing. The amount of provisions is determined, taking into account the cost (value) of collateral provided under concluded agreements, and calculated using adjustment ratios (discounts), unless the Bank of Russia Board of Directors decides otherwise. Debt under credit exposures is not adjusted for the value of collateral provided, if the Bank of Russia has neither the possibility of recourse nor the right to recover the corresponding collateral.

Provisions for Bank of Russia compensation payments for household deposits in bankrupt banks not participating in the compulsory household deposit insurance system (hereinafter, Bank of Russia compensation payments) are made in the amount of funds actually transferred by the Bank of Russia to agent banks to effect the mentioned compensation payments, and also in the amount of the bankrupt bank's debt to the Bank of Russia under obligations that arose in connection with the transfer of funds to the bankrupt banks' depositors by the Bank of Russia.

Provisions to guarantee the Bank of Russia's obligations to participants in its Pension Plan are made for the purpose of ensuring the fulfilment of the supplementary pension obligations to Bank of Russia employees, under 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 forecast balance of pension funds as of the end of the year following the reporting year.

Provisions for other assets and potential losses are created with regard to the funds deposited by the Bank of Russia, pursuant to Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation', with a credit institution to compensate for a portion of the losses (expenses) sustained by the credit institution in transactions with other credit institutions whose banking licences have been revoked, when the credit institution writes off the compensation deposit in whole or in part; with regard to funds to be transferred by the Bank of Russia in the amount defined in accordance with Parts 1 and 2 of Article 6 of Federal Law No. 422-FZ, dated 28 December 2013, 'On Guaranteeing the Rights of Insured Entities in the Compulsory Pension Insurance System of the Russian Federation When Forming and Investing Pension Savings, and Determining and Making Payments out of Pension Savings', to the Pension Fund of the Russian Federation, as well as with regard to the indemnity reserve funds and pension savings funds of insured individuals, for whom fixed-term pension payments are set, formed on the cancellation date of the licences, in fulfilment of the Pension Fund of the Russian Federation's obligations under compulsory pension insurance agreements, when there are grounds pointing to a possible loss for the Bank of Russia; and with regard to other assets, if the Bank of Russia acquires such assets as a result of borrower credit institutions' obligations coming to an end.

Bank of Russia assets for which provisions are made are accounted for on the balance sheet net of the amount of the provisions made.

#### **(j) Fixed assets**

The Bank of Russia's fixed assets are defined as property with a service life over 12 months and a value in excess of the limit set by the Bank of Russia for the recognition of property as fixed assets. Since 1 January 2012, this limit has been set at 40,000 rubles.

Fixed assets are recognised at their residual value, i.e. at the purchase price including revaluation less accrued depreciation.

Bank of Russia fixed assets have been revalued in compliance with Russian Federation Government resolutions. The latest revaluation was made as of 1 January 1997.

Depreciation allowances are made each month, 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 amount, and are continued through the asset's entire service life (except in cases when the asset is in the process of reconstruction or modernisation longer than 12 months or has been closed down for more than three months following a decision of the Bank of Russia). They are discontinued from the first day of the month following the month in which the cost of the asset has been fully repaid or it has been written off the books.

The maximum amount of accrued depreciation equals the balance sheet value of the fixed asset.

Fixed assets acquired and put into operation prior to 1 January 2002 are depreciated at the official rates of depreciation set by USSR Council of Ministers Resolution No. 1072, dated 22 October 1990, 'On Standard Rates of Depreciation Allowances for the Complete Restoration of Fixed Assets of the National Economy of the USSR':

	%
Buildings and other facilities	1–7
Equipment (including computers, furniture, transport vehicles, etc.)	1–7

Fixed assets put into operation from 1 January 2002, are depreciated according to Bank of Russia Order No. OD-715, dated 28 September 2011, 'On Approving the List of Bank of Russia Depreciated Fixed Assets, Categorised by Depreciation Group and Having their Service Life Indicated, and the Procedure for Using the List of Bank of Russia Depreciated Fixed Assets, Categorised by Depreciation Group and Having their Service Life Indicated', issued pursuant to Russian Federation Government Resolution No. 1, dated 1 January 2002, 'On the Classification of Fixed Assets Included in Depreciation Groups' (as amended by Russian Federation Government Resolutions No. 415, dated 9 July 2003; No. 476, dated 8 August 2003; No. 697, dated 18 November 2006; No. 676, dated 12 September 2008; No. 165, dated 24 February 2009; No. 1011, dated 10 December 2010; and No. 674, dated 6 July 2015):

	%
Buildings and other facilities	1–33
Equipment (including computers, furniture, transport vehicles, etc.)	2–80

Expenses to repair and maintain fixed assets are recorded to the statement of financial performance as part of other operating expenses.

Profit and loss following the retirement of fixed assets are calculated as the difference between their balance sheet value and retirement value, including accrued depreciation and retirement cost, and are recorded to the statement of financial performance as other income or other operating expenses.

#### **(k) Intangible assets**

Intangible assets are identifiable objects which do not possess physical form, are intended for long-term use (i.e. a service life of at least 12 months), and which the Bank of Russia has the exclusive right to use.

Intangible assets are accounted for at their residual value, that is, at the purchase price net of accrued depreciation.

A change in the value of an intangible asset is possible if it is revalued. Intangible assets are revalued by recalculating their residual value.

Intangible assets have not been revalued before.

Depreciation allowances are made each month, on the first day of the month following the month an intangible asset is put into operation, at the rate of one twelfth of the annual sum, and are continued throughout its entire service life. They are discontinued from the first day of the month following the month during which the cost of the asset was completely repaid or the asset was written off the books.

The maximum amount of accrued depreciation equals the balance sheet value of the intangible asset.

The following rates of depreciation are applied to intangible assets put into operation from 1 January 2002:

	%
Intangible assets	7–33

The Bank of Russia establishes the service life of its intangible assets in accordance with its Ordinance No. 2581-U, dated 22 February 2011, 'On the Service Life of Software Products and/or Databases Used by the Bank of Russia, and on Procedures for Recording the Acquisition of Software Licences to Bank of Russia Expenses'.

Profit and loss following the retirement of intangible assets are calculated as the difference between their balance sheet value and retirement value, including accrued depreciation and retirement costs, and are recorded to the statement of financial performance as other income or other operating expenses.

#### **(l) Cash in circulation**

The Bank of Russia is the sole issuer of cash and organiser of cash circulation. The banknotes and coins put into circulation are accounted for on the balance sheet at their nominal value, exclusive of ruble cash at Bank of Russia cash desks and cash in transit.

**(m) Funds on accounts with the Bank of Russia**

Funds on accounts with the Bank of Russia are comprised of federal government funds, credit institutions' correspondent accounts and required reserves deposited with the Bank of Russia, credit institutions' and other organisations' deposits taken by the Bank of Russia, as well as regional and local government budget funds and government extra-budgetary funds. Funds on accounts with the Bank of Russia are accounted for on the balance sheet at their nominal value, inclusive of interest accrued.

**(n) Float**

As of the year end, float includes the balances resulting from the completion of settlement operations across electronic remittance accounts and letter of advice settlement accounts, and balances of funds resulting from operations between Bank of Russia establishments, which are associated with the transfer of payments of Bank of Russia establishments and their customers. Float is accounted for on the balance sheet at its nominal value.

**(o) Capital**

The Bank of Russia capital consists of:

- authorised capital. Under Article 10 of Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia has authorised capital of three billion rubles;
- various reserves and funds created to enable the Bank of Russia to fulfil the functions assigned to it 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 Annual Financial Statements.

**(p) Reporting year profit**

The Bank of Russia's profit is calculated as a difference between total income from the transactions stipulated by Article 46 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and income from stakeholdings in the capital of credit institutions, and expenses associated with the Bank of Russia's fulfilment of the functions assigned to it by Article 4 of this Federal Law.

Reporting year profit, accounted for on the Bank of Russia's balance sheet, is the financial result of its performance during the reporting year.

**(q) Recognition of Bank of Russia income and expenses**

Income and expenses are recognised in the statement of financial performance on an accrual basis, if the amounts of income or expenses can be established, and there is no uncertainty concerning their receipt or payment; that is, they are recorded as soon as they occur rather than after the funds (or their equivalents) have been actually received or paid.

Income from stakeholdings in credit institutions or other organisations' capital is recorded to the statement of financial performance after the funds have been received.

Expenses on the replenishment of the Bank of Russia's pension fund are recorded to the statement of financial performance, after they have been incurred, based on the actuarial appraisal of pension obligations of the Bank of Russia.

Income (expenses) received (incurred) and accrued in previous reporting periods is recorded to the corresponding items of the statement of financial performance for the reporting period.

The receipt of interest income from all credit and other similar claims with regard to borrowers for whom claims are assigned to substandard loan groups according to the provisioning procedure, or with regard to operations that are pooled to a homogeneous loan portfolio, is recognised as uncertain from the date of assignment. Interest from such credit and similar claims is recorded to off-balance-sheet accounts.

Income and expenses are recorded in the period to which they relate.

**(r) 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 tax accounting principles, together with the methods and rules on and the procedure for creating a tax base for the calculation of taxes and duties paid by the Bank of Russia.

**(s) 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)', once the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia transfers 75.0% 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.

According to Federal Law No. 333-FZ, dated 28 November 2015, 'On Suspending Part 1 of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Amending Article 2 of the Federal Law 'On Amending Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the validity of Part 1 of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' is suspended from 1 January 2016 until 1 January 2017. The suspended portion relates to the percentage of actual profit received for the year which is retained after the payment of taxes and duties under the Tax Code of the Russian Federation and which the Bank of Russia must transfer to the federal budget. Pursuant to Article 1 of Federal Law No. 334-FZ, dated 28 November 2015, 'On the Specifics for Transferring the Profit for 2015 Received by the Central Bank of the Russian Federation in 2016', once the Annual Financial Statements for 2015 have been approved by the Board of Directors, in 2016 the Bank of Russia will transfer to the federal budget 90% of the actual annual profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation.

**(t) 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 the Russian ruble funds of the International Monetary Fund (IMF) and performs operations and transactions stipulated by the IMF's Articles of Agreement and in line with its agreements 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 debt obligations to the IMF.

Claims on the IMF include the Russian Federation's quota in the Fund; funds on the Russian Federation's account with the IMF's Special Drawing Rights Department (the SDR Department), and loans extended by the Bank of Russia to the IMF under the New Arrangements to Borrow (NAB), inclusive of accrued interest.

IMF quotas are subscriptions of all member states, which are paid in national and foreign currencies. The part of the quota paid in a foreign currency constitutes a position on the IMF reserve tranche. Quotas are denominated in Special Drawing Rights (SDRs).

SDRs are reserve assets created by the IMF. The SDR value is posted daily based on a basket of four currencies, consisting of the US dollar, euro, Japanese yen, and pound sterling.

The New Arrangements to Borrow are a lending facility to provide funds to the IMF, based on credit arrangements between the IMF and a group of member countries with sustainable balance of payments and sufficient international reserves. In 2012, upon agreement with member countries, the maximum maturity of NAB claims, including previously issued loans, was extended from five to ten years, while other terms and conditions remained unchanged. 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 amount of obligations on SDRs received by the Russian Federation during previous issues of SDRs by the IMF, including 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.

Claims on the IMF and obligations to the IMF, as well as interest accrual, are accounted for in line with IMF recommendations. In order to maintain the total of the Russian Federation 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 regular basis. 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. Total exchange rate differences accrued to the Number 2 Account are recorded to the Bank of Russia's income or expenses. The revaluation at the SDR-to-ruble exchange rate set by the IMF is accrued by the Bank of Russia monthly on the first work day of the month following the reporting month. At the end of the IMF's fiscal year (30 April), at the request of the IMF or 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; the amount of the accrued exchange rate differences from the revaluation of the 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 rate of exchange of the SDR to the ruble set by the Bank of Russia.

**(u) Reporting of operations under the Chinese renminbi (RMB) / Russian rubles FX Swap Agreement between the People's Bank of China and the Bank of Russia and operations to provide RMB received under the Agreement to Russian credit institutions through FX swaps**

The RMB / Russian rubles bilateral FX Swap Agreement between the People's Bank of China and the Bank of Russia was concluded in 2014 (hereinafter, the National Currency Swap Agreement) to develop 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 certain maximum limits. Russian credit institutions receive RMB through swaps under agreements with Russian credit institutions.

The current maximum amount in rubles (Chinese renminbi) 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 rubles (renminbi) posted to the account is decreased by the amounts of swaps between the Bank of Russia and People's Bank of China and is restored after the deals are complete.

The current amount of rubles (renminbi) that may be provided (received) by the Bank of Russia through swaps between the Bank of Russia and the People's Bank of China in the event that a party 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 total of the current amount in rubles (renminbi) posted to the account is decreased when the Bank of Russia provides rubles to the People's Bank of China (is decreased when the Bank of Russia receives renminbi from the People's Bank of China) by the amount of funds provided (received), and is restored upon the return of the funds.

The rubles supplied by the Bank of Russia to the People's Bank of China (renminbi received by the Bank of Russia from the People's Bank of China) under the swaps are recorded to the account for other placed (received) funds.

Claims and liabilities under swaps concluded with Russian credit institutions are accounted for according to the procedure set for forward transactions in foreign currency.



**(v) Changes to comparative data**

Following the Bank of Russia Board of Directors' decision to include the Bank of Russia's claims on credit institutions, whose banking licences have been revoked, in the balance-sheet item *Other assets*, this debt has been moved from the *Loans and deposits* item to the *Other assets* item.

(millions of rubles)

Bank of Russia balance sheet items		2014 (previously recorded amounts)	Changes	2014 (recalculated amounts)
<b>Loans and deposits</b>				
Loans and deposits with resident banks, of which:	A	5,653,095	(32,943)	5,620,152
– unsecured loans	A	2,559	(2,559)	0
Other	B	657,541	(532)	657,009
Provisions	C	(259,969)	33,475	(226,494)
<b>Total for Loans and deposits</b>		<b>9,950,119</b>	<b>0</b>	<b>9,950,119</b>
<b>Other assets</b>				
Bank of Russia claims on credit institutions with revoked licences	D	0	33,475	33,475
Provisions	E	(838)	(33,475)	(34,313)
<b>Total for Other assets</b>		<b>186,590</b>	<b>0</b>	<b>186,590</b>
<b>Total assets</b>		<b>32,897,557</b>	<b>0</b>	<b>32,897,557</b>

(A, D) Bank of Russia claims on credit institutions with revoked banking licences, which have arisen from re-structured loans initially extended as unsecured loans and from the unsecured loan extended to the credit institution, have been moved from the sub-item *Loans and deposits with resident banks* of the *Loans and deposits* item to the sub-item *Bank of Russia claims on credit institutions with revoked banking licences* of the *Other assets* item.

(B, D) Bank of Russia claims on credit institutions with revoked banking licences, which have arisen from re-in-stated debts to the Bank of Russia on unsecured loans following the ruling of Arbitral Tribunal (Commercial Court) of the city of Moscow and as a result of termination of obligations under repo transactions in accordance with Article 4.1 of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (termination of obligations pursuant to clearing rules) following the revocation of a credit institution's banking licence, have been moved from the sub-item *Other* of the item *Loans and deposits* to the sub-item *Bank of Russia claims on credit institutions with revoked banking licences* of the item *Other assets*.

(C, E) Provisions created for the debt of credit institutions with revoked licences have been moved from the item *Loans and deposits* to the item *Other assets*.

## 2. Impact of economic conditions on Bank of Russia financial statements

The Bank of Russia's balance sheet and financial performance in 2015 were affected by internal and external economic conditions and by current monetary policy measures and decisions.

2015 saw a deterioration in the dynamics of key economic activity indicators, predominantly as a result of unfavourable external economic conditions. According to Rosstat's estimates, Russia's gross domestic product reduced by 3.7% (at constant prices) in 2015 compared with the previous year, following 0.7% growth in 2014.



Industrial production shrank by 3.4% in 2015, after an increase of 1.7% the previous year. Household real income and consumer spending decreased despite unemployment remaining relatively low.

At the end of 2015, according to Rosstat's estimates, annual growth in consumer prices was 12.9% (December on December). The acceleration in inflation at the start of the reporting period was largely down to the sharp depreciation of the ruble. The foreign trade restrictions introduced in 2014–2015 also had an impact on price dynamics. Inflation started to slow in the second half of 2015 amid restrained demand dynamics.

Taking into account the assessment of the balance of inflation risks and risks of economy cooling, in 2015 the Bank of Russia consistently reduced the key rate after raising it sharply in December 2014. Overall, the key rate was reduced by 6 percentage points – from 17.0% to 11.0% p.a. at the end of 2015.

In 2015, amid the downturn in economic activity and consumption, the amount of cash in circulation fell by 3.6% (after growing by 6.4% the previous year). At the same time, cash in circulation as a percentage of the Bank of Russia's liability structure dropped by 2.6 percentage points to 24.3% in 2015. The cash balances on credit institutions' accounts with the Bank of Russia decreased by 11.9% to ₹2,528,346 million, while their share in the annual balance sheet structure fell by 1.5 percentage points to 7.2%.

In 2015, the ruble exchange rate continued to depreciate, primarily as a result of the fall in global oil prices. Another unfavourable factor was the ongoing external sanctions against Russia. During 2015, the US dollar / ruble exchange rate rose by 29.5% to ₹72.8827 for 1 dollar as of 1 January 2016 and the euro/ruble exchange rate increased by 16.6% to ₹79.6972 for 1 euro as of 1 January 2016. The average annual US dollar / ruble exchange rate rose by 58.7% to ₹60.9579 for 1 dollar and the average annual euro/ruble exchange rate increased by 33.4% to ₹67.7767 for 1 euro. To smooth over the impact of the external financial restrictions on the Russian financial sector and ensure stability in the domestic foreign exchange market, the Bank of Russia continued to use operations to provide foreign currency liquidity to Russian credit institutions on a reverse basis and also carried out foreign currency sale operations in January–February 2015. In May–July 2015, with the situation in the domestic financial market stabilising, the Bank of Russia purchased foreign currency to replenish its international reserves. Overall, in 2015, taking into account the above mentioned foreign currency operations and also exchange rate revaluation, the Russian Federation's international reserves shrank in dollar terms by \$17.1 billion to \$368.4 billion.

However, in ruble terms, the balance in the item *Precious metals* increased (by 33.8%) due to gold purchases and the revaluation effect. The growth in the balance of the item *Funds placed with nonresidents and foreign securities* in ruble terms, mostly as a result of the exchange rate revaluation, was 19.7%. Overall, the increase in the balances on these items amounted to ₹4,537,618 million relative to the start of 2015, while their share in the Bank of Russia's consolidated annual balance sheet assets grew from 64.2% to 73.0% as of 1 January 2016.

The positive unrealised exchange rate differences which arose during the revaluation of balance-sheet account balances had a significant impact on the growth in the Bank of Russia's capital: balances in the *Reserves and funds* item increased by ₹3,449,646 million to ₹12,500,747 million and their share in the consolidated balance sheet rose from 27.5% to 35.6%.

With the Reserve Fund being spent to fund the federal budget deficit, the balance of the Federal Government funds held on accounts with the Bank of Russia decreased by ₹1,013,653 million to ₹8,130,708 million over 2015. The share of the *Federal Government Funds on accounts with the Bank of Russia* item in the consolidated balance sheet liabilities fell from 27.8% on 1 January 2015 to 23.2% on 1 January 2016.

In 2015, amid the reduced structural liquidity deficit in the banking sector, credit institutions' demand for Bank of Russia refinancing contracted. As a result, the balance in the *Loans and deposits* item dropped by 34.6% over the reporting year, and its share in the consolidated balance sheet assets shrank from 30.2% to 18.5%.

All the internal and external economic factors outlined above had an impact on the Bank of Russia's income and expenses in 2015. With the increase in international reserves in ruble terms, the income from the placement of reserve assets was slightly below 2014 levels. However, taking into account the increase in interest rates on Bank of Russia refinancing operations in 2015 compared with 2014 and the relatively high banking sector's outstanding amounts on such operations, the Bank of Russia's interest income rose significantly. At the same time, due to the deterioration in the quality and structure of the Bank of Russia's assets, its spending on creating provisions was up. All of these factors shaped the Bank of Russia's financial performance. In 2015, the Bank of Russia's profit reduced by 39% to ₹112,575 million.

### 3. Precious metals

(millions of rubles)

	2015	2014
Precious metals in physical form	3,629,367	2,712,736
Precious metals in coins and commemorative medals	17,888	13,493
<b>Total</b>	<b>3,647,255</b>	<b>2,726,229</b>

The increase in the *Precious metals in physical form* item was due to the purchase of gold through purchase and sale transactions with Russian credit institutions under master agreements and the revaluation of precious metals at the Bank of Russia's book prices.

The increase in the *Precious metals in coins and commemorative medals* item was due to the revaluation of precious metals at the Bank of Russia's book prices and precious metal coins receipts from Goznak.

### 4. Funds placed with nonresidents and foreign securities

(millions of rubles)

	2015	2014
<b>Funds placed with nonresidents and foreign securities in foreign currency, of which:</b>	<b>21,983,437</b>	<b>18,378,563</b>
– foreign securities	19,917,598	16,059,121
– balances on correspondent accounts and deposits placed with nonresident banks	1,876,183	2,310,073
– other funds placed with nonresidents	189,656	9,369
<b>Funds placed with nonresidents and foreign securities in rubles, of which:</b>	<b>11,718</b>	<b>0</b>
– foreign securities	579	0
– other funds placed with nonresidents	11,139	0
<b>Total</b>	<b>21,995,155</b>	<b>18,378,563</b>

#### Funds placed with nonresidents and foreign securities in foreign currency

##### Foreign securities

Foreign securities in foreign currency are classified as securities available for sale and mostly consisted of US treasuries, the government bonds and bills of France, Germany, the United Kingdom, Canada, Australia, Sweden, the Netherlands, Austria, Finland, China and Denmark, non-government bonds guaranteed by the aforementioned governments, and debt obligations issued by supranational financial institutions. This item also includes foreign securities acquired by the Bank of Russia in 2015 through repos with Russian credit institutions whose obligations have ended following the settlement of a credit institution's default on the second leg of repo transactions.

As of 1 January 2016, foreign securities in foreign currency had maturities ranging from 2016 to 2035 and were either coupon-free or had coupon income rates between 0% and 9.5% p.a.

As of 1 January 2015, foreign securities in foreign currency had maturities ranging from 2015 to 2019 and were either coupon-free or had coupon income rates between 0% and 11.25% p.a.

As of 1 January 2016, the current (fair) value of foreign securities in foreign currency in the Bank of Russia's portfolio totalled ₱19,917,598 million (2014: ₱16,059,121 million), of which the current (fair) value of foreign securities acquired through repos whose obligations have terminated was ₱3,331 million (Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property).

The current (fair) value of foreign securities in foreign currency was measured using their latest representative purchase prices quoted by financial news and data service Bloomberg, or for coupon-free commercial securities without representative quoted purchase prices, using the model to assess future cash flows discounted by government security yield rates with respective maturities and denomination adjusted for the credit risk premium (spread).

As of 1 January 2016, the current (fair) value of foreign securities in foreign currency appraised at market prices totalled ₺18,220,554 million (2014: ₺16,059,121 million).

As of 1 January 2016, the current (fair) value of foreign securities in foreign currency measured using the model for the assessment of future cash flows totalled ₺1,697,044 million (2014: ₺0 million).

The change in this item was mostly due to growth in the exchange rates of the foreign currencies in which the securities were denominated against the ruble.

This item also includes securities transferred by the Bank of Russia in reverse transactions in international markets, with the total fair value of ₺791,802 million (2014: ₺342,658 million), including those transferred in repos, with a total fair value of ₺223,031 million (2014: ₺9,374 million) (Note 10), those transferred as additional collateral (margin) in repos, with a total fair value of ₺146 million (2014: ₺0 million), and those transferred as a loan, with a total fair value of ₺568,625 million (2014: ₺333,284 million).

#### **Balances on correspondent accounts and deposits placed with nonresident banks**

The item *Balances on correspondent accounts and deposits placed with nonresident banks* includes deposits placed with nonresident banks and funds on correspondent accounts with nonresident banks, plus interest accrued. Among other things, balances on correspondent accounts include the funds on 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 and taking into account the Treaty (dated 8 May 2015) on the accession of the Kyrgyz Republic to the Eurasian Economic Union Treaty, the central (national) banks of one party are to sell US dollars to the central (national) banks of the other party for a sum 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 countries are made by offsetting a sum 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 the Republic of Armenia, the National Bank of the Republic of Belarus, the National Bank of the Republic of Kazakhstan and the National Bank of the Kyrgyz Republic, correspondent accounts were opened in the national currencies of the member states of the Eurasian Economic Union.

As of 1 January 2016, a total of ₺344 million were recorded on the Bank of Russia's correspondent accounts opened with the National Bank of the Republic of Belarus, the National Bank of the Republic of Kazakhstan, the Central Bank of the Republic of Armenia and the National Bank of the Kyrgyz Republic within the framework of the Eurasian Economic Union (2014: ₺494 million).

The change in the item *Balances on correspondent accounts and deposits placed with nonresident banks* is mostly due to the decrease in the amount of funds placed by the Bank of Russia in deposits with nonresident banks.

#### **Other funds placed with nonresidents**

The item *Other funds placed with nonresidents* shows the funds placed with nonresident banks in transactions to purchase foreign securities with an obligation to resell (reverse repo), plus interest accrued on these transactions. These funds consist of ₺67,995 million (2014: ₺9,367 million) received in transactions to sell securities with an obligation to repurchase (repo transactions) concluded with the same counterparty (Note 10).

Securities received by the Bank of Russia in reverse repos with nonresidents are recorded to off-balance sheet accounts at the fair value and total ₺189,717 million (2014: ₺9,395 million) (Note 27). Of these, securities received in reverse repos executed to place funds received in repos have a current (fair) value of ₺67,868 million (2014: ₺9,395 million) (Notes 10 and 27).

The increase in the item *Other funds placed with nonresidents* is due to the growth in the total amount of funds provided by the Bank of Russia in repos as of the year end.

## Funds placed with nonresidents and foreign securities in rubles

### Foreign securities

Foreign securities in rubles are categorised as securities available for sale. These were acquired by the Bank of Russia in 2015 through repos with Russian credit institutions whose obligations have ended following the settlement of a credit institution's default on the second leg of repo transactions.

As of 1 January 2016, foreign securities in rubles had maturities in 2016 and coupon income rates between 7.0% to 8.7% p.a.

As of 1 January 2016, the current (fair) value of foreign securities in rubles in the Bank of Russia's portfolio totalled ₽579 million (2014: ₽0 million) (Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property).

The current (fair) value of foreign securities in rubles was based on recent representative purchase quotations provided by the financial news and data service Bloomberg.

### Other funds placed with nonresidents

The item *Other funds placed with nonresidents* reflects ruble-denominated funds provided by the Bank of Russia to the People's Bank of China under the National Currency Swap Agreement, including accrued interest. Information on the funds in Chinese renminbi received by the Bank of Russia from the People's Bank of China under the National Currency Swap Agreement is given in Note 10.

## 5. Loans and deposits

(millions of rubles)

	2015	2014
Loans and deposits with resident banks,	2,595,886	5,620,152
of which:		
– extended and placed under certain federal laws	503,927	503,927
Other funds placed with resident banks (in repo transactions)	3,192,447	3,899,452
Other,	1,135,124	657,009
of which:		
– extended and placed under certain federal laws	1,125,111	646,740
Provisions	(523,201)	(226,494)
<b>Total</b>	<b>6,400,256</b>	<b>9,950,119</b>

The item *Loans and deposits with resident banks* shows the foreign currency and ruble debt on Bank of Russia loans secured by receivables under loan agreements or guarantees of credit institutions, by pledges of securities from the Bank of Russia Lombard List, gold, as well as amounts outstanding on subordinated loans extended to Sberbank in 2008 and 2014 as part of the legislative measures implemented by the Russian Federation to support Russia's financial system.

The debt on loans and deposits with resident banks with a 50.0% to 100.0% government stake in their authorised capital amounts to ₽2,201,752 million (2014: ₽3,979,238 million).

The decrease in the *Loans and deposits with resident banks* item was linked to the change in banking sector demand for refinancing in 2015 and, mainly, the contracted demand of credit institutions for Bank of Russia loans secured by pledges of receivables under loan agreements or credit institutions' guarantees.

The *Loans and deposits with resident banks, of which: under certain federal laws* item lists operations to provide ₽503,927 million in subordinated loans to Sberbank (2014: ₽503,927 million), including interest claims of ₽3,927 million (2014: ₽3,927 million), in whose authorised capital the Bank of Russia owns a 50.0% stake plus one voting share.

The *Other funds placed with resident banks (in repo transactions)* item reflects funds placed by the Bank of Russia with resident banks in repos amounting to ₽3,192,447 million (2014: ₽3,899,452 million), including interest claims on these transactions in the amount of ₽4,653 million (2014: ₽1,253 million). These funds also include foreign-currency funds placed by the Bank of Russia with resident banks in repo transactions, amounting to ₽1,489,684 million (2014: ₽1,113,142 million), including interest claims on these transactions in the amount of ₽4,303 million (2014: ₽325 million).

The reduction in this item was caused by the decrease in the total value of the Bank of Russia's refinancing operations linked to the shrinking structural liquidity deficit.

Securities acquired by the Bank of Russia in repos with resident banks are recorded to off-balance sheet accounts at the current (fair) value of ₽3,505,918 million (2014: ₽4,288,841 million), including in foreign currency repo transactions totalling ₽1,635,295 million (2014: ₽1,235,494 million) (Note 27).

The amount of other funds placed in repo transactions with resident banks with a 50.0% to 100.0% government stake in their authorised capital amounts to ₽732,578 million (2014: ₽1,320,849 million), including interest claims of ₽223 million (2014: ₽565 million).

The item *Other* reflects the debt on Bank of Russia loans provided to the state corporation Deposit Insurance Agency for the financial resolution of credit institutions with a view to ensuring the financial sustainability of the deposit insurance system and to fund the payment of indemnities on deposits (to replenish the compulsory deposit insurance fund), totalling ₽1,122,891 million (2014: ₽644,520 million) and a compensation deposit of ₽2,220 million (2014: ₽2,220 million) placed by the Bank of Russia with a credit institution in compliance with Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation' in order to partially compensate for this credit institution's losses (expenses) that had been caused by the default of a borrower whose banking licence had been revoked, and a subordinated loan to the Interstate Bank amounting to ₽2,589 million (in 2014: ₽2,589 million).

The increase in the item *Other* was due to the increase in the debt on loans provided by the Bank of Russia to the state corporation Deposit Insurance Agency pursuant to Article 189<sup>56</sup> of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' to conduct bankruptcy-prevention and financial recovery measures towards credit institutions and pursuant to Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Household Deposits with Russian Banks' to ensure the financial sustainability of the deposit insurance system and to fund the payment of indemnities on deposits (to replenish the compulsory deposit insurance fund).

Securities received as collateral for loans provided are appraised at market value set as of the date they are pledged as collateral on the Bank of Russia's loan, using adjustment ratios established by the Bank of Russia.

Gold bars received as collateral for loans provided are appraised at the value determined by the book price of gold set by the Bank of Russia as of the date they are pledged as collateral on the Bank of Russia's loan, using adjustment ratios established by the Bank of Russia.

The value of collateral on Bank of Russia loans provided against credit institution guarantees is calculated as the amount of loan debt increased by the interest to be paid in the period remaining to maturity, in accordance with the loan agreement signed with the Bank of Russia.

The value of the collateral received on Bank of Russia loans, including guarantees, amounts to ₽2,348,000 million (2014: ₽5,089,080 million).

The available collateral accepted by the Bank of Russia to reduce the amount of provisions has made it possible to bring down the provisions made for debts on loans with resident banks as well as ruble and foreign currency repos by ₽1,556,631 million (2014: ₽386,515 million).

Provisions totalling ₽523,201 million were made for loans, deposits and other funds placed in rubles and foreign currency (2014: ₽226,494 million), of which:

- provisions for the debt on secured ruble-denominated loans extended by the Bank of Russia to resident banks and deposits totalling ₽289,975 million (2014: ₽92,638 million);
- provisions for the debt on funds provided by the Bank of Russia to finance bankruptcy-prevention measures at banks and to ensure the financial sustainability of the deposit insurance system, and to fund the payment of



- indemnities on deposits (to replenish the compulsory deposit insurance fund) totalling ₺224,578 million (2014: ₺128,904 million);
- provisions for the debt on other funds placed with resident banks (in repo transactions) totalling ₺3,839 million (2014: ₺142 million);
  - provisions for the debt on other loans and deposits totalling ₺4,809 million (2014: ₺4,810 million).

## 6. Securities

(millions of rubles)

	2015	2014
<b>Debt obligations available for sale, of which:</b>		
Russian federal government debt obligations, of which:	512,720	368,160
– federal government bonds (OFZ)	207,193	150,577
– Russian government external foreign currency-denominated loan bonds (Russian Eurobonds)	305,527	217,583
Other Russian issuers' debt obligations	14,582	252
<b>Subtotal</b>	<b>527,302</b>	<b>368,412</b>
<b>Debt obligations held to maturity, of which:</b>		
Other Russian issuers' debt obligations	212,636	212,636
Provisions	(106,318)	(42,527)
<b>Subtotal</b>	<b>106,318</b>	<b>170,109</b>
Shares issued by credit institutions and other organisations (Bank of Russia stakeholdings)	86,235	83,923
Credit institutions' promissory notes acquired by the Bank of Russia	23	23
Provisions	(11)	(11)
<b>Total</b>	<b>719,867</b>	<b>622,456</b>

### Debt obligations available for sale

#### Federal government bonds (OFZ)

The OFZ portfolio of the Bank of Russia results from the restructuring of government securities in 2004–2005 and the exchange of government securities in 2015 pursuant to federal budget laws, as well as from the purchase and subsequent sale transactions in the securities market in 2007–2009. In addition, in 2013–2015, the Bank of Russia purchased OFZs in connection with repo transactions with Russian credit institutions whose obligations have terminated as a result of the settlement of credit institutions' non-performance of the second leg of repos or in accordance with Article 4.1 of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (termination of obligations pursuant to clearing rules) following the revocation of the banking licence of credit institutions (hereinafter, purchase of securities in connection with repo transactions whose obligations have terminated).

As of 1 January 2016, the OFZ bonds in the Bank of Russia's portfolio had maturity dates from 2016 to 2036, with coupon income rates between 0.00% and 14.48% p.a. Zero-coupon-income bonds were set to mature in 2019 and accounted for 2.00% in terms of nominal value or 2.00% at fair value of the total OFZ portfolio.

As of 1 January 2015, the OFZ bonds in the Bank of Russia's portfolio had maturity dates from 2015 to 2036, with coupon income rates between 0.00% and 10.00% p.a. Zero-coupon-income bonds were set to mature from 2019 to 2027 and accounted for 41.00% in terms of nominal value or 25.00% at fair value of the total OFZ portfolio.

The change in the OFZ portfolio structure was caused by OFZ exchange operations conducted in 2015 between the Bank of Russia and Russian Ministry of Finance, which resulted in the Bank of Russia's transferring OFZ issues (including with coupon incomes of 0.00% p.a.) which, when placed, were largely acquired by the Bank of Russia (accordingly, these OFZ issues were virtually not in circulation in the market), and receiving OFZ issues which were actively traded in the market. This operation was carried out subject to equal fair values for both the transferred and received OFZs.

As of 1 January 2016, the current (fair) value of the OFZs was ₺207,193 million (2014: ₺150,577 million), of which the current (fair) value of OFZs acquired in 2015 in the OFZ portfolio of securities under repos whose obligations have been terminated totals ₺22,364 million (2014: ₺475 million).

The change in this item was largely down to the Bank of Russia's acquisition in 2015 of securities under repos whose obligations have been terminated in the OFZ portfolio as well as the revaluation of securities at their fair value.

As of 1 January 2016, the current (fair) value of OFZ issues was determined on the basis of market prices provided by the trade organiser (MICEX Stock Exchange).

As of 1 January 2015, the current (fair) value of OFZ issues was determined based on market prices provided by the trade organiser (₺73,596 million) or using a model to estimate future cash flows discounted on the basis of zero-coupon income rates on government securities (₺76,981 million). In 2015, the Bank of Russia transferred OFZ issues (appraised using the model) to the Russian Ministry of Finance in an exchange operation.

#### ***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 1 January 2016, Russian Eurobonds mature between 2017 and 2030, and have a coupon income of 3.25% to 12.75% p.a. As of 1 January 2015, Russian Eurobonds were due to mature between 2018 and 2030, and had a coupon income of 7.50% to 12.75% p.a.

As of 1 January 2016, the current (fair) value of Russian Eurobonds was ₺305,527 million (2014: ₺217,583 million).

The change in this item is largely down to growth in the US dollar / ruble exchange rate, the revaluation of securities at their current (fair) value in connection with the growth in market prices, and the Bank of Russia's acquisition of Russian Eurobonds in 2015 in repos whose obligations have been terminated.

The current (fair) value of the Russian Eurobonds is determined using their latest representative quoted purchase prices provided by the financial news and data service Bloomberg.

#### ***Other Russian issuers' debt obligations***

Other Russian issuers' debt obligations available for sale are ruble-denominated bonds issued by the regional governments of the Russian Federation and other Russian issuers authorised to engage in organised trading. These bonds were acquired by the Bank of Russia in 2014 and 2015 under repos whose obligations have been terminated.

As of 1 January 2016, Russian regional government bonds in the Bank of Russia's portfolio were set to mature in 2016 to 2021 and had a coupon income of 7.49% to 13.80% p.a. As of 1 January 2015, Russian regional government bonds in the Bank of Russia's portfolio were set to mature in 2015 and had a coupon income of 5.50% to 7.00% p.a.

As of 1 January 2016, the current (fair) value of Russian regional government bonds was ₺3,376 million (2014: ₺156 million). The change in this item is due to the Bank of Russia's acquisition in 2015 of securities under repos whose obligations have been terminated and the redemption and sale of the bonds of Russian regional governments.

As of 1 January 2016, other Russian issuers' bonds in the Bank of Russia's portfolio were set to mature in 2016 to 2033 and had a coupon income between 0.10% and 18.50% p.a. As of 1 January 2015, other Russian issuers' bonds in the Bank of Russia's portfolio were set to mature in 2023 and had a coupon income of 8.00% p.a. As of 1 January 2016, the current (fair) value of other Russian issuers' bonds was ₺11,206 million (2014: ₺96 million).



The change in this item is due to the Bank of Russia's acquisition in 2015 of securities under repos whose obligations have been terminated, and also the sale of other Russian issuers' bonds.

To determine the current (fair) value of other Russian issuers' debt obligations available for sale, the Bank of Russia used the latest representative quoted prices cited by the trade organiser – MICEX Stock Exchange.

#### Debt obligations held to maturity

##### Other Russian issuers' debt obligations

The debt obligations of other issuers held to maturity consist of Bank for Development and Foreign Economic Affairs (Vnesheconombank) bonds acquired by the Bank of Russia in 2014 to provide funding to Vnesheconombank in connection with Vnesheconombank's early fulfilment of its obligations to return deposits placed by the Bank of Russia at Vnesheconombank in 2008–2009 following a decision by the Bank of Russia Board of Directors.

These bonds mature in 2021 and have a coupon income of 2.00% p.a.

Provisions in the amount of ₱106,318 million (2014: ₱42,527 million) were created for the acquisition of Vnesheconombank bonds.

#### Shares issued by credit institutions and other organisations (Bank of Russia stakeholdings)

The structure of Bank of Russia investments in the shares of credit institutions and other organisations is shown in the Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia 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 debt on a promissory note acquired by the Bank of Russia in 2001 under the terms and conditions of the Amicable Agreement.

The item *Provisions* shows provisions made for the promissory note issued by a credit institution in the amount of ₱11 million (2014: ₱11 million).

## 7. Claims on the IMF

(millions of rubles)

	2015	2014
The Russian Federation's quota with the IMF	601,899	484,559
– quota with the IMF paid in rubles	500,026	378,461
– IMF reserve tranche position	100,999	105,984
– revaluation of the Russian Federation's quota with the IMF paid in rubles, – positive differences	874	114
Funds on the Russian Federation's account with the IMF SDR Department	576,299	463,886
Loans to the IMF extended by the Bank of Russia according to the New Arrangements to Borrow	86,045	85,147
Fee for the reserve tranche position	6	8
<b>Total</b>	<b>1,264,249</b>	<b>1,033,600</b>

The Russian Federation's IMF quota (in SDRs) (5,945.4 million SDRs or 2.5% of all IMF quotas) did not change in 2015 (the increase in the ruble equivalent of the quota was mostly due to growth in the official exchange rate of the SDR against the ruble). The change in the components of the Russian Federation's IMF quota toward an increase in the part of the quota paid in rubles and a corresponding decrease in its reserve tranche position was due to the IMF returning funds previously extended by the Bank of Russia in operations carried out within the limits of the quota.

Due to the Russian Federation's participation in the IMF credit facility under the New Arrangements to Borrow, in 2015 the Bank of Russia issued loans to the IMF amounting to 88.8 million SDRs (2014: 165 million SDRs) and received from the IMF 283.6 million SDRs in repayment of the debt (2014: 257.4 million SDRs).

As of 1 January 2016, claims on the IMF under the NAB totalled 849.8 million SDRs (₽86,038 million) (2014: 1,044.6 million SDRs or ₽85,140 million), including interest claims of ₽7 million (2014: ₽7 million). The credit line's undrawn balance amounted to 7,891 million SDRs (₽798,862 million) (2014: 7,696.2 million SDRs or ₽627,250 million) (Note 27). The increase in the balance of the item *Loans to the IMF extended by the Bank of Russia according to the New Arrangements to Borrow* was largely down to growth in the official exchange rate of the SDR against the ruble.

## 8. Other assets

(millions of rubles)

	2015	2014
<b>Fixed assets (at residual value)</b>		
Buildings and other facilities	46,245	44,663
Equipment (including computers, IT and data processing systems, furniture, transport vehicles and other)	28,947	30,884
<b>Subtotal fixed assets</b>	<b>75,192</b>	<b>75,547</b>
Till cash	810,298	77,709
Compensation from the Bank of Russia to the Pension Fund of the Russian Federation for shortfall in pension savings	42,447	0
Bank of Russia claims on credit institutions with revoked banking licences	33,475	33,475
Construction projects in progress	12,924	16,892
Settlements with suppliers, contractors and buyers	2,165	1,581
Bank of Russia correspondent accounts	1,970	2,828
Intangible assets (at residual value)	1,472	1,681
Profit tax advance payments	189	162
Funds transferred by the Bank of Russia to agent banks for payments to the depositors of bankrupt banks	0	1
Other	18,083	11,027
Provisions	(77,812)	(34,313)
<b>Subtotal other assets</b>	<b>845,211</b>	<b>111,043</b>
<b>Total</b>	<b>920,403</b>	<b>186,590</b>

The table below shows the movement of fixed assets:

(millions of rubles)

	2015	2014
<b>Fixed asset value net of accrued depreciation</b>		
Balance as of 1 January	166,617	159,437
Receipt	11,081	11,497
Retirement	(4,600)	(4,317)
<b>Balance as of end-year</b>	<b>173,098</b>	<b>166,617</b>
<b>Accrued depreciation</b>		
Balance as of 1 January	91,070	83,185
Depreciation allowances due to expenses	11,291	12,104
Depreciation allowances due to other sources	4	3
Accrued depreciation of retired fixed assets	(4,459)	(4,222)
<b>Balance as of end-year</b>	<b>97,906</b>	<b>91,070</b>
<b>Fixed asset residual value as of end-year</b>	<b>75,192</b>	<b>75,547</b>

Fixed asset structure and value net of accrued depreciation:

(millions of rubles)

	2015	2014
Buildings and other facilities	59,010	56,124
Equipment	53,654	51,231
Computers, office equipment and furniture	31,417	29,659
IT and data processing systems	24,815	24,967
Transport vehicles	3,409	3,741
Other	793	895
<b>Total</b>	<b>173,098</b>	<b>166,617</b>

The increase in the *Buildings and other facilities* item is largely due to commissioned newly constructed (reconstructed) Bank of Russia administrative buildings and other facilities.

The increase in the *Equipment* item is due to the purchase of equipment for the development and upgrading of the engineering equipment for the Bank of Russia's IT and telecommunications system.

The increase in *Computers, office equipment and furniture* item is mostly due to the deployment of reserve of computer equipment to help scale up the computing resources of the System of Consolidated Servers and Corporate Data and the Single IT System to Support Bank of Russia Efforts in Regulating and Developing the Banking Sector, purchases of computer equipment, hardware systems and devices in various models to develop the Terminal Access Systems, consolidated data processing and storage servers linked to the IT systems of the North-Western, Volga-Vyatka, and Far Eastern Main Branches of the Bank of Russia, supporting the centralisation of the 'Internal Activity' automated system at the Bank of Russia main branch level, the modernisation of data storage systems, and the acquisition of additional computer equipment and copiers.

The decrease in the item *IT and data processing systems* is linked to the writing off of satellite communications stations due to the liquidation of cash settlement centres and the optimisation of satellite communications usage.

As part of the Bank of Russia's activities to ensure financial stability, FX balances in the Till cash item increased across the territory of the Russian Federation.

The item *Compensation from the Bank of Russia to the Pension Fund of the Russian Federation for shortfall in pension savings* reflects claims acquired by the Bank of Russia following 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, 'On Guaranteeing the Rights of Insured Entities in the Compulsory Pension Insurance System of the Russian Federation When Forming and Investing Pension Savings Funds and Determining and Making Payments out of Pension Savings' to the Pension Fund of the Russian Federation, as well as the indemnity reserve funds and pension savings funds of insured persons which are entitled to receive a fixed-term pension payment, formed on the cancellation date of the licences, in fulfilment by the Pension Fund of the Russian Federation of its obligations under compulsory pension insurance agreements.

The item *Bank of Russia claims on credit institutions with revoked banking licences* includes the following Bank of Russia claims on credit institutions with revoked banking licences, listed in the register of creditors' claims and subject to settlement using the credit institution's property that constitutes the bankruptcy assets, totalling ₽33,475 million (2014: ₽33,475 million):

- claims arising under restructured loans, initially extended as unsecured loans, totalling ₽30,384 million (2014: ₽30,384 million);
- claims arising under an unsecured loan extended to a credit institution in 2008, totalling ₽2,559 million (2014: ₽2,559 million);
- claims arising under the reinstated debt owed to the Bank of Russia on unsecured loans, pursuant to the ruling of Arbitral Tribunal (Commercial Court) of the city of Moscow, totalling ₽530 million (2014: ₽530 million);
- claims resulting from the termination of obligations under repo transactions pursuant to clearing rules, totalling ₽2 million (2014: ₽2 million). Obligations were terminated in accordance with Article 4.1 of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' following the revocation of credit institutions' banking licences.

The decrease in the *Construction in progress* item is mainly due to commissioned newly constructed (reconstructed) Bank of Russia administrative buildings and the creation and development of the Bank of Russia's information analysis systems, and banking information protection tools and engineering security equipment.

The *Bank of Russia correspondent accounts* item reflects the balances in foreign currencies in the Bank of Russia's correspondent accounts at resident banks.

The item *Profit tax advance payments* reflects profit tax advance payments for 2015 and additional profit tax payments for 2012–2014 based on the submission of adjusted calculations.

The *Other* item mostly reflects expenses related to the purchase and acquisition of software products, licences and certificates, totalling ₽2,993 million (2014: ₽3,267 million), inventories totalling ₽1,181 million (2014: ₽1,086 million), assets acquired by the Bank of Russia in the form of receivables under loan agreements on which borrowers' loan repayment obligations have been terminated, totalling ₽1,053 million (2014: ₽0 million), as well as shares of a closed unit investment fund which the Bank of Russia retained pursuant to an out-of-court agreement to recover collateral in partial repayment of debt on a loan restructured in 2010 in the amount of ₽837 million (2014: ₽837 million) and Russian Federation investment in the authorised capital of the Interstate Bank totalling ₽10 million (2014: ₽10 million) (Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constitution Bank of Russia Property).

The item *Provisions* reflects provisions totalling ₽77,812 million (2014: ₽34,313 million), which have been created for:

- claims acquired by the Bank of Russia as a result of the transfer of funds in the amount determined in accordance with Parts 1 and 2 of Article 6 of Federal Law No. 422-FZ, dated 28 December 2013, 'On Guaranteeing the Rights of Insured Entities in the Compulsory Pension Insurance System of the Russian Federation When Forming and Investing Pension Savings Funds and Determining and Making Payments out of Pension Savings' to the Pension Fund of the Russian Federation, as well as the indemnity reserve funds and pension savings funds of insured persons which are entitled to receive a fixed-term pension payment, formed on the cancellation date of the licences, in fulfilment by the Pension Fund of the Russian Federation of obligations under compulsory pension insurance agreements, totalling ₽42,447 million (2014: ₽0 million);
- Bank of Russia claims on credit institutions whose banking licences have been revoked, totalling ₽33,475 million (2014: ₽33,475 million);
- funds transferred to agent banks for the payment of compensation to the depositors of bankrupt banks, totalling ₽0 million (2014: ₽1 million);

- other assets, totalling ₱1,890 million (2014: ₱837 million), of which ₱837 million were allocated for investments in the shares of a closed unit investment fund (2014: ₱837 million) and ₱1,053 million were allocated for assets acquired by the Bank of Russia in the form of receivables under loan agreements (2014: ₱0 million).

## 9. Cash in circulation

The decrease in the Cash in circulation item was due to the contraction in consumer demand and development of cashless retail payments.

## 10. Funds on accounts with the Bank of Russia

(millions of rubles)

	2015	2014
Federal government funds, of which:	8,130,708	9,144,361
– Reserve Fund	3,648,239	4,975,497
– National Wealth Fund	3,507,172	3,310,694
Credit institutions' funds on correspondent accounts, of which:	1,600,627	1,593,833
– foreign currency funds on correspondent accounts	6,677	378,223
Deposits taken by the Bank of Russia from credit institutions	557,820	804,557
Government and other extra-budgetary funds	403,985	713,890
Required reserves deposited with the Bank of Russia	369,820	471,312
Regional and local budget funds	387,109	443,926
Other funds taken from nonresidents	223,204	9,369
Clearing accounts of resident credit institutions	79	0
Other	899,942	694,784
<b>Total</b>	<b>12,573,294</b>	<b>13,876,032</b>

The change in the *Federal government funds* item is mostly shaped by the decrease in foreign currency balances on Reserve Fund and National Wealth Fund accounts and growth in the exchange rates of foreign currencies in which these funds are invested. The Bank of Russia opened foreign currency accounts to record Reserve Fund and National Wealth Fund assets based on bank account agreements with the Federal Treasury in accordance with the Budget Code and federal government resolutions.

The *Credit institutions' funds on correspondent accounts, of which: foreign currency funds on correspondent accounts* item reflects the balances of resident banks' foreign currency correspondent accounts opened under bank account agreements.

The *Deposits taken by the Bank of Russia from credit institutions* item is comprised of the balances of funds raised from resident credit institutions in Russian rubles, including deposits of credit institutions in whose authorised capital the government holds stakes from 50.0% to 100.0%, inclusive, totalling ₱77,087 million (2014: ₱25,641 million).

The fall in the item *Government and other extra-budgetary funds* is mostly due to a reduction in the account balances of the Pension Fund of the Russian Federation.

The item *Other funds taken from nonresidents* is comprised of funds raised from nonresident banks in transactions to sell foreign securities with an obligation to repurchase (repo transactions) and interest obligations on these transactions, amounting to ₱223,091 million (2014: ₱9,369 million), including interest claims under these transactions. The Bank of Russia concludes repos to bridge cash gaps and to lend securities to foreign counterparties.

The lending takes the form of repos and reverse repos that are simultaneously concluded with a counterparty. In a repo transaction, the counterparty is provided with securities it is interested in, with an obligation for the counterparty to return the securities to the Bank of Russia. In a reverse repo transaction, the Bank of Russia places funds received in a repo transaction at a higher interest rate and receives other securities as collateral. The reverse repos and repos are concluded for the same tenor. The Bank of Russia benefits from the difference between the repo and reverse repo interest rates. The amount of funds raised in repos opened by the end of the year and placed in reverse repos totalled ₹67,995 million (2014: ₹9,367 million). Foreign securities provided in these transactions have a total fair value of ₹68,023 million (2014: ₹9,374 million) (Note 4). Foreign securities received in these deals as collateral have a total fair value of ₹67,868 million (2014: ₹9,395 million) (Note 27).

The interest income received from these repos and reverse repos amounted to ₹172 million (2014: ₹265 million) and is recognised in the item *Interest income from foreign currency loans, deposits and other placements* in the amount of ₹145 million (2014: ₹260 million) and in the item *Other* in the amount of ₹27 million (2014: ₹5 million) in Note 16 *Interest income*. Interest expenses amounted to ₹135 million (2014: ₹220 million) and are recognised in the item *Interest expenses on other foreign currency funds taken from nonresident banks* in the amount of ₹115 million (2014: ₹220 million) and in the item *Other* in the amount of ₹20 million in Note 20 *Interest expenses*.

Foreign securities provided in repos with a total current (fair) value of ₹223,031 million (2014: ₹9,374 million) are accounted for as foreign securities in the item *Foreign securities* in Note 4.

In addition, this item includes funds in Chinese renminbi totalling RMB10 million, or ₹112 million (2014: ₹0 million), provided by the People's Bank of China to the Bank of Russia under the National Currency Swap Agreement, including accrued interest. Information on the funds in rubles supplied by the Bank of Russia to the People's Bank of China under the National Currency Swap Agreement is given in Note 4.

The increase in the balance of the item *Other funds taken from nonresidents* is mainly due to the increase in the value of funds raised by the Bank of Russia in transactions to sell securities with an obligation to repurchase at the end of the year.

The item *Other* includes balances on accounts of government, non-profit, and non-governmental organisations, and other clients, as well as deposits taken from the state corporation Deposit Insurance Agency, and funds on correspondent accounts of the Central Bank of the Republic of Armenia, the National Bank of the Republic of Belarus, the National Bank of Kazakhstan and the National Bank of the Kyrgyz Republic, which were opened at the Bank of Russia within the framework of the Eurasian Economic Union, totalling ₹230 million (2014: ₹230 million).

The growth in this item is mainly due to the increase in the funds of government financial organisations.

Pursuant to Article 23 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia conducts operations with federal budget funds, government extra-budgetary funds, and regional and local government budget funds without charging a commission.

## 11. Float

The reduction in the balance of this item was due to the decrease in the amounts of inter-regional electronic fund transfers between Bank of Russia establishments related to operations by Bank of Russia establishments and their customers in the final days of 2015.

## 12. Securities issued

Given the money market situation and the banking system's liquidity condition in 2015 and 2014, the Bank of Russia did not conduct any OBR placement operations. Thus, as of 1 January 2016 and as of 1 January 2015, the balance of the *Securities issued* item equalled zero.



## 13. Obligations to the IMF

(millions of rubles)

	2015	2014
Obligations on the funds provided to the Russian Federation as a result of the SDR allocation by the IMF	574,248	462,299
Balances on IMF Number 1 and Number 2 Accounts with the Bank of Russia	500,027	378,464
<b>Total</b>	<b>1,074,275</b>	<b>840,763</b>

The obligations on the funds provided to the Russian Federation under an SDR allocation at the IMF did not change in 2015 in SDR terms, totalling 5,671.8 million SDRs, or ₺574,200 million (2014: 5,671.8 million SDRs or ₺462,260 million) net of accrued interest. The increase in the ruble equivalent of this item was due to growth in the official exchange rate of the SDR against the ruble.

The increase in the item *Balances on IMF Number 1 and Number 2 Accounts with the Bank of Russia* was largely down to the accrued positive revaluation of these accounts caused by the growth in the exchange rate set by the IMF for the SDR against the ruble being credited to IMF Number 1 and Number 2 accounts in 2015.

## 14. Other liabilities

(millions of rubles)

	2015	2014
Assets of the Bank of Russia pension fund	92,319	94,381
Other	745	1,003
Provisions	67,307	5,020
<b>Total</b>	<b>160,371</b>	<b>100,404</b>

Pursuant to 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 forming a separate legal entity and is funded by the Bank of Russia. This takes into account the fact that Bank of Russia employees are not covered by guarantees to which civil servants are entitled. The Bank of Russia is implementing the Pension Plan with defined payments that are not time-limited, but rather 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 fund's adequacy are subject to an annual actuarial assessment carried out by a responsible actuary. As of 1 January 2016 and 1 January 2015, based on the results of the actuary's assessment of the Bank of Russia's pension obligations, no funds were added to the Bank of Russia pension fund. The decrease in the *Assets of the Bank of Russia pension fund* item is due to operations to pay supplementary pension benefits to former employees of the Bank of Russia system.

The item *Other* mostly reflects the amounts of accrued taxes and duties, payable to the federal budget and extra-budgetary funds; accrued liabilities of the Bank of Russia under intra-bank agreements; the funds of educational institutions (banking schools/colleges and secondary educational institutions founded by the Bank of Russia), and funds seized by pre-trial inquiry and investigation authorities.

The *Provisions* item shows the following:

- provisions for potential Bank of Russia losses with regard to pension savings funds to be transferred by the Bank of Russia to the Pension Fund of the Russian Federation, totalling ₺67,307 million (2014: ₺0 million) (Notes 1(i) and 23);
- provisions to meet obligations to the participants in the Bank of Russia's Pension Plan, totalling ₺0 million (2014: ₺5,020 million) (Notes 1(i) and 23).



## 15. Reporting year profit

*Reporting year profit* is a balance-sheet item reflecting the Bank of Russia's financial performance for the year 2015. It is formed by recognising income (received and accrued) whose receipt is considered to be certain, and expenses (paid and accrued) where there is no uncertainty with respect to the performance of contractual obligations.

The outcome of the Bank of Russia's financial performance for 2015 changed compared with the 2014 outcome, mainly due to:

- increase in net expenses on the creation of provisions (Note 23);
- increase in interest income from loans, deposits and other placed funds (Note 16);
- posting to income of the positive revaluation, at current (fair) value, of Russian debt obligations, which was used to offset the negative revaluation, at current (fair) value, of the corresponding issues; this was recorded to expenses in previous years (Note 17);
- decrease in income from stakeholdings in subsidiary and affiliated credit institutions (Note 18);
- increase in interest expenses on deposits taken from credit institutions (Note 20);
- expenses incurred as a result of the retirement OFZs (Note 21);
- decrease in expenses on negative revaluation of securities available for sale (Note 24).

## 16. Interest income

(millions of rubles)

	2015	2014
Interest income from ruble loans, deposits and other placements, of which:	663,343	437,525
– extended and placed under certain federal laws	32,500	26,481
Interest income from securities	94,058	72,365
Interest income from foreign currency loans, deposits and other placements	22,345	5,453
Interest income from Bank of Russia claims on the IMF	318	397
Other, of which:	9,866	2,943
– extended and placed under certain federal laws	9,179	2,449
<b>Total</b>	<b>789,930</b>	<b>518,683</b>

*Interest income from ruble loans, deposits and other placements* item reflects interest income from Bank of Russia loans extended against the pledge of securities from the Bank of Russia Lombard List, gold, receivables under credit institutions' loan agreements or guarantees, subordinated loans extended in 2008 and 2014 to Sberbank as part of measures designed to support the financial system of the Russian Federation, as prescribed by the laws of the Russian Federation, interest income from ruble deposits placed by the Bank of Russia pursuant to the decisions of the Bank of Russia Board of Directors, the subordinated loan extended to the Inter-state Bank pursuant to the decision of the Bank of Russia Board of Directors, interest income from repo transactions, and interest income from other placed funds 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: extended and placed under certain federal laws* reflects interest income from subordinated loans extended to Sberbank in 2008 and 2014 as part of measures envisaged by Russian legislation to support the financial system of the Russian Federation.

The item *Interest income from securities* consists of P57,953 million in interest income from foreign issuers' debt obligations (2014: P48,520 million), and of P36,105 million in interest income from Russian issuers' debt obligations (2014: P23,845 million).

*Interest income from foreign currency loans, deposits and other placements* item mainly reflects interest accrued and received from Bank of Russia placements with nonresident banks, interest from funds provided in repo transactions with foreign securities and from deposits which were placed with nonresident banks in foreign currency and precious metals, and interest income from funds provided to resident banks through foreign currency repos and foreign currency loans secured by receivables under foreign currency loans.

The item *Interest income from Bank of Russia claims on the IMF* shows interest accrued on the funds on the Russian Federation's account with the SDR Department, on loans extended 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 extended to the state corporation Deposit Insurance Agency amounting to ₹9,179 million (2014: ₹2,449 million), as well as from securities lending to nonresident banks on a reverse basis, and interest income received on accounts opened with nonresident banks.

## 17. Income from securities trading

(millions of rubles)

	2015	2014
Income from operations with Russian debt obligations	88,020	0
Net income from the retirement (sale) of foreign securities available for sale	11,529	8,822
Income from operations with foreign securities	695	5,436
Other	2	9,711
<b>Total</b>	<b>100,246</b>	<b>23,969</b>

The *Income from operations with Russian debt obligations* item reflects income from positive revaluation, at a current (fair) value, of Russian debt obligations, which was used to offset the negative revaluation, at current (fair) value, of the corresponding issues, recorded to expenses in previous years, including expenses on OFZ issues transferred by the Bank of Russia to the Russian Ministry of Finance in 2015 as part of an exchange operation totalling ₹79,304 million (Note 21).

The item *Net income from the retirement (sale) of foreign securities available for sale* consists of the net income from the retirement (sale) and revaluation, at current (fair) value, of retired (sold) foreign securities.

*Income from operations with foreign securities* includes income from positive revaluation of foreign securities, which was used to offset negative revaluation of respective issues, recorded to expenses in previous years.

The *Other* item for 2014 reflects net income totalling ₹9,711 million from the sale of a part in the stakeholding in Moscow Exchange, pursuant to Clause 14 of Article 49 of Federal Law No. 251-FZ, dated 23 July 2013, 'On Amending Certain Laws of the Russian Federation Due to the Delegation to the Central Bank of the Russian Federation of the Authority to Regulate, Control and Supervise Financial Markets'.

## 18. Income from stakeholdings in credit institutions and other organisations

(millions of rubles)

	2015	2014
Income from investments in the shares of subsidiary and affiliated credit institutions	5,082	36,139
Income from investments in the shares of subsidiary and affiliated organisations	900	580
Income from investments in the shares of nonresident banks (excluding subsidiary and affiliated banks)	56	37
<b>Total</b>	<b>6,038</b>	<b>36,756</b>

The item *Income from investments in the shares of subsidiary and affiliated credit institutions* reflects income from the Bank of Russia's stakeholdings in Sberbank.

*Income from investments in the shares of subsidiary and affiliated organisations* includes income from the stakeholdings in the Moscow Exchange.

*Income from investments in the shares of nonresident banks (excluding subsidiary and affiliated banks)* reflects income from the Bank of Russia's stakeholdings in the Bank for International Settlements (Basel).

## 19. Other income

(millions of rubles)

	2015	2014
Fees for Bank of Russia services provided to customers	8,148	8,470
Net positive realised foreign currency exchange rate differences	1,427	0
Income from the sale of coins made from precious metals	340	599
Fines and penalties received	205	177
Income of previous years (net of interest income) identified in the reporting year	141	117
Income from technological processing of precious metals and other income	11	25
Other	1,670	2,064
<b>Total</b>	<b>11,942</b>	<b>11,452</b>

The *Fees for Bank of Russia services provided to customers* item consists of ₴8,119 million received in fees for the settlement services provided by the Bank of Russia (2014: ₴8,438 million) and other fees totalling ₴29 million (2014: ₴32 million).

The item *Net positive realised foreign currency exchange rate differences* reflects net exchange rate differences arising from the purchase (sale) of foreign currency in the domestic and international markets at exchange rates that differ from the official rates established by the Bank of Russia.

*Other* mainly reflects income resulting from the leasing out of property and from the retirement (sale) of property.

## 20. Interest expenses

(millions of rubles)

	2015	2014
Interest expenses on federal budget balances, of which:	47,085	54,757
– Reserve Fund balances	28,149	31,323
– National Wealth Fund balances	18,936	23,424
Interest expenses on deposits taken from credit institutions in the domestic market	36,974	10,563
Interest expenses on deposits taken from the state corporation	4,815	3,590
Interest expenses on Bank of Russia obligations to the IMF	246	275
Interest on other foreign currency funds taken from nonresidents	164	266
Other	571	2
<b>Total</b>	<b>89,855</b>	<b>69,453</b>

Pursuant to the Budget Code of the Russian Federation and resolutions of the Government of the Russian Federation, in 2008, the Bank of Russia concluded bank account agreements with the Federal Treasury, whereby the Bank of Russia opened accounts in rubles and foreign currencies for the Reserve Fund and National Wealth Fund, to which the balances of the Stabilisation Fund accounts were transferred on 30 January 2008.

As of 1 January 2016, the item *Interest expenses on federal budget balances* mostly reflects the interest accrued on the balances of the Reserve Fund and National Wealth Fund foreign currency accounts, in accordance with the bank account agreements, for the period of 1 to 15 January 2015, totalling ₺34,094 million, and for the period of 16 January to 31 December 2015, totalling ₺12,991 million.

Under the bank account agreements, the Bank of Russia pays interest based on the yields of indices, each of which is an aggregate of foreign government securities 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 procedures set forth in the bank account agreements between the Bank of Russia and the Federal Treasury.

The decrease in this item was mainly caused by a fall in foreign currency balances on Reserve Fund and National Wealth Fund accounts (a reduction in the interest accrual convention) and a decreased yield of indices used to calculate interest on accounts. The fall in the yield of indices was linked to the fact that the prices of government securities included in the index did not grow in 2015 compared with 2014, when they made a significant contribution to index yields.

The *Interest expenses on deposits taken from credit institutions in the domestic market* item reflects expenses on funds deposited by credit institutions with the Bank of Russia.

The item *Interest expenses on deposits attracted from the state corporation* includes interest expenses on deposits attracted from the state corporation Deposit Insurance Agency.

The item *Interest expenses on Bank of Russia obligations to the IMF* includes the interest paid and accrued on the balance of the Russian Federation's obligations to the IMF with regard to the allocated SDRs.

The item *Interest expenses on other foreign currency funds taken from nonresidents* includes interest expenses on other funds taken from nonresident banks (repo transactions) and interest expenses on other funds received from the People's Bank of China under the National Currency Swap Agreement.

The item *Other* mainly reflects interest expenses incurred when placing funds on correspondent accounts and in deposits with nonresident banks.

## 21. Expenses on securities trading

(millions of rubles)

	2015	2014
Net expenses from the retirement (sale) of Russian securities available for sale	53,840	0
Other	1,323	1,293
<b>Total</b>	<b>55,163</b>	<b>1,293</b>

The item *Net expenses from the retirement (sale) of Russian securities available for sale* mainly reflects net expenses from the retirement (sale) and revaluation, at current (fair) value, of retired (sold) OFZs that were transferred by the Bank of Russia to the Russian Ministry of Finance in 2015 in an exchange operation (Note 17).

The item *Other* mainly includes expenses on fee payments to organisations supporting securities trading in the domestic market.

## 22. Cash turnover management expenses

This balance sheet item includes expenses involved in 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.

The drop in expenses in this item is due to the decreased volumes of manufactured coins in comparison to 2014.

## 23. Net expenses (income) on the formation (from the recovery) of provisions

(millions of rubles)

	2015	2014
Increase in provisions for loans to and deposits with resident banks	197,337	18,082
Increase in provisions for the Bank of Russia's compliance with Federal Law No. 422-FZ, dated 28 December 2013	109,754	0
Increase in provisions for funds provided to the state corporation	95,674	68,831
Increase in provisions for securities acquired from resident banks	63,791	42,527
Increase in provisions for other funds placed with resident banks (in repos)	3,697	135
Increase/(decrease) in provisions for other active operations	1,053	(330)
Increase in provisions for debt on other operations	0	107
(Decrease) in provisions for Bank of Russia compensation payments to the depositors of bankrupt banks	0	(1)
(Decrease) in provisions for claims on the withdrawn compensation deposit previously placed by the Bank of Russia with a credit institution	0	(38)
(Decrease) in provisions to secure obligations to participants in the Bank of Russia's Pension Plan	(5,020)	(6,395)
<b>Total</b>	<b>466,286</b>	<b>122,918</b>

The increase in provisions for loans to and deposits with resident banks, and also provisions for securities acquired from resident banks is linked to the deterioration in the Bank of Russia's asset quality (Notes 5 and 6).

Provisions for the Bank of Russia's claims and potential losses were created to ensure the Bank of Russia's compliance with Federal Law No. 422-FZ, dated 28 December 2013, pursuant to a decision by the Bank of Russia Board of Directors (Notes 8 and 14).

The increase in provisions for funds provided to the state corporation Deposit Insurance Agency is linked to the rise in the amount of funds provided by the Bank of Russia to prevent the bankruptcy of credit institutions in connection with the expansion of the list of credit institutions rehabilitated by the Bank of Russia, as well as loans provided to ensure the financial sustainability of the deposit insurance system and to fund compensation payments on deposits (Note 5).

The increase in provisions for other funds placed with resident banks is linked to the deterioration in the Bank of Russia's asset quality in terms of its repo operations in the domestic market in rubles and foreign currencies.

The increase in provisions for other active operations was due to the creation of provisions for Bank of Russia receivables under loan agreements linked to the Bank of Russia's acquisition of respective assets after the borrower's obligation to repay the loan has terminated (Note 8).

The provisions set up to secure the fulfilment of obligations to the participants of the Bank of Russia's Pension Plan were decreased in accordance with a decision by the Bank of Russia Board of Directors.

## 24. Expenses on negative revaluation of securities available for sale

(millions of rubles)

	2015	2014
Expenses on negative revaluation of securities available for sale	18,087	42,642
<b>Total</b>	<b>18,087</b>	<b>42,642</b>

At the end of 2015, there was a significant negative unrealised revaluation of securities available for sale for certain issues of foreign debt obligations totalling P17,412 million (2014: P1,920 million) and Russian issuers' debt obligations totalling P675 million (2014: P40,722 million), which was recorded as Bank of Russia expenses (Note 1 (e)).

## 25. Other operating expenses

(millions of rubles)

	2015	2014
Depreciation allowances	11,797	12,528
Expenses on IT maintenance and logistics	10,899	9,137
Security expenses	4,794	4,954
Expenses on the maintenance of buildings	3,743	3,454
Net negative realised differences for precious metals	3,595	1,041
Repair expenses	2,527	3,129
Postage, telegraph, and telephone expenses, and expenses on renting communication lines and channels	2,230	1,934
Expenses involved in the use of titles to intellectual property	2,085	2,420
Expenses on the delivery of bank documents and valuables	1,954	2,843
Taxes and duties paid	1,543	1,878
Expenses on foreign currency operations	345	182
Expenses on operations with precious metals	81	63
Net negative realised foreign currency exchange rate differences	0	6,058
Other	6,435	6,622
<b>Total</b>	<b>52,028</b>	<b>56,243</b>

The *Net negative realised differences for precious metals* item reflects net negative realised differences arising from the purchase (sale) of precious metals in the domestic and international markets.

The item *Other* mainly reflects business travel expenses, expenses related to the purchase of equipment and accessories put into operation/use, expenses on special-purpose funding for organisations set up by the Bank of Russia, and personnel training expenses.

## 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)

	2015	2014
<b>Claims</b>		
Claims for the delivery of rubles in spot transactions	14,880	155,749
Claims for the delivery of foreign currency in spot transactions	0	90,013
Claims for the delivery of foreign currency from nonresidents in spot transactions	39,730	41,444
Claims for the delivery of foreign currency-denominated securities from nonresidents in spot transactions	5,397	0
Claims for the delivery of foreign currency in forward transactions	113	0
Claims for the delivery of foreign currency from nonresidents in forward transactions	708,883	124,555
Claims for the delivery of foreign currency-denominated securities from nonresidents in forward transactions	9,485	0
Unrealised (negative) exchange rate differences from the revaluation of foreign currency	92	0
<b>Total claims</b>	<b>778,580</b>	<b>411,761</b>
<b>Obligations</b>		
Obligations to deliver rubles in spot transactions	0	86,904
Obligations to deliver foreign currency in spot transactions	14,983	152,943
Obligations to deliver foreign currency to nonresidents in spot transactions	44,768	40,337
Obligations to deliver foreign currency-denominated securities to nonresidents in spot transactions	209	1,011
Obligations to deliver rubles in forward transactions	111	0
Obligations to deliver foreign currency to nonresidents in forward transactions	708,603	124,381
Obligations to deliver foreign currency-denominated securities to nonresidents in forward transactions	9,906	0
Unrealised (positive) exchange rate differences from the revaluation of foreign currency	0	6,185
<b>Total obligations</b>	<b>778,580</b>	<b>411,761</b>



The decrease in *Claims for the delivery of rubles in spot transactions* and in *Obligations to deliver foreign currency in spot transactions* mainly results from the fall (as of the reporting date compared with the previous reporting date) in the amount of FX spot swaps in the domestic financial market.

The decrease in *Claims for the delivery of foreign currency in spot transactions* and in *Obligations to deliver rubles in spot transactions* is the result of the lack (as of the reporting date) of FX spot swaps in the domestic financial market.

The decrease in *Claims for the delivery of foreign currency from nonresidents in spot transactions* is largely driven by the reduction in the amount of claims for the delivery of foreign currency in conversion transactions and transactions to sell securities in international financial markets, as of the reporting date compared with the previous reporting date.

The increase in *Claims for the delivery of foreign currency-denominated securities from nonresidents in spot transactions* is caused by the existence (as of the reporting date) of transactions to buy securities in international financial markets.

The increase in *Claims for the delivery of foreign currency in forward transactions* and in *Obligations to deliver rubles in forward transactions* is the result of the existence (as of the reporting date) of swaps in the domestic financial market.

The increase in *Claims for the delivery of foreign currency from nonresidents in forward transactions* and in *Obligations to deliver foreign currency to nonresidents in forward transactions* is mainly attributable to the increase in swaps and the amount of conversion transactions in international financial markets as of the reporting date compared with the previous reporting date.

The increase in *Claims for the delivery of foreign currency-denominated securities from nonresidents in forward transactions* and in *Obligations to deliver foreign currency-denominated securities to nonresidents in forward transactions* is linked to the existence of transactions to buy and sell securities in international financial markets as of the reporting date compared with the previous reporting date.

The increase in *Obligations to deliver foreign currency to nonresidents in spot transactions* is mostly linked to the existence (as of the reporting date) of transactions to purchase securities in international financial markets.

The decrease in *Obligations to deliver foreign currency-denominated securities to nonresidents in spot transactions* is due to the decrease in transactions to sell securities in international financial markets as of the reporting date compared with the previous reporting date.

Other claims and obligations recorded to the off-balance sheet accounts include:

(millions of rubles)

	2015	2014
Securities received in reverse transactions	3,695,635	4,298,236
Unused limits to provide funds in the form of overdrafts and 'against the debt limit' loans	3,643,578	3,017,485
Unused limits to receive interbank funds in the form of overdrafts and 'against the debt limit' loans	2,996,246	2,373,259
Assets accepted as collateral for funds placed, except for securities and precious metals	2,189,824	4,193,990
Guarantees and sureties issued	704,442	567,112
Securities accepted as collateral for funds placed	650,740	351,449
Guarantees and sureties received	147,015	909,580
Arrears in interest payments on principal debts not written off the balance sheet	17,726	15,522
Settlements with the IMF related to servicing funds raised and placed	8,702	7,002
Unused lines of credit facilities	1,371	1,012

The 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 nonresidents in international markets.

Securities received by the Bank of Russia from counterparties in repos in the domestic market are accounted for at their current (fair) value, which, as of 1 January 2016, totals ₺3,505,918 million (2014: ₺4,288,841 million).

Securities received by the Bank of Russia from counterparties in repos in international markets are accounted for at their current (fair) value, which, as of 1 January 2016, totals ₺189,717 million (2014: ₺9,395 million), this includes the fair value of securities received in reverse repos that match repos, totalling ₺67,868 million (2014: ₺9,395 million).

The decrease in this item mainly results from the reduction in the volume of repos concluded in the domestic market.

Unused limits to provide funds in the form of overdrafts and 'against the debt limit' loans totalling ₺3,643,578 million (2014: ₺3,017,485 million) include:

- unused line of Bank of Russia credit facilities to be provided to the IMF under the New Arrangements to Borrow in the amount of 7,891 million SDRs or ₺798,862 million (2014: 7,696.2 million SDRs or ₺627,250 million) (Note 7);
- 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 or ₺728,827 million (2014: \$10,000 million or ₺562,584 million);
- unused limits for the Bank of Russia to provide US dollars under the Treaty for the Establishment of a BRICS Foreign Currency Reserve Pool between the BRICS nations, totalling \$18,000 million or ₺1,311,889 million (2014: \$18,000 million or ₺1,012,651 million);
- unused ruble limits to conclude in swaps between the Bank of Russia and the People's Bank of China under the bilateral National Currency Swap Agreement in the amount of ₺804,000 million (2014: ₺815,000 million)<sup>1</sup>.

These limits constitute the current maximum amount of rubles which may be provided by the Bank of Russia via swaps. The decrease in this item is caused by swaps concluded in 2015, the funds for which were provided in full by the Bank of Russia. These funds are reflected in the item *Funds placed with nonresidents and foreign securities* (Note 4).

Unused limits to receive interbank funds in the form of overdrafts and 'against the debt limit' loans totalling ₺2,996,246 million (2014: ₺2,373,259 million) include:

- unused limits for the Bank of Russia to receive US dollars under the Treaty for the Establishment of a BRICS Foreign Currency Reserve Pool between the BRICS nations, totalling \$18,000 million or ₺1,311,889 million (2014: \$18,000 million or ₺1,012,651 million);
- unused limits in Chinese renminbi to engage in swap transactions between the Bank of Russia and the People's Bank of China under a bilateral National Currency Swap Agreement, amounting to 148,918 million Chinese renminbi, or ₺1,672,321 million (2014: RMB150,000 million, or ₺1,360,608 million). These limits constitute the current maximum amount of Chinese renminbi which may be obtained by the Bank of Russia through swap transactions<sup>2</sup>;
- unused limits in Chinese renminbi under concluded swaps with the People's Bank of China in the framework of the National Currency Swap Agreement, amounting to RMB1,072 million, or ₺12,036 million (2014: RMB0 million). These limits constitute the current maximum amount of Chinese renminbi which may be obtained by the Bank of Russia through swap transactions between the Bank of Russia and the People's Bank of China. In 2015, the Bank of Russia received funds totalling RMB10 million from the People's Bank of China through swap transactions. These funds are reflected in the item *Other funds taken from nonresidents* (Note 10).

Assets accepted as collateral for funds placed, except for securities and precious metals, constitute receivables under loan agreements mainly accepted by the Bank of Russia as collateral for loans granted to credit institutions; these assets total ₺2,189,824 million (2014: ₺4,193,990 million) (Note 5).

The guarantees and sureties issued include Bank of Russia contingent liabilities to the IMF to pay for the increase in the Russian Federation's IMF quota in line with the 14<sup>th</sup> General Review of Quotas, amounting to

<sup>1</sup> According to the National Currency Swap Agreement, the maximum amount of rubles which may be provided by the Bank of Russia to the People's Bank of China through swap transactions is ₺815,000 million.

<sup>2</sup> According to the National Currency Swap Agreement, the maximum amount of Chinese renminbi which may be obtained by the Bank of Russia from the People's Bank of China through swap transactions is RMB150,000 million.

6,958.3 million SDRs or ₪704,442 million (2014: 6,958.3 million SDRs or ₪567,112 million). The decision to increase country quotas with the IMF raises the Russian Federation's new quota to 12,903.7 million SDRs or to 2.7% of all IMF quotas. The payment for the increased quotas will take place after the decision has been ratified by the majority of IMF member states (Note 28).

Securities accepted as collateral for funds placed are mainly securities accepted by the Bank of Russia from credit institutions as collateral for the issued loans (Note 5) and securities accepted by the Bank of Russia as collateral in securities lending on a reverse basis in international markets.

Guarantees and sureties received by the Bank of Russia are predominantly credit institutions' guarantees accepted as collateral for issued loans (Note 5).

Arrears in interest payments on the principal debt not written off the balance sheet consist mainly of accrued interest on loans and other funds placed, provided by the Bank of Russia to credit institutions, the receipt of which is uncertain.

As an IMF member country, the Russian Federation participates in a burden-sharing mechanism for debt arrears. Under this mechanism, in order to compensate for third party defaults on their 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 represent amounts of the Russian Federation's claims on the IMF for paid interest rate surcharges and withheld interest rate deductions that accrued in 1993–2005 and in 2009–2015 under the burden-sharing mechanism, and total 85.9 million SDRs, or ₪8,702 million as of 1 January 2016 (2014: 85.9 million SDRs or ₪7,002 million).

Unused lines of credit facilities in the amount of ₪1,371 million (2014: ₪1,012 million) are foreign currency-denominated deposit transactions concluded in international markets in foreign currency, which have not yet reached their maturity date as of 1 January 2016.

## 28. Post-accounting date events

The adjustment of the amount of taxes and duties after the final settlement for the reporting tax period is recognised in Bank of Russia accounting records in 2016. Taxes and duties after the final settlement, paid on 25 March 2016 from the Bank of Russia's 2015 profit, amounted to ₪6 million (Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

From the profit retained by the Bank of Russia, the Bank of Russia Board of Directors decided to allocate: ₪10,788 million to the Bank of Russia Reserve Fund and ₪450 million to the Bank of Russia Social Fund (Statement of Profit and its Allocation, Statement of Bank of Russia Reserves and Funds, and Table *Capital, funds and profit allocation*).

Q1 2016 saw the enactment of the decision on the 14<sup>th</sup> General Review of Quotas of IMF participants, envisaging a twofold increase in IMF participant quotas together with a simultaneous reduction in countries' liabilities under the New Arrangements to Borrow. In February 2016, the Bank of Russia paid the increase in its quota with the IMF, causing the quota to go up from 5,945.4 million SDRs to 12,903.7 million SDRs, and the maximum amount of Russia's liabilities under the New Arrangements to Borrow to fall from 8,740.8 million SDRs to 4,440.9 million SDRs. Once all IMF participants have paid their increased quotas, the Russian Federation's stake in the IMF's aggregate quotas (capital) will be 2.7%, representing 2.59% of the total number of its member countries' votes.

In January 2016, the Bank of Russia paid to the federal budget interest on the assets of the Reserve Fund and National Wealth Fund for the period from 16 January 2015 to 15 January 2016, totalling ₪29,079 million, with the amount of interest for the period from 16 January to 31 December 2015 being ₪12,991 million and the amount of interest for the period from 1 to 15 January 2016 being ₪16,088 million.

On 18 March 2016, the Bank of Russia Board of Directors decided to establish provisions for the forecast value of the Bank of Russia's pension obligations as of 1 January 2017 to guarantee the fulfilment of its obligations to the participants in the Bank of Russia's Pension Plan, totalling ₪9,260 million, covered by Bank of Russia expenses in 2016.

From 1 January 2016, the Bank of Russia has set a ₺100,000 limit on property classified as fixed assets.

Beginning with its reporting for 2016, guided by its accounting principles (Bank of Russia Regulation No. 522-P, dated 21 December 2015, 'Bank of Russia Accounting Principles for Accounting Purposes'), the Bank of Russia will reflect assets and liabilities held in precious metals at the end of the reporting year at their fair value, which will be the most recent fixed price for precious metals quoted by the London Metal Exchange for spot transactions during the reporting year, converted using the official US dollar / ruble exchange rate for the reporting date.

Since 1 January 2016, the Bank of Russia's investments in corporate shares (stakes) have been recorded at their initial value as of the date on which the title to the shares (stakes) is transferred, as indicated in the documents confirming the transfer of the title to shares (stakes) following their receipt by the Bank of Russia. The initial value of shares (stakes) entered in accounting records includes their acquisition (purchase) price and any additional costs directly linked to their acquisition.

Foreign currency investments in corporate shares (stakes), denominated in foreign currency, are accounted for in rubles at the official exchange rate as of the date on which the title the shares (stakes) is transferred or at the official exchange rate as of the date on which they are paid up with a prepayment. The value of shares (stakes) denominated in a foreign currency is not subsequently revalued following a change in the official exchange rate.

As a result of this, in January 2016 the value of the Bank of Russia's investment in the authorised capital of the Bank for International Settlements, Basel, and the Society for Worldwide Interbank Financial Telecommunications (SWIFT), Belgium, and the *Accrued foreign currency exchange rate differences* in capital reduced by a total of ₺2,873 million, i.e. the value of the Bank of Russia's investments in the authorised capitals of these organisations was ₺328 million as of 1 February 2016.

## STATEMENT OF PROFIT AND ITS ALLOCATION

(millions of rubles)

	2015	2014
1 Actual profit for the year	112,575	183,508
2 Taxes and duties paid from Bank of Russia profit under the Tax Code of the Russian Federation, total:	195	163
of which:		
– advance payments in the reporting year	189	162
– after the final settlement for the reporting year	6	1
3 Profit after the payment of taxes and duties under the Tax Code of the Russian Federation	112,380	183,345
4 Funds to be transferred to the federal budget pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'	101,142	137,509
5 Transferred to Vnesheconombank from the 2014 profit	–	27,502
6 Profit remaining at Bank of Russia, total <sup>3</sup>	11,238	18,334
of which, allocated to:		
– Reserve Fund	10,788	17,601
– Social Fund	450	733

In accordance with Article 11 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', Bank of Russia profit is calculated, at the end of the year, as a difference between total income from banking operations and transactions stipulated by Article 46 of the aforementioned Federal Law, income from the stakeholding in the capital of credit institutions, and expenses involved in the Bank of Russia's fulfilment of the functions assigned to it by Article 4 of this Federal Law.

In 2015, the Bank of Russia's operations in the domestic market had a decisive influence on the financial indicators of its performance, as in the previous year. Under the influence of persistently unfavourable external economic conditions and the fall in the ruble's exchange rate against major world currencies, the banking system showed continued demand for liquidity. However, the amount of funds provided by the Bank of Russia through refinancing operations steadily reduced over the reporting year, giving way to an inflow of liquidity into the banking sector from other sources. Despite this, the average annual key rate for 2015 was higher than in 2014. Accordingly, the Bank of Russia's interest income also grew considerably compared with the previous year. At the same time, deterioration in the quality and structure of the Bank of Russia's assets and liabilities triggered an increase in its provisioning expenses.

The Bank of Russia's profit for the year is allocated according to the procedure established by Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'. This article stipulates that after the Bank of Russia's Annual Financial Statements have been approved by its Board of Directors, the Bank of Russia must transfer 75% of its actual annual profit remaining after the payment of taxes and duties under the Tax Code of the Russian Federation to the federal budget. The Bank of Russia Board of Directors transfers retained profit to reserves and various funds.

Federal Law No. 333-FZ, dated 28 November 2015, 'On Suspending Part 1 of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Amending Article 2 of the Federal Law 'On Amending Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' suspended Part 1 of Article 26 of Federal Law No. 86-FZ, dated 10 July 2002, from 1 January 2016 to 1 January 2017, with regard to the percentage share of the actual profit for the year received by the Bank of Russia, which remained after the payment of taxes and duties in accordance with the Tax Code of the Russian Federation and which must

<sup>3</sup> The payment of taxes and duties from the reporting year's profit pursuant to the Tax Code of the Russian Federation after the final calculation of profit for the reporting tax period, and the allocation of the reporting year's actual profit retained after the payment of taxes and duties are recognised in the Bank of Russia's balance sheet for the current year (Note 28).

be transferred to the federal budget. Pursuant to Article 1 of Federal Law No. 334-FZ, dated 28 November 2015, 'On the Specifics for Transferring the Profit for 2015 Received by the Central Bank of the Russian Federation in 2016', once the Annual Financial Statements for 2015 have been approved by the Board of Directors, in 2016 the Bank of Russia will transfer 90% 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.

The allocation of the profit retained by the Bank of Russia is decided by the Bank of Russia Board of Directors in accordance with Bank of Russia Regulation 'On the Procedure for Allocating Profit Retained by the Bank of Russia': up to 4.0% of the profit retained by the Bank of Russia is allocated to the Bank of Russia Social Fund and the remainder is allocated to the Bank of Russia Reserve Fund.

# STATEMENT OF BANK OF RUSSIA RESERVES AND FUNDS

(millions of rubles)

	Reserve fund	Social fund	Accrued precious metal revaluation	Positive revaluation of securities available for sale	Accrued foreign currency 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>318,840</b>	<b>3,128</b>	<b>1,953,053</b>	<b>32,732</b>	<b>6,753,716</b>	<b>7,966</b>	<b>9,069,435</b>
Transferred to funds from other sources	0	1	462,078	31,201	2,953,341	0	3,446,621
Fund used	0	(204)	0	(15,105)	0	0	(15,309)
<b>Opening balance of the year following the reporting year</b>	<b>318,840</b>	<b>2,925</b>	<b>2,415,131</b>	<b>48,828</b>	<b>9,707,057</b>	<b>7,966</b>	<b>12,500,747</b>
Transferred from reporting year profit <sup>4</sup>	10,788	450	0	0	0	0	11,238
<b>Total, inclusive of funds received as a result of reporting year profit allocation</b>	<b>329,628</b>	<b>3,375</b>	<b>2,415,131</b>	<b>48,828</b>	<b>9,707,057</b>	<b>7,966</b>	<b>12,511,985</b>

<sup>4</sup> The allocation of the reporting year's actual profit is recognised on the Bank of Russia balance sheet for the current year (Note 28).



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 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 profits retained by the Bank of Russia is established by Bank of Russia Regulation 'On the Procedure for Allocating Profit Retained by the Bank of Russia'.

Pursuant to the Bank of Russia Regulation 'On the Bank of Russia Reserve Fund', the Bank of Russia created the Reserve Fund to ensure stability in the Bank of Russia's activities to carry out the functions assigned to it by law. The Bank of Russia Reserve Fund is formed from its profit. According to the decision of the Board of Directors, the Bank of Russia may also transfer money from other funds and reserves that are part of its capital to the Reserve Fund.

In accordance with the procedure for allocating the Bank of Russia's retained profit and the decision of the Bank of Russia Board of Directors on the 2015 profit allocation, ₱10,788 million were transferred to the Reserve Fund (2014: ₱17,601 million).

The Bank of Russia Social Fund was set up to provide financing for the social needs of Bank of Russia employees and, in some cases, pensioners registered with the Bank of Russia.

Money from the Social Fund is mainly used to provide one-off social benefits to Bank of Russia employees. The Social Fund is formed with the Bank of Russia's retained profit.

The procedure for creating and using the Social Fund is governed by the Bank of Russia Regulation 'On the Social Fund of the Central Bank of the Russian Federation'.

In accordance with the procedure for allocating the Bank of Russia's retained profit and the decision of the Bank of Russia Board of Directors on the 2015 profit allocation, ₱450 million or 4% out of the Bank of Russia's retained profit were transferred to the Bank of Russia Social Fund (2014: ₱733 million or 4.0%).

According to decisions of the Bank of Russia Board of Directors, precious metals and precious metals in coins, beginning 1 January 2007 and 1 July 2013 respectively, have been recognised in accounting records at the book price for precious metals set in line with Bank of Russia regulatory documents and are revalued as book prices are set. In 2015, the positive unrealised differences exceeded the negative differences by ₱462,078 million. This excess was posted to the balance sheet account *Accrued precious metal revaluation* as part of the Bank of Russia capital (2014: ₱1,141,562 million).

Accrued foreign currency exchange rate differences on the balance sheet accounts result from the revaluation of foreign currency funds, caused by changes in the official rate of foreign currencies against the ruble. In 2015, the positive unrealised foreign currency exchange rate differences exceeded the negative ones by ₱2,953,341 million. This excess was posted to the balance sheet account *Accrued foreign currency exchange rate differences* as part of the Bank of Russia capital (2014: ₱4,764,965 million).

In compliance with the Bank of Russia's accounting rules, beginning from 1 January 2008, securities available for sale have been evaluated (revalued) at their current (fair) value. In 2015, the accrued positive revaluation of securities available for sale, totalling ₱31,201 million was posted to the balance sheet account *Positive revaluation of securities available for sale* as part of the Bank of Russia capital (2014: ₱20,167 million). The positive revaluation accrued in previous years was written off as the securities of corresponding issues (issuers) were retired (sold) in 2015, and was also used to settle the negative unrealised revaluation of securities from corresponding issues (issuers) accrued in 2015 in the amount of ₱15,105 million (2014: ₱41,602 million).

The fixed asset revaluation fund is the increase in the value of property due to the revaluation of fixed assets, made in compliance with the Russian Federation Government Resolutions in 1992, 1994, 1995, 1996 and 1998.

# STATEMENT OF BANK OF RUSSIA MANAGEMENT OF SECURITIES AND STAKEHOLDINGS IN THE CAPITAL OF ORGANISATIONS CONSTITUTING BANK OF RUSSIA PROPERTY

## Bank of Russia investments in debt obligations

(millions of rubles)

	2015	2014
<b>Foreign issuers' debt obligations, of which:</b>		
US and Canadian issuers' debt obligations	7,592,061	5,407,303
– denominated in US dollars	6,775,377	4,873,106
– denominated in Canadian dollars	816,684	532,581
– denominated in Australian dollars	0	1,616
EU issuers' debt obligations	11,184,329	10,243,866
– denominated in US dollars	1,146,942	309,539
– denominated in euros	7,771,549	8,127,901
– denominated in pounds sterling	2,218,470	1,803,996
– denominated in Australian dollars	46,789	2,430
– denominated in rubles	579	0
Australian issuers' debt obligations	193,048	130,907
– denominated in Australian dollars	193,048	130,907
Chinese issuers' debt obligations	14,458	0
– denominated in Chinese renminbi	14,458	0
Debt obligations of international organisations	934,281	277,045
– denominated in US dollars	36,433	153,801
– denominated in euros	875,655	107,911
– denominated in pounds sterling	15,749	8,235
– denominated in Australian dollars	6,444	7,098
<b>Subtotal</b>	<b>19,918,177</b>	<b>16,059,121</b>
<b>Russian issuers' debt obligations, of which:</b>		
Russian federal government debt obligations	512,720	368,160
– denominated in rubles	207,193	150,577
– denominated in US dollars	305,527	217,583
Other Russian issuers' debt obligations (excluding promissory notes) <sup>5</sup>	227,218	212,888
– denominated in rubles	227,218	212,888
Promissory notes issued by credit institutions*	23	23
<b>Subtotal</b>	<b>739,961</b>	<b>581,071</b>
<b>Total</b>	<b>20,658,138</b>	<b>16,640,192</b>

\* The Bank of Russia's 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.

<sup>5</sup> The value of securities not accounted for at their fair value is indicated net of provisions created (Note 6).

The Bank of Russia's investment in debt obligations are mostly categorised under securities available for sale (excluding investment in Vnesheconombank bonds, which are categorised under securities held until redemption) (Notes 4 and 6).

Foreign issuers' debt obligations mainly belong to reserve assets. The change in this item was mostly caused by the increased value of foreign securities following growth in the official exchanges rates of the foreign currencies in which those securities were denominated against the ruble.

With the exception of reserve assets, foreign issuers' debt obligations include European debt obligations denominated in rubles and foreign currencies and acquired by the Bank of Russia in 2015 under repos with Russian credit institutions whose obligations were terminated following the settlement of credit institutions' defaults on the second leg under repos.

Ruble-denominated Russian government debt obligations are known as OFZ bonds (federal government bonds). The change in this item mainly results from the Bank of Russia's acquisition of OFZs in 2015 via repo transactions concluded with Russian credit institutions on occasions, when obligations under repos were terminated as a result of the settlement of credit institutions' defaults on the second leg of repo transactions or in accordance with Article 4.1 of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (termination of obligations pursuant to clearing rules) following the revocation of the banking licence of a credit institution (hereinafter, purchase of securities via repo transactions whose obligations have ended), as well as the revaluation of securities at their current (fair) value. During the reporting period, changes in the OFZ portfolio structure were caused by OFZ exchange operations conducted in 2015 between the Bank of Russia and Russian Ministry of Finance, resulting in the Bank of Russia's transferring OFZ issues which, when placed, were largely acquired by the Bank of Russia (accordingly, these OFZ issues were virtually not in circulation in the market), and OFZ issues were obtained which were actively traded in the market (Note 6). This operation was carried out subject to equal fair values for both the transferred and received OFZs.

US dollar-denominated Russian government debt obligations are known as external foreign currency bonds of the Russian Federation. The change in this item's balance was largely down to growth in the US dollar / ruble exchange rate, the revaluation of securities at their current (fair) value in connection with the growth in market prices, and the Bank of Russia's acquisition of Russian Eurobonds in 2015 under repos whose obligations have been terminated.

Debt obligations of other Russian issuers denominated in rubles are securities issued by the constituent territories of the Russian Federation and other Russian issuers. The change in the balance of this item is the result of the Bank of Russia's acquisition in 2015 of securities under repos whose obligations have been terminated, and due to the redemption and sale of securities.

**Bank of Russia investments in authorised capital of banks and other organisations***(millions of rubles)*

Name	2015		2014	
	Investment amount	Share in authorised capital, %	Investment amount	Share in authorised capital, %
<b>Investment in resident shares, of which:</b>	<b>83,034</b>		<b>81,451</b>	
Sberbank of Russia, Sberbank, Moscow	72,938	50.00% + 1 voting share	72,938	50.00% + 1 voting share
Public Joint-Stock Company 'Moscow Exchange MICEX-RTS', Moscow Exchange, Moscow	5,793	11.77	5,710	11.73
Stock company Saint-Petersburg Currency Exchange, SPCEX SC, St Petersburg	3	8.90	3	8.90
National System of Payment Cards Joint-stock company, NSPC JSC, Moscow	4,300	100	2,800	100
<b>Investment in nonresident shares, of which:</b>	<b>3,201</b>		<b>2,472</b>	
Bank for International Settlements, Basel	3,200	0.57	2,471	0.57
Society for Worldwide Interbank Financial Telecommunications (SWIFT), Belgium	1	0.006	1	0.006

The Bank of Russia holds stakes in the capital of credit institutions and other organisations pursuant to Articles 8 and 9 of Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

In 2015, the Bank of Russia's stake in the authorised capital of the Moscow Exchange increased from 11.73% to 11.77% due to its acquisition of Moscow Exchange shares by executing with a credit institution repo transactions whose obligations have been terminated.

The Bank of Russia is the sole shareholder of NSPC JSC, set up in 2014 pursuant to Parts 1 and 2 of Article 30.2 of Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System'. In 2015, the authorised capital of NSPC JSC was raised to ₽4,300 million through an additional issue of ordinary registered uncertified shares acquired by the Bank of Russia in accordance with an agreement on the acquisition of shares in NSPC JSC.

The change in the item *Investment in nonresident shares* was caused by the revaluation of the Bank of Russia's investment in the authorised capital of Bank for International Settlements (Basel) and Society for Worldwide Interbank Financial Telecommunications (SWIFT) (Belgium), as a result of changes in the exchange rate of foreign currencies against the ruble (Note 28).

Additionally, the Bank of Russia's balance sheet also reflects the Russian Federation's stakeholdings in various international financial institutions: the Russian quota with the IMF totalling 5,945.4 million SDRs, which is 2.5% of the IMF's aggregate quotas (capital) and 2.39% of the total number of votes held by IMF member states, and the Russian Federation's investment in the authorised capital of the Interstate Bank totalling ₽10 million, which is 50.0% of its authorised capital and 50.0% of the total number of votes held by Interstate Bank member states.

## STATEMENT OF THE VOLUME OF BANK OF RUSSIA SECURITIES TRADING ON ORGANISED TRADING VENUES

(millions of rubles)

Trade organiser	Volume of Bank of Russia own securities trading (including repos)		Volume of Bank of Russia securities trading at the instruction of its customers		Volume of Bank of Russia sales of collateral for Lombard loans and repos	
	2015	2014	2015	2014	2015	2014
MICEX Stock Exchange	76,958,846	103,158,893	725,833	151,542	0	0
Stock company Saint-Petersburg Currency Exchange, SPCEX SC, St Petersburg	0	0	0	0	0	0
	<b>76,958,846</b>	<b>103,158,893</b>	<b>725,833</b>	<b>151,542</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 operations with securities:

- acquisition of securities in the first leg of repos in the currency of the Russian Federation;
- acquisition of securities in the first leg of repos in a foreign currency (the ruble equivalent of the volume of operations over the year in the foreign currency is given at the exchange rate as of 31 December 2015. These operations amounted to \$134,290 million in their respective settlement currency (2014: \$24,862 million);
- sales of securities of regional governments of the Russian Federation and other Russian issuers' securities from the Bank of Russia's portfolio, as well as international organisations' securities issued in the territory of the Russian Federation. These securities were acquired by the Bank of Russia in 2014 and 2015 in connection with repo transactions with Russian credit institutions, whose obligations have been terminated as a result of the settlement of a credit institution's default on the second leg of repo transactions or in accordance with Article 4.1 of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (termination of obligations according to clearing rules) following the revocation of the banking licence of a credit institution.

The column *Volume of Bank of Russia securities trading at the instruction of customers* shows summary data on the purchase and sale of Russian government securities by the Bank of Russia at the instruction of the Ministry of Finance under agency agreements.

## STATEMENT OF BANK OF RUSSIA PERSONNEL COSTS

(millions of rubles)

	2015	2014
Compensation	86,151	86,636
Other benefits to Bank of Russia personnel	1,303	1,269
Charges on compensation and other benefits	19,108	16,412
<b>Total Bank of Russia personnel costs</b>	<b>106,562</b>	<b>104,317</b>

The Bank of Russia's personnel costs grew by P2,245 million, or 2.2%, relative to 2014, with compensation-related expenses down by P485 million, or 0.6%, and other benefits to Bank of Russia personnel up by P34 million, or 2.7%. Charges on compensation and other benefits increased by P2,696 million, or 16.4%.

Compensation expenses include: salary payments, seniority bonuses for the length of service with the Bank of Russia, additional payments for participation in inspections, other increments and benefits established by Bank of Russia regulations, quarterly and year-end bonuses, regular paid leaves and study leaves, one-off allowances for annual paid leaves, payments of regional coefficients and interest allowances for those working in the Extreme North and similar regions in accordance with the legislation of the Russian Federation, and one-off allowances upon old age retirement.

Other benefits to Bank of Russia personnel under applicable legislation of the Russian Federation and Bank of Russia regulations include: financial support to offset spending on improving living conditions, emergency allowances, benefits for employees living (working) in regions affected by radiation following the Chernobyl nuclear power plant disaster, benefits for 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 disability, compensation for holiday travel expenses for employees working in the Extreme North and similar regions and their non-working family members for the payment of their round-trip tickets, and for the expenses incurred in moving to a new place of residence in a different region upon the expiration of their employment agreement (contract) or due to retirement, compensation for the expenses of employees and their family members to move to work at another Bank of Russia establishment located in another region, and other benefits.

In 2015, the average number of Bank of Russia employees fell by 2,437 (4.0%) to 58,110. The decrease resulted from measures to streamline the Bank of Russia's structure.

The average monthly income per one Bank of Russia employee was P125,414 in 2015 (2014: P120,987).

Insurance contributions to government extra-budgetary funds constituted 21.6% of total compensation and other benefit-related expenses (2014: 18.5%). Charges to the Social Insurance Fund for compulsory social insurance against on-the-job accidents and occupational disease were made at the fixed rate of 0.2%.

Expenses for the remuneration of key management personnel (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 – 18 persons) amounted to P317.8 million, or 0.4% of the total Bank of Russia expenses on compensation and other personnel benefits, including P75.4 million in year-end bonuses for 2014 (2014: 19 persons, P285.3 million or 0.3%, including P47.1 million in year-end bonuses for 2013).

## STATEMENT OF CAPITAL INVESTMENT BUDGET PERFORMANCE

(millions of rubles)

Capital investment	Approved for 2015	Actual amount in 2015	Actual amount in 2014
<b>Capital investment</b>	<b>10,198</b>	<b>7,835</b>	<b>14,005</b>
Capital investment in fixed assets	9,093	7,279	13,629
of which:			
– capital investment in information technology	3,289	2,866	6,976
– capital investment in construction (reconstruction) and logistics (except cash turnover management)	3,660	2,419	3,416
– capital investment relating to cash turnover management	1,277	1,137	2,137
– capital investment relating to security and protection of Bank of Russia facilities	867	857	1,100
Capital investment in intangible assets	654	556	376
Centralised capital investment reserve	451	0	0
Memo item:			
<b>Other capital expenses</b>	<b>1,204</b>	<b>1,005</b>	<b>1,109</b>
<b>Total capital expenses</b>	<b>11,402</b>	<b>8,840</b>	<b>15,114</b>

In 2015, the Bank of Russia's capital investment shrank by ₽6,170 million.

Investment in information technology made up the largest part of capital investment (36.6%), followed by construction (reconstruction) and logistics (30.9%). The share of capital investment in cash turnover management was 14.5%, capital investment in the security and protection of Bank of Russia facilities made up 10.9%, and capital investment in intangible assets was 7.1%.

Capital investment in information technology shrank by ₽4,110 million, or by 58.9%. Funds were used to develop the soft- and hardware infrastructure of information and telecommunications systems to ensure the sustainable and reliable functioning of the Bank of Russia payment system; to modernise the single telecommunications banking network; to develop terminal access systems and consolidated data server systems to support information exchange between main branches and regional divisions in the context of the Bank of Russia's regional network optimisation and the centralisation of accounting services; to develop and support operation of existing accounting systems and information analysis systems of the Bank of Russia and also electronic settlement systems; to develop the technical infrastructure (including engineering systems), components ensuring information security of Bank of Russia IT system; and to ensure data security and protection.

Capital investment in construction (reconstruction) and logistics to support the Bank of Russia's operations (excluding cash turnover management) shrank by ₽997 million, or by 29.2%. The funds were used to build (reconstruct) 91 office buildings and other facilities; to set up engineering and technical systems and installations for building operation and maintenance; to purchase replacement equipment, tools and furniture; and to additionally equip operating facilities, refurbish facilities, and purchase vehicles.

Capital investment in cash turnover management fell by ₽1,000 million, or by 46.8%. The funds were used to plan the construction of one new cash depository and to reconstruct two existing ones, to install in Bank of Russia offices technological equipment and cash-office hardware, including modular and hard-/software complexes, banknote processing systems, and to create (modernise) video systems for the surveillance and recording of operations with valuables.

Capital investment relating to the security and protection of Bank of Russia facilities decreased by ₽243 million, or by 22.1%. The funds were used to establish and develop fire-alarm systems, video security and surveillance systems, control and access systems, and to replace expired and obsolete facilities.



In 2015, capital investment in intangible assets increased by ₽180 million, or by 47.9%. The funds were used to purchase and develop software products (constituting the intellectual property of the Bank of Russia) for information technology support, and also for information security and protection.

The item *Other capital expenses* includes expenses for the purchase of the right to use certain software products (not categorised as intangible assets), as well as licences, certificates and permits that are valid for more than one year. Compared to 2014, these expenses decreased by ₽104 million, or by 9.4%.

## AUDITORS' REPORTS



### **Auditor's report**

#### **on the Bank of Russia Annual Financial Statements as of 1 January 2016**

#### **To the management of the Central Bank of the Russian Federation:**

#### **Audited Entity**

Full title of the Bank: The Central Bank of the Russian Federation (Bank of Russia).

Domicile: 12 Neglinnaya Street, Moscow 107016, Russian Federation.

State registration certificate 77 No. 006996300 issued on 10 January 2003.

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)' (as amended) and other federal laws.

#### **Auditors**

- 1) PricewaterhouseCoopers Audit, a closed joint-stock company (PwC Audit), located at: 10 Butyrsky Val Street, Moscow 125047, Russian Federation.

The joint-stock company's state registration certificate No. 008.890 was issued by the Moscow Registration Chamber on 28 February 1992.

The certificate of registration of a legal entity registered before 1 July 2002 in the Single State Register of Legal Entities No. 1027700148431, dated 22 August 2002, was issued by Moscow Interdistrict Inspectorate No. 39 of the Russian Federation Ministry of Taxes and Duties.

PwC Audit is a member of the Russian Audit Chamber (NP APR), a non-profit partnership and self-regulatory organisation of auditors; it has registration number 870 in the NP APR members' register.

PwC Audit is included in the register of auditors and audit organisations under the main registration entry number (MREN) 10201003683.

- 2) Financial and Accounting Consultants, a limited liability company (FBK), located at: Bldg. 2AB, 44/1 Myasnitskaya Street, Moscow 101990, Russian Federation.

Certificate of state registration of a limited liability company No. 484.583 was issued by the Moscow Registration Chamber on 15 November 1993.

The certificate of registration of a legal entity registered before 1 July 2002 in the Single State Register of Legal Entities No. 1027700058286, dated 24 July 2002, was issued by Moscow Interdistrict Inspectorate No. 39 of the Russian Federation Ministry of Taxes and Duties.

FBK is a member of the self-regulatory organisation of auditor Non-profit partnership Auditor Association Sodruzhestvo (NP AAS); it has registration number 7198 in the NP AAS members' register.

FBK's MREN in the register of auditors and audit organisations is 11506030481.

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### Auditor's report

We have conducted an audit of the attached 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 2015. 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)' (as amended), 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 the capital of 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 volume of Bank of Russia securities trading on organised trading venues (hereinafter all these statements are collectively referred to as the Annual Financial Statements). The Annual Financial Statements were drawn on the basis of the financial reporting that was compiled according to the requirements of the legislation of the Russian Federation and Bank of Russia regulations. The Annual Financial Statements prepared on that basis differ from financial reporting prepared according to the International Financial Reporting Standards.

### Responsibility of the Audited Entity for the Annual Financial Statements

The Bank of Russia's management bears responsibility for the compilation and credibility of the 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)' (as amended), Federal Law No. 402-FZ, dated 6 December 2011, 'On Accounting' (as amended), Bank of Russia Regulation No. 66-P, dated 1 January 2006, 'On the Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' (as amended), and also for the internal control system required for preparing the Annual Financial Statements that are free of material distortions which could result from malpractice or errors.

### Responsibility of the Auditor

Our duty is to express our opinion, based on the audit we have conducted, with regard to the credibility of these Annual Financial Statements in every material respect. We have conducted the audit in compliance with the Russian federal standards that govern auditing activities. These standards mandate that we comply with all applicable ethical norms, and the audit was planned and conducted in such a way as to allow us to become reasonably convinced that the Annual Financial Statements contain no material distortions.

The audit includes auditing procedures which are aimed at obtaining audit evidence confirming the numerical indicators of the Annual Financial Statements and disclosure of information. The choice of auditing procedures is subject to our judgement, which is based on our assessment of the risk of material distortions, which may result from malpractice or errors. In the process of assessing this risk, we examined the internal control system that ensures the compilation and credibility of the Annual Financial Statements in order to select relevant auditing procedures and not for the purpose of expressing an opinion on the efficiency of the internal control system. The audit also includes an assessment of the Bank of Russia's compliance with accounting principles, rules used and the validity of reference indicators obtained by the management, as well as an assessment of the general presentation of the Annual Financial Statements.

We believe that the evidence we have obtained in the course of the audit gives us sufficient grounds to formulate a conclusive opinion on the credibility of the Annual Financial Statements.



### Opinion

In our opinion, the Annual Financial Statements present, in all material respects, a reliable picture of the Bank of Russia's financial standing as of 1 January 2016 and the outcomes of its financial and economic activities for the period from 1 January to 31 December 2015 inclusive, as required by Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended), Federal Law No. 402-FZ, dated 6 December 2011, 'On Accounting' (as amended), and also according to Bank of Russia Regulation No. 66-P, dated 1 January 2006, 'On the Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' (as amended).

### Other information

Without any prejudice to the credibility of the Annual Financial Statements, we would like to draw attention to the fact that, 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)' (as amended), the reliability of the data, to which access is limited pursuant to the provisions of Federal Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' (as amended), and which are included in the items of the annual balance sheet and the statement of financial performance constituting the Bank of Russia's Annual Financial Statements, has been confirmed by the Audit Chamber of the Russian Federation in its Statement, dated 28 April 2016, as a result of the examination of the accounts and operations of the Central Bank of the Russian Federation, and also data covered by Federal Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' (as amended), as of 1 January 2016 and for the period from 1 January to 31 December 2015 inclusive.

Ye.V. Filippova  
Auditor qualification certificate  
No. 01-000195  
General Director  
PricewaterhouseCoopers Audit, CJSC

S.M. Shapiguzov  
Auditor qualification certificate  
No. 01-001230  
President  
Financial and Accounting Consultants, LLC

29 April 2016



# THE AUDIT CHAMBER OF THE RUSSIAN FEDERATION

2 Zubovskaya St., Moscow 119991

Tel: 986-05-09, fax: 986-09-52

28 April 2016

No. 06-83/06-02

To the Governor of the Central Bank  
of the Russian Federation

E.S. NABIULLINA

## STATEMENT

**on the Results of the Examination of the Accounts and Operations  
of the Central Bank of the Russian Federation (Bank of Russia)  
and Data for 2015 Covered by the Federal Law 'On State Secrecy'  
(approved by the decision of the Collegium of the Audit Chamber  
of the Russian Federation of 28 April 2016, protocol No. 19K (1094))**

The Audit 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 2015 covered by the Federal Law 'On State Secrecy' at the Bank of Russia's structural divisions 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 Audit Chamber of the Russian Federation for 2016.

The management of the Bank of Russia is responsible for assigning information to the category of data covered by the Federal Law 'On State Secrecy', and for delineating the competence of the Audit Chamber of the Russian Federation and the consortium of auditing organisations – PricewaterhouseCoopers Audit CJSC and Financial and Accounting Consultants LLC (the auditors of the Bank of Russia Annual Financial Statements as of 1 January 2016).

Under the applicable legislation, the Audit Chamber's duty is to present to the Bank of Russia a statement on the results of the examination of the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and data for 2015, covered by the Federal Law 'On State Secrecy', and to express an opinion on the credibility in all material aspects of the Bank of Russia Annual Financial Statements as of 1 January 2016, and on the compliance of the accounting procedure with Russian federal legislation and Bank of Russia regulations.

The Audit Chamber of the Russian Federation has conducted an examination of Bank of Russia accounts and operations, and also data for 2015 covered by the Federal 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 consolidated annual balance sheet (with respect to sub-accounts and off-balance sheet accounts) as of 1 January 2016, and its statement of financial performance for 2015, falling within the scope of competence of the Audit 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 1 January 2016, and the income and expenses of the Central Bank of the Russian Federation (Bank of Russia) for 2015, in line with the Bank of Russia's accounting policy.

Having examined the Bank of Russia's accounts and operations and data for 2015, covered by the Federal Law 'On State Secrecy', the Audit Chamber of the Russian Federation confirms, within the scope of its competence, the following data:

the Bank of Russia annual balance sheet as of 1 January 2016 (balance sheet assets totalling ₹937,896 million and balance sheet liabilities totalling ₹418 million), the statement of financial performance for 2015 (income totalling ₹5,001 million and expenses totalling ₹7,115 million);

precious metals revaluation for the reporting year and as of 1 January 2016: negative unrealised differences from the revaluation of precious metals totalling ₹13,959.8 million;

foreign currency revaluation for the reporting year and as of 1 January 2016: positive unrealised exchange rate differences from the revaluation of foreign currency totalling ₹137,729.9 million;

consolidated annual balance sheet as of 1 January 2016 (with respect to sub-accounts and off-balance sheet accounts) and the consolidated statement of financial performance for 2015;

data on the total number of Bank of Russia notes and coins of 1997 (exclusive of coins containing precious metals), which should be in circulation as of 1 January 2016.

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Federal Law 'On State Secrecy', a total of ₹8,848,217.4 million in Bank of Russia notes and coins of 1997 should be in circulation as of 1 January 2015 (exclusive of coins containing precious metals).

Over the period from 1 January to 31 December 2015, the Bank of Russia put into circulation banknotes and coins of 1997 (exclusive of coins containing precious metals) totalling ₹12,738,104.7 million, and withdrew from circulation Bank of Russia banknotes and coins of 1997 (exclusive of coins containing precious metals) totalling ₹13,055,216.0 million.

Consequently, in the period under review, the amount of Bank of Russia notes and coins of 1997 (exclusive of coins containing precious metals) in circulation increased by ₹317,111.3 million.

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Federal Law 'On State Secrecy', a total of ₹8,531,106.1 million in Bank of Russia notes and coins of 1997 should be in circulation as of 1 January 2016 (exclusive of coins containing precious metals).

The Audit Chamber of the Russian Federation confirms the credibility, in all material aspects, of the Bank of Russia Annual Financial Statements as of 1 January 2016, and the compliance of the accounting procedure with Russian federal legislation and Bank of Russia regulations.

Auditor

A.V. Perchyan





## **IV. ADDENDA**

## IV.1. PRINCIPAL MEASURES TO IMPLEMENT THE SINGLE STATE MONETARY POLICY IN 2015

### Monetary policy instruments and measures

#### Interest rates

At the start of 2015, the Bank of Russia key rate was 17.00% p.a. Over the course of the year, the Bank of Russia Board of Directors made several decisions to reduce the key rate: to 15.00% p.a. from 2 February 2015, to 14.00% p.a. from 16 March 2015, to 12.50% p.a. from 5 May 2015, to 11.50% p.a. from 16 June 2015, and to 11.00% p.a. from 3 August 2015.

By the start of 2015, the Bank of Russia had established a system of interest rates for monetary policy instruments, which allowed it to achieve its objectives, and made no changes to this system during the year. In 2015, the Bank of Russia Board of Directors took decisions to change the values of interest rates for monetary policy instruments at the same time as changes in the key rate.

The minimum interest rate on seven-day repo auctions and the maximum interest rate on seven-day deposit auctions were in line with the Bank of Russia key rate. Minimum interest rates on fine-tuning repo auctions and fine-tuning FX swap auctions (included in the system of instruments from 16 June 2015 onwards) and the maximum interest rate on fine-tuning deposit auctions were also tied to the key rate. The minimum interest rates on auctions to provide loans secured by non-marketable assets and on Lombard loan auctions were set at the key rate plus 0.25 percentage points.

The interest rate on one-day liquidity-providing standing facilities (overnight loans, Lombard loans, loans secured by gold, loans secured by non-marketable assets or guarantees, and also repos and FX swaps), which corresponded to the upper bound of the interest rate corridor, was set at one percentage point above the key rate. The interest rate on deposit operations under standard overnight terms, which corresponded to the lower bound of the interest rate corridor, was set at one percentage point below the key rate. Interest rates on standard tom/next, spot/next and demand deposit operations were also set at one percentage point below the key rate.

Floating interest rates were used for standing lending facilities with terms over one day. Interest rates on loans secured by gold were set at 1.5 percentage points above the key rate and interest rates on loans secured by non-marketable assets or guarantees were set at 1.75 percentage points above the key rate.

In 2015, the refinancing rate remained unchanged at 8.25% p.a. The Bank of Russia Board of Directors decided that the refinancing rate would equal the key rate from 1 January 2016.

#### Required reserves

In 2015, as part of improving the required reserve mechanism, the following measures were taken:

The Bank of Russia issued Ordinance No. 3654-U, dated 1 June 2015, 'On Amending Bank of Russia Regulation No. 342-P, Dated 7 August 2009, 'On Credit Institutions' Required Reserves'. This document made provisions, among other things, for the easing of measures applied by the Bank of Russia to credit institutions which fail to observe their required reserve averaging ratios.

From 10 September 2015, the averaging ratio for banks was raised from 0.7 to 0.8 and the averaging ratio for nonbank credit institutions engaged in deposit and lending operations was set at 1.0 (Bank of Russia Ordinance No. 3655-U, dated 1 June 2015, 'On Setting Averaging Ratio').

Bank of Russia prepared and issued Regulation No. 507-P, dated 1 December 2015, 'On Credit Institutions' Required Reserves' (which entered into force on 1 January 2016). The regulation enacted decisions adopted by the Bank of Russia Board of Directors to change approaches to the required reserves averaging mechanism, namely:

- to synchronise the schedule of required reserve averaging periods with the schedule of key Bank of Russia liquidity management operations, i.e. one-week auctions;
- to calculate the average balances on credit institutions' correspondent accounts and sub-accounts held with the Bank of Russia to check whether they have averaged their required reserves according to the arithmetic mean formula.

### Refinancing of credit institutions

In 2015, the Bank of Russia took steps aimed at broadening the opportunities for credit institutions to obtain liquidity through the Bank of Russia.

The Bank of Russia continued its efforts to develop standard liquidity provision mechanisms. Amid the enhanced burden on marketable collateral, the focus was primarily on credit institutions being able to more actively use other forms of assets as collateral, including non-marketable assets (especially credit claims). Specifically, the Bank of Russia largely simplified the procedure for granting loans secured by non-marketable assets through minimising the number of documents that the credit institution has to provide. In addition, changes were introduced to this procedure, which allowed to bring the loan amount provided by the Bank of Russia as close as possible to the collateral value. However, as banking sector demand for refinancing from the Bank of Russia reduced, the severity of the collateral problem subdued.

From 16 June 2015 onwards, the Bank of Russia's system of monetary policy instruments was supplemented with one- and two-day USD/RUB and EUR/RUB sell/buy fine-tuning FX swap auctions. A decision to hold fine-tuning FX swap auctions may only be taken if they are matched by fine-tuning repo auctions for similar tenors, and only if there is a high burden on marketable collateral in the form of securities. The minimum interest rate on the ruble-denominated leg of FX swaps was set at the key rate, and the interest rate on the foreign currency leg was set at zero.

However, in 2015, the \$10 billion per day cap in ruble terms on the provision of ruble liquidity to credit institutions through FX swaps with pre-set conditions remained in effect. This cap was linked to the need to minimise the opportunities for credit institutions pursuing high-risk strategies in the domestic foreign exchange market to use these lending facilities.

### Deposit operations

In 2015, the criteria on compliance with reserve requirements, which all credit institutions engaged in deposit operations with the Bank of Russia must observe, were clarified. Bank of Russia Ordinance No. 3785-U, dated 9 September 2015 'On Amending Clause 2.1 of Bank of Russia Regulation No. 404-P, Dated 9 August 2013, 'On Bank of Russia Deposit Operations with Credit Institutions' entered into effect on 2 November 2015.

### Specialised refinancing facilities

To stimulate certain segments of the lending market whose development has been held back by structural factors, the Bank of Russia continued to use specialised refinancing facilities for credit institutions.

In 2015, interest rates on loans provided via specialised refinancing facilities remained unchanged and were set: at 6.50% p.a. for loans secured by claims under interbank loan agreements provided by JSC SME Bank; at 9.00% p.a. for loans secured by claims under loan agreements which, in turn, were secured by insurance contracts of JSC EXIAR; at 9.00% p.a. for loans secured by claims under loans for investment projects or by bonds placed to fund investment projects; and at 10.75% p.a. for loans secured by mortgages issued under the Military Mortgage programme.

In 2015, in the framework of the programme designed to support lending to small and medium-sized businesses, it became possible to secure Bank of Russia refinancing facilities with claims under loans provided by JSC SME Bank to microfinance organisations for lending to SMEs, and to leasing companies for leasing property to SMEs. A mechanism was also developed to provide loans secured by guarantees issued by JSC Russian Small and Medium Business Corporation with maturities up to three years at 6.50% p.a.

Furthermore, in December 2015, the Bank of Russia decided to install a mechanism to provide loans for up to three years secured by claims under loans extended to leasing companies<sup>1</sup>. The rate on this instrument was set at 9.00% p.a.

<sup>1</sup> In accordance with the requirements set by Russian Foundation for Technological Development.

## Measures in the domestic foreign exchange market

In 2015, the Bank of Russia continued to implement its monetary policy within the floating exchange rate regime and did not intervene to smooth exchange rate fluctuations in the domestic foreign exchange market. However, the Bank of Russia retained the ability to conduct foreign exchange interventions in the event of threats to financial stability.

At the same time, in 2015, the Bank of Russia decided that it needed to replenish its international reserves. To this end, from 13 May to 27 July 2015, amid the reduced exchange rate volatility, the Bank of Russia carried out regular operations to purchase foreign currency totalling \$100–200 million per one trading day. In the context of the growing volatility of the ruble exchange rate against other foreign currencies under the influence of external economic factors, the Bank of Russia suspended the above mentioned operations.

### Instruments for providing foreign currency on a reverse basis

In 2015, in order to expand credit institutions' capacity to manage their short-term FX liquidity, the Bank of Russia continued to provide foreign currency on a reverse basis.

In 2015, the Bank of Russia offered credit to institutions daily USD/RUB sell/buy one-day FX swaps using exchange instruments. These FX swaps were conducted on terms of today/tomorrow and tomorrow/spot settlements. Over the year, the interest rate on the US dollar leg of these operations was at 1.50% p.a. and the interest rate on the ruble leg was at 1 percentage point below the Bank of Russia key rate. The maximum allotment amount on FX swaps with today/tomorrow settlements remained at \$1 billion and on FX swaps with tomorrow/spot settlements – at \$2 billion.

In 2015, the Bank of Russia held regular seven-day and 28-day repo auctions for providing foreign currency to credit institutions, and 12-month repo actions in the period from January to April and in the second half of December. Taking into account the situation in the foreign exchange markets, from 1 June 2015 to 13 December 2015, the Bank of Russia suspended its 12-month FX repo auctions. Furthermore, once a month in January–April, the Bank of Russia held two loan auctions to supply credit institutions with foreign currency with 28-day and 365-day terms, and in May–October it held only 28-day loan auctions once a month. To secure these loans, the Bank of Russia accepts claims under US dollar and euro loans provided by credit institutions to large Russian exporters.

The minimum interest rates on foreign currency repo auctions and loan auctions were set within LIBOR spreads in corresponding currencies and for comparable terms. At the start of 2015, spreads on repos were 0.50 percentage points and on loans – 0.75 percentage points, and from 30 March 2015 they widened to 1.00 and 1.25 percentage points respectively. Amid the ongoing changes in the situation in the foreign exchange market, spreads on one-week and 28-day repos were increased to 1.50 percentage points from 13 April 2015 and to 2.00 percentage points from 21 April 2015; spreads on 28-day loans were initially increased to 1.75 percentage points and then to 2.25 percentage points. Spreads on 12-month repos were increased to 1.75 percentage points from 13 April 2015, to 2.50 percentage points from 21 April 2015, and to 3.00 percentage points from 14 December 2015; and spreads on 365-day loans were raised to 2.00, 2.75 and 3.25 percentage points respectively.

The aggregate maximum size of credit institutions' debt to the Bank of Russia under FX repos and FX loans secured by claims under FX loans was set by the Bank of Russia in the amount equivalent of \$50 billion.

## Foreign exchange regulation and foreign exchange control

Within its mandate established by Federal Law No. 173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control', in 2015, the Bank of Russia continued to streamline foreign exchange control technology in order to improve its effectiveness.

Bank of Russia issued Ordinance No. 3671-U, dated 11 June 2015, 'On Amending Bank of Russia Instruction No. 138-I, Dated 4 June 2012, 'On the Procedure for Submitting Documents and Information Related to Foreign Exchange Transactions to Authorised Banks by Residents and Nonresidents, the Procedure for Executing Transaction Specifications, and the Procedure for Registering and Monitoring Foreign Exchange Transactions by Authorised Banks', which harmonised requirements for residents' transaction specifications for foreign trade contracts (loan agreements). According to these requirements, such documents are only permitted to be drawn up at authorised banks (Bank of Russia regional branches were no longer able to do this work).

In order to monitor foreign exchange transactions between residents under finance agreements against the assignment of receivables (factoring) arising from foreign trade agreements (contracts) with nonresidents<sup>1</sup> and to monitor residents' compliance with the requirement for the repatriation of funds in such cases, the Bank of Russia issued Ordinance No. 3865-U, dated 30 November 2015, 'On Amending Bank of Russia Instruction No. 138-I, Dated 4 June 2012, 'On the Procedure for Submitting Documents and Information Related to Foreign Exchange Transactions to Authorised Banks by Residents and Nonresidents, the Procedure for Executing Transaction Specifications, and the Procedure for Registering and Monitoring Foreign Exchange Transactions by Authorised Banks'. Among other things, the Ordinance set out the requirement for authorised banks to inspect bank control records at the Bank of Russia in the event of transaction specifications being transferred from one authorised bank to another or a new transaction specifications being drawn up when a resident assigns receivables (transfers a debt) under a foreign trade contract to another resident, which will enable authorised banks to detect 'counterfeit' bank control records submitted by residents and timely suppress dishonest economic agents' attempts at unlawful activity.

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<sup>1</sup> These operations are classified as eligible foreign currency operations under the Federal Law 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control' and Article 15.25 of the Russian Federation Code of Administrative Offences, which entered into force on 28 December 2015.

## IV.2. PRINCIPAL MEASURES TO UPGRADE BANKING REGULATION AND SUPERVISION IN 2015

### Measures to upgrade banking risk assessment, management and supervision methodologies

In 2015, as part of internationally recognised approaches to banking regulation, including standards proposed by the Basel Committee on Banking Supervision (BCBS), the Bank of Russia undertook the following work:

- with regard to determining a credit institution's equity capital, the Bank of Russia supplemented the definition of significant investments and formulated the definition of counter investments in the equity of financial institutions, and moved extended 50-year subordinated debt instruments from the sources of additional Tier 1 capital into the sources of Tier 2 capital (Bank of Russia Ordinance No. 3851-U, dated 18 November 2015, 'On Amending Bank of Russia Regulation No. 395-P, Dated 28 December 2012, 'On the Methodology for Measuring Bank Capital and Assessing its Adequacy (Basel III)');
- it revised the risk ratios and collateral requirements and set out charges to capital adequacy ratios (Bank of Russia Ordinance No. 3855-U, dated 30 November 2015, 'On Amending Bank of Russia Instruction No. 139-I, Dated 3 December 2012, 'On Banks' Required Ratios');
- the Bank of Russia set out requirements on drawing up plans to restore a credit institution's equity capital when it violates capital adequacy charges (Bank of Russia Ordinance No. 3871-U, dated 1 December 2015, 'On the Procedure for a Credit Institution to Generate a Capital Recovery Plan and Coordinate It with the Bank of Russia');
- it implemented an approach to assess credit risk using the internal ratings-based (IRB) approach pursuant to Pillar 1 of Basel II (Bank of Russia Regulation No. 483-P, dated 6 August 2015, 'On the Procedure for Assessing IRB Credit Risk' and Bank of Russia Ordinance No. 3752-U, dated 6 August 2015 'On the Procedure for Obtaining Authorisation to Use Bank Credit Risk Management Methods and Quantitative Credit Risk Assessment Models to Calculate a Bank's Capital Adequacy Requirements and the Procedure for Assessing Their Quality');
- the Bank of Russia established the calculation procedure and minimum values of liquidity coverage ratio, taking into account the schedule for the ratio's phases-out implementation for systemically important credit institutions on a consolidated basis (N26) or on an individual basis (N27) if the systemically important credit institution is not the head credit institution of a banking group (Bank of Russia Regulation No. 510-P, dated 3 December 2015, 'On the Procedure for Calculating the Liquidity Coverage Ratio (Basel III) by Systemically Important Credit Institutions');
- it specified the procedure for calculating the liquidity coverage ratio, including the composition of high quality liquid assets and their quality criteria, the classification of funds in precious metals and on escrow accounts when calculating the expected outflows of funds, definitions of small businesses and the concept of trade finance, as well as calculating inflows of funds (Bank of Russia Ordinance No. 3872-U, dated 1 December 2015, 'On Amending Bank of Russia Regulation No. 421-P, Dated 30 May 2014, 'On the Procedure for Calculating Liquidity Coverage Ratio (Basel III)');
- the Bank of Russia brought the procedure used by credit institutions to measure credit risk in line with the requirements set out in the BCBS documents 'International convergence of capital measurement and capital standards' (2006) and 'Revisions to the Basel II market risk' (2011), taking into account the document: 'Basel III: A global regulatory framework for more resilient banks and banking systems' (2010) (Bank of Russia Regulation No. 511-P, dated 3 December 2015, 'On the Procedure for Calculating Market Risk by Credit Institutions');
- it established requirements for credit institutions' risk and capital management systems through the implementation of internal capital adequacy assessment process (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 Bank of Russia set out the procedure for assessing the quality of a credit institution's or banking group's risk and capital management systems and capital adequacy (Bank of Russia Ordinance No. 3883-U, dated 7 De-



ember 2015, 'On the Procedure for the Bank of Russia to Assess the Quality of Risk and Capital Management Systems, and Capital Adequacy of a Credit Institution or a Banking Group');

- it introduced mandatory standardised forms to be used by credit institutions to disclose information on their capital structure, financial leverage values, and the calculation of liquidity coverage ratios on an individual and consolidated basis (Bank of Russia Ordinances No. 3602-U, dated 19 March 2015, and No. 3879-U, dated 3 December 2015, on introducing amendments to Bank of Russia Ordinance No. 3081-U, dated 25 October 2013, 'On Disclosing Information on Activities by Credit Institutions'; and Bank of Russia Ordinance No. 3876-U, dated 3 December 2015, 'On the Forms, Procedure and Timeframes for Parent Credit Institutions of Banking Groups to Disclose Information on Risks Assumed, Risk Assessment Procedures, and Risk and Capital Management Procedures');
- the Bank of Russia set out requirements on the contents of information regarding the implementation of the IRB approach, which must be disclosed by banks implementing this approach (Bank of Russia Ordinance No. 3876-U, dated 3 December 2015, 'On the Forms, Procedure and Timeframes for Parent Credit Institutions of Banking Groups to Disclose Information on Risks Assumed, Risk Assessment Procedures, and Risk and Capital Management Procedures' and Bank of Russia Ordinance No. 3879-U, dated 3 December 2015, 'On Amending Bank of Russia Ordinance No. 3081-U, Dated 25 October 2013, 'On Disclosing Information on Activities by Credit Institutions');
- it improved approaches to the organisation and conduct of consolidated supervision, including those recommended by the BCBS document: 'Basel III: A global regulatory framework for more resilient banks and banking systems', and it specifically established a procedure for including reporting data from banking group participants in consolidated statements, the special conditions surrounding the inclusion of reporting data received from insurance companies in the calculation of a banking group's equity capital, and also marginal values of required ratios for banking groups whose parent credit institutions and participants are settlement nonbank credit institutions (Bank of Russia Regulations No. 462-P, dated 11 March 2015, 'On the Procedure for Compiling Statements Required for the Supervision of Credit Institutions on a Consolidated Basis and Other Information on the Activities of Banking Groups' and No. 509-P, dated 3 December 2015, 'On Calculating the Capital, Required Ratios and Open Currency Position Limits of Banking Groups');
- in developing approaches to regulate the activities of credit institutions and banking groups that are part of bank holding companies, the Bank of Russia issued Ordinances No. 3777-U, dated 9 September 2015, 'On Compiling and Submitting Financial Statements and Other Information on Bank Holding Company Risks to the Bank of Russia', No. 3780-U, dated 9 September 2015, 'On the Procedure for Notifying the Bank of Russia of the Establishment of a Bank Holding Company, the Formation of a Management Company of a Bank Holding Company and its Granted Powers', No. 3783-U, dated 9 September 2015, 'On the Procedure for Submitting Statements and Other Information on Bank Holding Company Risks by a Parent Company to the Bank of Russia as Electronic Messages with Authentication Codes', and No. 3781-U, dated 9 September 2015, 'On Amending Bank of Russia Ordinance No. 3087-U, Dated 25 October 2013, 'On Disclosing and Submitting Consolidated Financial Statements by Bank Holding Companies'.

Furthermore, in 2015, the Bank of Russia continued its work to improve banking regulation and supervision:

- it extended the list of criteria used to assess the economic situation of banks, removed the indicator used to assess the capital quality (PK3), and adjusted the procedure for calculating the group of indicators for capital assessment (Bank of Russia Ordinance No. 3873-U, dated 2 December 2015, 'On Amending Bank of Russia Ordinance No. 2005-U, Dated 30 April 2008, 'On Assessing Banks' Economic Situation');
- the Bank of Russia introduced a methodology to check the accuracy of reserve calculations and to create reserves for loans classified on a portfolio basis, based on statistical extrapolation to determine the sufficiency of assets belonging to banks undergoing the resolution process with a view to settling their liabilities; the extrapolation method is based on a statistically valid scaling of the results of a detailed inspection (sample) of loans to the total portfolio of homogeneous loans (Bank of Russia Ordinance No. 3707-U, dated 30 June 2015, 'On the Methodology Used by the Representatives of the Bank of Russia and the State Corporation Deposit Insurance Agency to Assess the Sufficiency of a Bank's Assets to Settle Its Liabilities').

As part of the efforts to establish a list of systemically important credit institutions, the Bank of Russia issued Ordinance No. 3737-U, dated 22 July 2015 'On the Methodology to Define Systemically Important Credit Institu-



tions', which sets out the corresponding method, including quantitative indicators of credit institutions' activities and criteria for internationally active credit institutions. The list of systemically important credit institutions includes those which account for at least 60% of total banking sector assets.

Exercising the powers stipulated by Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Household Deposits with Russian Banks', since 2015 Q3, the Bank of Russia has been checking banks' compliance with the criteria on applying additional or higher additional rates on insurance premiums paid to the compulsory deposit insurance fund. To this end, every month the Bank of Russia calculates deposits' base yield (DBY) using information disclosed by banks on maximum interest rates for household deposits. Banks are obliged to pay the additional rate if the yield for even one deposit during the reporting period exceeds the DBY by more than 2 percentage points or the higher additional rate if the yields exceed the DBY by more than 3 percentage points. Furthermore, to identify banks paying insurance premiums at higher additional rates, alongside the indicator signaling the excess over the DBY, from 2016, the Bank of Russia also takes into account their financial standing (Bank of Russia Ordinances No. 3607-U, dated 23 March 2015, 'On Measuring Deposits' Base Yields', No. 3801-U, dated 17 September 2015, 'On Recognising a Bank's Financial Situation as Meeting the Criteria for the Payment of Insurance Premiums at Higher Additional Rates', No. 3606-U, dated 23 March 2015, 'On Amending Bank of Russia Ordinance No. 3194-U, Dated 27 February 2014, 'On the Procedure for Disclosing by Credit Institutions Information about Interest Rates on Household Bank Deposit Agreements', No. 3605-U, dated 23 March 2015, 'On the Procedure for Filing a Petition by a Bank Not to Be Classified as Banks Paying Insurance Premiums at Additional or Higher Additional Rates', and No. 3712-U, dated 5 July 2015, 'On the Procedure for the Bank of Russia to Inform the State Corporation Deposit Insurance Agency on the Compliance of Banks Participating in the Deposit Insurance System with the Criteria on Applying Additional or Higher Additional Rates for Insurance Contributions').

From 1 July 2015, there will be a legal limit on the effective annual interest rate (EAIR) for consumer loans (borrowings): at the time of signing the consumer loan (credit) agreement, the EAIR cannot exceed the average market EAIR, calculated by the Bank of Russia for the category of consumer loans (borrowings) in question and applicable during the corresponding quarter, by more than one third. This mechanism will help to reduce interest rates on household loans (borrowings).

In 2015, the Bank of Russia also took a number of steps to maintain resilience of the banking sector:

- it granted credit institutions the opportunity to include in their capital calculation subordinated instruments paid for by federal government bonds (OFZs) or attracted through pension savings in non-governmental pension funds (Bank of Russia Ordinance No. 3600-U, dated 15 March 2015, 'On Amending Bank of Russia Regulation No. 395-P, Dated 28 December 2012, 'On the Methodology for Measuring Bank Capital (Basel III)');
- preferred shares paid for with OFZs pursuant to Federal Law No. 451-FZ, dated 29 December 2014, 'On Amending Article 11 of the Federal Law 'On the Insurance of Household Deposits with Russian Banks' and Article 46 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' were included in the sources of common equity Tier 1 capital, and subordinated instruments provided (issued) pursuant to Federal Law No. 451-FZ (Bank of Russia Ordinance No. 3643-U, dated 21 May 2015, 'On Amending Bank of Russia Regulation No. 395-P, Dated 28 December 2012, 'On the Methodology for Measuring Bank Capital (Basel III)') were included in the sources of additional Tier 1 capital;
- the period during which banks cannot increase provisions for loans was extended from two to three years if banks' financial position or quality of debt servicing (loan collateral) deteriorated as a result of some extraordinary situation, and the period during which credit institutions cannot remove loans from homogeneous loan portfolios in similar circumstances was increased to three years (Bank of Russia Ordinance No. 3683-U, dated 18 June 2015, 'On Amending Bank of Russia Regulation No. 254-P, Dated 26 March 2004, 'On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debts');
- the Bank of Russia improved its requirements for depositories, specifically removed criteria on ratings from international and national ratings agencies, and also increased the equity capital requirement from ₧250 million to ₧300 million (Bank of Russia Ordinance No. 3868-U, dated 1 December 2015, 'On Amending Bank of Russia Ordinance No. 2732-U, Dated 17 November 2011, 'On the Specifics of Credit Institutions' Loss Provisioning for Operations with Securities the Rights to Which Are Certified by Depositories');

- risk ratios on newly issued foreign currency household loans were raised to 300% (Bank of Russia Ordinances No. 3566-U, dated 16 February 2015, and No. 3684-U, dated 18 June 2015, 'On Amending Bank of Russia Instruction No. 139-I, Dated 3 December 2012, 'On Banks' Required Ratios');
- with regard to credit institutions acting as central counterparties, a special procedure regulating risk coverage on customer operations was introduced from 1 November 2015 (Bank of Russia Ordinances No. 3763-U, dated 1 September 2015, 'On Amending Clause 2 of Bank of Russia Regulation No. 395-P, Dated 28 December 2012, 'On the Methodology for Measuring Bank Capital (Basel III)', No. 3764-U, dated 1 September 2015, 'On Amending Clause 1.3 of Bank of Russia Instruction No. 139-I, Dated 3 December 2012, 'On Banks' Required Ratios', No. 3765-U, dated 1 September 2015, 'On Amending Clauses 1.10 and 3.1 of Bank of Russia Regulation No. 254-P, Dated 26 March 2004, 'On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debts', and No. 3766-U, dated 1 September 2015, 'On Amending Clauses 1.1 and 1.12 of Bank of Russia Regulation No. 283-P, Dated 20 March 2006, 'On the Procedure for Making Loan Loss Provisions by Credit Institutions');

### **Licensing of credit institutions' activities and preventing their bankruptcy**

In 2015, the Bank of Russia continued its efforts to develop the regulatory framework for the state registration of credit institutions and licensing of banking activities:

- pursuant to Federal Law No. 334-FZ, dated 4 November 2014, 'On Amending Article 8 of the Federal Law 'On Banks and Banking Activities', the Bank of Russia issued Ordinance No. 3639-U, dated 19 May 2015, 'On the Procedure for Credit Institutions to Disclose Information on their Official Websites on the Internet on the Qualifications and Work Experience of Members of the Board of Directors (Supervisory Board) of a Credit Institution, any Persons Acting as a Sole Executive Body, His/Her Deputy, Members of the Collegiate Executive Board, the Chief Accountant and Deputy Chief Accountant of the Credit Institution, and the Manager and Chief Accountant of the Credit Institution's Branch';
- the Bank of Russia adjusted the procedure (including the procedure for the state registration of any changes to a credit institution's charter) for increasing a credit institution's authorised capital in the event of:
  - swap (conversion) of creditors' claims under subordinated loans (deposits, borrowings, bond loans), including claims for unpaid interest on such loans (deposits, borrowings, bond loans) and claims under financial sanctions due to the failure to fulfil obligations under subordinated loans (deposits, borrowings, bond loans) for ordinary shares (equities) in a credit institution;
  - acquisition by the state corporation Deposit Insurance Agency on the basis of Russian Government enactments, using assets in the cashless form, of shares (stakes) in a credit institution, including preferred shares in a bank participating in the deposit insurance system, through payment by federal government bonds. In this case, when paying for shares (stakes) in a bank participating in the deposit insurance system, the rules regarding the maximum value of asset (cashless) contributions to the authorised capital of a credit institution or the mandatory appraisal of assets contributed to the authorised capital, including by an independent appraiser, and on obtaining a prior (subsequent) consent from the Bank of Russia, do not apply (Bank of Russia Ordinance No. 3647-U, dated 24 May 2015, 'On Amending Bank of Russia Instruction No. 135-I, Dated 2 April 2010, 'On the Procedure for the Bank of Russia to Make Decisions on the State Registration and Licensing of Credit Institutions');
- an obligation was imposed on all banks participating in the compulsory deposit insurance system to publish information on the Bank of Russia website regarding any entities that either control or exert significant influence on banks (Bank of Russia Ordinance No. 3542-U, dated 23 January 2015, 'On Amending Bank of Russia Regulation No. 345-P, Dated 27 October 2009, 'On the Procedure for Disclosing Information on the Bank of Russia Website about Persons Exerting Material (Direct or Indirect) Influence on the Decisions Made by the Management of Banks Participating in the Compulsory Household Deposit Insurance System');
- an obligation was introduced to obtain the Bank of Russia's permit when gifting more than 10% of shares (stakes) in a credit institution (Bank of Russia Ordinance No. 3847-U, dated 11 November 2015, 'On Amending Bank of Russia Instruction No. 146-I, Dated 25 October 2013, 'On the Procedure for Obtaining Bank of Russia Prior Permission to Acquire Shares (Stakes) in a Credit Institution');

- it became possible, when outfitting mobile cash offices, to make sure that a signal is transmitted from the navigation and monitoring systems of mobile cash offices to the cash collection divisions of their respective banks and, if an emergency arises, to retransmit such signal to security organisations (Bank of Russia Ordinance No. 3679-U, dated 15 June 2015, 'On Amending Clause 1.9 of Bank of Russia Ordinance No. 3028-U, Dated 22 July 2013, 'On the Procedure for Opening (Closing) and Managing a Mobile Cash Office of a Bank (Branch)').

Seeking to improve the regulatory framework to prevent the bankruptcy of banks, the Bank of Russia carried out the following work:

- it set out the procedure and methodology for analysing the financial situation of a bank to see if it is advisable to involve the state corporation Deposit Insurance Agency in bankruptcy-prevention measures or settlement of such bank's liabilities (Bank of Russia Ordinance No. 3691-U, dated 24 June 2015, 'On the Procedure and Methodology for Analysing the Financial Situation of a Bank to See if It Is Advisable to Involve the State Corporation Deposit Insurance Agency for Bankruptcy-Prevention Measures or Settlement of the Bank's Liabilities');
- a procedure was established for the Bank of Russia to decide on the reduction of a bank's authorised capital to the equity capital amount or to one ruble (Bank of Russia Ordinance No. 3711-U, dated 5 July 2015, 'On the Procedure for the Bank of Russia to Decide to Reduce the Authorised Capital of a Bank to the Equity Capital Amount or to One Ruble').

In terms of improving the regulatory framework associated with the procedure for issuing securities when credit institutions form their authorised capital, in 2015 the Bank of Russia did the following:

- it specified the procedure for registering issues of ordinary shares placed by a credit institution by swapping the claims of its creditors under subordinated loans (deposits, borrowings, bond loans), including unpaid interest on such loans (deposits, borrowings, bond loans), and financial sanctions for failure to fulfil obligations under subordinated loans (deposits, borrowings, bond loans), including in terms of the list of documents required for the state registration of issues and placement reports; issues of bonds by credit institutions which are paid for by federal government bonds; the terms of issue for bonds that may be recognised as subordinated, in terms of the right of a credit institution to unilaterally refuse to pay the income on the bonds, the right to fully or partially end all obligations under the bonds, and the right of the holders of such bonds to forgive the debt of a credit institution in cases stipulated by federal laws (Bank of Russia Ordinance No. 3635-U, dated 18 May 2015, 'On Amending Bank of Russia Instruction No. 148-I, Dated 27 December 2013, 'On the Procedure for Issuing Credit Institution Securities in the Russian Federation');
- it described the specifics of issuing preferred shares placed within the framework stipulated by Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation', with regard to the possibility of issuing preferred shares exceeding 25% of the authorised capital and the possibility of the general shareholders' meeting deciding to issue the said shares with a majority vote (previously s of votes), and it also made clarifications regarding the termination of the statuses of closed and open joint-stock companies in the Civil Code of the Russian Federation (it removed provisions on the possibility (or lack thereof) of credit institutions conducting open or closed subscription in the capacity of an open or closed joint-stock company) (Bank of Russia Ordinance No. 3563-U, dated 8 February 2015, 'On Amending to Bank of Russia Instruction No. 148-I, Dated 27 December 2013, 'On the Procedure for Issuing Credit Institution Securities in the Russian Federation');
- pursuant to Article 189<sup>50</sup> of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)', it set out the specifics of the procedure for a credit institution to issue shares in accordance with a plan approved by the Bank of Russia for the DIA to participate in bankruptcy-prevention measures at the bank, and it namely set out the decision-making procedure for the placement of a bank's shares pursuant to the decision by the Bank of Russia to reduce the authorised capital of the bank, the list of documents to be submitted for the state registration of the issue (additional issues) and placement reports for the issues (additional issues) of shares, as well as actions linked to the end of the shares issue, in which the bank may be engaged as of the time of the Bank of Russia's decision to reduce the authorised capital of the bank (Bank of Russia Ordinance No. 3681-U, dated 16 June 2015, 'On the Specifics of the Procedure for a Bank to Issue Shares When the State Corporation Deposit Insurance Agency Is Undertaking Bankruptcy-Prevention Measures at the Bank').

With the enactment on 1 March 2015 of Federal Law No. 189-FZ, dated 28 June 2014, 'On Amending the Federal Law 'On Credit Histories' and Certain Laws of the Russian Federation', the Bank of Russia carried out the following work:

- it set out the procedure for notifying a debtor if information concerning him/her is forwarded to the credit history bureau (CHB) (Bank of Russia Ordinance No. 3561-U, dated 6 February 2015, 'On the Procedure for Notifying a Debtor on the Forwarding of His/Her Profile to a Credit History Bureau');
- the Bank of Russia defined the format and procedure for CHBs to submit credit statements on credit history makers to the Bank of Russia at its request (Bank of Russia Ordinance No. 3599-U, dated 15 March 2015, 'On the Format and Procedure for Submitting Credit Statements of Credit History Makers from Credit History Bureaus on Bank of Russia Request');
- it set out the procedure for checking that a credit history user (that is not one of the Bank of Russia's supervised entities) has originals of the consent to receive a credit statement and the procedure for CHBs to follow when there are no original consent forms and if the credit history user refuses to undergo the checks (Bank of Russia Ordinance No. 3646-U, dated 24 May 2015, 'On the Procedure for Credit History Bureaus to Check the Compliance by Credit History Users, Which Are Not Among the Entities Monitored (Supervised) by the Bank of Russia, With the Condition on the Availability of Consent of Credit History Makers to Obtain a Credit Report');
- the Bank of Russia set out the procedure for information inquiries to be sent to the Central Catalogue of Credit Histories (CCCH) from the CHB where a maker's credit history is stored and for a credit history user to obtain information from the CCCH, together with any entities laying claim to inheritance in connection with the need for a notary to check the composition of the inheritance estate when conducting notarial work to issue a certificate of rights to the inheritance by means of an inquiry via a notary (Bank of Russia Ordinance No. 3701-U, dated 29 June 2015, 'On the Procedure for Sending Inquiries to the Central Catalogue of Credit Histories and Receiving Information from it Via a Notary').

With the enactment of the provisions established by Federal Law No. 154-FZ, dated 29 June 2015, 'On Resolution Specifics of Insolvency (Bankruptcy) in the Republic of Crimea and in the Federal City of Sevastopol and On Amending Certain Laws of the Russian Federation', which governs the activities of a financial manager approved to manage the insolvency (bankruptcy) case of an individual credit history maker, the Bank of Russia set out procedures on:

- the financial manager sending inquiries to the CCCH to provide information on the CHB at which the specific credit history is stored (Bank of Russia Ordinance No. 3892-U, dated 11 December 2015, 'On Amending Bank of Russia Ordinance No. 3572-U, Dated 19 February 2015, 'On the Procedure for Submitting Inquiries to and Receiving Information from the Central Catalogue of Credit Histories on the Credit History Bureau in Charge of the Credit History of a Credit History Maker via a Credit History Bureau');
- receiving information from the CCCH via CHBs, credit institutions, microfinance organisations, and credit co-operatives electronically (Bank of Russia Ordinance No. 3893-U, dated 11 February 2015, 'On the Procedure for Submitting Inquiries to and Receiving Information from the Central Catalogue of Credit Histories via a Credit Institution').

### Measures to improve on-site inspections

In 2015, efforts continued to improve the regulatory and methodological framework underpinning the Bank of Russia's on-site inspections:

- it improved the procedure for organising and conducting inspections of credit institutions (their branches) and, specifically, provided clarifications on changes in the Bank of Russia's organisational structure, in part in connection with the creation of Bank of Russia main branches, and also divisions and divisions – national banks operating within them (Bank of Russia Ordinance No. 3715-U, dated 7 July 2015, 'On Amending Bank of Russia Instruction No. 147-I, Dated 5 December 2013, 'On the Procedure for Inspecting Credit Institutions (Their Branches) by Authorised Representatives of the Central Bank of the Russian Federation (Bank of Russia)' and Bank of Russia Ordinance No. 3900-U, dated 16 December 2015, 'On Amending Bank of Russia Instruction No. 149-I, Dated 25 February 2014, 'On Organising Inspections by the Central Bank of the Russian Federation (Bank of Russia)');



- with a view to implementing the provisions set out in Article 73 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 issued Order No. OD-1246, dated 3 June 2015, 'On Organising and Carrying Out the Preliminary Selection of Audit Organisations Which the Bank of Russia Board of Directors May Authorise to Inspect Credit Institutions (Their Branches)', drafted on the basis of Clause 1.1 of Bank of Russia Regulation No. 442-P, dated 30 November 2014, 'On the Procedure for Selecting Audit Organisations to Conduct Inspections of Credit Institutions (Their Branches) at the Instruction of the Bank of Russia Board of Directors'.

### **Countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism**

In 2015, the Bank of Russia took further steps to implement its mandate envisaged by Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'. As part of this work, the Bank of Russia:

- set out the procedure for trade organisers and clearing houses to provide information to financial intelligence units regarding the services that they render to their customers, and specified the volume of information thus provided (Bank of Russia Ordinance No. 3754-U, dated 7 August 2015, 'On the Submission by Trade Organisers and Clearing Houses of the Information Specified in the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' to the Federal Financial Monitoring Service');
- brought the regulation regime previously in effect regarding credit institutions' identification of customers in line with the current requirements of Federal Law No. 115-FZ, which has undergone numerous amendments (Bank of Russia Regulation No. 499-P, dated 15 October 2015, 'On the Identification by Credit Institutions of Customers, Customer Representatives, Beneficiaries and Beneficiary Owners in Order to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism').

In exercising the powers accorded to the Bank of Russia under Federal Law No. 159-FZ, dated 29 June 2015, 'On Amending the Federal Law 'On the State Defense Order' and Certain Laws of the Russian Federation', the Bank of Russia issued several acts regulating the activities of authorised banks that arrange settlements under the state defense order and provide banking support for the state order and contracts concluded for the execution thereof (Bank of Russia Regulations No. 3641-U, dated 19 May 2015, 'On Amending Clause 1.21.1 of Bank of Russia Regulation No. 383-P, Dated 19 June 2012, 'On Funds Transfer Rules', No. 3659-U, dated 4 June 2015, 'On Amending Bank of Russia Regulation No. 385-P, Dated 16 July 2012, 'On Accounting Rules in Credit Institutions Located in the Russian Federation', No. 3729-U, dated 15 July 2015, 'On the Criteria of Operations Suspended According to the Federal Law 'On the State Defense Order', No. 3730-U, dated 15 July 2015, 'On the Procedure for Authorised Banks to Inform a Financial Monitoring Body about Refusal to Conduct an Operation, about Conducting an Earlier Suspended Operation Using a Separate Account Opened for the Principal Executor, and for the Executor in Charge of Settlements under the State Defense Order', No. 3731-U, dated 15 July 2015, 'On Amending Appendix 8 to Bank of Russia Regulation No. 321-P, Dated 29 August 2008, 'On the Procedure for Credit Institutions to Submit to the Authorised Body Information Stipulated by the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism', No. 3732-U, dated 15 July 2015, 'On Amending Bank of Russia Regulation No. 443-P, Dated 4 December 2014, 'On the Procedure for Organisations Carrying out Operations with Monetary Funds and Other Property to Notify the Authorised Body of the Opening of Accounts, Covered (Deposited) Letters of Credit, Conclusion of Bank Account and Bank Deposit Contracts, Purchase of Securities by Business Entities with Strategic Significance for the Defense Industry and Security of the Russian Federation and Companies Directly or Indirectly Controlled by Them', No. 3733-U, dated 15 July 2015, 'On the Procedure for Authorised Banks to Submit Data to the Single Information System of the State Defense Order', and No. 3775-U, dated 3 September 2015, 'On Amending Bank of Russia Regulation No. 385-P, Dated 16 July 2012, 'On Accounting Rules in Credit Institutions Located in the Russian Federation').

In addition, in 2015, the Bank of Russia issued the following methodological recommendations: No. 9-MR, dated 2 April 2015, 'On Enhancing Attention of Credit Institutions to Certain Operations by their Customers', No. 10-MR, dated 2 April 2015, 'On Enhancing Attention of Credit Institutions to Certain Operations by their Cus-

tomers', No. 12-MR, dated 5 May 2015, 'On Enhancing Attention of Credit Institutions to Certain Operations by their Customers', No. 17-MR, dated 15 July 2015, 'On Enhancing Attention of Credit Institutions to Certain Operations by their Customers', No. 18-MR, dated 15 July 2015, 'On Enhancing Attention of Brokers to Certain Operations', and No. 35-MR, dated 4 December 2015, 'On Enhancing Attention of Credit Institutions to Certain Operations by their Customers', all of which focused credit institutions' attention on certain customer operations, including those bearing the signs of dubious operations, with recommendations on how to identify them and mitigate the associated risks of laundering criminally obtained income and the financing of terrorism.

## IV.3. PRINCIPAL MEASURES TO IMPROVE REGULATION IN THE NATIONAL PAYMENT SYSTEM IN 2015

To improve the regulation in the national payment system, the Bank of Russia issued the following regulatory documents:

- Regulation No. 456-P, dated 19 January 2015, 'On the Procedure for Sending Letters of Advice, Requests, Confirmations, Funds Transfer Orders, and Funds Collection Instructions between Bank of Russia Divisions';
- Ordinance No. 3532-U, dated 14 January 2015, 'On Amending Bank of Russia Regulation No. 266-P, Dated 24 December 2004, 'On the Issuance of Bank Cards and on Operations Using Them';
- Ordinance issued by the Bank of Russia and the RF Ministry of Finance No. 3540-U/10n, dated 22 January 2015, 'On Amending Bank of Russia and Ministry of Finance Regulation No. 414-P/8n, Dated 18 February 2014, 'On the Specifics of Settlement and Cash Servicing of Regional Federal Treasury Bodies, the Financial Bodies of Constituent Territories of the Russian Federation (Municipal Districts) and Government Extra-budgetary Fund Administration Bodies of the Russian Federation';
- Ordinance No. 3573-U, dated 19 February 2015, 'On Amending Bank of Russia Ordinance No. 3165-U, Dated 30 December 2013, 'On the Procedure for Making Decisions on Refunding Interest for Late Refunds of Overpaid State Duties';
- Ordinance No. 3617-U, dated 7 April 2015, 'On Amending Bank of Russia Ordinance No. 3294-U, Dated 25 June 2014, 'On the Procedure for Imposing Penalties to Payment System Operations Stipulated by Articles 82<sup>4</sup> and 82<sup>5</sup> of Federal Law No. 86-FZ, Dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)';
- Ordinance No. 3618-U, dated 7 April 2015, 'On Amending Bank of Russia Regulation No. 423-P, Dated 12 June 2014, 'On the Security Deposits of Operators of Not Nationally Important Payment Systems';
- Ordinances No. 3626-U, dated 22 April 2015, 'On Amending Bank of Russia Regulation No. 406-P, Dated 29 August 2013, 'On the Procedure for Administering Certain Types of Budget Revenues by the Central Bank of the Russian Federation';
- Ordinance No. 3637-U, dated 18 May 2015, 'On Amending Bank of Russia Ordinance No. 2824-U, Dated 31 May 2012, 'On Reporting by Payment System Operators on Payment Systems';
- Ordinance No. 3641-U, dated 19 May 2015, 'On Amending Clause 1.21<sup>1</sup> of Bank of Russia Regulation No. 383-P, Dated 19 June 2012, 'On Funds Transfer Rules';
- Ordinance No. 3686-U, dated 22 June 2015, 'On Amending Bank of Russia Regulation No. 3150-U, Dated 22 June 2015, 'On Bank of Russia Activities as a Payment Infrastructure Service Operator';
- Ordinance No. 3693-U, dated 25 June 2015, 'On Amending Bank of Russia Ordinance No. 2547-U, Dated 24 December 2010, 'On Accounts Opened for Federal Treasury Regional Branches, Financial Authorities of Constituent Entities of the Russian Federation and Municipalities to Record the Funds of Organisations, which are not Budgetary Process Participants, with Subdivisions of the Bank of Russia's Settlement Network or with Credit Institutions (Branches), and Accounts of Autonomous Institutions with Credit Institutions (Branches)';
- Ordinance No. 3713-U, dated 7 July 2015, 'On Amending Bank of Russia Ordinance No. 2390-U, Dated 29 January 2010, 'On the Procedure for Transferring Unused Balances of Federal Treasury Accounts';
- Ordinance No. 3756-U, dated 7 August 2015, 'On Internal Financial Controls at the Central Bank of the Russian Federation';
- Ordinance No. 3811-U, dated 2 October 2015, 'On Amending Bank of Russia Ordinance No. 1822-U, Dated 25 April 2007, 'On the Procedure for Effecting Payments and Settlements in the Bank of Russia Real-time Gross Settlement System';
- Ordinance No. 3812-U, dated 2 October 2015, 'On Amending Bank of Russia Regulation No. 303-P, Dated 25 April 2007, 'On the Real-time Gross Settlement System of the Bank of Russia';



- Ordinance No. 3814-U, dated 5 October 2015, 'On the Procedure for the Bank of Russia to Provide Financial Messaging Services to Credit Institutions and their Corporate Customers';
- Ordinance No. 3839-U, dated 5 November 2015, 'On Amending Bank of Russia Regulation No. 384-P, Dated 29 June 2012, 'On the Bank of Russia Payment System';
- Ordinance No. 3843-U, dated 6 November 2015, 'On Amending Bank of Russia Ordinance No. 2390-U, Dated 29 January 2010, 'On the Procedure for Transferring Unused Balances of Federal Budget Funds';
- Ordinance No. 3844-U, dated 6 November 2015, 'On Amending Bank of Russia Regulation No. 383-P, Dated 19 June 2012, 'On Funds Transfer Rules';
- Ordinance No. 3866-U, dated 30 November 2015, 'On the Procedure to Conduct Control Operations after Completing Funds Transfers within the Bank of Russia Payment System';
- Ordinance No. 3880-U, dated 4 December 2015, 'On Amending Clause 1.3 of Bank of Russia Regulation No. 422-P, Dated 11 June 2014, 'On the Procedure for the Bank of Russia to Qualify a Payment System as a Nationally Important Payment System';
- Ordinance No. 3886-U, dated 7 December 2015, 'On Amending Bank of Russia Regulation No. 419-U, Dated 17 April 2014, 'On Paying for Bank of Russia Services in the Bank of Russia Payment System';
- Ordinance No. 3919-U, dated 28 December 2015, 'On Amending Bank of Russia Regulation No. 406-P, Dated 29 August 2013, 'On the Procedure for Administering Certain Types of Budget Revenues by the Central Bank of the Russian Federation';
- Order issued by the RF Ministry of Finance and the Bank of Russia No. 205n/3908-U, dated 21 December 2015, 'On Amending Regulation of the Ministry of Finance of the Russian Federation and the Central Bank of the Russian Federation No. 127n/328-P, Dated 12 November 2008, 'On the Procedure for Completing Operations on Federal Budget Accounts, Opened with Bank of Russia Divisions and Credit Institutions (Branches) in the Current Fiscal Year'.

## IV.4. PRINCIPAL MEASURES TO DEVELOP THE FINANCIAL MARKETS IN 2015

In order to increase the stability of the financial market and the accessibility of financial instruments for economic agents, in 2015, the Bank of Russia carried out comprehensive measures to develop the Russian financial market, including further improvement of its regulation. In 2015, the Bank of Russia continued to analyse foreign experience in financial market regulation and the specifics of law enforcement practices in various segments of the Russian financial market, participated in the development of draft federal laws, and issued regulatory documents.

In particular, the Bank of Russia adopted and enacted the following regulatory documents governing the procedure for licensing the activities of professional securities market participants and financial market infrastructure organisations:

- Ordinance No. 3562-U, dated 8 February 2015, 'On the Procedure for the Bank of Russia to Approve Amendments to the Internal Documents of a Central Depository';
- Ordinance No. 3645-U, dated 24 May 2015, 'On the Procedure for the Bank of Russia to Register the Documents of a Trade Organiser or Clearing House and the Procedure for Amending Such Documents';
- Ordinance No. 3762-U, dated 1 September 2015, 'On Amending Bank of Russia Ordinance No. 2919-U, Dated 3 December 2012, 'On the Assessment of the Management Quality of a Credit Institution Acting as a Central Counterparty', which establishes criteria for forming and managing the allocated capital of a qualified central counterparty and forming a unified structure for the levels of protection for a qualified central counterparty in the markets that it serves;
- Ordinance No. 3763-U, dated 1 September 2015, 'On Amending Clause 2 of Bank of Russia Regulation No. 395-P, Dated 28 December 2012, 'On the Methodology for Measuring Bank Capital and Assessing its Adequacy (Basel III)', which envisages a change in the approach to measuring bank capital, according to which the total sources of the common equity Tier 1 capital are reduced by the amount of qualified central counterparty's allocated capital and funds committed to secure the termination or restructuring of such central counterparty's activities and to cover possible losses resulting from a deterioration in the financial standing of the qualified central counterparty as a result of a drop in its income or increase in its expenditure, not in connection with clearing participants' defaults on their obligations;
- Ordinance No. 3764-U, dated 1 September 2015, 'On Amending Clause 1.3 of Bank of Russia Instruction No. 139-I, Dated 3 December 2012, 'On Banks' Required Ratios', which instructs the qualified central counterparty to exclude operations linked to clearing activities and performance of central counterparty duties from the calculation of banks' required ratios;
- Ordinance No. 3765-U, dated 1 September 2015, 'On Amending Clauses 1.10 and 3.1 of Bank of Russia Regulation No. 254-P, Dated 26 March 2004, 'On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debts' and Ordinance No. 3766-U, dated 1 September 2015, 'On Amending Clauses 1.1 and 1.12 of Bank of Russia Regulation No. 283-P, Dated 20 March 2006, 'On the Procedure for Making Loan Loss Provisions by Credit Institutions', which exclude operations linked to clearing activities and performance of central counterparty duties from the calculation of a qualified central counterparty's loss provisions;
- Ordinance No. 3767-U, dated 1 September 2015, 'On Amending Clause 1.1 of Bank of Russia Instruction No. 124-I, Dated 15 July 2005, 'On Setting Open Currency Position Limits, Methodology for Their Calculation and the Specifics of Monitoring Their Observance by Credit Institutions', which instructs the qualified central counterparty to exclude operations linked to clearing activities and performance of central counterparty duties from the calculation of open currency position limits;
- Instruction No. 168-I, dated 13 September 2015, 'On the Procedure for the Bank of Russia to License Professional Activities in the Securities Market and to Keep the Register of Professional Securities Market Participants';
- Instruction No. 169-I, dated 26 October 2015, 'On the Procedure for the Bank of Russia to License Exchanges and Trading Systems and to Keep the Register of Licences';

- Instruction No. 170-I, dated 11 November 2015, 'On the Procedure for the Bank of Russia to License Clearing Activities and to Keep the Register of Licences';
- The Bank of Russia prepared a number of regulatory documents establishing requirements governing the activities of forex dealers: Ordinance No. 3770-U, dated 1 September 2015, 'On Forex Dealer Functions, as Defined for the Purposes of Clause 1.1 of Article 10<sup>1</sup> of Federal Law No. 39-FZ, Dated 22 April 1996, 'On the Securities Market', and Requirements for Forex Dealers Fulfilling Them', Ordinance No. 3772-U, dated 2 September 2015, 'On the Procedure and Timeframes for Forex Dealers to Record Agreements and Operations Conducted for the Execution Thereof' and Ordinance No. 3773-U, dated 2 September 2015, 'On Certain Requirements for Forex Dealer Activities'.

Over 2015, the Bank of Russia drafted several regulatory documents on matters relating to the issuance of securities, in particular defining the procedure for issuing bonds as part of bond programmes and the procedure for issuing commercial bonds.

For the first time, the Bank of Russia was responsible for the state registration of bond issues secured by monetary claims as part of non-mortgage securitisation, bond issues secured by monetary claims as part of project financing transactions, and also bond programmes and bond issues placed as part of bond programmes.

In 2015, measures were taken to develop the insurance market. Federal Law No. 155-FZ, dated 29 June 2015, 'On Amending Certain Laws of the Russian Federation' made it possible to use the insurance mechanism as one of the forms of ensuring payment for medical care provided to citizens of the Russian Federation in a country of temporary residence, as well as setting out minimum property insurance standards for tourist.

To improve the quality of organisations entering the insurance market and to protect the rights of insurance service consumers, the Bank of Russia participated in drafting changes to the Russian legislation, related to improving the licensing of insurance agents by installing registration for insurance companies as legal entities with the Bank of Russia and by introducing an assessment for insurance licence applicants based on the analysis of their business plans. The corresponding draft bill was passed by the State Duma in the first reading on 16 March 2016.

In 2015, the Bank of Russia issued Ordinance No. 3790-U, dated 10 September 2015, 'On the List of Documents Confirming Compliance with the Requirements for the Authorised Capital of an Insurer, and the List of Documents Confirming the Sources of Monetary Funds Contributed to the Authorised Capital by Individual Founders of Insurance and(or) Reinsurance Licence Applicants' and Ordinance No. 3825-U, dated 19 October 2015, 'On Amending Bank of Russia Ordinance No. 3316-U, Dated 10 July 2014, 'On the Requirements for Applications, Information and Documents Submitted to Obtain an Insurance Licence and on Establishing Standard Forms'.

To improve the regulation of activities in the collective investment market, the Bank of Russia issued the following documents:

- Instruction No. 162-I, dated 14 April 2015, 'On the Requirements for the Composition and Content of Documents Submitted to the Bank of Russia for the Registration of Trust Management Rules for Mortgage Coverage, and Also Amendments and Addenda Thereto';
- Regulation No. 474-P, dated 10 June 2015, 'On the Activities of Specialised Depositories' and Ordinance No. 3758-U, dated 25 August 2015, 'On the Valuation of Net Assets of Investment Funds and on the Procedure for Calculating the Average Annual Value of Net Assets of Unit Investment Funds and Net Assets of Joint-stock Investment Funds, Estimated Value of Investment Units of Unit Investment Funds, and the Value of Property Transferred as Payment for Investment Units';
- Instruction No. 164-I, dated 29 June 2015, 'On the Procedure for the Bank of Russia to Make Decisions on the State Registration of Non-governmental Pension Funds, on Issuing or Reissuing Licences of Non-governmental Pension Funds, on Maintaining the Register of Licences of Non-governmental Pension Funds, and on Registering Rules (Amending Rules) of Non-governmental Pension Funds';
- Instruction No. 165-I, dated 29 June 2015, 'On the Procedure for Applying to the Bank of Russia for Prior Consent (Subsequent Approval) to a Transaction (Transactions) Involving Shares in a Non-governmental Pension Fund or a Transaction (Transactions) Establishing Control over a Shareholder in a Non-governmental Pension Fund, and on the Form of the Said Application and the List of Documents and Information Attached Thereto';

- Instruction No. 166-I, dated 29 June 2015, 'On the Procedure for Licensing Joint-stock Investment Funds, Management Companies and Specialised Depositories, on the Procedure for Keeping the Licence Register of Joint-stock Investment Funds, Management Companies, and Specialised Depositories, and on the Procedure for Notifying the Bank of Russia of Changes in the Data on the Officials of Joint-stock Investment Funds, Management Companies and Specialised Depositories';
- Regulation No. 475-P, dated 29 June 2015, 'On Requirements for the Financial Status of an Entity Acquiring Shares in a Non-governmental Pension Fund or an Entity Establishing Direct or Indirect (Through Third Parties) Control over a Shareholder in a Non-governmental Pension Fund and Owning More than 10 Per Cent of Its Shares, and On the Procedure for Assessing the Financial Status of Such Entities and Grounds for Recognising it as Unsatisfactory'.

In pursuance of the Federal Law establishing the regulation of credit ratings agencies in the Russian Federation, and to achieve comprehensive regulation in this segment, the Bank of Russia issued the following regulatory documents:

- Ordinance No. 3861-U, dated 30 November 2015, 'On the Procedure for a Credit Rating Agency to Approve Grounds for Refusing Legal Entities and Public Law Entities to Provide Rating Services According to the National Rating Scale for the Russian Federation';
- Ordinance No. 3887-U, dated 7 December 2015, 'On the Methodology for Measuring Credit Rating Agency Capital';
- Ordinance No. 3896-U, dated 14 December 2015, 'On the Requirements for the Rating Committee Regulation Including the Operational Procedure of a Credit Rating Agency Rating Committee';
- Ordinance No. 3903-U, dated 17 December 2015, 'On the Procedure for the Bank of Russia to Agree on Candidates to the Position of a Sole Executive Body or His/Her Deputy and a Controller (Head of Internal Control Service) in a Credit Rating Agency and the Procedure for the Bank of Russia to Assess the Compliance of the Individuals Mentioned in Part 1 of Article 7 of Federal Law No. 222-FZ, Dated 13 July 2015, 'On the Activity of Credit Rating Agencies in the Russian Federation, on Amending Article 76' of the Federal Law 'On The Central Bank of the Russian Federation (Bank of Russia)' and Invalidating Certain Provisions of Russian Laws', with the Requirements for Business Reputation';
- Regulation No. 521-P, dated 17 December 2015, 'On the Procedure for the Bank of Russia to Maintain the Register of Credit Rating Agencies, the Register of Branches and Representative Offices of Foreign Credit Rating Agencies, on the Requirements for the Procedure and Form for Submitting Notifications by Credit Rating Agencies to the Bank of Russia'.

To further develop the institution of the actuary, and to enhance the effectiveness and improve the transparency of their activities, in 2015, the Bank of Russia issued the following documents:

- Ordinance No. 3596-U, dated 15 March 2015, 'On Amending Bank of Russia Ordinance No. 3535-U, Dated 19 January 2015, 'On Additional Requirements for the Actuarial Report Resulting from the Obligatory Actuarial Evaluation of the Activity of Insurance Companies, the Procedure for its Submitting and Publishing';
- Ordinance No. 3696-U, dated 29 June 2015, 'On Amending Bank of Russia Ordinance No. 3435-U, Dated 6 November 2014, 'On Additional Requirements for the Qualifications of Responsible Actuaries and the Procedure for Certifying Responsible Actuaries';
- Ordinance No. 3697-U, dated 29 June 2015, 'On Amending Bank of Russia Ordinance No. 3359-U, Dated 5 August 2014, 'On the Procedure for Holding a Qualification Examination for Entities Wishing to Join a Self-regulatory Organisation of Actuaries and the Procedure for Confirming a Passed Examination'.

To improve supervision of microfinance organisations and consumer credit cooperatives, Federal Law No. 210-FZ, dated 29 June 2015, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Laws of the Russian Federation' was passed. This law clarifies the procedure for excluding microfinance organisations from the state register, the procedure for keeping, and a list of information to be included in, the state register of consumer credit cooperatives, and standards of and requirements for reporting by consumer credit cooperatives. This law initiated the enactment of amendments to the Civil Code of the Russian Federation in terms of the ban on the advertising (public offers) of the taking of deposits by unregulated companies.

Additionally, in implementing the provisions of this federal law, the Bank of Russia issued the following regulatory documents:

- Ordinance No. 3805-U, dated 24 September 2015, 'On the Procedure for Investing Reserve Funds of Consumer Credit Cooperatives';
- Ordinance No. 3916-U, dated 28 December 2015, 'On the Procedure for Calculating the Financial Ratios of Consumer Credit Cooperatives and Their Numerical Values'.

With respect to accessing the market for microfinance organisations, housing savings cooperatives, and agricultural consumer credit cooperatives, the Bank of Russia issued the following regulatory documents:

- Ordinance No. 3587-U, dated 11 March 2015, 'On the Procedure for the Bank of Russia to Keep the Register of Housing Savings Cooperatives';
- Ordinance No. 3588-U, dated 11 March 2015, 'On the Procedure for the Bank of Russia to Keep the State Register of Microfinance Organisations, to Create a Certificate Form for Making an Entry about a Legal Entity in the State Register of Microfinance Organisations, and to Approve a Form for Providing Information about the Legal Entity's Founders';
- Ordinance No. 3813-U, dated 5 October 2015, 'On the Procedure for Keeping the State Register of Agricultural Consumer Credit Cooperatives by the Bank of Russia';
- Ordinance No. 3898-U, dated 16 December 2015, 'On the Procedure for Keeping the State Register of Consumer Credit Cooperatives'.

To increase the effectiveness of measures designed to prevent the illegal use of insider information, in 2015, the Bank of Russia participated in the drafting of amendments to 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', which provide for the introduction of an open list of insider information unique to each financial market agent. The amendments also expand the list of insiders by including individuals with access to information on transactions (forthcoming transactions) to transfer ownership rights to 5% or more of the total voting rights represented by the voting shares (stakes) making up the authorised capital of issuers and management companies. It also became possible to change the timeframes for obligatory disclosure of insider information. The draft bill was passed by the State Duma in the first reading on 29 January 2016.

With a view to protecting the rights of financial consumers and minority shareholders, the Bank of Russia carried out work aimed at increasing the efficiency of reviewing communications containing complaints or declarations pertaining to the activities of NFIs or securities issuers. In 2015, roughly 68,000 communications were processed. If any violations of Russian Federation legislation were identified, the Bank of Russia sent a compulsory order, instructing the guilty parties to eliminate the discovered violations and/or prohibit any violations of the Russian Federation legislation (8,300 orders), and initiated administrative offence cases (roughly 4,700 records of administrative offence cases).

The Bank of Russia signed a bilateral agreement with the Non-governmental Civil Rights Organisation Russian Financial Consumers Protection Union to exchange information and develop common methods and practices to protect the rights of financial consumers. Additionally, under the bilateral agreement, the Bank of Russia and the Russian Association of Motor Insurers held working meetings to discuss problems arising among the citizens and methods to solve such problems.

In 2015, a range of measures were undertaken to improve the legal regulation of procedures to organise and carry out inspections of nonbank financial institutions and self-regulatory organisations of nonbank financial institutions (hereinafter, supervised entities), the basic principles of which had been laid down in 2014. Specifically, the Bank of Russia issued Ordinance No. 3699-U, dated 29 June 2015, 'On Amending Bank of Russia Instruction No. 151-I, Dated 24 April 2014, 'On the Procedure to Have the Activities of Nonbank Financial Institutions and Self-regulatory Organisations of Nonbank Financial Institutions Inspected By Authorised Representatives of the Central Bank of the Russian Federation (Bank of Russia)'.

To ensure a smooth transition to consolidated supervision of all financial market participants (including nonbank financial institutions and banks, which form financial groups and generate interconnected risks), in 2015, steps were taken to improve the effective supervisory environment through the integration of information flows and the conduct of cross audits and coordinated inspections.

To provide the methodological support for the Bank of Russia's inspection activities at supervised organisations, 15 informational and methodological documents were issued. They explained approaches to the organisation, conduct, and recording of inspection findings at supervised organisations (including inspections of specialised depositories of non-government pension funds, joint-stock investment funds and unit investment funds, consumer credit cooperatives, pawnbrokers, professional securities market participants, and insurance companies).

## IV.5. STATISTICAL TABLES

Table 1

### Key Macroeconomic Indicators (percent of previous year)

	2013	2014	2015
Gross domestic product <sup>1, 2, 3</sup>	101.3	100.7	96.3
of which:			
– agriculture, hunting and forestry	104.8	102.0	103.1
– mining and quarrying	96.5	102.0	101.1
– manufacturing	104.4	100.6	94.9
– electricity, gas and water supply	98.1	98.9	98.6
– construction	100.1	97.2	92.6
– wholesale and retail trade, and other	100.4	101.4	90.0
– transport and communications	102.1	99.2	98.5
GDP deflator index <sup>3</sup>	104.8	–	107.7
Consumer price index (December on previous December) <sup>3</sup>	106.5	111.4	112.9
Fixed capital investment <sup>2, 3</sup>	100.8	98.5	91.6
Retail trade turnover <sup>2, 3</sup>	103.9	102.7	90.0
Unemployment rate calculated according to ILO methodology (annual average), percent of economically active population <sup>3</sup>	5.5	5.2	5.6
External trade (per balance of payments methodology) <sup>4</sup>			
– merchandise exports	98.9	95.4	68.6
– merchandise imports	101.6	90.3	62.6
– exports of services	112.5	93.8	78.8
– imports of services	117.9	94.3	73.0

<sup>1</sup> Data for 2014–2015 were calculated by Rosstat according to the 2008 SNA methodology.

<sup>2</sup> Index of quantity.

<sup>3</sup> Rosstat data as of 4 April 2016.

<sup>4</sup> Bank of Russia data.



Table 2

**Consumer Prices by Group of Goods and Services**  
**(growth, December as a percentage of previous December)<sup>1</sup>**

	2013	2014	2015
Consumer prices, total	6.5	11.4	12.9
of which:			
– food prices	7.3	15.4	14.0
of which:			
– food prices exclusive of fruit and vegetables	7.1	14.7	13.6
– fruit and vegetable prices	9.3	22.0	17.4
– nonfood prices	4.5	8.1	13.7
– paid services provided to the public	8.0	10.5	10.2
Prices of goods and services included in calculation of core consumer price index (CCPI)	5.6	11.2	13.7

<sup>1</sup> Rosstat data as of 31 March 2016.

Table 3

**Consumer Price Inflation Structure<sup>1</sup>**

	2014		2015	
	growth in percentage points	contribution to growth, percent	growth in percentage points	contribution to growth, percent
<b>Headline inflation (December on December)</b>	<b>11.4</b>	<b>100.0</b>	<b>12.9</b>	<b>100.0</b>
Inflation growth due to:				
– change in prices of goods and services included in CCPI calculation	9.0	79.3	10.0	77.1
– change in prices of goods and services not included in CCPI calculation	2.3	20.7	3.0	22.9
of which:				
– change in fruit and vegetable prices	0.8	7.1	0.7	5.4
– change in administered service and fuel prices	1.2	10.5	2.2	17.2

<sup>1</sup> Rosstat data as of 31 March 2016, Bank of Russia calculations.

Table 4

**Balance of Household Money Income and Expenditures<sup>1</sup>**  
(millions of rubles)

	2014	2015	2015 as a percentage of 2014
<b>Money income</b>	<b>47,920,649.9</b>	<b>53,100,630.5</b>	<b>110.8</b>
Wages and salaries	31,526,325.6	34,967,968.8	110.9
Share, percent	65.8	65.9	
Social allowances	8,628,190.1	9,689,886.9	112.3
Share, percent	18.0	18.2	
Income from entrepreneurial activities	4,022,069.4	3,896,629.6	96.9
Share, percent	8.4	7.3	
Income from property	2,785,651.7	3,485,929.2	125.1
Share, percent	5.8	6.6	
Other income	958,413.1	1,060,216.0	110.6
Share, percent	2.0	2.0	
<b>Money expenditures</b>	<b>41,780,629.3</b>	<b>43,793,484.1</b>	<b>104.8</b>
– consumer expenditures	36,106,444.7	37,816,067.0	104.7
– compulsory payments and contributions	5,674,184.6	5,977,417.1	105.3
<b>Growth in savings and cash on hand, purchase of foreign currency</b>	<b>6,140,020.6</b>	<b>9,307,146.4</b>	<b>151.6</b>
– savings <sup>2</sup>	3,283,630.5	7,491,560.7	228.1
of which:			
– deposits and securities	378,451.0	3,453,100.0	912.4
– foreign currency purchase	2,780,611.4	2,233,633.0	80.3
– cash on hand	75,778.7	–418,047.3	–551.7
<b>Memo item</b>			
<b>Share of money income, percent</b>			
– consumer expenditures	75.3	71.2	
– compulsory payments and contributions	11.8	11.3	
– savings	6.9	14.1	
of which:			
– deposits and securities	0.8	6.5	
– foreign currency purchase	5.8	4.2	
– cash on hand	0.2	–0.8	
<b>Disposable money income</b>	<b>42,314,500.2</b>	<b>47,185,743.6</b>	<b>111.5</b>
Share of, percent			
– consumer expenditures	85.3	80.2	
– savings	7.8	15.9	
of which:			
– deposits and securities	0.9	7.3	
– foreign currency purchase	6.6	4.7	
– cash on hand	0.2	–0.9	
– remittances	0.1	0.1	

<sup>1</sup> Rosstat data, Bank of Russia calculations.

<sup>2</sup> Savings include increase (decrease) in deposits, purchase of securities, change in accounts of individual entrepreneurs, change in debt on loans, purchase of real estate and cattle and poultry.

Table 5

**Russia's Domestic Government Debt as of 1 January 2016**  
(at face value, billions of rubles)

Debt instruments	Total within domestic government debt	Of these, traded on domestic securities market
Permanent coupon-income federal government bonds (OFZ-PD)	2,710.3	2,710.3
Debt depreciation federal government bonds (OFZ-AD)	791.2	791.2
Variable coupon-income federal government bonds (OFZ-PK)	1,347.3	1,347.3
Inflation-indexed federal government bonds (OFZ-IN)	141.8	141.8
Government savings bonds (GSO)	492.6	–
MinFin bonds (OVOZ)	90.0	–
Russian government guarantees in national currency	1,734.5	–
<b>Total</b>	<b>7,307.6<sup>1</sup></b>	<b>4,990.6</b>

<sup>1</sup> Discrepancies between the amounts are due to the rounding of data.

Table 6

**Ministry of Finance Debt to the Bank of Russia as of 1 January 2016<sup>1</sup>**  
(millions of rubles)

	At face value
Russian government debt obligations	468,964 <sup>2</sup>
of which:	
– Russian government debt obligations available for sale, in national currency	228,114
– Russian government debt obligations available for sale, in foreign currency	240,849

<sup>1</sup> Exclusive of repo transactions.

<sup>2</sup> Discrepancies between the amounts are due to the rounding of data.

Table 7

**Volume (Turnover) of Residents' Transactions with Nonresidents**  
**to Buy and Sell Russian Government Foreign Currency Bonds in Secondary Market**  
(at market prices, billions of US dollars)

	Currency	Q1	Q2	Q3	Q4	2015
Eurobonds maturing in 2015	US dollar	0.34	0.30	–	–	0.64
Eurobonds maturing in 2017	US dollar	0.47	0.44	0.66	1.12	2.69
Eurobonds maturing in 2018 (issued in the course of restructuring GKO's)	US dollar	0.14	0.14	0.04	0.09	0.41
Eurobonds maturing in 2019	US dollar	0.15	0.08	0.21	0.27	0.71
Eurobonds maturing in 2020	US dollar	0.25	0.44	0.30	0.45	1.44
Eurobonds maturing in 2020	Euro	0.02	0.04	0.03	0.03	0.12
Eurobonds maturing in 2022	US dollar	0.23	0.21	0.12	0.22	0.78
Eurobonds maturing in 2023	US dollar	0.20	0.59	0.33	0.74	1.86
Eurobonds maturing in 2028	US dollar	0.25	1.00	0.17	0.48	1.90
Eurobonds maturing in 2030 (issued in the course of the second restructuring of debt to the London Club of commercial creditors)	US dollar	10.05	2.98	1.16	1.12	15.31
Eurobonds maturing in 2042	US dollar	0.25	0.50	0.25	0.47	1.47
Eurobonds maturing in 2043	US dollar	0.03	0.07	0.04	0.06	0.20

Table 8

### Institutional Financial Market Participants (units)

	As of 1.01.2015	As of 1.01.2016
Credit institutions with the right to conduct banking operations, total	834	733
of which:		
– banks	783	681
– nonbank credit institutions	51	52
Credit institutions with foreign stakes in authorised capital	225	199
Branches of credit institutions operating in Russia	1,708	1,398
Representative offices of operating Russian credit institutions	318	308
Insurance market entities, total	567	478
of which:		
– insurance companies	404	334
– mutual insurance companies	12	10
– insurance brokers	151	134
Credit and noncredit institutions licensed as professional securities market participants, total	1,079	875
of which:		
– brokers	803	633
– forex dealers	–	1
– dealers	817	651
– trust managers	706	541
– depositories	579	502
– register holders	39	39
Clearing organisations	5	5
Exchanges	8	9
Merchandise operators	1	2
nongovernmental pension funds	120	102
Unit investment funds, total	1,586 <sup>1</sup>	1,559
of which:		
– open-end	402 <sup>1</sup>	372
– interval	55 <sup>1</sup>	50
– closed-end	1,129 <sup>1</sup>	1,137
Joint-stock investment funds	6	4
Management companies of investment funds, unit investment funds and nongovernmental pension funds	396	372
Specialised depositories of investment funds, unit investment funds and nongovernmental pension funds	38	39
Microfinance agents, total		17,420
of which:		
– microfinance organisations	4,200	3,688
– housing savings cooperatives	88	77
– consumer credit cooperatives	3,545	3,500
– agricultural consumer credit cooperatives	n/a <sup>2</sup>	1,738
– pawnshops	8,762	8,417
Self-regulatory organisations (SROs)		
– SROs of professional securities market participants	5	5
– SROs of microfinance organisations	3	3
– SROs of consumer credit cooperatives	10	9
– SROs of actuaries	2	2
Credit rating agencies	9	9

<sup>1</sup> Updated.<sup>2</sup> Amendments to Federal Law No. 193-FZ, dated 8 December 1995, 'On Agricultural Cooperation' authorising the Bank of Russia to maintain the state register of agricultural consumer credit cooperatives became effective from 1 June 2015.

Table 9

**Balance of Payments<sup>1</sup> of the Russian Federation**  
(analytical presentation, millions of US dollars)

	Q1	Q2	Q3	Q4	2015	Memo item: 2014
<b>Current account</b>	<b>29,999</b>	<b>16,638</b>	<b>7,975</b>	<b>14,952</b>	<b>69,564</b>	<b>58,319</b>
Goods	45,525	43,749	28,943	30,296	148,513	189,737
<i>Exports</i>	<i>90,177</i>	<i>91,424</i>	<i>78,761</i>	<i>81,104</i>	<i>341,467</i>	<i>497,763</i>
oil	22,729	25,402	21,469	19,988	89,588	153,888
oil products	20,025	19,094	14,913	13,421	67,453	115,875
natural gas	11,366	10,449	9,447	10,582	41,844	55,240
other	36,056	36,479	32,932	37,114	142,582	172,760
<i>Imports</i>	<i>44,653</i>	<i>47,676</i>	<i>49,818</i>	<i>50,808</i>	<i>192,954</i>	<i>308,026</i>
Services	-8,291	-9,469	-12,025	-6,826	-36,611	-55,278
<i>Exports</i>	<i>11,748</i>	<i>13,103</i>	<i>13,229</i>	<i>13,711</i>	<i>51,791</i>	<i>65,744</i>
transport	3,731	4,422	4,456	4,218	16,828	20,542
travel	1,887	2,376	2,579	1,623	8,465	11,759
other services	6,129	6,306	6,194	7,869	26,498	33,443
<i>Imports</i>	<i>20,039</i>	<i>22,572</i>	<i>25,254</i>	<i>20,537</i>	<i>88,402</i>	<i>121,022</i>
transport	2,525	3,018	3,091	3,029	11,662	15,420
travel	7,472	9,425	12,168	5,870	34,934	50,428
other services	10,042	10,129	9,996	11,638	41,805	55,175
Compensation of employees	-1,470	-1,503	-1,096	-1,080	-5,149	-10,074
Investment income	-4,762	-14,938	-5,957	-5,925	-31,581	-58,018
Receivable	8,753	6,980	9,115	8,751	33,599	42,837
Payable	13,515	21,918	15,072	14,675	65,181	100,856
<i>Federal government</i>	<i>-90</i>	<i>-313</i>	<i>-119</i>	<i>-298</i>	<i>-820</i>	<i>-1,925</i>
Receivable	389	193	353	161	1,097	974
Payable	479	506	472	459	1,917	2,899
<i>Local government (payable)</i>	<i>2</i>	<i>2</i>	<i>3</i>	<i>26</i>	<i>32</i>	<i>39</i>
<i>Central bank</i>	<i>246</i>	<i>235</i>	<i>234</i>	<i>236</i>	<i>952</i>	<i>1,384</i>
Receivable	247	236	236	238	957	1,392
Payable	1	1	1	2	5	9
<i>Banks</i>	<i>-986</i>	<i>495</i>	<i>1,401</i>	<i>698</i>	<i>1,608</i>	<i>-3,879</i>
Receivable	1,092	3,070	2,947	3,131	10,240	13,117
Payable	2,078	2,575	1,546	2,433	8,633	16,995
<i>Other sectors<sup>2</sup></i>	<i>-3,931</i>	<i>-15,353</i>	<i>-7,470</i>	<i>-6,535</i>	<i>-33,288</i>	<i>-53,560</i>
Receivable	7,024	3,481	5,580	5,221	21,306	27,354
Payable	10,955	18,834	13,050	11,755	54,594	80,914
Rent	10	-8	12	3	17	130
Secondary income	-1,012	-1,194	-1,902	-1,517	-5,624	-8,178
<b>Capital account</b>	<b>0</b>	<b>-158</b>	<b>-9</b>	<b>-166</b>	<b>-333</b>	<b>-42,005</b>
<b>Net lending (+) / net borrowing (-)</b> <b>(balance from current and capital accounts)</b>	<b>29,999</b>	<b>16,481</b>	<b>7,965</b>	<b>14,786</b>	<b>69,231</b>	<b>16,314</b>

End

	Q1	Q2	Q3	Q4	2015	Memo item: 2014
<b>Net lending (+) / net borrowing (-)</b> <b>(balance from financial account, excluding reserve assets)</b>	<b>37,491</b>	<b>19,448</b>	<b>2,625</b>	<b>12,990</b>	<b>72,554</b>	<b>131,822</b>
<b>Net incurrence of liabilities ('+' - increase, '-' - decrease)</b>	<b>-38,660</b>	<b>-11,611</b>	<b>-7,411</b>	<b>-15,696</b>	<b>-73,378</b>	<b>-49,787</b>
<i>Federal government</i>	<i>-7,842</i>	<i>2,064</i>	<i>-1,519</i>	<i>-425</i>	<i>-7,723</i>	<i>-9,393</i>
Portfolio investment	-7,702	2,195	-1,468	60	-6,915	-8,738
Issue	0	0	0	0	0	0
Redemption	-705	-680	-831	-370	-2,586	-4,400
principal	-129	-280	-198	0	-608	-1,157
coupons	-575	-400	-633	-370	-1,978	-3,243
Interest reinvestment	463	498	468	452	1,880	2,861
Secondary market	-7,460	2,377	-1,104	-22	-6,209	-7,198
Loans	-135	-111	-32	-510	-789	-673
Other liabilities	-5	-20	-19	25	-20	18
<i>Local government</i>	<i>-1</i>	<i>32</i>	<i>34</i>	<i>-8</i>	<i>57</i>	<i>-62</i>
<i>Central bank</i>	<i>974</i>	<i>-1,376</i>	<i>182</i>	<i>1,484</i>	<i>1,264</i>	<i>-2,713</i>
<i>Banks</i>	<i>-24,467</i>	<i>-10,894</i>	<i>-15,227</i>	<i>-9,224</i>	<i>-59,813</i>	<i>-37,456</i>
Direct investment	-736	356	-511	1,453	563	4,394
Loans and deposits	-13,493	-5,753	-5,859	-7,147	-32,252	-20,881
Other liabilities	-10,238	-5,498	-8,856	-3,531	-28,123	-20,969
<i>Other sectors<sup>2</sup></i>	<i>-7,322</i>	<i>-1,436</i>	<i>9,118</i>	<i>-7,522</i>	<i>-7,162</i>	<i>-163</i>
Direct investment	2,794	-870	83	2,270	4,276	17,637
Portfolio investment	-612	-202	-137	-3,734	-4,686	-12,296
Loans	-7,027	-3,535	12,198	-6,256	-4,621	-5,777
Other liabilities	-2,477	3,172	-3,026	198	-2,132	272
<b>Net acquisition of financial assets, excluding reserve assets</b> <b>('+' - increase, '-' - decrease)</b>	<b>-1,169</b>	<b>7,838</b>	<b>-4,787</b>	<b>-2,706</b>	<b>-824</b>	<b>82,035</b>
<i>General government</i>	<i>171</i>	<i>745</i>	<i>69</i>	<i>1,201</i>	<i>2,186</i>	<i>-39,373</i>
Loans	332	64	367	206	969	-34,522
Other assets	-161	681	-298	995	1,217	-4,851
<i>Central bank</i>	<i>1</i>	<i>-3</i>	<i>-2</i>	<i>413</i>	<i>410</i>	<i>-529</i>
<i>Banks</i>	<i>-10,312</i>	<i>1,707</i>	<i>-4,329</i>	<i>-12,878</i>	<i>-25,812</i>	<i>48,543</i>
Direct investment	-1,978	991	1,515	1,204	1,732	1,882
Loans and deposits	-713	10,071	-4,572	-17,230	-12,444	-10,929
Other assets	-7,621	-9,356	-1,272	3,149	-15,100	57,590
<i>Other sectors<sup>2</sup></i>	<i>8,971</i>	<i>5,389</i>	<i>-525</i>	<i>8,557</i>	<i>22,392</i>	<i>73,393</i>
Direct investment	4,798	4,294	6,462	4,283	19,838	55,200
Portfolio investment	1,083	-364	291	2,380	3,390	5,553
Cash foreign currency	-3,021	-3,126	-5,218	-2,829	-14,193	-8,612
Trade credit and advances	3,444	2,618	-2,751	2,065	5,376	7,135
Indebtedness on supplies according to intergovernmental agreements	147	-70	122	262	461	-1,315
Fictitious transactions <sup>3</sup>	406	375	334	375	1,490	8,607
Other assets	2,114	1,661	234	2,021	6,030	6,825
<b>Net errors and omissions</b>	<b>-2,621</b>	<b>802</b>	<b>4,388</b>	<b>2,458</b>	<b>5,027</b>	<b>7,960</b>
<b>Change in reserve assets ('+' - increase, '-' - decrease)</b>	<b>-10,113</b>	<b>-2,166</b>	<b>9,728</b>	<b>4,254</b>	<b>1,704</b>	<b>-107,547</b>

<sup>1</sup> The balance of payments 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). The use of signs corresponds to BPM6.

<sup>2</sup> Other sectors include other financial corporations (except banks), nonfinancial 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 nonresidents and fictitious transactions with money transfers to residents' accounts abroad the purpose of which is transferring money abroad.

Table 10

**Net Inflows (Outflows) of Capital by Private Sector**  
(based on the balance of payments flows data, billions of US dollars)

	Private sector net capital inflow (outflow), total	Banks			Other sectors			
		net capital inflow (outflow)	net acquisition of financial assets	net incurrence of liabilities	net capital inflow (outflow)	net acquisition of financial assets <sup>1</sup>	net incurrence of liabilities	balance of payments net errors and omissions <sup>2</sup>
2014	152.9	86.0	48.5	-37.5	66.9	74.7	-0.2	8.0
Q1	47.6	32.6	33.5	0.9	15.0	18.8	6.7	-3.0
Q2	21.8	21.4	13.8	-7.6	0.5	18.2	12.7	5.1
Q3	7.3	-13.3	-24.8	-11.5	20.6	16.9	-7.7	4.0
Q4	76.2	45.4	26.1	-19.3	30.8	20.8	-11.9	1.8
2015	58.1	34.0	-25.8	-59.8	24.1	21.9	-7.2	5.0
Q1	32.9	14.2	-10.3	-24.5	18.8	8.8	-7.3	-2.6
Q2	18.7	12.6	1.7	-10.9	6.1	5.5	-1.4	0.8
Q3	-3.3	10.9	-4.3	-15.2	-14.2	-0.6	9.1	4.4
Q4	9.7	-3.7	-12.9	-9.2	13.4	8.3	-7.5	2.5

<sup>1</sup> Excluding debt for goods supplied under intergovernmental agreements.

<sup>2</sup> Net errors and omissions item fully relates to other sectors' operations. It is assumed that accounting for financial operations of these sectors is most complicated for balance of payments compilation.

Note. The use of signs corresponds to BPM6: '+' signifies net capital outflow, '-' signifies net capital inflow.



Table 11

**Private Sector Net Capital Inflow (Outflow) by Type of Investment**  
(according to balance of payments data, billions of US dollars)

	Q1	Q2	Q3	Q4	2015	Memo item: 2014
Direct investment	0.8	5.8	8.4	1.8	16.7	35.1
Net incurrence of liabilities	2.1	-0.5	-0.4	3.7	4.8	22.0
Banks	-0.7	0.4	-0.5	1.5	0.6	4.4
Other sectors	2.8	-0.9	0.1	2.3	4.3	17.6
Net acquisition of financial assets	2.8	5.3	8.0	5.5	21.6	57.1
Banks	-2.0	1.0	1.5	1.2	1.7	1.9
Other sectors	4.8	4.3	6.5	4.3	19.8	55.2
Portfolio investment	6.7	0.9	2.7	9.2	19.5	31.2
Net incurrence of liabilities	-1.7	-0.5	-0.6	-3.0	-5.8	-14.4
Banks	-1.1	-0.3	-0.5	0.8	-1.1	-2.1
Other sectors	-0.6	-0.2	-0.1	-3.7	-4.7	-12.3
Net acquisition of financial assets	4.9	0.4	2.1	6.3	13.7	16.8
Banks	3.9	0.8	1.8	3.9	10.3	11.2
Other sectors	1.1	-0.4	0.3	2.4	3.4	5.6
Financial derivatives	2.2	-0.1	4.3	1.0	7.4	5.3
Net incurrence of liabilities	-9.4	-5.7	-9.0	-4.6	-28.7	-21.9
Banks	-8.8	-5.3	-8.5	-4.2	-26.9	-19.5
Other sectors	-0.5	-0.4	-0.5	-0.4	-1.8	-2.4
Net acquisition of financial assets	-7.1	-5.8	-4.7	-3.6	-21.2	-16.6
Banks	-6.7	-5.5	-4.3	-3.1	-19.7	-15.3
Other sectors	-0.4	-0.3	-0.4	-0.5	-1.5	-1.2
Other investment	20.6	12.9	-14.3	0.2	19.4	89.3
Net incurrence of liabilities	-22.8	-5.6	3.9	-12.9	-37.3	-23.4
Banks	-13.8	-5.6	-5.7	-7.2	-32.4	-20.3
Other sectors	-9.0	0.0	9.6	-5.7	-5.0	-3.1
Net acquisition of financial assets	-2.1	7.3	-10.4	-12.7	-17.9	66.0
Banks	-5.5	5.5	-3.3	-14.8	-18.2	50.8
Other sectors <sup>1</sup>	3.4	1.8	-7.0	2.1	0.2	15.2
Balance of payments net errors and omissions	-2.6	0.8	4.4	2.5	5.0	8.0
<b>Private sector net capital inflow (outflow), total</b>	<b>32.9</b>	<b>18.7</b>	<b>-3.3</b>	<b>9.7</b>	<b>58.1</b>	<b>152.9</b>

<sup>1</sup> Excluding debt for goods supplied under intergovernmental agreements.

Note. The use of signs corresponds to BPM6: '+' signifies net capital outflow, '-' signifies net capital inflow.

Table 12

### Cross-Border Transfers of Individuals (Residents and Nonresidents)<sup>1</sup>

	Q1	Q2	Q3	Q4	2015	Memo item: 2014
<b>Total, millions of US dollars</b>						
<b>Money transfers from the Russian Federation by individuals</b>	<b>7,766</b>	<b>9,298</b>	<b>9,082</b>	<b>8,971</b>	<b>35,116</b>	<b>68,878</b>
to non-CIS countries	5,860	6,194	5,671	6,335	24,059	49,825
to CIS countries	1,906	3,105	3,411	2,636	11,057	19,054
<b>Money transfers to the Russian Federation for the benefit of individuals</b>	<b>4,507</b>	<b>4,979</b>	<b>4,226</b>	<b>4,863</b>	<b>18,574</b>	<b>19,200</b>
from non-CIS countries	3,412	4,008	3,280	4,002	14,702	14,532
from CIS countries	1,095	970	946	861	3,872	4,668
<b>Balance<sup>2</sup></b>	<b>-3,259</b>	<b>-4,320</b>	<b>-4,856</b>	<b>-4,107</b>	<b>-16,542</b>	<b>-49,679</b>
with non-CIS countries	-2,447	-2,186	-2,391	-2,333	-9,357	-35,293
with CIS countries	-812	-2,134	-2,465	-1,775	-7,185	-14,386
<b>Average amount of transfer, US dollars</b>						
<b>Money transfers from the Russian Federation by individuals</b>	<b>190</b>	<b>195</b>	<b>219</b>	<b>213</b>	<b>210</b>	<b>514</b>
to non-CIS countries	191	178	213	214	206	667
to CIS countries	189	243	229	211	220	321
<b>Money transfers to the Russian Federation for the benefit of individuals</b>	<b>716</b>	<b>808</b>	<b>688</b>	<b>691</b>	<b>725</b>	<b>1,386</b>
from non-CIS countries	998	1,126	936	932	997	1,850
from CIS countries	381	373	359	313	356	778

<sup>1</sup> Money transfers to Russia for the benefit of resident and nonresident individuals and money transfers from Russia of resident and nonresident individuals made via credit institutions (with or without opening an account), including remittances via payment systems.

<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.

Table 13

**Net Incurrence of Liabilities by Russian Federation Residents by Type of Investment  
(according to balance of payments data, billions of US dollars)**

Type of investment	Q1	Q2	Q3	Q4	2015	Memo item: 2014
Direct investment	2.1	−0.5	−0.4	3.7	4.8	22.0
Portfolio investment	−9.4	1.7	−2.0	−2.9	−12.7	−23.2
Financial derivatives	−9.4	−5.7	−9.0	−4.6	−28.7	−21.9
Other investment	−21.9	−7.1	4.1	−11.9	−36.9	−26.7
<b>Total</b>	<b>−38.7</b>	<b>−11.6</b>	<b>−7.4</b>	<b>−15.7</b>	<b>−73.4</b>	<b>−49.8</b>

*Note. Net incurrence of liabilities reflects a difference between increase in liabilities and their decrease; '−' signifies net decrease in residents' foreign liabilities.*

Table 14

**Net Acquisition of Financial Assets by Russian Federation Residents, Excluding Reserve Assets, by Type of Investment  
(according to balance of payments data, billions of US dollars)**

Type of investment	Q1	Q2	Q3	Q4	2015	Memo item: 2014
Direct investment	2.8	5.3	8.0	5.5	21.6	57.1
Portfolio investment	5.0	0.4	2.1	6.5	14.0	16.7
Financial derivatives	−7.1	−5.8	−4.7	−3.6	−21.2	−16.6
Other investment	−1.8	8.0	−10.2	−11.1	−15.1	24.8
<b>Total</b>	<b>−1.2</b>	<b>7.8</b>	<b>−4.8</b>	<b>−2.7</b>	<b>−0.8</b>	<b>82.0</b>

*Note. Net acquisition of financial assets reflects a difference between increase in assets and their decrease; '−' signifies net decrease in residents' foreign assets.*

Table 15

**International Investment Position of the Russian Federation**  
(millions of US dollars)

	Position as of 31.12.2014	Transactions	Valuation changes	Other changes	Total changes	Position as of 31.12.2015
	1	2	3	4	5	6
<b>Net international investment position</b>	<b>290,314</b>	<b>74,258</b>	<b>-37,552</b>	<b>-13,153</b>	<b>23,553</b>	<b>313,868</b>
<b>Assets</b>	<b>1,249,213</b>	<b>880</b>	<b>-89,906</b>	<b>-14,398</b>	<b>-103,424</b>	<b>1,145,789</b>
<b>Direct investment</b>	<b>384,689</b>	<b>21,572</b>	<b>-57,430</b>	<b>-12,554</b>	<b>-48,412</b>	<b>336,276</b>
Equity and investment fund shares	296,933	13,901	-50,288	-12,713	-49,100	247,833
Debt instruments	87,756	7,671	-7,142	159	688	88,444
<b>Portfolio investment</b>	<b>56,629</b>	<b>13,968</b>	<b>-1,290</b>	<b>1,419</b>	<b>14,097</b>	<b>70,727</b>
Equity and investment fund shares	4,433	-648	-254	-274	-1,176	3,257
Debt securities	52,197	14,616	-1,036	1,694	15,274	67,470
<b>Financial derivatives (other than reserves) and employee stock options</b>	<b>17,565</b>	<b>-21,222</b>	<b>14,803</b>	<b>0</b>	<b>-6,419</b>	<b>11,146</b>
<b>Other investment</b>	<b>404,870</b>	<b>-15,141</b>	<b>-21,885</b>	<b>-8,603</b>	<b>-45,629</b>	<b>359,241</b>
Other equity	4,371	1,012	-33	0	979	5,349
Currency and deposits	181,346	-22,458	-8,709	-2,156	-33,323	148,023
Loans	166,750	-1,031	-10,893	6,924	-5,000	161,750
Insurance, pension, and standardised guarantee schemes	2,274	41	-507	0	-466	1,808
Trade credit and advances	32,065	5,940	-782	-5,733	-575	31,491
Other accounts receivable	18,064	1,354	-961	-7,638	-7,245	10,819
<b>Reserve assets</b>	<b>385,460</b>	<b>1,704</b>	<b>-24,104</b>	<b>5,339</b>	<b>-17,061</b>	<b>368,399</b>
<b>Liabilities</b>	<b>958,899</b>	<b>-73,378</b>	<b>-52,355</b>	<b>-1,245</b>	<b>-126,978</b>	<b>831,921</b>
<b>Direct investment</b>	<b>365,439</b>	<b>4,839</b>	<b>-44,320</b>	<b>16,985</b>	<b>-22,496</b>	<b>342,943</b>
Equity and investment fund shares	230,092	10,141	-35,905	456	-25,308	204,784
Debt instruments	135,347	-5,302	-8,415	16,529	2,812	138,159
<b>Portfolio investment</b>	<b>156,424</b>	<b>-12,672</b>	<b>-4,536</b>	<b>1,239</b>	<b>-15,969</b>	<b>140,454</b>
Equity and investment fund shares	111,199	-5,543	-5,017	1,215	-9,345	101,855
Debt securities	45,225	-7,130	481	23	-6,626	38,599
<b>Financial derivatives (other than reserves) and employee stock options</b>	<b>21,530</b>	<b>-28,654</b>	<b>16,369</b>	<b>0</b>	<b>-12,285</b>	<b>9,245</b>
<b>Other investment</b>	<b>415,506</b>	<b>-36,890</b>	<b>-19,868</b>	<b>-19,469</b>	<b>-76,227</b>	<b>339,279</b>
Other equity	2	25	-5	0	20	22
Currency and deposits	162,496	-33,479	-6,517	-3,851	-43,847	118,648
Loans	234,179	-2,822	-11,752	-14,527	-29,101	205,078
Insurance, pension, and standardised guarantee schemes	846	167	-209	0	-42	805
Trade credit and advances	3,469	-599	0	0	-599	2,870
Other accounts payable	6,295	-183	-1,027	-1,090	-2,300	3,996
Special drawing rights	8,218	0	-358	0	-358	7,860

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 signifies net increase in assets or liabilities, '-' signifies their net decrease.

3. Data on portfolio investment (including government securities) are presented at market value.

Table 16

**International Investment Position of the Banking Sector of the Russian Federation**  
(millions of US dollars)

	Position as of 31.12.2014	Changes in position due to transactions	Valuation changes	Other changes	Total changes	Position as of 31.12.2015
	1	2	3	4	5	6
<b>International investment position, net</b>	<b>49,488</b>	<b>34,001</b>	<b>-3,927</b>	<b>-3,576</b>	<b>26,498</b>	<b>75,986</b>
<b>Assets</b>	<b>275,930</b>	<b>-25,812</b>	<b>683</b>	<b>-5,023</b>	<b>-30,152</b>	<b>245,778</b>
<b>Direct investment</b>	<b>12,119</b>	<b>1,732</b>	<b>-1,400</b>	<b>477</b>	<b>809</b>	<b>12,929</b>
Equity and investment fund shares	10,705	2,321	-1,318	206	1,209	11,914
Debt instruments	1,414	-588	-82	271	-400	1,015
<b>Portfolio investment</b>	<b>39,505</b>	<b>10,301</b>	<b>223</b>	<b>-2,049</b>	<b>8,475</b>	<b>47,980</b>
Equity	1,843	-1,021	-144	-73	-1,238	605
Debt securities	37,662	11,322	367	-1,976	9,713	47,375
Short-term	787	2,147	29	-29	2,148	2,934
Long-term	36,875	9,175	338	-1,947	7,566	44,441
<b>Financial derivatives</b>	<b>17,475</b>	<b>-19,680</b>	<b>13,304</b>	<b>0</b>	<b>-6,376</b>	<b>11,099</b>
Options	2,861	332	-547	0	-215	2,646
Forward-type contracts	14,614	-20,012	13,851	0	-6,161	8,453
<b>Other investment</b>	<b>206,831</b>	<b>-18,165</b>	<b>-11,445</b>	<b>-3,451</b>	<b>-33,061</b>	<b>173,770</b>
Foreign currency	17,434	-5,506	-973	-3,814	-10,293	7,141
Deposits	90,950	-4,671	-5,806	-2,286	-12,763	78,188
Short-term	62,408	3,145	-4,722	-2,240	-3,817	58,591
Long-term	28,542	-7,816	-1,084	-46	-8,946	19,597
Loans	81,145	-7,773	-3,882	8,797	-2,859	78,287
Short-term	16,458	4,494	-1,286	-1,210	1,999	18,456
Long-term	64,688	-12,267	-2,596	10,006	-4,857	59,831
Other accounts receivable	17,301	-215	-783	-6,148	-7,146	10,155
Short-term	7,471	1,412	-409	-4,553	-3,550	3,921
Long-term	9,830	-1,627	-374	-1,595	-3,596	6,234

End

	Position as of 31.12.2014	Changes in position due to transactions	Valuation changes	Other changes	Total changes	Position as of 31.12.2015
	1	2	3	4	5	6
<b>Liabilities</b>	<b>226,442</b>	<b>-59,813</b>	<b>4,610</b>	<b>-1,448</b>	<b>-56,651</b>	<b>169,792</b>
<b>Direct investment</b>	<b>21,366</b>	<b>563</b>	<b>-5,014</b>	<b>3,438</b>	<b>-1,014</b>	<b>20,352</b>
Equity	19,469	249	-4,845	-21	-4,616	14,853
Debt instruments	1,897	313	-170	3,459	3,602	5,499
<b>Portfolio investment</b>	<b>19,241</b>	<b>-1,129</b>	<b>1,507</b>	<b>93</b>	<b>471</b>	<b>19,711</b>
Equity	14,044	-1,766	1,614	132	-21	14,023
Debt securities	5,197	637	-107	-39	491	5,688
Short-term	1,579	88	-32	-36	19	1,597
Long-term	3,619	550	-75	-3	472	4,091
<b>Financial derivatives</b>	<b>21,479</b>	<b>-26,895</b>	<b>14,631</b>	<b>0</b>	<b>-12,264</b>	<b>9,215</b>
Options	4,020	-3,230	-57	0	-3,287	732
Forward-type contracts	17,460	-23,665	14,688	0	-8,977	8,483
<b>Other investment</b>	<b>164,357</b>	<b>-32,352</b>	<b>-6,513</b>	<b>-4,978</b>	<b>-43,843</b>	<b>120,514</b>
Deposits	160,010	-32,660	-6,121	-3,814	-42,595	117,415
Short-term	34,952	-10,738	-2,499	-268	-13,505	21,448
Long-term	125,058	-21,922	-3,622	-3,546	-29,090	95,968
Loans <sup>1</sup>	708	407	21	-75	354	1,062
Short-term	708	407	21	-75	354	1,062
Other accounts payable	3,639	-99	-414	-1,089	-1,602	2,037
Short-term	2,626	-128	-375	-970	-1,473	1,153
Long-term	1,013	29	-39	-119	-129	884

<sup>1</sup> Liabilities of banks on securities repurchase agreements with nonresidents 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 nonbank credit institutions, and includes data of Vnesheconombank.

3. Forward-type contracts include forwards, swaps and futures.

4. '+' in columns 2 to 5 signifies net increase in assets and liabilities, '-' signifies 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.

Table 17

**Currency Composition of Foreign Assets and Liabilities of the Banking Sector of the Russian Federation  
(in percent of the total)**

	Foreign assets					Foreign liabilities				
	US dollar	euro	russian ruble	other currencies	total	US dollar	euro	russian ruble	other currencies	total
31.12.2012	59.1	14.0	20.4	6.5	100.0	49.9	5.3	39.8	5.0	100.0
31.03.2013	62.3	14.4	17.5	5.8	100.0	49.9	6.0	39.2	4.9	100.0
30.06.2013	67.0	11.4	16.0	5.6	100.0	51.5	6.3	37.4	4.9	100.0
30.09.2013	65.2	12.0	16.2	6.5	100.0	51.7	6.5	37.3	4.5	100.0
31.12.2013	65.8	11.2	17.0	6.0	100.0	52.9	7.0	37.3	2.9	100.0
31.03.2014	64.3	12.4	16.6	6.7	100.0	56.0	7.9	32.7	3.3	100.0
30.06.2014	63.7	13.3	16.9	6.2	100.0	52.8	8.8	35.1	3.3	100.0
30.09.2014	63.4	13.4	16.4	6.7	100.0	55.4	9.8	31.3	3.5	100.0
31.12.2014	67.8	15.5	10.8	5.9	100.0	59.9	10.5	26.1	3.5	100.0
31.03.2015	68.6	14.5	11.1	5.8	100.0	59.9	10.0	26.2	3.8	100.0
30.06.2015	67.5	13.6	12.8	6.1	100.0	56.7	10.2	29.1	3.9	100.0
30.09.2015	70.7	13.8	10.1	5.4	100.0	58.6	11.5	26.6	3.4	100.0
31.12.2015	71.1	14.9	8.8	5.3	100.0	58.5	11.3	26.8	3.3	100.0

*Note. Excluding data on financial derivatives.*



Table 18

**Foreign Assets and Liabilities of the Banking Sector of the Russian Federation by Group of Countries as of 31 December 2015**  
(millions of US dollars)

	Foreign assets						Foreign liabilities						Net international positions	
	interbank positions		other positions		total		interbank positions		other positions		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>74,614.3</b>	<b>30,383.1</b>	<b>27,648.4</b>	<b>113,132.3</b>	<b>102,262.6</b>	<b>143,515.4</b>	<b>16,357.2</b>	<b>48,861.4</b>	<b>19,123.9</b>	<b>85,449.2</b>	<b>35,481.1</b>	<b>134,310.5</b>	<b>66,781.5</b>	<b>9,204.9</b>
of which:														
<b>CIS countries</b>	<b>4,109.6</b>	<b>6,937.7</b>	<b>642.7</b>	<b>6,497.3</b>	<b>4,752.3</b>	<b>13,435.0</b>	<b>1,225.5</b>	<b>622.5</b>	<b>1,132.9</b>	<b>1,136.3</b>	<b>2,358.5</b>	<b>1,758.8</b>	<b>2,393.8</b>	<b>11,676.2</b>
of which:														
EAEU countries	2,298.3	3,364.2	495.9	4,429.5	2,794.2	7,793.7	748.5	341.3	487.6	359.1	1,236.2	700.3	1,558.0	7,093.4
Other countries	1,811.3	3,573.5	146.8	2,067.8	1,958.1	5,641.3	477.0	281.2	645.3	777.3	1,122.3	1,058.5	835.8	4,582.9
<b>Non-CIS countries</b>	<b>70,504.7</b>	<b>23,400.3</b>	<b>26,982.0</b>	<b>105,969.1</b>	<b>97,486.7</b>	<b>129,369.5</b>	<b>15,131.7</b>	<b>48,238.9</b>	<b>17,670.7</b>	<b>83,191.1</b>	<b>32,802.4</b>	<b>131,430.0</b>	<b>64,684.3</b>	<b>-2,060.5</b>
of which:														
EU countries	45,990.7	17,493.1	19,826.3	91,589.9	65,817.0	109,083.0	11,708.7	27,476.8	9,733.5	77,321.3	21,442.2	104,798.1	44,374.8	4,284.9
APEC countries	19,983.5	1,076.5	2,230.5	3,388.3	22,214.0	4,464.7	1,281.3	16,798.3	712.2	3,994.6	1,993.5	20,792.9	20,220.5	-16,328.2
Other countries	4,530.5	4,830.8	4,925.2	10,991.0	9,455.7	15,821.7	2,141.7	3,963.8	7,225.0	1,875.1	9,366.7	5,839.0	89.0	9,982.8
<b>International organisations</b>	<b>-</b>	<b>45.1</b>	<b>23.6</b>	<b>665.8</b>	<b>23.6</b>	<b>710.9</b>	<b>0.0</b>	<b>-</b>	<b>320.2</b>	<b>1,121.7</b>	<b>320.2</b>	<b>1,121.7</b>	<b>-296.6</b>	<b>-410.8</b>

Table 19

**Russia's International Reserves**  
(billions of US dollars)

	2014	2015											
	31.12	31.01	28.02	31.03	30.04	31.05	30.06	31.07	31.08	30.09	31.10	30.11	31.12
Reserve assets	385.5	376.2	360.2	356.4	356.0	356.8	361.6	357.6	366.3	371.3	369.6	364.7	368.4
Foreign currency assets	339.4	327.1	313.4	309.1	307.7	308.9	313.3	312.7	318.7	322.4	319.1	317.0	319.8
Monetary gold	46.1	49.1	46.8	47.3	48.3	47.9	48.2	45.0	47.7	48.9	50.6	47.7	48.6

Table 20

**Return<sup>1</sup> on Bank of Russia Foreign Currency Reserves in 2015<sup>2</sup>**  
(percent p.a.)

	Actual	Standard
US dollar	0.29	0.28
Euro	0.10	0.08
Pound sterling	0.53	0.51
Canadian dollar	1.11	1.08
Australian dollar	2.24	2.21

<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  $i$ .

Table 21

**Bank of Russia Foreign Exchange Interventions in 2015**

Reporting period	Bank of Russia US dollar operations, millions of US dollars				Bank of Russia euro operations, millions of euros			
	purchases		sales		purchases		sales	
	total	target	total	target	total	target	total	target
January	21.69	0	2,341.49	0	0	0	0	0
February	0	0	0	0	0	0	0	0
March	0	0	0	0	0	0	0	0
April	0	0	0	0	0	0	0	0
May	2,531.00	0	0	0	0	0	0	0
June	3,831.00	0	0	0	0	0	0	0
July	3,760.00	0	0	0	0	0	0	0
August	0	0	0	0	0	0	0	0
September	0	0	0	0	0	0	0	0
October	0	0	0	0	0	0	0	0
November	0	0	0	0	0	0	0	0
December	0	0	0	0	0	0	0	0

Table 22

## Basic Derived Indicators of Ruble's Exchange Rate Dynamics in January–December 2015

	January	February	March	April	May	June	July	August	September	October	November	December
Nominal exchange rate of US dollar against ruble, end of period	68.93	61.27	58.46	51.70	52.97	55.52	58.99	66.48	66.24	64.37	66.24	72.88
Nominal exchange rate of US dollar against ruble, period averages	61.70	64.63	60.23	52.87	50.58	54.50	57.07	65.15	66.77	63.07	65.03	69.66
Nominal exchange rate of US dollar against ruble, period averages from the start of the year	61.70	63.15	62.16	59.70	57.75	57.20	57.18	58.12	59.02	59.41	59.90	60.66
Nominal exchange rate of euro against ruble, end of period	78.11	68.69	63.37	56.81	58.01	61.52	64.65	75.05	74.58	70.75	70.39	79.70
Nominal exchange rate of euro against ruble, period averages	72.58	73.48	65.36	56.99	56.52	61.18	62.86	72.45	75.04	70.85	70.04	75.79
Nominal exchange rate of euro against ruble, period averages from the start of the year	72.58	73.03	70.37	66.76	64.57	63.99	63.83	64.85	65.91	66.39	66.71	67.43
Percentage change over December 2014 <sup>1</sup>												
Nominal exchange rate of ruble against US dollar	–10.2	–14.3	–8.0	4.8	9.6	1.7	–2.9	–14.9	–17.0	–12.1	–14.8	–20.5
Nominal exchange rate of ruble against euro	–5.9	–7.0	4.5	19.9	20.9	11.7	8.7	–5.7	–9.0	–3.6	–2.5	–9.9
Nominal effective exchange rate of ruble vis-a-vis foreign currencies	–6.5	–6.8	2.7	16.8	19.2	11.2	7.5	–5.1	–6.4	–1.0	–1.0	–7.4
Real exchange rate of ruble against US dollar	–6.2	–8.9	–1.7	12.3	17.3	8.7	4.6	–7.9	–9.4	–3.4	–5.3	–10.6
Real exchange rate of ruble against euro	–1.4	–0.9	12.0	28.6	30.0	20.4	18.1	2.9	0.1	6.7	9.0	1.7
Real effective exchange rate of ruble vis-a-vis foreign currencies	–2.8	–1.7	8.6	22.8	25.4	17.3	14.3	1.3	0.2	6.4	7.2	0.9
Percentage change over previous period <sup>1</sup>												
Nominal exchange rate of ruble against US dollar	–10.2	–4.5	7.3	13.9	4.5	–7.2	–4.5	–12.4	–2.4	5.9	–3.0	–6.7
Nominal exchange rate of ruble against euro	–5.9	–1.2	12.4	14.7	0.8	–7.6	–2.7	–13.2	–3.5	5.9	1.2	–7.6
Nominal effective exchange rate of ruble vis-a-vis foreign currencies	–6.5	–0.3	10.1	13.7	2.1	–6.7	–3.3	–11.7	–1.4	5.7	0.0	–6.5
Real exchange rate of ruble against US dollar	–6.2	–2.9	7.9	14.3	4.4	–7.3	–3.7	–11.9	–1.7	6.7	–2.0	–5.6
Real exchange rate of ruble against euro	–1.4	0.5	13.1	14.9	1.1	–7.4	–1.9	–12.8	–2.7	6.6	2.2	–6.8
Real effective exchange rate of ruble vis-a-vis foreign currencies	–2.8	1.1	10.5	13.1	2.1	–6.5	–2.5	–11.4	–1.0	6.2	0.7	–5.9
Percentage change over corresponding period of 2014 <sup>1</sup>												
	January	January–February	January–March	January–April	January–May	January–June	January–July	January–August	January–September	January–October	January–November	January–December
Index of nominal exchange rate of ruble against US dollar	–45.8	–45.6	–43.8	–41.2	–39.2	–38.9	–38.9	–39.7	–40.1	–39.6	–38.8	–37.4
Index of nominal exchange rate of ruble against euro	–37.0	–35.8	–31.9	–27.7	–25.4	–25.1	–25.1	–26.2	–27.2	–27.2	–26.4	–25.2
Index of nominal effective exchange rate of ruble vis-a-vis foreign currencies	–36.5	–35.3	–32.2	–28.7	–26.5	–26.2	–26.3	–27.2	–27.8	–27.5	–26.6	–25.2
Index of real exchange rate of ruble against US dollar	–37.6	–37.0	–34.6	–31.5	–29.4	–29.0	–29.1	–30.0	–30.5	–30.0	–29.1	–27.7
Index of real exchange rate of ruble against euro	–27.2	–25.4	–20.8	–15.9	–13.3	–13.1	–13.2	–14.5	–15.7	–15.7	–14.9	–13.6
Index of real effective exchange rate of ruble vis-a-vis foreign currencies	–29.0	–27.2	–23.6	–19.9	–17.6	–17.4	–17.5	–18.6	–19.3	–18.9	–17.9	–16.5

<sup>1</sup> '+' signifies appreciation of the Russian ruble vis-a-vis foreign currencies, '–' signifies depreciation of the Russian ruble vis-a-vis foreign currencies.

Table 23

**External Debt of the Russian Federation**  
(millions of US dollars)

	31.12.2014	31.03.2015	30.06.2015	30.09.2015	31.12.2015
<b>Total</b>	<b>599,901</b>	<b>556,231</b>	<b>555,632</b>	<b>536,492</b>	<b>515,848</b>
<b>General government</b>	<b>41,606</b>	<b>33,556</b>	<b>36,416</b>	<b>32,359</b>	<b>30,551</b>
<b>Federal government</b>	<b>41,027</b>	<b>33,043</b>	<b>35,843</b>	<b>31,765</b>	<b>29,987</b>
<b>New Russian debt</b>	<b>39,257</b>	<b>31,270</b>	<b>34,105</b>	<b>30,059</b>	<b>28,747</b>
Multilateral creditors	1,195	1,112	1,059	1,043	999
IBRD	894	819	786	778	755
Other	301	293	272	266	244
Other loans	46	10	0	0	0
Foreign currency bonds	21,484	14,897	14,895	13,653	12,646
Eurobonds maturing in 2015, 2017, 2018, 2019, 2020, 2022, 2023, 2028, 2042 and 2043	13,089	12,203	11,262	10,716	9,679
Eurobonds maturing in 2030 (issued in the course of the second restructuring of debt to the London Club of commercial creditors)	8,395	2,694	3,632	2,937	2,967
Ruble-denominated bonds	16,139	14,871	17,790	15,020	14,735
OFZ	15,594	14,530	17,667	14,961	14,691
Eurobonds maturing in 2018	545	340	123	59	44
Other	393	380	362	343	366
<b>Debt of the former USSR</b>	<b>1,770</b>	<b>1,773</b>	<b>1,738</b>	<b>1,706</b>	<b>1,240</b>
Paris Club member countries	0	0	0	0	0
Debt owed to former socialist countries	862	873	875	845	414
Other official creditors	887	879	842	840	805
Other	21	21	21	21	21
<b>Local government</b>	<b>580</b>	<b>513</b>	<b>573</b>	<b>594</b>	<b>564</b>
Loans	494	441	451	458	445
Ruble-denominated bonds	85	72	122	136	119
<b>Central bank</b>	<b>10,599</b>	<b>11,009</b>	<b>9,874</b>	<b>9,779</b>	<b>11,033</b>
Loans	0	1,200	0	641	2,128
Currency and deposits	2,381	1,985	1,897	1,175	1,045
Other (SDR allocations)	8,218	7,825	7,977	7,962	7,860
<b>Banks<sup>1</sup></b>	<b>171,450</b>	<b>154,178</b>	<b>148,920</b>	<b>139,923</b>	<b>131,701</b>
Debt liabilities to direct investors and to direct investment enterprises	1,897	5,037	4,909	4,477	5,499
Loans	708	245	74	85	1,062
Current accounts and deposits	160,010	140,348	135,476	127,100	117,415
Debt securities	5,197	5,376	5,236	5,371	5,688
Other	3,639	3,172	3,224	2,890	2,037
<b>Other sectors</b>	<b>376,246</b>	<b>357,488</b>	<b>360,421</b>	<b>354,431</b>	<b>342,562</b>
Debt liabilities to direct investors and to direct investment enterprises	133,451	128,090	132,659	130,199	132,660
Loans	225,978	213,271	208,616	209,636	195,493
Debt securities	6,145	7,598	7,264	5,942	5,243
Trade credits	3,469	2,880	3,026	2,812	2,870
Financial leases	4,113	4,016	3,899	3,766	3,920
Other	3,089	1,633	4,958	2,076	2,376

<sup>1</sup> Including Vnesheconombank data.

Notes. 1. Included is the external debt in both domestic and foreign currencies.

2. Government securities are accounted for in the part of the debt owed to nonresidents at face value.

3. The external debt data are 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).

Table 24

**External Debt of the Russian Federation**  
(analytical presentation, millions of US dollars)

	31.12.2014	31.03.2015	30.06.2015	30.09.2015	31.12.2015
<b>External debt of the Russian Federation</b>	<b>599,901</b>	<b>556,231</b>	<b>555,632</b>	<b>536,492</b>	<b>515,848</b>
Short-term	63,013	49,490	51,775	45,624	44,392
Long-term	536,888	506,741	503,857	490,868	471,456
<b>Public sector external debt<sup>1</sup></b>	<b>304,892</b>	<b>277,880</b>	<b>276,250</b>	<b>277,140</b>	<b>268,073</b>
Short-term	22,388	19,760	19,614	17,117	17,369
Long-term	282,504	258,120	256,636	260,024	250,704
General government	41,606	33,556	36,416	32,359	30,551
Short-term	358	345	328	308	332
Long-term	41,248	33,211	36,088	32,051	30,219
Central bank	10,599	11,009	9,874	9,779	11,033
Short-term	2,381	3,185	1,897	1,816	3,173
Long-term	8,218	7,825	7,977	7,962	7,860
Banks	108,094	100,605	97,866	92,595	88,363
Short-term	17,277	14,517	14,279	13,557	11,924
Long-term	90,817	86,089	83,588	79,038	76,439
Other sectors	144,593	132,709	132,094	142,407	138,126
Short-term	1,442	1,302	2,536	1,307	1,113
Long-term	143,152	131,408	129,558	141,100	137,013
<b>Private sector external debt<sup>1</sup></b>	<b>295,009</b>	<b>278,351</b>	<b>279,382</b>	<b>259,352</b>	<b>247,774</b>
Short-term	40,625	29,730	32,161	28,508	27,023
Long-term	254,384	248,621	247,221	230,844	220,752
Banks	63,357	53,573	51,054	47,328	43,338
Short-term	22,587	14,602	14,356	14,042	13,336
Long-term	40,769	38,971	36,698	33,286	30,002
Other sectors	231,652	224,778	228,328	212,024	204,436
Short-term	16,883	13,931	15,674	12,685	12,163
Long-term	214,770	210,847	212,654	199,340	192,273

<sup>1</sup> Public sector external debt covers liabilities of the general government, central bank, and banks and nonbank corporations in which the government and central bank hold, directly or indirectly, 50% or more of shares or control them through other means. Liabilities to nonresidents owed by other residents, which do not fall under this definition, are classified as private sector external debt.

Note. Included is the external debt in both domestic and foreign currencies.

Table 25

**Money Supply (National Definition) and its Structure**

	As of 1.01.2015		As of 1.01.2016		1.01.2016 as a percentage of 1.01.2015
	billions of rubles	percent	billions of rubles	percent	
<b>Money supply (M2), total</b>	<b>32,110.5</b>	<b>100.0</b>	<b>35,809.2</b>	<b>100.0</b>	<b>111.5</b>
of which:					
– currency in circulation (M0) <sup>1</sup>	7,171.5	22.3	7,239.1	20.2	100.9
– deposits	24,939.1	77.7	28,570.0	79.8	114.6
of which:					
– nonfinancial and financial organisations <sup>2</sup>	11,503.9	35.8	12,523.7	35.0	108.9
– households	13,435.2	41.8	16,046.3	44.8	119.4

<sup>1</sup> Currency in circulation outside the banking system.<sup>2</sup> Except credit institutions.

Table 26

**Monetary Base and its Structure**

	As of 1.01.2015		As of 1.01.2016		1.01.2016 as a percentage of 1.01.2015
	billions of rubles	percent	billions of rubles	percent	
<b>Monetary base (broad definition)</b>	<b>11,332.0</b>	<b>100.0</b>	<b>11,043.8</b>	<b>100.0</b>	<b>97.5</b>
of which:					
– currency in circulation, including balances in credit institutions' cash vaults <sup>1</sup>	8,840.5	78.0	8,522.2	77.2	96.4
– credit institutions' correspondent accounts with the Bank of Russia <sup>2</sup>	1,215.5	10.7	1,594.0	14.4	131.1
– required reserves <sup>3</sup>	471.3	4.2	369.8	3.3	78.5
– credit institutions' deposits with the Bank of Russia	804.6	7.1	557.8	5.1	69.3

<sup>1</sup> Excluding cash in vaults of the Bank of Russia.<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.

Table 27

**Bank of Russia Interest Rates in 2015  
(percent p.a.)**

Purpose	Type of instrument	Instrument	Maturity	Rate from:					
				16.12.2014	2.02.2015	16.03.2015	5.05.2015	16.06.2015	3.08.2015
Liquidity provision	Standing facilities	Overnight loans, FX swaps (ruble leg), Lombard loans, repos	1 day	18.00	16.00	15.00	13.50	12.50	12.00
		Loans secured by gold <sup>1</sup>	1 day	18.00	16.00	15.00	13.50	12.50	12.00
			from 2 to 549 days <sup>2</sup>	18.50	16.50	15.50	14.00	13.00	12.50
		Loans secured by non-marketable assets or guarantees <sup>1</sup>	1 day	18.00	16.00	15.00	13.50	12.50	12.00
			from 2 to 549 days <sup>2</sup>	18.75	16.75	15.75	14.25	13.25	12.75
	Open market operations (minimum interest rates)	Auctions to provide loans secured by non-marketable assests <sup>3</sup>	from 1 to 3 weeks <sup>4</sup> , 3 months, 18 months <sup>4, 5</sup>	17.25	15.25	14.25	12.75	11.75	11.25
		Lombard loan auctions <sup>3, 4</sup>	36 months	17.25	15.25	14.25	12.75	11.75	11.25
		Repo and FX swap auctions	from 1 to 6 days <sup>6</sup> , 1 week	17.00 (key rate)	15.00 (key rate)	14.00 (key rate)	12.50 (key rate)	11.50 (key rate)	11.00 (key rate)
Liquidity absorption	Open market opertaions (maximum interest rates)	Deposit auctions	from 1 to 6 days <sup>6, 7</sup> , 1 week						
	Standing facilities	Deposit operations	1 day, call	16.00	14.00	13.00	11.50	10.50	10.00
Memo item									
Refinancing rate <sup>8</sup>				8.25	8.25	8.25	8.25	8.25	8.25 <sup>9</sup>

<sup>1</sup> From 30 June 2014 to 15 December 2014, loans with maturity of up to 90 days were issued at a fixed interest rate, with maturity of 91 to 549 days – at a floating interest rate pegged to the Bank of Russia key rate. From 16 December 2014, loans with maturity of 2 to 549 days have been provided at a floating interest rate pegged to the Bank of Russia key rate.

<sup>2</sup> Before 30 June 2014, loans had the maturity of 2 to 365 days.

<sup>3</sup> Loans provided at a floating interest rate pegged to the Bank of Russia key rate.

<sup>4</sup> Auctions are held irregularly.

<sup>5</sup> Before 16 October 2014, loans had the maturity of 12 months.

<sup>6</sup> Fine-tuning operations.

<sup>7</sup> The maximum interest rate on 1 to 6-day deposit auctions has been set from 17 February 2014.

<sup>8</sup> From 1 January 2016, the Bank of Russia refinancing rate has been set equal to the Bank of Russia key rate as of the respective date. From 1 January 2016, the independent value of the refinancing rate has not been set.

<sup>9</sup> Before 31 December 2015.



Table 28

**Interest Rates on Bank of Russia Operations to Provide Foreign Currency on Repayable Basis in 2015**

Type of instrument	Instrument	Maturity	FX swap rate <sup>1</sup> , % p.a.; minimum auction rates as a spread to LIBOR <sup>2</sup> , pp				
			as of 1.01	from 30.03	from 13.04	from 21.04	from 14.12
Standing facilities <sup>3</sup>	FX swaps to sell US dollars for rubles	1 day	1.5				
Auction operations	Repos in US dollars and euros	1 week	0.5	1	1.5	2	2
		28 days	0.5	1	1.5	2	2
		12 months	0.5	1	1.75	2.50	3
	Loans in US dollars and euros	28 days	0.75	1.25	1.75	2.25	2.25
		365 days	0.75	1.25	2	2.75	3.25

<sup>1</sup> The rate on US dollar leg; the rate on ruble leg is set equal to the key rate minus 1.00 percentage point.

<sup>2</sup> LIBOR in corresponding currencies for comparable terms.

<sup>3</sup> Transactions are concluded at fixed interest rates.

Table 29

**Bank of Russia Operations to Provide and Absorb Liquidity  
(billions of rubles)**

Purpose	Type of instrument	Instrument	Operations in		Change in debt in	
			2014	2015	2014	2015
Liquidity provision	Standing facilities	Intraday loans	60,742.9	53,120.3	–	–
		Overnight loans	203.9	180.9	0.0	0.0
		Repos	14,296.6	25,934.8	82.1	168.7
		Lombard loans	109.7	238.6	2.7	–0.6
		FX swaps	15,701.3	4,583.3	–157.0	–106.8
		Loans secured by non-marketable assets or guarantees	5,325.7	1,647.8	1,353.8	–1,642.7
		Loans secured with gold	2.8	4.6	0.9	–0.7
	Open market operations	Repo auctions	144,688.3	72,072.5	–155.8	–1,279.2
		Lombard loan auctions	3.5	0.0	–5.6	–0.2
		Auctions to provide loans secured by non-marketable assets	6,819.1	8,255.2	1,780.7	–817.1
		Operations to buy government securities	–	–	–	–
Liquidity absorption	Standing facilities	Deposit operations	26,073.4	62,440.6	286.9	–246.7
	Open market operations	Deposit auctions	964.4	2,358.3	0.0	0.0
		Operations to sell government securities	–	–	–	–

Table 30

**Bank of Russia Operations to Provide Foreign Currency on Repayable Basis**

Type of instrument	Instrument	Maturity	Bank of Russia claims to credit institutions, billions of US dollars	
			1.01.2015	1.01.2016
Standing facilities	FX swaps to sell US dollars for rubles	1 day	1.60	–
Auction operations	Repos in US dollars and euros <sup>1</sup>	1 week	0.21	0.10
		28 days	14.90	5.02
		12 months	4.74	15.55
	Loans in US dollars and euros	28 days	–	–
		365 days	–	1.49

<sup>1</sup> Operations were conducted in US dollars only.

Table 31

## Bank of Russia specialised refinancing instruments

Area of indirect support of bank lending	Maturity	Security	Interest rate applicable in 2015, % p.a.	Bank of Russia claims to credit institutions, billions of rubles		Limit as of 1 January 2016, billions of rubles
				as of 1.01.2015	as of 1.01.2016	
Exports	Up to 3 years	Receivables on loan agreements secured by insurance agreements of JSC EXIAR	9.00	–	39.66	50
Investment projects <sup>1</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	9.00	–	53.44	100
		Bonds placed to finance investment projects and included in the Bank of Russia Lombard List	9.00	2.85	2.85	
Small and medium-sized businesses	Up to 3 years	Receivables on loan agreements of JSC SME Bank <sup>2</sup>	6.50	23.26	40.10	50
		Guarantees of JSC Federal Corporation for the Development of Small and Medium Enterprise issued under the programme to stimulate lending to small and medium-sized businesses	6.50	–	0.08	
Military mortgage	Up to 3 years	"Mortgages issued under Military Mortgage programme"	10.75	–	21.01	30

<sup>1</sup> Projects should be selected in accordance with the rules set by Resolution of the Russian Federation Government No. 1016, dated 14 December 2010, 'On the Approval of Rules to Select Investment Projects and Principals to Provide State Guarantees of the Russian Federation under Loans or Bonded Loans Raised for Investment Projects Implementation' or Resolution of the Russian Federation Government No. 1044, dated 11 October 2014, 'On the Approval of the Programme to Support Investment Projects Implemented in the Russian Federation on a Project Financing Basis'.

<sup>2</sup> Receivables on loans provided by JSC SME Bank to credit institutions and microfinance organisations for the purposes of lending to small and medium-sized businesses, and also to leasing companies for the purposes of leasing property to small and medium-sized businesses.

Table 32

**Banking Sector Survey**  
**(billions of rubles)**

	1.01.2015	1.01.2016	1.01.2016 as a percentage of 1.01.2015
Net foreign assets	25,250.9	33,143.4	131.3
Claims on nonresidents	35,404.1	43,482.2	122.8
Liabilities to nonresidents	10,153.2	10,338.7	101.8
Domestic claims	37,400.2	44,010.9	117.7
Net claims on central government	−8,339.6	−5,802.2	—
Claims on central government	4,200.0	5,562.9	132.5
Liabilities to central government	12,539.6	11,365.2	90.6
Claims on other sectors	45,739.8	49,813.2	108.9
Other financial corporations	2,850.5	3,689.9	129.4
Public nonfinancial corporations	538.4	578.2	107.4
Other nonfinancial corporations	30,106.2	34,009.3	113.0
Households	12,244.6	11,535.8	94.2
Broad money liabilities	43,032.1	51,523.0	119.7
Currency outside depository corporations	7,171.5	7,239.1	100.9
Transferable deposits	8,217.3	9,336.1	113.6
Other financial corporations	468.8	561.6	119.8
Public nonfinancial corporations	526.7	576.9	109.5
Other nonfinancial corporations	4,458.0	4,926.4	110.5
Households	2,763.8	3,271.3	118.4
Other deposits	27,643.4	34,947.8	126.4
Other financial corporations	1,711.7	2,037.2	119.0
Public nonfinancial corporations	288.7	412.2	142.8
Other nonfinancial corporations	10,262.4	13,119.8	127.8
Households	15,380.5	19,378.6	126.0
Deposits excluded from broad money	1,989.3	2,595.5	130.5
Securities other than shares excluded from broad money	1,610.1	1,869.9	116.1
Shares and other equity	15,654.8	19,346.4	123.6
Other items (net)	364.8	1,819.6	498.7
Other liabilities	10,093.9	11,724.6	116.2
Other assets	8,575.9	8,810.8	102.7
Consolidating adjustment	−1,153.2	−1,094.2	—

Table 33

**Survey of Credit Institutions**  
(billions of rubles)

	1.01.2015	1.01.2016	1.01.2016 as a percentage of 1.01.2015
Net foreign assets	4,014.5	6,746.1	168.0
Claims on nonresidents	13,704.0	16,355.0	119.3
Foreign currency	981.9	525.1	53.5
Deposits	5,284.9	5,805.7	109.9
Securities other than shares	2,242.4	3,541.5	157.9
Loans	4,605.2	5,723.0	124.3
Other	589.5	759.7	128.9
Liabilities to nonresidents	9,689.5	9,608.9	99.2
Deposits	9,357.6	9,271.8	99.1
Securities other than shares	288.9	255.5	88.4
Loans	40.0	77.6	194.1
Other	3.0	4.0	134.2
Claims on central bank	4,538.6	3,812.0	84.0
Currency	1,669.1	1,283.0	76.9
Deposits	2,869.5	2,529.0	88.1
Securities other than shares	0.0	0.0	–
Net claims on central government	2,140.8	3,363.1	157.1
Claims on central government	3,831.6	5,045.3	131.7
Securities	2,760.3	3,864.0	140.0
Other claims	1,071.2	1,181.2	110.3
Liabilities to central government	1,690.8	1,682.2	99.5
Deposits	1,661.6	1,651.5	99.4
Other liabilities	29.2	30.7	104.8
Claims on other sectors	45,085.3	48,666.9	107.9
Other financial corporations	2,197.4	2,545.3	115.8
Public nonfinancial corporations	538.4	578.2	107.4
Other nonfinancial corporations	30,104.9	34,007.5	113.0
Households	12,244.6	11,535.8	94.2
Liabilities to central bank	9,543.3	5,816.8	61.0
Deposits included in broad money	35,806.4	44,208.3	123.5
Transferable deposits	8,164.5	9,260.5	113.4
Other financial corporations	432.8	499.7	115.5
Public nonfinancial corporations	510.6	563.6	110.4
Other nonfinancial corporations	4,457.4	4,926.0	110.5
Households	2,763.8	3,271.3	118.4
Other deposits	27,641.9	34,947.8	126.4
Other financial corporations	1,710.2	2,037.2	119.1
Public nonfinancial corporations	288.7	412.2	142.8
Other nonfinancial corporations	10,262.4	13,119.8	127.8
Households	15,380.5	19,378.6	126.0
Deposits excluded from broad money	1,989.3	2,595.5	130.5
Securities other than shares excluded from broad money	1,610.1	1,869.9	116.1
Shares and other equity	6,600.7	6,842.6	103.7
Other items (net)	229.3	1,255.0	547.2
Other liabilities	9,362.4	10,437.7	111.5
Other assets	8,276.7	8,381.7	101.3
Consolidating adjustment	–856.3	–801.1	–

Table 34

## Corrective Measures Taken against Credit Institutions in 2015

No.	Description of measures	Number of credit institutions
<b>Preventive measures</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	813
2	Calling a meeting	494
3	Other (recommendations to draw up a plan of remedial action, tighten control over reporting, make a realistic assessment of credit risk, avoid misstatements in reports, etc.)	50
<b>Punitive measures</b>		
4	Fines <sup>1</sup>	212
	of which:	
4.1	for non-compliance with reserve requirements	50
4.2	for breaches of federal laws and Bank of Russia rules and regulations issued in pursuance of these laws and for non-reporting, under-reporting, or false reporting	172
5	Restrictions on individual banking operations conducted by credit institutions <sup>1</sup>	243
	of which:	
5.1	taking household funds on deposit	138
5.2	settlements on behalf of corporate entities relating to transfer of funds to budgets of all levels and government extra-budgetary funds	19
5.3	opening bank accounts to corporate entities and households	143
5.4	interest rate on bank deposit agreements concluded (prolongated) in the restriction period	23
6	Prohibiting credit institutions from conducting certain banking operations <sup>1</sup>	73
	of which:	
6.1	taking household funds on deposit	46
6.2	opening bank accounts to households, including unallocated metal accounts (demand and time accounts)	54
6.3	other	69
<b>Memo item</b>		
	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, dated 23 December 2003	–
7	Prescriptive orders <sup>1</sup>	623
	of which:	
7.1	orders to comply with Bank of Russia required ratios	1
7.2	orders to replace persons whose positions are indicated in Article 60 of Federal Law No. 86-FZ, dated 10 July 2002	5
7.3	orders to replace persons holding positions indicated in Parts 4, 6 and 10 of Article 11 <sup>1</sup> of Federal Law No. 395-1, dated 2 December 1990, made on the basis of Part 4 of Article 60 of Federal Law No. 86-FZ, dated 10 July 2002, due to the failure to comply with fit and proper requirements set by the Russian Federation legislation	56
7.4	orders to reclassify receivables	376
7.5	orders to build up loan loss provisions	409
8	Prohibiting credit institutions from opening branches	50
9	Appointing provisional administrations to credit institutions without revoking their licences	3 <sup>2</sup>
10	Banking licence revocation	93

<sup>1</sup> The number of credit institutions indicated under clauses 4 to 7 differs from the sub-clauses total, as in some cases banks have been subjected to several corrective actions and placed under several sub-clauses.

<sup>2</sup> In 2015, the state corporation Deposit Insurance Agency was vested with the powers of provisional administrations of 14 banks.

As of 1 January 2016, the ban on carrying out settlements on behalf of corporate entities, such as transferring funds to budgets of all levels and government extra-budgetary funds, was in effect with regard to one credit institution.

As of 1 January 2016, there were no credit institutions with a backlog of non-executed settlement documents on payments to budgets of all levels.

Table 35

## Structure of Bank of Russia Banknotes in Circulation

Denomination, rubles	Total in circulation, millions of rubles		Percent of 1.01.2015	Share, percent	
	as of 1.01.2015	as of 1.01.2016		as of 1.01.2015	as of 1.01.2016
5,000	6,018,753.7	5,952,721.5	98.9	68.6	70.5
1,000	2,184,705.9	1,990,986.8	91.1	24.9	23.6
500	403,495.6	343,925.4	85.2	4.6	4.1
100	126,509.3	124,599.4	98.5	1.4	1.4
50	32,195.8	31,493.4	97.8	0.4	0.4
10	4,805.9	4,595.9	95.6	0.1	0.0
5	35.6	35.6	100.0	0.0	0.0
<b>Total balance sheet number of banknotes of 1997</b>	<b>8,770,501.8</b>	<b>8,448,358.0</b>	<b>96.3</b>	<b>100.0</b>	<b>100.0</b>

Table 36

Structure of Bank of Russia Coins in Circulation<sup>1</sup>

Denomination	Total in circulation, millions of rubles		Percent of 1.01.2015	Share, percent	
	as of 1.01.2015	as of 1.01.2016		as of 1.01.2015	as of 1.01.2016
1 kopeck	72.7	72.8	100.1	0.1	0.1
5 kopecks	288.3	288.4	100.0	0.4	0.3
10 kopecks	2,435.0	2,492.9	102.4	3.1	3.0
50 kopecks	3,348.1	3,535.1	105.6	4.3	4.3
1 ruble	6,654.7	6,995.4	105.1	8.6	8.5
2 rubles	5,841.2	6,121.5	104.8	7.5	7.4
5 rubles	11,512.6	11,905.4	103.4	14.8	14.4
10 rubles	45,564.6	49,337.7	108.3	58.6	59.6
25 rubles	1,998.3	1,998.9	100.0	2.6	2.4
<b>Total balance sheet number of coins of 1997</b>	<b>77,715.5</b>	<b>82,748.1</b>	<b>106.5</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Excluding coins made of precious metals.



Table 37

## National Payment System Key Indicators

	2014	2015
<b>National payment system participants<sup>1</sup></b>		
Number of money transfer operators	833	735
of which:		
– Bank of Russia	1	1
– Vnesheconombank	1	1
– credit institutions <sup>2</sup>	831	733
Number of payment system operators	33	35
of which:		
– Bank of Russia	1	1
– credit institutions	18	19
– organisations other than credit institutions	14	15
of which JSC NPCB	–	1
Number of operators of payment infrastructure services	58	52
of which:		
– operating centres	35	35
– payment clearing centres	36	35
– settlement centres	32	30
Number of e-money operators	96	104
FSUE Russian Post	1	1
<b>Memo item</b>		
Number of Bank of Russia establishments	365	271
Number of branches of credit institutions	1,708	1,398
Number of internal divisions of credit institutions (branches)		
of which:		
– additional offices	23,306	21,836
– operations offices	9,273	7,609
– credit and cash offices	2,289	1,853
Number of post offices of FSUE Russian Post <sup>3</sup>	41,640	41,588
Number of payment systems operating in the Russian Federation	33	35
of which:		
– Bank of Russia payment system	1	1
– Mir payment system	–	1
– payment systems registered by the Bank of Russia	32	33
of which:		
– nationally important	10	18
– systemically important	2	2
– socially important	5	5

Cont.

	2014	2015
<b>Money transfer operators – credit institutions</b>		
Number of payments effected by credit institution customers being credit institutions, million	71.6	75.2
Number of payments effected by credit institution customers other than credit institutions <sup>4</sup> , million	12,529.8	15,483.2
of which, by payment instrument:		
– credit transfers <sup>5</sup>	2,647.4	2,565.7
– direct debits <sup>6</sup>	84.6	77.4
– payment cards <sup>7</sup>	6,811.2	9,803.5
– electronic means of payment to transfer e-money <sup>8</sup>	1,091.3	1,180.8
– other payment instruments <sup>9</sup>	1,895.4	1,855.8
Volume of payments effected by credit institution customers being credit institutions, trillions of rubles	437.5	493.6
Volume of payments effected by credit institution customers other than credit institutions, trillions of rubles	545.9	548.2
of which, by payment instrument:		
– credit transfers <sup>5</sup>	524.4	521.5
– direct debits <sup>6</sup>	1.8	1.9
– payment cards <sup>7</sup>	12.1	16.4
– electronic payment instruments to transfer e-money <sup>8</sup>	1.0	0.9
– other payment instruments <sup>9</sup>	6.6	7.5
Number of payment cards issued by Russian credit institutions <sup>1</sup> , million	227.7	243.9
of which:		
– debit cards	195.9	214.5
– credit cards	31.8	29.5
Number of payment card operations in Russia and abroad <sup>10</sup> , million	10,112.6	13,117.9
of which:		
– debit cards	9,267.0	12,096.6
– credit cards	845.6	1,021.3
Volume of payment card operations in Russia and abroad <sup>10</sup> , trillions of rubles	36.1	41.5
of which:		
– debit cards	34.5	39.9
– credit cards	1.7	1.6
<b>E-money transfer operators</b>		
Number of electronic payment instruments to transfer e-money used since start of year, million	350.2	318.1
Number of operations using electronic payment instruments to transfer e-money, million	1,100.6	1,187.8
Volume of operations using electronic payment instruments to transfer e-money, billions of rubles	1,109.4	909.7

End

	2014	2015
<b>FSUE Russian Post<sup>3</sup></b>		
Number of money orders and household payments accepted by FSUE Russian Post as a payment agent and bank payment agent, million	666.6	645.6
Volume of money orders and household payments accepted by FSUE Russian Post as a payment agent and bank payment agent, billions of rubles	564.8	584.7
<b>Payment agents and bank payment agents</b>		
Number of accounts opened with credit institutions for payment agents and bank payment agents <sup>1</sup> , thousand	29.7	26.7
of which:		
– payment agents	27.1	23.7
– bank payment agents	2.7	3.0
Volume of operations effected through payment agents and bank payment agents, billions of rubles	1,305.1	1,478.5
of which:		
– payment agents	1,122.0	1,306.6
– bank payment agents	183.1	172.0

<sup>1</sup> As of end of year.<sup>2</sup> According to the State Register of Credit Institutions. Deposit and credit institutions are excluded.<sup>3</sup> According to data of FSUE Russian Post.<sup>4</sup> Including orders of credit institution customers – households and legal entities other than credit institutions and credit institutions' own payments.<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.

Note. Certain indicators are updated as compared with those published in the Bank of Russia Annual Report for 2014. Discrepancies between the amounts are due to the rounding of data.

Table 38

## Bank of Russia Payment System

	2014	2015
Number of customers served <sup>1</sup>	4 422	3 562
of which:		
– credit institutions <sup>2</sup>	843	738
– branches of credit institutions	1,500	1,221
– customers other than credit institutions	2,079	1,603
Number of remittances effected, million	1,370.6	1,398.5
of which:		
– by credit institutions (branches)	1,176.7	1,191.1
– by customers other than credit institutions	193.1	206.8
– by Bank of Russia divisions	0.7	0.7
including via settlement systems:		
– via intraregional settlement system	919.7	894.8
– via the interregional settlement system	448.0	500.5
– via the BESP settlement system	2.9	3.3
– settlements effected on paper using letters of advice	0.01	0.004
Volume of remittances effected, trillions of rubles	1,205.2	1,356.5
of which:		
– by credit institutions (branches)	966.3	1,029.0
– by customers other than credit institutions	116.4	208.2
– by Bank of Russia divisions	122.4	119.3
including via settlement systems:		
– via intraregional settlement system	607.7	693.0
– via the interregional settlement system	121.9	127.8
– via the BESP settlement system	475.6	535.7
– settlements effected on paper using letters of advice	0.002	0.002

<sup>1</sup> As of end of year.<sup>2</sup> According to BIC and SWIFT BIC Directory.

Note. Certain indicators are updated as compared with those published in the Bank of Russia Annual Report for 2014. Discrepancies between the amounts are due to the rounding of data.

Table 39

**Structure of Bank of Russia Customers Other than Credit Institutions and Number of Accounts Opened for Them  
(thousand)**

	Number of customers			Number of accounts		
	as of 1.01.2015	as of 1.01.2016	change over 2015	as of 1.01.2015	as of 1.01.2016	change over 2015
<b>Total</b>	<b>2.1</b>	<b>1.6</b>	<b>-0.5</b>	<b>53.6</b>	<b>52.2</b>	<b>-1.4</b>
Federal Treasury	0.2	0.2	0.0	48.9	49.1	0.2
Regional and local budget management bodies	0.8	0.7	-0.1	3.2	2.1	-1.1
State-owned institutions financed from budgets of all levels	0.3	0.1	-0.2	0.4	0.2	-0.2
Government and other extra-budgetary funds	0.01	0.01	0.0	0.02	0.02	0.0
Election commissions (referendum commissions)	0.2	0.1	-0.1	0.2	0.2	0.0
Other organisations	0.6	0.5	-0.1	0.9	0.6	-0.3



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