

# THE CENTRAL BANK OF THE RUSSIAN FEDERATION

No. 242-P, 16 December 2003

## REGULATION ON ORGANISING INTERNAL CONTROLS IN CREDIT INSTITUTIONS AND BANKING GROUPS

List of amending documents

(as amended by Bank of Russia Ordinance No. 1521-U, dated 30 November 2004;  
No. 2194-U, dated 5 March 2009; No. 3241-U, dated 24 April 2014; No. 4564-U, dated 4  
October 2017)

This Regulation was developed pursuant to Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (Collection of Legislation of the Russian Federation, 2002, No. 28, Art. 2790; 2003, No. 2, Art. 157; No. 52, Art. 5032; 2004, No. 27, Art. 2711; No. 31, Art. 3233; 2005, No. 25, Art. 2426; No. 30, Art. 3101; 2006, No. 19, Art. 2061; No. 25, Art. 2648; 2007, No. 1, Art. 9, Art. 10; No. 10, Art. 1151; No. 18, Art. 2117; 2008, No. 42, Art. 4696, Art. 4699; No. 44, Art. 4982; No. 52, Art. 6229, Art. 6231; 2009, No. 1, Art. 25; No. 29, Art. 3629; No. 48, Art. 5731; 2010, No. 45, Art. 5756; 2011, No. 7, Art. 907; No. 27, Art. 3873; No. 43, Art. 5973; No. 48, Art. 6728; 2012, No. 50, Art. 6954; No. 53, Art. 7591, Art. 7607; 2013, No. 11, Art. 1076; No. 14, Art. 1649; No. 19, Art. 2329; No. 27, Art. 3438, Art. 3476, Art. 3477; No. 30, Art. 4084; No. 49, Art. 6336, No. 52, Art. 6975 (hereinafter referred to as the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'), the Federal Law 'On Banks and Banking Activities' (as amended by Federal Law No. 17-FZ, dated 3 February 1996) (Gazette of the Congress of People's Deputies of the RSFSR and the Supreme Soviet of the RSFSR, 1990, No. 27, Art. 357; Collection of Legislation of the Russian Federation, 1996, No. 6, Art. 492; 1998, No. 31, Art. 3829; 1999, No. 28, Art. 3459, Art. 3469; 2001, No. 26, Art. 2586; No. 33, Art. 3424; 2002, No. 12, Art. 1093; 2003, No. 27, Art. 2700; No. 50, Art. 4855; No. 52, Art. 5033, Art. 5037; 2004, No. 27, Art. 2711; No. 31, Art. 3233; 2005, No. 1, Art. 18, Art. 45; No. 30, Art. 3117; 2006, No. 6, Art. 636; No. 19, Art. 2061; No. 31, Art. 3439; No. 52, Art. 5497; 2007, No. 1, Art. 9; No. 22, Art. 2563; No. 31, Art. 4011; No. 41, Art. 4845; No. 45, Art. 5425; No. 50, Art. 6238; 2008, No. 10, Art. 895; No. 15, Art. 1447, 2009, No. 1, Art. 23; No. 9, Art. 1043; No. 18, Art. 2153; No. 23, Art. 2776; No. 30, Art. 3739; No. 48, Art. 5731; No. 52, Art. 6428; 2010, No. 8, Art. 775; No. 27, Art. 3432; No. 30, Art. 4012; No. 31, Art. 4193; No. 47, Art. 6028; 2011, No. 7, Art. 905; No. 27, Art. 3873, Art. 3880; No. 29, Art. 4291; No. 48, Art. 6728, Art. 6730; No. 49, Art. 7069; No. 50, Art. 7351; 2012, No. 27, Art. 3588; No. 31, Art. 4333; No. 50, Art. 6954; No. 53, Art. 7605, Art. 7607; 2013, No. 11, Art. 1076; No. 19, Art. 2317, Art. 2329; No. 26, Art. 3207; No. 27, Art. 3438, Art. 3477; No. 30, Art. 4084; No. 40, Art. 5036; No. 49, Art. 6336) (hereinafter referred to as the Federal Law 'On Banks and Banking Activities') and in accordance with the decision of the Bank of Russia Board of Directors (Minutes No. 27 of the meeting of the Bank of Russia Board of Directors, dated 28 November 2003), and establishes the procedure for the internal control systems in credit institutions and banking groups, the procedure for quality assessment by the Bank of Russia of the internal control systems of credit institutions and banking groups and specifics of supervision of compliance with the said requirements by the Bank of Russia.

### 1. General provisions

1.1. The following terms shall be used for the purposes of this Regulation:

'Internal controls' means activities a credit institution (its management bodies, subdivisions, and employees) engages in that are aimed at reaching the goals specified by clause 1.2 of this

Regulation.

'Internal control system' means the total system of internal control bodies and areas of focus that ensure compliance with the procedure for implementing and reaching the goals set forth by the Russian legislation, this Regulation, and the founding and internal documents of the credit institution.

'System of internal control bodies' means the aggregate of management bodies, units, and personnel (responsible employees) fulfilling functions within the internal control system as determined by the founding and internal documents of the credit institution.

1.2. Internal control shall be exercised to ensure the following:

1.2.1. The effectiveness and productivity of business when performing banking operations and transactions; effective assets and liabilities management, including maintenance of assets and management of banking risks.

1.2.2. The reliability, completeness, fairness, and timeliness of the preparation and furnishing of financial, accounting, statistical, and other reporting (for external and internal users), as well as information security (protection of the credit institution's interests (goals) in the area of information, which is the total of data, data infrastructure, and entities involved in collecting, generating, distributing, and using data, as well as the system governing relations that arise in connection therewith).

1.2.3. Compliance with regulations, standards of self-regulatory organisations (for professional securities market participants), and the founding and internal documents of the credit institution.

1.2.4. Exclusion of the involvement of the credit institution and its employees in unlawful activities, including the legalisation (laundering) of criminally obtained incomes and the financing of terrorism, as well as provision of information to governmental bodies and the Bank of Russia in a timely manner in accordance with the Russian legislation.

1.3. In credit institutions of a banking group, internal controls shall be implemented in accordance with the rules set forth by this Regulation for a credit institution.

The parent credit institution of the banking group is to ensure a unified approach to the organisation of internal controls and is responsible for ensuring its effective management in credit institutions and non-bank financial institutions which are members of the banking group.

## 2. The system of internal control bodies

2.1. In accordance with Articles 10 and 24 of the Federal Law 'On Banks and Banking Activity', the charter of a credit institution shall contain information about the system of internal control bodies, the procedure for their establishment and their powers, while the organisational structure of the credit institution in terms of the distribution of powers among members of the Board of Directors (Supervisory Board) and the collegial executive body; the definition of the powers of the sole executive body; and the powers, accountability, and responsibilities of all units of the credit institution and its employees shall be consistent with the nature and scope of operations and the level and combination of accepted risks.

2.2. Internal controls shall be implemented in accordance with the authority provided by the founding and internal documents of the credit institution by:

the management bodies of the credit institution provided for by Article 11.1 of the Federal Law 'On Banks and Banking Activity';

the audit commission (internal auditor);

the chief accountant (deputy chief accountants) of the credit institution;

the head (deputy heads) and chief accountant (deputy chief accountants) of the branch of the credit institution;

the units and employees responsible for internal controls in accordance with the authority determined by the internal documents of the credit institution, including the following:

2.2.1. The internal audit service – a structural unit of the credit institution acting in

accordance with the requirements of Chapter 4 of this Regulation.

2.2.1(1). The internal control service (compliance service) (hereinafter referred to as the 'internal control service') – a structural unit and(or) employees of the credit institution operating in accordance with the requirements of Chapter 4(1) of this Regulation.

2.2.2. The employee (structural unit) responsible for countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism appointed (established) and performing his/her/its functions in accordance with Clause 2 of Article 7 of Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (Collection of Legislation of the Russian Federation 2001, No. 33, Art. 3418; 2002, No. 44, Art. 4296; 2004, No. 31, Art. 3224; 2006, No. 31, Art. 3446; 2007, No. 16, Art. 1831 and No. 49, Art. 6036).

2.2.3. Other structural units and(or) responsible employees of the credit institution which, depending on the nature and scope of the operations carried out and the level and combination of risks assumed, may include a professional securities market participant controller – a responsible employee and(or) structural unit that controls a professional securities market participant's compliance with the requirements of the legislation of the Russian Federation on the securities market, including Bank of Russia regulations, regulations of the federal executive body for the securities market, legislation of the Russian Federation for the protection of the rights and legitimate interests of investors in the securities market, and the legislation of the Russian Federation on advertising, as well as the professional participant's compliance with internal documents associated with its activities in the securities market.

2.3. Specifics of the organisation and implementation of internal controls for the purposes of countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism and compliance with the laws of the Russian Federation on securities and the protection of investors' rights and lawful interests in the securities market shall be defined by other regulations.

2.4. Credit institutions that do not meet at least one of the criteria stipulated in Clause 7 of Part 1 of Article 76 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' are entitled not to create a separate internal auditing structural unit and a separate internal control structural unit unless otherwise stipulated by the Russian legislation.

In this case, the functions (rights and obligations) of the internal audit service and the internal control service provided for in this Regulation are to be carried out by the head of the internal audit service and by the head of the internal control service, respectively.

2.5. Should under the Article 11<sup>1-2</sup> of the Federal Law "On banks and banking activities" the functions of the head of the internal control service in a basic licence holder bank be transferred to the head of the risk management service, the head of the risk management service performing the functions of the head of the internal control service shall comply with the requirements set in the Chapter 4<sup>1</sup> of this Regulation.

### 3. The internal control system

3.1. The internal control system of the credit institution shall include the following activities:

- control of the organisation of the credit institution's activities by management bodies;
- control of the functioning of the banking risks management system and assessment of banking risks;
- control of the distribution of powers when performing banking operations and other transactions;
- control of information flow (information receipt and transfer) management and information security maintenance;
- monitoring the operation of the internal control system on a regular basis to assess its

appropriateness to credit organisation's operational objectives, to detect deficiencies, to develop proposals, and to monitor implementation of solutions related to improvement of the credit organisation's internal control system (hereinafter referred to as the 'monitoring of the internal control system').

3.2. Recommendations for management bodies on controlling the organisation of the credit institution's activities are set forth in Appendix 1 to this Regulation.

3.3. Control of the functioning of the banking risks management system and assessment of banking risks shall be performed by the credit institution on a continuous basis according to the procedure established by internal documents.

3.4. Control of the distribution of powers when performing banking operations and other transactions.

3.4.1. The procedure for distributing powers among units and employees when performing banking operations and other transactions shall be established by the internal documents of the credit institution and shall include such forms (methods) of control as:

- inspections by management bodies in the form of requesting reports and information about the performance results of structural units and clarifications by the executives of the units in question for the purposes of detecting control deficiencies, violations, and errors;

- control by unit executives in the form of auditing performance records of employees subordinate to them (on a daily and(or) weekly and(or) monthly basis);

- material (physical) control through audits of limitations of access to tangible assets, revaluation of tangible assets (cash, securities in the form of documents, etc.), allocation of responsibilities for the safekeeping and use of tangible assets, and provision for the protection of premises for safekeeping of tangible assets;

- auditing compliance with the established limits on performing banking operations and other transactions by obtaining the relevant reports and reconciling them with the primary documents;

- the system of approval of operations (transactions) and the distribution of powers when performing banking operations and other transactions which exceed the established limits and require that the relevant credit institution officers should be notified in a timely manner of such operations (transactions) or the current situation and that such operations (transactions) should be reflected properly in accounting records and statements;

- auditing compliance with the procedure for performing banking operations and other transactions, reconciliation of accounts, and notification of the appropriate officers regarding detected violations, errors, and deficiencies.

3.4.2. The credit institution shall allocate responsibilities such as to avoid a conflict of interests (a contradiction between ownership interests and other interests of the credit institution and(or) its employees and(or) customers which may lead to the occurrence of unfavourable consequences for the credit institution and(or) its customers) or the conditions for its occurrence, the commission of crimes and other unlawful acts when performing banking operations and other transactions, or the authorisation of one and the same unit or employee to:

- make and register and(or) report bank operations and other transactions;

- authorise and make actual cash payments;

- perform operations on customer accounts with the credit institution and accounts that reflect the credit institution's own business operations;

- provide consulting and information services to customers of the credit institution and perform operations with these same customers;

- ascertain the validity and completeness of documents provided for issuing a loan and monitor the borrower's financial position;

- take actions in any other areas where a conflict of interest may arise.

3.4.3. The credit institution shall establish a procedure for identifying and controlling areas of potential conflict of interest and auditing the duties of officials holding the positions provided for by Part three of Article 11.1 of the Federal Law 'On Banks and Banking Activity', as well as

other employees of the credit institution to avoid potential concealment by them of any illegal actions.

3.5. Control of information flow (information receipt and transfer) management and information security maintenance.

3.5.1. Information on the credit institution's activities shall be timely, reliable, accessible, and properly represented. Information includes data on the credit institution's activity and its results; data on compliance with the requirements prescribed by the applicable regulations, standards of self-regulatory organisations (for professional securities market participants), and the founding and internal documents of the credit institution; and data on events and conditions related to decision-making. The form in which information is provided shall be determined with due regard for the needs of the specific recipient (management bodies, units, and employees of the credit institution).

The procedure for control of information flow (receipt and transfer of information) management and maintenance of information security shall be established by the internal documents of the credit institution with due regard for the provisions of this Sub-clause and other Sub-clauses of Clause 3.5 of this Regulation and shall cover all its activities.

3.5.2. Internal controls of automated information systems and hardware shall include general control and software auditing.

3.5.3. General control of automated information systems shall involve auditing of computer systems (the host computer, the customer-server system and workstations of end users, etc.) to ensure their uninterrupted and continuous operation.

General control shall include procedures for data backup (copying) and procedures for recovery of automated information systems to be implemented by the credit organisation; support for use of automated information systems, including defining the rules for the purchase, development, and maintenance of software; and a procedure for controlling physical access security.

3.5.4. Software auditing shall be implemented through automated procedures embedded in application software, as well as manually launched procedures controlling the processing of banking operations and other transactions (edit check, logical access control, internal data backup, recovery procedures, etc.).

3.5.5. The credit institution shall establish rules for information activity management, including a procedure for protection against unauthorised access and distribution of confidential information, as well as the use of confidential information for personal purposes.

3.6. Monitoring of the internal control system.

3.6.1. The internal control system shall be monitored continuously. The credit institution's internal documents shall specify the procedure for monitoring the internal control system (methodology, rules, frequency, procedure for reviewing monitoring results, etc.). The credit institution shall take the necessary steps to improve the internal control system to ensure its efficient operation with due regard for changing internal and external factors influencing the credit institution's activities.

3.6.2. The internal control system shall be monitored by the heads and employees of various units, including units that perform banking operations and other transactions and record them in the accounting records and financial reporting, as well as by the internal audit service.

The frequency of monitoring of various activities of the credit institution shall be determined based on banking risks and the frequency and nature of changes occurring in the credit institution's lines of business.

The review results shall be documented and communicated to the appropriate officers of the credit institution (its units).

3.7. The credit institution shall ensure continuity and(or) recovery of operations in the event of non-standard and emergency situations. For the above purposes, the credit institution shall have a plan of action approved by the Board of Directors (Supervisory Board) to ensure the continuity of the activities and(or) recovery of the activities of the credit institution in the case of

non-standard and emergency situations, providing for the use of standby (backup) automated systems and(or) hardware, as well as the recovery of systems critically important for the credit institution's activities that are supported by a third-party service provider. The credit institution shall determine the procedure for auditing the ability to implement the plan of action aimed at ensuring the continuity of activities and(or) recovery of activities in the event of non-standard and emergency situations.

Recommendations on the structure and content of the plan of action aimed at providing continuity of activities and(or) recovery of activities of the credit institution in the case of the occurrence of non-standard events and emergencies, as well as for organising an audit of the ability to implement the above plan are provided in Appendix 5 to this Regulation.

3.8. The credit institution shall adopt internal documents on the main issues related to the implementation of internal controls stipulated by Appendix 2 to this Regulation.

Internal documents (rules, procedures, regulations, directives, decisions, orders, methods, job descriptions, and other documents in the forms accepted in the international banking practice) may be adopted by credit institutions on other issues related to the performance of banking operations and other transactions as well. The combination of issues in internal documents adopted by a credit institution shall be determined by the latter independently given the conditions of its activities, including, but not limited to, the nature of the operations performed and the combination of risks assumed and other circumstances.

#### 4. The internal audit service

4.1. The internal audit service shall perform the following functions:

4.1.1. Auditing and assessing the effectiveness of the internal control system as a whole and the implementation of resolutions adopted by the governing bodies of the credit institution (the general meeting of shareholders (participants), the Board of Directors (Supervisory Board), and the executive bodies of the credit institution).

4.1.2. Auditing the effectiveness of the methodology for assessing banking risks and the banking risk management procedures established by the credit institution's internal documents (methodologies, programmes, rules, regulations, and procedures for banking operations and transactions and for banking risk management) and the completeness of the application of such documents.

4.1.3. Auditing the reliability of the functioning of the internal control system with regard to the use of automated information systems, including auditing the integrity of databases and their protection against unauthorised access and(or) use, taking into account measures adopted in the event of non-standard and emergency situations in accordance with the plan of action aimed at ensuring continuity of activities and(or) recovery of the operations of the credit institution in the event of non-standard and emergency situations.

4.1.4. Auditing and testing the accuracy, completeness, and timeliness of accounting and reporting, as well as the reliability (including the accuracy, completeness, and timeliness) of collection and submission of information and reporting.

4.1.5. Auditing the measures (methods) to ensure the safekeeping of the credit institution's property.

4.1.6. Assessing the economic expediency and efficiency of operations and other transactions carried out by the credit institution.

4.1.7. Auditing internal control processes and procedures.

4.1.8. Auditing the operations of the credit institution's internal control service and the credit institution's risk management service.

4.1.9. Other issues stipulated by the credit institution's internal documents.

4.2. The internal document governing the activities of the internal audit service (hereinafter referred to as the 'regulation on the internal audit service') shall define the following:

the goals and focus areas of the internal audit service;

the principles (standards) and methods of the activities of the internal audit service that comply with the requirements herein;

the status of the internal audit service in the organisational structure of the credit institution; its tasks, powers, rights, and obligations; and its relationship with other units of the credit institution, including those which exercise control functions;

the subordination and accountability of the head of the internal audit service;

the duty of the head of the internal audit service to report violations (deficiencies) revealed in the course of inspections on issues determined by the credit institution to the Board of Directors (Supervisory Board), the sole and collegial executive bodies, and the head of the structural unit of the credit institution under inspection;

the duty of the head of the internal audit service to inform the Board of Directors (Supervisory Board) and the sole and collegial executive bodies of all impediments to the internal audit service's performance of its functions;

the duty of internal audit service officers to inform the head of the internal audit service of all impediments to the internal audit service's performance of its functions.

4.3. The Regulation on the internal audit service shall be approved by the Board of Directors of the credit institution in accordance with Articles 48 and 65 of the Federal Law 'On Joint-stock Companies' (Collection of Legislation of the Russian Federation, 1996, No. 1, Art. 1; 2001, No. 33 (Part I), Art. 3423; 2002, No. 45, Art. 4436) and Article 32 of the Federal Law 'On Limited Liability Companies' (Collection of Legislation of the Russian Federation, 1998, No. 7, Art. 785) unless otherwise stipulated by the charter of the credit institution.

4.4. Invalid. Bank of Russia Ordinance No. 3241-U, dated 24 April 2014.

4.5. The credit institution shall ensure the continuity of activities, the independence and the impartiality of the internal control service and the professional competence of its head and employees, as well as create conditions for the internal audit service to perform its functions efficiently and without hindrance.

4.6. Continuity of the internal audit service's activities means that the internal audit service shall act on a continuous basis.

4.6.1. The credit institution shall establish the number of staff, the structure and the technical inventory of the internal audit service in accordance with the nature and scope of the operations carried out and the combination of assumed risks.

4.6.2. The internal audit service shall consist of in-house employees of the credit institution.

Transfer of the functions of the internal audit service of the credit institution to a third party shall be prohibited, except for the case specified in Sub-clause 4.6.3 of Clause 4.6 of this Regulation.

4.6.3. In a credit institution that is part of a banking group, certain functions of the internal audit service may be transferred to the internal audit service of another credit institution within the banking group, except for the functions of the head of the internal audit service. The grounds for making a decision to transfer certain functions of the internal audit service shall be the credit institution's lack of specialists in the activities subject to control and the impossibility or inexpediency of employing such specialists on a permanent basis considering the nature and scope of the credit institution's activities. The list of functions to be transferred, the procedure for interaction, and responsibility when performing internal audit functions shall be agreed upon between the credit institutions in writing. The responsibility for the efficiency with which the transferred functions are performed shall be borne by the credit institution that made the decision to transfer certain functions of the internal audit system.

Information on the transfer of certain functions of the internal audit service in credit institutions within the banking group, containing the list of functions to be transferred, their interaction procedure, and responsibility when performing internal audit functions shall be disclosed to the regional branches of the Bank of Russia at the location of every said credit institution within the banking group as part of the Certificate on Internal Control in a Credit

Institution under Clause 5.1 of this Regulation.

4.7. Independence of the internal audit service.

4.7.1. The credit institution shall ensure the independence of the internal audit service in accordance with the procedure specifying that the internal control service shall:

act under the direct supervision of the Board of Directors (Supervisory Board);

perform no activity subject to audits, except for cases stipulated by paragraph five of this Sub-clause;

at its own initiative report to the Board of Directors (Supervisory Board) on issues arising in the course of performing its functions and on proposals regarding their solution; it shall also disclose this information to the sole and collegial executive bodies of the credit institution;

be subject to independent auditing by a third-party audit firm or the Board of Directors (Supervisory Board) if such auditing is stipulated by the charter of the credit institution.

4.7.2. The internal documents of the credit institution shall provide for the following:

a procedure for approving a regulation on the internal audit service, annual and current audit plans, and reports on implementation of the audit plans in accordance with Articles 48 and 65 of the Federal Law 'On Joint-stock Companies' and Article 32 of the Federal Law 'On Limited Liability Companies', and Article 11.1–1 of the Federal Law 'On Banks and Banking Activities';

accountability of the head of the internal audit service to the Board of Directors (Supervisory Board) of the credit institution;

subordination of the head of the internal audit service of a credit institution branch (if there is an internal audit unit at the branch) or the employee of the credit institution branch who performs the functions of an internal audit service representative at the branch in question to the head of the internal audit service of the credit institution;

the right of the head of the internal audit service to interact with the relevant officers of the credit institution (its units) to resolve issues promptly and the procedure for such interaction;

the inadmissibility of functional subordination of other units of the credit institution to the head (deputy heads) of the internal audit service, as well as internal audit service employees (including the head and deputy heads) combining their activities with the activities of other units of the credit institution;

4.7.3. The internal audit service may not participate in banking operations and other transactions.

The head and employees of the internal audit service may not sign payment (settlement) and accounting documents or other documents based on which the credit institution assumes banking risks or endorse such documents on behalf of the credit institution.

4.7.4. The head of the internal audit service may not be assigned duties not related to internal audit functions. The structure of the internal audit service may not include units and officers whose activity is not related to performing internal audit functions.

4.8. Impartiality of the internal audit service.

4.8.1. The credit institution shall ensure that tasks assigned to the internal audit service are completed without any interference from management bodies or units and employees of the credit institution that are not employees of the internal audit service.

4.8.2. Heads (deputy heads) and employees of the internal audit service who used to hold positions in other structural units of the credit institution shall not participate in the auditing of the activities and functions they performed during the audited period and within twelve months after the completion of such activities and functions.

4.8.3. The credit institution may establish a procedure (frequency, justification) for transferring heads (deputy heads) and employees of the internal audit service to other positions at the credit institution in case of changes in the nature and scope of activities, the level and combination of the assumed risks, the appearance of new types or focuses of activities, etc.

4.8.4. It is recommended that a person who combines jobs not be appointed as a head of the internal audit service.



4.9. The head of the internal audit service is to be approved by the Board of Directors (Supervisory Board) of the credit institution and shall meet the requirements set by Bank of Russia Ordinance No. 3223-U, dated 1 April 2014, 'On the Requirements for Heads of Risk Management, Internal Control and Internal Audit Services of a Credit Institution', registered with the Ministry of Justice on 23 April 2014 under No. 32086 (Bank of Russia Bulletin No. 63, dated 9 July 2012) (hereinafter referred to as the 'Bank of Russia Ordinance No. 3223-U') and the business reputation requirements established by Clause 1 of Part 1 of Article 16 of the Federal Law 'On Banks and Banking Activities'.

The head and officers of the internal audit service shall undergo professional training (retraining) on a regular basis.

4.10. The creation of conditions for the internal audit service to fulfil its functions efficiently and without hindrance.

4.10.1. The internal audit service shall audit all types of activities of the credit institution. Any unit or employee of the credit institution shall be subject to auditing.

4.10.2. The main methods to be used by a credit institution for implementation of audits by the internal audit service are stipulated in Appendix 3 to this Regulation.

4.11. The internal audit service shall control the efficiency of measures taken by units and management bodies following the results of audits to reduce the level of detected risks or the documentation of decisions made by the head (deputy heads) of the unit and(or) management bodies on the acceptability of the detected risks for the credit institution.

If, in the opinion of the head of the internal audit service, the management of a unit and(or) the governance bodies assumed a risk unacceptable for the credit institution, or if the adopted control measures are not adequate to the risk level, the head of the internal audit service shall inform the credit institution's Board of Directors (Supervisory Board).

4.12. The credit institution shall establish a procedure for:

control (including re-audits) over the measures for eliminating violations detected by the internal audit service;

submission of information by the internal audit service on measures taken to comply with recommendations and remedy any identified violations to the Board of Directors (Supervisory Board) at least once every six months. A copy of this information is to be forwarded to the sole and collegial executive bodies.

#### 4(1). The internal control service

4(1).1. The internal control service shall exercise the following functions:

identifying compliance risk, which means the risk of a credit institution incurring losses as a result of failure to comply with the Russian legislation, the internal documents of the credit institution, or the standards of self-regulatory organisations (if such standards or rules are mandatory for the credit institution), or as a result of sanctions and(or) other measures of influence applied by supervisory authorities (hereinafter referred to as the 'regulatory risk');

recording events related to the regulatory risk, determining their probability, and qualitatively assessing the possible consequences;

monitoring the regulatory risk, including the analysis of new banking products and services being planned by the credit institution and the planned methods for their implementation to determine the presence of the regulatory risk;

forwarding, if necessary, recommendations for regulatory risk management to the heads of structural units of the credit institution and to the executive body defined by the credit institution's internal documents;

coordinating and participating in the development of a set of measures aimed at reducing the regulatory risk in the credit institution;

monitoring the efficiency of regulatory risk management;

participating in the development of internal documents on regulatory risk management;

informing the credit institution's officers on issues related to regulatory risk management;  
identifying conflicts of interest in the activities of the credit institution and its officers and participating in the development of internal documents aimed at minimising it;

analysing the indicators of customer complaint (petition) dynamics and analysing the credit institution's observance of customer rights;

analysing the economic feasibility of the credit institution entering into agreements with legal entities and individual unincorporated entrepreneurs for the performance of services and/or work to support banking transactions performed by the credit institution (outsourcing);

participating in the development of internal documents aimed at combating commercial bribery and corruption;

participating in the development of internal documents and the organisation of activities aimed at complying with the rules of corporate conduct and the standards of professional ethics;

participating, within its competence, in the credit institution's interaction with supervisory authorities, self-regulatory organisations, associations, and financial market participants.

The internal control service is entitled to exercise any other functions associated with managing regulatory risk as prescribed by the credit institution's internal documents.

4(1).2. The internal document governing the activities of the internal audit service (hereinafter referred to as the 'regulation on the internal control service') shall define the following:

the goals and functions (rights and obligations) of the internal control service;

the status of the internal control service in the organisational structure of the credit institution;

the methods for the activities of the internal control service which meet the requirements of this Regulation;

subordination and accountability of the head of the internal control service;

allocation of duties among employees responsible for performing internal control functions (hereinafter referred to as the 'internal control service employees') in structural divisions of the credit institution;

the responsibility of the head of the internal control service to inform the sole and collegial executive bodies of the credit institution of violations detected when managing regulatory risk;

the responsibility of the head of the internal control service to immediately inform the sole and collegial executive bodies of the credit institution, and the Board of Directors (Supervisory Board) in cases stipulated by the credit institution's internal documents, of the occurrence of regulatory risk whose materialisation could result in significant losses for the credit institution;

the responsibility of the head of the internal control service to inform the sole and collegial executive bodies of the credit institution of all occurrences which impede the performance of his/her functions;

the responsibility of internal control service officers to inform the head of the internal control service of all occurrences which impede the performance of their functions.

If a basic licence holder bank decides to impose the functions of the head of the internal control service on the head of the risk management service, the regulation on the internal control service shall contain information on this decision.

4(1).3. The regulation on the internal control service shall be approved by the sole executive body of the credit institution unless otherwise provided for by the credit institution's charter.

The credit institution shall approve plans for the internal control service's operations in accordance with the internal documents of the credit institution.

4(1).4. The internal control service shall exercise its functions in the credit institution on a continuous basis.

4(1).5. The credit institution shall establish the number of staff, the structure, and the technical and material inventory of the internal control service in accordance with the nature and scope of the operations carried out and the level of regulatory risk assumed by the credit

institution.

4(1).6. The internal control service may consist of several units performing the functions specified in the Clause 4(1).1 of this Regulation.

4(1).7. Where the internal control service's functions are exercised by the employees of various structural units, the credit institution shall define the distribution of responsibilities related to internal control among such structural units of the credit institution.

4(1).8. The head of the internal control service and internal control service employees are part of the credit institution's staff.

4(1).9. In a credit institution that is part of a banking group, certain functions of the internal control service may be transferred to another credit institution within the banking group, except for the functions of the head of the internal control service. The list of functions to be transferred and the procedure for interaction of the credit institutions when performing the functions of the internal control service shall be agreed upon between the credit institutions in writing. The transfer of certain functions of the internal control service by a credit institution to another credit institution shall not release the credit institution from its duties concerning the organisation of due internal control.

4(1).10. The head of the internal control service may be a member of the collegial executive body of the credit institution. If the head of the internal control service is not a member of the collegial executive body of the credit institution, he/she shall report to the sole executive body of the credit institution (or a deputy who is a member of the collegial executive body and is not involved in making decisions related to the credit institution's performance of banking operations and other transactions) unless otherwise provided for by federal laws.

The head of the internal control service shall not participate in banking operations and other transactions.

4(1).11. Where internal control service functions are exercised by the employees of several structural units, such employees' activities related to regulatory risk management shall be coordinated by the head of the internal control service.

4(1).12. The credit institution's internal documents shall provide for the right of the head of the internal control service and the employees of the internal control service to obtain access to information required to fulfil their responsibilities, as well as the duty of the employees of the credit institution to provide such information.

4(1).13. The credit institution shall ensure the performance of the functions assigned to the internal control service without interference from units and officers of the credit institution who are not internal control service employees and(or) do not perform internal control functions.

4(1).14. When employees of various units are assigned internal control responsibilities and combine internal control functions with bank operations and other transactions, the credit institution shall set forth measures in its internal documents to minimise and prevent conflict of interest and in particular define limitations on the reporting line for such employees in terms of functions not related to internal control.

4(1).15. It is recommended that a person who combines jobs not be appointed as head of the internal control service.

4(1).16. The head of the internal control service shall meet the requirements set by Bank of Russia Ordinance No. 3223-U, dated 1 April 2014, and the business reputation requirements established by Clause 1 of Part 1 of Article 16 of the Federal Law 'On Banks and Banking Activities'.

The head and staff of the internal control service shall undergo professional training (retraining) on a regular basis.

4(1).17. The annual activity reports submitted by the internal control service to the executive bodies and, in cases established by the internal documents of the credit institution, to the Board of Directors (Supervisory Board) of the credit institution shall include information on the following:

the fulfilment of plans for the internal control service's operations in the field of regulatory

risk management;

the results of monitoring of the effectiveness of implementation of the requirements for managing regulatory risk and the results of monitoring of the areas of the credit institution's activities which bear a high level of regulatory risk;

the recommendations of the internal control service as to managing regulatory risk and their application.

4(1).18. The credit institution shall, within three days from the date of a decision on significant changes in the internal control system (on changes in the rights and responsibilities of the governing bodies and other bodies of the credit institution with regard to internal control; on changes in the structure of the internal control service; on changes in the accountability of the head of the internal control service; on the performing of functions of the head of the internal control service by the head of the risk management service; or other changes stipulated by the internal documents of the credit institution), send written notice of significant changes in the internal control system to the structural division of the Bank of Russia supervising the credit institution .

5. The procedure for quality assessment of the internal control system by the Bank of Russia and specifics of supervising compliance with the requirements for the internal control system

5.1. The Bank of Russia shall assess the quality of the internal control system on the basis of the following:

the Certificate on Internal Control in a Credit Institution (hereinafter referred to as the 'Certificate') prepared and filed according to the form and deadlines prescribed by Bank of Russia Ordinance No. 4212-U, dated 24 November 2016, 'On the List, Forms and Procedure for Compiling and Submitting Credit Institutions' Reporting Forms to the Central Bank of the Russian Federation' registered with the Ministry of Justice of the Russian Federation on 14 December 2016 under No. 44718; 29 March 2017 under No. 46155;

written notices of any material changes in the internal control system given by the credit institution to the Bank of Russia in accordance with Clause 4(1).18 of this Regulation;

written notices containing information about the appointment (dismissal) of persons exercising the functions of the head of the internal audit service or the head of the internal control service of the credit institution and about such persons' compliance with qualification requirements and business reputation requirements sent in accordance with the requirements of the Bank of Russia.

To assess the quality of the internal control system in a credit institution, the structural division of the Bank of Russia supervising the credit institution is entitled to request additional information from the credit institution concerning the organisation of the internal control system, including the activities of the internal audit service (its head) and the internal control service (its head).

5.2. When auditing credit institutions, both the internal control system as a whole and individual operations (procedures) may be audited to confirm:

- compliance with internal methods, programmes, rules, orders and procedures, as well as established limits;

- reliability, completeness, and fairness of the systems of accounting, reporting, collection, processing and storage of other data in accordance with the Russian legislation;

- reliability of certain control methods established and applied by the credit institution.

5.3. The quality of the credit institution's internal control system shall be assessed through assessment of fulfilment of the requirements established by the Russian legislation in recognition of results of inspections conducted by the Bank of Russia in relation to the credit institution included in the List of Systemically Important Credit Institutions, as well as on the basis of the following:

assessment of availability of an audit committee in the Board of Directors (Supervisory

Board) of the credit institution;

assessment of the internal audit service's inspections of the operations of each of the structural units of the credit institution as a whole or of each of the types of operations and transactions performed, at least once every three years.

5.4. Based on the results of the assessment conducted, as well as in the case that the credit institution's (banking group's) internal control system does not comply with the requirements established by the Bank of Russia and(or) with the nature and scope of the operations performed by the credit institution (banking group) or the level and combination of the risks assumed, as expressed in repeated violations of the requirements of federal laws and(or) the regulations of the Bank of Russia during the year, in a one-time violation of the requirements of regulations of the Bank of Russia entailing the credit institution's violation of mandatory standards set by the Bank of Russia, in a one-time violation of a Bank of Russia order or in the submission to the Bank of Russia of unreliable reports, the structural division of the Bank of Russia supervising the credit institution (banking group) shall send an order to bring the credit institution's (banking group's) internal control system into conformity with the requirements of the Bank of Russia, the nature and scope of the operations performed by the credit institution (banking group), and the level and combination of the risks assumed and(or) on the establishment of individual limits of mandatory standards for the credit institution (banking group).

## 6. Final Provisions

This Regulation shall become effective 10 days after its official publication in the Bank of Russia Bulletin.

Governor of the Bank of Russia  
S. M. IGNATIEV

**RECOMMENDATIONS  
FOR MANAGEMENT BODIES ON CONTROLLING THE ORGANISATION  
OF THE CREDIT INSTITUTION'S ACTIVITIES**

1. It is recommended that the issues within the responsibility of the Board of Directors (Supervisory Board) include, in addition to the matters established by the Federal Law 'On Banks and Banking Activities', the Federal Law 'On Joint-stock Companies', and the Federal Law 'On Limited Liability Companies', the following matters:

- the creation and implementation of effective internal controls;
- the regular review of the effectiveness of internal controls at its meetings, as well as discussion of issues related to the organisation of internal controls and measures for increasing its effectiveness with executive bodies of the credit institution;
- the review of documents on the organisation of the internal control system prepared by the executive bodies of the credit institution, the internal control service, other structural units of the credit institution, or an audit firm which is conducting (has conducted) an audit;
- taking measures to ensure the prompt implementation by the credit institution's executive bodies of recommendations and remarks made by the internal control service, an audit firm which is conducting (has conducted) the audit, or supervisory bodies;
- timely inspections of internal control's adequacy to the nature and scope of the performed operations and the level and combination of risks assumed.

If an audit committee is formed within the structure of the Board of Directors (Supervision Board), its competence shall include, among other things, the following matters:

- supervising the systems and processes of internal controls to ensure that they cover such areas as the procedure for preparing and filing accounting (financial) statements and internal reporting, the monitoring of fulfilment of the requirements of the Russian legislation and other internal documents of the credit institution, the effectiveness of operations and other transactions performed, and the preservation of assets;
- monitoring and analysing the effectiveness of internal audit service operations;
- analysing internal audit service reports on the completion of audit plans;
- assessing the effectiveness with which the head of the internal audit service performs the functions assigned to him/her;
- preparing recommendations for the governing bodies of the credit institution as to the conduct of external audits and the selection of external auditors;
- ensuring that timely measures are taken to eliminate shortcomings in the internal control system and violations of the requirements of the Russian legislation and the internal documents of the credit institution, as well as other shortcomings identified by external auditors.

2. The following issues shall fall within the responsibility of the executive bodies:

- establishing responsibility for executing decisions made by the general meeting of shareholders and the Board of Directors (Supervisory Board) and implementing the strategy and policy of the credit institution with respect to the organisation and conduct of internal control;
- delegation of authorities to develop rules and procedures in the area of internal controls to the heads of the corresponding structural units and control of the exercise of such authorities;
- auditing the compliance of the credit institution's activities with internal documents that define the procedure for exercising internal controls, and assessment of the adequacy of the content of the above documents to the nature and scope of activities;

- allocation of responsibilities among units and employees responsible for certain focus areas (forms, implementation methods) of internal control;
- review of the materials and results from regular assessments of the effectiveness of internal control;
- creation of effective data transfer and exchange systems for the delivery of necessary data to concerned users. Data transfer and exchange systems shall include all documents that define the operational policy and procedures of the credit institution's activities;
- creation of a system for controlling the elimination of detected violations and deficiencies of internal control and the measures taken to eliminate them.

3. The credit institution's management bodies shall do the following:

- assess risks affecting the achievement of the objectives and take measures to respond to changing circumstances and conditions to ensure the effectiveness of banking risk assessment. To detect and monitor new risks or risks that were not previously monitored, the organisation of the internal control system of the credit institution shall be reviewed on a regular basis;
- ensure that all employees of the credit institution participate in internal controls in accordance with their job duties;
- establish a procedure under which employees provide the management bodies and heads of structural units of the credit institution (branch) with information about all violations of the Russian legislation or founding and internal documents, cases of abuse, or non-compliance with professional conduct;
- adopt documents on issues of the internal audit service's interaction with units and employees of the credit institution and control their observance;
- bar the adoption of rules and(or) implementation of practices which may stimulate actions contradicting the Russian legislation and internal control objectives.

LIST OF THE MAIN ISSUES RELATED TO  
INTERNAL CONTROLS ON WHICH A CREDIT INSTITUTION  
SHALL ADOPT INTERNAL DOCUMENTS

1. Accounting (accounting policy).
2. Banking risk and capital management.
  - 2(1). Application of banking methods of risk management and models for quantitative risk assessment in accordance with Article 72.1 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.
3. Lending and depositary policies.
4. Procedure for lending to related parties.
5. Opening (closing) and maintenance of accounts and deposits.
6. Interest rate policy.
7. Making settlements (cash, non-cash).
8. Making foreign currency transactions.
9. Exercising currency control.
10. Performing securities transactions.
11. Issuing bank guarantees.
12. Performing cash operations, cash and valuables collection.
13. Internal control rules for countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism.
14. Information security policies.
15. Ensuring business continuity and(or) restoration of the activities of the credit institution in case of non-standard and emergency situations.
16. Procedure for prevention of conflicts of interest.
17. Personnel policy, including in the area of remuneration of labour.



### MAIN AUDIT METHODS OF THE INTERNAL AUDIT SERVICE

1. The main audit methods of the internal audit service are as follows:

financial auditing, the goal of which is to evaluate the reliability of record maintenance and accounting;

auditing of compliance with the Russian legislation (banking laws, laws on securities market, laws on countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism, laws on taxes and levies, etc.) and other acts of regulatory and supervisory bodies, internal documents of the credit institution and methods, programmes, rules, procedures, and formalities established by them, the goal of which is to assess the quality and appropriateness of systems created at the credit institution for ensuring observance of the requirements of the Russian legislation and other acts;

operational auditing aimed at assessing the quality and appropriateness of systems, processes, and procedures, and analysing organisational structures and their adequacy to perform assigned functions;

auditing of management quality, the goal of which is to assess the quality of the approaches of the management bodies, units, and employees of the credit institution to banking risks and the control methods applied to them within the framework of the credit institution's set goals.

During inspections of structural units of the credit institution conducted by the internal audit service, the following issues associated with operations performed by such structural units shall be among those subject to consideration:

No.	Operations and other transactions performed	Issues subject to consideration during auditing (scope of audit)
1	2	3
1.	Attraction of financial resources from individuals and legal entities to deposits (call and time deposits), as well as in the form of loans (credit).	1. Reliability of accounting (statements) of the credit institution regarding attraction of financial resources. 2. Timeliness and completeness of the bank's payment of insurance premiums to the mandatory insurance fund. 3. The bank's provision of information to depositors on its participation in the deposit insurance system and on the manner and amount of compensation for deposits. 4. The bank's ability to prepare a register of the bank's liabilities to depositors in the prescribed form and within the prescribed period. 5. Compliance of the terms and

		<p>conditions of concluded bank deposit agreements with the requirements of the Russian legislation and the internal documents of the credit institution.</p> <p>6. The credit institution's compliance with the requirements stipulated by internal documents regulating deposit and interest rate policies, procedures for opening and closing bank accounts (deposit accounts) of individuals and legal entities, and the procedure for receiving (returning) monetary funds (including in cash) when opening and closing bank accounts (deposit accounts) of individuals and legal entities.</p> <p>7. The credit institution's compliance with the requirements of the Bank of Russia as to the manner of interest accrual on operations related to attracting financial resources.</p> <p>8. The credit institution's compliance with obligations relating to concluded agreements for attracting financial resources from individuals and legal entities.</p> <p>9. Compliance with measures aimed at preventing a conflict of interests relating to credit institution employees simultaneously carrying out the functions of concluding bank deposit agreements, preparing cash documents, and recording operations for attracting financial resources for deposits in accounting records.</p>
2.	<p>Placement of funds on one's own behalf and at one's own expense.</p>	<p>1. Compliance of internal documents of the credit institution establishing the procedure for carrying out operations on lending to individuals and legal entities, the document flow, and the manner in which they are to be reflected in accounting records with the Russian legislation.</p> <p>2. Compliance of the terms and conditions of concluded agreements with the requirements of the Russian legislation.</p> <p>3. Compliance with the procedure established by the Bank of Russia for provision (placement) of funds by the credit institution and for their return (repayment), and the preparation of</p>

		<p>instructions for provision (placement).</p> <p>4. The correctness and validity of the credit institution's assessment of the borrowers' financial standing.</p> <p>5. The correctness and validity of the credit institution's determination of the quality category of debt service.</p> <p>6. The completeness of the loan loss provision created by the credit institution taking account of collateral for loans.</p> <p>7. The credit institution's compliance with the requirements of the Bank of Russia as to the manner of interest accrual on operations related to placement of funds.</p> <p>8. Compliance with measures aimed at preventing a conflict of interests relating to credit institution employees simultaneously making decisions to provide a loan to a customer and to write off bad debts, as well as simultaneously performing functions relating to the assessment of the accuracy and completeness of documents submitted when issuing a loan and monitoring the borrower's financial standing.</p> <p>9. Controlling the affiliation of employees responsible for the decision making on issuance of loans with customers of the credit institution.</p>
3.	Opening and maintaining bank accounts of individuals and legal entities.	<p>1. The presence and timeliness of the approved standard forms of bank account agreements.</p> <p>2. The security and proper compilation of customer legal files.</p> <p>3. The correctness of execution of signature and seal impression cards.</p> <p>4. The correctness of assignment of a balance sheet account number to a customer's bank account.</p> <p>5. The timeliness of communication to the tax authority and the body controlling insurance premiums payment of the opening or closing of an account or changes in account details.</p> <p>6. The identity of the balance sheet account number and the name of the customer with the documents available in the customer's legal file.</p> <p>7. The presence and correct execution of powers of attorney for customers to</p>

		<p>obtain account statements and other documents.</p> <p>8. The correct calculation and timeliness of receipt (debiting from customers' accounts) of commission fees (including the fees for cash management services and for opening and maintaining bank accounts) in accordance with agreements concluded with customers.</p> <p>9. Compliance with the procedure for issuing account statements.</p> <p>10. Identification of the customer or his/her/its representative or beneficiary; taking measures which are reasonable and available in the current circumstances to identify beneficial owners;</p> <p>in relation to a customer which is a legal entity (individual entrepreneur), obtaining information in the manner established by the Russian legislation on the purposes of establishing business relations with the bank and on the intended nature thereof, taking measures which are reasonable and available in the current circumstances to determine the purposes of the financial and business operations, financial position, and business reputation of a customer that is a legal entity (individual entrepreneur).</p> <p>11. Compliance with measures aimed at preventing a conflict of interests relating to credit institution employees simultaneously carrying out operations with accounts of the credit institution's customers and with accounts reflecting the financial and economic activity of the credit institution.</p>
4.	<p>Making money transfers on behalf of individuals and legal entities, including authorised correspondent banks and foreign banks, with their bank accounts, making money transfers without opening bank accounts, including electronic funds (except for postal money orders).</p>	<p>1. Compliance with the rules for making money transfers with customers' bank accounts in the currency of the Russian Federation and in foreign currency, interbank settlements and performing operations with interbranch settlement accounts, including the timely fulfilment of customer orders for money transfers.</p> <p>2. Carrying out operations for the redistribution of resources between the head office of the credit institution and its branches.</p> <p>3. The credit institution's compliance</p>

		<p>with the rules of payment systems to which it is a party.</p> <p>4. The credit institution's compliance with the procedure for the issue of payment cards and operations performed with their use.</p> <p>5. The credit institution's compliance with the requirements of the Bank of Russia and internal documents of the credit institution for ensuring the protection of sensitive information during money transfers, including with the use of electronic means of payment.</p> <p>6. Compliance of the credit institution's operations for debiting funds from borrowers' bank accounts in satisfaction of the credit institution's claims against the borrowers with regard to placed funds with the requirements of the Russian legislation.</p>
5.	Collection of funds and cash services to individuals and legal entities.	<p>1. The credit institution's compliance with requirements for the procedure for conducting cash operations, the rules for the transportation and collection of cash, and the rules for operations with cash.</p> <p>2. Compliance of the premises for conducting operations with valuables with the requirements for technical resistance to burglary.</p> <p>3. The credit institution's compliance with the procedure for close of business and the preparation and storage of cash documents.</p> <p>4. Auditing the credit institution's compliance with the procedure established by the Bank of Russia as to the processing, preparation, and packaging of cash.</p> <p>5. Ensuring the accuracy of accounting (reporting) of cash transactions, including operations connected with the granting and repayment of loans and the deposits of individuals.</p> <p>6. Agreement of primary documents with accounting register data.</p> <p>7. Observance of measures aimed at preventing a conflict of interests relating to a credit institution cash desk employee being assigned functions associated with the auditing of cash.</p>

6.	Purchase and sale of foreign currency in cash.	<ol style="list-style-type: none"> <li>1. An authorised bank's compliance with the procedure for carrying out certain types of banking operations involving cash foreign currency and operations with checks (including traveller's checks) whose par value is specified in foreign currency with the participation of individuals.</li> <li>2. Reconciliation of balances of cash currency and checks with the data from primary documents and the balances on the corresponding balance sheet accounts.</li> </ol>
7.	Issuance of bank guarantees and submission of claims on bank guarantees, issuance of sureties stipulating the execution of obligations in monetary form, and acquisition of the right to demand the execution of obligations in monetary form from a third party.	<ol style="list-style-type: none"> <li>1. The credit institution's compliance with the terms and conditions specified in issued bank guarantees and sureties.</li> <li>2. Timeliness with which a principal is informed of the receipt of a beneficiary's claim, and a copy of such claim with all related documents is transmitted to the principal.</li> <li>3. Authentication of bank guarantees accepted by the credit institution.</li> <li>4. Compliance with the procedure for reflecting performed transactions in the accounting records.</li> <li>5. Monitoring the affiliation of parties to issued bank guarantees and sureties.</li> </ol>
8.	Professional activities in the securities market (broker, dealer and depositary activities, securities management).	<ol style="list-style-type: none"> <li>1. The credit institution's compliance with the procedure for reassessing claims against counterparties on transactions for the sale and purchase of financial assets with market or officially established prices (rates).</li> <li>2. The credit institution's compliance with the terms and conditions of sureties of a professional participant's customers and the instructions of registered persons.</li> <li>3. Compliance with the restrictions established by the Russian legislation on operations performed by the credit institution in the securities market.</li> <li>4. Compliance with the requirements for registration of primary internal accounting documents, maintenance of internal accounting registers, and reflection of securities transactions in the professional participant's system of internal accounting (if the credit</li> </ol>

		<p>institution carries out broker and(or) dealer activities, and(or) securities management).</p> <p>5. Compliance with the requirements for registration of primary documents of depository accounting, maintenance of accounting registers, and reflection of securities transactions in the professional participant's system of depository accounting (if the credit institution carries out depository activities).</p> <p>6. Observance of measures aimed at preventing a conflict of interests when conducting professional activities in the securities market, and if there is a conflict of interest, upholding the priorities of the customer's interests (except for registrars of securities holders).</p> <p>7. Observance of measures aimed at preventing a conflict of interests related to the credit institution carrying out activities with customers' securities at non-market prices; to the counterparty selling (acquiring) securities included (acquired to be included) in the securities portfolio at non-market prices; or to a trustee credit institution investing founders' funds in its own securities or the securities of affiliated entities or entities affiliated with employees of the credit institution.</p>
9.	Clearing activities.	<p>1. Organisation and operation of a risk management system related to the performance of clearing activities.</p> <p>2. Compliance of ongoing clearing activities with the requirements of federal laws, Bank of Russia regulations, and the federal executive body for the securities market, as well as the clearing rules, founding documents, and other documents of the clearing institution.</p> <p>3. Internal accounting of the clearing institution.</p> <p>4. Establishment of a procedure for performing clearing and for conducting operations based on the results of clearing.</p> <p>5. Establishment of interaction between structural units of the clearing institution.</p>

		6. Ensuring the smooth functioning of the clearing institution's software and hardware.
10.	Central depository activities.	<p>1. Organisation and operation of a risk management system related to the performance of central depository activities.</p> <p>2. Compliance of ongoing activities of the central depository with the requirements of federal laws, Bank of Russia regulations, and the federal executive body for the securities market, as well as the founding documents and other documents of the central depository.</p> <p>3. Reconciling the records of the central depository and the entity maintaining the register, interaction of the central depository with entities keeping a register.</p> <p>4. Establishment of interaction between structural units of the central depository.</p> <p>5. Compliance with the requirements for software and technical support of the central depository's activities.</p>
11.	Rental of safe deposit boxes for storing documents and valuables to individuals and legal entities.	<p>1. Ensuring the secure placement of valuables by a customer in a safe deposit box and their withdrawal from the safe deposit box.</p> <p>2. Safekeeping of valuables placed by a customer in a safe deposit box by the credit institution.</p> <p>3. Controlling access to the premises where a safe deposit box provided to a customer is located.</p>
12.	Leasing operations.	<p>1. Execution of the requirements for financial leasing operations by the credit institution (lessor) in accordance with the terms and conditions of the agreements concluded.</p> <p>2. Compliance with the procedure for accounting of leasing operations (depending, among other things, on whether the property transferred under a financial leasing agreement is kept on the lessor's balance sheet).</p> <p>3. Controlling the affiliation of the credit institution (its employees) and the lessee.</p>



13.	Provision of consulting and information services.	<p>1. Informing customers of the rates for consulting and information services provided to customers established by the credit institution's internal documents.</p> <p>2. Correspondence of the amount of fees charged to the established rates.</p> <p>3. Observation of measures aimed at preventing a conflict of interests relating to the provision of consulting and(or) information services on operations and performance of operations with the same customer.</p>
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2. The head and employees of the internal audit service are entitled to as follows:

access the premises of any unit under audit as well as the premises used for the safekeeping of documents (archives) or cash and valuables (cash storage facilities), data processing (computer rooms), and data storage on machine-readable media in compliance with the access procedures defined by internal documents of the credit institution;

obtain documents and their copies and other information, as well as any data available in information systems of the credit institution required for exercising control in compliance with the requirements of the Russian legislation and the requirements of the credit institution for operations with restricted data;

engage employees of the credit institutions when conducting audits and require that they provide access to documents and other information needed for the audits.

3. The plan of audits to be conducted by the internal audit service shall include the schedule of audits and shall be composed based on the methodology adopted by the credit institution's management bodies for assessing the management of banking risks with due regard for changes in the internal controls system and new areas of the credit institution's activities. When composing the schedule of audits, the frequency of audits adopted at the credit institution based on the areas of activity of structural units and the credit institution as a whole shall be taken into account.

Operation plans of the internal audit service shall be developed by the internal audit service and approved by the Board of Directors (Supervisory Board) of the credit institution. Operation plans of the internal audit service may be agreed upon with the sole and(or) collegial executive body.

Progress reports on audits shall be submitted by the internal audit service to the Board of Directors (Supervisory Board) at least twice a year. The internal audit service shall submit a copy of progress report on auditing to the sole and(or) collegial executive body.

4. The programme of audits to be conducted by the internal audit service shall involve developing an individual programme for auditing each area (issue) of the credit institution's activities.

The programme of an audit shall contain the audit objectives and determine the key banking risks and mechanisms for ensuring the completeness and effectiveness of control in the banking activity area under audit.

5. Working papers of audits of the internal audit service shall reflect the stages of the audit and completed audit procedures, data on reviewed documents, and other information obtained in the course of the audit.

6. Reports and proposals based on the results of audits shall be submitted by the internal audit service to the Board of Directors (Supervisory Board), the (deputy) sole and(or) collegial executive body, and the heads of the credit institution (branch) units under audit.

Reports shall contain a description of audit objectives; work performed; detected violations, errors, and deficiencies in the activity of the credit institution which could endanger

the interests of creditors and depositors or affect the financial stability of the credit institution; and the internal audit service's recommendations for improving operations and eliminating the violations, errors, and deficiencies.

Appendix 4  
to Bank of Russia Regulation  
No. 242-P, dated 16 December 2003,  
'On Organising Internal Controls  
in Credit Institutions  
and Banking Groups'

CERTIFICATE OF INTERNAL CONTROLS IN A CREDIT INSTITUTION

Invalid. Bank of Russia Ordinance No. 1521-U, dated 30 November 2004.

RECOMMENDATIONS ON THE STRUCTURE AND CONTENT OF A PLAN OF ACTION  
AIMED AT ENSURING THE CONTINUITY OF ACTIVITIES  
AND(OR) THE RECOVERY OF ACTIVITIES OF THE CREDIT INSTITUTION  
IN CASE OF NON-STANDARD EVENTS AND EMERGENCIES,  
AS WELL AS FOR ORGANISING AN AUDIT OF ITS FEASIBILITY

1. The plan of action aimed at ensuring the continuity of activities and(or) the recovery of activities of the credit institution in case of non-standard events and emergencies (hereinafter referred to as the 'C&RA Plan') is an internal document (set of documents) of the credit institution defining the goals, objectives, procedure, methods, and time periods for implementing a package of measures for timely prevention or mitigation of a possible disruption in the mode of daily operations of the credit institution (its units) caused by a force majeure (the occurrence of an emergency situation or other event that is possible but difficult to predict and is linked to the risk of significant material losses or other consequences which would hinder the credit institution from fulfilling its assumed obligations).

2. The credit institution shall determine the procedure for development, reconciliation, approval, review, and audit (testing) of the C&RA Plan specifying the powers of its management bodies and units.

3. The C&RA Plan shall be developed with due regard for the analysis of the following factors:

3.1. the types and nature of possible non-standard events and emergencies and the related types and severities of impacts to the activities of the credit institution that could disrupt the mode of daily operation of the credit institution and its ability to fulfil its assumed obligations;

3.2. the list of critically important internal banking processes (the set of sequential and completed actions for performing banking operations and transactions) from the perspective of maintaining the mode of daily operation of the credit institution, as well as automated information systems that enable their implementation;

3.3. indicators of internal banking process recovery, including recovery period, the acceptable volume of material losses, and the acceptable volume of information losses.

The above factors, as well as criteria for the continuity of internal banking processes established on the basis of such factors shall be determined with due regard for the need for the credit institution to comply with the requirements of the Russian legislation, including Bank of Russia regulations, and to fulfil its assumed obligations.

4. Aims of the C&RA Plan shall include:

maintaining the credit institution's ability to fulfil its assumed obligations to depositors and creditors, including to the Bank of Russia (regarding Bank of Russia loans, payment of interest on these loans, and other monetary obligations to the Bank of Russia);

avoiding and preventing possible disruption of the mode of daily operation of the credit institution;

mitigating the severity of consequences of a disruption in the mode of daily operation of the credit institution (including the amount of material losses, losses of information, and loss of reputation);

maintaining a level of credit institution management which makes it possible to ensure conditions for making justifiable and optimal management decisions and their timely and complete implementation;

ensuring the credit institution's ability to make settlements in accordance with its assumed obligations, including with respect to Bank of Russia loans, interest on these loans, and other monetary obligations to the Bank of Russia;

ensuring the information security of the credit institution, including its settlements system;

ensuring favourable labour and safety conditions for employees of the credit institution and the safety of persons on the premises (visitors) of the credit institution.

5. The C&RA Plan shall be developed and approved with due regard for the norms of Federal Law No. 68-FZ, dated 21 December 1994, 'On Protection of the Population and Territories against Natural and Man-Made Emergencies' (Collection of Legislation of the Russian Federation, 1994, No. 35, Art. 3648; 2002, No. 44, Art. 4294; 2004, No. 35, Art. 3607; 2006, No. 50, Art. 5284, and No. 52, Art. 5498; 2007, No. 45, Art. 5418; 2009, No. 1, Art. 17), including within the framework of measures for meeting the requirements of Article 14 of the above Federal Law.

6. The C&RA Plan shall be developed for large-scale non-standard events and emergencies comparable in terms of duration, impact severity, volumes of possible material losses, and negative consequences of an intangible nature to an emergency situation of a municipal nature or, depending on the nature, scope, and conditions of the credit institution's activities, to an intermunicipal, regional, or interregional nature in accordance with the classification set forth by Resolution of the Government of the Russian Federation No. 304, dated 21 May 2007, 'On the Classification of Natural and Man-Made Emergencies' (Collection of Legislation of the Russian Federation, 2007, No. 22, Art. 2640).

It is also recommended that the possibility of implementing individual autonomous parts of the C&RA Plan (hereinafter referred to as the 'C&RA Plan modules') should be provided for in case of any non-standard events and emergencies of a lesser scale related to the occurrence (separately or in combination) of such factors as breakdown of hardware, failures in the operation of the automated information systems of the credit institution, disruption of the communal infrastructure, power failures, or an unexpected deficit in the credit institution's liquidity, including due to loss of reputation or the refusal of correspondent credit institutions and(or) counterparty organisations, including providers of services to the credit institution, to fulfil their obligations.

7. When developing the C&RA Plan, it is recommended that attention should be given to the issues of timely notification of customers, members (shareholders), counterparties, including providers of services to the credit institution, governmental and municipal bodies, the Bank of Russia and other governmental agencies exercising regulatory functions and(or) supervisory functions in relation to the credit institution within their jurisdiction, mass media and other stakeholders (hereinafter referred to as the 'stakeholders') of the occurrence of any non-standard events and emergencies and the procedure for interacting with stakeholders on matters of ensuring the continuity and(or) the recovery of the credit institution's activities.

8. Credit institutions within a banking group shall ensure the uniformity of approaches to the development of the C&RA Plans and take joint actions to ensure the continuity and(or) recovery of their activities.

9. Content of the C&RA Plan.

9.1. The C&RA Plan shall include the following:

a procedure for its implementation, including a procedure for making a decision to switch the credit institution's activities to the mode stipulated by the C&RA Plan (hereinafter referred to as the 'emergency mode'), as well as the procedure for managing the credit institution in this mode;

reallocation of responsibilities and powers among both units and employees of the credit institution in emergency mode taking account of the interchangeability of employees in the case of the absence (unavailability) of responsible and(or) authorised employees;

the list of procedures established at the credit institution whose execution in the mode of daily operation of the credit institution is required for successful implementation of the C&RA

Plan (for instance, information backup, entering into contracts with counterparties for the rendering of services (performance of works) enabling the implementation of the C&RA Plan), as well as the sequence and terms of their fulfilment;

the procedure for interaction, including the procedure for emergency notification and communication, among the management bodies, units, and employees of the credit institution in the case of non-standard events and emergencies;

the procedure for notifying stakeholders of any non-standard events and emergencies and the procedure for interaction with stakeholders, including with the Bank of Russia, on matters of ensuring the continuity and(or) the recovery of the credit institution's activities;

detailed instructions for units and employees of the credit institution that contain a description of actions to be taken to maintain or promptly restore the operation of internal banking processes and automated information systems critically important to the credit institution's activities;

the procedure for ending the emergency mode of operations and returning to the mode of daily operation.

9.2. In order to enable the credit institution to fulfil its assumed obligations and mitigate possible negative consequences of any non-standard events and emergencies, the procedure for implementing internal banking processes in the emergency mode shall be defined in the C&RA Plan.

9.1.2. For each internal banking process, the level of its implementation shall be defined, including:

implementation at a level corresponding to the level of implementation of the internal banking process in the mode of daily operation;

implementation at a set level (lower than the level of the mode of daily operation) during a specified period of time;

termination of its implementation (scheduled or as fast and safe as possible).

9.2.2. For each internal banking process which is critically important for the credit institution's activities, the following shall be determined:

criteria for continuity of implementation;

the detailed list of resources, including human, financial, material, information (including computer hardware, other technical equipment, software), and means of communication required for maintaining it in the emergency mode;

the premises for implementing the process in the emergency mode in case of the inaccessibility of the premises used in the mode of daily operation. For these purposes, it is recommended that reserve premises should be specified, which are autonomous in terms of their location from the principal place of business of the credit institution and maintained in readiness for use in the emergency mode, or premises located at the principal place of business of the credit institution (its branch or another structural unit autonomous in terms of its location) based on the possibility of increasing the intensity of use or changing the purpose of these premises in the emergency mode;

the possibility of obtaining services needed for implementation of the process in the case of a refusal of the provider of such services to the credit institution to fulfil its contractual obligations, including the use of services rendered by another provider or a transition to self-servicing.

9.2.3. The C&RA Plan shall provide for the frequency and methods of creating backup copies of data needed for implementing internal banking processes with due regard for the continuity criteria specified for them. It is recommended that storage facilities and methods of delivering backup copies to the storage facilities should be specified, as well as methods and time frames for restoring information.

The C&RA Plan shall specify the procedure for storing documented information (including data of accounting and custodian accounting records and registers of the credit institution's obligations to its depositors) and the procedure for restoring documents in case the originals are

lost.

9.2.4. The C&RA Plan shall provide for methods of emergency liquidity maintenance in case of any non-standard events and emergencies specifying parties with whom contracts have been entered into with regard to the provision of financial assistance in the case of any non-standard events and emergencies (including members (shareholders) of the credit institution, organisations of the banking group, and partner credit institutions), and methods of communicating with them.

9.2.5. The instructions for units and employees of the credit institution shall define the following:

- the course of action to be taken in case of any non-standard events and emergencies or the real threat of their occurrence;

- the procedures for switching the operations to emergency mode;

- the procedure for implementing internal banking processes which are critically important for the credit institution's activities in emergency mode and a description of changes in the techniques for their implementation if the C&RA Plan provides for such changes;

- the procedure for accessing the resources needed for operation in emergency mode.

9.2.6. The C&RA Plan shall provide for a procedure for restoring disrupted banking processes upon the elimination of the consequences of non-standard events and emergencies, criteria for deciding to end operation in emergency mode and the procedure for making this decision, as well as the procedure for returning to the mode of daily operation.

10. For the purposes of implementing the C&RA Plan and maintaining the management level of the credit institution under conditions of non-standard events and emergencies, it may be possible, if needed, to provide for the transfer of powers related to the operational management of the credit institution to an emergency management body.

Subject to the procedure for creating the emergency management body and its powers, terms and actions established by the credit institution, the C&RA Plan may provide for this body to perform the following functions:

- determining the degree of impact of any non-standard events and emergencies on the credit institution's activities, compiling a list of losses, and assessing losses incurred;

- coordinating efforts to ensure the continuity and(or) the recovery of the credit institution's activities and making decisions on implementation of the C&RA Plan modules;

- notifying stakeholders of the recovery progress of the credit institution's activities and(or) measures taken to ensure their continuity;

- interacting with the Bank of Russia to coordinate joint actions to ensure the prompt settling of accounts based on customers' instructions and the credit institution's obligations, as well as with other concerned parties on matters of ensuring the continuity and(or) the recovery of activities;

- interacting with law enforcement agencies and emergency and special-purpose services (including the police, fire-fighting services, emergency rescue services, medical institutions, and state sanitary and epidemiological supervision bodies);

- interacting with utility service providers, including on the issues of power, heat, and water supplies, and with providers of telephone and other types of communication;

- organising necessary assistance to credit institution employees and members of their families.

11. The procedure for auditing (testing) and reviewing the C&RA Plan.

11.1. In order to determine the feasibility of implementing the C&RA Plan in the case of any non-standard events and emergencies, it is recommended that at least annual audits (testing) of the C&RA Plan be provided for. When auditing (testing) separate modules of the C&RA Plan, it is recommended that auditing (testing) of each of them should be provided for with the regularity established for the C&RA Plan as a whole.

To ensure the constant preparedness of employees to take the required actions in case of any non-standard events and emergencies, it is recommended that regular study of the C&RA by

all employees of the credit institution should be organised in accordance with a programme specially developed for these purposes which includes conducting training. The training should be planned with a view to assess the actual time required to implement each module of the C&RA Plan and the degree of employees' preparedness for operation in emergency mode.

When preparing for an audit (testing) of the C&RA Plan in the form of training, it is recommended that possible problems, including ones of a psychological nature related to the uniqueness of the situation, should be taken into account, and that trainees should be given the task of detecting deficiencies in the C&RA Plan and motivated to improve it.

11.2. The decision to conduct auditing (testing) of the C&RA Plan shall be formalised in accordance with the procedure established at the credit institution. In addition, the following shall be determined:

- the programme, form, and terms of the audit (testing) of the C&RA Plan;
- the list of units and employees of the credit institution participating in the audit (testing) of the C&RA Plan;
- the list of C&RA Plan modules to be audited (tested);
- the list of resources expected to be used in auditing (testing) the C&RA Plan;
- the composition and obligations of the group of observers (inspectors);
- the terms and procedure for formalising the results of the C&RA Plan audit (testing).

11.2.1. The C&RA Plan audit (testing) shall be conducted in accordance with the programme previously developed and approved by the executive body of the credit institution and providing for input data (a description of non-standard event and emergency scenarios and related factors that would disrupt the mode of daily operation), a detailed description of employees' actions to be taken in accordance with the C&RA Plan or the C&RA Plan module under audit, and time requirements for the completion of intermediate stages of C&RA Plan implementation.

11.2.2. To conduct an audit (testing) of the C&RA Plan, it is recommended that a group of observers (inspectors) should be appointed to be in charge of controlling the implementation of measures stipulated by the C&RA Plan drawing up the audit (test) sheet and making a report on the C&RA Plan audit (testing).

Persons included in the group of observers (inspectors) shall be employees of the credit institution responsible for the development of the C&RA Plan, employees of the internal control service, and if needed, independent specialists from organisations specialising in providing consulting services in the area of ensuring the business continuity and information security of credit institutions.

11.2.3. The C&RA Plan audit (test) record shall be completed based on the form prescribed by internal documents of the credit institution. In addition, the record shall specify:

- the list of observers (inspectors) present at the audit (testing) specifying the person responsible for keeping the record;
- the list of all procedures to be implemented within the framework of tested C&RA Plan modules, with notes regarding the correspondence of the results of their implementation to the C&RA Plan;
- time spent for the completion of intermediary stages and implementation of audited (tested) C&RA Plan modules;
- a description of detected deficiencies in the C&RA Plan or the preparation of employees who participated in the audit.

The C&RA Plan audit (testing) record shall be approved by the heads of the credit institution units involved in the C&RA Plan audit (testing).

11.2.4. A report on the results of the audit (testing) of the C&RA Plan shall be made based on the approved C&RA Plan audit (testing) record. The report shall include an analysis of the C&RA Plan audit (testing) results and suggestions for eliminating the revealed deficiencies and improving the C&RA Plan.

11.3. If necessary, it is recommended that counterparties on whose activities the continuity



of critically important internal banking processes and(or) the terms of their recovery are dependent, including providers of services to the credit institution, should be involved in the audit (testing) of the C&RA Plan.

12. The C&RA Plan shall be reviewed at least once a year to ensure its appropriateness to the organisational structure, nature, and scope of the credit institution's activities, the approved development strategy of the credit institution, and the conditions of the credit institution's (its units') locations, as well as to eliminate deficiencies revealed in the course of audits (testing) of the C&RA Plan and to account for newly revealed factors that may lead to the disruption of the daily operation of the credit institution.