

BANK OF RUSSIA

ORDINANCE

№ 2732-U OF NOVEMBER 17, 2011

ON SPECIAL ASPECTS OF THE CREATION OF LOSS PROVISIONS BY CREDIT INSTITUTIONS FOR OPERATIONS WITH SECURITIES THE RIGHTS TO WHICH ARE CERTIFIED BY ORGANISATIONS (DEPOSITORIES)

This Ordinance, as per Federal Law № 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (Collection of Legislation of the Russian Federation, № 28, dated 2002, art. 2790; № 2, dated 2003, art. 157; № 52, art. 5032; № 27, dated 2004, art. 2711; № 31, art. 3233; № 25, dated 2005, art. 2426; № 30, art. 3101; № 19, dated 2006, art. 2061; № 25, art. 2648; № 1, dated 2007, art. 9, art. 10; № 10, art. 1151; № 18, art. 2117; № 42, dated 2008, art. 4696, art. 4699; № 44, art. 4982; № 52, art. 6229, art. 6231; № 1, dated 2009, art. 25; № 29, art. 3629; № 48, art. 5731; № 45, dated 2010, art. 5756; № 7, dated 2011, art. 907; № 27, art. 3873; № 43, art. 5973) and in accordance with the resolution of the Board of Directors of the Bank of Russia (Minutes of the meeting of the Bank of Russia Board of Directors, dated 11 November 2011, № 20) establishes special aspects of the creation of loss provisions by credit institutions for operations with securities (hereinafter – the 'provisions'), the rights to which are certified by organisations (depositories), as well as the specifics of supervising the creation of provisions by credit institutions.

Chapter 1. **General Provisions**

1.1. A credit institution is to make provisions:

against investments in securities the rights to which are certified by organisations (depositories) which fail to meet the criteria specified by clause 1.2 hereof;

against investments in securities the rights to which are certified by an organisation (depository) which fails to meet one of the criteria specified in the second to tenth paragraphs of clause 1.2 hereof, and which are reflected on a securities account opened with organisations (depositories) which fail to meet the criteria specified by clause 1.2 hereof.

1.2. The requirements hereof do not cover securities the rights to which are certified by an organisation (depository) which meets one of the following criteria:

is an organisation that is included in the List of organisations in which Russian depositories may open accounts for the registration of rights to foreign securities in order to issue Russian depository receipts, approved by Federal Service for Financial Markets Order № 11-35/pz-n, dated 28 July 2011, registered by the Ministry of Justice of the Russian Federation on 8 September 2011 under № 21765 (*Rossiyskaya Gazeta* dated 16 September 2011);

is a central depository under the laws of the country of its registration;

is a depository with depository rating not lower than 'A +' according to the classification of Thomas Murray Data Services;

is an organisation with a long-term credit rating under an international scale not lower than the 'B' level according to the classification of Standard & Poor's or Fitch Ratings, 'B2' according to the classification of Moody's Investors Service, or a long-term credit rating according to the classification of other rating agencies defined by decisions of the Board of Directors of the Bank of Russia (hereinafter – the 'national rating agencies');

is a depository which is part of a banking group or bank holding whose parent organisation has a long-term credit rating not lower than the level specified in the fifth paragraph of this clause;

is a depository whose governing bodies' decisions may be under the direct and significant influence of an organisation with a long-term credit rating not lower than the level specified in the fifth paragraph of this clause;

is a settlement depository in accordance with the legislation of the Russian Federation;

is a specialized depository of investment funds, mutual funds and private pension funds which has been carrying out depository activities for more than five years on the basis of the relevant licence issued by the Federal Service for Financial Markets;

is a depository which has been carrying out depository activities for more than five years on the basis of the relevant licence issued by the Federal Service for Financial Markets whose equity amounts to over 250.0 mln rubles as of at least one of the two reporting dates preceding the date of credit institution's assessment of investments in securities for the purpose of creating provisions;

is a depository that has opened a separate nominal holder's deposit account intended solely for the accounting of securities held by the credit institution with an organisation (depository) which meets at least one of the criteria specified in the second through tenth paragraphs of this clause, and which has stipulated in the agreement for the opening of the separate nominal holder's deposit account with the specified organisation (depository) the Bank of Russia's right, upon request to that organisation (depository), to obtain information certifying the credit institution's right to the securities.

1.3. Provisions are to be created in the currency of the Russian Federation.

1.4. Provisions are to be made from the moment the securities specified in clause 1.1 hereof are reflected on the balance sheet (off-balance sheet) accounts as prescribed by the Credit Institution's Chart of Accounts of the appendix to Bank of Russia Provision № 302-P, dated 26 March 2007, 'On Accounting Rules for Credit Institutions Based in the Russian Federation', registered by the Ministry of Justice of the Russian Federation on 29 March 2007 under № 9176, on 23 October 2007 under № 10390, on 6 November 2008 under № 12584, on 2 December 2008 under № 12783, on 19 December 2008 under № 12904, on 10 December 2009 under № 15476, on 22 December 2009 under № 15778, on 30 July 2010 under № 18003, on 6 October 2010 under № 18642, on 8 December 2010 under № 19133, on 24 January 2011 under № 19564, on 15 July 2011 under № 21379, on 12 September 2011 under № 21772, and on 21 September 2011 under № 21855 (Bank of Russia Bulletin, № 20–21, dated 16 April 2007; № 60, dated 31 October 2007; № 67, dated 19 November 2008; № 72, dated 10 December 2008; № 75, dated 31 December 2008; № 72, dated 16 December 2009; № 77, dated 28 December 2009; № 45, dated 11 August 2010; № 56, dated 13 October 2010; № 68, dated 15 December 2010; № 7, dated 2 February 2011; № 43, dated 4 August 2011; № 52, dated 21 September 2011, № 54, dated 28 September 2011) (hereinafter – the 'Bank of Russia Provision № 302-P'), and up to the moment the securities cease to be accounted for on the relevant balance sheet (off-balance sheet) accounts.

1.5. The amount of provisions is to be updated by the credit institution at least once a month as of the first day of the month following the reporting one.

A credit institution is entitled to provide for the need to update the amount of provisions as of an intramonth date (intramonth dates) in its internal documents.

1.6. A credit institution shall disclose information about the provisions created as part of reporting on forms 0409115 'Information on a Credit Institution's Asset Quality' and 0409155 'Information on Financial Instruments Recorded in Off-Balance Sheet Accounts', established by Bank of Russia Ordinance № 2332-U, dated 12 November 2009, 'On the List, Forms and Procedure for Executing and Submitting Reporting Forms for Credit Institutions to the Central Bank of the Russian Federation', registered by the Ministry of Justice of the Russian Federation on 16 December 2009 under № 15615, on 18 June 2010 under № 17590, on 22 December 2010 under № 19313, and on 20 June 2011 under № 21060 (Bank of Russia Bulletin, № 75–76, dated 25 December 2009; № 35, dated 25 June 2010; № 72, dated 28 December 2010; № 34, dated 28 June 2011).

1.7. Information on national rating agencies whose ratings are used to determine long-term credit rating, as well as information on the minimum levels for long-term credit ratings established by the Bank of Russia, is posted on the official website of the Bank of Russia and published in the Bank of Russia Bulletin.

For the purposes hereof, data concerning the long-term credit rating of an organisation (depository) from the Reuters information system are used, and if these are absent, data from the Bloomberg information system are used. If there are no data available concerning the long-term credit rating of an organisation (depository) in the specified information systems, data posted on the websites of relevant national and international rating agencies shall be used.

If an organisation (depository) has a long-term credit rating under an international scale assigned by an international rating agency not lower than the level specified in the fifth paragraph of clause 1.2 hereof and a long-term credit rating assigned by a national rating agency not lower than the minimum long-term credit rating levels established by the Bank of Russia, then the

long-term credit rating assigned by the international rating agency shall be taken as the rating.

If an organisation (depository) has long-term credit ratings under international scales of various levels assigned by various international rating agencies, then the highest of the long-term credit ratings assigned by international rating agencies shall be taken as the rating.

If an organisation (depository) has long-term credit ratings of various levels assigned by various national rating agencies, then the highest of the long-term credit ratings assigned by national rating agencies shall be taken as the rating.

Chapter 2. **The Procedure for Determining the Amount of Provisions**

2.1. The elements of the base for calculating provisions are the value of the securities referred to in clause 1.1 hereof, with the exception of bills discounted by the credit institution, namely:

the balance sheet value of securities (including securities valued (revalued) at the current (fair) value and securities transferred without derecognition) reflected in the balance sheet accounts provided for by Section 5 'Operations with Securities and Derivative Financial Instruments' of Chapter A 'Balance Sheet Accounts' of the Credit Institution's Chart of Accounts of the appendix to Bank of Russia Provision № 302-P;

the balance sheet value of securities reflected in balance sheet account № 47901 'Assets Transferred to Trust';

the balance sheet value of shares reflected in balance sheet account № 601 'Participation in Subsidiary and Associated Joint-Stock Companies';

the value of securities reflected in balance sheet accounts № 91311 'Securities Accepted as Collateral for Placed Funds', except for promissory notes accepted as collateral, and № 91314 'Securities Received under Reverse Transactions'.

2.2. For securities valued (revalued) by the credit institution at the current (fair) value, the balance sheet value adjusted for their revaluation is used in calculating provisions.

2.3. For the elements of the base for calculating provisions, the provisions shall be made in the amount of 50 percent of the balance sheet value of the securities or the value of the securities reflected in the off-balance sheet account.

Chapter 3. Special Aspects of Supervising the Creation of Provisions by Credit Institutions

3.1. When carrying out supervision, including when conducting inspections of credit institutions (their branches), the Bank of Russia and its regional branches are to assess the correctness of provisions creation by the credit institution in terms of a certain base for calculating provisions.

3.2. If violations of the procedure for determining the amount of provisions are identified in the process of supervision, including the failure to include individual elements in the base for calculating provisions, the Bank of Russia and its regional branches are entitled to take measures provided for by federal laws against a credit institution, including sending the credit institution an order to eliminate the violations containing a requirement that additional elements be included in the base for calculating provisions and/or that provisions be created in the manner defined herein.

Chapter 4. Final Provisions

4.1. This Ordinance shall be published in the Bank of Russia Bulletin and shall come into force six months after the date of its publication in the Bank of Russia Bulletin.

4.2. As of the date of entry into force hereof, credit institutions that create provisions in accordance with Bank of Russia Provision № 283-P, dated 20 March 2006, 'On the Procedure for the Creation of Loss Provisions

by Credit Institutions', registered by the Ministry of Justice on 25 April 2006 under № 7741, on 2 July 2007 № 9739, on 6 December 2007 under № 10639, on 10 September 2008 under № 12260, on 5 August 2009 under № 14477, on 17 December 2009 under № 15670, and on 24 May 2011 under № 20837 (Bank of Russia Bulletin, № 26, dated 4 May 2006; № 39, dated 11 July 2007; № 69, dated 17 December 2007; № 49, dated 17 September 2008; № 47, dated 12 August 2009; № 77, dated 28 December 2009; № 30, dated 1 June 2011) with regard to elements of the base for calculating provisions referred to in clause 2.1 hereof shall:

bring the said provisions to the amount established by clause 2.3 hereof, if such provisions were created in an amount less than the amount of provisions established by clause 2.3 hereof;

not make provisions in accordance herewith, if such provisions have been made in an amount equal to or exceeding the amount of provisions established by clause 2.3 hereof.

GOVERNOR OF
THE CENTRAL
BANK OF THE
RUSSIAN
FEDERATION

SERGEY IGNATYEV