CONTENTS

Bank of Russia: Overview
- Evolution – 4
- Reforms – 7
- Compliance with international standards – 8
- International cooperation – 9
- Newsletter – 10

Russian Macro Update
- Key indicators – 13
- Macrofinance – 14
- Inflation – 15
- Inflation expectations – 16
- Economic forecasts – 17
- Monetary policy – 19
- International reserves – 22

Russian Financial Sector
- Financial market development strategy – 24
- Banking sector – 25
- Microfinance – 38
- Financial stability – 39
- Securities market – 40
- Corporate governance – 46
- Countering malpractice – 47
- Investment funds – 48
- Non-state pension funds – 49
- Insurance – 50
- Payment infrastructure – 51
- Fintech – 56
- Marketplace – 58
- Consumer protection – 59
- Financial inclusion – 60
- AML/CFT – 61
- Cybersecurity – 62
EVOLUTION (1)

Central Bank of Russia (CBR): founded in 1990

1990 – Law on banks and banking activities
  – Law on Central bank of RSFSR
1992 – Russia becomes an IMF member
1995 – Law on Central bank of RSFSR: amendments
1996 – CBR becomes a BIS member

2001 – Law on AML/CFT
2003 – Russia becomes a FATF member
  – Start of the IFRS reporting project
  – Law on deposit insurance
2005 – Introduction of corridor for USD&EUR basket within the exchange rate policy framework
2009 – CBR becomes a BCBS member
  – CBR becomes a CPMI member
2010 – Introduction of floating exchange rate corridor
2011 – Law on National Payment System

2001 – First edition of the Russian corporate conduct code
2002 – Law on mortgage-backed securities
2011 – Law on insider trading
  – MICEX and RTS merge into the Moscow Exchange
  – FISS joins FFMS and the latter becomes insurance market regulator
2012 – National Settlement Depository obtains status of the Central Securities Depository (CSD) of Russia
2013 – National Clearing Center obtains status of the first qualified Central Counterparty (CCP) in Russia

2013 – CBR becomes an IAIS member as well as IOSCO member
2014 – Inflation targeting regime with 4% medium-term target rate
  – Introduction of a floating exchange rate regime
  – Approval of a new corporate governance code
  – National Card Payment System Joint-Stock Company (AO NSPK) established
2015 – Signing of the IOSCO Multilateral Memorandum of Understanding
  – National payment system “Mir” established and “Mir” card issue started
2016 – Banking regulation in Russia assessed as compliant with Basel II, Basel 2.5 and Basel III (RCAP)
2017 – Introduction of proportional regulation in banking sector
  – Introduction of new financial rehabilitation mechanism
2018 – Bank of Russia joins MMoU IAIS
2020 – Sustainable finance working group is established

2013 CBR becomes the megaregulator of the Russian financial sector

Focus on Russian financial market development
EVOLUTION (2)
Monetary policy framework development

- **2006**
  - Inflation targeting announced
  - Inflation targeting is represented as a midterm goal in the “Monetary Policy Guidelines”

- **2008**
  - Active inflation targeting communications

- **2009**
  - Liquidity management
  - Instruments are developed, the interest rate corridor is narrowed

- **2012**
  - Transition deadline set
  - “Floating rate and inflation targeting by 2015”

- **2013**
  - Key rate introduced

- **2014**
  - Floating exchange rate introduced

- **Dec 2018**
  - Inflation 4.3%

- **Dec 2019**
  - Inflation 3.0%

- **Sep 2021**
  - Inflation 7.4%

- **1998 - 2008**
  - Narrow band

- **2008 - 2014**
  - Flexible band

- **2015**
  - Transition to the inflation targeting regime is completed
  - Medium-term inflation target is around 4%

- **Since Nov. 2014**
  - Free floating Ruble

- **2013**
  - Key rate introduced

- **2014**
  - Floating exchange rate introduced
EVOLUTION (3)
Bank of Russia supervises the following key segments

- Banking sector
- Payment infrastructure
- Non-state pension funds
- Market infrastructure, including fair pricing
- Asset managers
- Securities market, including securities market professionals
- Microfinance
- Credit rating agencies
- Insurance sector
REFORMS
Promoting price and financial stability, fair competition, cutting edge technologies and best practices

Monetary policy
Inflation targeting regime adopted with a 4% medium-term target rate pursued using conventional monetary policy instruments

Banking regulation and supervision
- Banking sector rehabilitation in progress, new bank resolution mechanism introduced
- Proportional regulation introduced and an advanced IRB approach for the largest banks gradually phased in
- Banking regulation compliant with the Basel II, Basel 2.5 and Basel III standards, maintaining AML/CFT supervision of credit and non-credit financial institutions (according to the Regulatory Consistency Assessment Program (RCAP) 2016)
- New macroprudential regulation mechanism in force – add-ons to risk ratios are introduced and set by the Bank of Russia Board of Directors
- Introduction of PTI ratio for macroprudential regulation purposes starting October 1, 2019
- Setting up a national rating industry - only credit ratings of Russian national agencies may be used for regulatory purposes

Market infrastructure
- Benefits from infrastructure put in place, tax and regulatory reforms (T+2, CSD and access of ICSDs, up-to-date CCP, Individual Investment Accounts)
- Marketplace project infrastructure – personal finance platform ‘Finuslugi’ launched in October 2020

Corporate governance
JS companies segregation into public and non-public, corporate actions reform, new corporate governance code adopted in 2014, listing rules based on the new corporate governance code, listing committees established

Payment infrastructure
- Russian payment system infrastructure developed and currently in use by all leading international payment systems
- Payment infrastructure monitoring and supervision
- System for transfer of financial messages (SPFS) has been developed
- The Faster Payments System launched in January 2019

Pension system
- Guarantee fund mechanism introduced
- Investment horizon for non-state pension funds extended to 5 years
- Introduction of new voluntary personal pension plan (simple and standard) is being discussed
COMPLIANCE WITH INTERNATIONAL STANDARDS
Russia complies with or implements key international standards and best practices

- Russia’s Anti-Money Laundering system is compliant with FATF Recommendations
- High FSAP grades in all surveyed segments, including securities market, insurance and payment infrastructure
- Russia advanced to #28 in global DOING BUSINESS-2020 rankings from 31st in the 2019 report (#35 in 2018, #40 in 2017)
- Russia is a party to the Articles of Agreement of the IMF and upholds free movement of capital
- Banking regulation is compliant with Basel II, 2.5 and Basel III (RCAP 2016)
- Bank for International Settlements, IAIS and IOSCO Principles for financial market infrastructures (PFMI) are being implemented
  Upon monitoring the implementation of the PFMI, the CPMI gave Russia the highest-possible ‘4’ rating
  The BoR payment system fully complies with the PFMI.
- National Settlement Depository is eligible for custody arrangements under Rule 17f-7 of the US Investment Company Act of 1940
- Insurance sector has started implementing Solvency II European principles
INTERNATIONAL COOPERATION
Bank of Russia cooperates with international financial institutions, regulators and associations

Multilateral cooperation

Financial market authorities

Regional financial integration
**NEWSLETTER (1)**

Key news from the Russian financial market

<table>
<thead>
<tr>
<th>Date</th>
<th>News</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>25 October 2021</strong></td>
<td>The Bank of Russia recommends that banks and non-bank financial institutions should consider the possibility of applying the FX Global Code principles in their activities. The Code was developed by the FX Working Group convened by the Bank for International Settlements.</td>
</tr>
<tr>
<td><strong>22 October 2021</strong></td>
<td>The Bank of Russia recommends that creditors approve applications of households and SMEs to restructure their loans from 1 November 2021 – through 31 December 2021 under in-house programmes if (i) the drop in income of a retail or SME borrower has made it impossible for them to service their debt; (ii) if retail borrowers and/or his/her family members have COVID-19.</td>
</tr>
<tr>
<td><strong>22 October 2021</strong></td>
<td>To support SMEs in the most affected sectors (the list of such sectors is approved by the Russian Government) the Bank of Russia decided to allocate Rub 60 billion. Within this limit, the banks authorised under the SME Lending Incentive Programme, can take loans from the Bank of Russia at the interest rate of 4% p.a. for up to 1.5 years, on the surety of JSC RSMB Corporation, for on-lending to borrowers at a maximum interest rate of 8.5% p.a.</td>
</tr>
<tr>
<td><strong>19 October 2021</strong></td>
<td>Under the proposed amendments to the regulations governing the liquidity risk of credit institutions as per Basel III (1) ruble-denominated bonds of State Development Corporation VEB.RF and mortgage-backed securities that are secured by JSC DOM.RF’s surety can be categorised as highly liquid assets to calculate the liquidity coverage ratio and net stable funding ratio; (2) assets and liabilities in precious metals that are settled in cash will be included in Basel III liquidity ratios calculations as assets and liabilities denominated in cash.</td>
</tr>
<tr>
<td><strong>18 October 2021</strong></td>
<td>Under the amendments to the law in cases where a licence is revoked from a bank being a member of the deposit insurance system or from an insurance company, or a non-governmental pension fund dealing with mandatory pension insurance, the Bank of Russia will appoint the DIA as the provisional administration.</td>
</tr>
<tr>
<td><strong>11 October 2021</strong></td>
<td>Tinkoff Bank was put on the list of systemically important credit institutions. This decision was made taking into account a number of factors, including a rapid growth of business significantly exceeding the market average, and an extensive client base.</td>
</tr>
<tr>
<td><strong>13 September 2021</strong></td>
<td>Effective from 1 October 2021, under CBR Ordinance No 5873-U, brokers, dealers, asset managers and forex dealers must comply with the capital adequacy ratio and make provisions for credit claims. The ratio is planned to be set in stages. From 1 October 2021, the minimum acceptable value will be 4%, increasing to 6% from 1 April 2022 and thereafter to 8% from 1 October 2022.</td>
</tr>
</tbody>
</table>
**NEWSLETTER (2)**

Key news from the Russian financial market

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
</table>
| August 2021| 23 August 2021: According to the Bank of Russia’s draft ordinance, the capabilities of the Faster Payments System (FPS) will be expanded through launching cross-border money transfers. The new function is expected to be available as early as 2022.  
16 August 2021: The Bank of Russia’s Board of Directors approved amendments to Bank of Russia Instruction No. 199-I, which stipulate weighing all bank credit claims on ‘VEB.RF’ nominated and funded in rubles with the risk weight of 20% when calculating the prudential ratios of banks (previously, from 20% to 100%, depending on credit claim parameters). |
| July 2021  | 31 July 2021: The Bank of Russia decided to increase risk-weight add-ons for unsecured consumer loans in rubles issued beginning from 1 October 2021.  
19 July 2021: The Bank of Russia recommends that public joint-stock companies disclose information about how they take into account factors related to the impact on the environment, the social sphere and corporate governance (the ESG factors), as well as how they implement these factors into their business model and development strategy. |
| May 2021   | 21 May 2021: The Bank of Russia decided to raise risk weights add-ons for mortgage loans and loans for construction co-funding granted starting 1 August 2021. The increase in add-ons will help reduce the incentives for banks to expand lending by issuing loans with a low down payment to borrowers, and will also speed up the recovery of the macroprudential buffer on mortgage loans and ensure banks’ resilience to potential stress scenarios.  
13 May 2021: Under amendments to Ordinance No. 590-P with respect to loans to fund mergers and acquisitions, coming into force on 1 October 2021, banks’ discretion about upgrading a quality category (upgrading category III to II) with phasing of additional provisions is conditional on positive operational performance of borrowers. |
| February 2021| 11 February 2021: According to a draft Bank of Russia ordinance, limits that banks set for their customers’ daily operations in the Faster Payments System (FPS) should not be less than Rub 150 thousand. Banks will have to adjust their limits by 1 October 2021. This will improve the availability of FPS transfers for individuals.  
3 February 2021: Credit institutions will be allowed to measure operational risk for calculating their capital adequacy ratios in compliance with Basel III. The new standardised approach involves the usage of a loss threshold. According to banks, this will enable them to save a part of capital allocated to cover operational risk. Banks with a universal license shall comply with the new rules beginning on 1 January 2023. |
| January 2021| 20 January 2021: The Bank of Russia has laid out key objectives in refining debt-to-income (DTI) ratio calculation for 2021-2022. There are plans to develop and propose legislation to make lenders legally obliged to calculate the DTI ratio. In addition, the roadmap provides for the potential introduction of a new macroprudential toolset to ensure quantitative restrictions are in place on the share of high-risk loans, in particular, unsecured consumer loans issued to high-DTI borrowers. |
KEY INDICATORS

Russian economy started to recover in 2016 and moderated in 2019

Figure 1: Real GDP growth dynamics (YoY, %)

Figure 2: Private consumption and investment dynamics (YoY, %)

Figure 3: Russian Ruble volatility remains low while in free-floating

Figure 4: Retail sales and real wages dynamics (YoY, %)

Source: Bank of Russia, Rosstat, Thomson Reuters
MACROFINANCE
Solid fiscal and external positions

Figure 5: Current account surplus amounted to USD 36 bn in 2020

Figure 6: Strong fiscal position: budget consolidation and fiscal rule

Figure 7: Significant international reserves assuring financial stability

Figure 8: Sovereign debt to GDP lowest in both EM and DM spaces

Source: Bank of Russia, Bloomberg, Ministry of Finance, IMF
INFLATION

Medium-term inflation target is set at around 4%

Figure 9: Inflation (YoY, %)

Medium-term inflation target

Source: Bank of Russia, Rosstat

*Inflation is 7.4% as of September, 2021
INFLATION EXPECTATIONS

Inflation expectations of households and businesses stopped growing but remain elevated

<table>
<thead>
<tr>
<th>Expect. horizon</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
</tr>
<tr>
<td><strong>Inflation expectations (absolute numbers), %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Households</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOM (median, expected inflation) Next 12 months</td>
<td>8.5</td>
<td>9.8</td>
<td>10.1</td>
<td>10.2</td>
</tr>
<tr>
<td>FOM (subgroup with savings) Next 12 months</td>
<td>8.0</td>
<td>9.0</td>
<td>9.2</td>
<td>9.1</td>
</tr>
<tr>
<td>FOM (subgroup without savings) Next 12 months</td>
<td>8.8</td>
<td>10.3</td>
<td>10.5</td>
<td>10.8</td>
</tr>
<tr>
<td>FOM (median, observed inflation) Past 12 months</td>
<td>9.2</td>
<td>10.6</td>
<td>10.2</td>
<td>10.2</td>
</tr>
<tr>
<td>FOM (subgroup with savings) Past 12 months</td>
<td>8.4</td>
<td>9.7</td>
<td>10.0</td>
<td>9.2</td>
</tr>
<tr>
<td>FOM (subgroup without savings) Past 12 months</td>
<td>9.6</td>
<td>11.2</td>
<td>10.4</td>
<td>10.8</td>
</tr>
<tr>
<td><strong>Professional analysts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bloomberg 2021</td>
<td>4.0</td>
<td>3.6</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Bloomberg 2022</td>
<td>3.9</td>
<td>3.7</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Financial markets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFZ IN (option not subtracted) 2023</td>
<td>3.9</td>
<td>4.7</td>
<td>5.5</td>
<td>5.1</td>
</tr>
<tr>
<td>OFZ IN (option not subtracted) 2028</td>
<td>4.7</td>
<td>5.5</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td><em><em>Inflation expectations (balanced index</em>)</em>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of Russia monitoring Next 3 months</td>
<td>6.8</td>
<td>10.2</td>
<td>12.6</td>
<td>16.5</td>
</tr>
<tr>
<td>PMI M, input prices, diff. index Current month</td>
<td>...</td>
<td>70.3</td>
<td>69.1</td>
<td>62.5</td>
</tr>
<tr>
<td>PMI M, output prices, diff. index Current month</td>
<td>...</td>
<td>56.6</td>
<td>56.8</td>
<td>52.5</td>
</tr>
<tr>
<td>PMI S, input prices, diff. index Current month</td>
<td>...</td>
<td>61.8</td>
<td>59.4</td>
<td>60.4</td>
</tr>
<tr>
<td>PMI S, prices charged, diff. index Current month</td>
<td>...</td>
<td>52.1</td>
<td>51.3</td>
<td>53.0</td>
</tr>
</tbody>
</table>

*Balanced index is the difference between the shares of those who expect prices to rise and to fall.

**Households surveys in Apr-July 2020 were conducted by phone, their results are not comparable with those obtained later.

Source: FOM, Rosstat, Bloomberg, IHS Markit, Bank of Russia
**ECONOMIC FORECASTS (1)**

Medium-term outlook for the Russian economy

<table>
<thead>
<tr>
<th>Key parameters of the Bank of Russia’s forecast scenarios</th>
<th>2020 (actual)</th>
<th>BASELINE</th>
<th>BASELINE</th>
<th>BASELINE</th>
<th>BASELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
<td>2023</td>
<td>2024</td>
<td></td>
</tr>
<tr>
<td><strong>Inflation, as % in December year-on-year</strong></td>
<td>4.9</td>
<td>7.4-7.9</td>
<td>4.0-4.5</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Inflation, average for the year, as % year-on-year</strong></td>
<td>3.4</td>
<td>6.5-6.6</td>
<td>5.2-6.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Key rate, average for the year, % per annum</strong></td>
<td>5.1</td>
<td>5.7-5.8(^1)</td>
<td>7.3-8.3</td>
<td>5.5-6.5</td>
<td>5.0-6.0</td>
</tr>
<tr>
<td><strong>Gross domestic product, % per annum</strong></td>
<td>-3.0</td>
<td>4.0-4.5</td>
<td>2.0-3.0</td>
<td>2.0-3.0</td>
<td>2.0-3.0</td>
</tr>
<tr>
<td><strong>Final consumption expenditure, % per annum</strong></td>
<td>-5.2</td>
<td>6.9-7.9</td>
<td>1.0-2.0</td>
<td>1.6-2.6</td>
<td>1.7-2.7</td>
</tr>
<tr>
<td>– households</td>
<td>-8.6</td>
<td>9.0-10.0</td>
<td>1.0-2.0</td>
<td>2.0-3.0</td>
<td>2.0-3.0</td>
</tr>
<tr>
<td><strong>Gross capital formation, % per annum</strong></td>
<td>-2.0</td>
<td>5.4-7.4</td>
<td>0.5-2.5</td>
<td>2.9-4.9</td>
<td>2.5-4.5</td>
</tr>
<tr>
<td>– gross fixed capital formation</td>
<td>-4.3</td>
<td>5.4-7.4</td>
<td>0.4-2.4</td>
<td>2.6-4.6</td>
<td>2.0-4.0</td>
</tr>
<tr>
<td><strong>Exports, % per annum</strong></td>
<td>-4.3</td>
<td>2.6-4.6</td>
<td>5.0-7.0</td>
<td>1.2-3.2</td>
<td>1.2-3.2</td>
</tr>
<tr>
<td><strong>Imports, % per annum</strong></td>
<td>-12.0</td>
<td>15.0-17.0</td>
<td>1.1-3.1</td>
<td>2.7-4.7</td>
<td>1.2-3.2</td>
</tr>
<tr>
<td><strong>Money supply in national definition, % per annum</strong></td>
<td>13.5</td>
<td>8-12</td>
<td>9-13</td>
<td>7-11</td>
<td>6-10</td>
</tr>
<tr>
<td><strong>Claims on organisations and households in rubles and foreign currency</strong>, % per annum**</td>
<td>10.9</td>
<td>11-15</td>
<td>9-13</td>
<td>7-11</td>
<td>7-11</td>
</tr>
<tr>
<td>– on organisations</td>
<td>10.2</td>
<td>8-12</td>
<td>7-11</td>
<td>6-10</td>
<td>7-11</td>
</tr>
<tr>
<td>– on households, including</td>
<td>12.9</td>
<td>21-25</td>
<td>14-18</td>
<td>10-14</td>
<td>7-11</td>
</tr>
<tr>
<td>mortgage loans</td>
<td>21.6</td>
<td>23-27</td>
<td>15-19</td>
<td>14-18</td>
<td>12-16</td>
</tr>
</tbody>
</table>

\(^{1}\)Given that from January 1st to October 24th 2021 the average key rate is 5.3%, from October 25th to the end of 2021 the average key rate forecast range is 7.5-7.7%. Additional information on how to interpret the proposed format of the key rate forecast communication is presented in the methodological note (http://cbr.ru/Content/Document/File/120337/comment_20210422_e.pdf).

**Banking sector claims on organisations and households means all of the banking sector’s claims on non-financial and financial institutions and households in rubles, foreign currency and precious metals, including loans issued (including overdue loans), overdue interest on loans, credit institutions’ investment in debt and equity securities and promissory notes, as well as other forms of equity interest in non-financial and financial institutions, and other accounts receivable from settlement operations involving non-financial and financial institutions and households.**

Claims’ growth rates are given with the exclusion of foreign currency revaluation. In order to exclude the effect of foreign currency revaluation the growth of claims in foreign currency and precious metals is converted to rubles using the period average USDRUB exchange rate.

Source: Bank of Russia
ECONOMIC FORECASTS (2)
Medium-term outlook for the Russian economy

<table>
<thead>
<tr>
<th>Russia’s balance of payments indicators* (billions of US dollars)</th>
<th>2020 (actual)</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account</td>
<td>36</td>
<td>121</td>
<td>111</td>
<td>40</td>
<td>24</td>
</tr>
<tr>
<td>Balance of trade</td>
<td>94</td>
<td>186</td>
<td>205</td>
<td>142</td>
<td>130</td>
</tr>
<tr>
<td>Exports</td>
<td>333</td>
<td>490</td>
<td>511</td>
<td>451</td>
<td>444</td>
</tr>
<tr>
<td>Imports</td>
<td>240</td>
<td>304</td>
<td>307</td>
<td>309</td>
<td>314</td>
</tr>
<tr>
<td>Balance of services</td>
<td>-17</td>
<td>-18</td>
<td>-34</td>
<td>-37</td>
<td>-40</td>
</tr>
<tr>
<td>Exports</td>
<td>47</td>
<td>52</td>
<td>59</td>
<td>63</td>
<td>68</td>
</tr>
<tr>
<td>Imports</td>
<td>64</td>
<td>70</td>
<td>92</td>
<td>100</td>
<td>108</td>
</tr>
<tr>
<td>Balance of primary and secondary income</td>
<td>-41</td>
<td>-47</td>
<td>-60</td>
<td>-64</td>
<td>-66</td>
</tr>
<tr>
<td>Current and capital account balance</td>
<td>35</td>
<td>121</td>
<td>111</td>
<td>40</td>
<td>24</td>
</tr>
<tr>
<td>Financial account (excluding reserve assets)</td>
<td>53</td>
<td>60</td>
<td>58</td>
<td>23</td>
<td>16</td>
</tr>
<tr>
<td>Government and the central bank</td>
<td>-1</td>
<td>-21</td>
<td>-7</td>
<td>-8</td>
<td>-10</td>
</tr>
<tr>
<td>Private sector</td>
<td>54</td>
<td>80</td>
<td>65</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Net errors and omissions</td>
<td>4</td>
<td>-3</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Change in reserve assets (’+’ – increase, ’-‘ – decrease)</td>
<td>-14</td>
<td>58</td>
<td>53</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>Urals price, average for the year, US dollars per barrel</td>
<td>42</td>
<td>70</td>
<td>65</td>
<td>55</td>
<td>50</td>
</tr>
</tbody>
</table>

* Using the methodology of the 6th edition of “Balance of Payments and International Investment Position Manual” (BPM6). In the Financial account “+” stands for net lending, “-” – for net borrowing. Due to rounding total results may differ from the sum of respective values.

Source: Bank of Russia
MONETARY POLICY (1)

- Inflation is developing substantially above the Bank of Russia’s forecast and is expected to be within the range of 7.4–7.9% at the end of 2021.

- The contribution of persistent factors to inflation remains considerable on the back of faster growth in demand relative to output expansion capacity. In this environment, given that inflation expectations are up again, the balance of risks for inflation is markedly tilted to the upside. This may bring about a more sustained deviation of inflation from the target.

- Based on the Bank of Russia’s forecast, given the monetary policy stance, **annual inflation will edge down to 4.0–4.5% in 2022 and will remain close to 4% further on**.

![Graph showing inflation and key rate trends](image)

*from Oct 25th to the end of 2021 the average key rate forecast range is 7.5-7.7%.

Source: Bank of Russia
MONETARY POLICY (2)

Bank of Russia macroeconomic scenarios: a flowchart*

- Key scenario conditionals based on external factors:
  - Epidemiological situation significantly deteriorates again in 2022
  - Steady increase of inflation pressures in the global economy, combined with a faster and more significant tightening of foreign central banks’ monetary policies in 2022
  - Financial crisis amid exacerbated debt issues in a number of countries in 2023
- For further information on additional uncertainty factors please see next slide

Source: Draft Monetary Policy Guidelines for 2022–2024
## MONETARY POLICY (3)
### Uncertainty factors*

<table>
<thead>
<tr>
<th>Factors</th>
<th>Impact on Russian GDP</th>
<th>Impact on inflation in Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global epidemiological situation</td>
<td>Reduced economic growth prospects amid a new wave of the pandemic (slow vaccination, new COVID-19 variants, declining effectiveness of existing vaccines, stronger restrictions)</td>
<td>Disinflationary pressures upon the introduction of anti-pandemic restrictions. Strong proinflationary pressures after the economies re-open and the demand recovers amid growing inflation expectations</td>
</tr>
<tr>
<td>Persistence of global inflation; scope and pace of monetary policy tightening in advanced economies</td>
<td>Medium-term prospects of economic growth worsening due to monetary policy being tightened in Russia and globally to reduce inflation</td>
<td>Strong proinflationary pressures in the short term due to businesses’ rising expenses and expanded opportunities for consumer price transmission given a high demand</td>
</tr>
<tr>
<td>Financial crisis spurred by growing imbalances in the assets market</td>
<td>Economy declining in the year of the crisis, higher risks for financial stability</td>
<td>Considerable proinflationary pressures at the start of the crisis, followed by the inflation slowing down due to a significantly lower demand</td>
</tr>
<tr>
<td>Investing funds from the National Wealth Fund that exceed the 7%-of-GDP threshold</td>
<td>Scope of the factor’s influence on the economy’s growth rate and potential will depend on the particular investment projects to be implemented, their timeframes and funding schemes</td>
<td>Possible proinflationary influence will depend on the particular investment projects to be implemented, their timeframes and funding schemes</td>
</tr>
<tr>
<td>Geopolitical risks</td>
<td>Deteriorated economic growth prospects</td>
<td>Short-term proinflationary pressures due to higher volatility on financial markets</td>
</tr>
</tbody>
</table>

### Long-term factors beyond the forecasting horizon

| Demographic change                                                                 | Ageing, shrinking workforce could put a limit on the potential growth rate                                      | Lower pressure due to a reduced total demand, but proinflationary pressure is also possible due to the economy’s decreased potential (the end result will depend on the balance between the two factors) |
| Climate risks                                                                 | Output losses due to natural disasters (physical risks), upon their materialisation and in the long term. Prolonged output decline due to the transition to a low-carbon economy | Inflation volatility rising if physical risks materialise, highly probable secondary effects due to increased inflation expectations. Transitional measures exert proinflationary pressure on the prices of “dirty” and alternative “green” goods and resources, followed by disinflationary pressures induced by new production technologies |

---

*Source: Draft Monetary Policy Guidelines for 2022–2024*
## INTERNATIONAL RESERVES

### Foreign exchange and gold assets by asset class

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of 30 March 2020</th>
<th>As of 31 March 2021</th>
<th>Change in Apr 2020 - Mar 2021, billions of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>billions of US dollars</td>
<td>share of assets, %</td>
<td>billions of US dollars</td>
</tr>
<tr>
<td>Government securities of foreign issuers*</td>
<td>186.6</td>
<td>33.3</td>
<td>219.3</td>
</tr>
<tr>
<td>Deposits and account balances with foreign counterparties</td>
<td>167.6</td>
<td>30.0</td>
<td>150.5</td>
</tr>
<tr>
<td>Gold</td>
<td>116.5</td>
<td>20.8</td>
<td>122.1</td>
</tr>
<tr>
<td>Non-government securities of foreign issuers</td>
<td>57.5</td>
<td>10.3</td>
<td>47.2</td>
</tr>
<tr>
<td>International organisations securities</td>
<td>22.0</td>
<td>3.9</td>
<td>20.3</td>
</tr>
<tr>
<td>Net position with the IMF</td>
<td>5.4</td>
<td>0.5</td>
<td>4.0</td>
</tr>
<tr>
<td>Reverse repo operations with foreign counterparties</td>
<td>2.8</td>
<td>1.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Claims on foreign counterparties on foreign currency supply</td>
<td>1.3</td>
<td>0.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Claims in foreign currency on Russian counterparties and issuers**</td>
<td>-0.1</td>
<td>0.2</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong>*</td>
<td><strong>559.7</strong></td>
<td><strong>100.0</strong></td>
<td><strong>568.9</strong></td>
</tr>
</tbody>
</table>

* Securities issued by a foreign government or foreign issuers with explicit government guarantee.
** Claims on Russian credit institutions, Eurobonds of the Russian Federation and other Russian issuers.
*** The total value may differ from the sum of asset classes values due to rounding.

### Figure 10: Bank of Russia foreign exchange and gold assets by currency* (% of market value)

- **Euro**: 6.9, 12.2
- **US dollar**: 6.1, 20.8
- **Gold**: 9.0, 23.7
- **Yuan**: 6.7, 20.9
- **Pounds sterling**: 13.2, 28.8
- **Others**: 13.2, 28.8

As of 31 Mar 2020: 6.9, 12.2
As of 31 Mar 2021: 20.8, 23.7

* The distribution takes into account unsettled conversion transactions as of reporting date.

### Figure 11: Bank of Russia foreign exchange and gold assets by credit rating, %

- **AAA**: 6.9, 19.7
- **AA**: 20.8, 36.2
- **A**: 21.5, 19.7
- **Gold**: 21.9, 16.4
- **Other**: 7.0, 35.9

As of 31 Mar 2020: 20.8, 36.2
As of 31 Mar 2021: 21.9, 16.4

* Mainly claims on Russian counterparties and issuers and Russia's net position with the IMF.

Source: Bank of Russia
FINANCIAL SECTOR OVERVIEW
FINANCIAL MARKET DEVELOPMENT STRATEGY

The Bank of Russia Guidelines for the Development of the Russian Financial Market in 2019 – 2021 cover the following key areas and activities:

**Building reliable financial environment**
- Involvement of financial consumer ombudsmen in disputes resolution
- Increase of personal responsibility of management
- Limited employment opportunities in financial sector for malicious (unscrupulous) people
- Development of qualified investor institute
- Increase of responsibility for substandard sale of financial products
- Unified financial transactions register

**Improving financial inclusion and availability of capital**
- Introduction of individual pension capital accounts
- Introduction of “green” bonds
- Crowdfunding
- Introduction of new rules for crediting private-public partnerships
- Development of concession projects
- Marketplace project launch
- Introduction of financial services access points map
- Development of remote identification and unified biometric system
- Development of electronic insurance services distribution channels
- Improving insurance services inclusion in Russian regions

**Developing market competitiveness**
- Implementation of integrated road map for developing competition in various sectors of Russian economy approved by the Government
- Building biometric database
- Credit history bureau reform
- Marketplace project launch
- Faster payment system in force
- Testing of digital identification platform
- “Regulatory sandbox” project development
- Bank of Russia’s withdrawal from the capital of banks undergoing resolution after their financial rehabilitation

**Ensuring financial stability**
- Control for the population indebtedness and prevention of excessive risk accumulation in the segment
- Risk-based approach to insurance market participants
- Widening the list of financial non-credit institutions subject to stress testing
- Improving the toolkit for macroprudential stress testing
BANKING SECTOR: CURRENT AGENDA
Shaping a favourable operating environment and supporting market competition

**Proportional banking regulation**: differentiating regulatory burden for banks based on their size and simplifying requirements for smaller banks focused on retail and SME lending

**New resolution mechanism**: reducing financial costs and execution period of the resolution procedure

**Introduction of PTI ratio** in order to regulate the consumer lending market more efficiently

**Development of banking supervision**: introduction of the Basel Committee on Banking Supervision (BCBS) standard on capital requirements for banks’ equity investment in funds (since December 16, 2017)

**Risk-oriented supervision**: aiming to remedy problematic situations in banks at an early stage

**Development of macroprudential regulation**: streamlining the regulation, introducing countercyclical approach

**New regulations to the credit bureaus**: authorising several strategic credit bureaus with the function of aggregating information on debt payments

**Basel II and III in force**: Leverage ratio (except for banks with basic license), NSFR – for Domestic-SIBs
BANKING SECTOR: PROPORTIONAL REGULATION
Differentiating regulatory burden for banks depending on their size

Regulatory burden depends on license type

**BASIC LICENSE**
- Minimum size of capital (own funds) – RUB 300 mln
- Only 5 mandatory requirements, including H1.0, H1.2, H3, H6, H25 ratios
- Limitations on international operations
- Simplified disclosure rules - not required to disclose information on accepted risks, their assessment or management procedures, or any information on financial instruments included in the calculation of their own funds (capital)
- Technically complicated international standards are non applicable

**UNIVERSAL LICENSE**
- Minimum size of capital (own funds) – RUB 1 bln
- May carry out all banking operations set forth by the law
- All mandatory requirements set by the Bank of Russia must be met
- Must be compliant with all international standards
- Financial reporting fully compliant with RAS and IFRS
- Higher capital adequacy requirements
- Advanced risk management approach

Systemically important financial institutions (SIFI) are subject to:

---

On 1 June 2017, Federal Law No. 92-FZ dated 1 May 2017 came into force. It envisages the introduction of proportional regulation designed to set up a regulatory balance for banks differing in scale and in the nature of operations. 123 banks hold basic license, as of 1 November 2020.
FINANCIAL SECTOR OVERVIEW

BANKING SECTOR: NEW RESOLUTION MECHANISM*
The bank resolution mechanism implemented in 2017 is designed to reduce both costs and time while enhancing control over resolution processes

In 2017 the Bank of Russia adopted a new resolution mechanism, involving the CBR’s direct participation in the capital of the banks under resolution. Over 2017-2019, measures were taken to rehabilitate three major systemically important financial groups: Promsvyazbank, Otkritie, B&N Bank, and two regionally important banks: Moscow Industrial Bank and Asian-Pacific Bank.

Resolution measures have been applied to Promsvyazbank PJSC, Public Joint-Stock Company “Bank Otkritie Financial Corporation”, B&N Bank and PJSC Asian-Pacific Bank, which established permanent administration bodies, and now these banks are supervised by the Bank of Russia under the general mode.

Update on current status

- **Bank FC Otkritie**
  Bank of Russia is developing a strategy for exiting the capital of the Otkritie group with the help from investment consultants and is looking for investors who would buy the group’s shares.
  
  Recapitalization: RUB 556 bln
  Deposit Balance: RUB 0

- **Asian-Pacific Bank**
  Bank of Russia has held a first-price sealed-bid auction, where the buyer of the Asian-Pacific Bank group’s shares was determined.
  
  Recapitalization: RUB 9 bln
  Deposit Balance: RUB 0

- **NB Trust bank**
  Non-Core Asset Bank’s work with bad and non-core assets is planned to be completed in 2023. There are no plans to sell the bank afterwards.
  
  Recapitalization: RUB 1 bln
  Deposit Balance: RUB 1,668 bln

---

✓ Deposit Insurance Agency acquired over 99.99% of Promsvyazbank PJSC’s shares, and then transferred them to the Russian government.

✓ Public Joint-Stock Company “Bank Otkritie Financial Corporation” and B&N Bank became a basis for a universal financial group.

✓ NB TRUST, Bank AVB and “Rost Bank” (JSC) provided a basis for the Non-Core Asset Bank, which received the non-core and bad assets of the banks under resolution.

*A new bank resolution mechanism involving the Bank of Russia has been implemented since 2017. Besides, since 2008, the “credit” mechanism of bank resolution with DIA’s participation has also been in use. Under the latter mechanism, DIA engages an investor and afterwards may provide the bank with financial assistance at a preferential rate; such loans are funded by the Bank of Russia.*
BANKING SECTOR: KEY FIGURES

Active supervision and tighter regulation allowed to strengthen the health of the banking sector

Figure 12: In 2013-2021 more than 450 licenses were revoked causing almost no impact on the banking sector’s total assets

Figure 13: Banking sector profitability restored

Figure 14: Loans and deposits volume (RUB tn) and growth rates

Figure 15: Banks hold an acceptable level of capital under Basel III

*Since 01.11.2020 assets are shown net of created provisions. Data for retrospective periods restated.

*Since 01.01.2020 corporate loans include loans to financial and non-financial organizations (excl. credit organizations). Data for retrospective periods restated

**YoY, ccy adj. by credit institutions operating as of the reporting date. Since 01.01.2020 annual growth rate is based on chain method. Data for retrospective periods restated

Source: Bank of Russia
BANKING SECTOR: FUNDING
The funding of the banking sector mostly comes from corporate and retail deposits

Figure 16: In August 2021 corporate deposits amounted to RUB 34.4 tn, growth slowed down to 15.3% YoY

Figure 17: In August 2021 retail deposits amounted to RUB 32.7 tn, growth edged up to 3.7% YoY

*Since 01.01.2020 annual growth rate is based on chain method. Data for retrospective periods restated.

Figure 18: Operations with the Bank of Russia, tn RUB

*excluding Mandatory cash balances by credit organizations with the Bank of Russia

Figure 19: Sources of funding, % of total liabilities

Source: Bank of Russia
BANKING SECTOR: LENDING

The growth pace of retail loans has accelerated

Figure 20: Corporate loans amounted to Rub 49.3 tn, growth edged down to 10.4% YoY in August 2021

Figure 21: Retail lending growth increased to 22.1% YoY in August 2021

Figure 22: Share of bad corporate loans** slightly decreased to 9% as of September 2021, while the bad loan loss reserves to bad loans ratio accounted for 74%

Figure 23: The share of bad loans** decreased to 6.7% in August 2021 vs YE 2020

---

*Since 01.01.2020 corporate loans include loans to financial and non-financial organizations (excl. credit organizations). Data for retrospective periods restated

**Since 01.01.2020 annual growth rate is based on chain method. Data for retrospective periods restated

** Loans classified into quality category of IV and V according to the requirements of Regulation No.590-P.

Quality category IV – high credit risk (probability of financial losses due to non-performance or improper performance of obligations by the borrower requires its depreciation by 51 to 100 per cent);

Quality category V – no possibility of loan repayment due to the borrower’s inability or refusal to meet loan commitments, which requires complete (100 per cent) depreciation of the loan.

Source: Bank of Russia
BANKING SECTOR: MORTGAGE SEGMENT
Mortgage lending continues to support credit expansion in 2021

Figure 24: Mortgage lending growth increased 28.7% YoY in August 2021

Figure 25: Share of NPLs remains at historically low levels

Figure 26: Distribution of mortgage loans by LTV

Figure 27: Risk weight add-ons applied to RUB mortgage loans depending on the LTV and the PTI (applied from 1 August 2021)

*Since 01.01.2020 annual growth rate is based on chain method. Data for retrospective periods restated.

*Risk weight add-ons applied from 1 August 2021 to mortgage loans issued from 1 August 2021

2.0 for the whole term (excl. loans repaid with the use of the maternity capital)

Source: Bank of Russia
BANKING SECTOR: UNSECURED CONSUMER LENDING

Unsecured lending market growth rate has somewhat moderated following new macroprudential regulations

Figure 28: Unsecured consumer lending growth increased to 18.5% YoY in August 2021

Figure 29: Distribution of unsecured consumer loan issuance by payment to income ratio (under CBR Ordinance No. 4892-U), %

Figure 30: Share of NPLs amounted to 8.2% as of September 2021

Source: Bank of Russia
BANKING SECTOR: INTRODUCTION OF PTI
The Bank of Russia introduces a payment to income ratio for regulatory purposes

Starting from 1 October 2021, the Bank of Russia decided to raise add-ons on unsecured consumer loans up to the values that were in effect before the start of the pandemic (*please refer to table below*).

<table>
<thead>
<tr>
<th>EIR interval, %</th>
<th>W/o DTI</th>
<th>0-30</th>
<th>30-40</th>
<th>40-50</th>
<th>50-60</th>
<th>60-70</th>
<th>70-80</th>
<th>80+</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10</td>
<td>0.7</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.7</td>
<td>0.9</td>
<td>1.2</td>
<td>1.5</td>
</tr>
<tr>
<td>10-15</td>
<td>0.8</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.8</td>
<td>1.0</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>15-20</td>
<td>1.2</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>1.2</td>
<td>1.5</td>
<td>1.7</td>
<td>2.0</td>
</tr>
<tr>
<td>20-25</td>
<td>1.6</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.6</td>
<td>1.9</td>
<td>2.1</td>
<td>2.4</td>
</tr>
<tr>
<td>25-30</td>
<td>2.0</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>2.0</td>
<td>2.1</td>
<td>2.3</td>
<td>2.6</td>
</tr>
<tr>
<td>30-35</td>
<td>2.7</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.7</td>
<td>2.9</td>
<td>3.1</td>
<td>3.4</td>
</tr>
<tr>
<td>35+</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

*Values of add-ons to the risk coefficients applied to unsecured consumer loans subject to calculation of PTI*

Higher level of add-ons are applied to loans with PTI exceeding 50%.

Banks calculate PTI in accordance with Appendix 1 to Bank of Russia Ordinance No. 4892-U when making a decision on granting a loan in the amount (total credit amount) of ₽10,000 or more or an increase in the total credit amount on a bank card.
BANKING SECTOR: INTEREST RATES
An upward trend started to emerge in loan and deposit interest rates

Figure 31: Weighted average long-term interest rates on loans in rubles, %*

Figure 32: Weighted average long-term interest rates on deposits in rubles, %*

Figure 33: Max interest rate on retail deposits in rubles of top-10 banks and Bank of Russia’s policy rate, %

*with maturities of over 1 year

Source: Bank of Russia
BANKING SECTOR: DEDOLLARISATION
Dollarization of the banking sector has notably reduced over the last years

Figure 34: Corporate FX lending declined significantly over the past few years

Figure 35: Retail FX loan portfolio is insignificant in size

Figure 36: Due to ruble depreciation the share of corporate and retail FX deposits in total amount of deposits has risen vs. YE 2019

Figure 37: Risk weights applied to FX assets, %

*Since 01.01.2020 corporate loans include loans to financial and non-financial organizations (excl. credit organizations). Data for retrospective periods restated.

Source: Bank of Russia
BANKING SECTOR: CAPITAL ADEQUACY
High quality capital base and solid capital adequacy levels under Basel III standards

Figure 38: Capital adequacy ratio for the banking sector remains stable (12.5% on 1.01.21 and 12.4% 1.09.21)

Figure 39: Credit organizations with capital exceeding RUB 25 bln have lower buffer vs N1.0 minimum requirement due to the economies of scale
BANKING SECTOR: SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS
The Bank of Russia has approved the list of SIFI and buffers for capital adequacy ratios

List of systemically important financial institutions

<table>
<thead>
<tr>
<th>№</th>
<th>Company name</th>
<th>Assets, RUB tn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sberbank</td>
<td>36.9</td>
</tr>
<tr>
<td>2</td>
<td>VTB Bank</td>
<td>19.2</td>
</tr>
<tr>
<td>3</td>
<td>Gazprombank</td>
<td>8.1</td>
</tr>
<tr>
<td>4</td>
<td>Alfa-Bank</td>
<td>5.3</td>
</tr>
<tr>
<td>5</td>
<td>Russian Agricultural Bank</td>
<td>4.0</td>
</tr>
<tr>
<td>6</td>
<td>Credit Bank of Moscow</td>
<td>3.2</td>
</tr>
<tr>
<td>7</td>
<td>Bank FC Otkritie</td>
<td>3.1</td>
</tr>
<tr>
<td>8</td>
<td>Sovcombank</td>
<td>1.8</td>
</tr>
<tr>
<td>9</td>
<td>Promsvyazbank</td>
<td>n/a</td>
</tr>
<tr>
<td>10</td>
<td>Raiffeisenbank</td>
<td>1.5</td>
</tr>
<tr>
<td>11</td>
<td>Rosbank</td>
<td>1.4</td>
</tr>
<tr>
<td>12</td>
<td>UniCredit Bank</td>
<td>1.2</td>
</tr>
<tr>
<td>13</td>
<td>Tinkoff Bank</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Assets as of 1 Sep 2021

Systemically important financial institutions account for 77% of total assets of the Russian banking sector

Capital adequacy requirements

**Minimum Bank of Russia requirements for capital adequacy ratios**
- Common equity Tier 1 capital ratio (N1.1) 4.50%
- Tier 1 capital (N1.2) 6.00%
- Total capital adequacy ratio (N1.0) 8.00%

**Values of capital buffers**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital conservation buffer</td>
<td>1.25%</td>
<td>1.875%</td>
<td>2.25%</td>
<td>2.50%</td>
</tr>
<tr>
<td>SIFI buffer</td>
<td>0.35%</td>
<td>0.65%</td>
<td>0.65%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Countercyclical buffer</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Minimum capital adequacy ratios for SIFI**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>N1.1</td>
<td>6.1%</td>
<td>7.0%</td>
<td>7.65%</td>
<td>8.0%</td>
</tr>
<tr>
<td>N1.2</td>
<td>7.6%</td>
<td>8.5%</td>
<td>9.15%</td>
<td>9.5%</td>
</tr>
<tr>
<td>N1.0</td>
<td>9.6%</td>
<td>10.5%</td>
<td>11.15%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

*Capital conservation buffer* was raised in accordance with the schedule approved by the Bank of Russia throughout 2019 – it was set at 1.875% from 1 January 2019, 2.0% from 1 April 2019, 2.125% from 1 July 2019, 2.25% from 1 October 2019, and 2.5% from 1 January 2020.
Microfinance is a vital part of financial system complementing banks to provide better financial inclusion

**MFIs**

- **Microfinance organizations (MFOs)**
- **Consumer credit cooperatives**
- **Credit Housing communities**
- **Pawnbrokers**
- **Agricultural credit cooperatives**

Microfinance institutions (MFIs) provide financial services for customers with no access to banking products, service regions with an insufficient bank presence, offer financial products missing from bank product lines, boost financial literacy and help clients build their credit histories.

CBR keeps a state register of MFIs and supervises MFIs directly and via SROs. Currently there are about 7,150 MFI companies.

23% of the entire MFO microloan portfolio are microloans to small to medium enterprises (bearing 5-10% interest rate thanks to state support via MFOs).

Payday Loans, i.e. small, short-term unsecured loans (up to RUB 30k for 30 days) at high rates, are not a development priority and account for 23% of the entire MFO microloan portfolio.

Starting from 1 October 2019, microfinance organizations have to calculate the PTI ratio when taking a decision on extending loan of ₽10,000 or more.

For the loans with PTI of the borrower in excess of 50%, the level of add-on to the risk coefficients is set at 50% (65% starting from 1 January 2020).
FINANCIAL STABILITY
Macroprudential policy aimed at identifying and preventing potential systemic risks

Lending trends and credit risks
Lending trends vary in different segments of the economy. The annual growth of corporate lending slowed down slightly, specifically from 11.2% as of 1 July to 10.4% as of 1 September 2021. The growth of unsecured consumer loans continue to speed up, reaching 18.5% as of 1 September 2021. To limit the risks associated with the surge in unsecured consumer lending, the Bank of Russia made the decision in July 2021 to raise macroprudential risk-weight add-ons since 1 October 2021.

According to 2021 Q2 statistics, the accelerated growth in unsecured consumer lending is coupled with a worsening of lending standards. The portion of the highest-risk loans issued to borrowers whose payment-to-income (PTI) ratios exceed 80% edged up to 30.3% in 2021 Q2, which is higher than the pre-pandemic level (26.7%). As banks accumulate loans disbursed to borrowers with high PTI ratios faster, this augments the risks of the retail loan portfolio.

Moreover, banks have been expanding the portion of long-term consumer loans with maturities of over five years. In 2021 Q2, such loans accounted for 20.7% of the total amount of disbursed cash loans, as compared to no more than 11% before the pandemic. Banks have extended loan maturities seeking to lend maximum amounts allowed by their credit policies. The average amount of loans issued for over five years equals 747,000 rubles, whereas that of loans with maturities of up to five years — 242,000 rubles.

In this regard, the Bank of Russia plans to revise the effective PTI calculation procedure. Average monthly payments on long-term consumer loans will be calculated based on the assumption that such loans shall be repaid within four years (currently, this period is five years). This will increase PTI ratios for long-term consumer loans. Concurrently, in order to discourage banks to issue long-term consumer loans and generally to lend money to borrowers whose PTI ratios are excessively high, the Bank of Russia plans to consider in 2021 Q4 the possibility of an increase in macroprudential risk-weight add-ons for such loans.

Speaking of mortgage lending, the Government changed the terms of its subsidised mortgage lending programme beginning from 1 July 2021 and simultaneously expanded the family mortgage programme now encompassing families having one child born on 1 January 2018 and later. The revision of the terms of these programmes helped stabilise the pace of mortgage lending expansion in July—August, with the annual growth rate in this segment equalling 20%. This level conforms to a well-balanced path of mortgage lending development, which would not involve any risks to financial stability.

1 According to Section 3 of Reporting Form 0409115. For credit institutions operating as of the last reporting date, including previously reorganized banks.
2 According to the 2021 Q2 statistics from the three largest credit history bureaus.
SECURITIES MARKET (1)
Russia’s financial market has been aligned with best international practices

**Crisis-proven market infrastructure**
- The Moscow Exchange has built a secure and reliable infrastructure ensuring uninterrupted trading
- Trading rules do not stipulate any trading suspensions, reduction in trading hours, short sell bans or other restrictions
- T+2 settlement on equities, T+1 on OFZs, T+0 on corporate bonds

**Upgraded corporate governance**
- Updates to the Listing Rules have created a Sustainability Sector for financing ESS projects
- Creation of a two-tier Quotation List within the stock exchange listing
- Strong criteria for inclusion in the top-tier Quotation list
- Streamlined dividend rules for SOEs
- Corporate standards aligned with best international practices

**Regulatory changes to promote investments**
- Capital gains on securities held for more than 3 years are tax-exempt
- Tax deductions for Individual Investment Accounts (IIA) type A – max RUB 52,000; for IIA type B – at the rate of investment income;
- Corporate bonds with yield of under the key rate + 5pp became tax-exempt on January 1, 2018

**Simplified market access**
- Euroclear and Clearstream settlement for equities and bonds
- Unified collateral pool for equities, bonds and FX markets
- International clearing system membership; Direct access to FX trading for large corporates
- Local investor base development (individual investment account system, tax incentives, etc.)
- High level of competition in the Russian financial market helps keep the cost of brokerage and depository services low
- Financial intermediaries are allowed to make both brokerage and depository operations

**Increased transparency**
- Moscow Exchange instruments comply with the post-trade transparency requirements under MiFID II/MiFIR
- Mandatory audited IFRS for all public companies
- Strengthened regulation to prevent market manipulation and insider trading
- Improved disclosure practices
- Requirement to have a written description of dividend policy for the top-tier Quotation list
- Development of basic standards for professional market participants activities
## SECURITIES MARKET (2)

Growing a deeper Russian bond market with strong potential

**Figure 40**: Volume of the Russian local bond market, RUB tn

<table>
<thead>
<tr>
<th>Year</th>
<th>OFZ</th>
<th>Corporate Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>4.7</td>
<td>2.5</td>
</tr>
<tr>
<td>2010</td>
<td>5.9</td>
<td>3.0</td>
</tr>
<tr>
<td>2011</td>
<td>6.7</td>
<td>3.6</td>
</tr>
<tr>
<td>2012</td>
<td>7.8</td>
<td>4.3</td>
</tr>
<tr>
<td>2013</td>
<td>9.2</td>
<td>5.3</td>
</tr>
<tr>
<td>2014</td>
<td>11.3</td>
<td>6.6</td>
</tr>
<tr>
<td>2015</td>
<td>13.1</td>
<td>8.1</td>
</tr>
<tr>
<td>2016</td>
<td>14.7</td>
<td>9.2</td>
</tr>
<tr>
<td>2017</td>
<td>18.3</td>
<td>11.1</td>
</tr>
<tr>
<td>2018</td>
<td>19.8</td>
<td>11.9</td>
</tr>
<tr>
<td>2019</td>
<td>22.9</td>
<td>13.6</td>
</tr>
<tr>
<td>2020</td>
<td>30.0</td>
<td></td>
</tr>
</tbody>
</table>

**CAGR +18%**

**Figure 41**: Volume of the Russian corporate bond market, RUB tn

<table>
<thead>
<tr>
<th>Year</th>
<th>RUB bonds</th>
<th>Eurobonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>5.4</td>
<td>2.5</td>
</tr>
<tr>
<td>2010</td>
<td>6.2</td>
<td>3.0</td>
</tr>
<tr>
<td>2011</td>
<td>7.1</td>
<td>3.5</td>
</tr>
<tr>
<td>2012</td>
<td>8.7</td>
<td>4.2</td>
</tr>
<tr>
<td>2013</td>
<td>11.1</td>
<td>5.2</td>
</tr>
<tr>
<td>2014</td>
<td>16.0</td>
<td>9.3</td>
</tr>
<tr>
<td>2015</td>
<td>18.2</td>
<td>10.2</td>
</tr>
<tr>
<td>2016</td>
<td>17.7</td>
<td>9.7</td>
</tr>
<tr>
<td>2017</td>
<td>19.1</td>
<td>11.5</td>
</tr>
<tr>
<td>2018</td>
<td>19.5</td>
<td>11.9</td>
</tr>
<tr>
<td>2019</td>
<td>20.0</td>
<td>13.6</td>
</tr>
<tr>
<td>2020</td>
<td>21.5</td>
<td>16.3</td>
</tr>
</tbody>
</table>

**CAGR +13%**

**Figure 42**: "Bondization" of the Russian financial market

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity market trading volume, RUB tn</th>
<th>Bond market trading volume*, RUB tn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>8.7</td>
<td>15.3</td>
</tr>
<tr>
<td>2014</td>
<td>10.3</td>
<td>10.6</td>
</tr>
<tr>
<td>2015</td>
<td>9.4</td>
<td>11.2</td>
</tr>
<tr>
<td>2016</td>
<td>9.3</td>
<td>13.2</td>
</tr>
<tr>
<td>2017</td>
<td>9.2</td>
<td>16.5</td>
</tr>
<tr>
<td>2018</td>
<td>10.8</td>
<td>21.2</td>
</tr>
<tr>
<td>2019</td>
<td>12.4</td>
<td>22.4</td>
</tr>
<tr>
<td>2020</td>
<td>23.9</td>
<td>26.2</td>
</tr>
</tbody>
</table>

**Figure 43**: Corporate loans vs corporate bonds in Russia, RUB tn

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans (incl. foreign debt)</th>
<th>Corporate bonds (incl. eurobonds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>29.2</td>
<td>19%</td>
</tr>
<tr>
<td>2012</td>
<td>41.3</td>
<td>21%</td>
</tr>
<tr>
<td>2015</td>
<td>67.6</td>
<td>73%</td>
</tr>
<tr>
<td>2018</td>
<td>68.0</td>
<td>71%</td>
</tr>
<tr>
<td>2019</td>
<td>67.5</td>
<td>71%</td>
</tr>
<tr>
<td>2020</td>
<td>78.0</td>
<td>70%</td>
</tr>
</tbody>
</table>

*excl. overnight bonds

Source: Moscow Exchange, Cbonds
SECURITIES MARKET (3)

Russian OFZ market provides relatively high yields amid investment grade reliability

Figure 44: Russian OFZ market volume keeps growing

Figure 45: Zero-coupon OFZ yield curve, %

Figure 46: Bond market yields, key rate and RUONIA (% RUB)

Figure 47: EM 10Y bond yields (% USD) on the background of credit ratings

Source: Bank of Russia, Cbonds, Bloomberg
SEcurities market (4)
Demand for OFZs placements remains sustainably high

Figure 48: OFZ placement dynamics in 2018 - 2021 (RUB bn)

Source: Bank of Russia, Ministry of Finance, National Settlement Depository
SECURITIES MARKET (5)
Russian equity market: key trends

Figure 49: Russian Equity market cap, bln RUB & bln USD

Figure 50: Market capitalization to GDP ratio, %

Figure 51: Russian equities market trading volumes proves stable

Figure 52: Dividend yield (12M): Russia vs. EM, %

Source: Bloomberg, Moscow Exchange, International Monetary Fund and World Federation of Exchanges
SECURITIES MARKET (6)
Russian equity market performance vs EM peers

Figure 53: Russian MSCI index vs EM peers (01.01.15 = 100%)

Source: Bloomberg
CORPORATE GOVERNANCE
New corporate governance standards reflect best international practices

Corporate governance
- Guidance for members of financial institutions’ Boards of Directors
- Recommendations on organizing and conducting self-assessment of the Boards of Directors’ performance in public JSCs
- Recommendations on participation of the Board of Directors in development and management processes related to IT and information security risk management in public JSCs
- Russian public JSCs are implementing mandatory risk management and internal controls and internal audit
- Information disclosure reform: reduction of administrative burden on issuers, elimination of excessive requirements for information disclosure (to be put in force since 1 October 2021)

Corporate actions reform
Amendments to the JSC Law:
- Protection against dilution of stakes in the authorized capital of JSCs and violation of dividend rights
- Determination of the price at which the issuer repurchases - at the request of shareholders - shares admitted to trading, taking into account their weighted average cost
- Legal uncertainty with regard to the votes of parties controlled by a party with an interest in the transaction has been eliminated

Securities
Securities issuance reform: the procedure of securities issuance was simplified, electronic registration of securities’ issues was launched

Green, Social and Sustainable Finance
- Stewardship Code
- Legal framework for Green, Social and Infrastructural Bond Issuance
- Special Disclosure rules for Green, Social and Infrastructural Bonds’ Issuers
- Mandatory right of redemption for green and social marked bond holders if capital allocated under Issuance was used improperly
- Sustainable Development Sector for Bonds on Moscow Exchange
- Two Sustainable Development Benchmarks (“Responsibility and Transparency”, “Sustainable Development Vector”)
- Recommendations on disclosure of non-financial information by public joint-stock companies

Next stage
Providing the possibility to hold general meetings of shareholders online

CBR corporate governance report: annual monitoring of corporate governance practices and publication of the report on the CBR official site (only in Russian)

Source: Moscow Exchange
**COUNTERING MALPRACTICE**

Bank of Russia supervises conduct of financial market participants to promote fair competition

- Bank of Russia has implemented an effective system for countering malpractice such as market manipulation and insider trading, which is aimed at ensuring investors’ equality and fair pricing.

- Bank of Russia identifies companies operating on the financial market without proper authorization (license) and running pyramid schemes, with a view to initiate responsive measures by the public authorities. The number of instances of such measures being taken by public authorities has increased almost 4x times in 2019 compared to 2018. The number of illegal lenders tends to decrease.

- In 2015, Bank of Russia became a signatory to the IOSCO MMoU.
- Intense cooperation with foreign financial market regulators in terms of exchanging information, including confidential information.
- Elaboration of international initiatives.

- Bank of Russia improves continuous monitoring of on-exchange trading for the purpose of maintaining financial stability and preventing system shocks caused by misconduct.
- On-exchange trades are supervised by the Analysis Center to identify unusual activity online.

---

**Insider trading and market manipulation**

**International cooperation**

**Enhanced consolidated market analysis**

**Unlicensed firms and pyramid scheme**
INVESTMENT FUNDS
Local institutional investor base: the potential of investment funds

Figure 55: Majority of savings in Russia is held on bank deposits and in cash*

<table>
<thead>
<tr>
<th>Country</th>
<th>Cash and bank deposits</th>
<th>Insurance and pension assets</th>
<th>Securities</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>55%</td>
<td>25%</td>
<td>40%</td>
<td>31%</td>
</tr>
<tr>
<td>UK</td>
<td>55%</td>
<td>35%</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>Germany</td>
<td>54%</td>
<td>31%</td>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>Hungary</td>
<td>53%</td>
<td>28%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Brazil</td>
<td>52%</td>
<td>27%</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>Colombia</td>
<td>53%</td>
<td>28%</td>
<td>30%</td>
<td>21%</td>
</tr>
<tr>
<td>Japan</td>
<td>31%</td>
<td>7%</td>
<td>56%</td>
<td>37%</td>
</tr>
<tr>
<td>India</td>
<td>47%</td>
<td>19%</td>
<td>49%</td>
<td>53%</td>
</tr>
<tr>
<td>Russia</td>
<td>21%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Figure 56: Assets of investments funds in Russia (RUB tn)

Figure 57: Number of investments funds in Russia by type

<table>
<thead>
<tr>
<th>Type</th>
<th>09.17</th>
<th>12.17</th>
<th>03.18</th>
<th>06.18</th>
<th>09.18</th>
<th>12.18</th>
<th>03.19</th>
<th>06.19</th>
<th>09.19</th>
<th>12.19</th>
<th>03.20</th>
<th>06.20</th>
<th>09.20</th>
<th>12.20</th>
<th>03.21</th>
<th>06.21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed-end</td>
<td>551</td>
<td>607</td>
<td>675</td>
<td>726</td>
<td>734</td>
<td>784</td>
<td>831</td>
<td>814</td>
<td>832</td>
<td>850</td>
<td>867</td>
<td>885</td>
<td>894</td>
<td>912</td>
<td>930</td>
<td></td>
</tr>
<tr>
<td>Open-end</td>
<td>327</td>
<td>325</td>
<td>312</td>
<td>303</td>
<td>304</td>
<td>321</td>
<td>331</td>
<td>333</td>
<td>335</td>
<td>343</td>
<td>367</td>
<td>379</td>
<td>384</td>
<td>381</td>
<td>373</td>
<td></td>
</tr>
<tr>
<td>Interval</td>
<td>331</td>
<td>377</td>
<td>325</td>
<td>312</td>
<td>303</td>
<td>268</td>
<td>267</td>
<td>266</td>
<td>264</td>
<td>255</td>
<td>254</td>
<td>253</td>
<td>252</td>
<td>247</td>
<td>246</td>
<td></td>
</tr>
<tr>
<td>ETF</td>
<td>331</td>
<td>327</td>
<td>325</td>
<td>312</td>
<td>303</td>
<td>268</td>
<td>267</td>
<td>266</td>
<td>264</td>
<td>255</td>
<td>254</td>
<td>253</td>
<td>252</td>
<td>247</td>
<td>246</td>
<td></td>
</tr>
</tbody>
</table>

Figure 58: Breakdown of investment funds’ assets by type (as of 30 June 2021)

*As of YE2020 (Germany, Colombia, Japan – end of 2019; India, Brazil – end of 2018).
Source: World Bank, IMF, OECD, Bank of Russia
NON-STATE PENSION FUNDS
Local institutional investor base: the potential of non-state pension funds

The Bank of Russia became a regulator of the pension system in 2013. Since then a number of changes has been adopted to strengthen the non-state pension system:

✓ ‘one-year non-loss’ rule was extended to ‘five-year non-loss’ rule
✓ stress-testing mechanism introduced
✓ customers are now encouraged to stay with the same fund for not less than 5 years
✓ since 2014 the Deposit Insurance Agency (DIA) guarantees the nominal value of mandatory savings
✓ non-state pension funds are to bear fiduciary responsibility (since March 18, 2018)
✓ non-state pension funds are to disclose their investment portfolios
✓ corporatization of non-governmental pension funds (NPFs) completed
✓ work is in progress to improve financial stability of private pension funds (development of legislation, introducing mandatory state guarantee system for voluntary pension plans and mechanisms of private pension funds financial recovery under the Bank of Russia management)
INSURANCE
Local institutional investor base: the potential of insurance market

Figure 61: Premium volume is gradually growing

Figure 62: Assets hit 3.8% of GDP

Figure 63: Premium structure in 2Q21 shows high level of market diversification

Figure 64: In 2Q21 market remained highly competitive with the Herfindahl-Hirschman Index equal to 858.6

Source: Bank of Russia
PAYMENT INFRASTRUCTURE (1/5)
National Payment System of the Russian Federation

Payment infrastructure of the Bank of Russia has evolved rapidly in response to economic growth, technical innovation and regulatory initiatives. As a result of in-depth research and engineering the Bank of Russia currently operates the national payment system which is self-efficient and in line with the international standards.

The National Payment System of the Russian Federation embraces 28 payment systems, 485 payment operators and more than half thousand payment agents.

The core of the National Payment System of the Russian Federation is the Payment System of the Bank of Russia which processes transactions on behalf of the Federal Treasury and all local financial institutions.

- Fully centralized with liquidity saving procedures and 1 hour liquidity adjustment period.
- Average daily figures (for 2021): 6.25 mln payments, Rub 7.72 tn
- Vast country – extended business hours: system operates in 11 time zones from 1 a.m. to 9 p.m., Moscow time
PAYMENT INFRASTRUCTURE (2/5)
National Payment System of the Russian Federation

Main targets of the Bank of Russia Payment System are:

- executing payments under orders of its participants
- clearing under national payments card system
- clearing of financial markets transactions

The Bank of Russia Payment System enables sophisticated up-to-date payment capabilities:

- Priority to RTGS approach (86.5% of funds are transferred via the real-time service as of October 4, 2021)
- New liquidity management tools
- Future value date settlement functionality
- Cash-pooling services for Federal Treasury

On 28 January 2019 the Faster Payments System (FPS), a new milestone for the local payment industry, was launched.

- the FPS is an ad hoc built-up to the Payment System of the Bank of Russia which:
  - enables instant interbank transfers 24/7/365 using mobile phone number
  - embraces 207 FIs as of October 1, 2021
  - monthly processes about 90 mln transactions as of October 1, 2021

The National Card Payment System was launched in 2014 and ensures guaranteed and uninterrupted processing of domestic banks card transactions (please see next slide).
PAYMENT INFRASTRUCTURE (3/5)
National Payment Cards System

Operator of the Mir Card Payment System is the National Card Payment System Joint Stock Company fully owned by the Bank of Russia (established on 23 July 2014)

- The first cards of MIR National Payment System were issued in December 2015
- Approx. 104 mln cards issued as of September 1, 2021
- Comprises over 260 acquiring banks and over 160 issuing banks as of October 1, 2021

- Promoted internationally since 2017
- Co-badging projects with Mastercard, JCB, AmEx and UnionPay.
- Linked with the national card payments systems of the Republic of Armenia, Republic of Belarus, Kyrgyz Republic, Republic of Tajikistan, Republic of Uzbekistan, Vietnam and other.
- Accepted by the partner banks in the UK, Republic of Korea, UAE, Cyprus, Turkey, Kazakhstan and South Ossetia

- Mobile payments and contactless service Mir Pay are developing
- Support of mobile payment service Samsung Pay
- Non-financial services are available on the basis of “Mir” payment cards

- Cashback capabilities
The Bank of Russia's activity to monitor the compliance of NPS entities with the requirements of the law on the NPS and the regulations of the Bank of Russia in order to ensure stability and development of the NPS.

Market access:
- **payment systems**: registration of payment system operators (PSO) and foreign payment system operators
- **money transfer operators - credit organizations (including electronic money operators)**: licensing.

The BoR publishes lists of payment application providers, payment aggregators, foreign payment service providers, information exchange operators.

Set of measures in respect of the supervised subjects is determined taking into account the established supervision mode.

### Number of NPS entities (as of March 2021)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money transfer operators-credit organizations</td>
<td>397</td>
</tr>
<tr>
<td>electronic money operators</td>
<td>79</td>
</tr>
<tr>
<td>Payment system operators</td>
<td>28</td>
</tr>
</tbody>
</table>

The subjects of supervision:
- functioning of the NPS entity separately;
- its relationship with other market participants, disruption of such relationships and systemic risks.

### Supervision in the NPS -

1. **Off-site supervision**
   - Analyze the activities of NPS entities and payment system participants as well as the organization and functioning of payment systems including payment infrastructure.

2. **On-site inspection**
   - Conduct on-site inspections of NPS entities’ compliance with the requirements of the law on the NPS and the regulations of the Bank of Russia.

3. **Actions and Measures**
   - Take actions and enforcement measures with regard to NPS entities in case of violations of the requirements of the law on the NPS.
PAYMENT INFRASTRUCTURE (5/5)
Supervision and oversight in the national payment system (NPS)

Oversight in the NPS - The Bank of Russia's activity to encourage the improvement of the NPS entities' activities and services and to promote the development of objects of oversight in line with the recommendations of the Bank of Russia.

1 Monitoring
Collection, systematization and analysis of information on the activities of the observed organizations, other NPS entities and related oversight objects

Main areas of monitoring
• Defining criteria for the importance of payment systems and credit institutions significant in the payment services market;
• Identifying payment systems that meet the criteria of significance, and credit institutions that meet the criteria of significance in the payment services market;
• Identifying trends and development prospects for the Russian payment market.

2 Assessment
Assessment of the activities of the observed organizations (PSO*) and related objects of oversight in the context of best practices (in particular, the document CPMI-IOSCO “Principles for financial market infrastructures”)

* Operators of systemically and socially important payment systems (as of the beginning of 2020 there are 2 systemically important payment systems and 4 socially important payment systems).

3 Initiation of changes
• Bank of Russia issues recommendations to the PSO on the results of assessment.
• The PSO prepares an action plan for implementation of such recommendations.
• Bank of Russia monitors the implementation of recommendations by the PSO

International cooperation in the field of oversight in the NPS:
✓ agreements (memorandums) on cooperation with foreign (national) banks;
✓ interaction with international organizations, including the Committee on Payments and Market infrastructures (CPMI), World Bank.
FINTECH (1)
Russia provides a favorable environment for FinTech development

Goals of the Bank of Russia as a high-tech regulator

- Facilitate the **competition** and support **innovation** in the financial market
- Enhance **accessibility**, **quality** and **range** of financial services
- Lower **risks and costs** in the financial market
- **Digitalize interaction** between the Bank of Russia and supervised entities

Key areas of development

1. **Legal regulation** to provide favorable environment for innovation development in the financial market
2. **Development of digital infrastructure** with equal access for all financial market participants
3. Implementation of **RegTech & SupTech** in the financial market
4. **Experimental legal regimes** to test innovative financial technologies, products and services
5. Ensuring **information security**
FINTECH (2)
Russia provides a favorable environment for FinTech development

Main FinTech initiatives of the Bank of Russia

Unified Biometric System
remote identification for financial services provision

Digital profile
provision of consumer data from public sources required for financial services delivery with customer consent

Faster Payments System
enables real-time P2P, Me2Me, C2B payments

Marketplace
financial products and services offered by various companies on a single platform on a ‘one stop shop’ basis

Open APIs
equal access to customer data using standardized open APIs

Digital Ruble
an additional form of the Russian national currency that will be issued digitally by the Bank of Russia

Experimental legal regimes
piloting innovative financial technologies, products and services with real customers
MARKETPLACE
Shaping the future of financial services experience in Russia

- New system for online sales of financial products
- Aimed to complement traditional sales channels with websites and smartphone apps which will enable customers to compare multiple financial product offers
- In July 2020 the State Duma adopted the law on financial transactions through a financial platform that enabled launching the Marketplace system

For more details, see http://cbr.ru/eng/fintech/market_place/
## CONSUMER PROTECTION
Financial consumer and investor protection as one of priorities for further financial market development

### KEY FINANCIAL CONSUMER PROTECTION WORKSTREAMS

<table>
<thead>
<tr>
<th>Workstream</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer and investor complaints handling</td>
<td></td>
</tr>
<tr>
<td>Conduct supervision</td>
<td></td>
</tr>
<tr>
<td>Setting requirements for financial organizations in order to improve consumer and investor protection</td>
<td></td>
</tr>
<tr>
<td>Differentiation of consumer protection requirements</td>
<td></td>
</tr>
<tr>
<td>Financial literacy improvement</td>
<td></td>
</tr>
<tr>
<td>Disclosure requirements for consumers and investors</td>
<td></td>
</tr>
</tbody>
</table>
FINANCIAL INCLUSION
The Bank of Russia promotes financial inclusion aligned with best international practices

G20 GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION (GPFI)
- Acts as an inclusive platform for G20 countries, non-members and other parties for knowledge and experience sharing, policy advocacy and coordination in promoting financial inclusion
- Russia is an original GPFI member since November 2010
- Endorsed the ‘original’ (2010) and ‘updated’ (2020) Financial Inclusion Action Plan

ALLIANCE FOR FINANCIAL INCLUSION (AFI)
- The global knowledge exchange network empowering policymakers to increase access to quality financial services for the less well-off communities and households
- In 2014, the Bank of Russia became a member of AFI and joined the Maya Declaration setting up the priorities for AFI members on financial inclusion
- The Bank of Russia hosted the 2018 AFI Global Policy Forum: Sochi Accord: Fintech for Financial Inclusion was adopted, Regional initiative for the EECA region was launched

✓ Since April 2020, the Bank of Russia has been empowered by law to exercise functions aimed at ensuring financial inclusion
✓ In 2018, the Bank of Russia launched the Financial Inclusion Strategy in Russia for the period of 2018-2020 (extended for 2021)

To increase access and quality of financial services for target groups:

Citizens who live in remote or hard-to-reach areas
- The Bank of Russia promotes the development of rural presence of banks in various formats, especially agent-based ones.
- One of the significant projects is cash withdrawal service to holders of payment cards at retail and service outlets in rural areas. It was piloted in 2019 and the number of access points grew to more than 6.3 thousand (July 1, 2021)

Persons with disabilities, elderly and other low-mobile groups
- The Bank of Russia has made concerted efforts to ensure the financial inclusion of PwD/LMG in recent years. It focused on technology-based solutions to address the various constraints faced by PwD/LMG in accessing financial products.
- 65% of credit institutions have fully or mostly implemented the Bank of Russia’s recommendations on eliminating barriers for PwD/LMG and 64% - recommendations on the accessibility of remote servicing channels (October 2020)

Small and medium business
- Together with the Government, the Bank of Russia continues to take joint actions to promote SMEs financial inclusion through:
  ▪ special lending programs subsidized by the Government,
  ▪ regulatory changes aimed at supporting bank lending to SMEs,
  ▪ developing instruments of non-bank financing for SMEs, such as crowd-investing and dedicated stock market segment,
  ▪ introducing new instruments and platforms: online factoring for SMEs, Faster Payments System to pay for SMEs goods and services.

To increase the speed and quality of access to financial services for population with Internet connection
- Over the last year, more than 75% of Russian adults transferred money over the Internet or using mobile banking (May 2021 survey results)
- The Bank of Russia continues to promote FinTech, RegTech and SupTech solutions to facilitate remote services provision and enhance financial inclusion. The key projects here are Digital Biometric Identification, Faster Payments System, MarketPlace, Digital Customer Profile, Digital Ruble.
AML/CFT
Bank of Russia maintains AML/CFT regulation and supervision of credit institutions and non-credit financial institutions

Russian AML/CFT law is based on International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation (FATF Recommendations)

- The FATF placed Russian Federation in the regular follow-up process
- The FATF recognized that Russia could be removed from the regular follow-up process
- 4th round of mutual evaluations, joint FATF/MONEYVAL/EAG evaluation of Russia; Russia has been placed in the regular follow-up process

The findings of the FATF on the Bank of Russia's actions and financial institutions’ performance in the AML/CFT area:

- The Bank of Russia's deep understanding of ML/TF risks in the supervised sectors
- Improvement of the Bank of Russia’s risk assessment methodology and risk-based AML/CFT supervision
- Implementation of an intense bank supervisory programme informed by ML/TF risks
- Substantial improvement of the framework for preventing criminals from owning and controlling financial institutions
- Adequate level of cooperation between the Bank of Russia and other Russian competent authorities in the AML/CFT area
- Good understanding of ML/TF risks by credit institutions
- Growth of the overall AML/CFT compliance by financial institutions, including due to the Bank of Russia's supervisory measures
CYBERSECURITY

Key initiatives in information security and cybersecurity

1. Exchanging information on computer attacks

2. Sharing regulations and best practices

3. Countering online misconduct in credit and finance

4. BRICS Best Practices Compilation as a topic for 2021

Key avenues of cooperation in information security

- Collecting, processing and exchanging information on computer attacks in credit and finance
- Analyzing the differences among jurisdictions, and sharing available internal practices with regard to how central banks protect themselves and financial institutions
- Holding consultations, seminars and conferences on best practices in countering computer attacks in credit and finance
- Providing assistance in returning funds stolen through fraud
- Developing a compilation of the BRICS countries’ Best Practices in information security
INVESTOR CONTACTS AND REGULAR MEETINGS SCHEDULE FOR 2021**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 5-12</td>
<td>Quiet period</td>
</tr>
<tr>
<td>February 12</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>March 12-19</td>
<td>Quiet period</td>
</tr>
<tr>
<td>March 19</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
<tr>
<td>April 9-11*</td>
<td>Ad-hoc meetings with investors on the sidelines of the IMF/WB meetings</td>
</tr>
<tr>
<td>April 16-23</td>
<td>Quiet period</td>
</tr>
<tr>
<td>April 23</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>April 28, 17:00 (Moscow time)</td>
<td>Conference call with institutional investors</td>
</tr>
<tr>
<td>June 4-11</td>
<td>Quiet period</td>
</tr>
<tr>
<td>June 11</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
<tr>
<td>July 16-23</td>
<td>Quiet period</td>
</tr>
<tr>
<td>July 23</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>July 28, 17:00 (Moscow time)</td>
<td>Conference call with institutional investors</td>
</tr>
<tr>
<td>September 3-10</td>
<td>Quiet period</td>
</tr>
<tr>
<td>September 10</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
<tr>
<td>October 15-17*</td>
<td>Ad-hoc meetings with investors on the sidelines of the IMF/WB meetings</td>
</tr>
<tr>
<td>October 15-22</td>
<td>Quiet period</td>
</tr>
<tr>
<td>October 22</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>October 27, 17:00 (Moscow time)</td>
<td>Conference call with institutional investors</td>
</tr>
<tr>
<td>December 10-17</td>
<td>Quiet period</td>
</tr>
<tr>
<td>December 17</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
</tbody>
</table>

* tbc.

** Additional ad-hoc conference calls for institutional investors may be held in the periods between the Bank of Russia Board of Directors pivotal meetings.