



Bank of Russia



RESULTS
IN BRIEF

THE BANK OF RUSSIA'S WORK

2022

Electronic versions of the document [The Bank of Russia's Work in 2022: Results in Brief](#) and [The Bank of Russia's Annual Report for 2022](#) are available on the Bank of Russia website.

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THE BANK OF RUSSIA'S WORK IN 2022: RESULTS IN BRIEF

Moscow
2023

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CRITICAL YEAR FOR RUSSIA'S FINANCIAL SYSTEM: RESULTS

The past year became a turning point for the Russian financial system. Unprecedented sanctions enacted against the Russian financial sector and the termination of relations with global financial institutions – from international payment systems to market data providers – drastically altered the external conditions for the development of the domestic financial sector.

During the first six months of the year, the country was doing its best to soften the blow of the sanctions. The Bank of Russia was promptly responding to the pressure of the sanctions by granting regulatory easing to Russian financial institutions, taking measures to support the stock market, and introducing cross-border capital controls. All this helped protect people's funds and the country's financial system and economy against the devastating impact of the sanctions, shore up financial stability amid the blocking of a part of the Russian international reserves, maintain the resilience of banks and other financial companies to ensure their smooth functioning, and support enterprises' operation.

The first shock from the sanctions entailed an extremely high volatility of the ruble and, combined with the external restrictions on imports, provoked soaring demand for certain goods and cash. This situation caused a considerable risk of inflation acceleration and a threat of the materialisation of financial stability risks. Owing to the accumulated experience of inflation targeting, the Bank of Russia managed to prevent a surge in prices, mitigate financial stability risks, and return credit and deposit rates to their pre-crisis levels just in a few months. In particular, on the last day of February, the Bank of Russia raised the key rate from 9.5% to 20% per annum, which was enough to calm the volatility in the foreign exchange market and avoid an inflation spiral. The increase in the key rate helped return deposits to banks, that is, protect people's savings against inflation and support banks' stable operation.

The peak of inflation was passed in March. Beginning from April, the Bank of Russia started reducing the key rate: at its two unscheduled meetings, the regulator cut the key rate as significantly as was possible considering the inflation trends, and both these decisions were followed by an easing of lending conditions. As early as September, the key rate was cut to 7.5% per annum. As of the end of 2022, inflation equalled 11.94%. The Bank of Russia forecasts that inflation will range from 5% to 7% as of the end of 2023 and stabilise at the target level of about 4% in 2024 and further on.

Another essential factor that helped maintain financial intermediaries' efficiency was the safety cushion accumulated by the financial system over previous years. The Bank of Russia's efforts aimed at removing unfair players from the market, tightening the regulation and building up capital turned out to be efficient. Russian banks continued to expand lending and were able to grant repayment holidays to both individuals and businesses and, generally, provide the resources that the economy needed to arrange operations in the new environment. As a result, corporate lending exceeded the level of 2021, and mortgage lending was close to pre-crisis readings.

Without any exaggeration, the national financial market infrastructure was crucial for maintaining the resistance of the financial system to the sanctions. The national payment card system established by the Bank of Russia in 2014 ensured the functioning of all payment cards in the Russian Federation despite the exit of international payment systems. Russian National Reinsurance Company provided the necessary reinsurance capacities. The country's rating industry made it possible to preserve benchmarks for investors and creditors after international credit rating agencies had refused to work in Russia. Owing to the Bank of Russia's Financial Messaging System, Russian banks became less sensitive to the disconnection from the SWIFT.

Considering the dramatic changes in the external environment, the country's economy needs a structural transformation. The geography of external economic activity is changing. The need for the development of domestic production is growing. The structural transformation requires both time and funding. Accordingly, the Bank of Russia's task today is to guide the development of the financial sector so as to ensure that it meets the new needs of the economy, people, and businesses.

The second half of 2022 was a period when the Bank of Russia was gradually phasing out anti-crisis management measures, as well as developing new systemic approaches for the future and started their implementation.

A top-priority task was to mitigate sanction risks in international settlements, including by switching to settlements in national currencies and independent infrastructures. To this end, the regulator started careful work to arrange a dialogue with partner countries.

The expansion of domestic production and the new geography of imports and exports increases the demand for credit. Accordingly, the Bank of Russia is modifying the regulation so as to provide all necessary resources to the projects that are crucial for the economy. Jointly with the Government of the Russian Federation, the Bank of Russia is developing the criteria of such projects and easing bank lending conditions for them.

Financial technology projects the Bank of Russia had been focusing on in recent years became even more important. The regulator was developing the platform of the digital ruble throughout 2022 and plans its piloting in 2023. The advancement of the Faster Payment System (FPS) continues.

In 2022, the Bank of Russia especially focused on expanding the use of the FPS for making payments for goods and services. In the future, the FPS is planned to be used for cross-border payments. In summer 2022, the regulator launched its platform Know Your Customer that simplifies and accelerates banks' assessment of customers' money laundering risks, which reduces regulatory burden on bona fide businesses.

Summing up the results of the challenging 2022, it is possible to say that the Russian financial system not only remained resistant, but also managed to quickly adjust to the changed environment and arrange efficient operation in the new conditions. The Bank of Russia's policy helped mitigate financial stability and price stability risks and, thus, protect people's savings and incomes and ensure predictable conditions for doing business and, ultimately, for the development of the economy and growth in people's welfare.

KEY RESULTS OF THE MEASURES

taken to support the economy, people, and businesses and stabilise the financial market in 2022

PEOPLE

Increase in
the mortgage portfolio

by **₽2.4** trillion

+20.4%

Restructured
retail loans

totalled
₽455 billion

Money transfers and payments
via the Faster Payments System



3 billion
transactions

250% growth

People's funds
in bank accounts

₽36.6 trillion

+6.9%

New active brokerage accounts

with portfolios of over **₽ 10,000**

335,000

+9.8%

Mir cards issued

МИР

totalled **182** million

60% growth

Indicators as % – changes over 2022


Price and financial stability

Uncontrollable growth
in prices and ruble
devaluation were prevented

Stability in the financial
market was maintained

Increase in the corporate loan portfolio

including through substitution of foreign borrowings



by **₽7.2 trillion**

+14.3%

Restructured corporate loans




totalled **₽11 trillion**

Limits of anti-crisis SME lending programmes

₽675 billion


Increase in the SME loan portfolio



by **₽2.2 trillion**

+30%

Traffic in the Financial Messaging System



200% growth

Trade and service companies connected to the Faster Payments System



382,000

200% growth

Indicators as % – changes over 2022

Confidence in banks was retained, and an outflow of deposits was prevented

Continuity of payments inside the country was guaranteed

1. PRICE AND FINANCIAL STABILITY

1.1. ENSURING PRICE STABILITY

INFLATION AND ECONOMY		
CONSUMER PRICES ▲	GDP ▼	KEY RATE ▼
11.9% 8.4% (2021)	-2.1% 5.6% (2021)	7.5% per annum 8.5% per annum (2021)

In 2022, the Russian economy entered the phase of a structural transformation, which resulted from the unprecedented restrictions imposed on trade and finance.

The main task for the Bank of Russia is to promote conditions for this process to complete as soon as possible and evolve into sustained economic growth.

Low and stable inflation is essential for this as it enables people and businesses to plan their financial and investment decisions, ensures lower credit rates and affordable financing in the capital market, and protects people's incomes and savings against significant depreciation, supporting the purchasing power of the ruble.

Although the economic environment has dramatically altered, the principles of the Bank of Russia's monetary policy remain unchanged. The Bank of Russia adheres to the inflation targeting strategy, the advantage of which is its flexibility. **As a result, the Bank of Russia was able to reduce inflation much faster than during the previous crisis periods.** This made it possible to return to neutral monetary policy already in 2022, and the economy started to adjust to the new conditions.

In late 2021–early 2022, inflation was accelerating both in Russia and worldwide. Continuing the cycle of key rate increases started in March 2021, the Bank of Russia raised the key rate to 9.5% per annum in February 2022.

After the enactment of the sanctions in February–March 2022, the situation changed drastically: the ruble exchange rate declined, the output of a number of goods and imports contracted, and demand soared as consumers were concerned about growth in prices. In April, inflation peaked to 17.8%.

Responding to the shock events, the Bank of Russia Board of Directors raised the key rate to 20% per annum at its unscheduled meeting in February. Combined with a package of other measures (see Subsection 1.2 and Boxes 2 and 4), this increase helped maintain financial stability and contain price growth.

By early April, the country managed to overcome the acute stage of the crisis, and risks to financial stability started to decrease. Price trends changed notably. The ruble weakening reversed to its strengthening, soaring demand diminished, and supply in consumer markets remained high. Many sellers that had raised prices in March–April began to adjust them. Accordingly, consumer prices trended downwards on average in summer (seasonally adjusted) and edged up from September, but slowly. Annual inflation was decelerating steadily to equal 11.9% as of the end of the year. Households and businesses also adjusted their inflation expectations downwards after the spring spike, although they remained elevated until the end of the year.

As the situation stabilised and inflation risks weakened, the Bank of Russia cut the key rate several times, including at its unscheduled meetings. By the middle of September, the key rate was reduced to 7.5% per annum. In October–December, considering the rise in proinflationary risks over the medium-term horizon, the key rate was kept unchanged. The Bank of Russia set its path so as to bring inflation back to the target of close to 4% in 2024 and promote the structural transformation of the economy.

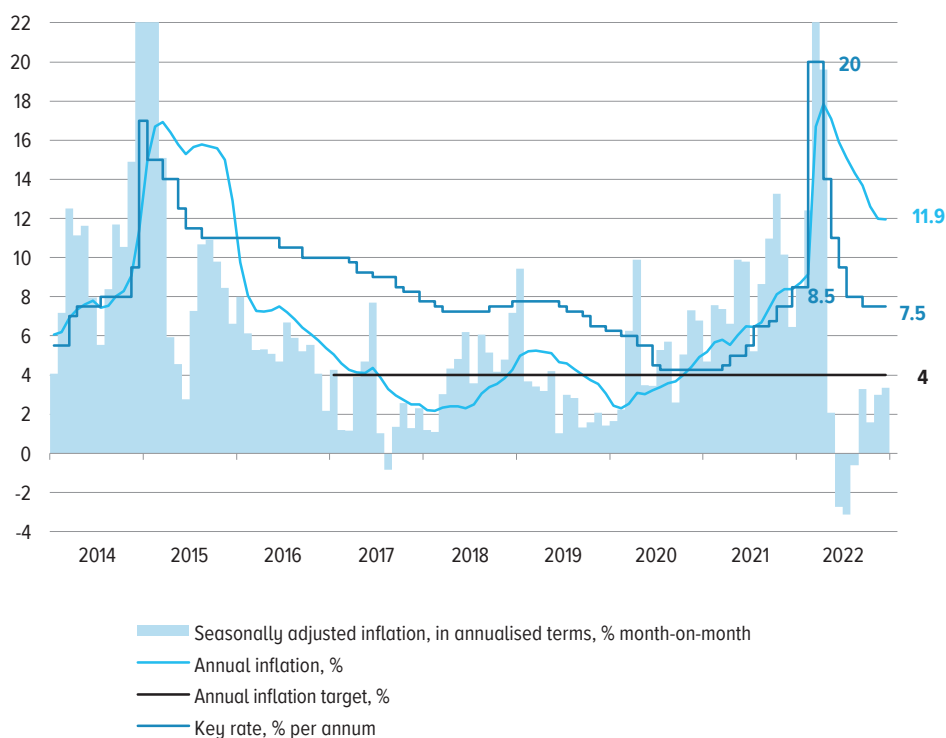
In addition to the key rate increase, the Bank of Russia introduced capital controls in February–March. Nonetheless, the exchange rate of the ruble remained floating. In the new conditions, its movements predominantly depend on the ratio of importers' demand for foreign currency and exporters' supply of foreign currency. A floating exchange rate contributes to the structural transformation enabling the economy adjust to changes in the external environment.

In response to the quick reduction in the key rate, the growth of lending significantly sped up already in 2022 Q3. There was an increase in issued subsidised and market-based mortgages. The expansion of corporate lending accelerated as companies used credit resources to adapt to the new conditions substituting external borrowings. The key rate decrease and subsidised programmes made loans more affordable and contained the decline in the economy. Despite lower deposit rates, the inflow of funds into banks continued.

According to the macroeconomic forecast in April, GDP was expected to contract by 8–10% in 2022. **However, the actual downturn in the economy was much less severe, namely 2.1%.** The economy and businesses demonstrated their high flexibility and ability to quickly adjust to changes. The prompt actions taken by the Bank of Russia to ensure price stability and prop up the financial sector and the timely anti-crisis measures were important contributors to the process of the adaptation.

THE BANK OF RUSSIA GRADUALLY DECREASED THE KEY RATE TO 7.5% PER ANNUM AFTER OVERCOMING THE ACUTE STAGE OF THE CRISIS

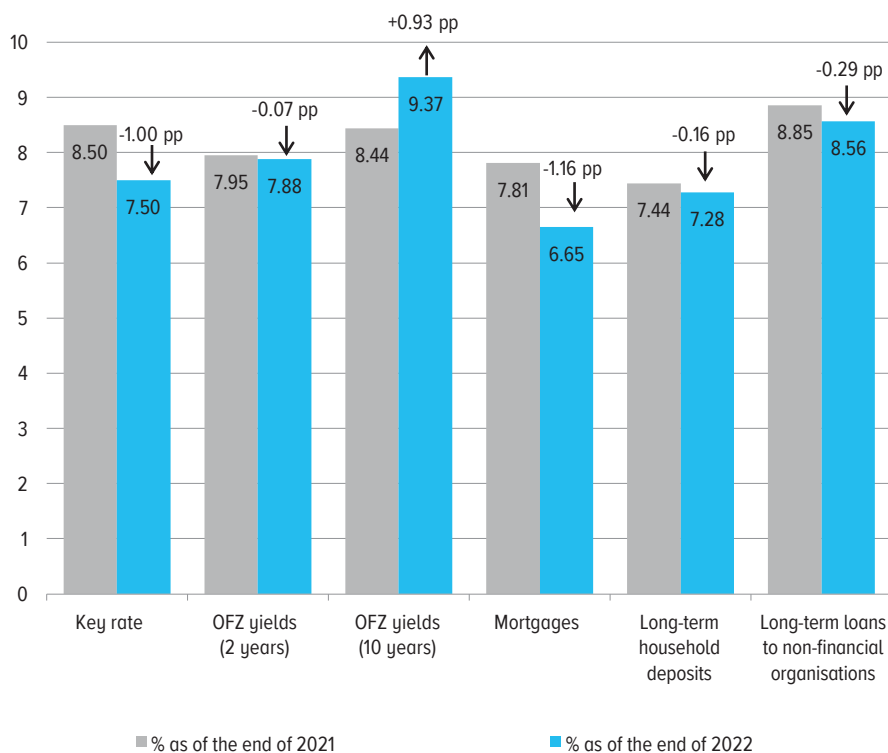
Chart 1



Sources: Bank of Russia, Rosstat.

MONETARY POLICY TIGHTENING AT THE BEGINNING OF THE YEAR WAS TEMPORARY AND, BY THE END OF THE YEAR, MARKET RATES WERE COMPARABLE WITH THOSE AT THE BEGINNING OF THE YEAR (% PER ANNUM)

Chart 2



Sources: Bank of Russia, Rosstat.

BOX 1. MEASURES TO STABILISE THE SITUATION: REGIONAL ASPECTS

The regional branches of the Bank of Russia are becoming increasingly more important for the regulator's activities. They are engaged in active communication with people, business and mass media at the local level and in the process of making a single monetary policy decision.

In late February–early March 2022, the regional branches ensured a continuous supply of cash rubles to banks' cash offices and ATMs. **Households' higher demand for cash was fully met without any restrictions**, which helped reduce the anxiety that emerged then.

Another major factor was information transparency of the regional branches. They **quickly communicated information on the anti-crisis measures implemented by the regulator to households and businesses** (see Subsection 2.1) and actively interacted with the executive and legislative authorities, providing statistics and economic forecasts to them.

As in the conditions of the pandemic in 2020, **regional data became considerably more important** in 2022 for analysing the situation and making key rate decisions. This was associated with the uneven impact of the sanctions on various industries and regions.

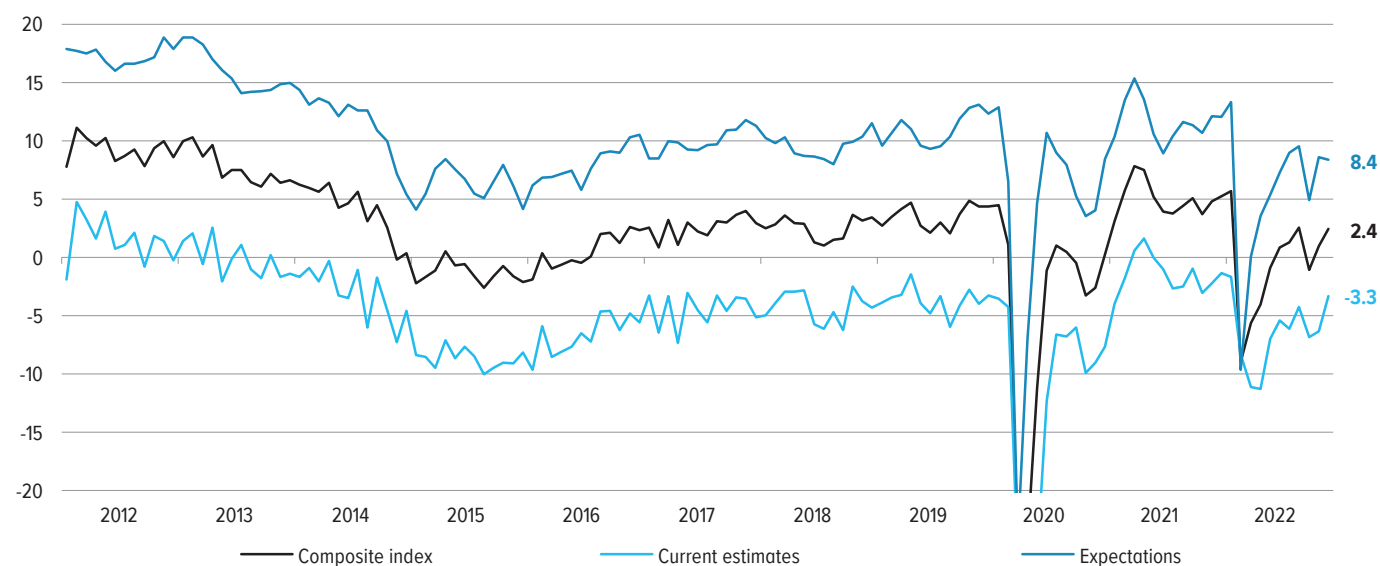
To support the process of making monetary policy decisions, the regional branches carry out monitoring of businesses covering over 14,000 non-financial companies per month. Beginning from May 2022, the Bank of Russia issues monthly information and analytical commentaries based on the data of the monitoring. Owing to the new Business Climate Index of the Bank of Russia, readers receive up-to-date information about the 'health' of the economy even before the release of official statistics.

The monitoring of businesses and high-frequency surveys on the most topical issues are used as the key sources of information for the report Regional Economy: Commentaries by Bank of Russia Main Branches, which is the principal publicly available material based on the findings of the regional analysis. The report provides information not only about the state of individual industries, but also about how companies address challenges and implement new opportunities.

THE BANK OF RUSSIA'S BUSINESS CLIMATE INDEX ROSE BY THE END OF 2022 AS BUSINESSES ADJUSTED TO THE NEW CONDITIONS

Chart 3

(POINTS, SA)



Source: Bank of Russia.

1.2. ENSURING FINANCIAL STABILITY

In late February–March, the Bank of Russia implemented large-scale anti-crisis measures. Combined with the accumulated safety cushion and the well-coordinated work of financial institutions, these measures helped maintain the resilience of the entire financial system at the acute stage of the crisis.

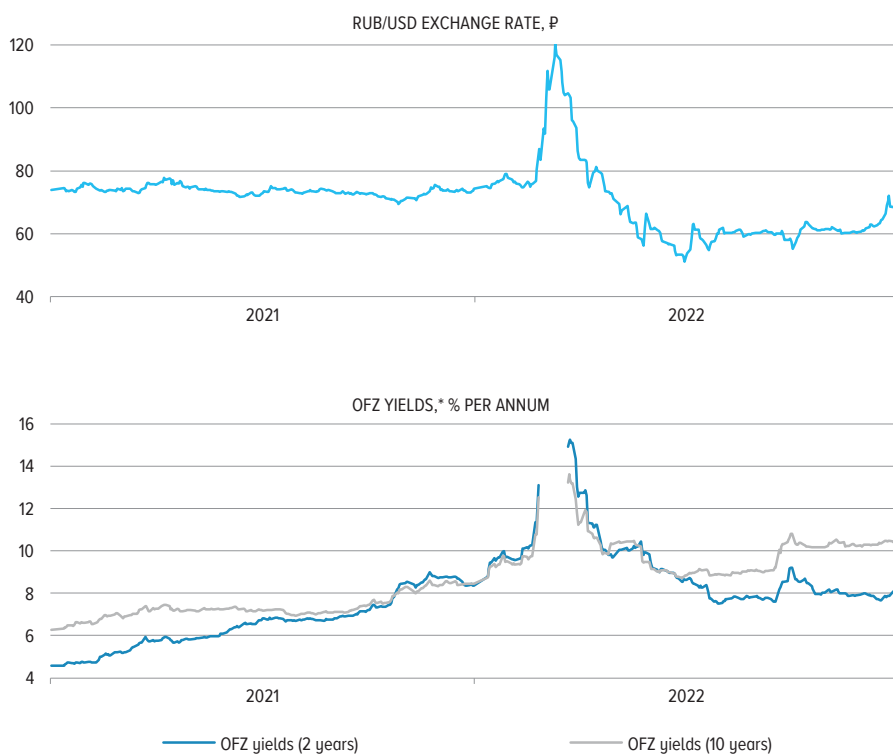
The **key rate increase from 9.5% to 20% per annum** prevented an escalation of risks to both price and financial stability (see Subsection 1.1). The comparable rise in deposit rates, that followed this increase, protected savings against inflation and stopped the outflow of deposits from banks. Besides, this helped avoid disturbances in the processing of payments and settlements.

Due to the blocking of a part of the country's international reserves (see Box 3), the Bank of Russia had limited opportunities for interventions in the foreign exchange market to shore up financial stability. However, its decisions in **foreign exchange regulation and control** (see Box 2) made it possible to stabilise the ruble exchange rate at its pre-crisis level.

The Bank of Russia implemented measures to ensure **sufficient funds (liquidity) available to banks for their smooth operation under any scenario**. In particular, the regulator eased the requirements for non-marketable

IMPLEMENTED MEASURES HELPED QUICKLY RESTORE THE STABILITY OF THE FX AND FINANCIAL MARKETS

Chart 4



* Trading on the Moscow Exchange was suspended from 26 February until 19 March 2022.
Sources: Bank of Russia, PJSC Moscow Exchange.

assets accepted as collateral for loans, raised banks' individual limits on loans, temporarily fixed the value of securities accepted as collateral, and reduced the required reserve ratios. The regulator carried out daily fine-tuning auctions to both provide and absorb liquidity. At the peak in early March, the funds provided by the regulator to banks reached ₹10 trillion. In order to support small and medium-sized enterprises (SMEs), the Bank of Russia introduces a specialised anti-crisis mechanism for bank refinancing (for details on subsidised SME lending programmes, see Subsection 2.1).

To prevent a termination of lending to the economy even in stress conditions, at the outbreak of the crisis, the Bank of Russia allowed banks to **use all their accumulated macroprudential capital cushions of approximately ₹900 billion**. To this end, the regulator cancelled risk-weight add-ons for all loans issued before 1 March 2022. The add-ons remained effective only for new highest-risk loans.

BOX 2. FOREIGN EXCHANGE CONTROLS

With the participation of the Bank of Russia, the authorities adopted foreign exchange regulation and control measures¹ that helped maintain the balance between the strength of the ruble, the stability of the FX market, and the interests of exporters and importers, namely:

- 1) the requirement for exporters to sell 80% of their foreign currency revenues;
- 2) the ban on foreign currency payments for loans and microloans to the benefit of non-residents (except where specially permitted);
- 3) the limit on foreign currency transfers abroad;
- 4) the prohibition to transfer foreign currency to one's own accounts abroad;
- 5) the ban on foreign currency cash withdrawals from Russia abroad in the amount exceeding the equivalent of \$10,000; and
- 6) a special procedure for a range of operations and transactions with representatives of the countries supporting the sanctions that requires them to obtain a permit or use special accounts opened in rubles on a non-resident's behalf.

From April when the situation started to stabilise, these measures were gradually eased or cancelled in order to ensure the continuity of foreign trade.

Thus, as of the end of 2022, in relation to residents, the authorities:

- 1) cancelled the requirement to sell foreign currency revenues;
- 2) almost completely lifted the restriction on foreign currency transfers to one's own accounts abroad;
- 3) cancelled the requirement for repatriation under foreign trade contracts and loan agreements;
- 4) increased foreign currency amounts allowed to be transferred abroad;
- 5) permitted the substitution of non-residents' liabilities for new liabilities, as well as the offset of claims on non-residents under foreign trade contracts and loan agreements; and
- 6) permitted to make cash payments to non-residents under foreign trade contracts and loan agreements.

¹ Executive Orders of the Russian President No. 79, dated 28 February 2022; No. 81, dated 1 March 2022; No. 95, dated 5 March 2022; No. 126, dated 18 March 2022; and No. 172, dated 31 March 2022.

The situation in the **securities market facing a slump in prices also required urgent measures**. During the first days of the crisis, the Bank of Russia promptly adjusted the main trading parameters, including price ranges and instruments to manage price fluctuations. To protect retail investors, as early as 24 February, the Bank of Russia instructed brokers to suspend short-term sales and, on 28 February, the regulator prohibited brokers from executing non-residents' orders to sell Russian issuers' securities and paused trading in the stock market, the forward market, and the standardised derivatives market on the Moscow Exchange (see also Subsection 3.2). Trading in the FX market was carried out in a special mode, but was not paused. The measures taken stopped the divestiture of Russian assets and helped considerably reduce mutual obligations of market participants and the clearing infrastructure and avoid professional market participants' defaults. Already at the end of March, using mechanisms for smoothing out price fluctuations, the Bank of Russia reopened trading on the Moscow Exchange as normal. From September, the regulator lifted the ban on sales of Russian securities to non-residents from friendly states.

The Bank of Russia introduced **measures to block assets held by investors from unfriendly countries within the Russian infrastructure**. In response to the blocking of foreign assets, including those held by Russian companies and individuals, the regulator promptly blocked Russian securities in foreign investors' accounts and limited sales of Russian shares received as a result of conversion of depositary receipts. The regulator introduced the mode of C-type accounts for assets held by non-residents from unfriendly states limiting the list of allowed transactions.¹

Russian National Reinsurance Company (RNRC) started to play a more important role. The Bank of Russia guaranteed a more than tenfold increase in its authorised capital, namely to ₺750 billion. This enabled RNRC to accept risks of large projects and companies, ensuring continuous insurance protection of Russian businesses. Furthermore, the Bank of Russia lowered the threshold for foreign reinsurers' rating.

Besides, it was important to prevent risks of non-payments to Russian insurers by counterparties from unfriendly states and entities under their control. To this end, transactions with them and money transfers to them were prohibited.²

In order to mitigate sanction risks, the **Bank of Russia prohibited credit institutions from disclosing certain data** and allowed non-bank financial institutions (NFIs) not to disclose such information. Securities issuers were to make their own decisions regarding the scope of non-disclosable data and could even refuse to disclose any information.

¹ Executive Order of the Russian President No. 95, dated 5 March 2022.

² Unless otherwise provided for by a special permit of the Bank of Russia.

The **temporary regulatory easing** and the **reduction in administrative burden** helped financial institutions adapt to high volatility and structural shifts. Banks were allowed not to decrease their assessments of a borrower's financial position, the quality of debt servicing and the quality category of collaterals and loans and not to apply increased risk ratios to credit claims on certain types of borrowers. This measure enabled banks not to increase their provisions, reduced pressure on their capital and adequacy ratios and, thus, maintained their potential for lending to the economy. Additionally, in order to reduce banks' costs associated with the significant increase in deposit rates, at the end of February, they were allowed not to pay higher insurance premiums to the compulsory deposit insurance fund.³

The Bank of Russia introduced regulatory easing measures for NFIs as well. The regulator eased the requirements for the calculation of and compliance with the prudential ratios for all market participants and allowed them to calculate these ratios based on the value of securities and the exchange rates as of 18 February 2022. Furthermore, the Bank of Russia extended the deadlines for fulfilling supervisory orders, did not apply enforcement measures for breaches caused by the sanction pressure, and postponed the introduction of new regulatory requirements for banks and NFIs.⁴

Considering that **long-term non-compliance with the ratios and non-transparency increase risks**, the Bank of Russia decided not to extend, from 1 January 2023, a considerable part of the regulatory easing⁵ and scheduled the phasing-out of some of them.⁶ Brokers and management companies are again required to ensure their financial stability as the sanctions did not have a comprehensive impact on them. The Bank of Russia developed a mechanism for a stage-by-stage recognition of losses on the blocked assets in the course of calculation of equity capital and capital adequacy ratios. This approach will help financial intermediaries maintain their resilience and fulfil their obligations to clients. From 2023, financial institutions should disclose a part of information that would be sufficient for assessing most financial risks. NFIs will again disclose their accounting (financial) statements, although without personalised data, which will enable the assessment of their financial position without increasing sanction risks.

As a result of the restrictions enacted in response to the sanctions, the operation of Russian financial institutions including foreign beneficiaries

³ Decisions of the Board of Directors of the State Corporation Deposit Insurance Agency, dated 25 February, 28 June and 19 December 2022.

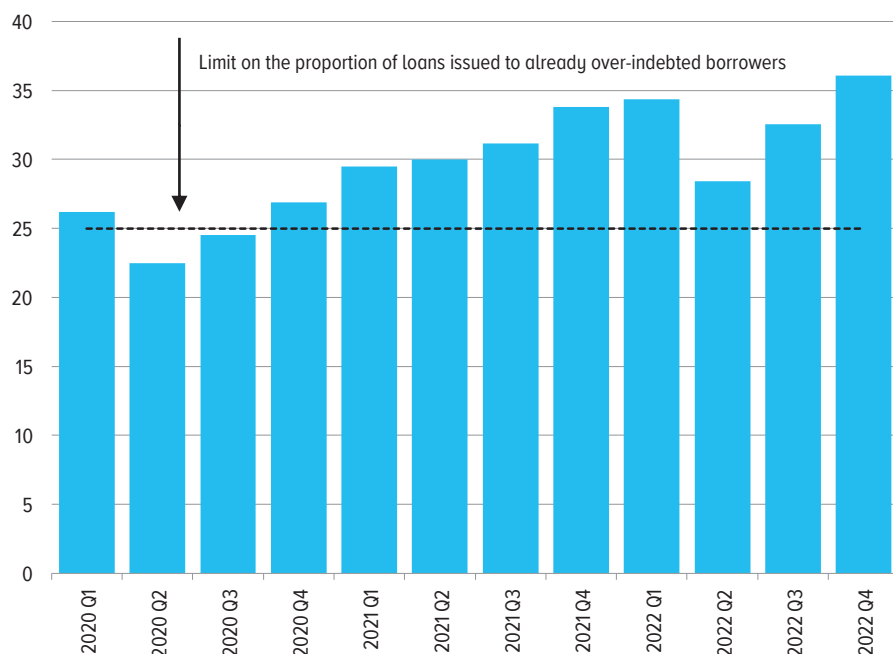
⁴ Thus, insurance companies and non-governmental pension funds will be required to comply with two new international standards (IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments) and the related Bank of Russia regulations only from 1 January 2025, that is, two years later than initially planned.

⁵ Including the easing related to the fixing of the fair value of assets and exchange rates, the option not to disclose all financial statements, compliance by banks with open currency position limits, etc. From 1 July 2023, the Bank of Russia plans to cancel the option for infrastructures to use frozen ratings of foreign rating agencies.

⁶ Including those related to provisioning for non-performing loans.

THE BANK OF RUSSIA DECIDED TO SET LIMITS FROM THE BEGINNING OF 2023 ON LOANS TO BORROWERS WITH EXTREMELY HIGH DEBT SERVICE-TO-INCOME RATIOS (OVER 80%). IN BANKS' PORTFOLIOS, SUCH LOANS MAY NOT EXCEED 25% OF THE TOTAL AMOUNT OF ISSUED UNSECURED CONSUMER LOANS (%)

Chart 5



Source: Bank of Russia.

became more complicated. The restrictions also affected normal transactions of Russian financial institutions with foreign assets or foreign clients. To address these issues, the **Bank of Russia initiated standard decisions of the Government Commission on Monitoring Foreign Investment**. This completely restored the appropriate management of unit investment funds including both residents and non-residents, and Russian financial institutions controlled by foreign entities were able to substitute foreign owners for Russian shareholders and conduct transactions with securities and real estate.

The Bank of Russia put a special emphasis on **high-risk practices used by banks jointly with developers**: 'subsidised mortgages from the developer', 'tranche mortgages', and 'mortgages without a down payment'. The first practice was especially widespread in 2022: a borrower receives a loan at an extremely low interest rate of up to 0.01% per annum, but the price for housing is exaggerated, in some cases by 30%. Such a scheme involves risks for both borrowers and banks. The Bank of Russia discussed tightening⁷ of the regulation of 'mortgages from the developer' with market participants and plans to set an increased level of provisions for such loans, which is expected to significantly reduce the number of such loans. 'Tranche mortgages' and

⁷ Possible measures were presented in the Bank of Russia's consultation paper Subsidised Lending from Developers.

'mortgages without a down payment' currently account for a minor share in the market. As a preventive measure, from 1 December 2022, the Bank of Russia considerably raised the macroprudential capital requirements for mortgage loans granted to purchase housing under construction with a low down payment (of no more 10%), similarly to the capital requirements for mortgages issued to buy finished housing. Additionally, from 1 May 2023, the regulator increases the capital requirements for mortgages with a low down payment and a high debt service-to-income ratio of a borrower. They will ensure that banks accumulate capital buffers to cover the risks associated with exaggerated prices for new housing.

From 2023, the regulator set macroprudential limits for banks and microfinance organisations on the issue of consumer loans (microloans) to borrowers who spend over 80% of their incomes to repay debts. This is an important measure to **prevent debt overburden among households**. Moreover, the Bank of Russia established limits on long-term (over five-year) consumer loans, through which banks circumvent the restrictions related to borrowers with high debt service-to-income ratios. This will not only protect households, but will also limit banks' risks.

The Bank of Russia took part in the development of the law⁸ obliging credit institutions and microfinance organisations to notify borrowers of the risks of a high debt burden (when debt service-to-income ratios exceed 50%) beginning from 1 January 2024. This is crucial for borrowers to make **more conscientious decisions on raising loans and microloans**.

⁸ Federal Law No. 601-FZ, dated 29 December 2022.

BOX 3. INTERNATIONAL RESERVES

Over 2022, the country's international reserves decreased from \$630.6 billion to \$582.0 billion, mainly because of the strengthening of the US dollar against the other currencies of the assets classified as the international reserves.

As of early 2022, nearly 50% of the reserves managed by the Bank of Russia were invested in highly liquid assets denominated in the world's main reserve currencies, predominantly in euros. These assets were in foreign jurisdictions, mostly as investments in securities and bank deposits. The other part was represented by less liquid assets that include gold, foreign cash, and assets denominated in yuan. The gold bar reserves and foreign cash are stored in the Russian Federation and the assets in yuan – in China, primarily as investments in Chinese government securities.

The Bank of Russia formed this structure of the gold and foreign currency reserves because it assumed the probability of an escalation of geopolitical tensions that could limit the opportunities for using a part of its foreign currency reserves. Due to rising geopolitical risks, in 2014, the Bank of Russia decided to speed up the expansion of its investment in assets that could not be blocked (frozen) by unfriendly states, including in gold, Chinese yuan, and foreign cash that was supplied from abroad in amounts limited by logistics capabilities. This safety cushion was formed of alternative reserves that are less liquid and convenient in normal conditions, but more reliable under a severe geopolitical scenario.

However, it was impossible to stop storing the reserves in US dollars and euros as these currencies were still actively used not only in international payments, but also in the Russian economy and financial system. Russian exporters' and importers' obligations under foreign trade contracts, companies' and the government's liabilities on loans and debt securities, households' foreign currency savings, and businesses' foreign currency accounts and deposits were denominated in these two currencies. Therefore, the composition of the international reserves should meet people's and businesses' needs in terms of the availability of funds in particular reserve currencies.

During crisis periods in the market, the ultimate supplier of US dollars and euros demanded by market participants is always the central bank that covers the deficit of these currencies in the market from the international reserves. Relying on its experience of using the international reserves to cushion the consequences of the financial and economic crises in 2008 and 2014, the Bank of Russia was to maintain the reserves in US dollars and euros in an amount of up to several hundreds of billions in US dollar terms.

These reserve assets were needed in the case of a financial crisis scenario. They were highly liquid and involved low credit risk, which enabled the Bank of Russia to use them, if needed, urgently and in large amounts without a significant loss of value. However, there is a risk that these very assets might be blocked by unfriendly states as they are stored in the countries issuing these currencies in non-cash form in bank accounts and deposits or in securities. The opportunities to keep highly liquid and low-risk non-cash assets in these currencies in any other countries, including Russia, are extremely limited. Moreover, such assets, if they are kept in other states, are not protected against the risk of their blocking either.

Modern banking systems and systems for record-keeping of rights to securities are designed so that authorities and financial institutions of each particular country, normally, can identify the ultimate owner of assets denominated in the currency of this country and, if they decide to do so, can block these assets or the assets of the financial institution where the ultimate owner has the account. Thus, US dollar accounts and deposits of Russian citizens, businesses, and banks can be blocked by the US authorities, regardless of whether they are opened in the USA, Russia, or any other states. The European Union can also block the Russian assets denominated in euros, and the UK can do this in relation to the assets stored in British pounds, and so on.

At the end of February 2022, a number of foreign countries forbade their residents to conduct any transactions with the Bank of Russia and its assets. The sanctions limited the opportunities to use and manage a part (about 50%) of Russia's international reserves, but the Bank of Russia remains the owner of the blocked assets. The Bank of Russia is preparing legal claims to challenge this blocking of its assets.

The regulator has sufficient liquid reserve assets to be able to maintain financial stability, carry out all necessary operations and tackle any other tasks that might require the use of these assets. The Bank of Russia has reserves in yuan and, considering the active transition of market participants to yuan in settlements and financial instruments, the regulator can thus efficiently prevent and mitigate financial stability risks.

On 28 February 2022, the Bank of Russia decided to purchase gold for rubles from credit institutions in the over-the-counter market at a negotiated price that is slightly lower than the price in the international market of precious metals.

From 13 January 2023, the Bank of Russia resumed fiscal rule-based operations to purchase and sell foreign currency in the internal market. As settlements in US dollars and euros are impossible, these operations are conducted with Chinese yuan.

2. CONSUMER PROTECTION AND COUNTERING FRAUD AND MISCONDUCT IN THE FINANCIAL MARKET

2.1. ANTI-CRISIS SUPPORT FOR HOUSEHOLDS AND BUSINESSES

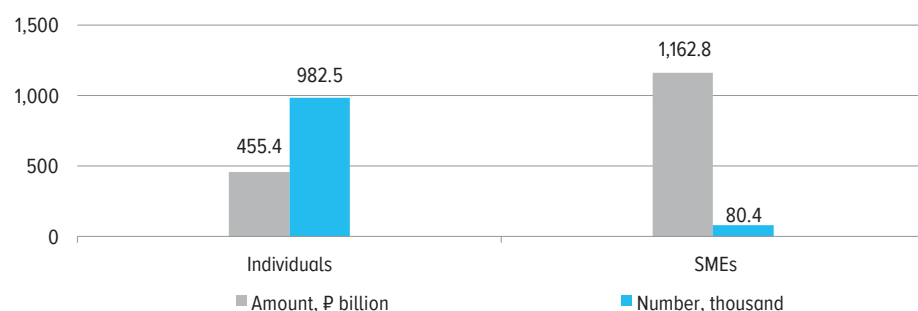
In the conditions of the crisis, consumer protection became especially important for the Bank of Russia. Support for borrowers was one of the main challenges in 2022.

As early as the beginning of March, with the participation of the Bank of Russia, the authorities relaunched the mechanism of six-month **loan repayment holidays** for households facing a slump in incomes and businesses working in industries hardest hit by the sanctions.⁹ The law adopted was effective in March–September 2022.¹⁰ Mortgage borrowers had a chance to apply for mortgage repayment holidays under the permanent law. Additionally, the **Bank of Russia recommended that banks should meet the needs of their clients, restructure their debts**, and suspend evictions from foreclosed homes.¹¹

The Bank of Russia put a special focus on those borrowers whose payments could increase: the regulator settled the issue of **variable-rate mortgages** by fixing the interest rates at a level not above those effective as of 27 February 2022;¹² and recommended banks to **convert foreign currency mortgages into rubles**.¹³

AS DURING THE PANDEMIC, IN 2022, LOAN REPAYMENT HOLIDAYS WERE COMBINED WITH RESTRUCTURING UNDER BANKS' PROGRAMMES

Chart 6



Source: Bank of Russia.

⁹ Article 13 of Federal Law No. 46-FZ, dated 8 March 2022.

¹⁰ The law on loan repayment holidays was also effective in January–March 2023 (Federal Law No. 519-FZ, dated 19 December 2022).

¹¹ Bank of Russia Information Letter No. IN-01-23/32, dated 10 March 2022.

¹² Federal Law No. 71-FZ, dated 26 March 2022.

¹³ Bank of Russia Information Letter No. IN-02-59/41, dated 28 March 2022.

After the announcement of the partial mobilisation, the authorities, with the participation of the Bank of Russia, promptly **adjusted the mechanism of loan repayment holidays for the mobilised persons and other participants in the special military operation, as well as their family members.**¹⁴ Over October–December 2022, they were granted repayment holidays for 167,600 loans in the amount of ₹63.6 billion. Mobilised owners of small and medium-sized businesses were allowed to suspend loan repayments.¹⁵

The Bank of Russia was closely monitoring how banks informed people and businesses about the option of loan repayment holidays and, in addition, helped people and businesses receive the holidays where their complaints about banks' unreasonable refusals were confirmed.

As long as, in the conditions of the sanctions, financial institutions were revising the content and parameters of their services, the Bank of Russia recommended banks and, later on, brokers, trustees, and depositories to **notify their clients of changes in service terms in advance** and announce these changes not only on their websites but also personally – through online accounts, mobile applications, emails, text messages or by telephone. This was essential for clients to exercise their right to reject the services under new terms.

The Bank of Russia implemented a **package of measures to protect the rights of retail investors** affected by the sanctions imposed against the Russian securities market (see Subsection 3.2).

To support small and medium-sized enterprises (SMEs), in March, the Bank of Russia launched its **anti-crisis working capital loan programme** and fixed interest rates at a preferential level under the ongoing **Programme for Encouraging SME Lending** implemented jointly with Russian Small and Medium Business Corporation. In particular, banks refinanced variable-rate loans under these programmes, which helped businesses avoid a surge in interest rates in spring. In July, the credit limit under the working capital loan programme was exhausted, and the programme was closed having achieved its objective. Interest rates under the Programme for Encouraging SME Lending were again linked to the key rate considering its reduction. From September, it was allowed to combine support under the Programme for Encouraging SME Lending and the programme implemented by the Ministry of Economic Development of the Russian Federation '1764'¹⁶ (see Subsection 2.3).

A temporary **limit on acquiring fees** at the level not above 1% (in April–August) helped decrease businesses' costs. The Bank of Russia introduced this limit for the companies selling products or providing services that were socially important. Furthermore, a range of measures were aimed at expanding the use of the Faster Payments System by businesses, including for the acceptance of payments for goods and services, which helped them save on fees (see Subsection 4.1).

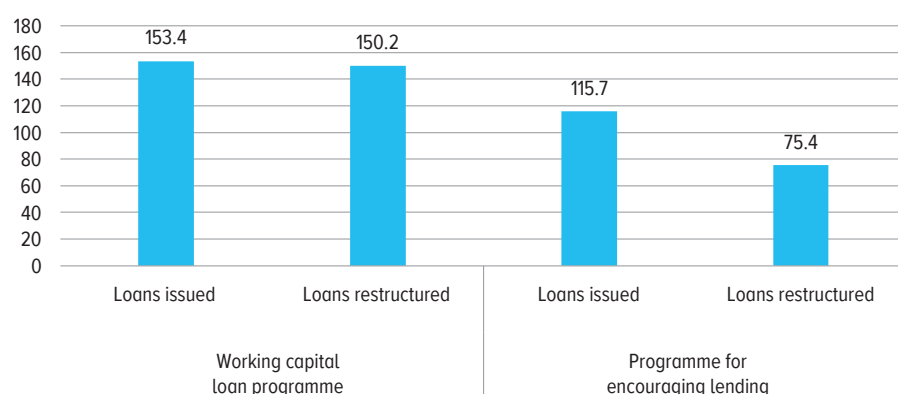
¹⁴ Federal Law No. 377-FZ, dated 7 October 2022.

¹⁵ Federal Law No. 406-FZ, dated 20 October 2022.

¹⁶ Resolution of the Government of the Russian Federation No. 1764, dated 30 December 2018.

THE BANK OF RUSSIA'S SUBSIDISED LENDING PROGRAMMES HELPED BUSINESSES AVOID A SURGE IN CREDIT EXPOSURE
(BILLIONS OF RUBLES)

Chart 7



Source: Bank of Russia.

The Bank of Russia especially focused on providing **prompt information to people and businesses about its anti-crisis measures**. Official press releases were supplemented with explanatory materials on the regulator's website and in its social media accounts, as well as in mass media. At the end of February, the Bank of Russia created its Telegram channel, with the number of subscribers reaching 140,000 just in a few months. People could get answers to their questions 24/7 at the Bank of Russia's call centre that received 275,000 calls over the past year and in the chat of the mobile application CB Online (48,600 consultations). Intensive communication with people, prompt explanations, including those requested by mass media and bloggers, commentaries, and refutations of rumours helped reduce risks provoked by the sentiment of panic and information attacks.

2.2. CONSUMER PROTECTION

TOTAL NUMBER OF COMPLAINTS* ▲	COMPLAINTS AGAINST BANKS ABOUT MORTGAGE LENDING ▼	COMPLAINTS AGAINST MFOS ▼
368,000 310,000 (2021)	15,300 17,100 (2021)	47,000 49,800 (2021)

* Growth in the number of complaints from consumers was associated with the sanctions, although the number of complaints about a range of important issues was down.

Countering unacceptable practices in selling, first of all **misselling** (sale of a financial product through its misrepresentation) and **hard selling of extra services not requested by consumers**, remained the key priority of the Bank of Russia's conduct supervision.

The Bank of Russia obliged banks to inform their clients of the specifics and risks of investment products. Banks were also required to notify clients that such products did not guarantee returns and were not insured under

the state deposit insurance system.¹⁷ The key novelty introduced by the regulator is that the **explanations of a bank's representative should repeat the information provided to the client in writing**. This is essential because people face misselling most frequently when they are told in a bank office that investment life insurance or another complex product are allegedly as reliable as a deposit but are more profitable.

The regulator established the **procedure for suspending sales and making refunds to consumers when the sales rules were breached**.¹⁸ This procedure is to be applied if a financial institution selling a product fails to provide critical information to consumers about limitations and risks, persistently misleads clients about possible returns and guarantees, or misrepresents one financial product for another more reliable one.

From 1 October 2022, banks must specify the **minimum guaranteed interest rate on a deposit**¹⁹ on the first page of the deposit agreement in order to avoid any misrepresentation. Besides, all important terms of the agreement, including on the real rate of return on a deposit, should be presented as a table that is convenient and easy to understand for depositors.²⁰

The Bank of Russia enhanced the protection of consumers' interests by introducing **new rules for credit insurance, investment life insurance and endowment life insurance** (ILI and ELI), and the communication of the main parameters of insurance policies in a simple and easy-to-understand form (see Subsection 3.4).

As a result of these efforts, the **number of detected facts of misinformation** in the course of sale of securities and other complex financial products (except insurance products) at banks decreased by over 8% and in the course of sale of ILI and ELI – by 24%.

The Bank of Russia's supervision over compliance with the **law forbidding hard selling of extra paid services**²¹ helped reduce the number of complaints about consumer and mortgage lending by 20.6% and 10.7%, respectively.

There was also a decrease in complaints against microfinance organisations (MFOs) by 5.6%, with the number of complaints regarding repayments of overdue debts declining most notably – by 30.6%. The regulator ensured the removal of a number of surrogates from MFOs' range of products and services that had no value to consumers. The Bank of Russia implemented measures to counteract fraud associated with raising microloans in another person's name (see Subsection 3.5).

¹⁷ Bank of Russia Ordinance No. 6057-U, dated 10 January 2022.

¹⁸ Bank of Russia Ordinance No. 6113-U, dated 31 March 2022.

¹⁹ Bank of Russia Ordinance No. 6153-U, dated 14 June 2022.

²⁰ Bank of Russia Ordinance No. 6150-U, dated 3 June 2022.

²¹ From 30 December 2021, borrowers may claim a refund for any services tied to loans and microloans during 14 calendar days. Furthermore, according to the law, creditors may not put check marks (e.g., tick off boxes) in advance in documents for a loan or a microloan implying a borrower's consent to pay for extra services.

Rising prices for spare parts amid their deficit increased the risks of growth of motor insurers' losses, which affected the availability of compulsory motor third party liability insurance (CMTPLI), including online. The launch of the reinsurance pool (see also Subsection 3.4) and large-scale inspections at insurance companies carried out by the Bank of Russia contributed to a reduction in the number of complaints about problems with purchasing CMTPLI policies.

Jointly with market participants, the Bank of Russia completed the implementation of the **basic standards for the protection of financial consumers' rights and interests** in all market sectors of operation of self-regulatory organisations. These standards are essential as they stipulate what information should be provided to consumers and how their applications should be considered, as well as set the requirements for the quality of services. In 2022, the Bank of Russia approved the basic standards for depositories, agricultural consumer credit cooperatives and investment advisers. Before that, the regulator approved the standards for brokers (updated in 2022), insurers, MFOs, and other non-bank financial institutions.

As a result of the Bank of Russia's conduct supervision in 2022, banks, MFOs, insurers and professional securities market participants **made refunds to consumers or cancelled their liabilities in the amount of over ₹747 million**. Upon the regulator's request, banks and microfinance institutions rectified over 292,000 credit histories of borrowers. Having reviewed consumers' complaints, insurers adjusted more than 4,300 values of the bonus-malus coefficient providing a discount for accident-free driving under CMTPLI policies. Following the Bank of Russia's supervisory actions, 15 banks and 51 MFOs started to show borrowers' costs for extra services in the total cost of credit more adequately. The regulator implemented a range of measures to prevent debt overburden among households (see Subsection 1.2).

2.3. FINANCIAL INCLUSION

NUMBER OF OFFLINE POINTS PROVIDING REDUCED RANGES OF BANKING SERVICES ▲	PERCENTAGE OF CREDIT INSTITUTIONS COMPLYING WITH RECOMMENDATIONS TO CREATE A BARRIER-FREE ENVIRONMENT ▲	AMOUNT OF LENDING TO SMES ▲
781,000 649,000 (2021)	75% 66% (2021)*	₹11.4 trillion ₹10.6 trillion (2021)

* The final results were affected by changes in the calculation method, among other things.

The Bank of Russia continued to support the development of **mini service points**. Thus, the number of retail outlets providing the service 'cash withdrawals through cash desks' increased from 9,400 to 24,950, with 30% of them located in rural areas (there can be several cash desks with the said service in one point

of sale).²² This service was offered by both large retail chains and filling stations. Nearly 35,000 post offices (95%) connected to the internet can process certain banking transactions. Over the year, the number of rural localities with a post office that can forward documents for opening a bank account increased by 73.4% to 16,900. Mobile points of financial services, including mobile cash offices, are also becoming more widespread. Specifically, the number of mobile banking agents and partners servicing several locations rose from 2,200 to 5,900.

In 2022, regional task forces for enhancing financial inclusion were formed at the initiative of the Bank of Russia. They will reveal and **address problems with the accessibility of financial services in rural localities and remote and sparsely populated areas**. This work is carried out by the Bank of Russia jointly with regional and municipal authorities, banks, and mobile operators. This close partnership enables the coordination of the opening of service points and the connection of localities to the internet for them to have access to online financial services. The Bank of Russia in turn recommended that banks should maintain as many service points in rural localities and remote and sparsely populated areas as possible in the current conditions.²³

As compared to 2021, there was an increase from 66% to 75% in the proportion of banks that completely or partially fulfilled the Bank of Russia's recommendations **to create a barrier-free environment for people with disabilities, elderly and physically challenged persons**. The regulator took measures to prevent clients' disability discrimination by banks and insurers and encourage them to find adequate instruments for such clients to reduce credit rates.²⁴

In the conditions of the crisis, the Bank of Russia attached great importance to **financial inclusion of SMEs** (see Subsection 2.1). From September, it was allowed to combine support under the Programme for Encouraging SME Lending and the programme of Russia's Ministry of Economic Development '1764'. By combining these two programmes, companies in manufacturing, transportation, logistics and hotel business can raise investment loans at an interest rate from 2.5% to 4%.

In general, SME lending demonstrated an upward trend over the year, despite economic shocks. The loan portfolio expanded by nearly a third, and its quality remained stable overall.

In 2022, the MOEX Growth Sector arranged 16 placements of the bonds issued by SMEs in the amount of ₹5.6 billion. Over the year, SMEs raised ₹14.3 billion of funding through investment platform operators (see Subsection 3.6).

²² Moreover, taking into account retail chains where the service 'cash withdrawals through cash desks' was activated in POS terminals, but not yet launched (as it takes time to set up cash equipment and train the staff), the total number of retail outlets that can support the service increased from 15,900 to 42,600.

²³ Bank of Russia Information Letter No. IN-04-59/88, dated 24 June 2022.

²⁴ Bank of Russia Information Letter No. IN-01-59/112, dated 1 September 2022.

2.4. COUNTERING MISCONDUCT IN THE FINANCIAL MARKET

In 2022, the Bank of Russia detected **nearly 5,000 financial pyramids and illegal market participants** (companies, projects, and individual entrepreneurs), which is 85% more than over the previous year.

This increase became possible owing to the enhancement of the Bank of Russia's system for detecting illegal entities. However, the development of modern technologies makes it simpler and cheaper to make use of various fraudulent schemes.

To protect people, the Bank of Russia publishes the list of companies and projects having signs of illegal activity and financial pyramids. In 2022, this list included 4,400 fraudulent companies and projects (the list does not show data on individuals).

Fraudsters are put on the list within 5.5 business days on average after the moment of their detection. In addition to financial pyramids, illegal creditors and securities market participants, in 2022, the Bank of Russia started to put on the list those fraudsters who pose as investment platform operators and insurance market participants.

Besides, the regulator began to transfer information on fraudulent companies registered as legal entities to the Know Your Customer platform so that banks could take it into account when assessing risk profiles of their clients and counterparties of the latter (see Subsection 3.7).

In 2022, the Bank of Russia initiated the blocking of or the termination of access to **8,900 internet resources owned by financial pyramids and illegal financial market participants**. Furthermore, to suppress illegal operations in the financial market, the Bank of Russia submits relevant data to the law enforcement agencies. Over the year, they initiated more than 100 criminal cases based on these data.

In order to protect retail investors, the Bank of Russia implements **measures to ensure fair pricing in the on-exchange market**.

Specifically, to smooth out shock effects, beginning from 30 May, the mechanism for limiting trading aggressiveness in the Moscow Exchange market was extended to the entire trading day. Additionally, the format for determining the size of a lot in the market of unit investment funds was changed. This measure was aimed at reducing the risks of execution of orders at non-market prices and of losses for parties to transactions.

An essential condition for stable development of the market and investors' confidence in it is **countering the misuse of insider information and market manipulation**. The Bank of Russia detects and investigates such cases, takes adequate measures and, where such cases are within the scope of the Criminal Code, interacts with the law enforcement agencies. In 2022, the court rendered the first guilty verdict for the misuse of insider information. Overall, in 2022, the court delivered three rulings in this area, and one criminal case on market manipulation was closed after the defendant compensated for the damage (over ₴30 million).

2.5. CYBER RESILIENCE OF THE FINANCIAL SECTOR AND COUNTERING FRAUD

AMOUNT OF UNAUTHORISED TRANSACTIONS ▲	SHARE OF SOCIAL ENGINEERING IN UNAUTHORISED TRANSACTIONS ▲	FRAUDULENT PHONE NUMBERS DETECTED BY THE BANK OF RUSSIA ▲	BLOCKING OF FRAUDULENT WEBSITES INITIATED BY THE BANK OF RUSSIA ▼	ACCESS TO FRAUDULENT WEBSITES WAS LIMITED ▲
₽14.2 billion ₽13.6 billion (2021)	50,4% 49,4% (2021)	756,000 179,000 (2021)	5,200 6,200 (2021)	10,700 3,100 (2021)

In 2022, **the power and number of cyber attacks against financial institutions increased dozens of times**. Some attacks were committed to disable banks' IT systems, while the others – to access the infrastructure in order to steal funds from accounts and clients' data. The attacks did not cause any major disturbances in banks' functioning. The criminals could not hack their IT infrastructure.

This became possible as a result of **information exchange based on the Bank of Russia's Financial Sector Computer Emergency Response Team (FinCERT) and regular cyber trainings carried out since 2020**, among other reasons. In 2022, these trainings were aimed at reducing the risks associated with the increased need for substituting imported software used by banks. To coordinate the issues of ensuring technological sovereignty of the financial market, the sectoral committee Finance was created under the Bank of Russia. The committee includes representatives of systemically important organisations, the Ministry of Digital Development, Communications and Mass Media, the Ministry of Industry and Trade and the Ministry of Finance of the Russian Federation, Association for Development of Financial Technologies, Russian Software Products Association 'Russian Software', and sectoral associations.

The Bank of Russia continued its extensive efforts to counteract telephone fraud and, in 2022, it **initiated the blocking of the largest number of phone numbers over the entire period of its interaction with communication operators** (since 2019).

The Bank of Russia recommended a new anti-fraud method to banks, namely to stop **remote access to account management for those persons who are in the regulator's database on actual and attempted unauthorised money transfers**.

The increase in losses caused by cyber fraud slowed down to 4.3% in 2022.

With the participation of the Bank of Russia, the authorities developed a law²⁵ simplifying the procedure for forwarding the information on actual and attempted thefts from bank accounts to the internal affairs agencies. This

²⁵ Federal Law No. 408-FZ, dated 20 October 2022.

will help **accelerate the investigation of criminal cases** on such offences. The law will become effective in October 2023.

The Bank of Russia attaches great importance to **quick notification of people about new fraud schemes and methods of self-protection**. To this end, the Bank of Russia created the section [Countering Fraud](#) on its website and regularly updates information in it.

The Bank of Russia carried out its practice-oriented training CyberCourse for 4,000 employees of financial institutions, higher education institutions, and the law enforcement agencies. The authorities approved the professional standard Information Security Specialist for Credit and Financial Institutions developed by the regulator.

2.6. FINANCIAL LITERACY

VIEWS OF ONLINE FINANCIAL LITERACY CLASSES ▲	UNIQUE VISITORS OF FINCULT.INFO ▲	PARTICIPANTS IN THE ONLINE FINANCIAL LITERACY TEST ▲
> 5 million 4.76 million (2021)	11.9 million 9.88 million (2021)	1.5 million 0.6 million (2021)

Financial literacy elements were actively integrated at all levels of the education system. The Bank of Russia carried out this work jointly with the Ministry of Education and the Ministry of Science and Higher Education of the Russian Federation.

In the 2022/2023 academic year, financial literacy elements were included in the curricula of 1–9 grades, namely in such school subjects as World Around Us, Social Science, Mathematics, Informatics, and Geography. In addition, the Bank of Russia prepared scenarios of classes for the online education platform My School.

In the 2023/2024 academic year, financial literacy elements will be integrated into the curricula of grades 10–11. The relevant amendments to the educational standards were introduced in 2022.

Online classes organised by the Bank of Russia for schools and colleges were viewed more than 5 million times in 2022.

The Bank of Russia, jointly with the Lomonosov Moscow State University, updated the package of educational materials on financial literacy for **universities** and, jointly with the Academy of the Ministry of Education of the Russian Federation, carried out workshops and webinars for teaching staff.

There was a more than twofold increase (to nearly 1.5 million) in the number of participants in the annual **Russian Online Financial Literacy Test** organised by the Bank of Russia. The regulator was also a co-organiser of the

subject-related **Olympiad on the platform Uchi.ru** that gathered 1.6 million schoolchildren.

The Bank of Russia's financial literacy website **Financial Culture** (fincult.info) continued to release awareness-raising materials on multiple issues related to finance. In 2022, the website was visited by 11.9 million unique users.

To give answers to the most frequently asked questions, the Bank of Russia and Yandex developed a **special skill CB Online** for the voice assistant Alice.

Social ads on financial consumer protection issues were demonstrated in more than 40,000 locations (which is twice as much as in 2021), including in public transport, multi-purpose centres rendering state and municipal services, post offices, and retail chains. **Videos, cards, and other information materials** prepared by the Bank of Russia were actively reposted in the internet and were viewed by more than 57 million people over the year. In 2022, the Bank of Russia regional branches distributed over 11.7 million **leaflets, booklets, and brochures** on financial literacy, which is three times more than over the previous year.

The Bank of Russia carried out over 30 **training webinars** for entrepreneurs about anti-crisis support measures, fund-raising instruments, and the Faster Payments System.

Overall, in 2022, the Bank of Russia organised more than **8,000 financial literacy events** for various target audiences across all regions covering over 11.8 million people.

In close cooperation with the Government and the Ministry of Finance of the Russian Federation, the Bank of Russia is implementing the Strategy for the Improvement of Financial Literacy for 2017–2030 and, jointly with federal and regional authorities, the regulator coordinates the work in this area in the constituent territories of the Russian Federation. Each of them is implementing their own topic-related programmes.

3. ENSURING STABILITY IN THE FINANCIAL MARKET

3.1. BANKING SECTOR

DEVELOPMENT TRENDS IN THE BANKING SECTOR IN 2022			
LOAN PORTFOLIO* ▲	CORPORATE LENDING ▲	RETAIL LENDING ▼	HOUSEHOLD FUNDS (EXCLUDING ESCROW ACCOUNTS) ▲
₽80.6 trillion ₽72.4 trillion (2021)	14.3% 11.7% (2021)	9.5% 23.2% (2021)	₽36.6 trillion ₽34.7 trillion (2021)

* The total loan portfolio is given net of loss provisions.

Banks managed to weather the economic shocks of 2022 and smoothly performed their functions. The regulator implemented a package of support measures (see Subsection 1.2) that helped banks adjust to the changed environment, continue lending to the economy, and restructure loans to households and businesses hit by the sanctions (see Subsection 2.1).

Despite the challenging conditions, the banking sector was able to withstand the difficulties without comprehensive financial aid and, to the contrary, partially absorbed losses in the real economy. This became possible as a result of the safety cushion accumulated over previous years and the removal of unfair and unstable players from the market.

The growth rate of **corporate lending** in 2022 was higher than in 2021 (14.3% and 11.7%, respectively), which was primarily because of subsidised lending to systemically important enterprises (over ₽1.5 trillion over the year), the expansion of project finance in housing construction (+₽2.2 trillion), substitution of foreign borrowings, and financing of large investment projects.

Sanction risks forced banks to actively reduce the share of foreign currency in their portfolios. In 2022, foreign currency loans contracted by 18.2% overall, or by \$30.2 billion.

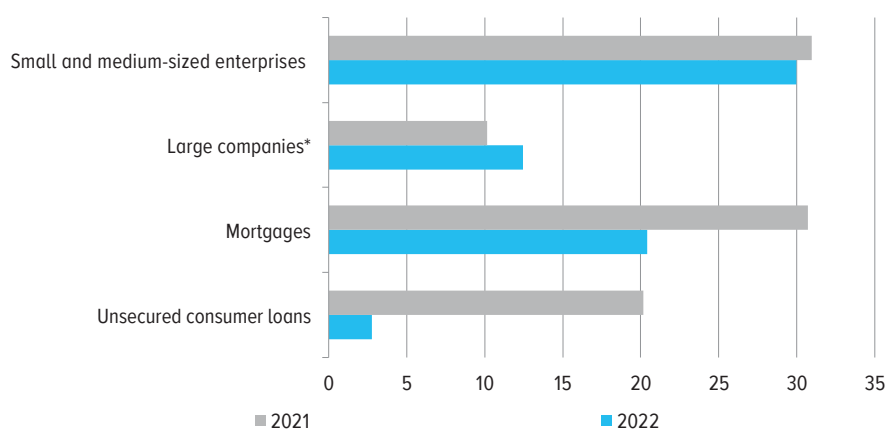
Growth in **retail lending** was more moderate. Nonetheless, mortgages increased by 20.4%, which is a good result considering all the circumstances, although this is below the 2021 growth rate (+31%). This increase was driven by government subsidised mortgage lending programmes and developers' subsidised mortgage programmes (see Subsection 1.2). Consumer lending edged up only slightly, namely by 3% (compared to 20% in 2021), which was because of the decline in spring and a slower rise in autumn amid the tightening of banks' credit policies.

There was no significant worsening of credit quality.

Clients' funds were up mostly owing to legal entities as balances in their accounts expanded by 21% (compared to 18% in 2021). This rise was only in ruble balances, predominantly among oil and gas companies, whereas foreign currency balances were quickly declining. Although in January–March

IN 2022, BUSINESSES' CREDIT ACTIVITY REMAINED HIGH
(% GROWTH OVER 2021, ADJUSTED FOR FOREIGN CURRENCY REVALUATION)

Chart 8



* Resident legal entities, other than SMEs.
Source: Bank of Russia.

and September–October, people were withdrawing cash amid the stress and uncertainty, household funds (excluding escrow accounts) increased by 6.9% over the year. This is also higher than over the previous year (5.7%), which proves that depositors maintain confidence in banks.

The banking sector managed to fully offset the loss of the first half of the year and earn ₺203 billion as of the end of 2022. As a result, banks can replenish their capital to be able to absorb losses.

Considering the lessons learnt in 2022 and the objectives related to the structural adaptation of the economy, the Bank of Russia developed **new approaches to the regulation** that will help banks weather possible future crises without any extreme measures of government support.²⁶

The top priorities of **banking supervision** in 2022 were the monitoring of credit institutions' operation and prompt support for them in the conditions of the sanctions. The Bank of Russia especially focused on the identification of problems at an early stage in order to prevent situations that could adversely affect the stability of the banking system and to mitigate the consequences of foreign countries' and counterparties' unfriendly actions. As a supervisory authority, the Bank of Russia ensured the fulfilment of obligations to households and legal entities by banks, including the opportunity of receiving foreign currency cash, and controlled compliance with the restrictions on foreign currency transactions and transfers abroad.

The Bank of Russia divested from those banks that had been undergoing financial resolution through the Fund of Banking Sector Consolidation established in 2017, specifically:

- implemented the largest project to sell the banking group Bank Otkritie Financial Corporation on market terms, with 100% of its equity sold to VTB Bank for ₺340 billion; and

²⁶ Promising Areas of Banking Regulation and Supervision Development.

- divested from Moscow Industrial bank, with 100% of its shares now owned by the Russian Federation.

The Bank of Russia has a stake only in National Bank TRUST (bank of non-core assets). In 2022, NB TRUST repaid the Bank of Russia's deposits in the amount of ₴44.3 billion rubles as a result of the management of troubled and non-core assets.

The Bank of Russia continues the work to recover the financial resolution costs from the persons who controlled the banks. Court rulings varied: some of them were positive for the regulator, whereas others – for the defenders in the lawsuits filed by the Bank of Russia.

3.2. SECURITIES MARKET AND INDIVIDUALS' INVESTMENTS

NUMBER OF BROKERAGE CLIENTS ▲	NUMBER OF TRUST MANAGEMENT CLIENTS ▲	ASSETS OF BROKERAGE AND TRUST MANAGEMENT CLIENTS ▼
29.2 million 20.2 million (2021)	848,000 843,000 (2021)	₴7.3 trillion ₴9.5 trillion (2021)

At the end of February, fire sales of financial assets by foreign investors induced a slump in prices and a rise in the amount of issued margin calls.

In early March, Russian companies' and investors' foreign assets in the National Settlement Depository's accounts with the European depositories Euroclear and Clearstream were blocked. Later on, the blocking was confirmed by the European Union through its sanctions. In response, **the assets of investors from unfriendly countries were blocked stage by stage in the Russian infrastructure** (see Subsection 1.2).

The Bank of Russia suspended on-exchange trading and took other prompt measures, which helped **calm down the panic among investors and stabilise the financial market**. Thus, when one of the brokers faced a critical situation, the Bank of Russia ensured urgent development and implementation of a plan for restoring its solvency. As a result, the broker managed to avoid bankruptcy, and its clients – direct losses exceeding ₴40 billion.

For the securities market, the shock caused a slump in trading volumes and an increase in the role of retail investors, with their share in the equity market reaching 80% as of the end of the year.

After the 'big three' international credit rating agencies (CRAs) S&P, Fitch and Moody's exited the Russian market, the Bank of Russia permitted the use of **credit ratings assigned by all Russian CRAs** for calculating the required ratios and reserves. Their ratings started to play a more important role as the most representative indicator of credit risk. To increase the independence of Russian CRAs and the quality of their ratings, the Bank of Russia introduced new requirements for CRAs, including for their methodologies and ownership structure.

BOX 4. SUPPORT FOR RETAIL INVESTORS

Due to the extreme volatility in the Russian financial market, retail investors incurred losses. In order to limit their amount, at the end of February, the Bank of Russia forbade transactions with borrowed assets. In June, the ban was cancelled, but the maximum leverage that a broker could offer for unsecured transactions was decreased.

The largest professional securities market participants were affected by the sanctions, and the assets of many Russian clients were frozen. One of the decisions for their unblocking was to **transfer the assets to other brokers and trustees not subject to the restrictions**. Technically, such withdrawal of the assets breached the terms of tax privileges for individual investment accounts – this conflict was eliminated.¹ As a result, investors facing such a situation retained the earlier received tax deductions and the right to deductions in the future.

As it is impossible to rule out new blockings by foreign depositories, the Bank of Russia **gradually limited the sale of foreign securities to non-qualified investors**. At the beginning of 2023, the regulator suspended the sale, while making an exception for securities of foreign issuers from friendly countries. These assets are still available even for newbie investors for them to be able to diversify their portfolios.

A key task for the Bank of Russia was to **find a solution for the problems of investors affected by the blocking**. The Bank of Russia considers multiple options, including exchange, netting, transfer to the Russian infrastructure, and compensation for losses induced by the blocking. The measures taken to block the assets held by investors from unfriendly states in the Russian infrastructure created a framework for the start of negotiations about the return of Russian assets (see Subsection 1.2).

The Bank of Russia implemented **measures to protect the interests of Russian owners of Russian issuers' securities kept and traded abroad**. The Bank of Russia developed mechanisms for reducing the amounts of blocked Russian assets and securing the rights to them: transfer of payments on Eurobonds bypassing foreign infrastructures, the opportunity to issue substitute bonds,² automatic and forced conversion of depository receipts into Russian shares,³ and transfer of Russian securities from the foreign record-keeping infrastructure to the Russian infrastructure.⁴

With the participation of the Bank of Russia, the authorities developed a mechanism **restoring access for 3.3 million Russian investors to the non-blocked liquid assets of unit investment funds** (UIFs) that included blocked foreign assets.⁵ Now, the blocked securities will be separated into special closed-end UIFs.

The Bank of Russia advised brokers **to restructure investors' debts that arose at the end of February due to forced margin calls and not to accrue interest on these debts** (clients' debts to the 11 largest brokers reached ₺2.5 billion on 27,800 portfolios). The regulator also recommended brokers to cancel or reduce fees for services to the investors who were mobilised, and to write off or restructure the fees charged earlier.

Owing to the testing before transactions with complex financial instruments, it became possible to limit losses for many investors. Over the period from October 2021, when the testing became mandatory, through September 2022, the test was taken by 6.13 million investors and passed by 1.92 million. The investors who failed the test generally chose simpler and lower-risk instruments. To reduce the chance of passing the test after several attempts by using the brute force method, the number of questions was increased in September 2022 and March 2023. This helps investors adequately assess their knowledge and risks.

¹ Federal Law No. 571-FZ, dated 28 December 2022.

² Subclause 2 of Part 1.1 of Article 7 of Federal Law No. 292-FZ, dated 14 July 2022; Article 6 of Federal Law No. 319-FZ, dated 14 July 2022; and Executive Order of the Russian President No. 430, dated 5 July 2022.

³ Article 6 of Federal Law No. 114-FZ, dated 16 April 2022.

⁴ Articles 5–5.3 and 5.5 of Federal Law No. 319-FZ, dated 14 July 2022.

⁵ Article 5.4 of Federal Law No. 319-FZ, dated 14 July 2022.

From 1 July, **brokers will be obliged to notify investors of risks they accept by permitting the broker to use not only their funds, but also securities to the broker's benefit.** According to the new rules, a broker must also remind investors at least once a year of their right to prohibit the broker from using their assets. This will help investors choose more prudently between savings on fees and risks that might arise for them in the case of the broker's bankruptcy.⁶

⁶ Subclause 2.3.8 of the Basic Standard for the Protection of the Rights and Interests of Individuals and Legal Entities Receiving Financial Services Provided by the Members of the Financial Market Self-Regulatory Organisations of Brokers (as amended by the Bank of Russia on 29 December 2022).

A similar problem was to be settled following the exit of the foreign information agencies Refinitiv and Bloomberg. For financial market participants to comply with the regulatory requirements without any difficulties, the Bank of Russia permitted them to use **domestic pricing agencies' indicators and price information** for these purposes. Moreover, this decision boosted the development of the national industry of information services.

The Bank of Russia **attaches great importance to the development of UIFs** as they combine professional management and actual diversification even when the amount of investments is small. The regulator permitted²⁷ management companies to invest in new commercial real estate and on-exchange cash-settled commodity derivatives. Additionally, the Bank of Russia expanded the opportunities for creating UIFs tracking Russian sectoral indices and decreased the threshold of investment in closed-end UIFs for non-qualified investors threefold. Besides, the Bank of Russia permitted²⁸ remote general meetings of unit holders in UIFs in order to make this procedure simpler and cheaper.

The regulator simplified²⁹ the procedure for obtaining permits for additional activities in the securities market where their combination is allowed by law. Thus, already on the next day after applying to the Bank of Russia, credit institutions can be licensed to provide brokerage, dealer, securities administration and investment consulting services, and management companies carrying out collective investment management activities – to operate as trustees. This expands the range of services that clients can receive in a single-contact mode.

Jointly with the Government of the Russian Federation, the Bank of Russia is developing a **system of national indices tracking main commodities** that could substitute foreign price indices. The Bank of Russia approved the first Russian commodity index, namely the wheat price index. Market participants are already using it to address their business tasks and hedge their price risks, for instance, by using wheat index futures contracts on the Moscow Exchange.

²⁷ Bank of Russia Ordinance No. 6093-U, dated 21 March 2022.

²⁸ Bank of Russia Regulation No. 796-P, dated 28 June 2022.

²⁹ Bank of Russia Regulation No. 798-P, dated 29 June 2022.

3.3. NON-GOVERNMENTAL PENSION FUNDS

NPF PENSION SAVINGS ▲	NPF PENSION RESERVES ▲	PENSION PAYMENTS UNDER MPI AND NPS* ▲
₽3.1 trillion ₽3.0 trillion (2021)	₽1.7 trillion ₽1.5 trillion (2021)	₽112 billion ₽94 billion (2021)

* MPI – mandatory pension insurance; NPS – non-government pension schemes, except payments of surrender values and to legal successors.

With the participation of the Bank of Russia, the authorities developed laws³⁰ providing for the establishment from 1 January 2023 of the **system for guaranteeing people's voluntary pension savings** in non-governmental pension funds (NPFs). Now, they are insured for an amount of up to ₽1.4 million against an NPF's bankruptcy or cancellation of an NPF's licence. Compensations will be paid from a dedicated guarantee fund of the Deposit Insurance Agency to be formed of NPFs' contributions.

People will be able either to receive the refund within the insurance amount personally, or to transfer the money to another NPF at their discretion. If a person has already started to receive a pension from an NPF as of the end date of the NPF's operation, it will be paid further, but in an amount that shall not exceed twice the social old-age pension. The obligation to pay the pension will be assigned to another NPF selected on a competitive basis.

This guarantee system protects the interests of six million people participating in non-governmental pension schemes, as well as increases people's confidence in the pension system.

3.4. INSURANCE

INSURANCE PREMIUMS ▲	NUMBER OF AGREEMENTS ▼	PAYMENTS ▲
₽1.82 trillion ₽1.81 trillion (2021)	241.3 million 242.2 million (2021)	₽893.2 billion ₽797.0 billion (2021)

The availability of compulsory motor third party liability insurance (CMTPLI) policies and fair pricing in the insurance market remained among the key priorities of the Bank of Russia.

In April 2022, the **reinsurance pool was launched**: it makes CMTPLI available for those drivers and motor vehicle owners who had previously faced difficulties with buying policies due to their potentially high losses for insurers. These are young and inexperienced drivers, owners of taxis and car-sharing vehicles, and drivers involved in more than one road accident. In the case of losses under an agreement ceded to the reinsurance pool, they

³⁰ Federal Laws No. 555-FZ and No. 556-FZ, dated 28 December 2022.

are compensated at the expense of all insurers in the CMTPLI system. The Bank of Russia was actively engaged in the development of the law that introduced this mechanism.³¹

The Bank of Russia permitted the professional association of insurers compiling price reference books used to calculate insurance payments under CMTPLI agreements³² to include therein data on prices for similar spare parts of adequate quality if the original spare parts are unavailable in the market.

For insurers to take into account drivers' risks amid rising prices for spare parts, the Bank of Russia additionally **expanded the range of the basic tariff in CMTPLI by 26% both upwards and downwards**.³³ Higher prices for components needed for repairs mostly affect the policy prices for those drivers and vehicle owners who are much more likely to cause a road accident than any other road users.

With the participation of the Bank of Russia, the authorities developed the law on **online claim handling in CMTPLI**.³⁴ All stages of this service will soon be available online: it will be possible not only to buy a policy, but also to apply for the examination of a car damaged in an accident and to settle claims. Insurers will be allowed to offer this electronic service to clients from 15 July 2023. Beginning from 2025, online claim handling will be mandatory for insurance companies.

Online communication in CMTPLI will be ensured by the **automated information system of insurance** – AIS of insurance. In 2022, the authorities established a legal framework for its development.³⁵ This system will integrate several isolated databases and will be operated by a subsidiary of the Bank of Russia. The regulator will set uniform requirements for the quality and protection of the information communicated to the system and will ensure compliance with the single standard for its advancement. The functions of the system will be integrated with the federal information resources. This will help create convenient services for consumers. Insurers will start to communicate information to the AIS of insurance from 1 April 2024.

The ILI and ELI market is to comply with new rules³⁶ beginning on 25 March 2022 that have **significantly enhanced the protection of consumers' interests**. These rules extend the cooling-off period when consumers are entitled to reject ILI and ELI and get the refund, specifically from 14 to 30 days for single premium policies and until the date of the third premium payment for regular premium policies. This is critical for the

³¹ Federal Law No. 81-FZ, dated 1 April 2022.

³² Bank of Russia Ordinance No. 6144-U, dated 31 May 2022.

³³ Bank of Russia Ordinance No. 6209-U, dated 28 July 2022.

³⁴ Federal Law No. 327-FZ, dated 14 July 2022.

³⁵ Federal Law No. 594-FZ, dated 29 December 2022.

³⁶ Bank of Russia Ordinance No. 5968-U, dated 5 October 2022.

cases when a person buying a policy was unable to fully comprehend the difference between ILI or ELI and deposits. In addition, the regulator limited the list of possible exceptions from insurance coverage and introduced the requirement for pre-contractual disclosure of information on historical returns on such products and minimum coverage in the event of an insured person's death and upon the termination of the insurance contract (the so-called longevity risk).

In order to help consumers make prudent and informed decisions, the Bank of Russia obliged insurers **selling policies to disclose their main characteristics in a simple and easy-to-understand form** beginning on 1 April 2023.³⁷ The key information document shall specify the cases where a person is entitled or not entitled to insurance compensation and the amount to be returned if the insurance contract is cancelled.

Besides, the Bank of Russia introduced new requirements for **borrowers' life and health insurance policies** related to consumer or mortgage loans (effective from 1 October 2022),³⁸ including the minimum list of risks, such as risks of death and disability of group I or II, that must be insured – otherwise such policies may not be sold. The list of possible exceptions from insurance coverage is limited to the cases where an insured person dies while being drunk or when a customer misinforms the insurer about socially important diseases on record. The customer shall be informed which insurance risks affect the loan terms and which are classified as additional, as well as of the right not to include the said additional insurance risks in the policy.

Insurers' financial stability and solvency are always among the priorities of the Bank of Russia. Owing to the requirements that the regulator had been continuously raising from 1 July 2021³⁹ and the measures that the market participants had implemented to comply with them, the market entered the period of the sanctions with a higher quality of assets and capital. Throughout 2022, insurers were making preparations to comply with the rules⁴⁰ that became effective on 1 January 2023. The new approaches to the valuation of insurance obligations enable a more comprehensive assessment of insurers' financial stability. Many of them can allocate a part of their capital to expand their capacities in insurance.

³⁷ Bank of Russia Ordinance No. 6109-U, dated 29 March 2022.

³⁸ Bank of Russia Ordinance No. 6139-U, dated 17 May 2022.

³⁹ Bank of Russia Regulation No. 710-P, dated 10 January 2020.

⁴⁰ Bank of Russia Regulation No. 781-P, dated 16 November 2021.

3.5. MICROFINANCE

MFIS* PORTFOLIO OF MICROLOANS ▲	SME MICROLOANS*** IN MFOS' PORTFOLIO ▲	MFOS' PORTFOLIO OF ONLINE MICROLOANS ▲
₽470 billion** ₽434 billion (2021)	₽74 billion ₽63 billion (2021)	₽167 billion ₽109 billion (2021)

* Microfinance institutions: MFOs, consumer credit cooperatives (CCCs), agricultural consumer credit cooperatives (ACCCs), and pawnshops.
 ** MFOs' performance for 2022 includes pawnshops' data as of 30 September 2022 according to the dates of the receipt of their statements.
 *** The portfolio of microloans to SMEs includes data on self-employed persons (approximately ₽0.6 billion as of 31 December 2022). The category 'self-employed persons' was first separated in MFOs' statements as of the end of 2022.

The microfinance market plummeted in spring, but then started to bounce back by the end of the year amid the adaptation of the economy and the realisation of pent-up demand.

With the participation of the Bank of Russia, the authorities prepared important amendments to **prevent debt overburden among MFOs' clients**.⁴¹ From 1 July 2023, the limit on the interest rate on microloans will be reduced from 1.0% to 0.8% per day, and the maximum debt – from 150% to 130% of the microloan amount. After the total debt, including fines, penalties, and other payments, reaches this limit, any charges shall be ended. The tightening of the limits will decrease borrowers' debt burden and limit the debt for people who might have overdue payments on microloans.

For MFOs to more actively counteract fraud, from 1 April 2023, the Bank of Russia introduced the requirements for increased loss provisions for MFOs' microloans if they were raised on a borrower's behalf without consent. To address this problem, from 24 April 2023, the regulator establishes the procedure for identification of a borrower based on certain parameters in the case of raising an online microloan.⁴²

Microloans raised by small and medium-sized enterprises make up 20% of the MFO market. They are mostly issued by MFOs specialising in business financing. The Bank of Russia introduced incentives in this segment and reduced loss provisions for microloans to self-employed persons.

From April 2023, the Bank of Russia set additional tighter requirements for CCCs and ACCCs wishing to issue microloans to be repaid with maternity capital.⁴³ This will help counteract unfair practices of some companies.

In order to simplify ACCCs' operations and decrease their costs, the Bank of Russia cancelled their mandatory membership in audit unions and allowed online voting for the members of such cooperatives.⁴⁴

⁴¹ Federal Law No. 601-FZ, dated 29 December 2022.

⁴² Basic Standard for Microfinance Organisations' Operations in the Financial Market.

⁴³ Bank of Russia Ordinance No. 6367-U, dated 22 February 2022.

⁴⁴ Federal Law No. 398-FZ, dated 7 October 2022.

3.6. OTHER FINANCIAL MARKET PARTICIPANTS

FUNDS RAISED ON INVESTMENT PLATFORMS ▲	TRANSACTIONS CONDUCTED ON FINANCIAL PLATFORMS ▲	NUMBER OF QUALIFIED CHBS* ▲	NUMBER OF REQUESTS TO THE CENTRAL CATALOGUE OF CREDIT HISTORIES ▲
₽20.4 billion ₽13.8 billion (2021)	₽41.6 billion ₽5.3 billion (2021)	4 3 (2021)	10.2 million 9.3 million (2021)

* The institute of qualified credit history bureaus was established on 1 January 2021.

An important trend in the Russian market is the development of **financial platforms**. They enable people not only to compare offers from various financial institutions but also to conduct safe transactions without visiting the office, including to place a deposit, raise a loan, or buy a CMTPLI policy, units in UIFs or government bonds of Russian constituent territories for individuals. Additionally, first corporate bonds were offered on such marketplaces.

Transactions conducted over 2022 on the six platforms, the operators of which were put on the Bank of Russia's register, totalled over ₽41 billion, which exceeded the figure of the previous year more than eight times.

The **market of digital financial assets** started to operate in 2022 – its development is a special focus of attention for the Bank of Russia (see Section 5).

Over the year, the Bank of Russia put another **twelve investment platforms** on the register, and their number increased to 63. Investments raised by businesses through these platforms totalled ₽20.4 billion over 2022, which is 48% more year-on-year.⁴⁵ The first issue of utilitarian digital rights for 10 grams of refined gold took place.

The Bank of Russia implemented a proportionate approach to the regulation of exchanges and eased the requirements for **trading systems**. Now, they are not obliged to have a backup software and hardware complex or to conduct operational audit. This will help expand the organised commodity market and encourage more trading platforms to operate in the regulated infrastructure.

The actual **upgrade of the credit information system** started – the Bank of Russia approved a single set of attributes of a credit history and the procedure for its compilation and standardised the procedure for information exchange. **This enhances the quality of credit information and the protection of creditors and borrowers reducing credit risks.**

The Bank of Russia launched a new mechanism for receiving data on a **person's average monthly payments** from qualified credit history bureaus, using an application programming interface (API). **This mechanism** helps creditors assess a **borrower's** debt service-to-income ratio nearly in real time, enabling faster and more accurate decisions on issuing a loan.

⁴⁵ In 2021, total investments amounted to ₽13.8 billion, which is 5% less than over 2022.

In order to improve the quality of audit and confidence in it, as well as to strengthen its role, the Bank of Russia started to keep the register of audit companies providing services to socially important organisations in the financial market, including banks, insurers, and other financial market participants. In 2022, the regulator put two companies on this register.

3.7. ANTI-MONEY LAUNDERING

On 1 July 2022, the Bank of Russia **launched its platform Know Your Customer** (KYC), through which credit institutions receive information about the risk level of suspicious transactions that might be conducted by a particular company, according to the regulator's assessment.

This platform enables banks to decrease the scope of information requested from bona fide companies and focus on transactions conducted by clients classified as risky. KYC thus reduces the regulatory burden on the absolute majority of businesses, first of all small and micro enterprises.

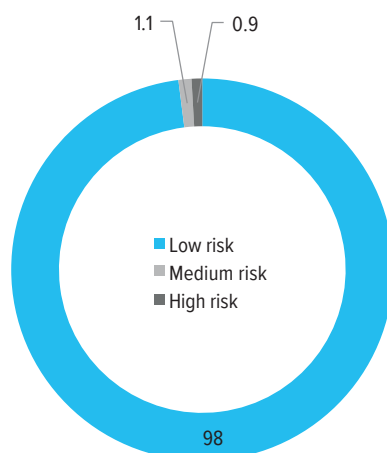
The first results of the operation of the KYC platform proved its efficiency:

- the number of refusals to low-risk clients decreased by over a third;
- refusals to clients in the 'red' risk group increased fourfold, and their 'lifetime' on the platform after they were classified as risky decreased to one or two days on average;
- credit institutions prevented the withdrawal of nearly ₺30 billion into the shadow economy having refused risky clients to process their transactions.

In 2022, the **amount of suspicious transactions** having signs of money withdrawals abroad (₺36 billion) dropped to the minimum over the entire period of the monitoring and was 16% lower than in 2021. Considering that businesses needed to arrange new chains of payments because of the

THE KNOW YOUR CUSTOMER PLATFORM FORMED AN ENVIRONMENT OF LOW-RISK COMPANIES* (%)

Chart 9



* As of December 2022.
Source: Bank of Russia.

sanctions, the Bank of Russia eased its approaches to assessing foreign trade operations, including in parallel imports.

The amount of suspicious cash-outs using enforcement documents dropped 2.5 times, to ₹11.4 billion. The regulator and banks focused their efforts on countering schemes with corporate bank cards and individuals' accounts, the amounts of which edged up somewhat.

An important step towards the reduction in suspicious transactions was the fulfilment by banks of the regulator's recommendations enabling the detection and blocking of payment cards and electronic wallets registered in dummies' names.⁴⁶ They are used by illegal online casinos, forex dealers, financial pyramids and cryptocurrency exchange kiosks to make settlements, as well as by cyber fraudsters to cash out stolen funds.

BOX 5. CREATING CONDITIONS FOR SUSTAINABLE DEVELOPMENT

Even amid the instability, companies still consider the sustainable development agenda as a factor of long-term competitiveness of their business and potential for development.

The regulatory framework created with the participation of the Bank of Russia made it possible to launch the **register of carbon units** in September 2022. It contains information on climate projects, carbon units and transactions with them. On-exchange trading of carbon units began.

Conditions¹ for **issuing new types of bonds** were created, namely adaptation bonds, sustainable development bonds and climate transition bonds. Through these bonds, companies will be able to raise funding for the transformation of their business considering the sustainable development goals and the national strategy aimed at achieving carbon neutrality. In addition, the Bank of Russia prepared the requirements for disclosures on new bond types.²

From 1 November 2022, the national **standard for 'green' apartment buildings**³ came into force. Its development was initiated by the Bank of Russia.

The regulator released its recommendations⁴ for financial institutions on taking into account ESG factors and sustainable development issues in their corporate governance and, for the first time, published the information on how listed companies disclose data on sustainable development.⁵

The Bank of Russia held a discussion with market participants regarding the new configuration of climate risks related to the decarbonisation of the economy, the introduction of the cross-border carbon regulation, the deployment of new technologies, and changes in the structure of energy consumption.⁶ The regulator believes that the management of climate risks and a decrease in their impact on the financial sector are among the key tasks within its financial stability mandate.

¹ Bank of Russia Ordinance No. 6195-U, dated 4 July 2022.

² Bank of Russia Ordinance No. 6283-U, dated 30 September 2022.

³ GOST R 70346-2022. National Standard of the Russian Federation. 'Green' Standards. 'Green' Apartment Buildings. Evaluation Method and Criteria for Design, Construction and Operation.

⁴ Bank of Russia Information Letter No. IN-02-28/145, dated 28 December 2022.

⁵ Review of Corporate Governance Practices at Russian Public Companies for 2021.

⁶ Consultation paper [Climate Risks in Changing Economic Conditions](#).

⁴⁶ Bank of Russia Methodological Recommendations No. 16-MR, dated 6 September 2021, 'On Increasing Credit Institutions' Focus on Certain Customer Transactions'.

4. ADVANCEMENT OF THE PAYMENT AND SETTLEMENT SYSTEM

4.1. ADVANCEMENT OF THE NATIONAL PAYMENT SYSTEM

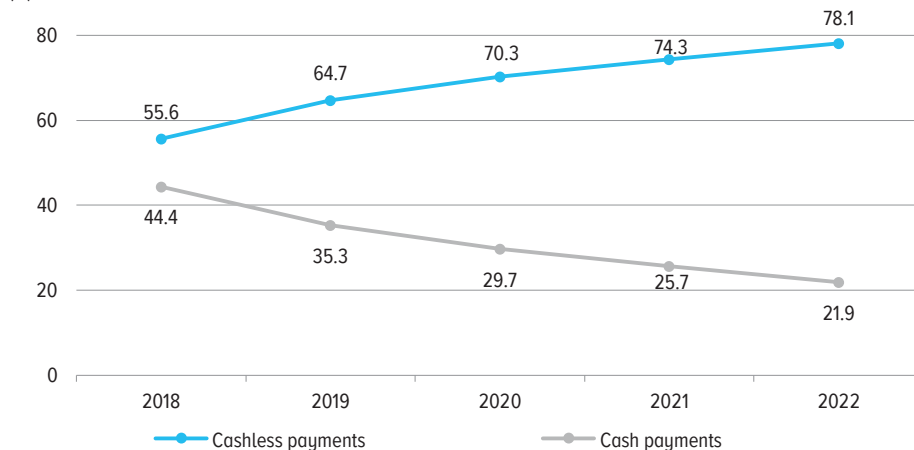
FASTER PAYMENTS SYSTEM	MIR PAYMENT SYSTEM	
NUMBER AND AMOUNT OF TRANSACTIONS ▲	IN THE TOTAL ISSUE OF CARDS ▲	IN THE VALUE OF TRANSACTIONS INSIDE RUSSIA ▲
3.05 billion totalling ₽14.4 trillion 0.87 billion totalling ₽5 trillion (2021)	41.2% 32.5% (2021)	41.3% 25.7% (2021)

The Russian payment infrastructure proved to be resilient, which was crucial for stabilising the situation after the enactment of the sanctions. The exit of the international payment systems from Russia in March did not affect the functioning of their cards inside the Russian Federation. This became possible as the processing of all transactions inside the country on cards issued by Russian banks had been transferred to the National Payment Card System back in 2014. Market participants were supported by the Financial Messaging System that became the channel for exchanging payment information for banks disconnected from the SWIFT.

Moreover, the Bank of Russia continued to implement long-term projects for the advancement of the national payment infrastructure in order to ensure smooth and robust operation of payment systems.

The amount of individuals' and legal entities' cashless transactions increased 1.4 times, compared to 2021. The proportion of cashless payments

THE PROPORTION OF CASHLESS PAYMENTS FOR GOODS AND SERVICES IN RETAIL SURGED TO 78.1% Chart 10

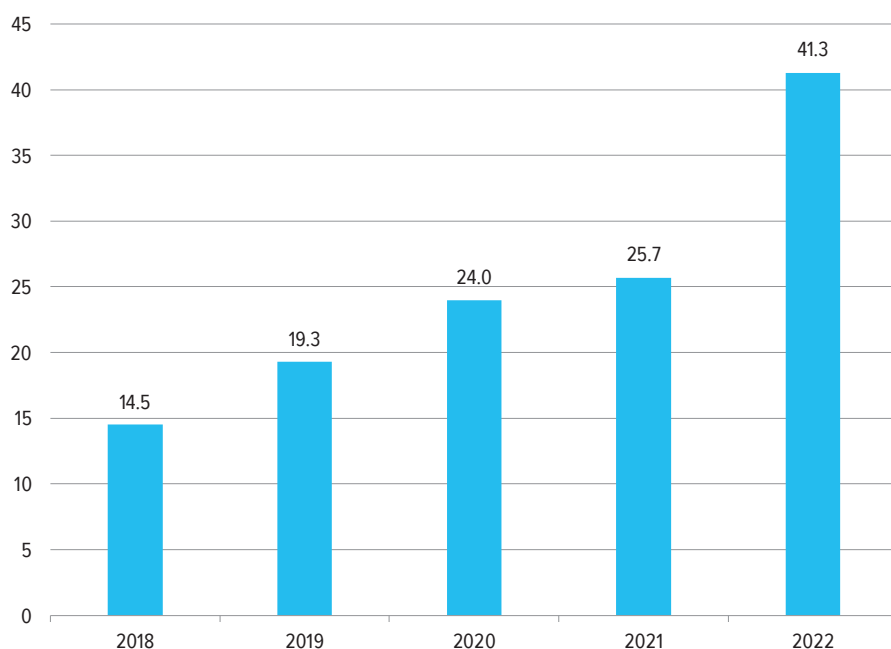


Source: Bank of Russia.

THE PROPORTION OF MIR CARD TRANSACTIONS INSIDE RUSSIA IN THE OVERALL AMOUNT OF PAYMENT CARD TRANSACTIONS SIGNIFICANTLY EXPANDED IN 2022

Chart 11

(%)



Source: Bank of Russia.

for goods and services in retail continued to go up. This is evidence of the accessibility of payment services and consumers' confidence in them.

As of the end of 2022, the number and amount of card transactions in Russia rose by 11.0% and 16.0%, respectively. **Mir cards** became more widespread as well: their issue was up 1.6 times over the year to reach 182.3 million cards as of 1 January 2023.

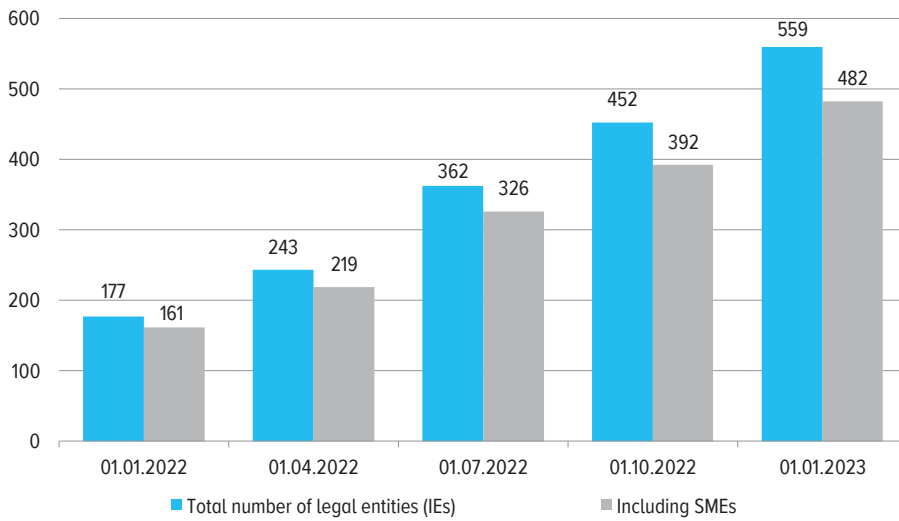
The **Faster Payments System (FPS)** was actively developing offering modern technological solutions for both individuals and businesses. The number of FPS users increased by 37 million in 2022 to total 81 million. The number and amount of transactions via the FPS were up 3.5 times and 2.9 times, respectively.

One of the most popular services that is becoming increasingly more important is payments for goods and services. The number and amount of payments in this segment surged manifold compared to 2021, namely 27 times and 12 times, respectively. Trade and service companies connected to the FPS over the year numbered 382,000. Their total number reached 559,000 as of the beginning of 2023. Businesses' interest in the system was associated with both low fees for transactions in the FPS and the Russian Government's programme for the reimbursement of bank fees for FPS transactions to small and medium-sized enterprises.

In addition, beginning on 1 May 2022, the maximum amount of a transaction through the FPS was increased from ₹600,000 to ₹1 million, which expands the opportunities for sellers to use the system. The deployment of the contactless payment technology NFC is another benefit of the FPS.

THE INCREASE IN THE NUMBER OF POINTS OF SALE CONNECTED TO THE FPS WAS DRIVEN MOSTLY BY SMALL AND MEDIUM-SIZED BUSINESSES (THOUSAND)

Chart 12



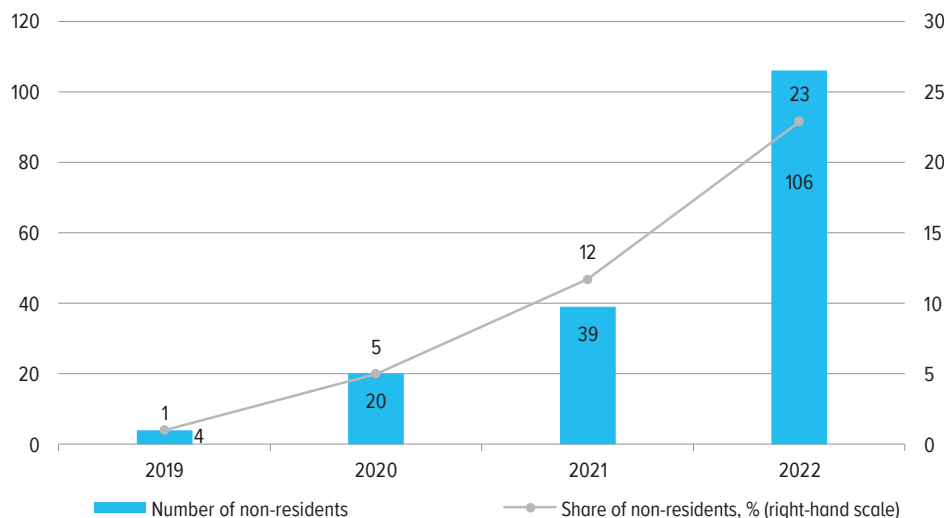
Source: Bank of Russia.

The first pilot cross-border transactions via the FPS were successful, in terms of both interbank communication and the integration of faster payment systems of two countries.

The **Financial Messaging System (FMS)** began to play a key role as a reliable and safe alternative to the SWIFT. Its extensive application paves the way for expanding the use of national currencies in settlements with friendly states. As compared to 2021, traffic in the FMS more than tripled. 130 more banks and companies connected to the system, with the total number of its users exceeding 460. They include 106 non-residents from more than 10 countries, over a half of which connected to the FMS in 2022. The number of users opening access to the FMS for their partners through the service bureau was up as well.

ONE IN FOUR FMS PARTICIPANTS WAS A NON-RESIDENT (A FOREIGN BANK OR COMPANY)

Chart 13



Source: Bank of Russia.

BOX 6. DIGITAL RUBLE

In 2022, the Bank of Russia, jointly with several banks of the pilot group, carried out the testing of the digital ruble platform prototype. The issue of the digital ruble will open up new opportunities for people, businesses, and the Government.

In the course of this work, the regulator and banks tested such operations as the opening and replenishment of digital wallets on the digital ruble platform, P2P transfers and certain smart contracts for them, as well as QR code-based payments for goods and services. These are the operations that will be the basis for the piloting planned in 2023 with the use of real digital rubles and the participation of some clients of the piloting banks. Further on, the perimeter of the piloting will be expanded.

With the engagement of the Bank of Russia, the authorities developed draft laws that will create a legal framework for the digital ruble and establish the rules for its use.

Jointly with the federal authorities, the regulator implemented measures ensuring information security and cyber resilience of the digital ruble.

4.2. CASH CIRCULATION

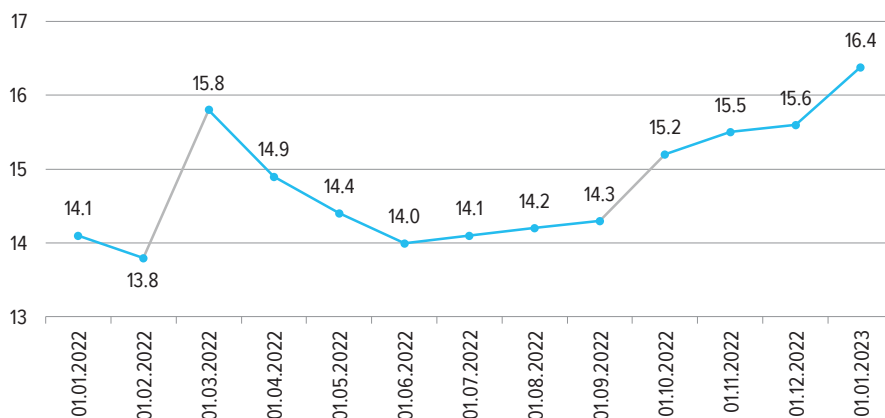
The Bank of Russia ensured uninterrupted and sufficient supply of banknotes and coins for payment transactions

In 2022, the Bank of Russia completed the **upgrade of the 100-ruble banknote**, renewing its design and enhancing its security complex. Currently, ATMs, cash counting and sorting machines, and other cash equipment are being adapted to the use of the upgraded banknotes.

To maintain the availability of cash for people and businesses, the Bank of Russia develops **interaction with credit institutions**. The regulator is expanding the practice of placing its cash holdings at banks' vaults, permitting banks to use them to provide cash services to clients. To tackle this task, the Bank of Russia is also developing its Coin Platform enabling banks and trade companies to hand over or receive coins directly. Turnover on the platform surged by 55.1% over the year.

IN 2022, THERE WERE TWO UNUSUAL SURGES IN THE AMOUNT OF CASH IN CIRCULATION – IN FEBRUARY AND SEPTEMBER*
(TRILLIONS OF RUBLES)

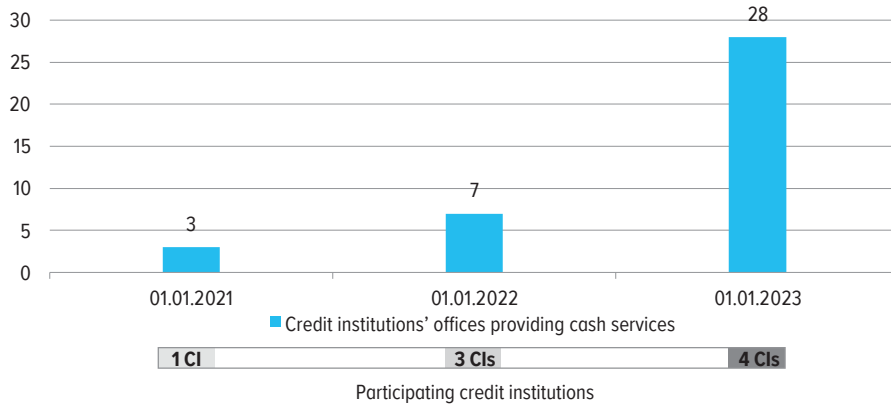
Chart 14



* Including precious metal coins.
Source: Bank of Russia.

THE NUMBER OF CREDIT INSTITUTIONS' OFFICES PROVIDING CASH SERVICES USING THE BANK OF RUSSIA'S CASH MORE THAN TRIPLED

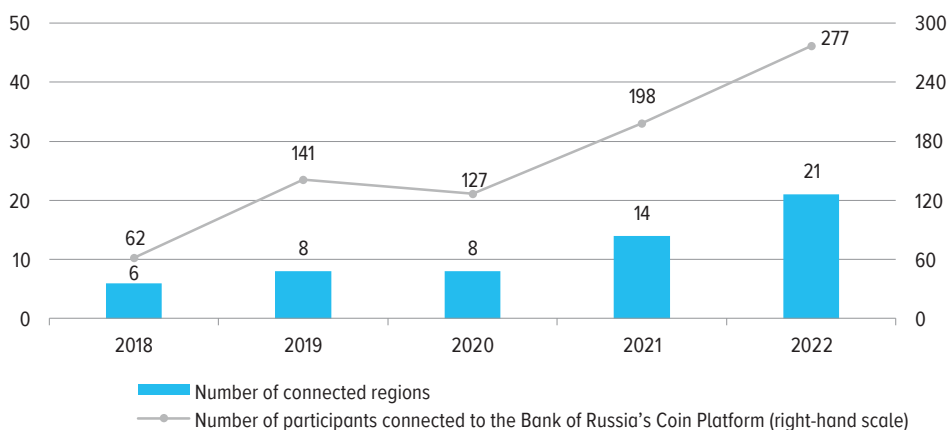
Chart 15



Source: Bank of Russia.

THE NUMBER OF REGIONS CONNECTED TO THE BANK OF RUSSIA'S COIN PLATFORM INCREASED 1.5 TIMES IN 2022

Chart 16



Source: Bank of Russia.

The regulator and credit institutions continued to deploy **domestic cash register equipment**. The Bank of Russia received the first high-performance cash counting and sorting machine manufactured in Russia.

The **level of money counterfeiting** remains steadily low. In 2022, counterfeits numbered four in one million banknotes in circulation (compared to six in 2021).

In 2022, the Bank of Russia issued 48 types of commemorative coins (one gold coin, 35 silver coins, and 12 base metal coins), as well as three types of investment coins.

4.3. INTERNATIONAL SETTLEMENTS

PROPORTIONS OF CURRENCY PAIRS IN ON-EXCHANGE FX MARKET TRADING*			PROPORTIONS OF VARIOUS CURRENCIES IN SETTLEMENTS FOR EXPORTS*		
USD/RUB ▼	EUR/RUB ▲	USD/CNY AND CNY/RUB ▲	USD AND EUR ▼	RUB ▲	CNY ▲
40%	17%	37%	48%	34%	16%
84%	12%	0%	87%	12%	0,5%

* Data for December 2022 vs January 2022.
Sources: Bank of Russia, PJSC Moscow Exchange.

The joint efforts of the Bank of Russia, the Government of the Russian Federation, and banks prevented the interruption of international payments after the usual channels of settlements in unfriendly states' currencies became unreliable.

Russian banks and their clients faced such problems as the blocking of Russian assets abroad by foreign banks, delays or complete termination of settlements, and refusals to provide services. In a dialogue with the regulators of friendly countries, the Bank of Russia was implementing prompt measures to remove emerging barriers and helped banks find correspondent banks abroad and organise **new payment routes** for servicing foreign economic activity, trade finance and foreign trade insurance, as well as for Russian tourists' payments.

A key area of this work was the **expansion of the use of rubles and friendly states' currencies** in international settlements. Nevertheless, the transition to settlements in national currencies is possible only if there is demand for them from businesses and households. It is also essential to ensure that it progresses smoothly, in both export and import operations. The Bank of Russia is coordinating the work with the Russian Government to reduce costs incurred by market participants and support them amid the transformation of the system of international settlements.

In order to promote settlements in national currencies, in 2022, the Moscow Exchange launched the **trading of new currencies for rubles**, namely of Armenian drams, Kyrgyz som, Tajic somoni, South African rand, and Uzbek sums. It is planned to launch the trading of currency pairs with UAE dirhams and Egyptian pounds. Moreover, the total amount of **Russian ruble / Chinese yuan trading** surged more than 45 times in 2022, compared to 2021.

5. TECHNOLOGY DEVELOPMENT AND INNOVATION SUPPORT

In 2022, the Bank of Russia continued to promote conditions for developing and deploying digital technologies and for implementing digital infrastructure projects aimed at enhancing financial inclusion for people and businesses.

The use of the **Digital Profile** significantly expanded. It enables people to receive financial services online by providing their personal data from the federal information systems. The Digital Profile also offers new opportunities for reducing business costs.

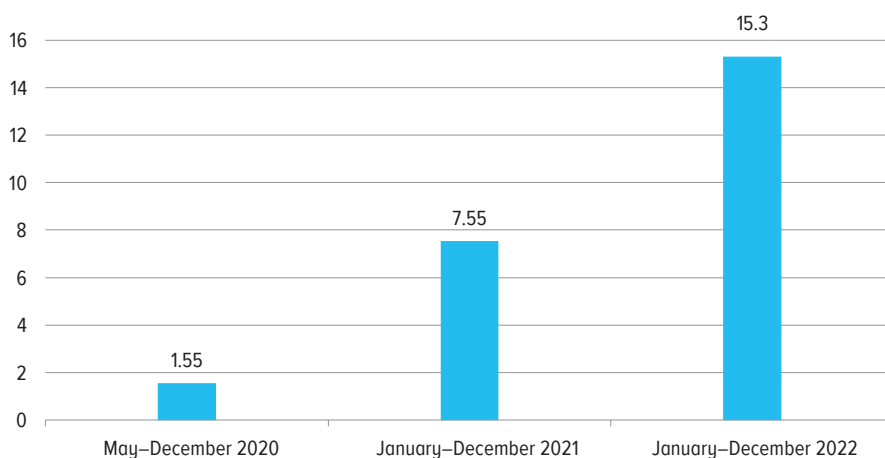
The number of organisations rendering services using the Digital Profile nearly doubled to reach 65 as of the beginning of 2023, including 37 banks, five insurers, 20 microfinance organisation and three financial platform operators.

To ensure the advancement of the **Unified Biometric System (UBS)**, the Bank of Russia, the Government of the Russian Federation and PJSC Rostelecom established the joint venture JSC Centre for Biometric Technologies.⁴⁷ This will enable centralised development of biometric technologies for financial market participants to later on apply them for remote identification. Furthermore, the law⁴⁸ adopted in 2022 allows additional opportunities for ensuring the security of biometric data and creating new online services using the UBS.

A key area was the development of new types of distributed ledger-based financial instruments, including **utilitarian digital rights (UDRs)** and

FROM MAY 2020, PEOPLE USED THE DIGITAL PROFILE 24.4 MILLION TIMES (MILLION)

Chart 17



Source: Bank of Russia.

⁴⁷ Executive Order of the Russian President No. 693, dated 30 September 2022.

⁴⁸ Federal Law No. 572-FZ, dated 29 December 2022.

digital financial assets (DFAs). The Bank of Russia considerably improved the regulatory framework⁴⁹ to reduce operators' costs, increase the speed and safety of operations, and enhance the protection of investors' rights and interests. This made it possible to expand the list of DFAs available to non-qualified investors.⁵⁰ The authorities prohibited the use of DFAs and UDRs for payments and established the procedure for taxation⁵¹ of DFAs and hybrid digital rights.⁵² In November 2022, the Bank of Russia continued its efforts to develop the market of digital assets.⁵³ In 2022, three new information system operators were established in Russia: 19 issues of DFAs worth ₹728 million were made in these systems over the year.

The Bank of Russia devised the approaches for the implementation and regulation of **open APIs**⁵⁴ and discussed the model of their deployment with market participants. By using open APIs, organisations are able to exchange client data and thus offer more client-oriented financial services. It is critical that the exchange of such data will only be possible upon clients' consent and in strict compliance with the requirements for the protection of confidential information.

⁴⁹ Federal Law No. 331-FZ, dated 14 July 2022.

⁵⁰ Bank of Russia Ordinance No. 6159-U, dated 15 June 2022.

⁵¹ Federal Law No. 324-FZ, dated 14 July 2022.

⁵² Digital rights combining DFAs and UDRs.

⁵³ Consultation paper Development of the Digital Assets Market in Russia.

⁵⁴ Concept of Open API Implementation in the Financial Market.

