



Bank of Russia



NATIONAL PAYMENT SYSTEM OVERSIGHT RESULTS 2018–2020

Moscow
2021

CONTENTS

Abbreviations.....	3
Introduction	5
I. Oversight in the National Payment System in 2018–2020	6
1.1. Trends and specifics of the NPS development.....	6
1.2. Key indicators of the NPS development.....	7
1.3. NPS regulation developments.....	11
1.4. NPS oversight practice.....	13
1.4.1. Determination of NPS entities	13
1.4.2. Monitoring of NPS entities' activities and payment services	16
1.4.2.2. Federal post offices.....	19
1.5. International cooperation in NPS oversight	24
II. Oversight of important payment systems in 2018–2020.....	28
2.1. Results of the Bank of Russia's oversight of important payment systems	28
2.2. Overview of the payment systems assessed by the Bank of Russia for compliance with the PFMI	29
2.3. Overview of the IPSs and the results of their assessment for compliance with the PFMI	31
2.4. PFMI implementation in the IPSs assessed by the Bank of Russia	32
2.4.1. General organisation and risk management (Principles 1–5, 7, 15–17).....	32
2.4.2. Settlements (Principles 8 and 9)	35
2.4.3. Access and participation requirements and participant-default rules (Principles 18, 19, and 13).....	36
2.4.4. IPS efficiency and effectiveness (Principle 21), communication procedures and standards (Principle 22), and disclosure of IPS rules and procedures (Principle 23).....	37
2.5. The Bank of Russia's activities in relation to IPSs.....	39
Conclusion.....	40
Annexes	41

An electronic version of the report can be found on the Bank of Russia website in the section 'National Payment System' at <http://www.cbr.ru/eng/psystem/>. This publication has been prepared by the National Payment System Department. Photo on the cover: Shutterstock.com
Address: 12 Neglinnaya Street, Moscow, 107106 Russia
Bank of Russia website: www.cbr.ru

We are observing a rapid transformation of the payment service market. It has dramatically changed over recent years, with new participants continuously entering the market, and innovative payment technologies and instruments being created. They are user-friendly, accessible, and are significantly expanding the payment and money transfer options.

One of the goals of the Bank of Russia is to secure the stability and development of the National Payment System (NPS). Therefore, the Bank of Russia must ensure that positive changes happening in the payment industry do not entail elevated risks to the stability of the NPS at large, NPS entities and NPS users.

The Bank of Russia's efforts to oversee the NPS represent one of the tools aimed at achieving this objective. As part of its oversight of the NPS, the Bank of Russia analyses the operations of NPS entities and constantly communicates with them, studies global trends, implements international payment sector standards, and encourages the market participants to comply with them. This helps advance the quality of payment services rendered by NPS entities, strengthening consumers' confidence in them.

In order to make its activities more transparent, the Bank of Russia is releasing this overview of NPS oversight results, including the findings based on overseeing the important payment systems in 2018–2020.

The first part of this overview highlights the main trends and topical issues of the NPS development and regulation, NPS entities' performance in payment services provision and international cooperation issues related to NPS oversight, and outlines the regulatory easing for payment market participants effective for the duration of the pandemic-related restrictions.

The second part contains the results of the assessment of the important payment systems' compliance with the international standard 'Principles for Financial Market Infrastructures'.

Olga Skorobogatova
First Deputy Governor of the Bank of Russia

ABBREVIATIONS

BPA	– bank payment agent
SFPS	– smooth functioning of a payment system
NPSD	– National Payment System Department of the Bank of Russia
EAEU	– Eurasian Economic Union
NPS Law	– Federal Law No. 161-FZ, dated 27 June 2011, ‘On the National Payment System’
Federal Law No. 103-FZ	– Federal Law No. 103-FZ, dated 3 June 2009, ‘On Accepting Payments of Individuals by Payment Agents’
IPS	– important payment system
FMI	– financial market infrastructure
CPMI	– Committee on Payments and Market Infrastructures at the BIS
IOSCO	– International Organization of Securities Commissions
NPS	– National Payment System
NSPK	– National Payment Card System Joint Stock Company (NSPK JSC)
MTO	– money transfer operator
PSO / PS operator	– payment system operator
FPO	– federal post office
EMO	– electronic money operator
PA	– payment agent
Bank of Russia Regulation No. 607-P	– Bank of Russia Regulation No. 607-P, dated 3 October 2017, ‘On the Requirements for the Procedure Ensuring Smooth Functioning of a Payment System, Indicators of Payment System’s Smooth Operation and Methodologies Used to Analyse Payment System Risks, Including Risk Profiles’
PFMI	– CPMI-IOSCO Principles for Financial Market Infrastructures, April 2012
BRPS	– Bank of Russia Payment System
Mir PS	– Mir payment system
NSD PS	– NSD payment system
KoronaPay PS	– KoronaPay payment system
Visa PS	– Visa payment system

MasterCard PS	– MasterCard payment system
Sberbank PS	– Sberbank payment system
ICI Register	– Register of Credit Institutions Recognised by the Bank of Russia as Important in the Payment Services Market
PSO Register	– Register of payment system operators
FPS	– Faster Payments System (a service of the Bank of Russia Payment System developed by the Bank of Russia jointly with NSPK)
TSC	– trade and service company
Bank of Russia Ordinance No. 4443-U	– Bank of Russia Ordinance No. 4443-U, dated 3 July 2017, ‘On Setting Criteria for Qualifying Payment Systems as Important’.
E-money	– electronic money
EMP	– electronic means of payment

INTRODUCTION

The Bank of Russia's oversight activities are governed by Articles 31 and 35 of the NPS Law and are aimed at enhancing the operations of NPS entities and the services that they provide, as well as at developing payment systems and the payment infrastructure.

The key aspects of the NPS oversight include monitoring (collection, systematisation and analysis of data), assessment of the activities of overseen organisations as well as their related overseen entities, and preparation of recommendations for improving their activities.

Within the monitoring of general NPS development trends, the Bank of Russia analyses the types of NPS entities, payment services and infrastructure, information and communication technologies applied in the provision of payment services and payment infrastructure services, as well as cross-border money transfers, and identifies innovative approaches and new participants in the payment service market.

The Bank of Russia also analyses the continuity of payment services and the smooth functioning of payment systems, regulatory framework, law enforcement, and judicial practice with regard to the NPS.

In its NPS oversight efforts, the Bank of Russia actively communicates and cooperates with foreign regulators and international organisations, identifying best foreign practices in rendering payment services and payment infrastructure services, as well as factors hindering the implementation of such practices in the Russian payment service market.

This report is the fourth issue and describes the results of the Bank of Russia's NPS oversight for the period from July 2018 through June 2020.

This publication provides information on the main indicators and trends of the NPS development, the findings of the analysis of certain NPS entity types' performance, key changes in the NPS regulation, the results of international cooperation in NPS oversight, measures reducing the regulatory burden on payment market participants amid the pandemic-related restrictions, as well as the overall results of the Bank of Russia's oversight of IPSs, including the assessment of their compliance with the PFMI.

I. OVERSIGHT IN THE NATIONAL PAYMENT SYSTEM IN 2018–2020

1.1. Trends and specifics of the NPS development

A key goal of the Bank of Russia is to ensure the stability and advancement of the NPS. In 2018–2020, the Bank of Russia continued to enhance the reliability and independence of the NPS as well as to improve the platforms and services it provides. IPSs were functioning smoothly, processing interbank settlements, supporting the implementation of the fiscal and monetary policies, and completing settlements on financial market transactions.

The national payment infrastructure was evolving rapidly.

In January 2019, the Bank of Russia launched the FPS, enabling real-time 24/7 payments between accounts held by clients with various credit institutions participating in the FPS. Currently, the FPS enables person-to-person (P2P) transfers, payee-initiated P2P payments, payments to legal entities, including payments for goods and services, as well as business-to-person (B2P) payments.

In order to enhance the accessibility of the Bank of Russia's Financial Messaging System, nearly 400 organisations, including 11 non-residents, were connected to this system.

In addition, Mir PS cards, which are national payment instruments, may now be used in a larger number of regions: Mir PS card holders can carry out payments anywhere in the Russian Federation and in more than ten other countries, including all EAEU states.¹

The smooth functioning and accessibility of the payment infrastructure promote the competition in the financial market and the development of payment services rendered to households and businesses.

These factors largely influence the emergence of new participants, including non-residents, in the Russian payment market. Small start-ups and IT giants create their products in the payment area, responding to clients' increasingly high expectations for service speed and accessibility. To ensure the protection of payment services consumers' interests and avoid regulatory arbitrage, the authorities introduced amendments to the NPS Law in 2019, adding a range of non-financial organisations participating in the payment market to the list of NPS entities: these are payment aggregators, payment application providers, and information exchange service operators.

The impact of digital transformation on the NPS is significant and comprehensive. Modern technologies, such as biometrics or PP, create opportunities for implementing fundamentally new services and business models, including opportunities in the payment area, while simultaneously altering the risk profile and increasing the importance of smooth functioning and cyber security. Within its activities in the coming period, the Bank of Russia considers it essential to maintain the smooth functioning of the NPS, create the conditions for enhancing the quality and accessibility of payment services based on these technologies, and develop reliable mechanisms to manage these risks.

The year 2020 turned out to be challenging for the global economy and all national economies. In order to support their economies, regulators in many countries introduced regulatory easing in order to mitigate the effects of the coronavirus pandemic.

During the period of the pandemic, the Bank of Russia granted regulatory relaxations to NPS entities, including payment system operators, payment infrastructure service operators, and money transfer operators (hereinafter jointly referred to as 'Operators'), that provided for, among other things, suspending inspections of Operators' activities and a one-to-two month extension of the deadlines for money transfer operators and payment system operators to submit a range of

¹ Mir cards are accepted in Abkhazia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Turkey, Uzbekistan, Tajikistan, and South Ossetia; and inaugural transactions have been carried out in the UK, Vietnam, and Cyprus.

reporting forms (information, notices), as well as non-application, in certain cases, of the measures stipulated by Article 74 of Federal Law No. 86-FZ, dated 10 July 2003, 'On the Central Bank of the Russian Federation (Bank of Russia)' to money transfer operators accepting electronic means of payment supported by foreign suppliers of payment services where such operators fail to comply with Article 9.1 of the NPS Law.

In addition, in order to support households and businesses amid the coronavirus pandemic, the Bank of Russia temporarily limited the acquiring fee to 1% for a range of TSCs' and healthcare institutions' activities:

- for the period from 15 April 2020 through 30 September 2020 the fee was limited for TSCs engaged in the online sales of food, pharmaceuticals and other medical products, clothing, and fast-moving consumer goods;
- for the period from 1 June 2020 through 30 September 2020 the fee was limited for clinical hospitals, medical laboratories, the ambulance service, and licensed doctors (general practitioners and specialty doctors).

Moreover, to support households, the Bank of Russia also allowed transactions with cards expired before 1 July 2020, and extended the deadline for moving pension payments to national payment instruments (Mir cards) through 31 December 2020.

Beginning on 1 May 2020, the Bank of Russia limited the maximum fee charged by credit institutions on their customers for P2P money transfers through the FPS: money transfers of up to 100,000 rubles per month are fee-free, while those exceeding 100,000 rubles per month are subject to a maximum fee of 0.5% of the transfer amount, but no more than 1,500 rubles for a transfer. This measure has been introduced for an indefinite period and is aimed at making money transfers more affordable for individuals and reducing the use of cash and the financial burden on households.

1.2. Key indicators of the NPS development

As of 1 July 2020, the NPS comprised 428 MTOs (including 82 EMOs)², 28 PS operators³ (including the BRPS and Mir PS), 35 PISPs (payment infrastructure service providers), 2 FPOs, as well as BPAs and PAs. Compared to 1 July 2018, most categories of the entities in question displayed reduction in numbers: 97 for MTOs, 10 for EMOs, 7 for PS operators, and 15 for PISPs.

After the NPS Oversight Results 2016–2018 were released, the Gazprombank PS operator was added to the NPS Register, while eight PS operators were excluded from it, namely NCC (NATIONAL CREDIT CARDS), UNION CARD, United Settlement System Payment Service, FedPay PS, ONE TWO THREE PS, REXPAY, BitPoint, and BLIZKO.

Over the period from July 2019 through June 2020, money transfers⁴ carried out through the systemically important Bank of Russia Payment System (BRPS) numbered 1.7 billion, with their volume totalling at 1,618.3 trillion rubles (vs 1.6 billion money transfers totalling at 1,620.8 trillion rubles from July 2018 through June 2019). The number and volume of money transfers per BRPS entity increased by 14.0% and 7.6%, respectively, to a total of 1.0 million transactions amounting to 939.2 billion rubles.

In 2019, the BRPS expanded its functional capabilities, with the FPS (launched in January) supplementing the operating rapid and non-rapid money transfer platforms. The FPS is used to make retail payments, which promoted the rise in the number of transfers in the BRPS. Over the period from July 2019 through June 2020, money transfers through the FPS numbered 19.2 million, amounting to a total of 162.3 billion rubles.

² The list of EMOs is available on the Bank of Russia website (https://www.cbr.ru/registries/nps/oper_zip/).

³ Including the Bank of Russia and the Mir PS (see Annex 1).

⁴ Including operations to implement monetary policy, settlements in the interbank and financial markets, and payment card transactions.

Although the number of operating credit institutions acting as money transfer operators decreased, their performance in payment services provision continued to rapidly grow over the said period. Transactions conducted by credit institutions based on their clients⁵ orders and credit institutions' own transactions increased to 50.6 billion payments totalling 844.4 trillion rubles over the period from July 2019 through June 2020, which is 24.9% and 5.1% more, respectively, compared to the period from July 2018 through June 2019. Individuals' transactions increased even more significantly (with their number and volume up by 26.2% and 17.5%, respectively), which shows that households were extensively using cashless payment instruments.

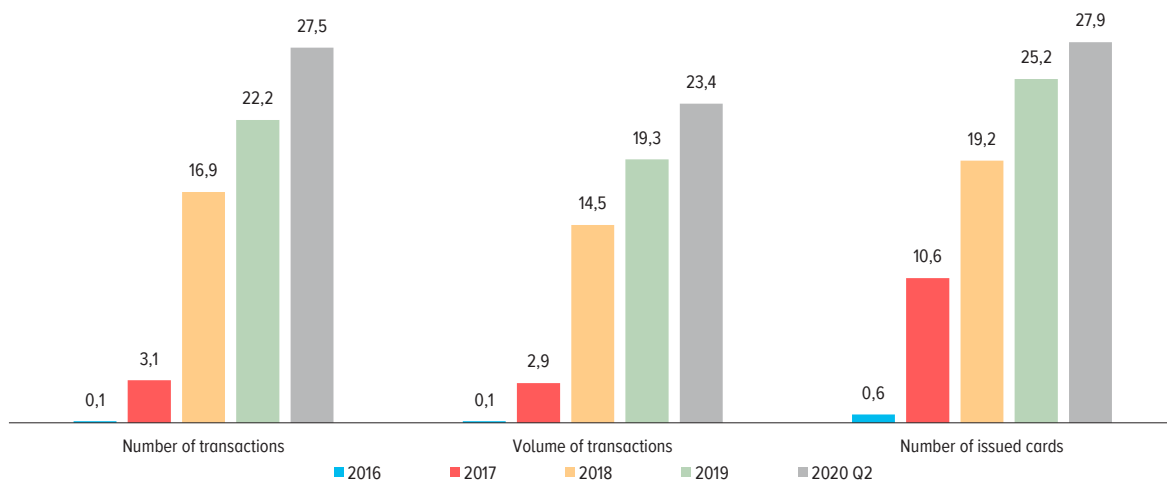
Over the period under review, the supply of modern technology-based financial products expanded, boosting the development of formats of remote access to payment services. The number of client accounts allowing remote access continued to increase, adding 9.5% compared to 1 July 2019 (to total 241.2 million accounts as of 1 July 2020). Over the year, their share in the number of active cards⁶ held by credit institutions' clients increased to 89.8%. On average, one individual accounted for 1.6 active cards as of 1 July 2020 against 1.5 active cards as of 1 July 2019.

Transactions carried out by credit institutions' clients using electronic technologies also increased from July 2019 through June 2020, with their number and volume rising by 25.9% (to 49.2 billion clients' orders) and 5.3% (to 758.5 trillion rubles), respectively. These changes were mostly driven by an increase in individuals' transactions (the annual growth of both their number and volume approximating 26%). 98 of 100 transactions were conducted using electronic technologies, accounting for over 92% of the total value. Moreover, nearly 30% of individuals' electronic payments were carried out through the internet and/or mobile communication devices. Legal entities, other than credit institutions, sent payment orders through the internet in 63 of 100 cases.

As before, the development indicators of the payment card market demonstrated a steady upward trend. The overall number of payment cards issued by Russian credit institutions increased by 4.8%, to reach 288.9 million as of 1 July 2020, which is 2.0 cards per individual. Transactions performed using these cards from July 2019 through June 2020, both in Russia and abroad, numbered 45.8 billion and amounted to 97.8 trillion rubles (which is 24.7% and 16.9% more compared to the previous period, respectively).

MIR PS CARDS IN THE OVERALL ISSUE OF PAYMENT CARDS AND TRANSACTIONS IN RUSSIA (%)

Chart 1



⁵ Hereinafter by "clients" we refer to individuals and legal entities other than credit institutions (including individual entrepreneurs).

⁶ Active cards are defined as payment and credit cards used in Q1 2020 to carry out at least one operation (cash withdrawal, payment for goods and services, cashless transaction not involving payments for goods and services (e.g. card to card / card to bank account transfer, etc.).

From July 2018 through June 2020, NSPK continued to expand its user base and develop national payment instruments. As of the end of June 2020, 278 credit institutions joined the Mir PS, with 264 accepting Mir cards in their infrastructure and 154 issuing Mir cards.

As of 1 July 2020, credit institutions issued 80.6 million Mir payment (including debit) and credit cards (which is 1.3 times more than a year before), which made for 27.9% of the overall Russian issue of payment cards (vs 60.9 million Mir cards, or 22.1% of the overall issue, as of 1 July 2019). Over the period from July 2019 through June 2020, they were used to conduct 11.0 billion transactions amounting to 20.2 trillion rubles (which is 1.5 and 1.4 times more, respectively, compared to the previous period). Mir card transactions within Russia accounted for 23.4% of all payment card transactions in Q2 2019 (19.3% as of the end of 2019). Payments for goods and services accounted for 74.5% of the total number and for 27.0% of the total volume, thus prevailing in the structure of Mir card transactions. As compared to the period of July 2018–June 2019, the number and volume of these transactions rose 1.5 times.

Contactless payment technologies, which are most convenient for small purchases, were actively evolving throughout the period. 62.1% of payment cards issued by credit institutions supported contactless payments. Over the period under review, their number rose by nearly one-third, reaching 179.3 million as of 1 July 2020. On average, one individual accounted for 1.2 contactless cards (vs 0.9 as of 1 July 2019).

Over the period from July 2019 through June 2020, the number and total volume of transactions using contactless technologies increased 1.8 times (to 22.6 billion transactions) and 1.9 times (to 17.2 trillion rubles), respectively. They were mostly carried out through payment cards supporting contactless technologies – 17.3 billion transactions amounting to 13.1 trillion rubles. The other method of conducting contactless payments (payment applications at mobile devices)⁷ was used 1.8 times more often compared to the previous period, with the number and volume of such transactions growing to 5.3 billion and 4.1 trillion rubles. 62.3% of payments for goods and services were made using contactless technologies.

Payment cards are currently the main driver of the growth of cashless payments. As the number and total volume of cashless transactions with payment cards increased (+27.9% and +25.2%, respectively) combined with the dynamics of the number and volume of cash withdrawals (-10.1% and +0.7%, respectively), this expanded the share of cashless transactions in the card usage structure (to 93.8% in the total number, and to 70.9% in the total volume). Cards were used for cashless transactions 15 times as often as for withdrawing cash. Moreover, 83 of 100 cashless transactions were conducted in trade and service companies, with the volume of payments for goods and services accounting for 41.1%.

Remote payment channels are becoming more popular and individuals are enhancing their financial literacy, which is contributing to an increasing reduction in the volume of P2P cash transfers in favour of cashless transfers, including card-to-card transfers.

Over the period from July 2019 through June 2020, Russians carried out such transactions 1.4 times as often as in July 2018–June 2019 (7.3 billion transfers amounting to 39.4 trillion rubles, which is 17.1% and 56.9% of the overall number and total volume of cashless payment card transactions).

As an increasing number of Russians used cashless payment instruments, this drove a further rise in the share of cashless payments in the overall retail and public catering turnover and the value of commercial services provided to households, which expanded to 68.8% in Q1 2020 from 61.4% in Q1 2019.⁸

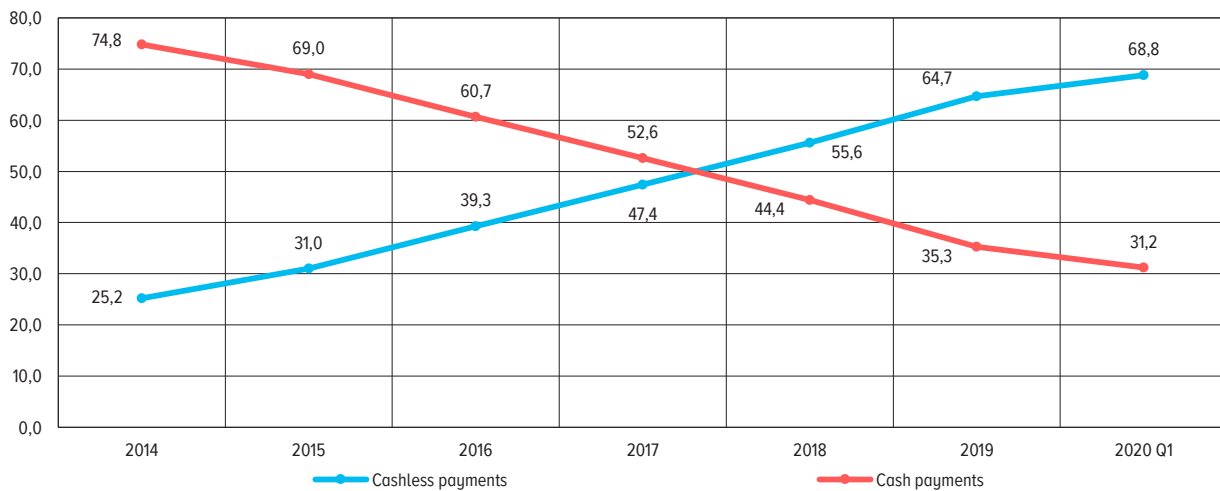
⁷ For instance, Apple Pay, Samsung Pay, etc.

⁸ The assessment is based on the Bank of Russia's reporting forms and Rosstat's data.

SHARE OF CASHLESS PAYMENTS IN THE OVERALL RETAIL AND PUBLIC CATERING TURNOVER AND THE VALUE OF COMMERCIAL SERVICES

Chart 2

(%)



Individuals' increasing demand for cashless payments was largely driven by the development of the network of devices accepting payment cards, primarily electronic terminals installed in trade and service companies (POS terminals). Over the 12 months starting from July 2019, their number rose by 22.7% to exceed 3.2 million units (22 POS terminals per 1,000 individuals). The number of ATMs, most of which also enable clients to carry out cashless transactions, increased by 1.7% to 195,000 devices as of 1 July 2020 (1.3 ATMs per 1,000 individuals). As of 1 July 2020, the number of cashless payment terminals⁹ was up to 103,700 devices.

Over the period from July 2019 through June 2020, the number and volume of transactions via POS terminals increased by 28.8% and 16.0%, respectively, to reach 27.6 billion transactions amounting to 18.7 trillion rubles. The overall number of operations via ATMs was down by nearly one-third, while their volume dropped by as little as 0.4%, to total 3.9 billion transactions worth 27.4 trillion rubles. Payments for goods and services accounted for nearly 30% of transactions conducted via ATMs.

The majority of POS terminals (88%) and over 40% of ATMs supported contactless technologies, with the number of such devices up by 22.5% and 13.5%, respectively.

The maturity of the regional payment infrastructure is one of the factors determining the share of cashless payments across the country. In July 2019–June 2020, all Russian regions maintained an upward trend as regards the number of POS terminals, with two-thirds of them showing 20% and higher growth rates. As of 1 July 2020, 47 Russian regions recorded over 20 POS terminals per 1,000 individuals (vs 22 regions as of 1 July 2019).

The expansion of the network enabling bank payment agents (subagents) to accept payments is one of the key areas of improving financial inclusion for individuals. This primarily relates to those living in remote, sparsely populated and hard-to-reach areas. As of 1 July 2020, ATMs and bank payment agents' (subagents') cash registers¹⁰ numbered 158,000 and 183,200, respectively, which is 1.1 ATMs and 1.2 cash registers of this category per 1,000 individuals.

⁹ Automatic devices enabling payment card holders to carry out cashless payment card transactions on their own (without the engagement of any authorised representatives of credit institutions or trade and service companies), the design of which does not allow cash withdrawal (acceptance).

¹⁰ Data from Reporting Form 0409260 'Information on Points of Payment Services Provided by Credit Institutions and Bank Payment Agents (Subagents)' enacted by Bank of Russia Ordinance No. 4927-U, dated 8 October 2018, 'On the List, Forms and Procedure for Compiling and Submitting Credit Institutions' Reporting Forms to the Central Bank of the Russian Federation' (reports are collected beginning from Q1 2019).

Over the period from July 2019 through June 2020, EMPs used to transfer e-money accounted for 2.8 billion transactions totalling 1.8 trillion rubles¹¹ (16.6% up in terms of the number and 2.3% down in terms of the overall volume, as compared to July 2018–June 2019), with non-personalised EMPs accounting for the major part of them (74.4% and 36.0%, respectively).

1.3. NPS regulation developments

As modern payment services develop, digital platforms evolve, and foreign companies expand their operations, the Russian payment market demonstrates a steady trend towards a wider range of institutions represented in the NPS.

In view of this trend, the NPS Law was amended in 2019 so as to establish a legal framework for the activities of new NPS entities.¹²

Box 1. New NPS entities

Foreign payment system operator

A foreign organisation setting foreign payment system rules and performing other functions provided for by the NPS Law.

Foreign payment system rules – a document (documents) stipulating terms for conducting cross-border money transfers and other terms to be established by a foreign payment system operator.

Payment application provider

A legal entity, including a foreign organisation, providing its payment application based on a contract with an MTO to be used by the MTO's clients.

A *payment application* is software supplied by the payment application provider on internet-connected devices (including mobile phones, smartphones and tablets) that enables an MTO's clients to generate and transmit money transfer orders using EMP.

Payment aggregator

A legal entity engaged by an MTO pursuant to Article 14.1 of the NPS Law in order to (a) ensure e-money acceptance by legal entities, individual entrepreneurs and other persons specified in Article 14.1, Part 13 of the NPS Law, and (b) participate in money transfers to legal entities, individual entrepreneurs and other persons specified in Article 14.1, Part 13 of the NPS Law, under transactions carried out using EMP.

Foreign payment service provider

A foreign organisation entitled, pursuant to the legislation of the foreign state of its registration, based on a licence or another permit, to render services for money transfers against bank accounts and/or without opening bank accounts, and/or to carry out operations using electronic means of payment.

Information exchange service operator

An organisation providing contract-based information exchange services to money transfer operators as part of transactions using electronic means of payment are conducted between money transfer operators and their clients and/or between money transfer operators and foreign payment service providers (hereinafter "information exchange services"). However, an operational centre and a communication operator are not information exchange service operators.

The amendments introduced establish:

- requirements for how banks shall organise their interaction with payment application providers and disclose information to clients about the terms of using payment applications;
- requirements and terms applying to banks engaging bank payment agents for performing payment aggregator operations;
- the specifics of interaction between foreign payment service providers and Russian banks;

¹¹ Comprising transactions to transfer e-money and e-money balances, including balances withdrawn as cash.

¹² Federal Law No. 173-FZ, dated 3 July 2019, 'On Amending the Federal Law on 'On the National Payment System' and Certain Laws of the Russian Federation'; and Federal Law No. 264-FZ, dated 2 February 2019, 'On Amending the Federal Law on 'On the National Payment System'; and the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

- the procedure, forms, the content of and deadlines for submitting information by money transfer operators and payment system operators to the Bank of Russia for keeping the list of payment application providers, the list of foreign payment service providers, the list of information exchange service operators, the list of bank payment agents performing payment aggregators' operations, and a specific procedure for keeping the above lists;
- requirements for the functioning of foreign payment systems in the Russian Federation that provide for, among other things, the existence of their standalone units in the Russian Federation, putting foreign payment system operators on a list by the Bank of Russia, establishing requirements for these systems' rules, as well as the Bank of Russia's supervision over their operations;
- the procedure for money transfer operators to notify the Bank of Russia of their participation in a foreign payment system;
- requirements for information exchange service operators prohibiting them to unilaterally suspend provision of services to banks and their clients, as well as mandatory conditions to be stipulated in their contracts with banks;
- the procedure for a money transfer operator to submit information to the Bank of Russia in the cases when provision of information exchange services to such an operator and its clients is suspended/terminated unilaterally, which will be used by the Bank of Russia to impose a fine on the information exchange service operator.

The amendments introduced to the Russian law in 2018–2020 to enhance the approaches to regulation, oversight and supervision in the NPS addressed the following tasks:

- the amendments clarify the procedure for supervision over compliance by payment system operators, payment infrastructure service operators and foreign payment system operators that are not credit institutions with the requirements of the NPS Law and related Bank of Russia regulations, including the procedure for applying enforcement measures where supervised organisations fail to comply with the said requirements;
- the amendments clarify the procedure for registering payment system operators and the procedure for keeping the PSO Register;
- the amendments clarify the procedure for money transfer operators to monitor the activities of bank payment agents, including those acting as payment aggregators;
- reporting forms were devised to report incidents in the payment infrastructure of a payment system disrupting its smooth functioning and affecting the indicators of the payment system's smooth functioning, among other things;
- the amendments update payment system operators' reporting forms on payment systems that shall contain, among other things, information on facts of the suspension (termination) of their participation in payment systems and reasons for that;
- the amendments clarify the procedure for the Bank of Russia to send requests to and receive information from federal post offices on postal money transfers they performed;
- the amendments stipulate the procedure for the Bank of Russia to communicate with NPS entities through their online accounts;
- the amendments establish the unified Methodology for the Bank of Russia to Assess Systemically and Socially Important Payment Systems, Payment Infrastructure Service Operators Engaged by Them, and Their Related Payment Systems, as well as Systemically Important Financial Market Infrastructures (Central Depository, Central Counterparty, Repository) for Their Compliance with the Principles for Financial Market Infrastructures of the Committee on Payments and Market Infrastructures of the Bank for International Settlements and the International Organization of Securities Commission;
- recommendations were issued to enhance the transparency and ensure the accessibility of information on money transfers conducted without opening bank accounts.

The list of key federal laws as well as Bank of Russia regulations and other documents issued in 2018–2020 and addressing NPS issues is given in Annex 4.

1.4. NPS oversight practice

1.4.1. Determination of NPS entities

1.4.1.1. Assessing payment systems' compliance with importance criteria (systemic, social and national importance)

Payment systems' systemic and social importance

Systemically and socially important payment systems account for the largest share of money transfers carried out in payment systems in Russia.

As of 1 July 2020, the BRPS accounted for 93.1% of money transfers made through systemically important payment systems, and systemically important payment systems accounted for 96.4% of the overall volume of money transfers conducted via all payment systems.

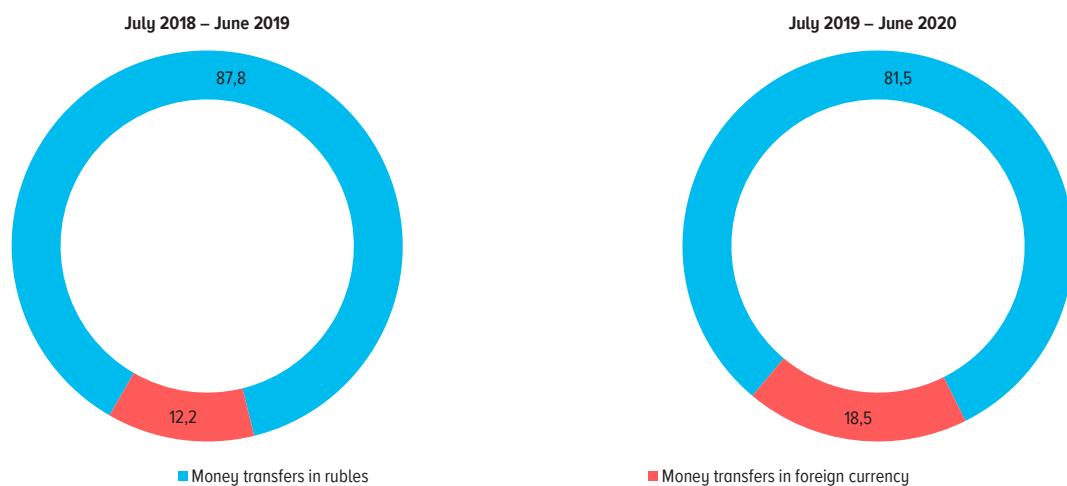
MONEY TRANSFER STRUCTURE WITHIN PAYMENT SYSTEMS, BY VOLUME (%)

Chart 3



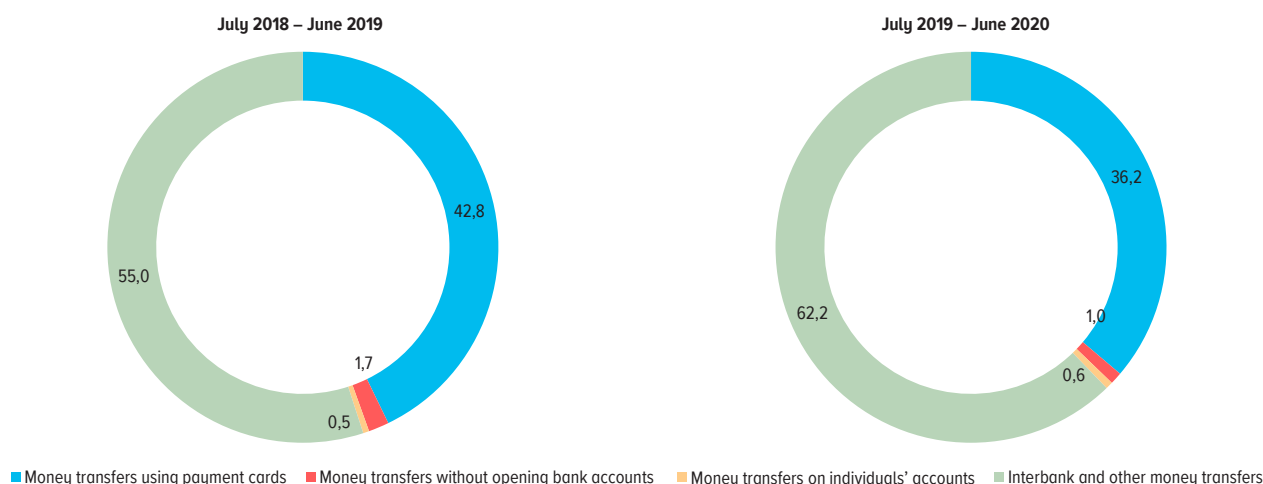
STRUCTURE OF MONEY TRANSFERS IN SOCIALLY IMPORTANT PAYMENT SYSTEMS, BY TRANSFER CURRENCY (%)

Chart 4



STRUCTURE OF MONEY TRANSFERS IN SOCIALLY IMPORTANT PAYMENT SYSTEMS, BY TRANSFER TYPE (%)

Chart 5



In contrast to systemically important payment systems, socially important payment systems handle a vast number of low-value transfers. Socially important payment systems are generally focused on a single type of money transfer services. For instance, the Visa PS and the MasterCard PS use payment cards to carry out money transfers, the KoronaPay PS predominantly conducts payments without opening bank accounts, while the Sberbank PS focuses on interbank money transfers.

Over the period from July 2019 through June 2020, socially important payment systems processed 12.5 billion money transfers amounting to 49.7 trillion rubles, including 9.9 million foreign currency transfers totalling 9.2 trillion rubles, while in July 2018–June 2019 these figures equalled 10.2 billion money transfers worth 33.9 trillion rubles, including 11.7 million foreign currency transfers totalling 4.1 trillion rubles.

Over the period from July 2019 through June 2020, money transfers in Russian rubles performed by socially important payment systems accounted for 81.5% of the overall volume of money transfers, as compared to 87.8% in July 2018–June 2019.

As of 1 July 2020, money transfers using payment cards (excluding prepaid cards) accounted for 36.2% of money transfers conducted in socially important payment systems, money transfers without opening bank accounts (including money transfers using prepaid cards) accounted for 1.0%, money transfers on individuals' accounts accounted for 0.6%, and interbank and other money transfers accounted for 62.2%.

Given the volumes of money transfers in systemically and socially important payment systems, Russian laws establish special requirements for these systems as regards their risk management systems. Furthermore, the Bank of Russia assesses these systems for their compliance with international standards (see Chapter 2 of this Report).

The criteria of payment systems' systemic and social importance are stipulated by Article 22, Parts 1 and 2 of the NPS Law, and the values of these criteria are established by Bank of Russia Ordinance No. 4443-U.

The monitoring of payment systems' compliance with the systemic and social importance criteria is carried out quarterly and annually, based on the following data:

- PSOs' reporting;
- credit institutions' reporting on transactions using payment cards, money transfers without opening bank accounts (including using e-money), and money transfers on accounts of individuals and legal entities other than credit institutions.

National importance of payment systems

The criteria of a nationally important payment system include whether PSOs and PISPs are under direct or indirect control of the Russian Federation, the Bank of Russia, or Russian citizens, except for the payment system's settlement centre, as well as information technologies meeting the requirements stipulated by the Bank of Russia upon agreement with the Government of the Russian Federation.¹³

Of the thirteen nationally important payment systems, ten payment systems were recognised as nationally important by the Bank of Russia, with the three other payment systems (BRPS, Mir PS, and NSD PS) classified as nationally important pursuant to Article 22, Part 14 of the NPS Law.

Throughout July 2018–June 2020, the Bank of Russia recognised one payment system (the Gazprombank PS) as a nationally important one.

Over the same period, based on requests from respective PS operators, information on the operators of four nationally important payment systems was excluded from the NPS Register: NCC, UNION CARD, REXPAY, and BLIZKO.

1.4.2.2. Credit institutions' compliance with importance criteria in the payment services market

In accordance with Article 30.5, Part 2 of the NPS Law, the Bank of Russia recognises credit institutions as important in the payment services market based on the results of their monitoring for compliance with the importance criteria stipulated by Bank of Russia Ordinance No. 3439-U, date 6 November 2014, 'On the Procedure for the Bank of Russia to Recognise Credit Institutions as Important in the Payment Services Market'.

The Bank of Russia specified four criteria of credit institutions' importance in the payment services market. These criteria are associated with the volume of transactions using settlement and credit cards, the issue of settlement and credit cards, infrastructure (ATMs, electronic terminals, imprinters) used to conduct payment card transactions, and the volume of e-money transfers using prepaid cards. For these criteria, the Bank of Russia established the percentage thresholds equalling or exceeding 2% in a federal district or the Russian Federation in general.

The Bank of Russia determines whether credit institutions comply with the Bank of Russia's criteria of importance in the payment services market on an annual basis,¹⁴ relying on the reporting submitted by the credit institutions to the Bank of Russia.

Credit institutions recognised by the Bank of Russia as important in the payment services market are put on the ICI Register, which is published in the Bank of Russia Bulletin and on the Bank of Russia website in the National Payment System section¹⁵.

In 2020, 26 credit institutions were included in the ICI Register. As compared with the ICI Register of 2019, four credit institutions previously recognised as important in the payment services market were not put on the ICI Register.

Based on the importance criteria, in 2019 important credit institutions accounted for over 75% in the payment services market in each federal district of the Russian Federation.

Pursuant to Article 30.5, Part 2 of the NPS Law, all credit institutions put on the ICI Register as of 1 July 2020 are Mir PS participants.

¹³ Bank of Russia Ordinance No. 3342-U, dated 25 July 2014, 'On the Requirements for Information Technologies Used by Payment Infrastructure Service Operators for Payment Systems to be Recognised as Nationally Important'.

¹⁴ By 1 April of the year following the reporting calendar year.

¹⁵ <https://www.cbr.ru/registries/nps/reestr/>.

1.4.2. Monitoring of NPS entities' activities and payment services

1.4.2.1. Bank payment agents and payment agents

Within its powers to oversee the NPS, the Bank of Russia carries out annual monitoring¹⁶ of the operations of BPAs engaged by MTOs in accordance with Article 14 of the NPS Law and of PAs providing payment acceptance services pursuant to the requirements of Federal Law No. 103-FZ.

RESULTS OF 2018–2019 BPA AND PA MONITORING

Table 1

Indicator	2018	2019
Number of surveyed MTOs	480	442
Number of BPAs under agreements on their engagement by MTOs whose materials were included in aggregate information	1,178	1,485
Number of PAs serviced by MTOs whose materials were included in aggregate information	1,476	1,187
Volume of BPAs' operations, billions of rubles	1,597.3	1,342.1
Number of BPAs' operations, millions of operations	635.7	590
Volume of payments accepted by PAs, billions of rubles	1,016.5	614.7
Number of payments accepted by PAs, millions of operations	1,398.5	798.3

Bank payment agents (BPAs)

In 2020, 1,485 BPAs were surveyed (vs 1,178 BPAs in 2019).

The BPAs who submitted their data following the survey, conducted 590 million operations over 2019, totalling 1,342.1 billion rubles (vs 635.7 million operations in 2018 totalling 1,597.3 billion rubles), and the average volume of cash accepted by BPAs to carry out a money transfer equalled 2,275 rubles (vs 2,513 rubles in 2018).

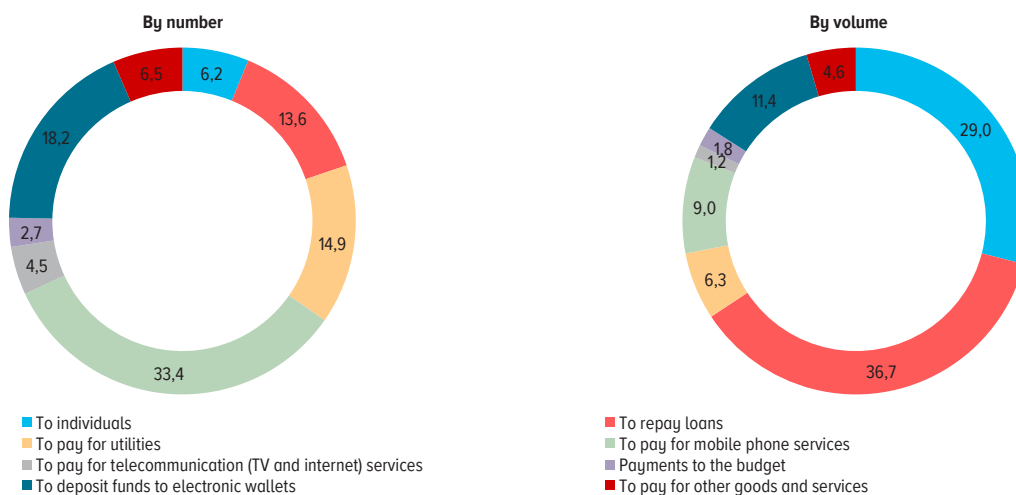
In 2019, payments for mobile phone services accounted for the largest number of operations (33.4% vs 35.5% in 2018) performed by BPAs, while loan repayments accounted for the largest volume thereof (36.7% vs 39.5% in 2018), which is in line with the 2018 trend (Chart 6).

Over 2019, BPAs provided individuals with 3.7 million bank cards issued by credit institutions engaging them, with prepaid cards accounting for 99.9% of this number.

STRUCTURE OF BPAS' OPERATIONS TO CONDUCT MONEY TRANSFERS

Chart 6

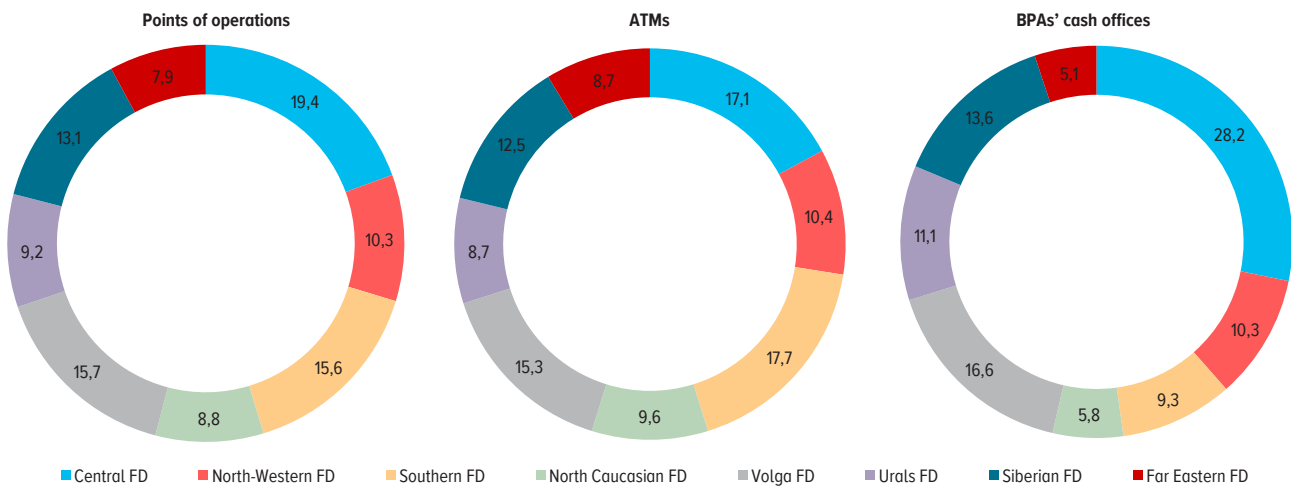
(%)



¹⁶ As of 1 January of the year following the reporting year.

INFRASTRUCTURE SUFFICIENCY FOR BPA SERVICES, BY FEDERAL DISTRICT (%)

Chart 7



Key trends identified in BPAs’ activities:

- As before, ATMs prevail in the BPAs’ payment infrastructure (70.8% of the overall BPAs’ infrastructure, vs 62.2% in 2018).
- The largest number of BPAs’ operations was conducted through ATMs (58.1%), and most of the volume of BPAs’ operations was conducted through BPAs’ cash offices. In 2018, the largest number and volume of BPAs’ operations were conducted through cash offices (53.6% and 84%, respectively).
- The sufficiency of BPAs’ infrastructure in regions (distribution across the federal districts of the Russian Federation) (Chart 7) remained at the level of 2018.

The largest number of points for BPAs’ operations (19.4% of their total number), ATMs (17.1% of their total number), and BPAs’ cash offices (28.2% of their total number) is located in the Central Federal District (Central FD).

The smallest number of points for BPAs’ operations (7.9%), ATMs (8.7%), and BPAs’ cash offices (5.1%) is located in the Far Eastern Federal District (Far Eastern FD).

Payment agents – payment acceptance operators (PAs)

In 2020, 1,187 payment acceptance operators – PAs were surveyed (vs 1,476 PAs in 2019).

The PAs who submitted their data following the survey conducted 798.3 million operations to accept individuals’ payments in 2019 totalling 614.7 billion rubles (vs 1,398.5 million operations totalling 1,016.5 billion rubles in 2018). As compared to 2018, these indicators declined by 42.9% and 39.5%, respectively.

The average amount of cash accepted by BPAs as a payment for goods and services equalled 770 rubles (vs 727 rubles in 2018).

Payments for mobile phone services accounted for the largest number of payment acceptance operations conducted by PAs in 2019 (52.6%), and payments for utility services accounted for the largest volume thereof (58.7%) (Chart 8) (vs 47.4% and 61.3% in 2018, respectively).

Key trends identified in PAs’ activities

- As before, payment terminals prevail in the PAs’ payment infrastructure (185,100 units, or 81.9% of the PAs’ overall infrastructure).
- The largest number of PAs’ operations (56%) was conducted through payment terminals, and most of the volume of PAs’ operations (65.1%) came from PAs’ cash offices. As compared to 2018, the volume of PAs’ operations through payment terminals increased by 2.5%.

- The sufficiency of PAs’ infrastructure in regions (distribution across the federal districts of the Russian Federation) in 2019 (Chart 9) remained at the level of 2018.

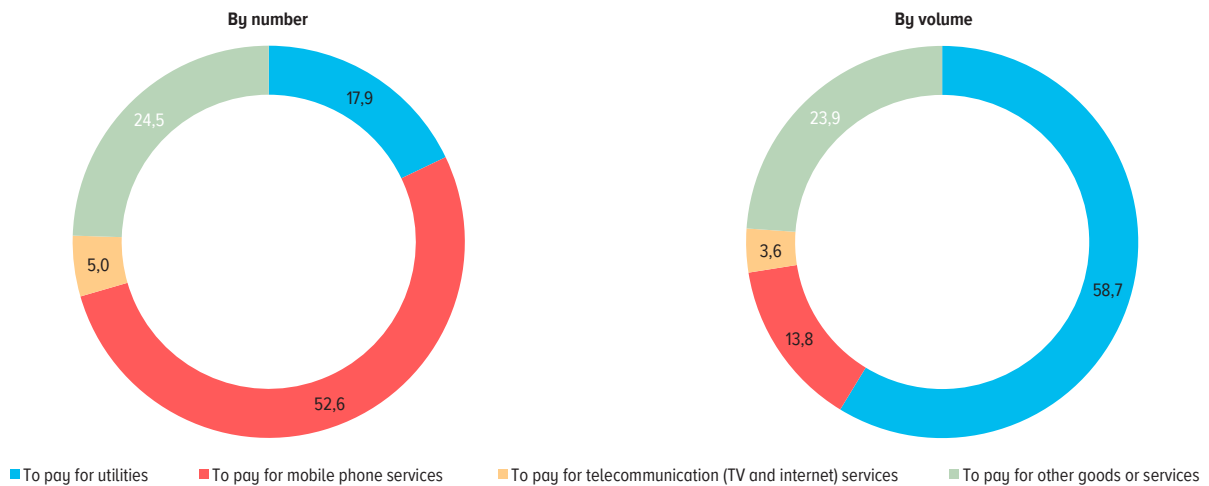
The largest number of PAs’ payment acceptance points (24.6% of their total number), payment terminals (24.1% of their total number), and PAs’ cash offices (33.3% of their total number) is located in the Central FD. The smallest number of PAs’ payment acceptance points (5.4% of their total number), payment terminals (5.3% of their total number), and PAs’ cash offices (4.0% of their total number) is located in the Far Eastern FD.

Within the development and application of innovations, in 2019 PAs continued to implement and advance technologies accelerating the provision of services to clients and reducing the probability of errors (including interactions with the State Information System of Housing and Utility Services and the State Information System on State and Municipal Payments).

The promising development areas for both BPAs and PAs involve the usage of innovative software decreasing payment processing time and enhancing communication with clients (including for settling disagreements) via remote service channels.

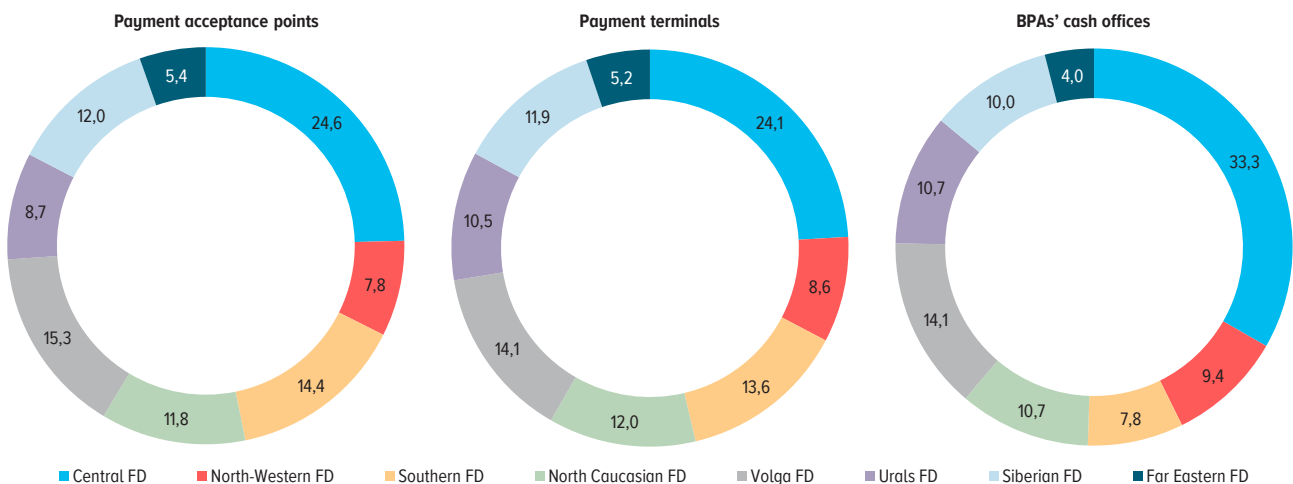
STRUCTURE OF INDIVIDUALS’ PAYMENTS ACCEPTED BY PAS (%)

Chart 8



INFRASTRUCTURE SUFFICIENCY FOR PAS’ SERVICES, BY FEDERAL DISTRICT (%)

Chart 9



1.4.2.2. Federal post offices

JSC Russian Post

As of the end of 2019, JSC Russian Post¹⁷ offices numbered 42,400, with 38,200 of them providing payment services (Annex 2).

Postal transfers by JSC Russian Post

In 2019, JSC Russian Post conducted 45.5 million postal transfers totalling 185.6 billion rubles, which was less than in 2018 by 10.4% and 6.5%, respectively. Contrastingly, the average postal transfer increased by 4.3%, from 3,911 rubles in 2018 to 4,079 rubles in 2019.

The absolute majority of postal transfers in 2019 (97.8% of the overall number of postal transfers and 95.2% of their total volume) were performed by JSC Russian Post within the Russian Federation, just as in 2018 (97.8% and 95.4%, respectively).

In 2019, the structure of postal transfers within Russia was dominated by individuals' postal transfers to legal entities (65.0% by the number and 56.4% by the volume), as compared to 64.3% and 55.3% in 2018, respectively.

The Central FD accounted for the largest share of postal transfers within Russia (33.3% by the number and 28.3% by the volume), as compared to 34.0% and 29.3% in 2018, respectively.

The North Caucasian FD accounted for the smallest share of postal transfers within Russia (3.3% by the number and 3.2% by the volume), as compared to 3.2% and 3.1% in 2018, respectively.

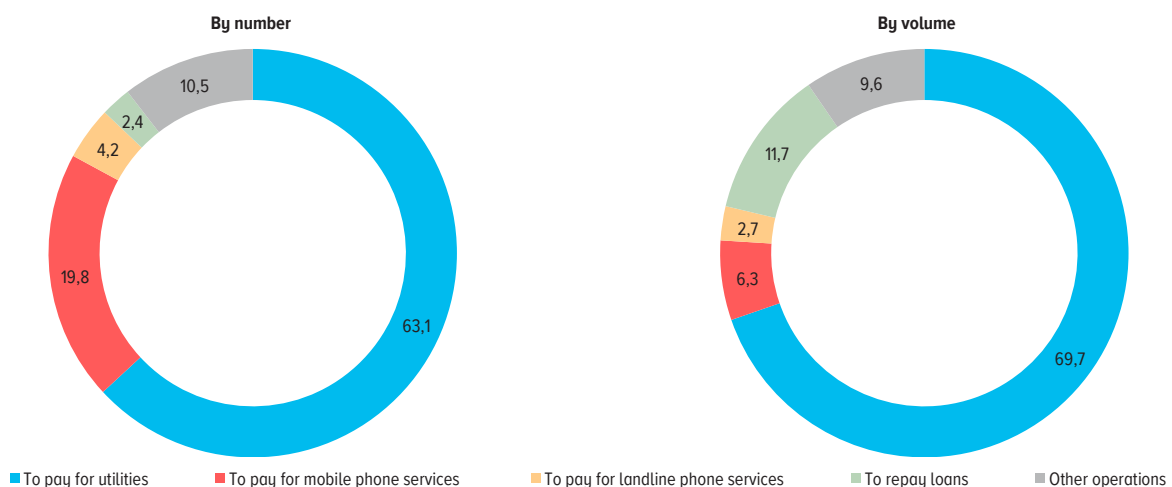
The structure of cross-border postal transfers in 2019 remained almost the same as in 2018, with individuals' postal transfers to individuals prevailing (91.0% by the number and 88.5% by the volume), as compared to 91.0% and 88.6% in 2018, respectively.

JSC Russian Post as a BPA

In 2019, JSC Russian Post in its capacity as a BPA performed 92.9 million operations totalling 64.5 billion rubles, which was more than in 2018 by 21.6% and 31.1%, respectively (in 2018, 76.4 million operations totalling 49.2 billion rubles). The average payment increased from 643 rubles in 2018 to 695 rubles in 2019.

STRUCTURE OF JSC RUSSIAN POST'S OPERATIONS AS BPA TO CONDUCT MONEY TRANSFERS (%)

Chart 10



¹⁷ Beginning from 1 October 2019 (previously known as FSUE Russian Post); the reorganisation was carried out in accordance with Federal Law No. 171-FZ, dated 29 June 2018, 'On Reorganising the Federal State Unitary Enterprise Russian Post, the Fundamentals of Joint-stock Company Russian Post's Activities, and on Amending Certain Laws of the Russian Federation'.

Payments for utility services accounted for the largest number (63.1%) and volume (69.7%) of JSC Russian Post’s operations in its capacity as a BPA, as compared to 61.5% and 77.1% in 2018, respectively.

Broken down by region, operations performed by JSC Russian Post in its capacity as a BPA in 2019 were distributed as follows, compared to 2018:

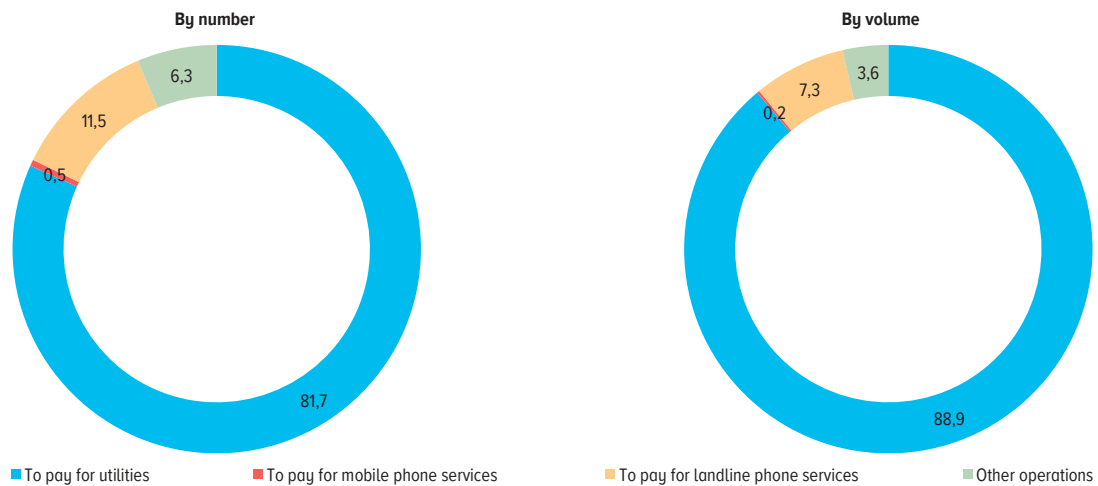
- The Central FD accounted for the largest number (35.7%) and volume (37.6%) of operations against 38.4% and 45.2% in 2018, respectively.
- The Southern FD accounted for the smallest number (2.1%) and volume (1.6%) of operations, while in 2018 the smallest number (1.1%) and volume (0.7%) of operations were recorded in the North Caucasian FD.

JSC Russian Post as a PA

In 2019, JSC Russian Post in its capacity as a PA accepted 384.3 million payments totalling 293.7 billion rubles, which is less than in 2018 by 1.1% and 3.8%, respectively (in 2018, 388.5 million payments totalling 305.4 billion rubles). The average payment decreased from 786 rubles in 2018 to 764 rubles in 2019.

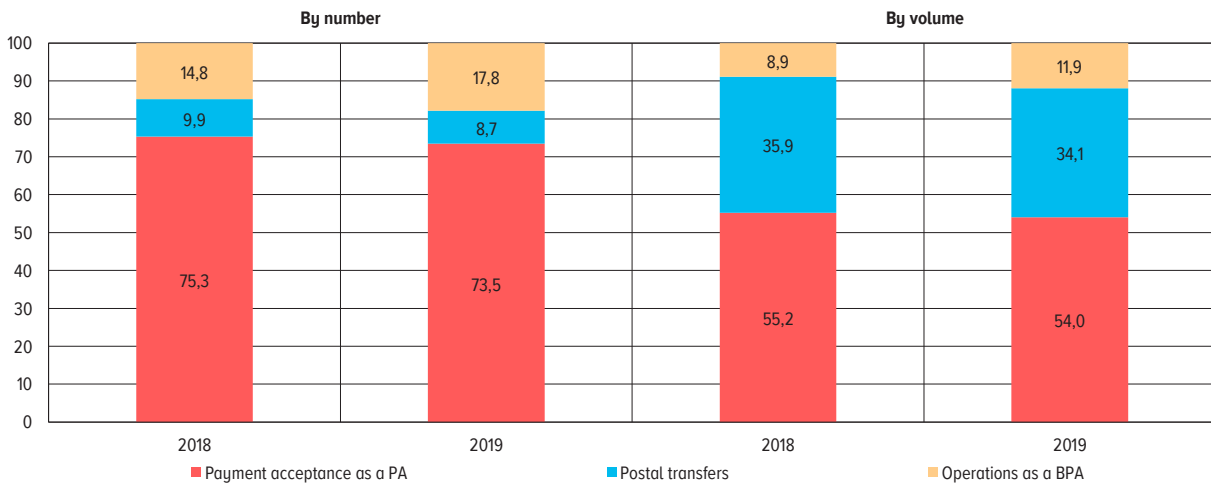
STRUCTURE OF PAYMENTS ACCEPTED BY JSC RUSSIAN POST AS PA (%)

Chart 11



STRUCTURE OF JSC RUSSIAN POST’S PAYMENT SERVICES (%)

Chart 12



The structure of operations performed by JSC Russian Post in its capacity as a PA in 2019 remained the same as in 2018. Payments for utility services accounted for the largest number (81.7%) and volume (88.9%) of operations, against 79.7% and 88.0% respectively in 2018.

The regional distribution of operations performed by JSC Russian Post in its capacity as a PA in 2019 remained the same as in 2018:

- The Volga FD accounted for the largest number (33.2%) and volume (28.6%) of accepted payments against 31.8% and 28.3% in 2018, respectively.
- The North Caucasian FD accounted for the smallest number (2.6%) and volume (3.1%) of accepted payments against 3.1% and 3.9% in 2018, respectively.

The structure of payment services delivered by JSC Russian Post in 2019 remained generally the same as in 2018, with payment acceptance operations conducted in its capacity as a PA accounting for the largest number (54.0% vs 55.2% in 2018) and volume (54.0% vs 55.2% in 2018) (Chart 12).

FSUE Post of Crimea

As of the end of 2019, the operating offices of FSUE Post of Crimea numbered 550, with all of them providing payment services (Annex 2).

Postal transfers by FSUE Post of Crimea

In 2019, FSUE Post of Crimea conducted 1.0 million postal transfers totalling 4.4 billion rubles, which is 5.2% less by the number, yet 2.7% more by the volume than in 2018. The average postal transfer increased from 4,197 rubles in 2018 to 4,545 rubles in 2019, or by 8.3%.

The absolute majority of postal transfers in 2019 (91.6% by the number and 84.2% by the volume), just as in 2018 (93.0% and 88.3%, respectively), were performed by FSUE Post of Crimea within the Russian Federation.

In 2019, the structure of postal transfers within Russia was dominated by individuals' postal transfers to legal entities, by both the number (68.3% vs 63.8% in 2018) and the volume (49.1% vs 46.7% in 2018). In 2018, individuals' postal transfers to individuals prevailed by the volume (50.0%).

FSUE Post of Crimea as a BPA

In 2019, FSUE Post of Crimea in its capacity as a BPA performed 205,200 operations totalling 145.5 million rubles, which is more than in 2018 by 11.5% and 10.6%, respectively (in 2018, there were 184,000 operations totalling 131.6 million rubles). The average payment decreased from 715 rubles in 2018 to 709 rubles in 2019.

The structure of operations performed by FSUE Post of Crimea in its capacity as a BPA in 2019 remained the same as in 2018, with all operations only conducted to transfer money to individuals.

The regional distribution of operations performed by FSUE Post of Crimea in its capacity as a BPA in 2019 remained the same as in 2018:

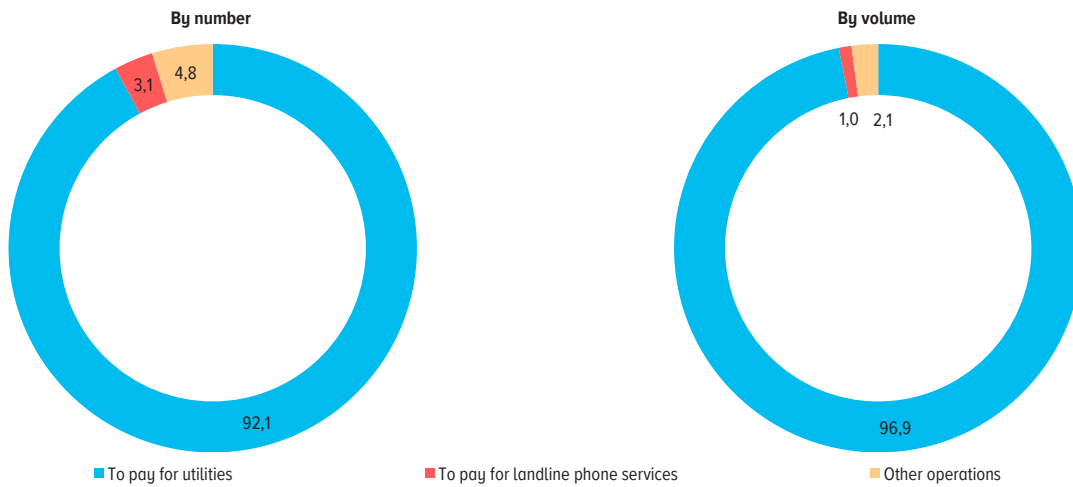
- The units of the Central Post Office of Simferopol accounted for the largest number (30.2%) and volume (29.3%) of operations performed by FSUE Post of Crimea in its capacity as a BPA, as compared to 32.3% and 28.1% in 2018, respectively.
- The units of the Central Post Office of Sevastopol did not perform any operations in their capacity as BPAs.

FSUE Post of Crimea as a PA

In 2019, FSUE Post of Crimea in its capacity as a PA performed 12 million payments totalling 8.1 billion rubles, which is 1.6% less than in 2018 by the number and 1.3% more than in 2018 by the volume (in 2018, 12.2 million operations totalling 8 billion rubles). The average payment increased from 651 rubles in 2018 to 672 rubles in 2019.

STRUCTURE OF PAYMENTS ACCEPTED BY FSUE POST OF CRIMEA AS PA (%)

Chart 13



The structure of operations performed by FSUE Post of Crimea in its capacity as a PA in 2019 remained the same as in 2018, with payments for utility services (Chart 13) accounting for the largest number (92.1%) and volume (96.9%) of operations against 93.1% and 97.4% in 2018, respectively.

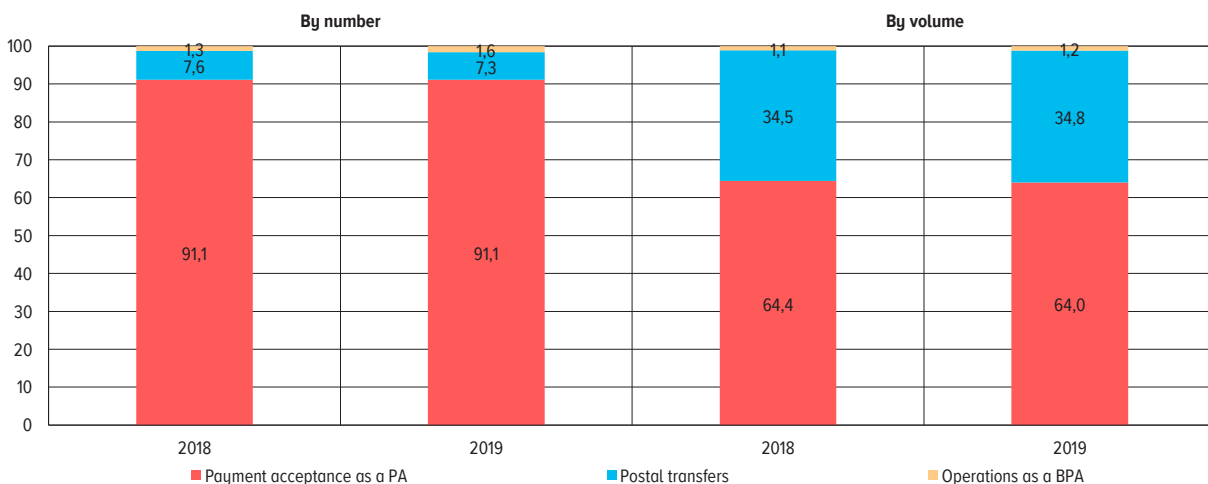
The regional distribution of operations performed by FSUE Post of Crimea in its capacity as a PA in 2019 also remained the same as in 2018:

- The units of the Central Post Office of Simferopol accounted for the largest number (25.3%) and volume (25.9%) of operations performed by FSUE Post of Crimea in its capacity as a PA, as compared to 24.6% and 25.0% in 2018, respectively.
- The units of the Central Post Office of Kerch accounted for the smallest number (10.7%) and volume (9.1%) of operations performed by FSUE Post of Crimea in its capacity as a PA, as compared to 10.8% and 9.2% in 2018, respectively.

The structure of payment services delivered by FSUE Post of Crimea in 2019 remained generally the same as in 2018, with payment acceptance operations conducted in its capacity as a PA accounting for the largest number (91.1%, as in 2018) and volume (64.0% vs 64.4% in 2018) (Chart 14).

STRUCTURE OF FSUE POST OF CRIMEA'S PAYMENT SERVICES (%)

Chart 14



Thus, as before, the structure of payment services delivered by JSC Russian Post and FSUE Post of Crimea was dominated by operations to accept individuals' payments conducted in their capacity as PAs.

The regional distribution of services provided by JSC Russian Post (in the Russian federal districts) and FSUE Post of Crimea (by the central post offices) remained the same.

The evolution of JSC Russian Post's activities to offer convenient ways of payment for goods and services to its clients focuses on the advancement of money transfer services jointly with JSC Post Bank.

1.4.2.3. Critical services providers

In 2020, the Bank of Russia surveyed credit institutions, payment system operators, and the payment infrastructure service operators of the payment systems whose operators were registered by the Bank of Russia concerning their interaction with organisations engaged to ensure the provision of payment services.

According to the findings of the survey, NPS entities outsource extensively, with one NPS entity engaging on average 12 external organisations to ensure the provision of payment services.

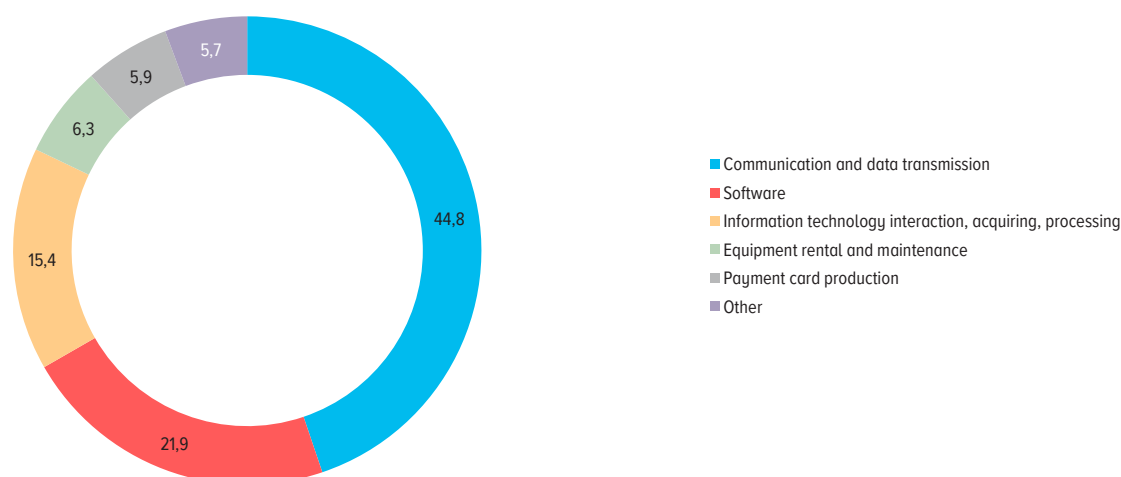
The majority of these organisations are registered in the Russian Federation, which reduces potential risks caused by a possible conflict of jurisdictions or an introduction of international sanctions.

The main types of services offered are as follows: communication and data transmission services, internet access provision, provision of dedicated communication channels, SMS traffic services, connection to the Bank of Russia transport gateway, organisation of virtual private networks, software development and maintenance, software licence issuance, including for remote banking systems, data centres and payment infrastructure (ATMs and POS terminals), information technology interaction services, acquiring and processing, equipment rental and maintenance services, and other services.

Overall, the findings of the survey are in line with global trends demonstrating that financial institutions increasingly prefer to outsource certain functions. In these conditions, the management of risks associated with engagement of third parties is becoming especially important and should be based on the assessment of how the quality of rendering the outsourced services influences the operational stability of an NPS entity itself for it to be capable to perform its business processes within acceptable risk levels.

TYPES OF OUTSOURCED SERVICES

Chart 15



1.4.2.4. Innovations and new participants in the payment services market

The active evolution of the payment infrastructure and online trade, a high level of households' engagement in the development of digital technology, and the creation of innovative payment products continue to contribute to the development and transformation of the Russian payment services market.

As credit institutions support various payment applications (Mir Pay, Google Pay, Apple Pay, Samsung Pay, Garmin Pay, Swatch Pay, Huawei Pay, Pay Wallet, and other payment applications) using the contactless payment technology based on NPS chips,¹⁸ increasingly more people opt for one-touch payments for goods and services using not only cards, but also other devices (gadgets)¹⁹ with NFC chips (smartphones, bracelets, pendants, wristwatches, rings, and other devices). The share of operations carried out using the contactless technology has been considerably increasing in recent years, accounting already for over one-half of all cashless payment card operations as of the end of 2020 H1.²⁰

At the same time, other innovative payment methods continue to emerge, e.g. using payers' biometric identification by scanning their biometric data (face, voice, iris, fingerprint or hand geometry recognition), including those registered in the Unified Biometric System (face and voice recognition). In the banking practice, this technology is called biometric acquiring, and a payment made using this technology is called a biometric payment.

As credit institutions have been implementing smartphone-based payment applications for TSCs, or the so-called M-POS terminals, this enables TSCs to accept payments from clients through payment cards and other contactless payment devices without using traditional POS terminals, which reduces TSCs' expenses for their rental or purchase.

It is becoming a common practice to withdraw cash at ATMs using the contactless technology and to withdraw cash using payment cards not only at credit institutions' cash offices and ATMs, but also at points of sales' cash desks (cash-out).

1.5. International cooperation in NPS oversight

In 2018–2020, as part of development of international cooperation in the area of NPS supervision and oversight, the Bank of Russia actively participated in events hosted by international platforms and forums (e.g. the SWIFT Oversight Forum)²¹ and communicated with international organisations and associations (namely the CPMI),²² foreign central banks and other supervision and oversight authorities.²³

In 2018–2019, the Bank of Russia took part in events organised by the CPMI, including the assessment of foreign jurisdictions within the monitoring of the implementation of the CPMI – IOSCO Principles for Financial Market Infrastructures, the CPMI survey regarding the regulation of payment service providers and the survey on large-value payment systems' security issues, in the preparation of statistics on payments and FMI's operations, the development of a range of

¹⁸ NFC chip is an ultra-thin chip supporting the Near Field Communication (NFC) technology.

¹⁹ Gadget is a small device intended to make people's lives easier and more convenient.

²⁰ The share of cashless transactions conducted using contactless technology both in the Russian Federation and abroad equalled 28% in 2018, 46% in 2019, and 54% in 2020 H1.

²¹ Main participants: G10 states' central banks. In addition, 14 other central banks, including the Bank of Russia, also take part in the Forum. Within the Forum, the Bank of Russia obtains information on SWIFT oversight results.

²² Information on the Bank for International Settlements (BIS) and the CPMI is available on the Bank of Russia website: http://www.cbr.ru/today/ms/smo/bmr_n/.

²³ Up-to-date information on the Bank of Russia's international cooperation on NPS-related issues is available on the Bank of Russia website: <http://cbr.ru/PSystem/mezhdunarodnoesotrudnichestvo/>.

publications²⁴ on cross-border money transfers, regulators' duties related to cooperation and other issues, as well as the development of the CPMI's work plan for 2020–2021.

Cooperation with non-CIS countries' central banks

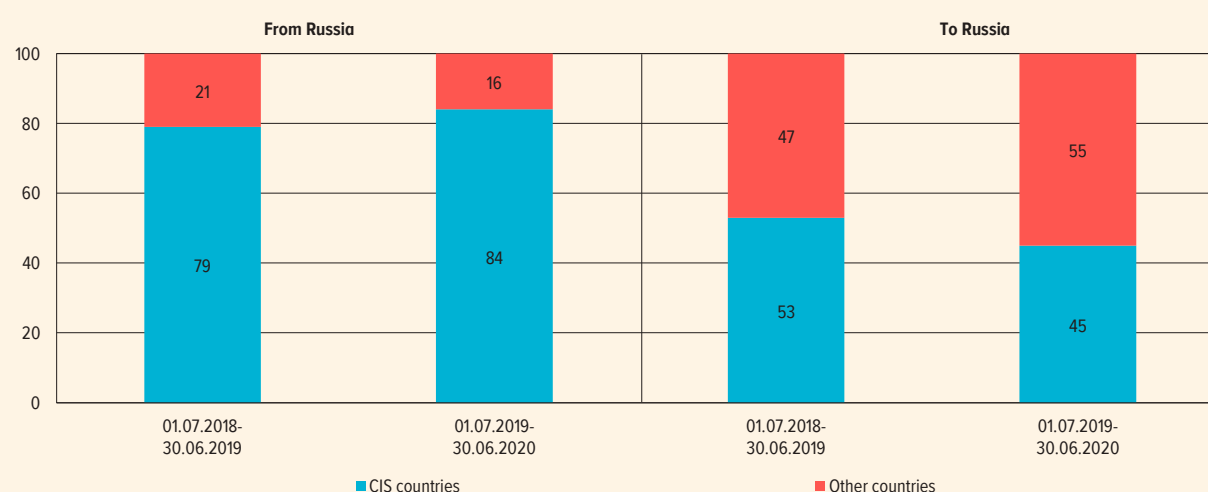
In 2018–2020, one of the areas for the development of cooperation on NPS issues was cooperation with Southeast Asia countries. In particular, in September 2018, the Central Bank of the Russian Federation signed the Memorandum of Understanding with the State Bank of Vietnam on information exchange and cooperation in the area of payment systems oversight. This Memorandum is aimed at promoting an open dialogue between Russia and Vietnam in the area of the development of the countries' NPSs, including by exchanging information on approaches to the regulation of the national payment services markets, oversight and supervision over their participants.

Box 2. Statistics for the cross-border money transfers

From 1 July 2019 through 30 June 2020, the total volume of individuals' cross-border money transfers performed via payment systems and JSC Russian Post (hereinafter the "total volume of cross-border transfers") from Russia to CIS countries was at 5.8 billion US dollars (84% of the total volume of cross-border transfers to key counterparty countries), while the total volume of cross-border transfers from CIS countries to Russia was at 1.4 billion US dollars (45% of the total volume of cross-border transfers from key counterparty countries). The figures for the period from 1 July 2018 through 30 June 2019 were 6.7 billion US dollars (79% of the total volume of cross-border transfers to key counterparty countries) and 1.6 billion US dollars (53% of the total volume of cross-border transfers from key counterparty countries), respectively.

Over the period from 1 July 2019 through 30 June 2020, the Eurasian Economic Union member states¹ (Armenia, Belarus, Kazakhstan, and Kyrgyzstan) accounted for 21% of the total volume of cross-border money transfers made from Russia to CIS countries (1.2 billion US dollars) and 70% of the total volume of cross-border money transfers made from CIS countries to Russia (1 billion US dollars).

CROSS-BORDER MONEY TRANSFERS (BY VOLUME) THROUGH PAYMENT SYSTEMS AND JSC RUSSIAN POST, BY DESTINATION, BROKEN DOWN BY PERIOD (%) Chart 16

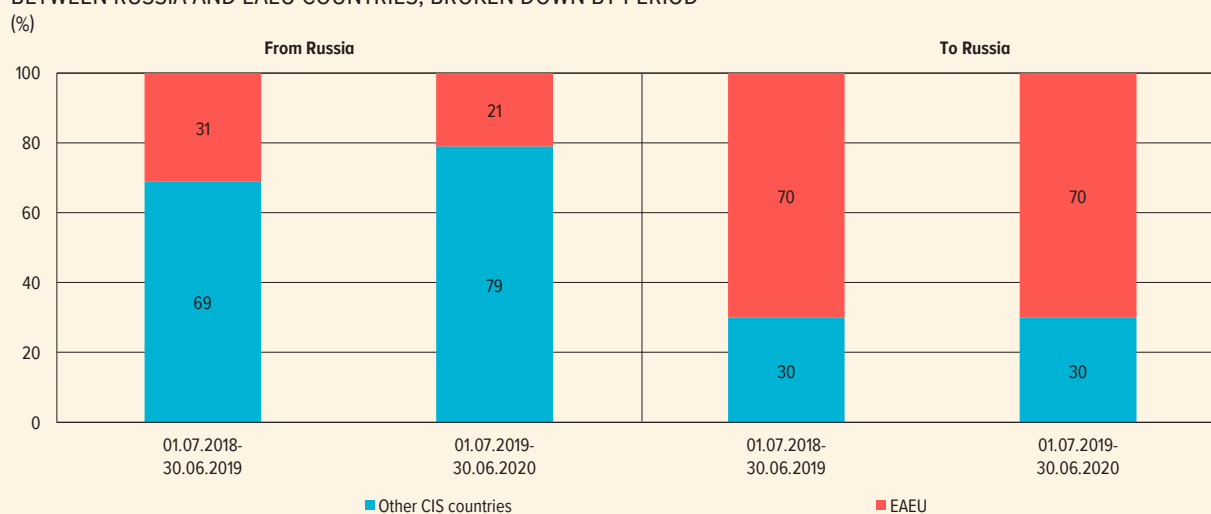


¹ Over the period from 1 July 2018 through 30 June 2019, the total volume of cross-border money transfers between Russia and the EAEU countries equalled 38% of the total volume of CIS countries' cross-border money transfers, as compared to 30% over the period from 1 July 2019 through 30 June 2020.

²⁴ Publications are available on the CPMI's website: <https://www.bis.org/list/cpmi/index.htm>.

CROSS-BORDER MONEY TRANSFERS (BY VOLUME) THROUGH PAYMENT SYSTEMS AND JSC RUSSIAN POST
BETWEEN RUSSIA AND EAEU COUNTRIES, BROKEN DOWN BY PERIOD

Chart 17



Information on the Bank of Russia's cooperation with the Alliance for Financial Inclusion (AFI) is available on the Bank of Russia website: <http://www.cbr.ru/today/ms/smo/afd/>.

Over the previous period, from 1 July 2018 through 30 June 2019, these volumes totalled 2 billion US dollars (31% of the total volume of cross-border money transfers to CIS countries') and 1.1 billion US dollars (70% of the total volume of cross-border money transfers from CIS countries), respectively.

Due to the coronavirus pandemic, a change is expected in the volumes of cross-border money transfers for 2020.

Cooperation with CIS countries' central banks

Taking into account the volumes of cross-border money transfers between Russia and CIS countries, which significantly exceed the levels for other regions, the Bank of Russia still considers it especially important to continue cooperation in the area of supervision and oversight with CIS countries' central banks.²⁵

In order to exchange experience and align approaches in payment systems' regulation, supervision, and oversight, the Bank of Russia continued its efforts aimed at implementing the bilateral treaties signed earlier between the Bank of Russia and EAEU member states' central (national) banks.

As the EAEU member states' central (national) banks and the National Bank of Tajikistan are mutually interested in the development of their cooperation aimed at ensuring the transparency and enhancing the quality of cross-border money transfer services in these countries, they renewed the Memorandum²⁶ of Recommendations in connection with the expansion of the membership following the joining of the Central Bank of Armenia.

Box 3. Memorandum of Recommendations on Ensuring Transparency in the Money Transfer Services Market and Consumer Protection to Financial Institutions Involved in Money Transfers on Behalf of Individuals to Foreign Countries without Opening Bank Accounts (the Memorandum of Recommendations)

Members: the central banks of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan.

The text of the Memorandum of Recommendations is available on the Bank of Russia website:

http://www.cbr.ru/content/document/file/93974/mem_in89.pdf/

²⁵ Over the period from 1 July 2018 through 30 June 2019, the total volume of cross-border money transfers between Russia and CIS countries equalled 72% of the total volume of key counterparty countries' cross-border money transfers, which is around the value recorded over the period from 1 July 2019 through 30 June 2020.

²⁶ The first version of the Memorandum of Recommendations was signed on 18 October 2013 as part of the 29th meeting of the EurAsEC Council of Heads of Central Banks: Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan.

Under the Memorandum, the parties agreed to promote the expansion of cooperation and enhance collaboration in banking and finance between their countries, in particular to align the requirements of their national laws regulating money transfers conducted by financial institutions on behalf of individuals to foreign countries without opening bank accounts.

For the purpose of implementing the Memorandum, the Bank of Russia issued the Methodological Recommendations on Enhancing the Transparency and Ensuring the Availability of Information on Money Transfers without Opening Bank Accounts No. 10-MR, dated 2 April 2019.

The Bank of Russia also cooperated with the central (national) banks of Armenia, Belarus, Mongolia, Kazakhstan, Tajikistan, and Uzbekistan in the area of payments as regards the regional initiative on improving financial inclusion in East European and Central Asian countries.²⁷

Box 4. Alliance for Financial Inclusion (AFI)

Members: 95 countries, including the Russian Federation.

Information on the Bank of Russia's cooperation with the AFI is available on the Bank of Russia website: <http://www.cbr.ru/today/ms/smo/afd/>

In order to exchange experience as regards the practical aspects of central banks' supervision and oversight over payment services market participants, the Bank of Russia has been holding an annual seminar²⁸ for non-CIS and CIS central banks. This annual seminar has been held since 2014, and its membership and the scope of issues on the agenda have been expanding every year.

²⁷ Information on this initiative is available on the AFI website: <https://www.afiglobal.org/easterneuropecentralasiapolicy-initiativeecapi>.

²⁸ In accordance with the Catalogue: Programmes of Professional Training for Personnel of the Central (National) Banks http://www.cbr.ru/about_br/publ/training_catalog/#highlight=%D0%BA%D0%B0%D1%82%D0%B0%D0%BB%D0%BE%D0%B3.

II. OVERSIGHT OF IMPORTANT PAYMENT SYSTEMS IN 2018–2020

2.1. Results of the Bank of Russia's oversight of important payment systems

In 2018–2020, the Bank of Russia continued oversight over important payment systems (IPs) in accordance with Article 35, Part 2 of the NPS Law, monitoring their operations, assessing them, and initiating modifications.

The monitoring was carried out remotely, based on data collected from open sources, and payment system operators' reporting under Forms 0403201 and 0403204²⁹, as well as obtained through working meetings and inquiries sent to payment system operators and payment infrastructure operators regarding the aspects of IPs' and IPS entities' functioning. The important areas of the monitoring comprise issues associated with amending approaches to managing the smooth functioning of payment systems, taking into account the requirements of Bank of Russia Regulation No. 607-P, and establishing fees for services offered within payment systems.

The Bank of Russia assesses the extent of IPs' compliance with the PFMI³⁰ international standard and initiates modifications in IPs' functioning by issuing its recommendations based on the results of assessments.

Based on the PDMI international standard and in order to develop a single approach to overseeing all IPS types with account of their interdependencies, in 2019 the Bank of Russia issued the updated Methodology for the Bank of Russia to Assess Systemically and Socially Important Payment Systems and Systemically Important Financial Market Infrastructures (Central Depository, Central Counterparties, and Repositories)³¹ (hereinafter the "Methodology"). Pursuant to the Methodology, important payment systems are to be assessed for compliance with 18 Principles (Annex 3). The content of these Principles remained the same as compared to the earlier assessments.

In 2019, the Bank of Russia completed another cycle of IPs' assessments for their compliance with the PFMI. The Bank of Russia carried out the assessments of the socially important Visa PS, MasterCard PS, and Sberbank PS, within which it analysed the progress of implementing the action plans developed by the payment system operators pursuant to the recommendations given following the first assessment cycle.

²⁹ Bank of Russia Ordinance No. 5142-U, dated 13 May 2019, 'On the Form and Timeframes for Submission to the Bank of Russia of Payment System Reports by Payment System Operators and the Methodology for Their Preparation'; Bank of Russia Ordinance No. 3304-U, dated 27 June 2014, 'On Reporting by Payment System Operators on Payment Systems Used to Make Funds Transfers in Organised Trading'.

³⁰ Bank of Russia Letter No. 59-T, dated 14 April 2014, 'On Compliance with Bank of Russia Recommendations' and Bank of Russia Letter No. 94-T, dated 29 June 2012, 'On the Document of the Committee on Payment and Settlement Systems 'Principles for Financial Market Infrastructures'.

³¹ Bank of Russia Order No. OD-2551, dated 5 November 2019, 'On the Approval of the Methodology for the Bank of Russia to Assess Systemically and Socially Important Payment Systems and Systemically Important Financial Market Infrastructures'; Bank of Russia Letter No. IN-0445/89, dated 2 December 2019, 'On the Methodology for the Bank of Russia to Assess Systemically and Socially Important Payment Systems and Systemically Important Financial Market Infrastructures'.

2.2. Overview of the payment systems assessed by the Bank of Russia for compliance with the PFMI

Sberbank Payment System

The operator of the Sberbank PS is Sberbank, which simultaneously performs the functions of the operations centre, payment clearing centre and settlement centre.

Interbank money transfers among the participants make for the largest share of money transfers in the Sberbank PS (98.6% in 2018 and 98.4% in 2019), while money transfers using payment cards, money transfers without opening bank accounts, and individuals' money transfers from their bank accounts account for only a minor percentage. The Sberbank PS has been recognised by the Bank of Russia as socially important since it complies with the criteria stipulated by Article 22, Part 2, Clauses 1 and 4 of the NPS Law and of Clause 1.2, Sub-clauses 1.2.1 and 1.2.4 of Bank of Russia Ordinance No. 4443-U.

After the completion of the previous assessment, the following measures were implemented with account of the Bank of Russia's recommendations on the improvement of the Sberbank PS's risk management system:

- Internal regulations on enhancing the Sberbank PS's risk management system were developed and implemented.
- Work was carried out to increase the Sberbank PS's transparency, namely the procedure was established for including the Sberbank PS members' representatives responsible for risk management in the collective risk management body at the Sberbank PS.

The assessment of the Sberbank PS confirmed the findings of the previous assessment regarding a high level of its compliance with the PFMI. The ratings related to four of the principles were raised to the maximum possible level.

MasterCard Payment System

The operator of the MasterCard PS is MasterCard LLC, its Settlement Centre is the Central Bank of the Russian Federation (Bank of Russia), and its Operations and Payment Clearing Centre is NSPK JSC.

By the scale of operations, specifically the number and volume of money transfers, the MasterCard PS is one of the largest retail payment systems in the Russian Federation.

The MasterCard PS conforms to the social importance criterion provided for by Article 22, Part 2, Clause 2 of the NPS Law and Clause 1.2, Sub-clause 1.2.2 of Bank of Russia Ordinance No. 4443-U, in terms of the share of money transfers using payment cards.

All money transfers via the MasterCard PS are made using payment (debit, credit and prepaid) cards.

Over the period from July 2018 through June 2019, money transfers via the MasterCard PS totalled 7,127.0 billion rubles, 99.3% of which were money transfers using settlement (debit) and credit cards. Money transfers without opening bank accounts using prepaid cards accounted for 0.7%. Over the period from July 2019 through June 2020, the structure of money transfers remained the same, with the total volume of money transfers growing by 24.4% due to an increase in money transfers using settlement (debit) and credit cards, to equal 8,863.8 billion rubles.

After the completion of the previous assessment, the following measures were implemented in the MasterCard PS with account of the Bank of Russia's recommendations:

- The Policy for the Smooth Functioning of the Payment System was developed.
- The Regulation on the Procedure for the MasterCard Payment System Operator to Notify the Bank of Russia and Payment System Participants of Cases of and Reasons for Suspension (Termination) of Payment Infrastructure Services' was developed.

The procedure for the Operator to make decisions on penalties and the procedure for their collection, including the conditions for imposing penalties, were developed within the Rules.

The Operator developed and approved its General Commercial Risk Management Plan, including the procedure for the calculation of the Operator's net liquid assets, their monitoring and assessment.

The MasterCard PS developed and approved its Business Plan and Development Strategy, Recovery Plan, and Plan for Raising Additional Capital.

The assessment of the MasterCard PS confirmed the findings of the previous assessment regarding a high level of its compliance with the PFMI. The ratings related to seven of the principles were raised to the maximum possible level.

Visa Payment System

The operator of the Visa PS is Visa Payment System LLC, its Settlement Centre is the Central Bank of the Russian Federation (Bank of Russia), and its Operations and Payment Clearing Centre is NSPK JSC.

The Visa PS conforms to the social importance criterion provided for by Article 22, Part 2, Clause 2 of the NPS Law and Clause 1.2, Sub-clause 1.2.2 of Bank of Russia Ordinance No 4443-U, in terms of the share of money transfers using payment cards.

All money transfers via the Visa PS are made using payment (debit, credit and prepaid) cards.

Over the period from July 2018 through June 2019, money transfers via the Visa PS totalled 7,409.5 billion rubles, 98.7% of which were money transfers using settlement (debit) and credit cards. Money transfers without opening bank accounts using prepaid cards accounted for 1.3%. Over the period from July 2019 through June 2020, the structure of money transfers remained the same, with the total volume of money transfers growing by 21.5% due to an increase in money transfers using settlement (debit) and credit cards, to equal 9,002.0 billion rubles.

After the completion of the previous assessment, the following measures were implemented in the Visa PS with account of the Bank of Russia's recommendations:

To improve the risk management system, the internal regulations on disclosing information about efforts aimed at risk identification and assessment in the Visa PS were amended.

The procedure for calculating net liquid assets within the Liquidity Control Regulation was developed and approved. Available liquidity is regularly calculated and assessed for sufficiency to fulfil own liabilities.

The documented Plan for Raising Additional Capital was approved for cases where the payment system operator's equity decreases and reaches the level close to or below the amount established by laws.

The practice of communication with NSPK was enhanced in terms of ensuring the compliance of business continuity and recovery plans with the established requirements.

Documents were amended in terms of the requirements for access and participation: conditions for terminating the participation in the payment system and the moment of terminating (suspending) the participation in the system were defined.

Internal regulations were amended in terms of the identification of risks stemming from tiered participation arrangements and the development of measures to manage these risks.

The assessment of the Visa PS confirmed the findings of the previous assessment regarding a high level of its compliance with the PFMI. The ratings related to four of the principles were raised to the maximum possible level.

2.3. Overview of the IPSs and the results of their assessment for compliance with the PFMI

In 2018–2019, the Bank of Russia carried out another assessment (the second cycle) of the socially important Visa PS, MasterCard PS, and Sberbank PS. Socially important PSs are retail payment systems with high values of the indicators proving the significance of such systems for households and aimed at conducting money transfers initiated by individuals or performed in favour of individuals. Such systems significantly influence the market where they provide services. Therefore, their malfunction or improper functioning may decrease households' and businesses' trust in cashless settlements.

The assessments for compliance with 18 Principles for FMI were carried out according to the respective Methodology. The assessments proved that Principle 22 'Communication procedures and standards' is not applicable to the activities of the Visa PS and MasterCard PS because Bank of Russia Ordinance No. 3493-U³² obliges them to receive operational services and payment clearing services from NSPK, and the operators of these IPSs do not need to apply international communication procedures and standards; besides, the assessments have shown that Principle 19 'Tiered participation arrangements' is not applicable to the Sberbank PS's activities as the IPS rules establish single-tier participation arrangements.

According to the findings of the assessments, the compliance of the IPSs with the PFMI improved. The IPSs were rated as 'mostly compliant' or higher with regard to all the principles assessed. Pursuant to the Methodology, this implies that a PS has one or more gaps in its operations that do not adversely affect its operations, but cannot be eliminated in the course of current operations and require additional measures to be implemented by the payment system operator within the period it determines itself.

The assessments confirmed that all the IPSs had the highest rating of compliance with Principles 9 and 13 related to money settlements and participant-default rules and procedures.

As regards Principles 8 and 15 on settlement finality in payment systems and general business risk management, the ratings of all the IPSs were increased to the highest level.

This became possible after the payment system operators had fulfilled the recommendations given to them following the earlier assessments (amendments to the PS operators' documents and practical application of the provisions on ensuring final settlement and the general robustness of the IPSs as operating enterprises in the case of risk materialisation).

As regards compliance with Principles 1, 2, 17, 21, and 23 on the legal basis of functioning, PS governance, operational risk management, efficiency and effectiveness, and the disclosure of information on their activities, two of the three PSs had their ratings raised to the highest levels following the repeated assessments.

The ratings of compliance with Principles 3 and 18 regarding risk management framework as well as access and participation requirements were significantly increased, reaching the level of 'mostly compliant' or higher. This shows that the IPSs enhanced their operations over the period under review.

Following the assessment, the IPSs received recommendations to eliminate certain gaps identified in their operations. Based on these recommendations, the IPSs devised their action plans for implementing appropriate changes in their operations.

³² Bank of Russia Ordinance No. 3493-U, dated 16 December 2014, 'On Cooperation and Obtaining Operational and Payment Clearing Services for Funds Transfers Using International Payment Cards'.

2.4. PFMI implementation in the IPSs assessed by the Bank of Russia

2.4.1. General organisation and risk management (Principles 1–5, 7, 15–17)

Principle 1: Legal basis

In accordance with Principle 1, IPS operators should have a robust legal basis for each material aspect of PS activities in all relevant jurisdictions.

IPSs operate in accordance with Russian laws, including the NPS Law, the regulations and other documents of the Bank of Russia, and the IPS rules, provided the compliance of the latter with the NPS Law was verified by the Bank of Russia.

Based on the requirements established in Article 20, Part 1 of the NPS Law, the IPS rules shall stipulate the main provisions and material aspects of a payment system's activities. The legal basis for IPSs is established by the documents developed by IPSs, including their charters, regulations on their governance bodies, risk management regulations, and other documents disclosed by IPS operators on their websites.

Along with the PS rules and organisational documents, the legal basis for IPSs' activities is stipulated in contracts, such as contracts on performing the functions of operations and payment clearing centres, on providing settlement services, contracts between participants and the settlement centre, accession contracts, bank account contracts, and agreements.

Over the period under review, the assessed IPS operators updated their documents governing the organisation and system of risk management in the payment systems, establishing main requirements, and stipulating rules for SFPS risk management.

The findings of the assessments show a high level of the IPSs' compliance with Principle 1 related to the legal basis of the payment systems' functioning. Two of the three PSs had their ratings raised to the highest level following the repeated assessments.

Principle 2: Governance

In accordance with Principle 2, PS operators should have governance arrangements that are clear and transparent, support the stability, and promote the safety and efficiency of IPSs.

IPSs' governance bodies should act pursuant to the IPS rules, charters, and internal organisational documents. IPS operators should disclose on their websites the information on the distribution of powers, functions, and duties in PS operators' governance bodies.

The information on PS governance mechanisms should be disclosed in the IPS rules. The Bank of Russia verifies the compliance of the PS rules with the requirements established by the NPS Law and the related Bank of Russia regulations approved in accordance with this law.

The reporting on IPS operators' activities is to be disclosed pursuant to the procedure stipulated by law. IPS operators' financial results and reporting may be publicly available on IPS operators' websites. IPS operators should submit their reporting to the Bank of Russia in accordance with Reporting Form 0403201 'Information on the payment systems of payment system operators' pursuant to the procedure established by Bank of Russia Ordinance No. 2824-U.

Since the moment of the previous assessment, the assessed IPS operators had updated their internal regulations and directives appointing officers (employees) responsible for risk management in their structural units as well as establishing collective risk management bodies and their powers and liability.

Principle 3: Framework for the comprehensive management of risks

Pursuant to Principle 3, IPS operators should have a sound risk management framework for comprehensive risk management that should comprise a set of governance bodies and business units engaged in risk management processes, internal regulations governing risk management processes and interaction between the units engaged in these processes, as well as methodologies and guidelines on risk identification, assessment and management, and controls in the risk management system.

The IPS rules should stipulate the provisions regarding the risk management system in payment systems. IPS operators should develop and approve documents establishing key requirements and rules for SFPS risk management in order to determine a single approach, the organisational structure, standards and procedures for risk management and to specify risk analysis methodologies in the payment systems. The efficiency of risk management policies, procedures and systems is assessed both internally (assessment of the quality of the risk management system by the internal audit service) and externally (assessment of the risk management system by an independent external auditor).

The risk management system should comprise a set of organisational and technical measures aimed at reducing the probability of the emergence of any unfavourable factors and their consequences for SFPS and mitigating the organisation's own losses and participants' losses in the case of risk materialisation.

The key stages of risk management are risk identification, monitoring and measuring, and the application of risk mitigation methods. In order to identify risks inherent in payment systems, it is necessary to identify events that may cause an incident and to determine the risk size for each event, based on the probability of risk events with account of the potential consequences of their occurrence. Risk management (mitigation) methods are described within risk profiles. Risk management systems should be revised on a regular basis.

IPS operators identify the following material risks: operational, legal, liquidity, and credit risks. In addition, IPSs also identify systemic, commercial and other risks. The SFPS disruption risk is considered separately.

The risk analysis methodologies developed (updated) after the first and repeated assessments describe the elements required by Bank of Russia Regulation No. 607-P.

The assessed IPS operators developed their internal documents regarding business continuity and recovery that enable them to ensure the adequate quality of the IPS functioning if any critical situation occurs. If any business conditions of IPS functioning or risk profiles change, the related documents should be amended accordingly.

Based on the Bank of Russia's recommendations, the assessed IPS operators should enhance their risk management systems: over the period under review, they updated their IPS rules by adding the provisions that stipulate the main methodological principles and approaches to risk measuring and management as well as establish the requirements for the risk management system in the IPSs; the actual organisational risk management model and the risk management model required by the IPS rules were aligned; the measures provided for by the risk analysis methodology were implemented, and statistical risk analysis for previous periods was completed.

Principle 4: Credit risk / Principle 5: Collateral / Principle 7: Liquidity risk

An IPS operator is deemed compliant with Principles 4, 5 and 7 if it has an efficient mechanism for settlements in the IPS and managing related risks.

To be compliant with Principles 4 and 5, an IPS operator should have a robust system for collateral management and credit risk mitigation.

Liquidity risks for most IPSs mainly arise if the participants lack or have a deficit of liquidity to fully and timely discharge their obligations to other IPS participants and if they have to deal with

a concentration of a considerable volume of money transfer orders at particular moments or time periods over a day.

In accordance with the Methodology, socially important PSs are not assessed for compliance with these principles.

Principle 15: General business risk

In accordance with Principle 15, an IPS operator should identify and monitor its general business risk related to ensuring the robustness of its payment system as a going concern. To manage its general business risk, an IPS operator should hold sufficient liquid net assets funded by equity to cover potential general business losses. Liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

General business risk management is integrated into IPS operators' overall risk management systems.

To efficiently manage business risks, IPS operators should develop liquidity ratios enabling the monitoring of the quality and sufficiency of liquid net assets to cover potential losses if the general business risk materialises. The ratios applied should help identify and measure the general business risk.

If business risks materialise, they may adversely affect IPS operators' financial standing due to decreased revenues or higher costs, without having any direct impact on the operations owing to the procedures established in IPSs for processing settlements and discharging obligations which stipulate that money transfers in IPSs should be carried out using funds in their bank accounts.

The assessed IPS operators implemented the Bank of Russia's recommendations related to Principle 15 with regard to:

- the completion of the development of their risk management methods and methodologies, given how the stability of the IPS operators' financial standing influences their SFPS, and the description of these methods and methodologies in their internal documents;
- the development and approval of the IPS operators' internal documents outlining their general business risk management plans, business plans, and the IPS development strategy;
- the change in the frequency of analysing liquid net assets for sufficiency to cover operating expenses and the structure of operating expenses' funding.

Principle 17: Operational risk

Relying on the provisions of Principle 17, IPS operators should identify internal and external sources of operational risk in order to mitigate its impact by using appropriate systems, procedures, and controls. Operational risk is most significant for IPSs. IPSs should ensure a high degree of security and operational reliability and should have an adequate and scalable capacity.

Operational risk management is based on the principles stipulated by Russian and international standards and regulated by IPSs' documents, including their policies, methodologies, and the descriptions of operational risk control procedures and methods. The operational risk management system should enable IPSs to identify operational risk sources and mitigate the threat of potential losses they may incur if the operational risk materialises.

IPSs' main goal as regards their operational reliability is to ensure such a level of the SFPS disruption risk that its materialisation entailing a temporary disruption of individual services would have the lowest possible impact on the overall functioning of the payment system. The main quantitative targets related to IPSs' operational reliability are determined as indicators, with each of them not exceeding the values of the smooth functioning indicators set for the critical mode of functioning.

IPSs' operational reliability targets are stipulated by the IPS rules and other documents of IPS operators, such as business continuity and recovery plans and regulations on interaction between units in the course of operational risk management.

Over the course of operational risk management, IPS operators should ensure compliance with the information and physical security requirements. IPSs' comprehensive security systems should be based on the requirements of national and international standards on IT security.

Following the repeated assessments of compliance with Principle 17, two of the three IPSs assessed had their ratings raised to the highest level.

2.4.2. Settlements (Principles 8 and 9)

Principle 8: Settlement finality

In accordance with Principle 8, IPS operators should complete final settlements no later than the end of the value date. Where necessary or preferable, they should provide final settlements intraday or in real time.

Completing final settlements by the end of the value date is important because deferring final settlement to the next business day can create liquidity pressures for IPS participants and other stakeholders, and potentially be a source of systemic risk. In international practice, settlement finality in PSs may have two meanings:

with regard to operations, this is an irrevocable and unconditional money transfer or the discharge of an obligation by a PS or its participants in accordance with the terms of the underlying contract;³³

in a broader meaning, this term covers legal protection aspects for a money transfer in the case of any attempts to recognise it as invalid or foreclose on transferred funds, including when a PS participant becomes insolvent (bankrupt).³⁴

Russian laws do not define the term 'settlement finality'. Nonetheless, the NPS Law defines the terms 'irrevocable money transfer', 'unconditional money transfer', and 'finality of money transfers'.

As regards the assessed IPSs, their PS rules pursuant to Russian laws stipulate the moment when money transfers become irrevocable and unconditional as well as the requirement to provide final settlement as early as possible in order to decrease settlement risk for all stakeholders.

The findings of the completed assessments show that the IPSs comply with this Principle.

Principle 9: Money settlements

In accordance with Principle 9, to ensure SFPS, IPS operators should engage the central bank as a settlement centre (i.e. conduct their money settlements in "central bank money") because money transfers conducted on accounts opened with the central bank minimise the credit risk and liquidity risk in PSs.

Moreover, pursuant to the provisions of this Principle, if the settlement centre is a credit institution (i.e. an IPS conducts settlements in "commercial bank money"), it is essential to pay special attention to selecting a credit institution that will act as the settlement centre. In this case, when settlements are completed by settlement centres – credit institutions, increased requirements are set for managing settlement risks in such credit institutions' activities ('settlement asset risks'), including the credit risk and liquidity risk.

The management of settlement centres' financial risks is critical for SFPS as their materialisation may entail financial losses for IPS entities, including IPS participants. It is not sufficient for the management of settlement asset risks of IPS settlement centres to comply with the PS rules: in terms of the management of credit institutions' banking risks, it shall also be in line with settlement centres' internal documents taking into account the Bank of Russia's requirements and recommendations, as well as best international practices in this area.

³³ As regards the meaning of settlement finality in terms of operations, the precise definition of this term is necessary to a participant in order to exercise its right to use funds credited into its account and is also important in the case of an orderly wind-down when it is needed to promptly determine the positions of a participant and other stakeholders.

³⁴ Bank of Russia Letter No. 56-T, dated 4 April 2014, 'On the Application of the BIS CPSS Document 'Principles for Financial Market Infrastructures' as regards Settlement Finality in Important Payment Systems'.

The Bank of Russia established that all the assessed IPSs are compliant with this Principle. The recommendations given were related to the need to enhance their internal documents by disclosing the entire list of financial and other liabilities used to guarantee settlements.

2.4.3. Access and participation requirements and participant-default rules (Principles 18, 19, and 13)

Principle 18: Access and participation requirements / Principle 19: Tiered participation arrangements

In accordance with Principles 18 and 19, IPS operators should have reasonable and publicly disclosed criteria for participation that permit fair and open access to PS services and take into account, among other factors, risks created by participants that may also affect both other participants and PSs in general. IPS operators should also assess risks arising from tiered participation arrangements (where there are both direct and indirect participants).

The list of organisations entitled to join the PS rules (become PS participants) is provided in Article 21 of the NPS Law, which provides the basis for participation criteria established by PS operators in their rules.

The recommendations of Principle 18 were partially included into the NPS Law. Therefore, the Bank of Russia analyses the PS rules for participation criteria and participation suspension and termination criteria stipulated therein as early as at the stage of PS operators' registration and examination of their rules.

The assessed IPSs provide fair and open access to their services, which is secured by the common criteria established for IPS participants depending on the type of their participation in the IPSs (direct or indirect participation). The requirements for participation in the IPSs are common for the participants and are based on laws as regards the list of participants, the opening by participants of a bank account with the settlement centre, and participants' accession to the rules, as well as by activities in terms of the security and efficiency of money transfers in the PSs.

Pursuant to Article 20 of the NPS Law, PS operators shall stipulate in their rules the procedure for monitoring of their compliance. The assessed IPS operators improved their procedures for monitoring of participants ensuring the protection of all stakeholders' interests, taking into account the Bank of Russia's recommendations given in the course of the previous assessments. In addition, the Bank of Russia recommended that the IPSs enhance their PS rules in order to disclose their procedures for performing PS business processes, the criteria for accessing the PSs, and the criteria for suspension/termination/resumption of participation in the PSs.

Principle 13: Participant-default rules and procedures

In accordance with Principle 13, IPS operators should have rules and interaction procedures to manage a participant default that are effective and clearly defined, properly formalised and communicated to all stakeholder. These rules and procedures should be designed to ensure that IPS operators could take timely action to contain losses for all stakeholders.

Although there exist certain requirements for participation in IPSs and IPS operators exercise monitoring of the participants, IPSs should have such a design, including the clearing and settlement procedures, that would enable IPSs to mitigate adverse consequences arising from participants' default for both other participants and IPSs in general.

A participant's default may negatively affect other participants where the defaulter, as of the moment of its default, has orders in a queue for intraday settlement or in a queue for deferred settlement. In this regard, IPSs' settlement centres manage the intraday queues of participants' orders.

Upon the end of a business day, orders in the intraday queue for deferred settlement not fulfilled due to insufficient funds are generally cancelled or returned to respective participants. Orders in the queue for deferred settlement may be revoked by their senders. The IPS rules provide a sufficiently detailed description of the relevant processes and procedures.

According to the analysed reporting submitted by the assessed IPSs, the percentage of cancelled (returned) orders (including a total) in the IPSs was generally minor over the period under review.

The assessed IPSs implemented the recommendations given in the course of the previous assessment to define the terms of a participant's financial and operational defaults and formalise default procedures. The documents adopted by the IPS operators are aimed at ensuring settlement finality in due time in the case of an extreme yet probable market situation, mitigating the losses of the IPSs' operators and other IPS entities discharging financial obligations in the system, and managing (suspending and terminating) participation in the IPSs.

In the course of the last assessment, all the assessed IPSs were rated as 'compliant' with this Principle.

2.4.4. IPS efficiency and effectiveness (Principle 21), communication procedures and standards (Principle 22), and disclosure of IPS rules and procedures (Principle 23)

Principle 21: Efficiency and effectiveness

In accordance with Principle 21, IPS operators should develop procedures to meet the needs of their participants and the markets they serve.

In the course of the last cycle of assessments, the Bank of Russia recommended that the assessed IPS operators should develop procedures for measuring their participants' level of satisfaction with IPS services and incorporate these procedures into their internal regulations, develop a methodology for assessing the efficiency of the IPS functioning, and assess the efficiency of their risk management systems taking into account the requirement for disclosing quantitative and qualitative indicators.

The IPSs considered the possibility of implementing these recommendations given the specifics of the IPS designs and, as applicable, carried out work to disclose quantitative and qualitative indicators in their documents on the results of the analysis and assessment of the efficiency of the IPSs' risk management systems.

Goals and objectives related to the establishment and development of PSs are generally stipulated by IPS operators in their strategies and business plans. Where an IPS operator combines this activity with other activities, the IPS may either outline the goals and objectives of the business process related to the PS functioning as a separate area of its Development Strategy, or stipulate them within the organisation's general development plan.

A modern IPS should be designed so as to satisfy the needs of its participants and other financial market users, discharge obligations in a timely and reliable manner, ensure efficiency and effectiveness for participants, and support the necessary tiers of services provided to clients.

Feedback mechanisms enabling participants to suggest improvements to IPS operators help IPSs better meet the needs of their participants and other users.

Based on the results of the analysis of individual indicators characterising the satisfaction level of IPS participants and their clients and the assessment of the satisfaction index over the period under review, the assessed IPS operators have concluded that these indicators are at a high level.

Principle 22: Communication procedures and standards

In accordance with Principle 22, IPS operators should use or accommodate relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, and settlement.

The use by IPSs of internationally accepted communication procedures and standards to perform their main functions enhances the automation of clearing and settlement, reduces risks and transaction costs, improves efficiency, and helps eliminate barriers to accessing the payment services market. Standardised communication procedures form a common set of the rules for communication among participants. By enhancing the quality of communication and transaction processing procedures, IPSs may reduce the number of errors, avoid information losses, and generally reduce resources needed for the processing of IPS data by IPS participants.

As applicable, the assessed IPSs carry out measures to implement International Standard ISO 20022 ‘Financial Services’ in their PSs.

Principle 23: Disclosure of rules, key procedures, and market data

In accordance with Principle 23, IPS operators should disclose information on PS functioning rules and procedures and other data that enable participants to make informed decisions on participation in IPSs and have an accurate understanding of the risks, fees, and other material costs that they incur by participating in IPSs, and that enable regulators to use such information for IPS supervision and oversight.

In recent years, IPS operators have been increasingly focusing on the disclosure of information on their activities to all stakeholders, comprehending that the transparency of IPS functioning influences the public perception of PSs, helps promote participants’ and their clients’ confidence in IPSs, and eventually enhances the efficiency of PSs in general.

IPSs publish their rules and fees on their websites. Along with the requirements for participation and clearing and settlement procedures, the IPS rules establish the risk management system and the list of measures aimed at supporting SFPS and include information on ensuring a guaranteed level of the continuity of operational services and on procedures to be applied when abnormal situations occur.

For transparency purposes, information on payment infrastructure service operators and the standard forms of contracts and addenda thereto stipulating parties’ rights and responsibilities are released publicly. IPS operators should disclose information on their financial performance, including income statements, consolidated financial statements, annual reports, and information on technologies employed and prospective strategic development areas.

Following the assessments, the IPS operators assessed should publish information on their PSs in accordance with the structure recommended by the CPMI – IOSCO, in the Russian and (in a number of cases) English languages, ensuring the comparability of disclosed information on the Russian IPSs with information on systemically important PSs disclosed in other jurisdictions.

Box 5. Information disclosure pursuant to the CPMI – IOSCO structure

Payment system	Disclosure of information on the payment system
Sberbank PS	https://www.sberbank.ru/common/img/uploaded/files/pdf/credit_org/otsenkaPS_prilozhenieAIFR.pdf
MasterCard PS	http://www.mastercard.ru/ruru/aboutmastercard/whatwedo/rulesfees.html
Visa PS	https://www.visa.com.ru/content/dam/VCOM/regional/cemea/russia/aboutvisa/docs/Visa_Disclosure_03_12_2019.pdf

IPS operators assess the level of understanding of IPS procedures by IPS participants using feedback mechanisms based on complaints and inquiries received from participants and the calculation of the satisfaction index of participants and their clients (see Principle 21).

2.5. The Bank of Russia's activities in relation to IPSs

The completed assessments (the second cycle) of the Sberbank PS, the MasterCard PS, and the Visa PS established that the operators of the respective PSs had successfully implemented their plans to ensure compliance with the recommendations (as applicable) received following the previous assessments.

The implementation of the action plans helped them increase their ratings in the course of the next assessment (see Section 2.3). The IPS operators ensured compliance with a range of aspects provided for by the PFMI and recommended for implementation. Nonetheless, there are still narrow-focus areas for enhancing the IPS functioning.

The recommendations given by the Bank of Russia following the second cycle of the assessments were also included into the action plans for changes in these IPSs' activities and approved by the Bank of Russia.

The Bank of Russia is going to continue to implement the PFMI in Russia in the following areas:

- further IPS assessment cycles;
- communication with the IPS operators to monitor how they implement their plans for changes based on assessment results that should be accomplished by the start of the next assessment cycle;
- integration of best Russian practices of the PFMI application in the IPSs' activities for the possible usage of the PFMI by all PSs;
- development of new areas for the PFMI application, taking into account new financial market instruments and participants, with a focus on best international practices.

CONCLUSION

The 2018–2020 NPS oversight results provided in this issue show the generally positive dynamics of the development of the Russian payment segment. This is confirmed by the successful evolution of the NSPK (National Payment Card System), the development indicators of the payment card market demonstrating a steady upward trend, an increase in quantitative indicators (number and volume) of transactions carried out by credit institutions' clients using electronic technologies, including a rise in indicators showing the application of contactless technologies.

In order to enhance the NPS oversight, the Bank of Russia will continue to identify best Russian and foreign practices in rendering payment services and payment infrastructure services, as well as factors hindering the implementation of such practices in the Russian payment services market.

In order to improve the NPS oversight, the Bank of Russia will continue to enhance the coordination between the NPS oversight and supervision and the efficiency of communication between the Bank of Russia and payment market participants. The Bank of Russia will also continue efforts to identify development trends and potential in the NPS.

Furthermore, the Bank of Russia will further implement the ongoing complex of NPS oversight measures, including the monitoring of the activities of NPS entities and their related overseen entities (payment systems, payment infrastructures), the assessment of the activities of overseen organisations and their related overseen entities (payment systems, payment infrastructures), and the preparation of recommendations for changes in the activities of assessed overseen organisations and their related significant payment systems based on the results of the assessment (initiation of changes).

ANNEXES

Annex 1

PAYMENT SYSTEMS FUNCTIONING IN THE RUSSIAN FEDERATION (AS OF 1 JULY 2020)

No.	PS	PS operator	Payment infrastructure			PS importance
			Settlement centre	Payment clearing centre	Operations centre	Systemically important
						Socially important
						Nationally important
1	Bank of Russia Payment System	Bank of Russia	Bank of Russia	Bank of Russia	Bank of Russia	Systemically important PS Nationally important PS
2	NSD Payment System	National Settlement Depository	National Settlement Depository	National Settlement Depository	National Settlement Depository	Systemically important PS Nationally important PS
3	Mir payment system	NSPK	Bank of Russia	NSPK	NSPK	Nationally important PS
4	Visa payment system	Visa Payment System LLC	Bank of Russia	NSPK	NSPK	Socially important PS
5	KoronaPay payment system	Credit Union «Payment Center» Ltd.	Credit Union «Payment Center» Ltd.	CJSC Zolotaya Korona	CJSC Zolotaya Korona	Socially important PS
				Credit Union «Payment Center» Ltd.		
6	MasterCard payment system	MasterCard LLC	Bank of Russia	NSPK	NSPK	Socially important PS
7	Sberbank payment system	Sberbank	Sberbank	Sberbank	Sberbank	Socially important PS
						Nationally important PS
8	UNISTREAM international money transfer company	UNISTREAM COMMERCIAL BANK (JSC)	UNISTREAM COMMERCIAL BANK (JSC)	UNISTREAM COMMERCIAL BANK (JSC)	UNISTREAM COMMERCIAL BANK (JSC)	Nationally important PS
			Bank Otkritie Financial Corporation (Public Joint-Stock Company)			
9	HandyBank payment system	HandySolutions	Bank Otkritie Financial Corporation (Public Joint-Stock Company)	HandySolutions LLC	HandySolutions LLC	Nationally important PS
10	Customs Card payment system	Customs Card LLC	NCO ICU (LLC)	Customs Card LLC	Customs Card LLC	Nationally important PS
			Sberbank			
			Bank Otkritie Financial Corporation (Public Joint-Stock Company)			
			RGS Bank			
11	Multiservice Payment System	Multiservice Payment System LLC	VTB Bank (PJSC)	Multiservice Payment System LLC	Multiservice Payment System LLC	Nationally important PS
			NEFTEPROMBANK			
			PJSC ROSBANK			
			Bank GPB (JSC)			

No.	PS	PS operator	Payment infrastructure			PS importance
			Settlement centre	Payment clearing centre	Operations centre	Systemically important
						Socially important
						Nationally important
12	VTB payment system	VTB Bank (PJSC)	VTB Bank (PJSC)	VTB Bank (PJSC)	VTB Bank (PJSC)	Nationally important PS
13	BEST payment system	LLC BEST	Commercial Bank FinTech (LLC)	LLC BEST	LLC BEST	Nationally important PS
			Bank Otkritie Financial Corporation (Public Joint-Stock Company)			
14	Sendy payment system	Digital Payment LLC	LLC NCO Russian Financial Society	Digital Payment LLC	Digital Payment LLC	Nationally important PS
			SKS Bank, LLC			
15	CONTACT payment system	QIWI Bank (JSC)	QIWI Bank (JSC)	QIWI Bank (JSC)	QIWI Bank (JSC)	Nationally important PS
			Bank Otkritie Financial Corporation (Public Joint-Stock Company)			
			VTB Bank (PJSC)			
16	Gazprombank payment system	Bank GPB (JSC)	Bank GPB (JSC)	Bank GPB (JSC)	Bank GPB (JSC)	Nationally important PS
17	Western Union payment system	Non-Banking Credit Organization Western Union MT East, Ltd	VTB Bank (PJSC)	Non-Banking Credit Organization Western Union MT East, Ltd	Non-Banking Credit Organization Western Union MT East, Ltd	
			Non-Banking Credit Organization Western Union MT East, Ltd			
18	Insurance Payment System	Insurance Payment System LLC	AO ALFA-BANK	Insurance Payment System LLC	Insurance Payment System LLC	
19	American Express payment system	American Express Bank LLC	Bank of Russia	NSPK	NSPK	
20	UnionPay payment system	UnionPay LLC	Bank of Russia	NSPK	NSPK	
21	JCB payment system	JCB International (Eurasia) LLC	Bank of Russia	NSPK	NSPK	
22	BANK OF CHINA payment system	BANK OF CHINA (RUSSIA)	BANK OF CHINA (RUSSIA)	BANK OF CHINA (RUSSIA)	BANK OF CHINA (RUSSIA)	
23	ICBC payment system	Bank ICBC (JSC)	Bank ICBC (JSC)	Bank ICBC (JSC)	Bank ICBC (JSC)	
24	CP Retail payment system	CP Retail LLC	Credit Company RIB	NCO ICU (LLC)	NCO ICU (LLC)	
			NCO ICU (LLC)			
25	PLUSPAY payment system	PLUSPAY LTD.	Payment Standard SNCO LLC	PLUSPAY LTD.	PLUSPAY LTD.	
			Credit Company RIB			
26	Banking Cooperation System payment system (UnitedBanks)	Banking Cooperation Operator LLC	JSC RUNA-BANK	Bank Operations Centre LLC	Bank Operations Centre LLC	
27	MOMENTOM payment system	RSMP LLC	NCO ICU (LLC)	RSMP LLC	RSMP LLC	
28	NARODNAYA payment system	Public bank (JSC)	Public bank (JSC)	Public bank (JSC)	Public bank (JSC)	

Annex 2

NUMBER OF JSC RUSSIAN POST OFFICES, BY RUSSIAN FEDERAL DISTRICT, AS OF 1 JANUARY 2020

Federal district	Number of JSC Russian Post offices, thousand units	
	total	offices providing payment services (postal transfers and as a BPA/PA)
Central Federal District	10.9	9.9
Volga Federal District	10.4	9.5
Siberian Federal District	5.3	4.8
Southern Federal District	3.8	3.7
North-Western Federal District	4.1	3.3
Urals Federal District	2.9	2.6
Far Eastern Federal District	2.9	2.6
North Caucasian Federal District	2.1	1.8
Total for JSC Russian Post	42.4	38.2

NUMBER OF FSUE POST OF CRIMEA OFFICES, BY BRANCH, AS OF 1 JANUARY 2020

Branch of FSUE Post of Crimea	Number of FSUE Post of Crimea offices, units		
	total	offices providing payment services	
		postal transfers	as a BPA/PA
Central Post Office of Krasnogvardeysk	135	135	135
Central Post Office of Simferopol	122	122	122
Central Post Office of Yevpatoria	82	82	82
Central Post Office of Feodosia	66	66	66
Central Post Office of Sevastopol	56	56	56
Central Post Office of Yalta	50	50	50
Central Post Office of Kerch	39	39	39
Total for FSUE Post of Crimea	550	550	550

Annex 3

PFMI AND THEIR APPLICABILITY TO SYSTEMICALLY AND SOCIALLY IMPORTANT PAYMENT SYSTEMS

No.	Principle	Systemically important PSs	Socially important PSs
1	Principle 1. Legal basis	V	V
2	Principle 2. Governance	V	V
3	Principle 3. Framework for the comprehensive management of risks	V	V
4	Principle 4. Credit risk	V	
5	Principle 5. Collateral	V	
6	Principle 7. Liquidity risk	V	
7	Principle 8. Settlement finality	V	V
8	Principle 9. Money settlements	V	V
9	Principle 12. Exchange-of-value settlement systems	V	
10	Principle 13. Participant-default rules and procedures	V	V
11	Principle 15. General business risk	V	V
12	Principle 16. Custody and investment risks	V	
13	Principle 17. Operational risk	V	V
14	Principle 18. Access and participation requirements	V	V
15	Principle 19. Tiered participation arrangements	V	V
16	Principle 21. Efficiency and effectiveness	V	V
17	Principle 22. Communication procedures and standards	V	V
18	Principle 23. Disclosure of rules, key procedures, and market data	V	V

Annex 4

Federal laws on the NPS issued in 2018–2020

1. Federal Law No. 322-FZ, dated 3 August 2018, «On Amending the Federal Law «On Insuring Household Deposits Held with Russian Banks» and Certain Laws of the Russian Federation».
2. Federal Law No. 452-FZ, dated 28 November 2018, «On Amending the Federal Law «On the Development Bank» and Certain Laws of the Russian Federation».
3. Federal Law No. 33-FZ, dated 18 March 2019, «On Amending Articles 7 and 7.1 of the Federal Law «On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism» and Articles 7 and 10 of the Federal Law «On the National Payment System».
4. Federal Law No. 166-FZ, dated 3 July 2019, «On Amending Article 12 of the Federal Law «On the National Payment System».
5. Federal Law No. 173-FZ, dated 3 July 2019, «On Amending the Federal Law «On the National Payment System» and Certain Laws of the Russian Federation».
6. Federal Law No. 190-FZ, dated 18 July 2019, «On Amending the Federal Law «On the Central Bank of the Russian Federation (Bank of Russia)».
7. Federal Law No. 259-FZ, dated 2 August 2019, «On Attracting Investments Using Investment Platforms and on Amending Certain Laws of the Russian Federation».
8. Federal Law No. 264-FZ, dated 2 August 2019, «On Amending the Federal Law «On the National Payment System» and the Federal Law «On the Central Bank of the Russian Federation (Bank of Russia)».
9. Federal Law No. 490-FZ, dated 27 December 2019, «On Amending Article 9 of the Federal Law «On the National Payment System».
10. Federal Law No. 513-FZ, dated 27 December 2019, «On Amending the Federal Law «On the Acceptance of Payments from Individuals by Payment Agents».

Bank of Russia regulations and other acts on the NPS issued in 2018–2020

1. Bank of Russia Ordinance No. 4973-U, dated 26 November 2018, «On the Procedure for the Bank of Russia to Submit Requests and Receive Information from Federal Postal Service Organisations on Postal Funds Transfers» and Bank of Russia Ordinance No. 5484U, dated 22 June 2020, «On Amending Bank of Russia Ordinance No. 4973-U, Dated 26 November 2018, «On the Procedure for the Bank of Russia to Submit Requests and Receive Information from Federal Postal Service Organisations on Postal Funds Transfers».
2. Bank of Russia Ordinance No. 5039-U, dated 25 December 2018, «On the Forms and Procedure for Funds Transfer Operators to Send Notifications of a Suspension of Funds Crediting to the Payee»s Bank Account or of Increasing the Payee»s Electronic Money Balance, and on the Non-Suspension of the Above Operations».
3. Bank of Russia Ordinance No. 5110-U, dated 1 April 2019, «On the Form and Timeframe for Submitting to the Bank of Russia Statements of a Payment Infrastructure Operator and a Payment System Operator on Incidents that Occurred (were Identified) during the Provision of Payment Infrastructure Services and on Indicators of the Smooth Functioning of the Payment System, and the Methodology for Compiling Such Statements».
4. Bank of Russia Ordinance No. 5142-U, dated 13 May 2019, «On the Form and Timeframe for Submission to the Bank of Russia of Payment System Reports by Payment System Operators and the Methodology for Their Preparation».
5. Bank of Russia Ordinance No. 5323-U, dated 21 November 2019, «On the Form of Notifying the Bank of Russia by Funds Transfer Operators about their Participation (Termination of

- Participation) in a Foreign Payment System and on the Procedure for Compiling and Submitting Such Notification».
6. Bank of Russia Ordinance No. 5324-U, dated 21 November 2019, «On the Procedure for Imposing Penalties on Information Exchange Operators Stipulated by Article 82.6 of Federal Law No. 86-FZ, Dated 10 July 2002, «On the Central Bank of the Russian Federation (Bank of Russia)».
 7. Bank of Russia Ordinance No. 5325-U, dated 21 November 2019, «On the Form, Procedure and Terms for a Funds Transfer Operator to Notify the Bank of Russia of a Unilateral Suspension (Termination) of Information Exchange Services to the Funds Transfer Operator and its Customers by an Information Exchange Operator».
 8. Bank of Russia Regulation No. 705-P, dated 18 December 2019, «On the Procedure for the Bank of Russia to Supervise Compliance by Payment System Operators, Which are not Credit Institutions, Payment Infrastructure Operators, as well as Foreign Payment System Operators with Federal Law No. 161-FZ, Dated 27 June 2011, «On the National Payment System» and Related Bank of Russia Regulations».
 9. Bank of Russia Ordinance No. 5365-U, dated 23 December 2019, «On the Procedure for a Funds Transfer Operator to Monitor the Activities of Bank Payment Agents».
 10. Bank of Russia Ordinance No. 5379-U, dated 26 December 2019, «On Registration by the Bank of Russia of Organisations as Payment System Operators, on Putting Foreign Organisations which are Foreign Payment System Operators on the Register of Foreign Payment System Operators, and on the Procedure for Maintaining the Register of Payment System Operators and the Register of Foreign Payment System Operators».
 11. Bank of Russia Ordinance No. 5429-U, dated 6 April 2020, «On the Procedure for the Bank of Russia to Maintain the List of Payment Application Providers, List of Foreign Providers of Payment Services, List of Information Exchange Operators, and List of Bank Payment Agents Engaged in Payment Aggregator Operations; on the Procedure, Forms, Composition, and Timeframe for Funds Transfer Operators and Payment System Operators to Provide Information for the Maintenance of the Specified Lists».
 12. Bank of Russia Information Letter No. IN-0445/70, dated 3 December 2018, «On Ensuring the Smooth Processing of Funds Transfers in Payment Systems Made Using Payment Cards».
 13. Bank of Russia Information Letter No. IN-04–45/89, dated 3 December 2019, «On the Methodology for the Bank of Russia to Assess Systemically and Socially Important Payment Systems and Systemically Important Financial Market Infrastructures».
 14. Bank of Russia Information Letter No. IN-0445/43, dated 31 March 2020, «On the Non-application of Sanctions and Enforcement Actions and Measures to Payment System Operators, Payment Infrastructure Operators, and Funds Transfer Operators».
 15. Bank of Russia Information Letter No. IN-0445/69, dated 16 April 2020, «On Recommendations on Supporting Holders of Expired Payment Cards».
 16. Bank of Russia Information Letter No. IN-0445/81, dated 23 April 2020, «On the Non-application of Measures in Connection with the Spread of the Coronavirus Infection (COVID-19)».
 17. Bank of Russia Information Letter No. IN-0445/99, dated 9 June 2020, «On the Non-application of Measures to Funds Transfer Operators and Payment System Operators».
 18. Bank of Russia Methodological Recommendations No. 10-MR, dated 2 April 2019, on increasing the transparency and ensuring the availability of information on funds transfers without opening bank accounts.
 19. Bank of Russia Order No. OD-2551, dated 5 November 2019, «On the Approval of the Methodology for the Bank of Russia to Assess Systemically and Socially Important Payment Systems and Systemically Important Financial Market Infrastructures (Central Depository, Central Counterparties, and Repositories) and Cancellation of Bank of Russia Orders No. OD-607, Dated 9 April 2014, and No. OD-3118, Dated 6 November 2014».

Annex 5

Bank of Russia's press releases and publications related to the 2018–2020 NPS oversight

- Assessment of Sberbank payment system: press release dated 28 December 2018.
URL: http://www.cbr.ru/press/pr/?file=28122018_131555if20181228t13_14_21.htm.
- Assessment of MasterCard payment system: press release dated 22 January 2019.
URL: http://www.cbr.ru/press/pr/?file=22012019_190747if20190122t19_05_10.htm.
- Recognition by the Bank of Russia of credit institutions as important in the payment services market: press release dated 3 April 2019.
URL: http://www.cbr.ru/press/pr/?file=03042019_112046if20190403t11_20_00.htm.
- Assessment of Visa payment system: press release dated 25 April 2019.
URL: http://www.cbr.ru/press/pr/?file=25042019_145304if20190425t14_51_56.htm.
- Recognition by the Bank of Russia of credit institutions as important in the payment services market: press release dated 25 March 2020.
URL: http://www.cbr.ru/press/pr/?file=25032020_111501if20200325t11_01_02.htm.
- Information and analytical commentary 'Overview of the Performance of Bank Payment Agents, Payment Agents, and Postal Organisations in Payment Services Provision in 2018'.
URL: http://www.cbr.ru/content/document/file/93082/review_payment_services_2018.pdf.

