



Bank of Russia



RUSSIAN FINANCIAL MARKET DEVELOPMENT PROGRAMME FOR 2023–2025

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[The electronic version](#) of the document is available in the Publications / Russian Financial Market Development Programme section on the Bank of Russia website.

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INTRODUCTION

The Russian economy and financial market are facing a wide range of challenges amid unprecedented sanctions pressure. The anti-crisis measures promptly taken by the Bank of Russia and the Government of the Russian Federation stabilised the situation. Now the recovery and further development of the Russian economy and financial market in the new realities are on the agenda. Considering that the extraordinary change of circumstances is likely to be long lasting and will have structural implications, systemic solutions for the development of the Russian economy and financial market are required.

The Russian Financial Market Development Programme for 2023–2025 (Programme 23–25) – the main medium-term document on the development of the domestic financial market – has been drafted with regard to the new conditions. Goals, directions and policy objectives for the development of the Russian financial market over the medium-term horizon are formed taking into account challenges that face the Russian economy at the present stage. Russia will have to go through a structural transformation of the economic system relying on domestic resources, and the financial market will participate in the financing of this transformation.

The document contains both new major directions and objectives prompted by the changed conditions and previously planned essential objectives, the fulfilment of which remains crucial for the Russian economy and financial market. Thus, Programme 23–25 takes into account new challenges while maintaining continuity with the current Russian Financial Market Development Programme for 2022–2024 (Programme 22–24). The key directions include the following five ones: creating conditions for strengthening the financial market role in financing the Russian economy transformation; financial consumer and investor protection, enhancement of financial inclusion for households and businesses; transformation of foreign trade payments and settlements; financial market digitalisation and payment infrastructure development; ensuring financial stability. Each direction consists of priority objectives groups to be addressed.

The drafting of the document took into account the comments and suggestions of financial market participants, business and expert communities regarding the previously published Bank of Russia’s report for public discussion [Financial Market: New Objectives in Modern Conditions](#), as well as those brought up at parliamentary hearings in the State Duma of the Federal Assembly of the Russian Federation.

With changes in the geopolitical situation and the imposition of sanctions, Russia’s access to the markets for goods, services, capital, transportation, logistics, payment and settlement infrastructure of unfriendly countries, which had been main trading partners of our country, was disconnected or significantly restricted. This applies to both export-import transactions and direct and portfolio investments, payments and settlements. These conditions require refocusing and strengthening of Russia’s foreign trade and financial relations with friendly countries, which entails the construction of the necessary infrastructure, interconnections, payment and settlement channels and the adjustment of the legal framework. This work should be done in such a way as to minimise secondary sanctions risks, which may be feared by other countries.

Financial institutions and the financial market as a whole faced a sharp and large-scale shock associated with the imposition of sanctions against major financial institutions and the freezing of assets abroad. In turn, the deteriorating economic situation and falling incomes affect the creditworthiness of households and businesses. All this creates risks to the financial stability of financial institutions, while it is required to boost the capacity of lending and the availability of other instruments to provide financial collateral to the Russian economy, which will go through a structural transformation.

The structural transformation will be associated with significantly increased investment needs, which may differ materially by industry and region, and the growing role of equity capital in financing business investment. This will require a change in the proportion of debt and equity financing and the development of tools to replenish the equity capital.

It is critical to ensure financial stability, including the resilience of systemically important credit institutions (SICIs), as well as to restore individuals' confidence in capital market investments, the interest in which was formed in the previous few years. This is of particular importance given the increasing role of domestic sources of financing the economy after the inflow of foreign capital ceased. In this regard, an important focus area will be to bolster financial consumer and investor protection with the aim of forming favourable conditions for the growth of people's welfare, as well as to take into account the needs of socially vulnerable population groups. Equally important in this context is the issue of improving financial literacy, constantly informing the public about all changes in the financial system, adjusted for the current challenges, which will encourage citizens to make correct financial decisions and reduce the risks of spontaneous rash behaviour affecting their well-being.

At the same time, in view of structural changes, it is important to maintain and expand financial inclusion, i.e. the availability of various financial market instruments necessary to meet the needs of households and businesses and to implement personal and business plans.

With the creation of opportunities and conditions for the development of the economy and financial market, it is necessary to ensure financial stability. Given the new challenges and risks, it requires additional adjustment of the Bank of Russia's approaches, in terms of both monitoring the development of the situation and the instruments used.

The previously set vector for the financial market digitalisation requires the technologies' design, development and adaptation of, including hardware and software, adjusted for the imposed restrictions on their imports and maintenance in Russia.

The development of the financial market, which is part of the economic system, will largely depend on the model of the Russian economy and approaches to overcome the challenges it faces. This document has been prepared based on the following prerequisites:

- maintaining the openness of the Russian economy with the prospect of expanding foreign trade and financial relations with friendly countries;
- the priority of the interests of financial consumers (households and businesses) and the Russian economy as a whole as the ultimate beneficiaries of financial market development in determining the goals and objectives of its development;
- the use of predominantly market-based methods and approaches as the most efficient in solving the tasks at hand;
- the adoption of measures aimed at supporting and developing the economy and financial market, bearing in mind the impact they have on the competitive environment;
- preserving or strengthening the role of the state only in those domains and in solving those problems that the market cannot cope with effectively, but which are essential to the Russian economy.

SECTION 1. GOALS, PRINCIPLES AND INSTRUMENTS OF THE POLICY FOR THE DEVELOPMENT OF THE RUSSIAN FINANCIAL MARKET

Financial market development is one of the goals pursued by the Bank of Russia according with the Federal Law ‘On the Central Bank of the Russian Federation’¹. Since 2013, the Bank of Russia has been a mega-regulator – that is, it performs the functions of both a central bank and a financial market regulator.

The Bank of Russia and the Government of the Russian Federation are jointly elaborating and implementing the policy for financial market development. Amid the current large-scale sanctions restrictions, the key priority is to strengthen the financial market participation in financing the structural transformation of the economy, primarily using domestic resources. The Bank of Russia and the Government of the Russian Federation will create the necessary macroeconomic, institutional and legal conditions for the formation of domestic long-term savings and their overflow into investments.

An important factor in the development of the financial market is a balanced and consistent macroeconomic policy based on price and financial stability, as well as the sustainability of public finance. The Bank of Russia and the Government of the Russian Federation are involved in forming the financial market infrastructure, especially when market forces unable to cope with this, and when it is necessary for creating a healthy competitive environment and developing innovations or is essential for overcoming crisis phenomena and achieving the financial sovereignty of the country. Particular attention is also paid to maintaining confidence in institutional financial market participants, protecting of financial consumers’ rights and forming the fundamentals of financially literate consumer behaviour.

Although the Bank of Russia and the Government of the Russian Federation are actively involved in the development of the financial market, the result depends, to a large extent, on the strategies, culture and motivation of its participants acting according to market principles in a competitive environment. In this context, financial market participants, when interacting with each other, choose for themselves the optimal chains for transforming savings into investments and the channels and formats of service and determine the demand and, consequently, the prospects for the development of certain products, instruments, services, and technologies.

With this in mind, the Bank of Russia and the Government of the Russian Federation actively involve financial market participants, that is representatives of the financial and real sectors and their associations and the expert community, in the design and implementation of financial market development plans, and ensure the transparency of information in relation to goals, principles, objectives and results achieved, thus creating benchmarks for financial intermediaries, businesses and individuals.

Achieving the financial market development goals for the next three years will contribute to the structural transformation of the Russian economy, economic and technological independence, macroeconomic stability and the advancement of financial infrastructure and instruments. Transparency in the financial market development policy will facilitate the freedom of private financial market initiatives.

¹ Article 3 of Federal Law No. 86FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’.

THE ROLE OF THE FINANCIAL MARKET IN ECONOMIC DEVELOPMENT

In 2022, the Russian economy and financial market encountered a wide range of challenges amid unprecedented sanctions pressure. **Our country is facing major challenges in the structural transformation of the economy, the achievement of technological independence and the reorientation of international economic relations.** The accelerated transformation, in turn, is associated with a significantly elevated demand for structural change financing.

Financial market development will contribute to the modernisation of the economy by enabling households and businesses to use financial products, instruments and services to meet their objectives and implement their business and personal plans. **It is therefore important to ensure that the financial market fulfills its core functions.**

The financial market creates opportunities for transforming savings into sources of debt and equity financing for businesses, contributing to economic development. To this end, a wide range of instruments is available to facilitate the overflow of savings into investments. The financial market offers instruments to meet the needs of businesses for both short-term financing for working capital and long-term resources for investment projects. The financing instruments may be developed in the market for companies at various stages of the life cycle, from business start-up to a public company. The state is also an independent financial market participant that can act both as an issuer and as a lender and investor, especially when funding projects aimed at developing the Russian economy (even low-margin and high-risk ones at the short-term horizon), which makes the economic system more stable in the medium term and helps to improve the risk profile of the economy and the financial sector.

By transforming savings into investments on market terms, the financial market contributes to the efficient allocation and use of resources in the economy, given that decisions made by financial organisations, institutional and private investors on the provision of debt and equity finance and on the investment horizon are based on a wide range of factors. Such factors include both country-specific macroeconomic and institutional characteristics (including balanced regulation, competitive environment and protection of property rights) as well as the individual performance indicators of individual businesses, their financial stability, competitiveness and business development strategies. The ability of the financial market to accumulate savings for transformation into investments depends not only on trust in financial institutions and their sustainability but also, to a large extent, on income level and the availability of funds for savings formation among participants of economic relations.

Despite the sanctions, the Russian financial market remains part of the international financial system. Therefore, through the financial market, investment can be funded not only through domestic savings but also by attracting foreign capital from friendly countries into the Russian economy. For this to happen, an enabling environment must be created. In the short term, these investments will be small, but in the long term, foreign investments could be one of the sources of financing for the Russian economy to supplement domestic resources.

The financial market enables financial consumers to redistribute their income over time by managing their savings and expenditure. Using saving, investment and borrowing instruments properly, individuals can purchase residential properties and durable goods, maintain a certain consumption level amid income fluctuations and upon retirement and save up the money for large-value emergency purchases. Depending on their preferences and needs, individuals can choose instruments with a particular investment horizon, risk profile, profitability and liquidity.

Traditional instruments for savings (first and foremost, bank deposits protected by the deposit insurance system) are characterised by low risk and typically bring moderate income, which mainly preserves the purchasing power of investments. They are distinguished by their relative ease of use and require no special qualifications. Such instruments are also suitable for forming safety cushions, i.e. savings for which liquidity and high safety of investments are more important than returns.

Capital market instruments can bring higher returns as compared to savings instruments, making it possible to augment one's investments. However, they are also associated with a higher risk of zero income or losing a portion of the invested funds. The use of such instruments tends to be more economically justified over the long term. Long-term strategies for making investments in the capital market stand out bringing positive real profitability at the longer-term horizon, with possible fluctuations in investment results from year to year.

To use capital market instruments efficiently, one needs to gain special knowledge and develop new skills. Therefore, a non-qualified investor who is unwilling or unable to plunge into the specifics and context of operations in the equity markets should apply passive investment strategies or transfer funds for trust management to professional financial market participants. Besides savings and investments, individuals can also apply for loans and raise funds to meet their current needs in goods and services against future income as well as to start the early implementation of such large personal and family plans as, e.g., purchasing residential real estate or financing education. However, borrowing instruments only contribute to the well-being of citizens if financial discipline is observed and excessive debt is avoided in relation to the income generated.

The financial market provides participants of economic relations with risk management instruments. Such instruments allow businesses and entrepreneurs to reduce uncertainty in their operations, and citizens to take advantage of risk insurance services in various life circumstances. At the same time, it is essential that professional financial intermediaries take on the function of managing financial risks in the course of their activities in the first place and do not pass them on to private customers who are unable to manage them.

Trust and competitive interaction between participants are important factors for an efficient financial market. This serves to mitigate the risks of non-market price formation, which limits the efficiency of the financial market, and helps to reduce the costs of consumers and suppliers and enhance the availability and quality of financial products and services.

The introduction of new technologies and support for innovation in the financial market contribute to increasing the financial inclusion of various types of financial instruments to meet the needs of households and businesses, the emergence of new business models, increasing productivity and ultimately contributing to the structural transformation of the Russian economy. While innovation often requires investment, small forms of business in the financial market can grow by actively outsourcing and offering interesting products and services to customers.

By fulfilling these functions and providing economic participants with tools to save and multiply savings, borrow and insure risks, the financial market is becoming an important sector of the economy, contributing to economic growth, creating new jobs, increasing tax revenues, creating demand for innovation, contributing to economic diversification and improving the efficient use of available financial resources. At the same time, all financial market functions remain relevant regardless of the foreign policy environment.

THE ROLE OF MACROECONOMIC STABILITY IN FINANCIAL MARKET DEVELOPMENT

One significant obstacle preventing the financial market from performing its functions effectively and contributing positively to economic development is the significantly increased uncertainty associated with both external economic and geopolitical developments and the ongoing internal processes of economic transformation. By conducting consistent and balanced policies within their functions, the Bank of Russia and the Government of the Russian Federation are shaping predictable macroeconomic conditions by achieving systemic financial, price stability and public finance sustainability. Considering currently increased external risks, such **stability of domestic conditions is particularly important for the development of both the financial market and the economy as a whole.**

The Bank of Russia remains committed to the inflation-targeting regime, maintaining annual inflation at around 4%.² Low and stable inflation makes economic conditions generally more predictable and provides confidence to companies and individuals in financial and investment planning, influencing household decisions about current and future consumption and business decisions regarding production expansion and investment. Price stability also improves the availability of debt and equity finance by setting long-term financial market interest rates at steadily lower levels by reducing the risk premium associated with inflation fluctuations.

Systemic financial stability and the sustainability of the real and financial sectors are necessary for the smooth functioning of the financial market and the entire economy. Limiting the accumulation of systemic risk reduces the likelihood of financial crises, increases certainty for financial market participants and ensures smooth payments and the transformation of savings into investments. In case of adverse developments in the financial market, including those caused by external factors, steps to maintain financial stability allow the financial sector to continue to perform its core functions, while reducing the negative impact on the real sector. All this contributes to the credibility of the financial market and its attractiveness to all groups of participants. Systemic financial stability is ensured primarily by macroprudential policy measures, as well as by microprudential regulation by the Bank of Russia.

Considering the significant changes in the external environment, **capital controls have become an additional instrument for maintaining financial stability in Russia.** Amid powerful shocks, capital controls contributed to the stabilisation of the financial market and the economy as a whole. As domestic conditions were normalising, the most stringent restrictions on capital flows were lifted, but some are still in place, taking into account the high risks of changing external geopolitical factors. However, it must be borne in mind that in general, restrictions on capital flows create additional costs for households and businesses and should therefore be minimised.

A balanced and predictable approach to public finances management, domestic and external public debt is important both for the stability of the financial market and macroeconomic conditions in general, as well as directly for shaping short- and long-term interest rates in the economy and the country risk premium. One of the key elements of Russia's fiscal policy is the fiscal rule-based approach. The previous fiscal rule was suspended due to the events of 2022. A new fiscal rule³ has now been developed to help the economy and the public finance sector adapt to the new conditions.

OPPORTUNITIES AND LIMITATIONS OF THE FINANCIAL MARKET

Contributing to economic growth and development, the financial market itself, its condition, structure, scale and the variety of its functions reflect, in turn, the maturity of the country's economy, its investment climate and the quality of its institutions. The indicators of the entire financial market and its segments, the demand for certain financial products and services depend on the welfare and income flow of individuals and legal entities, trust in public and private institutions, protection of property rights and other structural factors.

The financial market creates opportunities for long-term savings and their transformation into investments and forms the prerequisites for economic growth and improvement of the welfare of individuals, but it cannot be the main or sole driver of these processes. The financial market contributes positively to the development of the economy primarily in conjunction with the overcoming structural barriers to economic growth, including improving labour and capital

² For more on monetary policy, see [Monetary Policy Guidelines for 2023–2025](#).

³ Federal Law No. 448-FZ, dated 21 November 2022, 'On Amending the Budget Code of the Russian Federation and Certain Laws of the Russian Federation, Suspending Certain Provisions of the Budget Code of the Russian Federation, Invalidating Certain Provisions of Russian Laws, and Establishing the Specifics of the Execution of the Federal Budget of the Russian Federation in 2023'.

efficiency, higher availability of modern technology and equipment, increasing the efficiency of the economy and its growth potential in general, configuring legal and other institutions, and creating a predictable environment for economic activity.

The use of financial market instruments for the development of business and the achievement of life objectives by households can be sustainable only if borrowed funds are reinforced by investment of one's own resources and if current debt can be covered by future income. Investment-friendly economic growth requires not only long-term resources but also attractive investment areas for these funds, and companies with a transparent long-term strategy and effective operations.

If economic growth is stimulated solely by the financial market instruments and in reliance on debt financing without the resolution of structural problems, as well as excessive lending for low-profit and unprofitable projects can, on the contrary, lead to negative consequences for individuals, businesses and the entire economy. More specifically, encouraging the excessive growth of lending as compared to income dynamics may have only a short-term positive influence on economic dynamics and may entail debt problems that can threaten the stability of the real and financial sectors and even cause an economic crisis and social tension. A rapid increase in lending not supported by the expansion of the country's productive capabilities leads to the separation of the value of goods and assets from fundamental factors, the emergence of 'bubbles' in the markets, the acceleration of inflation and, ultimately, a drop in economic growth and the real income for individuals.

Thus, **the potential of the financial market as a development factor should be used in a balanced manner, taking into account the speed and nature of the development of the entire economic system.**

GOALS OF FINANCIAL MARKET DEVELOPMENT POLICY

In the context of a substantial change in the economy – the necessity to ensure the country's economic, financial and technological independence and to facilitate the structural transformation of the economy – **the Bank of Russia has identified the following medium-term goals of the financial market development policy.**

1. **Developing a modern financial market to satisfy the investment needs of the Russian economy for structural transformation and efficient payment services.**

The ongoing changes in the economy primarily increase the need for long-term financing of transformational projects that contribute to modernising the economy and achieving technological independence. In this regard, it is necessary to involve domestic resources – both of private and institutional investors – as much as possible. Apart from that, there is an urgent need to reorient international economic linkages, which will be facilitated by the development of alternative settlement instruments, the creation of the necessary infrastructure and the adaptation of the legal framework. The demand for accelerated innovation in the financial sector, the digitalisation of economic relations, including the introduction of the national currency's digital form (the digital ruble), remains relevant. It is important to take into account current trends in the financial market, such as the emergence of ecosystems, and the blurring of boundaries between the financial and other sectors of the economy. Moreover, the sustainability agenda and ESG-related transformation of Russian business remain important. It poses new challenges for the development of the Russian financial market and the entire economy, including those related to the development of the necessary tools, infrastructure and legal framework for financing the transition to a low-carbon economy.

2. **Strengthening the trust of retail consumers and investors in the financial market by improving its security, increasing financial literacy and enhancing financial inclusion for households and businesses.**

This goal remains relevant and matches the challenges posed by the dramatic changes in the country's economic environment, where the role of domestic sources of funding for economic development, including funds from retail investors, is drastically increasing amidst Russia's restricted access to external borrowing and the blocking of foreign assets. Restoring and maintaining citizens'

trust in the capital market amid uncertainty and protecting the rights of investors and consumers of financial products and services is crucial to the financial market's function of transforming savings into investments. Besides, this goal acquires its specifics in the context of the long-term trend towards digitalisation, which is accompanied by a change in the way financial products and services suppliers and consumers interact, a shorter customer path and the ability for retail investors to quickly access higher-risk financial market segments where investing requires special skills. With the introduction of new technologies, financial consumers must be increasingly proficient in the use of modern devices and remote channels, and the risks of digital inequality become higher. The safety of a product offered to consumers (investors) and the quality of its promotion in the market are gaining particular importance. New types of fraud and unfair practices are emerging, which requires the improvement of methods for countering them. Under these circumstances, the additional adjustment of mechanisms for protecting the rights of retail investors and consumers of financial products and services, including the use of artificial intelligence and robotisation of consumer–financial institution relationships (M2M finance) and the improvement of investment, digital and cyber literacy, is required.

3. Ensuring financial stability that is the smooth functioning of the financial market, including in conditions of stress.

In modern realities, financial stability needs to be secured, taking into account both the realised geopolitical risks and those associated with accelerating global inflation, high risks to global economic growth and financial markets in the face of monetary policies tightening by national central banks. It is important to maintain the resilience of the financial sector sustainability also in the face of new challenges to financial stability due to the trend towards fragmentation of the global financial and economic system, imposed restrictions and declining confidence in the historical mechanisms of its functioning. Further emphasis should be placed on the systemic risks that new technologies' accelerated introduction may pose to the financial market and to the wider economy. Under these circumstances, policy approaches to maintaining financial stability may need to be clarified and the policy instruments may need to be improved.

The financial market development goals set for the next three years are consistent with the goals presented in Programme 22–24. The three-year goals take into account the new realities and key challenges related to the economy entering a phase of large-scale structural transformation, as well as current trends in the economic, technological, social and other areas of public life in Russia and worldwide.

Solving tasks aimed at achieving these medium-term goals of financial market development will, in turn, contribute to the achievement of national development goals. These include improving the well-being of Russian citizens, developing the economy, its technological, digital and environmental transformation, introducing innovative instruments to finance investments and entrepreneurship and enabling a comfortable and safe living environment. As one of the sectors of the Russian economy, the financial market contributes to GDP growth, creates new jobs and demand for innovations; it is a significant source of the state budget.

PRINCIPLES OF FINANCIAL MARKET DEVELOPMENT POLICY

When planning its activities and implementing financial market development measures, the Bank of Russia relies on the following important principles to ensure that its policy is consistent and predictable, and that market participants understand the logic of its decisions.

1. Priority of the interests of financial consumers (households and businesses) as the ultimate beneficiaries of financial market development when determining the goals and objectives of its development.

Financial market development is not an end in itself; it should primarily contribute to improving the well-being of individuals and help expand opportunities for business development and the

Russian economy as a whole. In view of this, the Bank of Russia defines the goals, areas and objectives of financial market development and the priority level of measures; it evaluates planned and actual results in terms of their value for the end consumer.

2. Ensuring the sustainability and independence of the Russian economy financial infrastructure in view of geopolitical risks.

Ensuring the independence of the Russian economy in terms of financial market functioning primarily concerns the creation of necessary independent infrastructure, including in the area of payments and settlements, as well as critical technologies.

By addressing the strategic objectives of financial market development, the Bank of Russia and the Government of the Russian Federation also minimise the risks associated with geopolitical factors, which is necessary to ensure the country's economic security.

3. Development of the financial market on the basis of a free market environment, competition and trust.

In creating the necessary conditions for financial market development, the Bank of Russia strives to minimise its interference in the operation of market mechanisms and fair competition, which tend to ensure more efficient allocation of resources, creating incentives for innovations and improve the quality of financial products and services. The Bank of Russia is primarily focused on solving systemic problems, which the market cannot always cope with on its own.

It is critical to restore citizens' confidence in the Russian capital market, which has suffered from the losses incurred by the equity market compression and blocked assets.

However, in order to strengthen confidence in the financial market as a whole, a culture of interaction is essential, which should be based above all on ethical principles and conscientious conduct on the part of its participants.

4. A proactive approach to financial market development given key internal and external trends and factors. The priority of the strategic development vector over tactical decisions.

When planning financial market development activities, the Bank of Russia pays special attention to the timeliness of the measures, taking into account not only current market conditions but, first and foremost, the emerging trends and drivers of future economic development in a rapidly changing environment. This proactive approach makes it possible to respond promptly to new challenges by creating the necessary legal and technological conditions and removing barriers to the dynamic development of the financial market.

Given the increasing speed of ongoing changes and the high uncertainty of external factors, the Bank of Russia updates the Russian Financial Market Development Programme for a three-year period on an annual basis.

The structural transformation of the economy is shaping the new realities in which the financial market will evolve. It must be taken into account when adjusting the medium-term objectives and implementing the previously established strategic goals set out in the financial market development policy. The Bank of Russia is consistent in its actions and does not allow short-term tactical steps to significantly conflict with its long-term objectives.

5. Transparency of the financial market development policy. Involvement of financial market participants from the financial and real sectors in the development and implementation of market development plans.

Recognising that professional participants of the financial market play a key role in its development, the Bank of Russia attaches great importance to the activities of their associations and self-regulatory organisations (SROs). The need of the real sector for services is an equally important factor in financial market development. With this in mind, the Bank of Russia closely interacts with associations of representatives of the financial and real sectors when developing and implementing its measures, including through public consultations, conferences and other formats of discussion with the expert and professional community, and collecting and discussing market participants' initiatives.

The Bank of Russia regularly informs market participants and the public as a whole about approaches, goals and plans for financial market development, the vision of the financial market architecture, measures taken, the reasons for them, and the results achieved. This communication contributes to the transparency and predictability of the mega-regulator's actions, which is the basis for public trust in its policy. The transparency of the Bank of Russia enables market participants to take the development plans announced by the mega-regulator into account when formulating their business strategies.

6. Consistency and continuity of goals, approaches, objectives and measures for financial market development at different levels by thematic and sectoral areas.

When developing and implementing the Russian Financial Market Development Programme, the Bank of Russia takes into account the provisions of the strategic planning documents of the Government of the Russian Federation, adjusted for possible changes in the internal and external environment after their approval. The Russian Financial Market Development Programme is a top-level document that sets goals and priority areas for development, identifying focus areas for sectoral and topical medium-term documents of the Bank of Russia related to financial market development, where the respective areas are disclosed in more detail.⁴ Continuity with similar documents of previous years is also ensured, which is important for the consistency of the policy being pursued.

The Bank of Russia and the Government of the Russian Federation constantly interact on strategic and topical matters of financial market development, which ensures the mutual consistency of planned and implemented measures.

Although with the digitalisation of economic relations, including financial ones, more and more financial market development objectives are acquiring an extraterritorial nature, in the medium term focus should turn to regional aspects of financial market development, considering the diversity of the territorial and geographical features of Russia. For this, close interaction (primarily in the area of financial literacy, financial inclusion and competition) with regional authorities and representatives of the real and financial sectors and the expert community in the regions is required, including the active participation of the regional branches of the Bank of Russia. Particular emphasis should be placed on ensuring the functioning of the financial sector in the regions that joined the Russian Federation in 2022.

7. Developing regulatory decisions with due regard for the total costs of market participants and applying proportionate and risk-based approaches.

When developing and implementing regulatory and supervisory requirements, the Bank of Russia takes into account not only the immediate goals of their introduction but also market participants' costs of compliance. To reduce these costs, the Bank of Russia, among other things, is expanding the use of up-to-date digital technologies in cooperation with supervised financial institutions (SupTech⁵ and RegTech⁶).

The Bank of Russia applies a release approach providing for the introduction of new measures, as a rule, not earlier than six months after the publication of relevant regulatory documents unless special circumstances⁷ require an immediate response. This approach enables financial institutions to prepare in advance for changes and embed regulatory innovations into their business processes.

⁴ For this reason, in most sections of the Programme, planned activities are shown as an overview, or only key tasks and measures are presented. However, the Programme contains references to related documents touching on matters of financial market development. A list of such documents is given in [Appendix 3](#).

⁵ SupTech – Supervisory Technology (technology used by regulators to enhance the efficiency of their regulation and supervision of financial market participants activities).

⁶ RegTech – Regulatory Technology (technology used by financial institutions to enhance the efficiency of compliance with regulatory requirements).

⁷ Under the release approach, regulations come into effect on 1 October or 1 April, but no earlier than six months following the publication of the relevant regulatory documents.

The Bank of Russia forms regulatory requirements proportionate to the scale and complexity of the activities of market participants. Priority is given to identifying and preventing the realisation of risks in the activities of financial institutions at early stages, which makes it possible to prevent the accumulation of problems that can cause significant losses for consumers and providers of financial services. In current conditions, there is a strong focus on regulatory easing aimed at adapting market participants to the increasing volatility of the financial market in 2022 and heightened uncertainty in business decision-making.

8. Developing international relations and integration processes.

The Russian financial market continues to be part of the global financial market; however, the country faces large-scale tasks of reorienting international economic ties and strengthening them with friendly countries.

In accomplishing the strategic objectives of financial market development, the Bank of Russia, together with the Government of the Russian Federation, is conducting extensive work with foreign regulators and market participants to overcome current limitations and create conditions for the development of an international settlement system that fully meets the challenges and needs of the new environment.

When planning and implementing financial market development measures, the Bank of Russia also takes into account integration processes (including within the framework of the Eurasian Economic Union (EAEU) and the Union State of Russia and Belarus), providing the emergence of an integrated foreign exchange market and a common financial market and economic area, and fulfills the corresponding obligations of the Russian Federation.⁸

At the same time, the Bank of Russia considers necessary to incorporate best international practices in the spheres of regulation, reporting standards of sustainable finance and others, including building relationships with friendly countries for which such practices are clear and proven approaches.

The Bank of Russia applies international standards, adapting them to the Russian experience and specifics.

INSTRUMENTS OF FINANCIAL MARKET DEVELOPMENT POLICY

To develop the Russian financial market and ensure its sustainability, including its participation in the structural transformation of the Russian economy, the introduction of innovations, the expansion of the set of instruments, products and services, the enhancement of their availability, the protection of consumer rights and the formation of an environment of trust, a wide range of tools are used subject to the objectives.

The main tools for influencing the financial market and creating conditions and incentives for its development are:

- regulation and supervision;
- soft regulation in the form of codes and standards of self-regulatory organisations (SROs) and letters with recommendations;
- creation and development of digital infrastructure elements of the financial market with equal access;
- creation and support by the state of mechanisms for collective insurance (guarantee) of individuals' savings both in the banking sector, the insurance market and non-governmental pension funds (NPFs);
- tax incentives and subsidies;
- enhancement of financial literacy and educational activities;
- training of personnel for the financial industry;

⁸ These obligations include, among others, the mutual recognition of licences (mutual admission) and cross-border provision of financial services, harmonisation of financial laws and regulations, financial consumer protection, and information security.

- information policy and interaction with market participants;
- restrictions on capital movement.

The Bank of Russia and the Government of the Russian Federation generally use a combination of tools, which allows them to increase efficiency of the measures to be taken. These tools remain largely unchanged; their specifics and approaches may be refined.

Financial market development tools are used on the basis of a comprehensive analysis of expected results, which takes into account benefits, possible costs and global practices. The Bank of Russia collaborates with friendly countries to develop and apply common, mutually beneficial tools for cooperation in the financial market and economic relations in general.

The Bank of Russia contributes to financial market development and encourages the emergence of predictable macroeconomic conditions by ensuring price and financial stability. A monetary policy conducted within the framework of an inflation-targeting regime and a macroprudential policy aimed at maintaining financial stability influence financial market development. At the same time, the instruments of monetary policy and macroprudential policy are not intended for use or are used outside the scope of these policies specifically to stimulate financial market development. This use would have a significant adverse impact on price and financial stability goals and, consequently, on the sustainable development of the entire financial market.

Restrictions on capital movement have become one of the mechanisms for maintaining financial stability. As the financial market situation was normalised and risks to financial stability abated, some of the restrictions were lifted. As the risks reduced, the restrictions were eased. Continued restrictions on capital movement offset the effect of external sanctions, aimed at encouraging foreign investors to withdraw capital from Russia and prohibiting potential future capital inflows.

The Bank of Russia and the Government of the Russian Federation cooperate with legislative authorities in shaping the legal environment for financial market development, including the creation of a legal framework for new forms and types of activities, formats for interaction between providers and financial consumers and service channels in the context of the introduction of state-of-the-art technologies. Of particular importance is the inventory and streamlining of accumulated regulations with the elimination of redundant, outdated and duplicative rules.

Tax incentives and subsidies are important instruments of the Government of the Russian Federation that are used to support and accelerate the development of certain types of activities, instruments and mechanisms in the financial market, especially at their initial stages when development on market terms may be difficult. **Special development institutions** that operate in those niches where market mechanisms cannot apply play the same role. The approach to the use of such incentives should be systemic and should provide for their regular update: assessment of the action, prioritisation of support areas and redistribution of resources to them by cancelling previous measures that have already achieved their goal. These mechanisms become particularly important in the context of financial market increasing role in financing transformational projects required for the economy restructuring.

In terms of the creation of the digital infrastructure of the financial market, the Bank of Russia and the Government of the Russian Federation primarily implement the projects that cannot be implemented by the market on its own, but could become the basis for the further development of technological and infrastructural solutions by market participants, as well as for bolstering competition and developing innovation in the financial market. The Bank of Russia and the Government of the Russian Federation also create incentives and conditions for the involvement of the private sector in the setup and development of infrastructure facilities.

To ensure the financial sovereignty of Russia and the systemic stability and the competitiveness of the national financial market, the Bank of Russia maintains participation in some infrastructure organisations of the financial market, including Moscow Exchange PJSC, National Payment Card System JSC (NPCS), Russian National Reinsurance Company JSC and the Russian Union for Cash Collection Divisions (ROSINKAS).

Participation in the capital of banks undergoing financial rehabilitation is a measure to restore the stability of such banks and ensure systemic stability. Once such credit institutions have built efficient business models, the Bank of Russia withdraws from their capital (e.g. in the case of JSC Asian-Pacific Bank and Bank Otkrytie Financial Corporation (PJSC)).

The issue of human resources skills and availability is increasingly relevant in the financial market. The challenges that may arise in this area, particularly in high-tech industries and IT, need to be taken into account, including when considering the strategic development and functioning of the financial market in the new realities.

The access of financial intermediaries and other participants of the financial market to a labour market offering specialists with the necessary qualifications is of great importance for the dynamic development of the financial market, including the processes of digitalisation and ESG transformation. The shortage of this supply not only impedes development but also generates an outflow of personnel to large companies offering competitive terms of remuneration, which limits staffing of financial institutions, depriving them of key personnel. More so, the speed of training programme development and update, of retraining and advanced training programmes does not meet the needs of the labour market, which is pushing up employee training and development costs.

The Bank of Russia pays great attention to improving the qualifications of financial market professionals by developing and implementing mechanisms for cooperation between financial market participants, the state and the education system; it launches and implements training and educational programmes for financial market specialists, representatives of legislative and executive authorities as well as other stakeholders interested in professional training on issues within the Bank of Russia's competence.

Information policy and interaction with market participants play a crucial role in shaping a clear understanding of the goals, plans and steps of the Bank of Russia and the Government of the Russian Federation, as well as assessing the trends and results of financial market development. This creates benchmarks for the activities of financial institutions. Regular communication with consumers and providers of financial services enhances policy transparency, which contributes to the growth of trust in it and strengthens the impact of measures. Mutual exchange of information with market participants is also an important element of communication: it provides the Bank of Russia and the Government of the Russian Federation with feedback, identify needs and further assess the processes taking place in the financial market in order to take them into account when formulating measures for its development.

The role of information policy increases considerably at a time of significant economic fluctuations and growing uncertainty. Ongoing communication with market participants and the public, explaining the nature of economic changes taking place and the measures being taken by the Bank of Russia and the Government of the Russian Federation help to mitigate uncertainty and contribute to stabilise the situation by influencing the behaviours and expectations of individuals, businesses and professional market participants. The Bank of Russia used a wide range of communication channels during the acute phase of the 2022 crisis, accompanying all steps taken with prompt explanations and comments while maintaining timely communication and interaction with market participants.

SECTION 2. THE CURRENT STATE, OPPORTUNITIES AND CHALLENGES FOR THE DEVELOPMENT OF THE RUSSIAN FINANCIAL MARKET

There has been a fundamental change in the reality the Russian economy and financial market operate. This has already had an impact on their development this year and is shaping the main challenges and objectives for the next three years.

The abrupt reversal of geopolitical events and multiple sanctions imposed on Russia have completely changed the external environment and the contour of possible international interaction for our country. Russia's access to the markets for goods, services, capital, transport, logistics, payment and settlement infrastructure of unfriendly countries, which used to be our country's main trading partners, has been cut off or materially restricted. The Russian financial market infrastructure has faced unprecedented restrictions from unfriendly countries that have immobilised cross-border financial flows between Russia and the global capital market. Russian foreign currency reserves have been frozen in unfriendly jurisdictions. Since the beginning of March, the National Settlement Depository's accounts within the international depositories Euroclear and Clearstream have been blocked for securities and funds in different currencies, which has led to problems in disposing of securities and receiving payments on them. International payment card systems have stopped servicing their cards in Russia. Multiple sanctions have been imposed on Russian financial and non-financial institutions, limiting their ability to conduct foreign economic activity. The reinsurance sector is also subject to extensive restrictions. The reinsurance markets of unfriendly countries have been closed to Russian insurers for both current obligations and future contracts.

The sanctions imposed put large-scale and diverse pressure on the Russian economy and financial market. Under these conditions, the domestic financial market initially experienced a period of stress and high volatility, but the situation was quickly stabilised and then normalised thanks to the prompt response and measures taken by the Bank of Russia and the Government of the Russian Federation, as well as their ongoing interaction with market participants.

Measures taken in previous years to improve the sustainability of financial institutions, the accumulation of capital buffers in financial institutions, the withdrawal of unstable and mala fide financial intermediaries from the market, and the creation of an independent payment and settlement infrastructure also played an important role.

A wide range of measures were taken to normalise the situation in the Russian economy and financial market during the active phase of the sanctions.

The Bank of Russia temporarily raised its key rate to 20%, which prevented the build-up of financial and price stability risks and stopped the short-lived outflow of funds from deposits at banks and ensured their subsequent inflow. After that, as inflation eased and inflation expectations slowed down, the rate was promptly reduced to 7.5% (below pre-crisis levels) as early as autumn.

The restrictions imposed on capital flows, along with the temporary suspension of exchange trading, helped to stabilise the situation in the FX and equity markets and prevent an unjustified drop in the value of Russian issuers' securities at a time of high market volatility and nervousness. Further, trading in all major instruments was launched stepwise.

Emergency measures were also adopted to support banking sector liquidity, and a number of softenings were introduced for financial institutions with regard to the calculation of own funds (capital) and required ratios.⁹

⁹ The full list of measures taken by the Bank of Russia is available on the website in the [Financial Market Protection Measures](#) section.

Relief was introduced for non-bank financial institutions and the microfinance sector as well. These measures were aimed at ensuring the smooth operation of all financial institutions and the uninterrupted provision of all necessary products and services to individuals and businesses. Among other things, deadlines for the execution of supervisory orders and enquiries were extended, and penalties for certain violations were cancelled. This enabled financial institutions to focus on the most pressing problems and challenges.

Considering the difficulties in obtaining reinsurance services abroad, the authorised capital of the Russian National Reinsurance Company (RNRC) was increased more than tenfold (from 71 billion to 750 billion rubles).

Payments on international Visa and MasterCard cards issued by Russian banks were handled smoothly by the NPCCS, established in previous years.

With Russia being disconnected from unfriendly countries infrastructure, the Bank of Russia determined a special procedure for paying dividends on shares in Russian joint-stock companies to shareholders and holders of depositary receipts for Russian shares, as well as for converting depositary receipts into Russian shares and transferring accounting rights in securities of Russian issuers from the foreign accounting infrastructure to the Russian one. This protects investor rights and prevents a further loss of public confidence in the Russian capital market.

In order to minimise sanctions risks, public companies were provided with the option of limiting the amount of reporting they publish in 2022. Going forward, however, a return to financial statement disclosure by both financial and non-financial institutions is important, as information is a key element for investors to make informed investment decisions in the capital market.

The experience accumulated during and after the pandemic, together with a range of timely measures, helped to protect consumers from grave losses. The loan repayment holiday mechanism was quickly reactivated, allowing borrowers – both individuals and small and medium-sized enterprises (SMEs) – to suspend payments on loans (borrowings) for six months or reduce its size. At the same time, lenders were advised to restructure loans under their own programmes if borrowers had difficulties in fulfilling their obligations under loan agreements (including due to changes in the floating (variable) interest rate linked to the level of the Bank of Russia key rate), not to charge penalties (fines, interest) and to suspend the eviction of debtors from foreclosed housing.

Thereafter, the loan repayment holiday law was adapted to support military personnel serving under contract in the special military operation area or conscripted as part of mobilisation (as well as their family members), who became eligible for deferred debt payments and, in some cases, for full debt forgiveness. In turn, the Bank of Russia recommended that lenders not demand early repayment from such borrowers; suspend the accrual of fines and penalties for overdue payments, as well as the collection of overdue debts and eviction from homes already foreclosed on.

Until 31 May 2022, mortgage borrowers could apply to banks for the conversion of foreign currency mortgage loans into rubles at the official exchange rate as of 18 February 2022. In addition, the adopted legislative amendments made it possible to fix the value of the floating rate for mortgage-backed loan agreements as of 27 February 2022.

In line with the dedollarisation policy, the Bank of Russia recommended that market participants inform consumers in advance about changes in the terms of service: the introduction of commissions on foreign currency accounts and higher rates for foreign currency transactions.

Due to the rising cost of CMTPL repairs caused by rising prices of foreign-made spare parts, the Bank of Russia suggested that the price of equivalents of original spare parts be included in the calculation, allowing the affected party of a road accident to receive money and have vehicles repaired with non-original yet new parts.

Following the sanctions imposition, brokers were advised to restructure the debt of retail investors who had used the margin trading service and to refrain from charging such customers for rollovers of uncovered positions. Following the announcement of the partial mobilisation, securities market professional participants were advised to cancel or reduce service fees for investors who had been mobilised, to write off or restructure the fees already charged to them.

In order to support businesses, the Bank of Russia, in cooperation with the Government of the Russian Federation, developed anti-crisis programmes for subsidised lending to SMEs. They enable businesses to obtain a new loan (restructuring an earlier one) at a concessional rate.

It is now safe to say that the **Russian financial market has already demonstrated its resilience and ability to overcome periods of significant volatility and tough restrictions while continuing to support the economy.** Financial market indicators show mixed trends, with the financial market continuing to function, providing a full range of financial products and services to households and businesses.

As of the end of 2022 H1, financial market¹⁰ assets decreased by 6.3% to ₹151.1 trillion (vs ₹161.2 trillion, 123.0% of GDP at the end of 2021) amid increasing volatility and falling quotations. This was mainly due to the asset squeeze of non-bank financial institutions, primarily professional securities market participants. At the same time, in the first ten months of 2022, banking sector assets grew by 7.8%.

In general, the measures taken prevented a decline in lending. The corporate loan portfolio and consumer lending, including mortgages, continued to grow. In particular, in the first ten months of 2022, the corporate loan portfolio grew by 10.7% to ₹56.1 trillion¹¹. The increased demand for loans was partly due to the replacement of external borrowings subject to actual closure of Western capital markets for Russian companies, however, the financing of individual major investment projects continued. Housing loans made a significant contribution. Credit growth was backed by state support programmes for systemically important enterprises, which were in considerable demand in the middle of the year amid high market rates, but further out, they were gradually completed and their contribution to lending dynamics reduced.

Over the indicated period, corporate lending grew exclusively in rubles, while foreign currency lending declined by more than a third, including due to conversions of foreign currency loans to ruble loans.

The portfolio of loans to individuals increased by 6.9% to ₹26.8 trillion, including the mortgage portfolio¹² by 12.6% in the first ten months. Individuals' funds (excluding escrow accounts) decreased by 1.6% over the ten months due to outflows at the beginning of the year and in September, as people sought to build up a cash cushion amid uncertainty. Afterwards, the money returned to the banks and with the traditional deposit inflows in December after the payment of premiums and social security advances for January, a slight overall increase can be expected for the year as a whole.

The microfinance organisation (MFO) sector also remained active. The volume of microloans issued in 2022 H1 increased by 23.2% (to ₹347.0 billion) year on year, while the microloan portfolio grew by 20.7% (to ₹346.4 billion).

The performance of the securities market plummeted. As of the first nine months of 2022, the Russian equity market capitalisation was ₹33.7 trillion, down 46.2% YTD. The bond market dynamics were more moderate. As of early October 2022, the volume of bonds issued in the Russian market at par value amounted to ₹33.0 trillion, down 1.1% YTD. However, while the bond market saw a revival due to the issuance of corporate bonds,¹³ activity increase in the equity market will take time.

¹⁰ The calculation of total assets was based on the assets of the banking sector, assets of insurers, investment portfolios of NPFs and PFR, the net asset value of UIFs, proprietary assets of NFIs, brokerage assets, assets in trust management, and core assets of MFOs, loan portfolios of pawnshops, consumer credit cooperatives and agricultural consumer credit cooperatives.

¹¹ Gains are been adjusted for currency revaluation. Legal entities are represented by non-financial and financial institutions (except CIs) as well as individual entrepreneurs. The increase is stated inclusive of acquired rights of claim.

¹² The housing mortgage lending indicator includes data from Section 1 of Form 0409316 'Information on loans to households' in terms of outstanding amounts as well as data from the 'For Reference' subsection of Section 1 of this form on the acquired rights of claim on housing mortgage loans. The increase is calculated net of adjustment for securitisation. The increase for October 2022 is preliminary.

¹³ This was largely facilitated by securities placements of issuers from the financial and construction sectors as well as yuan-denominated bonds from the oil and gas sector.

Due to the fall in the capitalisation of the Russian equity market, NPFs faced a compression of their total investment portfolio. At the same time, the implemented support measures helped to maintain the NPF portfolio resilience, which grew by 2.3% in the first nine months of 2022.

The insurance sector indicators showed a mixed performance. Insurance premiums for the first nine months of 2022 declined by 2.1% to ₹1,327.9 billion YoY. This development was primarily conditioned on a reduction in insurance premiums related to retail lending. At the same time, the indicators for the main types of property insurance and voluntary health insurance maintained a positive trend.

With the reorientation of Russia's **external economic relations, settlements in national currencies are on the rise and the demand for their purchase and sale is increasing.** Against this background, the Armenian dram, the South African rand and the Uzbek sum started trading in the Moscow Exchange foreign exchange market in 2022. New currencies expand payment and investment opportunities for financial market participants. In total, spot and swap instruments for 16 currency pairs, including the Chinese yuan, Kazakh tenge, Belorussian ruble, Turkish lira, Hong Kong dollar and others are traded in the Moscow Exchange foreign exchange market. Since the beginning of the year, transactions in the currencies of the EAEU and the Asian region gained popularity, with their share in total spot transactions rising from 0.5% to 25%.

The digital and payment infrastructure has not only shown resilience to sanctions but has continued to evolve extensively.

Consumers trust digital payment instruments and are expanding their use, despite the departure of international payment systems. The share of cashless payments in retail turnover in the first nine months of 2022 was 77.7% compared to 72.6% in the same period of 2021. Remote individual payments and transfers in the first nine months of 2022 increased by 13.7% in number and 28.8% in volume year on year.

The Faster Payments System (FPS) is developing and is increasingly used by households and businesses. Over the first nine months of 2022, the value of operations in the FPS stood at ₹9.3 trillion, more than triple the value of operations year on year (₹3.0 trillion). To increase the availability of payment services amid the disconnection from the international payment infrastructure, the Bank of Russia introduced zero rates for banks for transfers between individuals in the FPS.

The use of contactless payment methods is on the rise. In 2022 Q3, there were 10.9 billion contactless transactions worth ₹6.9 trillion, an increase of 16.1% in number and 15.8% in volume YoY. FPS allows payment for purchases, including by QR code, which, with contactless payment services (Apple Pay, Google Pay) pulling back from the Russian market, will support the trend towards replacing cash and plastic cards with digital payment instruments.

The Mir national payment system also supports contactless payment technology when paying for purchases using a smartphone.

The Bank of Russia will continue to implement infrastructure projects and promote a legal environment and innovations in the financial market to ensure **the country's payment independence.**

The Bank of Russia continues to advance its digital infrastructure. Starting 1 July 2022, the Know Your Customer (KYC) platform became operational, which will allow banks to spend fewer resources on analysing customers in terms of ML/FT legal requirements. It will also ensure greater transparency of banking operations. Digital transformation creates new challenges in terms of consumer protection, information protection and the operational reliability (cyber resilience) of the financial market as important elements of its sustainability and quality of service to citizens.

The platform business model continues to gain popularity amid technological developments in the economy. Overall, the Russian platform industry shows high resilience, and domestic players strengthened their lead in most segments of the Russian market and contributed to the country's technological independence. The ecosystem transformation of the market continues, making it important to develop ecosystem regulation approaches that preserve the benefits for households and businesses while controlling risks to the competitive environment and financial stability.

The Russian financial market has shown its resilience and continues to develop in a challenging economic environment. Gradually, the market performance is beginning to show an uptrend, and some segments have posted accelerated growth in the supply of financial products. The future trajectory of the economy and financial market depends on how quickly and effectively the economy and financial market undergo a structural transformation. **The willingness of the financial system and the economy as a whole to adapt flexibly to both established and emerging challenges and to seize emerging opportunities in a timely manner will be crucial to sustaining an uptrend.**

However, amid large-scale support and easing measures, it is important to pull back from this regime in time to avoid critical distortions in the operation of market mechanisms and competition, as well as a reduction in the resilience of financial institutions. It is important to **strike a balance at all times between creating incentives for development and ensuring the sustainability of that development.**

At the medium-term horizon, **it is justified to rely primarily on domestic resources to finance the Russian economy transformation.** Therefore, the task of the financial market is to leverage and accumulate these resources to transform them into investments. To this end, it is important to rebuild domestic investor confidence, as well as to provide tools that meet the needs of households and businesses. However, truly long-term resources can only be generated in the capital market. Its development should be one of the key focus areas.

There is an urgent need to build a system of international payments and settlements with friendly countries.

The dynamic digitalisation of the financial market **requires advanced technology and equipment, as well as robust data protection systems.**

It is important not to lose momentum in the development of ESG financing instruments, which will certainly contribute to the transformation of the Russian economy.

A stable and predictable macroeconomic environment is an important factor for the early **recovery and growth of long-term financing capacity in the economy.** Ensuring such conditions will continue through a consistent monetary policy aimed at price stability and a prudent fiscal policy following the fiscal rule as well as by limiting risks to systemic financial stability.

Taking into account current trends, as well as challenges and opportunities for the development of the Russian financial market, the Bank of Russia, together with the Government of the Russian Federation, will promote its development at the medium-term horizon, working in the following key directions:

- Enabling a stronger role for the financial market in financing the transformation of the economy.
- Financial consumer and investor protection, enhancement of financial inclusion for households and businesses.
- Promoting digitalisation and developing financial market infrastructure.
- Building a system for foreign trade payments and settlements.
- Ensuring financial stability.

A detailed description of the measures planned by the Bank of Russia for the next three years is presented in Section 3, [The Russian Financial Market Development Programme](#).

SECTION 3. THE RUSSIAN FINANCIAL MARKET DEVELOPMENT DIRECTIONS

3.1. ENABLING A STRONGER ROLE FOR THE FINANCIAL MARKET IN FINANCING THE TRANSFORMATION OF THE ECONOMY

Our country is facing ambitious tasks for the structural transformation of the economy, its modernisation, achievement of technological independence and the rerouting of international economic relations. At least in the medium term, domestic sources of funding should be relied upon. An important prerequisite for meeting these objectives is the effective functioning of financial institutions while preserving the market fundamentals of the financial market. The development and availability of capital market instruments, especially equity financing, is also a key aspect. The expansion of sustainable development financing remains relevant and will be facilitated by further evolution of appropriate infrastructure and instruments. However, for the financial market to perform its functions fully and permanently, it is essential to build households' and businesses' confidence in. This requires systemic financial stability and high-quality uninterrupted operation of financial institutions, effective financial consumer protection and reliable, up-to-date and trustworthy information on financial intermediaries and securities issuers. Therefore, when adopting accommodative measures, it is important to strike a balance and avoid a build-up of problems in the financial market that could pose threats of crisis phenomena. State support measures should primarily focus on the development of those business lines and financing instruments that will contribute most to the modernisation and technological independence of the Russian economy and to the creation of long-term savings and investments.

Objective 1. Bank participation in economic development financing

At the medium-term horizon, the banking sector, as the largest segment of the Russian financial market, **will play a significant role in financing the accelerated transformation of the Russian economy**. At the same time, financing projects aimed at developing the domestic economy makes the economic system more stable in the medium term and improves the risk profile of the economy and the banking sector.

The ability of banks to engage in lending for long-term projects is sometimes limited, taking into account that a large proportion of their liabilities are short-term or 'on demand'. In addition, some real sector companies and projects are very large even by international standards, and the capital of the largest Russian banks is insufficient to lend to such companies and projects. There is a need to increase the interest and capacity of banks to participate in long-term financing and to introduce risk-sharing facilities in the banking sector.

The basic principles of the banking sector, operating in a competitive market environment and banks' governing bodies making independent business decisions, are that lending should be based on the principles of maturity, interest payment and repayment. **Banks can only lend to borrowers and projects that are capable of producing in demand goods and services** that generate cash flow and profit.

As the banking sector's capital recovers, **the Bank of Russia is prepared to apply regulatory incentives, while respecting the principle of risk-based regulation, to banks' participation in economic development projects**.

Such regulatory incentives will be applied on the basis of a taxonomy of business activities, projects/companies contributing to technological sovereignty and structural adjustment of the economy, which will be formed by the Government of the Russian Federation with the involvement

of the Bank of Russia. This taxonomy will contain a comprehensive list of criteria (rather than a closed list of projects or businesses), accessible to a wide range of users, to determine whether a business line or a project/company is classified as transformational. Priority for support measures should be given to crucial projects/companies that are most likely to increase the sustainability of the economy in the medium and long term and contribute to its diversification. Small and medium-sized enterprises deserve special attention as they are more flexible and able to adapt quickly to changing circumstances.

To avoid a build-up of excessive risks in the banking system, the scope of regulatory incentives will be limited. However, the limits on the use of preferential treatment for individual banks may depend on their capital stock and profitability.

The Bank of Russia will promote the development of legal and operational mechanisms to facilitate credit risk diversification within the banking sector and between banks and other financial market participants, including through the use of digital instruments. In particular, there are plans to promote greater use of instruments for bank loan portfolios' securitisation, syndication of bank loans and other risk-sharing modes. This is particularly important given that, amid the limited access of Russian companies to international financial markets and the insufficient capacity of the domestic equity market, the problem of excessive credit concentration risk of major Russian banks on the largest Russian borrowers is increasing.

Reducing the credit concentration risk can also be achieved by government and development institutions covering part of the risk by providing guarantees and sureties to banks. The Bank of Russia will also examine the potential of digital platforms to preserve banking sector integrity and avoid a fragmentation scenario.

Despite their importance, **some high-priority, strategic investment projects and programmes may have relatively high risks from the perspective of market lenders. In this case, budgetary resources and the capacity of state development institutions should be utilised to secure funding for these projects and programmes.** Bank loans can be issued for such projects by providing banks with state guarantees and sureties from development institutions or by issuing bonds backed by such guarantees and sureties. However, for such support to be effective, it is essential that guarantees and sureties actually help to diminish banks' risks, i.e. have the nature of unconditional and irrevocable obligations.

Individual projects will not qualify for high-quality state guarantees or will not be able to service loans at market rates due to their low payback rates. If such projects are of strategic importance to the economy, they should be subsidised and/or co-financed through direct investment by public development institutions. The volume of subsidies should be limited to mitigate the risks of a considerable easing of monetary conditions, which would require the Bank of Russia to maintain the key rate in the economy at a higher level. With this in mind, the prioritisation of projects for subsidies, the channeling of subsidies to address priorities in economic transformation and their targeted and responsible implementation are of great importance.

Given the needs of the structural transformation of the economy, the role of development institutions will increase in the medium term and their scope of activities will expand. In this regard, it is necessary to provide automatic mechanisms for the recapitalisation of development institutions (including by maintaining their status as public sector organisations as a necessary condition for ensuring special regulation of banks' claims on them), and the state should take into account the need for such recapitalisation when planning federal budget expenditures. For example, the creation of a single, transparent mechanism for all development institutions, the so-called approved capital, could be effective.¹⁴ The clearest mechanism for approved capital has been created for VEB.RF; it can be scaled up to other development institutions. Additionally, development institutions need to

¹⁴ *Approved capital is the part of the authorised capital of a development institution that is formed using subsidies from the federal budget and subsequent additional property contributions from the Russian Federation when a development institution reaches the trigger values of required financial stability ratios (indicators).*

strengthen medium-term forecasting of consolidated performance indicators, including the capital and financial stability ratios, in order both to identify the need for additional capitalisation (other state support measures) and to expand activities in the future. The use of stress-testing methods can also contribute to a clearer understanding of development institutions' capital needs.

Expanding the role of development institutions will encourage more active progress of project finance.

Efforts will be made to increase the development capacity of small banks and to reduce the regulatory burden proportionately. If there is a pronounced interest in cooperation on the part of market participants, the Bank of Russia is prepared to consider regulatory decisions and to facilitate the development of operational approaches to establishing special banking associations, in the framework of which banks would assume joint and several liability for each other's obligations, retain partial operational independence and delegate some functions to parent banks. For members of such associations the issue of a significant reduction in the regulatory burden and compulsory reporting could be considered. It is also planned to increase the focus on lending to local SMEs by such associations.

Objective 2. Development of long-term savings and investment instruments for individuals

Taking into account Russia's limited access to external capital markets, the role of domestic sources of finance for economic development, one of which could be individuals' savings, is increasing. In Russia, there is already a basic need for households to form long-term savings. At the same time, the financial system has not yet developed a broad toolkit for long-term savings that meets people's needs in terms of returns and security of funds, including protection against inflation.

Voluntary pension savings products are not yet popular or widespread, which may be due to the still incomplete trust in the non-governmental pension provision (NPP) system, as well as the low yield of investments. Many NPFs show relatively low average returns, which are comparable with or lower than those of OFZs with medium to longer-term maturities. Established requirements for the composition and structure of NPF investment portfolios, as evidenced by 2022 results, have been successful in limiting customer risk. However, such requirements may reduce the investment potential of NPFs by limiting their investments in higher-risk assets that can generate more meaningful returns (e.g. stocks not included in the MOEX Russia Index, private equity funds and others).

Besides, there is currently the tax arbitrage between financial products. Shorter investments (brokerage accounts or individual trust management) receive more preferential treatment from the state compared to longer investments (NPP or pension insurance).

The Bank of Russia, together with the Government of the Russian Federation, will adopt measures aimed at increasing the attractiveness of longer-term investments for various groups of investors.

The **improvement of the mechanism of individual investment accounts (IIAs)**¹⁵ will continue. There are plans to introduce new long-term IIAs of type III, as well as to expand the list of financial intermediaries and platforms IIAs can be opened through. In particular, management companies of unit investment funds (UIFs) and financial platforms may be included in this list.

In addition, **there are plans to introduce a single personal income tax deduction for long-term investments by individuals**, which is intended to apply to IIAs of type III, NPP agreements concluded for a term of 10 years or more, and subsequently to long-term life insurance agreements with a target term of at least 10 years. This tax deduction is supposed to be granted in the amount of an individual's expenses for the formation of long-term savings (not exceeding a total of 400,000 rubles per year) as well as in the amount of income received under NPP agreements and (or) IIAs of type III.

¹⁵ Individual investment accounts (IIAs) are specialised brokerage accounts and trust management accounts designed for individuals, for whom tax benefits are available if certain conditions are met.

At the same time, the Bank of Russia believes that tax incentives for investments in foreign securities are inappropriate and therefore the tax deduction for long-term savings of individuals is not expected to be applied to such financial instruments.

The Bank of Russia will adopt a set of measures aimed at **developing NPP** as an important instrument of long-term savings for individuals.

There are plans to finalise the establishment of an NPP guarantee scheme along the lines of the deposit insurance system. The creation of such a system on the basis of the State Corporation Deposit Insurance Agency will make it possible to provide a state-backed guarantee for individuals' pension savings (up to ₺1.4 million) and designated non-governmental pensions (up to two social pensions). Such system would fully protect the voluntary pension savings of 99% of participants and the payment of non-governmental pensions of 93% of pensioners.

It is important to develop approaches to state incentives for individuals to form voluntary pension savings, which could include cofinancing of voluntary pension contributions by individuals and providing them with additional opportunities to manage their pension savings.

The Bank of Russia will consider expanding investment opportunities for NPFs by lifting some of the requirements for the composition and structure of their investment portfolios (except for concentration limits and a single limit on assets with an additional level of risk, which may be expanded). At the same time, the relevant investment risks of NPFs will be limited by their stress-testing requirements and the integrity of the investment decisions made by NPFs will be ensured by their fiduciary responsibility requirements. Requirements for the safety of pension funds and the soundness of such investments are crucial.

The Bank of Russia will explore the possibility of adjusting the remuneration system of NPFs, which would further incentivise them to increase customer income if the fixed part of the NPF remuneration covers mainly their fixed costs, while the NPF bonuses and dividends would be formed by the variable part of the remuneration charged on the part of their income that exceeds a certain benchmark (e.g. inflation). This will also help to improve the quality of services provided and reduce the risks of losing financial resilience by NPFs.

The Bank of Russia will consider possible options for improving the regulation of these aspects. The work will result in proposals for legislative amendments.

The creation of financial products for long-term savings to complement NPF products (special long-term OFZs with inflation-linked yields and special UIFs) will be studied. There may be uniform requirements for such products, e.g. ensuring breakeven contributions over a certain horizon, ensuring that pension annuities can be purchased at retirement age and uniform tax incentives. In addition, the creation of special long-term bank deposits, which can be a source of long-term liabilities for banks, and the promotion of current financial products (irrevocable savings/certificates of deposit, digital market for circulation of these instruments) will be considered.

There are plans **to create conditions for the launch of new products in the insurance market** – unit-linked life insurance policies – as well as the creation of a guarantee system in the life¹⁶ insurance market to ensure the safety of individuals' long-term investments.

Implementation of a project to create a housing savings system in Russia will continue, enabling people to accumulate a down payment in a special housing savings account with the right to subsequently conclude a mortgage loan agreement under special conditions. The housing savings system will expand the long-term resource base of credit institutions, as well as improve the efficiency of mortgage portfolio management.

It would be advisable to **improve the taxation of the interest income (coupons) on bonds**. In particular, it is envisaged to allow the reduction of interest (coupon) payments on bonds by the amount of accumulated coupon income paid on the purchase of bonds, to postpone the moment of personal income tax withholding to the end of the tax period and to assign the duties of tax agents with regard to interest (coupon) payments on bonds to brokers (managers).

¹⁶ See [Objective 6](#) of this Direction for more details.

Together with the Government of the Russian Federation, there are plans to **clarify the taxation of long-term deposits** by eliminating the tax arbitrage that arises between short-term and long-term deposits providing for the payment of interest income at the end of a bank deposit agreement. It is also planned to ensure that the tax base for income in the form of interest on deposits (accounts) can be reduced by the non-taxable minimum for each calendar year within the term of a long-term deposit, regardless of the interest payment terms.

Objective 3. Development of capital markets and other instruments for long-term financing of economic development

In previous years, the capital market showed extensive development, and its role as a source of financial resources for business increased alongside bank lending. In 2022, external shocks caused the securities market to shrink and the confidence in it – to decline. It is important to ensure the recovery of the capital market as a source of debt and equity financing for businesses. Amid the exit of foreign investors from the market and the reliance mainly on domestic resources, conditions and incentives need to be created to direct investment resources primarily towards financing projects and companies that contribute to transforming the Russian economy and improving the quality of life. With appropriate information and educational support, this could help to restore the interest of domestic private investors in the capital market.

The protection of private investor rights, including limiting risks for non-qualified investors, is of fundamental importance in the capital market. It is, therefore, important to consider the existing and emerging requirements and restrictions placed on the sale of securities to non-qualified investors (a ban on certain instruments and the sale of a number of instruments subject to successful testing – see [Direction 2](#) for more details).

Rebuilding confidence in the capital market is of great importance for its operation, which will be facilitated, among other things, by **solving the problem of blocked assets**.

However, for a capital market to develop fully, not only investor interest in securities is important, but also the willingness of companies to raise finance through securities market instruments. So far, Russian businesses have not actively used opportunities to raise finance in the capital market. The range of instruments, the sectoral diversity of issuers, and the volume of free-floating securities available to investors in the Russian capital market are not so numerous.

Russian companies have shown little interest in equity financing, which is in essence the most long-term. Special attention will therefore be given to the development of equity financing in Russia in the coming years. At the same time, an adequate amount of equity also ensures the interest of companies in debt borrowing.

The Bank of Russia, together with the Government of the Russian Federation, will create conditions for the expansion of innovative instruments for attracting long money, making them more accessible and user-friendly, including through the use of digital technologies. This requires the formation of an appropriate legal framework.

It is necessary to introduce tools to improve investment quality and preferential securities placement regimes for companies involved in the transformation of the Russian economy and operating in promising and priority sectors, including high-tech production, import substitution, non-commodity exports, and helping to create the necessary infrastructure. Such tools and regimes may include:

- provision of guarantees by the state and development institutions;
- equity and bond market entry support programmes for companies operating in promising industries, as well as tax incentives for investors on income from such securities.

Wherein it is necessary to ensure the cross-cutting nature of support measures, and their continuity at different stages of the life cycle of companies, from their presence on crowdfunding platforms and DFA platforms to bond and equity offerings in different sectors of the stock exchange.

To improve the targeting, accessibility and transparency of support measures for such companies to enter the capital market, **a clear set of criteria will be formed for companies contributing to the transformation of the Russian economy, including high-tech businesses (instead of forming closed lists / groups of companies)**. This will enable the classification of companies and projects, ensure disclosure of information on them, create guidelines for companies and investors, and make state support measures more meaningful.

The plan is to assist market participants **in building a comprehensive consulting infrastructure for issuers** (for financial, technical and business consulting in various forms). Such practices are widely used abroad. This will improve companies' awareness of existing opportunities and support measures, making it easier for them to go through all the necessary procedures, which may seem to them as insurmountable barriers. Such consulting may also include analysis of individual obstacles and approaches to remove them on the way to public status, including for large companies.

Creation and development of popular long-term investment instruments for individuals, including IIAs, NPP mechanisms and forms of long-term insurance. At the same time, along with improving financial and investment literacy, it is necessary to develop a system of trust management and to inform the public about its possibilities, which will reduce the risks of investing in capital market instruments. The Bank of Russia also assesses the expansion of opportunities for institutional investors to invest in the securities market.¹⁷

There are plans to develop mechanisms to **raise public awareness of the opportunities for its participation in the development of the Russian economy** through investments in shares and bonds of Russian companies, including those for which it has set certain consumer, behavioural and social patterns and preferences. A range of socially oriented debt instruments, such as social bonds and the development of social cofinancing mechanisms (participatory financing¹⁸) for significant projects with subsequent public use of the infrastructure to be built / reconstructed, can also engage such patterns.

Part of the agenda is the **development of a direct sales channel whereby issuers sell standard equity market instruments – bonds and equities – to individuals for long-term buy-and-hold investments using financial platforms and unit investment funds**. This will minimise the cost to the issuer and the investor of such transactions and eliminate brokers' artificial pushing of conservative customers into risky products and active trading. Such securities can, among other things, be offered in addition to bank deposits as an organic extension of the low-risk portfolio. At the same time, it is important to ensure that the existing and planned requirements for offering eligible securities to non-qualified investors are met and that the public has an equal opportunity to benefit from the tax relief through the IIA mechanism, regardless of whether securities are purchased through a broker or directly from the issuer through the financial platform. In addition, the creation of legal framework for the use of financial platforms by legal entities and individual entrepreneurs will boost the potential for resource inflow through financial platforms.

The Government of the Russian Federation has also planned measures to **stimulate demand for innovation, including from state corporations and partially state-owned companies**. In particular, the allocation of funds by them for direct and venture capital investments, the purchase of products of Russian high-tech companies, and the creation of a system for covering risks when introducing innovative solutions (including venture companies) will be worked out. Besides, criteria will be established for high-tech and fast-growing high-tech companies ('gazelle companies'); compliance with them will make it possible to provide these businesses with state support on certain conditions.

Equally important is the **development of partnerships between business and government to attract investment in projects** through the use of concession agreements, public-private partnership

¹⁷ See [Objective 2](#) of this Direction and [Objective 1](#) of Direction 2 for more details.

¹⁸ Participatory financing is a mechanism for financing socially important infrastructure projects based on the principles of public-private partnership, where a private party is a group of individuals: end-users / owners of infrastructure facilities. In line with international practice, it is used to accelerate the pace of construction, overhaul and reconstruction of healthcare, education, road construction and other facilities.

agreements and municipal-private partnership agreements. The Government of the Russian Federation plans to take steps to create favourable conditions for such forms of cooperation.

The Bank of Russia will continue to work towards increasing the investment appeal of unit investment funds as a priority tool for retail investors to start investing in the financial market and as a convenient mechanism for structuring long-term investments by institutional investors.

Alongside the development of traditional capital markets, the role of Islamic finance as another way of financing economic development as well as enhancing public welfare may increase in the changed environment. Russian law does not prohibit the provision of Islamic finance services. At the same time, in some cases, it is difficult to provide such services without specific legislative regulations. This is part of the reason why such services remain limited both in volume and geographic distribution. To develop this track of financial activity, an experiment is planned in certain Russian regions. Its results will finalise a decision to extend the legislative regulation of Islamic finance to other regions of Russia. The specific nature of Islamic finance requires appropriate regulatory and supervisory approaches. Proportionate prudential and behavioural regulation, as well as oversight and monitoring of the sustainability of institutions providing Islamic finance services, the state of their management systems, and the quality of services and consumer interests, are important conditions for the healthy development of partnership finance.

Objective 4. Expanding the contribution of the financial market to the achievement of sustainable development goals and ESG transformation of Russian business

The issues of the national sustainable development agenda, including the continuation of activities aimed at environmental protection and social development, remain relevant with regard to the ongoing structural transformation and future modernisation of the Russian economy and are important for ensuring a high quality of life and well-being of Russian citizens.

Addressing sustainable development issues is also essential for fully building relations with foreign partners among friendly countries that are also following this route, especially with regard to the green agenda. The integration of ESG risks into financial sector regulation by foreign countries could spur an increase in provisioning norms for transactions with Russian carbon-intensive companies and financial market participants financing ‘dirty’ industries, even by friendly countries. The introduction and expansion of cross-border carbon regulation will inevitably have an impact on producers of fuels, raw materials and supplies. It is important for Russia not to fall behind in the implementation of sustainable development principles, which would cause increased risks for both the economy and the financial sector. It is, therefore, necessary to continue moving in this way.

At the near-term horizon, the Bank of Russia will focus primarily on continuing to develop the sustainable finance market in terms of instruments, infrastructure, implementation of sustainability issues and mainstreaming ESG factors into corporate governance.

The focus will be on developing financing instruments for new energy projects, decarbonisation and adaptation to climate change, environmental protection and social issues.

The development of regulatory approaches to the verification of sustainable development financing instruments is planned. Based on the taxonomy of sustainable development projects and the requirements for their verification system,¹⁹ **approaches to the verification and identification of financial instruments** that provide financing for activities and projects of companies contributing to the Sustainable Development Goals (SDGs) and actions to combat climate change **will be improved and specified.**

Improvements in green and social bond standards are planned, as well as the development of transitional climate instruments and instruments linked to the Sustainable Development Goals, enabling green project finance and green mortgages. Fulfilling this objective will facilitate the

¹⁹ Resolution of the Government of the Russian Federation No. 1587, dated 21 September 2021.

formation of a pool of assets that contribute to sustainable development as well as to increasing the interest of ESG-oriented investors in the Russian capital market.

The Bank of Russia expects to introduce ESG factors into the investment decision-making process of institutional and retail investors. This will be facilitated by the promotion of recommendations for institutional investors on ESG management and disclosure of compliance with the principles of responsible investment based on the ‘comply or explain’ approach.

There are plans to promote the development of specialised sectors and segments by trade organisers, information support for trading, the creation of market benchmarks for sustainable development instruments and other steps to support the placement and circulation of relevant financial instruments. The Bank of Russia will also undertake efforts to harmonise approaches to ESG and sustainability assessments and monitor the implementation of ESG rating activities by Russian entities.

The Bank of Russia will continue to work on embedding **sustainability and ESG considerations into corporate governance, as well as advancing disclosure on these issues.**

For example, it is planned to carry out work aimed at the further introduction of sustainable development issues and ESG factors into the corporate governance of public joint-stock companies and financial institutions and accommodate international experience to create the necessary methodological framework for SDG-based business transformation.

Transparency of information is important for the effective functioning of the sustainable finance market, and therefore approaches to sustainability disclosure by both public joint-stock companies and financial institutions will continue to be developed.

An important step would also be the development of recommendations, and potentially the **introduction of disclosure requirements for corporate sector companies to consider ESG factors and sustainability issues**, the social and environmental impact of such entities, including the economic, environmental and social dimensions, in light of the changed conditions. This will ensure comparability of disclosures, allow investors and counterparties to adequately assess ESG risks at micro and macro levels and select the best investment options.

There are also plans to raise customers’ awareness of sustainable development financial products as they are offered by financial institutions.

The Bank of Russia will also develop and apply its own corporate sustainability policy and implement elements of such policy in its subsidiaries. This will contribute to a more efficient use of resources and ensure the Bank of Russia’s input to the achievement of the sustainable development goals and the climate agenda.

With its vast territories and unique ecosystem biodiversity, Russia has considerable potential for greenhouse gas mitigation and removal projects. The speed of Russian companies ESG transformation and Russia’s transition to a sustainability-driven economy depends on the extent of their engagement in these projects. **Work will be carried out towards the development of a national carbon regulatory system and a carbon emissions trading system**, using a clearing infrastructure to enable settlements on a delivery versus payment (DVP) model and with the expectation of possible domestic carbon footprint netting based on the market price of carbon generated by the domestic market. In addition, such carbon footprint netting for exported products needs to be recognised through the integration of greenhouse gas emission trading systems or mutual recognition of carbon regulation by friendly markets.

At the medium-term horizon, the Bank of Russia will work out the possibility of integrating ESG risks into prudential regulation and supervision. These regulations will take longer to implement than previously envisaged, given that the financial and real sectors need time to build up capital and recover following the losses incurred by the sanctions. In such circumstances, the introduction of an additional regulatory burden is not justified. This will ensure that companies from ‘dirty’ industries have non-discriminatory access to finance for ‘green’ transformation.

In 2023, the Bank of Russia plans **to develop climate risk stress-testing approaches**. In this context, the Bank of Russia is actively studying the impact of climate risks on the financial sector and the economy as a whole and developing stress-testing approaches. Improvements in stress testing for climate risks will continue in 2023, with plans to take physical risks into account in the future as well.

The effects of global decarbonisation could extend far beyond carbon-intensive sectors, negatively impacting both the financial sector (particularly banks and insurance companies) and entire regional economies, so it is important to ensure that **ESG factors are integrated into the business strategies and risk management of financial and non-financial institutions**. The elaboration of the taxonomy of sustainable development projects and requirements for climate reporting and ESG risk accounting for financial and non-financial institutions will allow investors to more accurately assess the correct risk premium. As international approaches are developed, the Bank of Russia will also consider the possibility of adopting measures in the practice of financial regulation and supervision to guide market participants towards conducting an environmentally responsible financing policy, taking into account the impact of such policy on the level of credit and other risks, both in the short and long term.

Besides, the **issue of stimulating the market for sustainable finance and increasing the interest of participants during its launch phase will be considered**. Relevant proposals for support measures, including tax incentives for both companies issuing sustainable financial instruments and investors in such instruments, as well as for subsidy and state guarantee mechanisms, are planned to be developed jointly with the Government of the Russian Federation, with the involvement of real sector and financial market companies.

Objective 5. Development of corporate relations and corporate governance, information disclosure

The investment appeal of companies is enhanced not only by the quality of management, the executives' responsibility for decisions made, transparency of operations and their attitude towards shareholders and investors, but also by their reliability, promising business activities and commitment to mastering new technologies. To foster the trust-based environment required for the efficient functioning of the capital market, the long-term sustainable development of businesses, and the preservation of the investment attractiveness and reputation of the Russian jurisdiction, it is important to focus on the results achieved over the past decades in this area: legal mechanisms that protect shareholder rights and basic approaches to corporate governance that have proven to be efficient. Therefore, the Bank of Russia will continue to work on the development of corporate relations and corporate governance. There is also a need to continue to develop and adapt the regulation of corporate relations along with the previously set objectives that remain relevant, taking into account the revealed aspects identified in the context of the transformation of the economy.

During the acute phase of the crisis, to protect companies and their related parties (shareholders, board members, counterparties and customers) against negative effects caused by the improper use of the information they publish, the Bank of Russia introduced a special temporary disclosure procedure (e.g. banks were instructed to temporarily stay away from publishing financial statements, while other companies, including non-bank financial institutions (NFIs), were allowed not to publish the mentioned statements at their discretion). This is a temporary measure. For the normal functioning of the financial market and for counterparties to maintain trust in each other, it is **important for both financial and non-financial institutions to resume the publication of financial statements and disclosures of other information**. In this regard, the Bank of Russia is analysing and developing approaches to financial statement disclosure and determining which items may be sensitive to the imposition of sanctions, with a view to aggregating or excluding them when publishing. At the same time, for the supervision of financial institutions, all types of statements will be submitted in full to the Bank of Russia.

In the current environment, the importance of, and attention paid by investors to, corporate decisions made by the governing bodies of public companies have increased. The Bank of Russia will pay attention to ensuring that public companies have the appropriate level of information transparency and justification for corporate decisions affecting the rights and/or interests of financial market participants, including minority shareholders. In particular, there are plans to establish a legal framework for holding shareholder meetings in a hybrid (in-person and remote) mode. In addition, in order to provide additional protection for the interests of individuals who are minority shareholders, a mechanism is being elaborated to accumulate minority shareholders' votes to nominate candidates for the boards of directors of public joint-stock companies.

With the Bank of Russia's participation, there are plans to fix in legislation **mechanisms balancing the interests of all participants in corporate relations**. This will serve to increase investor confidence in Russian companies and the appeal of equity financing instruments.

In particular, there are plans to improve the procedures for acquiring large equity stakes in public companies, which should increase their flexibility and reduce costs for majority shareholders while gaining the protection of minority shareholders' rights in the event of a change of the controlling shareholder.

To **further develop the debt financing market**, the Bank of Russia intends to continue expanding opportunities for bond issuers to complete transactions faster and more conveniently, and to improve mechanisms aimed at protecting the rights of bondholders. There are also plans to improve the procedure for restructuring debt on corporate bonds and the procedure for holding meetings of bondholders, to increase the responsibility of members of the management bodies of bond issuers for decisions affecting the interests of bondholders and to empower the institution of bondholder representatives.

The Bank of Russia will also continue to work on **introducing the best corporate governance standards**, referred in the [Corporate Governance Code](#) (hereinafter, the Code),²⁰ **into the practice of Russian public companies**. Conscious implementation of the Code's recommendations should increase the sustainability of companies and help them to quickly adapt to rapidly changing business conditions and take advantage of new opportunities. This should help increase their attractiveness to investors.

The Bank of Russia will also develop recommendations aimed **at improving corporate governance practices in holding companies and groups of companies**, taking into account the specifics of their business.

The development of an audit framework for the market participants' reporting will promote better quality (accuracy) of information in the financial market. Considering its mandate to regulate and supervise auditing activities in the financial market,²¹ the Bank of Russia will be involved in the development of the audit institution, including as part of the measures envisaged by the [Audit Development Concept until 2024](#). The Bank of Russia's activities will also focus on auditors access to provide audit services to public entities in the financial market, as well as ensuring the high quality of their work in this market. The Bank of Russia will also intensify cooperation with the audit community and those responsible for overseeing reporting in the corporate governance system.

An important part of the Bank of Russia's activities in the near future will be to address issues of **integration of auditors and auditing entities of friendly countries, including the creation of a single market for audit services within the EAEU**, including the issues of interaction between competent authorities.

Regarding the **development of corporate governance in financial institutions**, the Bank of Russia is going to define and regulate approaches to the setup of certain corporate governance practices, remuneration and compensation systems, and to harmonise requirements for risk management, internal control and internal audit in financial institutions, including situations when they also act as professional securities market participants.

²⁰ Bank of Russia Letter No. 06–52/2463, dated 10 April 2014, '[On the Corporate Governance Code](#)' was officially published on 18 April 2014 and recommended for use by the Bank of Russia.

²¹ Federal Law No. 359-FZ, dated 2 July 2021, '[On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws](#)'.

The Bank of Russia will continue its efforts to improve corporate governance in credit institutions through the implementation of previously planned measures. Among other things, these efforts will be aimed at creating incentives for the development of internal control and misconduct detection systems within credit institutions and at implementing ethical standards related to their activities.

Steps are also planned to improve corporate governance in NPFs and insurance companies, which should improve the quality of their investment activities. In particular, the participation of NPFs' boards of directors in making investment decisions can be expanded due to the mandatory inclusion of risk committees to their boards of directors.

The Bank of Russia also plans to unify and improve its qualification and business reputation requirements for executives and specialists working in the financial market (including the executives, officials and owners of financial institutions). This is necessary for increasing the quality of financial institutions' governance and operation at all levels.

Objective 6. Development of the insurance market

The role of the insurance market, which is designed to protect business and people's welfare, will increase significantly in the context of the structural transformation of the economy. Life insurance should be the first to contribute to the development of domestic sources of financing for the economy. The increase in its coverage is directly linked to an increase in people's confidence in this investment instrument. To this end, the life insurance market²² is planning to establish a **guarantee system for life insurance contracts**, which should ensure the safety of people's long-term investments. The system will be based on the same principles as the deposit insurance system and the pension savings guarantee system. In the event of bankruptcy of an insurance company, its obligations to customers within the limits established by law will be fulfilled using a guarantee fund formed from contributions made by insurance companies.

There are also plans to introduce a new product for the Russian insurance market: **unit-linked insurance plan**. Such a comprehensive life insurance product with an investment component will provide the consumer with flexible investment options along with a long-term life insurance programme. Their rights as an investor will be protected, and the investment strategy will depend on their preferences and risk appetite. As part of this product, there are plans to sell the investment part of it through open-end UIFs. This approach to the regulation of shared life insurance would require significantly less efforts and costs to develop and implement new regulations and would take advantage of the effective investor protection instruments that have been developed.

The insurance market is able to provide consumers with insurance products that best suit their interests. Such opportunities are driving both the development of the insurance market itself and the achievement of strategic goals. The Bank of Russia will place particular emphasis on types of insurance, especially retail insurance with low customer value. Indicators of low customer value include low-probability events within the insured risks and a long-term low payout rate. This will be facilitated by **regulating insurance terms and conditions for such voluntary types of insurance, as well as by setting requirements for the disclosure of insurance product information**. In the long term, this will contribute to increasing confidence in the insurance market.

Increasing insurance coverage of various property interests depends, to a large extent, on a correct assessment of insurance risk and setting an adequate price for insurance products. The Bank of Russia intends, among other things, to **organise the process of collecting statistics and topographical information on a contractual basis with market participants on the basis of RNRC**. The creation of such databases will enable the development of quantitative climate risk assessment tools to provide accurate risk assessments of extreme natural events and disasters. This will make it possible to better adjust the pricing of insurance products and take such risks into account in the calculation of reserves.

²² Unlike in the banking sector where all deposits and accounts of individuals are insured, in the insurance market, the obligations of an insurance company to a customer in the event of bankruptcy are not guaranteed by the government, which is one of the reasons for the low confidence in life insurance contracts in the Russian insurance market.

The level of development of the insurance market also depends to a large extent on the degree of development of its information environment. It can influence insurance companies to design insurance products that are as consumer-friendly as possible. **A centralised system for collecting, analysing and storing information in the insurance market, with direct involvement of the Bank of Russia**, is planned to be established and made operational. This is necessary to boost information transparency and promote information exchange. Direct involvement of the regulator will ensure the efficiency of such information system, comply with high information quality requirements (including through access to state information systems and the Bank of Russia's information systems), and adhere to high standards of information protection (including personal data and insurance secrecy information). This system will give insurance companies equal access to the quality information they need to record risk reliably. They will be able to fine-tune price formation to suit individual customer risks and develop new insurance products. Conditions will be created for the implementation of new insurance market projects developed for the benefit of consumers and market participants (e.g. development of marketplaces, introduction of e-settlement tools, control of policy availability through photo and video recording, and interaction with various public service delivery systems).

Sanctions have resulted in the closure to Russian insurers of the reinsurance markets of unfriendly countries and a shortage of available reinsurance capacity, which increases the role of RNRC. It is necessary to create conditions for a highly competitive reinsurance market.

The securitisation of reinsurance, **i.e. the issuance by insurers of catastrophe bonds**²³ the payouts of which depend on realised losses in the insurance portfolio, is also being considered.

Moreover, there are difficulties in recognising the quality of insurance and reinsurance protection offered by Russian insurers and RNRC by counterparties from friendly countries amid the lack of credit ratings assigned by international credit rating agencies for Russian insurance and reinsurance companies.

To address the issue of recognition of the quality of Russian insurance and reinsurance protection, **the issue of recognition of Russian rating agencies will be thoroughly examined, alongside the establishment of market-based interaction with reinsurers from friendly countries.**

Objective 7. Ensuring the sustainability and regulatory development of financial institutions

Regulatory easing helps overcome the acute phase of the crisis, but cannot be sustained for too long, considering that this could lead to distortions, inefficient allocation of resources in the financial sector and economy, and accumulation of excessive risks in financial institutions, which in turn would pose threats to financial stability as a whole.

The financial market can perform its function of transforming savings into investments, as well as boosting its role in financing the economy transformation, only if there are financially stable, healthy financial intermediaries in the market. Therefore, the Bank of Russia will continue to focus on preserving the stability of financial institutions and plans to further adjust regulation to the new realities.

By creating conditions for the development of the financial market and ensuring financial stability at the systemic level, the Bank of Russia takes into account both trends common to all sectors of the financial market and specific to each of them. This determines, on the one hand, the existence of peculiarities in the regulation of various financial intermediaries and, on the other hand, the strengthening of the commonality of regulatory approaches and tasks, in particular, such as the proportionality of the regulatory burden and the scale of financial institutions activities, the introduction of guarantee systems, the reduction of costs of market participants, the creation of legislative and legal conditions for remote service formats, and the penetration of digital products

²³ *Catastrophe bonds are bonds with an interest rate dependent on the damage level. If no incident occurs during the term of the bond, the amount of the guarantee provided by the bond shall be paid to the investor with interest. However, if the risk materialises, the bond placed will be used to cover the loss.*

and services. The gradual blurring of boundaries between the sectors of the financial market and e-commerce, the increasingly cross-sectoral nature of financial intermediaries operations and the emergence of ecosystems require additional adjustments of the regulation of both the financial market as a whole and individual types of activities (products).

Cancellation of regulatory easing

The Bank of Russia's analysis shows that the financial sector is capable of restoring financial stability on its own over the medium term. No systemic recapitalisation of the financial sector, including the banking sector, is required. Individual financial institutions may need help from their owners.

The cancellation of regulatory easing could be gradual, with appropriate risk controls in the financial sector. However, in order to allow banks to increase lending, a temporary reduction of capital add-ons is envisaged, which previously allowed them to build up a capital buffer and dampen the impact of adverse factors on the financial sector. At the same time, regulation needs to be further adjusted to limit the growth of high-risk loans. For example, to limit risks in the unsecured consumer lending segment (where the bulk of the macroprudential capital buffer was previously built up), a new instrument, macroprudential limits, will be used first, rather than capital-enhancing measures, which will help to preserve the economy's lending capacity. To discourage risky lending in other segments (in particular, foreign currency corporate lending), the Bank of Russia will continue to use a system of macroprudential add-ons.

No increase in systemic risks in the banking sector has been observed so far, but the experience of recent years has shown the importance of having a capital buffer and possible risk coverage instruments. Thus, depending on the scale of the problems, direct recapitalisation through the purchase of shares and/or subordinated liabilities or the provision of capital guarantees entitling the entity to support if its financial situation deteriorates could be considered. Once the economy has finished adapting to external shocks, the Bank of Russia plans to discuss with the market the feasibility of establishing a Banking Sector Development Fund. This fund can be formed by contributions from banks (similar to the deposit insurance fund). Going forward, one of its functions could be to support the banking sector in stressful situations. In fact, it is about creating a collective capital buffer for banks on top of individual capital buffers, which are formed by surcharges on capital adequacy ratios. However, support will only be provided if the losses of financial institutions are due to force majeure and not due to previous risky business models. Support measures should not cover losses incurred due to inefficient policies implemented by owners of individual financial institutions, thereby worsening the competitive position of the financial intermediaries that have adopted a more prudent and measured approach to risk management.

Dealing with blocked assets

Market participants are currently making efforts to resolve the problem of blocked assets, including through the courts. The Bank of Russia engages with financial institutions on these issues to adequately manage risks. Relief has been introduced for the recognition of banks' losses on blocked assets. However, the Bank of Russia is not considering buying back the blocked assets.

Banking regulation

The Bank of Russia will continue to work on improving banking regulation, taking into account the need for credit institutions to maintain their financial resilience and increase their participation in financing of economic development. International best practices, as well as national specifics and generally changed market conditions, will be analysed and taken into account. The stress experienced by the financial market has highlighted imperfection at management of some banking risks, with some regulatory requirements for banks under the new circumstances proving ineffective (e.g. foreign exchange position regulation) and requiring revision. The planned changes will strike a balance between national specifics in the banking sector and international best practices.

In particular, the Bank of Russia will develop approaches to the regulation of market risks (including currency risk) for capital risk coverage purposes and in terms of procedures for calculating and limiting open currency positions. There are also plans to improve the procedure for calculating liquidity ratios, taking into account the experience gained from the application of existing regulations and an analysis of the historical dynamics and actual stability of certain categories of borrowed funds. Besides, approaches to the regulation of interest rate risk on the banking portfolio will be improved.

The outlined changes will contribute to the resilience of banks while reducing capital and regulatory burdens in general.

The Bank of Russia **plans to develop supervisory stress testing (SST) of credit institutions as a preemptive tool for banking supervision**. Supervisory stress testing is meant to identify in advance vulnerabilities of individual banks and the sector as a whole to various internal and external shocks, which allows for timely implementation of supervisory measures and more effective planning of modifications to banking regulation.

Going forward, as SST practice develops; the Bank of Russia will consider the appropriateness of incorporating SST results into capital requirements.

The Bank of Russia will continue to put an emphasis on the regulation of SICIs. Special and, typically, more stringent requirements are established for SICIs due to their importance for the stability of the banking sector and the financial sector as a whole. In view of the dynamic development of the financial services market and the changing environment for the banking sector, the Bank of Russia will **consider updating its plans for regulating and supervising SICIs as the economic situation normalises** (this topic will be discussed in more detail in the Bank of Russia's document 'Promising Areas for Banking Regulation and Supervision Development', which will be published by the end of 2022).

The Bank of Russia will continue to work on **improving the deposit insurance system** at banks. There are plans to implement an initiative developed with the Bank of Russia's participation to extend insurance coverage to medium-sized enterprises, socially oriented non-profit organisations, trade unions, as well as lawyers, notaries and other persons engaged in professional activities.

In order to optimise the payment of insurance compensation and the procedures for settlements with bank debtors to improve the protection of individual customers, there are plans to abolish counterclaims in determining the amount of compensation due to such depositors and to lift the ban on close-out netting (direct offsetting of counterclaims) for them.

In connection with the planned modification of the assessment of the economic situation of banks and the transformational processes in the economy, the Bank of Russia will consider possible approaches to adjusting the deposit insurance fund contribution mechanism to ensure that the burden on banks is proportionate to the level of risk they take.

Regulation of the microfinance market

The Bank of Russia will adopt additional regulatory measures to boost consumer protection in the microfinance market, which will contribute to the transparency of the segment, its development and consumer protection.

The Bank of Russia will introduce a **new model for the admission of credit cooperatives to the market and establish requirements for the business reputation of their management**. These measures will improve the safety of personal savings deposited at credit cooperatives and minimise the risks of the appearance of financial pyramid schemes under the guise of credit cooperatives. Besides, the Bank of Russia will assess the possibility of introducing a mechanism for protecting personal savings and establishing requirements for credit cooperatives to disclose their terms and conditions for attracting funds.²⁴

²⁴ With regard to the tasks of developing credit cooperation, the Bank of Russia has agreed on a [Roadmap for Amending Credit Cooperation Legislation for 2021–2024](#), the measures of which detail areas for improving the regulation of the sector.

The elimination of misconduct practices in the microfinance market will be facilitated by **heightened administrative and the introduction of criminal liability for illegal lenders** enshrined in law. In addition, criminal liability will be introduced for illegal activities in the collection of overdue debts.

The Bank of Russia will also analyse the possibility of **creating legal conditions to allow MFOs to verify subscriber information through a ‘single window’ using the databases of mobile network operators**. This will help microfinance institutions to improve their anti-fraud systems.

MFOs will also be subject to additional legislative changes on the total cost of credit (consumer loan) (TCC), aiming to limit the sale of additional services to borrowers when granting loans that have no value to the customer comparable to their cost, as well as to eliminate the circumvention of regulatory requirements.

Regulation of the insurance market

The development of insurance sector regulation will be primarily aimed at continuing the introduction of a risk-based approach, increasing the customer value of insurance products, protecting consumer rights and creating conditions for consumers to make informed choices about services offered by insurers, and also increasing information accessibility for insurance market participants.

The Bank of Russia will continue to implement the risk-based approach to insurance sector regulation in terms of improving requirements for the calculation of insurance reserves and the assessment of insurance risks. This approach should contribute to improving the financial resilience, competitiveness and investment appeal of the insurance market. Requirements for the corporate governance system of insurers will also be expanded, including requirements for the risk management system.

Regulation of professional securities market participants and management companies of unit investment funds

The Bank of Russia will improve the regulation and supervision of management companies, trust managers, brokers and investment advisors. Its measures will be mainly aimed at improving the quality of services provided by these financial institutions and protecting consumer rights. This is especially important amid the growing interest of citizens in capital market instruments and the growing role of financial intermediaries providing investment services to retail customers.

Having largely completed the work to cleanse the financial market of misconduct participants, the Bank of Russia will continue to take measures aimed at increasing the resilience of existing professional securities market participants and management companies in light of the new environment.

The Bank of Russia also plans to develop additional reporting forms on customer portfolios to assess the risks, behaviours and preferences of customers. The new reporting forms will complement the current ones, which are more focused on assessing the financial condition of intermediaries.

The Bank of Russia will **improve the regulation and supervision of investment advisors**. The adjustment of the regulatory environment is necessary as financial consulting is becoming more popular with the arrival of large numbers of retail customers in the securities market. In addition, the range of offered services similar to investment consulting is expanding, yet they are beyond the effective legal framework. Considering the above, the Bank of Russia plans to determine possible approaches to the regulation of services that are similar or close to investment consulting but are not currently recognised as such due to a number of formal characteristics.

The Bank of Russia will also assess the possibilities for **enhancing regulation in terms of the use of robo-adviser apps**, software used by investment advisors to provide automated investment advice to customers. Particular attention will be paid to programmes using machine-learning technologies.

Regulation of financial associations

With the emergence of cross-sectoral associations of financial institutions in the Russian financial market, it becomes necessary to develop **consolidated regulation and supervision of their activities** in addition to regulation and supervision on an individual basis. This will improve the quality of control over financial institutions' risks and ensure more reliable customer protection.

The Bank of Russia will initiate the implementation **of regulation of financial associations**, including both bank and non-bank financial institutions (insurance companies, NPFs, brokers, stock exchanges, etc.). The unified cross-functional approach will make it possible to establish harmonised and proportionate requirements for financial associations' operation depending on the scale of their activities and the nature and size of the risks they accept.

At the same time, in order to reduce the regulatory burden and costs of financial intermediaries, the Bank of Russia plans to improve the procedure for obtaining access to the financial market and, in some cases, replace required permits with notifications.

In addition, the Bank of Russia will continue to **expand the possibilities for combining different activities** in the financial market and switch to activity-based regulation, which will allow financial institutions to operate in new areas without creating a separate legal entity. The Bank of Russia estimates that it will take several years for the initiatives to be implemented, considering that they involve significant regulatory changes. Therefore, the implementation of the proposals will progress stepwise, as they are worked out and agreed upon with the professional community. The Bank of Russia considers it possible to allow, for example, NPFs, management companies and insurance companies to carry out non-financial activities, in particular the provision of agency services.

The Bank of Russia in cooperation with market participants will continue to work on defining approaches to the role and mandate of SROs in the financial market, extending the practice of self-regulation to uncovered segments and the mandatory inclusion of sales agents in SRO members. It is also necessary to continue expanding the list of financial market participants with leasing companies.

3.2. FINANCIAL CONSUMER AND INVESTOR PROTECTION, INCREASING FINANCIAL INCLUSION FOR HOUSEHOLDS AND BUSINESSES

Ensuring the protection of financial consumers and investors and improving their financial literacy are among the most important activities of the Bank of Russia. Currently and in the next three years, work in this area will be intensified in terms of investment products and services as well as cyber defence, which is associated with influx of the presence of millions of new investors in the financial market using predominantly online service channels.

Furthermore, with the spread of digital technologies in the financial sector, new types of illegal activities and fraud are emerging. The widespread use of online channels and mobile communications for customer service increases the speed and convenience of accessing financial services, but at the same time makes citizens more vulnerable to the actions of cyber fraudsters and threats of social engineering, which makes it necessary to increase their security when receiving financial services. Illegal and unlawful activity not only creates threats of financial losses for citizens but also casts a shadow on bona fide participants, reducing confidence in the financial market as a whole.

Objective 1. Improving financial consumers and investor protection, enhancing financial literacy

Protecting the non-qualified retail investor. The realisation of external geopolitical risks has resulted in losses for investors, which may affect their willingness to invest in equity market instruments in the future. It is important to restore the confidence of numerous non-qualified investors in the capital market while limiting the risks for this category of investors.

In this regard, the Bank of Russia proposed a set of measures aimed at protecting retail investors and improving approaches to their access to the capital market in terms of testing procedures, recognition of individuals as qualified investors, the list of instruments available only to qualified investors, and a number of others. These measures will protect non-qualified investors from the risk of possible losses when investing funds in products and instruments that investors do not understand.

In terms of testing procedures for retail investors, the plan is to continue to increase the number of questions aimed at testing knowledge, to consider the impact of investment experience and knowledge of the instrument on test results, and to strengthen systems for monitoring the test-taking process. All of this will change the conceptual approach to the testing procedure for non-qualified investors from a risk notification mechanism to a full-fledged knowledge testing mechanism. The Bank of Russia is also ready to discuss with representatives of universities the idea of introducing a special qualification examination.

In terms of eligibility for a qualified investor status, it is planned to increase the required amount of assets and change their structure, establish requirements for documents confirming such assets, as well as to exclude the possibility of qualifying an investor based on a university degree in economics as a separate criterion and to exclude from securities market legislation the linkage between becoming a qualified investor with only a certain instrument or a list of instruments. Besides, there are plans to create unified electronic registers of persons recognised as qualified investors and persons granted access to certain complex financial instruments based on test scores, as well as to establish liability for the wrongful recognition of a person as a qualified investor or the unlawful access of an unqualified investor to complex financial instruments. These measures will help to reduce unfair practices in granting the status of a qualified investor.

The list of instruments available only to qualified investors will include foreign financial instruments of entities from unfriendly countries, securities with payouts subject to the occurrence or non-occurrence of circumstances, and over-the-counter derivatives, except for those meeting certain criteria.²⁵ This will minimise the risk of loss for non-qualified investors when investing in complex financial instruments, as well as instruments with rights exercised in association with the use of foreign financial infrastructure and are therefore subject to sanctions risks.

The Bank of Russia will **assess the possibility of admitting non-qualified investors to foreign financial instruments with issuers – residents of friendly countries** only if there is no custodial risk, and after investors have undergone testing and received additional information (on the inherent risks) on such instruments.

Other measures to be discussed include **reducing the maximum leverage for retail investors and increasing the liability of financial intermediaries for breaches of investor protection requirements**.

An important aspect of protecting non-qualified retail investors is **improving people's investment literacy**. The process of building the necessary knowledge and skills takes quite a long time, so in the coming years it is important to focus on promoting the basic attitudes of good investment behaviour, including in the face of restrictions and changes, the use of digital technologies in the financial market, prioritising personal financial security, improving the quality of information and counselling provided to the public, and identifying fraudulent activities and misconduct practices that negatively influence the confidence of both existing and potential investors. Conditions should be created for individuals to choose passive investment strategies, including the use of various forms of collective investment as a less risky way for non-qualified investors to enter the capital market.

²⁵ Provide 100% capital protection, with relatively simple repayment criteria. The underlying assets of the products are classified as 'simple instruments' (in accordance with Federal Law No. 192-FZ, dated 11 June 2021, 'On Amending Certain Laws of the Russian Federation') and indices as approved by the Bank of Russia Board of Directors. Access to such derivatives by non-qualified investors will be subject to test scores.

Introduction of product passports and a unified system for handling enquiries. The wide range of challenges facing the Russian financial system and the sanctions pressure on Russian financial institutions ultimately have a significant impact on financial consumers. In this context, the following challenges will be emphasised in the short term:

- increasing the transparency of information provided to financial consumers, both when selling services remotely and in the offices of financial institutions and their agents, including by expanding the use of key information documents;
- establishing a uniform system for handling applications from financial consumers and investors in financial institutions.

Work will continue to **clarify the calculation of the TCC in order to oblige banks and other lenders to include in the calculation of the TCC** all payments for additional services purchased by borrowers when taking out consumer credits (loans). This will enable borrowers to more accurately assess the costs of obtaining a consumer loan and will contribute to creating conditions for fair competition between lenders. As part of such approaches, the Bank of Russia has already defined categories of mortgage loans for calculating the TCC and clarified categories of consumer loans in order to prevent lenders from agreement formulation based on the criteria for categorising consumer loans to circumvent the TCC limit.

Work will continue on legislative amendments to allow individuals to establish a ban on loans in their credit history and make such information legally relevant: **the CreditLock mechanism.**

The key condition for such a mechanism is the use of the personal insurance account number as the only identifier of an individual allowing for the unambiguous identification of the individual both when establishing (lifting) a ban and checking the fact of a ban in the individual's credit history for the purpose of concluding a consumer loan agreement.

The implementation of this mechanism will make it possible to effectively combat the practice of fraudulent receipt of consumer loans by third parties through the illegal use of individuals' personal data, as well as the use of social engineering methods when individuals are pushed to obtain consumer loans with the subsequent transfer of funds to third parties who carry out fraudulent activities.

Development of conduct supervision. The Bank of Russia will continue to create incentives for financial service providers to become more customer-oriented, taking into account the priority of preventive conduct supervision and the trend towards the development of remote customer communication channels taking into account the following:

- improvement of risk-based conduct supervision tools, including the development of tools to identify and assess pending consumer risks in supervised entities activities;
- combination of the two components – supervisory and advisory – in the Bank of Russia's activities as a systemic approach to the development of conduct supervision;
- building and developing a system of supervision (in cooperation with other supervisory authorities) over the activities of financially integrated ecosystems, taking into account the further role of the Bank of Russia in this process;
- changing the management paradigm of financial institutions: making the business models of financial service providers more customer-oriented.

Introduction of the Product Governance concept. The Bank of Russia plans, in cooperation with supervised entities, their SROs and financial consumers and based on foreign experience, to develop and implement the most effective product governance model to assess the consumer risks of new financial products before they are offered to the public and to create protective mechanisms at the product development stage.

Product governance implies the following objectives:

- clearly defining the target markets for products and ensuring that their properties match the characteristics and needs of their customer audiences;
- adequately assessing consumer risks;
- building thorough and complete consumer awareness of the features and risks of financial products;

- an effective provisional valuation and subsequent monitoring system enabling the timely identification of product-related problems and the introduction of necessary adjustments.

To **counteract illegal activities**, the Bank of Russia works on a regular basis to promptly inform the public of illegal entities' actions and shorten the duration of their activities. Work will continue to ensure that search engines are able to provide the list of companies and individuals with signs of illegal activity, which is published on the Bank of Russia website. Besides, the Bank of Russia will continue to participate in the development of a mechanism for cooperation with messaging apps and social media aimed at preventing the work of illegal financial service providers using these resources. Such cooperation will make it possible to provide users with lists of companies and individuals conducting illegal activities in the financial market.

There are plans to involve financial market participants more actively in countering illegal practices through self-regulatory institutions. The role of financial consumers in countering illegal activities and fraud, in particular their financial prudence level should be taken into account. To enhance this parameter, it is important to promptly inform consumers of possible illegal providers of financial services and increase the degree of interaction with consumers.

To **ensure cyber security in the financial sector**, the Bank of Russia will develop measures aimed at raising the quality and security of services provided by financial institutions. A complex approach will be adopted, i.e. from improving the methodology for analysing the protection level of services and their testing to the implementation of safety procedures when putting the services into operation or during their upgrade.

The Bank of Russia, in cooperation with the Government of the Russian Federation, will continue to develop information and training materials, financial cyber literacy courses for the public, as well as practice-oriented information security training for various categories of trainees. Additionally, the Bank of Russia is implementing a range of organisational, legal and technical activities aimed at countering social engineering in the financial market.

Efforts to promptly detect, suppress and prevent financial market crime require further improvement of the mechanisms of interaction between the Bank of Russia and law enforcement authorities, including in terms of the formats of information transmitted by the regulator on offences identified in the financial market and its participation in law enforcement inspections. This will be facilitated by joint thematic training events, sharing the experience and ongoing working interaction to discuss topical issues with law enforcement representatives, development of guidelines, improvement of interagency agreements and other organisational and administrative documents, which is particularly important in the context of the rapid emergence of new types of fraud and cybercrime.

The Bank of Russia's key objective in the sphere of **improving financial literacy** remains to promote among households basic attitudes towards rational consumption, rational saving, appropriate investment behaviour and the safe and rational use of financial technologies in personal finance management. This should ensure the financial well-being of people and reduce the likelihood of spontaneous decision-making in various financial market developments.

To this end, work will continue on introducing financially literate attitudes through the education system. Considering the adoption of the FSES with elements of financial literacy at all levels of education, the next step will be to build a system to assess the quality of financial literacy teaching, as well as the level of financial literacy of students at all levels of education. For the successful implementation of the educational process, the availability of trained teaching staff is an important component, so the Bank of Russia will continue to work jointly with the Ministry of Finance of the Russian Federation and the Ministry of Education of the Russian Federation in this direction, including building and scaling up a two-level system of advanced training for teachers.

In addition, the Bank of Russia will continue to update and prepare methodological and educational materials on financial literacy for all levels of education, as well as separate courses for different target audiences.

Particular attention will be focused on preparing adapted financial literacy materials for the most vulnerable groups of population, such as orphans and children without parental care, and students with disabilities.

In order to foster rational financial behaviour among different groups of population, targeting is planned along various directions, using a wide variety of channels and formats:

- increasing investment, digital financial literacy and cyber literacy;
- ensuring financial security with a focus on the most vulnerable groups of population (low-income households, pensioners, orphans and children left without parental care, and also persons with disabilities);
- creating specialised programmes and courses for specific target audiences, including refugees;
- developing a feedback system and ensuring that consumers are kept informed of current issues and developments in the financial market on an ongoing basis;
- developing public-private partnerships, including those related to volunteering;
- helping SMEs adapt to changes in the financial market, informing them of current financing instruments.

At the same time, changing communication formats require new solutions when working with different target audiences: adapting financial literacy materials and programmes for external digital platforms and promoting them using modern technological tools as well as public and private educational programmes.

At the same time, consumers will be adapting to new technological solutions: artificial intelligence, robo-advisers, M2M and M2B technologies, marketplaces and other platform and ecosystem solutions being introduced in the financial market.

Changes in the financial market situation have a direct impact on financial literacy requirements and development. The Bank of Russia measures the financial literacy of the population of the Russian Federation on an ongoing (biennial) basis to determine the level of the public's financial literacy. The results of the survey are used, among other things, to build and adjust (if necessary) further work on financial literacy: identifying priority target audiences, topics and products.

Besides, since the [Strategy for the Improvement of Financial Literacy in the Russian Federation](#) covers the period through 2023, it is necessary to develop approaches to enhancing financial literacy until 2030, taking into account the accumulated experience, best practices in improving financial literacy, including coordination and organisation of the process at the federal and regional levels, as well as current trends and aspects of financial market development and, consequently, changes in the behaviour of financial consumers.

The financial market enables financial consumers to redistribute their income over time, thus managing their savings and expenditure, and thereby influencing the development of the market and the economy as a whole. At the same time, the level of financial literacy knowledge and skills – basic attitudes of rational consumption, rational saving, appropriate investment behaviour and safe and sound use of financial technology in personal finance management – influences the ability to choose and use instruments with different investment horizons, risk profiles, returns and liquidity.

Objective 2. Enhancement of financial inclusion for households, small and medium-sized businesses

In the age of digital transformation of the financial market, one of the key areas of Bank of Russia activities will be to ensure a progressive increase in the financial inclusion of households and businesses. With wide use of online service channels that do not suppose person-to-person communication, the quality of financial services provided should increase as well. In certain cases, the possibility of in-person or remote communication with financial institution employees should remain. The convenience and speed of remote formats of interaction in the financial market must be accompanied by reliable protection of personal data, cybersecurity and respect for consumer rights.

It should be taken into account that increasing financial inclusion may have various specifics in different regions of Russia; the country's unique geographical and territorial features, the extent of penetration of mobile devices and remote services, the mental preparedness of the population to work in a digital environment, and other factors must be considered.

In addition to its usual focus on the financial inclusion of citizens, the Bank of Russia will continue paying significant attention to the financial inclusion of individual entrepreneurs and small and medium-sized businesses.

In order to create **favourable conditions for the growth of financial inclusion, the Bank of Russia has developed [Priorities of the Financial Inclusion Programme of the Russian Federation for 2022–2024](#)**. Alongside the aforesaid objectives, the document will be dedicated to matters of high social importance. These include providing access to financial services for residents of remote and sparsely populated areas; creating a barrier-free financial environment for persons with disabilities, the elderly and mobility-impaired persons; using financial market instruments to improve the well-being of citizens, especially low-income citizens; making various financial instruments available to individual entrepreneurs, small and medium-sized enterprises; reducing the cost of cashless settlements between households and businesses through the use of FPS.

In the coming years, a key focus for the Bank of Russia will be **making financial products and services more digitally available**. The barriers that prevent households and businesses from actively using remote service formats to access financial services are planned to be analysed so that measures can be taken to remove them.

The Bank of Russia will take into account the fact that, when switching to online channels, it is necessary to protect the interests of citizens who, due to different reasons, are unable or not ready to use this form of interaction with providers. The Bank of Russia will monitor groups of households and businesses that may be at risk of digital inequality, especially as the Internet does not yet cover all populated areas of Russia and online services require adaptation for use by certain categories of consumers. Such monitoring will also be facilitated by a map of financial access points, to be launched by one of Russia's leading mapping services. For their part, in rural areas and remote, sparsely populated and hard-to-reach areas, measures will be taken in the coming years to maintain the sufficient infrastructure of physical service points for citizens, as meaningful restrictions on the use of online services are still in place there. Particular attention will be paid to the development of 'simplified' formats of the presence of financial institutions, including:

- increasing the quality and security of services provided by post offices and widening the range of such services;
- availability of certain types of services in retail and service outlets (cash withdrawals and acceptance of payment card transactions, acceptance of payments, certain payment transactions without opening an account or e-wallet);
- developing the network of stationary and non-stationary points of service in remote areas, involving employees, agents and partners of credit institutions.

Beginning in 2022, reaching financial inclusion objectives in remote and sparsely populated areas as part of the unified approach became mandatory for all regional branches of the Bank of Russia. In 2023–2025, it is planned to continue this work with the involvement of public authorities of the constituent entities of the Russian Federation, credit institutions and local telecommunications operators.

Switching to remote services sets new objectives with regard to creating conditions for **ensuring secure access to high-quality financial products and services for people with special needs**, including persons with disabilities, the elderly and other categories of mobility-impaired persons. The Bank of Russia will develop recommendations for financial institutions to improve the quality of their interaction with these consumer groups, including adapting access channels to remote financial services and the interfaces of online applications and services.

The Bank of Russia considers it a priority to **use the capacity of the financial sector to support low-income citizens** and to use financial market instruments to improve the well-being of citizens.

Among the priorities is a **social bank deposit**, the terms of which will provide for guaranteed income accrual with an interest rate linked to the Bank of Russia key rate. This product will stimulate the saving habit among citizens.

Another product is a **social bank account**. This is a current account linked to the Mir card, with interest accruing on the balance of this account linked to the Bank of Russia key rate. Transfers, payments, cash withdrawals and any payment from this card up to a certain amount per month are supposed to be exempt from fees.

In order to support individuals in difficult life situations, work will continue on a draft law **on payment holidays for consumer loans**,²⁶ which would entitle the borrower to postponement or reduction amount of payment amount.

The Bank of Russia will continue to improve the financial inclusion of individual entrepreneurs and small and medium-sized enterprises by participating in the execution of the ‘Small- and Medium-sized Enterprises and Support of Entrepreneurs’ Initiatives’ national project.

The focus will be on the **development of non-bank financing instruments for SMEs**, including equity market instruments, utility digital rights (UDR), DFAs, investment platforms (crowdfunding), factoring, leasing and microfinance. The substantial potential of using these channels of raising share and debt finance is related with access to the financial market of large e-commerce companies possessing information regarding entities’ activities; such information may be used for the creation of systems for assessing (ranking) the investment and debt attractiveness of entities. The Bank of Russia will provide organisational and regulatory assistance in the course of creating such systems and using them in the financial market.

The Bank of Russia will also continue developing the **risk-based regulation system** aimed at more precise risk assessment for the purpose of increasing the attractiveness for banks of granting credits to SMEs and increasing the efficiency of used state support measures for SMEs.²⁷

The **introduction of infrastructure solutions**, including through the development of financial platforms (Marketplace project) and digital online factoring, should play an important role in making financial products and services more accessible to SMEs. Development of such solutions shall widen the range of offers for SMEs, increase pricing affordability and eliminate territorial limitations. Increased use of the FPS by citizens to pay for SMEs’ goods and services, including using QR codes, will significantly reduce the cost of payment services to businesses. The implementation by the Bank of Russia of projects such as the Digital Profile, the Unified Biometric System (UBS) and the KYC platform should also help to reduce costs for SMEs.²⁸

3.3. DIGITALISATION OF THE FINANCIAL MARKET AND DEVELOPMENT OF THE PAYMENT INFRASTRUCTURE

Promoting digitalisation of the financial market remains a strategic priority for the Bank of Russia.²⁹ The introduction of new technologies and support for innovation in the financial market contribute to increasing the financial inclusion of various types of financial instruments to meet the needs of households and businesses, the emergence of new business models, increasing productivity and ultimately contributing to the structural transformation of the Russian economy.

²⁶ Draft Federal Law No. 196743-8 ‘On Amending Certain Laws of the Russian Federation’ was adopted by the State Duma in the first reading.

²⁷ For more details, see [The Bank of Russia’s Roadmap for the Development of Funding for Small- and Medium-sized Enterprises \(SMEs\) in 2021–2022](#) (published on the Bank of Russia website on 1 February 2021 and updated in April 2021).

²⁸ For more details on the Bank of Russia’s digital projects, see subsection [3.3 ‘Digitalisation of the financial market and development of the payment infrastructure’](#).

²⁹ The draft [Financial Market Digitalisation Guidelines for 2022–2024](#) and the corresponding [draft action plan](#) are available on the Bank of Russia website as of 10 December 2021.

The domestic payment infrastructure created by the Bank of Russia has ensured smooth payments, settlements and the operation of the financial system as a whole, and has supported the country's payment sovereignty in the face of severe sanctions restrictions. At the same time, the existing infrastructure has sufficient capacity to considerably expand the range of users and does not limit the models and technologies used by market participants to ensure information security controls.

The Bank of Russia will continue to implement digital infrastructure projects as well as create legal conditions contributing to financial market innovation.

One of the challenges is the withdrawal from the market of suppliers of hardware, system software, database management systems and analytical tools, which has led to difficulties in supplying equipment in a number of areas (telecommunications equipment, hardware and software systems, data storage systems and backup systems) and an inability to obtain technical support under previously concluded contracts and to scale up implemented solutions. In these circumstances, it is particularly important to continue developing digital solutions based on Russian technology.

Objective 1. Regulation development

The Bank of Russia, together with the Government of the Russian Federation, will pay great attention to timely adaptation and creation of legal regulation to introduce modern technologies into the financial market and to bring innovative financial products and services to the market. Considering the rapid development of digital financial technologies, the regulatory framework should develop at a faster pace than before. The regulation shall ensure, on the one hand, appropriate conditions for implementing digital innovations and, on the other hand, consumer protection and financial stability.

With the Bank of Russia's participation, measures continue to be implemented to further develop the **Digital Profile infrastructure** as a single window for exchanging data required to provide financial products and services between households, the state and businesses in a digital format, taking into account the requirements and principles of Russian personal data legislation. It is planned to provide regulation aimed at expanding the list of information, keeping it up-to-date and expanding the types and number of financial institutions that use the Digital Profile of a citizen. There will also be a legal basis for developing the Digital Profile of a legal entity and providing more data on legal entities in order to provide remote financial services to them.

In addition, in order to reduce the administrative burden on financial market participants, as well as to improve the efficiency of performing their functions, there are plans to continue to expand the Bank of Russia's access to government information systems.

To further develop **the regulation of financial platforms under the Marketplace project**, the product and service range will be expanded to cover pension products and IIAs. Financial platforms will become available to individual entrepreneurs and legal entities, including small- and medium-sized enterprises.

The Bank of Russia will work with market participants to develop approaches **to regulation of Open APIs when implementing the Open Finance model**, as well as proposals to amend legislation to consolidate the necessary mandate of the Bank of Russia to implement Open APIs. For this purpose, a list of federal laws and the Bank of Russia regulations that require amendments for the purposes of implementing Open APIs in the banking, insurance, investment and microfinance sectors will be identified. The Open API regulation will aim to further promote competition and ensure equal access to data for financial and other services providers and to standardise the exchange of information between them.

A number of legally significant actions are performed using a mobile phone (payments, transfers and confirmation of transactions); mobile phone information is also actively used in anti-fraud procedures. However, the use of data on subscriber numbers entails the risks that such data may be compromised, that malefactors may gain access thereto or that other fraudulent acts may be committed.

In this connexion, work on introducing a regulation framework aimed at **creating the Unified Information System for Subscriber Data Verification** will continue; this will make it possible to materially reduce the said risks and enable organisations using customer phone numbers when providing services to make sure that a number actually belongs to a specific customer.

To ensure the piloting of digital financial innovations in the financial market, with the option to change or exclude the effect of specific provisions of federal laws, the Bank of Russia jointly with the Government of the Russian Federation will develop **regulation for the implementation of experimental legal regimes in the financial market**. Creation of conditions for the introduction of this mechanism will allow piloting innovative solutions in real conditions with the involvement of customers.

To reduce the costs of financial institutions for storing and processing hard copies of documents, it is planned to adopt a law that would create **legal conditions required for storing documents in electronic form**. The law will provide an opportunity to create electronic duplicates of documents and their conversion while preserving their legal validity, as well as establish the procedure and conditions for carrying out such activities.

Currently, both banks and BigTech companies are extensively developing their ecosystems by offering their customer various financial and non-financial services. While ecosystems can provide better and more personalised services, they also pose risks to competition, information security and financial stability. To mitigate the negative consequences of ecosystem development, the Bank of Russia, together with the Government of the Russian Federation, plans to develop **an ecosystem regulation framework** aimed at maintaining fair competition, including in terms of granting non-discriminatory access to ecosystem services and innovative technologies.

The Bank of Russia will also continue to work on the **formation of a comprehensive regulation of data circulation in the financial market**, including the establishment, at the level of federal laws, of the peculiarities of financial institutions' processing of personal data, including data received in depersonalised form. Moreover, to ensure the possibility of using sets of data accumulated by institutions, including financial institutions, for the development and implementation of new technologies and products, including artificial intelligence technologies, the Bank of Russia will continue to participate in the creation of the legal conditions for the circulation of depersonalised personal data and depersonalised credit histories.

The Bank of Russia also considers necessary to further develop a digital rights regulation framework and provide financial market participants with additional conditions that will enable businesses to create innovative digital solutions to attract investment and enable households to access investment services seamlessly and conveniently while protecting their rights and interests. In order to develop innovative instruments in the financial market, a number of federal laws are envisaged to **improve the regulation of digital rights and further develop this segment of the financial market**.

In particular, at the legislative level, the procedure for the taxation of transactions with utility digital rights (UDR) will be implemented, approaches to the taxation of digital rights and traditional financial instruments will be harmonised, and liability for illegal digital rights circulation will be introduced. It is also planned to consider creating regulatory conditions for the emergence of digital equivalents of other types of financial assets and the **participation of traditional trade and settlement infrastructure in the circulation of digital rights**, the application of a simplified customer identification mechanism and so on, as one of the priorities for the future development of the digital rights regulation framework. Detailed proposals are available in the Bank of Russia's [consultation paper Development of the Digital Asset Market in the Russian Federation](#).

Another priority for the Bank of Russia is the launch of a digital ruble platform. The Bank of Russia is currently preparing to conduct a pilot 'on real money', which is set to start in April 2023. The digital ruble will become the third form of money issued by the Bank of Russia and constituting an obligation thereof. **To lay down legal conditions for launching the digital ruble**, it will be necessary

to amend several legislative acts. A single register of legislative and regulatory acts has been formed, changes to which are necessary for the introduction of the digital ruble. Amendments to federal laws prepared as part of these activities are undergoing interdepartmental approval, and draft regulations are undergoing approval by the Bank of Russia.

To reduce the operating expenses of credit institutions related to the implementation of anti-money laundering procedures and increasing their efficiency, as well as to protect the interests of bona fide customers of credit institutions, the Bank of Russia's Know Your Customer platform was set up. It provides credit institutions with information on how the Bank of Russia categorises Russian legal entities and individual entrepreneurs as having a suspicious transaction risk level. The Bank of Russia will consider at further stages of the KYC platform's functioning the possibility of expanding the set of financial market participants, the services of the platform are available to.

Objective 2. Execution of infrastructural projects

The Bank of Russia promotes the development of national digital financial infrastructure that is equally accessible to all participants under the same standards and rules and on the same tariff conditions. The development of such infrastructure serves as the basis for expanding the financial inclusion of households and businesses, reducing their expenses and making interaction with financial institutions faster and more convenient as well as for the development of competition in the financial market.

It is important to continue developing existing projects.

The Bank of Russia will continue the **development of the remote identification mechanism** using the UBS that enables the full digitalisation of all financial services, increasing the financial inclusion of consumers, including persons with disabilities, physically challenged and elderly people. It will also contribute to the development of competition in the financial market. The development potential of the remote identification system has significantly increased due to the adoption of legislative amendments providing for the possibility of using the UBS for remote provision of any financial, non-financial and state services to individuals, legal entities and individual entrepreneurs. In the long run, there are plans to ensure the integration of the UBS with a platform for commercial consent of citizens (as the platform is created).

Biometric data registration mechanisms will be developed in order to make the system more convenient. There are also plans to conduct an experiment with independent registration of biometric data using a secure mobile application. In addition, work will be done to look into the possibility of using the video identification mechanism.

To ensure the widespread use of the UBS, it is planned to create and develop financial and non-financial services to be provided through the UBS.

Furthermore, the Bank of Russia in cooperation with the Government of the Russian Federation will study the issue of extending the biometric method of identification of non-resident individuals, when they do not have to visit the Russian Federation.

As part of the **development of the Digital Profile infrastructure**, plans are underway to expand the list and the number of participants using the Digital Profile. It should be widely used by interested financial institutions for their services.

It is also planned to create the Digital Profile of a legal entity; this will ensure a fast and convenient exchange of information between public information systems and organisations for providing services to individual entrepreneurs, small- and medium-sized enterprises and other legal entities.

It is envisaged to expand the information and ensure that the data (updates) available in the Digital Profile of an individual and the Digital Profile of a legal entity are kept up-to-date, which is necessary for the remote delivery of services to households and businesses.

To develop the payment industry, it is necessary to continue elaboration and implementation of **regulation aimed at development of payment services** while protecting households and businesses and ensuring the cyber resilience of elements of the Russian national payment system. The relevant areas and measures are set out in the [National Payment System Development Strategy for 2021–2023](#), approved by the Board of Directors of the Bank of Russia.

The Bank of Russia will continue the **development of FPS services**. There are plans to scale up the ability to make online payments to the budget of the Russian Federation (C2G service), including payment of taxes, fines, fees and duties, through the FPS, facilitating the expansion of credit institutions' support for this service. There are also plans to implement the service of online payments by the government to citizens (G2C service) in the FPS, which will make receipt of payments from the budget faster. The Bank of Russia will ensure the further expansion of C2B and B2C services, including for small- and medium-sized enterprises, which will allow companies to materially reduce their expenses. The introduction of cross-border transfers using FPS is also under consideration, and individual transactions have already been carried out under one of the implementation schemes. By the end of 2023, it is planned to implement cross-system interaction between the FPS and several EAEU countries.

As part of the **National Payment Card System and the Mir payment system**, further development of products and services based on innovative digital solutions will continue to provide citizens with the opportunity to make convenient and secure payments, improve transparency of payments for the state, and efficiently address business problems of partners. They will be developed through platform-based NPCCS services available to all participants in the Russian payment market as well as within the framework of the international promotion of Mir cards. Moreover, special attention will be paid to the development of non-financial services that will ensure interaction between the state and the population. A dialogue will continue with partners on preserving the infrastructure for accepting Mir cards abroad and finding alternative solutions.

The Bank of Russia will continue to **develop the functionality and increase the number of participants in the Financial Messaging System (FMS)** by connecting foreign partners of Russian organisations and expanding the use of the FMS, including through a 'service bureau' connection mechanism.

Further **development of financial platforms under the Marketplace project** will include raising citizens' awareness about launched products and services, scaling up direct sales of social and environmental government bonds to the public and expanding the list of financial products and services offered to individuals through financial platforms. In addition, it will be possible to use financial platforms to provide services to legal entities and individual entrepreneurs.

The **development of services based on the Masterchain platform will be continued in cooperation with market participants**.

To expand the range of services aimed at raising funding for legal entities and to reduce the cost of receiving financial services, it is planned to support platform-based online factoring solutions, which will ensure the possibility of concluding contracts and carrying out document follow-up on a single point of contact basis. This solution will help simplify fundraising procedures, primarily for SMEs.

To execute the necessary AML/CFT procedures, credit institutions analyse a large volume of data received from various sources. In order to optimise this process, the Bank of Russia **set up the Know Your Customer platform** that continuously provide credit institutions with up-to-date assessments of the ML/FT risks of their customers (legal entities and individual entrepreneurs). The KYC platform alleviated the burden of bona fide businesses, reduced the volume of doubtful transactions in the economy and raised the efficiency of the Russian anti-money-laundering system.

The Bank of Russia has also started to implement new projects.

One of the Bank of Russia's main innovative projects is the **creation of a digital ruble platform**. Implementation of the digital ruble will provide citizens and businesses with additional benefits – high settlement speed, reduced transaction costs and access through any financial institution – and will also make it easier for the state to control the movement of funds when making budgetary and social payments. In addition, the creation of the digital ruble platform will further develop the payment infrastructure, including for cross-border settlements, and accelerate the introduction of innovative services.

Work on the digital ruble platform project is being carried out in accordance with the [Digital Ruble Concept developed by the Bank of Russia](#).

As part of the **development of open APIs** in 2022 Q4, the Bank of Russia published a [Concept Note on the Implementation of Open APIs in the Financial Market](#). The document plans a phased implementation of open API standards for large companies in selected financial sectors: banking, investment, insurance and microfinance.

During the implementation of the Concept, it is envisaged to work together with market participants and interested federal executive bodies to develop the possibility of moving to an Open Data model, while the requirements for data exchange using open APIs would apply both to financial and non-financial institutions.

The widespread introduction of Open APIs will promote innovation and competition in the Russian financial market, as well as improve the quality and financial inclusion for households and businesses.

In order to securely exchange data using open APIs solely with customer consent, the Bank of Russia plans to work with interested federal executive authorities to set up a Consent Platform.

The establishment of the Consent Platform will facilitate the ability to issue, view, revoke and change the terms of unified consents for the transfer, storage and processing of user data in a single window within the Open Data model.

To develop competition and **digitalise the system of charges and payments for housing and utility services**, the Bank of Russia will facilitate the development of the State Information System of Housing and Utility Services (SIS HUS) as an infrastructure that is equidistant from all market participants. In addition, there are plans to ensure the connection of all financial market participants to the SIS HUS and the provision of accrual data from the system.

These initiatives will ensure the highest possible convenience for payers and increase the collection rate of payments for utility providers as all charges will be aggregated using a single digital identifier.

As part of facilitating the **digitalisation of enforcement proceedings**, banks will be provided with an opportunity to inform their customers of the progress of the respective proceedings through banks' own mobile applications; this will make the process more convenient for individuals and legal entities and increase the parties' awareness.

To fully switch to electronic document workflow between the FBS of Russia, banks, citizens and businesses, credit institutions will be connected to the Interdepartmental Electronic Interaction System (IEIS) so that they can interact with the FBS of Russia in electronic form with regard to all types of enforcement documents, and legal entities that are parties to enforcement proceedings will also have the possibility to connect to the IEIS/API of the Unified portal of state and municipal services for the purpose of interaction with credit institutions in electronic form.

To enable the **digitalisation of insurance medicine**, the Bank of Russia will help organise the transfer of medical data by state-funded and commercial healthcare institutions to the Digital Profile of a citizen, subject to the citizen's consent, and taking into account restrictions established by effective laws, including restrictions with regard to storage and processing of such information, as well as standardisation of digital formats of documents for the interaction between medical and insurance companies.

There are plans to introduce the institution of non-bank payment service providers established by the Bank of Russia. The further development of the institution of non-bank payment service providers will help to expand the range of available payment services, create conditions for innovation, reduce the cost of implementing new technological solutions and lower transaction costs for consumers. The synchronisation of the introduction of non-bank payment service providers and open APIs can have a synergistic effect, as non-bank payment service providers can be active consumers of open API services.

Objective 3. Ecosystem regulation

The platform-based business model continues to gain popularity in Russia.³⁰ Moreover, the functioning of the economy in the new realities creates additional demand for the industry's services. Overall, the Russian platform-based industry has shown high resilience this year, domestic players strengthened their lead in the majority of segments of the Russian market and contributing to the functioning of the economy and the formation of the country's technological independence. At the same time, individual sectors remain highly sensitive to the presence of foreign providers, posing significant challenges in terms of finding alternative solutions.

In Russia, alongside technology companies, financial institutions are the largest participants in the platform market. The Bank of Russia points out the specific risks for creditors and depositors of banks that form the basis of ecosystems. These are the risks associated with banks entering new non-financial sectors, including strategic risk, the risk of having to engage in non-core businesses and information security risk.

Trends in the development of the platform market show that the development of approaches to regulating platforms and ecosystems remains relevant in the current settings, but may require some refinement of objectives and/or timing of their implementation. The introduction of ecosystems regulation must be done in a way that preserves all the benefits for households and businesses to develop them, but limits the risks involved, including risks of dominance abuse, financial stability risks, and protects the rights of suppliers and consumers. At the same time, such regulation, without creating barriers to the processes of structural transformation and digitalisation of the economy, should help increase the competitiveness of Russian ecosystem business at the international level.

The Bank of Russia believes that **approaches to ecosystem business regulation need to be further developed**. It should be based on the principle of proportionality according to the size of the platform/ecosystem and the potential risks stemming from their activities, i.e. more requirements should be imposed on the largest participants. The regulation's implementation speed should depend on the level of 'platformisation' of the specific sector, its social and economic importance.

In addition to introducing regulatory requirements, it is important to continue to **implement government support measures for the IT industry** – regardless of whether a company is a part of the ecosystem of a bank or a technology company. The development of criteria to support platforms in selected socially relevant sectors – e.g. e-commerce platforms as an important channel for selling goods and services in the context of economic transformation or platforms in the field of sale and lease of real estate – would be advisable.

There are plans to **define a policy on foreign platforms**. It is necessary to introduce non-discriminatory rules for foreign platforms' operation in the Russian market, while avoiding regulatory (tax, customs and other) arbitrage with Russian participants, and to create additional barriers. At the same time, the issue of replacement of the services provided by foreign platforms that have ceased or are phasing out their activities in Russia should be addressed.

³⁰ The Bank of Russia's position on this topic was formulated, among other things, in the course of implementing the government's [Concept of General Regulation of the Activities of Groups of Companies Developing Various Digital Services Based on One Ecosystem](#) (approved by First Deputy Prime Minister of the Russian Federation A.R. Belousov, No. 3760p-P10, dated 14 April 2021).

In the near future, the Bank of Russia plans to continue to **introduce risk-sensitive limits for immobilised assets**, including banks' investments in ecosystems and other types of non-financial businesses, into bank regulation. This may involve extending the transition period, calibrating credit parameters to avoid putting excessive pressure on banks' lending capacity during capital recovery and limiting banks' involvement in funding the economic development.

The topic of 'watershed' with government platforms is also becoming important for market participants: businesses need the transparency and predictability of the government policy in this matter to be able to strategically plan their investments in developing platform solutions, by understanding which niche will be covered by the government service.

Objective 4. Implementation of SupTech and RegTech solutions

The Bank of Russia will gradually digitalise the regulation and supervision systems as [part of the implementation of the SupTech and RegTech Development Guidelines for 2021–2023](#).

The application of regulation and supervision technologies will optimise current processes, increase the efficiency of supervisory and regulatory activities, and reduce the costs of, and the burden on, both supervised entities and the regulator.

The Bank of Russia will continue to study, develop and implement SupTech and RegTech solutions in the following areas:

- risk analysis and management;
- improving the financial market access procedures;
- detection of unlawful activities in the financial market;
- improvement of information interaction with financial institutions and other parties, including implementation of the Unified Register of Financial Market Participants (URFMP);
- implementation of the data-centric approach elements;
- development of approaches to the implementation of machine-readable regulation;
- automation of certain elements of financial market participant supervision;
- streamlining the handling of enquiries received by the Bank of Russia;
- ensuring information security;
- development of solutions in the financial market to meet regulatory and supervisory requirements;
- countering money laundering and the financing of terrorism;
- improvement of identification procedures using biometric technologies.

Carrying out SupTech and RegTech activities will improve the efficiency and digitalisation of the activities of the Bank of Russia and financial market participants.

Objective 5. Development of experimental legal regimes

The establishment of experimental legal regimes will ensure the piloting of innovative solutions in the financial market with the involvement of real customers, allowing regulators to assess the efficiency of new services and products and the risks involved and, based on the results of pilot projects, to decide on the feasibility to introduce changes to the regulation system for the purpose of releasing new services and products to the market. The experience received in the course of conducting the experiment will make it possible even at the initial stage to obtain efficient mechanisms to reduce financial risks, ensure consumer protection and mitigate ML/FT risks.

At the same time, the Bank of Russia's regulatory 'sandbox' will continue to operate, helping to model innovative products and services in a test environment. After assessing the risks of such products and the effects on the financial market, decisions are also taken on whether it is practical to make regulatory changes to introduce these services into the market.

Both of these mechanisms seek to remove legal barriers to market innovations. While experimental legal regimes are designed for complex financial products which risks and benefits can only be assessed when they are actually implemented, the regulatory 'sandbox' can be used to evaluate less complex products that can be studied without piloting.

Objective 6. Ensuring technological independence and information security

The Bank of Russia, together with the government agencies involved, the FinTech Association and market participants, will implement **a set of measures for the import substitution of software and equipment in the financial sector**. There are plans to set up a competence centre to search, analyse and test current system software, database management systems and analytical tools in the Russian market, as well as to develop a plan for the import substitution of software and equipment in the financial sector and to create a national software repository.

Assessing the impact of cyber risks on the financial soundness and operational soundness of SICIs, financial associations and financial ecosystems, and monitoring and identifying these cyber risks, are also important tasks.

The Bank of Russia plans to create a cyber polygon that will be used to assess the protection level and the capability of financial institutions to counter attacks. Thereafter, to improve the risk-based supervision system, it will be necessary to ensure the integration of a cybersecurity training process as part of the Bank of Russia's test activities.

To further develop the digital provision of services, it is important to ensure that financial institutions' customers (individuals and legal entities) can use enhanced qualified electronic signatures (EQES) and enhanced non-qualified electronic signatures of the Unified System for Identification and Authentication (USIA). **To provide all financial market institutions with EQES key certificates, the Bank of Russia has established a Certification Centre.**

The Bank of Russia will continue to implement measures aimed at **forming a trust-based environment for the remote provision of various financial services** by creating a legal, technological and methodological basis for financial institutions to improve the quality of customer authentication.

Moreover, the Bank of Russia will continue to promote the development of other types of electronic signatures, including simple and enhanced electronic signatures of the USIA, and the UBS.

A set of legal, organisational and outreach activities will be carried out for the purpose of reducing the volume of unauthorised transactions based on social engineering methods, forming positive customer experience and ensuring financial consumers' confidence in financial services to be provided.

An important component of combating fraudulent activities is the improvement of information interaction mechanisms between credit and financial institutions and the Bank of Russia using FinCERT infrastructure, including automated collection and immediate dissemination of information about incidents and communication of rules for responding.

Moreover, when developing information security and operational reliability requirements and standards, the Bank of Russia takes into account the practices of international organisations (ITU, ISO) and foreign regulators, including international standards and recommendations.

The Bank of Russia will continue to actively interact with public authorities with regard to developing and implementing technologies as well as executing projects and fulfilling legislative initiatives that facilitate the digitalisation of the financial market while ensuring information security, competition and financial stability.

3.4. TRANSFORMATION OF THE INTERNATIONAL TRADE PAYMENT AND SETTLEMENT SYSTEM

In the face of foreign political pressures from unfriendly countries against Russia and its individuals and legal entities, the interbank settlement channels traditionally used by participants in international economic activities in the currencies of unfriendly countries have lost their reliability. When using them, credit institutions regularly face the risk of asset freezing and the absence of guarantees for uninterrupted payments. Therefore, the expansion of foreign economic activity with a wide range of countries, taking into account the continued vector for the openness of the Russian economy in modern conditions, requires a transition to new channels and mechanisms

of international settlements. The Bank of Russia, together with the Government of the Russian Federation and market participants, interacts extensively with foreign regulators and market participants based on the priority of building foreign economic activity on market principles in terms of financial maintenance of activities, giving priority to the use of the Russian ruble and other national currencies in international settlements.

Objective 1. Development of international payments and settlements

The Bank of Russia, together with the Government of the Russian Federation and market participants, conducts extensive work with foreign regulators and market participants to overcome existing restrictions and create conditions for the development of an international settlement system that fully meets the challenges and needs of the new realities. This requires systemic solutions and customised approaches to building cooperation with different countries / groups of countries, taking into account their specificities and the emerging balance of international trade with Russia.

Conditions will be created for transition to **the use of the Russian ruble and national currencies of individual trading partner countries in cross-border settlements**, which will materially reduce the risks associated with the actions of unfriendly countries: settlement risks and asset freeze risks associated with the use of US dollar and euro payment channels through correspondent accounts in these countries.

Work will continue to **expand the international settlement infrastructure** with major trading partners from countries that are not hostile to Russia, to build independent financial messaging channels, including using the Russian FMS, and to ensure non-discriminatory access to the international settlement infrastructure for Russian credit institutions.

The network of correspondent relationships will continue to develop, as will the opening of correspondent accounts for Russian banks with credit institutions in countries that are not hostile to Russia, especially in those countries with which such relations are still underdeveloped, despite considerable trade volumes.

The **expansion of the capacity of medium-sized banks to service international settlements will be explored**. This is specifically aimed at temporarily lifting restrictions imposed on banks with a basic licence to open foreign accounts.

It becomes necessary to develop hedging instruments for foreign trade and financial transactions, taking into account the transition to settlements in national currencies and the specifics of the respective markets, and the development of the derivatives market in the new environment.

Conditions will be provided to enable funding based on Islamic principles and the opening of branches of foreign banks of friendly countries with the purpose of enhancing the capacity to meet the needs of Russian consumers and attract foreign investment to fund the economy, including its structural transformation.

The Bank of Russia will also take into account changes in the international trade and financial settlement system when assessing risks to financial stability and developing mechanisms to mitigate these risks.

The Bank of Russia is looking into the issue of the use of cryptocurrencies in international trade settlements; and as part of these efforts, the experimental legal regime will be tested with interested market participants. Cryptocurrency is not used as an instrument of payment in the Russian Federation – only the ruble is.

The Bank of Russia's active engagement with foreign central (national) banks and financial regulators facilitates and manages the transformation process: in particular, by promptly removing existing barriers to settlement, finding new correspondents for Russian banks and flexibly adjusting the bilateral payment and settlement infrastructure to meet the needs of participants of foreign economic activity. For example, building depository bridges with friendly countries would facilitate direct market access for investors, settlement and issuance of securities in national currencies.

Russia's foreign trade is characterised by a surplus, which implies a steady accumulation of foreign assets by Russian banks and participants in foreign economic activity. The unreliability of Western financial infrastructure, the practice of blocking Russian assets and the limited liquidity of markets in jurisdictions that do not commit unfriendly acts imply considerable costs of transition to a new system of foreign trade payments and settlements. Systemic solutions are therefore needed to reduce costs based on a balance of economic and political risks. New solutions may include a coordinated increase in the volume of mutual imports and outward foreign direct investments with individual countries, coordination foreign assets accumulation in soft currencies by private and public sectors and, in some cases, the use of alternative settlement mechanisms.

Objective 2. Configuration of foreign currency regulation and capital controls

In the face of massive external shocks and the blocking of a large share of Russia's foreign currency reserves by unfriendly countries, new foreign currency regulations and capital controls were promptly introduced to stabilise the situation. These measures duly fulfilled their function, the situation in the financial market returned to normal and many of the restrictions previously imposed have now been lifted or significantly eased. Amid the tough sanctions, foreign currency regulations should include the necessary incentives to facilitate the restructuring of the economy and foreign trade. This is particularly important given that, due to the restrictive measures of hostile states that block funds and settlements, there are now, in practice, multiple difficulties and costs in the execution of foreign trade contracts, which involve both the receipt of funds and the fulfillment of obligations to counterparties.

The Bank of Russia believes that **in determining the configuration of foreign currency regulation** it is advisable to proceed from **differentiated approaches depending on residency and currencies**. Requirements for residents can be as liberalised as possible, while the strictness of requirements for non-residents should vary depending on their jurisdiction.

When establishing foreign currency prohibitions and restrictions, **the principle of reciprocity should be followed**, i.e. prohibitions and restrictions should only be imposed on residents of the states that impose such restrictions against the Russian Federation. Any liberalisation should be applied only to friendly countries. However, the Bank of Russia may consider liberalisation options towards unfriendly countries as a response to the easing of sanctions (e.g. unfreezing of assets).

Foreign currency regulation and control approaches should **facilitate the transition to settlements in Russian rubles and currencies of friendly countries**, as well as to reduce the excessive portion of foreign currencies within the assets and liabilities of Russian non-financial institutions, primarily those linked to non-friendly countries and their currencies.

Administrative liability for violations of foreign currency legislation requirements related to the imposition of sanctions should be mitigated as much as possible. The Bank of Russia supported an initiative providing for the non-application of administrative liability measures to a resident who violated the requirements of the foreign currency legislation of the Russian Federation due to the application of restrictive measures by states that commit unfriendly acts against the Russian Federation, Russian legal entities and individuals.

The Bank of Russia should be vested with the power to determine the list of currency types (including the list of foreign currencies) which can be used to pay **for shares (stakes) in the authorised** capital of credit institutions and NFIs.

Objective 3. Streamlining and simplification of the AML/CFT system

Simplifying the AML/CFT system while maintaining the necessary level of control will reduce the burden on banks and their customers and allow them to focus more on the immediate tasks prompted by the multiple challenges faced by all economic agents in the wake of the sanctions.

Financial institutions are now collecting and verifying a significant amount of information on customers, their representatives, beneficiaries and beneficial owners as required by anti-money laundering legislation. This also places a burden on the customers of financial institutions, having to submit each time required documents and information, often the same, to the financial institutions that serve them. The obligation to submit such a considerable amount of information and documents is redundant. Moreover, the relevance of the list of transactions subject to mandatory control has not been reviewed for a certain period.

The modernisation of individual requirements as well as the streamlining of the AML/CFT system can facilitate the processes of opening accounts in the Russian Federation and making settlements related to foreign economic activity, allowing businesses to build new supply chains.

The Bank of Russia, together with Federal Financial Monitoring Service and other interested federal executive authorities, will work out the following measures:

1. There are plans **to streamline the current identification requirements** in the following areas:
 - a reduction in the set of information (documents) required by financial institutions as part of executing contractual relations between financial institutions and their customers;
 - a gradual shift away from the requirement for the in-person presence of customers (or their representatives), with increased use of video-identification tools;
 - exploring the creation of a single state information resource that would contain customer data from various SIS's, necessary to identify customers and provide real-time access to them for financial institutions.
2. It is intended to **audit transactions subject to mandatory control** to de-list certain transactions, which removal would not lower the efficiency of anti-money laundering control but would relieve the subjects of compliance with the requirements of anti-money laundering legislation of an excessive burden. It is also necessary **to remove operations that have become obsolete and irrelevant from mandatory controls**.

3.5. ENSURING FINANCIAL STABILITY

To ensure financial stability, the Bank of Russia will take into account the extent to which Russian companies are adapting to operating under sanctions from unfriendly countries and the level of structural adjustment of the economy. For example, establishing new links with the financial systems (including regulators) of friendly countries – the Asian region, the Middle East and Latin America – and creating a functioning payment and settlement system in the currencies of friendly countries are relevant to Russia. Now that foreign participants are exiting the Russian market, the importance of NFIs and the capital market in ensuring systemic stability is increasing, given the increasing role of citizens in the financial market, including their role in the equity market. This requires further adjustment of approaches to both systemic risk monitoring and macroprudential regulation.

Objective 1. Promoting dedollarisation

The freezing of Russian banks' foreign assets by unfriendly countries, as well as operational restrictions applied by foreign counterparties to Russian banks' settlements in the world's major reserve currencies, made these currencies 'toxic' for use in both international and domestic payment turnover. These currencies have essentially become restricted in circulation and their use carries material risks of loss for households and businesses.

Foreign counterparties actually deprive Russian banks of the ability to fully perform their obligations in 'toxic' currencies, including to Russian customers. For example, banks are no longer able to satisfy customers' orders for the withdrawal of cash from 'toxic' foreign currency accounts due to the cessation of the wholesale supply of this foreign currency cash to the Russian Federation. The number of refusals by foreign counterparties from unfriendly countries to make payments across

the correspondent accounts of Russian banks that have not been hit by the blocking sanctions is on the rise. Existing correspondent accounts are closed and no new ones are opened. This causes difficulties for Russian banks in conducting international and domestic transfers in ‘toxic’ currencies, primarily mass customer payments unrelated to foreign trade settlements.

As a result of their inability to provide customers with quality service and the pending threat of further freezes of foreign assets, Russian banks are forced to impose restrictions on raising funds in ‘toxic’ currencies, including by removing foreign currency-denominated deposits from the banking product line and charging fees for servicing current foreign currency accounts. In addition to the risks of direct losses on assets that may be frozen, Russian banks bear the risks of losses on loans denominated in the currencies of unfriendly countries extended to Russian borrowers and borrowers from friendly countries (making a payment in a ‘toxic’ currency against a loan may be difficult due to legal and operational restrictions).

In these settings, the gradual abandonment of the use of unfriendly countries currencies in domestic and international payment turnover seems to be an inevitable process. Because of restrictions imposed by foreign counterparties, bank accounts and deposits denominated in ‘toxic’ currencies, in terms of the mode of use, essentially turn into a kind of ruble-denominated deposits with the value linked to the exchange rate. As sanctions pressure from unfriendly countries intensifies, keeping savings in ‘toxic’ currencies is becoming increasingly risky and less attractive for households and businesses. However, the greatest contribution to the process of bank balance sheet dedollarisation could be the displacement of ‘toxic’ currencies from the settlements of Russian foreign trade, which depends on the foreign trade relations participants.

The currencies of friendly countries have gained importance as a result of the economic transformation and a shift away from using unfriendly countries’ currencies in transactions. The priority is to assure a **balanced transition to the currencies of friendly countries in international settlements**. It is also important that the switch to currencies of friendly countries occurs evenly, both in export transactions and in imports and financial account payments (so far predominantly using ‘toxic’ currencies). Moreover, there should be sufficient funds in correspondent accounts with foreign-owned banks to make payments. With a growing share of assets in emerging market currencies, which are subject to greater volatility relative to reserve currencies, a correct accounting of their risks by the banking sector is necessary.

Macroprudential mechanisms will be fine-tuned to take account of sanctions risks. It will be possible to set add-ons to risk ratios on foreign-currency exposures, depending on the type of country in which currency the exposures are denominated and in which the principal and interest will be repaid (friendly/unfriendly countries). Moreover, add-ons will depend on whether the borrower meets the criteria for sufficient foreign currency revenue to meet obligations in the relevant currency or whether the borrower has a guarantee issued by a company with sufficient export revenues (exporter/non-exporter).

Additional measures may be needed to discourage the use of ‘toxic’ currencies by companies in the real sector. It is advisable for non-financial institutions to convert their accumulated foreign currency holdings in the currencies of unfriendly countries into other currencies. With regard to partially state-owned entities, the issuance of relevant directives (recommendations) by the Government of the Russian Federation will be justified. Similar recommendations by the Government of the Russian Federation may relate to the need to avoid the use of unfriendly countries currencies in new contracts and, where this is not possible within a short time frame, to include in the contracts terms allowing for the execution of claims payments in rubles or currencies of friendly countries.

With the structure of the resident exporters balance sheet changing due to external restrictions, the Bank of Russia will **improve its monitoring of foreign exchange assets and liabilities of major non-financial organisations**, including by currency.

Objective 2. Developing macroprudential regulation

One of the key challenges for the Bank of Russia at the three-year horizon is the growth of the households' debt burden. If risks materialise, a high debt burden can lead to increased losses in the banking sector, create risks for the real sector of the economy and have negative social consequences. As lending becomes more widespread, macroeconomic risks may increase even if the financial sector is protected by capital buffers. The negative consequences for the economy can, in turn, create spillover effects for the financial sector as well.

In order to promptly assess the risks of elevated debt burden of individual borrowers and improve the transparency of decision-making, the Bank of Russia also plans to publish information about consumer lending risks.

The Bank of Russia will continue **to improve the procedure for calculating the debt-to-income (DTI) indicator**, implementing the measures provided for by [the corresponding roadmap](#). The DTI value makes clear to borrowers what part of their income they should use in repayment of the existing loans.

In particular, there are plans to expand the access of financial institutions to reliable and up-to-date borrower data (subject to the borrower's consent), including data from qualified credit history bureaus and from government services, making the mechanism for obtaining such data more transparent and reducing the costs of financial institutions. Prompt access to high-quality data will ensure the correctness of the estimated debt burden and income of a potential borrower.

The obligation of credit institutions and microfinance institutions to calculate DTI in cases established by law will be embedded in legislation. There are plans to introduce into practice the mandatory periodic recalculation of DTI during the term of the loan agreement.

Upon reaching a certain level of DTI, financial institutions will be obliged to notify the borrower about the risk of default on loan obligations as well as about additional risks of high debt burden.

Besides, the development of remote lending has made it necessary for banks to assess the income of borrowers without the need to collect paper proofs. The Bank of Russia is preparing regulatory amendments that will allow banks to apply internal models to estimate borrower income when calculating DTI. The models will be subject to validation by the Bank of Russia.

Objective 3. Creating conditions and incentives for market risk management by market participants

The Bank of Russia will continuously monitor cross-border transactions and assess the risks associated with investments of individual residents of the Russian Federation in foreign assets through Russian and foreign financial institutions. In view of the freezes of Russian assets in the European depository and clearing infrastructure, particular attention will be paid to monitoring cooperation between the Russian exchange infrastructure and that of friendly jurisdictions and the organisation and use of new depository and clearing links.

Sanctions and the withdrawal of some foreign participants from the market, the freezes of assets of sanctioned companies and the impossibility of full-scale trading in foreign issuers' securities have significantly reduced the capacity of the Russian derivatives market.

The gradual reorientation of trade flows towards friendly countries requires the development of the foreign currency derivatives market for the currencies of these countries, which in turn necessitates the establishment of new links with the financial systems (including regulators) of friendly countries – the Asian region, the Middle East, and Latin America – and the creation of a functioning payment and settlement system in the currencies of friendly countries. Corporate and institutional customers should be attracted to the interest rate derivatives market, and the feasibility of different options for the Bank of Russia and government entities to participate in the derivatives market should be assessed.

Along with the development of the derivatives market, there is a need to protect non-qualified investors by allowing them to deal in the derivatives that they understand and that are most suited to their expectations.

To develop the derivatives market, Russian financial market participants propose various initiatives, including issuing bonds linked to floating rates, improving regulation, in particular, to ensure that Russian indicators can be used for tax purposes, introducing currency control relief for transactions with friendly countries and launching trading in currencies of friendly countries on the Moscow Exchange.

The Bank of Russia is considering the following measures to develop the derivatives market:

1. Administrators and the financial and commodity indicators they generate will be included in a regulatory perimeter aimed at improving the quality and reliability of such indicators. This will incentivise their wider use in the derivatives market, providing additional opportunities for market participants to manage their risks.
2. There are plans to look into the possibility of clarifying the capital adequacy requirements for banks in the case of structuring derivatives transactions or entering into hedging derivatives transactions to avoid an increased capital burden through the aggregation of requirements for different instruments.
3. The range of eligible underlying assets for derivatives should be expanded, including with DFAs, empowering financial market participants to use new financial instruments to manage their risks more efficiently.
4. Streamlining the tax administration of hedging instruments to eliminate the risk of re-qualification by tax authorities of hedging derivative transactions into non-hedge ones, which would increase the attractiveness and applicability of hedging practices by market participants, is also advisable.

Objective 4. Development of a national system of benchmarks and their administrators

A system of quality and reliable benchmarks for financial and commodity markets is essential to their functioning, providing decision-making information and transaction guidance to their participants. The maintenance and development of the internal rating industry has become a matter of increasing urgency.

Previously, the Russian financial market has made extensive use of benchmarks, whose administrators are located in states that have become unfriendly towards Russia. The provision of information by them has been suspended. Financial benchmarks are widely used in credit markets, securities markets and derivatives markets, including derivatives with commodities as their underlying assets. To a lesser extent, insurance and microfinance instruments with pricing linked to financial benchmarks are present in the insurance and microfinance markets.

Both on- and off-exchange commodity markets have developed a strong practice of using foreign commodity indices, including for the purpose of hedging commodity risks by companies in the real sector of the economy. The dramatic change in economic conditions has caused a price mismatch between Russian and foreign commodity markets, with the result that derivatives on foreign commodity benchmarks no longer meet hedging criteria, with some contracts becoming unprofitable while failing to meet hedging objectives. This situation is exacerbated by the lack of regulatory requirements for the process of forming Russian commodity indices, which could substitute for foreign indices, making it much more difficult to hedge.

The Bank of Russia plans to create conditions for the development of national information agencies and administrators that provide financial and commodity benchmarks in the Russian market. There are plans both to develop a range of financial and commodity market benchmarks and to regulate the activities of their administrators, establish requirements for their activities, including

methodologies for financial and commodity benchmarks, identify a supervisor and establish its mandate by law.

Of particular importance for the Russian financial market will be the development of Russian information services aimed at market participants, experts and investors wishing to obtain high-quality information.

The Bank of Russia will also focus on improving commodity trading systems, which will promote domestic pricing and the system of national commodity benchmarks, as well as make the organised commodity market more accessible and attractive to SMEs and expand the range of commodity groups traded in exchange trading.

The Bank of Russia intends to further **develop the national rating industry, paying particular attention to the quality of the rating process and the methodologies used**, which is especially important in the context of foreign rating agencies withdrawal from the market. Improvements in supervisory toolkit and methodological requirements are planned to improve the reliability and high quality of national credit ratings. Amendments to the legislation have already been approved and are aimed at improving the accuracy of rating assessments as well as setting higher requirements to ensure the independence and objectivity of domestic credit rating agencies. Promoting recognition of national credit rating agencies' ratings in friendly countries is also an important task.

SECTION 4. RISKS FOR THE DEVELOPMENT OF THE RUSSIAN FINANCIAL MARKET

When preparing and implementing Programme 23–25, the Bank of Russia takes into account internal and external factors that can have a significant impact on the financial market, the pace and scale of the currently observed changes and the prospects of its development in general. The Bank of Russia constantly monitors the situation and assesses risks that might hinder the implementation of measures planned by the Bank of Russia and the Government of the Russian Federation in terms of the Russian financial market development or limit their effectiveness. The Bank of Russia and the Government of the Russian Federation take measures aimed at preventing the materialisation of risks; in the event of the materialisation of risks, they take measures to mitigate negative effects. However, some risks are predominantly exogenous, that is, they do not depend on the regulator's actions, but should be taken into account when implementing policy.

Geopolitical factors

The geopolitical situation poses significant risks to the development of the Russian financial market over the three-year horizon. If sanctions pressure intensifies, it could put additional constraints on the Russian economy and financial market, as well as complicate engagement with friendly countries. Under these conditions, it may take a longer time to recover and structurally transform the Russian economy. In doing so, the financial market may be affected by sanctions imposed not only on financial institutions and infrastructure directly but also on the Russian economy and the real sector. The worsening situation in the economy is reflected in the potential for savings and their transformation into investment, which perform through the financial market, in the willingness and ability of households and businesses to purchase various goods and services.

Elevated uncertainty with regard to both economic dynamics in general and the prospects for business development, business sustainability and household incomes increases the risks for financial intermediaries as well as institutional and private investors, as reflected in interest rates and the ability to expand funding through debt and equity instruments. Sanctions may also create risks of lengthening the timeframe or increasing the costs of projects requiring certain technologies, given that search and developing analogues may require additional time and funding.

Furthermore, if sanctions pressure intensifies, additional support for the economy and financial market by the Bank of Russia and the Government of the Russian Federation may be required, as well as measures to preserve systemic financial stability. At the same time, the Bank of Russia and the Government of the Russian Federation, while implementing measures to develop and strengthen the financial market resilience, take into account the sanctions risks and work out solutions that are insensitive to sanctions restrictions. The Bank of Russia is further adapting and improving its monitoring approaches and tools to ensure systemic financial stability.

Global macroeconomic factors

Trends in the global economy carry significant macroeconomic risks. They are associated with a slowdown in the global economy amid a substantial inflation acceleration, to combat which the major central banks are raising interest rates. The problems are exacerbated by imbalances that have accumulated in the financial and real sectors over the period of ultra-soft unconventional monetary policy. Rising interest rates lead to lower global asset values, higher debt service costs and more volatile capital flows. If the crisis intensifies, negative trends will evolve in both advanced and emerging market economies. A slowdown or decline in economic activity in countries that are Russia's trading partners and dropping prices in global commodity markets will translate into weaker external demand, lower Russian export revenues and an overall slowdown in economic activity. Under

these conditions, the adaptation of the Russian economy and its structural transformation will take longer term, and the potential for financial market participation in funding the transformation will be limited for some time amid lower incomes in the economy and decreased opportunities for savings and investment.

Another external factor that matters is the spread of digital money surrogates around the world, such as cryptocurrencies and stablecoins. In the absence of global regulation, the trends towards their use in calculations instead of national currencies and significant spread in the world may increase. Measures taken by individual countries may be insufficient to limit such risks within national economies due to the cross-border, extraterritorial nature of modern monetary surrogates.

Intensification of the ESG agenda in the world

Due to the accelerated implementation of ESG regulation in the world, including in friendly countries, the refocusing of global economic policy and financial markets towards sustainable development factors and, in case of Russia lagging behind these global trends, the risks of lower competitiveness and investment attractiveness of the Russian economy and the financial market in the international arena might grow drastically. If this happens, it might be necessary to promptly adjust the development plans of the domestic financial market towards an additional shift in priorities in favour of the accelerated implementation of the ESG agenda, with a potential cancellation or change in the timing of other measures, taking into account objective time and resource limits.

Although the focus on the ESG agenda has temporarily waned amid the current problems in the global energy market, it could be further accelerated in the future.

The Bank of Russia and the Government of the Russian Federation will continue to create the conditions for the development of ESG funding in Russia, which will contribute to the modernisation of the Russian economy.

Interdepartmental cooperation

Programme 23–25 is comprehensive and interconnected. Therefore, it is only possible to achieve the maximum effect if all parties concerned are engaged in the complex implementation of these measures. Any delays in drafting, consideration and adoption of legislative amendments, as well as in the implementation of other necessary multilateral measures might reduce the efficiency and pace of the implementation of plans for the financial market development, as well as decrease confidence of the market in the declared intentions.

Resources provided

Insufficient financing of the activities provided for by Programme 23–25, as well as market participants' deficit of resources to respond to the measures being implemented might slow down or hinder the realisation of the plans and the achievement of the expected results. In particular, insufficient financial support from the state for creating economic incentives aimed at developing long-term savings, including pension programmes, may significantly limit the potential for capital market development.

Thus, the main risks to the development of the Russian economy and financial market are related to external economic and geopolitical factors. These factors also underlie the risk scenario (nominally named The Global Crisis) presented in the medium-term scenarios in [Monetary Policy Guidelines for 2023–25](#) (MPG 23–25), which set out the main parameters of this scenario.

The baseline scenario published in MPG 23–25 is considered as the basis for the preparation of Programme 23–25 and the drafting of Russian financial market development measures.

APPENDICES

APPENDIX 1. FINANCIAL MARKET DEVELOPMENT INDICATORS

The goals and areas for financial market development stipulated in Sections 1 and 3 of Programme 23–25 are set with account of the relevant objectives of social and economic development of the country, as well as current trends and challenges in the financial market. Simultaneous work in several development areas helps achieve each of the three goals. Table 2 schematically shows the interconnection between the goals and development areas. A set of complex aggregate indicators shown in Table 1 was developed to monitor progress towards the three goals of financial market development.

AGGREGATED INDICATORS FOR MONITORING OF THE STATE AND DEVELOPMENT OF THE FINANCIAL MARKET

Table 1

	Indicators	Current value	Expected dynamics
1	Financial institutions' assets to GDP, %	105.0 As of 30 June 2022	Indicator growth
2	Digitalisation of financial services provided to individuals, %	78.8 2022 H1	Indicator growth
3	Digitalisation of financial services provided to legal entities, %	68.6 2022 H1	Indicator growth
4	Composite index of public satisfaction with financial institutions' work, financial products (services) and financial service channels, points*	49.7 May 2021	Indicator growth
5	Assessment of the financial sector's stability presented in the regular Financial Stability Review of the Bank of Russia		

* The survey will be carried out every three years, with the next measurement in May 2024.

Considering the priority of financial market participation in funding the transformation of the Russian economy, an aggregate ratio of financial institutions' assets to GDP is included in the indicators. It is often used as a reflection of the financial market capacity to serve the needs of the economy. This capacity in turn also depends on the extent of the financial market's development, depth and coverage of financial services in various areas of economic activity, often measured through an aggregate ratio of financial institutions' assets to GDP (Indicator 4). It is important to consider the assets of both credit institutions and NFIs, bearing in mind that the full range of basic financial services is important for the development of the economy and the satisfaction of the vital needs of households and businesses.

INTERCONNECTION OF GOALS (HORIZONTAL) AND DIRECTIONS OF FINANCIAL MARKET DEVELOPMENT (VERTICAL)

Table 2

	Goal 1. Developing a modern financial market to satisfy the investments needs of the Russian economy for structural transformation and efficient payment services	Goal 2. Strengthening the trust of retail consumers and investors in the financial market by improving its security, increasing financial literacy and enhancing the availability of financial services for households and businesses	Goal 3. Ensuring financial stability, that is the smooth functioning of the financial market, including in conditions of stress
1. Enabling a stronger role for the financial market in financing the transformation of the economy			
2. Financial consumer and investor protection, enhancement of financial inclusion for households and businesses			
3. Promoting digitalisation and developing financial market infrastructure			
4. Transformation of the international trade payment and settlement system			
5. Ensuring financial stability			

 the area significantly contributes to goal achievement

 the area contributes to goal achievement

In turn, amid the digital transformation of the economy and all spheres of society, an important aspect of the modern financial market development is the digitalisation of financial and payment products and services for people and businesses, as reflected by Indicators 2 and 3, respectively. Financial market digitalisation is also important for the implementation of innovation in the real economy and for the use of new digital tools in business turnover.

Public satisfaction with the work of financial institutions, financial products (services) and financial service channels, as assessed by the survey (Indicator 4), reflects citizens' perception of the financial market and its institutions and the level of trust in them, which is influenced by the financial results obtained by each citizen when using capital market instruments, consumer protection, the level of financial literacy and the accessibility of financial products and services, including through remote channels.

The stability of financial institutions, infrastructure, and the financial market as a whole, as well as their ability to perform their functions uninterrupted, including in conditions of stress, is critical for systemic financial stability. The Bank of Russia assesses the financial sector's stability (the banking sector and the sector of NFIs) on a regular basis and publishes the findings in [the Financial Stability Review](#) (Indicator 5) every six months.

Thus, the Bank of Russia uses aggregate Indicators 1–4 to monitor changes in the financial market, specifically consumers' perception of financial services, the development of digital products and services, as well as the depth of the financial market relative to the scale of the economy. An increase in Indicators 1–4 will reflect positive changes. The Bank of Russia carries out continuous monitoring of the financial sector's stability (Indicator 5). The Bank of Russia will analyse factors influencing the dynamics of the indicators, explaining the reasons behind these changes.

The Bank of Russia considers these indicators as indicative and, therefore, does not set any quantitative targets for them. The financial market is a complicated and multifaceted system dynamically changing under the influence of both financial market participants' actions and a wide range of economic, technological and other factors that are beyond the direct control of the Bank of Russia and the Government of the Russian Federation. As the pace of changes is increasingly growing, the establishment of precise quantitative targets for particular indicators can complicate market development mechanisms, reducing the flexibility and adaptability of the regulator's policy and the responsiveness to new challenges or causing overheating and bubbles in the market. In this regard, the achievement of specific targets set for indicators without taking into account a wide range of fast-changing factors that significantly influence financial market development trends cannot be a criterion for the effectiveness of financial market development policy.

It is important to note that, along with Indicators 1–5 presented in Table 1, the Bank of Russia analyses a wide range of quantitative and qualitative indicators in order to monitor financial market development. [Section 2](#) of Programme 23–25 describing the current state of the financial market refers only to some of them. The Bank of Russia website publishes regular reviews that detail development trends in the financial market as a whole and its individual segments.³¹

INDICATOR CALCULATION METHODOLOGY

Table 3

	Indicator, measurement unit	Brief calculation methodology
1	Financial institutions' assets to GDP, %	Calculated as the ratio of the total of the banking sector's assets, insurers' assets, NPFs' and the PFR's investment portfolios, UIFs' net asset value, assets of professional participants – NFI, assets serviced by brokers, assets in trust management, microfinance organisations' core assets, loan portfolios of pawnshops, consumer credit cooperatives and agricultural consumer credit cooperatives to annual GDP.
2	Digitalisation of financial services provided to individuals, %	Calculated based on the findings of a survey of institutions, insurance companies, MFOs, NPFs, management companies, trustees and brokers. To calculate the indicator, a list of services most needed by individuals for each type of organisation has been set.
3	Digitalisation of financial services provided to legal entities, %	Calculated based on the findings of a survey of institutions, insurance companies, MFOs, NPFs, management companies, trustees and brokers. To calculate the indicator, a list of the services most needed by legal entities for each type of organisation has been set.
4	Composite index of public satisfaction with financial institutions' work, financial products (services) and financial service channels, points	Calculated based on the findings of a survey commissioned by the Bank of Russia using statistical data analysis method. Index values range from 0 to 100 points, where 100 is the best value.
5	Assessment of the financial sector's stability will be regularly published by the Bank of Russia in its Financial Stability Review	

APPENDIX 2. ON THE IMPLEMENTATION OF THE RUSSIAN FINANCIAL MARKET DEVELOPMENT PROGRAMME FOR 2022

The operating environment of the Russian economy and the financial market has changed dramatically. The Bank of Russia and the Government of the Russian Federation have jointly adopted a wide range of measures aimed at overcoming the sanctions and adapting the financial market to the new conditions. However, key activities that remained relevant and were planned for 2022 continued to be implemented according to the schedule. Both the anti-crisis measures designed to stabilise the financial market situation and the most significant measures implemented as part of previously planned work on financial market development are highlighted below.

³¹ [Banking Sector Development \(analytical review\)](#), [Review of Key Indicators of Unit Investment Funds and Joint-stock Investment Funds](#), [Review of Key Indicators of Non-governmental Pension Funds](#), [Review of Key Indicators of Insurers](#), [Review of Key Indicators of Professional Securities Market Participants](#), [Review of Key Indicators of Microfinance Organisations](#), [Financial Market Risks Review](#).

Anti-crisis measures

- To mitigate risks to financial and price stability, it was decided to temporarily raise the key rate to 20%. As risks to financial stability diminished and inflation expectations along with the growth rate in consumer prices declined, the key rate was promptly lowered and was already below its pre-crisis level by the end of July.
- To maintain the stability of credit institutions and bring the RUONIA rate closer to the key rate against the background of liquidity outflows and uncertainty about future cash flows, the Bank of Russia took a number of operational measures in February and March. First of all, the main weekly auctions were held in the form of repos instead of deposits, the fine-tuning auctions were held daily, and the repo auctions between 28 February and 1 March were held without a limit announcement. Besides, starting 1 March, the rate for loans secured by non-marketable assets for maturities of two to 90 days was reduced and equated to the upper limit of the interest rate corridor, and starting 25 March, Lombard loans for maturities of two to 90 days were introduced at a floating rate, also equated to the upper limit of the interest rate corridor. At the same time, the Bank of Russia expanded the Lombard list, softened the requirements for non-market assets accepted as collateral for loans and raised individual limits for banks on loans and repos. Outstanding amounts of issued liquidity peaked at 10 trillion rubles. Additional funds were also released as a result of a temporary reduction in the required reserve requirements for all types of reservable obligations to 2% and an increase in the averaging ratio for banks with universal and basic licences to 0.9.
- Elements of capital control were introduced. This was a forced decision, as the Bank of Russia's capacity to manage international reserves was limited. At the peak, mandatory sales and repatriation of foreign exchange earnings by exporters were introduced. To prevent foreign currency outflows, transactions with residents of unfriendly countries were restricted, and a special procedure was established for fulfilling obligations to non-residents: using 'S' type accounts in rubles. In the situation of a volatile foreign exchange market, restrictions were imposed on foreign exchange transactions: on funds transfers abroad, on withdrawals of cash foreign currency from foreign currency deposits and on cash foreign currency sale by banks. As the situation stabilised, softening on capital controls were introduced. In particular, limits on funds transfers were increased and the ability of banks to sell foreign currency was expanded.
- To stabilise the equity market, trading in stocks and bonds was suspended and short selling was banned. At the moment, all sections of the equity market are operating normally. To prevent the mass sale of Russian securities and the withdrawal of funds from the Russian financial market, a ban was introduced for brokers to execute instructions from non-residents to sell securities of Russian issuers. Since September, non-residents from friendly countries have been admitted to such transactions.
- To mitigate the impact of sanctions, it was decided to prohibit credit institutions from disclosing certain information. The NFIs were granted the right to do so. Securities issuers were allowed to decide on the amount of information to be disclosed, up to refusal to disclose documents and communications.
- To protect the rights of retail investors in the context of asset freezes, a number of special mechanisms were elaborated to reduce the dependence of the Russian market on foreign infrastructure. In particular, the possibility was provided to pay income on foreign securities of Russian origin through the Russian infrastructure, as well as to fulfill obligations on Eurobonds of Russian issuers. Automatic and compulsory conversion of depositary receipts into local shares was launched to unblock the securities of Russian issuers.
- To prevent the expansion of frozen assets of retail investors given the materialised custodial risks, transactions in foreign financial instruments were temporarily included in the list available only to qualified investors. For example, the sale of securities of issuers from unfriendly countries to non-qualified investors was already restricted starting 1 October 2022 and was to be completely suspended on 1 January 2023. These changes were a prompt response to new risks, as well as a continuation of systematic efforts to improve approaches to retail investors' protection.

- A wide range of regulatory easing for credit institutions was introduced to preserve the lending capacity of the economy in a changed environment. In particular, the possibility to avoid lowering the assessment of the borrower's financial position, debt service quality, collateral quality category, loan quality category, other assets and credit-related contingent credit liabilities, as well as the possibility to apply reduced risk ratios on exposures to certain types of borrowers were provided.
- Measures were taken to support the real sector. To support SMEs, the Bank of Russia, jointly with the Government of the Russian Federation, developed anti-crisis concessional lending programmes: loans for working capital financing for up to one year and investment loans for up to three years. Besides, the Bank of Russia, together with the Government of the Russian Federation and the banks, elaborated a mechanism to mitigate the impact of a dramatic change in the conditions of servicing floating rate loans for companies.
- A number of regulatory easing measures were also introduced for NFIs, limiting the application of sanctions for violations of certain requirements set forth by the Bank of Russia regulations. For all financial market participants, the calculation and compliance requirements were eased and the ability to report securities and foreign exchange rates as of 18 February was provided.
- To overcome the shortage of available reinsurance capacity in the context of the closure of the unfriendly countries' reinsurance markets, RNRC's authorised capital was raised (from ₹71 billion to ₹750 billion). Furthermore, in order to preserve the financial stability of the Russian insurance market, a law was adopted to increase the mandatory share of RNRC in ceded reinsurance obligations from 10% to 50%.
- The Bank of Russia also implemented measures to increase the availability of the FPS. It introduced zero rates for banks regarding transfers between citizens using the FPS, and increased the limit for a single FPS transaction from ₹600,000 to ₹1,000,000. These measures boost the convenience of making payments and reduce costs for citizens and small- and medium-sized enterprises.
- The NPCCS ensures the processing of all international payment card transactions within Russia, even after their pullback from the Russian market. The FMS, Russia's equivalent of SWIFT, has become the main channel for processing transactions within Russia. Thus, the financial market infrastructure previously established by the Bank of Russia ensured that payments and settlements ran uninterruptedly and assumed the full burden in the wake of the pullback of international payment companies.

In addition, the Government of the Russian Federation, for its part, provided unprecedented support to the economy as a whole. Thus, a broad list of measures was adopted in relation to the real economy, including large-scale tax breaks, a moratorium on routine business inspections and a moratorium on bankruptcy initiated by the tax authorities. The possibility of automatic extension of permits was provided. Moreover, systemically important enterprises were allowed to borrow at preferential rates. Customs duties were lifted for a wide range of commodity categories to ensure the smooth movement of goods. Overall, the measures taken by the government to support the economy made a significant contribution to stabilise the financial market.

Implementation of the measures planned for 2022 in the Russian Financial Market Development Programme for 2022–2024

- The State Duma passed a law to establish a system for guaranteeing the rights of NPF participants in the NPP system. The state guarantee will ensure the safety of voluntary contributions from citizens and employers under NPP contracts and that non-state pensions are paid even if the NPF loses financial sustainability. This will boost citizens' trust in the pension industry and increase their ability to build up their pension savings.
- Rules for the sale of investment products through banks were introduced to discourage misselling.³² Banks are now obliged to inform customers about the features and risks of

³² Bank of Russia Ordinance No. 6057U, dated 10 January 2022, in force from 1 July 2022.

- investment products, as well as the fact that income on them is not guaranteed and investments are not insured by the state deposit insurance system.
- Starting 1 September 2022,³³ banks with a universal licence must ensure that individuals can open accounts (deposits) and take out loans in rubles without personal presence, following the UBS-based identification. This can be done via the banks' mobile apps or their websites.
 - As part of depositors' rights protection, a tabular deposit form was established and the procedure for calculating the minimum guaranteed rate was set to inform consumers as fully as possible of the terms, conditions, features and real profitability of a bank deposit.³⁴ The availability of the standardised tabular form of a bank deposit agreement will enable consumers to compare the terms and conditions of different deposits to select the appropriate financial product optimally, while the disclosure of the minimum guaranteed deposit rate will increase depositors' awareness of the real return on the deposit and will help prevent cases of misleading financial consumers regarding the terms and conditions of bank deposits.
 - The Bank of Russia and market participants tested the digital ruble platform in 2022 and will start piloting real digital ruble transactions in April 2023: opening and topping up wallets, transfers between individuals, payments for goods and services, and payments using smart contracts.
 - The Bank of Russia's Know Your Customer platform was launched. It provides credit institutions with information on how the Bank of Russia categorises Russian legal entities and individual entrepreneurs as having a suspicious transaction risk level.
 - The Digital Profile continues to be developed as a 'single point of contact' for digital data exchange between citizens, the state and businesses. As of 14 December 2022, 35 banks, 5 insurance companies, 20 MFOs and 3 financial platform operators provided services using the Digital Profile. A total of more than 23 million consents have been issued since the Digital Profile was launched. There are currently 38 types of information available to financial institutions.

Dynamics of indicators in 2021–2022

Digitalisation of financial services for individuals and legal entities

As of the end of 2022 H1, the level of digitalisation of financial services for individuals rose from 70.5% to 78.8%, and for legal entities – from 64.9% to 68.6% year on year. Above all, the positive trend is related to the increasing digitalisation of current account opening and bank guarantee issuing for legal entities, as well as current account opening and foreign exchange sales and selling operations for individuals. Besides, the digitalisation of non-banking services – in particular MFOs and management companies – increased.

Ratio of financial institutions' assets to GDP

As of the end of 2022 H1, the ratio of financial institutions' assets to GDP decreased from 126.6% to 105.0% year on year. Assets in the banking sector demonstrated relative resilience due to growth in lending and account balances. However, asset growth for insurers, NPFs and UIFs slowed significantly, while assets under brokerage and trust management posted a negative trend. The main reasons were the repercussions of the materialised geopolitical risks, including restricted access to the international financial market, an upward shift of the OFZ yield curve, a fall in the equity market, and broadened credit spreads.

³³ Federal Law No. 441-FZ, dated 30 December 2021, 'On Amending Article 15 of the Federal Law 'On Information, Information Technology and Information Protection' and Articles 3 and 5 of the Federal Law 'On Amendments to Certain Laws of the Russian Federation'.

³⁴ Bank of Russia Ordinance No. 6150U, dated 3 June 2022, in force from 1 October 2022. Bank of Russia Ordinance No. 6153U, dated 14 June 2022, in force from 1 October 2022.

Assessment of financial sector stability presented in the Bank of Russia's regular Financial Stability Review

Financial institutions remain stable, partly on account of prompt measures to ensure financial stability, and measures to support the financial market amid the acute geopolitical risk materialisation. Due to the accumulated capital stock, the banking sector was able to maintain its stability and continue lending to the economy even as currency, interest rate and credit risks materialised. The financial situation of NFIs also remains relatively stable, and there was posted a gradual recovery since Q2. Nevertheless, a number of problems emerged in 2022 Q1, primarily related to the freezing of assets, remain in the focus of the Bank of Russia's attention.

APPENDIX 3. FINANCIAL MARKET DEVELOPMENT DOCUMENTS

1. Financial Market Development Strategy of the Russian Federation through 2030 (draft) (2021)
2. [Audit Development Concept until 2024](#) (2020)
3. [Strategy for the Improvement of Financial Literacy in the Russian Federation for 2017–2023](#) (2017)
4. [Monetary Policy Guidelines for 2023–2025](#) (2022)
5. [National Payment System Development Strategy for 2021–2023](#) (2021)
6. [SupTech and RegTech Development Guidelines for 2021–2023](#) (2021)
7. [Financial Inclusion Priorities for Russia in 2022–2024](#) (2021)
8. [Financial Market Digitalisation Guidelines for 2022–2024 \(draft\)](#) (2021)
9. National Competition Development Plan and Competition Development Roadmap (2021)
10. Action Plan (Roadmap) for the Formation of Available Finance for Investment Projects (approved by the Government of the Russian Federation and the Bank of Russia) (2020)
11. Action Plan (Roadmap) to Enhance Financial Inclusion in Rural Localities and Remote, Sparsely Populated and Hard-to-reach Areas for 2022–2024 (2022)
12. [Action Plan \(Roadmap\) to Implement the Financial Market Digitalisation Guidelines for 2022–2024 \(draft\)](#) (2021)
13. [Bank of Russia Action Plan \(Roadmap\) for 2021–2022 for Improving the Calculation of Debt-to-income Ratio and for Organising the Regulation of the Application by Financial Institutions of an Individual Borrower's DTI Ratio](#) (2021)
14. [Roadmap for Amending Laws on Credit Cooperatives for 2021–2024](#) (2021)
15. [Roadmap for the Development of Funding for Small- and Medium-sized Enterprises \(SMEs\)](#) (2021)
16. Action Plan (Roadmap) to Enhance Financial Inclusion for People with Disabilities, Physically Challenged and Elderly People in 2022–2024 (draft) (2021)
17. [Climate Risks in Changing Economic Conditions](#) (consultation paper, December 2022)
18. [Outsourcing Risk Management in Financial Market](#) (consultation paper, December 2022)
19. [Decentralised Finance](#) (analytical paper, November 2022)
20. [Concept for the Implementation of Open APIs in the Financial Market](#) (November 2022)
21. [Digital Financial Asset Market Development in the Russian Federation](#) (consultation paper, November 2022)
22. [Developer Subsidised Mortgage Programmes](#) (consultation paper, October 2022)
23. [Financial Market: New Challenges in Modern Conditions](#) (consultation paper, August 2022)

GLOSSARY

AUTHORISED CAPITAL

Part of the charter capital of a development institution, which is formed by means of subsidies from the federal budget and subsequent additional property contributions from the Russian Federation when the development institution reaches the trigger values of required ratios for financial stability (indicators).

CLIMATE RISKS

Risks associated with the impact of climate change, as well as measures aimed at preventing humans' negative impact on climate (taken by the governments and the regulators of the countries that have signed the Paris Agreement) which may adversely influence society's activities. They include physical and climate transition risks.

CLIMATE TRANSITION RISKS

Risks associated with the transition to a low-carbon economy, including measures taken by the governments and regulators of the countries who signed the Paris Agreement to prevent climate change, which are grouped into political, legal, technological, market and reputational risks.

CONDUCT SUPERVISION

Bank of Russia activities aimed at preventing, detecting and eliminating violations of financial consumers' rights.

The perimeter of conduct supervision (the sphere of control over compliance with the standards governing the relations between a financial institution and its clients or establishing requirements for financial product parameters) is formed considering the key issues raised by financial consumers in complaints appeals received by the Bank of Russia and is constantly expanding as new problems in the financial market arise involving the risks of violations of financial consumers' rights, including taking into account international best practices in this area.

The goals of the Bank of Russia's conduct supervision are as follows:

- ensuring that financial consumers' rights and legitimate interests are respected;
- better accessibility and quality of financial services;
- increasing financial consumers' confidence in financial market participants, financial products and services offered by them;
- mitigating the risks of violations of financial consumers' rights, and effective risk management, including by strengthening the preventive component of supervision.

CORPORATE GOVERNANCE

A concept covering the system of relationships between the executive bodies of a joint-stock company, its board of directors, shareholders and other stakeholders. Corporate governance is a tool for determining the company's goals and the means of achieving those goals as well as ensuring effective control of the company's activities by shareholders and other stakeholders.

CROWDFUNDING

A type of alternative investment in which investors provide small amounts of funding to early-stage projects via investment platforms.

CYBER POLYGON

An environment emulating a financial institution's structure where professionals can learn how to detect and respond to cyber attacks.

CYBERSECURITY TRAINING

An element of stress testing in the course of supervision intended to assess the reliability of operational risk management indicators with regard to information security and operational reliability risks and potential maximum possible losses (financial, time-related) when participants in cybersecurity training learn to counteract cyberattacks in the simulation mode.

DEBT-TO-INCOME INDICATOR

The ratio of the total average monthly payments on all borrower's loans, including the loan the application for which is being considered by the lender, to the amount of the borrower's average monthly income calculated in accordance with the Bank of Russia regulations.

DIGITAL FINANCIAL ASSETS

Digital rights, including monetary claims, the ability to exercise rights related to issue-grade securities, the right to hold stakes in a non-public joint-stock company's equity, the right to demand the transfer of issue-grade securities, which are provided for by the decision on the issue of digital financial assets, the issue, accounting and circulation of which are possible only by making (changing) entries in an information system based on a distributed ledger, as well as in other information systems.

DIGITAL PROFILE

A public infrastructure, based on the Unified System of Identification and Authentication and designed for an individual to obtain information about oneself from state information systems and provide it, with his consent, to entities for the purpose of obtaining financial services.

DIGITAL RUBLE

A digital form of the Russian national currency that the Bank of Russia plans to issue in addition to existing forms of money.

ECOSYSTEM (DIGITAL ECOSYSTEM)

A set of services, including platform solutions, of one group of companies or a company and its partners enabling users to receive a wide range of products and services within a single seamless integrated process. An ecosystem can comprise open and closed platforms. The range of services offered by the ecosystem meets the major part of customers' everyday needs or is built around one or more of customers' basic needs (ecosystems at the initial stage or niche ecosystems).

ENHANCED UNQUALIFIED DIGITAL SIGNATURE

A signature, the verification-key certificate of which has been created and is used in the infrastructure, ensures information and technological interaction of information systems used for the provision of state and municipal services in electronic form in accordance with the procedure established by the Government of the Russian Federation.

EXPERIMENTAL LEGAL REGIMES

Application of special regulations in the development, testing and implementation of digital innovations in relation to participants in the experimental legal regime during a certain period of time.

FASTER PAYMENTS SYSTEM

The Bank of Russia's system enabling instant transfers on a 24/7/365 basis using simple and convenient identifiers of the payee (e.g. the payee's phone number when money is transferred to an individual).

FIDUCIARY LIABILITY

Liability for failure to fulfill or improper fulfillment of a financial institution obligation to act reasonably and in good faith in the interests of the customer, taking all necessary and sufficient measures to fulfill its obligations to the customer in the best possible manner.

FINANCIAL MARKET

The system of economic and legal relations associated with the use of money as a store of value and a means of payment, and the circulation of financial instruments; it also denotes the cultural and business environment in which financial market participants operate.

FINANCIAL PLATFORM

An information system that enables financial institutions or issuers to interact with financial consumers via the Internet in order to enable financial transactions and to which the financial platform operator provides access.

MACROPRUDENTIAL POLICY

Economic policies of central banks (or macroprudential regulators in some countries) aimed at ensuring financial stability.

MASTERCHAIN PLATFORM

A Russian platform based on a peer-to-peer network with managed access, the nodes of which interact based on distributed ledger technology. The platform provides data immutability assurance and cryptography for privacy protection, using technical solutions certified by the Federal Security Service of the Russian Federation. The platform operator is licensed by the Federal Service for Technical and Export Control of the Russian Federation.

MISSELLING

The sale of a financial product service through its misrepresentation. Offering one financial product/service under the guise of another financial product/service.

OPEN API

Publicly available application programming interfaces (APIs) that provide developers with programmatic access to financial data in financial services.

OPEN DATA

A model in which service providers, with the consent of the customer, use Open APIs to obtain customer data from both financial and other organisations, such as operating in telecommunications, e-commerce and other spheres, as well as from state information systems where customer data are stored and processed.

OPEN FINANCE

A model in which service providers, with the consent of the customer using Open APIs, obtain both banking and payment data about the customer and data about other financial services: insurance, investment and others, thereby improving the quality of customer service and increasing the range of products and services for households and businesses.

OPEN PLATFORM (MARKETPLACE)

A platform that is accessible to participants based on public criteria disclosed by the platform.

PARIS AGREEMENT

The international agreement adopted on 12 December 2015 the main goal of which is to keep the global average temperature increase under control; this involves the economic and social transformation of the countries that joined the agreement.

PARTICIPATORY FUNDING

A mechanism for funding socially important infrastructure projects based on the principles of public-private partnership, where a private party is a group of individuals – end users/owners of infrastructure facilities. In line with global practice, it is used to accelerate the pace of construction, modernisation and reconstruction of health care, education, road construction and other facilities.

PASSIVE INVESTMENT STRATEGY

An investment strategy where a portfolio of securities and other investment instruments tracks the underlying index.

PHYSICAL CLIMATE RISKS

The risks associated with natural phenomena caused by climate change. Physical climate risks are grouped into emergency risks associated with sudden events and systemic risks related to long-term changes in climatic characteristics and conditions.

PLATFORM (DIGITAL PLATFORM)

An online information system enabling the platform participants to communicate, create and share values.

SMART CONTRACT

A digital contract that provides for the automation of transaction and payment execution, monitoring and recording of legally significant actions and events.

SOCIAL ENGINEERING

Obtaining unauthorised access to information or electronic payment systems or persuading owners to transfer funds in order to steal them through deception or breach of trust.

STRESS TESTING

Investigation of changes in the properties of a system or object under non-standard (stress) conditions. In the case of a financial institution, stress testing is the evaluation of its financial position under a severe but plausible scenario.

SUSTAINABLE DEVELOPMENT

Development that meets the needs of the present without jeopardising future generations' ability to meet their own needs. A conceptual three-dimensional development model that ensures the world system's simultaneous progress in three key areas: economic, social and environmental.

SUSTAINABLE DEVELOPMENT GOALS

The list of goals set forth in the 2030 Agenda for Sustainable Development approved by the relevant resolution of the United Nations General Assembly on 25 September 2015.

UNIFIED BIOMETRIC SYSTEM

A unified information system of personal data that ensures the processing of biometric personal data, including collection, storage and verification as well as the transmission of information on the degree of matching with biometric personal data provided by an individual for the purposes of identification and authentication.

UTILITY DIGITAL RIGHTS

Digital rights to demand the transfer of things, exclusive rights to the results of intellectual activity, the rights to use the results of intellectual activity, performance of work and provision of services that can be purchased, sold and exercised on an investment platform.

LIST OF ABBREVIATIONS

AML/CFT – anti-money laundering and countering the financing of terrorism

API – Application Programming Interface

B2C – Business-to-Consumer (payments by legal entities to individuals)

C2B – Consumer-to-Business (payments by individuals to legal entities)

C2G – Consumer-to-Government (payments by legal entities to public authorities)

CMTPLI – compulsory motor third-party liability insurance

DFA – digital financial assets

DTI – debt-to-income ratio

EAEU – Eurasian Economic Union

EQES – enhanced qualified electronic signature

ESG – environmental, social and governance (environmental, social and corporate governance factors)

FBS of Russia – Federal Bailiffs Service of the Russian Federation

FMS – Financial Messaging System

FPS – Faster Payment System

FSES – Federal State Educational Standard

G2C – Government-to-Consumer (payments by public authorities to individuals)

IEIS – interdepartmental electronic interaction system

IIA – individual investment account

ISO – International Organization for Standardization

IT – information technology

ITU – International Telecommunication Union

KYC – Know Your Customer

MFO – microfinance organisation

ML/FT – money laundering and the financing of terrorism

NFI – non-bank financial institution

NPCS – National Payment Card System

NPF – non-governmental pension fund

- NPP** – non-governmental pension provision
- OFZ** – federal government bonds
- PFR** – Pension Fund of Russia
- RegTech** – regulatory technology
- RNRC** – Russian National Reinsurance Company
- SICI** – systemically important credit institution
- SIS HUS** – State Information System of Housing and Utility Services
- SME** – small- and medium-sized enterprises
- SRO** – self-regulatory organisation
- SST** – supervisory stress testing
- SupTech** – supervisory technology
- TCC** – total cost of credit (consumer loan)
- UBS** – Unified Biometric System
- UDR** – utility digital rights
- UIF** – unit investment fund
- URFMP** – Unified Register of Financial Market Participants
- USIA** – Unified System of Identification and Authentication

