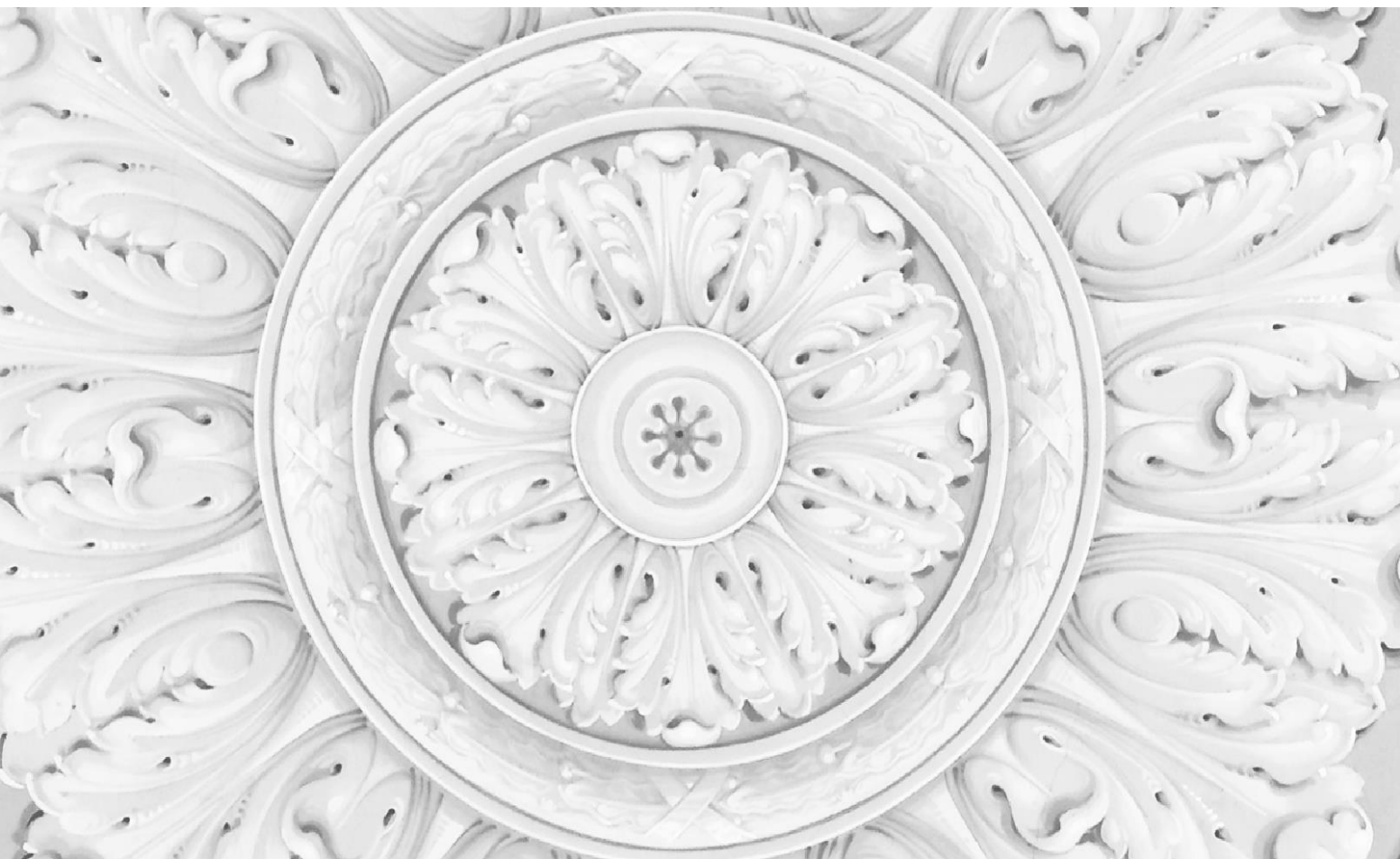




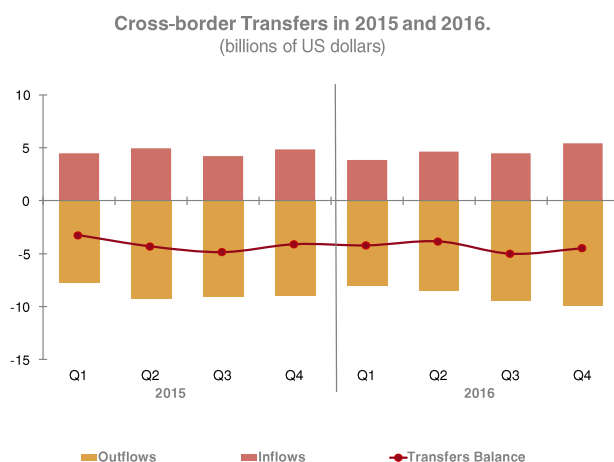
Bank of Russia

The Central Bank of the Russian Federation



CROSS-BORDER TRANSFERS OF INDIVIDUALS IN 2016

The total turnover of cross-border transfers of individuals (residents and non-residents)¹ in 2016 increased to \$54.3 billion (from \$53.7 billion in 2015). Moreover, the negative balance on cross-border transactions of individuals widened by 6%.



The widening of the deficit related to an increased value of outflows from the Russian Federation, while inflows into the Russian Federation remained similar to the outcome of the preceding year.

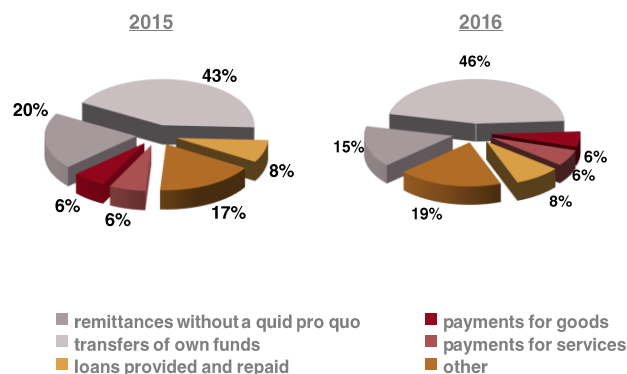
Money transfers from Russia made by individuals in 2016 increased to \$35.9 billion from \$35.1 billion in the preceding year, or by 2%. While the total amount of funds sent to non-CIS countries (mainly due to growth in transfers to own accounts abroad), transfers to CIS countries declined.

As in 2015, transactions carried out by residents dominated the composition of remittance senders accounting for 69% of total transfers abroad. Residents transferred \$24.8 billion, 1% more than in the preceding year, including \$21.5 billion to non-CIS countries. Non-residents transferred \$11.1 billion abroad (\$10.5 billion in the preceding year).

The composition of residents' transfers abroad by purpose was dominated by transfers of funds to

own accounts held with foreign banks representing 46% of the total. In 2016, the volume of such transactions grew by \$0.8 billion to \$11.3 billion. Almost two-thirds of such remittances went to banks in Switzerland, the United Kingdom, Spain, the USA, and Austria.

Composition of Money Transfers by Resident Individuals from the Russian Federation in 2015 and 2016, by Purpose



Remittances without a quid pro quo declined to \$3.8 billion, or by 23%. Their share in residents' total transfers went down from 20% to 15%. Remittances without a quid pro quo sent by labour migrants from the CIS countries made up the bulk of transfers in the aggregate. Furthermore, the volume of transfers made by individuals to China grew in 2016 (up to \$0.7 billion reaching 18% of the total volume of remittances without a quid pro quo, as compared with \$0.6 billion representing 12% in the preceding year). That was partly due to hidden payments for goods imported in the territory of the Russian Federation. Besides China, other large recipients included Uzbekistan, Kyrgyzstan, Ukraine, and Tajikistan (in aggregate amounting to \$1.3 billion). The overwhelming part of remittances without a quid pro quo (90%) was made via payment systems.

The total value of transfers sent abroad to pay for goods and services in the total volume of transfers made by resident individuals remained at the level of the base period at \$2.9 billion (12%). The main recipients (totalling 41% of the aggregate) were Japan, Italy, and China. Traditionally, transfers to those countries have been associated with payments for cars, furniture, and clothing.

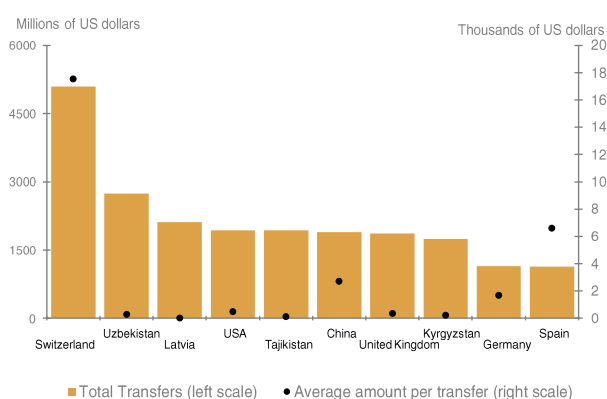
¹ Cross-border transfers of individuals include cross-border remittances by individual residents and individual non-residents (receipts for the benefit of individual residents and individual non-residents) both effected via credit institutions through opening an account or without it including remittances made via payment systems.

Residents' transactions related to lending, borrowing, debt servicing and repayment increased by 9% to \$2.1 billion. The weight of such transactions in the transfers' composition by purpose rose to 9%. Resident individuals extended loans to foreign counterparties worth \$1.1 billion (a 16% decline of the flows). The majority of loans were provided to legal entities to their accounts with banks in Switzerland, Germany, Cyprus, and Latvia. In repayment of previously contracted loans resident individuals transferred \$1.0 billion, an increase of 59% on the preceding year's outcome.

Geographically, the main destination countries of the outflows of cross-border transfers of individuals (residents and non-residents) were Switzerland, Uzbekistan, Latvia, the USA, Tajikistan, and China. The combined share of remittances sent to those countries reached 44% (\$15.7 billion).

Switzerland remained the major recipient country of funds from the Russian Federation. Traditionally, that involved allocation of private funds by individuals in own bank accounts in the jurisdiction. In 2016, the volume of transfers to Switzerland went up by one third to \$5.1 billion, representing 14% of total outflows.

Money Transfers of Individuals (Residents and Non-residents) from Russia to Top 10 Partner Countries in 2016



In total, the volume of transfers sent to non-CIS countries grew by 7% to \$25.8 billion.

In contrast, remittances sent to the CIS countries contracted by 8% to \$10.1 billion. Uzbekistan, Tajikistan, and Kyrgyzstan, the major exporters of work-

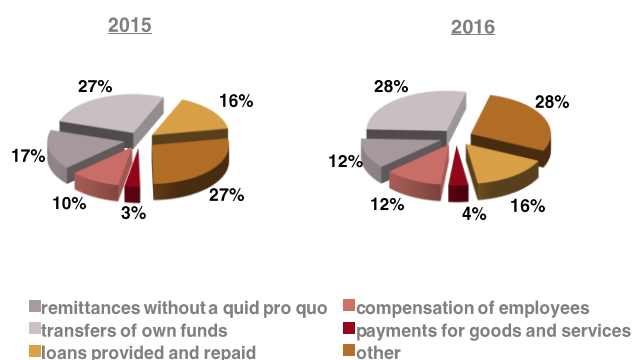
ers to the Russian Federation, were in the top ten largest recipient countries. Their share totalled \$6.4 billion, or almost two-thirds of all remittances to the CIS.

Remittances sent to the EAEU countries from the Russian Federation by individuals amounted to \$3.3 billion (accounting for 9% of the total volume of transfers).

The US dollar dominated the currency composition of remittances from the Russian Federation. Its share in the outflow increased slightly to 53% (from 52% in 2015). 23% of funds were transferred in euros (24% in the preceding year), and 19% were sent in Russian rubles (20%).

In 2016, **receipts for the benefit of individuals residing in the Russian Federation** remained almost unchanged totalling \$18.4 billion (in 2015, \$18.6 billion). Traditionally, the dominant share of receipts (\$15.9 billion) came for the benefit of the Russian Federation's residents (accounting for 87% of inflows). Non-residents in the Russian Federation received \$2.4 billion (representing 13% of the total).

Composition of Money Transfers to the Russian Federation for the Benefit of Resident Individuals in 2015 and 2016, by Purpose



The breakdown of receipts by purpose saw 4% growth in money transfers into Russia made by resident individuals from their accounts with foreign banks (transfers of own funds) reaching \$4.5 billion (accounting for 28% of the total). Over one half of inflows (\$2.6 billion) came from accounts opened with banks in Switzerland, the USA, the United Kingdom, and Cyprus. In comparison to the 2015

outcome, the dynamics of the aggregate remained stable, reflecting, inter alia, of a steady rate of repatriation of previous residents' capital outflows from the Russian Federation. The main source of receipts was funds held by Russian residents on bank accounts in Switzerland. \$1.5 billion was transferred from that country to accounts with Russian banks (one-third of inflows of own funds to the Russian Federation).

In 2016, receipts in the Russian Federation related to borrowing, debt servicing and repayment of previously contracted loans amounted to \$2.5 billion (representing 16% of inflows), which was practically at the level of 2015 outcome. Resident individuals' borrowings from abroad totalled \$1.4 billion, of which \$0.9 billion was borrowed from Switzerland, Cyprus, and Latvia. Repayments to resident individuals of previously extended loans stood at \$1.1 billion.

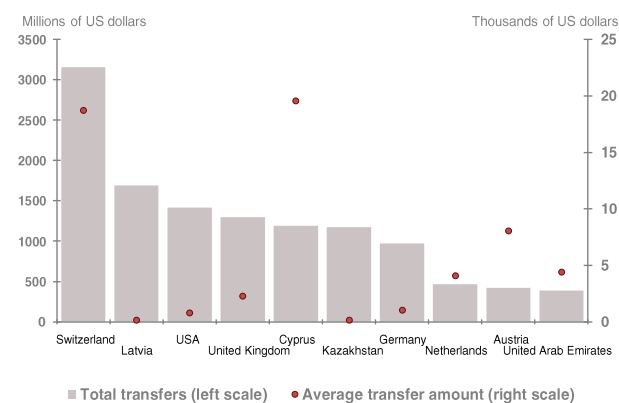
There was a significant contraction in remittances without a quid pro quo from abroad for the benefit of resident individuals. In 2016, their volume fell by 28% to \$2.0 billion, and their share went down by 5 percentage points to 12%. The composition of transfers without a quid pro quo was dominated by receipts from the CIS countries Kazakhstan and Kyrgyzstan. Furthermore, there was an increase in remittances without a quid pro quo to the Russian Federation from the USA and Germany via payment systems.

In 2016, compensation of employees and transfers of other payments under employment contracts for the benefit of residents of the Russian Federation grew by 9% to \$1.9 billion (from \$1.7 billion in 2015).

Geographically, the share of inflows from non-CIS countries gained 6% amounting to \$15.5 billion (against \$14.7 billion in 2015). The bulk of the funds came from Switzerland, Latvia, the USA, the United Kingdom, and Cyprus, totalling \$8.8 billion, or almost one half of all receipts in the Russian Federation. The inflows of remittances from Switzerland,

the major source country, remained at the preceding year's level of \$3.2 billion. However, the average amount of transfer from that country shrank 1.5-fold to \$19,000.

Money Transfers for the Benefit of Individuals (Residents and Non-residents) in Russia by Top 10 Partner Countries in 2016



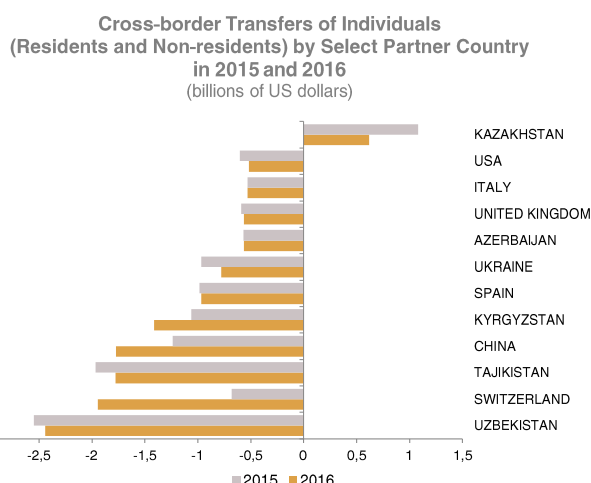
In 2016, remittances from the CIS countries fell by 26% to \$2.8 billion. Kazakhstan remained the most important partner country within the group (representing 41% of CIS-originated inflows). Remittances from Kazakhstan also declined by 26% amounting to \$1.2 billion.

In 2016, remittances for the benefit of individuals in the Russian Federation from the EAEU countries reached \$1.8 billion (accounting for 10% of total receipts).

The US dollar continued to dominate the currency composition of receipts representing 60% of incoming flows (against 63% in 2015). The euro and Russian ruble accounted for 22% and 14% respectively (against 20% and 15% in 2015).

The negative balance on cross-border transfers of individuals widened to \$17.6 billion, or by 6% (against \$16.5 billion in the preceding year). Net outflows from the Russian Federation to non-CIS countries grew by 10% to \$10.3 billion. The negative balance on transfers made by individuals vis-à-vis the CIS countries totalled \$7.3 billion remaining at the level close to the 2015 outcome.

In 2016, net outflows of cross-border transfers of individuals were registered vis-à-vis almost all major non-CIS partner countries. Net outflows to Switzerland increased 2.8 times rising to \$2.0 billion. Net transfers to China grew by 43% to \$1.8 billion. The negative balances on transfers to Spain (\$1.0 billion) and the United Kingdom (\$0.6 billion) remained close to the preceding year's levels. Among the CIS countries, significant net outflows from the Russian Federation persisted vis-à-vis Uzbekistan and Tajikistan which amounted to \$2.4 billion and \$1.8 billion respectively. The negative balance of cross-border transactions with Kyrgyzstan expanded by one-third reaching \$1.4 billion. In 2016, the surplus on transfers by individuals from the Russian Federation to the Republic of Kazakhstan fell by 43% to \$0.6 billion. In 2016, the net transfers received by the EAEU countries amounted to \$1.4 billion.



In 2016, the **turnover of cross-border remittances via money transfer operators**² included in cross-border transfers by individuals accounted for 27%, totalling in value terms \$9.6 billion. The share of transfers made via money transfer operators in total outflows abroad decreased to 20% (from 28% in the preceding year), while that of inflows fell to 12% (from 18%). One of the main reasons for the drop in the turnover was exclusion (starting from

May 2015 data) of the flows of funds via partners and bank payment agents of one of the largest Russian money transfer operators from the transactions accounted for as transfers via money transfer operators.

In 2016, the outflows from the Russian Federation via money transfer operators amounted to \$7.3 billion, while the inflows to the Russian Federation stood at \$2.2 billion.

Transactions with CIS countries dominated both outflows and inflows via payment systems with \$5.6 billion, representing over three-quarters of the outgoing flows and \$1.4 billion, or 62%, of the incoming flows. Individuals transferred \$1.7 billion to non-CIS countries via payment systems and received \$0.8 billion.

The geographical composition of remittances from the Russian Federation via payment systems did not change much.

In 2016, the main recipient countries were Uzbekistan, Kyrgyzstan, China, Ukraine, and Tajikistan. Their share in total outflows via payment systems stood at 65%.

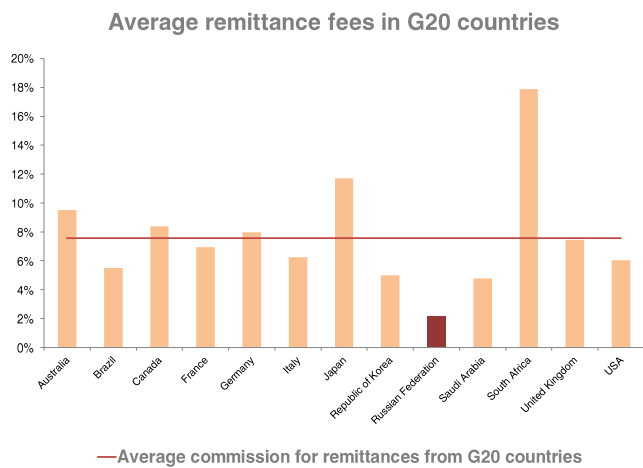
The largest senders of remittances via payment systems to the Russian Federation included Kazakhstan, Kyrgyzstan, the USA, Tajikistan, and Ukraine. Together they accounted for almost one half of the funds received by individuals in the Russian Federation.

The average remittance amount from the Russian Federation stood at \$424, with the average transfer to the CIS countries amounting to \$357 and that to non-CIS countries averaging \$1,047.

The average remittance amount for the benefit of individuals in the Russian Federation received via payment systems stood at \$496. In contrast to outflows, the average transfer received from the CIS countries exceeded that from non-CIS countries by 10% amounting to \$514 against \$469.

² The data on money transfers include those effected via the following payment systems: Anelik, BLIZKO, Contact, InterExpress, UNISStream, Western Union, Sberbank/Colibri, Zolotaya Korona, LIDER, FGUP "Pochta Rossii".

According to Bank of Russia's estimate, in 2016 the weighted average fee charged to customers for transferring funds abroad remained at the 2015 level of 1.9% of the transaction amount and was significantly lower than the world average fee of 5.7%³. Thus, the average remittance from Russia of \$424 was subject to an average fee of \$8. Fees charged by money transfer operators in the Russian Federation remained the lowest among the G20 countries.



³ The World Bank "Remittance prices worldwide – issue 21", March 2017, p. 14.