

THE CENTRAL BANK OF THE RUSSIAN FEDERATION



A N N U A L **2 0 1 3** R E P O R T



Approved by the Bank of Russia Board of Directors on 25 April 2014

1.4. GOVERNMENT FINANCE AND DOMESTIC GOVERNMENT DEBT

According to the Federal Treasury's report, Russia's general government revenues in 2013 was 24,082.4 billion rubles, or 36.1% of GDP. This figure was 1.6 percentage points lower than the corresponding value for 2012, which can be explained by a falling share, relative to GDP, of both non-oil and gas revenues (by 1.0 percentage point) as a result of a slowdown in economic activity growth and oil and gas revenues (by 0.6 percentage points), mainly due to a decrease in the average price of Urals crude over the corresponding period from \$110.8 to \$108.3 per barrel. Russia's general government expenditures in 2013 were 0.1 percentage point higher than in 2012 at 24,931.1 billion rubles, or 37.3% of GDP. As a result, the general government deficit in 2013 totalled 848.7 billion rubles, or 1.3% of GDP, compared with a surplus of 260.4 billion rubles, or 0.4% of GDP, in 2012.

Federal budget revenues in 2013 totalled 13,019.9 billion rubles, or 19.5% of GDP, which is 1.2 percentage points lower than a similar figure for 2012. Federal budget expenditures in 2013 totalled 13,342.9 billion rubles, or 20.0% of GDP, which is 0.7 percentage points lower than the corresponding figure for 2012. Federal budget deficit in 2013 was 323.0 billion rubles, or 0.5% of GDP, compared with a deficit of 39.4 billion rubles, or 0.1% of GDP, in 2012.

The revenues and expenditures of the consolidated budgets of the constituent territories of the Russian Federation in 2013 stood at 8,164.7 billion rubles and 8,806.7 billion rubles respectively, and the deficit amounted to 642.0 billion rubles (12.2%, 13.2% and 1.0% of GDP). The revenues of the Russian Federation Pension Fund in 2013 totalled 6,388.4 billion rubles and its expenditures 6,378.5 billion rubles, giving a surplus of 9.8 billion rubles. The corresponding figures for the Federal Compulsory Medical Insurance Fund were 1,101.4, 1,048.7 and 52.6 billion rubles, and, for the Social Insurance Fund of the Russian Federation, 603.5, 566.2 and 37.3 billion rubles respectively.

According to the Ministry of Finance, Russia's total domestic government and municipal debt as of 1 January 2014 was 7,730.3 billion rubles, or 11.6% of GDP, an increase over the year by 17.8% in absolute terms, or 1.0 percentage point. The share of domestic debt in the total government and municipal debt was 80.7%, which is 0.1 percentage point lower than a corresponding value as of 1 January 2013.

The amount of the Russian government domestic debt as of 1 January 2014 was 5,722.2 billion rubles, or 8.6% of GDP, which is 0.6 percentage points higher than as of 1 January 2013. Government securities of the Russian Federation accounted for 4,432.4 billion rubles, or 77.5% of the Russian government domestic debt, an in-

GENERAL GOVERNMENT EXPENDITURES (billions of rubles)

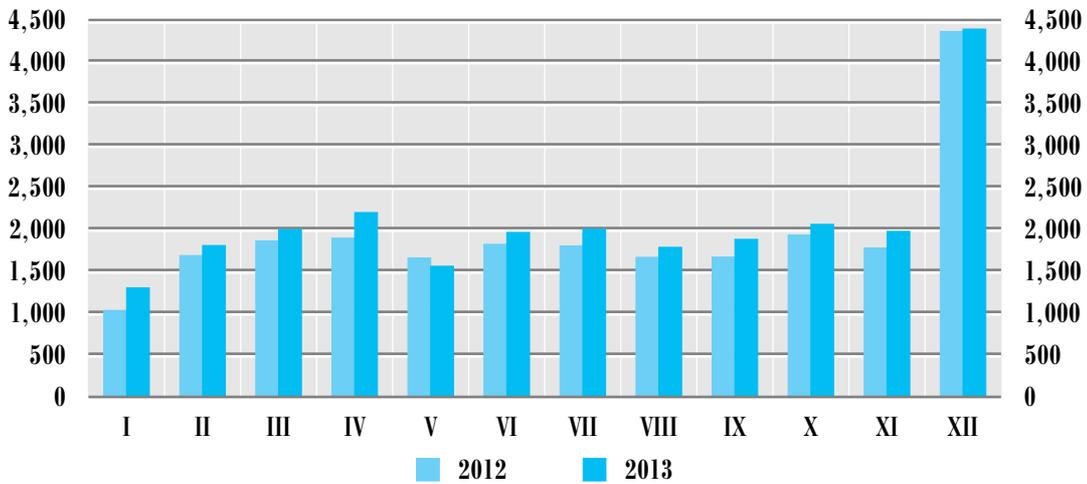


Chart 12

FEDERAL BUDGET ACCOUNTS WITH THE BANK OF RUSSIA (billions of rubles)

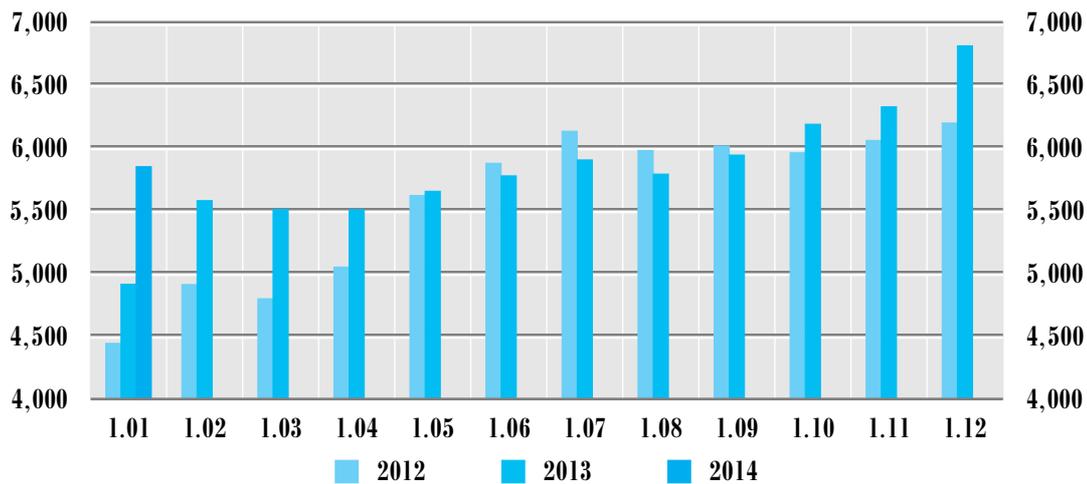


Chart 13

crease of 368.1 billion rubles, or 9.1%, while government guarantees accounted for 1,289.9 billion rubles, or 22.5%, an increase of 383.2 billion rubles, or 42.3%. The volume of outstanding government securities in the domestic securities market increased over the year by 13.6% and, as of 1 January 2014, totalled 3,631.0 billion rubles, or 81.9% of government securities.

The Ministry of Finance's ruble-denominated liabilities to the Bank of Russia measured at the nominal value of government securities, including government securities purchased by the Bank of Russia under repo transactions, grew by 24.3%

over 2013 and stood at 1,604.1 billion rubles, while excluding repos, it fell by 0.2 billion rubles to 259.0 billion rubles.

The Ministry of Finance's foreign currency denominated liabilities to the Bank of Russia in ruble terms, including repo transactions, as of 1 January 2014, increased 2.3 times and accounted for 221.8 billion rubles at the nominal value of government securities, while excluding repos, it increased by 7.8% to 103.2 billion rubles.

Federal budget funds held in the currency of the Russian Federation in accounts with the Bank

of Russia amounted to 678.4 billion rubles as of 1 January 2014, a reduction over the year by 199.4 billion rubles, or 22.7%. Federal budget funds held in foreign currencies in ruble terms totalled 5,170.3 billion rubles as of 1 January 2014, an increase over the year by 1,134.4 bil-

lion rubles, or 1.3 times, of which the funds of the Reserve Fund and the National Wealth Fund (excluding accrued interest) totalled 2,859.7 billion rubles and 2,123.7 billion rubles (increasing by 974.0 billion rubles and 97.1 billion rubles respectively).

I.5. THE NATIONAL PAYMENT SYSTEM

In 2013, the Russian Federation saw a continuing formation of the structure of national payment system (NPS) agents in response to a growing consumer demand for modern payment services and technological solutions guaranteeing a high level of access and security for payment services. This was also supported by the activities of the Bank of Russia to regulate and develop the NPS in line with the provisions set out in Federal Law No. 161-FZ, dated 27 June 2011, ‘On the National Payment System’.

As of 1 January 2014, there were 922 money transfer operators, 30 payment system operators, 34 operations offices, 31 payment clearing centres, 26 settlement centres, 82 electronic money operators, the Federal State Unitary Enterprise Russian Post (FSUE Russian Post), payment agents and bank payment agents operating as NPS entities (as of 1 January 2014, they opened 32,100 accounts with credit institutions).

The development of the NPS institutional and payment infrastructure and the increase in NPS entities’ supply of high-tech payment services to retail and corporate customers have contributed to the growth in cashless payment turnover. In

2013, 4.2 billion payments¹ were made in the NPS, totalling 1,929.5 trillion rubles (in 2012, 3.8 billion payments totalling 1,591.0 trillion rubles). On average, 17.0 million payments were made daily, amounting to 7.8 trillion rubles. The average payment amount rose from 421,900 to 459,400 rubles.

Thirty one payment systems were in operation in the Russian Federation, of which two were systemically important (the Bank of Russia payment system and the National Settlement Depository (NKO ZAO National Settlement Depository)) and four were socially important (CONTACT, Visa, Golden Crown, MasterCard).

Over the course of the year, the Bank of Russia payment system processed 1.3 billion money transfers for a total of 1,224.9 trillion rubles (the number and value of which increased by 6.5%). The ratio of money transfers made through the Bank of Russia’s payment system to GDP was 18.3 (in 2012, 18.5). On average, 5.4 million transfers for a total of 5.0 trillion rubles were made daily (in 2012, 5.1 million totalling 4.6 trillion rubles).

The number of customers serviced by the Bank of Russia over the year fell by more than a quar-

¹ Including ruble-denominated payments from the accounts of Bank of Russia customers and credit institutions (households, credit institutions, legal entities other than credit institutions, including FSUE Russian Post), own payments of the Bank of Russia and credit institutions, and transfers conducted by households without opening a bank account. Payments involving the use of payment cards and the transactions of credit institutions’ customers in financial markets are not included.

ter, dropping to 6,495 as of 1 January 2014. The fall in customer numbers is linked to the transfer of accounts intended for cash deposits and withdrawals for organisations with accounts held with Federal Treasury bodies and financial bodies of constituent territories of the Russian Federation and municipalities from Bank of Russia branches to be serviced at credit institutions.

The credit institutions' transfers accounted for most of the total number and value of money transfers through the Bank of Russia payment system (85.5% in terms of number and 78.0% in terms of value). Transfers made by Bank of Russia customers other than credit institutions accounted for 14.4% and 8.8% respectively. Of these, the overwhelming number were transfers by Federal Treasury bodies which are involved in electronic message exchanges with the Bank of Russia. In 2013, they made 195.5 million transfers totalling 74.6 trillion rubles through the Bank of Russia payment system (an increase of 6.3% in number and 19.2% in value).

The use of the banking electronic speedy payment (BESP) system continued to grow, with the number of participants amounting to 2,776 as of 1 January 2014, of which 412 were direct settlement participants, 2,280 were associated settlement participants, and 84 were special settlement participants. In 2013, 2.1 million transfers were made through the BESP system, totalling 504.1 trillion rubles (growing 1.8-fold in number and by 12% in value). The BESP system was used actively by the Federal Treasury: 44% of the total transfers by the organisation were made using this system.

In 2013, money transfers through the inter-regional electronic settlement (MER) system were characterised by high growth rates, both in terms of number (up by 21.1% to 404.3 million transfers) and value (up by 12.4% to 116.3 trillion rubles). This was largely down to credit institutions switching to the use of the MER system when making payments between internal di-

visions, the network of which grew in part due to the transformation of credit institutions' branches into them. The number and value of money transfers through the intraregional electronic settlement (VER) system remained virtually unchanged at 934.6 million transfers and 604.4 trillion rubles.

The accessibility ratio of the Bank of Russia payment system¹ ranged from 99.80% to 99.99% in 2013 (in 2012, from 99.85% to 99.99%) and the accessibility ratio of BESP system services² changed from 99.53% to 100%.

The NKO ZAO National Settlement Depository payment system mainly provided for money settlements in the stock market in 2013. The turnover of funds in bank clearing accounts held with NKO ZAO National Settlement Depository used to make settlements after clearing liabilities in the stock market stood at 328 trillion rubles³.

Credit institutions effecting money transfers expanded the supply of payment services. In 2013, they executed 2.9 billion payments for 704.6 trillion rubles (in 2012, 2.5 billion payments for 440.5 trillion rubles). Own payments of credit institutions and payments of their customers other than credit institutions, the number and value of which increased over the year by 9.4% and 15.3% respectively, continued to be dominated by credit transfers (about 60% of the total number and over 97% of the total value). Payments in the form of direct debits accounted for only a small proportion (less than 2%). At the same time, their share in total payments increased more than fivefold compared with 2012 (from 0.3% to 1.6%), which was the result of expanded opportunities for using electronic document exchanges within direct debits: in terms of number, almost 65% of customer payments based on payment orders were made electronically.

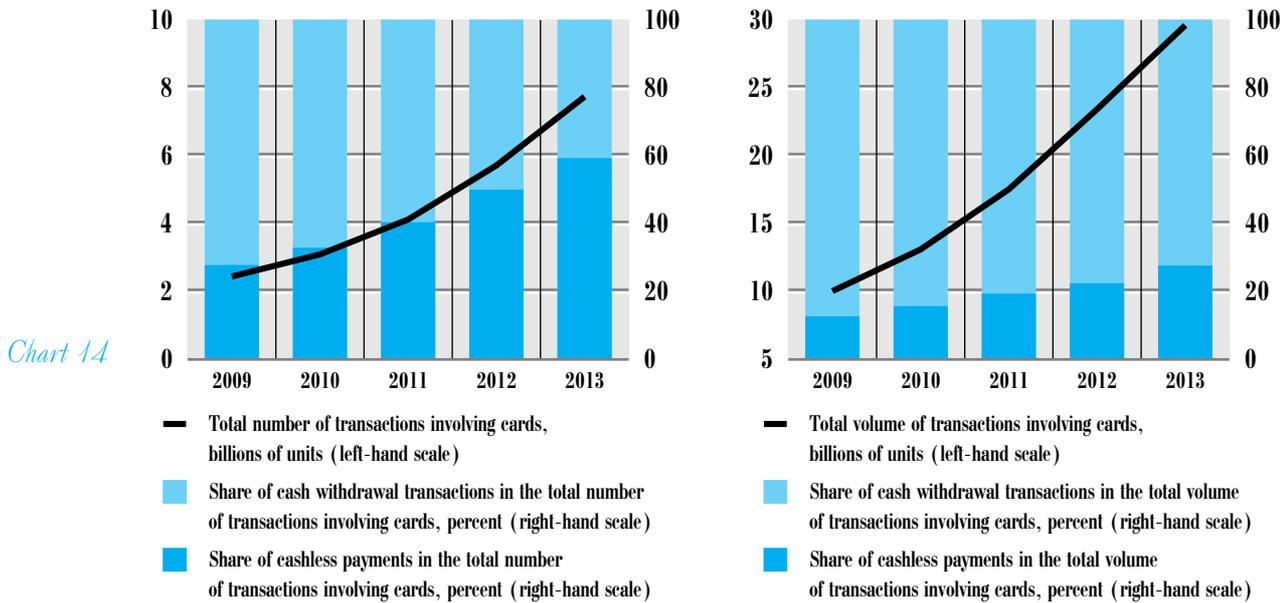
The development of credit institution payment infrastructure contributed to further growth in the supply of remote banking services. The num-

¹ The readiness to execute money transfer orders from Bank of Russia customers making intraregional and inter-regional electronic settlements.

² The ability of Bank of Russia regional branches to offer services defined by Bank of Russia regulations to BESP system participants on any working day at any given time, as set by the operational regulations of the BESP system.

³ According to NKO ZAO National Settlement Depository data. The methodology for calculating the indicator changed in 2013 due to the coming into effect of Bank of Russia Regulation No. 385-P, dated 16 July 2012, 'On Rules of Accounting in Credit Institutions Located on the Territory of the Russian Federation'.

TRANSACTIONS INVOLVING PAYMENT CARDS ISSUED BY CREDIT INSTITUTIONS (by number and volume of transactions)



ber and value of money transfers based on orders sent electronically (including using payment cards) to credit institutions by individuals and legal entities other than credit institutions increased 1.7-fold and by 23.0% respectively, with 6.8 billion transactions and 392.7 trillion rubles. Of these, 25.5% of the number and 73.5% of the value of payments were made using the Internet and mobile telephones.

During 2013, the number of payment cards issued by Russian credit institutions increased by 13.6% to 217.5 million. These were primarily dominated by settlement (debit) cards (86.6%), with the remaining 13.4% made up of credit cards; though credit card growth rates were higher (29.8% compared with 11.4%).

In 2013, the trend towards an increased use of payment cards issued by Russian credit institutions continued: the number of transactions using such cards within the Russian Federation and abroad increased by 35.4% (to 7.7 billion transactions) and the value increased by 26.3% (to 29.6 trillion rubles). The dynamics of transactions using cards were characterised by a faster growth compared with cash withdrawal transactions (1.6 times higher in terms of both number and value; or up by 10.3% and 18.0% respectively). This resulted in a further increase in the

share of cashless transactions (from 49.9% to 59.2% in the total number and from 22.3% to 27.5% in the total value) and a corresponding fall in the share of cash withdrawal transactions.

In 2013, there were 63.3 million transactions using cards issued outside of the Russian Federation amounting to a total of 244.3 billion rubles. Out of every 100 such transactions 72 were payments for goods (work and services), accounting for 56.6% of the total value.

The growth in card transactions was supported by the active adoption of the associated infrastructure by trade and services organisations. Over the course of the year, the number of point-of-sale terminals and imprinters increased by one-third (to 986,300 devices). The number of ATMs, the majority of which are also intended to be used for cashless transactions, grew by almost 10% (to 188,800 devices).

With the development of remote technologies, electronic money was the most popular method of payment. In 2013, the number of credit institutions notifying the Bank of Russia of their adoption of electronic money transfer operations more than doubled (to 82 organisations). During the course of the year, there were 304.1 million electronic payment facilities (EPFs), including pre-paid cards, of which 95.5% were non-persona-

lised EPFs. Over the year these were used to make 338.2 million transactions totalling 428.6 billion rubles, with non-personalised EPFs being most actively used (78.2% in terms of number and 50.3% in terms of value). The share of transactions using personalised EPFs was 21.8% and 48.6% respectively, while the share of corporate EPFs was negligible.

One of the most important NPS agents is FSUE Russian Post, which has a large and geographically well-distributed network of post offices (41,400 offices as of 1 January 2014)¹. In 2013, the number and value of postal transfers and payments by individuals through FSUE Russian Post divisions and payment terminals, both in Russia and abroad, amounted to 651.0 million transactions totalling 582.2 billion rubles (a fall

by 8.5% and 7.1% respectively). The majority of these were household payments taken by FSUE Russian Post in its capacity as a payment agent (89.6% and 64.2% respectively).

In 2013, payment agents and bank payment agents continued to expand their operations as intermediaries for household payments. The value of household payments sent to legal entities through intermediaries increased by 23.5% (to 1.2 trillion rubles), of which 88.2% were through payment agents and 11.8% through bank payment agents. The increase in the value of funds transferred through intermediaries by individuals to pay for services, as a percentage of total transfers by individuals without opening a bank account² (up to 21.2% in 2013), indicates that such services are in great demand.

¹ According to FSUE Russian Post data.

² Including transfers by individuals without opening a bank account made through the infrastructure of credit institutions, FSUE Russian Post, as well as payment agents and bank payment agents.

II.10. STABILITY AND DEVELOPMENT OF THE NATIONAL PAYMENT SYSTEM

II.10.1. BANK OF RUSSIA ACTIVITIES TO ENSURE THE STABILITY AND DEVELOPMENT OF THE NATIONAL PAYMENT SYSTEM

In 2013, the Bank of Russia adopted the National Payment System Development Strategy, defining the key directions for its development in the long term, and approved the Action Plan to implement the National Payment System Development Strategy, specifying the measures within the scope of the adopted directions and the timeframes for their implementation.

To develop the national payment system (NPS) and its structural elements, work continued to further improve legislation on the NPS. The Bank of Russia took part in preparing conclusions and revising draft amendments to Federal Law No. 161-FZ, dated 27 June 2011, ‘On the National Payment System’ (hereinafter, Federal Law No. 161-FZ), including in relation to the use of electronic payment facilities and electronic money transfers.

NPS regulation was improved in terms of ensuring that Russian legislative provisions are adhered to and settlements are improved, including

for government payments, and in particular in terms of:

- credit institutions fulfilling the requirements set out in Article 9 of Federal Law No. 161-FZ requiring money transfer operators to inform customers of every operation being completed using electronic payment facilities;
- establishing conditions for comprehensive automated processing and administration of government and municipal payments using a unique payer and payment identifier, including in the information on government and municipal payments sent by banks to the State Information System;
- allowing credit institutions to use the details of payment messages applied in accordance with ISO 20022¹;
- credit institutions disclosing information on their lending conditions when customers use debit cards with overdrafts and credit cards;

¹ ISO 20022 is an open standard containing a methodology for the formalised description of business processes involving the exchange of electronic financial messages and for designing the schemes and formats of such messages.

— informing customers on the specifics of electronic money transfer services with a view to reducing risks when using them.

To improve approaches in the regulation and development of the retail payment services market, the Bank of Russia and the National Agency for Financial Studies carried out a joint sociological study on ‘The Retail Payment Services Market: Consumer Conduct’¹. From the all-Russia survey of the population, information was obtained on the most widespread forms of payment services, current consumer expectations, and the level of confidence and financial literacy of consumers.

In 2013, the Bank of Russia implemented a series of measures to regulate the activities of payment agents. Proposals were submitted to the Russian Federation Government on vesting the Bank of Russia with the duties of regulating and monitoring the activities of payment operators, as well as on the procedure for carrying out these duties.

In carrying out its supervisory and control powers within the NPS, the Bank of Russia monitored the payment services market to reveal schemes involving electronic fund transfers that violated Federal Law No. 161-FZ. Based on the results of this work, 27 organisations were identified which showed signs of infringing legislative requirements through their activities. The Bank of Russia worked together with these organisations as they were exposed in order to bring their activities into line with the established requirements.

During the course of its work to ensure compliance with the provisions of Federal Law No. 161-FZ, the Bank of Russia identified 169 organisations which were not registered in the payment system operator register, but yet still used the words ‘payment system’ in the name of their company. Based on the results of the measures carried out by the Bank of Russia, the majority of these organisations brought their activities in line with legislative requirements. Information on those organisations whose activity was not brought in line with legislative requirements was sent to the General Prosecutor’s Office of the Russian Federation.

The Bank of Russia and credit institutions worked together to prepare credit institutions for the entry into force of Article 9 of Federal Law No. 161-FZ from 1 January 2014, establishing the procedure for using electronic payment facilities, which allowed 97% of credit institutions to be fully ready for the implementation of the provisions set out in this article.

As part of its activities to register payment system operators, during the reporting year the Bank of Russia entered information into the register on 11 payment system operators, of which three were non-credit institutions.

Work was done to recognise the payment systems as systemically important and/or socially important with a view to setting out the NPS structure and agents whose functioning would have a significant impact on stability in the NPS. By the end of this work, over the year four payment systems were recognised as socially important.

In 2013, the Bank of Russia set about exercising its NPS supervisory powers in practice by carrying out inspections. Scheduled thematic inspections of three supervised organisations were carried out, resulting in letters on the need to eliminate certain exposed shortcomings and infringements related to ensuring the continuous functioning of payment systems, information security during money transfers and revising payment system rules and other internal documents.

The Bank of Russia’s international cooperation with central banks and other supervisory and oversight bodies operating within the national payment systems of foreign states received further development. A Memorandum of Understanding was signed with the National Bank of Belgium to exchange information when carrying out the oversight of the MasterCard Europe payment system.

As part of its collaboration with the central (national) banks of member states of the Eurasian Economic Community and the Commonwealth of Independent States, a Memorandum of Recommendations for credit institutions carrying out money transfers to foreign countries on the basis of orders from consumers without opening a bank account was signed with a view to ensuring the

¹ The analytical report on the results of the study has been published on the Bank of Russia’s official website (<http://os.cbr.ru/publ/PRS/prs42.pdf>).

transparency of the money transfer services market and consumer protection.

In order to implement the provisions set out in the CPSS — IOSCO¹ 'Principles for Financial Market Infrastructures' (hereinafter, Principles), aimed at increasing the efficiency of key infrastructural organisations' operations to maintain monetary and financial stability, the first stage of monitoring the implementation of the Principles was carried out in countries whose central banks are members of the CPSS. The Bank of Russia and other bodies regulating the activities of financial market infrastructures carried out a comprehensive analysis of Russian legislation for the purpose of incorporating the provisions set out in the Principles, the results of which have been published in the CPSS — IOSCO report 'Implementation Monitoring of the Principles for Financial Market Infrastructures — Level I Assessment'.

The activities of the Technical Committee for Standardisation, 'Financial Transaction Stan-

dards' (TC 122), operating under the coordinating role of the Bank of Russia and with its direct involvement, are aimed at further developing the NPS. As part of TC 122, the public discussions of the draft national standard GOST R 'Financial Transactions. Payment and Settlement Systems. Terms and Definitions' were completed. The national standard GOST R 'Financial Transactions. Universal Scheme of Financial Messages. Part 1. Metamodel' was submitted for registration to the Federal Agency for Technical Regulation and Metrology.

To secure the Bank of Russia's coordinating role in the NPS, 2013 saw the creation of an Advisory Council on the Development of the National Payment System under the Bank of Russia Governor. This Council comprised members of executive authorities of the Russian Federation, professional payment services market participants, banking associations, and other professional associations.

¹ CPSS is the Committee on Payment and Settlement Systems of the Bank for International Settlements; IOSCO is the International Organisation of Securities Commissions.

II.10.2. DEVELOPMENT AND UPGRADING OF THE BANK OF RUSSIA PAYMENT SYSTEM

In 2013, the Bank of Russia payment system was developed in line with the Concept of the Bank of Russia Payment System's Development until 2015, whereby a regulatory framework was established for the federal component of the Bank of Russia payment system, and work was carried out to unify the non-speedy money transfer service across all regional components of the Bank of Russia payment system.

Pursuant to Federal Law No. 161-FZ, regulatory requirements were established for the Bank of Russia's activities as a payment infrastructure services operator.

In order to centralise managing functions in the Bank of Russia payment system, certain necessary changes were introduced to the Bank of Russia payment system rules and regulations governing collaboration between the Bank of Russia's structural divisions.

Work continued to optimise the Bank of Russia's cash settlement centre network (Bank of Russia CSCs). In 2013, 65 Bank of Russia CSCs were liquidated together with Division No. 5 of the Bank of Russia Moscow Branch.

Recommendations were drawn up for Bank of Russia regional branches regarding the terms and conditions of correspondent account agreements concluded with credit institutions (their branches) and electronic message exchange agreements between the Bank of Russia and its customers, making it possible to reduce risks for the parties when transferring money through the Bank of Russia payment system.

The regulatory framework of the Bank of Russia payment system underwent further development in terms of collaboration with federal executive bodies. In particular, in relation to the transition of the Pension Fund and the Social Insurance Fund of the Russian Federation to cash servicing of budget execution of government extra-budgetary funds by Federal Treasury bodies, the Bank of Russia changed the procedure for inspecting authorities to send

an electronic order to a credit institution to pay insurance premiums.

To assist the Federal Treasury in adhering to the requirements set out in Federal Law No. 104-FZ, dated 7 May 2013, 'On Amending the Budgetary Code of the Russian Federation and Certain Laws of the Russian Federation in Relation to the Improvement of the Budgetary Process' and to ensure that the monetary funds of government extra-budgetary funds are safely and fully deposited in Federal Treasury accounts, in 2013 the Bank of Russia granted the right to its customers (government extra-budgetary funds and regional government extra-budgetary funds), when filing an application with a Bank of Russia division, to transfer the funds at the end of the banking day from accounts held by the customer with the Bank of Russia to similar accounts opened for Federal Treasury bodies.

Changes were made to the Bank of Russia's regulations to assist Federal Treasury bodies, budget revenue administrators and government (municipal) institutions in improving automated processing procedures for information contained in money transfer orders to make payments to the Russian Federation budget system, as well as payments for government and municipal services and notices of charges (annulment/adjustment) on monetary sanctions (fines).

For more efficient management of funds in a single federal budget account, in 2013 the Bank of Russia, in consultation with the Federal Treasury, increased the number of regional Federal Treasury accounts from which Bank of Russia establishments transfer unused balances to the single Federal Treasury account, and the number of Federal Treasury bodies to which this provision applies.

To further improve the Bank of Russia's procedure for managing receipts of various types of federal budget revenue, as well as due to the vesting of the Bank of Russia with the duties of the Federal Financial Markets Service, changes were introduced to establish the procedure for the Bank

of Russia to manage the receipt of various types of budget revenue into the Russian Federation budget system.

In relation to the Bank of Russia's work to include the Russian ruble among the currencies of the CLS system, a solution was found to the issue of transferring money along conversion transactions with the national currency between Russian and foreign credit institutions through the Bank of Russia payment system. In particular, the duration of BESP system operation will be increased by two hours from 30 June 2014, provisions have been made for the use of S.W.I.F.T.-compatible interbank orders (MT202), the involvement of external organisations as payment infrastructure services operators in the Bank of Russia payment system has been regulated, and provisions have been made to assign a foreign credit institution a banking identification code (BIC) in line with Russia's BIC directory.

To expand the use of electronic settlements in the Bank of Russia payment system, certain necessary measures have been carried out to introduce a speedy transfer service to all Bank of Russia regional branches. Some divisions of Bank of Russia regional branches in the North Caucasus Federal District have been included among the BESP system participants as special settlement parties, which has made it possible to include credit institutions from the said region among the BESP system participants as direct or associated parties.

Postal and telegraph advising has been improved in terms of incorporating elements previously only used in electronic settlements.

Work has been carried out to comprehensively transform the existing Bank of Russia payment system in terms of centralising its architecture and increasing the specialisation of its money transfer services, as well as increasing its reliability and security. To this end, a set of functional requirements entitled 'The Prospective Bank of Russia Payment System' was developed and approved to define the aims of creating and setting basic principles for the formation and

functioning of the prospective Bank of Russia payment system.

To improve the stability of the Bank of Russia payment system, it developed the systems and technological infrastructure of collective data processing centres CDPC-1 (Nizhny Novgorod) and CDPC-MR (Moscow). The computing power of the systems and technological infrastructure of the collective data processing centres was increased in view of the growth in the amount of documents being circulated within the Bank of Russia payment system, as well as to protect and develop the redundancy and fault-tolerance of CDPCs' technological infrastructure. To increase the level of control over the actions of IT staff from the viewpoint of security divisions and the automation of information security processes at collective data processing centres, work was carried out to develop Information Security Systems of CDPCs (ISS CDPC-1, ISS CDPC-2, ISS CDPC MR).

With regard to guaranteeing information security of the Bank of Russia payment system, work continued to establish a set of protection methods and measures (information security sub-systems).

In 2013, the modernisation of the existing standard software package (SSP) RABIS-NP was completed with a view to ensuring that CDPC-1 and CDPC-MR were provided with a single structure of services offered to all Bank of Russia customers.

To guarantee a stable functioning of applied transportation systems, components of the Bank of Russia Electronic Settlement Transportation System were upgraded at seven Bank of Russia regional branches. To ensure the continuous operation of payment processing using the BESP — SWIFT gateway as a federal component of the Bank of Russia payment infrastructure and the continuous provision of services from the Bank of Russia to credit institutions, as well as to meet the requirements of connecting CLS Bank International as a direct settlement agent to the BESP system, work started to create a BESP — SWIFT gateway at a reserve site (Nudol Technical Centre).

IV.3. PRINCIPAL MEASURES TO IMPROVE REGULATION IN THE NATIONAL PAYMENT SYSTEM IN 2013

To improve the regulation of the national payment system, the Bank of Russia issued the following regulatory documents:

- Regulation No. 406-P, dated 29 August 2013, ‘On the Procedure for Administering Certain Types of Budget Revenues by the Central Bank of the Russian Federation’;
- Ordinance No. 2962-U, dated 11 January 2013, ‘On Amending Bank of Russia Regulation No. 320-P, Dated 27 August 2008, ‘On the Procedure for Administering Certain Types of Budget Revenues by the Central Bank of the Russian Federation’;
- Ordinance No. 2980-U, dated 15 March 2013, ‘On the Procedure for Sending to a Bank an Electronic Order by an Agency Monitoring the Payment of Insurance Contributions’;
- Ordinance No. 2981-U, dated 15 March 2013, ‘On Amending Bank of Russia Regulation No. 384-P, Dated 29 June 2012, ‘On the Bank of Russia Payment System’;
- Ordinance No. 2999-U, dated 13 May 2013, ‘On Amending Bank of Russia Ordinance No. 2390-U, Dated 29 January 2010, ‘On the Procedure for Transferring Unused Balances of Federal Budget Funds’;
- Ordinance No. 3005-U, dated 31 May 2013, ‘On Amending Bank of Russia Regulation No. 320-P, Dated 27 August 2008, ‘On the Procedure for Administering Certain Types of Budget Revenues by the Central Bank of the Russian Federation’;
- Ordinance No. 3007-U, dated 5 June 2013, ‘On Amending Bank of Russia Regulation No. 382-P, Dated 9 June 2012, ‘On Requirements to Protect Information Related to Funds Transfers and on the Procedures of Bank of Russia Control over the Compliance with the Requirements to Protect Information Related to Funds Transfers’;
- Ordinance No. 3009-U, dated 7 June 2013, ‘On Amending Clause 1.2 of Bank of Russia Ordinance No. 2815-U, Dated 2 May 2012, ‘On Setting Criteria Values for Qualifying Payment Systems as Important’ (registered with the Russian Ministry of Justice under No. 28852 on 20 June 2013), with respect to specifying the criteria values for the importance of payment systems;
- Ordinance No. 3025-U, dated 15 July 2013, ‘On Amending Bank of Russia Regulation No. 383-P, Dated 19 June 2012, ‘On Funds Transfer Rules’;
- Ordinance No. 3026-U, dated 15 July 2013, ‘On Special Account at the Bank of Russia’;
- Ordinance No. 3031-U, dated 26 July 2013, ‘On Invalidating Certain Regulatory Acts of the Bank of Russia’;
- Ordinance No. 3035-U, dated 14 August 2013, ‘On Amending Bank of Russia Ordinance No. 2548-U, Dated 27 December 2010, ‘On the Procedure for Making Decisions on Refunding Interest for Late Refunds of Overpayments (Collections) to the Budget, Administered by the Central Bank of the Russian Federation, and Interest Accrued on the Overpaid Sums’;
- Ordinance No. 3040-U, dated 20 August 2013, ‘On Amending Clause 3.2 of Bank of Russia Ordinance No. 2958-U, Dated 28 December 2012, ‘On the Procedure for the Bank of Russia to Implement Various Requirements Set Out in Federal Law No. 161-FZ, Dated 27 June 2011, ‘On the National Payment System’;
- Ordinance No. 3064-U, dated 23 September 2013, ‘On Numbering Customer Accounts to Record Funds Received for Temporary Use’;
- Ordinance No. 3079-U, dated 25 October 2013, ‘On Amending Bank of Russia Regulation No. 384-P, Dated 29 June 2012, ‘On the Bank of Russia Payment System’;
- Ordinance No. 3120-U, dated 21 November 2013, ‘On Numbering Customer Accounts Opened for Federal Treasury Regional Branches to Record Funds of the Pension Fund of the Russian Federation’;

- Ordinance No. 3150-U, dated 23 December 2013, ‘On the Bank of Russia’s Activities as a Payment Infrastructure Service Operator’;
- Ordinance No. 3154-U, dated 23 December 2013, ‘On Amending Bank of Russia Ordinance No. 2485-U, Dated 2 August 2010, ‘On the Correspondence Directory of Bank Identification Codes of Credit Institutions (Branches) Making Payments Via the Settlement System of the Bank of Russia and International SWIFT BIC Bank Identification Codes’;
- Ordinance No. 3155-U, dated 24 December 2013, ‘On the Procedure for Including (Excluding) Bank of Russia Divisions in (from) the VER system, MER System and BESP System’;
- Order No. 3156-U, dated 24 December 2013, ‘On Amending Regulation of the Ministry of Finance of the Russian Federation and of the Central Bank of the Russian Federation No. 127n/328-P, Dated 12 November 2008, ‘On the Procedure for Completing Operations on Federal Budget Accounts, Opened with Divisions of the Bank of Russia’s and Credit Institutions’ (Branches’) Settlement System in the Current Fiscal Year’;
- Ordinance No. 3160-U, dated 27 December 2013, ‘On Amending Bank of Russia Ordinance No. 2980-U, Dated 15 March 2013, ‘On the Procedure for Sending to a Bank an Electronic Order by an Agency Monitoring the Payment of Insurance Contributions’;
- Ordinance No. 3165-U, dated 30 December 2013, ‘On the Procedure for Making Decisions on Refunding Interest for Late Refunds of Overpayments of State Duties’.

Table 5

RUSSIA'S DOMESTIC GOVERNMENT DEBT AS OF 1 JANUARY 2014
(at face value, billions of rubles)

Debt instruments	Total within domestic government debt	Of these, traded on domestic securities market
Permanent coupon-income federal government bonds (OFZ-PD)	2,688.9	2,688.9
Debt depreciation federal government bonds (OFZ-AD)	1,046.0	942.1
Government savings bonds (GSO)	607.6	—
MinFin bonds (OVOZ)	90.0	—
Russian government guarantees in national currency	1,289.9	—
Total	5,722.2	3,631.0

Table 6

FINANCE MINISTRY DEBT TO THE BANK OF RUSSIA AS OF 1 JANUARY 2014 (millions of rubles)¹

	At face value
Russian government debt obligations	362,141
of which:	
— Russian government debt obligations available for sale, in national currency	258,973
— Russian government debt obligations available for sale, in foreign currency	103,167

¹ Exclusive of repo transactions.

Table 33

NATIONAL PAYMENT SYSTEM KEY INDICATORS

	2012	2013
National payment system participants¹		
Number of money transfer operators	954	922
of which:		
— Bank of Russia	1	1
— Vnesheconombank	1	1
— credit institutions	952	920
Number of payment system operators	20	30
of which:		
— Bank of Russia	1	1
— credit institutions	12	19
— organisations other than credit institutions	7	10
Number of operators of payment infrastructure services		
— operating centres	23	34
— payment clearing centres	21	31
— settlement centres	22	26
Number of e-money operators	38	82
FSUE Russian Post	1	1
Memo item		
Number of Bank of Russia establishments	505	439
Number of branches of credit institutions	2,349	2,005
Number of internal divisions of credit institutions (branches)	42,641	43,231
of which:		
— additional offices	23,347	24,486
— operations offices	7,447	8,436
Number of post offices of FSUE Russian Post ²	41,556	41,420
Number of payment systems operating in the Russian Federation	20	31
of which:		
— Bank of Russia payment system	1	1
— payment systems registered by the Bank of Russia	19	30
Payments effected by national payment system³		
Number of payments ⁴ , million	3,771.3	4,200.4
Volume of payments, trillions of rubles	1,591.0	1,929.5
Money transfer operators — credit institutions		
Number of payments effected using cashless payment instruments by credit institutions and their customers other than credit institutions ⁵ , million	4,056.8	4,436.2
of which:		
— credit transfers ⁶	2,516.2	2,639.9
— direct debits ⁷	82.1	84.8
— other payment instruments ⁸	1,458.5	1,711.5
Volume of payments effected using cashless payment instruments by credit institutions and their customers other than credit institutions ⁵ , trillions of rubles	401.5	462.9
of which:		
— credit transfers ⁶	395.2	450.1
— direct debits ⁷	1.3	7.4
— other payment instruments ⁸	5.0	5.4

End

	2012	2013
Number of payment cards issued by Russian credit institutions ¹ , million	191.5	217.5
of which:		
— debit cards	169.0	188.3
— credit cards	22.5	29.2
Number of payment card operations in Russia and abroad ⁹ , million	5,718.6	7,744.7
of which:		
— debit cards	5,402.9	7,181.9
— credit cards	315.7	562.8
Volume of payment card operations in Russia and abroad ⁹ , trillions of rubles	23.4	29.6
of which:		
— debit cards	22.5	28.3
— credit cards	0.9	1.3
E-money transfer operators		
Number of electronic payment instruments to transfer e-money used since start of year, million	—	304.1
Number of operations using electronic payment instruments to transfer e-money, million	—	338.2
Volume of operations using electronic payment instruments to transfer e-money, billions of rubles	—	428.6
FSUE Russian Post²		
Number of money orders and household payments accepted by FSUE Russian Post as a payment agent, million	711.8	651.0
Volume of money orders and household payments accepted by FSUE Russian Post as a payment agent, billions of rubles	626.7	582.2
Payment agents and bank payment agents		
Number of accounts opened with credit institutions for payment agents and bank payment agents ¹ , thousand	—	32.1
of which:	—	
— payment agents	—	29.6
— bank payment agents	—	2.5
Volume of operations effected through payment agents and bank payment agents, billions of rubles	974.6	1,203.6
of which:		
— payment agents	872.2	1,062.1
— bank payment agents	102.4	141.5

¹ As of end of year.

² According to data of FSUE Russian Post.

³ Including ruble payments from accounts of customers of the Bank of Russia and credit institutions (individuals, credit institutions and corporate entities other than credit institutions, including FSUE Russian Post); own payments of the Bank of Russia and credit institutions; and remittances without opening an account of an individual payer. Excluding payments using payment cards and operations in financial markets by customers of credit institutions.

⁴ Orders of customers of credit institutions are accounted for in cumulative orders of credit institutions.

⁵ In compliance with the methodological recommendations of the Bank for International Settlements.

⁶ Including payments effected using payment orders and letters of credit as well as remittances without opening a bank account.

⁷ Including payments effected using payment requests and collection orders.

⁸ Including payments effected using cheques and bank orders.

⁹ Including operations to withdraw cash, pay for goods and services, customs payments and other operations (for example, payments from one bank account to another) using payment cards issued by Russian credit institutions.

Note. Certain indicators are updated as compared with those published in the Bank of Russia Annual Report for 2012.

Table 34

BANK OF RUSSIA PAYMENT SYSTEM

	2012	2013
Number of customers served ¹	8,887	6,495
of which:		
— credit institutions	963	931
— branches of credit institutions	1,953	1,760
— customers other than credit institutions	5,971	3,804
Number of remittances effected, million	1,259.0	1,341.2
of which:		
— by credit institutions (branches)	1,068.0	1,147.0
— by customers other than credit institutions	190.2	193.5
— by Bank of Russia divisions	0.8	0.7
including via settlement systems:		
— via the intraregional settlement system	923.4	934.6
— via the interregional settlement system	333.9	404.3
— via the BESP system	1.2	2.1
— settlements effected on paper using letters of advice	0.5	0.2
Volume of remittances effected, trillions of rubles	1,150.5	1,224.9
of which:		
— by credit institutions (branches)	879.7	955.4
— by customers other than credit institutions	94.1	107.4
— by Bank of Russia divisions	176.7	162.1
including via settlement systems:		
— via the intraregional settlement system	599.2	604.4
— via the interregional settlement system	103.5	116.3
— via the BESP system	447.3	504.1
— settlements effected on paper using letters of advice	0.5	0.1
Total number of customers exchanging electronic messages ¹	4,875	4,005
of which:		
— credit institutions (branches)	2,859	2,653
— Federal Treasury bodies	224	192
— customers other than credit institutions	1,792	1,160

¹ As of end of year.

Note. Certain indicators are updated as compared with those published in the Bank of Russia Annual Report for 2012.

Table 35

STRUCTURE OF BANK OF RUSSIA CUSTOMERS OTHER THAN CREDIT INSTITUTIONS AND NUMBER OF ACCOUNTS OPENED FOR THEM (thousand)

	Number of customers			Number of accounts		
	as of 1.01.2013	as of 1.01.2014	change over 2013	as of 1.01.2013	as of 1.01.2014	change over 2013
Total	6.0	3.8	-2.2	61.8	56.5	-5.3
Federal Treasury	0.5	0.4	-0.1	50.1	48.8	-1.3
Regional and local budget management bodies	1.3	1.0	-0.3	5.1	4.3	-0.8
State-owned institutions financed from budgets of all levels	0.6	0.6	0.0	0.7	0.6	-0.1
Government and other extra-budgetary funds	2.4	0.8	-1.6	4.2	1.4	-2.8
Election commissions (referendum commissions)	0.2	0.2	0.0	0.2	0.2	0.0
Other organisations	1.0	0.8	-0.2	1.5	1.2	-0.3

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