

THE CENTRAL BANK OF THE RUSSIAN FEDERATION



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



Approved by the Bank of Russia Board of Directors on 10 May 2012

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## 1.3. GOVERNMENT FINANCE AND DOMESTIC GOVERNMENT DEBT

The federal budget policy in 2011 was geared at creating conditions for the modernising of the economy and increasing its efficiency and competitiveness, for long-term sustainable development, for the improvement of the investment climate, and for the restoration of macroeconomic balance.

According to the Federal Treasury's report, Russia's federal budget revenue in 2011 amounted to 11,367.7 billion roubles, or 102.2% of the revenue approved by the Federal Law 'On the Federal Budget for 2011 and the Plan Period of 2012 and 2013' (hereinafter referred to as the Federal Budget Law). Federal budget revenue, relative to GDP, increased by 2.4 percentage points year on year to 20.8%, mainly due to the growing share of oil and gas revenues in GDP. This is related to the average price of Urals crude increasing from \$78.2 per barrel in 2010 to \$109.6 per barrel in 2011.

According to the Federal Treasury's report, federal budget expenditure totalled 10,925.6 billion roubles in 2011, or 98.2% of the expenditure approved by the Federal Budget Law, and 20.0% of GDP (down 2.4 percentage points from 2010).

The growth in the federal budget revenue and the reduction of budget expenditure (in comparison to the level approved by the Federal Budget Law), created a budget surplus of 442.0 billion roubles or 0.8% of GDP as against a deficit of

4.0% of GDP in 2010, with revenue and expenditure balanced as stipulated in the Federal Budget Law.

The balances of the rouble-denominated federal budget accounts with the Bank of Russia increased in 2011 by 753.8 billion roubles or by a factor of 2.3, and as of 1 January 2012 totalled 1,344.4 billion roubles. The balances of the foreign currency-denominated federal budget accounts increased in 2011 in rouble terms by 420.0 billion roubles (or by 15.7%), and totalled 3,099.1 billion roubles. These included the balances of the Reserve Fund accounts, which totalled 811.5 billion roubles, increasing by 232.7 billion roubles (or by 40.2%), and the balances of the National Wealth Fund accounts, which totalled 2,119.1 billion roubles, increasing by 51.2 billion roubles (or by 2.5%).

According to the Federal Treasury, the revenue of the consolidated federal budget and government extra-budgetary funds totalled 20,855.4 billion roubles in 2011 (or 38.2% of GDP) and expenditure totalled 19,994.6 billion roubles (or 36.6% of GDP), whereas the surplus was 860.7 billion roubles (or 1.6% of GDP), as against a deficit of 3.5% of GDP in 2010. The revenues and expenditures of the consolidated budgets of the constituent territories of the Russian Federation stood at 7,644.2 billion roubles and 7,679.1 billion roubles, respectively, and the deficit amounted

### FEDERAL BUDGET EXPENDITURE (billions of roubles)

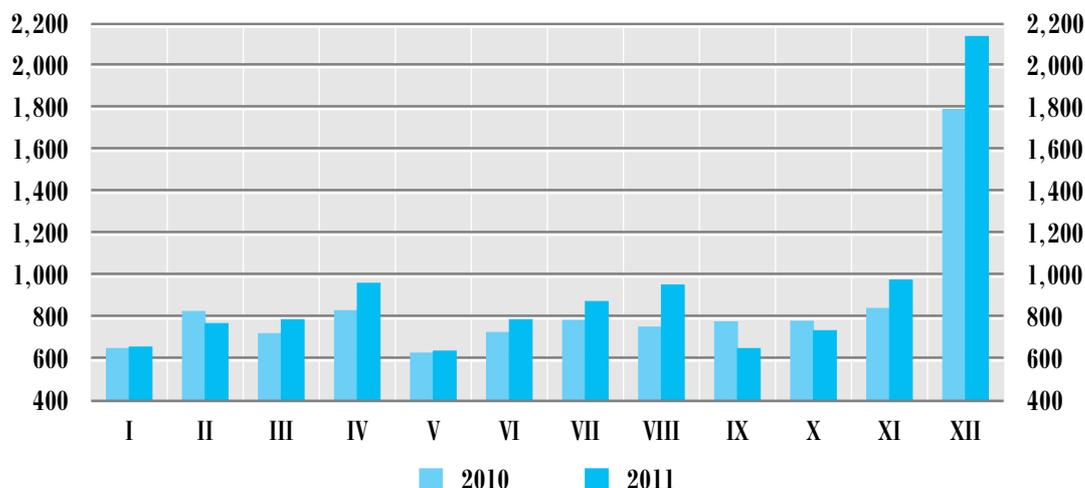


Chart 6

### BALANCES OF FEDERAL BUDGET ACCOUNTS OPENED WITH THE BANK OF RUSSIA (billions of roubles)

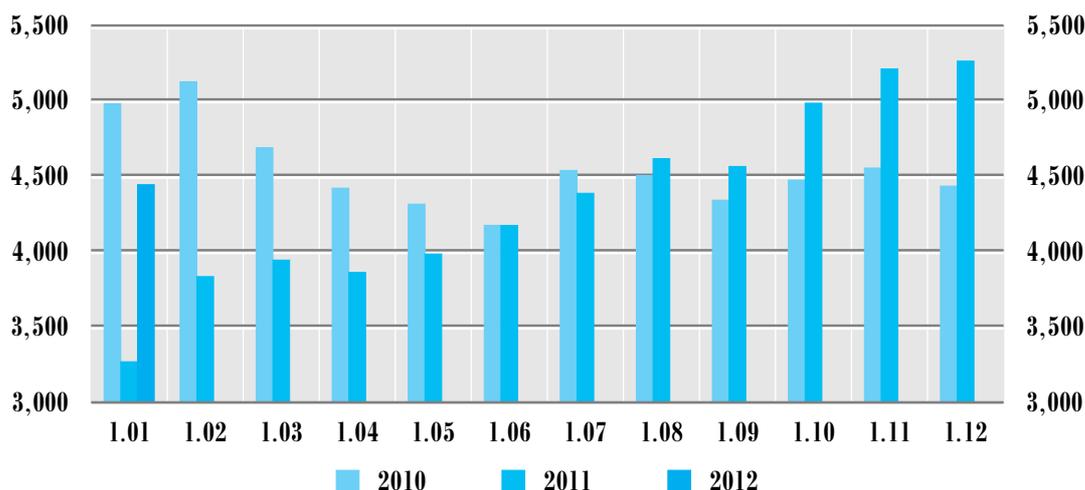


Chart 7

to 34.9 billion roubles (14.0%, 14.1% and 0.1% of GDP, respectively).

According to the Federal Treasury, the revenue of the Russian Federation Pension Fund budget totalled 5,255.6 billion roubles in 2011, expenditure totalled 4,922.1 billion roubles, and the surplus stood at 333.5 billion roubles. The Federal Compulsory Medical Insurance Fund posted 348.4 billion roubles in revenue, 310.4 billion roubles in expenditure, and a surplus of 38.0 billion roubles. The revenue of the Social Insurance Fund (according to the data of the Social Insurance Fund of the Russian Federa-

tion) totalled 558.6 billion roubles and expenditure totalled 497.6 billion roubles, while the surplus amounted to 61.0 billion roubles.

According to Russia's Ministry of Finance, Russia's domestic government debt as of 1 January 2012 amounted to 4,190.6 billion roubles, which is 364.4 billion roubles or 8.0% less than the ceiling set for it by the Federal Budget Law, and 1,250.2 billion roubles or 42.5% higher than its level as of 1 January 2011. Russia's domestic government debt relative to GDP was estimated at 7.7%, an increase of 1.2 percentage points compared to the same indicator as of 1 January 2011.

The value of outstanding government securities increased in the year under review by 1,084.8 billion roubles, or by 44.1% of Russia's domestic government debt, to 3,546.4 billion roubles, or 84.6%. Government guarantees rose by 165.1 billion roubles (by 35.0%), to 637.3 billion roubles or 15.2% of the debt. Russia's other debt obligations grew by 0.2 billion roubles (by 3.7%), to 6.8 billion roubles or 0.2% of the debt.

Federal government bonds with a permanent coupon income accounted for 51.4% (1,823.7 billion roubles) of government securities, while debt depreciation federal government bonds made up 30.4% (1,079.6 billion roubles), government savings bonds represented 15.6% (553.1 billion roubles), and MinFin bonds stood at 2.6% (90.0 billion roubles).

The value of outstanding government securities in the domestic market increased by 36.5% to 2,803.3 billion roubles as of 1 January 2012, or 79.0% of government securities. However, the share of these securities in Russia's domestic government debt declined from 69.9% as of 1 January 2011 to 66.9% as of 1 January 2012. Their share in the domestic government debt denominated in government securities went down from 83.4% as of 1 January 2011 to 79.0% as of 1 January 2012.

The share of the Ministry of Finance's debt to the Bank of Russia in Russia's total domestic government debt, including government securities purchased by the Bank of Russia in repo transactions, increased in 2011 by 7.5 percentage points and reached 16.6%; excluding repo transactions, it contracted by 2.9 percentage points to 6.2%.

The Ministry of Finance's rouble-denominated debt to the Bank of Russia, measured at the nominal value of government securities (including government securities purchased by the Bank of Russia in repo transactions), increased by 426.2 billion roubles over the year, or by a factor of 2.6, and stood at 695.2 billion roubles; excluding repo transactions, it contracted by 9.9 billion roubles or 3.7% to 259.2 billion roubles.

The Ministry of Finance's foreign currency-denominated debt to the Bank of Russia in rouble terms, including repo transactions, accounted for 114.0 billion roubles as of 1 January 2012 at the nominal value of foreign currency-denominated federal government securities (and increased by 0.5 billion roubles or 0.4% year-on-year). Excluding repo transactions, this debt stood at 101.5 billion roubles, contracting by 12.0 billion roubles or 10.6%.

## I.5. THE NATIONAL PAYMENT SYSTEM

### I.5.1. THE STATE OF THE NATIONAL PAYMENT SYSTEM

*In* 2011, the national payment system was developing to meet the growing need for the economy to function stably and efficiently in every respect. The conceptual reformation of laws related to this sphere, such as the adoption of Federal Law No. 161-FZ, dated 27 June 2011, ‘On the National Payment System’ and Federal Law No. 162-FZ, dated 27 June 2011, ‘On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law ‘On the National Payment System’’, that form the legal and organisational basis of the national payment system, gave a new impetus to its modernisation via innovative approaches and techniques. In this regard, the necessary legal conditions have been created for the development of the activities of both credit institutions and other entities that are involved in the national payment system, including bank paying agents (sub-agents), paying agents, federal postal agencies, payment system operators and payment infrastructure service operators.

As an institutional basis for the national payment system, the banking system met all the pay-

ment needs of economic entities and individuals, while the demand for payment services grew.

The number of banking system institutions providing payment services<sup>1</sup> increased by 4.5% over 2011 and amounted to 44,800 as of 1 January 2012. As of 1 January 2012, there were 314 banking system institutions per 1 million residents (302 as of 1 January 2011).

Compared to 2010, the number and volume of payments grew by 11.0% and 38.1%, respectively, standing at 3.3 billion payments<sup>2</sup> and 1,298.2 trillion roubles. The national payment system processed 13.2 million payments totalling 5.2 trillion roubles per day on average (in 2010, 11.8 million payments totalling 3.8 trillion roubles). The average payment amount was 397,100 roubles (in 2010, 319,100 roubles).

In 2011, the number and volume of payments effected through credit institutions amounted to 2.1 billion transactions and 382.1 trillion roubles, respectively (in 2010, 1.9 billion transactions and 286.8 trillion roubles). Payments within the same division of a credit institution accounted for 70.8% of the total number and 49.8% of the to-

<sup>1</sup> Bank of Russia establishments, credit institutions and their branches, additional offices, operations offices, credit and cash offices and external cash desks.

<sup>2</sup> Including rouble-denominated payments from the accounts of Bank of Russia customers and credit institutions (individuals, credit institutions, and legal entities other than credit institutions); own payments of the Bank of Russia and credit institutions; transfers made by individuals without opening a bank account. Payments with the use of bank cards are not included.

tal volume of these payments, settlements between branches accounted for 20.3% and 42.3%, and settlements through correspondent accounts opened with other credit institutions accounted for 8.9% and 7.9%. Year on year, the structure of own payments of credit institutions and their customers (individuals and legal entities other than credit institutions) remained almost the same. Credit transfers<sup>1</sup> had an essential share in the total number and volume of payments (67.7% and 98.1%, respectively). The transactions of legal entities prevailed in credit transfers in terms of volume (91.1%), while in terms of number, the transactions of individuals prevailed (58.8%); these were mostly transfers that were made without the opening a bank account.

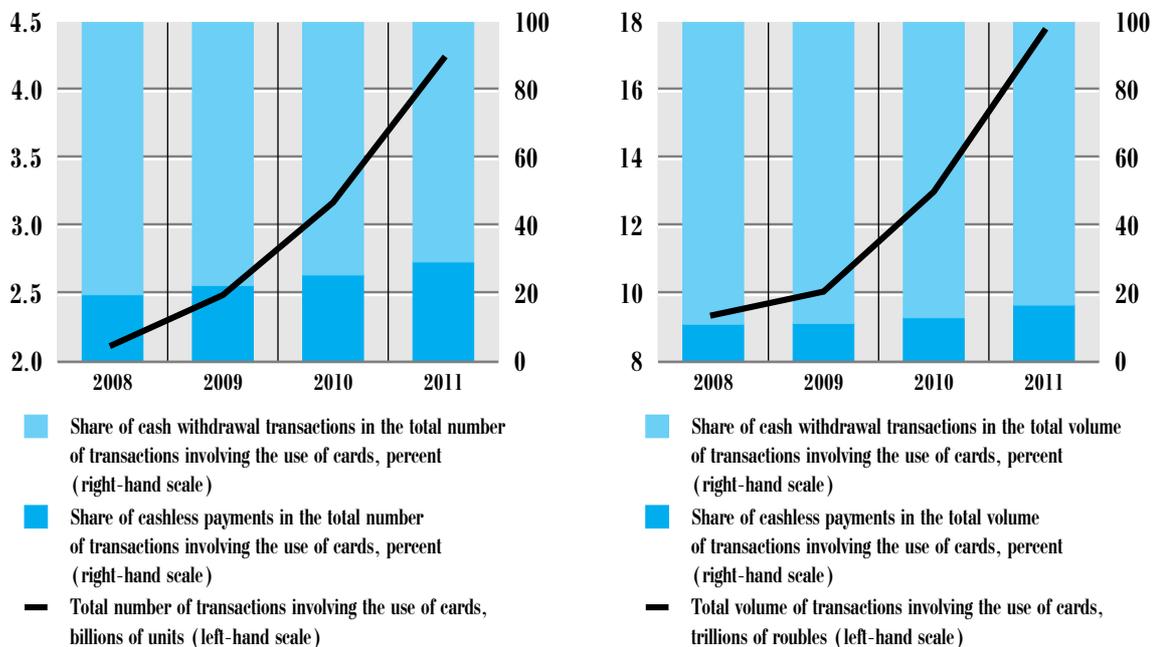
As compared with credit transfers, payments in the form of direct debits<sup>2</sup> were underused in the banking system. Only three payments out of every 100 were performed as direct debiting in 2011. Their share in the total volume of payments was below 1%.

One of the major aspects of credit institutions' activities to raise the availability of payment services was the development of a remote servicing based on up-to-date ICT technologies, including the use of the Internet, mobile phones and 'Customer — Bank' systems. As of 1 January 2012, over 90% of the operating credit institutions were giving their customers the opportunity to access their accounts remotely in order to make payments. The number of customer accounts with a remote access opened with credit institutions for individuals and legal entities other than credit institutions grew by almost one-third over the year. Moreover, the number of accounts accessible through the Internet increased 1.8 times, and through mobile phones — 2.2 times. In 2011, the share of accounts with a possibility of remote access in the total number of accounts, on which transactions were performed from the start of the year increased by 7.1 percentage points, reaching 48.6%.

The number and volume of cashless transactions performed by orders sent by customers of

#### TRANSACTIONS INVOLVING PAYMENT CARDS (by number and volume of transactions)

Chart 25



<sup>1</sup> A credit transfer is a payment service involving one-off or periodic write-downs from the payer's account triggered by the payer.

<sup>2</sup> A direct debit is a payment service involving one-off or periodic write-downs from the payer's account, triggered by the recipient and based on the payer's preliminary consent.

credit institutions remotely (including the use of payment cards) increased by 44.2% and 23.6%, respectively, and stood at 2.6 billion transactions and 279.7 trillion roubles. These included payments through the Internet and mobile phones: 23.7% in terms of number and 56.6% in terms of volume.

Against the background of growing financial literacy among the general populace, an expanded range of bank products connected with the use of payment cards as well as the development of infrastructure for their servicing at trade enterprises contributed to the active growth of the national payment card market. Year on year, the number of payment cards issued by Russian credit institutions increased by 38.6% to 200.2 million, 73.9% of which were charge cards (147.9 million). The total number of ATMs, point-of-sale terminals and imprinters increased by more than 22% over the year and as of 1 January 2012, there were 5,004 devices per 1 million residents (as of 1 January 2011 — 4,105).

The number and volume of payment card transactions executed both inside and outside the Russian Federation increased by 33.3% and 36.1%, respectively, year on year, to 4.2 billion transactions valued at 17.7 trillion roubles. Cashless transactions with the use of payment cards were growing fast: over the year their number and volume grew 1.6 and 1.8 times, respectively. This contributed to the increase of their share in the total number of payment card transactions from 34.4% in 2010 to 41.8% in 2011, and from 15.0% to 20.2% in the total volume. As in 2010, they were mostly payments for goods and services<sup>1</sup> — 94.5% and 76.7% of the number and volume of transactions, respectively (in 2010 — 95.7% and 81.3%).

In 2011, cash as a means of payment enjoyed a high level of demand among people making retail payments. The amount of cash received by the cash desks of the Bank of Russia's divisions and credit institutions from the sale of consumer goods was 10.8 trillion roubles, representing a 19.6% growth as compared to 2010. These include cash from paid services, 3.2 trillion roubles (10.1% growth); from foreign currency sales to

**CASH RECEIVED VIA PAYMENT AGENTS  
AND BANK PAYMENT AGENTS**  
(billions of roubles)

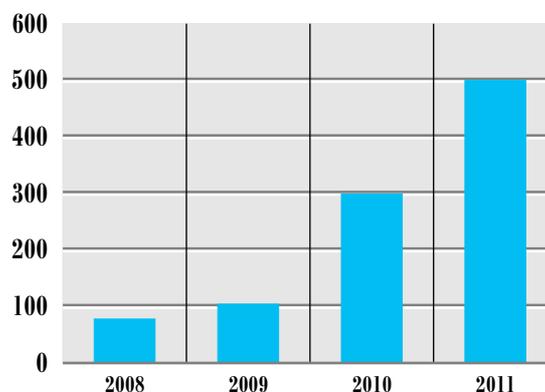


Chart 26

individuals 1.5 trillion roubles (27.8% growth) and from real estate, 0.4 trillion roubles (36.6% growth).

Cash received through ATMs and the payment terminals of credit institutions, including cash received as payment for goods and services and cash for crediting individual accounts, kept growing at a fast rate. Over a year its volume increased 1.7 times to 2.2 trillion roubles. Cash received through ATMs and payment terminals amounted to 15,500 roubles per Russian resident on average (in 2010, 9,300 roubles).

Payment agent and bank payment agent infrastructure is actively developing in the Russian Federation, along with the development of the payment infrastructure of credit institutions. The high growth rate in the amount of cash received from individuals through payment agents and bank payment agents for goods (work, services) that has been remaining unchanged for a number of years is proof of the high demand in this retail payment services market sector<sup>2</sup>. As compared to 2010, its volume went up 1.7-fold to 499.7 billion roubles or 3.4% of the total volume of cash received by the cash desks of credit institutions for the sale of goods or services (work) as taxes, duties or insurance payments (in 2010, 2.4%).

Cash settlements in the securities market, which have grown in value, were mostly effected by non-bank credit institutions. The turnover of

<sup>1</sup> Including customs payments.

<sup>2</sup> Including payment for living premises.

funds through the accounts of settlement participants in the National Settlement Depository on exchange transactions in the stock market stood at 81.3 trillion roubles (31.0% growth), with 29.9 trillion roubles in the government se-

curities market (49.7% growth). The turnover of funds through the accounts of settlement participants in the RTS Clearing House for stock market transactions increased by 49.3% to 1.1 trillion roubles.

## 1.5.2. THE BANK OF RUSSIA PAYMENT SYSTEM

*In* 2011, 1,187.6 million payments totalling 916.2 trillion roubles were processed by the Bank of Russia payment system, having grown by 12.1% and 40.2% year on year, respectively. The ratio of the volume of payments effected through the Bank of Russia payment system to GDP rose from 14.5 to 16.8. The average number of payments effected through the Bank of Russia payment system per day increased from 4.3 million in 2010 to 4.8 million.

The number of Bank of Russia customers — credit institutions (branches) fell over the course of the year by 2.4% and stood at 3,047 (as of 1 January 2011 — 3,123).

The number and volume of payments of credit institutions (branches) effected through the payment system of the Bank of Russia grew by 14.1% and 37.3%, respectively, as compared with 2010, to 1,005.0 million payments totalling 706.1 trillion roubles (in 2010, 881.0 million payments totalling 514.3 trillion roubles). As in 2010, the payments of credit institutions (branches) prevailed in the total number and volume of payments effected through the payment system of the Bank of Russia: their share was 84.6% in terms of number and 77.1% in terms of volume. The average number of payments of credit institutions (branches) effected through the payment system of the Bank of Russia per day grew from 3.5 million payments in 2010 to 4.1 million in 2011.

As in the previous year, in 2011, 99.9% of all payments made through the Bank of Russia payment system were electronic payments. The share of payments of credit institutions (branches) made through the Bank of Russia payment system via communications channels amounted to 98.2% of their total payments. The payments of customers other than credit institutions that were made via the system accounted for 96.1% of such payments. As of 1 January 2012, the share of the Bank of Russia customers — credit institutions (branches) participating in the electronic document exchange with the Bank of Russia was 98.4% of the total num-

ber of credit institutions (branches); the share of the Bank of Russia customers other than credit institutions (branches) that use the electronic system accounted for 17.2% of the total number of such customers. The Federal Treasury and all its territorial subdivisions participate in the electronic document exchange with the Bank of Russia.

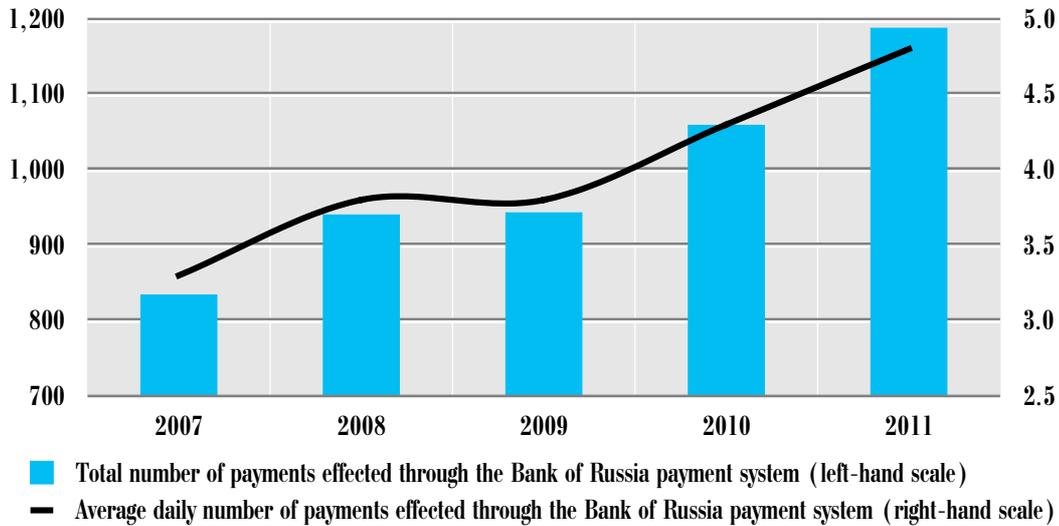
The average monthly accessibility ratios of the Bank of Russia payment system (the system's capability to accept settlement documents from customers of the Bank of Russia) ranged between 99.98% and 100% with respect to paper settlement documents in 2011 (in 2010 — from 99.95% to 100%), and from 97.98% to 99.98% with respect to electronic settlement documents (in 2010 — from 99.62% to 99.95%).

The average time needed to implement settlement transactions, considering the number of payments in all settlement systems used by the Bank of Russia, remained practically at its 2010 level — 0.6 days at the intraregional level and 0.92 days — at the interregional level.

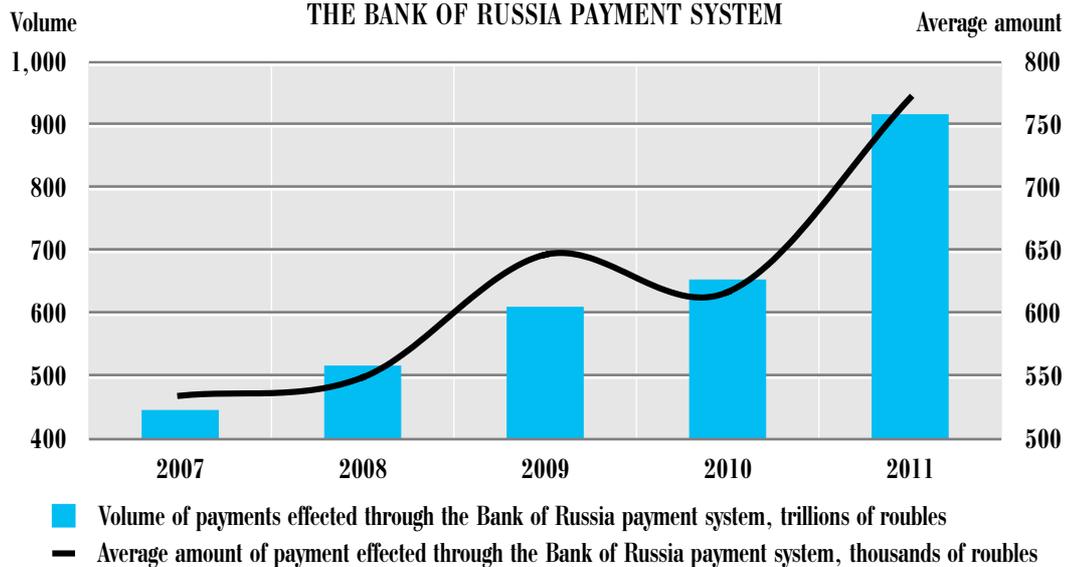
In 2011, more payments were processed by the system of bank electronic speedy payments (BESP), which helped increase the share of such payments in the total volume of payments effected through the Bank of Russia payment system to 24.3% (19.5% in 2010). In 2011, 626,100 payments were effected through the BESP system, a 3-fold increase when compared to 205,100 in 2010. Payments made through the BESP system reached 222.8 trillion roubles in 2011, having grown almost two-fold (in 2010, 127.3 trillion roubles) primarily due to the payments of credit institutions (branches), while their share in the structure of payments through the BESP system remained the largest, as in 2010: 92.1% by number and 61.8% by volume.

As of 1 January 2012, the number of BESP participants — credit institutions (branches) totalled 2,887 or 98.1% of the total number of credit institutions (branches) participating in the electronic document exchange with the Bank of Russia, whose correspondent accounts (sub-ac-

**TOTAL NUMBER AND AVERAGE DAILY NUMBER OF PAYMENTS  
EFFECTED THROUGH THE BANK OF RUSSIA PAYMENT SYSTEM (millions of units)**



**VOLUME OF PAYMENTS AND AVERAGE AMOUNT OF PAYMENT EFFECTED THROUGH  
THE BANK OF RUSSIA PAYMENT SYSTEM**



counts) are opened with Bank of Russia settlement network outlets (BESP participants). The remaining 56 credit institutions (branches) (1.9%) did not participate in the BESP system because the procedure of their inclusion in the BESP system was under way, or because of the reorganisation or closure of credit institutions' branches.

As of 1 January 2012, there were a total of 3,248 participants in the BESP system, of which 279 were special participants in settlements, 557 were direct participants, and 2,412 were associated participants, including the Federal Treasury and its regional branches.

In 2011, payments through the intraregional electronic settlement system (VER) accounted for

75.7% and 65.6% of the total number and volume of payments performed through the Bank of Russia payment system (in 2010, 77.4% and 68.0%, respectively), while the interregional electronic settlement system (MER) accounted for 24.2% and 10.1% (in 2010, 22.5% and 12.4%, respectively). As many as 898.7 million payments for an amount totalling 600.6 trillion roubles was effected through the VER (in 2010, 819.3 million payments totalling 445.0 trillion roubles), whereas the MER processed 287.6 million payments totalling 92.4 trillion roubles (in 2010, 238.5 million payments totalling 81.3 trillion roubles). The share of payments made through the settlement system with the use of bank advice remained low (below 0.1% in terms of both number and volume).

NUMBER AND VOLUME OF PAYMENTS MADE THROUGH THE BESP SYSTEM

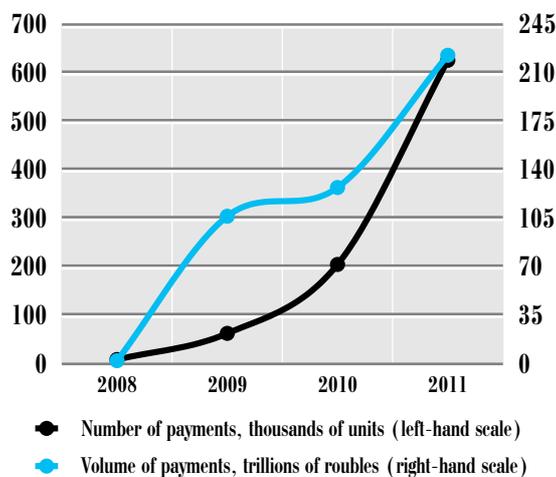


Chart 29

## II.5. STABILITY AND DEVELOPMENT OF THE NATIONAL PAYMENT SYSTEM

### II.5.1. BANK OF RUSSIA ACTIVITIES TO ENSURE THE STABILITY AND DEVELOPMENT OF THE NATIONAL PAYMENT SYSTEM

Keeping the national payment system stable and developing it at a level consistent with the current and future needs of the Russian economy calls for a set of measures, including, as a priority measure, its better legal regulation.

In order to form a modern and comprehensive legal framework for the national payment system, Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System' and Federal Law No. 162-FZ, dated 27 June 2011, 'On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law 'On the National Payment System'', both co-authored by the Bank of Russia, were adopted in 2011.

In order to implement these laws, the Bank of Russia approved the following regulations:

- on regulating the activities of electronic money operators;
- on establishing a procedure for money remittance operators to monitor the activities

of the bank payment agents attracted by them;

- on amending the existing regulation of the Bank of Russia with regard to the issuance and servicing of prepaid bank cards by credit institutions, and also the interaction between credit institutions and bank payment agents attracted for payment card distribution;
- on amending the existing regulations of the Bank of Russia that establish the rules regarding cashless settlements between legal entities and/or private individuals, where the funds remittance procedure is concerned, including remittance on the recipient's demand (direct debiting).

The Bank of Russia worked to develop the national payment system. In 2011, it approved the organisational structure and activity guidelines of the Technical Committee for Standardisation, 'Financial Transaction Standards' (hereinafter referred to as 'TC122')<sup>1</sup>. In addition to the Bank of Russia, TC122 includes more

<sup>1</sup> The Technical Committee for Standardisation, 'Financial Transaction Standards' was formed on the basis of the Bank of Russia pursuant to Order No. 5527 of the Federal Agency for Technical Regulation and Metrology, dated 30 December 2010 and registered by Order No. 5481 of the Federal Agency for Technical Regulation and Metrology, dated 19 October 2011.

than 50 organisations representing state authorities, credit institutions and their associations, financial market infrastructure organisations and other stakeholders. The main TC122 activities are to organise the development of a national cashless settlement standard based on the ISO 20022<sup>1</sup> methodology, to support and develop the banking system information security standards, and to standardise operations using bank cards and a number of issuers' operations in the financial markets.

In 2011, the Bank of Russia, as a member of the Committee on Payment and Settlement Systems of the Bank for International Settlements (hereinafter referred to as BIS CPSS) took an active part in its work.

In the framework of the Standards Revision Steering Group under the auspices of the BIS CPSS and the International Organisation of Securities Commissions, the Bank of Russia participated in preparing a report entitled *Principles for Financial Market Infrastructures* that contains international principles for systemically important payment systems, central securities depositories,

securities settlement systems, central counterparties and trade repositories. The provisions of the report will supersede the existing principles and recommendations.

Bank of Russia representatives are included in a number of BIS CPSS working groups on various issues concerning the operation of payment systems and retail payment innovations.

Under a project to update the descriptions of the BIS CPSS member countries' payment, settlement and clearing systems, the Bank of Russia, jointly with the BIS CPSS, prepared a paper entitled *Payment, Clearing and Settlement Systems in Russia*, which was published as a part of its official publications and described the national payment system in detail, in addition to the infrastructures operating in the Russian financial market.

The Bank of Russia co-organised activities sponsored by the BIS CPSS, including workshops on payment system monitoring indicators, cyber security and its significance for financial market infrastructures, and new principles for financial market infrastructures.

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<sup>1</sup> ISO 20022 is a 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.

## II.5.2. DEVELOPMENT AND UPGRADING OF THE BANK OF RUSSIA PAYMENT SYSTEM

The Bank of Russia payment system was developed in line with the Concept of the Bank of Russia Payment System Development until 2015, which provides for the further improvement of the functionality of the Bank of Russia payment system and the expansion of the range of services it offers.

In 2011, the Bank of Russia prepared ordinances which made it possible for the Bank of Russia to make settlements on government monetary policy operations via collection orders through the BESP system in real time. The ordinances also made it possible for the organisations which constitute the infrastructure of the financial markets to develop settlement finalisation patterns involving the funds in accounts with the Bank of Russia using 'delivery versus payment' and 'payment versus payment' mechanisms.

In order to specify and verify the correctness of settlement documents' details in the course of effecting electronic settlements via the Bank of Russia settlement network, an electronic request and reply exchange service was implemented for use among the Bank of Russia's customers (participants in the electronic message exchange system). This service immediately became very popular among users: from August through December 2011 it was used 474,400 times.

The Bank of Russia implemented a new system for the exchange of electronic messages via the subunits of its settlement network throughout all of the constituent territories of the Russian Federation. The system is used by credit institutions when electronic payments are made for the total amount of documents accepted from in-

dividuals who wish to transfer funds without opening a bank account to the territorial offices of the Federal Treasury in Russia's constituent territories. Credit institutions provide information obtained from the accepted documents on individual payers and money transfers made on their orders to budget revenue administrators.

This organisation of the electronic document turnover between banks and tax authorities through the Bank of Russia envisaged by the Tax Code of the Russian Federation was completed in 2011.

The exchange of electronic messages with the Bank of Russia was centralised for multi-branch credit institutions. The system of identifying the participants in the Bank of Russia's payment system was improved, specifically with respect to ensuring the correspondence of the identification codes of credit institutions (branches) that make payments via the settlement network of the Bank of Russia to their SWIFT international bank identification codes.

The Bank of Russia optimised its structure and, as a result, 66 cash settlement centres (12.5% of those operating as of the year's beginning) were closed.

In 2011, the Bank of Russia started procedures to include Russia's currency in the settlement currencies of the Continuous Linked Settlement System, a centralised multi-currency settlement infrastructure which is connected to the real-time gross settlement systems of the central banks of participating countries. The system provides for making settlements through a 'payment versus payment' mechanism.

### II.5.3. BANK OF RUSSIA PAYMENT SYSTEM TECHNICAL INFRASTRUCTURE DEVELOPMENT

The technical infrastructure of the Bank of Russia payment system continued to develop as the collective information processing (CIP) system was improved in order to secure the effective and reliable functioning of the payment system.

To ensure the migration of the payment system to a single unified standard software package for the processing of accounting and operational information (RABIS-NP), the processing of the accounting and operational information of Bank of Russia regional branches continued to be shifted from the CDPC-2 (St Petersburg) collective data processing centre to CDPC-MR (Moscow) and CDPC-1 (Nizhni Novgorod). As of 1 January 2012, CDPC-MR was processing the payment information of Moscow and the Moscow Region and 16 Bank of Russia regional branches, while CDPC-1 was processing the payment information of 40 Bank of Russia regional branches. The completion of the work will make it possible in the future to establish a single Bank of Russia accounting and operational system.

To organise the interaction between direct settlement participants and the BESP system on the basis of the Society for Worldwide Interbank Financial Telecommunications (SWIFT), a BESP subsystem for interacting with the SWIFT system was put into regular operation.

The electronic settlement participants were transferred to direct (single-level) communications with the CDPC, thus making it possible to exclude information processing at the regional level and increase the payment system's stability. In order to secure the management of the authentication code key certificates after the BESP and CIP systems were shifted to direct (single-level) communications between settlement participants, the automated BESP and CIP authentication code key certificates management system was put into operation.

An optimised system of interregional electronic payments was introduced, and measures were taken to implement the logical routing of electronic messages in the Bank of Russia Electronic Settlement Transportation System.

Further work was carried out to develop integrated technologies and instruments within the IT security subsystems to ensure IT security for the Bank of Russia payment system. To automate the information security processes in the collective data processing centres (thus increasing the level of control of security divisions over the activity of IT service employees), the CDPC information security systems were upgraded.

To provide for the secure transmission of payment messages, the Bank of Russia payment system put its Single Cryptographic Network of applied transportation systems into operation.

## II.7. BANK OF RUSSIA ACTIVITIES RELATING TO GOVERNMENT FINANCE

The Bank of Russia's public finance activity in 2011 was aimed at supporting the Federal Treasury in its efforts to raise the efficiency of the management of federal budget funds. It was also aimed at transitioning the budget institutions of the Russian Federation's constituent territories and municipal budget institutions and organisations that are not participants in the budget process to servicing through accounts opened for the Federal Treasury bodies and financial authorities of the Russian Federation's constituent territories (municipalities). Its activity was also directed at further improving the procedure for servicing the budget accounts of the Russian budget system and administering certain types of federal budget revenue.

Effective budget fund management resulted from an improved procedure by which divisions of the Bank of Russia settlement network transferred the unused balances of federal budget funds that remained at the end of each operating day from the accounts of the Federal Treasury's divisions in the constituent territories of the Russian Federation to the single federal budget account for their further redistribution, depending on daily needs. The operational functioning of the single federal budget account became possible due to the increased number of operations performed by the Federal Treasury and its regional branches through the BESP system. In 2011, about 50% of operations were performed by the Federal

Treasury and its regional branches through the BESP system.

As a result, the number of operations performed by the Federal Treasury and its regional branches through the Bank of Russia payment system grew by 4.5 million (2.3%) and reached 196.1 million. The volume of operations grew by 4.7 trillion roubles (10.9%), to 47.4 trillion roubles. The average daily balance in the accounts of regional branches of the Federal Treasury stabilised as of the end of each day.

The Bank of Russia, together with the Federal Treasury, worked on the unification of bank account agreements that had been concluded between divisions of the Bank of Russia settlement network, the Federal Treasury bodies and the financial authorities of the Russian Federation's constituent territories (municipalities), when opening accounts to record funds received for temporary use by organisations and funds intended for cash payments. This was done in order to improve the cash and settlement services of the budget accounts of the Russian Federation's budget system.

Upon agreement with the Bank of Russia, rules for providing cash to budget funds recipients that are not budget process participants, using settlement (debit) cards, started to be applied in the Russian Federation in 2011. These formed prerequisites for a reduction in the share of cash circulating in the government sector.

In connection with the amendments made to Russian Federal legislation, the fiscal year closure procedure was improved with respect to operations in federal budget accounts opened with subdivisions of the Bank of Russia's settlement network and credit institutions (branches).

Amendments and additions were made in 2011 to 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'. This was done as part of the continued efforts of the Bank of Russia to improve the administration of the receipt of certain types of federal budget revenue. These revenues included those caused by amendments made to the Russian Federal Code of Administrative Offences, and detailing the procedure for accounting for the receipt of penalties (fines) and payment of stamp duty for the purpose of preparing annual budget statements.

During the election campaign to choose deputies for the State Duma of the Federal Assembly of the Russian Federation of the sixth convocation and during the presidential election campaign, the Bank of Russia, jointly with the Central Election Commission of the Russian Federation, provided regulatory control and the timely opening of election commissions' accounts for making transactions with federal budget funds.

The Bank of Russia continued to monitor the completeness of the public and budgetary institutions' transfer to cash servicing through nominal accounts opened with the Federal Treasury bodies and the financial authorities of the Russian Federation's constituent territories (municipalities).

In order to compel public and budgetary institutions to close accounts they had opened with Bank of Russia establishments and credit institutions, in accordance with the Federal Law 'On the Federal Budget for 2011 and the Plan Period of 2012 and 2013', the information on opened accounts was sent to the Federal Treasury and its regional branches on a quarterly basis. Measures were taken as well to close the accounts medical institutions had opened for government extra-budgetary funds and accounts for extra-budgetary funds that had been created by the executive bodies of the Russian Federation's constituent territories and local authorities.

As a result of the completed work, in 2011 the total number of Bank of Russia customers that are not credit institutions fell by 3,500 or 27.0% and stood at 9,600. However, pursuant to federal law, in 2011 accounts were opened with Bank of Russia establishments for the Federal Treasury bodies and the financial authorities of the Russian Federation's constituent territories (municipalities), to record the funds of organisations that are not participants in the budget process. After that, the total number of accounts opened with Bank of Russia establishments for organisations that are not credit institutions grew over the year by 6,000 to reach 75,200, including accounts for Federal Treasury bodies, which grew by 11,200 to 57,700. The number of accounts opened with the main cash and settlement centres of the Bank of Russia continued to increase. Such accounts (as a share of the total number of accounts) increased from 70% to 75.6%.

Table 18

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

	Number of customers			Number of accounts		
	as of 1.01.2011	as of 1.01.2012	change over 2011	as of 1.01.2011	as of 1.01.2012	change over 2011
<b>Total</b>	<b>13.1</b>	<b>9.6</b>	<b>-3.5</b>	<b>69.2</b>	<b>75.2</b>	<b>6.0</b>
Federal Treasury	0.8	0.7	-0.1	46.5	57.7	11.2
Regional and local budget management bodies	1.6	1.4	-0.2	5.3	6.2	0.9
Organisations financed from budgets of all levels	6.4	2.5	-3.9	11.0	3.5	-7.5
Government and other extra-budgetary funds	2.2	2.4	0.2	3.2	4.2	1.0
Election commissions (referendum commissions)	0.4	1.4	1.0	0.5	1.7	1.2
Other organisations	1.7	1.2	-0.5	2.7	1.9	-0.8

Table 19

## RUSSIA'S DOMESTIC GOVERNMENT DEBT AS OF 1 JANUARY 2012 (at face value, billions of roubles)

Debt instruments	Total within domestic government debt	Of these, traded on domestic securities market
Permanent coupon-income federal loan bonds (OFZ-PD)	1,823.7	1,823.7
Debt depreciation federal loan bonds (OFZ-AD)	1,079.6	979.6
Government savings bonds (GSO)	553.2	—
MinFin bonds (OVOZ)	90.0	—
Other debt recognised as part of domestic government debt	644.1	—
<b>Total</b>	<b>4,190.6</b>	<b>2,803.3</b>

Table 20

**FINANCE MINISTRY DEBT TO THE BANK OF RUSSIA AS OF 1 JANUARY 2012 (millions of roubles)<sup>1</sup>**

	At face value
Russian government debt obligations	360,659
of which:	
— Russian government debt obligations available for sale, in national currency	259,160
Russian government debt obligations available for sale, in foreign currency	101,499

<sup>1</sup> *Exclusive of repo transactions.*

Table 48

## NATIONAL PAYMENT SYSTEM KEY INDICATORS

	2010	2011
<b>Institutional structure of national payment system<sup>1</sup></b>		
Bank of Russia establishments, credit institutions (branches)	4,546	4,328
— Bank of Russia establishments	608	543
— credit institutions	1,012	978
of which:		
— non-bank settlement credit institutions	53	53
— branches of credit institutions	2,926	2,807
Memo item:		
Number of additional offices of credit institutions (branches)	22,002	22,565
Number of other internal divisions of credit institutions (branches) <sup>2</sup>	16,356	17,945
of which:		
— operations offices	2,996	5,360
Number of accounts <sup>3</sup> opened with Bank of Russia establishments and credit institutions for customers other than credit institutions, million	539.4	601.5
of which:		
— personal accounts	532.8	594.5
— accounts of corporate entities other than credit institutions	6.6	7.0
<b>Payments effected by national payment system<sup>4</sup></b>		
Number of payments <sup>5</sup> , thousand		
<b>Total</b>	<b>2,945,865.0</b>	<b>3,269,378.5</b>
of which payments effected by individual payment systems:		
— Bank of Russia payment system	1,058,979.6	1,187,607.6
— interbank payment systems <sup>6</sup>	166,721.8	185,889.2
— intrabank payment systems between divisions of one bank	373,116.0	422,744.9
Volume of payments, billions of roubles		
<b>Total</b>	<b>940,135.4</b>	<b>1,298,240.6</b>
of which payments effected by individual payment systems:		
— Bank of Russia payment system	653,352.9	916,153.6
— interbank payment systems <sup>6</sup>	24,180.3	30,174.2
— intrabank payment systems between divisions of one bank	113,268.4	161,580.8
<b>Cashless payment instruments used by credit institutions and their customers other than credit institutions</b>		
Number of payments, thousand		
<b>Total</b>	<b>3,561,079.2</b>	<b>3,695,928.7</b>
of which effected using:		
— credit transfers <sup>7</sup>	2,452,833.9	2,501,852.0
— direct debits <sup>8</sup>	136,668.2	117,981.4
— cheques	7.1	3.2
— other payment instruments <sup>9</sup>	971,570.0	1,076,092.1
Volume of payments, billions of roubles		
<b>Total</b>	<b>318,188.5</b>	<b>364,387.2</b>
of which effected using:		
— credit transfers <sup>7</sup>	311,928.8	357,373.4
— direct debits <sup>8</sup>	1,330.1	1,439.3
— cheques	2.2	0.5
— other payment instruments <sup>9</sup>	4,927.4	5,574.0

End

	2010	2011
<b>Payment card market key indicators</b>		
Number of payment cards issued by Russian credit institutions <sup>1</sup> , thousand	144,418.8	200,169.8
of which:		
— credit cards	10,047.4	15,025.8
Total number of payment card operations in Russia and abroad <sup>10</sup> , thousand	3,174,455.5	4,232,195.7
of which:		
— operations conducted using credit cards	81,159.1	155,798.0
Total volume of payment card operations in Russia and abroad <sup>10</sup> , billions of roubles	13,012.8	17,743.3
of which:		
— operations conducted using credit cards	270.9	482.7

<sup>1</sup> As of end of year.

<sup>2</sup> Operations offices, cash and credit offices, and external cash desks.

<sup>3</sup> Accounts that can be used to effect payments.

<sup>4</sup> Including rouble payments from accounts of customers of the Bank of Russia and credit institutions (individuals, credit institutions and corporate entities other than credit institutions) and own payments of the Bank of Russia and credit institutions.

<sup>5</sup> Orders of customers of credit institutions are accounted for in cumulative orders of credit institutions.

<sup>6</sup> Including payments effected via correspondent accounts of credit institutions and non-resident banks opened with credit institutions.

<sup>7</sup> Including payments effected using payment orders and letters of credit as well as remittances without opening a bank account.

<sup>8</sup> Including payments effected using payment requests and collection orders.

<sup>9</sup> Including payments effected using bank orders.

<sup>10</sup> Including operations to withdraw cash, pay for goods and services and other operations (for example, payments from one bank account to another) using payment cards issued by Russian credit institutions.

Note: Certain indicators have been specified as compared with those published in the Annual Report of the Bank of Russia for 2010.

Table 49

## BANK OF RUSSIA PAYMENT SYSTEM

	2010	2011
Number of customers served <sup>1</sup>	15,238	12,637
of which:		
— credit institutions	1,012	978
— branches of credit institutions	2,111	2,069
— customers other than credit institutions	12,115]	9,590
Number of payments effected, thousand	1,058,979.6	1,187,607.6
of which:		
— by credit institutions and their branches	881,006.1	1,005,049.1
— by customers other than credit institutions	177,181.2	181,745.5
— by Bank of Russia divisions	792.3	813.0
Volume of payments effected, billions of roubles	653,352.9	916,153.6
of which:		
— by credit institutions and their branches	514,292.1	706,130.3
— by customers other than credit institutions	62,765.6	76,207.1
— by Bank of Russia divisions	76,295.2	133,816.2
Number of electronic payments, thousand	1,058,066.7	1,186,895.4
Volume of electronic payments, billions of roubles	652,631.9	915,813.2
Number of Bank of Russia establishments participating in intraregional electronic settlements <sup>1</sup>	608.0	542.0
Number of Bank of Russia establishments participating in interregional electronic settlements <sup>1</sup>	608.0	543.0
Number of Bank of Russia establishments participating in the BESP system <sup>1</sup>	292.0	279.0
Total number of customers exchanging electronic documents <sup>1</sup>	4,573.0	4,647.0
of which:		
— credit institutions and their branches	3,079.0	2,998.0
— Federal Treasury bodies	332.0	199.0
— customers other than credit institutions	1,162.0	1,450.0
Number of payments received through communication channels, thousand	1,037,625.0	1,161,343.4
Number of payments effected on paper, thousand	912.9	712.2
Volume of payments effected on paper, billions of roubles	721.0	340.4

<sup>1</sup> As of end of year.

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