



Bank of Russia



ANNUAL REPORT 2022

MOSCOW

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Bank of Russia Annual Report for 2022

Moscow
2023

CONTENTS

OPENING REMARKS BY THE GOVERNOR OF THE BANK OF RUSSIA	8
SUMMARY	10
KEY RESULTS OF THE MEASURES TAKEN TO SUPPORT THE ECONOMY, PEOPLE, AND BUSINESSES AND STABILISE THE FINANCIAL MARKET IN 2022.....	16
1. THE STATE OF THE ECONOMY AND FINANCIAL SECTOR OF THE RUSSIAN FEDERATION	19
1.1. The macroeconomic situation	22
1.1.1. External economic conditions.....	22
1.1.2. Inflation and economic activity.....	27
1.1.3. Fiscal policy, government finance, and domestic government debt.....	33
1.1.4. Balance of payments, international investment position, and external debt of the Russian Federation	38
1.2. The financial sector	45
1.2.1. Monetary aggregates. Situation in the financial and commodity exchange markets.....	45
1.2.2. Financial market participants	52
1.2.2.1. Credit institutions	52
1.2.2.2. Non-governmental pension funds	59
1.2.2.3. Insurance agents	60
1.2.2.4. Microfinance market participants	61
1.2.2.5. Professional securities market participants.....	62
1.2.2.6. Collective investment market participants (except NPFs).....	63
1.2.2.7. Infrastructures	64
1.2.2.8. National Payment System participants.....	64
1.2.2.9. Other participants.....	65
1.2.3. Competition in the financial market.....	68
2. THE BANK OF RUSSIA'S ACTIVITIES	71
2.1. Ensuring price stability	75
2.1.1. Monetary policy objectives and key measures	75
2.1.2. Monetary policy instruments	80
2.2. Protecting financial consumers and enhancing financial inclusion for households and businesses.....	85
2.2.1. Protecting financial consumers and investors, increasing financial literacy	85
2.2.2. Enhancing financial inclusion for households and businesses	100
2.3. Ensuring financial market resilience	106
2.3.1. Ensuring financial stability	106
2.3.1.1. Monitoring of financial stability risks.....	106
2.3.1.2. Macroprudential regulation measures to ensure financial stability	114
2.3.1.3. Foreign exchange regulation and foreign exchange control.....	116

2.3.2. Managing assets in foreign currencies and precious metals	120
2.3.3. Admission to the financial market	122
2.3.3.1. Participants.....	122
2.3.3.2. Financial instruments	125
2.3.3.3. Activity of the Bank of Russia Complaint Review Commission related to decisions on non-compliance with qualification and business reputation requirements.....	127
2.3.3.4. Bank of Russia lists of persons controlling financial institutions.....	129
2.3.4. Regulation.....	130
2.3.4.1. Credit institutions, banking groups, and bank holding companies.....	130
2.3.4.2. Non-governmental pension funds	136
2.3.4.3. Insurance Agents	137
2.3.4.4. Microfinance market participants	139
2.3.4.5. Professional securities market participants.....	140
2.3.4.6. Collective investment market participants (except NPFs).....	140
2.3.4.7. Infrastructures	141
2.3.4.8. National Payment System participants.....	144
2.3.4.9. Other participants.....	146
2.3.4.10. Partnership finance.....	150
2.3.5. Supervision	151
2.3.5.1. Off-site supervision	151
2.3.5.2. On-site supervision.....	166
2.3.6. Financial rehabilitation of financial institutions.....	170
2.3.7. Termination of financial institutions.....	176
2.3.8. Countering misconduct in the financial market.....	180
2.3.9. Countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism.....	185
2.3.10. Development of competition in the financial market	190
2.3.11. Improving instruments and infrastructure of the financial and commodity exchange markets	193
2.3.12. Improving corporate relations and corporate finance.....	197
2.3.13. Improving the accounting and the accounting (financial) statements of financial institutions	202
2.4. Development of the payment and settlement system.....	205
2.4.1. Development of the payment services market.....	205
2.4.2. Bank of Russia systems	208
2.4.3. Cash circulation.....	211
2.4.4. Digital ruble.....	214
2.5. Technology development and innovation support in the financial market.....	215
2.5.1. Promoting financial market digitalisation	215
2.5.2. Digitalisation of regulation and supervision.....	220
2.5.3. Development of information security in the banking and financial sector	222
2.6. Promoting sustainable development	225
2.6.1. Development of the sustainable finance market and infrastructure, creation of conditions and opportunities for companies' ESG transformation	225
2.6.2. ESG risk analysis and management.....	226
2.6.3. Development of the carbon emissions trading system	227
2.6.4. Integrating approaches helping achieve sustainable development goals into Bank of Russia operations.....	228

2.7. Other activities	229
2.7.1. Information policy	229
2.7.2. Economic research	231
2.7.3. Statistical activities	233
2.7.4. Data management at the Bank of Russia.....	236
2.7.5. Improvement of money market benchmarks.....	237
2.7.6. Information technology development at the Bank of Russia	239
2.7.7. Bank of Russia training events for external audience	241
2.7.8. International cooperation	244
2.7.9. Improving legislation	249
2.7.10. Addressing administrative and legal issues.....	254
2.7.11. Addressing judicial issues.....	255
3. ORGANISATIONAL DEVELOPMENT OF THE BANK OF RUSSIA	257
3.1. Training and development of Bank of Russia personnel	257
3.2. Project and process management development.....	260
3.3. Changes in the organisational structure	262
3.4. Internal audit and operational risk management at the Bank of Russia.....	263
3.5. Procurements by the Bank of Russia.....	265
4. ANNUAL FINANCIAL STATEMENTS OF THE BANK OF RUSSIA.	
AUDITORS' REPORTS AND THE DECISION	
OF THE NATIONAL FINANCIAL BOARD	267
Introduction.....	267
Annual balance sheet as of 31 December 2022	268
Statement of financial performance for 2022	269
Statement of changes in capital and profit.....	270
Notes to annual financial statements for 2022.....	271
1. Bank of Russia accounting and financial reporting fundamentals	271
2. Bank of Russia Accounting Policy for accounting purposes, accounting items and methods of their appraisal.....	271
3. Impact of economic conditions on Bank of Russia financial statements.....	283
4. Assets in foreign currencies and precious metals	284
5. Loans and deposits.....	285
6. Securities	286
7. Claims on the IMF	287
8. Other assets.....	288
9. Cash in circulation.....	290
10. Funds in accounts with the Bank of Russia	290
11. Liabilities to the IMF	291
12. Other liabilities.....	291
13. Capital.....	292
14. Interest income.....	292
15. Other income	293
16. Interest expenses.....	293
17. Cash turnover management expenses.....	293

18. Net expenses on the formation of provisions.....	294
19. Other operating expenses.....	295
20. Personnel costs.....	295
21. Post-accounting date events	295
Statement of actual profit and its allocation or of actual incurred losses	296
Statement of Bank of Russia reserves and funds.....	297
Statement of Bank of Russia management of securities and equity stakes in organisations constituting the Bank of Russia's property	299
Statement of Bank of Russia securities transactions on exchanges	300
Statement of Bank of Russia personnel costs	301
Statement of capital investment budget performance	302
Auditors' reports	304
Information on the National Financial Board's decision	315
5. ADDENDA.....	317
5.1. Monetary policy measures and instruments.....	317
5.2. Specialised facilities and liquidity support instruments.....	320
5.3. Implementation of the financial market development programme.....	321
5.4. Statistical tables	322
LIST OF ABBREVIATIONS	357
LIST OF CHARTS	361
LIST OF TABLES	362

Board of Directors of the Bank of Russia



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Governor of the Bank of Russia



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Alexey Simanovskiy
Adviser to the Governor

Opening remarks by the Governor of the Bank of Russia

The previous year was very challenging for the Russian economy and financial system. We have managed to withstand the blow of the sanctions although it was stronger than any crises of recent decades. Moreover, compared to previous crises, we overcame the first shock faster, and the consequences for economic growth, people's welfare, and financial and price stability were less severe.

This became possible owing to the resilience and adaptability of the Russian economy, in the first place. Companies were able to preserve jobs and rearrange and expand their production despite that unprecedented pressure. The financial system, in turn, was supporting clients and providing resources necessary for the structural adaptation of the economy. Large-scale and prompt measures taken by the Government to prop up the economy played the key role.

It was the financial sector that was hardest hit by the sanctions, and the Bank of Russia did everything possible to maintain the stability of the country's financial system. During the first days and weeks after the enactment of the sanctions, the Bank of Russia was implementing radical measures: the rapid key rate increase, suspension of on-exchange trading, cross-border capital controls, and regulatory easing for banks and other financial institutions.

These measures prevented the ruble depreciation and helped quickly overcome the spike in inflation. In the second half of the year, price growth was moderate, and annual inflation was slowing down. As a result, we were able to decrease the key rate to its pre-crisis level already in summer and to cut it below its level of early 2022 in September. Households and businesses remained confident in monetary policy, and inflation expectations returned to their pre-crisis level as early as mid-2022.

The financial system provided services to people and companies without any disruptions, and lending was expanding. The securities market was reopened, and investors and issuers avoided critical losses.

The experience of that challenging period was yet another evidence that it is crucial to maintain the resilience of the financial system in favourable times. If not for sufficient capital buffers accumulated by banks, the absence of hidden problems, and the consistent reduction in the proportion of foreign currency in the financial system over previous years, it would have been much harder or even impossible to ensure financial stability in the current conditions.



Another essential lesson learnt is the need to advance the national infrastructure. The exit of international payment systems and the disconnection of a part of banks from the SWIFT did not disrupt financial transactions. This had almost no effect on clients' settlements inside the country owing to the National Payment Card System and the Financial Messaging System. Our current priority is to develop a convenient and efficient system of settlements and payments with our foreign partners based on an infrastructure that is independent of the sanctions.

Already by summer 2022, the Bank of Russia started to phase out the anti-crisis measures. Russia's and other countries' experience proves that, when the economy should overcome the acute stage of a crisis, preferential terms and regulatory easing are critical. However, they might become a risk factor if they remain in place. They absorb the safety cushion that is necessary to shore up the resilience of the financial system in the long term. As of the end of the year, most Russian banks stopped using the regulatory easing and were able to build up lending and grant loan repayment holidays to their clients who needed such a pause. Financial markets are actually functioning as normal. The capital controls and foreign currency restrictions were eased to the minimum possible extent not to hinder external economic activity.

All this creates the basis for a further development of the financial system to support the structural transformation of the economy. The situation in banks makes it possible to ease the regulation for loans issued for transformation projects and increase the financing of top-priority industries. The expansion of equity financing is a more complex task than the expansion of lending, but an equally important one. The Bank of Russia will be creating a comfortable environment for investors and issuers and enhancing confidence in the financial market.

A key focus is payments and settlements. The Bank of Russia is cooperating with the countries that are interested in the partnership and developing platforms enabling the connection of foreign participants. The regulator is preparing to issue the digital ruble that will make money transfers and payments cheaper and, in the future, will simplify cross-border settlements.

Our long-term goals remain unchanged, and we stay committed to them regardless of the external challenges. These are steadily low inflation, the stability of the financial system, convenient and reliable technologies for any financial operations, and ultimately – Russian people's welfare and well-balanced growth of the country's economy.

Elvira Nabiullina

Governor of the Bank of Russia

Summary

The Bank of Russia prepared its Annual Report for 2022 in accordance with Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter, Federal Law No. 86-FZ). The Annual Report contains the analysis of the economic situation in Russia, including the financial market and the balance of payments, the results of the Bank of Russia's work, information on the Bank of Russia's organisational development, as well as the Bank of Russia's annual financial statements, the auditor's report, information about the National Financial Board's decision on the assessment,¹ and the statement by the Accounts Chamber of the Russian Federation.

The year 2022 became a new starting point for the Russian economy. External conditions altered dramatically. The enactment of the sanctions entailed disruptions in many business relations and processes. Both businesses and consumers needed to promptly adjust to the new environment.

The external challenges proved the importance of commitment to the Bank of Russia's objectives: maintaining financial and price stability, protection of financial consumers' rights, advancement of the NPS, and support of innovations in the financial market.

In 2022, jointly with the Government of the Russian Federation, the Bank of Russia implemented a complex of anti-crisis measures to prop up the economy. At the very beginning, those were urgent measures needed to maintain financial and price stability and prevent a downfall in the economy. Soon, the regulator took measures to preserve the economic potential. They were needed to support Russian people and companies for them to have sufficient resources and time in order to change their previous economic models for new ones. Finally, the Bank of Russia took actions to speed up the implementation and expand the scope of measures aimed at reducing the vulnerability of the financial sector to external factors. The Bank of Russia had started the work to address this task several years before, and the results achieved were a major contribution helping maintain the resilience of the Russian financial system and economy after the enactment of the large-scale sanctions.

The protection of financial consumers became especially important for the Bank of Russia considering the crisis conditions. The regulator implemented urgent measures to protect people's savings against inflation and support borrowers. The well-developed national infrastructure enabled smooth processing of payments and settlements inside the country as normal. As before, the Bank of Russia attached great importance to countering fraud, illegal operations, and unfair practices in the financial market.

Measures to maintain financial and price stability. A surge in uncertainty at the outbreak of the crisis provoked a fast increase in depreciation and inflation expectations. Depositors started to withdraw cash from banks. In order to shore up financial and price stability, the Bank of Russia Board of Directors raised the key rate by 10.50 percent-

¹ The assessment is carried out according to Clause 9.1 of Article 13 of Federal Law No. 86 FZ.



age points at once to 20.00% per annum at its unscheduled meeting held on 28 February 2022.

The increase in households' demand for cash caused an outflow of liquidity from credit institutions. To support the banking sector, from early March, the Bank of Russia began one-week repo auctions instead of one-week deposit auctions and considerably expanded the list of assets accepted as collateral for the Bank of Russia's liquidity providing operations. The regulator carried out daily fine-tuning auctions to regulate the banking sector liquidity. A fast decrease in the required reserve ratios also helped replenish the liquidity of the banking sector.

The sanction pressure significantly weakened the ruble. During the first week of March, the exchange rate against the US dollar plummeted to a record low of 137.85 rubles. Due to the blocking of a part of the country's international reserves by unfriendly states, the Bank of Russia had limited opportunities for interventions in the foreign exchange market to shore up financial stability. To address this situation, the regulator took foreign exchange regulation and control measures. In April, the ruble exchange rate started to recover. Over the year, the ruble strengthened by 5.3% against the US dollar, by 10.0% – against the euro, and by 15.1% – against the Chinese yuan.

In late February – early March, the situation in the securities market was very complicated. Sales by foreign and local participants entailed a slump in stock indices and a rise in bond yields. In order to stop fire sales of Russian assets and considerably reduce mutual obligations of market participants and the clearing infrastructure, the Bank of Russia suspended trading in shares and bonds for a month. Short-term sales were forbidden.

In response to the blocking of foreign assets by foreign record-keeping institutions, including of assets held by Russian companies and individuals, the regulator promptly blocked Russian securities in foreign investors' accounts and limited sales of Russian shares received as a result of conversion of depositary receipts.

In the crisis situation, the transparency of Russian companies could backfire on them, increasing the risks of sanctions against them. Therefore, the Bank of Russia made the decision to prohibit the disclosure of a part of information by credit institutions and entitled non-bank financial institutions not to disclose such information. Securities issuers were to make their own decisions regarding the scope of their disclosures.

The measures implemented by the Bank of Russia and the Government of the Russian Federation to shore up financial and price stability helped the Russian economy cope with the unprecedented sanction pressure and maintain its resilience and efficiency. As a result, the peak of the crisis was passed with minimum losses. In 2022, GDP declined by 2.1%, which was much better than expected at the outbreak of the crisis. After the spike in inflation to 17.8% in April, the annual growth of product prices was steadily decelerating to reach 11.9% as of the end of the year. Unemployment edged down from 4.3% in December 2021 to 3.7% in December 2022.

As the situation improved and financial stability risks weakened, the Bank of Russia started to ease its monetary policy. From April to September, the Bank of Russia cut the key rate by a total of 12.50 percentage points to 7.50% per annum. As the param-



eters of the balance of payments and the exchange rate stabilised, it became possible to ease the capital controls.

Measures to maintain economic potential and support households. Considering the situation, it was necessary to mitigate not only immediate but also longer-term consequences of the changes in external conditions. It was essential to ensure that people and businesses have complete access to the entire range of financial services and provide support to them to promote their fast adaptation to the new environment.

A special focus was to be put on individuals and SMEs as these economic agents are most vulnerable during crisis periods. With the active engagement of the Bank of Russia, the authorities relaunched the mechanism of six-month loan repayment holidays for households and businesses hit by the sanctions. In autumn, the adjusted mechanism of loan repayment holidays was introduced to restructure loans of the contract servicemen participating in the special military operation or persons called up for the partial mobilisation. Furthermore, the Bank of Russia recommended that credit institutions should apply their own programmes to restructure loans of borrowers whose financial position worsened due to the sanctions.

In order to support lending to SMEs, the Bank of Russia developed additional specialised mechanisms that helped businesses avoid a surge in funding costs after the Bank of Russia increased the key rate.

To reduce the costs of companies selling socially important goods or providing socially important services, the regulator temporarily limited acquiring fees for them to 1%.

The Bank of Russia introduced a whole range of temporary regulatory easing measures for banks and other market participants. Thus, banks were allowed not to decrease their assessments of a borrower's financial standing and debt servicing quality.

The Bank of Russia's objective was to support credit institutions for them to be able to provide the resources needed for the adaptation of the country's economy to the new conditions and for its development. In particular, the regulator allowed banks to use the macroprudential capital buffer of ₹900 billion, which helped preserve their potential for lending to the economy. The regulator cancelled risk-weight add-ons for all loans issued before 1 March 2022. The add-ons remained effective only for new high-risk loans.

As of the end of the year, banks did not only avoid a reduction in their business, but even expanded lending. Outstanding corporate loans were up by 14.3%. SME lending also demonstrated an upward trend. Banks built up their SME loan portfolio by 30%, which was largely driven by government measures taken to support lending.

After reinsurance capacities from unfriendly states became unavailable, it was necessary to take measures to provide insurance protection for Russian businesses. To this end, the Bank of Russia guaranteed the increase in the authorised capital of Joint Stock Company Russian National Reinsurance Company to ₹750 billion in order to expand its potential to reinsure risks. The Bank of Russia lowered the threshold for foreign reinsurers' rating, which also increased Russian insurers' capacities to reinsure risks.

Soaring prices for auto spare parts increased the risks of growth in motor insurers' losses, which affected the availability of CMTPLI policies. The reinsurance pool launched in April 2022 helped settle the issue of CMTPLI availability. To ensure fair pricing and



preserve the opportunities for differentiating CMTPLI policy prices for insured persons with various risk levels, the Bank of Russia additionally expanded the tariff corridor.

Overall, as of the end of the year, the insurance market avoided a decline in premiums, and the impact of risks on insurance market participants' financial stability was mitigated, including through the regulatory easing and the use of the reinsurance pool in CMTPLI.

The situation in the financial market stabilised gradually. To prevent bubbles in the market and a rise in risks in the financial sector, the Bank of Russia made the decision not to extend a part of the regulatory easing beginning from 1 January 2023. In response to the increase in high-risk consumer and mortgage lending operations by credit institutions aiming to quickly earn maximum profit, the Bank of Russia tightened the macroprudential measures.

Measures to reduce vulnerability of the financial sector to external factors. Payment infrastructure. A key factor of the sustainability of the Russian economy, its high resilience to the negative external impact and flexibility was the policy pursued by the Bank of Russia in previous years, including inflation targeting, measures to enhance financial stability, development of the infrastructure of the payment system and financial market, improvement of the supervision and regulation of financial institutions' operation, and measures for sanitising the financial system. Owing to these efforts, the Russian financial sector became resilient to crisis situations, which enabled it to quickly restore fully meeting people's and businesses' needs for financial services.

Over the years of the implementation of monetary policy under the inflation targeting regime, market participants got a clear understanding of the Bank of Russia's approaches to setting interest rates, based on which the yield curve (interest rates on government securities) for various maturities is formed and securities prices are set. As a result, the reopening of the securities market after the suspension of its operation because of the sanctions did not involve any sharp fluctuations in asset prices.

Even after a number of international payment systems exited the Russian market, the country's NPS continued to operate without any disturbances. This became possible as the processing of all transactions inside the country on payment cards, including cards of international payment systems issued by Russian banks, had been transferred to the National Payment Card System back in 2014.

Amid the sanctions, the demand for Mir cards surged. This rise was also driven by the development of the cashback service. In addition, increasingly more people started to use Mir cards to pay for transport, and the Mir payment system was actively used in social projects.

The Faster Payments System was quickly developing. It became more demanded among businesses as the maximum amount of one transaction was raised to ₽1 million.

The Financial Messaging System became the key channel for exchanging payment information for banks disconnected from the SWIFT. The number of messages via the FMS more than tripled compared to 2021. Despite the external challenges, the percentage of cashless payments in retail continued to go up steadily.

An important stage in the advancement of the NPS and its transition to a new technological level was the development of the digital ruble. In 2022, the Bank of Russia and



market participants completed the testing of the digital ruble platform prototype and carried out the piloting of the full-scale solution of the platform. The implementation of this project will create more payment options for people, businesses, and the Government and boost the development of new products and services.

In the conditions of the sanctions and the rapid development of remote financial services, cyber risks notably increased. In the course of its supervision, the Bank of Russia especially focused on information security issues. The regulator carried out cyber trainings for financial market organisations, namely banks, non-governmental pension funds, professional securities market participants, and NPS entities. By simulating real cybersecurity threats, the Bank of Russia tested supervised organisations' capacities to identify and respond to cyber risks. Besides, the Bank of Russia tested its systems for cyber resilience and security in the course of internet communication.

The changed environment provoked acute problems for financial market participants with regard to the substitution of imported hardware and software. To address these issues, the sectoral committee Finance was created under the Bank of Russia. The committee includes representatives of systemically important organisations, the Ministry of Digital Development, Communications and Mass Media, the Ministry of Industry and Trade and the Ministry of Finance of the Russian Federation, Association for Development of Financial Technologies, Russian Software Products Association 'Russian Software', and sectoral associations.

As before, the Bank of Russia attached great importance to illegal operations in the financial market. Benefiting from the increased uncertainty in the economy and advanced technologies, malefactors intensified their activity. In response, the Bank of Russia upgraded its system for detecting illegal entities and was closely cooperating with the law enforcement agencies. In 2022, the Bank of Russia initiated the blocking of or limited access to over 8,900 internet resources used by illegal financial market participants and financial pyramids.

To increase the efficiency of credit institutions' efforts aimed at detecting their clients' transactions causing suspicions about possible money laundering and terrorism financing, the Bank of Russia launched its platform Know Your Customer. From 1 July 2022, all credit institutions can use this platform to receive up-to-date information on legal entities and individual entrepreneurs² included in one of the three risk groups of suspicious transactions. The deployment of the KYC platform is expected to reduce the regulatory burden on bona fide businesses, in the first place small and micro enterprises, as credit institutions' compliance units focus their efforts on high-risk clients' transactions.

The first results of the operation of the KYC platform show that credit institutions decreased the number of refusals to low-risk clients, while refusals to risky clients became much more frequent. Thus, in 2022, credit institutions prevented the withdrawal of nearly ₽30 billion into the shadow economy.

After the enactment of the sanctions by unfriendly states, their currencies became 'toxic' for Russian economic agents. An increase in settlements with friendly countries in the national currencies became critical for ensuring and developing foreign

² Other than credit institutions, state and municipal authorities.



trade. In 2022, the Bank of Russia was actively developing the bilateral cooperation with the central banks of these countries, especially focusing on the regulatory support for cross-border settlements amid the restrictions imposed by a number of states. The Bank of Russia carried out the work aimed at establishing the relations between Russian financial institutions and foreign partners and launching on-exchange trading of currency pairs. With the engagement of the Bank of Russia, in 2022, the Moscow Exchange launched the trading of the following currencies for rubles: the Armenian dram, the Kyrgyz som, the Tajik somoni, the South African rand, and the Uzbek sum.

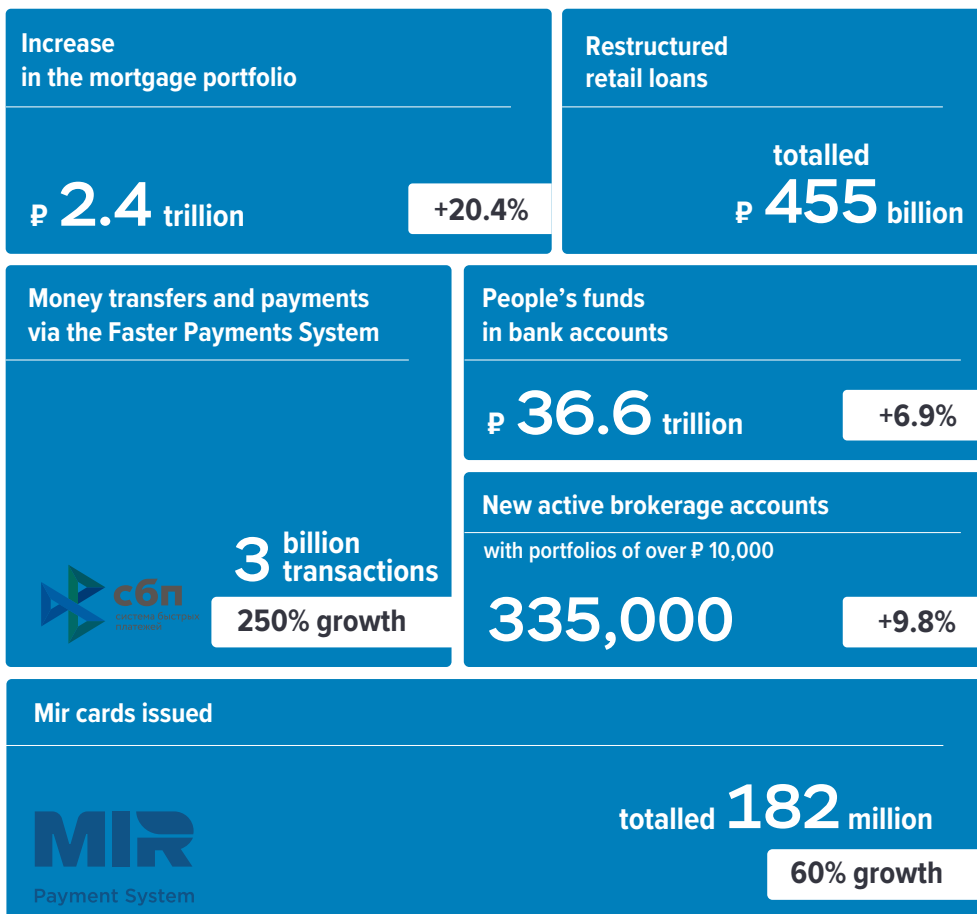
As of the end of 2022, the Russian financial system remained completely effective and capable of providing all necessary services and resources to people and businesses. The Bank of Russia continued the work to create conditions for the advancement of and innovations in the financial market and to increase its resilience to external threats.



Key results of the measures

taken to support the economy, people, and businesses and stabilise the financial market in 2022

PEOPLE



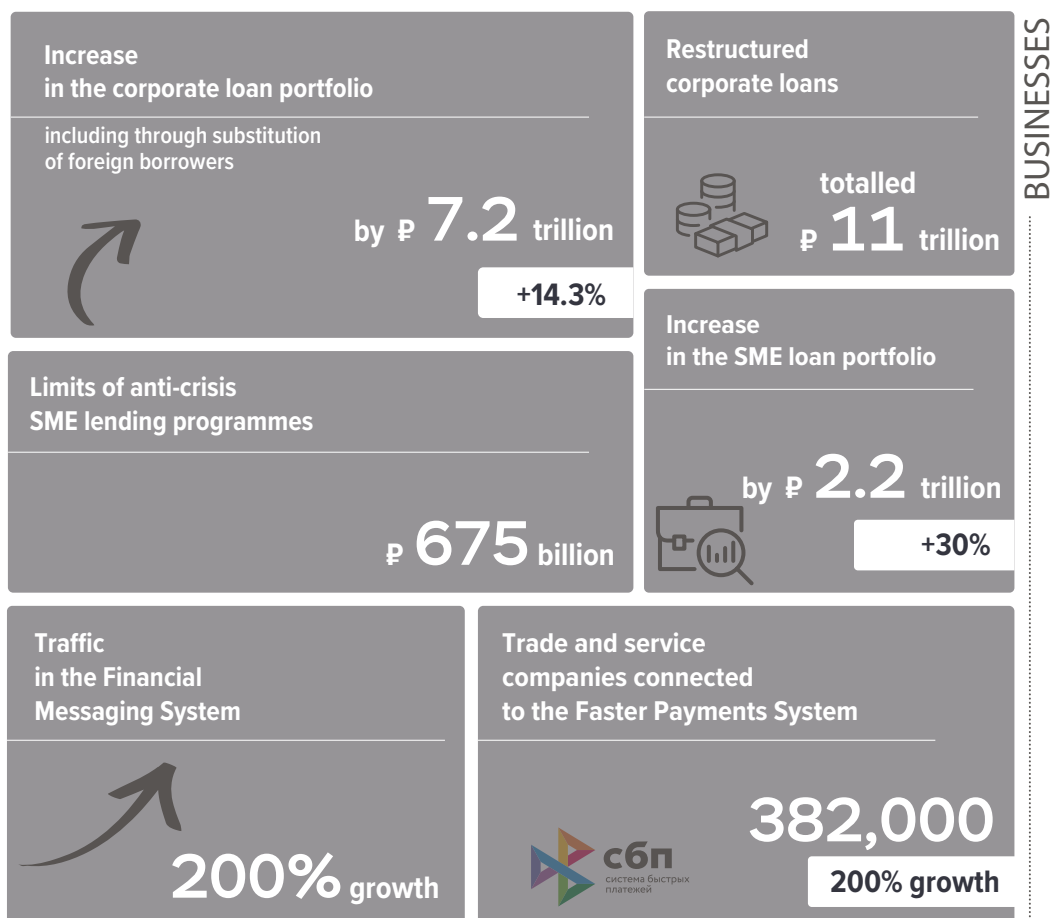
Indicators as % – changes over 2022

Price and financial stability

Uncontrollable growth in prices and ruble devaluation were prevented

Stability in the financial market was maintained





Indicators as % – changes over 2022

Confidence in banks was retained, and an outflow of deposits was prevented

Continuity of payments inside the country was guaranteed



1



The state of the economy and financial sector of the Russian Federation

The rapid deterioration of the geopolitical situation in 2022 became the main factor affecting the Russian economy. The enactment of the sanctions launched large-scale transformations in almost all areas of the country's economic activity. The closing of important target markets for the main Russian export goods and the bans and restrictions on the import of consumer and industrial products to Russia necessitated a redirection of trade channels.

The imposed sanctions slowed down economic activity. The decrease in value added was most notable in trade. Disruptions in equipment and component supplies entailed a contraction of manufacturing output.

Nevertheless, companies gradually started to establish new business relations and find new partners. Output was supported by the steadily growing construction sector and agriculture owing to the record-large harvest. The economy began to recover.

Already by the middle of the year, following the revival in economic activity, the demand for labour almost returned to its pre-crisis level. As of the end of 2022, the number of employed persons was 0.4% higher than in the previous year.

Overall, in 2022, Russia's GDP (the output approach) declined by 2.1% in annualised terms, which is much better than expected at the outbreak of the crisis.

The sanctions enacted in late February induced a considerable decrease in the ruble exchange rate and, consequently, a rise in depreciation and inflation expectations. Households started to purchase consumer goods for future use. All this accelerated inflation which peaked to 17.8% in April. Moreover, non-food prices were rising most notably.

Nonetheless, the implemented anti-crisis measures, including the key rate increase and the introduction of the foreign exchange control, helped reduce the volatility of the exchange rate. Households opted to save rather than consume. Further on, as the economy adjusted to the changed external conditions, problems with supplies and product manufacturing became less acute, and the supply in the market was sufficient. Furthermore, the country had of a good harvest of many agricultural crops in the second half of the year. As a result of these disinflationary factors, the growth of product prices was steadily decelerating from May. By the end of the year, inflation slowed down to 11.9%.

In the conditions of the capital controls, the ruble exchange rate was determined based on the ratio of the demand and supply in the FX market, mostly in operations



related to international trade in goods and services. The movements of the ruble exchange rate predominantly depended on the ratio of importers' demand for foreign currency and exporters' supply of foreign currency. A surge in global prices for energy commodities in 2022 and the shrinkage of the import of goods and services due to the sanctions caused a substantial expansion of the surplus of the current account, namely from \$122.3 billion in 2021 to \$233.0 billion in 2022. Moreover, the surplus of foreign trade in goods increased from \$190.3 billion in 2021 to \$308.0 billion in 2022. As of the end of the year, the ruble strengthened by 5.3% against the US dollar, by 10.0% – against the euro, and by 15.1% – against the Chinese yuan.

These exchange rate dynamics contributed to the dedollarisation of household and corporate deposits. The annual growth rate of money supply in the national definition (the M2 aggregate) was considerably higher than that of broad money: 24.4% and 13.1%, respectively.

Over the year, households' funds in current accounts and deposits were up by 17.2% and 18.2%, respectively. This was driven by a temporary rise in deposit rates following the key rate increase in February 2022, a significant amount of social benefits and pensions paid in December, and the conversion of a part of depositors' funds into rubles after the introduction of the restrictions on foreign currency withdrawals. Legal entities' funds also surged amid high prices for energy commodities.

As before, the main source of money supply was bank lending. Outstanding corporate loans were up by 14.3%. This notable increase was largely associated with the government support of lending to systemically important enterprises, the expansion of project finance in housing construction, the substitution of foreign borrowings, and financing of large investment projects. The weighted average interest rate on new ruble loans to non-financial organisations for more than one year decreased by 1.2 percentage points from the beginning of 2022 to reach 8.6% per annum in December 2022.

The mortgage portfolio¹ expanded by 20.4%, mostly driven by subsidised lending programmes. The increase in the Bank of Russia key rate had only a partial effect on interest rates under these programmes.

Growth in unsecured consumer lending slowed down considerably, specifically from 20.1% in 2021 to 2.7% in 2022. High uncertainty forced banks to tighten their credit policies and made borrowers behave more cautiously.

The expansion of money supply was largely associated with the inflow of funds into the economy as a result of increased budget expenditures. Instead of the planned tightening of its fiscal policy, the Government of the Russian Federation had to shift towards a new stage of its easing. To cover the deficit that had formed, the Government used the resources of the National Wealth Fund and internal borrowings. In 2022, OFZ placements by Russia's Ministry of Finance in the primary government securities market totalled ₴3,281.3 billion at face value,² which was 24.46% more than the year before. OFZ yields (Cbonds-GBI)³ increased by 120 basis points over the year to 9.61% per annum.

¹ The growth rates adjusted for securitisation transactions do not include the loan portfolios placed in mortgage pools in previous reporting periods.

² According to the auction reporting of the Russian Ministry of Finance.

³ The index of effective yields on government bonds calculated by the Cbonds.ru information agency.



The indices of Russian issuers' shares mostly declined. This was attributed to the sanctions, the suspension of dividend payouts by some companies, and the restriction of access to Russian securities for foreign investors. The MOEX Index (calculated based on prices of ruble-denominated shares) dropped by 43.1%, whereas the RTS index (calculated based on prices of US dollar-denominated shares) – by 39.2%.

Overall, the Russian financial sector demonstrated its high resilience in the conditions of the sanctions and continued to perform its intermediary function in the economy. The banking sector managed to earn a small profit of ₹203 billion as of the end of the year. This became possible owing to a gradual restoration of its principal earnings amid lower interest rates and the economic revival in the second half of 2022.

Insurance market segments demonstrated diverse dynamics, but the situation was mostly stable. Insurance premiums totalled ₹1,816.7 billion as of the end of 2022, increasing by 0.5% compared to the previous year.

Other financial market participants continued to develop their business despite the challenging economic conditions. The number of participants in voluntary pension schemes edged up by 0.7% as of the end of the 2022, to reach 6.2 million people.⁴ Microloans issued to consumers by microfinance organisations surged by 21% compared to the previous year. The number of brokerage clients at NFI PSMPs and CI PSMPs increased 1.4 times over the year, reaching 29.2 million. Opened individual investment accounts numbered 5.2 million as of the end of the year.

NPS entities were operating steadily without any disruptions. Money transfers via the Bank of Russia's systemically important payment system increased 1.7 times, as compared to 2021.⁵

According to the Bank of Russia's assessments, the level of competition in the financial market did not worsen.

⁴ The statistics are based on Reporting Form 0420253 'Progress Report on a Non-governmental Pension Fund's Operations' as of 31 December 2022.

⁵ Including operations to implement monetary policy, settlements in the interbank and financial markets, and payment card transactions.



1.1. The macroeconomic situation

1.1.1. EXTERNAL ECONOMIC CONDITIONS

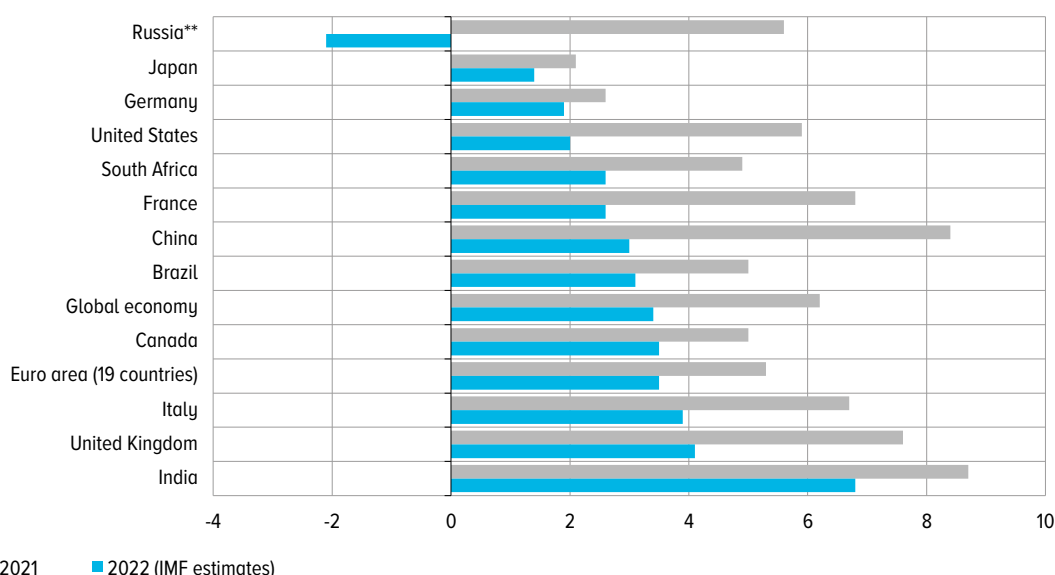


In 2022, the risk of a recession in the largest economies did not materialise. Price growth rates that had been exceeding the targets throughout the year began to edge down by the end of 2022, although staying high

Global economic growth. In the first half of 2022, the world economy demonstrated signs of a slowdown, including due to rising prices in many commodity markets, primarily energy commodity markets (partly because of geopolitical tensions), and the tightening of monetary policies by most central banks amid high inflation. Moreover, consensus forecasts assumed a most significant slowdown and even negative growth rates in a number of economies by the end of 2022. However, the situation in the second half of the year was better than expected. The major economies (in the first place, the euro area) managed to avoid a recession, and price growth started to decelerate. To a great extent, this was the result of the decline in energy commodity prices largely associated with the quarantine in China almost throughout the fourth quarter.¹ A positive fac-

GROWTH IN OUTPUT OF GOODS AND SERVICES IN THE GLOBAL ECONOMY
AND CERTAIN COUNTRIES*
(PER CENT)

Chart 1



* Based on IMF data (WEO Database, January 2023).

** For Russia, Rosstat estimates.

¹ As reported by Shell, 50% of the liquefied natural gas supplied to Europe in 2022 was redirected by exporters from the Chinese market.



tor for the European economies was large-scale government subsidies to compensate for losses caused by high energy commodity prices.²

International trade. According to the IMF, the slowdown of growth in the world economy decelerated the increase in the quantities of international trade in goods and services to 5.4% in 2022 (from 10.4% in 2021). Moreover, the expansion of foreign trade between emerging market economies (EMEs) and advanced economies slowed down more significantly than between advanced economies (from 12.1% to 3.4% and from 9.4% to 6.6%, respectively). This decline was attributed to the contraction in product imports to the CIS due to the restrictions enacted against Russia by foreign states.

Contrastingly, international trade in services, especially travel services, continued to recover. According to the UNWTO,³ the number of international tourist arrivals in 2022 nearly doubled compared to 2021 and was only 37% lower than in 2019, which was owing to the lifting of anti-coronavirus restrictions.

The World Trade Organization reported a double-digit rise in the value of international trade in goods and services in the first half of 2022. This was attributed to the surge in global energy commodity and food prices and expenditures for tourism and transportation services, year-on-year.



Global prices for energy commodities surged in 2022, but declined by the end of the year

Global commodity markets. Global energy commodity prices, on average, went up in 2022 compared to the previous year, amid the continuing rebound in the world economy after the pandemic and supply-side constraints. However, prices declined by the end of the year due to the uncertainty about the prospects of the world economy and the warm weather in Europe.

The Urals crude price rose, on average, to \$76 per barrel in 2022, which is 10% more than in 2021 (\$69 per barrel). This was associated with the expansion of global demand and the OPEC+ decision to cut the oil production quota by two million barrels per day and extend the agreement through 2023.⁴ In the second half of the year, prices edged down due to the sale of the US strategic reserves, a surplus in the market, and concerns about a slower increase in global oil consumption. The price cap set by Western states in December 2022 exerted additional pressure on the Russian crude price. The G7 countries, the EU, and Australia set the cap of \$60 per barrel. Companies from these countries were forbidden to provide services for sea transportation of Russian oil to third countries and for its insurance, as well as brokerage services, technical aid, and

² According to the Bruegel think tank, overall government allocations to support manufacturers and consumers from September 2021 to January 2023 as compensations for losses caused by high energy commodity prices totalled 7.4% of 2021 GDP in Germany, 5.2% – in Italy, 3.8% – in the UK, 3.7% – in France, and 3.4% – in Italy.

³ United Nations World Tourism Organization.

⁴ The OPEC+ made this decision at its meeting on 5 October 2022.



financing of operations related to oil supplies. However, these restrictions are not applicable if the sale price of oil does not exceed the above cap. Consequently, in December 2022, the Urals crude price declined to \$50 per barrel on average.

Gas price movements in Europe were mostly affected by the situation with the pipelines from Russia to the EU. Due to the problems with the repair and transportation of the turbines provoked by the sanctions, gas supplies to Europe through the Nord Stream 1 pipeline were first cut and then paused. Later on, the Nord Stream 1 and Nord Stream 2 pipelines were damaged. In such conditions, the gas price in Europe soared 2.5 times, on average, in 2022 compared to the previous year, hitting a new record high. Nonetheless, in autumn as European countries filled their underground gas storage facilities, the gas price edged down. In December, it dropped below the level recorded in December 2021.

The increase in gas prices in 2022 pushed up prices for fertilisers, which, coupled with higher transportation costs and limited supply, caused a rise in food prices. The FAO Composite Index⁵ of global food prices added 14% on average over 2022. Nevertheless, its rise slowed down during the year, and in December 2022, the index even lost 1% year-on-year (in December 2021 – growth by 23%).

Inflation worldwide. Throughout 2022, inflation in both advanced and emerging market economies was persistently elevated, which resulted from an excessively long period of accommodative policies in the largest economies during the pandemic, among other reasons. Price growth continued to speed up in the first half of the year and decelerated somewhat in 2022 Q3–Q4. This was partly explained by changes in prices for energy and other commodities. Another contributor to the slowdown of inflation in the second half of the year was alleviation of difficulties in logistics (including as economies overcame the consequences of the pandemic). Global shipping indices generally returned to their pre-pandemic levels.⁶

Monetary policies of foreign countries. Central banks in the main advanced economies and EMEs continued monetary policy tightening. Moreover, EMEs raised their policy rates quite significantly following inflation, which might be partially due to weaker anchoring of inflation expectations in these countries. Advanced economies raised their policy rates more slowly, combining these increases with the termination of programmes promoting demand and budget consolidation. In 2022, the US Fed and the ECB tapered their quantitative easing programmes.⁷ Besides, according to a number of monetary authorities' representatives, a slight cooling of economic activity and demand also contributed to the deceleration of inflation in advanced economies.

As inflation pressure weakened somewhat in 2022 Q3–Q4 in the majority of the largest economies, central banks in both advanced and emerging market economies were able to slow the pace of policy rate increases from 50–75 to 25–50 basis points. Besides, the central banks that had started the tightening earlier than others announced the completion of that cycle or a pause in policy rate increases. As to EMEs, these were

⁵ An index calculated by the Food and Agriculture Organization of the United Nations (FAO).

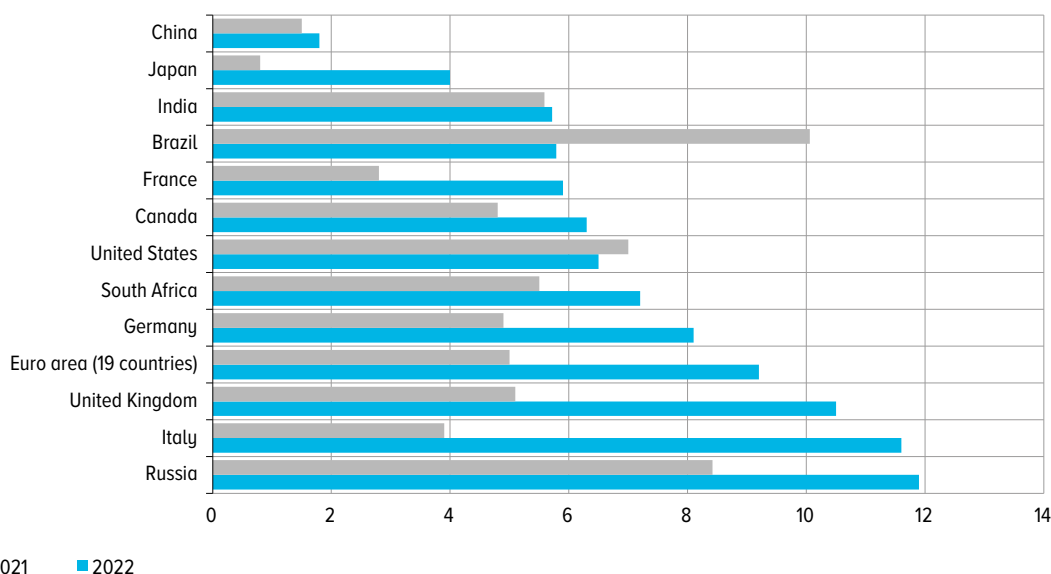
⁶ In particular, the Global Supply Chain Pressure Index calculated by the Federal Reserve Bank of New York moved from over 4.0 as of the end of 2021 to 0.9 by the end of 2022 (before the pandemic, the index varied from -1.0 to 1.0).

⁷ The US Fed tapered net asset purchases in March 2022, and the ECB – in July 2022.



INFLATION IN CERTAIN COUNTRIES*
(DECEMBER AS A PERCENTAGE OF PREVIOUS DECEMBER)

Chart 2



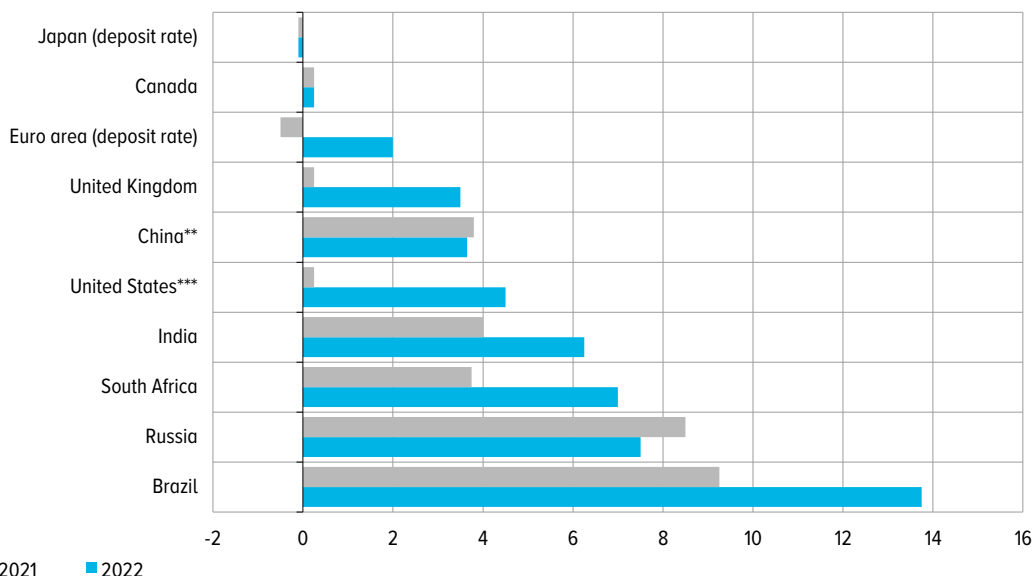
* Based on official statistics published by the corresponding countries.

Note. Inflation targets (average value): USA, UK, euro area, Canada, Japan – 2%; Brazil – 3.5%±1.5 pp; Russia – 4%; India – 4%±2 pp; South Africa – 3–6%.

the central banks of Brazil, Chile, Poland, Hungary, Kazakhstan and Indonesia. As regards advanced economies, these were the central banks of South Korea and Canada. However, the US Fed and the ECB are still cautious in estimating how steady the current slowdown of inflation is and signal the need to maintain tight monetary policies over a long period.

CENTRAL BANKS' KEY RATES*
(PER CENT P.A. AS OF END OF YEAR)

Chart 3



* Based on data provided by respective central banks.

** Loan prime rate.

*** Upper bound of the key rate corridor.



Exchange rates and capital flows. In 2022, advanced economies' currencies were depreciating for the most part as the US Fed and the ECB normalised their monetary policies.⁸ The US Fed started to raise the funds rate in March, and by the end of the year, it increased by a total of 4.25 percentage points. The ECB began to raise the policy rate in July, and by the end of the year it was up by a total of 2.5 percentage points. As a result, according to the IIF,⁹ the inflow of capital into EMEs' shares and bonds totalled \$34 billion in 2022, shrinking by over 90% versus 2021 (\$380 billion). Moreover, the inflow of funds almost stopped in December, amounting to as little as \$2 billion (compared to \$37 billion in November).

The exchange rate of the ruble in 2022 was mostly affected by the sanctions and their consequences. The real effective exchange rate of the ruble against foreign currencies weakened in 2022 Q1 due to the escalation of geopolitical tensions and the start of the tightening of trade and financial restrictions against Russia. However, already in 2022 Q2, the contraction of imports and high energy commodity prices that supported exports caused an increase in the surplus of the current account of the balance of payments. Combined with the restrictions on financial transactions, this contributed to a significant appreciation of the ruble. In 2022 Q3, the strengthening of the real exchange rate of the ruble slowed down as the surplus of the current account declined amid the rebound in imports and the contraction of exports. In 2022 Q4, the real exchange rate of the ruble began to weaken. Overall, as of the end of 2022, the real effective exchange rate of the ruble rose by 26%.

GROWTH IN EXCHANGE RATES OF CERTAIN CURRENCIES AGAINST THE US DOLLAR IN 2022*
(DECEMBER AS A PERCENTAGE OF PREVIOUS DECEMBER)

Chart 4



* '-' denotes the appreciation of the US dollar; '+' denotes its depreciation.

⁸ The JP Morgan Emerging Market Currency Index (FXJPEMCI) lowered from 52.3 in December 2021 to 50.0 in December 2022. The FXJPEMCI index is calculated by JP Morgan for ten main EM currencies (BRL, CLP, CNY, HUF, INR, MXN, RUB, SGD, TRY, and ZAR) against the US dollar.

⁹ IIF – Institute of International Finance.



1.1.2. INFLATION AND ECONOMIC ACTIVITY

PRODUCTION ACTIVITY

In 2022, the Russian economy was developing in the conditions of massive supply shocks. At the end of February–March, Russian enterprises faced the sanctions, including on exports and imports, enacted by unfriendly states, and a number of foreign companies exited the Russian market. These events boosted the structural transformation of the Russian economy and, accordingly, the adjustment of potential output. As a result, after the decline in 2022 Q2, GDP started to bounce back as early as Q3: its sequential growth rates (SA)¹ turned positive. Overall, in 2022, Russia's GDP (the output approach) contracted by 2.1% in annualised terms (vs +5.6% in 2021).

The main drag on GDP was the decrease by 12.7% in value added in trade, with activity contracting in both retail and wholesale. Output was supported by the public sector, agriculture, construction, finance, mining and quarrying, and certain segments in services.

Retail turnover shrank by 6.7% in 2022, including by 1.5% in food products and 11.1% in non-food goods. This was attributed to both demand- and supply-side factors. As to the former, those were a reduction in household real disposable income and a rise in savings, including due to the precautionary motive (see [Subsection 'Domestic demand and labour market'](#)). As regards supply-side factors, the contraction in retail was caused by the exit of a number of foreign brands from the market (mostly in the non-food segment) and, consequently, the need for replacement of suppliers and rearrangement of logistics processes.

Wholesale turnover declined by 14.5% in 2022, predominantly because of the decrease in natural gas output following the restrictions on gas exports imposed by European countries. Contrastingly, the total output in primary industries edged up by 0.8% in 2022, driven by the expansion of crude oil production (+2.1%) and the volume of mining and quarrying services (+5.6%). In 2022 Q4, an important positive contributor to the output in primary industries was an increase in coal output, despite the embargo on the export of Russian coal to the EU that became fully effective on 10 August. This became possible owing to the redirection of supplies to Asia demonstrating higher demand for Russian coal, including because of the discounts. As a result, coal output in 2022 Q4 was 0.7% higher year-on-year (SA). Overall, as of the end of 2022, gross value added in mining and quarrying rose by 0.4%, driving value added in pipeline and land transportation which was up by 0.3%.

Despite this, value added in **transportation** in general edged down by 1.8% in 2022, dragged down by a slump in cargo and passenger air transportation. Value added in air transportation plummeted by 24.1%, primarily because of the closure of airports in 11 Russian cities and the ban on direct flights to the EU from the end of February 2022.

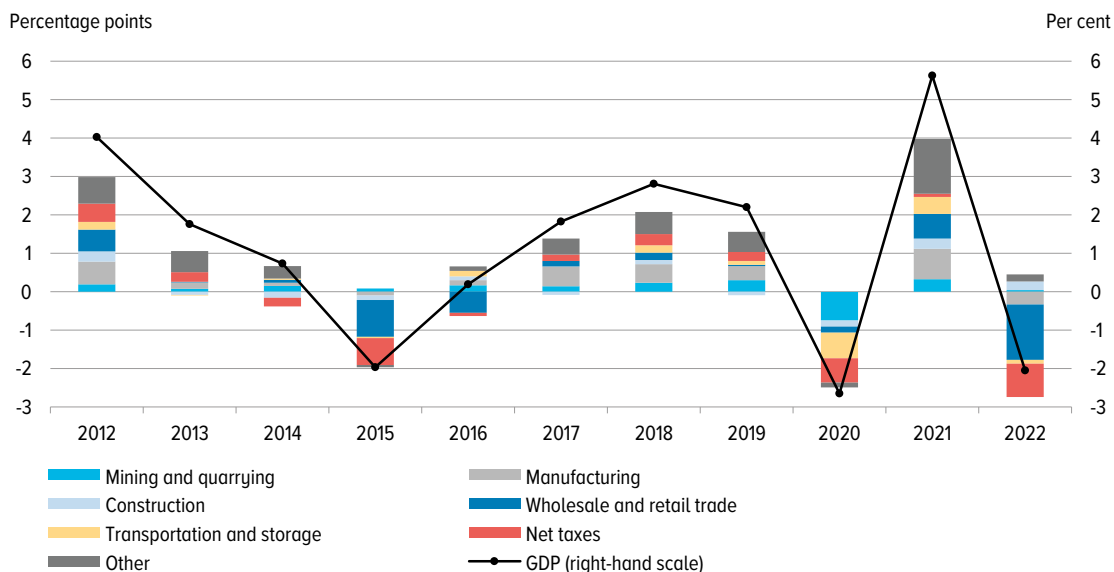
In **manufacturing**, value added declined by 2.4% in 2022, mostly due to more severe disruptions in equipment and component supplies. As of the end of the year, out-

¹ The Bank of Russia's seasonally adjusted assessments.



GDP BY MAJOR ECONOMIC ACTIVITY
(CONTRIBUTION TO ANNUAL GROWTH)

Chart 5



Sources: Rosstat, Bank of Russia calculations.

put contracted in all large categories of manufacturing. According to the Bank of Russia's assessments, the output of intermediate goods shrank by 1.0%, predominantly in chemicals, wood processing and metallurgy. The total output of petroleum products slightly declined over the year, but from 2022 H2 predominantly demonstrated an upward trend, reaching the level of 2021 Q4 already in 2022 Q4 (SA). The output of consumer goods shrank by 2.8%, dragged down by the non-food segment, primarily cars. Output was supported by the increase in the manufacture of pharmaceuticals and food. The output of investment goods edged down by 0.9% over the year, including because of the manufacture of other transport equipment and electrical equipment. Nevertheless, output in some groups of goods was up, namely the manufacture of computers, electronic and optical products, machinery, and equipment).

Companies' financial performance was affected by more expensive logistics and higher costs resulting from the substitution for new suppliers of finished goods and components. In 2022, overall financial performance in the economy declined by 12.6% after its surge 2.6 times in 2021. The contraction was more notable in the largest industries, namely the mining and quarrying sector and trade (-14.8%). Nonetheless, the reduction in financial performance and higher economic uncertainty did not decrease fixed capital investment which was up by 4.6% as of the end of the year, driven by high investment activity in 2022 H1, among other factors.

The increase in value added was most significant in **agriculture** (+6.6%). As reported by Rosstat, the gross yield of grains and grain legumes in 2022 totalled 153.8 million tons, which is 26.7% more than in 2021 and 23.1% more than the average of the five previous years. The harvest of wheat also hit a record high of 104.4 million tons, rising by 37.3% compared to 2021. The gross yield was up owing to the increase in both cultivation areas and harvest. The gross yield of oil crops, sugar beet, potatoes and open-field vegetables was higher than or close to the levels of the previous year.



Over 2022, there was a steady expansion in construction, driven by the non-residential and infrastructure segments, according to assessments. Output in construction in 2022 Q4 was 6.1% higher year-on-year (SA). As of the end of 2022, gross value added in construction edged up by 5.0%, and in real estate transactions – by 0.4%.

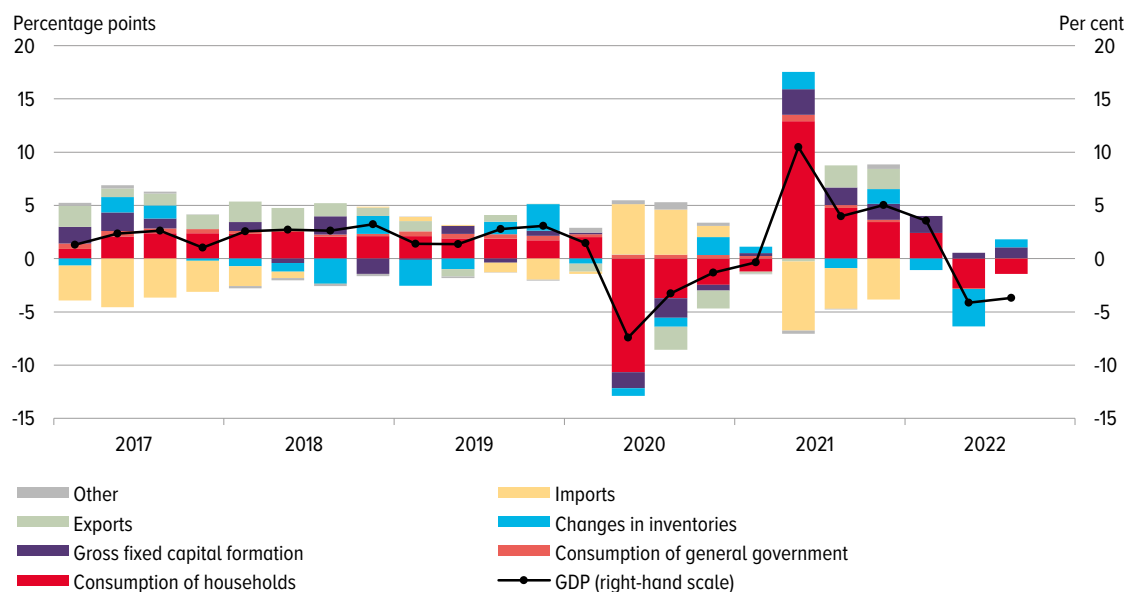
DOMESTIC DEMAND AND LABOUR MARKET

In 2022, economic activity contracted mostly because of lower domestic demand. Household final consumption decreased by 1.8% and gross capital formation – by 3.2% (predominantly due to a reduction in inventories). Domestic demand was dragged down by the decline in real disposable income (by 1.0%) and the increase in households' propensity to save because of a stronger precautionary motive and rising uncertainty, the exit of Western companies, and lower supply of some types of goods and services (see [Subsection 'Production activity'](#)). By contrast, gross fixed capital formation expanded by 5.2%, supported by government expenditures and earlier approved investment projects.

Individual components of GDP by expenditure changed diversely throughout the year. Consumer activity plummeted in March–April, but started to recover sequentially already from May. At the beginning of autumn, consumption again contracted due to the effects of the partial mobilisation and emigration, but they were short-term and considerably weakened by the end of the year. As of the end of 2022, retail decreased, mostly dragged down by the non-food segment, whereas public catering and commercial services to households expanded by 4.7% and 3.6%, respectively. Such uneven trends across categories were explained by changes in the structure of demand: as the supply of non-food goods shrank, consumer demand shifted towards other segments,

GDP BY EXPENDITURE
(CONTRIBUTION TO ANNUAL GROWTH)

Chart 6



Sources: Rosstat, Bank of Russia calculations.



e.g., public catering and services, including tourism services. Gross fixed capital formation stayed high for the most part of the year, although it decreased in 2022 H1 and then gradually bounced back in 2022 H2.

The **labour market** faced significant changes in 2022. March recorded a reduction in the demand for labour and the median real wage, caused by the negative shock of aggregate demand, and an outflow of labour abroad. The anti-sanction policy implemented by the Bank of Russia and the Government of the Russian Federation contributed to the recovery of the demand for labour. As a result of using part-time employment schemes, the decrease in real wages slowed down somewhat. Overall, the number of employed persons was 0.4% higher in 2022 than in the previous year, which was primarily associated with the revival of economic activity. Unemployment edged down from 4.3% in December 2021 to 3.7% in December 2022.

INFLATION

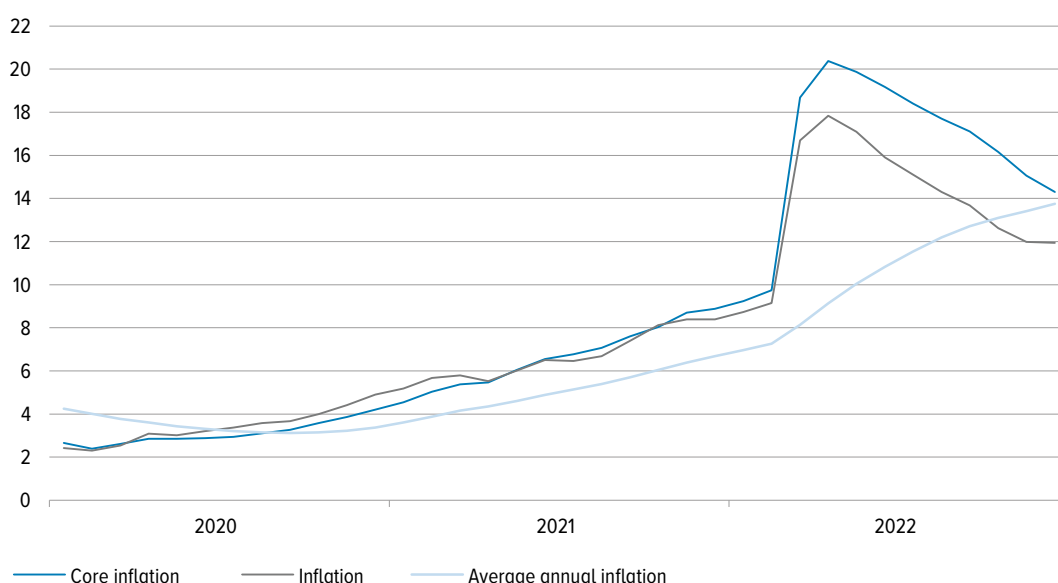
By the end of 2022, inflation equalled 11.9%, with prices changing under the impact of totally different groups of factors and demonstrating very uneven trends throughout the year.

In January–February, the annual growth of prices for goods and services, which started to rise from August 2021, **continued to speed up moderately** (to 9.2%). That acceleration was associated with the consequences of global imbalances caused by the coronavirus pandemic, including demand and supply gaps in certain product groups, the pressure of higher costs on prices, and one-off factors such as fluctuations in tourist flows.

At the end of February–March, the external sanction pressure intensified rapidly, entailing disruptions in business relations, the contraction of supply of a range of

INFLATION, CORE INFLATION, AND AVERAGE ANNUAL INFLATION*
(GROWTH AS A PERCENTAGE OF CORRESPONDING MONTH OF PREVIOUS YEAR)

Chart 7



* Reflects changes in the average level of prices over 12 months to the average level of prices over the previous 12 months.
Sources: Rosstat, Bank of Russia calculations.



goods, the ruble depreciation, the worsening of consumer sentiment, and soaring demand. Inflation accelerated to 17.8% in April (the maximum since January 2022).

Prices for non-food goods started to rise earlier, with their annual growth peaking to 20.3% already in March. That surge was mostly due to non-durables which became much more expensive because of the ruble weakening and soaring demand. The annual growth rates of prices for household appliances, electronic devices and cars sped up to 19.7–42.1%.

Annual food inflation peaked to 20.5% in April, with prices for non-perishable food products and food imports growing most notably. Specifically, sugar, margarine, rice and fruit were 25.8–67.4% more expensive in April year-on-year.

The annual increase in prices for services sped up to 10.9% in April, mostly because the ruble weakening affected prices in the market segments of tourism, transportation and health services.

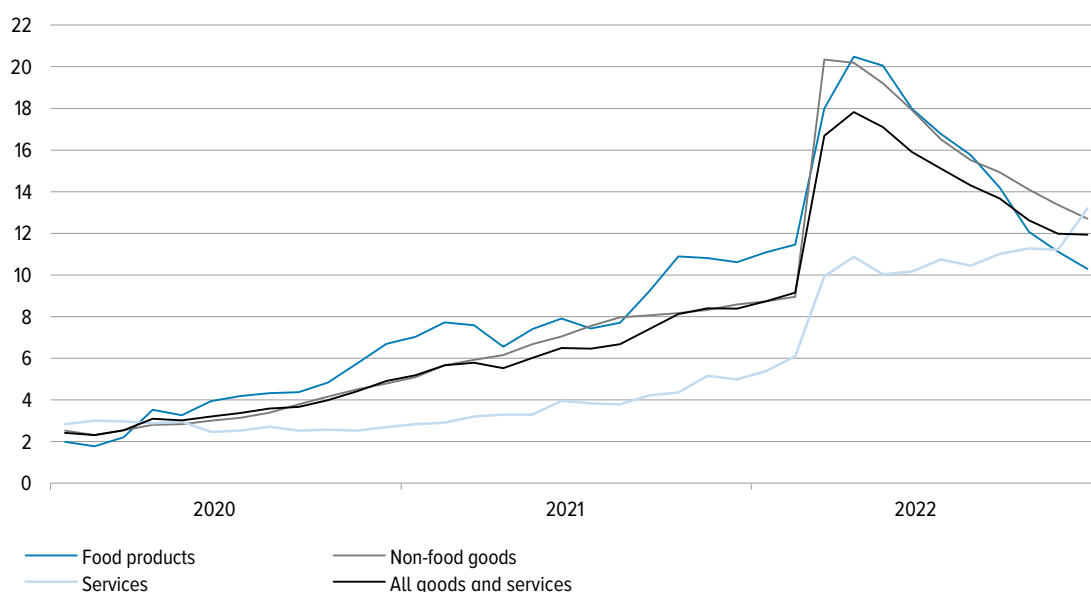
From May, annual growth in product prices started to slow down steadily. The main disinflationary factors included a quick strengthening of the ruble, a deceleration in demand after its surge and, later on, consumers' switch to cautious behaviour. An important contributor to the slowdown of inflation was sufficient supply ensured by businesses' extensive efforts to rearrange their production and logistics processes, government measures to support manufacturers and imports, and restrictions on exports. In 2022 H2, a good harvest of many agricultural crops became another disinflationary factor.

However, as of the end of 2022, annual inflation exceeded the level of 2021. **Core inflation**, which is an essential indicator of steady price pressure, **sped up by 5.4 percentage points, reaching 14.3%.**

Among the main components of inflation, the growth of prices for services accelerated most significantly over the year, specifically by 8.2 percentage points to 13.2%.

PRICES OF GOODS AND TARIFFS OF SERVICES
(GROWTH AS A PERCENTAGE OF CORRESPONDING MONTH OF PREVIOUS YEAR)

Chart 8



Source: Rosstat.



This was mostly because of the rescheduled indexation of utility tariffs from July 2023 to December 2022 and more expensive foreign travel. Inflation for food, excluding fruit and vegetables, accelerated the least, namely by 1.7 percentage points year-on-year to 12.0%. Fruit and vegetables were cheaper in December than the year before.

Inflation fluctuations and rising overall uncertainty affected households' and businesses' inflation expectations. In March–April 2022, they rose to multi-year highs, pushed up by faster inflation. In the next months, amid the fast adjustment of the economy and the slowdown of inflation, they were declining although stayed elevated as of the end of the year.

In 2022, the regional heterogeneity of inflation increased, largely due to more uneven trends in prices for services. Prices in the foreign tourism segment were especially volatile, impacted by the closure of a number of destinations and the sanctions against Russian air carriers. The lowest price growth rates were recorded in the majority of areas in the Volga Region, whereas the highest ones – in North-Western regions. An additional factor of the increase in the heterogeneity of inflation was the indexation of utility tariffs as its parameters usually vary across regions.

Another component impacting the heterogeneity of inflation was fruit and vegetable prices. They declined in a number of regions, most notably in the South, whereas the Far East, to the contrary, faced a rise in fruit and vegetable prices, which was because the anti-pandemic restrictions in China affected imports from this country.

1.1.3. FISCAL POLICY, GOVERNMENT FINANCE, AND DOMESTIC GOVERNMENT DEBT



Fiscal policy was adjusted considering the need to finance higher expenditures

In 2022, as the sanction pressure intensified drastically, the Russian Ministry of Finance was forced to abandon its initial strategy for fiscal consolidation and the return to fiscal rule-based expenditure budgeting. From February 2022, the fiscal rule was suspended in relation to federal expenditure planning and budgeting, as well as fiscal rule-based operations in the FX market. As a result, it became possible to use the entire amount of oil and gas revenues to finance the expenditures without replenishing the National Wealth Fund (NWF). During 2022, in order to finance the national defence and security actions and the anti-crisis measures supporting the economy and people amid the sanction pressure, the planned expenditures were raised by 22.4% (from ₹23,694 billion¹ to ₹29,006 billion,² while the consolidated breakdown of budget expenditures had already been increased by 25.6% from ₹25,407 billion to ₹31,915 billion). Thus, instead of the earlier planned tightening of its fiscal policy with a gradual reduction in the basic deficit of the federal budget³ from 2.1% of GDP in 2021 to 1.6% of GDP in 2022,⁴ the Russian Ministry of Finance started a new stage of fiscal policy easing with the basic deficit expected to expand to 4.4% of GDP as of the end of 2022. Accordingly, instead of the originally planned decrease in the non-oil and gas deficit of the federal budget in 2022 to 6.2% of GDP, the Russian Ministry of Finance assumed its expansion to 8.9% of GDP.

Despite the adverse impact of the sanctions, the revenue part of the budget was supported in 2022 by high oil and gas revenues amid the favourable environment in the hydrocarbon market and a still relatively high output of oil and gas commodities. Non-oil and gas revenues also exceeded the initial 2022 targets despite the expansion of the use of tax privileges (accelerated refunds of export VAT, deferrals for social insurance premiums, VAT and other taxes, cancellation of PIT on interest accrued on deposits, customs privileges, and others). As in 2021, additional non-oil and gas revenues largely resulted from the favourable environment in external trade and the payments of profit tax, MET and export duties for non-oil and gas commodities. In addition, as the situation in the labour market remained stable,⁵ this ensured a rise in the payments

¹ In accordance with Federal Law No. 390-FZ, dated 6 December 2021, 'On the Federal Budget for 2022 and the 2022–2023 Planning Period'.

² Pursuant to the Guidelines for the Fiscal, Tax, and Customs and Tariff Policy for 2023 and the 2024–2024 Planning Period.

³ The basic balance is the indicator of the federal budget execution under the fiscal rule calculated as the difference between the total of basic revenues (oil and gas revenues and non-oil and gas revenues) and federal budget expenditures.

⁴ Pursuant to the Guidelines for the Fiscal, Tax, and Customs and Tariff Policy for 2022 and the 2023–2024 Planning Period.

⁵ See [Subsection 1.1.2 'Inflation and economic activity'](#).



of PIT and social insurance premiums. As a result, the Government was able to allocate a record-high amount of extra revenues⁶ to finance the current budget expenditures (specifically, the unscheduled 10% indexation of pensions and social benefits from 10 June 2022), reducing the potential use of financial assets and borrowings to cover the deficit of the federal budget. At the regional level, wages in the social segment of the public sector were raised additionally, considering a faster increase in the average monthly wage across Russia in general. Nevertheless, the additional revenues turned out to be insufficient to cover the surge in the expenditures. The resulting budget deficit was covered from the resources of the NWF and internal borrowings. Besides, a part of the NWF's resources was invested within the Russian economy,⁷ which became another factor helping fiscal policy boost domestic demand.

FEDERAL BUDGET

As of the end of 2022, the federal budget was executed with a deficit of ₹3,295 billion, or 2.2% of GDP (in 2021 – a surplus of ₹524 billion, or 0.4% of GDP). The non-oil and gas deficit of the federal budget (net of one-time revenues)⁸ expanded from 6.6% of GDP in 2021 to 10.2% of GDP in 2022.



In 2022, the Government used the resources from the NWF amounting to ₹2,975 billion and made OFZ offerings totalling ₹3,121 billion (net offerings – ₹2,056 billion)

The Government covered the deficit of the federal budget, repaid the debt, and provided budget loans primarily from the NWF (₹2,975 billion) and through OFZ offerings (with their gross and net amounts equalling ₹3,121 billion and ₹2,056 billion, respectively). In May 2022, the foreign currency funds and gold (₹2,658 billion) accumulated from the additional oil and gas revenues of 2021 were transferred to the NWF for their use to cover the deficit of the federal budget and make investment within the Russian economy. After OFZ auctions in the primary government debt market were suspended in March–August 2022, the Russian Ministry of Finance increased internal borrowings at the end of 2022 predominantly offering variable-coupon bonds (OFZ-PK) to investors.

Federal budget revenues in 2022 reached ₹27,824 billion (18.4% of GDP), which is 10.0% higher than in 2021. The oil and gas revenues of the budget totalled ₹11,586 billion (7.6% of GDP), which is 27.9% more than in 2021 owing to the favourable price trends in the hydrocarbon markets. The non-oil and gas revenues of the federal budget totalled ₹16,238 billion (approximately the same as in 2021; net of the one-time revenues, the decline made 1.6%). The decrease in the revenues resulting from the tax priv-

⁶ Including the one-time revenues at the end of 2022 from MET payments and PJSC Gazprom dividends (nearly ₹1.9 trillion) associated with the favourable environment in the gas market.

⁷ Net investment from the NWF within the Russian economy in 2022 totalled about ₹10.9 trillion.

⁸ The one-time revenues received in 2022 included PJSC Gazprom dividends (₹0.6 trillion) and those received in 2021 – the payment from the Bank of Russia as profit from the sale of the equity stake in Sberbank and the environmental fine of PJSC MMC NORILSK NICKEL (₹0.3 trillion).

ileges, deferrals, and the cancellation of certain taxes and non-tax revenues was offset by the one-time revenues and relatively high payments of profit tax driven by the favourable environment in external trade. Federal budget expenditures rose by 25.7% to ₽31,119 billion (20.5% of GDP), although the planned expenditures in nominal terms were lower than in 2021. In addition to the expenditures on the anti-crisis measures, the unscheduled indexations of social transfers and the allocations for national defence and security, another significant factor of the growth of nominal budget expenditures was the acceleration of inflation from 8.4% as of the end of 2021 to 11.9% as of the end of 2022 (the recalculation of the budgeted costs). Additionally, expenditures for servicing government debt rose by 22.7% due to the expansion of government debt in 2020–2021, higher market interest rates, and the weakening of the ruble in early 2022.

FISCAL SYSTEM

The fiscal system formed a deficit in 2022 (₽2,108 billion, or 1.4% of GDP), as compared to a surplus in 2021 (₽1,046 billion, or 0.8% of GDP). The non-oil and gas deficit of the fiscal system (net of the one-time revenues) expanded from 6.2% of GDP in 2021 to 9.4% of GDP in 2022. Revenues of the Russian fiscal system in 2022 totalled ₽53,074 billion (35.0% of GDP), which is 10.3% higher than in 2021 ([Table 5 in Section 5.4 'Statistical tables'](#)). The fiscal system's non-oil and gas revenues increased by 6.2% compared to the previous year, reaching ₽41,488 billion (27.4% of GDP). Net of the one-time revenues, the non-oil and gas revenues of the fiscal system edged up by 5.6%.



The fiscal system's expenditures in 2022 totalled ₽55,182 billion (36.4% of GDP), which is 17.2% more than in 2021

Generally, the deficit of the fiscal system was localised at the level of the federal budget, while the consolidated budget of the constituent territories of the Russian Federation and the consolidated budget of government extra-budgetary funds had a surplus. A part of the federal budget expenditures at the end of 2022 included advance transfers to extra-budgetary funds and regional budgets to cover future expenditures of 2023. As a result, the federal budget deficit was partly offset through the partial creation of a surplus in other elements of the fiscal system. The transfers received at the end of 2022 were used for the execution of regional budgets and within extra-budgetary funds, replenishing the balances in the related accounts of the fiscal system.

The constituent territories of the Russian Federation maintained a budget surplus as of the end of the year, even though their expenditure commitments increased in 2022. The surplus of the consolidated budget of the Russian constituent territories totalled ₽51 billion (in 2021, the deficit amounted to ₽661 billion, or 0.5% of GDP). The revenues of the consolidated budget of the constituent territories of the Russian Feder-

ation expanded by 12.1% to reach ₽19,677 billion (13.0% of GDP). The expenditures of the consolidated budget of the Russian constituent territories increased by 16.2% to ₽19,626 billion (13.0% of GDP).

The budgets of government extra-budgetary funds turned from a deficit to a surplus. The surplus of the budget of government extra-budgetary funds totalled ₽1,106 billion, or 0.7% of GDP (in 2021, the deficit amounted to ₽157 billion, or 0.1% of GDP). Extra-budgetary funds' revenues increased by 18.6% to ₽16,427 billion (10.9% of GDP), including as a result of a 4.2% rise in earnings from social insurance premiums (despite the deferrals for social insurance premiums for individual industries in the amount of approximately ₽0.8 trillion). Extra-budgetary funds' expenditures were up by 9.3% to reach ₽15,321 billion (10.1% of GDP).

NATIONAL WEALTH FUND

The NWF's resources contracted by 23.1% in 2022, totalling ₽10,435 billion as of the end of the year (6.9% of GDP). Of this amount, the NWF's liquid assets (the funds in its bank accounts with the Bank of Russia) were equivalent to ₽6,133 billion (4.0% of GDP). Despite the replenishment in May 2022 from the additional oil and gas revenues accumulated in 2021, the NWF's liquid part decreased due to its extensive use to cover the budget deficit, investments within the Russian economy, and the currency revaluation of foreign currency assets amid the strengthening of the ruble over 2022. The amount of the NWF's resources invested in Russian assets also declined, primarily because the value of Sberbank and Aeroflot shares decreased more than two times over 2022.

GOVERNMENT DEBT

According to the Russian Ministry of Finance, the overall amount of Russia's government debt and municipal debt reached ₽25,984 billion as of 1 January 2023 (17.2% of GDP), which is 9.3% higher in nominal terms than in the previous year (it contracted by 0.4 percentage points relative to GDP).

The proportion of domestic debt in the overall amount of government and municipal debt equalled 84.4%, which is 3.2 percentage points more than as of 1 January 2022. The country's domestic debt totalled ₽18,781 billion (12.4% of GDP) as of 1 January 2023, increasing by 13.9% as compared to the previous year. Government securities (₽18,079 billion) accounted for the largest part (96.3%) of the country's domestic debt. State guarantees (₽702 billion) made the remaining portion (3.7%) ([Table 6 of Section 5.4 'Statistical tables'](#)). In the conditions of the considerable tightening of the sanctions against Russia, non-residents' portfolio in the OFZ market shrank by 35.8% in 2022 to ₽1,978 billion, and non-residents' share in the market – from 19.9% to 11.1%. As of the end of the year, systemically important credit institutions (SICIs) and collective investors remained the key players in the market. Russia's external debt totalled ₽4,039 billion as of 1 January 2023 (2.9% of GDP), shrinking by 8.9% in ruble terms. This decline was attributed to the ruble strengthening and the absence of new offerings of Eurobonds amid the redemption and amortisation of the earlier is-



sued ones. Non-residents' portfolio of government Eurobonds contracted by 18.3% over 2022 from \$20.0 billion to \$16.3 billion, whereas its share over the year shrank from 51.1% to 45.0% of the market. The Russian Government's debt to the Bank of Russia on government securities increased 1.8 times over 2022, from ₺246 billion as of 1 January 2022 to ₺450 billion as of 1 January 2023 ([Table 7 of Section 5.4 'Statistical tables'](#)).



1.1.4. BALANCE OF PAYMENTS, INTERNATIONAL INVESTMENT POSITION, AND EXTERNAL DEBT OF THE RUSSIAN FEDERATION

In 2022, Russia's balance of payments formed under the influence of favourable world prices for key commodities, which increased the surplus of the balance of trade and the current account to record highs, contributing to the expansion of net foreign assets. The growth of direct and portfolio investment was comparable with the amounts of 2021, whereas the increase in other investment sped up. Furthermore, amid the escalation of geopolitical tensions, a considerable part of the savings accumulated in the economy was allocated to repay external debt, including within the issue of substitute bonds and the repurchase of non-residents' stakes in Russian companies' equity.

The increase in Russia's net international investment position was driven by a more notable reduction in foreign liabilities, including as a result of significant revaluations, as compared to foreign assets.

During 2022, Russia's external debt decreased through the repayment of loans (specifically, within direct investment relationships) and a reduction in liabilities on sovereign securities.



Amid favourable world prices, the surplus of the current account reached a record high

RUSSIA'S BALANCE OF PAYMENTS

The **current account** surplus expanded from \$122.3 billion in 2021 to \$233.0 billion as of the end of 2022, driven by the increase in the surplus of the balance of trade that was partially offset by a rise in the deficit of other current account components.

As the value of goods exports was up, the surplus of **external trade in goods** increased from \$190.3 billion in 2021 to \$308.0 billion in the reporting year.

Exports of goods expanded by \$94.0 billion, compared to 2021, to reach \$588.3 billion as a result of both a higher value of supplies of mineral commodities and increased non-energy goods exports.

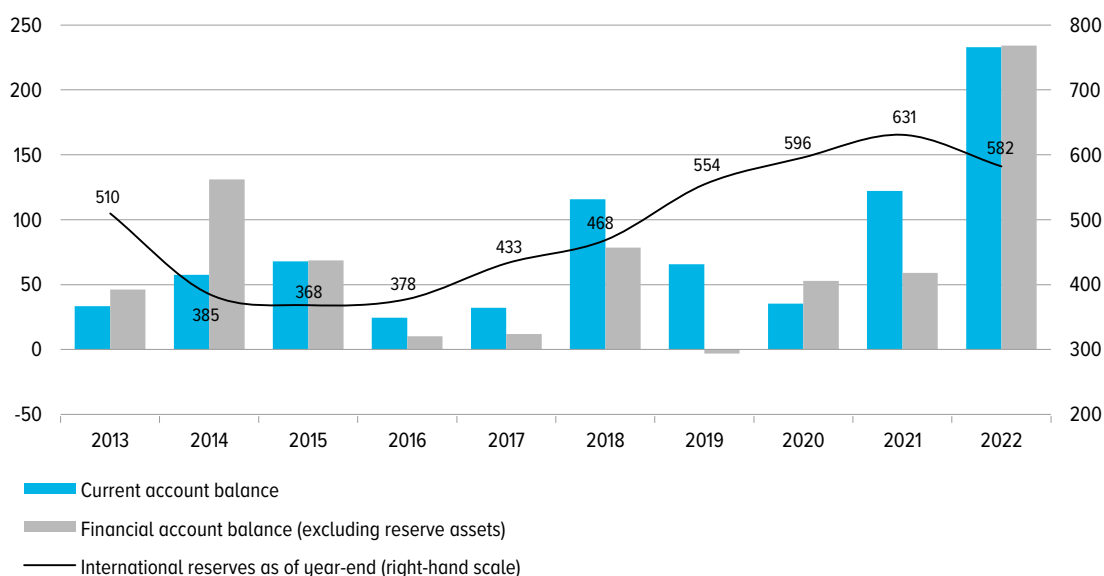
Exports were up across the majority of the main goods groups. Exports of mineral fuels increased most significantly, namely by 42.8% to \$383.7 billion. Exports of ferrous and non-ferrous metals, including products made of them, rose by 1.7% to \$47.9 billion. The value of exported chemicals increased by 10.9% compared to 2021 to reach \$42.0 billion. Exports of food products and raw materials for their manufacture expanded from \$36.0 billion in 2021 to \$41.3 billion in 2022. In contrast, exports of engineering products contracted by 20.5% compared to the previous year to \$20.4 billion.

Imports of goods shrank from \$304.0 billion in 2021 to \$280.4 billion in 2022.

The value of imports of machinery, equipment, and vehicles, which are the most important goods groups, declined by 18.6% to \$108.5 billion. Imports of chemicals and

RUSSIA'S MAJOR BALANCE OF PAYMENTS COMPONENTS AND INTERNATIONAL RESERVES
(BILLIONS OF US DOLLARS)

Chart 9



products of allied industries expanded by 6.0% to \$57.1 billion. Imports of food products, including raw materials for their manufacture, amounted to \$35.7 billion, which is 4.9% more than in 2021.



The deficit of the balance of external trade in services expanded to \$22.2 billion as a result of the significant reduction in exports

The deficit of the balance of **external trade in services** expanded to \$22.2 billion, with the decrease in both exports and imports of services.

Exports of services contracted by \$7.2 billion to \$48.5 billion. The value of transport services to non-residents declined by 17.5% to \$14.9 billion due to a decrease in passenger and cargo transportation. Nevertheless, the cancellation of the restrictions on foreigners' arrivals to the Russian Federation introduced earlier by the Russian Government due to the coronavirus pandemic contributed to the increase in exports of travel services from \$4.0 billion to \$5.5 billion over the reporting period. The value of other services provided to non-residents was down by 16.6% to \$28.1 billion.

Imports of services contracted by 6.9% to \$70.7 billion. The reduction was mostly caused by a decrease in the value of other services from \$48.3 billion in 2021 to \$36.1 billion in 2022, including because of the contraction of imports in the segment of payments for the use of intellectual property, imports of computer services, and imports of advertising, marketing and public opinion research services. The value of transport services provided by foreign companies shrank from \$16.2 billion to \$14.3 billion, primarily due to the decrease in cargo transportation by non-resident companies. Con-



trastingly, travel services imports nearly doubled from \$11.4 billion in 2021 to \$20.3 billion, driven by the increase in the number of Russians who travelled abroad and their average expenditures.

The balance of compensation of employees reversed from a surplus of \$0.2 billion in 2021 to a deficit of \$2.5 billion in 2022 as a result of a partial rebound in the number of non-residents temporarily employed in the Russian economy and growth in their labour compensation in US dollar terms.

The deficit of **investment income** contracted from \$43.3 billion in 2021 to \$41.9 billion in 2022. There was a decrease in both income accrued and payable to non-residents and income receivable from foreign investment due to residents. The major contributor was the deficit in direct investment income that contracted from \$29.6 billion in 2021 to \$28.8 billion in 2022. This reduction predominantly resulted from the decrease in direct investors' shares in domestic businesses. The balance of portfolio investment income changed from -16.4 billion to -\$18.7 billion, mostly because of the decline in residents' investment in foreign assets. In contrast, the surplus of other income expanded from \$2.8 billion to \$5.6 billion, partly because of the increased amount of assets placed by banks and the Central Bank abroad.

The deficit in the **secondary income account** surged 1.7 times compared to 2021, reaching \$8.4 billion, primarily due to an increase in personal transfer payments to the rest of the world.

The capital account reversed from a surplus of \$0.1 billion in 2021 to a deficit of \$4.6 billion in 2022, which resulted from growth in foreign capital investment.

Net lending to the rest of the world (the overall balance of the current and capital accounts) surged from \$122.4 billion in 2021 to \$228.4 billion in 2022. The ratio of net lending to GDP edged up from 6.6% in 2021 to 10.0% in 2022.

The surplus of the financial account expanded from \$122.5 billion in 2021 to \$226.8 billion in 2022. Net lending was almost equally the result of both the accumulation of foreign assets and the reduction in the economy's external liabilities. In terms of functional categories of investment, in contrast to 2021 when the largest amount of net lending to the rest of world was in the form of accumulation of reserve assets, the main form of net lending to the rest of the world in 2022 was the expansion of other investment.

Residents' **direct investment** on a net basis increased by \$29.1 billion in 2022 (by \$25.4 billion in 2021). The change in this indicator was mostly associated with the withdrawal of direct investment from the Russian economy by non-residents (in the amount of \$43.1 billion). Non-residents' shares in Russian companies' equity contracted to a lesser extent (by \$15.9 billion). The main reason for the decrease in direct investment was the repayment of debt instruments to related foreign structures, including within the issue of substitute bonds, and as a result of scheduled and early repayments of foreign liabilities on loans associated with the issue of Eurobond loans.

The contraction of residents' direct investment in foreign companies' equity was several times smaller as compared with the outflow of liabilities, namely \$14.0 billion.

Residents' **portfolio investment** increased by \$23.2 billion (by \$32.1 billion in 2021). The change in portfolio investment, just as in direct investment, predominantly result-



ed from a net decrease by \$34.0 billion in foreign liabilities to non-residents. Non-residents' investment in Russian companies' equity instruments contracted by \$18.6 billion, primarily because of the sale of securities by foreign investors in 2022 Q4. The amount of debt instruments in non-residents' portfolios declined by \$15.4 billion, including because of the repurchase of sovereign debt instruments from non-residents to be further on transferred to Russian depositories.

Residents' external portfolio investment assets decreased by \$10.8 billion. This change was mainly because of the reduction in investment in foreign issuers' debt instruments.

Debt on **financial derivatives** on a net basis decreased by \$3.2 billion (by \$0.7 billion in 2021) due to a more considerable reduction in residents' claims on foreign counterparties.

Other investment increased from \$2.1 billion in 2021 to 185.0 billion in 2022. External claims on non-residents surged by \$147.0 billion due to the accumulation of balances in non-financial corporates' foreign accounts resulting from growth in export revenues and other receivables, including outstanding accounts receivable.

External liabilities in the category 'Other investment' contracted by \$38.0 billion. The important contributor was the withdrawal of non-residents' funds from current and deposit accounts with Russian credit institutions and a decrease in outstanding accounts payable.

As a result of transactions recognised in the balance of payments, **reserve assets** contracted by \$7.3 billion (compared to the increase by \$63.5 billion in 2021).

RUSSIA'S INTERNATIONAL INVESTMENT POSITION



The positive net international investment position of the Russian Federation increased to \$770.4 billion due to a more significant reduction in external liabilities compared to foreign assets

As of 31 December 2022, **Russia's foreign assets** totalled \$1,613.2 billion, which is 2.3% or \$38.7 billion less than as of the end of 2021.

The dynamics of foreign assets across the functional categories of investment were diverse. Combined with the contribution of transactions, these dynamics largely reflected the negative revaluations resulting from, among other things, the decrease in the US dollar equivalent of instruments denominated in currencies other than the US dollar.

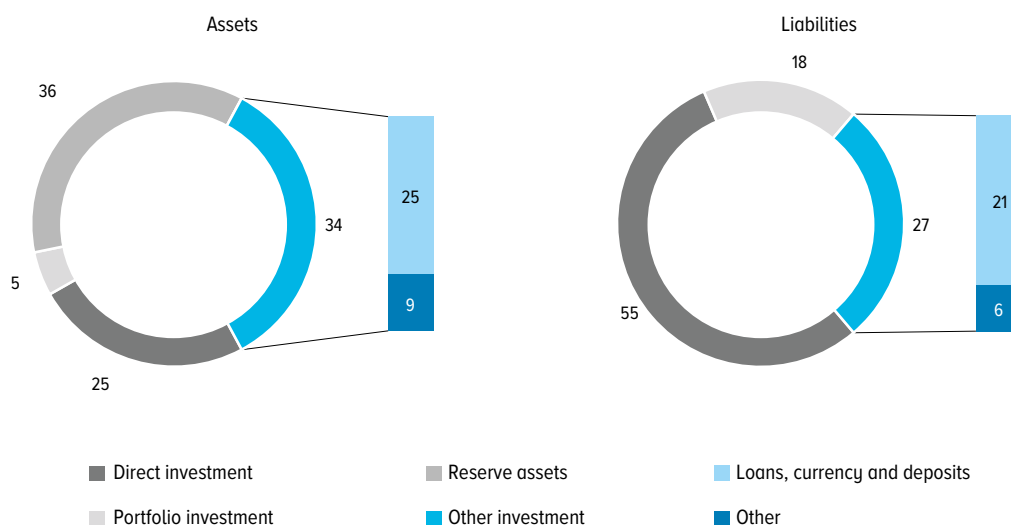
Direct investment contracted by \$89.2 billion to \$397.8 billion because of the reduction in residents' investment in foreign companies' equity, including due to other changes resulting from the redomiciliation of affiliated entities to the Russian jurisdiction.

Residents' **portfolio investment** in foreign instruments decreased by \$36.8 billion, or nearly a third, to reach \$80.6 billion, which was due to the depreciation caused by price and exchange rate factors, among other things.



INTERNATIONAL INVESTMENT POSITION AS OF 1 JANUARY 2023
(PER CENT)

Chart 10



Conversely, **other investment** expanded by \$141.1 billion to \$551.5 billion, which was associated with the accumulation of residents' funds in current accounts and deposits abroad, as well as trade loans and advance payments to foreign counterparties.

Reserve assets decreased from \$630.6 billion to \$582.0 billion.

Russia's external liabilities contracted by \$324.0 billion to \$842.8 billion, largely because of the negative revaluations resulting from lower prices for financial instruments issued by Russian companies.

Direct investment in the Russian economy declined by \$148.5 billion to \$461.6 billion due to both non-residents' divestment from Russian companies and deoffshorisation of Russian businesses.

Liabilities on **portfolio investment** decreased nearly two times to \$149.1 billion due to the depreciation of Russian equity instruments held by non-residents.

The reduction in **other investment** from \$277.4 billion to \$230.9 billion was caused by, among other things, repayments of loans to non-residents and the contraction in debt on earlier issued trade loans and advance payments.

As external liabilities contracted more significantly than foreign assets, the **positive net international investment position of the Russian Federation** increased from \$485.0 billion as of the end of 2021 to \$770.4 billion as of 31 December 2022.

RUSSIA'S EXTERNAL DEBT

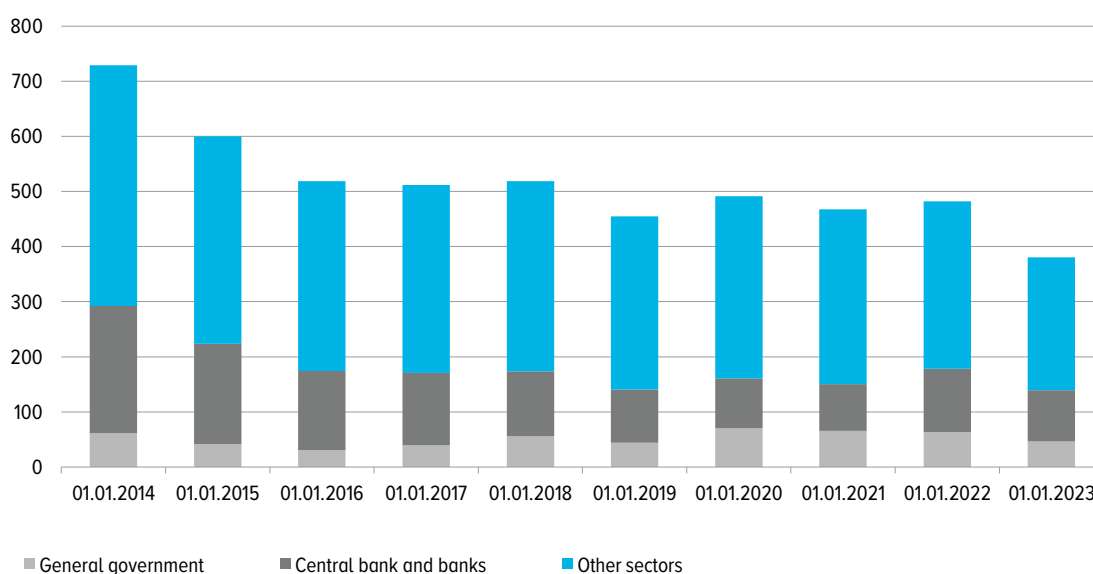
As of 31 December 2022, Russia's external debt totalled \$380.5 billion, which is \$101.8 billion or 21.1% less than in the previous year.

Other sectors' liabilities to non-residents accounted for 63.3% of Russia's overall external debt (\$241.0 billion as of 31 December 2022). The Central Bank and banks accounted for 24.6% in external debt (\$93.4 billion). The general government accounted for 12.1% in external debt (\$46.1 billion).



RUSSIA'S EXTERNAL DEBT
(BILLIONS OF US DOLLARS)

Chart 11



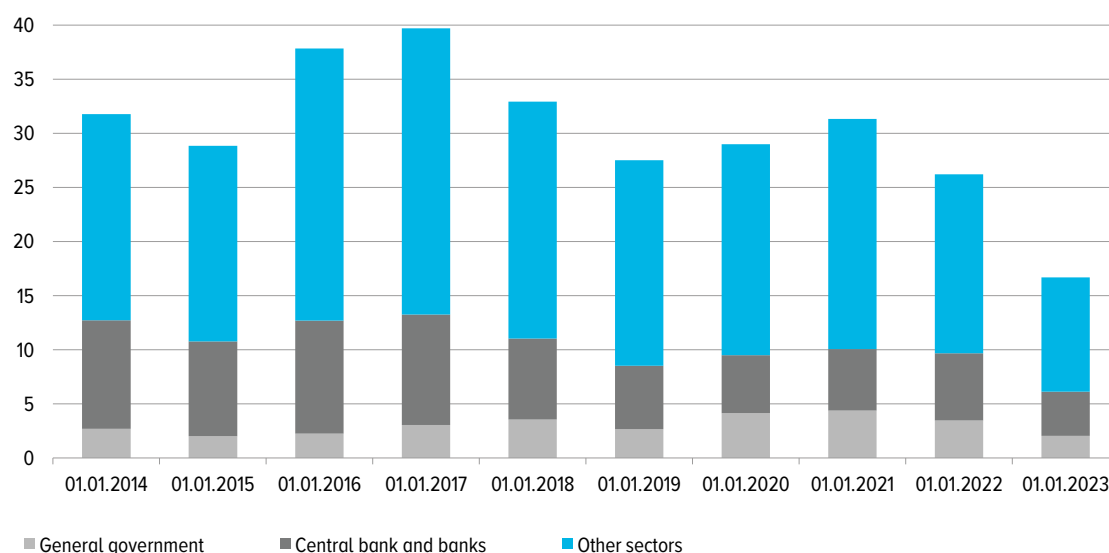
External debt of the **federal government** edged down from \$63.3 billion to \$46.1 billion as of the end of 2022 due to the reduction in liabilities on sovereign securities denominated in both rubles (by \$13.4 billion) and foreign currency (by \$3.7 billion). External debt of the constituent territories of the Russian Federation was minor.

External debt of **banks and the central bank** declined by \$21.1 billion in 2022 to \$93.4 billion. **Other sectors'** external debt decreased by \$63.3 billion to \$241.0 billion.

The portion of short-term liabilities in the overall amount of external debt edged up from 16.0% to 17.2% during the year, reaching \$65.6 billion as of the end of 2022, while the portion of long-term liabilities declined to 82.8% totalling \$315.0 billion. Debt on

RUSSIA'S EXTERNAL DEBT
(PER CENT OF GDP)

Chart 12



instruments denominated in foreign currency equalled \$258.5 billion (67.9% of external debt). Debt in rubles accounted for 32.1% of external liabilities, or \$122.1 billion.

According to international criteria, the debt burden on the Russian economy decreased as of 31 December 2022, with the ratio of external debt to GDP declining to 16.7% (from 26.2% as of the end of 2021) and the ratio of external debt liabilities of the general government to GDP – to 2.0% (from 3.4% as of the end of 2021).



1.2. The financial sector

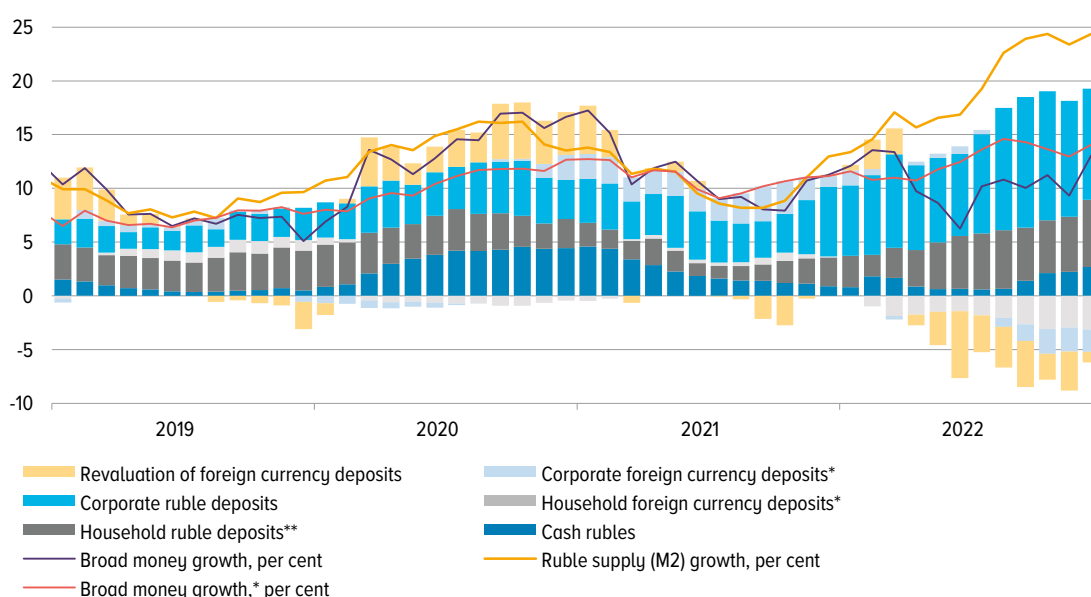
1.2.1. MONETARY AGGREGATES. SITUATION IN THE FINANCIAL AND COMMODITY EXCHANGE MARKETS

As of the end of 2022, the growth of money supply in the national definition (the M2 aggregate) considerably exceeded the level of 2021 accelerating to 24.4% (from 13.0% in 2021). Broad money changed by 13.1% over the year (by 11.3% over 2021). Adjusted for foreign currency revaluation, it expanded by 14.0% (by 11.1% in 2021).

The significant difference between the growth rates of money supply in the national definition and broad money was associated with changes in depositors' preferences: the shocks that materialised in 2022 Q1 sped up the process of the dedollarisation of retail and corporate deposits. Over 2022, households' and businesses' foreign currency deposits decreased by 40.1% and 16.6% in US dollar terms, respectively. As to the ruble segment, there was also an outflow of individuals' and companies' funds in early 2022, which was caused by higher uncertainty and a rise in depreciation and inflation expectations. However, the rapid increase in the key rate at the end of February (see [Subsections 1.1.2 'Inflation and economic activity'](#) and [2.1.1 'Monetary policy objectives and key measures'](#)) helped stabilise the situation in the deposit market and restore the demand for savings in rubles. Over 2022, households' and companies' ruble deposits trended upwards steadily (including as a result of the partial conversion of the funds withdrawn from foreign currency deposits into ruble-denominated instruments), growing by 18.0% and 36.1%, respectively (by 7.5% and 25.7% in 2021). Accordingly, in 2022, the share of

BROAD MONEY
(CONTRIBUTION OF CERTAIN COMPONENTS TO ANNUAL GROWTH RATES,
PERCENTAGE POINTS)

Chart 13



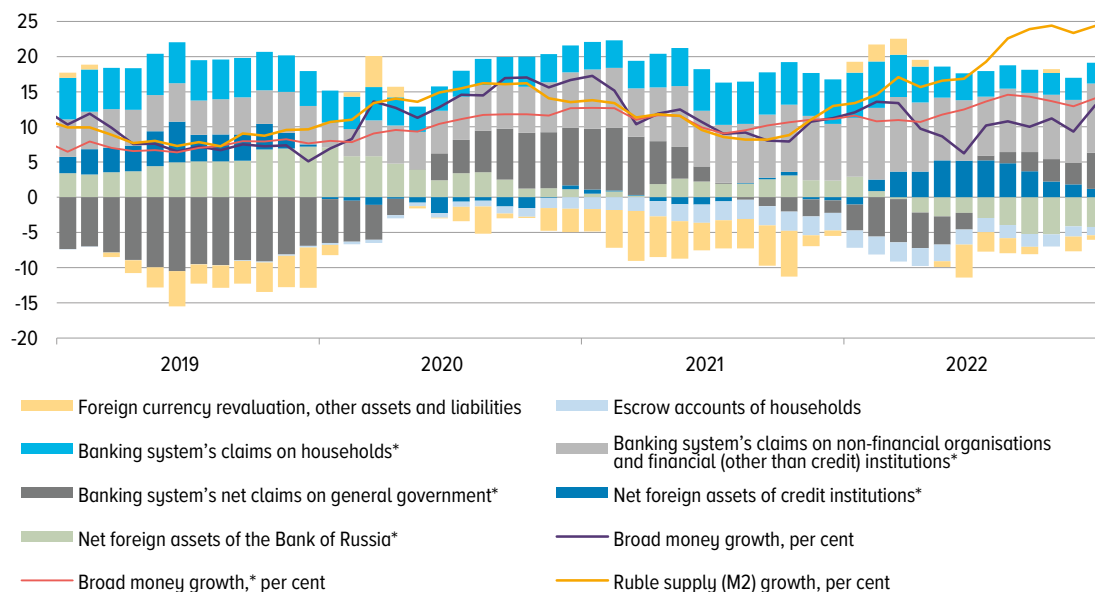
* Adjusted for foreign currency revaluation.

** Including certificates of deposit and savings certificates.



BROAD MONEY SUPPLY SOURCES
(CONTRIBUTION TO BROAD MONEY ANNUAL GROWTH, PERCENTAGE POINTS)

Chart 14



* Adjusted for foreign currency revaluation.

households' foreign currency deposits¹ contracted from 18.8% to 10.0%, whereas that of companies' foreign currency deposits – from 31.0% to 20.7%.

In contrast to previous episodes of instability, the expansion of ruble-denominated time deposits as of the end of 2022 (+26.9% vs +12.6% in 2021) slightly surpassed the increase in more liquid components of money supply. Thus, the annual growth of cash rubles in circulation (the MO aggregate) sped up from 5.4% in 2021 to 16.9% in 2022. The annual expansion of balances in ruble-denominated current accounts accelerated from 18.4% to 25.3%. These dynamics were driven by the rapid increase in the Bank of Russia key rate and the subsequent rise in deposit rates that supported the attractiveness of time deposits.

The banking system's claims on the economy² remained the major source for the expansion of money supply in 2022. However, the growth rate of the claims on the economy, adjusted for foreign currency revaluation, was lower than in 2021 (12.0% vs 13.9%), which was associated with the tightening of lending conditions in the first half of the year, primarily through higher interest rates, and the overall uncertainty.

The increase in the claims on the economy slowed down primarily because of the claims on households in consumer and car lending. Credit activity in mortgage lending was supported by subsidised mortgage lending programmes, as well as developers' own programmes in partnership with banks that provided a considerable discount to the interest rate by increasing the housing price. As of the end of 2022, the Russian banking

¹ Transferable and other deposits included in broad money calculated according to the method described in the note to Table 1.10 of the Bank of Russia Statistical Bulletin.

² The banking system's claims on the economy mean all claims of the banking system on non-financial and financial organisations and households in Russian rubles, foreign currency and precious metals, which include loans extended (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in non-financial and financial organisations' equity, and other receivables under settlement operations with non-financial and financial organisations and households.

system's ruble claims on households were up by 9.5% (by 22.3% in 2021). Conversely, the growth of the ruble claims on organisations sped up from 13.4% to 17.4% over the year, driven by government measures supporting lending to enterprises in a wide range of industries, the expansion of debt within project finance for developers, the substitution of external funding for domestic funding amid the sanctions, and the dedollarisation of the loan portfolio. The banking system's foreign currency claims on the economy reduced by 12.1% in US dollar terms (by 2.9% in 2021).

The implementation of the anti-crisis measures, resulting in the expansion of the budget deficit, and the investment of the NWF's resources (see [Subsection 1.1.3 'Fiscal policy, government finance, and domestic government debt'](#)) ensured the inflow of money into the economy through the budget channel, which significantly boosted the growth of money supply as of the end of 2022.

As compared to 2021, the transfer of funds to escrow accounts for settlements under shared construction participation agreements contained the growth of the monetary aggregates to a lesser extent, which was associated with the increase in the use of such accounts under completed construction projects.

Interest rates on unsecured ruble-denominated overnight interbank loans (IBL) in 2022 stayed close to the Bank of Russia key rate. The absolute deviation of RUONIA from the key rate averaged 31 basis points over 2022, which is 11 basis points more than in 2021. The volatility of the spread rose as well, namely to 35 basis points in 2022 (from 21 basis points in 2021) (see [Subsection 2.1.2 'Monetary policy instruments'](#)).

As of the end of the 2022, the ruble strengthened against the US dollar, the euro and the yuan by 5.32%, 10.1% and 15.07%, respectively, with the official exchange rates established by the Bank of Russia equalling 70.34 rubles per US dollar, 75.66 rubles per euro and 9.89 rubles per yuan.

During 2022, the ruble exchange rate was very volatile, responding to changes in geopolitical and sanction risks. The exchange rate was mostly declining in 2022 Q1, falling to a record low of 137.85 rubles per US dollar in the on-exchange market during the first week of March. The drastic weakening of the ruble in February–March 2022 was comparable with its depreciation in September–December 2014 when the sanction pressure increased, oil prices plummeted, and the country switched to a floating exchange rate. Responding to financial stability risks, the Bank of Russia introduced capital controls, specifically the requirement for exporters to sell their foreign currency revenues, the ban on sales of Russian securities by non-resident investors, the restriction on foreign currency transfers/withdrawals abroad, and others.

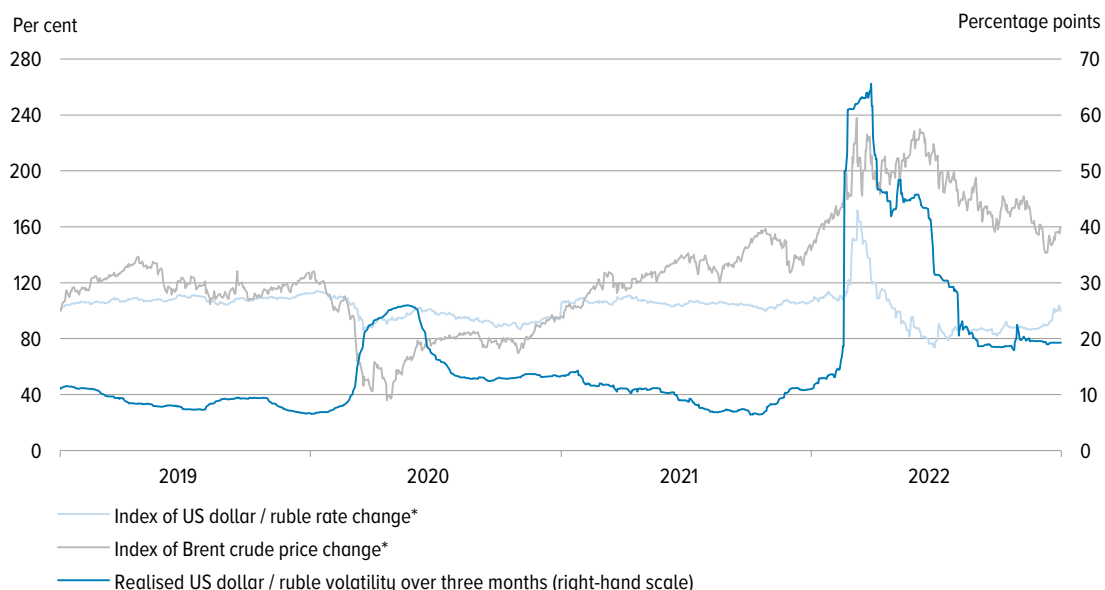
The ruble started to recover in April, strengthening by 30.37% over Q2–Q3 to 58.45 rubles per US dollar. The exchange rate was driven by the surge in the current account surplus. This was because both the quantity and value of exports remained at a high level, whereas imports contracted amid the sanctions and logistics constraints.

In October–December, the ruble was weakening. Over 2022 Q4, the on-exchange rate (PJSC Moscow Exchange) edged down by 18.75% to 69.90 rubles per US dollar. During that period, the ruble was affected by declining prices for Russian oil (including due to elevated risks of secondary sanctions), the enactment of the restrictions on sea transportation of Russian oil, and the rebound of imports, primarily from friendly states.



RUBLE EXCHANGE RATE AND VOLATILITY

Chart 15



* Indicators as of 31 December 2018 equal 100 per cent.
Sources: Bank of Russia calculation, Cbonds.ru news agency.

Nevertheless, as of the end of 2022, the ruble pared the loss of February–March, returning to the level of the beginning of the year (+6.22% year-on-year in the on-exchange market).

In 2022, the average daily turnover of USD/RUB trading in the cash segment of the on-exchange FX market declined by 26.3% to ₽227.3 billion and that of EUR/RUB and CNY/RUB trading expanded by 55.2% and 2,963.8% to ₽78.8 billion and ₽46.3 billion, respectively. The proportion of CNY/RUB trading surged as a result of the redirection of trade flows to Asia and the shift in the structure of companies' foreign trade settlements and people's savings towards friendly countries' currencies.

As to the market of government securities, the OFZ yield curve moved upwards in January, continuing the trend that had started in late 2021, amid the escalation of geopolitical tensions. Yields on short-term securities were rising faster, which was associated with expectations of a further tightening of monetary policy in Russia. As a result, the OFZ yield curve became inverted, and its inversion remained from October 2021 until June 2022. Due to elevated volatility in the Russian financial market and the dramatic increase in financial stability risks, trading in the stock and derivatives market sections of the Moscow Exchange was suspended for the period from 28 February 2022 through 18 March 2022. After the resumption of trading on 21 March 2022, yields on government bonds started to go down, while staying elevated because of a high risk premium for uncertainty. In April–July, the OFZ yield curve predominantly declined, most significantly – for short maturities. This was because market participants expected a quicker monetary policy normalisation, which was partly owing to a certain stabilisation of the macroeconomic situation. As the geopolitical conflict escalated, the OFZ yield curve sharply moved upwards (approximately 100–170 basis points) in the second half of September. During 2022 Q4, OFZ yields declined from their peak levels reached after the

announcement of the partial mobilisation. During that period, the upward pressure was put by the remaining risk premium and the extensive borrowings of Russia's Ministry of Finance raised to cover the budget deficit. Overall, OFZ yields (Cbonds-GBI)³ increased by 120 basis points over the year to 9.61% per annum.

In 2022, OFZ placements by Russia's Ministry of Finance in the primary government securities market totalled ₹3,281.3 billion at face value,⁴ which was 24.46% more than in 2021. Of this amount, 95.79% of bonds were placed in October–December, with OFZ-PK bonds accounting for the largest proportion of the issues (₹2,500.0 billion). Government bonds were mostly purchased by domestic investors, namely SICIs. Foreigners' investment in OFZ bonds contracted by ₹1,104 billion over the year (by 109 billion in 2021). As of the end of 2022, the amount of the OFZ issues placed (including OFZ bonds for individuals) increased by 15.13% to ₹17.9 trillion at face value.

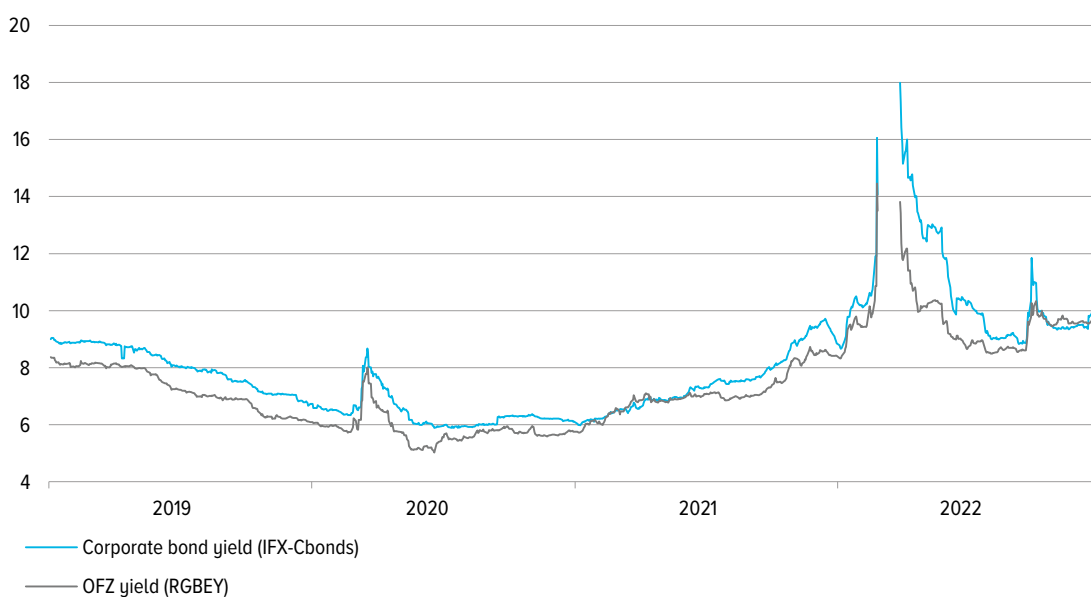
The amounts of corporate bond offerings also rose, with the portfolio of bonds in circulation expanding by 12.6% to ₹19.7 trillion. Yields on corporate bonds changed similarly to those on OFZ bonds throughout the year and increased by 87 basis points as of the end of the year (IFX-Cbonds)⁵ to 9.72% per annum.

The value of secondary trading in OFZs and corporate bonds on the Moscow Exchange plummeted by 41.45% and 38.9% to ₹4.2 trillion and ₹1.8 trillion, respectively.

In 2022, the Ministry of Finance of Russia did not raise funds under foreign currency-denominated government bond loans and suspended Eurobond offerings due to the worsening of the situation in the market of external government debt and the condi-

BOND YIELDS IN THE SECONDARY MARKET
(PER CENT P.A.)

Chart 16



Sources: Moscow Exchange, Cbonds.ru news agency.

³ The index of effective yields on government bonds calculated by the Cbonds.ru information agency.

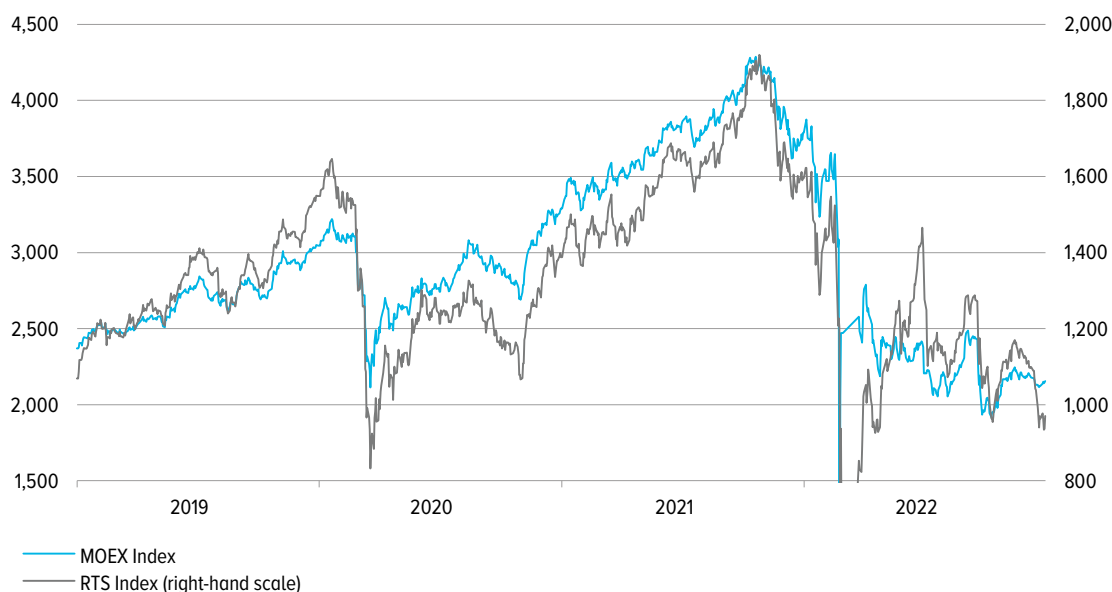
⁴ According to the auction reporting of the Russian Ministry of Finance.

⁵ The index of effective yields on corporate bonds calculated by the Cbonds.ru information agency.



STOCK PRICE INDICES IN THE SECONDARY MARKET
(POINTS)

Chart 17



Source: Cbonds.ru news agency.

tions of international payments. Besides, repayments totalled \$3.3 billion. As a result, according to the news agency Cbonds.ru, the portfolio of Russian sovereign Eurobonds in circulation contracted by 8.7% over 2022 from \$41.5 billion to \$37.9 billion.

As of the end of 2022, the MOEX Index (calculated based on prices of ruble-denominated shares) dropped by 43.1%, whereas the RTS index (calculated based on prices of US dollar-denominated shares) lost 39.2%. During the year, the indices of Russian shares predominantly trended downwards, which was associated with the geopolitical events and sanctions, the suspension of dividend payouts by some companies, and the restriction of access to Russian securities for foreign investors.

Stock market capitalisation on the Moscow Exchange in ruble terms decreased by 38.8% over 2022 to ₺38.4 trillion. In 2022, the amount of secondary trading in shares, depository receipts and units on the Moscow Exchange declined to ₺17.6 trillion, which is 41.3% less than in 2021.



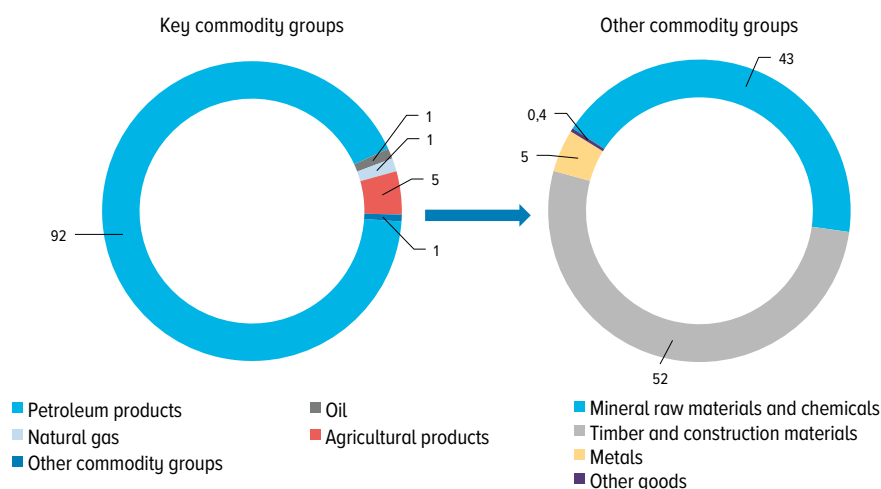
Despite the pressure of the sanctions and the contraction of exports, the commodity exchange market continued to grow, adding over 4% in 2022. Petroleum products and agricultural commodities trading was up

On-exchange spot trading in commodities took place on three exchanges and in one trading system in 2022. The overall amount of spot trading in commodities (in money terms) increased by over ₺66 billion or 4%, compared to 2021, to reach ₺1,532 billion. The structure of the commodity exchange market slightly changed as compared to 2021 (Chart 18).

The segment of petroleum products accounted for the largest proportion of trading, adding 3% to total ₺1,411.1 billion, which is equivalent to 92.3% of the overall amount

STRUCTURE OF ORGANISED COMMODITY SPOT TRADING IN 2022*
(AS A PERCENTAGE OF THE VOLUME OF COMMODITY SPOT TRADING)

Chart 18



* The total may deviate from 100% due to rounding.
Sources: Bank of Russia, SPIMEX, NAMEX, Exchange Saint-Petersburg.

of spot trading in commodities (vs 93.5% in 2021). The quantities of trading were up by 2.1 million tons or 7.8%, reaching 29.45 million tons of light petroleum products, which might be evidence of higher demand for petroleum products following the recovery of business activity and of the redirection of supplies of some products from the export market to the domestic one.

Another driver of on-exchange trading in commodities in 2022 was the market of agricultural commodities, with its value of trading surging more than five times, to total ₽71.5 billion as of the end of 2022. These changes were associated with the transactions conducted in August 2022 within the government procurement interventions in the grain market. The overall amount of the government procurement interventions exceeded ₽47.1 billion in the total value of trading in agricultural commodities. The remaining amount of ₽24.4 billion is the value of trading in agricultural commodities at agricultural commodity auctions, including in wheat, rye, soybean, rapeseed, barley and sugar.

The on-exchange market of wood and construction materials demonstrated a considerable increase. As of the end of 2022, trading in lumber totalled 4 million cubic meters, or over ₽5.8 billion. Besides, the number of traders more than tripled compared to 2021. This increase was attributed to changes⁶ in the Russian Forest Code: from 1 January 2022, all government agencies shall sell wood products in on-exchange trading.

Considering the geopolitical situation in the world and the sanction pressure exerted on the Russian economy, trading in deliverable futures contracts for fuel and energy commodities contracted by 70% in 2022 to ₽11.57 billion. Besides, about 52% of open positions amounting to ₽6.05 billion were delivered at expiration.

On 31 August 2022, the exchange launched trading in cash-settled futures contracts linked to the wheat index on the CPT Novorossiysk delivery basis, which is evidence of the demand for Russian hedging instruments in the conditions of the sanctions. The volume of trading exceeded 300 million tons as of the end of the year.

⁶ Federal Law No. 304-FZ, dated 2 July 2021, 'On Amending the Russian Forest Code'.



1.2.2. FINANCIAL MARKET PARTICIPANTS

1.2.2.1. CREDIT INSTITUTIONS

The Russian financial sector is still dominated by credit institutions by the value of assets, despite a significant number of non-bank financial institutions (NFIs)¹ in the market. The ratio of credit institutions' assets to GDP remained nearly the same in 2022, namely 89.0% as of 1 January 2023.

Credit and deposit operations. Credit institutions' assets (excluding foreign currency revaluation)² expanded by 14.8% in 2022 (vs +15.9% in 2021), reaching ₹134.8 trillion,³ primarily owing to active lending.

Over 2022, outstanding *corporate loans* increased by 14.3%, which considerably exceeded the growth rate of 2021 (+11.7%). The amount of corporate loans reached ₹59.1 trillion. This surge was largely driven by government support of lending to systemically important enterprises within the anti-crisis measures (such loans totalled more than ₹1.5 trillion in 2022), the expansion of project finance in housing construction (+₹2.2 trillion), the substitution of foreign borrowings, and financing of large investment projects.

STRUCTURE OF CREDIT INSTITUTIONS' ASSETS, BY GROUP
(SHARE IN THE BANKING SECTOR'S ASSETS, %)

	As of 01.01.2022	As of 01.01.2023
SICIs	77.5	78.0
Other banks from the Top-100*	15.1	15.1
Non-Top 100 banks	2.0	1.9
Non-bank credit institutions	5.4	5.1

* The Top-100 banks are the 100 largest banks in terms of assets.

Note. The total percentage may deviate from 100% due to rounding-off error.

¹ More detailed information about the numbers of credit and non-bank financial institutions in the financial market is given in [Table 10 of Section 5.4 'Statistical tables'](#).

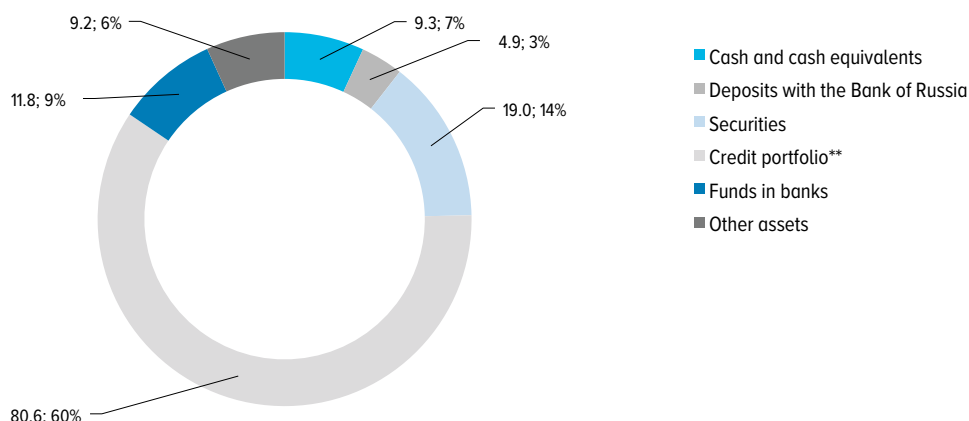
² Hereinafter in the section, credit institutions' growth rates are given adjusted for foreign currency revaluation for credit institutions operating in the reporting period (including reorganised banks). Assets are given net of loss provisions, unless specified otherwise. Beginning from 1 January 2022, the method for calculating certain indicators of the banking sector was adjusted to provide a more accurate assessment of the amount of issued loans and banks' borrowings. In particular, the aggregate loan portfolio now includes interest accrued, the corporate loan portfolio comprises loans to government agencies, and funding indicators factor in accounts of adjustments made according to IFRS 9. To ensure data comparability, the values as of the previous reporting dates were also recalculated, due to which the figures might differ from those released earlier. Since 1 February 2021, corporate, retail and interbank loans include acquired claims. Corporate lending comprises loans to non-financial and financial (other than credit) institutions in accordance with the indicator used in the information and analytical commentary 'Russian Banking Sector Development'.

³ Individual indicators on regional banks are given in [Table 29 of Section 5.4 'Statistical tables'](#).



ASSET STRUCTURE AS OF 1 JANUARY 2023*
(TRILLIONS OF RUBLES, AS A PERCENTAGE OF ASSETS OF CREDIT INSTITUTIONS)

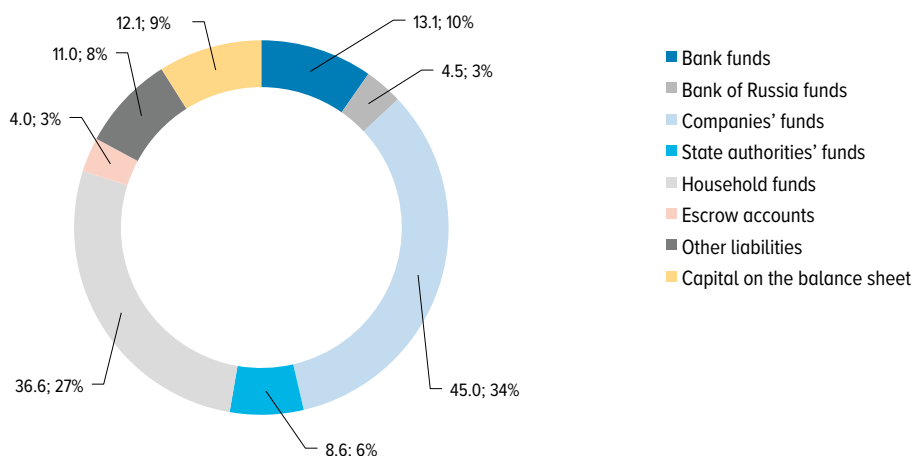
Chart 19



* Coupon OBRs are recognised as part of securities.
** Corporate and retail loans are given before provisions.
Note. The total may deviate from 100% due to rounding.
Source: Reporting Form 0409101.

LIABILITIES AND CAPITAL STRUCTURE AS OF 1 JANUARY 2023
(TRILLIONS OF RUBLES, AS A PERCENTAGE OF LIABILITIES OF CREDIT INSTITUTIONS)

Chart 20



Source: Reporting Form 0409101.

In 2022, outstanding *bank loans* to SMEs increased by 30%,⁴ reaching **₽9.5 trillion**⁵ as of 1 January 2023. Within the anti-crisis measures, SME lending was additionally supported by the government programmes with low interest rates.⁶

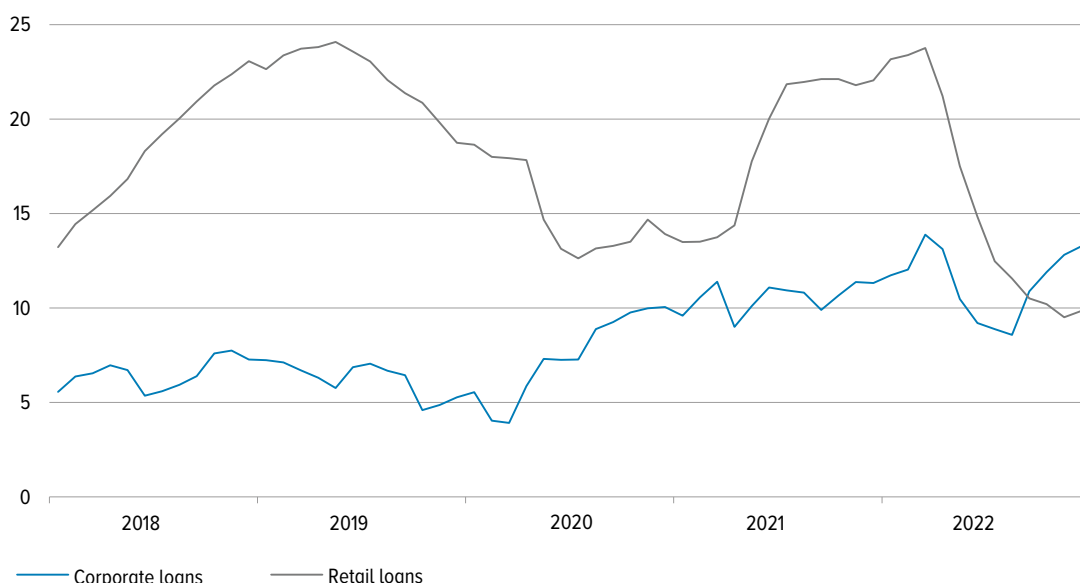
⁴ This indicator is overstated due to the imperfect criteria for classifying entities as SMEs, as a result of which affiliates of large corporates are also classified as SMEs (the Bank of Russia is working on possible options for revising the SME classification criteria). Net of large loans (according to the Bank of Russia's expert assessment, these are loans of over **₽8 trillion**) and loans to developers (selected from the unified register of developers provided by JSC DOM.RF), the actual increase over 2022 would be 14.6%, which generally correlates with the growth rate in the segment of large corporates.

⁵ The SME loan portfolio is given net of VEB.RF.

⁶ Including, as assessed by the Bank of Russia, loans issued within the programme supporting the top-priority industries of SMEs (Resolution of the Government of the Russian Federation No. 1764, dated 30 December 2018) that totalled approximately **₽0.5 trillion** and loans issued by JSC Russian Small and Medium Business Corporation under the SME Lending Support Programme worth nearly **₽0.1 trillion**.

GROWTH RATE OF CORPORATE AND RETAIL LOANS
(PER CENT)

Chart 21



Source: Reporting Form 0409101.

The *mortgage portfolio*⁷ expanded by 20.4% over 2022, which is less than in 2021 (+31%) by a third, but is still a good result. As of 1 January 2023, the mortgage portfolio totalled ₹14.1 trillion.⁸ The growth in mortgage lending was largely boosted by the subsidised programmes as the temporary increase in the Bank of Russia key rate affected the interest rates of these programmes only partially.

In 2022, *unsecured consumer lending* expanded by 2.7%, which is notably below 20.1% recorded in 2021. This slowdown was associated with the tightening of banks' credit policies amid rising uncertainty and a decrease in households' confidence.

The *portfolio of securities* on banks' balance sheets expanded by 13.6% over 2022, to total ₹19.0 trillion. As Russia's Ministry of Finance increased OFZ issues, banks considerably built up their investment in OFZ bonds. OFZ placements by the Russian Ministry of Finance in 2022 reached ₹3.3 trillion,⁹ with nearly 90% of these bonds purchased by Russian banks (predominantly, SICIs).

The growth of assets was offset by a substantial inflow of *legal entities' funds* (+₹7.6 trillion, or +20.6%¹⁰ over 2022, as compared to +₹5.8 trillion or +17.9% over 2021) totalling ₹45.0 trillion as of 1 January 2023.

Households' funds were up by 6.9% or ₹2.3 trillion in 2022, reaching ₹36.6 trillion, which is more than in 2021 (+5.7%). Such a surge was mostly driven by significant social benefits paid in December and the advance payment of January 2023 pensions (the growth of households' funds in December totalled ₹2.5 trillion). Ruble funds in-

⁷ The growth rates adjusted for securitisation transactions do not include the loan portfolios placed in mortgage pools in previous reporting periods.

⁸ Including the data from Section 1 of Reporting Form 0409316 'Loans to Households' on outstanding housing mortgage loans taking into account the acquired claims.

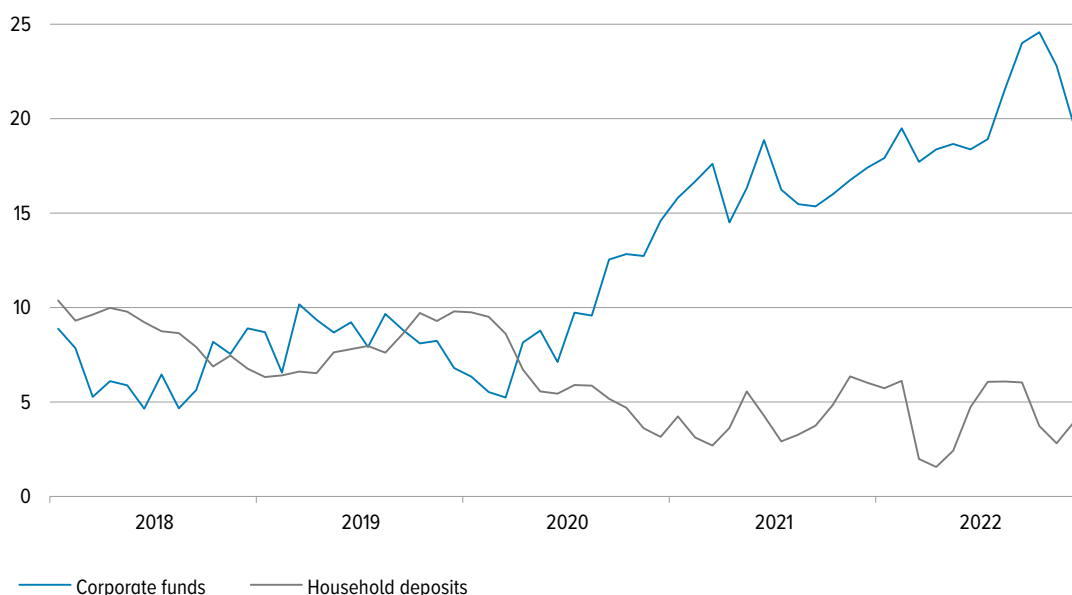
⁹ [Monetary Conditions and Monetary Policy Transmission Mechanism, No. 6, December 2022.](#)

¹⁰ Adjusted for the value of Eurobonds issued by banks.



GROWTH RATE OF CORPORATE FUNDS AND HOUSEHOLD DEPOSITS
(PER CENT)

Chart 22



Sources: Reporting Forms 0409101 and 0409110.

creased by 17.8% or ₹5 trillion overall, with balances in both current accounts and deposits growing, namely by 17.2% and 18.2%, respectively. The increase was driven by the sharp rise in interest rates in March that declined rather quickly after the economic situation stabilised. In contrast, foreign currency funds plummeted (-41% or -\$38 billion, or -₹2.6 trillion in ruble terms), including as a result of the conversion of a part of the funds into rubles, which was associated with the restrictions on foreign currency withdrawals.

Escrow accounts increased by nearly ₹1 trillion over 2022, which is considerably less than in 2021 (+₹1.9 trillion), partly because of their more active use under completed projects (₹2.2 trillion in 2022 compared to ₹0.9 trillion in 2021).¹¹

Over 2022, *government funds* with credit institutions increased by over a third (+37% or +₹2.3 trillion), reaching ₹8.6 trillion (which is about 6% of the sector's liabilities; as of the beginning of the year, the share equalled 5.2%), of which repos with the Federal Treasury amount to ₹2.8 trillion (+₹0.5 trillion).

Funds raised by credit institutions from the Bank of Russia surged by 50% over 2022 to total ₹4.5 trillion. Banks raised these funds mostly to cover the needs for liquidity during the periods of high uncertainty (February and September) when they had to offset the outflow of households' funds.

Credit and deposit rates. Interest rates on the main banking operations surged following the key rate increase and due to generally higher uncertainty. In 2022 H2, interest rates trended downwards, although more slowly than the pace of the key rate decrease.

¹¹ According to the data obtained by the Bank of Russia within the survey of credit institutions about compliance with Federal Law No. 214-FZ, dated 30 December 2004, 'On Participation in Equity Construction of Apartment Building and Other Real Estate and on Amending Certain Laws of the Russian Federation'.



The weighted average interest rate on new ruble loans issued to non-financial organisations for more than one year was down by 1.2 percentage points from the beginning of 2022 to 8.6% per annum as of December 2022. The interest rate on corporate loans peaked in March 2022 when companies needed borrowings the most. Later on, interest rates were going down gradually following the Bank of Russia key rate, dropping below the level of the beginning of the year.

The weighted average interest rate on ruble retail loans with the same maturity remained almost unchanged over the year, equalling 11.6% per annum in December, which is 0.1 percentage points higher than in January. However, the weighted average interest rates on new retail loans exceeded 15% in April–May 2022, for the first time since 2017.

Interest rates on mortgage loans in the primary market¹² declined to record lows (by 2.4 percentage points over the year to 3.5% in December 2022) due to the active spread of the programmes of subsidised mortgages from developers. Interest rates in the secondary market ranged from 9% to 11% over the year (9.6% in December 2022).

The weighted average interest rate on non-financial organisations' ruble deposits for more than one year rose by 0.4 percentage points over 2022, to equal 8.5% per annum in December 2022. Contrastingly, the interest rate on households' ruble deposits declined to 7.3% per annum in December 2022 (-0.4 percentage points compared to January).

Financial performance. Despite the sanction pressure, the banking sector earned a small profit as of the end of 2022, namely ₹203 billion (return on capital – 1.8%), which is considerably less than banks earned in 2021 – ₹2.4 trillion (return on capital – 21%).

More than 270 banks managed to end the year in the black, with their share in the sector's assets¹³ declining to 77%. In 2022, in the conditions of the sanctions, net profit was negatively affected by the growth of costs for provisioning¹⁴ – five times compared to the previous year (₹2.5 trillion, including ₹0.6 trillion of adjustments according to IFRS 9, vs ₹0.5 trillion in 2021). In addition, profit was adversely affected by the loss from foreign currency and precious metal transactions, including financial derivatives (FDs)¹⁵ (-₹0.4 trillion over 2022 compared to ₹0.1 trillion earned in 2021), that resulted from the negative foreign currency revaluation.

Nevertheless, as of the end of 2022, the banking sector managed to offset the loss of ₹1.5 trillion made in 2022 H1 (mostly from the foreign currency revaluation and FDs). This result became possible owing to, among other factors, the gradual recovery of core earnings amid decreasing interest rates and the growth of business in 2022 H2. Ultimately, net interest and fee incomes even edged up slightly over 2022, compared to 2021, namely by 2.9% or ₹119 billion and by 5.7% or ₹86 billion, respectively.

¹² The primary market implies housing mortgage loans secured by claims under shared construction participation agreements. The secondary market implies all other housing mortgage loans.

¹³ In banks' overall assets, excluding non-bank credit institutions accounting for approximately 5% of the sector's assets.

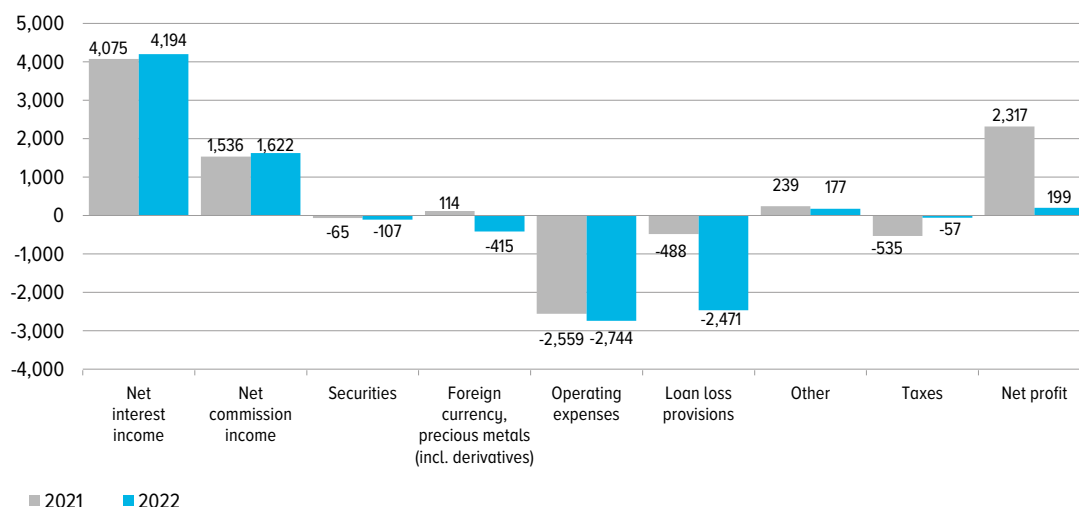
¹⁴ Hereinafter in the subsection, the components are given according to the data of Reporting Form 0409102, excluding the Bank of Non-core Assets.

¹⁵ Adjusted for foreign currency revaluation on corporate loans.



CHANGE IN COMPONENTS OF BANKING SECTOR PROFITS*
(BILLIONS OF RUBLES)

Chart 23



* Income from foreign currency and precious metal transactions (including derivatives) comprises income from operations with, and revaluation of, these assets (including revaluation of provisions for corporate loans in foreign currency without IBL). Data on net additional provisions are given for credit institutions, excluding Non-core Assets Bank. In 2021 Q2, provisions for other assets and also other income are adjusted for technical factors associated with the specifics of accounting individual large-value transactions.
Sources: Reporting Forms 0409102 and 0409303.

Capital adequacy. The sector's capital adequacy¹⁶ edged up over 2022 from 12.3% to 12.7%. The regulatory capital was up by ₹0.7 trillion (+5.9%), primarily driven by a positive financial result (+₹1.0 trillion). The difference between the financial result used in the calculation of the capital and the sector's profit (₹203 billion) resulted mainly from the use of the easing by banks and the exclusion of a part of costs for provisioning according to IFRS 9 and a part of the revaluation totalling nearly ₹0.6 trillion. Risk-weighted assets edged up as little as 2.0%, which is six times below the growth rate of the loan portfolio, including because a number of credit institutions started to assess credit risk using banks' internal ratings (internal ratings-based (IRB) approach) and the accumulated macroprudential capital buffer was released. In order to support credit institutions, the Bank of Russia released from 28 February 2022 the accumulated macroprudential capital buffer for unsecured consumer loans and mortgage loans in rubles and foreign currency (₹733 billion as of 1 February 2022), as well as from 1 March 2022 – for corporate loans in foreign currency (equivalent to ₹158 billion).¹⁷ The capital was also supported by the refusal of many banks to pay dividends (in 2022, banks paid only ₹139 billion as dividends, which is almost five times less than in 2021) and an increase in capital of a number of banks through additional issues of shares and non-repayable contributions (nearly ₹180 billion).

¹⁶ The indicator is calculated based on the figures of credit institutions that shall comply with the relevant requirements.

¹⁷ Financial Stability Review No. 2 (21), 2022 Q2–Q3.



Non-residents' share in overall authorised capital. Over 2022, the number of operating credit institutions where non-residents are shareholders decreased by 6.1% from 115 to 108.

NON-RESIDENTS' SHARE IN CREDIT INSTITUTIONS' OVERALL AUTHORISED CAPITAL

Name	As of 1 January 2023	As of 1 January 2022	Change	
			in the number	in %
Number of operating credit institutions with non-residents' share in authorised capital	108	115	-7	-6.09
Number of operating credit institutions where non-residents hold over 50% of authorised capital	60*	66**	-6	-9.09
Overall authorised capital of operating credit institutions, billions of rubles***	3,045.9	2,885.5	160.5	5.56
Non-residents' investment in operating credit institutions' authorised capital, billions of rubles	368.6	412.9	-44.3	-10.73
Non-residents' share in operating credit institutions' authorised capital, %****	12.10	14.31	-2.21	-15.44
Foreign capital stake in operating credit institutions' authorised capital, %*****	8.97	10.73	-1.76	-16.40

* Non-resident shareholders in five of these credit institutions are controlled by residents of the Russian Federation.

** Non-resident shareholders in six of these credit institutions were controlled by residents of the Russian Federation.

*** For the purpose of calculating non-residents' equity stake in the banking system, overall authorised capital means the total value of registered authorised capital and the issues completed by credit institutions incorporated as joint-stock companies as of 1 January 2023.

**** Calculated by the Bank of Russia (excluding adjustments provided for by Article 18 of Federal Law No. 395-1 'On Banks and Banking Activities' (hereinafter, Federal Law No. 395-1).

***** Calculated by the Bank of Russia according to the procedure stipulated by Article 18 of Federal Law No. 395-1.

Restructuring of retail and SME loans amid the sanctions

Overall, in March–December 2022, banks restructured nearly 982,500 loan agreements with individuals totalling ₽455.4 billion, including 863,700 loan agreements totalling ₽382.1 billion under banks' in-house programmes, 111,600 loan agreements totalling ₽49.5 billion in accordance with Federal Law No. 106-FZ,¹⁸ and 7,200 loan agreements totalling about ₽23.8 billion pursuant to Federal Law No. 353-FZ¹⁹ (mortgage loan repayment holidays).

Within the restructuring pursuant to Federal Law No. 377-FZ, over the period from 21 September 2022²⁰ through 31 December 2022, banks actually restructured 167,600 loan agreements to servicemen and/or their family members totalling ₽63.6 billion.²¹

¹⁸ Federal Law No. 106-FZ, dated 3 April 2020, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement'.

¹⁹ Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans'.

²⁰ Article 1 of Federal Law No. 377-FZ, dated 7 October 2022, 'On the Specifics of Fulfilment of Obligations Under Loan (Microloan) Agreements by Persons Mobilised to the Armed Forces of the Russian Federation, Participants in the Special Military Operation and Their Family Members, and on Amending Certain Laws of the Russian Federation'.

²¹ According to the information received from 44 banks (including all SICIs).



Within the restructuring of loans of legal entities, other than SMEs, outstanding loans restructured over the period from 19 February 2022 through 31 December 2022²² exceeded ₹9.8 trillion, or 20.0% of the overall portfolio of banks (excluding SMEs).²³

Over March–December 2022, the restructured SME loans actually numbered 80,400 amounting to ₹1,162.8 billion, including 25,100 loans totalling ₹694.8 billion under banks' in-house programmes and 55,300 loans totalling ₹468.0 billion pursuant to Federal Law No. 106-FZ.

Within the restructuring of loans to servicemen – individual entrepreneurs and single-member limited liability companies,²⁴ banks actually restructured 392 loans totalling ₹395.5 million over the period from 21 September 2022 through 31 December 2022.²⁵

1.2.2.2. NON-GOVERNMENTAL PENSION FUNDS

Over 2022, the number of operating non-governmental pension funds (NPFs) decreased by two due to the cancellation of these NPFs' licences based on their applications for voluntary surrender of the licences and, as of 1 January 2023, NPFs numbered 39. Of this number, 28 NPFs were participants in the guarantee system for insured persons' rights and were engaged in mandatory pension insurance.

As of the end of 2022, NPFs' investment portfolio of pension resources²⁶ amounted to ₹4,797.2 billion, NPFs' pension savings portfolio – ₹3,113.8 billion, and NPFs' pension reserve portfolio – ₹1,683.4 billion.

As of the end of 2022, NPFs' overall assets increased to ₹5,043.8 billion (+4.3% over the year),²⁷ their capital totalled ₹723.3 billion and their net profit – ₹228.7 billion.²⁸

As of the end of 2022, participants in voluntary pension schemes numbered 6.2 million²⁹ (+0.7%), including 1.5 million (1.4% less than in 2021) who received non-government pensions. Pension payments under non-government pension schemes³⁰ totalled ₹78.3 billion in the reporting period (which is 2.7% more than over the previous year).

The number of insured persons holding their savings in NPFs edged down by 0.7% to 36.6 million as of the end of 2022. Of this number, 597,100 persons received pensions during the reporting period (which is 21.9% more than a year before). Pension payments under the mandatory pension insurance programme³¹ were up by 92.9%, to

²² Three SICIs submitted data for the period from 19 February 2022 through 30 November 2022.

²³ According to the information received from 18 largest banks, including 13 SICIs.

²⁴ Article 1 of Federal Law No. 377-FZ and Article 7.3 of Federal Law No. 106-FZ.

²⁵ According to the information received from 36 banks (including all SICIs).

²⁶ The figures are based on specialised depositories' statements as of 3 February 2023.

²⁷ Hereinafter in the subsection, the comparisons are given year-on-year.

²⁸ The financial results are given based on recent data of NPFs' annual accounting (financial) statements compiled according to Bank of Russia Regulation No. 527-P, dated 28 December 2015, 'Sectoral Accounting Standard 'Procedure for Compiling Accounting (Financial) Statements by Non-governmental Pension Funds'. Capital and net profit figures are given before the distribution of returns on investment of pension reserves and pension savings. The results given herein cannot be fully comparable with the figures for previous periods.

²⁹ Hereinafter, the statistics are given according to Form 0420253 'Progress Report on a Non-governmental Pension Fund's Operations' as of 31 December 2022.

³⁰ Excluding the payments of surrender values under terminated contracts and to assignees.

³¹ Net of the payments to insured persons' assignees.



reach ₽33.4 billion. As in the previous year, one-time payments accounted for the largest portion of pensions (94.4%, or ₽31.5 billion).

1.2.2.3. INSURANCE AGENTS³²

The number of insurance agents registered in the Russian Federation decreased by seven over the year to equal 215 as of 1 January 2023. Of this figure, the number of insurance companies declined by seven to 140, that of insurance brokers was down by two to 57, and that of mutual insurance companies rose by two to 18.

Insurance premiums totalled ₽1,816.7 billion in 2022, which is slightly more (+0.5%) than a year before.

One of the main drivers of the insurance market was car insurance. CMTPLI premiums reached ₽273.1 billion (+21.1%) and comprehensive car insurance premiums – ₽222.8 billion (+7.6%) primarily owing to increased prices for cars and spare parts.

The growth of endowment life insurance (ELI) premiums largely offset the decline in investment life insurance (ILI) premiums. Insurance premiums in ELI totalled ₽247.9 billion (+58.6%), whereas those in ILI contracted to ₽118.3 billion (-46.1%). Insurance premiums in voluntary health insurance edged up to ₽213.7 billion (+6.9%), which was driven by a rise in prices for medical services. Premiums in insurance of other assets of legal entities increased to ₽128.6 billion (+7.0%). Accident and disease insurance premiums declined to ₽207.2 billion (-20.9%) due to the slowdown in lending.

The total number of insurance contracts signed in 2022 remained almost the same as in the previous year (-0.4%), specifically 241.3 million.

Overall payments under insurance contracts increased to ₽893.2 billion (+12.1%) in 2022, which was associated with inflation factors and the expiry of the earlier signed ELI contracts. Payments were up across all the main types of insurance.

Insurance premiums ceded to reinsurance declined to ₽140.2 billion (-13.7%) in 2022 because of the reduction in cooperation with reinsurers from unfriendly states amid the sanctions.

The moving average of the combined loss ratio in insurance, other than life insurance, edged up slightly to 93.8% as of the end of 2022 (+1.6 percentage points). The moving average of the loss ratio equalled 53.3% (+4.5 percentage points) and the moving average of the cost ratio – 40.5% (-2.9 percentage points).

As of the end of 2022, insurers' profit before tax decreased by 17.3% to ₽202.6 billion. Returns on assets and capital equalled 4.6% and 19.5%, respectively.

As of the end of 2022, insurers' overall assets and capital expanded to ₽4,596.1 billion (+6.9%) and ₽1,128.8 billion (+13.3%), respectively.

Insurers' overall authorised capital declined by 3.2% to ₽227.4 billion as of the end of 2022.³³ In 2022, non-residents reduced their investment in operating insurance com-

³² The statistics based on insurers' reporting for 2022 are given according to the figures as of 7 February 2023; data based on accounting (financial) statements as of the end of 2022 are given according to the figures as of 6 March 2023.

³³ For the purpose of calculating the foreign capital stake in operating insurance companies' authorised capital, overall authorised capital means the total value of registered authorised capital and the issues completed by insurers incorporated as joint-stock companies as of 1 January 2023, as well as the total of the minimum amounts of guarantee deposits of foreign insurers' branches.



panies' authorised capital by 7.5% to ₽24.3 billion. The foreign capital stake³⁴ in overall authorised capital of licensed insurance companies reached 9.6% as of 1 January 2023 (-0.4 percentage points).

1.2.2.4. MICROFINANCE MARKET PARTICIPANTS

Over 2022, the number of microfinance organisations (MFOs) decreased by 8.3% to 1,162, of which 34 entities were microfinance companies (MFCs) and 1,128 were micro-credit companies (MCCs).

The amount of consumer microloans issued in 2022 totalled ₽701 billion, which is 21% more year-on-year. Growth was recorded in both the PDL³⁵ and IL³⁶ segments, which could be because pent-up demand was satisfied, among other reasons: over the period under review, the increase in PDL was 20% and in IL (including the POS segment) – 21%.

The amount of SME microloans issued in 2022 surged to ₽70 billion³⁷ (+40% compared to 2021). Such a significant increase was associated with the activity of government-owned MFOs and the development of the online channels for SME financing.

The total number of microloan agreements signed over 2022 was up to 55.3 million, which is 21% more than in 2021.

As of 31 December 2022, MFOs' core assets (outstanding principal on issued microloans) amounted to ₽364 billion (+11% over the year), including consumer microloans worth ₽290 billion (+9% over the year). Over the period under review, the SME microloan portfolio³⁸ expanded to ₽74 billion (+18% over the year), of which the SME online portfolio accounted for 6%.

Overdue debt across all market segments was higher than in 2021: as of 31 December 2022, NPL90+³⁹ accounted for 34.8% in the overall portfolio, which is 5.2 percentage points more than as of the end of 2021. Besides, in 2022 Q4, the proportion of NPL90+ remained nearly the same (+0.2 percentage points) quarter-on-quarter, whereas the amount of assignments declined by 42% over the quarter.

MFOs' net profit over 2022 was up by 39% year-on-year, reaching ₽41 billion. The growth was driven primarily by large corporates.

³⁴ Calculated by the Bank of Russia according to the procedure stipulated by Article 6 of Law of the Russian Federation No. 4015-1, dated 27 November 1992, 'On the Organisation of Insurance Business in the Russian Federation' and Bank of Russia Ordinance No. 5878-U, dated 5 August 2021, 'On the Procedure for Calculating the Foreign Capital Stake (Quota) in the Authorised Capital of Insurance Companies, the Procedure for Issuing the Bank of Russia's Preliminary Permit as Set Forth by Clause 3.1 of Article 6 of the Federal Law 'On the Organisation of Insurance Business in the Russian Federation', the Application Form and the List of Documents Needed to Obtain this Permit, and the Procedure for Submitting such Application and Documents Attached Thereto to the Bank of Russia'.

³⁵ Payday loans – a segment of consumer microloans issued in accordance with Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans' for up to 30 days in the amount of no more than ₽30,000.

³⁶ Instalment loans, medium-term consumer microloans – a segment of consumer microloans issued in accordance with Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans' for more than 30 days and/or in the amount of over ₽30,000.

³⁷ The amount of microloans issued to SMEs includes the data on self-employed persons (nearly ₽0.6 billion over 2022 Q4). The category of self-employed persons was first separated in the reporting for 2022.

³⁸ The SME microloan portfolio includes data on self-employed persons (nearly ₽0.6 billion as of 31 December 2022). The category of self-employed persons was first separated in the reporting for 2022.

³⁹ Non-performing loans when payments of principal and interest are 90 days or more past due.



As of 1 January 2023, the number of pawnshops decreased by 11% to 1,980; the number of consumer credit cooperatives (CCCs) – by 14.5% to 1,517; the number of agricultural consumer credit cooperatives (ACCCs) – by 8% to 638; and the number of housing savings cooperatives (HSCs) – by 8% to 44.

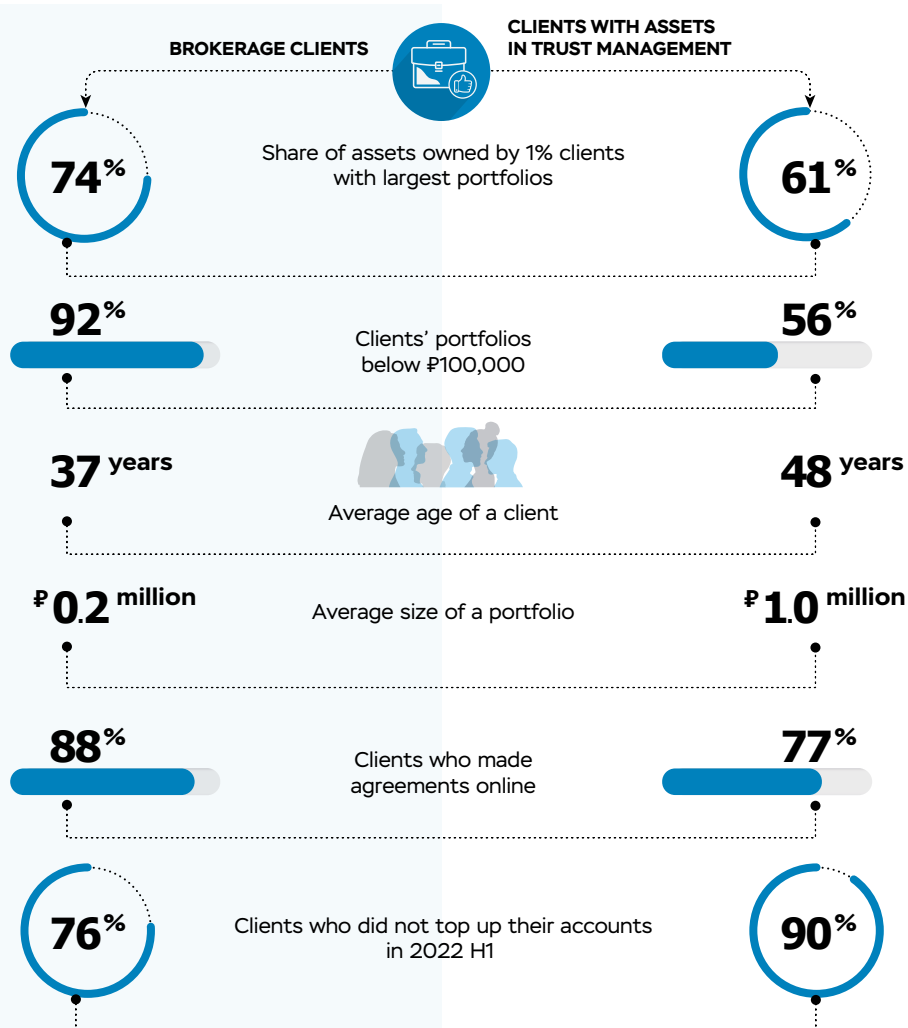
CCCs' core assets contracted by 2% over 2022, to total ₹43 billion as of 31 December 2022. ACCCs' core assets declined by 6% to ₹15 billion. Pawnshops' core assets increased to ₹48 billion,⁴⁰ which is 6% more year-on-year.

1.2.2.5. PROFESSIONAL SECURITIES MARKET PARTICIPANTS

Over 2022, the number of professional securities market participants (PSMPs) increased by 43 to 515, including those put on the unified register of investment advisers – by 53 to 179.

RETAIL INVESTOR PROFILE
(DATA FOR 2022 H1)

Chart 24



Source: data from the survey conducted by the Bank of Russia.

⁴⁰ Based on the data of pawnshops' reporting as of 30 September 2022 according to the schedule for the submission of the reporting for the 12 months of 2022 to the Bank of Russia.



Net profit of PSMPs-NFIs⁴¹ totalled ₹8.5 billion in 2022, which is 2.8 times less than in the previous year. As of the end of 2022, the industry's total assets equalled ₹1.24 trillion, its capital and reserves – ₹0.37 trillion, and liabilities – ₹0.87 trillion.⁴²

Over 2022, the number of brokerage clients at PSMPs-NFIs and PSMPs-CIs surged 1.4 times to total 29.2 million persons as of 31 December 2022, and the number of their trust management clients was up by 4,900 to 847,600 persons.

The overall value of brokerage clients' portfolios decreased to ₹14.6 trillion as of the end of 2022 (-22.7% over the year). The value of trust management clients' investment portfolios totalled ₹1.8 trillion (-0.8% over the year). The value of securities held (recorded) in depositories totalled ₹80.2 trillion (-12.8% over the year).

Opened individual investment accounts (IIAs) numbered 5.2 million as of the end of 2022, including 4.8 million opened under brokerage agreements. Credit institutions accounted for a considerable percentage of the opened IIAs, namely 80.0% or 4.2 million. The value of assets in IIAs with PSMPs-NFIs and PSMPs-CIs totalled ₹445.8 billion, of which the value of the portfolios of IIAs opened with credit institutions reached ₹255.2 billion.

1.2.2.6. COLLECTIVE INVESTMENT MARKET PARTICIPANTS (EXCEPT NPFS)

The collective investment market continued to develop in 2022. Over the year, the number of registered unit investment funds (UIFs) was up from 1,965 to 2,163, the number of licensed management companies – from 259 to 268, and the number of organisations licensed as a specialised depository of investment funds – from 26 to 29.

In 2022, UIFs' net asset value (NAV) increased by 7.4% to total ₹7,660.5 billion (compared to ₹7,129.9 billion as of the end of 2021).

As before, closed-end funds focusing on legal entities and large private investors were the largest UIFs by the amount of their assets. As of the end of the year, these funds' NAV totalled ₹6,876.9 billion, which is 89.8% of UIFs' overall NAV. Of this amount, NAV of closed-end UIFs for qualified investors totalled ₹6,417.2 billion, whereas NAV of closed-end UIFs for non-qualified investors equalled ₹459.6 billion.

Over the year, NAV of closed-end UIFs for qualified and non-qualified investors increased by 17.1% and 9.8%, respectively. As to all other types of funds, their NAV declined, specifically NAV of open-end, exchange-traded and interval funds for non-qualified investors contracted by 36.9%, 33.5% and 25.6%, respectively; and NAV of interval funds for qualified investors decreased by 38.8%.

The overall number of investors – UIFs increased to 9,261.7 thousand as of the end of 2022 (+6.0% over the year). The number of investors in exchange-traded and open-end funds increased most significantly in 2022, specifically by 330,700 unit holders or 5.9% and by 165,100 unit holders or 8.6%, respectively. In relative terms, the most con-

⁴¹ The figures of accounting (financial) statements are given for PSMPs licensed as of 31 December 2022 to operate as a broker, a dealer or a forex dealer, manage securities, or carry out depository activity. The figures are given excluding the data of PSMPs licensed as registrars, as well as the data of investment advisers not licensed as PSMPs and the data of the statements of JSC DOM.RF and FBSC AMC Ltd. due to the specifics of these organisations' activities.

⁴² Financial indicators based on recent data from non-bank financial institutions' accounting (financial) statements.



siderable growth was recorded in the segment of closed-end UIFs, in particular those for qualified investors attracted 2,200 unit holders (+13.0%) and those for non-qualified investors – 28,500 unit holders (+28.6%).

1.2.2.7. INFRASTRUCTURES

Exchange infrastructure organisations

There are six exchanges in the Russian Federation. PJSC Moscow Exchange remains the largest, with its overall trading amount growing by 4.95% in 2022 to ₽1,060 trillion (including ₽17.6 trillion of transactions for purchase and sale of shares, depository receipts and units).

On PJSC SPB Exchange focusing on foreign securities trading, the amount of trading in 2022 plummeted 3.2 times as compared to 2021, to total ₽14.1 trillion (including ₽8.8 trillion of transactions for purchase and sale of shares, depository receipts and units).

The trading amount in the commodity exchange market edged up by 0.2% to ₽1.6 trillion.⁴³ The largest proportion (nearly 85%) was made by exchange trading of petroleum products on Saint Petersburg International Mercantile Exchange (gasolines, diesel fuel, liquefied petroleum gas, fuel oil, etc.).

The trading amount of the Central Trading System totalled ₽5.9 million (including chemicals accounting for 93%).

Accounting infrastructure organisations

In 2022, the overall value of securities held in Russian depositories declined by 13% or ₽11.8 trillion to ₽80.2 trillion.

The value of securities recorded in accounts in the register of securities holders decreased by 10.3% to ₽47.6 trillion in 2022.

This reduction was associated with, among other reasons, the decline in the overall value of Russian shares and the Bank of Russia key rate (this caused a decrease in the value of bonds), as well as the ruble strengthening against foreign currencies, which caused a decline in the ruble value of securities denominated in foreign currencies.

1.2.2.8. NATIONAL PAYMENT SYSTEM PARTICIPANTS

As of 1 January 2023, National Payment System (NPS) entities included 362 funds transfer operators⁴⁴ (including 67 electronic money operators), 25 payment system operators,⁴⁵ 36 payment infrastructure operators, two federal post service organisations, payment agents, 3,900 bank payment agents (subagents), including 80 bank payment agents engaged in payment aggregator operations, 51 payment application providers, 208 information exchange service operators, and four foreign providers of payment services.

⁴³ Including transactions for commodity purchase and sale and deliverable commodity derivatives.

⁴⁴ Including State Development Corporation VEB.RF (hereinafter, VEB.RF) and the Bank of Russia.

⁴⁵ Including the Bank of Russia and National Payment Card System Joint Stock Company.



As of 1 January 2023, there were 25 payment systems operating in the Russian Federation.

In 2022, the systemically important Bank of Russia Payment System (BRPS) functioned steadily without interruptions. As compared to 2021, funds transferred⁴⁶ through the BRPS surged 1.7 times to ₹3,342.4 trillion and exceeded GDP 22 times (vs 15.5 times in 2021). The number of transfers in the BRPS increased 1.9 times to 5.0 billion.

Money transfers through the systemically important NSD Payment System (NSD PS) amounted to ₹117.3 trillion in 2022 (vs ₹107.6 trillion in 2021). As to the structure of money transfers in the NSD PS, money transfers made in the over-the-counter market accounted for 52.9% and transfers conducted within on-exchange transactions – for 38.9%.

Despite the serious challenges associated with the sanction pressure, the main indicators characterising funds transfer operators' performance continued to grow. Cashless transactions carried out by credit institutions based on their clients'⁴⁷ orders and their own transactions numbered 79.5 billion payments and totalled ₹1,592.3 trillion, which is 13.2% and 32.4% more, respectively, than in the previous year. As a result, the proportion of cashless payments in retail turnover⁴⁸ continued to increase, reaching 78.1% in 2022 against 74.3% in 2021.

1.2.2.9. OTHER PARTICIPANTS

Platform operators

Financial platform operators

Financial platforms continued to develop in 2022, which expanded the opportunities of financial institutions, especially regional ones, for providing financial products and services to people remotely.

As of 1 January 2023, there were six financial platform operators in the financial market. In 2022, two operators were put on the Register of Financial Platform Operators, but one of these two was excluded from the register during the year based on the application.

Over 2022, the amount of financial transactions conducted on financial platforms surged more than six times compared to the previous year, reaching ₹41.6 billion. As in 2021, transactions with bank deposits accounted for the largest proportion of transactions on financial platforms, namely 96% of the overall amount of transactions.

In 2022, the constituent territories of the Russian Federation continued to offer additional issues of government bonds for individuals complying with the criteria of sustainable development. At the end of the year, corporate issuers also offered bonds to consumers on financial platforms for the first time.

⁴⁶ Including operations to implement monetary policy, settlements in the interbank and financial markets, and payment card transactions.

⁴⁷ Hereinafter, individuals and legal entities, other than credit institutions (including individual entrepreneurs).

⁴⁸ The overall turnover of retail and public catering and the value of commercial services to households. The assessment is based on the Bank of Russia's reporting forms and Rosstat's data.



The number of financial institutions – financial platform entities increased from 36 to 54 (or by 50% compared to 2021); of this number 46 are banks (growth by 283% year-on-year).

Operators of information systems used for issuing digital financial assets

In 2022, interest in digital financial assets (DFAs) transformed into real actions for the development of this segment: the first operators of information systems where DFAs are issued were created.

As of 1 January 2023, there were three operators of information systems used for issuing DFAs in the market.

Over 2022, there were 19 issues of DFAs totalling ₽728 million, the issuers were 11 companies from various industries, including machine-building, metallurgy, finance (leasing, factoring). All the issues that were sold provided for money claims, including those linked to prices for precious metals (gold, silver, platinum, palladium, rhodium, iridium and ruthenium) and to the exchange rate of foreign currency (Chinese yuan). There were 218 users, including 202 individuals, registered as investors in information systems. In 2022 Q4, the first transactions with DFAs with individuals as parties to the transactions were conducted on operators' platforms in the secondary market.

Investment platform operators

The market of investment platforms (crowdfunding) continued to develop actively in 2022. Over the year, the number of investment platform operators increased from 50 to 64 entities.

The funds raised in the market of investment platforms amounted to ₽20.4 billion in 2022, which is 1.5 times more than in 2021. Moreover, crowdfunding (securities) was actively developing: the funds raised in this segment totalled ₽7.59 billion, which is 60% more than in the previous year.

As of the end of 2022, there were 54,629 investors and 60,522 borrowers registered on investment platforms. Investors were mostly individuals (97% of the total number of active investors), whereas borrowers were predominantly SMEs (engaged in wholesale and retail trade, real estate transactions, and others) accounting for nearly 70% of the funds raised through these platforms.

In 2022, the first targeted issue of utilitarian digital rights for refined gold took place: this procedure was carried out based on distributed ledger technology.

Entities providing professional services in the financial market

Credit rating agencies

In 2022, credit ratings assigned by Russian credit rating agencies (CRAs) were the most accessible indicator of credit risk. The number of credit ratings was up from 1,728 to 1,774.

As of the end of 2022, the number of Russian CRAs' clients totalled 757 rated entities, including 99 that received credit ratings simultaneously from two CRAs, 16 – from three CRAs, and one – from four CRAs.



The highest demand for Russian CRAs' credit ratings was demonstrated by non-financial, credit and insurance organisations: 39%, 30% and 9%, respectively. Russian CRAs' credit ratings were assigned to approximately 57% of operating credit institutions (including 50% of large banks accumulating 97% of the sector's assets) and 57% of IAs.

Credit information system entities

The number of title parts of credit histories in the Central Catalogue of Credit Histories (CCCH) declined to 338.5 million as of the end of 2022 (-4.4% over the year). This was associated with changes in the requirements for the storage of credit histories at credit history bureaus (CHBs).⁴⁹

Furthermore, in 2022, there was observed a continuing upward trend in the number of requests regarding CHBs keeping credit history makers' credit histories and requests to form, cancel, or change a credit history maker's code (additional code) (hereinafter, requests) received from credit history makers and users.

The number of requests sent to the CCCH, including by credit history makers, credit history users, and divisions of the Russian Federal Bailiff Service (FBS), increased by 10.2 million over 2022 to total 59 million since the launch of the CCCH.

In 2022, the absolute majority of requests received by the CCCH from the credit history makers were through the Unified Portal of Public and Municipal Services (Functions) (UPPS), namely about 5.7 million over the reporting year. The Bank of Russia has been offering the service for providing information from the CCCH based on requests via the UPPS on a continuous basis beginning from 31 January 2019, and since then this service has become the most popular one among credit history makers as compared to other channels (including notaries, credit institutions, CHBs, and others).

⁴⁹ From 1 January 2022, the period for the storage of a credit history decreased from ten to seven years, and the period is calculated for each particular record in the credit history (Article 7 of Federal Law No. 218-FZ, dated 30 December 2004, 'On Credit Histories').



1.2.3. COMPETITION IN THE FINANCIAL MARKET

As assessed by the Bank of Russia, the level of competition in the financial market remained almost the same in 2022. This became possible owing to the significant improvement of the competitive environment in the financial market over previous periods, including a sufficiently large safety cushion of the financial market and the implementation of a range of infrastructure projects and anti-crisis measures by the Bank of Russia and the Government of the Russian Federation.

When assessing the competitive environment in the financial market, it is essential to take into account the consequences of the sanctions and the transformation of the Russian economy (both the real sector and the financial market).

According to the assessment of the indicators of competition carried out by the Bank of Russia in 2022 across the main product segments of the financial market,¹ the level of competition in the financial market remained almost the same.

The level of monopolisation remained high primarily in the segments of traditional banking products for households (loans, deposits, and payment services), which was largely because the largest credit institutions have their traditional advantages in remote service channels that had only strengthened due to the coronavirus pandemic, as well as the scale effect and the network effects (especially within the development of multi-service ecosystems). The segment of services to legal entities was less monopolised, and there were no significant changes in the level of competition there, although there was a redistribution of market shares among the largest players in lending.

The Payments and Money Transfers segment remained the most monopolised one. At the intra-network level of competition (among credit institutions), one credit institution continued to steadily dominate the market in both payments and money transfers (on bank cards).

At the inter-network level of competition (among payment systems), there was a considerable increase in the share of the Mir payment system. Over the reporting period, the level of competition was notably influenced by the exit of the international payment systems Visa and MasterCard from the Russian market and the response measures taken to maintain the accessibility of payment services for Russian consumers.

As before, the Insurance Services segment demonstrated the highest level of competition, with the competitive environment there generally improving over the year. In particular, the shares of the largest market participants in the Borrowers' Life Insurance segment were redistributed, including in favour of smaller players.

Active competition in the Investment Services segment continued: banking groups remained the leaders by the number of clients-investors attracted by them, whereas non-bank brokers remained the main leaders in terms of the value of brokerage services, although their bank competitors strengthened their positions. Overall, as of the

¹ Broken down by the type of financial services: Lending, Borrowing, Payments and Money Transfers, Investment Services, and Insurance Services.



end of the year, the segments of brokerage services and trust management remained in the same zones of competition as in the previous year.

More detailed information about measures promoting competition is provided in [Subsection 2.3.10 'Development of competition in the financial market'](#).

2



The Bank of Russia's activities

In 2022, the Bank of Russia primarily focused on countering the negative impact of sanctions on the financial sector and supporting the economy and households. It also continued to implement long-term projects aimed at developing the financial market.

In early February, the Bank of Russia increased the key rate by 100 basis points to 9.50% per annum to ensure price stability. This was due to the effects of global imbalances caused by the novel coronavirus infection, including a fast rise in demand surpassing the expansion of supply in most industries.

At the end of February 2022, the Bank of Russia set the key rate at 20.00% per annum at an unscheduled meeting of the Board of Directors due to the emergence of significant threats to price and financial stability amid the introduction of large-scale financial and trade sanctions. This decision was necessary to address the rapidly spreading devaluation and inflation expectations and helped maintain the attractiveness of deposits, protect household savings from devaluation, and curb extreme consumer demand.

As the situation stabilised, the Bank of Russia started to ease its monetary policy, including making decisions at unscheduled meetings of the Board of Directors. From April to September 2022, it reduced the key rate by 12.50 percentage points to 7.50% per annum.

In autumn, the impact of one-time disinflationary factors began to gradually weaken. The balance of risks started to shift toward proinflationary risks both in the medium and short term, so the Bank of Russia kept the key rate at 7.50% per annum in October-December 2022.

To support the stability of credit institutions, the Bank of Russia provided them with liquidity at weekly repo auctions and held fine-tuning auctions daily at the end of February and in March 2022. It also eased requirements for collateral on liquidity-providing operations and changed required reserve ratios, freeing up additional capital for banks.

After stabilisation in the banking sector, the Bank of Russia lifted some measures previously taken to support liquidity.

From the end of February, the Bank of Russia introduced capital controls to limit volatility in the domestic foreign exchange market and maintain overall financial stability. In particular, it restricted operations carried by non-residents, banned foreign curren-



cy transfers by residents to their accounts in foreign financial institutions, and ordered the mandatory sale of foreign currency received under foreign trade contracts on the domestic foreign exchange market. As risks to financial stability decreased, the Bank of Russia softened the previously introduced foreign exchange regulation and control measures to help support foreign trade.

The Bank of Russia developed a set of measures to stabilise the financial sector, including a temporary suspension of exchange trading and a ban on short sales, and introduced regulatory relaxations to support the banking sector's potential to provide lending to the economy. Beginning 1 March 2022, the Bank of Russia completely released the macroprudential capital buffer in the amount of approximately ₹900 billion. Banks and non-credit financial institutions were able to fix the value of financial instruments and exchange rates when calculating the ratios.

The capabilities of JSC RNRC were expanded to replace reinsurance capacities from the unfriendly countries, which became unavailable due to sanctions. The Bank of Russia guaranteed an increase in the RNRC's authorised capital to ₹750 billion. Thus, continuity of insurance coverage for domestic businesses was ensured.

Individuals and SMEs are hit most by a crisis. To support them, the mechanism of six-month loan repayment holidays was renewed with the participation of the Bank of Russia. In autumn, this mechanism was adapted and extended to loan agreements for military personnel serving under a contract in the area of the special military operation or called up for partial mobilisation.

The Bank of Russia also recommended that banks restructure borrowers' debt under creditors' in-house programmes and impose no penalties or fines on loans. Individuals paying mortgage loans were also supported.

Anti-crisis programmes for subsidised lending helped SMEs avoid a surge in lending rates as the key rate was raised. Under these programmes, businesses could get new loans or restructure loans issued earlier at floating rates.

The regulator's focus has remained on protecting the rights of consumers and investors amid crisis conditions. The number of complaints filed with the Bank of Russia due to problems caused by sanctions increased by 18.4%. People mostly needed an explanation of what was happening in the financial market and the response measures taken. The flow of sanction-related complaints had decreased significantly by mid-2022 and had practically disappeared by the end of the year. However, as bank lending recovered, problems related to the unfair practices of some market participants who were looking for ways to increase margins began to worsen. To combat misselling, the Bank of Russia obliged credit institutions selling non-banking products to inform customers about all specifics and risks of the products and services offered and introduced measures for non-compliance with these requirements from 1 July 2022. In the event of systemic and significant violations, the Bank of Russia may require institutions to suspend sales of 'toxic' products and reimburse customers.

Under the new requirements of the Bank of Russia, insurance companies selling a borrower's life and health insurance policy related to a consumer loan or mortgage agreement also began to provide policyholders with clear and concise product information in the key information document.



Due to an increase in prices for spare parts, the risks of higher losses in auto insurance rose, which affected the affordability of CMTPLI policies. This was mitigated by launching the reinsurance pool in April 2022. Insurance companies participating in the pool can share among themselves some risks on potentially loss-making insurance policies. If losses occur on a contract transferred to the pool, they will be reimbursed by all CMTPLI insurers. To ensure fair pricing under rapidly growing costs of spare parts and repairs, the Bank of Russia has additionally expanded the range of insurance rates. Insurers can still vary the cost of CMTPLI policies for policyholders depending on their risk level.

The economy managed to avoid significant difficulties thanks to the steady operation of the national payment system. The needs of individuals, companies, and the state in payment services were fully met. The NPS and its instruments, including Mir cards, the Faster Payments System, and the Financial Messaging System, were able to compensate for the exit of international payment systems from Russia and the cut-off of some banks from SWIFT.

The creation of a digital ruble remained one of the key tasks for developing the NPS. The Bank of Russia, together with a pilot group of domestic banks, actively prepared for the pilot project using real digital rubles.

Amid sanctions, the Bank of Russia stepped up its efforts to provide regulatory support for cross-border payments. In particular, it was developing interbank interaction, settlements in national currencies with friendly countries, and trading in currency pairs as part of bilateral cooperation. With the participation of the Bank of Russia, the Moscow Exchange expanded its list of available foreign exchange market instruments by admitting the currencies of friendly countries, such as the Kyrgyz som, the Tajik somoni, the South African rand, the Armenian dram, and the Uzbek sum, to trade.

In 2022, important steps were taken to develop the infrastructure of the financial and commodity exchange markets. Holders of digital financial assets received a level of protection of rights comparable to that of securities owners. The range of products sold on financial platforms was supplemented by loans, debit cards, and corporate bonds. In July 2022, the Bank of Russia, together with the FAS, Ministry of Finance and Ministry of Agriculture of Russia, assessed and approved the first national commodity indicator, the NAMEX Wheat Index.

The Bank of Russia continued to introduce domestic system software in the course of import substitution. It promptly assessed the impact of sanctions on the components of its internal information and telecommunications system. It also implemented a set of priority measures to ensure the smooth functioning of the critical information infrastructure operated by the Bank of Russia and IT systems with foreign technical solutions supplied for a limited period of time. The Bank of Russia conducted cybersecurity trainings with market participants and analysed their operational reliability risks as part of supervisory measures.

An important step in the area of AML/CFT was the launch of the Know Your Customer platform on 1 July 2022. The purpose of developing the KYC Platform is to reduce the regulatory burden on bona fide entrepreneurs, primarily small and micro businesses, by focusing the efforts of compliance departments of credit institutions on the opera-



tions of high-risk clients. Credit institutions began to receive daily information on classifying organisations and individual entrepreneurs¹ into three risk groups regarding suspicious transactions. In 2022, thanks to the KYC Platform, credit institutions prevented the withdrawal of nearly ₽30 billion to the shadow economy.

¹ Except credit institutions, state bodies, and local governments.



2.1. Ensuring price stability

2.1.1. MONETARY POLICY OBJECTIVES AND KEY MEASURES

MONETARY POLICY OBJECTIVES AND PRINCIPLES

Although the economic environment in Russia significantly altered in 2022, the objective and principles of monetary policy remained unchanged. *The main objective of the monetary policy of the Bank of Russia is to protect the ruble and ensure its soundness by maintaining price stability, including for creating conditions for balanced and sustainable economic growth.*¹ By ensuring price stability, which means steadily low inflation, the Bank of Russia is contributing to the development of necessary conditions for a transformation of the economy. Low and stable inflation helps increase the affordability of domestic financing and form a predictable internal environment. These are essential conditions that would facilitate the successful transformation of the Russian economy caused by the introduction of external trade and financial restrictions. Implementing its monetary policy, the Bank of Russia mitigates the scale of cyclical fluctuations in output and creates conditions for balanced economic growth. Price stability also protects household income and savings against a significant unpredictable devaluation.

Since 2015, the Bank of Russia has pursued an inflation targeting strategy during the implementation of its monetary policy. Within this strategy, *the Bank of Russia adheres to the following key principles. It sets and announces the target of maintaining annual inflation close to 4% on a continuous basis.* In 2022, significant changes in the economy caused an adjustment of prices for various goods and services. As a result, inflation was temporary above the target. The monetary policy is aimed at returning inflation to the target in 2024 and maintaining it close to that level in the future.

The Bank of Russia *pursues the floating exchange rate regime.* Under the capital controls introduced in 2022, the exchange rate of the ruble depends on importers' demand for and exporters' supply of foreign currency. The Bank of Russia sets no targets or limits for the level of the exchange rate or the pace of its movements and does not conduct foreign exchange transactions to influence the dynamics of the exchange rate. Capital controls are solely a tool for maintaining financial stability and are aimed at offsetting the impact of the sanctions imposed. The floating exchange rate mitigates the impact of external conditions on the domestic economy and is essential for effective monetary policy.

To achieve the inflation target, the Bank of Russia *uses the key rate and communication as its main monetary policy instruments.* Revising the key rate, the Bank of Russia influences the dynamics of interest rates in the economy, which in turn affects domestic demand and inflation. Any key rate decision is accompanied by an explanation of its logic and is usually supplemented by a signal about possible further actions on

¹ Articles 3 and 34.1 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'.



monetary policy. The explanation of the decisions made and the announcement of future intentions influence inflation expectations. The latter guide economic agents in their choices about interest rates, borrowings, savings, consumption, investment, wages, and prices. Implementing its monetary policy under the conditions of sanctions and anti-crisis measures, the Bank of Russia factors in a temporary weakening of the influence of the key rate and the signal on demand and price dynamics.

The effect of monetary policy decisions on price trends is not immediate; it takes time and involves a long chain of interconnections. Therefore, *the Bank of Russia relies on macroeconomic forecasts when making its monetary policy decisions*. Preparing this forecast, the Bank of Russia conducts an in-depth analysis of a wide range of data. Considering the high uncertainty in the process of restructuring the economy, the Bank of Russia prepares the forecast using improved tools and implements its monetary policy with particular caution under the new conditions.

The society's understanding of and confidence in the monetary policy pursued are crucial for its efficient implementation. Therefore, *the Bank of Russia seeks to promptly and amply communicate information on the objectives, principles, measures, and results of its monetary policy*. The Bank of Russia continuously makes efforts to improve the outreach of its monetary policy and to make communication more targeted. It has improved the efficiency of communication on the back of significant changes in the economy.

In 2022, the Bank of Russia implemented its monetary policy in accordance with the declared principles and considering the specifics of the current period. The decisions made by the Bank of Russia on the key rate were aimed at returning inflation to the target of 4% and creating conditions for the transformation of the national economy.

BANK OF RUSSIA KEY RATE DECISIONS



In early 2022, the Bank of Russia continued to raise the key rate to bring inflation back to the target

At the beginning of the year, inflation continued to grow, considerably deviating from the target and significantly exceeding the Bank of Russia's forecast. Inflation expectations of households and businesses remained at multi-year highs. According to the Bank of Russia's estimates, indicators reflecting the steadiest price movements stood well above 4% in annualised terms.

The acceleration of price growth indicated a significant upward deviation of the economy from a balanced growth path. Overheating of the economy was a consequence of growing demand and supply gaps. Domestic demand increased faster than supply in most industries. Consumer activity increased amid the accelerated growth of lending, rising real wages, and low propensity of households to save. The expansion of production was constrained by a growing shortage of personnel and supply disruptions. Companies' costs increased due to high global commodity prices and costlier lo-

gistics operations. Given high demand, businesses passed increasing costs on to consumer prices.

Following the previous decisions of the Bank of Russia on the key interest rate, monetary conditions shifted from soft to neutral at the beginning of the year. However, due to rising inflation and inflation expectations, the nominal interest rates still did not result in an increase in demand for household deposits and a balanced growth of lending. To bring inflation back to the target and drive the economy to a balanced growth path, the Bank of Russia would need to create moderately tight monetary conditions. Therefore, it continued to raise the key rate by 100 basis points to 9.50% per annum in early February and admitted the possibility of a further key rate increase at upcoming meetings. Given the monetary policy pursued, the Bank of Russia forecast that annual inflation would decrease to 5.0–6.0% in 2022 and return to the target of 4% by the middle of 2023.



At the end of February 2022, the Bank of Russia sharply raised the key rate in response to significant threats to price and financial stability

At the end of February 2022, the external conditions for the Russian economy altered dramatically. A number of countries have imposed large-scale trade and financial sanctions. Large Russian banks were cut off from the cross-border banking payment system, international payment systems suspended their operations in Russia, the use of gold and currency reserves was restricted, funds belonging to some Russian individuals and entities were frozen, external restrictions were imposed on the export and import of Russian goods, and some Western companies terminated or suspended their operations in Russia.

The sanctions spurred volatility in financial markets and led to a significant weakening of the ruble. Depositors withdrew their funds from bank accounts. Inflation expectations and consumer demand significantly increased, and as a result, the risks of uncontrolled price growth emerged. To limit higher risks to financial stability and soaring inflation and devaluation expectations, the Bank of Russia raised the key rate to 20% per annum at the unscheduled meeting of the Board of Directors on 28 February. This decision was also aimed at increasing the demand for deposits, protecting household savings from depreciation, and reducing extreme consumer demand.

The Bank of Russia imposed capital controls to limit risks to financial stability. In addition, the Bank of Russia, jointly with the Government of the Russian Federation and other government agencies, took a set of actions consisting of regulatory easing for banks, measures to support borrowers, and suspension of trading on the Moscow Exchange. All this made it possible to gradually stabilise the situation.



From April to September 2022, the Bank of Russia had been lowering the key rate progressively as the situation stabilised



By early April, the country managed to overcome the acute stage of the crisis. A significant portion of cash was returned to the banking sector. The ruble exchange rate and the state of the financial market stabilised. Soaring demand gradually subsided, households and businesses reduced their inflation expectations, and the risks of uncontrolled price growth were eliminated.

The national economy entered a period of structural transformation. The sanctions caused difficulties for many companies with settlements and stability of imports and exports of goods. At the same time, exports of goods decreased to a lesser extent than imports, which contributed to the strengthening of the ruble. Companies began to search for new markets and suppliers. Business sentiment gradually improved. Based on the results of the second and third quarters, economic activity decreased to a lesser extent than predicted by the Bank of Russia, including due to the state support measures taken. However, the situation across various industries and regions remained uneven. As estimated by the Bank of Russia, the economic decline would be more prolonged than previously expected.

After reaching its peak in April, annual inflation started to gradually decrease. Price growth slowed due to the strengthening of the ruble, cooling of consumer demand, high propensity of households to save, and expansion of supply in some commodity markets. In August, annual inflation slowed down to 14.3% (compared to 17.8% in April). Inflationary pressure generally decreased faster than predicted by the Bank of Russia. In summer, the Bank of Russia adjusted its 2022 inflation forecast from 14–17% to 12–15%.

Considering the gradual stabilisation of the environment, the disinflationary processes observed, the potentially faster slowdown in inflation, and the need for structural transformation of the economy, from April to mid-September, the Bank of Russia progressively lowered its key rate, including at unscheduled meetings. Overall, the key rate was reduced by 12.5 percentage points to 7.50% per annum during this period. The Bank of Russia forecast that the monetary policy pursued would bring inflation back to the target in 2024. The longer-than-usual period for inflation to return to the target was due to the scale of the changes happening in the economy and the need to adjust relative prices for various goods and services.



Given an increase in uncertainty, the Bank of Russia maintained the key rate unchanged from September to December 2022

By the end of September, business and consumer sentiment worsened and uncertainty increased on the back of the rise of geopolitical tensions and the announcement of partial mobilisation. The banking sector faced another outflow of household funds, but some increase in deposit rates by banks and the provision of additional liquidity by the Bank of Russia proved sufficient to maintain financial stability.

The economic situation turned out to be better than expected by the Bank of Russia, as the decline in GDP was less than forecast. Annual inflation continued to decrease and the current rate of price growth remained moderate. Households still preferred to

save and no increase in consumer activity was observed, unlike in February and March. However, from mid-September, medium-term proinflationary risks related to both foreign and domestic factors increased significantly.

Significant foreign factors included the potential by worsening situation in the global economy and the strengthening of external trade and financial restrictions. Inflation remained high in many countries, forcing central banks to continue tightening monetary policy. Further interest rate hikes by major central banks created risks to global economic growth. For the Russian economy, this would mean a decline in external demand and exports, a weaker ruble, and a rise in inflation. Additional trade and financial restrictions could lead to a reduction in exports as well as to more difficulties with supplies of equipment and a slower replenishment of the stocks of finished goods, raw materials, and components. This would negatively impact the prospects for the growth of the Russian economy, including its potential.

Elevated inflation expectations remained a substantial proinflationary factor. This could lead to a faster rise in consumer demand considering the actual growth of cash holdings in the structure of household savings. The significant expansion of consumption could accelerate inflation on the back of supply constraints. Workforce shortages in some industries could also cause an increase in prices. Companies raised wages to attract qualified personnel. The lag between labour productivity growth and wage growth could accelerate inflation. Moreover, companies continued to adapt to changing conditions, which might put additional pressure on prices. Decisions on fiscal policy were also significant for inflation dynamics. An additional increase in the budget deficit could lead to higher inflation risks. An increase in budget expenditures also remained an inflation risk factor. Considering the prevalence of proinflationary risks in the medium term, the Bank of Russia maintained the key rate at 7.50% per annum from October to December. In December, the Bank of Russia forecast the average key rate in the range of 6.5–8.5% per annum in 2023 and 6.0–7.0% per annum in 2024. The Bank of Russia expected that the monetary policy pursued would help slow down inflation to 5.0–7.0% per annum in 2023 and help return it to 4% in 2024.



2.1.2. MONETARY POLICY INSTRUMENTS

The Bank of Russia uses monetary policy instruments to achieve its operational goal of maintaining overnight money market rates close to the key rate. In 2022, the Bank of Russia effectively achieved this goal during periods of both banking sector liquidity surplus and temporary structural liquidity deficit.

The absolute deviation of the RUONIA rate from the key rate averaged 31 basis points over 2022, which is 11 basis points more than in 2021. The spread between RUONIA and the key rate ranged from -95 to 121 basis points (in 2021, it was in the range from -97 to 69 basis points). The volatility of the spread also increased, reaching 35 basis points in 2022 (vs 21 basis points in 2021).

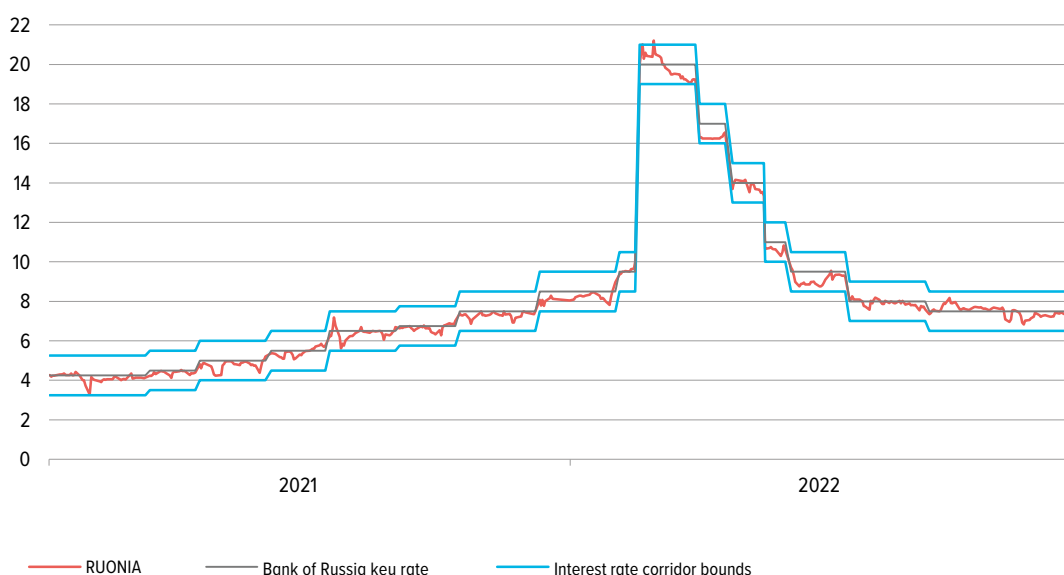
As in 2021, banks' expectations regarding changes in the key rate affected the RUONIA rate. The market was able to predict the first increase in the rate by 1 percentage point to 9.5% per annum. Thus, a few days before the corresponding decision was made, at the beginning of the February required reserve averaging period, market rates went up. On the contrary, from April to September, market participants expected a decrease in the key rate, which caused the negative spread to increase on certain days. When decisions on the key rate were made at unscheduled meetings of the Bank of Russia Board of Directors, similar effects were absent or less pronounced.

In late February and early March, the banking sector sharply shifted from a liquidity surplus to a liquidity deficit. The outflow of liquidity was caused by budgetary operations and the growth in demand for cash by households and banks.

The Federal Treasury increased a cushion of budget funds in the Treasury Single Account with the Bank of Russia, which could be used promptly for financing expenses if necessary. Moreover, on 24 and 25 February, the Bank of Russia conducted foreign currency sale transactions on the domestic foreign exchange market to stabilise the finan-

BANK OF RUSSIA INTEREST RATE CORRIDOR AND RUONIA RATE
(PER CENT P.A.)

Chart 25



cial market. This resulted in an additional outflow of liquidity. All these factors led to an increase in the cost of borrowing in the money market and a decrease in the volume of transactions in its unsecured segment.

The Bank of Russia adopted several prompt measures to support the stability of credit institutions and the smooth functioning of the entire financial sector. From the beginning of March, weekly repo auctions were held instead of weekly deposit auctions. From February 28 to March 1, the Bank of Russia set no limit at weekly and fine-tuning repo auctions and provided funds to all participants as requested against sufficient marketable collateral. The regulator also conducted both fine-tuning repo actions and fine-tuning deposit auctions daily.

On 24 February 2022, the Bank of Russia included a wide range of bonds and Eurobonds in the Lombard List. This was done so that credit institutions could attract the necessary amount of liquidity as part of refinancing operations. Requirements were also lowered for the minimum credit rating of issues / issuers of the securities included in the Lombard List, legal entities included in the List of Legal Entities,¹ and constituent entities and municipalities of the Russian Federation included in the List of Constituent Entities.² In February 2022, the regulator also expanded the list of main types of economic activity of borrowers and legal entities with obligations under loan agreements, claims on which are eligible as collateral on Bank of Russia loans. The Bank of Russia also increased the ratios used to adjust the cost of credit claims eligible as collateral. As a result of the measures implemented in 2022, the amount of marketable and non-marketable collateral on Bank of Russia liquidity operations increased by ₺4.5 trillion over the year.

From 1 March, the Bank of Russia reduced the rates on loans secured by non-marketable assets with maturity from 2 to 90 days to the level of overnight rates. From 25 March, it also introduced Lombard loans with maturity from 2 to 90 days at a floating rate equal to the overnight rates. This, among other things, helped reduce the operational burden on credit institutions.

As an additional measure taken to support banks, the Bank of Russia changed the amount of required reserves. In order to provide liquidity promptly, the Bank of Russia cancelled the penalty for failure to perform the averaging of required reserves in the February averaging period.³ During the March averaging period, the Bank of Russia reduced the required reserve ratios (RRR) to 2% across all types of reservable liabilities and increased the averaging ratio to 0.9 for both banks with a universal licence and banks with a basic licence. This freed up additional capital from the banks' required reserve accounts as well as correspondent accounts.

In March, the inflow of liquidity into banks resumed, and in April, the banking sector returned to a structural liquidity surplus. The Federal Treasury and the budgets of the

¹ The Register of legal entities that may undertake obligations under loan agreements pursuant to which claims are included in the loan collateral pool without the Bank of Russia's check of accounting (financial) statements or other information on such entities.

² The List of constituent entities of the Russian Federation and municipalities that may undertake obligations under loan agreements pursuant to which claims may be included in the loan collateral pool of the Bank of Russia.

³ The penalty was not applied if the amount of non-compliance did not exceed 20% of the amount that banks were required to maintain in correspondent accounts during that period.



constituent entities of the Russian Federation increased the volume of deposits with banks. After demand for cash stabilised, banks credited unclaimed funds from cash registers and ATMs to their correspondent accounts with the Bank of Russia. Households also partly returned cash to banks in view of rising deposit rates.

From the second half of March 2022, as a result of the measures taken by the Bank of Russia and the decrease in banks' demand for liquidity, the situation in the money market began to stabilise. The RUONIA rate started to fluctuate near the key rate with a slight negative spread. Money market activity also began to recover, with turnover in the overnight IBL segment approaching its annual average. However, the number of market participants decreased compared to the beginning of the year, and a few major banks accounted for the largest share of borrowings. Banks also maintained high demand for the most reliable and short-term liquidity-absorbing instruments, including standing deposit facilities (SDF) implemented by the Bank of Russia. The average daily amount of liquidity absorbed through the SDF mechanism increased from ₹0.1 trillion in 2021 to ₹1.5 trillion in 2022. Demand for secured standing lending facilities provided by the Bank of Russia declined in view of the inflow of liquidity. Banks raised additional funds only on certain days, which was due to one-time factors.

As liquidity conditions were back to normal and the banking sector returned to a structural liquidity surplus, the Bank of Russia began to phase out its earlier policy measures. It lowered the limits of fine-tuning auctions and then gradually stopped conducting them daily. Starting from the May required reserve averaging period, the Bank of Russia resumed main one-week deposit auctions instead of repo auctions. To achieve its operational goal with the use of these transactions, the Bank of Russia absorbed an average of ₹1.4 trillion per day in 2022 (vs ₹1.2 trillion per day in 2021).

The Bank of Russia raised the RRRs to 4% for all categories of reservable foreign currency liabilities for both banks with a basic licence and banks with a universal licence. The new ratios were first applied to the required reserves for May 2022. Then, from the moment of the regulation of required reserves for August 2022, the Bank of Russia increased the RRRs to 3% for all categories of reserved ruble liabilities for banks with a universal licence and non-bank credit institutions, and to 5% for all categories of reservable foreign currency liabilities. This helped support steadier credit institutions' demand for liquidity.

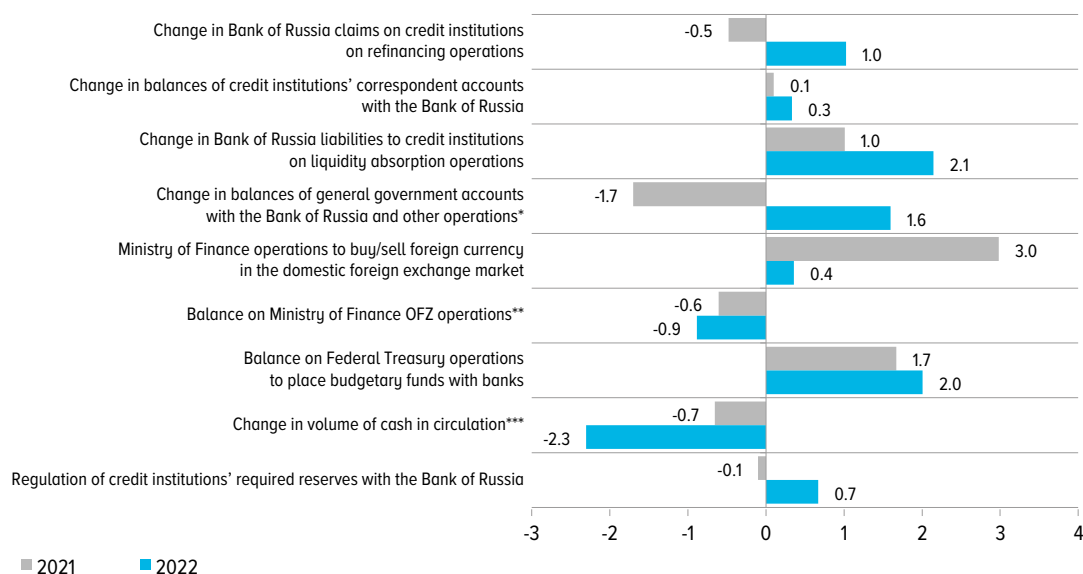
Given these changes in RRRs as well as credit institutions' expansion of deposit base and foreign currency revaluation of liabilities for 2022, the amount of required reserves subject to averaging on correspondent accounts decreased by ₹0.9 trillion to ₹2.3 trillion. The amount of required reserves deposited on the required reserve accounts decreased by ₹0.7 trillion to ₹0.1 trillion.

In 2022, the Bank of Russia continued to carry out one-month repo auctions at a fixed interest rate and one-year repo auctions at a floating interest rate in order to further help individual credit institutions offset local imbalances in liquidity distribution. At the beginning of 2022, banks' debt on these operations totalled ₹0.1 trillion and ₹0.02 trillion, respectively. Despite the overall liquidity surplus, some large banks still needed refinancing. Therefore, in November 2022, when there was a rise in volatility, including budget performance volatility, the Bank of Russia increased the limit at



LIQUIDITY FACTORS (TRILLIONS OF RUBLES)

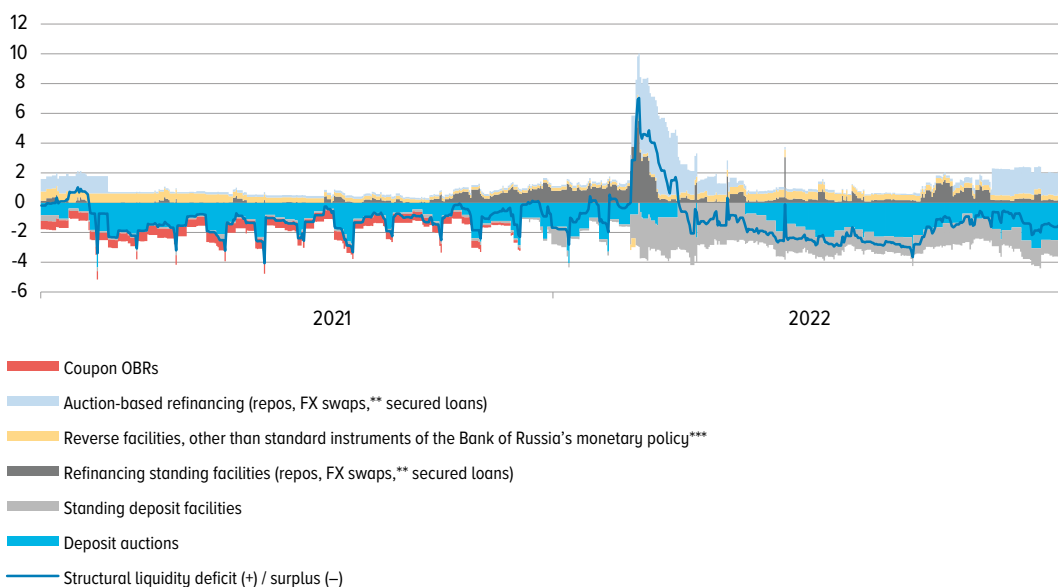
Chart 26



* Net of Federal Treasury operations to place temporarily available budgetary funds with banks, Ministry of Finance OFZ operations, Ministry of Finance operations to buy/sell foreign currency in the domestic market, including Bank of Russia operations to buy monetary gold, and other operations.
** Including coupon payments.
*** Including data of Bank of Russia field institutions.

STRUCTURE OF BANK OF RUSSIA OPERATIONS* (TRILLIONS OF RUBLES)

Chart 27



* Bank of Russia claims on credit institutions on refinancing instruments/ Bank of Russia liabilities to credit institutions on excess liquidity absorption instruments as of start of business.
** Bank of Russia specialised refinancing instruments, Bank of Russia loans issued under irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps.
*** Bank of Russia USD/RUB and EUR/RUB buy/sell FX swaps.

its one-month repo auctions from ₴0.1 trillion to ₴1.5 trillion. As a result, by the end of the year, banks' debt rose to ₴1.0 trillion for one-month repos and ₴0.5 trillion for one-year repos.



In 2022, budget spending increased compared to the previous year and was partially covered by the NWF. From the end of January 2022, due to infrastructure constraints and changes in external economic conditions, the Bank of Russia did not conduct operations with NWF funds in the foreign exchange market, which led to an inflow of funds into banks and an increase in liquidity surplus. In 2022, the amount of cash in circulation increased to ₹2.3 trillion, which was higher than the level determined by macro-economic factors.

Considering the influence of the above factors, the liquidity surplus increased by ₹1.1 trillion to ₹2.8 trillion over 2022. The structural balance of liquidity across the required reserve averaging periods⁴ reversed from a deficit of ₹1.9 trillion to a surplus of ₹2.8 trillion over the year.

⁴ The review covers the required reserve averaging periods from 12 January 2022 to 17 January 2023. The average value of the balance of liquidity over a required reserve averaging period enables a more objective assessment (as compared to the analysis of the value as of a specific date) of how long-term factors (in particular, budget operations and changes in the amount of cash in circulation) influence the banking sector liquidity, and reduces the effect of temporary strategies pursued by individual credit institutions to manage balances in correspondent accounts.



2.2. Protecting financial consumers and enhancing financial inclusion for households and businesses

2.2.1. PROTECTING FINANCIAL CONSUMERS AND INVESTORS, INCREASING FINANCIAL LITERACY

Consumer protection has become of particular importance for the Bank of Russia in view of the crisis conditions. In 2022, one of the key tasks of the regulator was to support borrowers, households, and businesses affected by the sanctions.



A law on loan repayment holidays adopted

A federal law drafted with the participation of the Bank of Russia was adopted, which gave the right to use loan repayment holidays to borrowers who are individuals, individual entrepreneurs or SMEs.¹ The criteria for granting loan repayment holidays to individuals, individual entrepreneurs, and SMEs working in the industries specified by the Government of the Russian Federation² were adjusted to the crisis conditions related to the occurrence of sanctions risks.³ The law was in effect from March to September 2022 (and then it was renewed in January–March 2023).⁴

The Bank of Russia recommended that banks restructure the debt of borrowers experiencing difficulties in repaying loans under creditors' in-house programmes, if the borrowers' financial position worsened after 18 February 2022, and impose no penalties (fines, late payment interest fees)⁵. The cost of collateral assessed as of 18 February 2022 should be used for collateral quality categories I and II. This recommendation was extended until the end of 2023. Mortgage borrowers could also receive support under permanent legislation on mortgage repayment holidays.⁶ The Bank of Russia also recommended⁷ that eviction of borrowers should be suspended from housing subject to enforcement due to non-payment of debt on loans or borrowings.

¹ Article 13 of Federal Law No. 46-FZ, dated 8 March 2022, 'On Amending Certain Laws of the Russian Federation'.

² The list of industries was approved by Resolution of the Government of the Russian Federation No. 337, dated 10 March 2022.

³ Federal Law No. 55-FZ, dated 14 March 2022, 'On Amending Articles 6 and 7 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement' and Article 21 of the Federal Law 'On Amending Certain Laws of the Russian Federation'.

⁴ Federal Law No. 519-FZ, dated 19 December 2022, 'On Amending Certain Laws of the Russian Federation and Suspending Certain Provisions of the Laws of the Russian Federation'.

⁵ Bank of Russia Information Letter No. IN-01-23/32, dated 10 March 2022, '[On the Specifics of Applying Bank of Russia Regulations](#)'.

⁶ Article 6.1-1 of Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans'.

⁷ Bank of Russia press release, dated 2 March 2022.



The legislative authorities adopted Federal Law No. 377-FZ,⁸ drafted with the participation of the Bank of Russia, which introduced a mechanism for loan repayment holidays for borrowers who are military personnel participating in the special military operation and their family members. The same option was provided to support SMEs that are individual entrepreneurs or limited liability companies⁹ whose only participant (head) had been mobilized. Military borrowers were granted the right to defer payments on loans and borrowings or to write off the entire debt in some cases. From 21 September to 31 December 2022, banks restructured 167,600 loan agreements of military personnel and their family members for a total amount of ₽63.6 billion.¹⁰



Banks restructured nearly 1 million retail loans for a total of ₽455 billion

The Bank of Russia continuously monitored the process of notifying individuals and businesses about the possibility of receiving a grace period, verified whether refusals to provide payment holidays were justified, and took measures to protect the rights of borrowers in case of violation. Overall, from March to December 2022, banks restructured the following:

- 982,500 loan agreements (not including loan repayment holidays for military personnel) with individuals for a total of ₽455.4 billion, including 863,700 loan agreements under creditors' in-house programmes for a total of ₽382.1 billion;
- 80,400 loan agreements with SMEs for a total of ₽1162.8 billion, including 25,100 loan agreements under creditors' in-house programmes for a total of ₽694.8 billion.

The State Duma of the Federal Assembly of the Russian Federation (hereinafter, the State Duma) adopted draft federal law No. 196743-8 in the first reading. The law drafted with the participation of the Bank of Russia introduces loan repayment holidays as a permanent option for borrowers in difficult situations.¹¹

Given a sharp increase in the key rate and high volatility of the exchange rate, a mechanism was developed with the participation of the Bank of Russia for restructuring floating-rate mortgage loans,¹² and it was recommended that banks convert foreign currency mortgage loans into rubles.¹³ After 28 February 2023, some credit institutions unilaterally increased fixed rates under loan agreements with SMEs. In the regulator's opinion, such institutions should reduce the fixed rates in response to the movements

⁸ Federal Law No. 377-FZ, dated 7 October 2022, 'On the Specifics of Fulfilment of Obligations under Credit (Loan) Agreements by Persons Mobilised to the Armed Forces of the Russian Federation, Participants in the Special Military Operation and Their Family Members, and on Amending Certain Laws of the Russian Federation'.

⁹ Federal Law No. 406-FZ, dated 20 October 2022, 'On Amending Certain Laws of the Russian Federation'.

¹⁰ According to a survey of 44 banks, including all systemically important banks.

¹¹ Draft Federal Law No. 196743-8 'On Amending Certain Laws of the Russian Federation' was approved by the State Duma in the first reading on 8 December 2022.

¹² Federal Law No. 71-FZ, dated 26 March 2022, 'On Amending Certain Laws of the Russian Federation'.

¹³ Bank of Russia Information Letter No. IN-02-59/41, dated 28 March 2022, '[On Restructuring Foreign Currency Loans](#)'.

KEY REMEDIAL MEASURES TAKEN IN RELATION TO FINANCIAL MARKET PARTICIPANTS*

Credit institutions	Insurance agents	MFOs, CCCs, and pawnshops	Corporate relationship participants, professional securities market participants, and collective investment market participants
4 orders to eliminate/prevent violations	731 orders to eliminate/prevent violations	277 orders to eliminate/prevent violations	199 orders to eliminate/prevent violations
130 administrative offence reports**	812 administrative offence reports**	158 administrative offence reports**	1,108 administrative offence reports**
333 recommendations*** / supervisory letters sent to supervised organisations	799 recommendations / supervisory letters sent to supervised organisations	991 recommendations*** / supervisory letters sent to supervised organisations	926 recommendations / supervisory letters sent to supervised organisations

CONDUCT SUPERVISION RESULTS****

Credit institutions	Insurance agents	MFOs, CCCs, and pawnshops	Professional securities market participants, collective investment market participants, and relevant self-regulatory organisations
181 amended internal procedures / documents of organisations	136 amended internal procedures / documents of organisations	465 amended internal procedures / documents of organisations	16 amended internal procedures / documents of organisations
Over ₪667 million returned to customers*****	Over ₪42 million returned to customers*****	Nearly ₪22.5 million returned to customers*****	Nearly ₪15 million returned to customers*****
3,200 credit histories corrected	4,300 BMC values improved	289,000 credit histories corrected	
TCC adjusted by 15 organisations		TCC adjusted by 51 organisations	
Client terms and conditions amended in 37,000 contracts	Client terms and conditions amended in 3 contracts	Client terms and conditions amended in 3,000 contracts	
181 specific recommendations fulfilled	61 specific recommendations fulfilled	1,200 specific recommendations fulfilled	755 specific recommendations fulfilled
15 hardware and software systems corrected	4 hardware and software systems corrected	78 hardware and software systems corrected	3 hardware and software systems corrected
71 websites corrected	85 websites corrected	128 websites corrected	22 websites corrected
14 self-control measures applied	1 self-control measure applied	51 self-control measures applied	4,300 self-control measures applied
		3 MFOs excluded from the state register	

* Measures taken by the Service for Consumer Protection and Financial Inclusion.

** Including administrative offence reports based on violations revealed by the Service for Consumer Protection and Financial Inclusion.

*** Recommendations sent as part of preventive conduct supervision.

**** According to the data provided by the Service for Consumer Protection and Financial Inclusion.

***** As part of preventive and reactive conduct supervision.



of the Bank of Russia key rate.¹⁴ Supporting the downward trend in the share of foreign currency, the Bank of Russia recommended that brokers, depositories and management companies,¹⁵ as well as banks¹⁶ inform their clients about upcoming changes in tariffs or terms of service in advance using all available communication channels and do not prevent them from terminating agreements if they disagree with the new terms.

The Bank of Russia took a comprehensive set of measures to protect retail investors affected by sanctions against the Russian securities market. In particular, the regulator recommended that professional securities market participants (PSMP) restructure the liabilities of socially vulnerable investors who had suffered losses and remained in debt as a result of margin calls.¹⁷ The Bank of Russia also advised PSMPs, exchanges, and clearing houses¹⁸ to cancel or reduce service fees for mobilised investors, write off or restructure the accrued commission fees, restructure liabilities if possible, and not to foreclose on collateral.

As in previous years, the Bank of Russia also provided targeted recommendations to creditors on supporting borrowers affected by natural disasters: fires in several regions of Siberia¹⁹ and floods in Primorye Territory.²⁰

Effective support measures for SMEs were introduced in March 2022 through anti-crisis programmes for subsidised lending²¹ with a total amount of ₽675 billion. From March until mid-July 2022, under these programmes, businesses could get new loans or restructure loans issued earlier at floating rates. This helped entrepreneurs avoid a surge in lending rates as the key rate was raised (see [Subsection 2.2.2 'Enhancing financial inclusion for households and businesses'](#)).

PROTECTION OF CONSUMER AND INVESTOR RIGHTS

In 2022, the Bank of Russia issued regulations²² aimed at countering misselling. From 1 July 2022, the regulator obliged credit institutions selling non-banking products to inform customers about all the risks and specifics of the products and services of-

¹⁴ Bank of Russia Information Letter No. IN-03-59/85, dated 15 June 2022 (not published).

¹⁵ [Bank of Russia Letter No. 02-59-1/8485, dated 8 September 2022](#), mailing list.

¹⁶ [Bank of Russia Letter No. 08-59-3/7462, dated 4 August 2022](#), mailing list.

¹⁷ Bank of Russia Letter No. 02-59-1/4517, dated 23 May 2022, 'On Recommendations for Supporting Broker Clients Who Are Not Qualified Investors', mailing list.

¹⁸ [Bank of Russia Letter No. 018-59/10711, dated 3 November 2022](#).

¹⁹ Bank of Russia Information Letter No. IN-08-59/5646, dated 22 June 2022, mailing list.

²⁰ Bank of Russia Information Letter No. IN-08-59-3/9450, dated 5 October 2022, mailing list.

²¹ The temporary specialised liquidity-providing mechanism intended for the provision of loans to credit institutions by the Bank of Russia without collateral for up to one year and the extended lending incentive programme of the Bank of Russia and Joint-stock company Russian Small and Medium Business Corporation (JSC RSMB Corporation).

²² Bank of Russia Ordinances No. 6057-U, dated 10 January 2022, 'On Minimum (Standard) Requirements for the Scope and Content of Information Provided by a Credit Institution Acting on Its Own Behalf in a Transaction with an Individual for Paid Disposal of Securities, when Concluding Derivative Contracts or Acting on Behalf and/or on Instruction of a Non-credit Financial Institution when Concluding Contracts with an Individual for the Provision of Financial Services, Including Their Terms and Related Risks, and Also on the Form, Methods, and Procedure for Providing Such Information' and No. 6113-U, dated 31 March 2022, 'On the Procedure for Applying Measures by the Bank of Russia to Credit Institutions as Stipulated by Article 74.1 of Federal Law No. 86-FZ, Dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', and to Non-credit Financial Institutions as Stipulated by Article 76.8-1 of Federal Law No. 86-FZ, Dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'.



ferred. In the case of repeated violations of these requirements, the regulator has the right to restrict the sale of the products and enforce their buyback.

New standards of informing consumers introduced by the Bank of Russia in 2022 apply from 1 October 2022, when selling life and health insurance policies²³ to borrowers (for consumer and mortgages loans), and from 1 April 2023, when concluding contracts²⁴ for most other types of voluntary insurance. Insurers must provide customers with clear and concise information on the main terms of insurance contracts in the key information document (KID).

From 1 October 2022, to exclude the possibility of misleading depositors, banks must inform them about the minimum guaranteed interest rate on deposits²⁵. Any important terms of deposit agreements must be presented as a table in an easy to read and understand form.²⁶ In order to reduce the debt burden on borrowers in 2022, the legislative authorities adopted a law that limited the maximum amount of all overpayments under a consumer loan agreement concluded for a period of up to one year. It should not exceed 130%. The maximum daily interest rate for consumer loans was reduced to 0.8% and the total cost of credit (TCC) was decreased to 292%.²⁷

The Bank of Russia continued to improve the procedure for calculating the TCC in order to increase the level of borrowers' awareness of all expenses related to consumer lending. This was aimed at including all direct or indirect loan-related payments in the TCC made by borrowers for additional goods and/or services.²⁸

CONDUCT SUPERVISION MEASURES AND RESULTS

The Bank of Russia continues to handle consumers' complaints by taking responsive measures in conduct supervision. The regulator also extensively uses proactive conduct supervision by analysing a wide range of data from various sources and identifying unfair practices at an early stage. The measures applied may be specific and aimed at resolving particular issues in financial institutions or systemic. In the latter case, information letters containing recommendations on the identified issues are sent to all financial market participants.

²³ Bank of Russia Ordinance No. 6139-U, dated 17 May 2022, 'On Minimum (Standard) Requirements for the Terms and Procedure for Voluntary Life Insurance of a Borrower Under a Consumer Loan Agreement, for the Scope and Content of the Information Disclosed on the Voluntary Life and Health Insurance Contracts of a Borrower Under a Consumer Loan Agreement, and Also on the Form, Methods, and Procedure for Providing Such Information'.

²⁴ Bank of Russia Ordinance No. 6109-U, dated 29 March 2022, 'On Minimum (Standard) Requirements for the Terms of Certain Types of Voluntary Insurance, the Scope and Content of the Information Provided on Voluntary Insurance Contracts, and Also on the Form, Methods, and Procedure for Providing Such Information'.

²⁵ Bank of Russia Ordinance No. 6153-U, dated 14 June 2022, 'On the Procedure for Calculating the Minimum Guaranteed Interest Rate on Deposits'.

²⁶ Bank of Russia Ordinance No. 6150-U, dated 3 June 2022, 'On the Form of the Table Included in Bank Deposit Agreements with Individuals, which Contains the Information Provided for by Parts One and Two of Article 36 of Federal Law No. 395-1, Dated 2 December 1990, 'On Banks and Banking Activities'.

²⁷ Federal Law No. 613-FZ, dated 29 December 2022, 'On Amending the Federal Law 'On Consumer Loans'.

²⁸ Draft Federal Law No. 48749-8 'On Amending the Federal Law 'On Consumer Loans' and Certain Laws of the Russian Federation' was approved by the State Duma in the first reading on 8 June 2022.

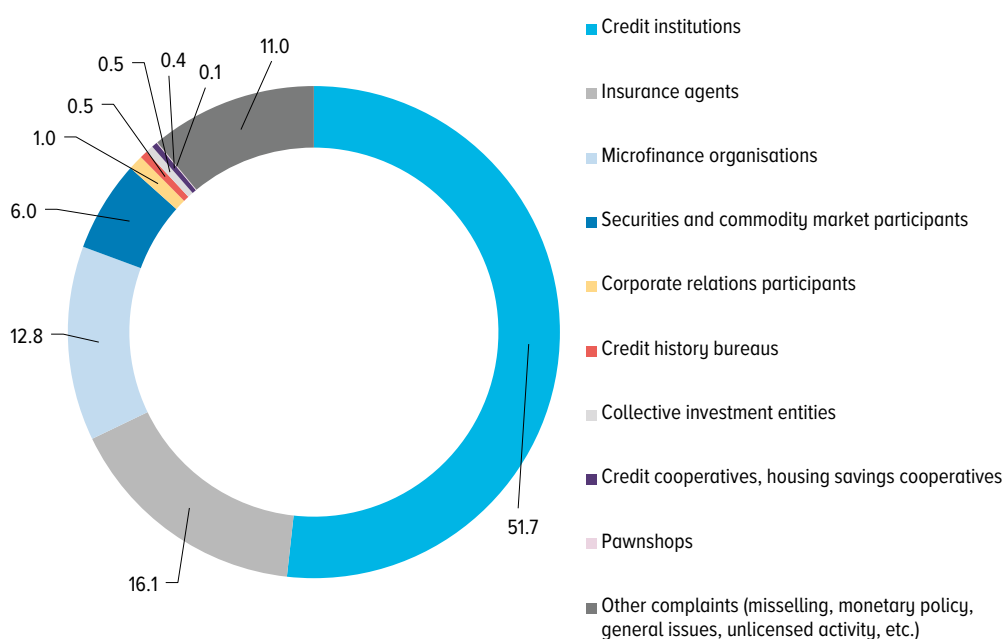


In 2022, the Bank of Russia received 368,100 complaints²⁹ from financial consumers and investors, which was 18.4% more than in 2021. The increase was most notable in the first half of the reporting year and was primarily due to the imposed sanctions. A total of 46,000 sanction-related complaints were received, 72% of which were from February to June. The majority of such complaints were related to banks and concerned foreign currency deposits and accounts, loan repayment holidays, and loan restructuring. Most of the inquiries contained questions about the situation in the financial market and the measures taken by the Bank of Russia. There was also a significant influx of standard inquiries about changes in the bonus-malus coefficient (BMC)³⁰ regarding the insurance market. These inquiries were sent through intermediaries and did not necessarily imply a solution to the applicant's problems. Excluding these two factors, the total number of complaints would have decreased by some 2.5% in 2022 compared to 2021.

In 2022, the number of complaints about misselling rose by 40%. The increase was mainly due to improper sales of UIF units, products and services of trust managers, and earlier issued ELI policies.

BREAKDOWN OF COMPLAINTS BY PRINCIPAL FINANCIAL MARKET SECTOR
(PARTICIPANT CATEGORY) IN 2022*
(PER CENT)

Chart 28



* The total may deviate from 100% due to rounding.

²⁹ One mail/inquiry may relate to several issues and/or organisations, in which case the Bank of Russia counts it not as one but several complaints. Since February 2021, the Bank of Russia has been separating non-standard complaints, which contain several different issues in one inquiry, into individual complaints. The new approach to reflecting information on complaints has been applied since March 2022, including for 2021 data. Excluding this additional breakdown, the total number of complaints rose by 20% in annualised terms and reached 300,700 in 2022. From 2023, the Bank of Russia will use an improved method for recording inquiries/complaints received from customers. In particular, the regulator will change the procedure for recording repeated inquiries/complaints. The number of inquiries/complaints as a function of time for previous periods will be adjusted using the new method.

³⁰ The bonus-malus coefficient used in a CMTPLI policy to adjust its cost depending on the driver's road incident statistics.



CREDIT INSTITUTIONS

In 2022, the Bank of Russia received 27,600 sanction-related complaints about credit institutions. As a result, the total number of complaints about credit institutions reached 190,500 (10.4% more than in the year before). Excluding sanction-related issues, the number of complaints related to credit institutions would have decreased by 5.6% compared to 2021. The number of socially important complaints declined by 20.6% in the area of consumer lending and by 10.7% in the area of mortgage lending over the year. The number of fraud-related complaints dropped by 17.3%.

In 2022, the regulator conducted 19 checks on the appropriateness of selling non-banking investment products (except insurance products) in bank offices to identify misselling, revealing 140 instances of unacceptable practices (a decrease of 8% compared to 2021).

INSURANCE AGENTS

Complaints about insurers numbered 59,300 in 2022, which was 30.2% more than in the previous year. The main increase in the number of complaints (+48.4%, to 47,000) was related to CMTPLI, primarily due to standard complaints about incorrect application of the BMC,³¹ which did not necessarily imply a solution to the applicant's problems. Excluding such standard inquiries, the number of complaints related to insurers would have declined by 11.6%.

Due to an increase in prices for spare parts driven by their shortage, the risks of higher losses for motor insurers increased significantly, which affected the affordability of CMTPLI policies. In April 2022, the reinsurance pool was launched making CMTPLI available to certain insurers.³² By the end of the year, the number of complaints about the unavailability of CMTPLI decreased by 62%. The Bank of Russia monitored the sales of CMTPLI and carried out control checks in 25 constituent entities of the Russian Federation, resulting in 142 reports on administrative offences.³³ The regulator widely used the practice of bringing responsible officials rather than companies as a whole to administrative liability under the Code on Administrative Offences of the Russian Federation.

More than 80 insurance companies received and complied with Bank of Russia orders to eliminate violations identified as a result of checking 111 websites with regard to informing clients about insurance intermediaries³⁴ acting for and on behalf of an insurer.

The number of cases of selling complex insurance products with investment components to customers without a prior assessment of their knowledge³⁵ de-

³¹ Standard complaints were generated by paid intermediary websites and concerned a general check of the applicant's insurance record rather than specific actions of insurers. All policyholders have access to a free BMC calculator on the website of the Russian Association of Motor Insurers.

³² Such policyholders include young and inexperienced drivers, taxi and car-sharing owners, and drivers who have repeatedly caused accidents in the past, i.e. those who are likely to provoke a road accident in the future causing damage that will be reimbursed by insurance companies.

³³ Half of these cases concerned employees of insurance companies, including their directors.

³⁴ Bank of Russia Ordinance No. 3740-U, dated 27 July 2015, 'On the Requirements for the Procedure for Publishing Information by Insurers on the Internet'.

³⁵ Bank of Russia Information Letter No. IN-01-59/2, dated 13 January 2021, '[On Specific Issues Related to the Selling of Insurance Products with Investment Components](#)'.



clined by 24% compared to 2021, according to the results of the Bank of Russia's monitoring.

MICROFINANCE MARKET PARTICIPANTS

In 2022, the number of complaints related to microfinance organisations decreased by 5.6% to 47,000 owing to the decline in the number of complaints about overdue debt repayment by 30.6% to 9,300. At the same time, the number of fraud complaints increased by 38.6%. As a result, the number of complaints about credit histories increased by 49.9%. The regulator also identified a massive inflow of template-based complaints regarding the recalculation of debt on loans, including about MFOs that do not sell additional services and do not charge commissions. Such complaints were induced by online discussions, and many of them contained a request for debt recalculation, but with no reference to violations of consumer rights. Following the examination, they turned out to be unjustified.

The Bank of Russia and self-regulatory organisations, taking into account the delineation of powers, checked whether the calculated DSTI ratios had been properly justified by microfinance organisations. Given the identified signs of violations, methods for calculating DSTI were examined in 261 MFOs.³⁶ As a result of the revealed violations, supervisory response measures were taken in relation to 187 MFOs.

Surrogate products and services that do not offer value to consumers were excluded from the product lines of MFOs.

Over the year, the regulator removed three MFOs from the State Register of Microfinance Organisations for their violations in the area of conduct supervision.

SECURITIES MARKET PARTICIPANTS, COLLECTIVE INVESTMENT MARKET PARTICIPANTS, AND CORPORATE RELATIONSHIP PARTICIPANTS

Over 2022, the number of complaints regarding securities market participants increased sevenfold to 22,000. The vast majority of these were complaints related to sanctions. Approximately 81% of sanction-related complaints were about brokers, and most of these complaints concerned the blocking of assets, failure to receive payments on blocked securities, and transfer of assets from sanctioned brokers to other participants.

The number of complaints about collective investment entities grew by 10.1%, mainly due to sanction-related issues of management of UIFs, while the number of complaints regarding corporate entities decreased by 31.7%.

As of 31 December 2022, 28 non-governmental pension funds participated in the system for guaranteeing the rights of insured persons. The total amount of the pension savings guarantee fund was ₽6,945.97 million.

Over the period of the functioning of the system, there were no guarantee events caused by the cancellation of the member funds' licences or the imposition of a ban on some or all operations of such funds.

³⁶ Alerts were triggered in 261 microfinance organisations.



PROTECTION OF THE RIGHTS OF RETAIL INVESTORS



Testing of newcomers in the investment market proved to be efficient as those who failed usually chose not to buy complex financial instruments

In 2022, the Bank of Russia approved the updated basic standard for the protection of the rights and interests of individuals and legal entities who receive financial services provided by members of broker self-regulatory organisations in the financial market area. The standard regulates the procedure for testing unqualified investors before they are allowed to buy certain types of complex financial instruments. Since March 2023, the number of questions in a test has increased to 11 and they are now less prone to trial and error. Although 6.13 million investors took part in the testing procedure³⁷ during its first year, only 1.92 million of them passed the test for at least one block of instruments. Those who failed usually chose not to buy complex financial instruments. This shows that the approach to investing has become more deliberate.

In accordance with the requirements of the above standard, which will come into force on 1 July 2023, each broker will be obliged to inform its clients about the risks of using not only the client's funds but also securities by the broker in its own interests, and also the client's right to prohibit the broker from using their assets.

In 2022, the Bank of Russia approved the basic standard for protecting the rights of the clients of investment advisers, which will come into force on 8 June 2023. Before signing agreements, investment advisers will be required to provide potential clients with important information about the terms of consulting services, warn about the risks of losses, and inform them whether and how often they monitor investment portfolios for rebalancing.



A concept for improving the protection of retail investors has been developed

This was part of the implementation of the [concept for improving the protection of retail investors](#), which was developed by the Bank of Russia in 2022.

In order to protect non-qualified individual investors, the Bank of Russia restricted³⁸ their transactions with securities of foreign issuers from unfriendly countries. The restrictions did not apply to securities of foreign issuers with core business in Russia or issuers from friendly countries that do not use the infrastructure of unfriendly countries.

³⁷ Conducted by the Bank of Russia with the participation of SRO NFA and NAUFOR.

³⁸ Bank of Russia Ordinance No. 02-38-5/8424, dated 6 September 2022.

Quantitative results of conduct supervision

Based on the results of supervising financial institutions' interaction with their clients, the institutions returned, wrote off or cancelled debts of bank, microfinance, insurance, and PSMP clients in the amount of nearly ₽747 million; more than 292,000 credit histories were corrected, and more than 4,300 BMC values were adjusted.

INTERACTION WITH THE FINANCIAL OMBUDSMAN INSTITUTE

In 2022, the Bank of Russia continued to interact with the financial ombudsman institute established for pre-trial consideration of property disputes between financial consumers and financial institutions.³⁹ Financial institutions that are obliged to interact with the financial ombudsman include banks, insurance companies, microfinance organisations, credit consumer cooperatives, pawnshops, and non-governmental pension funds.

The Bank of Russia also concluded an information exchange agreement with the financial ombudsman administration. Under this agreement, the regulator and the administration exchange data on inquiries received from financial consumers, unacceptable practices of financial institutions, etc.

DEVELOPMENT OF MODERN CHANNELS OF COMMUNICATION WITH FINANCIAL CONSUMERS

In 2022, the Bank of Russia's call centre received over 274,000 phone calls, with the level of satisfaction with the answers scoring 4.75 out of 5 on average. There were more than 48,000 dialogues with users in the chat of the CB Online mobile application, with the quality of Bank of Russia specialists' support scoring 4.7 out of 5 on average.

The Bank of Russia continued to expand channels of interaction with consumers in 2022. As an experiment, the regulator and Yandex jointly developed and pilot launched the CB Online chatbot for Alice, a Yandex's intelligent virtual assistant. The chatbot, or the 'skill', can answer to the most popular questions about finance or play a game based on everyday financial situations. During the pilot in 2022, the chatbot educated by the Bank of Russia held about 140,000 dialogues on financial topics with users. The level of user satisfaction was 4.7 out of 5 on average.

The service for checking the status of inquiries launched in 2021 was gaining popularity. In 2022, people requested the status of their inquiries over 129,000 times compared to approximately 44,000 times in 2021.

COUNTERING MISCONDUCT

Most complaints sent to the Bank of Russia about misconduct in on-exchange trading contained data on possible facts of financial instrument, commodity, and foreign currency market manipulation. A considerable proportion of the complaints received in 2022

³⁹ The amount of a consumer's claim does not exceed ₽500,000, other than claims arising from an insurer's violation of the procedure for paying an insurance compensation established by Federal Law No. 40-FZ, dated 25 April 2002, 'On Compulsory Third Party Liability Insurance of Vehicle Owners'.



concerned operations in the equity and derivatives sections of the market. The materials of these complaints were comprehensively analysed for potential unfair trading practices.

In addition, in 2022, the Bank of Russia handled more than 8,200 complaints from people regarding illicit operations in the financial market, including pyramid schemes. This figure is almost 12% lower than in 2021 due to the regulator's increased efforts to proactively identify both persons operating in the financial market without licences and activities with signs of a financial pyramid.

DEVELOPMENT AND SUPPORT OF SOCIALLY IMPORTANT TYPES OF FINANCIAL SERVICES

Compulsory motor third party liability insurance (CMTPLI)

In 2022, to ensure fair pricing of CMTPLI policies and maintain the ability to vary their cost despite a surge in prices for spare parts for policyholders with various levels of risk, the range of insurance rates was additionally expanded.⁴⁰ The Bank of Russia allowed the inclusion of data on the cost of quality counterparts⁴¹ in the price guide⁴² under the conditions of a lack of original parts for imported cars in the market. This was done to avoid issues related to the processing of CMTPLI claims.

Systematic transition to electronic means of communication was carried out in CMTPLI to provide individuals with the most convenient service. Federal Law No. 327-FZ⁴³ developed with the participation of the Bank of Russia was adopted, which laid the groundwork for insurers to implement remote claim settlement services in CMTPLI and all other mandatory types of property insurance.

Compulsory liability insurance of carriers and owners of hazardous facilities for damage caused by an accident at such facilities

The Bank of Russia adjusted the insurance rates for the compulsory liability insurance for owners of hazardous facilities⁴⁴ and carriers.⁴⁵ The regulator also increased insurance amounts and insurance payments⁴⁶ under the compulsory liability insurance for owners of hazardous facilities, which improved the level of social protection for employees at such facilities and their families.

⁴⁰ Bank of Russia Ordinance No. 6209-U, dated 28 May 2022, 'On Amending Annexes 1 and 2 to Bank of Russia Ordinance No. 6007-U, Dated 8 December 2021, 'On Insurance Rates for Compulsory Motor Third Party Liability Insurance'.

⁴¹ Bank of Russia Ordinance No. 6144-U, dated 31 May 2022, 'On Amending Clause 6.2 of Bank of Russia Regulation No. 755-P, Dated 4 March 2021, 'On the Unified Methodology for Estimating the Cost of Medium Repairs of Damaged Vehicles'.

⁴² The price guide is prepared and regularly updated by the Russian Association of Motor Insurers. Data from the price guide are used to calculate insurance payments.

⁴³ Federal Law No. 327-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation' (the law will come into force on 15 July 2023).

⁴⁴ Bank of Russia Ordinance No. 6138-U, dated 16 May 2022, 'On Insurance Rates for Compulsory Third Party Liability Insurance of Owners of Hazardous Facilities for Damage Caused by an Accident at Such Facilities'.

⁴⁵ Bank of Russia Ordinance No. 6137-U, dated 16 May 2022, 'On Insurance Rates for Compulsory Third Party Liability Insurance of Carriers for Damage Caused to the Life, Health and Property of Passengers during Transportation'.

⁴⁶ Federal Law No. 628-FZ, dated 29 December 2022, 'On Amending the Federal Law 'On Compulsory Third Party Liability Insurance of Owners of Hazardous Facilities for Damage Caused by an Accident at Such Facilities' and Certain Laws of the Russian Federation'.



EXTENDING THE PROJECT FINANCING MARKET FOR BUYER-FUNDED DEVELOPMENT

A mechanism of project financing for buyer-funded development was launched under the Housing and Urban Environment national programme. The mechanism provided for bank lending and placement of buyers' funds into escrow accounts.

According to the Unified Housing Construction Information System, as of 1 January 2023, as much as 89% of buyer-funded construction development projects were implemented using escrow accounts (+12% compared to 1 January 2022). However, there remained a potential to replace the projects implemented without the use of escrow accounts, which in particular reflected the industry's growing demand for credit resources.

In 2022, the Bank of Russia regularly monitored the indicators of project financing for buyer-funded development in the banks authorised to open developers' escrow and settlement accounts.

Over 2022, developers' outstanding project loans increased by 85% and exceeded ₪4.76 trillion as of 1 January 2023, which was more than 8% of the corporate portfolio. Project financing accounted for about 30% of the growth rate of the corporate portfolio in 2022 (₪2.2 trillion out of ₪7.2 trillion).

Funds deposited by project participants in escrow accounts increased (₪3.2 trillion, i.e. +12% per year). However, the growth rate of balances (33%) lagged behind the growth rate of developers' debt (85%). This could be explained by both a decrease in the pace of housing sales on the back of increased uncertainty and a significant growth in the amount of released escrow accounts for completed construction projects in 2022 (₪2.2 trillion compared to ₪0.9 trillion in 2021). The total balance of escrow accounts slightly exceeded ₪4.1 trillion as of 1 January 2023.

The weighted average interest rate on project loans remained at an acceptable level. It increased by 0.7 percentage points over the year to 4.3% as of 1 January 2023 (7.7%⁴⁷ for the corporate portfolio, excluding loans to developers).

Information on the most important project finance indicators by region was posted monthly on the official website of the Bank of Russia and reported to the authorities (the Russian Ministry of Construction, Housing and Utilities and regional authorities). The Project Finance in Housing Construction analytical report was also published quarterly.

IMPROVING FINANCIAL LITERACY OF INDIVIDUALS AND SMALL AND MEDIUM-SIZED ENTERPRISES

In 2022, each constituent entity of the Russian Federation implemented its own programme aimed at improving financial literacy in accordance with the Strategy for Improving Financial Literacy in the Russian Federation for 2017–2023, which the Bank of Russia has been implementing in cooperation with the Government of the Russian Federation (Ministry of Finance of Russia) for the sixth year. Mechanisms for expert and

⁴⁷ The weighted average interest rate on loans provided by credit institutions to non-financial organisations in rubles.

methodological support from the Bank of Russia and the Government of the Russian Federation have been created in the Russian regions. Over the year, conferences on sharing experience and best practices were held in all federal districts as part of regional programmes aimed at improving financial literacy. These conferences were organised by the Bank of Russia and the Russian Ministry of Finance with the participation of the Russian Ministry of Education and the Financial Literacy Development Association (FLDA). The Best Regional Practices for Financial Literacy catalogue was published, containing information about 116 models, projects, and programmes from 70 constituent entities of the Russian Federation.

The Interagency Coordinating Commission tasked with the implementation of the Strategy adopted a decision on the need to create a new strategy for improving financial literacy and building financial consumer culture for 2024–2030 in 2023 and on the development of the Unified Activity Monitoring System.⁴⁸

In 2022, the Bank of Russia conducted a financial literacy survey, which showed that individuals had become more deliberate about making financial decisions. According to the survey, young people demonstrate the highest pace of financial literacy growth, they better understand the importance of savings and investment diversification, and they manage their deposits responsibly.

Events for children and young people



Introduction of financial literacy competencies has been completed at all educational levels

In 2022, the Russian Ministry of Education and the Russian Ministry of Science and Higher Education, supported by the Bank of Russia and other stakeholders, completed the introduction of financial literacy competencies at all educational levels. Thus, in general education schools, financial literacy became part of the 'Golden Standards'.⁴⁹ It was included in the federal state educational standard for grades 10–11 and became the basis for sample work programmes on financial culture for schoolteachers.

The Bank of Russia prepared financial literacy class assignments for the digital educational platform 'My School' developed by the Academy of the Ministry of Education.

Online lessons on financial literacy traditionally conducted by the Bank of Russia for schools and vocational colleges gathered over 5 million views in 2022. Due to a flexible schedule, the lessons might be included in both school schedules and extracurricular programmes.

In 2022, the Bank of Russia sent over 17,000 sets of educational materials on financial literacy to schools (565) and partner universities (188). The Bank of Russia and

⁴⁸ The main objective of the system is to combine the existing methodology, measurement and assessment results, performance indicators, and other qualitative and quantitative indicators and present them by task, target audience, and federal and regional segments.

⁴⁹ Unified basic educational programs, textbooks, and educational environment in accordance with Federal Law No. 371-FZ, dated 24 September 2022, 'On Amending the Federal Law 'On Education in the Russian Federation' and Article of the Federal Law 'On Mandatory Requirements in the Russian Federation'.



Lomonosov Moscow State University updated educational and methodological materials on financial literacy for universities, taking into account changes in the financial market. The Bank of Russia and the Academy of the Ministry of Education conducted joint events on methodology for educators and developed methodological recommendations for teaching financial literacy. The Bank of Russia also actively developed on-line communities for educators and teachers in social media, offering financial literacy games, assignments, and case studies.

With the support of the Bank of Russia, the following specialised academic Olympiads were held in 2022: 'Young Entrepreneur and Financial Literacy' on the Uchi.ru educational platform, which was attended by 1.6 million school students, the national Olympiad 'Finathlon for High School Students' on financial literacy, financial market, and the protection of financial consumer rights, which was attended by 80,000+ high school students, and the Rosfinmonitoring's International Olympiad on Financial Security, which gave an opportunity for 36,000 school and university students to test their knowledge. The Financial Cybersecurity educational module was also successfully implemented at the Sirius Educational Centre for talented students.

Events for adults

The Bank of Russia conducted the annual national online test on financial literacy, which included questions on investment, digital, and cyber literacy. In 2022, for the first time, individuals could participate in the test on their own (over 1.3 million participants) or as a family (nearly 100,000 families).

For entrepreneurs, the Bank of Russia conducted more than 30 national and regional educational web seminars in 2022, covering crisis support measures and available funding and cost reduction tools.

The Bank of Russia prepared and sent to the regions the Financial Navigator programme aimed at improving the level of financial literacy among working adults, including those in difficult financial situations.

Almost 1 million pensioners attended specialised courses aimed at improving financial literacy and countering financial and social engineering fraud.

Overall, in 2022, the Bank of Russia conducted more than 8,000 financial literacy events for various target groups in all constituent entities of the Russian Federation, reaching a total of more than 11.8 million people.

The regulator continued to place social advertising on the most pressing issues of financial consumer protection. In 2022, static banner ads and video ads prepared by the Bank of Russia were placed on more than 40,000 locations across Russia⁵⁰ (twice as many as in 2021), and over 11.7 million leaflets, booklets, and brochures on financial literacy were distributed. The regulator also disseminated information materials on socially important issues on the Internet, reaching over 57 million people per year.

⁵⁰ Videos on financial literacy and cybersecurity, in particular, warning of the threats of fraud, financial pyramids, and other illicit operations in the financial market, are posted in airports, public transport (including long-distance trains and metro), multipurpose centres rendering state and municipal services, post offices, and other organisations working with people.



The Bank of Russia extensively used social networks to promote financial literacy. With the support of the Odnoklassniki social network, the regulator conducted an information campaign to combat fraud reaching 700,000 people and the online marathon 'Simply About Finance' with more than 2 million participants.

In 2022, the Financial Culture website (fincult.info)⁵¹ hosted easy-to-read educational materials on the use of financial services by people with mental health conditions and methodological recommendations for teachers working with vulnerable groups. Over the year, more than 11.9 million unique users visited the website (996,800 visitors on average per month).

Partners and collaboration

In collaboration with the FLDA, the Bank of Russia actively promoted accredited educational programmes on investment literacy. In total, the FLDA supported about 70 national and regional projects and initiatives on financial literacy in 2022.

The regulator also continued its cooperation with the Pension Fund of Russia⁵² aimed at implementing regional programmes on financial literacy with the use of educational materials provided by the Bank of Russia.

In 2022, the Bank of Russia concluded the following:

- a cooperation agreement with Joint-Stock Company Russian Post on improving the quality and accessibility of financial services and promoting financial literacy among people living in rural, remote, and sparsely populated areas, and also for SMEs;
- a cooperation agreement with the Federal Fund for Social and Economic Support of the Russian Cinematography (Cinema Fund) on the use of audiovisual works promoting financial literacy among people.

⁵¹ The Financial Culture website (fincult.info) is the financial literacy website of the Bank of Russia.

⁵² In accordance with Federal Law No. 236-FZ, dated 14 July 2022, on 1 January 2023, the Pension Fund of Russia and the Social Insurance Fund of Russia were merged and transformed into the government extra-budgetary Pension and Social Insurance Fund of the Russian Federation. The abbreviated name of the new fund is the Social Fund of Russia (SFR).



2.2.2. ENHANCING FINANCIAL INCLUSION FOR HOUSEHOLDS AND BUSINESSES

In 2022, the Bank of Russia, with the participation of the business community, updated its action plans for the implementation of the [Priorities of the Financial Inclusion Programme of the Russian Federation for 2022–2024](#).¹

- the Bank of Russia Action Plan (Roadmap) for Enhancing Financial Inclusion in Rural, Remote, Sparsely Populated, and Hard-to-reach Areas for 2022–2024² focuses on developing simplified financial service formats, supporting the improvement of the infrastructure for accepting cashless payments and providing the cash-out service, and implementing regional measures to enhance financial inclusion in rural, remote, sparsely populated, and hard-to-reach areas;
- the Action Plan (Roadmap) for Enhancing Financial Inclusion for Persons with Disabilities, Limited-mobility Population Groups, and Elderly People for 2022–2024 focuses on improving the protection of these population groups in terms of financial service provision, including through online service channels, and further adapting the financial service infrastructure to the needs of these groups;
- the key areas of the new Bank of Russia Roadmap for the Development of Funding for Small and Medium-sized Enterprises for 2023–2024 are aimed at increasing the affordability of loans for SMEs with a focus on investment loans, the use of non-bank sources of funding, and the development of technologies for businesses.

FINANCIAL INCLUSION IN REMOTE, SPARSELY POPULATED, AND HARD-TO-REACH AREAS

The Bank of Russia, in cooperation with government authorities, municipal administrations, credit institutions, communication service providers, and other stakeholders, has implemented a single set of measures to improve financial inclusion in rural, remote, and sparsely populated areas in the constituent entities of the Russian Federation. To this end, task forces for enhancing financial inclusion have been established in all regions, and action plans have been approved jointly with executive authorities.

During the reporting period, in order to support online access to financial products and services, the Bank of Russia continued its interaction with organisations providing access to the Internet at the national and regional levels. At the same time, the Bank of Russia and major banks participating in the Bank of Russia task forces remained focused on ensuring financial inclusion for territories with insufficient internet coverage as well as for individuals who cannot or do not want to use online channels.³

In the context of the sanctions, the regulator recommended⁴ to banks that the number of banking service points located in rural, remote, and sparsely populated areas

¹ Approved by the Bank of Russia Board of Directors on 23 December 2021.

² No. PM-01-59/135, dated 8 August 2022.

³ The Bank of Russia Task Force on enhancing financial inclusion in rural, sparsely populated, and hard-to-reach areas and the Bank of Russia Task Force on implementing the project on providing cash-out services to cardholders at retail and service outlets.

⁴ Bank of Russia Information Letter No. IN-04-59/88, dated 24 June 2022, 'On Recommendations to Maintain the Level of Financial Inclusion'.



should not be reduced below the level reached as of 1 March 2022. Service points were opened in the 'light front office' format, where employees provide services to customers using tablets. Mobile managers were sent to rural areas, in particular, to help customers connect to remote banking services.

The Bank of Russia, in collaboration with credit institutions participating in the task forces, continued to develop low-budget, simplified service formats and related service applications. As part of this work, the cash-out service network was expanded in 2022. The number of retail and service outlets where this service could be obtained⁵ increased from 9,400 to 24,950 with over 30% of the outlets located in rural areas.⁶ The provision of financial services via post offices remained important. Some banking operations could be carried out in 95% of branches with Internet access (i.e. in nearly 35,000 branches,⁷ with about 25,600 of them located in rural areas).

The number of post offices accepting documents for opening bank accounts increased to 17,665 (+72.6%) in 16,905 rural settlements (+73.4%).

The total number of permanent outlets providing simplified services increased from 649,800 to 781,600. The number of agents and partners of credit institutions providing field financial services increased from 2,200 to 5,900.

The Bank of Russia established the procedure for banks (their branches) to open mobile offices and the list of banking operations they are entitled to carry out.⁸ This will help credit institutions optimise their expenses for operating mobile offices, primarily serving rural areas.

FINANCIAL INCLUSION FOR PERSONS WITH DISABILITIES, ELDERLY PEOPLE, AND OTHER LIMITED-MOBILITY POPULATION GROUPS

In 2022, given the difficult economic situation, the Bank of Russia prepared and published recommendations:

- to credit institutions to maintain the achieved level of the adaptation of service channels for persons with disabilities, elderly people, and other low-mobility groups of population;⁹
- to credit institutions and insurance companies not to discriminate against persons with disabilities and elderly people when providing them with credit and insurance services, and to use, in addition to insurance, other instruments that reduce bank risks and loan interest rates.¹⁰

⁵ A single trading and service outlet may contain several cash-out service points.

⁶ Taking into account retail chains where the cash-out service was activated at POS terminals but has not yet been launched (it takes time to set up cash register equipment and train staff), the total number of retail and service outlets that can support the service increased from 15,900 to 42,600.

⁷ The number of post offices that carry out some banking operations may slightly vary from month to month, including due to Russia Post's work on renovating and repairing post office premises.

⁸ Bank of Russia Ordinance No. 6242-U, dated 21 September 2022, 'On the Procedure for Banks (Branches Thereof) to Open Mobile Offices, the Procedure for Entering Information Thereon in the State Register of Credit Institutions, and the List of Banking Operations Allowed to Mobile Offices' (sent for registration to the Ministry of Justice of the Russian Federation).

⁹ Bank of Russia Information Letter No. IN-04-59/88, dated 24 June 2022, 'On Recommendations to Maintain the Level of Financial Inclusion'.

¹⁰ Bank of Russia Information Letter No. IN-01-59/112, dated 1 September 2022 '[On Recommendations Aimed at Preventing Discrimination against Persons with Disabilities and Elderly People in the Financial Market](#)'.



The Bank of Russia monitored the implementation by credit institutions of recommendations¹¹ for creating a barrier-free environment for persons with disabilities, elderly people, and other low-mobility population groups. In 2022, 75% of credit institutions fully or partially implemented these recommendations (vs 66% in 2021).¹²

Some credit institutions implemented recommendations¹³ for introducing the 'helping hand' option for elderly customers and persons with disabilities, where a customer can appoint a helper to check and reject suspicious transactions. About 42% of credit institutions¹⁴ were considering the possibility of introducing such an option.

Special attention was paid to issues of financial literacy for persons with disabilities, with a focus on people with mental health conditions. Six materials were developed, tested by the target group, and posted on the Financial Culture website (fincult.info) in the subsection 'I teach people with disabilities' of the 'Teacher's room' section, introducing various types of financial services and principles of their safe and rational use. The materials were adapted for people with mental health conditions and presented in an easy-to-read format. They are suitable for both self-study and joint study with teachers and financial literacy volunteers.

DEVELOPMENT OF SME FINANCING

In 2022, in order to attract credit institutions, including small credit institutions, to the active financing of SMEs, the Bank of Russia amended¹⁵ the procedure for making loss provisions. Sureties (guaranties) of regional guarantee institutions can now be considered as collateral of quality category II regardless of the legal and organisational form of such institutions.

The Bank of Russia made decisions¹⁶ on approaches to assessing credit risk for the purpose of making loss provisions. The threshold value of loans to SMEs was increased from ₽10 million to ₽50 million for any loan, the risk of which is assessed without using the borrower's official reporting (i.e. based on intra-bank indicators of creditworthiness). Such loans should be included in portfolios of homogeneous loans.

¹¹ Bank of Russia Information Letter No. IN-03-59/20, dated 12 May 2017, 'On Recommendations for Ensuring Accessibility of Credit Institutions' Services by Persons with Disabilities, Low-mobility Population Groups, and Elderly People' and some other information letters and methodological recommendations of the Bank of Russia on this topic.

¹² In the reporting year, the assessment was conducted among all credit institutions operating during the survey period, from 1 September to 3 November 2022, with consideration to changes in the methodology after the introduction of new recommendations. This should be taken into account when comparing indicators for 2021 and 2022.

¹³ [Bank of Russia Methodological Recommendations No. 11-MR, dated 9 August 2021](#), on ensuring additional protection of the rights of persons with disabilities and other low-mobility population groups and enhancing measures aimed at preventing financial losses and reducing the risk of fraudulent transactions with funds in the accounts of such customers when they receive financial services via remote (digital) channels.

¹⁴ This indicator was calculated among credit institutions that simultaneously have or plan to obtain a licence to provide services to individuals, have at least one remote service channel (mobile application, website, and/or call centre), and have or plan to open at least one branch (office) to provide services to customers.

¹⁵ Bank of Russia Ordinance No. 6068-U, dated 15 February 2022, 'On Amending Bank of Russia Regulation No. 590-P, Dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

¹⁶ Decisions of the Bank of Russia Board of Directors, dated 24 June 2022 and 23 December 2022, 'On Approaches to Assessing Credit Risk for the Purpose of Making Loss Provisions'.





The SME loan portfolio grew by nearly a third, while its quality remained stable overall

Over 2022, the SME loan portfolio increased by 29.7% and reached ₹9.6 trillion as of 1 January 2023.¹⁷ The quality of the portfolio remained generally stable.

The Bank of Russia continued to coordinate the implementation of the national project 'Small and Medium-sized Enterprises and Support for Individual Entrepreneurship Initiatives' with a view to develop alternative financing tools and reduce financing costs for SMEs.

At the beginning of 2022, a task force was created at the Bank of Russia to increase the affordability of debt and equity financing attracted by SMEs through investment platforms. In the reporting year, in accordance with Resolution of the Government of the Russian Federation No. 1898,¹⁸ 671 contracts concluded by 312 SMEs were subsidised. The value of the contracts totalled ₹1.5 billion and the amount of subsidies provided was ₹73 million.

In 2022, with the help of investment platform operators, SMEs raised ₹14.3 billion, including ₹2.5 billion through the placement of shares by closed subscription.

The Moscow Exchange Growth Sector arranged 16 placements of the bonds of SME issuers in the amount of almost ₹5.6 billion over 2022.

In the reporting year, 25 SMEs received support¹⁹ for more than ₹420 million, both for compensation of part of the costs of entering the stock exchange (₹33.45 million) and for payment of interest/coupon yield (₹386.8 million).

BANK OF RUSSIA SPECIALISED MECHANISMS

In 2022, as part of specialised mechanisms aimed at supporting large investment projects, non-commodity exports, and SME loans, the Bank of Russia continued to provide liquidity to credit institutions at preferential interest rates for relatively long terms.

A specialised mechanism to support lending to SMEs operating in sectors mostly affected by the spread of the novel coronavirus infection was extended for the period from 24 January 2022 to 1 May 2022.²⁰ Banks almost fully used the limit set under this mechanism in the amount of ₹60 billion.

From March 2022, effective support measures for SMEs included a temporary specialised mechanism for providing unsecured loans²¹ and the adjustment of a special-

¹⁷ The SME loan portfolio includes loans provided by VEB.RF.

¹⁸ Resolution of the Government of the Russian Federation No. 1898, dated 27 December 2019, 'On Approving the Rules for Providing Subsidies from the Federal Budget for Government Support of Russian Organisations to Partially Offset the Costs of Access to Collective Investment Platforms'.

¹⁹ Resolution of the Government of the Russian Federation No. 532, dated 30 April 2019, 'On Approving the Rules for Providing Subsidies from the Federal Budget to Russian Small and Medium-sized Enterprises to Partially Offset the Costs of Issuing Shares and Bonds and Paying Coupons on Bonds Placed on the Stock Exchange'.

²⁰ The mechanism was introduced in November 2021 and provided for Bank of Russia loans for up to 1.5 years at a rate of 4.0% per annum.

²¹ Bank of Russia loans were provided for up to 1 year at a rate of 9.5% per annum.



ised mechanism for providing loans under guarantees from JSC RSMB Corporation.²² The aim of unsecured loans was to stimulate working capital lending. Secured loans were related to investment lending incentives. The limits for these mechanisms were set at ₹340 billion and ₹335 billion, respectively. End borrowers could get new loans or restructure previously received loans at preferential rates. From 11 March to 17 July 2022, banks provided more than 12,600 loans worth ₹153.4 billion and restructured over 2,600 loans in the amount of ₹150.2 billion to support working capital lending.²³ They also provided 1,700 loans worth ₹28.2 billion and restructured 309 loans in the amount of ₹20.6 billion to support investment lending.²⁴ Credit institutions attracted more funds from the Bank of Russia through unsecured loans than through secured loans during this period. Both mechanisms played an important role under the conditions of the increased key rate as the anti-crisis measures taken prevented a sharp increase in the cost of funding for SMEs.

As the key rate decreased, banks' interest in these mechanisms declined. In July 2022, the terms of the mechanism for providing loans under RSMB guarantees²⁵ mainly returned to those in effect before the March adjustment. The mechanism again focused on the support of working capital and investment lending to SMEs. The interest rate again was equated with the key rate less 1.5 percentage points, and a new limit was set at ₹288.3 billion. From 15 July 2022, the rate on bank loans could not exceed the key rate by more than 3 percentage points for all SMEs, and from 30 September 2022, it could not exceed the key rate by 3, 4, and 4.5 percentage points for medium businesses, small businesses, and micro businesses and self-employed, respectively. Combining the SME lending incentive programme with the federal programme '1764' of the Russian Ministry of Economic Development,²⁶ companies from various industries were able to receive loans for investment purposes at rates not exceeding 4% per annum for small and micro businesses and not exceeding 2.5% per annum for medium businesses. Under these conditions, the mechanism remained in demand by banks and bank clients. From 18 July 2022 to the end of the reporting year, as part of the SME lending incentive programme, banks issued 2,563 investment and working capital loans totalling ₹87.5 billion and restructured 1,711 loans totalling ₹54.8 billion.²⁷ By the end of the year, 61 authorised banks participated in the programme.

In 2022, limits on the special mechanisms aimed at supporting non-commodity exports and large investment projects did not change. In line with the established rules,

²² Bank of Russia loans were provided for up to 3 years at a rate of 9.5% per annum. Changes to the SME lending incentive programme were approved by the decision of the Board of Directors of JSC RSMB Corporation, dated 15 March 2022 (Minutes No. 131).

²³ According to the data of 73 banks, which had requests as of the reporting date.

²⁴ According to the data of 48 banks, which had requests as of the reporting date.

²⁵ Changes to the SME lending incentive programme were approved by the decision of the Board of Directors of JSC RSMB Corporation, dated 18 July 2022 (Minutes No. 138, with amendments approved by Minutes No. 141, dated 30 September 2022).

²⁶ Resolution of the Government of the Russian Federation No. 1764, dated 30 December 2018, 'On Approving Rules to Grant Subsidies from the Federal Budget to Russian Credit Institutions and Specialised Companies to Reimburse Them the Unearned Income on Loans Issued in 2019–2024 at Preferential Rates to Small and Medium-sized Enterprises, as well as to Individuals Using the Special Tax Regime Under the Self-employment Tax'.

²⁷ According to the data of 52 banks having requests as of the reporting date.



interest rates on new loans under the export support mechanism remained at 6.5% per annum, and rates increased to 9% per annum under the investment support mechanism. Credit institutions also actively used these mechanisms when the key rate was elevated. However, even from May to June, no more than 80% of the limit was utilised under the export support mechanism. The net repayment of loans was observed under the investment support mechanism monthly.

As of 1 January 2023, the Bank of Russia's requirements for loans provided to credit institutions under all special mechanisms amounted to ₽329.5 billion with a total limit of ₽513.3 billion.²⁸

USING FINANCIAL MARKET INSTRUMENTS TO PROMOTE THE PUBLIC WELL-BEING, PRIMARILY IN RELATION TO LOW-INCOME HOUSEHOLDS

In 2022, particular attention was directed to improving household savings opportunities and expanding the range of financial market instruments aimed at the needs of low-income households. The Financial Market Committee of the State Duma submitted proposals developed with the participation of the Bank of Russia for consideration by all stakeholders to amend the Federal Law 'On Banks and Banking Activities'. The proposals provide for the introduction of special banking products: the social bank account and the social bank deposit. The terms of these products include guaranteed interest income accrued at the interest rate tied to the Bank of Russia key rate. The opening and servicing of a social bank account as well as the issuance of a Mir card and its use for account transactions within a certain monthly limit are expected to be exempt from commissions.

A draft law developed with the participation of the Bank of Russia was adopted by the State Duma in the first reading. The proposed law provides for the possibility of transferring up to ₽1.4 million between accounts (deposits) of one individual in different banks without charging a commission.²⁹ It also addresses the issue of differentiation between interest rates on deposits depending on the source of funds and the depositing method, and the obligations of banks to inform their customers about the expiration of the deposit term.

²⁸ The limit for special mechanisms, under which the provision of new loans was not suspended or terminated as of 1 January 2023.

²⁹ Draft Federal Law No. 160987-8 'On Amending Articles 29 and 36 of the Federal Law 'On Banks and Banking Activities'.



2.3. Ensuring financial market resilience

2.3.1. ENSURING FINANCIAL STABILITY

2.3.1.1. MONITORING OF FINANCIAL STABILITY RISKS

External risks

The main source of the occurrence of external risks in 2022 was the imposition of sanctions by the unfriendly countries that primarily affected the Russian financial sector and made international settlements more complicated. The impact of the external factors on the Russian economy and financial sector changed amid the sanctions and foreign exchange control measures. The traditional channel of influence through the financial account became relatively unimportant due to capital restrictions. However, the exposure to the risks of EMEs increased as a result of Russia's new orientation towards the EMEs and the use of their currencies in settlements. At the same time, global trends continued to influence Russia via the current account. In the case of a global recession, Russia may face a reduction in trading partners' export demand. A decrease in commodity prices will result in a faster reduction in export revenues for companies and the budget, a weakening of the ruble, accelerated inflation, and a deterioration in the quality of loans in the economy.

In 2022, the situation in the world economy worsened. As of January 2023, according to estimates of the International Monetary Fund, the growth rate of global GDP decreased from 6.2% in 2021 to 3.4% in 2022. The economic growth rate declined both in advanced economies (from 5.4% to 2.7%) and developing / emerging market economies (from 6.7% to 3.9%; in China, from 8.4% to 3.0%).

Growth slowed down amid a record acceleration of inflation worldwide, with advanced economies reaching the highest inflation levels since the 1970–1980 period. The rise in inflation was caused by the maintenance of accommodative monetary policy in major economies over a long time and the materialisation of deferred demand in view of considerable support measures during the pandemic. The acceleration of global inflation was also significantly affected by the increased interruptions in raw materials and other logistics problems related to the sanctions and growing geopolitical tensions. Inflation pressure turned out to be more persistent than expected. It influenced not only commodity markets but also a wide range of goods and services. In such an environment, central banks around the world tightened monetary policy at a fast pace. The tightening of the global monetary conditions led to an increase in the cost of servicing accumulated debts (at floating rates) and attracting new loans. It was also accompanied by stock, cryptocurrency, and real estate market corrections.

A longer tightening of the monetary policy by the leading central banks may exacerbate debt problems and raise the risks of a global recession.



Situation in the Russian financial market

Sanction restrictions significantly impacted the Russian financial system in 2022. At the first stage, the introduction of sanctions caused a surge in demand for foreign currencies from the Russian citizens, companies, and banks, which resulted in an acute shortage of foreign currency liquidity in the markets amid the blocking of Bank of Russia foreign currency accounts in the world's reserve currencies. This led to an extreme volatility of the ruble exchange rate. Thus, the exchange rate reached 137.85 rubles per US dollar in exchange trading, while the OTC market rates significantly exceeded this level.

By the end of February 2022, massive OFZ sales led to a surge in OFZ yields. The Russian stock market significantly declined during this period, with the MOEX index decreasing by 27.2% at the end of February. In contrast to the OFZ market, the stock market did not recover in 2022. In September, the index continued to decline in view of geopolitical risks.

In order to stabilise the situation in the foreign exchange market, certain foreign exchange control measures were introduced with the participation of the Bank of Russia after the imposition of restrictions on the use of foreign currency reserves (see [Subsection 2.3.1.3 'Foreign exchange regulation and foreign exchange control'](#)).

To achieve the stabilisation of the stock market, the Bank of Russia suspended trading in securities and imposed a ban on short sales. This helped stop emergency asset sales and significantly reduced mutual liabilities between the market participants and clearing infrastructure. As a result, regular trading resumed in just a month (see [Subsection 2.3.5.1.7 'Infrastructures'](#)).

Moreover, the Bank of Russia took measures to provide banks with the required funds (liquidity) by temporarily freezing the value of securities eligible as collateral. Fine-tuning auctions were held daily to provide and absorb liquidity.

The requirements for calculating and complying with ratios were eased for all market participants. In particular, they could use the value of securities and foreign exchange rates as of 18 February 2022 for calculating ratios.

In view of the stabilisation of the economic situation, foreign exchange regulation measures for resident transactions were eased as much as possible, while strict restrictions were maintained for non-residents from unfriendly jurisdictions.

Changes in market conditions led to the emergence of new trends in the foreign exchange market, such as the transition from settlements in foreign currencies to those in rubles and the decline in the role of the US dollar and the euro in the market. A decline in the use of currencies of unfriendly countries was accompanied by an increase in the significance of other currencies, primarily the yuan, and a gradual strengthening of the role of the ruble in foreign trade settlements. By the end of 2022, the share of the yuan in on-exchange and over-the-counter currency trading reached 37% and 21%, respectively, while both indicators did not exceed 1% at the beginning of the year. However, expectations of the introduction of new sanctions led to a temporary liquidity deficit in the markets of USD/RUB and EUR/RUB swaps.



Over the year, the OFZ market grew by ₽2.4 trillion to ₽17.9 trillion, while average yields increased by 63 basis points on the yield curve. The Ministry of Finance of Russia raised ₽3.3 trillion, thus exceeding the annual target, mainly (76.2%) due to the placement of floating-coupon government bonds (OFZ-PK), which are the most requested by credit institutions to manage interest rate risk. The share of OFZ-PKs in the market increased by 8.2 percentage points to 38.6%, raising interest rate risks for the budget. Following the exit of non-residents from the market, the average daily trading volume significantly decreased (from ₽37.0 billion to ₽18.4 billion).

Over 2022, the volume of the market of corporate bonds rose by 11.0% at the outstanding face value, despite a temporary contraction in the middle of the year, and yields (RUCBITR) increased by 26 basis points.

In view of sanctions and uncertainty about future market prospects, the MOEX Russia Index dropped by 43%. In the absence of non-residents, the Russian market was supported by individuals, whose share in trading increased by 37 percentage points to 76% in the stock market and by 12 percentage points to 17% in the OFZ market.

Individuals also significantly built up their purchases of shares in the OTC market. As a result, over 2022, their investments in shares and bonds issued by residents increased by ₽1,076 billion (2.6 times more than in 2021) and ₽178 billion, respectively. During the same period, individuals sold shares and bonds issued by non-residents in the amount of ₽208 billion and ₽189 billion, respectively.

Banking sector risks



In 2022, the quality indicators of most loan categories did not decline

Credit risk. Overall, the quality indicators of most loan categories did not decline in 2022, mainly due to large-scale easing and restructuring. Banks assumed expected losses according to IFRS 9 and created substantial loss reserves (₽2.5 trillion in 2022, including ₽1.4 trillion of reserves on loans, which is ₽1.1 trillion more than in 2021¹). As a result, the cost of risk on loans increased to 1.5% for the corporate portfolio² and to 2.4% for the retail portfolio in 2022. Banks also partly recognised losses on blocked assets.

The quality indicators of the loan portfolio did not significantly deteriorate in 2022 due to the active regulatory easing measures. The effect of such measures was estimated at approximately 1 percentage point in terms of capital adequacy, i.e. up to ₽1 trillion. Large-scale restructuring also played a significant role. Over the year, 23% of the corporate portfolio was restructured (₽13.4 trillion).³ From March to December

¹ Excluding the BNA, adjusted for FX revaluation of reserves on corporate loans.

² The risk value indicator for banks (excluding NCIs and the BNA) is defined as the ratio of net additional reserves per year to the average value of the respective loan portfolio before loss provisions.

³ According to Reporting Form 0409303 for 2022 for the entire banking sector. A significant part of this debt is accounted for by the restructuring of variable-rate loans by law, which is not associated with a deterioration of the financial position.

2022, 2% of the retail portfolio was also restructured (₽455 billion).⁴ Restructuring generally mitigates risks in the medium term, allowing borrowers to reduce the credit burden during the most difficult periods and to restore their repayment capacity.

The share of bad loans in the corporate portfolio decreased by 1.1 percentage points (from 7.6% to 6.5%).⁵

In contrast, the share of non-performing loans in consumer lending increased from 7.4% to 8.4% in 2022.⁶ The standards of unsecured consumer lending continued to deteriorate over the period before the introduction of macroprudential limits: the share of loans to highly indebted borrowers and the share of long-term loans increased. To restrict the risks of consumer lending, the Bank of Russia decided to introduce macroprudential limits from 1 January 2023 (see [Subsection 2.3.1.2 'Macroprudential regulation measures to ensure financial stability'](#)).

The quality of the mortgage portfolio remained high, but lending standards deteriorated significantly due to easing bank risk policies. This could particularly be related to widely spread subsidised mortgage lending programmes offered by developers at extremely low rates (as low as 0.01%)⁷ with monthly payments below the market level, which made it possible to issue loans to over-indebted and low-income borrowers. The housing purchased by borrowers under these programmes was overpriced by 20–30% compared to the housing bought with their own funds. Macroprudential measures related to mortgage lending were also implemented in order to limit risks (see [Subsection 2.3.1.2 'Macroprudential regulation measures to ensure financial stability'](#)).

Interest rate risk. From February to March 2022, banks encountered a surge in interest rates, which reduced the spread between the yield of placement and the cost of funding in the second quarter, as liabilities were revalued at a faster pace. As a result, the net interest margin dropped in 2022 Q2 (to 2.9% per quarter)⁸ but remained positive due to a high share of current accounts (nearly 40% of client funds). As interest rates returned to normal, the cost of funding declined rapidly. By the end of the year, the margin of banks even exceeded the pre-crisis level (4.7% in 2022 Q4 vs 4.3% in the previous year).

Currency risk. Amid unprecedented sanction pressure, the national banking sector faced the occurrence of currency risk. In early 2022, the sector had a short on-balance-sheet position (-\$39 billion). Banks were closing this position with a similar volume of derivative transactions, primarily with non-residents. However, in February and March, banks (mostly included in the SDN list⁹) encountered significant outflows of cli-

⁴ Retail and Corporate Loan Restructuring, No. 27, 1 February 2023.

⁵ Here and further below in this subsection, the share of and provisions for non-performing loans are determined based on Reporting Form 0409115.

⁶ Car loans and unsecured consumer loans overdue for more than 90 days.

⁷ A low level of interest rates on mortgage programmes subsidised by developers is explained by the fact that the price of housing includes a mark-up in the amount of the subsidy that developers pay to banks to compensate for lost interest income.

⁸ Net interest margin indicators for banks (excluding NCIs and the Bank of Non-core Assets) are defined as the ratio of net interest income for the quarter to the average value of respective operating assets (considering IFRS 9 adjustments and including loss provisions). Quarterly indicators were annualised.

⁹ The list of Specially Designated Nationals (SDN) includes individuals and legal entities subject to the blocking sanctions of the US Treasury Department. The assets of these individuals and legal entities are blocked, and US citizens and companies are generally prohibited from conducting any transactions with them.



ent funds in foreign currencies. To cover these outflows, they had to buy foreign currencies for rubles in the market. This caused the sector's on-balance-sheet position to become long (\$14 billion) in March 2022. Since hedging transactions with non-residents were not completely closed, the overall long foreign currency position exceeded \$30 billion. Further strengthening of the ruble in 2022 combined with the performance of derivatives and other FX transactions resulted in a negative FX revaluation totalling nearly ₺1 trillion in 2022 H1. However, in 2022 H2, the weakening of the ruble reduced this loss to ₺0.4 trillion over the reporting year. In the future, the Bank of Russia intends to limit banks' currency risk by introducing additional regulation of the open currency position (OCP) (establishing a limit of the on-balance-sheet position excluding derivatives and setting aggregate OCP limits), improving the method for calculating the regulatory OCP, strengthening requirements for the quality of hedging ([Promising Areas of Banking Regulation and Supervision Development](#)), and supporting the transition from settlements in foreign currencies to those in rubles. Over 2022, customer funds in foreign currencies (72% of all banks' foreign currency liabilities) contracted by \$67 billion¹⁰ (equivalent), or 27%, and their share decreased from 25% to 16%. This was facilitated by both the requirements for the mandatory sale of 80% of foreign currency revenues by exporters and the fact that some customers could lock in their profits as a result of the conversion of foreign currency funds into rubles after a significant increase in the exchange rate of the US dollar, while the banks included in the SDN list were entitled to return foreign currency funds to companies in rubles.

The volume of foreign currency assets declined due to the gradual conversion into rubles of previously issued foreign currency loans. In 2022, foreign currency loans contracted by 18.2% overall, i.e. \$30.2 billion. The share of foreign currency loans in the corporate portfolio decreased from 23% to 17%.¹¹ Yuan lending was growing at a fast pace, but the share of yuan loans was still insignificant (less than 2% of the portfolio).

Liquidity risk. In February and March 2022, banks encountered a significant outflow of household funds (nearly ₺1.4 trillion in two months). However, due to the increase in the key rate, banks became more flexible in terms of interest rate policy. They raised deposit rates, and the inflow of deposits in April almost offset their outflow in February and March. In addition, the Bank of Russia supported the amount of ruble liquidity in the banking sector by providing funds (₺10 trillion at most), including those secured by non-marketable assets.

The total amount of liquid ruble assets (such as cash, claims on the Bank of Russia, and unpledged marketable collateral) stayed at a comfortable level and totalled about ₺18.9 trillion at the end of the year. It increased by slightly more than ₺1.5 trillion over the year, mainly due to an increase in funds deposited with the Bank of Russia. This was sufficient to cover 26% of all client funds in rubles, including 58% of household funds. However, the ruble liquidity cushion was unevenly distributed across banks.

As of 1 January 2023, banks also had ₺9.3 trillion of non-marketable assets (sufficient to cover 13% of client funds), which they could use as collateral to raise funds from the Bank of Russia (see [Subsection 2.1.2 'Monetary policy instruments'](#)).

¹⁰ Adjusted for the value of Eurobonds issued by banks.

¹¹ Excluding the effect of foreign currency revaluation at the exchange rate as of the beginning of the year.



As concerns foreign currency liquidity, banks encountered high demand for foreign currency cash in February and March. The implemented regulatory restrictions on the withdrawal of foreign currencies helped stop foreign currency deposit outflows by the end of March, thus supporting the level of foreign currency liquidity.

The actual liquidity coverage ratio N26 (N27) (LCR) across all SICIs decreased from 112% to 64% in 2022. Considering the effective LCR compliance mechanisms, the Bank of Russia took the following temporary measures:

- the expanded list of situations, in which the actual LCR value below 100% is not considered as a violation, shall be in effect from 18 February 2022 to 31 December 2023¹² (in particular, the list shall be in effect from 1 January to 31 December 2023, provided that SICIs carry out actions aimed at improving the actual LCR value);
- the parameters of irrevocable credit lines (ICLs) were adjusted,¹³ and from 12 December 2022, the opening of new ICLs was suspended¹⁴ (see [Appendix 5.2 'Specialised facilities and liquidity support instruments'](#)).

Risks of non-bank financial institutions

Insurers. Sanction restrictions significantly impacted the operation of the Russian insurance market in 2022. Insurers faced the blocking of foreign assets, which put pressure on capital and liquidity indicators. Companies' financial standing remained relatively stable, including due to financial market support measures.

Difficulties working with reinsurers from unfriendly states increased demand for reinsurance in the domestic market. The transformation of the reinsurance market emphasised the role of RNRC. By the end of 2022, the share of RNRC in the domestic reinsurance market¹⁵ reached 67.9%. To expand the capacity of Russian insurers to transfer risks to reinsurance, the minimum rating level was reduced for foreign insurers. Diversification of reinsurance services was started through cooperation with reinsurers from friendly jurisdictions.

The current developments have led to structural changes in the life insurance market. Due to the closure of Western capital markets, insurers lost access to financial instruments used for ILI programmes. In view of this, insurance companies significantly reduced supply of ILI products and focused on sales of more conservative ELI products. Over 2022, sales of ILI programmes gradually recovered due to new product solutions. The freezing of assets affected the payment of additional investment income to clients under ILI agreements providing for the acceptance of relevant risks by insurers. Insurers continued to steadily fulfil their obligations pertaining to guaranteed payments.

Due to an increase in prices for spare parts driven by their shortage, the risks of higher losses for motor insurers increased significantly. Before that, when calculating

¹² Bank of Russia Information Letter No. IN-03-23/19, dated 1 March 2022, 'On the Specifics of Compliance with Liquidity Coverage Ratio N26 (N27)'. Bank of Russia Information Letter No. IN-03-23/152, dated 29 December 2022, 'On the Specifics of Compliance with Ratio N26 (N27)'.

¹³ Bank of Russia [press release](#), dated 16 December 2022.

¹⁴ Bank of Russia Order No. OD-2534, dated 9 December 2022, 'On Amending the Appendix to Bank of Russia Order No. OD-3439, Dated 3 December 2015'.

¹⁵ Insurance premiums transferred by Russian insurers to reinsurance in the Russian Federation.



the cost of insurance policies, insurers had not considered a potential surge in prices for spare parts. To help mitigate the consequences of the surge and ensure fair pricing for drivers with various risk levels, the range of the basic CMTPLI tariff was expanded by 26% upwards and downwards.

Non-governmental pension funds. In 2022, NPFs maintained high financial and investment stability. The monitoring of the Bank of Russia did not reveal any significant increase in NPF investments in high-risk assets. However, due to high volatility in stock markets in 2022 H2, returns on pension savings and pension reserves invested by NPFs equalled 4.6% and 3.6% per annum,¹⁶ respectively, as of the end of the first nine months of 2022, which was significantly below inflation.

Professional securities market participants (non-bank financial institutions). In 2022, the number of broker clients increased by 40% (to 2.9 million) and the volume of broker client assets decreased by 7.3% (to ₹7.3 trillion). During the first months after February, the increase in the customer base was mainly due to technical factors as client assets were transferred to the brokers that were not under sanctions. In the second half of the year, the pace slowed down, but it was supported mainly by investors who first entered the stock or foreign exchange market. The growth of the number of clients in the trust management market was more moderate, amounting to 0.6% per year (to 845,700 clients), while the volume of client assets of NFI trust managers decreased by 0.7% (to ₹1.8 trillion).

Despite the occurrence of sanction risks, the brokerage industry remained stable, including due to the support measures and regulatory relaxation introduced by the Bank of Russia. By the end of 2022, the CARs and LCRs of most brokers were above the prescribed level.¹⁷ The Bank of Russia established additional support measures, in particular, it allowed brokers to discount blocked assets throughout the year when calculating equity capital and to form estimated loss provisions for these assets when calculating the CAR. Brokers may include blocked assets in the calculation of the value of highly liquid assets until 30 June 2023 when calculating the LCR.

Leasing companies. Although the leasing industry is not directly within the scope of the Bank of Russia's regulation and supervision, it represents an important part of the financial system and many large banks have leasing companies in their group structure. To monitor risks to financial stability, the Bank of Russia conducts a survey of the largest leasing companies¹⁸ (companies under consideration account for about 75% of the total market portfolio).¹⁹

In 2022, leasing companies had to readjust their businesses due to the exit of many foreign manufacturers of equipment from the market, shortages of leasing assets, sanctions in certain industries, and an increase in interest rates. As a result, the leasing portfolio decreased by 17.3% over the first nine months of 2022. The portion of NPL90+ in

¹⁶ Before payment of remuneration.

¹⁷ From 1 October 2022, professional securities market participants shall comply with the minimum CAR value of 8% and the minimum LCR value of 80%.

¹⁸ A survey of leasing companies is part of the Bank of Russia's Survey Programme on Monitoring of the Leasing Market and Assessment of Its Key Risks. The collection and processing of information for 2022 will be completed in May 2023.

¹⁹ According to JSC Expert RA, the leasing portfolio totalled ₹6.2 trillion as of 30 September 2022.



the leasing portfolio increased to 6.8% (+5.7 percentage points per year) as of 30 September 2022. Aircraft leasing became the most troubled segment, which required special mechanisms of settlement between air carriers and Russian leasing companies by-passing their foreign participants.²⁰

As of the end of the first nine months of 2022, the aggregate loss of those leasing companies that had submitted data to the Bank of Russia amounted to ₹41.7 billion, mainly due to the companies that had created loss provisions for troubled assets. The losses were mostly made by the companies involved in the financing of sanctioned market segments. The market segment of leasing companies was less affected. By the end of the reporting year, key performance indicators of leasing companies started to recover.

Unit investment funds

The occurrence of infrastructure risks and high market volatility led to a decline in the net asset value of UIFs and outflows of capital from retail funds in the first half of the year. On the contrary, by the end of 2022, significant inflows of funds into the industry took place and returns rebounded. Closed-end UIFs (CUIFs) generated the main inflow of funds, and, in particular, retail investors' interest in CUIFs increased.

The Bank of Russia took measures to reduce the regulatory and supervisory burden, including for management companies, in support of the collective investment market. Due to the suspension of trading on the Moscow Exchange, management companies put the calculation of NAV and operations with units of funds on hold in early March 2022. The operations with some funds whose assets include foreign securities are still not available at present, which is caused by the restrictions imposed by European depository and clearing institutions. The Bank of Russia has developed an approach for resuming operations with investment units of UIFs containing blocked assets. The mechanism for isolating blocked assets implies their mandatory transfer from operating funds to special CUIFs (if the portion of blocked assets exceeds 10%) or the change of the status of the fund to closed-end unit investment fund by 1 September 2023.

Consumer microfinance

In 2022, the annual growth rate of the consumer microfinance market slowed down to 9.1% (-32.4 percentage points compared to the end of 2021). The consumer portfolio of MFOs totalled ₹290.3 billion. An increase in the debt on consumer loans overdue for more than 90 days and cessions accelerated, causing the growth of the risk value indicator²¹ from 26.6% to 32.8% in 2022.

The debt burden of MFO borrowers increased during the reporting period. The portion of debt on loans issued to the borrowers with DSTI over 80% grew by 7.8 percent-

²⁰ Transactions in the aircraft operating lease segment used to be structured by Russian lessors with the participation of their foreign subsidiaries for the purpose of tax optimisation.

²¹ The ratio of changes in the amount of provisions in place, the amount of cessions, and write-offs on principal debt over a year relative to the average portfolio over a year.



age points to 39.7% in the structure of the MFO consumer portfolio.²² However, MFOs continued to provide more funds to this group of borrowers, and its share reached 40.3% (+5.8 percentage points per year) as of 31 December 2022. In 2022, given the persistently high level of debt burden on households, the Bank of Russia decided to establish macroprudential limits, including for MFOs, from 1 January 2023 (see [Subsection 2.3.1.2 'Macroprudential regulation measures to ensure financial stability'](#)). This measure was aimed at reducing the share of loans granted to highly indebted borrowers.

The capital adequacy ratios of MFOs specialising in consumer loans remained high, in particular, due to substantial cushions accumulated by microfinance organisations: NMFC²³ equalled 30.8% and NMCC²⁴ equalled 35.1%.

2.3.1.2. MACROPRUDENTIAL REGULATION MEASURES TO ENSURE FINANCIAL STABILITY



The Bank of Russia released the macroprudential capital buffer in the amount of ₽900 billion to help banks adapt to the changes

The Bank of Russia has pursued a countercyclical policy in macroprudential regulation. In 2022 Q1, the macroprudential capital buffer in the amount of ₽900 billion was completely released to help banks adapt to the crisis conditions. Add-ons to the risk weights were reduced for new loans. Stringent requirements were used only for the riskiest retail loans (foreign currency loans to individuals, unsecured consumer loans with high values of TCC and DSTI, and mortgage loans with a low down payment). These measures supported lending to the economy.

Measures to limit risks of unsecured consumer lending

In 2022, consumer lending remained a priority segment for banks due to its high profit margin. Under these conditions, the recovery of consumer lending seen in 2022 H2 was accompanied by a weakening of lending standards. By the end of the year, the portion of unsecured consumer loans granted to borrowers with DSTI above 80% increased to 36% (from 33% at the end of 2021). This was the maximum since the introduction of the mandatory calculation of DSTI on 1 October 2019. The portion of 5+ year unsecured consumer loans remained elevated (19%) at the end of the reporting year.



On 1 January 2023, macroprudential limits on consumer loans (microloans) entered into force to reduce the household debt burden

²² Debt burden indicators were calculated for the 35 largest MFOs accounting for 67% of the consumer microfinance market.

²³ Capital adequacy ratio of microfinance companies.

²⁴ Capital adequacy ratio of microcredit companies.

During adaptation to sanctions, it is essential that the high household debt burden does not create additional risks for banks and the economy. Therefore, since 1 January 2023, the Bank of Russia has established macroprudential limits on unsecured consumer loans (microloans) for banks with a universal licence and MFOs.²⁵ In 2023 H1, the maximum permissible share of loans to borrowers with DSTI over 80% was set to 25% for banks and 35% for MFOs. The portion of 5+ year loans shall not exceed 10% of the volume of all consumer loans issued by banks. The parameters of macroprudential limits shall be reviewed quarterly. Bank of Russia relevant decisions will be communicated to market participants in due time.

The introduction of macroprudential limits will ensure a more balanced structure of consumer lending and microfinancing without creating additional capital requirements for banks and MFOs, provided that the limits are met.

Measures in mortgage lending



The quality of the mortgage portfolio remained high

The quality of the mortgage portfolio remained high. The share of loans overdue for more than 90 days stayed at 0.7% during 2022. However, the lending standards deteriorated significantly due to easing bank risk policies. For the first time, the share of loans with a small down payment (up to 20%) exceeded half of the mortgage loans granted (53% at the end of 2022 vs 37% a year ago). The share of loans granted to borrowers with DSTI over 80% was 44% at the end of 2022 vs 31% a year ago.

In 2022, developers and banks started to spur demand for housing even more by using risky marketing programmes, such as 'developer-subsidised mortgages', 'tranche mortgages', mortgages without a down payment, etc.

Tranche mortgages and mortgages without a down payment have so far held a minor market share. As a preventive measure, the Bank of Russia decided to set a risk-weight add-on amounting to 200% on mortgage loans secured by rights of claim under buyer-funded development agreements with a low down payment (less than 10%).²⁶ This measure will limit the issuance of mortgage loans without a down payment.

Subsidised mortgage lending programmes offered by developers at extremely low rates (as low as 0.01% p.a.), which became widespread in 2022, involve overestimated costs of housing and create risks for both banks and borrowers. By the end of 2022, the price gap between new and existing residential properties increased to 30%. As a result, such borrowers will not be able to improve their housing conditions for a long time because it is impossible to sell an apartment at the acquisition price on the secondary market. If a borrower goes bankrupt, the value of collateral sold on the secondary mar-

²⁵ Decision of the Bank of Russia Board of Directors, dated 21 November 2022, and Decision of the Bank of Russia Board of Directors, dated 20 February 2023.

²⁶ Decision of the Bank of Russia Board of Directors, dated 16 September 2022.



ket may be insufficient to cover the borrower's liabilities to the bank. At the same time, banks may underestimate interest rate risk and rely on sufficiently fast, early repayment of such loans issued for 20–30 years (as in the case of market-based mortgage loans). The Bank of Russia has announced potential regulatory measures in its consultation paper 'Developer-subsidised Mortgage Programmes'.

Improving the DSTI calculation procedure

During the reporting period, a law developed with the participation of the Bank of Russia was adopted,²⁷ which establishes the obligation of credit institutions and MFOs to calculate DSTI for all loans and microloans granted to a borrower and to notify the borrower in writing of risks caused by a high DSTI (over 50%).

In addition, in order to make the DSTI assessment more accurate, the Bank of Russia had a discussion with banks about the use of the modelling approach by them, provided that the models are validated by the regulator.

Regulating variable interest rate loans (microloans)

To limit potential risks for individual borrowers, the legislative authorities with the participation of the Bank of Russia drafted the procedure for changing the variable interest rate and/or repayment term of a loan (microloan), including a mortgage-backed loan.²⁸

2.3.1.3. FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL

Foreign exchange regulation and control became particularly important in 2022 as mechanisms to counter risks and threats caused by unfriendly actions of some foreign states, including the imposition of unilateral restrictions by such states.

The Bank of Russia's efforts in this area were aimed at maintaining a balance between the stability of the national currency, resilience of the domestic foreign exchange market, and continuity of foreign trade operations.

With the involvement of the Bank of Russia, new obligations and restrictions were set for residents and non-residents. As the situation stabilised, these obligations and restrictions were eased, and in some cases, terminated. The relevant decisions were driven by the domestic foreign exchange market and the current situation in general.

From the end of February 2022, the following measures (hereinafter, special economic measures) were adopted with the participation of the Bank of Russia:

- residents were prohibited from transferring foreign currency to their accounts with banks or other financial institutions located outside the Russian Federation;²⁹

²⁷ Federal Law No. 601-FZ, dated 29 December 2022, 'On Amending the Federal Law 'On Consumer Loans' (the law will come into force on 1 January 2024).

²⁸ Draft Federal Law No. 1212906-7 'On Amending Certain Laws of the Russian Federation' (prepared for the second reading and submitted to the State Duma Committee on the Financial Market).

²⁹ Executive Order of the President of the Russian Federation No. 79, dated 28 February 2022, 'On Imposing Special Economic Measures in Connection with the Hostile Actions of the United States in League with Other Foreign States and International Organisations'.



– a requirement was introduced for the mandatory sale in the domestic foreign exchange market of foreign currency credited to resident accounts with authorised banks under foreign trade contracts with non-residents (80% of foreign currency revenues initially);³⁰

– a special procedure was established for settlements on some transactions with unfriendly parties, including payments for natural gas supplies,³¹ credit and loan payments,³² and distribution of dividends³³ and profits³⁴, and also a procedure was established related to the transfer of the right of ownership of real estate³⁵ and securities,³⁶ payments due to a decrease in the authorised capital of resident legal entities, liquidation of resident legal entities as part of the procedure used in the case of bankruptcy of resident legal entities,³⁷ transactions (operations) entailing, directly and/or indirectly, the establishment, amendment or termination of the rights of ownership, use and/or disposal of stakes in the authorised capital of limited liability companies (excluding credit institutions and non-bank financial institutions),³⁸ fulfilment of financial obligations associated with the use by residents of the results of intellectual activity and/or means of individualisation,³⁹ and fulfilment of obligations to pay lease, leasing or other payments under individual agreements;⁴⁰

– a ban was imposed on payments by a resident without the permission of the Bank of Russia of a stake, deposit or unit in property (authorised capital or unit fund of a cooperative) of a non-resident legal entity, and payments by a resident to a non-resident under a simple partnership agreement on capital investment (cooperation agreement);⁴¹

³⁰ Executive Order of the President of the Russian Federation No. 79, dated 28 February 2022, 'On Imposing Special Economic Measures in Connection with the Hostile Actions of the United States in League with Other Foreign States and International Organisations'.

³¹ Executive Order of the President of the Russian Federation No. 172, dated 31 March 2022, 'On the Special Procedure to Allow Foreign Buyers to Meet Their Commitments to Russian Natural Gas Suppliers'.

³² Executive Orders of the President of the Russian Federation No. 81, dated 1 March 2022, 'On Additional Temporary Economic Measures to Ensure Russia's Financial Stability' and No. 95, dated 5 March 2022, 'On the Temporary Procedure for Meeting Obligations to Certain Foreign Lenders'.

³³ Executive Order of the President of the Russian Federation No. 95, dated 5 March 2022, 'On the Temporary Procedure for Meeting Obligations to Certain Foreign Lenders'.

³⁴ Executive Order of the President of the Russian Federation No. 254, dated 4 May 2022, 'On Provisional Procedures for the Fulfilment of Corporate Finance Obligations towards Certain Foreign Creditors'.

³⁵ Executive Order of the President of the Russian Federation No. 81, dated 1 March 2022, 'On Additional Temporary Economic Measures to Ensure Russia's Financial Stability'.

³⁶ Executive Orders of the President of the Russian Federation No. 81, dated 1 March 2022, 'On Additional Temporary Economic Measures to Ensure Russia's Financial Stability', No. 394, dated 22 June 2022, 'On the Temporary Procedure for Meeting State Debt Obligations in the Form of Government Securities with Nominal Value Denominated in Foreign Currency to Residents and Foreign Lenders by the Russian Federation', and No. 529, dated 8 August 2022, 'On the Temporary Procedure for the Fulfilment of Contracts of Foreign Currency Bank Accounts (Deposits) and Bonded Obligations Issued by Foreign Organisations'.

³⁷ Executive Order of the President of the Russian Federation No. 737, dated 15 October 2022, 'On Some Issues of Making (Performing) Certain Types of Transactions (Operations)'.

³⁸ Executive Order of the President of the Russian Federation No. 618, dated 8 September 2022, 'On the Special Procedure for Making (Performing) Certain Types of Transactions between Some Persons'.

³⁹ Executive Order of the President of the Russian Federation No. 322, dated 27 May 2022, 'On the Temporary Procedure for Meeting Obligations to Certain Holders of Rights'.

⁴⁰ Executive Order of the President of the Russian Federation No. 179, dated 1 April 2022, 'On the Temporary Procedure for the Fulfilment of Corporate Finance Obligations to Certain Foreign Creditors'.

⁴¹ Executive Order of the President of the Russian Federation No. 126, dated 18 March 2022, 'On Additional Temporary Economic Measures to Ensure Russia's Financial Stability in the Area of Foreign Exchange Regulation'.



– a ban was imposed on transactions without obtaining temporary permissions granted by the Government of the Russian Federation (including a ban on the execution of foreign trade contracts) with individuals, legal entities, and organisations controlled by such individuals and legal entities subject to special economic measures (hereinafter, sanctioned persons),⁴² the fulfilment of obligations to such persons, any financial transactions whose beneficiaries are sanctioned persons, and the exportation outside the Russian Federation of products and/or raw materials, if they are produced and/or mined in the Russian Federation and delivered to sanctioned persons and/or by sanctioned persons on behalf of any other person.⁴³

Since 2022 Q2, special economic measures have been eased and, in some cases, cancelled to ensure the continuity of foreign trade activities. By the end of 2022, in order to relieve exporters and importers' burden and build alternative payment methods and new logistics chains, a number of foreign exchange regulation requirements were liberalised:

- the requirement for the mandatory sale of foreign currency revenues in the domestic foreign exchange market was gradually decreased and finally set to 0% on 10 June 2022;
- the requirement for the repatriation of funds by Russian legal entities and individual entrepreneurs under foreign trade export and import contracts and loan agreements was cancelled;
- the restrictions on the crediting of funds to accounts with foreign banks were largely lifted;
- an option to replace non-residents' liabilities with new liabilities or offset residents' claims on non-residents under foreign trade contracts and loan agreements was expanded;⁴⁴
- cash settlements with non-residents under foreign trade contracts and loan agreements were allowed. The rules for such cash settlements were approved with the participation of the Bank of Russia.⁴⁵

The Bank of Russia also supported the suspension of administrative liability measures for violation of foreign exchange regulations resulting from the application of restrictions against Russian citizens and legal entities by unfriendly foreign states. The suspension was extended to legal relations that arose during the period from 23 February 2022 to 31 December 2023.⁴⁶

In 2022, the Bank of Russia took the following measures to tighten control over transfers of funds abroad and operations with foreign cash:

⁴² Resolution of the Government of the Russian Federation No. 851, dated 11 May 2022, 'On Measures to Implement Executive Order of the President of the Russian Federation No. 252, Dated 3 May 2022' (the list of legal entities subject to special economic measures was approved).

⁴³ Executive Order of the President of the Russian Federation No. 252, dated 3 May 2022, 'On Imposing Retaliatory Special Economic Measures in Connection with the Unfriendly Actions of Certain Foreign States and International Organisations'.

⁴⁴ Executive Orders of the President of the Russian Federation No. 529, dated 8 August 2022, 'On the Temporary Procedure for the Fulfilment of Contracts of Foreign Currency Bank Accounts (Deposits) and Bonded Obligations Issued by Foreign Organisations'.

⁴⁵ Resolution of the Government of the Russian Federation No. 2433, dated 26 December 2022, 'On Approving the Rules for Making Cash Settlements between Residents and Non-residents'.

⁴⁶ Federal Laws No. 235-FZ, dated 13 July 2022, 'On Amending Article 15.25 of the Code on Administrative Offences of the Russian Federation and No. 518-FZ, dated 19 December 2022, 'On Amending Certain Laws of the Russian Federation'.



- transfers abroad were suspended from accounts of unfriendly non-resident legal entities opened with Russian credit institutions (excluding any foreign parties controlled by Russian persons⁴⁷ and transfers of funds in rubles carried out outside Russia using ruble correspondent accounts opened with Russian credit institutions to unfriendly non-resident respondent banks) and fund transfers, including electronic fund transfers, were suspended abroad without opening a bank account on behalf of the above persons. However, non-resident individuals, including residents of unfriendly countries, were allowed to fully transfer abroad any funds they received in the form of wages;

- limits were set on the amount of transfers for resident and non-resident individuals from friendly countries to their accounts abroad and to other resident or non-resident individuals. As of the end of 2022, the following limits were in place: \$1 million from own accounts with credit institutions per calendar month and \$10,000 for transfers without opening a bank account, including electronic fund transfers, per calendar month;

- a special procedure was established for resident and non-resident individuals and legal entities to receive foreign cash from accounts (deposits) with Russian credit institutions.⁴⁸

Federal Law No. 173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control' was amended with the participation of the Bank of Russia to enable foreign currency transactions between residents related to payments of receivables in foreign currency according to factoring agreements concluded by resident financial (factoring) agents with non-residents under import contracts.⁴⁹

The Bank of Russia also eased some foreign exchange control requirements for foreign trade participants,⁵⁰ including the following:

- the threshold transaction amount not subject to the requirement for residents to submit documents related to foreign exchange transactions to authorised banks increased from ₽200,000 to ₽600,000;

- the threshold amount of obligations under an export contract that should be registered with an authorised bank increased from ₽6 million to ₽10 million;

- the certificate of supporting documents was excluded from the list of documents that serve as an accounting and reporting form for foreign exchange transactions for which the repatriation requirement is no longer effective.

⁴⁷ Persons complying with the requirements of both Subclauses (a) and (b) of Clause 12 of Executive Order of the President of the Russian Federation No. 95, dated 5 March 2022, 'On the Temporary Procedure for Meeting Obligations to Certain Foreign Lenders'.

⁴⁸ Individuals are allowed to withdraw foreign cash from their accounts (deposits) in the amount of the remaining account balance as of 9 March 2022, but no more than \$10,000 (or equivalent in euros).

The following provisions were made for legal entities and individual entrepreneurs:

- residents of the Russian Federation were allowed to withdraw no more than \$5,000 (or equivalent in euros, British pounds or Japanese yens) in cash from their foreign currency accounts (deposits) for payment or reimbursement of expenses incurred by individuals in relation to their official business trips over 6 months;
- non-residents were not allowed to withdraw the above foreign cash.

Residents (subject to foreign exchange regulations) and non-residents were allowed to withdraw foreign cash of other types without limitations.

⁴⁹ Federal Law No. 511-FZ, dated 5 December 2022, 'On Amending Articles 9 and 23 of the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control'.

⁵⁰ Bank of Russia Ordinance No. 6062-U, dated 25 January 2022, 'On Amending Bank of Russia Instruction No. 181-I, Dated 16 August 2017, 'On the Procedure for Residents and Non-residents to Submit Documents and Information Confirming Foreign Exchange Transactions to Authorised Banks, on Single Accounting and Reporting Forms Related to Foreign Exchange Transactions, and the Procedure and Timeframes for Their Submission'.



2.3.2. MANAGING ASSETS IN FOREIGN CURRENCIES AND PRECIOUS METALS

Over 2022, the country's international reserves decreased from \$630.6 billion to \$582.0 billion, mainly because of the strengthening of the US dollar against the other currencies of the assets classified as the international reserves.

As of early 2022, nearly 50% of the reserves managed by the Bank of Russia were invested in highly liquid assets denominated in the world's main reserve currencies, predominantly in euros. These assets were in foreign jurisdictions, mostly as investments in securities and bank deposits. The other part was represented by less liquid assets that include gold, foreign cash, and assets denominated in the Chinese yuan. The gold bar reserves and foreign cash are stored in the Russian Federation and the assets in yuan – in China, primarily as investments in Chinese government securities.

The Bank of Russia formed this structure of the gold and foreign currency reserves because it assumed the probability of escalation of the geopolitical tensions that could limit the opportunities for using a part of its foreign currency reserves. Due to the rising geopolitical risks, in 2014, the Bank of Russia decided to speed up the expansion of its investment in assets that could not be blocked (frozen) by non-friendly states, including in gold, the Chinese yuan, and foreign cash that was supplied from abroad in amounts limited by logistics capabilities. This safety cushion was formed of alternative reserves that are less liquid and convenient in normal conditions, but more reliable under a severe geopolitical scenario.

However, it was impossible to stop storing the reserves in the US dollars and euros as these currencies were still actively used not only in international payments, but also in the Russian economy and financial system. Russian exporters' and importers' obligations under foreign trade contracts, companies' and the government's liabilities on loans and debt securities, households' foreign currency savings, and businesses' foreign currency accounts and deposits were denominated in these two currencies. Therefore, the composition of the international reserves should meet people's and businesses' needs in terms of the availability of funds in particular reserve currencies.

During crisis periods in the market, the ultimate supplier of US dollars and euros demanded by market participants is always the central bank that covers the deficit of these currencies in the market from the international reserves. Relying on its experience of using the international reserves to cushion the consequences of the financial and economic crises in 2008 and 2014, the Bank of Russia was to maintain the reserves in US dollars and euros in an amount of up to several hundreds of billions in US dollar terms.

These reserve assets were needed in the case of a financial crisis scenario. They were highly liquid and involved low credit risk, which enabled the Bank of Russia to use them, if needed, urgently and in large amounts without a significant loss of value. However, there is a risk that these very assets might be blocked by unfriendly states as they are stored in the countries issuing these currencies in non-cash form in bank accounts and deposits or in securities. The opportunities to keep highly liquid and low-risk non-cash assets in these currencies in any other countries, including Russia, are extremely



limited. Moreover, such assets, if they are kept in other states, are not protected against the risk of their blocking either.

Modern banking systems and systems for record-keeping of rights to securities are designed so that authorities and financial institutions of each country, normally, can identify the ultimate owner of assets denominated in the currency of this country and, if they decide to do so, can block these assets or the assets of the financial institution where the ultimate owner has the account. Thus, US dollar accounts and deposits of Russian citizens, businesses, and banks can be blocked by the US authorities, regardless of whether they are opened in the USA, Russia, or any other states. The European Union can also block the Russian assets denominated in euros, and the UK can do this in relation to the assets stored in British pounds, and so on.

At the end of February 2022, a number of foreign countries forbade their residents to conduct any transactions with the Bank of Russia and its assets. The sanctions limited the opportunities to use and manage a part (about 50%) of Russia's international reserves, but the Bank of Russia remains the owner of the blocked assets. The Bank of Russia is preparing legal claims to challenge this blocking of its assets.

The regulator has sufficient liquid reserve assets to be able to maintain financial stability, carry out all necessary operations and tackle any other tasks that might require the use of these assets. The Bank of Russia has reserves in Chinese yuan and, considering the active transition of market participants to yuan in settlements and financial instruments, the regulator can thus efficiently prevent and mitigate financial stability risks.

On 28 February 2022, the Bank of Russia decided to purchase gold for rubles from credit institutions in the over-the-counter market at a negotiated price that is slightly lower than the price in the international market of precious metals.

From 13 January 2023, the Bank of Russia resumed fiscal rule-based operations to purchase and sell foreign currency in the internal market. As settlements in the US dollars and euros are impossible, these operations are conducted with the Chinese yuan.



2.3.3. ADMISSION TO THE FINANCIAL MARKET

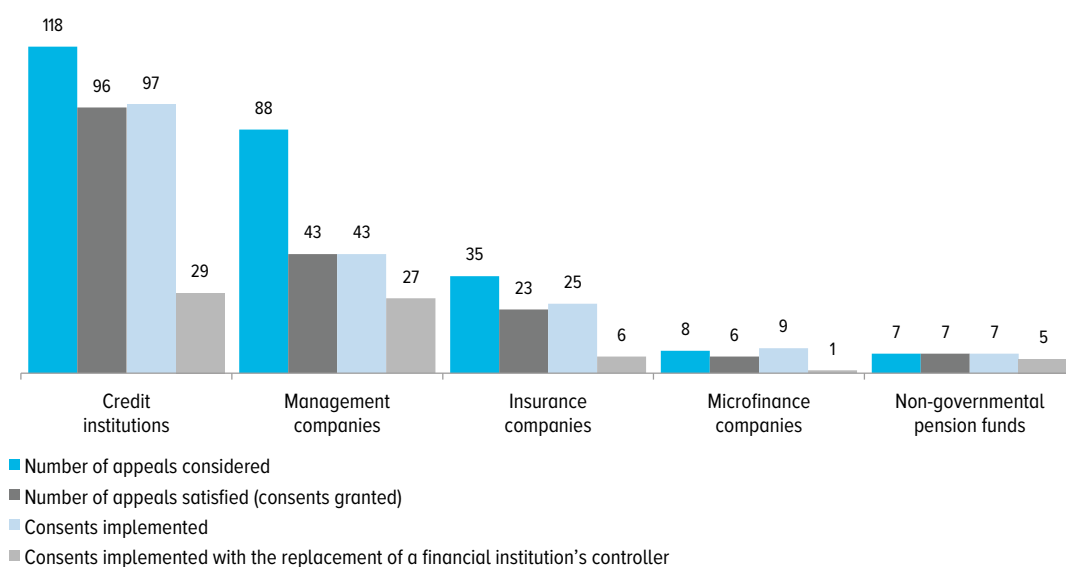
2.3.3.1. PARTICIPANTS

In 2022, over 540 financial institutions¹ were admitted to the financial market and 181 decisions on issuing the Bank of Russia's consent to (approval of) the purchase of more than 10% of financial institutions' shares (stakes) and/or the establishment of control over the shareholders (members) owing over 10% of financial institutions' shares (stakes) (including 68 that resulted in a change of an entity controlling a financial institution) were implemented.

During the period under review, the Bank of Russia issued its Regulation No. 798-P.² Among other things, beginning from 1 April 2023, this document simplifies the procedure for obtaining permits for additional professional activities in the securities market where their combination is allowed by law.

NUMBER OF BANK OF RUSSIA CONSENTS GRANTED IN 2022 TO PERFORM TRANSACTIONS AIMED AT THE ACQUISITION OF OVER 10 PER CENT OF SHARES (STAKES) IN A FINANCIAL INSTITUTION OR THE ESTABLISHMENT OF CONTROL OVER ITS SHAREHOLDERS (MEMBERS)
(UNITS)

Chart 29



¹ More detailed information on the number of financial market participants is given in [Tables 10](#) and [11 of Section 5.4 'Statistical tables'](#).

² Bank of Russia Regulation No. 798-P, dated 29 June 2022, 'On the Procedure for the Bank of Russia to License the Types of Professional Activity in the Securities Market Specified in Articles 3–5, 7 and 8 of Federal Law No. 39-FZ, Dated 22 April 1996, 'On the Securities Market' and on the Procedure for the Bank of Russia to Maintain the Register of Professional Securities Market Participants, on the Procedure for the Bank of Russia to Make a Decision on Entering (Refusal to Enter) Information on a Person in the Unified Register of Investment Advisers, and on the Procedure for the Bank of Russia to Maintain the Said Register, as well as on the Procedure for the Bank of Russia to License Investment Funds, License Management Companies to Manage Investment Funds, Unit Investment Funds and Non-governmental Pension Funds, License Specialised Depositories of Investment Funds, Unit Investment Funds and Non-governmental Pension Funds, and the Procedure for the Bank of Russia to Maintain the Registers of Such Licences'.



Credit institutions

In 2022, the Bank of Russia registered:

- one newly founded bank that received a universal banking licence to conduct ruble and foreign currency operations (with the right to accept household deposits) without the right to carry out banking operations with precious metals;
- two settlement non-bank credit institutions licensed to conduct banking operations in rubles and foreign currency for settlement non-bank credit institutions.

The Bank of Russia also issued 11 licences to credit institutions for the expansion of their activities, predominantly by entitling them to conduct banking operations with precious metals and in foreign currency.

Over the period under review, the regulator enacted:

- Bank of Russia Ordinance No. 5775-U³ simplifying the procedures for opening internal structural units by credit institutions and their branches;
- Bank of Russia Ordinance No. 6241-U⁴ expanding the list of the grounds for the submission of a business plan to the Bank of Russia. Besides, the Bank of Russia expanded the list of the cases when a credit institution is allowed not to compile a business plan and not to submit it to the Bank of Russia.

Insurance agents

In 2022, the Bank of Russia licensed:

- three insurance brokers to carry out insurance brokerage operations;
- five mutual insurance companies to provide mutual insurance services;
- one new insurance company to provide voluntary property insurance and voluntary personal insurance services, except voluntary life insurance;
- one operating insurance company to provide voluntary property insurance services;
- one operating insurance company to provide reinsurance services.

Over the period under review, the regulator enacted Bank of Russia Ordinance No. 6171-U⁵ streamlining the list of documents and information to be submitted by insurers (applying for a licence) to the Bank of Russia in order to confirm compliance with the requirements for authorised capital.

³ Bank of Russia Ordinance No. 5775-U, dated 12 April 2021, 'On the Procedure for Credit Institutions (Branches Thereof) to Open Additional Offices, on the Procedure for Entering Information Thereon in the State Register of Credit Institutions, and on the List of Banking Operations Allowed to Additional Offices' (effective from 1 April 2022).

⁴ Bank of Russia Ordinance No. 6241-U, dated 21 September 2022, 'On Amending Bank of Russia Ordinance No. 5275-U, Dated 30 September 2019, 'On the Procedure for Preparing Credit Institutions' Business Plans and Submitting Them to the Bank of Russia, and the Criteria for Their Assessment' (became effective on 12 November 2022, except certain provisions to become effective on 1 October 2023).

⁵ Bank of Russia Ordinance No. 6171-U, dated 28 June 2022, 'On the List of Documents Confirming Compliance with the Requirements for Insurers' Authorised Capital, the List of Documents Confirming the Sources of Assets Contributed by the Founders (Shareholders, Members) of an Applicant for the Insurance and/or Reinsurance Licence to Authorised Capital, and the Requirements for Such Information and Documents' (became effective on 28 October 2022).



Other participants



New participants were created in the financial market, including operators of information systems where DFAs are issued and audit firms providing audit services to socially important organisations in the financial market

In 2022, the Bank of Russia for the first time:

- made the decision to put three entities on the register of operators of information systems where DFAs are issued and to coordinate their rules, which creates the conditions for the issue and circulation of DFAs in the Russian Federation;
- entered the information on two audit firms in the register of auditors providing audit services to socially important organisations in the financial market.

Over the period under review, the regulator enacted:

- Bank of Russia Ordinance No. 6002-U⁶ establishing the procedure for making decisions on entering the information about actuaries in the unified register of authorised actuaries;
- Bank of Russia Ordinance No. 6021-U⁷ stipulating the procedure for maintaining the register of auditors and authorising them to provide audit services to socially important organisations in the financial market.⁸

In 2022, the regulator issued:

- Bank of Russia Ordinance No. 6176-U⁹ aimed at enhancing the regulator's procedure for putting entities on the register of management companies of special purpose vehicles and the procedure for removing entities from this register;
- Bank of Russia Ordinance No. 6250-U¹⁰ obliging IPOs to submit the information about persons entitled to directly or indirectly use IPOs' shares (stakes) to the Bank of Russia if the regulator needs this information to check these persons for compliance with the business reputation requirements.

⁶ Bank of Russia Ordinance No. 6002-U, dated 1 December 2021, 'On the Procedure for the Bank of Russia to Maintain the Unified Register of Authorised Actuaries, and on the Procedure for Authorised Actuaries to Confirm Their Compliance with the Requirements for Authorised Actuaries Set Forth by Federal Law No. 293-FZ, Dated 2 November 2013, 'On Actuarial Activities in the Russian Federation' (became effective on 24 April 2022).

⁷ Bank of Russia Ordinance No. 6021-U, dated 20 December 2021, 'On Maintaining by the Bank of Russia of the Register of Audit Firms Providing Audit Services to Socially Important Organisations in the Financial Market' (became effective on 18 July 2022).

⁸ From 2022, the Bank of Russia has the powers to admit to the market and maintain the register of auditors providing audit services to socially important organisations in the financial market conferred on it by Federal Law No. 307-FZ, dated 30 December 2008, 'On Auditing'.

⁹ Bank of Russia Ordinance No. 6176-U, dated 29 June 2022, 'On the Procedure for the Bank of Russia to Include Organisations in the Register of Management Companies of Special Purpose Vehicles and to Exclude Them from the Said Register' (becomes effective on 1 October 2023).

¹⁰ Bank of Russia Ordinance No. 6250-U, dated 22 September 2022, 'On Amending Bank of Russia Ordinance No. 5342-U, Dated 4 December 2019, 'On the Procedure for Maintaining the Register of Investment Platform Operators' (becomes effective on 1 April 2023).

2.3.3.2. FINANCIAL INSTRUMENTS

The extensive structural transformation of the Russian economy that started in 2022 became possible because the Government promptly allocated budget funds to companies, among other things. This process was accompanied by the registration of securities issues by the Bank of Russia. The Government received these issues for its investments.

The Bank of Russia fully met the elevated demand for the registration of the new issues. Moreover, the Bank of Russia actively communicated with both the issuers and the Government, promptly registering the issues, providing explanations for the questions related to the preparation of issue documents, studied the information about the problems facing the issuers, and suggested the ways to address them.

Another reason why companies were applying for the registration of securities issues more frequently was the need to change the structure of their business in order to mitigate the consequences of the sanctions for them.

The number of securities issues increased as of the end of 2022, compared to 2021, although this growth was predominantly driven not by market factors.



New trend: bonds in Chinese yuan

As a result of rising geopolitical risks in 2022, companies started to raise funds in the Chinese yuan. According to the Bank of Russia's data, the amounts of yuan-denominated bonds admitted to and placed in the market were smaller than those of bonds in the US dollars, but exceeded the amounts of bonds in euros.



The proportion of electronic actions related to the issue of non-financial organisations' securities tripled

The electronic registration of the securities issues helped increase the efficiency of the procedure for admitting financial instruments to the financial market, ensuring prompt and convenient communication with the Bank of Russia. In 2022, the proportion of electronic actions related to the issue of non-financial organisations' securities tripled compared to 2021, reaching 21%. The proportion of electronic actions related to the issue of financial institutions' securities also rose, namely from 77% in 2021 to nearly 84% in 2022.

The proportion of share issues registered by registrars continued to grow, exceeding 97% by the end of 2022. The number of issues and additional issues of shares registered by registrars over the year that were offered through investment platforms increased as well, namely from 54 in 2021 to 83 in 2022.

In 2022, the Bank of Russia started the transition to the full-fledged electronic document flow with the collective investment market participants in the course of the ad-



AMOUNT OF ISSUE-GRADE SECURITIES ADMITTED TO AND PLACED IN THE FINANCIAL MARKET*

Shares							
		Number of issues	Amount of issues				
			Rubles	US dollars	Euros		
Admitted to the financial market	2020	2,214	2,820.41 billion	—	0.006 million		
	2021	2,654	2,545.87 billion	—	—		
	2022	3,049	3,754.21 billion	—	—		
Placed in the financial market	2020	2,037	1,666.11 billion	—	0.005 million		
	2021	2,438	2,299.21 billion	—	—		
	2022	2,933	1,976.88 billion				
Bonds							
		Number of issues	Amount of issues				
			Rubles	US dollars	Euros	Chinese yuan	British pounds
Admitted to the financial market	2020	943	7,599.55 billion	1.15 billion	0.80 billion	—	—
	2021	1,332	18,709.59 billion	5.98 billion	2.78 billion	—	—
	2022	1,235	15,114.17 billion	29.92 billion	5.20 billion	73.41 billion	0.85 billion
Placed in the financial market	2020	974	8,074.55 billion	0.50 billion	—	—	—
	2021	1,067	17,455.11 billion	3.98 billion	1.41 billion	—	—
	2022	904	9,663.47 billion	12.30 billion	1.40 billion	58.68 billion	0.29 billion
Shares and bonds, total							
		Number of issues	Amount of issues				
			Rubles	US dollars	Euros	Chinese yuan	British pounds
Admitted to the financial market	2020	3,157	10,419.96 billion	1.15 billion	0.80 billion	—	—
	2021	3,986	21,255.46 billion	5.98 billion	2.78 billion	—	—
	2022	4,284	18,868.38 billion	29.92 billion	5.20 billion	73.41 billion	0.85 billion
Placed in the financial market	2020	3,011	9,740.66 billion	0.50 billion	0.005 million	—	—
	2021	3,505	19,754.32 billion	3.98 billion	1.41 billion	—	—
	2022	3,837	11,640.35 billion	12.30 billion	1.40 billion	58.68 billion	0.29 billion

* Include securities issues registered by the Bank of Russia, issues of exchange-traded and commercial bonds registered by PJSC Moscow Exchange, PJSC SPB Exchange, and National Settlement Depository, as well as share issues registered by registrars.

Note. Minor discrepancies between the total and the sum of components are due to the rounding of data.

mission of unit investment funds to the financial market and maintenance of the register of unit investment funds. 1 April 2023 is the effective date of the Bank of Russia's new regulation¹¹ considerably reducing market participants' working hours and costs for both the preparation of the documents and their submission to the Bank of Russia and helping significantly accelerate the information and document exchange.

In April 2022, the new requirements¹² for trust management of unit investment funds became effective: they changed the Bank of Russia's approach to making decisions on

¹¹ Bank of Russia Instruction No. 208-I, dated 24 May 2022, 'On the Procedure for Registering the Rules for Trust Management of a Unit Investment Fund Whose Investment Units Are Not Intended Solely for Qualified Investors and Registering Amendments and Additions Thereto, and on the Form of Reports on the Number of Additionally Issued Investment Units of a Closed-end Unit Investment Fund'; and Bank of Russia Regulation No. 800-P, dated 29 June 2022, 'On the Procedure for the Bank of Russia to Maintain the Register of Unit Investment Funds, the Procedure and Timeframes for the Submission to the Bank of Russia of Documents and Information Required for the Maintenance of the Said Register, the Procedure for the Provision of Extracts Therefrom, and on the Requirements for Reports (Content of Notices), Their Form, the Procedure and Timeframes for Their Submission to the Bank of Russia'.

¹² Bank of Russia Ordinance No. 6023-U, dated 23 December 2021, 'On the Requirements for the Rules for Trust Management of an Open-end Unit Investment Fund Whose Investment Units Are Not Intended Solely for Qualified Investors'; Bank of Russia Ordinance No. 6024-U, dated 23 December 2021, 'On the Requirements for the Rules for Trust Management of an Exchange-traded Unit Investment Fund Whose Investment Units Are Not Intended Solely for Qualified Investors'; Bank of Russia Ordinance No. 6025-U, dated 23 December 2021, 'On the Requirements for the Rules for Trust Management of an Interval Unit Investment Fund Whose Investment Units Are Not Intended Solely for Qualified Investors'; and Bank of Russia Ordinance No. 6027-U, dated 23 December 2021, 'On the Requirements for the Rules for Trust Management of a Closed-end Unit Investment Fund Whose Investment Units Are Not Intended Solely for Qualified Investors'.



CHANGES IN CERTAIN INDICATORS IN COLLECTIVE INVESTMENT ACROSS UNIT INVESTMENT FUNDS

Indicator	2021	2022	2022 vs 2021
Total number of effective rules for trust management of unit investment funds	1,965	2,163	Growth over 10%
Number of documents approved by specialised depositories that were submitted to the Bank of Russia	2,240	2,827	Growth over 26%
Number of rules for trust management of unit investment funds that were registered by the Bank of Russia	761	787	Growth over 3%

admitting unit funds to the financial market, including as regards the analysis of investment goals of the establishment of a unit investment fund and the ways to attain them. Besides, as a result of the change in the procedure for admitting collective investment instruments to the market, in 2022, the Bank of Russia considered over 95% of the documents submitted for registration significantly faster than required by law.

The quantitative indicators of collective investment instruments continued to grow in 2022, compared to 2021, which was evidence of the demand for collective investment.

Furthermore, a considerable part of the changes and amendments to the rules for trust management of unit investment funds registered in 2022 were made because the rules were brought in compliance with the new requirements, as well as due to the changes in funds' operations amid the sanctions (cost reductions, changes in investment strategies, etc.).

Concurrently, the number of the effective rules for trust management of mortgage collateral continued to decrease, reaching 16 as of the end of 2022, compared to 19 as of the end of 2021.

In order to mitigate sanction risks, on 10 June 2022, the Bank of Russia Board of Directors made the decision not to disclose information on financial institutions' securities issues on its website, if requested by these institutions. This ensured the balance of disclosures made by the issuers and the Bank of Russia that could impact the enactment of new restrictions against financial institutions by foreign states performing unfriendly acts. The Bank of Russia Board of Directors decided to extend this measure until the end of 2023.

2.3.3.3. ACTIVITY OF THE BANK OF RUSSIA COMPLAINT REVIEW COMMISSION RELATED TO DECISIONS ON NON-COMPLIANCE WITH QUALIFICATION AND BUSINESS REPUTATION REQUIREMENTS

As of 1 January 2023, the number of complaints received by the Bank of Russia Commission reviewing complaints about the Bank of Russia's decisions on non-compliance with qualification and/or business reputation requirements established by federal laws (hereinafter, the Commission) from the first date¹³ of its work totalled 1,226. Of the 1,000 complaints considered, 588 (59%) were satisfied and 412 (41%) were rejected.

¹³ Started to work on 28 January 2018.



In 2022, the Commission reviewed (processed) 147 complaints, of which 65 were settled and 46 were dismissed. The complaints were considered within the timeframe stipulated by law.

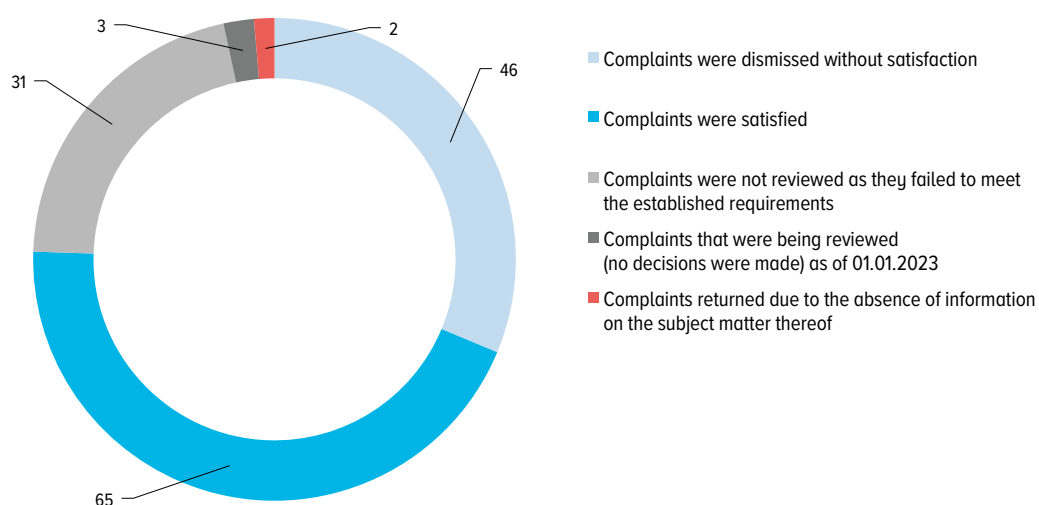
By applying to the Commission, those who disagree with the decisions on their failure to comply with the established requirements for business reputation or qualification can challenge such decisions out-of-court. The number of the complaints satisfied proves that the Commission has been effectively working as an out-of-court body.

In 2022, the Commission received complaints regarding activities of credit institutions (64 complaints), microfinance organisations (32 complaints), insurers (27 complaints), professional securities market participants (seven complaints), management companies (five complaints), and pawnshops (two complaints).

Complaints from AML/CFT/CFP compliance officers (29 complaints), persons acting as the sole executive body (25 complaints), heads of branches (23 complaints), financial institutions' chief accountants (18 complaints), and members of collective executive bodies (17 complaints) accounted for the highest percentage in the total number of the complaints received in 2022.

STATISTICS OF APPEALS TO THE BANK OF RUSSIA
COMPLAINT REVIEW COMMISSION IN 2022
(UNITS)

Chart 30



2.3.3.4. BANK OF RUSSIA LISTS OF PERSONS CONTROLLING FINANCIAL INSTITUTIONS

In order to mitigate the consequences of the restrictions enacted by the unfriendly foreign states, the Bank of Russia Board of Directors made the decisions¹⁴ allowing financial institutions not to disclose the information on the structures and lists of their shareholders (members), controlling persons, and other officials. From 18 March 2022, the earlier published lists of controlling persons were removed from the Bank of Russia website.

Financial institutions continue to submit this information to the Bank of Russia for the regulator to maintain the lists of controlling persons and carry out control and supervision.

As of 1 January 2023, the lists contained information on 12,401 persons put on the lists based on the grounds stipulated by Federal Law No. 127-FZ and on 49 persons put on the lists according to the decisions of the Bank of Russia Banking Supervision Committee and the Bank of Russia Financial Supervision Committee.

In 2022, the Bank of Russia exercised its right to recognise a person as a person controlling a financial institution in relation to six financial institutions (three credit institutions and three insurers).

During 2022, the Commission for complaints about putting on the lists of controlling persons received eight complaints, all of which were rejected following their review.

Besides, one case about putting an individual by a credit institution on the list of its controlling persons was challenged in court. Based on the results of the review, the court of first instance rejected the claimant's appeal, and the court of appeal did not change this ruling.

The Bank of Russia has all the mechanisms and procedures implemented according to law that enable the regulator to take enforcement measures in relation to persons controlling financial institutions.

¹⁴ Decisions of the Bank of Russia Board of Directors, dated 18 March 2022 and 23 December 2022, made pursuant to Federal Law No. 55-FZ, dated 14 March 2022, 'On Amending Articles 6 and 7 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement' and Article 21 of the Federal Law 'On Amending Certain Laws of the Russian Federation' (as amended by Federal Law No. 519-FZ, dated 19 December 2022, 'On Amending Certain Laws of the Russian Federation and on Suspending Certain Provisions of Legislative Acts of the Russian Federation').



2.3.4. REGULATION

2.3.4.1. CREDIT INSTITUTIONS, BANKING GROUPS, AND BANK HOLDING COMPANIES

Measures taken by the Bank of Russia to stabilise the situation in the financial market amid materialisation of sanctions risks

In 2022, the Bank of Russia implemented an extensive package of temporary measures to support credit institutions as a response to sanction restrictions. Regulatory easing affected almost all areas of banking regulation. It was aimed at neutralising temporary high market volatility, providing stability of the sector and continuing the activities of banks without additional risks of non-compliance with regulatory requirements, as well as at stimulating lending to the economy. This helped mitigate the effect of the previous negative events and adapt to the changed conditions.

To neutralise the impact of extreme market volatility, the Bank of Russia made it possible throughout 31 December 2022 to fix the exchange rates of six foreign currencies against the ruble, set by the regulator as of 18 February 2022¹ and to use them when calculating required ratios (except for limits on open foreign currency positions (OFCP)), liquidity coverage and net stable funding ratios, and capital.

In order to support the credit institutions that were subject to sanctions limiting their capability to manage foreign exchange risk, in 2022, the Bank of Russia temporarily relaxed rules and took no punitive measures for non-compliance with OFCP limits when this resulted from the imposition of sanctions and was not caused by speculations in the market. Concurrently, in 2022 H2, the Bank of Russia established an additional requirement – credit institutions had to gradually exit the easing regime. Simultaneously, all credit institutions in 2022 were allowed to balance diverse OFCPs in US dollars and euros. This was allowed as long as there was adequate mutual compensation between them, without facing punitive measures from the Bank of Russia for exceeding the OFCP limits.

In order to reduce the impact of international ratings on banks' activities amid sanctions pressure, it was decided to freeze the credit ratings awarded by Standard & Poor's, Fitch Ratings and Moody's Investors Service when applying Bank of Russia regulations as of 1 February 2022.²

The Bank of Russia made it possible to use a reduced risk weight of 50% in calculating concentration ratios for credit-related claims and conditional liabilities of corporate borrowers – non-financial organisations, in respect of which a bank increased its portfolio by more than ₹10 billion from 1 March 2022 through 31 December 2022.³ Banks which took advantage of this option in 2022 can apply the reduced risk weight at the request of the relevant borrowers through 31 May 2025.

¹ Bank of Russia Information Letter No. IN-01-23/17, dated 28 February 2022, 'On the Specifics of Calculating Required Ratios and Capital'.

² Decision of the Bank of Russia Board of Directors, dated 25 February 2022. This measure remains effective in 2023.

³ Decision of the Bank of Russia Board of Directors, dated 24 June 2022, 'On Temporary Risk Ratios for Loans to Non-financial Organisations for Calculating Concentration Ratios'.



Banks were also allowed to apply reduced risk weights when calculating required ratios for loans granted to systemically important organisations to replenish their working capital.⁴

In order to promote stability of logistic chains and deliveries of necessary imported goods to the regions amid the sanctions pressure, banks with a basic licence were temporarily (through 31 December 2023) granted the right to open correspondent accounts with foreign credit institutions.⁵ The rule became effective on 25 July 2022.

In order to minimise forex and credit risks if restrictive measures were taken against a credit institution or a borrower, the Bank of Russia recommended⁶ that credit institutions should provide for the possibility for borrowers to repay loans (microloans) granted in the currency of an unfriendly state⁷ in rubles or in the foreign currency of a state not considered as unfriendly.

Due to the sharply increased key rate, in 2022, the Bank of Russia set the interest rate threshold on subordinated instruments denominated in rubles to equal the larger of the two values: either 15% or the value of the Bank of Russia key rate increased by 5 percentage points.⁸

To promote stability of credit institutions, the Bank of Russia recommended that they refrain from paying dividends to the shareholders (distributing a portion of their profit between shareholders (participants) and the variable component of wages to key management personnel) until the end of 2022).⁹

The effect of limiting the total cost of a consumer loan (microloan) when concluding consumer loan (microloan) agreements during a specified period was also temporarily suspended (for the period from 1 March 2022 through 30 June 2022).¹⁰ This made lenders more flexible when serving their customers and allowed them to maintain the amount of credit supply amid increased volatility in the financial market.

Support measures will partly remain effective in 2023 (including changes in the parameters of some of them). Thus, when creating provisions, the Bank of Russia provided for the following:

- not to downgrade the assessment of the credit quality of loans granted before 18 February 2022 (including those restructured after 18 February 2022) and of other assets and credit-related conditional liabilities of borrowers (counterparties) affected by sanctions.¹¹ Credit institutions are entitled to gradually build up provisions for po-

⁴ Decision of the Bank of Russia Board of Directors, dated 29 April 2022, 'On Risk Ratios for Loans to Systemically Important Organisations for Calculating Banks' Required Ratios'.

⁵ Federal Law No. 331-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation and Suspension of Certain Provisions of Article 5.1 of the Federal Law 'On Banks and Banking Activities'.

⁶ Bank of Russia Information Letter No. IN 03-23/116, dated 22 September 2022.

⁷ Foreign states and territories committing unfriendly actions against the Russian Federation, Russian companies and individuals, which are put on the list approved by Directive of the Government of the Russian Federation No. 430-r, dated 5 March 2022. This measure remains effective in 2023.

⁸ Decision of the Bank of Russia Board of Directors, dated 29 April 2022, 'On the Maximum Interest Rate on Subordinated Instruments Denominated in Rubles for Calculating Equity Capital'.

⁹ Bank of Russia Information Letter No. IN-03-23/83, dated 15 June 2022, 'On Paying Dividends and the Variable Component of Wages'.

¹⁰ In accordance with Bank of Russia Ordinance No. 6077-U, dated 28 February 2022, 'On the Period of Suspension of the Limit on the Total Cost of a Consumer Loan (Microloan)'.

¹¹ Bank of Russia Information Letter No. IN-01-23/32, dated 10 March 2022 'On the Specifics of Applying Bank of Russia Regulations'.



tential losses during 2023 to the amount that meets the requirements of Bank of Russia regulations;¹²

- when measuring credit risk for blocked assets, not to take into account their blocking and, for claims on CCP NCC, NSD regarding transactions with securities, not to take into account the suspension of transactions with securities by foreign depositories.¹³ Until the end of 2023, credit institutions have the option not to take into account the blocking of assets that are directly or indirectly under restrictive measures introduced by unfriendly states,¹⁴ and credit institutions have no alternative ways and mechanisms for their return.¹⁵ These requirements are included in the calculation of the bank's required capital adequacy ratios with a risk weight of 100% and are excluded from liquid assets when calculating liquidity ratios.

Furthermore, credit institutions were granted the right not to apply capital deductions, increased risk ratios, nor to create increased loan provisions for buying back shares/stakes from non-residents.¹⁶

To reduce the regulatory burden on credit institutions in the current environment, the Bank of Russia allowed banks not to recognise a default on a borrower caused by the restrictive measures when assessing credit risk exposure,¹⁷ as well as to temporarily apply the finalised approach for measuring credit risk exposure for individual segments of credit claims for banks which apply the internal rating-based approach (IRB). These measures will be in effect until 30 June 2023.¹⁸

The Bank of Russia extended the possibility for credit institutions buying back their own Eurobonds from 1 January 2023 through 31 December 2023, which had been issued through foreign organisations, not to exclude from the calculation of prudential capital the revaluation at fair value of obligations to repay a loan associated with Eurobonds when buying back their own securities at a discount without cancelling them.¹⁹

Owing to the change in country risk assessments according to export credit agencies' classification for the Russian Federation and the Republic of Belarus, the Bank of Russia also extended the decision²⁰ not to apply an increased risk weight

¹² Bank of Russia Information Letter No. IN-01-23/148, dated 29 December 2022 'On the Specifics of Applying Bank of Russia Regulations'.

¹³ Bank of Russia Information Letter No. IN-03/23/87, dated 21 June 2022, 'On Approaches to Credit Risk Assessment and Calculation of Liquidity Ratios Under Restrictive Measures'.

¹⁴ Foreign states and territories committing unfriendly actions against the Russian Federation, Russian companies and individuals, which are included in the list approved by Directive of the Government of the Russian Federation No. 430-r, dated 5 March 2022.

¹⁵ Bank of Russia Information Letter No. IN-03-23/160, dated 30 December 2022, 'On Approaches to Creating Loss Provisions for Blocked Assets'.

¹⁶ Decisions of the Bank of Russia Board of Directors, dated 28 October 2022 and 23 December 2022, 'On the Specifics of Calculating Capital Adequacy Ratios, Calculating Equity Capital, and Creating Bank Provisions for Loans to Buy Back Shares (Stakes) from Non-Residents'.

¹⁷ Decision of the Bank of Russia Board of Directors, dated 14 October 2022, 'On the Approach to Assessing Credit Risk in Order to Calculate Bank Capital Adequacy Ratios'.

¹⁸ Decision of the Bank of Russia Board of Directors, dated 20 January 2023, 'On the Approach to Assessing Credit Risk in Order to Calculate Bank Capital Adequacy Ratios'.

¹⁹ Decisions of the Bank of Russia Board of Directors, dated 22 July 2022 and 23 December 2022, 'On the Specifics of Calculating Equity Capital of Credit Institutions in Accounting for the Revaluation of Funds Raised'.

²⁰ Decisions of the Bank of Russia Board of Directors, dated 24 June 2022 and 23 December 2022, 'On the Specifics of Risk Assessment for Credit Claims and Claims for Accrued (Accumulated) Interest on Credit Institutions that are Residents of the Russian Federation and the Republic of Belarus, the National Bank of the Republic of Belarus and the Government of the Republic of Belarus for Calculating Banks' Required Ratios'.



(100% is applied instead of 150%) to claims in relation to credit institutions of the Russian Federation and the Republic of Belarus, as well as regarding claims on the Republic of Belarus and the National Bank of the Republic of Belarus, when calculating required ratios.²¹ In addition, when measuring the market risk associated with Russian credit institutions' debt securities, the Bank of Russia will continue to use the 8% risk weight (equivalent to 100% when measuring credit risk). The Bank of Russia will continue to apply the 12% risk weight to the Russian banks' bonds that are subject to the increased ratios when measuring their credit risk. This measure is aimed at reducing pressure on the capital of creditor banks, supporting interbank lending, and continuing transactions with sovereign debt instruments of the Republic of Belarus.

For systemically important credit institutions (SICIs), in 2022, the Bank of Russia expanded the list of terms, under which the regulator did not consider actual LCR values decreased below 100% as a violation. The Bank of Russia also announced that it would take no measures for non-compliance with the net stable funding ratio if this was caused by a situation of unfavourable funding and other external factors. In December 2022, these support measures were extended until the end of 2023 with an additional requirement for SICIs to implement measures to gradually improve the liquidity level in 2023. These measures are aimed at reducing the excessive burden on SICIs which could impede, among other things, lending to the economy.

In addition, the regulator made it possible not to take punitive measures against:²²

- credit institutions and parent credit institutions of banking groups if they fail to comply with N6 and N21 ratios^{23, 24};
- credit institutions due to the restriction on disclosure of information.²⁵

To enable banks to manage their liquidity and maintain the attractiveness of deposits for households throughout 2022,²⁶ banks participating in the deposit insurance system were allowed to offer deposits with returns exceeding the threshold values of the basic return on deposits without further payment of increased contributions to the compulsory deposit insurance fund. This measure will remain in effect until the end of June 2023.²⁷

In late 2022, the Bank of Russia took the following additional measures regarding banks with a universal licence, including the parent credit institutions of banking

²¹ Within the framework of Bank of Russia Instruction No. 199-I, dated 29 November 2019, 'On Banks' Required Ratios and Capital Adequacy Buffers for Banks with a Universal Licence'.

²² In accordance with Article 74 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'.

²³ Maximum exposure per borrower or a group of related borrowers (N6), banking group's maximum exposure per borrower or a group of related borrowers (N21).

²⁴ Bank of Russia Information Letter No. IN-03-23/151, dated 29 December 2022, 'On Taking No Measures Against Credit Institutions and Parent Credit Institutions of Banking Groups in Case of Non-compliance with N6 and N21'. This measure was introduced earlier by Bank of Russia Information Letter No. IN-03-23/60, dated 25 April 2022.

²⁵ Bank of Russia Information Letter No. IN-03-23/119, dated 30 September 2022, 'On Taking No Measures Against Credit Institutions Due to the Restriction on Information Disclosure'. This measure was introduced earlier by Bank of Russia Information Letter No. IN-03-23/68, dated 19 May 2022.

²⁶ Decisions of the Board of Directors of the State Corporation Deposit Insurance Agency, dated 25 February 2022 and 28 June 2022.

²⁷ Decision of the Board of Directors of the State Corporation Deposit Insurance Agency, dated 19 December 2022.



groups, so that they could gradually exit the easing regime and maintain their lending potential from 1 January 2023 through 31 December 2023:²⁸

- decreased the minimum values of capital adequacy and systemic importance buffers (for SICIs) to 0%;
- allowed banks to distribute up to 50% of their profit inclusive for the current and previous years provided that after the profit distribution banks with a universal licence would maintain the minimum allowable capital adequacy ratios and the countercyclical buffer;
- permitted to spend the profit (a part thereof) as compensation and incentive payments to management provided that the ratios were complied with, regardless of the compliance with buffers.

Then, it is planned to return the buffers to their original values within five years according to the schedule provided for by the draft amendments to Instruction No. 199-I.²⁹

The Bank of Russia set requirements for credit institutions (parent credit institutions of banking groups) to resume disclosing financial reports and information in 2023 on a limited basis (except for information sensitive to sanctions risk).³⁰ The Bank of Russia will also resume, on a limited basis, disclosing information about banks' activities on its official website.³¹ The measures taken, on the one hand, enable banks, their clients and counterparties to avoid the 'secondary sanctions' effect, and on the other hand, to meet the needs of financial market participants for information about banks' activities in the current economic and geopolitical environment.

Improving regulation

In 2022, the Bank of Russia developed and adopted a number of new regulations. Thus, the regulator amended the procedure for creating provisions³² in order to stimulate lending to investment projects and SMEs and reduce the operating costs of credit institutions when assessing NFO loans. In particular, these amendments include:

- extension of the period when non-payments on a loan or insufficient payments is considered as the reason for creating a larger provision for loans issued under agreements on the protection and inducement of investment is increased from two to five years;
- permission for credit institutions to use guarantees of regional guarantee organisations as collateral regardless of their organisational and legal forms;

²⁸ Decision of the Bank of Russia Board of Directors, dated 29 December 2022, 'On a Temporary Reduction in the Minimum Numerical Values of the Capital Conservation Buffer and Systemic Importance Buffers, Profit Distribution Conditions, and Compensatory and Incentive Payments'.

²⁹ Bank of Russia Instruction No. 199-I, dated 29 November 2019, 'On Banks' Required Ratios and Capital Adequacy Buffers for Banks with a Universal Licence'.

³⁰ Decision of the Bank of Russia Board of Directors, dated 29 December 2022, 'On the Requirements for Disclosure by Credit Institutions (Parent Credit Institutions of Banking Groups) of Reports and Information in 2023' (published on the official website of the Bank of Russia on 30 December 2022).

³¹ Decision of the Bank of Russia Board of Directors, dated 29 December 2022, 'On the List of Information Regarding Credit Institutions' Activities, Which the Bank of Russia Does Not Disclose on its Official Website'.

³² Bank of Russia Ordinance No. 6068-U, dated 15 February 2022, 'On Amending Bank of Russia Regulation No. 590-P, Dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.



- extension of the list of exceptions which are not subject to the requirement for assessing the actual activity of a borrower (for loans granted to CCCs, ACCCs, NPFs, pawnshops and MCCs provided that certain requirements are complied with);
- replacement of LIBOR with risk-free indicators.

In addition, the Bank of Russia refused to use LIBOR to limit the maximum interest rate which a credit institution specifies in bank deposit agreements signed (extended) during the period of the restriction.

To clarify methods for defining operations (transactions) which prove a possible relationship between a person (persons) and a credit institution, the Bank of Russia excluded references to LIBOR³³ when defining the concept of 'financial support'. Concurrently, the concept of loans (microloans) and deposits granted not on arm's length terms was introduced as an alternative (effective from 1 October 2023).

The Bank of Russia extended the current procedure for using disciplinary measures against credit institutions if they do not comply with macroprudential limits.³⁴

Amendments to the procedure for measuring market risk so far as it relates to the classification of VEB.RF ruble-denominated bonds by special interest rate risk groups became effective in 2022 H1. VEB.RF ruble-denominated bonds are now distributed to the group with low rather than medium (as earlier) risk. The amendments are aimed at ensuring common regulatory approaches when measuring credit and market risks and thereby reducing the capital requirements for covering market risk for these securities in the trading portfolio of a credit institution.

The Bank of Russia framed the concepts of operational stability³⁵ and reliability of banks³⁶ and identified the risk of business continuity disruption as a separate subcategory of operational risk. The implementation by banks of Bank of Russia requirements for managing certain types of operational risk,³⁷ stability and reliability will allow them to continue providing services amid growing operational risks associated with the development of digitalisation and outsourcing of financial services, the growth of cyber threats, global pandemics, as well as the current geopolitical environment.

The list of Russian credit rating agencies whose credit ratings are used to calculate required ratios and create provisions was expanded. The list of applicable credit ratings included credit ratings awarded by NCR to banks and non-financial organisations, as well as by NRA LLC to banks.³⁸

³³ Bank of Russia Ordinance No. 6314-U, dated 14 November 2022, 'On Amending Paragraphs 1 and 2 of Bank of Russia Ordinance No. 4203-U, Dated 17 November 2016, 'On Signs of Potential Interconnectedness Between an Entity (Entities) and a Credit Institution'.

³⁴ Bank of Russia Ordinance No. 6090-U, dated 17 March 2022, 'On Amending Bank of Russia Instruction No. 188-I, Dated 21 June 2018, 'On the Procedure for Applying Measures to Credit Institutions (Parent Credit Institutions of Banking Groups) Provided for by Article 74 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

³⁵ Bank of Russia Ordinance No. 6103-U, dated 25 March 2022 'On Amending Bank of Russia Regulation No. 716-P, Dated 8 April 2020, 'On the Requirements for the Operational Risk Management System of a Credit Institution or a Banking Group'.

³⁶ Bank of Russia Regulation No. 787-P, dated 12 January 2022, 'On Legally Binding Requirements for Credit Institutions to Ensure Operational Reliability in the Course of Banking Activities in Order to Ensure the Continuity of Banking Services'.

³⁷ Including business continuity risk, information security risk, and information systems risk.

³⁸ Decisions of the Bank of Russia Board of Directors, dated 27 September 2022 'On the Levels of Credit Ratings Awarded According to Bank of Russia Instruction No. 199-I, Dated 29 November 2019, and Bank of Russia Instruction No. 183-I, Dated 6 December 2017' and 'On the Level of Credit Ratings Awarded According to Bank of Russia Regulation No. 590-P, Dated 28 June 2017'.



The Bank of Russia amended information on the risks of a bank holding company³⁹ and the procedure for reporting on a bank holding company's membership and investments in investment fund units⁴⁰ (effective date is 1 October 2023).

Bank of Russia Instruction No. 207-I⁴¹ became effective on 28 June 2022; it is aimed at developing the market of money transfers made by settlement non-bank credit institutions (SNCI), simplifying the process of changing the status of a credit institution from a bank to an SNCI, and facilitating the conduct of business operations by SNCIs.

On 27 December 2022, the Bank of Russia published the document '[Promising Areas of Banking Regulation and Supervision Development](#)' which reflects strategic initiatives for the medium term.

2.3.4.2. NON-GOVERNMENTAL PENSION FUNDS

In 2022, the creation of a system for guaranteeing the rights of participants in the non-governmental pension system was completed. From 1 January 2023, if an NPF's licence is revoked, or in case of an NPF's bankruptcy, a state guarantee will allow individuals to return the accumulated voluntary pension savings and continue to pay the already assigned non-governmental pensions.⁴² The return of both contributions made by an individual or his/her employer to an NPF and accumulated investment income is guaranteed.

Individuals will be able to get their funds within the insured amount (₽1.4 million) themselves or transfer them to another NPF at their discretion. A new NPF chosen on a competition basis will continue the payment of already awarded non-governmental pensions (but in the amount not exceeding two social old-age pensions). The guarantee system will help bring in new customers, increase the level of pension provision for individuals and confidence in the pension system of the Russian Federation.

Federal Law No. 5-FZ,⁴³ developed with the participation of the Bank of Russia was adopted in January 2023. According to this law, starting from 7 February 2023, NPFs are allowed to act as an agent for selling products and services of other financial and non-financial institutions, as well as render consulting and information services in the

³⁹ Reporting as per Form 0415001 'Information on the risks of a bank holding company'. For example, as regards the reported information on transactions conducted with related parties, on the amount of bonuses to key management, as well as the information related to the implementation of International Financial Reporting Standards (IFRS) 9 'Financial Instruments' and (IFRS) 16 'Leases'.

⁴⁰ Reporting as per Form 0415002 'Report on the bank holding company membership and investments in investment funds' units'. For example, as regards assigning a unique serial number to each bank holding company member, which is preserved even when the member leaves the bank holding company.

⁴¹ Bank of Russia Instruction No. 207-I, dated 8 November 2021, 'On Permissible Combinations of Banking Operations of Settlement Non-bank Credit Institutions, on Required Ratios of Settlement Non-Bank Credit Institutions, and on Supervision by the Bank of Russia of Compliance with Them' (new wording of Bank of Russia Instruction No. 129-I, dated 26 April 2006, 'On Banking Operations and Other Transactions of Settlement Non-Bank Credit Institutions, Required Ratios for Settlement Non-Bank Credit Institutions and the Specifics of Bank of Russia Supervision of Compliance with Them').

⁴² Federal Law No. 555-FZ, dated 28 December 2022, 'On Guaranteeing the Rights of Participants in Non-governmental Pension Funds as Part of Non-governmental Pension Provision Activities'; Federal Law No. 556-FZ, dated 28 December 2022, 'On Amending the Federal Law 'On Non-governmental Pension Funds' and the Federal Law 'On Insolvency (Bankruptcy)'.

⁴³ Federal Law No. 5-FZ, dated 27 January 2023, 'On Amending the Federal Law 'On Non-governmental Pension Funds' and Article 27 of the Federal Law 'On Investment Funds'.



financial market. This will allow NPFs to become a 'one-stop-shop' for their customers and offer them various social services (insurance, medical and nursing, recreational facility services, etc.) Concurrently, in order to eliminate risks for the pension provision activities of NPFs, the above law establishes a number of restrictions. For instance, the annual fee to NPFs for such services should not exceed 50% of the average fee paid to NPFs for their pension provision activities over the past three years.

In 2022, the Bank of Russia set requirements for assessing the amount of NPF liabilities under compulsory pension insurance agreements and pension contracts.⁴⁴ The assessment results will be used for preparing reports and as part of the instruments for monitoring NPFs' financial resilience (for preparing actuarial reports, setting the ratio of insurance reserves, and for stress testing).

The Bank of Russia enacted a number of regulations in order to amend the requirements for investing pension savings and pension reserves,⁴⁵ which will allow NPFs to finance the real sector of the economy more actively (including infrastructure projects) by purchasing bonds with variable payments.

In order to exchange Eurobonds for substitute bonds and protect the rights of NPF customers, the Bank of Russia allowed NPFs and their management companies to purchase and hold in pension portfolios substitute bonds that do not meet certain regulatory requirements.⁴⁶

2.3.4.3. INSURANCE AGENTS

The capabilities⁴⁷ of the Joint-Stock Company Russian National Reinsurance Company (JSC RNRC) to accept risks for reinsurance were enhanced in order to ensure the continuous insurance protection of the Russian business, primarily for insuring major and sanction risks. This was required to substitute reinsurance capacities from unfriendly countries, which became unavailable due to sanctions.

Regulation improvements in compulsory motor third party liability insurance (CMTPLI) were aimed at ensuring the affordability of CMTPLI policies, improving the quality of existing services and developing new ones when using this insurance product.

⁴⁴ Bank of Russia Regulation No. 806-P, dated 28 September 2022, 'On Establishing Requirements for Non-governmental Pension Funds to Assess the Amount of Their Liabilities under Compulsory Pension Insurance Agreements and Non-governmental Pension Provision Agreements on the Basis of an Internal Document, Cases of the Said Assessment, and Requirements for the Said Internal Document (registered with the Ministry of Justice of the Russian Federation on 3 March 2023).

⁴⁵ Bank of Russia Ordinance No. 6272-U, dated 28 September 2022, 'On Amending Bank of Russia Ordinance No. 5343-U, Dated 5 December 2019', Bank of Russia Ordinance No. 6271-U, dated 28 September 2022, 'On Amending Bank of Russia Regulation No. 580-P, Dated 1 March 2017' (sent for state registration to the Ministry of Justice of the Russian Federation).

⁴⁶ Decisions of the Board of Directors of the Bank of Russia, dated 28 October 2022 and 29 December 2022, 'On Temporary Requirements for Activities of Non-governmental Pension Funds and Management Companies of Investment Funds, Unit Investment Funds and Non-governmental Pension Funds Due to the Placement of Bonds in Favour of Owners of Foreign Bonds Issued by Foreign Organisations, or a Person Exercising Rights Thereunder'.

⁴⁷ The Bank of Russia guaranteed an increase in the authorised capital of JSC RNRC to ₹750 billion. Concurrently, the regulator took measures to mitigate negative consequences for the financial resilience of JSC RNRC resulting from the increased volume of sanction risks assumed by this company – the share of mandatory cession was increased to 50% based on Federal Law No. 46-FZ, dated 8 March 2022, 'On Amending Certain Laws of the Russian Federation'.



The CMTPLI reinsurance pool⁴⁸ was launched in April 2022. All insurers providing this type of insurance should be the pool members. An insurer who signs a potentially unprofitable contract (using the maximum possible base rate as an indicator of the risk level) can transfer it to the pool so that if losses occur on it, they will be reimbursed at the expense of all CMTPLI insurers. The new mechanism helps, without jeopardising the financial resilience of insurers, make CMTPLI policies more affordable to those drivers and vehicle owners to whom insurance policies have previously been sold very unwillingly due to high risks of losses.

The legislation was amended⁴⁹ in order to eliminate existing barriers for the introduction of a fully electronic service for receiving insurance compensation in CMTPLI, as well as in all other mandatory types of property insurance.

To ensure an information exchange in the insurance market, a legislative basis⁵⁰ for creating a single automated insurance system (AIS) to incorporate⁵¹ the currently existing miscellaneous data bases was established. The AIS functions will be integrated with public information resources. This will make it possible to create new and convenient services for consumers, as well as to ensure the implementation of electronic exchange in CMTPLI, including remote loss settlement.

To ensure the protection of consumers' interests, the following measures⁵² began to be used in the segment of investment and endowment life insurance (ILI and ELI) since 25 March 2022: the cooling-off period was extended, the list of possible exceptions from insurance coverage was limited, and the requirement for pre-contractual disclosure of information on historical returns and minimum coverage for mortality and longevity risks was introduced.

New mandatory requirements⁵³ for life and health insurance of borrowers (for consumer and mortgage loans) were introduced from 1 October 2022. In particular, they include a minimum list of risks which should be added (for example, cases of death and disability of Group I and II), and a limited list of possible exclusions from insurance coverage. Customers should be informed of which risks affect the credit terms, and which are additional risks, as well as of the possibility of refusing to include additional insurance risks in their policy.

⁴⁸ The creation of a CMTPLI reinsurance pool is provided for by Federal Law No. 81-FZ, dated 1 April 2022, 'On Amending the Law of the Russian Federation 'On the Organisation of Insurance Business in the Russian Federation' and the Federal Law 'On Compulsory Third Party Liability Insurance of Vehicle Owners'.

⁴⁹ Federal Law No. 327-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation' (effective from 15 July 2023).

⁵⁰ Federal Law No. 594-FZ, dated 29 December 2022, 'On Amending Certain Laws of the Russian Federation with Regard to Creating an Automated Information System in Insurance'.

⁵¹ From 1 April 2024, insurers will begin to transfer information on compulsory (CMTPLI) and voluntary (comprehensive and collision insurance, voluntary third party liability motor insurance) auto insurance, as well as on home insurance against emergencies, to the AIS.

⁵² Bank of Russia Ordinance No. 5968-U, dated 5 October 2021, 'On Minimum (Standard) Requirements for the Conditions and Procedure for Voluntary Life Insurance with Periodic Insurance Payments (Rents, Annuities) and (or) a Policyholder's Share in the Insurer's Investment Income, for the Volume and Content of Information Disclosed on Voluntary Life Insurance Contracts Providing for Periodic Insurance Payments (Rents, Annuities) and (or) a Policyholder's Share in the Insurer's Investment Income, and also on the Form, Ways and Procedure for Disclosing Such Information'.

⁵³ Bank of Russia Ordinance No. 6139-U, dated 17 May 2022, 'On Minimum (Standard) Requirements for the Conditions and Procedure for Voluntary Life Insurance of a Borrower Under a Consumer Loan Agreement, for the Volume and Content of the Information Disclosed on the Voluntary Life and Health Insurance Contracts of a Borrower Under a Consumer Loan Agreement, as well as on the Form, Ways and Procedure for Disclosing Such Information'.



In 2022, in order to support the insurance market activity amid sanctions, the Bank of Russia took a number of regulatory easing measures which made it possible, without reducing the level of protection of insured persons (especially individuals), to mitigate the consequences of sanctions for insurers.

The requirements⁵⁴ for financial resilience and solvency of insurers gradually entered into force: from 1 July 2022, insurers began to take into account the impact of market and credit risks on their equity capital. Concurrently, as a support measure amid sanctions, the Bank of Russia allowed⁵⁵ companies paying no dividends (distributing no profits) not to apply market environment deterioration scenarios and use less conservative assessment of credit risk when determining the adequacy of their equity capital until 31 December 2022.

The Bank of Russia adjusted⁵⁶ the requirements⁵⁷ for the financial resilience and solvency of insurers, which came into force on 1 January 2023, as well as adopted them to the current market environment. New approaches to the calculation of insurance liabilities help to make a more accurate assessment of the financial resilience of insurance companies. Many of them will be able to release some of their capital and use it to expand their opportunities to conduct insurance operations.

2.3.4.4. MICROFINANCE MARKET PARTICIPANTS

In 2022, the Bank of Russia continued to improve the legislation regulating the activities of microfinance market participants. The Bank of Russia participated in drafting a federal law⁵⁸ that was later submitted to the State Duma. This draft law provides for a registry-based procedure for admitting CCCs to the financial market, which means that CCCs may not start their operations without complying with the Bank of Russia requirements. The draft law also provides for the introduction of requirements for the business reputation and qualifications of the CCP's governing bodies.

In 2022, the following regulatory documents were issued:

- Bank of Russia Ordinance No. 6178-U,⁵⁹ establishing from 1 April 2023 an obligation for microfinance organisations to create increased (at least 99%) provisions for potential losses on loans issued to fraudsters who used other people's personal data, as well as providing for a decrease in loan provisions issued to self-employed citizens;
- Bank of Russia Ordinance No. 6227-U,⁶⁰ establishing new criteria for including business financing in the list of MFOs from 1 October 2023. Now, along with loans issued to

⁵⁴ Bank of Russia Regulation No. 710-P, dated 10 January 2020, 'On Certain Requirements for Financial Sustainability and Solvency of Insurers'.

⁵⁵ Decision of the Bank of Russia Board of Directors, dated 14 April 2022, 'On Temporary Requirements for Activities of Insurance Companies, Mutual Insurance Companies, and Non-governmental Pension Funds'.

⁵⁶ Bank of Russia Ordinance No. 6252-U, dated 22 September 2022, 'On Amending Bank of Russia Regulation No. 781-P, Dated 16 November 2021, 'On the Requirements for Financial Stability and Solvency of Insurers' (came into effect on 1 January 2023).

⁵⁷ Bank of Russia Regulation No. 781-P, dated 16 November 2021, 'On the Requirements for Financial Stability and Solvency of Insurers' (came into effect on 1 January 2023).

⁵⁸ Draft Federal Law No. 232696-8 'On Amending Certain Laws of the Russian Federation'.

⁵⁹ Bank of Russia Ordinance No. 6178-U, dated 29 June 2022, 'On Amending Bank of Russia Ordinance No. 5391-U, Dated 20 January 2020'.

⁶⁰ Bank of Russia Ordinance No. 6227-U, dated 26 August 2022, 'On Criteria Which Microfinance Organisations of Entrepreneurial Financing Shall Meet'.



legal entities and individual entrepreneurs, loans to self-employed citizens will be taken into account. For a quicker achievement of the appropriate status, the frequency of assessment for compliance with the criteria was changed from annually to quarterly.

2.3.4.5. PROFESSIONAL SECURITIES MARKET PARTICIPANTS

In 2022, due to the imposition of sanctions against a number of professional securities market participants (PSMPs), their customers were forced to urgently transfer foreign assets for servicing to other financial institutions. But emergency transfers of assets recognised in individual investment accounts (IIA) violated the requirements for opening a new IIA and closing the old IIA within one month. For this reason, investors were losing the right to tax incentives. To solve this problem, Federal Law No. 571-FZ,⁶¹ drafted with the participation of the Bank of Russia and the Russian Ministry of Finance, was adopted; this law is aimed at preserving the rights of PSMPs' customers to tax deductions under such IIA agreements.

The Bank of Russia also took part in drafting Federal Law No. 565-FZ⁶² as regards provisions that simplified the information exchange procedure for PSMPs. Considering these changes amid the mass transfer of customers from one PSMP to another due to the sanctions imposed by the unfriendly countries, in 2022, PSMPs got the right to transfer information in a centralised way for determining the tax base of such customers on income from securities transactions conducted between PSMPs, including the use of electronic document flow, and the PSMPs whereto the customers had been transferred, got the right to take into account such information for the purposes of tax administration. This approach considerably simplified tax administration for both customers and PSMPs.

2.3.4.6. COLLECTIVE INVESTMENT MARKET PARTICIPANTS (EXCEPT NPFS)

Due to the blocking of assets in the foreign accounting (custodial) infrastructure, transactions with investment units of unit investment funds (UIFs) that included blocked foreign assets were suspended. To solve this problem, Federal Law No. 519-FZ⁶³ drafted with the participation of the Bank of Russia was adopted, according to which such blocked foreign assets are allocated to special closed-end UIFs. Management companies (MCs) will have to take necessary measures before 1 September 2023 to regain access to non-blocked liquid assets of retail UIFs in which 3.3 million investors own investment units.

Amid a decrease in the number of available instruments in the Russian market, the investment opportunities of UIF management companies were expanded while protecting investors' rights.⁶⁴ MCs now can invest in new commercial real estate and on-ex-

⁶¹ Federal Law No. 571-FZ, dated 28 December 2022, 'On Amending Certain Laws of the Russian Federation'.

⁶² Federal Law No. 565-FZ, dated 28 December 2022, 'On Amending Parts One and Two of the Tax Code of the Russian Federation and Certain Laws of the Russian Federation on Taxes and Levies'.

⁶³ Article 28 of Federal Law No. 519-FZ, dated 19 December 2022, 'On Amending Certain Laws of the Russian Federation and Suspension of Certain Provisions of Laws of the Russian Federation'.

⁶⁴ Bank of Russia Ordinance No. 6093-U, dated 21 March 2022, 'On Amending Bank of Russia Ordinance No. 4129-U, Dated 5 September 2016, 'On the Composition and Structure of Assets of Joint-stock Investment Funds and Unit Investment Funds'.



change cash-settled financial derivatives linked to commodities. The possibility to create UIFs for the Russian sectoral indices was expanded, and the threshold amount of investment in closed-end UIFs was decreased threefold (to ₽100,000) for non-qualified investors.

The requirements for holding general meetings of UIFs'⁶⁵ unit holders were updated. In particular, the unit holders can participate in general meetings remotely using electronic voting, which increases their mobility and efficiency and also reduces organisational costs.

The UIF management companies are allowed⁶⁶ to include substitute bonds that do not meet certain regulatory requirements in UIFs' assets.

In order to retain the possibility of on-exchange trading in investment units of exchange-traded UIFs containing foreign securities, the Bank of Russia introduced⁶⁷ temporary easing that made it possible not to comply with the requirement for determining the settlement price of investment units of exchange-traded UIFs at least every 15 seconds provided that such a price is determined at least every 30 minutes.

2.3.4.7. INFRASTRUCTURES

Support of infrastructure organisations under sanctions

Regulatory easing introduced by the Bank of Russia in February 2022 gave significant support to infrastructure organisations under sanctions. This included fixing of asset prices and credit ratings, the option of non-complying with certain required reserve ratios, the right not to disclose sensitive information in 2022–2023 that could lead to the imposition of sanctions against supervised organisations, and others.⁶⁸

Furthermore, as the situation became more stable, in order to restore the required transparency of the financial market, the Bank of Russia [decided](#) to partly cancel the anti-crisis easing from early 2023. In particular, the option to fix the fair value of assets and foreign exchange rates as of 18 February 2023, as well as the permission not to disclose financial statements in full, were cancelled.⁶⁹

In response to the blocking of foreign assets of Russian companies and individuals by foreign accounting institutions, the Bank of Russia:

- blocked securities in accounts of foreign persons;
- limited sales of Russian shares received due to the conversion of depositary receipts;

⁶⁵ Bank of Russia Regulation No. 796-P, dated 28 June 2022, 'On Additional Requirements for General Meetings of Owners of Investment Units of a Closed-end Unit Investment Fund'.

⁶⁶ Decisions of the Bank of Russia Board of Directors, dated 28 October 2022 and 29 December 2022, 'On Temporary Requirements for Activities of Non-governmental Pension Funds and Management Companies of Investment Funds, Unit Investment Funds and Non-governmental Pension Funds Due to the Placement of Bonds in Favour of Owners of Foreign Bonds Issued by Foreign Organisations, or a Person Exercising Rights Thereunder'.

⁶⁷ Decision of the Bank of Russia Board of Directors, dated 29 April 2022, 'On Temporary Requirements for Activities of Management Companies of Exchange-traded Unit Investment Funds'; Decision of the Bank of Russia Board of Directors, dated 23 December 2022, 'On Temporary Requirements for Activities of Management Companies of Exchange-traded Unit Investment Funds'.

⁶⁸ The Bank of Russia's [press release](#), dated 13 December 2022.

⁶⁹ The plans included abandoning the use of frozen ratings of foreign rating agencies by infrastructure organisations from 1 July 2022.



- introduced maximum restrictions on the asset management (established C-type accounts with a limited list of transactions permitted using these accounts) in relation to non-residents from unfriendly countries;⁷⁰

- started accounting of the assets of Russian investors blocked abroad; this made it possible to quickly assess the changes in the volume and structure of such assets.

Simultaneously, the regulator took measures aimed at finding solutions to unblock assets (exchange (offset), transferring assets from a foreign accounting infrastructure to a Russian one, creating mechanisms to compensate for losses due to asset blocking):

- in accordance with the procedure for automatic conversion⁷¹ of depositary receipts into shares of Russian issuers, the holders of such securities may receive the payments due to them in a Russian infrastructure;⁷²

- holders of Eurobonds of the Russian Federation and corporate Eurobonds can also receive payments in the Russian accounting infrastructure,⁷³ avoiding the foreign one;⁷⁴

- instead of redeemable Eurobonds with the same scope of rights,⁷⁵ it is possible to purchase substitute bonds which can be traded in the Russian financial market;⁷⁶

- to confirm the title to Russian Eurobonds, their holders may submit documents specified in the list approved by the Russian Ministry of Finance and receive payments due to them without interacting with foreign accounting infrastructure.

For the financial market participants to comply with the regulatory requirements amid the exit of foreign news agencies Refinitiv and Bloomberg, the Bank of Russia⁷⁷ permitted the use of indicators and price information of Russian pricing agencies (NSD, Interfax, Sbonds.ru).⁷⁸ The adopted decision became an impetus for developing the national industry of information services.

In 2022, the Bank of Russia took a number of measures aimed at increasing the efficiency of anti-sanction regulation:

⁷⁰ Executive Order of the President of the Russian Federation No. 95, dated 5 March 2022, 'On a Temporary Procedure for Meeting Obligations to Certain Foreign Creditors'.

⁷¹ Federal Law No. 319-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation' provides for an automatic conversion mechanism that implies a conversion of depositary receipts accounted by Russian depositories into shares of a Russian issuer, for which depositary receipts have been issued, by request of the issuer of such shares without the will of the holder of depositary receipts.

⁷² Decision of the Bank of Russia Board of Directors, dated 22 July 2022, 'On Establishing the Procedure for the Automatic Conversion of Securities of Foreign Issuers Proving the Title to Shares of Russian Issuers into Shares of Russian Issuers'.

⁷³ The procedure for transferring payments on corporate Eurobonds issued by Russian issuers by depositories was updated.

⁷⁴ The established procedure provides a possibility to make targeted payments to holders of such bonds or, at their discretion, credit the relevant payments to a foreign nominee holder's bank account.

⁷⁵ Decision of the Bank of Russia Board of Directors, dated 23 December 2022, 'On Establishing Temporary Requirements for Activities of Professional Securities Market Participants Engaged in Depositary Activities and on the Procedure for Transferring Funds by Russian Legal Entities Having Obligations Related to Eurobonds to Eurobond Holders'.

⁷⁶ Bank of Russia Information Letter No. IN-018-34/154, dated 30 December 2022, 'On the Placement of Replacement Bonds'.

⁷⁷ Decision of the Bank of Russia Board of Directors, dated 23 December 2022, 'On the Use of Information from Information Services in Order to Comply with the Requirements of Bank of Russia Regulations and the Regulations of the FFMS of Russia'.

⁷⁸ The adopted decision became an impetus for developing the national industry of information services.



- for conducting a transaction on a personal account with the participation of a non-resident, registrars will additionally have to require a special permit (if the need to receive such a permit is provided for by the Russian law);⁷⁹
- a qualified central counterparty will be able to open accounts with foreign organisations which do not have a certain rating level (subject to the assessment of counterparties by their risk management system).⁸⁰ This will allow the Russian infrastructure to build trading and clearing bridges with the infrastructure of friendly countries and raise additional liquidity to the financial market;
- central counterparties and settlement depositories were allowed to create provisions for blocked assets 'in instalments': 20% instead of 100% of provisions by the end of 2023 (subject to refusal to pay dividends). Also, they may not include such assets in the calculation of certain ratios,⁸¹ which will help avoid additional burden on the capital of the accounting and clearing infrastructure;
- depositories were allowed to keep records of titles to securities of foreign issuers admitted to public placement (circulation) in the Russian Federation, regardless of their experience in depository activities.⁸² This makes it possible to quickly change depository chains if sanctions are imposed.

Improving the regulation of infrastructure organisations

Federal Law No. 210089-8⁸³ was drafted in order to increase the foreign exchange market liquidity. After its adoption, foreign credit institutions and brokers registered in jurisdictions listed by the Government of the Russian Federation will receive direct access to on-exchange trading in foreign currency.

For greater resilience of the central depository, Federal Law No. 319-FZ⁸⁴ drafted with the participation of the Bank of Russia was adopted. The new regulations, in particular, adjust the list of ratios which the central depository shall comply with and impose an obligation on the central depository to prepare and send plans to restore financial resilience and ensure business continuity to the Bank of Russia. The Bank of Russia was entitled to appoint its authorised representative to the central depository and set requirements for operational audit conducted in the central depository.

⁷⁹ Decision of the Bank of Russia Board of Directors, dated 23 December 2022, 'On Establishing Temporary Requirements for Activities of Securities Holders' Registrars in Terms of Opening and Maintaining Personal Accounts of Certain Non-residents'.

⁸⁰ Bank of Russia Ordinance No. 6294-U, dated 19 October 2022, 'On Amending Bank of Russia Regulation No. 658-P, Dated 1 November 2018'.

⁸¹ Decision of the Bank of Russia Board of Directors, dated 29 December 2022, 'On the Procedure for Possible Loss Provisioning and Calculating Required Ratios of Non-bank Credit Institutions – Central Counterparties and Credit Institutions – Settlement Depositories'.

⁸² Decision of the Bank of Russia Board of Directors, dated 23 December 2022, 'On the Temporary Requirement for Professional Participants in the Securities Market Engaged in Depository Activities When Keeping Records of the Titles to Securities of Foreign Issuers Admitted to Public Placement and (or) Public Circulation in the Russian Federation'.

⁸³ Draft Federal Law No. 210089-8 'On Amending Article 16 of the Federal Law 'On Organised Trading' and Article 12 of the Federal Law 'On Countering the Misuse of Insider Information and Market Manipulation, and on Amending Certain Laws of the Russian Federation' (adopted by the State Duma in the first reading on 21 December 2022).

⁸⁴ Federal Law No. 319-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation'.



The Bank of Russia issued Regulation No. 799-P⁸⁵ which says that registrars can decide on uniform operational approaches and techniques for conducting transactions by themselves (at the level of the standard of a self-regulatory organisation (SRO)), and holders of securities will be able to open an account with the register and receive information about its status (transactions on it) remotely.

As part of the involvement of an accounting infrastructure in servicing digital assets and digital rights, the Bank of Russia prepared a corresponding regulation (see [Subsection 2.3.11 'Improving instruments and infrastructure of the financial and commodity exchange markets'](#)).

2.3.4.8. NATIONAL PAYMENT SYSTEM PARTICIPANTS

Amid sanction restrictions, the stability of the National Payment System (NPS) plays an important role. This system fully meets the needs for payment services of all consumer groups, including households, businesses and the state, and participants in the payment market can adjust their business processes accordingly. The Bank of Russia took a number of support measures in relation to NPS participants and users of payment services in order to ensure their stable operation:

- it was decided to take no measures⁸⁶ provided for by Federal Law No. 86-FZ⁸⁷ in relation to money transfer operators if they fail to comply with the requirements for meeting the deadline for submitting an application for registration as a payment system operator⁸⁸ (effective until 1 July 2023), as well as not to make decisions on recognising a payment system as significant (was effective until 1 January 2023);⁸⁹
- additional functions of the National System of Payment Cards Joint-Stock Company (NSPK JSC) were defined in order to conduct operations in the Russian Federation through international payment systems whose operators had been excluded by the Bank of Russia from the register of payment system operators;
- the maximum amount of the acquiring fee for making money transfers using payment cards when paying for socially important goods (works, services) was temporarily⁹⁰ limited at the level of 1%;
- the maximum value of remuneration determined by payment system operators and paid by credit institutions through payment systems for money transfers using payment cards when paying for socially important goods (works, services) was temporarily⁹¹ set at 0.7%.

In order to increase transparency and comparability of information on the terms of servicing settlement (debit) cards for consumers, the regulator prepared a form for

⁸⁵ Bank of Russia Regulation No. 799-P, dated 29 June 2022, 'On the Procedure for Opening and Maintaining Personal Accounts and Accounts Not Intended for Registering Titles to Securities by the Registrar of Securities Holders' (registered with the Ministry of Justice of the Russian Federation on 13 January 2023).

⁸⁶ Bank of Russia Information Letters No. IN-04-47/48, dated 31 March 2022, and No. IN-04-47/147, dated 29 December 2022.

⁸⁷ Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'.

⁸⁸ Part 39 of Article 15 of Federal Law No. 161-FZ.

⁸⁹ Clauses 1 and 2 of Part 3 of Article 22 of Federal Law No. 161-FZ.

⁹⁰ For the period from 18 April 2022 to 31 August 2022.

⁹¹ For the period from 18 April 2022 to 31 August 2022.



disclosing this information to provide it to consumers and recommended this form to credit institutions for use.

As part of improving the regulation of relations within the NPS in 2022, electronic platform operators (EPOs)⁹² were included in the structure of NPS participants. The regulator also set requirements for EPOs which are not credit institutions regarding the provision of settlement services for transactions conducted using an electronic platform. The Bank of Russia's powers to control EPOs' compliance with the requirements of Federal Law No. 161-FZ⁹³ and Bank of Russia regulations adopted in accordance therewith were defined. The Bank of Russia developed Ordinance No. 6351-U⁹⁴ in order to use its powers to take measures against EPOs for violating the above requirements.

Within improvements in the regulation of payment systems, the regulatory document setting the requirements for the smooth functioning of the payment system (SFPS) was amended.⁹⁵ In particular, the regulator clarified the requirements for managing risks, ensuring the smooth functioning of the payment system, taking into account the current experience in implementing requirements for the SFPS, as well as the requirements for payment system operators to determine the event of suspension of payment infrastructure services.

The Bank of Russia took part in amending⁹⁶ Federal Law No. 161-FZ in order to expand the list of operations of bank payment agents (subagents) by enabling them to accept cash from legal entities and individual entrepreneurs.

In addition, the State Duma adopted in the first reading a draft law⁹⁷ on vesting the Bank of Russia with powers to control (supervise) the activities of payment acceptance operators, aimed at tightening control over them.

In accordance with the National Payment System Development Strategy for 2021–2023, the introduction of a new institution of non-bank payment service providers (NPSPs) in addition to banks and non-bank credit institutions in the Russian payment market continued. The Forum Analytical Centre hosted an extensive discussion with market participants about the Bank of Russia's model for regulating NPSPs, the concept of which was supported by them.

⁹² Federal Law No. 331-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation and Suspension of Certain Provisions of Article 5.1 of the Federal Law 'On Banks and Banking Activities'.

⁹³ Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System'.

⁹⁴ Bank of Russia Ordinance No. 6351-U, dated 9 January 2023, 'On the Procedure for Sending to an Electronic Platform Operator That is Not a Credit Institution an Order to Eliminate Violations and the Procedure for Restricting the Provision of Settlement Services by an Electronic Platform Operator That is Not a Credit Institution as Regards Transactions Made Using an Electronic Platform if It Violates the Requirements of Federal Law No. 161-FZ, Dated 27 June 2011, 'On the National Payment System' and Bank of Russia Regulations Adopted in Accordance Therewith' (sent for state registration to the Ministry of Justice of the Russian Federation).

⁹⁵ Bank of Russia Regulation No. 6352-U, dated 9 January 2023, 'On Amending Bank of Russia Regulation No. 607-P, Dated 3 October 2017, 'On the Requirements for the Procedure Ensuring Smooth Functioning of the Payment System, Indicators of Smooth Operation of the Payment System and Methodologies Used to Analyse Payment System Risks, Including Risk Profiles' (sent for state registration to the Ministry of Justice of the Russian Federation).

⁹⁶ Federal Law No. 35-FZ, dated 6 March 2022, 'On Amending Articles 14 and 15 of the Federal Law 'On the National Payment System' and Articles 1.1 and 4.7 of the Federal Law 'On Using Cash Register Equipment When Making Payments in the Russian Federation'.

⁹⁷ Draft Federal Law No. 46071-8 'On Amending the Federal Law 'On Accepting Payments of Individuals by Payment Agents' and Certain Laws of the Russian Federation' (adopted by the State Duma in the first reading on 9 June 2022).



2.3.4.9. OTHER PARTICIPANTS**Platform service operators**

In 2022, the Bank of Russia eased requirements for financial platform operators regarding their transition to the industry accounting standards. The Bank of Russia posted on its official website a letter stating that no sanctions for the said violation will not be used against them⁹⁸ from 1 January 2023 (and until further notice).

In order to increase transparency and attractiveness of the industry of investment platforms operators (IPOs), the Bank of Russia posted on its official website an information letter on preparing and publishing IPOs' requirements for persons raising investments, as well as the methodology for assessing and rating such persons.⁹⁹

The Bank of Russia took part in drafting a federal law¹⁰⁰ for regulating the activities of financial platform operators, providing for the elimination of restrictions on combining their activities with the activity of information system operators and DFA exchange operators, as well as on expanding transactions with securities.

The Bank of Russia issued ordinances aimed at ensuring greater transparency of supervisory procedures for platform service operators.¹⁰¹

Persons providing professional services in the financial market*Actuaries*

In 2022, the Bank of Russia continued to improve the regulation of actuarial activities. The requirements¹⁰² for reporting the results of the verification of an actuarial report prepared based on an actuarial valuation of the activities of a non-governmental pension fund, an insurance company engaged in certain types of insurance and reinsurance became effective from 9 April 2022. According to Federal Law No. 194-FZ¹⁰³, veri-

⁹⁸ Bank of Russia Information Letter No. IN-018-34/138, dated 16 December 2022, 'On Non-application of Enforcement Measures Against Financial Platform Operators by the Bank of Russia'.

⁹⁹ Bank of Russia Information Letter No. IN-018-34/133, dated 18 November 2022, 'On Developing Internal Documents Helping to Assess and Monitor Credit Risk of Persons Raising Investments and Their Investment Proposals'.

¹⁰⁰ Draft Federal Law No. 221502-8 'On Amending Article 3.1 of the Federal Law 'On the Securities Market' and the Federal Law 'On Conducting Financial Transactions Using a Financial Platform' (adopted by the State Duma in the first reading on 15 February 2023).

¹⁰¹ Bank of Russia Ordinances No. 6334-U, dated 26 December 2022, 'On the Procedure for the Bank of Russia to Take Measures in Respect of an Investment Platform Operator as Provided for by Part 3 of Article 16 of the Federal Law 'On Raising Investments Using Investment Platforms and on Amending Certain Laws of the Russian Federation' and No. 6336-U 'On the Procedure for the Bank of Russia to Take Measures in Respect of an Operator of the Information System in Which Digital Financial Assets are Issued, Provided for by Part 18 of Article 5 of the Federal Law 'On Digital Financial Assets, Digital Currency, and on Amending Certain Laws of the Russian Federation', and Measures in Respect of a Digital Financial Asset Exchange Operator, as Provided for by Part 17 of Article 10 of the Federal Law 'On Digital Financial Assets, Digital Currency, and on Amending Certain Laws of the Russian Federation' (sent for state registration to the Ministry of Justice of the Russian Federation).

¹⁰² Bank of Russia Ordinance No. 6009-U, dated 13 December 2021, 'On the Requirements for Reporting the Results of the Verification of an Actuarial Report, the Procedure and Timeframes for its Submission and Publication'.

¹⁰³ Federal Law No. 194-FZ, dated 11 June 2021, 'On Amending the Federal Law 'On Actuarial Activities in the Russian Federation' and Certain Laws of the Russian Federation'.



fications conducted by a responsible actuary have a mandatory status. Such a verification is actually similar to an independent audit of measurements of financial institutions' liabilities and additionally confirms the reliability of information on their financial status. In order to support financial market participants amid sanctions, verification requirements are applied to actuarial reports issued after 31 December 2022.¹⁰⁴

Credit rating agencies

Federal Law No. 540-FZ¹⁰⁵ drafted with the participation of the Bank of Russia was adopted. It tightens requirements for methodologies of credit rating agencies (CRAs) and strengthening control over their accuracy, improving the quality of management of CRAs' conflict of interest, as well as expanding supervisory response measures for violating the legislation on CRAs. The new requirements will improve the quality of ratings and give more independence to Russian CRAs whose role has increased significantly after the exit of foreign CRAs from the Russian market.

Concurrently, the Bank of Russia expanded the list of credit ratings applied in the process of regulation.¹⁰⁶

Audit firms in the financial market

The amendments to Federal Law No. 359-FZ¹⁰⁷ became effective on 1 January 2022. Among other things, they introduced the concept of socially important organisations in the financial market (SIOFM), setting strict requirements for their auditors and for auditing accounting (financial) statements of these organisations.

To implement the provisions of Federal Law No. 359-FZ, the Bank of Russia, within its powers to regulate the activities of audit firms in the financial market (AFFM), in 2022, issued the following regulations to establish:

- a procedure for making decisions by the Bank of Russia to provide AFFMs with information on the activities of an audited entity and the procedure for submitting AFFMs' information to the Bank of Russia;¹⁰⁸
- additional requirements for the list and deadlines of information disclosure by AFFMs on their websites on the Internet, requirements for the format of its disclosure, as well

¹⁰⁴ Decision of the Bank of Russia Board of Directors, dated 14 April 2022, 'On Temporary Requirements for Activities of Insurance Companies, Mutual Insurance Companies, and Non-governmental Pension Funds'.

¹⁰⁵ Federal Law No. 540-FZ, dated 19 December 2022, 'On Amending Article 7.5 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and the Federal Law 'On the Activity of Credit Rating Agencies in the Russian Federation, on Amending Article 76.1 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Invalidating Certain Provisions of Russian Laws'.

¹⁰⁶ The corresponding decisions of the Bank of Russia Board of Directors for 2022 are available on the Bank of Russia website.

¹⁰⁷ Federal Law No. 359-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws'.

¹⁰⁸ Bank of Russia Ordinance No. 6059-U, dated 10 January 2022, 'On the Procedure for Making Decisions by the Bank of Russia to Provide an Audit Firm, Information on Which is Entered by the Bank of Russia in the Register of Audit Firms Providing Audit Services to Socially Important Organisations in the Financial Market, with Information on the Activities of an Audited Entity and on the Procedure for Submitting Information by Such an Audited Organisation to the Bank of Russia'.



as requirements for the list and format of disclosing information on the activities of an audit firm for entering this information in the AFFM register;¹⁰⁹

- a procedure for recognising an audit report by the Bank of Russia as inadequate in accordance with auditing standards;¹¹⁰

- requirements for ensuring the information security when providing professional services in the financial market in order to counteract illegal financial transactions,¹¹¹ including in regard to AFFMs.

At the initiative of the Bank of Russia, the legal requirement for providing audit services to SIOFMs only by audit firms, the information of which had been entered by the Bank of Russia in the register of AFFMs, was postponed¹¹² for one year.

Credit information system participants

In 2022, the implementation of the legislative reform carried out in this area started in the credit information system.¹¹³ The innovations provided for global renewal of the legal framework of both the credit history bureau (CHB) market and the credit information system in general, including the improvement of CHBs' information and technological infrastructure, the development of information exchange between financial market participants, as well as increasing accuracy and quality of credit information.

For the credit information system participants to be able to receive information about average monthly payments of an individual, which is needed to calculate the debt service-to-income (DSTI) ratio, the Bank of Russia introduced an application programming interface (API) mechanism directly from qualified CHBs.¹¹⁴ It helps receive informa-

¹⁰⁹ Bank of Russia Ordinance No. 6291-U, dated 4 October 2022, 'On Establishing Additional Requirements for the List and Deadlines for Disclosing by an Audit Firm, Information on Which is Entered by the Bank of Russia in the Register of Audit Firms Providing Audit Services to Socially Important Organisations in the Financial Market, Information on its Activities on its Website, as well as Requirements for the Form of Disclosing Such Information, and Requirements for the List and Form of Disclosing Information by an Audit Firm' (sent for state registration to the Ministry of Justice of the Russian Federation).

¹¹⁰ Bank of Russia Ordinance No. 6329-U, dated 21 December 2022, 'On the Procedure for Recognising by the Bank of Russia an Auditor's Report on Accounting (Financial) Statements of Socially Important Organisations Specified in Clauses 3 to 5 of Part 1 of Article 5.1 of Federal Law No. 307-FZ, dated 30 December 2008, 'On Auditing' (sent for state registration to the Ministry of Justice of the Russian Federation).

¹¹¹ Bank of Russia Regulation No. 808-P, dated 17 October 2022, 'On the Requirements for Ensuring Information Security When Providing Professional Services in the Financial Market in Order to Counteract Illegal Financial Transactions, Mandatory for Persons Who Provide Professional Services in the Financial Market, for Ensuring Information Security Specified in Article 4 of the Federal Law 'On Credit Histories' by Credit Bureaus When Processing, Storing and Transmitting Such Information Using Certified Protective Equipment, as well as for the Integrity of Information Obtained in the Course of Activities of a Credit Rating Agency'.

¹¹² Federal Law No. 292-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation, Recognising Paragraph 6 of Part 5 of Article 7 of the Russian Federation Law 'On State Secrecy' as Null and Void, Suspending Certain Provisions of Laws of the Russian Federation', and on Establishing the Specifics of Regulation of Corporate Relations in 2022–2023 (hereinafter, Federal Law No. 292-FZ, dated 14 July 2022).

¹¹³ Federal Law No. 302-FZ, dated 31 July 2020, 'On Amending the Federal Law 'On Credit Histories' with Regard to Modernising the System for Credit History Formation'.

¹¹⁴ Bank of Russia Ordinance No. 5704-U, dated 11 January 2021, 'On the Procedure and Form for Submitting Information on Average Monthly Payments of a Credit History Maker, on the Procedure and Enquiry Form for a Qualified Credit History Bureau to Provide Information Needed to Prepare Information on Average Monthly Payments of a Credit History Maker, as well as on the Procedure for Providing Information Needed to Compile and Provide to Credit History Users Information about the Average Monthly Payments of a Credit History Maker'.



tion about the current volume of a borrower's liabilities in near real time, which increases the speed and accuracy of decision-making on lending.

In the reporting year, the Bank of Russia issued regulations aimed at:

- supplementing (specifying) the content of a qualified CBH – counterparty's request for information necessary to prepare data on average monthly payments of a borrower;¹¹⁵
- improving the algorithms for searching by a CHB the information about a borrower in order to provide a credit history user with a credit report;¹¹⁶
- ensuring the uninterrupted operation of CHBs' information systems amid restrictive measures and decreasing the regulatory and supervisory burden on CHBs (the period of storing selected data and documents at CHBs was reduced).¹¹⁷

Self-regulatory organisations

In 2022, in order to improve the protection of the rights of financial service users, the Bank of Russia approved the basic standards for protecting the rights and interests of individuals and legal entities – users of financial services provided by members of self-regulatory organisations (SROs) in the financial market, involving investment advisers,¹¹⁸ depositories,¹¹⁹ and agricultural consumer credit cooperatives.¹²⁰ These standards establish the rules for providing information to a user of financial services, requirements for interaction with financial service users, and regulate the procedure for handling appeals and complaints. Thus, the regulator completed introducing basic standards for protecting the rights and interests of financial service users in all market sectors where self-regulatory organisations carry out their activity.

To improve the procedure for testing individuals who are not qualified investors when executing their orders for conducting transactions, the Bank of Russia approved a new version of the basic standard for protecting the rights and interests of individuals and legal entities purchasing financial services provided by members of SROs which unite brokers.^{121, 122} In addition, the Bank of Russia approved new versions of the basic standards concerning transactions conducted by brokers in the financial market (from 1 July 2023, brokers will be required to segregate (separate) client assets depending on the title granted (not granted) to them to use funds and securities),¹²³ transactions conduc-

¹¹⁵ Bank of Russia Ordinance No. 6192-U, dated 1 July 2022, 'On Amending Bank of Russia Ordinance No. 5704-U, Dated 11 January 2021, 'On the Procedure and Form for Submitting Information on Average Monthly Payments of a Credit History Maker, on the Procedure and Enquiry Form for a Qualified Credit History Bureau to Provide Information Needed to Prepare Information on Average Monthly Payments of a Credit History Maker, as well as on the Procedure for Providing Information Needed to Compile and Provide to Credit History Users Information about the Average Monthly Payments of a Credit History Maker'.

¹¹⁶ Bank of Russia Ordinance No. 6191-P, dated 1 July 2022, 'On Amending Bank of Russia Ordinance No. 5791-U, Dated 11 May 2021, 'On the Requirements for the Content and Format of Requests for Obtaining a Credit Report, on Credit History Bureau Rules for Searching Information on a Borrower and on the Form for a Borrower to Confirm his/her Consent'.

¹¹⁷ Bank of Russia Ordinance No. 6309-U, dated 8 November 2022, 'On Amending Bank of Russia Regulation No. 743-P, Dated 4 December 2020, and Bank of Russia Regulation No. 770-P, Dated 18 August 2021'.

¹¹⁸ Minutes No. FSCM-43, dated 8 December 2022.

¹¹⁹ Minutes No. FSCM-8, dated 24 February 2022.

¹²⁰ Minutes No. FSCM-5, dated 10 February 2022.

¹²¹ Minutes No. FSCM-27, dated 7 July 2022.

¹²² Minutes No. FSCM-49, dated 29 December 2022.

¹²³ Minutes No. FSCM-37, dated 29 September 2022.



ted by both Russian and foreign insurance companies in the financial market,¹²⁴ corporate governance activities of consumer credit cooperatives¹²⁵.

In order to increase transparency and efficiency of the agricultural cooperation market, in 2022, the Bank of Russia approved the basic ACCC standards which ensured uniformity of the principles and approaches to organising the ACCC risk management system,¹²⁶ ACCCs' operations in the financial market,¹²⁷ as well as approaches to the creation and principles of the organisation of the ACCC corporate governance system.¹²⁸

In all, as of the end of 2022, the Bank of Russia approved 30 basic standards prepared by SROs, establishing requirements for the activities of microfinance organisations, consumer credit cooperatives, agricultural consumer credit cooperatives, brokers, depositories, managers, forex dealers, insurance companies, insurance brokers, investment advisers, non-governmental pension funds, registrars, joint-stock investment funds, as well as management companies of investment funds, unit investment funds and non-governmental pension funds.

In order to support the supervisory activity of self-regulatory organisations of actuaries (actuaries' SROs), the Bank of Russia clarified¹²⁹ issues of transferring information received by actuaries from customers upon request of actuaries' SROs. In particular, it was noted that the terms of agreements signed between them should not contain a ban on providing such information upon request of actuaries' SROs.

2.3.4.10. PARTNERSHIP FINANCE

In pursuance of the instruction given by the President of the Russian Federation for developing partnership financing, the Bank of Russia took part in drafting a federal law on conducting an experiment for using partnership financing mechanisms.¹³⁰ The draft law determines the legal basis and specific parameters of the experiment in order to further decide on the necessity to extend the regulatory control in the field of partnership financing throughout the entire territory of the Russian Federation¹³¹ or on no need to make any legislative changes. The two-year experiment will be conducted in the Chechen Republic, the Republics of Dagestan, Bashkortostan and Tatarstan.

The experiment is aimed at developing partnership financing, enhancing financial inclusion for households and, in future, at expanding international cooperation and raising potential investments from the countries where this financial instrument is well developed.

¹²⁴ Minutes No. FSCM-39, dated 27 October 2022.

¹²⁵ Minutes No. FSCM-20, dated 28 April 2022.

¹²⁶ Minutes No. FSCM-5, dated 10 February 2022.

¹²⁷ Minutes No. FSCM-11, dated 10 March 2022.

¹²⁸ Minutes No. FSCM-11, dated 10 March 2022.

¹²⁹ Bank of Russia Information Letter No. IN-018-38/127, dated 3 November 2022, 'On the Provision by Actuaries of Information Received from Customers Upon Request of a Self-regulatory Organisation of Actuaries'.

¹³⁰ The draft Federal Law No. 198584-8 'On Conducting an Experiment for Establishing a Special Regulatory Control in Order to Create Necessary Conditions for Providing Partnership Financing in Certain Territories of the Russian Federation' was approved by the State Duma in the first reading on 21 December 2022.

¹³¹ Including supervision over financial stability, quality of services, and protection of consumer rights.



2.3.5. SUPERVISION

2.3.5.1. OFF-SITE SUPERVISION

2.3.5.1.1. Credit institutions, banking groups, and bank holding companies

In 2022, as part of its banking supervision activities, the Bank of Russia mainly focused on monitoring operations of credit institutions. This included considering the risks associated with sanctions, promptly detecting any issues within individual credit institutions and the overall banking system to prevent situations that could adversely affect the stability of the banking system while also mitigating the impact of sanctions pressure.

The Bank of Russia maintained a continuous dialogue with credit institutions, examining their performance indicators. This evaluation served multiple purposes, such as assessing the effectiveness of measures taken to support the banking sector and determining the necessity for additional regulatory easing or adjustments to the measures already taken. Particular attention was paid to the liquidity of credit institutions, the cost of funds raised, cash circulation, FX transactions, and capital adequacy.

When assessing the economic performance of credit institutions, the Bank of Russia abstained from downgrading their ratings solely due to the impact of external factors and the financial market environment on the indicators of this assessment.¹

The Bank of Russia controlled banks' compliance with their obligations to individuals and legal entities (including the receipt of foreign currency in cash), as well as compliance with restrictions on forex transactions and money transfers abroad.

The Bank of Russia appointed supervisors to all credit institutions and authorised representatives to 110 credit institutions, including all systemically important ones. The regulator updated the procedure for appointing authorised representatives to credit institutions² in order to bring their regulations in line with current supervisory practices and simplify a number of technical procedures.

Twenty-seven supervisory teams carried out *consolidated supervision over the activities of associations of credit and non-bank financial institutions*. The composite risk profile of such associations was established by considering the following components:

- prudential banking supervision;
- corporate governance;
- the risk of using the services of a financial institution for the purposes of money laundering and terrorism financing;
- information security and cyber resilience;
- conduct supervision;
- misconduct.

¹ Bank of Russia Information Letter No. IN-03/23/104, dated 18 August 2022, 'On Assessing the Economic Performance of Banks, Non-bank Credit Institutions – Central Counterparties, and the Financial Standing of Non-bank Credit Institutions'.

² Bank of Russia Ordinance No. 6122-U, dated 20 April 2022, 'On the Procedure for Appointing Authorised Representatives of the Bank of Russia to Credit Institutions in the Case Provided for by Clause 7 of Part 1 of Article 76 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', Conducting and Terminating Their Activities'.



Supervisory measures were adjusted based on the assigned composite risk profile.

The Bank of Russia held regular meetings and workshops with credit institutions' top management and beneficiaries as part of *advisory supervision*. The list of issues for discussing at the meetings was compiled taking into consideration the risks of a particular credit institution (banking group) and current regulatory innovations. The key topics included current activities and business planning, the implementation of regulatory easing, finalising internal documents on key risks management, addressing the consequences of restrictive measures imposed by unfriendly countries, and further adaptation to them. This also involved evaluating how these factors affected the financial resilience of banks, taking into account the mandatory gradual transition away from the easing regime and potential volatility in financial markets. Additionally, efforts were made to resolve the issue of blocked assets and assess the demand for capital.

Overall, in 2022, the relevant supervisory units of the Bank of Russia held over 700 meetings with credit institutions, including their owners.

In 2022, the Bank of Russia provided clarifications to credit institutions regarding their requests. These included addressing their inquiries about the procedure for applying information letters, complying with Bank of Russia orders and regulations, including those issued in response to the actions of unfriendly countries. Additionally, guidance was provided on extending the mechanism of loan repayment holidays to persons mobilised for the Special Military Operation, such as outlining the procedure for calculating interest on loans of mobilised individuals and granting deferrals to bank employees. Furthermore, the Bank of Russia offered guidance on the activities of credit institutions and their cooperation with the regulator.

Last year, the Bank of Russia allowed³ credit institutions and parent credit institutions of banking groups not to submit information on organising internal capital adequacy assessment processes (ICAAPs) for 2021. Nevertheless, the information on organising ICAAPs for 2021 submitted by credit institutions was taken into consideration when assessing the risk management system indicator (PU4) during the assessment of economic standing of credit institutions.⁴ Additionally, the Bank of Russia assessed whether its requirements and recommendations outlined by the ICAAP quality assessment had been fully implemented.

The Bank of Russia continued to *assess the methods and models applied by banks to determine the level of credit risk using the internal ratings-based approach*. In 2022, one SICI issued the first permit to use the IRB approach. In addition, methods and models of three SICIs were assessed. These SICIs had already started using the IRB approach for a part of the loan portfolios and were in the process of implementing plans to gradually transition to the IRB approach for the remaining credit claim segments.

The Bank of Russia continued to develop the use of advanced risk assessment approaches to calculate capital adequacy ratios of credit institutions. In 2022, the Bank of Russia *allowed four credit institutions to apply the operational risk calculation using*

³ Bank of Russia Information Letter No. IN-03-23/43, dated 29 March 2022, 'On Non-submitting Information on Organising ICAAPs for 2021'.

⁴ In accordance with Bank of Russia Ordinance No. 4336-U, dated 3 April 2017, 'On Assessing Banks' Economic Situation'.



the internal loss multiplier for assessing operational risk⁵ ahead of schedule. Overall, by the end of 2022, seven credit institutions were given the opportunity of early adoption of the new operational risk measurement approach.

The Bank of Russia made a *supervisory assessment of financial stability recovery plans (FSRPs)* developed on group and individual bases. Concurrently, close attention was paid to the development of stress scenarios (including the intensity of the stress and the planning horizon) and FSRP-related measures.

In 2022, *supervisory stress testing* was focused on obtaining estimates of banks' needs for additional capitalisation in case of materialisation of stress scenarios and on assessing short-term and long-term risks of banks. There was active cooperation between the regulator and banks during this process. In order to reduce the regulatory burden amid new sanctions, the Bank of Russia cancelled the programme of full-scale supervisory stress testing of banks using the bottom-up method.⁶ Instead, the Bank of Russia independently carried out stress tests actively involving banks to obtain the most up-to-date information.⁷ In 2022, the stress testing scope covered the 30 largest banks, which collectively accounted for over 85% of the total assets in the banking sector. The main goal of the calculations was to assess the surveyed banks' needs for additional capitalisation in case of a materialisation of stress, as well as banks' short-term and long-term risks pertaining to their future activities.

Supervisory stress tests were conducted based on conservative scenarios. However, the calculations took into account the current measures to support the economy and the banking sector, as well as banks' own assessments of their credit risk levels and expected business growth rates.

In general, the results of the stress testing showed that the capital cushion created by banks in recent years allows most of them to efficiently absorb significant losses under stressful conditions. However, some individual banks may need additional measures to maintain their capital when implementing the stress scenarios considered.

At the end of 2022, the Bank of Russia took steps to resume supervisory stress testing of banks in 2023 using the bottom-up method. The regulator approved a reduced format of stress testing in 2023, including a list of participating banks and templates of the requested information. Stress scenario parameters, as well as templates for submitting information and recommendations on how to complete them, were sent to participating banks at the end of 2022.

To enhance the *risk management framework* for credit and non-bank financial institutions, the Bank of Russia conducted regular assessments of their assets to ensure the effective management of various types of risks within these institutions.

The regulator surveyed the 455 largest borrowers and groups of companies whose total debt burden, including their related companies, exceeds ₽39 trillion.

⁵ In accordance with Bank of Russia Regulation No. 744-P, dated 7 December 2020, 'On the Procedure for Measuring Operational Risk (Basel III) and Supervising Compliance Therewith by the Bank of Russia'.

⁶ Supervisory stress testing using the bottom-up method assumes that banks prepare stress tests independently using their own forecasting models according to a single stress scenario, while the Bank of Russia verifies, adjusts and summarises their results.

⁷ Using the top-down method which provides for applying individual models of the Bank of Russia to forecast banks' performance.



As part of the credit risk assessment of borrowers in the mass segment for 2022, more than 11,800 loans and guarantees of legal entities totalling ₽2.6 trillion were checked, 59 expert opinions were prepared, including an assessment of retail loan portfolios totalling more than ₽1 trillion (over 10 million loans).

During the comprehensive assessment of potential losses associated with loans, an expert evaluation of secured assets accepted by credit institutions as loan collateral was conducted. This evaluation included verifying the actual availability and legal status of the secured asset and making judgement on its value. In 2022, the Bank of Russia made assessments of more than 8,600 assets, conducted an expert examination of more than 4,200 secured assets, and continued to develop the register of collaterals.

As part of the market risk assessment in 2022, the regulator prepared 1,402 reports in respect of 135 credit institutions on the assessment of the fair value of securities and financial derivatives, quality categories of security issues, the financial standing of their issuers, and a review of transactions with financial derivatives. The average monthly volume of credit institutions' security portfolios assessed as part of the regular review amounted to about ₽2.8 trillion.

During the operational risk management system analysis carried out in credit institutions in 2022, including reviewing plans for ensuring business continuity and recovery, the Bank of Russia prepared 157 reports on 131 credit institutions.

In 2022, the Bank of Russia's took *supervisory measures to ensure information security*, including with regard to the current situation.

The Bank of Russia conducted cyber stress test that included assessments of operational reliability degradation risks of credit institutions, triggered by a potential revocation of TLS-certificates⁸ issued by certification centres of unfriendly states, DDoS attacks, and the need to substitute foreign information technologies in use. The results of the analysis of all three cyber stress scenarios were taken into consideration when assessing risk profiles of credit institutions.

For timely identification of information security risks, the Bank of Russia regularly reviewed credit institutions' compliance with the requirements⁹ for preventing money transfers without the customer's consent. As part of its advisory supervision, the regulator held supervisory meetings with credit institutions with a high volume of transactions conducted without the customer's consent. The purpose of these meetings was to reduce the number of such transactions.

The information on *the measures applied to credit institutions* is presented in [Table 30 of Section 5.4 'Statistical tables'](#).

In 2022, pursuant to Article 74 of Federal Law No. 86-FZ and Article 20 of Federal Law No. 395-1,¹⁰ the Bank of Russia revoked banking licences from three credit institutions.

⁸ Transport Layer Security is a cryptographic protocol that supports secure data exchange between the server and the client.

⁹ Clause 7.1 of Bank of Russia Regulation No. 683-P, dated 17 April 2019, 'On Mandatory Requirements for Credit Institutions to Ensure Data Protection in Banking to Counter Unauthorised Funds Transfers'.

¹⁰ Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities'.



In 2022, licences¹¹ were revoked for the following reasons:

- three licences were revoked for failure to comply with federal banking laws and Bank of Russia regulations because the measures provided for by Federal Law No. 86-FZ were repeatedly taken against credit institutions – holders of these licences over the course of one year;
- two licences were revoked for repeated violations of the requirements of Federal Law No. 115-FZ¹² and Bank of Russia regulations issued in accordance therewith.

In addition, during the reporting period, the Bank of Russia revoked licences of three credit institutions as the shareholders (members) decided on their voluntary liquidation.

2.3.5.1.2. Non-governmental pension funds

During the reporting period, off-site supervision activities were aimed at assessing NPFs' financial stability under the external sanction pressure from unfriendly states, blocking of Russia's foreign assets and high volatility of the financial market.

The analysis showed that the amount of assets in NPFs' equity capital and pension reserve portfolios blocked in the foreign depository and clearing infrastructure was insignificant, did not exceed 0.5% of the total NPF investment and therefore had no considerable impact on their financial resilience. In 2022, NPFs had positive financial performance. All NPFs undergo stress testing.

The Bank of Russia supplemented its internal Methodology for Controlling Transactions on Placing Pension Reserves and Investing Pension Savings of Non-governmental Pension Funds for Compliance with the Best Possible Terms for Them with provisions for assessing transactions with mortgage-backed securities. Amid sanction pressure limiting access to analytical information, the Bank of Russia adapted existing approaches to reviewing transactions.

The Bank of Russia identified signs of a violation of fiduciary duties when a management company concluded a loan agreement using funds from a closed-end UIF, where the only unit holder was an NPF, at a lower rate. As a result, the organisations supervised by the regulator decided to change the terms of the said agreement and raised the interest rate on loans to the market level.

During the 2022 transition campaign, in order to prevent illegal transfers of insured persons from one fund to another, the Bank of Russia monitored the situations involving sending requests to change an insurer or notifications about a refusal to change an insurer, as well as concluding contracts on mandatory pension insurance. About 112,000 requests for an early change of an insurer were filed in 2022, which is 3.4% less than in 2021. The total number of requests for transfers to the Pension and Social Insurance Fund of the Russian Federation rose to 64% (compared to 53% in 2021).¹³

Licences of two NPFs were revoked based on requests from these Funds for their voluntary surrender.

¹¹ Licences of credit institutions could be revoked for several reasons simultaneously.

¹² Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

¹³ According to the Pension and Social Insurance Fund of the Russian Federation.



In 2022, the Bank of Russia took supervisory measures in response to the facts of non-compliance with the pension legislation requirements:

- sent 50 orders to rectify violations (including five orders after reviewing results of audit reports), 28 letters within the frame of supervisory interaction about the established facts of non-compliance with the law, and 393 instructions and requests for information to NPFs and their management companies;
- issued an administrative offence report as regards NPFs.

As part of the off-site supervision, the regulator conducted a cyber stress test assessing NPFs' operational reliability degradation risks associated with potential revocation of TLS-certificates issued by certification centres of unfriendly countries. The information collected during the assessment was taken into consideration for identifying NPFs' risk profiles.

The Bank of Russia monitored the elimination of violations and deficiencies in NPFs' information security systems. In addition, the Bank of Russia informed NPFs about the assessment of the adequacy of the corrective actions taken.

2.3.5.1.3. Insurance agents

In 2022, the Bank of Russia monitored insurers' activities as part of the regulatory and supervisory easing measures taken to promote stability in the insurance market amid sanctions. The gradual tightening of the Bank of Russia's regulatory requirements¹⁴ since 1 July 2021, as well as measures taken by insurance companies to comply with them, enabled the market to come into the period of sanction restrictions with a better quality of assets and capital.

In 2022, the Bank of Russia monitored the methodological and operational preparedness of insurers to comply with the new rules.¹⁵ The Bank of Russia's supervisory processes were adapted to the new regulatory requirements.

Following the Bank of Russia's supervisory activities, 13 insurers discontinued unfair practices and law violations, improved their financial resilience indicators, and ensured full compliance with applicable standards. Five companies fulfilled their obligations to customers and exited the market.

JSC RNRC¹⁶ fully accepted the portfolios earlier placed in the reinsurance sector in companies that are residents of unfriendly countries so that Russian insurers could operate under existing reinsurance terms.

¹⁴ Bank of Russia Regulation No. 710-P, dated 10 January 2020, 'On Certain Requirements for Financial Sustainability and Solvency of Insurers'.

¹⁵ On 1 January 2023, a new financial resilience regulation came into force (Bank of Russia Regulation No. 781-P, dated 16 November 2021, 'On the Requirements for Financial Stability and Solvency of Insurers').

¹⁶ For more details on enhancing JSC RNRC's capabilities to accept risks for reinsurance, see [Subsection 2.3.4.3 'Insurance agents'](#).



To support the Russian economy and sales turnover, in 2022, the Bank of Russia issued¹⁷ special permits to insurers to conduct certain operations. This allowed them to ensure the required insurance coverage of the Russian business amid sanctions.

Based on the Bank of Russia's statement, the Government Commission on Monitoring Foreign Investment in the Russian Federation permitted¹⁸ Russian shareholders to buy back 100% of shares of two insurance companies from their foreign owners.

In 2022, based on the results of cybersecurity training, the Bank of Russia assessed operational reliability degradation risks¹⁹ of insurance agents (IAs) as regards information security. The information obtained was taken into consideration when identifying risk profiles of supervised entities. The Bank of Russia controlled the corrective actions taken in response to violations identified in insurers' activities and the implementation of improvements aimed at minimising information security risks.

2.3.5.1.4. Microfinance market participants

The Bank of Russia continued to use a risk-based approach in its supervisory activities. In 2022, there was a marked tendency towards an increase in the number of violations in the work of microfinance market participants. Among other things, this was due to additional measures taken to check that CCCs comply with the principles of community (when CCCs unite their members according to a certain principle, for example, on the territorial principle) and MFOs correctly calculate debt service-to-income ratios amid a potential decline in the income level of their customers. The regulator held meetings with MFOs regarding issues of countering online fraud and reducing the growing number of customer complaints about online loans.

Within the scope of the Bank of Russia's supervisory powers, 1,905 orders were issued to MFOs, CCCs, ACCCs, HSCs and pawnshops to eliminate violations of the legislation of the Russian Federation. As regards increased risks and multiple violations of Russia's legislation, the Bank of Russia issued 170 orders to limit fund raising, accepting new members, granting loans, and (or) conducting other operations.

Information on 259 legal entities was excluded from the state register of MFOs:²⁰ 92 organisations lost the MFO status because of their systematic violations of the Russian law, non-provision of any microloans during the year, involvement in prohibited activities, non-compliance of their officials with established rules, violation of the require-

¹⁷ In order to minimise risks for Russian insurers of receiving no payments from counterparties from unfriendly countries (and other persons controlled by them), Federal Law No. 55-FZ, dated 14 March 2022, 'On Amending Articles 6 and 7 of the Federal Law 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation as Regards the Specifics of Changing the Terms of a Credit Facility Contract or Loan Agreement' and Article 21 of the Federal Law 'On Amending Certain Laws of the Russian Federation', imposed a ban on transactions with these counterparties and money transfers to them, unless otherwise provided for by a special permit of the Bank of Russia.

¹⁸ To ensure financial stability in the Russian Federation, Executive Order of the Russian President No. 737, dated 15 October 2022, 'On Certain Issues of Conducting Some Types of Transactions (Operations)' established a system of controlling the ownership structure of Russian financial institutions, including insurers.

¹⁹ The Bank of Russia also analysed risks associated with possible revocation of TLS-certificates issued by certification centres of unfriendly states, DDoS attacks, and the need to substitute foreign information technologies used.

²⁰ In 2021, information on 238 legal entities was excluded from the state register of MFOs.



ment for mandatory membership in SROs, and 167 organisations lost their MFO status based on their own requests.

Information on 384 legal entities was excluded from the state register of pawnshops:²¹ 129 organisations lost their pawnshop status due to repeated violations of the Russian law, concluding no loan agreements against the pledge of movable assets nor custody agreements, and 255 organisations lost their pawnshop status based on their own applications.

2.3.5.1.5. Professional securities market participants

In 2022, the Bank of Russia focused its key supervisory activity on controlling financial stability and business continuity of professional securities market participants (PSMPs) amid sanction restrictions. The regulator audited capital adequacy ratios (CARs) and liquidity coverage ratios (LCRs) of brokers. The data obtained were used to promote financial stability of companies and develop proposals to improve the process of regulatory treatment. The risk concentration level of counterparties / a group of related counterparties is monitored for all PSMPs on a quarterly basis.

The Bank of Russia helped sanctioned companies transfer their customers who owned foreign financial instruments to be serviced by organisations not included into sanctions lists.

Concurrently, the regulator was involved in resolving problems of the companies which accepted such customers for servicing, including by reviewing and adjusting relevant plans of these companies and controlling their implementation.

The Bank of Russia prepared a register of blocked assets and monitored their movements at major PSMPs (both of its own and customers' assets), including changes in their amount, reasons for their blocking, actions to unblock them and interaction with customers. The Bank of Russia assessed the impact of blocked foreign assets on the financial stability and the revenue profile of financial intermediaries. The assessment showed that most supervised organisations would be able to withstand the step-by-step discounting of such assets throughout 2023 and their standard financial performance indicators would remain stable. The Bank of Russia pays particular attention to the companies whose financial performance is based on an optimistic revaluation of blocked assets and also controls the implementation of individual plans of supervised organisations which are under heavy stress because of the impact of such assets on their financial stability.

Despite the unprecedented sanctions pressure, all financial intermediaries remained stable in 2022. During the reporting period, a broker who served socially and economically important companies in the Moscow and Novgorod Regions faced a risk of losing financial stability. The Bank of Russia approved the plan developed by the broker company to restore its solvency and monitored its implementation which made it possible to prevent the company's bankruptcy and real losses of its customers worth over ₹40 billion.

²¹ Information on 988 legal entities was excluded from the register of pawnshops due to the introduction in 2021 of a declarative register-based model for the admission of pawnshops and the change in the procedure for granting and cancelling the status of a pawnshop.



In 2022, the Bank of Russia developed and tested a methodology for checking brokers' compliance with the requirements for margin transactions. Using this methodology in supervision helps better protect the customers involved in leveraged trading as it enables checking of the legitimacy of forced closure of customer positions at any time and comply with regulations and other requirements.

The Bank of Russia also monitored the risks caused by the change in PSMPs' business models due to a forced redirection from Western financial markets to Asian ones.

In the reporting period, a major broker launched an over-the-counter service for the execution of customers' orders without placing them on the exchange (internalisation). To uphold the rights of customers, the Bank of Russia checked this broker for compliance with the principle of executing customers' orders on the best terms. No violations were found. Monitoring of this service was continued to analyse its impact on market-based pricing in on-exchange trading.

The Bank of Russia used compliance enforcement measures regarding the established facts of violations of legislative standards in the securities market:

- it sent 41 improvement notices, 32 compliance orders, 22 letters about avoiding violations in future, imposed four bans, and issued 364 orders for providing information;
- it initiated 25 administrative proceedings against PSMPs;
- it issued orders on cancelling licences and excluding 41 persons from the register of investment advisers.

The Bank of Russia provided cybersecurity training. Its results were used to assess operational reliability degradation risks of PSMPs. They could materialise in the event of possible revocation of TLS-certificates issued by certification centres of unfriendly countries.

The information obtained during the analysis of the cybersecurity training results was taken into consideration when identifying PSMPs' risk profiles.

The Bank of Russia monitored the process of eliminating violations and shortcomings in information security identified at PSMPs. The regulator sent its conclusions regarding the sufficiency of measures taken by PSMPs to comply with its requirements.

2.3.5.1.6. Collective investment market entities (except NPFs)

Amid sanctions, the Bank of Russia sent a letter to SROs with a recommendation to MCs to desist from offering their customers investment units of UIFs wherein foreign securities (FS) are prevalent. This helped protect a large number of investors against the risk of further blocking of their investments by foreign accounting institutions. To track the changes in portfolios of blocked assets, the Bank of Russia prepared a register of these assets and monitored them on a regular basis. There was no further investment in foreign securities.

In 2022, management companies had to suspend issuing, exchanging and redeeming investment units of a number of unit investment funds because it became impossible to correctly estimate the cost of an investment unit due to a halt in trading in securities and their blocking.

The Bank of Russia monitored the process of executing orders for transactions with UIFs' investment units when MCs decided to cease accepting such orders from a number of UIFs containing FS. Recommendations clarifying the process of executing such orders were sent to MCs.

The Bank of Russia also controlled how MCs resumed transactions with investment units, how they upheld investors' rights, including when MCs were buying back blocked assets from the fund to restart its work.

Concurrently, the regulator assessed the impact of foreign securities' blocking on MCs' financial resilience. During a stress test of foreign securities for impairment, no significant risks for MCs' capital were identified.

Risks for MCs' transactions with the use of the central counterparty's services were also assessed. The regulator found a high concentration of assets held by the central counterparty, which could suggest excessive credit risk per each counterparty. The Bank of Russia prepared a number of proposals to eliminate the risks of established practices.

The regulator recommended MCs to consider a reduced scope of services actually provided by MCs regarding blocked assets when deciding on their remuneration. MCs were also checked for compliance with these recommendations, with no violations found.

The Bank of Russia monitored compliance with the procedure for disclosing information the publication of which was not limited, including the Key Information Document (KID) with very important data on UIFs. Following the inspections performed, the Bank of Russia sent a letter to SROs with a list of MCs' typical violations when preparing a KID to factor in any shortcomings in the future. In total, 527 violations were identified, including 155 associated with incorrect disclosure of the required statistics (the consumer price index growth), 176 – with incorrect information on expenditures and remuneration for UIFs.

In order to adopt standard practice of including information in UIFs' trust management rules, the Bank of Russia explained SROs what data should be included in the section covering the UIF investment declaration. This measure was aimed at increasing customers' awareness of the UIF strategy.

In 2022, the Bank of Russia took supervisory measures in response to the established facts of non-compliance with the legislation on the collective investment market:

- it sent 176 improvement notices to MCs, 104 letters about avoiding violations in the future, and issued 402 orders and requests for information;
- it commenced 45 administrative proceedings against MCs;
- it issued eight orders to cancel licences (in 2022, the Bank of Russia revoked two licences of management companies due to identified violations of legislative requirements of the Russian Federation and six licences were withdrawn at management companies' requests).

The Bank of Russia provided cybersecurity training. Its results were used to assess operational reliability degradation risks of collective investment market entities. They could materialise in the event of possible revocation of TLS-certificates issued by certification centres of unfriendly countries.



The Bank of Russia monitored the process of eliminating violations and shortcomings in information security identified at collective investment market entities. The regulator sent its considerations regarding the sufficiency of corrective actions taken by collective investment market entities.

2.3.5.1.7. Infrastructures

Exchange infrastructure organisations

Measures to prevent an uncontrollable crash of the financial market

In the first days of the crisis in February 2022, the Bank of Russia was taking unprecedented measures to stabilise the situation in the Russian financial market. In particular, the regulator was adjusting the key trading parameters of the Moscow Exchange on a daily basis online, including: fine-tuning the operation of tools for smoothing price fluctuations, changing lists of instruments available for trading and available trade regimes. When discussing the parameters to start trading, the Bank of Russia performed stress tests to simulate various scenarios to define the best parameters to start trading.

Specifically, by decision of the Bank of Russia, the Moscow Exchange halted morning trading sessions on 24 February 2022 and 25 February 2023. On 28 February 2022, trading in the stock and forward markets were stopped. In order to avoid wild fluctuations in the cost of securities, trades were not carried out in the Russian stock and forward markets from 28 February 2022 to 21 March 2022. Trades in the foreign exchange market were carried out with certain restrictions to enable traders to conduct FX transactions and manage their liquidity.

On 18 March 2022, the Moscow Exchange Group companies were given special permits for the period until 1 April 2022 to conduct certain types of operations with non-residents to decrease the amount of their liabilities resulted from transactions conducted before 28 February 2022. This made it possible to reduce the outstanding positions of clearing participants by 25% (about ₺ 3 trillion). In addition, the Bank of Russia was settling certain large margin calls to clearing participants, which helped avoid considerable losses in capital of customers of professional securities market participants and a knock-on effect among market participants.

Since 21 March 2022, taking into account the market environment and risk assessments, the regulator started to gradually resume trading in the stock market. First, according to the decision of the Bank of Russia, trading in federal government bonds was opened within a limited timeframe. Later on, owing to stable demand and pricing, the most liquid shares of major large-cap companies, fixed-term contracts for corresponding assets, and certain exchange-traded funds were gradually admitted to trading.

Since 11 April 2022, due to adequate pricing, the Bank of Russia decided to switch to the regular trading regime and let the Moscow Exchange make independent decisions on the composition of instruments and the trading procedure.

The Bank of Russia's measures, including the gradual restart of on-exchange trading, the use of mechanisms for smoothing out price shocks, monitoring of the progress of on-exchange trading, and prompt adjustment of trading parameters, helped avoid ad-



ditional price shocks in the financial market. The actions taken by the Bank of Russia made it possible to stop the divestiture of Russian assets and prevent defaults of professional securities market participants.

Measures to protect investors when conducting transactions with foreign securities

In February 2022, the Bank of Russia jointly with the Russian Ministry of Finance permitted trading in foreign securities on the Moscow Exchange. In fact, this difficult but strategic decision gave investors a chance to sell foreign assets worth over \$2.8 billion. Furthermore, the Bank of Russia limited trading in those foreign securities which were blocked by the unfriendly accountant institutions, in particular Euroclear and Clearstream. These measures helped not only protect investors but also support the central counterparty through which transactions were conducted, as well as prevent investors from spontaneous buying of foreign securities. Among other things, key transactions with such securities (such as making transfers, receiving dividends) had already been hampered or impossible to carry out. The holders retained title to their securities.

Supporting critical infrastructures and maintaining the central counterparty's resilience

In March 2022, it was important to prevent defaults of exchange trading participants. This could happen as a result of a mass default of these participants and their customers on obligations to the central counterparty. This risk was mitigated by the Bank of the Bank of Russia jointly with the Russian Ministry of Finance. To reduce the amount of liabilities resulted from transactions carried out before 28 February 2022, traders were given permission for certain operations with non-residents. Consequently, from 18 March through 1 April, open positions of non-resident traders were reduced by nearly 25% (about ₺3 trillion).

It was also important to avoid blocking the collateral of clearing participants and thereby prevent the risk of their default. For this purpose, toxic currencies held by unfriendly foreign credit institutions were gradually excluded from the collateral of clearing participants.

Increasing the financial market liquidity amid sanctions pressure

In 2022 H2, the Bank of Russia allowed non-residents from friendly countries (subject to their compliance with the requirements of executive orders of the President of the Russian Federation²²) to participate in on-exchange trading. This made it possible to supply additional liquidity to the Russian financial market and increased loyalty to it among friendly foreign countries.²³

²² Executive Orders of the President of the Russian Federation No. 95, dated 5 March 2022, 'On the Temporary Procedure for Meeting Obligations to Certain Foreign Creditors' and No. 81, dated 1 March 2022, 'On Additional Temporary Economic Measures to Ensure the Financial Stability of the Russian Federation'.

²³ In the second half of the year, the regulator organised trades in currencies of friendly countries: the Kyrgyz som, the Tajik somoni, the South African rand, the Armenian dram, and the Uzbek sum. This expanded the possibilities of payments as part of parallel imports.



Accounting infrastructure institutions

In 2022, the Bank of Russia took a series of anti-sanctions regulatory measures.²⁴ The regulator held an unprecedented number (over 70) of supervisory meetings with accounting infrastructure institutions²⁵ and prepared about 250 responses to their requests regarding the new regulatory measures. This helped promptly introduce the mode of C-type accounts and other new restrictions on transactions.

The Bank of Russia regularly improves its supervisory tools and methods. In 2022, the regulator started requesting supervised institutions to demonstrate their software for automatic control of compliance with new regulatory requirements to be used for audits, prepared a new risk-based instruction to address issues of organising C-type accounts and a procedure for their opening and maintaining.

Cybersecurity in the activity of financial market participants

The Bank of Russia continued training supervised institutions in cybersecurity. The Bank of Russia used the results of its off-site supervision activity to assess operational reliability degradation risks associated with possible revocation of certificates issued by certification centres of unfriendly countries, DOS-attacks, and the need to substitute imported information technologies. Organisations with increased information security risks were recommended to reduce them.

2.3.5.1.8. National payment system participants

In 2022, the regulator carried out its supervision activities under the sanctions pressure from the unfriendly countries, which made it difficult to make cross-border transfers using the SWIFT and other international payment systems. In such a situation, the Bank of Russia decided²⁶ not to take compulsory measures against credit institutions for non-complying with some of its regulations regarding the National Payment System.

Concurrently, the Bank of Russia paid particular attention to the stability of providing payment services to individuals and legal entities, as well as to the issues of compliance with information security requirements for making payments.

²⁴ Among other things, the anti-sanction regulations include Federal Law No. 319-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation', Executive Orders of the President of the Russian Federation No. 81, dated 1 March 2022, 'On Additional Temporary Economic Measures to Ensure the Financial Stability of the Russian Federation', No. 95, dated 5 March 2022, 'On the Temporary Procedure for Meeting Obligations to Certain Foreign Creditors', restricting possible transactions with securities of residents from unfriendly countries and receiving income on them, as well as decisions of the Bank of Russia Board of Directors adopted in addition to these Executive Orders, establishing requirements for the accounting infrastructure's activity and the procedure for conducting transactions on customers' accounts due to unfriendly actions of foreign persons and entities, including foreign accounting institutions.

²⁵ Accounting infrastructure institutions mean professional securities market participants licensed to keep the register of securities' owners, act as depositories and specialised depositories.

²⁶ Bank of Russia Information Letters No. IN-04-45/48, dated 31 March 2022, 'On Non-applying Measures Against the National Payment System Participants', No. IN-04-45/61, dated 28 April 2022, 'On Non-applying Measures to Credit Institutions for Violating Clause 3.6 of Bank of Russia Regulation No. 732-P', No. IN-04-45/147, dated 29 December 2022, 'On Extending Support Measures for the National Payment System Participants'.



In 2022, Non-Banking Credit Organization Western Union MT East, Ltd, MasterCard LLC, American Express Bank LLC, Visa Payment System LLC, JCB International (Eurasia) LLC were excluded from the register of payment system operators. However, two new payment systems began operating in the Russian Federation: HELLO and As-trasend.

As part of its off-site supervision activities, the Bank of Russia provided cyber security training and assessed operational reliability degradation risks of the National Payment System participants, which were associated with possible revocation of TLS-certificates issued by certification centres of unfriendly countries, DDoS attacks, and the need to substitute foreign information technologies used.

The data obtained after analysing the cyber training outcomes for all scenarios was taken into consideration for measuring risk profiles of supervised institutions of the National Payment System.

In 2022, the most common violations identified by the Bank of Russia as part of off-site supervision included cases of non-compliance of payment system rules with Federal Law No. 161-FZ, inaccurate reporting by money transfer operators, insufficient monitoring by payment system operators of compliance of participants and payment infrastructure operators with payment system rules, as well as shortcomings and violations related to the provision of payment services, including the use of electronic payment instruments.

2.3.5.1.9. Other participants

Platform service operators

According to the Bank of Russia, in 2022, the sanctions imposed by unfriendly countries did not make a strong dramatic impact on the platform service operators' activity. To ensure their operational reliability, platform service operators jointly with the Bank of Russia were involved in the process of substituting foreign software and hardware for information systems of platform services.

The Bank of Russia identified and carried out regular assessments of processes that are critical for platform services. Such assessments are primarily aimed at enabling platform service operators to perform their key functions and checking their compliance with statutory requirements.

Persons providing professional services in the financial market

Actuaries

The Bank of Russia continued to monitor actuarial activities, including considering actuarial reports prepared by responsible actuaries following a mandatory actuarial evaluation of NPFs and insurance companies and reviewing actuarial calculations of the amount of insurance reserves, performed by actuaries. Requirements for auditing three actuaries were sent to actuaries' SROs based on the results of this monitoring.



Credit rating agencies

In 2022, credit ratings of Russian CRAs, which are the key public indicators of credit risk, became even more important. For this reason, the Bank of Russia carried out corrective measures to improve CRAs' rating activities. The regulator focused on the information disclosure processes in press releases, timely monitoring of the ratings assigned, and the quality of the methodologies used. Twenty-nine methodologies for awarding credit ratings (about 50% of the total number of methodologies of all four CRAs) were checked for compliance with the principles formulated by the Russian law. Most of the Bank of Russia recommendations were already implemented by CRAs.

The Bank of Russia made several decisions²⁷ to ease the regulatory and supervisory burden on CRAs' activities and informed the entities being rated²⁸ that it would be appropriate to provide CRAs with information required for awarding ratings. This gave CRAs the tools for qualitative monitoring of the activity of rated entities.

Audit firms in the financial market

In 2022, in preparation for using its authority to supervise²⁹ audit firms' activities in the financial market, the Bank of Russia monitored them as regards their external audit of accounting (financial) statements of financial market participants.

Before deciding whether to enter (refuse to enter) data on an audit firm in the register of audit firms providing audit services to socially important organisations in the financial market, the Bank of Russia carried out a series of inspections. Following these events, in 2022, the first two audit firms supervised by the regulator were included in this register.

Credit information system participants

In 2022, one CHB was recognised as qualified. As of 31 December 2022, four CHBs out of seven included in the State Register of CHBs were qualified. They complied with strict requirements and were requested to provide credit history users with data on average monthly payments of an individual for calculating his/her DST ratio in accordance with the procedure established by the Bank of Russia.

The Bank of Russia determined the average market cost of a credit report for 2023 (₽2.93³⁰) to be used by qualified credit institutions when calculating the limit value of the cost of providing information on average monthly payment and published it on its website.

²⁷ Bank of Russia Information Letter No. IN-018-34/50, dated 6 April 2022, 'On Measures to Support Non-bank Financial Institutions and Credit Rating Agencies'. Decisions of the Bank of Russia Board of Directors, dated 18 March 2022 and 23 December 2022.

²⁸ Bank of Russia Information Letter No. IN-018-34/58, dated 20 April 2022, 'On Providing by a Rated Entity Information to CRAs for Performing Their Rating Activities'.

²⁹ The Bank of Russia is authorised to supervise audit firms' activities in the financial market as regards the provision of audit services to socially important organisations in the financial market by Federal Law No. 359-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws'.

³⁰ It is determined annually in accordance with the requirements of Part 6 of Article 10.1 of Federal Law No. 218-FZ, dated 30 December 2004, 'On Credit Histories'.



To check the quality of scoring services provided by CHBs, the Bank of Russia reviewed the methods for calculating the individual rating of a borrower – an individual and other CHBs' internal documents confirming their compliance with the requirements for the quality of scoring services provided by all qualified CHBs.³¹

As part of its control and supervision over CHBs' activities, the Bank of Russia sent 52 orders to eliminate the violations identified in CHBs' activities, initiated 20 cases of administrative offences, and sent a request to one CHB to submit its remedial action plan.

Self-regulatory organisations

Self-regulatory organisations in the financial market

In 2022 H1, in order to reduce the supervisory burden on market participants, the Bank of Russia recommended³² SROs not to audit their members' activities, except for conducting unscheduled audits based on complaints requiring an immediate response.

The Bank of Russia regularly provided SROs with information sent to professional securities market participants. This helped SROs understand all the existing restrictions on transactions with securities and payments on them and improve the efficiency of control over the compliance of SRO members with new legal requirements.

On 29 December 2022, the Bank of Russia decided to terminate the status of one SRO as regards the activity of investment advisers because it failed to comply with the requirement to unite at least 26% of the total number of investment advisers as its members for over a year.

In order to validate a risk-based approach to SROs' supervisory activities in the financial market in 2022, the Bank of Russia sent individual recommendations to SROs, clarifying priorities for monitoring compliance of SRO members with SROs' basic and internal standards.

Based on the findings of supervisory measures, in 2022, the Bank of Russia sent 15 remedial notices to SROs uniting MFOs, CCCs and ACCCs due to their non-compliance with the requirements of the Russian law. The regulator found no violations in SROs' activities, which could result in disciplinary action.

The Bank of Russia continued to hold meetings with SROs to improve their control environment, which, among other things, made it possible to improve the quality of reports submitted by SRO members to the Bank of Russia.

2.3.5.2. ON-SITE SUPERVISION

In 2022, the Bank of Russia conducted 256 audits, including 183 credit institutions,³³ 70 non-bank financial institutions, and three credit history bureaus. A range of mar-

³¹ In accordance with Parts 2 and 4 of Article 2 of Federal Law No. 302-FZ, dated 31 July 2020, 'On Amending the Federal Law 'On Credit Histories' with Regard to Modernising the System of Credit History Formation', qualified CHBs are required to calculate the individual rating of a borrower since 1 January 2022. Until 1 January 2024, non-qualified CHBs may but not must calculate the rating.

³² Bank of Russia Letters No. 34-4-5/291, dated 15 March 2022, and No. 38-8-2/1057, dated 18 April 2022 (distributed in a targeted way).

³³ In addition to audits of banking operations, the regulator assessed the activities of 56 credit institutions as professional securities market participants and the National Payment System participants.



ket participants from formalised and non-formalised financial groups were audited on a well-coordinated basis to make a consolidated risk assessment of interrelated business processes and operations of financial groups.

With regard to the current geopolitical situation, the Bank of Russia's efforts were mainly aimed at conducting unscheduled audits of credit institutions, depositories, registrars and specialised depositories for their compliance with measures introduced since February 2022 and protecting and providing stability of the Russian financial market.

These audits helped establish facts of non-compliance with prohibitions (restrictions) on selling foreign currency in the domestic market and transferring funds abroad, limits on selling foreign currency to individuals, the procedure for providing legal entities with cash foreign currency, requirements for separating the income of foreign creditors on securities, as well as shares of Russian issuers obtained upon redemption of depositary receipts, and restrictions on transactions with them; violations concerning charging fees from individuals when converting foreign currency; buying and selling securities, involving non-residents, without permits.

In the course of its inspections, the Bank of Russia also investigated other aspects related to the activities of supervised entities, which was caused by the supervisory need (primarily for assessing credit risk, the accuracy of calculation of own funds and ratios, the reliability of accounting and reporting of supervised entities, consumer protection), relevant in the current economic environment, including aspects related to the implementation by banks of mortgage programmes subsidised by developers, the propriety of applying regulatory easing introduced for financial market participants.

Credit institutions

Audits of credit institutions helped establish facts of inadequate credit risk assessments, non-compliance with consumer lending legislation, including an incorrect calculation of the full cost of a loan, violations of credit history legislation, AML/CFT requirements, and personal data. The Bank of Russia revealed cases of information security violations during money transfers, non-compliance with the procedure for calculating required and DSTI ratios. In addition, the regulator found out that banks conducted suspicious transactions and misused maternity capital.

Non-governmental pension funds and other collective investment market participants

The following facts were established when auditing non-governmental pension funds and other collective investment market participants:³⁴

- non-compliance with the requirements for maintaining pension accounts, calculating the profitability of pension savings, reporting, organising a risk management system;
- cases of making investment decisions in trust management in favour of related parties, non-compliance with the requirements for the asset structure of unit invest-

³⁴ Four audits.



ment funds, the minimum amount of their capital, the procedure for identifying and minimising a conflict of interest.

Insurance agents

Audits of insurance companies³⁵ established facts of violating the procedure for concluding and executing insurance contracts, including non-compliance with the amount and terms for making insurance payments and returning insurance premiums, inability to sign CMTPLI contracts using remote service channels, as well as non-compliance by individual insurers with the requirements for financial resilience and solvency.

Microfinance market participants

Audits of microfinance market participants³⁶ exposed violations of the reporting procedure, insufficient provisions for possible losses on loans, incorrect calculation of financial ratios, and individual cases of non-compliance with them, failure to calculate DSTI ratios or their incorrect calculation. The Bank of Russia also identified the signs of non-compliance with AML/CFT regulations, shortcomings in verifying customer data, creating the risk of fraud (receiving an online loan using third-party passport data).

The audit of consumer lending organisations revealed, among other things, an incorrect calculation of the total cost of a loan, signs of hard selling of additional services to borrowers, including those of low consumer value and (or) at an inflated price (in some cases exceeding the loan amount) without including it in the calculation of the total cost of a loan. The regulator identified individual cases of pawnshops' non-compliance with the ban on selling securities. Also, some microcredit companies and pawnshops circumvented the prohibition on raising funds from individuals.

Professional securities market participants

Audits of professional securities market participants³⁷ exposed violations of the procedure for calculating their capital, internal and depositary accounting, the rules for maintaining securities registers, and signs of deficiency of assets for conducting over-the-counter repos. The regulator also identified few consumer risks: signs of misleading potential investors about the profitability of the standard trust management strategy, misinforming investors as part of underwriting procedures about issuers, purchasing structured products of related parties in the interests of customers with heightened risks for buyers.

³⁵ Eight audits.

³⁶ Thirty-nine audits of microfinance organisations, pawnshops, consumer credit cooperatives, agricultural consumer credit cooperatives.

³⁷ Nineteen audits (brokers, dealers, forex dealers, registrars, depositories, specialised depositories, investment advisers, and trustees).



Other participants

As a result of audits of credit history bureaus,³⁸ the Bank of Russia identified imperfections in the rules (algorithms) for searching information in CHBs' databases and generating credit reports, including those that resulted in incorrect submission of data to the Bank of Russia and disclosure of information about third parties to credit history users.

Coordinated audits

Coordinated audits of 16 credit institutions and 22 non-bank financial institutions³⁹ as part of 14 groups (associations) of financial market participants made it possible to identify the use within the groups of various comprehensive solutions aimed at funding the business of the group's beneficiaries, improving the financial returns for its participants, preventing non-compliance with prohibiting them from conducting certain transactions, including a ban on the provision (offer) in the Russian Federation of financial services (products) by foreign companies of the same group.

³⁸ Three audits.

³⁹ Audits of some group members (two credit institutions and four non-bank financial institutions) were completed in 2021.



2.3.6. FINANCIAL REHABILITATION OF FINANCIAL INSTITUTIONS

DIVESTMENT FROM CREDIT INSTITUTIONS' EQUITY



The Bank of Russia completed its divestment from the equity of banks under resolution

In 2022, the Bank of Russia completed its participation in the capital of banks undergoing financial resolution via the Fund of Banking Sector Consolidation (FBSC).

PJSC Bank FC Otkritie. The Bank of Russia implemented the largest project to sell the banking group PJSC Bank FC Otkritie on market terms. An independent appraiser estimated the market value of shares of the banking group PJSC Bank FC Otkritie at ₽328–374 billion.

In accordance with the agreement signed between the Bank of Russia and VTB Bank (PJSC), 100% of the bank's shares were sold to VTB Bank for ₽340 billion. The shares were paid for in cash in the amount of ₽233.1 billion, as well as in federal loan bonds with a market value of ₽106.9 billion.

The ratio of the sale price of the shares of PJSC Bank FC Otkritie to the book value of its net assets exceeded 0.6, which is a good market indicator.

JSC Moscow Industrial bank. The Russian Federation became the owner of 100% of the shares of JSC Moscow Industrial bank in 2022.

The Bank of Russia increased the capital of JSC Moscow Industrial bank in the amount of ₽34.9 billion in 2022. The amount of additional capitalisation was determined in such a way that the fair value of the bank's net assets was equal to zero.

Subsequently, the Bank of Russia jointly with the Government of the Russian Federation and the State Corporation Deposit Insurance Agency (hereinafter, the DIA) introduced a special mechanism for transferring shares to the ownership of the Russian Federation as provided for by law.¹

Shares of JSC Moscow Industrial bank were transferred by the Bank of Russia to the DIA as an asset contribution at market value worth one ruble. The DIA, in turn, transferred the shares of JSC Moscow Industrial bank to the state treasury of the Russian Federation.²

By early 2023, the Bank of Russia had only an equity stake in the capital of the Bank of Non-core Assets (BNA) (NB TRUST), which is not planned to be sold.

¹ Federal Law No. 326-FZ, dated 2 July 2021, 'On Amending Articles 16 and 19 of the Federal Law 'On the Insurance of Deposits with Russian Banks'.

² In the future, it is planned to merge the bank with Promsvyazbank PJSC.

BANKRUPTCY PREVENTION MEASURES FOR CREDIT INSTITUTIONS

In 2022, the Bank of Russia continued its work to prevent the bankruptcy of financial institutions as provided for by Federal Law No. 127-FZ.

Throughout 2022, *the Bank of Russia participated in actions to restore solvency of three credit institutions: BNA, Promsvyazbank PJSC, and JSC Moscow Industrial bank*

Bank of non-core assets. Throughout 2022, the BNA continued to operate with troubled and non-core assets. As a result, the BNA partially returned deposits previously raised from the Bank of Russia worth ₹44.3 billion. As of 1 January 2023, the amount of BNA's debt to the Bank of Russia was ₹1,539 billion.³

In 2022, the Bank of Russia made a decision to continue the BNA's operation after 2023 for the next three years. The decision on the extension was made because the BNA's operation after 2023 would help increase proceeds from troubled assets. It is planned to wind up the BNA in 2027.

In 2022, the Bank of Russia extended the effective period of *the closed-end mixed unit investment fund Spetsialny* until March 2025 due to ongoing bankruptcy proceedings in respect of the assets included in the fund's structure.

The Bank of Russia continued its work *to recover through legal proceedings the losses* caused by wrongful acts (omissions) of persons controlling credit institutions in respect of which bankruptcy prevention measures were (had been) taken.

Claims to recover losses from persons earlier in control of B&N Bank, Promsvyazbank PJSC, NB TRUST, Rost Bank (JSC), Bank AVB, JSC Asian-Pacific Bank, JSC Moscow Industrial bank, and JSC VOCBANK were considered in courts throughout 2022.

The court practice regarding such cases is still in the process of development. In particular, in 2022, the courts of the first and second instances refused to recover the Bank of Russia's costs⁴ for the bank's resolution from the persons who earlier controlled Promsvyazbank PJSC. However, the Supreme Court of the Russian Federation found the rulings of inferior courts on the absence of grounds for recovering expenses from the persons controlling the JSC Asian-Pacific Bank unreasonable.

Moreover, in 2022, the first instance court satisfied the claim for recovering the Bank of Russia's costs from the persons who earlier controlled B&N Bank. The court also refused to satisfy claims against some defendants. Earlier in 2020, the first instance court satisfied a similar claim against the persons who controlled JSC Moscow Industrial bank, and in 2021, the Supreme Court of the Russian Federation confirmed the validity of recovering damages from the persons who controlled PJSC Bank FC Otkritie.

Improving legislation, the State Duma adopted a law⁵ minimising the risk of imposing subsidiary liability on financial institutions under financial resolution for obligations of their debtors, which had arisen before the resolution began. Now, the former management and beneficiaries of a financial institution whose activities resulted in its financial resolution may be held liable for this.

³ Net of accrued interest.

⁴ Calculated according to the rules of Article 189.23 of Federal Law No. 127-FZ.

⁵ Federal Law No. 452-FZ, dated 21 November 2022, 'On Amending the Federal Law on Insolvency (Bankruptcy)'.



During 2022, the DIA participated in restoring solvency of 13 credit institutions.

In 2022, the Bank of Russia provided ₽2.4 billion for implementing bankruptcy prevention measures jointly with the DIA. Concurrently, the DIA repaid a debt to the Bank of Russia in the amount of ₽3.2 billion. As of 1 January 2023, the DIA's outstanding loan balance with the Bank of Russia aimed at implementing bankruptcy prevention measures equalled ₽1,059.3 billion.⁶ Information on the DIA's total debt to the Bank of Russia is presented in [Table 31 of Section 5.4 'Statistical tables'](#).

Individual performance indicators of banks under resolution, as well as their proportion in the banking sector as of 1 January 2023, are given in the Table below.

INDIVIDUAL PERFORMANCE INDICATORS OF BANKS UNDER RESOLUTION

Indicator	As of 1 January 2023			
	with the participation of the DIA and the Bank of Russia		including those where the Bank of Russia holds equity stakes	
	₽ billion	as % of the banking sector	₽ billion	as % of the banking sector
Assets net of provisions	8,575.1	6.4	198.7	0.1
Corporate loans (loans to non-financial organisations) before loss provisions	4,272.9	7.6	792.5	1.4
Loans to households before loss provisions	861.3	3.2	12.7	0.0
Individuals' funds (deposits) (household funds)	1,219.0	3.3	0.1	0.0

Other information

In 2022, there were the following reasons to take bankruptcy prevention measures as regards four credit institutions, as provided for by Article 189.10 of Federal Law No. 127-FZ, namely:

- an absolute drop in the amount of equity capital compared to their maximum amount achieved over the past 12 months by more than 20% with simultaneous non-compliance with one of the required ratios set by the Bank of Russia (three credit institutions);
- non-compliance with any of the bank's equity capital adequacy ratios set by the Bank of Russia (two credit institutions).

The Bank of Russia or the DIA took no bankruptcy prevention measures regarding these credit institutions. All non-compliances with the Bank of Russia's requirement for restoring their solvency were rectified throughout 2022.

⁶ Net of accrued interest.



MEASURES FOR PREVENTING THE BANKRUPTCY OF INSURANCE COMPANIES

In 2022, the Bank of Russia monitored the implementation of plans for improving financial resilience⁷ of 10 insurance companies:

- eight insurance companies implemented these plans in full;
- two insurance companies are in the process of implementing these plans.

MEASURES FOR PREVENTING BANKRUPTCY OF NON-GOVERNMENTAL PENSION FUNDS

In 2022, the Bank of Russia monitored the implementation of the solvency recovery⁸ plan by one non-governmental pension fund.

INFORMATION FROM THE CHIEF AUDITOR OF THE BANK OF RUSSIA ON THE EFFICIENCY OF USING FUNDS OF THE FUND OF BANKING SECTOR CONSOLIDATION⁹

In accordance with Article 76.12 of Federal Law No. 86-FZ, the Chief Auditor of the Bank of Russia carries out an annual assessment of the efficiency of using the FBSC funds.

For the purpose of this assessment, efficiency means achievement of goals and desired outcomes with the maximum return from available resources at the minimum resource cost.

For understanding how efficiently the FBSC funds are used, the assessment is divided into four stages:

1. Comparative efficiency of the amount of money allocated by the Bank of Russia vs the extent of damage to the economy if the scenario of a credit institution's bankruptcy becomes a reality.
2. Allocative efficiency of funds for restoring a credit institution's financial performance indicators.
3. Efficiency of using funds of a credit institution under resolution and the BNA.
4. Efficiency of sales of a credit institution's shares by the Bank of Russia in the existing market conditions.

As of 1 January 2023, the amount of invested FBSC funds aimed at resolving credit institutions totalled ₱1,542.0 billion, including: ₱1 billion for buying shares, ₱1,539 billion for depositing, ₱2 billion for investing in property of the closed-end mixed unit investment fund Spetsialny.

⁷ The solvency recovery and financial resolution plans are stipulated by Article 184.1 of Federal Law No. 127-FZ and Article 25 of Federal Law No. 4015-1, dated 27 November 1992, 'On the Organisation of Insurance Business in the Russian Federation', respectively.

⁸ The implementation of the solvency recovery plan is provided for by Articles 186.2 and 187.2 of Federal Law No. 127-FZ.

⁹ Information from the Chief Auditor of the Bank of Russia on the efficiency of utilising money of the Insurance Sector Consolidation Fund and the Pension Sector Consolidation Fund is not provided, since no measures to prevent bankruptcy of insurance companies and non-governmental pension funds were taken, and no money was raised for this purpose.



Information on investment of the FBSC funds is given in the table below.

AMOUNT OF INVESTED FBSC FUNDS
(BILLIONS OF RUBLES)

	Investment in property	Shares	Deposits	Total
Closed-end mixed unit investment fund Spetsialny	2.0	0.0	0.0	2.0
NB TRUST (PJSC)	0.0	1.0	1,539.0	1,540.0
Total	2.0	1.0	1,539.0	1,542.0

In 2022, the Bank of Russia did not make decisions on implementing bankruptcy prevention measures using the FBSC funds. In view of the above, there was no reason for the first and second stages of the assessment.

The assessment of the efficiency of using funds of PJSC Bank FC Otkritie was carried out as of 1 October 2022, since as of 1 January 2023, its shares were sold to VTB Bank (PJSC). The assessment of the efficiency of using the FBSC funds by the credit institution PJSC Bank FC Otkritie is a professional judgement of the Bank of Russia Chief Auditor Service, which is based on an analysis of the relevant known information about PJSC Bank FC Otkritie's operations, taking into account a benchmark assessment of its performance and indicators of other credit institutions of the Russian Federation due to the comparability of general operating conditions (legislative and legal regulation, rates and specifics of economic development), made in accordance with the methodology used by the Bank of Russia Chief Auditor Service. Based on the totality of data on the financial performance of PJSC Bank FC Otkritie, it was within the standard deviation from the average indicator of pools of credit institutions with similar structures, 50 credit institutions with comparable assets, and the banking sector in general.¹⁰ The foregoing confirms the efficient performance of PJSC Bank FC Otkritie for nine months of 2022.

The assessment of the sale of PJSC Bank FC Otkritie's shares, made using the comparative approach in accordance with the methodology of the Bank of Russia Chief Auditor Service, indicated that the sale was efficient.

The efficiency of using the FBSC funds and selling shares of JSC Moscow Industrial bank in accordance with the methodology used by the Bank of Russia Chief Auditor Service was not assessed, taking into account the fact that the work process of JSC Moscow Industrial bank, including the mechanism for transferring shares, is determined by Federal Law No. 326-FZ. Comparison of the FBSC funds invested in JSC Moscow Industrial bank¹¹ for the entire period of its resolution (₽206.2 billion) with the amount of possible losses of economic entities in the event of its bankruptcy, determined as of the date of the decision to resolve the bank (₽253.8 billion), allows us to consider the resolution of JSC Moscow Industrial bank overall efficient.

¹⁰ Credit institutions with a significant proportion of settlement and other transactions (NCIs) in the balance sheet and assets in the banking sector (Sberbank), credit institutions that are not members of the deposit insurance system; credit institutions with basic licences and those being under resolution, as well as VEB. RF, were excluded from the pool.

¹¹ With the account of the FBSC funds provided by JSC VOCBANK and the amounts of possible losses.



Bank of Non-core Assets. The purpose of National Bank TRUST (the BNA) is to maximise the return of funds provided by the FBSC through reimbursement as a result of the bank's operations with non-core assets, including troubled ones, on market principles.

There were two main criteria for assessing the efficiency of using funds provided by the FBSC to the BNA: maximising fees from the operations with assets and minimising the cost of maintaining and selling assets. The assessment of efficiency is a professional judgement of the Bank of Russia Chief Auditor Service, based on an analysis of the activities of the BNA, including an assessment of the operation of the BNA with major assets and the justification of the main cost items, made in accordance with the methodology used by the Bank of Russia Chief Auditor Service.

As of 1 January 2023, the book value of the BNA assets equalled ₹1,951.5 billion (vs ₹1,998.7 billion year-on-year). As of 1 January 2023, the fair value reflecting the assets' quality decreased and was ₹202.3 billion (₹264.3 billion year-on-year), including proceeds from the sale of BNA assets to market investors.

The BNA's work with assets involves the phased receipt of funds (proceeds) in the amount of ₹482 billion,¹² taking into account the identified risks, without considering the results of operations with assets accepted on the BNA's balance sheet after 1 July 2019.

As a result of operations with assets in 2019–2022, the BNA received ₹421 billion, including ₹113 billion in 2022.

Deposits of the Bank of Russia in the amount of ₹317.1 billion (₹44.3 billion for 2022) were returned with paying interest on them in the amount of ₹38.9 billion (₹7.7 billion for 2022).

In 2019–2022, the BNA completed its work with 165 projects, including 73 projects in 2022. Proceeds from these projects completed in 2019–2022 totalled ₹181.6 billion, which is 57% higher than the target figure. The assessment of the completed projects, in general, makes it possible to confirm that the BNA managed them efficiently.

In 2022, operating costs totalled ₹10.7 billion, including ₹7.2 billion of personnel costs. The selective analysis of the BNA's expenditures for 2022 based on the relevance of individual cost items and specific costs confirmed their overall justification.

¹² According to the preliminary schedule for receiving funds (proceeds) by the BNA as a result of operations with troubled assets for the period of 2019–2023, provided for by the plan of the Bank of Russia's participation in preventing the bankruptcy of National Bank TRUST, as of 1 January 2023.



2.3.7. TERMINATION OF FINANCIAL INSTITUTIONS

The main task of the Bank of Russia's control over the termination of activities of financial institutions is to protect the interests of creditors and depositors of liquidated financial institutions.

In 2022, the Bank of Russia took part in improving legislation on issues related to the discontinuation of NPFs' activities. Thus, the following regulatory acts were adopted during the creation of a system for guaranteeing the rights of NPFs' participants on the basis of the DIA:

- Federal Law No. 212-FZ,¹ which determines the way of using pension savings left after settlements with NPFs' creditors;
- Federal Law No. 556-FZ² which defines the specifics of NPFs' bankruptcy, assigns functions of the provisional administration of an NPF due to the withdrawal of its licence to provide pensions and offer pension insurance to the DIA, as well as authorises the DIA to act as an NPF's official receiver (liquidator).

As of 1 January 2022, six provisional administrations were appointed to financial institutions, including after revoking (withdrawing) licences of these institutions. In 2022, the regulator appointed five provisional administrations due to the revocation (withdrawal) of licences of financial institutions and terminated activity of nine provisional administrations. There still were two provisional administrations as of 1 January 2023.

THE NUMBER OF PROVISIONAL ADMINISTRATIONS OF FINANCIAL INSTITUTIONS

Indicator	Credit institutions	Insurance companies	Management companies	Professional securities market participants
The number of provisional administrations as of 1 January 2022	2	2	1	1
Provisional administrations appointed in 2022	4	1	0	0
Provisional administrations whose activities were terminated in 2022	6	2	1	0
The number of provisional administrations as of 1 January 2023	0	1	0	1

CREDIT INSTITUTIONS

In 2022, the trend towards reduction in the number of liquidated credit institutions continued, their number decreased to 339.

Refer to [Table 14 of Section 5.4 'Statistical tables'](#) for detailed information on the number of credit institutions which went into liquidation, including with the DIA's participation.

As of 1 January 2023, the Bank of Russia completed liquidation proceedings in relation to 542 credit institutions whose banking licences had been revoked (withdrawn)

¹ Federal Law No. 212-FZ, dated 28 June 2022, 'On Amending Certain Laws of the Russian Federation' (effective from 28 June 2022).

² Federal Law No. 556-FZ, dated 28 December 2022 'On Amending the Federal Law 'On Non-governmental Pension Funds' and the Federal Law 'On Insolvency (Bankruptcy)' (effective since 1 January 2023).



since 2004, when the institution of corporate liquidators was established. The average percentage of satisfied claims of creditors of these credit institutions³ is 46.1%, including 59.1% of first-priority creditors (for credit institutions where the DIA acted as an official receiver (liquidator), 46.9% and 58.6%, respectively).

In 2022, based on the decisions made by the Bank of Russia, the registering authority made entries on the liquidation of 42 credit institutions in the Unified State Register of Legal Entities.

During the reporting period, 11 receivers in bankruptcy were accredited with the Bank of Russia as official receivers of bankrupt credit institutions, and the accreditation of 29 receivers in bankruptcy was extended. Forty receivers in bankruptcy were accredited with the Bank of Russia as of 1 January 2023.

NON-GOVERNMENTAL PENSION FUNDS

In 2022, the trend towards a reduction in the number of liquidated NPFs also continued, their number decreased to 34.

In 2022, liquidation proceedings were commenced against one NPF. Winding-up proceedings were completed, and an entry was made in the Unified State Register of Legal Entities about the liquidation of five NPFs.

As of 1 January 2023, the percentage of satisfied claims of the Bank of Russia acquired as a result of the transfer of funds to the Pension Fund of the Russian Federation⁴ in 2015–2018, taking into account revenues in 2022, was 40.21% (₽26,892.4 million).

INSURANCE AGENTS

In the reporting period, the trend towards reduction in the number of liquidated insurance companies continued, their number decreased to 50.

In 2022, one insurance company was declared bankrupt, the Bank of Russia revoked licences from 13⁵ insurance agents, which was about 6% of the total number of insurance market participants, of which 12 companies voluntarily surrendered their licences, that is, ceased their operations as insurance agents. Licences to certain types of activities were revoked from six insurance companies due to their voluntary licence surrender.

Liquidation proceedings in respect of one insurance company where the DIA performed functions of an official receiver, were completed, and an entry was made in the Unified State Register of Legal Entities about the termination of activities of this company. Another entry was made in the Unified State Register of Legal Entities about the

³ According to the reports submitted to the Bank of Russia.

⁴ On 1 January 2023, the Pension Fund of the Russian Federation was reorganised into the Pension and Social Insurance Fund of the Russian Federation with the simultaneous merger with the Social Insurance Fund of the Russian Federation.

⁵ Five insurance companies, five insurance brokers, two mutual insurance companies – due to voluntary surrender of their licences, one mutual insurance company – due to identified non-compliance with the insurance legislation requirements.



termination of activities of seven insurance companies⁶ where receivers in bankruptcy (insurance company founders) acted as official receivers (liquidators).

LIQUIDATED FINANCIAL INSTITUTIONS INCLUDING WITH THE DIA'S PARTICIPATION

	Non-governmental pension funds	Insurance companies
Total under liquidation as of 1 January 2022	38	59
including with the DIA's participation:	30	33
– as an official receiver	27	33
– as a liquidator	3	0
Total under liquidation as of 1 January 2023	34	50
including with the DIA's participation:	28	32
– as an official receiver	25	32
– as a liquidator	3	0
Inspections of official receivers (DIA) in 2022	-*	8

* On 1 January 2023, the Bank of Russia was authorised to inspect the activities of official receivers of non-governmental pension funds in accordance with Federal Law No. 556 FZ, dated 28 December 2022, 'On Amending the Federal Law 'On Non-governmental Pension Funds' and the Federal Law 'On Insolvency (Bankruptcy)';

MICROFINANCE MARKET PARTICIPANTS

In order to prevent CCCs and MFOs from going bankrupt, the regulator continued its systematic monitoring of their activities, including reviewing their reports, applications received from individuals and legal entities, websites of the Federal Tax Service of Russia, the Federal Bailiffs' Service, as well as its cooperation with self-regulatory organisations. No provisional administrations were assigned to CCCs and MFOs.

During the reporting year, the Bank of Russia applied to court to declare 16 CCCs bankrupt in the manner prescribed by Federal Law No. 127-FZ. The Bank of Russia took measures as part of the consideration of submitted applications by courts.

In 2022, as many as 311 microfinance market participants were excluded from the Unified State Register of Legal Entities (CCCs, ACCCs, HSCs, and pawnshops).

PROFESSIONAL SECURITIES MARKET PARTICIPANTS

In 2022, the regulator revoked⁷ 37 licences of professional securities market participants (PSMPs). On the basis of applications, 23 investment advisers were excluded from the unified register of investment advisers of the Bank of Russia.

The Bank of Russia controlled the winding up of five PSMPs and regulated issues related to the return of property to customers of PSMPs with revoked licences. Four PSMPs, for which the deadline for terminating obligations specified in the licence re-

⁶ Of these, the decision to declare an insurance company insolvent (bankrupt) was cancelled in respect of one insurance company, and the case was remitted for reconsideration. One insurance company where the functions of an official receiver were performed by the receiver in bankruptcy was excluded from the control perimeter due to the termination of bankruptcy proceedings.

⁷ Including 10 licences due to revealed violations of the requirements of the Russian law and 27 licences on applications from licence holders.



vocation order expired in 2022, fulfilled their obligations to return securities by 91% (459.1 million securities were returned to customers), obligations to return funds in rubles by 70% (₽819.8 million), and obligations to return funds in US dollars and euros by 100% (\$6,800 and €2.3 million). In these circumstances, the partial fulfilment of the obligation to return property was conditioned on proceedings and measures used against one PSMP and its counterparties in accordance with Federal Law No. 127-FZ (including challenging transactions and addressing issues of declaring the PSMP and its counterparties bankrupt).

INVESTMENT FUNDS

In 2022, 90 reports on closing unit investment funds (UIFs) were approved (17 UIFs were excluded from the register by the Bank of Russia and 73 by specialised depositories) with making an entry on the exclusion of the above UIFs from the register of unit investment funds.

MANAGEMENT COMPANIES

In 2022, the Bank of Russia cancelled two licences of management companies due to identified violations of the laws of the Russian Federation and six licences were taken away based on management companies' applications.

PLATFORM SERVICE OPERATORS

In 2022, four legal entities (which is about 6% of the total number of existing platform service operators (PSOs) were excluded from the PSO register: two of them were excluded on the basis of applications for discontinuing their activities, and the other two – due to revealed violations of the legislative requirements of the Russian Federation. The closure of these companies did not affect the general growth in the number of PSOs in the financial market.⁸

One legal entity was excluded from the PSO register on its application for a voluntary winding up.

⁸ Over the year, the number of PSOs increased from 50 to 64.



2.3.8. COUNTERING MISCONDUCT IN THE FINANCIAL MARKET

In 2022, the Bank of Russia continued its efforts to counter unfair practices in order to protect the competitive environment and interests of financial consumers and promote mutual trust among market participants.

Combating the misuse of insider information and market manipulation is an important condition for the stable development of the financial market and the confidence of investors in it. The Bank of Russia identifies and investigates such cases, takes measures provided for by the law, and works together with law enforcement agencies if there are signs of crimes ([Table 32 of Section 5.4 'Statistical tables'](#)).



The first verdict of guilty for the misuse of insider information was delivered

In 2022, the first verdict of guilty for the misuse of insider information was delivered. In total, over the year, courts passed three judgements in this regard, including termination of one criminal case involving market manipulation after the defendant paid for damage (in the amount over ₽30 million).

Following investigations of possible facts of insider trading and market manipulation, the Bank of Russia took 29 measures as part of administrative proceedings and limited transactions in 45 brokerage accounts.

The stock market demonstrated high volatility throughout the reporting year. This was caused by the growing number of private investors in the market, while PSMPs demonstrated a lower level of their market activity, and the proportion of market makers among traders, who had earlier dampened changes in trading volumes and constrained price movements, decreased.



In the foreign exchange market of the Moscow Exchange, the limit on aggressiveness of market orders is extended for the entire trading day

At the Bank of Russia's initiative, the trading technique in the foreign exchange market of the Moscow Exchange was changed in order to stabilise the pricing process and protect non-professional investors (the limit on aggressiveness of market orders, which was earlier practised only during morning sessions, was extended to the entire trading day). In addition, to equalise the terms for carrying out transactions, the method for forming traded lots in the market of unit investment funds was also changed. This helped smooth out shock effects and reduce the risks of executing orders at non-market prices and bearing losses for trading participants. By the end of 2022, the integral indicator of volatility of the stock market returned to the values of 2021.

Because of the situation in on-exchange trading in early 2022, the Bank of Russia made interim decisions allowing insiders to disclose a limited amount and/or content of insider information or refuse to disclose such information. The regulator published recommendations for insiders to send notifications to the Bank of Russia of non-disclosure or limited disclosure of insider information,¹ as well as recommendations for investors regarding investment decisions and for issuers to assess the risk of non-disclosure of information.²

In addition, the Bank of Russia made a decision to reduce the regulatory and supervisory burden on commodity exchanges, as well as trade organisers who received trading system licences since 1 December 2021, as regards notifications of non-standard transactions (orders).³

During the reporting period, Federal Law No. 330-FZ,⁴ drafted jointly with the Bank of Russia, was adopted. The law was aimed at improving the mechanism for public placement of securities by introducing the institution of customer stabilisation, that is the practice of maintaining the price of placed securities or demand for them for a certain limited period of time at the expense of not only trading participants but also their customers. Such a practice helps form a fair market value of securities more effectively. The Bank of Russia is authorised to establish requirements for trading participants and their customers involved in the above activity.

Federal Law No. 381-FZ⁵ drafted jointly with the Bank of Russia and aimed at improving the procedure for purchasing by a public joint-stock company of its own shares, including establishing rules for their purchasing, holding and subsequent selling, was also adopted. According to this law, the repurchase by a company of its own shares for the purpose of motivating and rewarding its employees shall not be considered as market manipulation.



In 2022, the Bank of Russia found out that the number of entities with signs of illegal activity in the financial market increased by 85% as compared to 2021

¹ Bank of Russia Information Letter No. IN-018-28/55, dated 13 April 2022, 'On Sending Notifications Containing Information or Insider Information Which Shall Not be Disclosed (Provided)'; Bank of Russia Information Letter No. IN-02-28/59, dated 22 April 2022, 'On Non-disclosing Information Based on the Decision of the Bank of Russia Board of Directors, Dated 14 April 2022'.

² Bank of Russia Information Letter No. IN-02-28/81, dated 14 June 2022, 'On Restricting Information Disclosures in the Securities Market'.

³ Bank of Russia Information Letter No. IN-019-39/89, dated 28 June 2022, 'On Measures to Reduce the Regulatory and Supervisory Burden on Trade Organisers in 2022'; Bank of Russia Information Letter No. IN-017-39/150, dated 29 December 2022, 'On Extending Measures for Reducing the Regulatory and Supervisory Burden on Trade Organisers in 2023'.

⁴ Federal Law No. 330-FZ, dated 14 July 2022, 'On Amending Article 5 of the Federal Law 'On Banks and Banking Activities' and Articles 5 and 15 of the Federal Law 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation' (effective since 14 July 2022).

⁵ Federal Law No. 381-FZ, dated 7 October 2022, 'On Amending Certain Laws of the Russian Federation' (effective from 7 October 2022).

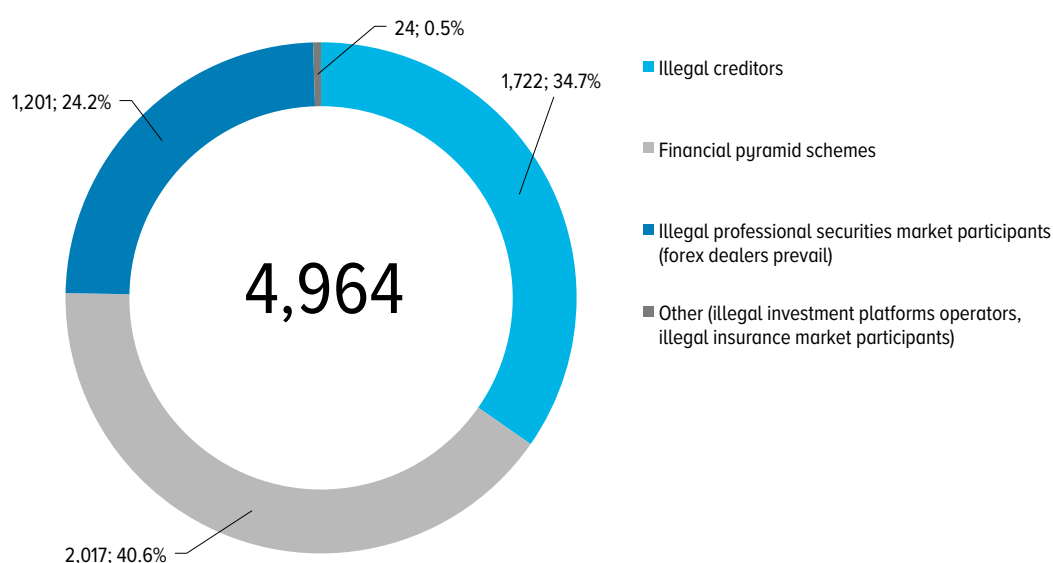
The Bank of Russia continued to counteract illegal activity in the financial market. The regulator identified 4,964 entities with signs of illegal activity in the financial market, including signs of financial pyramids, which is 85% more than over the previous year. Among other things, this increase became possible owing to the enhancement of the Bank of Russia's system for detecting illegal entities. However, the development of modern technologies makes it simpler and cheaper to implement various fraudulent schemes. The operating conditions of legal financial institutions changed in 2022 because of the sanctions imposed by unfriendly countries. Fraudsters took advantage of this situation and intensified their activity.

Detailed statistics by type of illegal activity of the entities are given in [Table 33 of Section 5.4 'Statistical tables'](#).

The Bank of Russia promptly informs the relevant authorities⁶ about identified entities with signs of illegal activities in the financial market. In 2022, at the Bank of Russia's initiative, access to more than 8,900 Internet resources⁷ used by illegal participants in the financial market and financial pyramids was blocked or restricted.

BREAKDOWN OF ENTITIES WITH SIGNS OF ILLEGAL ACTIVITY
IN THE FINANCIAL MARKET IN 2022
(UNITS, PER CENT)

Chart 31



The Bank of Russia has started adding illegal operators of investment platforms and individuals engaging in unauthorised insurance services to its warning list

⁶ The Ministry of Internal Affairs of the Russian Federation, the Prosecutor General's Office of the Russian Federation, the Federal Anti-Monopoly Service (FAS) of Russia, other governmental (authorised) agencies and their territorial divisions.

⁷ Information about the Bank of Russia's activity to counter online financial fraud is given in [Subsection 2.5.3 'Development of information security in the banking and financial sector'](#).

In 2022, in addition to financial pyramids, illegal lenders and PSMPs, the Bank of Russia began to include illegal investment platforms operators and illegal insurance market participants in the list of companies with signs of illegal activity in the financial market, which is published on its website.

All in all, over 4,400 companies and Internet projects were added to this list in 2022; most of them provided illegal online services. Fraudsters are put on the list within 5.5 business days on average after the moment of their detection. Daily updates of the list made it possible to promptly notify people of the risks of contacting particular companies and Internet projects, preventing potential financial losses. Also, in 2022, the Bank of Russia began adding data on illegal companies (legal entities) to the Know Your Customer platform so that banks could promptly assess the risk profile of their customers and counterparties.

The development of remote services for providing insurance services increases the scale of problems associated with fraud and illegal activity in this segment. The Bank of Russia published an information report⁸ in order to highlight this problem, develop and implement measures to counteract illegal activities in the online insurance segment.

The Bank of Russia continued its cooperation with law enforcement agencies to bring to justice persons guilty of illegal operations in the financial market. In 2022, the Bank of Russia filed 22 reports to the investigative authorities about identified signs of offences, 12 of which were grounds for investigative authorities to initiate criminal proceedings or were attached to criminal cases opened earlier. The cooperation with law enforcement agencies resulted in the initiation of criminal proceedings based on another 38 reports sent by the Bank of Russia before the reporting period. The courts delivered five verdicts of guilty (three entered into legal force) against chief executives of credit institutions and insurance companies for falsifying financial statements.

In addition, throughout the reporting period, over 1,800 reports were sent to law enforcement agencies regarding identified signs of illegal activity in the financial market. The information given in 77 of them was used to open and investigate criminal cases, while 533 reports contained data used by governmental authorities for taking various measures within their jurisdiction.⁹

Following the consideration of the materials submitted by the Bank of Russia as part of its countermeasures against illegal activity in the financial market, the law enforcement authorities initiated over 100 criminal proceedings, 440 administrative cases under various articles of the Code of Administrative Offences of the Russian Federation, and took more than 860 other remedial actions.¹⁰

In 2022, in accordance with the interagency procedure,¹¹ the Bank of Russia sent 24 messages to Rosfinmonitoring and the Prosecutor General's Office of the Russian

⁸ Information report 'Illegal activity in the online insurance segment: its scale, reasons, counteractions'.

⁹ Decisions on initiating several criminal proceedings and/or taking other remedial actions can be made based on one report.

¹⁰ Orders to restore compliance with legal requirements, statements of claim to change the official name or discontinue activities, other measures.

¹¹ Regulation on information exchange between the Bank of Russia, the Prosecutor General's Office of the Russian Federation, law enforcement and other federal state agencies of the Russian Federation in identifying and suppressing illegal financial transactions of credit institutions and their customers approved by joint order No. 105/136/50/MM-7-2/117/131/98/447/12/OD-121, dated 12 March 2013.



Federation on the identification of financial transactions of credit institutions (their customers) with signs of illegal financial activity and 28 messages with information on financial transactions related to illegal activities, respectively.

In the reporting period, representatives of the Bank of Russia were taking part in activities of interagency working groups as regards countering illegal financial transactions, countering illegal activity in the financial market, and returning assets from abroad, in activities of the interagency centre for returning assets of credit institutions undergoing resolution, as well as in activities of other groups.

In order to increase the effectiveness of interagency cooperation, the Bank of Russia regularly provide training for law enforcement personnel. Thus, in the reporting period, the Bank of Russia held the round-table discussion 'Best practices for countering the activity of financial pyramids' with the participation of over 100 representatives from the Prosecutor General's Office and the Ministry of Internal Affairs of the Russian Federation. In addition, the regulator provided integrated training for representatives of regional divisions of law enforcement agencies. Among other things, its programme covered issues of countering misconduct in the financial market (over 1,300 participants).



2.3.9. COUNTERING THE LEGALISATION (LAUNDERING) OF CRIMINALLY OBTAINED INCOMES AND THE FINANCING OF TERRORISM



Since 1 July 2022, the Know Your Customer platform has been daily providing all credit institutions with information on referring legal entities and individual entrepreneurs to one of three risk groups for conducting suspicious transactions

In 2022, the Bank of Russia continued to exercise its powers established by Federal Law No. 115-FZ. Particular attention was paid to improving the effectiveness of the system of anti-money laundering and combating the financing of terrorism (AML/CFT).

The Know Your Customer platform (hereinafter, the KYC Platform) hosted by the Bank of Russia was launched on 1 July 2022. Every day it provides all credit institutions with information on classifying legal entities and individual entrepreneurs¹ by risk groups for conducting suspicious transactions (three risk groups) to be used in anti-money laundering activities. As of 31 December 2022, out of seven million Russian legal entities and individual entrepreneurs, 98.0% were classified as low risk, 1.1% as medium, and 0.9% as high.

The launch of the KYC Platform made it possible to reduce the burden on bona fide businessmen and decrease the number of credit institutions' refusals to conduct transactions with low-risk customers.

In 2022, credit institutions prevented the transfer of about ₺30 billion to the grey economy by refusing to deal with high-risk customers. The number of refusals to transact with such customers increased four times compared to 2021. Furthermore, credit institutions applied measures in accordance with Federal Law No. 115-FZ which provides for limiting operations of high-risk customers (as of 14 March 2023, when the KYC Platform was launched, such measures were applied to more than 90,000 customers).

In 2022, the Bank of Russia took part in adopting a number of conceptual amendments to the Russian law in order to improve the national legislation, including for the purpose to bring it into conformity with international AML/CFT standards. These changes provided for the following:

- adjust the mandatory control of financial transactions of non-bank financial institutions;²
- ban the use of additional (increased) fees, levies and other remunerations charged by organisations that carry out transactions with funds or other property, when their customers conduct transactions with funds or other property, as measures aimed at counteracting the legalisation (laundering) of criminally obtained incomes, financing of terrorism and proliferation of weapons of mass destruction;³

¹ Except credit institutions, state authorities and local governments.

² Federal Law No. 279-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation and Suspending Certain Provisions of the Federal Law 'On Forming and Utilising Target Capital of Non-profit Organisations'.

³ Federal Law No. 112-FZ, dated 16 April 2022, 'On Amending Article 29 of the Federal Law 'On Banks and Banking Activities' and Article 4 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.



- improve the mechanism of freezing (blocking) funds or other property in compliance with decisions of the UN Security Council or authorities specially created by decisions of the UN Security Council;⁴
- increase the threshold values of the amounts of financial transactions subject to mandatory control, as well as establish an institution of temporary mandatory control;⁵
- set a requirement to transfer funds collected on the basis of writs of execution exclusively to the claimants' bank accounts opened with Russian credit institutions or their treasury accounts, as well as grant the right to credit institutions not to execute certain types of writs of execution in case of suspicions that the transactions conducted based on such documents are aimed at money laundering and terrorism financing (ML/TF);⁶
- supplement the list of legal grounds for putting persons on the List of organisations and individuals in respect of which there is information about their involvement in extremist activities or terrorism with articles of the Criminal Code of the Russian Federation related to sabotage.⁷

The Bank of Russia took part in drafting Federal Law No. 125-FZ⁸ which:

- imposes a ban (pursuant to the general rule) for credit institutions to provide the competent authorities of foreign states (including judicial authorities) with information requested by them about customers and transactions carried out by them, customer representatives, beneficiaries and beneficial owners;
- stipulates the conditions under which the provision by credit institutions of the above information requested by competent authorities of foreign states (including judicial authorities) is possible.

Whereas it is necessary for banks to focus on anti-sanction measures, the Bank of Russia decided to extend the moratorium on taking measures against credit institutions and non-bank financial institutions for non-compliance with certain requirements of the AML/CFT legislation until 31 December 2022, namely:

- conducting transactions with funds and other property on behalf of persons who provide services using Internet sites (if the domain name and page URL of such a site are included in the Unified Register of the Federal Service for Supervision of Communications, Information Technology and Mass Media (Roskomnadzor)⁹);¹⁰

⁴ Federal Law No. 219-FZ, dated 28 June 2022, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and Certain Laws of the Russian Federation'.

⁵ Federal Law No. 331-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation and Suspending Certain Provisions of Article 51 of the Federal Law 'On Banks and Banking Activities'.

⁶ Federal Law No. 624-FZ, dated 29 December 2022, 'On Amending the Federal Law 'On Enforcement Proceedings' (effective since 9 January 2023).

⁷ Federal Law No. 595-FZ, dated 29 December 2022, 'On Amending Article 6 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (effective since 9 January 2023).

⁸ Federal Law No. 125-FZ, dated 1 May 2022, 'On Amending the Federal Law 'On Measures (Countermeasures) in Response to Unfriendly Actions of the United States and Other Foreign States'.

⁹ The Unified Register of Domain Names, Internet Website Page Locators and Network Addresses that make it possible to identify Internet sites containing information prohibited for distribution in the Russian Federation.

¹⁰ Bank of Russia Information Letter No. IN-019-12/46, dated 31 March 2022, 'On Extending the Period of Non-application of Measures Against Credit Institutions and Non-bank Financial Institutions by the Bank of Russia'. The moratorium was imposed in accordance with Bank of Russia Information Letter No. IN-014-12/88, dated 15 November 2021, 'On Non-application of Measures Against Credit Institutions and Non-bank Financial Institutions by the Bank of Russia'.



– establishing a procedure and/or deadlines for submitting to a competent authority information on non-profit organisations' transactions subject to mandatory control and receipts of funds from foreign states included in the list of the Federal Financial Monitoring Service (Rosfinmonitoring).¹¹

In the reporting year, the Bank of Russia also paid particular attention to bringing the AML/CFT regulatory framework into conformity with new legal requirements in this area.¹²

In 2022, the amount of suspicious withdrawals to other countries decreased by 16% compared to 2021 (to ₺36 billion from ₺43 billion). When assessing external trade transactions, the Bank of Russia took approaches adjusted with regard to the actual need to create new logistics chains to pay for imported goods and services.

MEASURES TAKEN AGAINST CREDIT INSTITUTIONS IN 2022 FOR NON-COMPLIANCE WITH THE RUSSIAN AML/CFT LEGISLATION

Measures	Number of credit institutions against which measures were taken
Banking licence revocation for violations of legislation, including AML/CFT regulations	2
Measures taken pursuant to Article 74 of Federal Law No. 86 FZ,*	128
of which:	
– fines	102
– restrictions on individual banking operations conducted by credit institutions	2
– requirements for improvements	78

* The total number of organisations against which measures were taken is not the sum of data on individual measures due to repeated application of measures to some organisations.

The amount of cash-out transactions in the banking sector increased by 3% compared to 2021 (to ₺64 billion from ₺62 billion). The number of transactions using writs of execution issued on fraudulent grounds dropped (by 2.5 times). Concurrently, after the launch of the KYC Platform in 2022 H2, the amount of suspicious cash-out transactions in the banking sector began to edge down year-on-year.

¹¹ Bank of Russia Information Letter No. IN-019-12/47, dated 31 March 2022, 'On Extending the Period of Non-application of Measures Against Credit Institutions and Non-bank Financial Institutions by the Bank of Russia'. The moratorium was imposed in accordance with Bank of Russia Information Letter No. IN-014-12/72, dated 21 September 2021, 'On Non-application of Measures Against Credit Institutions and Non-bank Financial Institutions by the Bank of Russia'.

¹² Bank of Russia Regulation No. 794-P, dated 13 May 2022, 'On the Procedure and Deadlines for Submitting Information by Credit Institutions to the Bank of Russia in Accordance with Paragraph 1 of Clause 1 of Article 76 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism', Deadlines for Submission and Scope of Information to be Communicated to Credit Institutions by the Bank of Russia in Accordance with Paragraph 2 of Clause 1 of Article 76 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism', Deadlines for Submission and Scope of Information to be Submitted to the Bank of Russia by Credit Institutions in Accordance with Clause 8 of Article 7.7 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'; Bank of Russia Ordinance No. 6165-U, dated 23 June 2022, 'On Invalidating Bank of Russia Ordinance No. 2696-U, Dated 14 September 2011, 'On Establishing Deadlines for Transferring Data Received During Identification'; Bank of Russia Ordinance No. 6166-U, dated 23 June 2022, 'On Invalidating Paragraph 4 of Clause 8 and Paragraph 4 of Clause 10 of Bank of Russia Ordinance No. 4210-U, Dated 22 November 2016, 'On the Specifics of Monitoring Settlements Under the State Defence Order'; Bank of Russia Ordinance No. 6217-U, Dated 11 August 2022, 'On Amending Bank of Russia Ordinance No. 5351-U, Dated 11 December 2019, 'On the Requirements for Credit Institutions Which May be Tasked with Identification or Simplified Identification and Microfinance Organisations Which May Task Credit Institutions with Carrying out Identification or Simplified Identification'.



The number of cash-out transactions outside the banking sector (sales of uncollected cash receipts by wholesale and retail trade companies and travel agencies) decreased by 5% in 2022 (to ₽29 billion from ₽30.5 billion).

The Bank of Russia exercised off-site/on-site supervision of compliance with its supervisory functions in the field of AML/CFT. In 2022, 353 credit institutions were checked for compliance with the AML/CFT legislation as part of the regulator's off-site supervision activity, which equalled 94.6% of the number of credit institutions operat-

MEASURES TAKEN AGAINST NON-BANK FINANCIAL INSTITUTIONS IN 2022 FOR VIOLATIONS OF THE RUSSIAN AML/CFT LEGISLATION

Measures	Number of NFIs against which measures were taken
Revocation (cancellation) of a licence of a non-bank financial institution	1
Enforcement measures taken pursuant to Article 76.5 of Federal Law No. 86 FZ*, of which:	1,657
– an order to eliminate violations identified in the activities of a non-bank financial institution and (or) to prevent violations in further activities	1,648
– prohibition (restriction) on conducting certain transactions by a non-bank financial institution	28
– exclusion of information about a legal entity from the state register of microfinance organisations	7
Preventive measures taken pursuant to Article 76.5 of Federal Law No. 86-FZ	1,699

* The total number of organisations against which measures were taken is not the sum of data on individual measures due to repeated application of measures to some organisations.

MEASURES REGARDING ADMINISTRATIVE AML/CFT-RELATED OFFENCES TAKEN IN 2022 AT THE INITIATIVE OF THE BANK OF RUSSIA*

Measures	Number of judgements/cases
Against credit institutions	
Number of credit institutions whose officials were defendants in the case	37
Number of cases initiated	59
Proceedings completed	62
Fines on officials	15
Warnings	36
Cases closed	11
Against non-bank financial institutions	
Number of cases initiated	2,044
including against officials	1,144
Proceedings completed	2,071
Fines	381
including on officials	179
Warnings	1,399
including to officials	841
Cases closed	291
including against officials	135

* In regard to the offences provided for in Article 15.27 of the Code of Administrative Offences of the Russian Federation.



ing in the reporting period in the Russian Federation.¹³ Sixteen inspections of credit institutions and 10 inspections of non-bank financial institutions were completed as part of AML/CFT on-site supervision activities.

In 2022, the regulator revoked licences from two credit institutions for violations of legislation, including AML/CFT-related violations.

Pursuant to Article 76.5 of Federal Law No. 86-FZ, in 2022, the Bank of Russia applied enforcement measures to 1,657 NFIs and preventive measures to 1,699 NFIs for violations of requirements of the AML/CFT legislation of the Russian Federation.

Throughout 2022, the Bank of Russia initiated 2,044 cases of administrative offences pursuant to Article 15.27 of the Russian Federation Code of Administrative Offences against NFIs and their officials, as well as 59 cases against credit institutions' officials.

The national risk assessment of operations (transactions) for the prevention of AML/CFT, which had been prepared and carried out jointly with the Bank of Russia, was completed in 2022.

Final reports about the national risk assessment of money laundering and the national risk assessment of terrorist financing were approved by the Interagency commission for taking measures by the Russian Federation following the results of the FATF fourth round of mutual assessments. Public versions of these reports are available on the Bank of Russia website.

¹³ The number of credit institutions operating in 2022 totalled 373 (including three credit institutions registered in 2022).



2.3.10. DEVELOPMENT OF COMPETITION IN THE FINANCIAL MARKET

While in 2022 the Bank of Russia mainly focused on reducing the unprecedented sanctions pressure, the development of competition in the financial market continued to be one of the Bank of Russia's top priorities as a necessary criterion for the long-term balanced development of the financial market.

The Bank of Russia assisted in creating a favourable competitive environment in the financial market through strategic documents that define the key vectors of its activity in the medium term: Guidelines for the Development of the Russian Financial Market for 2022–2024 and the National Plan for the Development of Competition.¹

As part of addressing systemic issues of supporting the real economy and the financial market in 2022, one of the focus areas was to ensure a competitive process of governmental support.

In 2022, the Bank of Russia participated in admitting banks to subsidised lending of imports² on a competitive basis. During cataloguing earlier published legal regulations jointly with the Russian Ministry of Finance, requiring to bring them in line with competitive principles, the capital requirements for banks to participate in subsidised lending (subsidising) programmes aimed at improving and upgrading residential areas and constructing (buying) houses in rural areas were waived.³

Drafts of the required amendments were also prepared with due regard to the Bank of Russia's proposals for certain acts.

Draft Federal Law No. 1046569-7⁴ providing for the selection of credit institutions based on the level of their credit ratings for the purpose of investing and placing public funds was prepared jointly with the Bank of Russia for consideration by the State Duma in the second reading. This draft law is aimed at equalling competitive conditions for financially stable credit institutions, as well as unifying approaches to their selection.

A credit rating as a market criterion is envisaged by the new version of the resolution of the Government of the Russian Federation,⁵ drafted jointly with the Bank of Russia. This resolution specifies in what cases agreements between credit institutions and insurance companies are permissible, as well as terms and conditions of these agreements in order to ensure competition. This will help remove barriers for insurance companies when using sales channels, as well as expand the number of insurance companies available for borrowers and, in general, simplify the mechanism for cooperation between banks, insurers and borrowers.

¹ Approved by Resolution of the Government of the Russian Federation No. 2424-r, dated 2 September 2021.

² Resolution of the Government of the Russian Federation No. 895, dated 18 May 2022, 'On the Rules for Subsidising Credit Institutions from the Federal Budget to Compensate for Lost Income on Loans Issued for Buying Priority Import Products'.

³ Resolution of the Government of the Russian Federation No. 1119, dated 22 June 2022, 'On Amending Certain Regulations of the Government of the Russian Federation on Implementing the Governmental Programme of the Russian Federation 'Integrated Development of Rural Areas'.

⁴ Draft Federal Law No. 1046569-7 'On Amending Certain Laws of the Russian Federation for the Purpose of Improving the Selection of Credit Institutions Based on Credit Ratings in Order to Invest and Place Funds'.

⁵ Resolution of the Government of the Russian Federation No. 39, dated 18 January 2023, 'On Permissible Agreements Between Credit Institutions and Insurance Companies, as well as Foreign Insurance Companies, and on Invalidating Certain Laws and Particular Provisions of Legislative Acts of the Russian Federation Government' (effective since 1 September 2023).



In 2022, the Bank of Russia also continued to carry out other previously planned measures in order to create a favourable competitive environment: remove barriers for providers and consumers of financial services (FPS infrastructure projects, Digital Profile, Unified Biometric System, as well as the project of introducing Open Application Programming Interfaces (API));⁶ implement principles of competitive neutrality by selling banks under resolution;⁷ combat unfair practices.⁸

In 2022, the Bank of Russia performed pilot monitoring of possible violations by financial institutions of the advertising legislation in Russian regions. The findings were submitted to the FAS Russia.

The Bank of Russia and the FAS Russia prepared an information letter⁹ about the disclosure by credit institutions of information on certain bonus programmes. The regulator gave credit institutions recommendations regarding transparent and consumer-friendly access to information on all terms of receiving cashback.

Despite the temporary liberalisation of certain provisions of the antimonopoly legislation¹⁰ in 2022, the Bank of Russia continued to participate in the activities of the FAS Russia aimed at improving the competition law.

In order to improve antimonopoly regulation in the conditions of developing digital economy, on 10 November 2022, the State Duma adopted in the first reading a draft federal law¹¹ prepared jointly with the Bank of Russia. Among other things, the draft law provides for a ban on abusing dominance for platforms, a condition on control over mergers and acquisitions in the digital market, as well as establishing an institution of independent expert examination for assessing compliance with the FAS Russia's orders in digital markets.

In 2022, the Government of the Russian Federation approved an action plan ('roadmap') for developing organised (on-exchange) trading in certain commodity markets for 2023–2025,¹² drawn up jointly with the Bank of Russia for implementing the National Plan for Developing Competition. The plan provides for the comprehensive development of organised (on-exchange) trading in goods of the energy sector, including crude oil, petroleum products and natural gas, chemical and petrochemical sectors and forestry, as well as the development of trade in carbon units.

To create conditions for developing platforms for on-exchange trading in commodities, the Bank of Russia is actively promoting the institution of commodity trading systems. The Bank of Russia issued Ordinance No. 6140-U¹³ that particularly provides for

⁶ See [Subsections 2.4.1 'Development of the payment services market'](#) and [2.5.1 'Promoting financial market digitalisation'](#).

⁷ See [Subsection 2.3.6. 'Financial rehabilitation of financial institutions'](#).

⁸ See [Subsection 2.3.8 'Countering misconduct in the financial market'](#).

⁹ Joint Information Letter of the Bank of Russia and the FAS Russia No. AK/85107/22 and No. IN-02-52/113, dated 13 September 2022, 'On Disclosing Information on Certain Bonus Programmes'.

¹⁰ Federal Law No. 286-FZ, dated 14 July 2022, 'On Amending the Federal Law 'On Advertising' and the Federal Law 'On Amending Certain Laws of the Russian Federation'.

¹¹ Draft Federal Law No. 160280-8 'On Amending the Federal Law 'On the Protection of Competition' (as Regards the Improvement of the Antimonopoly Regulation of 'Digital' Markets)'.

¹² Approved by Resolution of the Government of the Russian Federation No. 4140-r, dated 23 December 2022.

¹³ Bank of Russia Ordinance No. 6140-U, dated 17 May 2022, 'On Amending Bank of Russia Regulation No. 437-P, Dated 17 October 2014, 'On Conducting Organised Trading'.



establishing proportional regulation over exchanges and commodity trading systems. This will help reduce the regulatory burden and make the business of commodity trading systems easier.

Competition continued to develop in Russian regions. The Bank of Russia closely cooperated with federal and regional executive authorities and financial market participants to implement the Standard for competition development in the constituent territories of the Russian Federation,¹⁴ identified barriers impeding the development of competitive conditions in the financial market, participated in the implementation of regional roadmaps for promoting competition.

¹⁴ Approved by Resolution of the Government of the Russian Federation No. 768-r, dated 17 April 2019.



2.3.11. IMPROVING INSTRUMENTS AND INFRASTRUCTURE OF THE FINANCIAL AND COMMODITY EXCHANGE MARKETS

In 2022, the Bank of Russia continued its efforts aimed at developing the instruments and infrastructure of the financial and commodity markets, taking into account the needs of market participants.

DIGITAL RIGHTS RECOGNITION

In 2022, the Bank of Russia amended regulatory acts in order to ensure protection of rights and property interests of holders of digital rights transferred to a depository and recognised in depository accounts, comparable with the level of protection of the rights of securities owners.

Now, the information (records) about a holder of digital rights and the possibility to restore it (them) is safeguarded by the depository's¹ commitment to keep and store accounting books containing records of digital rights, register documents related to digital rights in the accounting system, as well as record data on income and/or payments under digital rights in internal accounting documents.

In case of cancellation of the depository licence, the Bank of Russia provided for a mechanism² ensuring the recognition of digital rights. For example, digital rights will certainly be transferred to their holder or another depository.

DEVELOPMENT OF FINANCIAL PLATFORMS

In 2022, financial platforms continued to develop their product range. Loans, debit cards, and corporate bonds were added to the key products (bank deposits, CMTPL policies, UIF units, and subfederal bonds). Bank deposits remained the most popular operations for people. This was caused, in particular, by a drastic change in market conditions in early 2022. In addition, people's interest was stimulated by the opportunity to buy government subfederal bonds through a financial platform. These bonds are specially issued for the general public as a long-term investment instrument with minimum risks and an acceptable rate of return.

In 2022, the Bank of Russia continued to support regulatory initiatives³ which provide for applying the mechanism for using financial platforms to individual entrepreneurs and legal entities, including small and medium-sized enterprises, as well as the possibility of the further expansion of the product range of financial platforms. To enable any customer to use services of financial institutions regardless of his/her loca-

¹ Bank of Russia Ordinance No. 6265-U, dated 27 September 2022, 'On Amending Bank of Russia Regulation No. 542-P, Dated 13 May 2016'.

² Bank of Russia Ordinance No. 6266-U, dated 27 September 2022, 'On Amending Bank of Russia Ordinance No. 5220-U, Dated 30 July 2019' (registered with the Ministry of Justice of the Russian Federation on 18 January 2023).

³ Draft Federal Laws No. 1080911-7 'On Amending Certain Laws of the Russian Federation' (as regards the development of a system for performing financial transactions using a financial platform) (approved by the State Duma in the first reading on 24 March 2021) and No. 221502-8 'On Amending Article 3.1 of the Federal Law 'On the Securities Market' and the Federal Law 'On Performing Financial Transactions Using a Financial Platform)' (approved by the State Duma in the first reading on 15 February 2023).



tion, the regulator provided for the possibility of using the Unified Biometric System by financial platforms. In addition, the Bank of Russia lifted the restriction on combining the activity of a financial platform operator (FPA) with the activity of an operator of the information system in which digital financial assets (DFA) are issued and a DFA exchange operator.

In 2022, the Bank of Russia⁴ took part in making the first business decision to offer financial products to people on the Unified Portal of State and Municipal Services (functions).⁵ It will provide a competitive offer of voluntary health insurance policies using financial platforms in the pilot public super service 'Labour Migration Online'.

LEASING

As part of the legislative reform of the leasing sector, the Bank of Russia took part in the preparation of a draft federal law on the regulation of leasing activities for the second reading in the State Duma.⁶ The draft law provides for creating a new class of non-bank financial institutions – leasing companies and vesting the Bank of Russia with authority to keep the register of leasing companies and supervise them. In addition, it is planned to create a register of leasing companies via voluntary submission by legal entities applications to the Bank of Russia, establish requirements for the equity capital of leasing companies, their transition to the sectoral accounting standards and IFRS, as well as conduct a mandatory audit and introduce self-regulation in the leasing market.

ECOSYSTEMS

Approaches of the Bank of Russia to regulating operations of platforms and ecosystems (created both on the basis of financial institutions and technological companies), described in the consultation paper,⁷ were included in the [Guidelines for the Development of the Russian Financial Market for 2023–2025](#), as well as in the Russian Financial Market Development Strategy through 2030. Regulation should, on the one hand, allow Russian ecosystems to develop and provide customers with multi-purpose customised products and services and, on the other hand, to reduce risks of financial market monopolisation to the detriment of interests of a wide range of financial service consumers and providers.

⁴ As part of the joint project of the Russian Ministry of Digital Development, Communications and Mass Media and the FinTech Association.

⁵ For its implementation, the Government of the Russian Federation adopted Resolution No. 1055, dated 9 June 2022, 'On Running an Experiment to Organise Electronic Interaction Between Insurance Companies, Financial Platform Operators and Policyholders When Learning About Proposals for Signing Voluntary Medical Insurance Contracts and When Signing Voluntary Medical Insurance Contracts, Using an Infrastructure Ensuring Information Exchange and Technological Interaction Between Information Systems Used to Provide State and Municipal Services and to Perform State and Municipal Functions in Electronic Form'.

⁶ Draft Federal Law No. 586986-7 'On Amending Certain Laws of the Russian Federation as Regards the Regulation of Leasing Activities' (approved by the State Duma in the first reading on 22 January 2019).

⁷ Consultation paper '[Ecosystems: Approaches to Regulation](#)'.



OUTSOURCING

In order to define approaches to the regulation of outsourcing risks, on 6 December 2022, the Bank of Russia published the consultation paper [Outsourcing Risk Management in Financial Market](#) on its website. The document contains an analysis of major outsourcing risks from the point of view of market participants and the financial market as a whole, describes the practice of using outsourcing in the Russian financial market based on the outcomes of a survey of its participants conducted by the Bank of Russia in 2022. It also includes the Bank of Russia's proposals regarding the step-by-step regulation of outsourcing in the financial market.

CREATION OF MECHANISMS OF ASSESSMENT OF COMMODITY INDICES

In 2022, the Bank of Russia initiated the creation of a system of national commodity indices, for which it developed and agreed with all federal executive authorities involved an algorithm for assessing these indices. The Bank of Russia took part in the preparation of a draft resolution of the Government of the Russian Federation on the basis of this algorithm.

In July 2022, the Bank of Russia jointly with the FAS Russia, the Russian Ministries of Finance and Agriculture assessed and approved the first commodity index which was the NAMEX Wheat Index. The Bank of Russia also completed a preliminary assessment of exchange and over-the-counter price indices for petroleum products (petrol, diesel fuel, jet fuel, etc.) for a further interagency discussion. The introduction of the mechanism for assessing indices will help to form national price indices for main commodities and raw materials, which, amid sanctions against the Russian economy, will lead to the creation of an independent price information system and will promote the development of commodity markets and trade infrastructure.

IMPROVING ON-EXCHANGE MARKET TOOLS

Currencies of friendly states

In order to make payments in national currencies, in 2022 H2, the Moscow Exchange jointly with the Bank of Russia expanded the list of available foreign exchange market tools due to the admission to trading in currencies of the friendly states, such as the Kyrgyz som, the Tajik somoni, the South African rand, the Armenian dram, and the Uzbek sum. This raised the possibility of making payments for goods supplied through the parallel import channels.

'Perpetual' futures

On 26 April 2022, the Moscow Exchange launched a new tool in the derivatives market – a 'perpetual' futures contract for various foreign currency pairs. Its main difference is a daily automatic one-day extension with the payment of swap points, which decreases the risk of losses and makes it possible to manage currency positions without using currencies subject to blocking.



Subfederal bonds

The Bank of Russia took part in drafting a federal law⁸ which would allow non-qualified investors to make investments in government securities of the constituent territories of the Russian Federation without the need to undergo relevant tests.

Improvement of the mechanism of individual investment accounts (IIAs)

Federal Law No. 571-FZ,⁹ drafted jointly with the Bank of Russia, was adopted. It helped preserve investors' rights to investment tax deductions on IIAs, which could be lost due to the partial withdrawal of assets from IIAs without closing the account and failure to meet the deadline for closing the second IIA because of the imposition of sanctions by foreign states and international organisations against professional securities market participants.

⁸ Draft Federal Law No. 221502-8 'On Amending Article 3.1 of the Federal Law 'On the Securities Market' and the Federal Law 'On Performing Financial Transactions Using a Financial Platform' (adopted by the State Duma in the first reading on 15 February 2023).

⁹ Federal Law No. 571-FZ, dated 28 December 2022, 'On Amending Certain Laws of the Russian Federation'.



2.3.12. IMPROVING CORPORATE RELATIONS AND CORPORATE FINANCE

IMPROVING CORPORATE RELATIONS

The changed geopolitical environment and increased sanctions pressure on Russian companies required extraordinary anti-crisis measures and the Bank of Russia's participation in reducing a dramatic impact of sanctions on issuers.



The Bank of Russia eased requirements for issuers regarding information disclosure and corporate procedures

In 2022, under the sanctions pressure, issuers were allowed to disclose information in the securities market in limited amount and/or content or refuse to disclose it if this could lead to the imposition of sanctions against them or other persons.¹ Concurrently, taking into account the importance of information for making investment decisions, the Bank of Russia published recommendations² for Russian issuers how to disclose information in the current situation.

Conditions for hosting corporate events³ by joint-stock companies were eased. The ability to add issues to the agenda and propose additional candidates for their election to joint-stock companies' authorities at the annual general meeting in 2022, as well as to maintain powers of the previously elected board of directors in case of a reduction in its composition, made it possible to ensure the continuity of operations of joint-stock companies and allowed them to make business-related decisions. The Bank of Russia gave recommendations for setting up a balanced board of directors⁴ as part of its methodological support.

The Bank of Russia established a grace period during which the requirements for the minimum number of independent directors in boards of directors of public joint-stock companies whose shares are listed on stock exchanges may not be complied with, which prevented a lowering of the listing level of respective shares.⁵

The distortion of the fundamental value of companies under the impact of non-market factors required, as temporary preventive measure, to allow public joint-stock companies to buy back their own shares on a stock exchange using a simplified procedure

¹ Resolution of the Government of the Russian Federation No. 351, dated 12 March 2022, 'On the Specifics of the Disclosure and Submission of Information to be Disclosed and Submitted Pursuant to the Federal Law 'On Joint-stock Companies' and the Federal Law 'On the Securities Market', and on the Specifics of the Disclosure of Insider Information Pursuant to the Federal Law 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation'.

² Bank of Russia Information Letter No. IN-02-28/81, dated 14 June 2022, 'On Restricting Information Disclosures in the Securities Market'.

³ Articles 6 and 7 of Federal Law No. 292-FZ, dated 14 July 2022, and Article 17 of Federal Law No. 46-FZ, dated 8 March 2022, 'On Amending Certain Laws of the Russian Federation' (hereinafter, Federal Law No. 46-FZ, dated 8 March 2022).

⁴ Bank of Russia Information Letter No. IN-02-28/5, dated 17 January 2023, 'On Setting Up Boards of Directors (Supervisory Boards) of Public Joint-stock Companies'.

⁵ The Bank of Russia's [press release](#), dated 6 March 2022, the Decision of the Bank of Russia Board of Directors, dated 23 December 2022.



to maintain securities' quotations.⁶ In addition, the Bank of Russia took part in developing a permanent mechanism⁷ enabling public joint-stock companies to buy their own shares via on-exchange trading under the programme of buying shares based on the current market value using a simplified procedure.



Investors gained access to previously blocked dividends and securities of Russian issuers

The freezing of assets of a large number of investors required measures to protect their rights. A special procedure for paying dividends on shares of Russian issuers to shareholders and owners of depository receipts⁸ made it possible to receive income on them without foreign accounting institutions' participation and irrespective of restrictions on transactions. Mechanisms of the forced and automatic conversion of depository receipts into Russian shares,⁹ the forced transfer of the accounting of titles to Russian securities from a foreign infrastructure to the Russian infrastructure, as well as within the Russian infrastructure – from the accounts of foreign companies which owned Russian securities for the benefit of other persons,¹⁰ helped provide access to securities and exercise rights to them.

In the reporting period, the Bank of Russia enacted a regulation providing for the reduction of mandatory requirements for the content of the articles of association of a joint-stock company.¹¹ Excessive costs associated with the mandatory audit of annual accounting (financial) statements,¹² conducted by non-public joint-stock companies, were excluded. From 1 January 2023, they have been allowed to refuse to conduct the mandatory audit of their annual accounting (financial) statements, taking into consideration the priority of regulation through special laws, as well as invite an independent auditor to conduct the audit.

The Bank of Russia clarified the general requirements for information disclosure by issuers (including the requirements for information disclosure in the form of an issuer's report, messages about important facts, and a list of affiliated persons of a joint-stock company) and mandatory information disclosure by joint-stock companies.¹³

⁶ Article 21 of Federal Law No. 46-FZ, dated 8 March 2022; this measure was effective through 31 August 2022.

⁷ Article 1 of Federal Law No. 381-FZ, dated 7 October 2022, 'On Amending Certain Laws of the Russian Federation'.

⁸ Decisions of the Bank of Russia Board of Directors, dated 10 June 2022, dated 6 September 2022, and dated 29 December 2022.

⁹ Article 6 of Federal Law No. 114-FZ, dated 16 April 2022, 'On Amending the Federal Law 'On Joint-stock Companies' and Certain Laws of the Russian Federation'.

¹⁰ Articles 5–5.3 and 5.5 of Federal Law No. 319-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation' (hereinafter, Federal Law No. 319-FZ, dated 14 July 2022).

¹¹ Federal Laws No. 20-FZ, dated 25 February 2022, 'On Amending Part 1 of the Civil Code of the Russian Federation' and No. 25-FZ, dated 25 February 2022, 'On Amending the Federal Law 'On Joint-stock Companies' and Invalidating Certain Laws of the Russian Federation'.

¹² Federal Law No. 99-FZ, dated 16 April 2022, 'On Amending Article 67.1 of Part 1 of the Civil Code of the Russian Federation' and Article 1 of Federal Law No. 114-FZ, dated 16 April 2022, 'On Amending the Federal Law 'On Joint-stock Companies' and Certain Laws of the Russian Federation'.

¹³ Bank of Russia Ordinance No. 6283-U, dated 30 September 2022, 'On Amending Bank of Russia Regulation No. 714-P, Dated 28 March 2020, 'On Disclosing Information by Securities Issuers'.

Draft federal laws prepared jointly with the Bank of Russia aimed at improving the legal regulation of holding general meetings of shareholders and meetings of security holders,¹⁴ as well as solving problems with shareholders, information about which is missing and who do not exercise shareholders' rights for a long time,¹⁵ were adopted in the first reading. They will help simplify exercising by shareholders and security holders of their rights and reduce the costs of joint-stock companies associated with hosting corporate events.

The Bank of Russia carried out the annual monitoring of the implementation by public joint-stock companies, whose shares were admitted to on-exchange trading, of principles and recommendations of the Corporate Governance Code¹⁶ (hereinafter, the Code) in 2021. Self-assessment of the introduction of corporate practices by joint-stock companies was made in accordance with the updated criteria¹⁷ for assessing compliance with the Code's principles. The monitoring results¹⁸ showed that public joint-stock companies continued to focus on developing and improving corporate governance practices. The results of the monitoring of corporate governance practices are published in the [Review of Corporate Governance Practices at Russian Public Companies for 2021](#).

Throughout 2022, the Bank of Russia considered over 2,000 applications from individuals and legal entities, government authorities and other organisations regarding clarification of issues of corporate relations and information disclosure, circulation of depository receipts for shares of Russian joint-stock companies and Eurobonds, as well as fulfilment of obligations to their holders. As part of the state control over the purchase of large blocks of shares, the regulator reviewed 568 sets of documents, as well as 106 sets of documents about releasing issuers from the obligation to disclose information. As part of the supervision of corporate relations and information disclosure, the Bank of Russia issued over 5,000 orders and supervisory letters.

IMPROVING CORPORATE FINANCE

In 2022, corporate finance became an important mechanism to soften the negative impact of sanctions pressure.

As a result, Eurobond holders whose rights are registered and recognised by Russian depositories stopped receiving payments on Eurobonds despite the fact that Eurobond issuers and Russian companies with obligations relating to such Eurobonds had transferred all necessary funds.

¹⁴ Draft Federal Law No. 1059849-7 'On Amending the Federal Law 'On Joint-stock Companies' and Certain Laws of the Russian Federation' (approved by the State Duma in the first reading on 25 May 2022).

¹⁵ Draft Federal Law No. 103501-8 'On Amending the Federal Law 'On Joint-stock Companies' and Article 8 of the Federal Law 'On the Securities Market' (approved by the State Duma in the first reading on 14 June 2022).

¹⁶ Recommended by the Bank of Russia for the use by joint-stock companies whose securities are admitted to on-exchange trading (Bank of Russia Letter No. 06-52/2463, dated 10 April 2014).

¹⁷ Bank of Russia Information Letter No. IN-06-28/102, dated 27 December 2021, '[On Disclosing the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint-stock Company](#)'.

¹⁸ The average level of implementation of the Code's principles by public joint-stock companies whose shares are admitted to on-exchange trading with inclusion in the quotation list was 78%; public joint-stock companies whose shares were admitted to on-exchange trading without inclusion in the quotation list – 54%.



To resolve this problem, the Bank of Russia prepared a regulation¹⁹ establishing a mechanism of substitute bonds, which offered Russian companies having obligations arising from Eurobonds an alternative way to meet their obligations. Unlike Eurobonds, substitute bonds are issued and serviced under the Russian law, and their key criteria (bond yield, coupon date, maturity and par value) should be similar to the corresponding criteria for Eurobonds.

The first issues of substitute bonds were registered and placed in September–October 2022, and 23 issues of such bonds were registered at the end of the year, 19 of them were placed.

Other stimulus measures for businesses amid sanctions pressure with respect to corporate finance were the temporary cancellation of the requirement for annual re-registration of the prospectus for bonds to be issued under the bond programme and an easier procedure for registering share issues of international companies.²⁰

Corporate finance also developed in other directions not closely related to counter-ing sanctions pressure. The Bank of Russia amended the Securities Issue Standards²¹ that clarify the procedure for issuing securities based on the practice of applying these Standards and introduce regulation for new types of bond issues for sustainable development financing.²²

The Bank of Russia took part in drafting federal laws whereby:

- investment units were included in the list of pledged items for collateralised bonds, which made securitised and structured bond instruments more flexible and responding to current challenges;²³
- amendments were made to increase the level of protection of mortgage-backed bond holders in case of bankruptcy of a credit institution which kept the mortgage collateral.²⁴

In 2022, the first issues of shares became available in pursuance of the convertible loan agreement after it became possible to issue these shares in 2021.²⁵ All in all, nine issues of such shares were registered in 2022, five of which were placed successfully.

This was the first placement of bonds using the Marketplace platform, and three bond issues were placed via this platform by the end of 2022.

In 2022, the number of structured bond issues significantly increased: 593 issues were registered vs 284 issues in 2021. However, the conditions for structuring these

¹⁹ Federal Law No. 292-FZ, dated 14 July 2022, Federal Law No. 319-FZ, dated 14 July 2022, Executive Order of the Russian President No. 430, dated 5 July 2022, 'On the Repatriation by Residents Participating in Foreign Economic Activity of Foreign Currency and the Currency of the Russian Federation'.

²⁰ Articles 5 and 9 of Federal Law No. 72-FZ, dated 26 March 2022, 'On Amending Certain Laws of the Russian Federation'.

²¹ Bank of Russia Ordinance No. 6195-U, dated 4 July 2022, 'On Amending Bank of Russia Regulation No. 706-P, Dated 19 December 2019, 'On Securities Issue Standards'.

²² Read more about new types of bond issues for sustainable development financing in [Subsection 2.6.1 'Development of the sustainable finance market and infrastructure, creation of conditions and opportunities for companies' ESG transformation'](#).

²³ Federal Law No. 292-FZ, dated 14 July 2022.

²⁴ Federal Law No. 409-FZ, dated 20 October 2022, 'On Amending the Federal Law 'On the Securities Market' and Certain Laws of the Russian Federation'.

²⁵ This possibility was introduced by Federal Law No. 354-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation'.



issues showed that such an increase was not caused by the situation in the market. Bonds of this type allow companies under sanctions to change their business structure, redistribute assets, and continue their operations.

In 2022, there were no new issuers of perpetual bonds²⁶ in the market. All payments on earlier issued bonds with no maturity were made in accordance with the procedure established by decisions on issuing bonds. As before, issuers did not exercise their right to refuse to pay dividends on perpetual bonds.

²⁶ This means bonds specified in Article 27.5-7 of Federal Law No. 39-FZ, dated 22 April 1996, 'On the Securities Market'.



2.3.13. IMPROVING THE ACCOUNTING AND THE ACCOUNTING (FINANCIAL) STATEMENTS OF FINANCIAL INSTITUTIONS

In 2022, as regards the improvement of the accounting and the accounting (financial) statements of financial institutions, close attention was focused on measures to protect the financial market amid increased volatility and counteract sanction restrictions. The Bank of Russia issued regulations and provided clarifications to credit institutions, non-bank financial institutions, credit history bureaus, credit rating agencies regarding the procedure for applying¹ these regulations, which made it possible to recognise securities and other financial instruments without reassessing them at the current fair value and also to account blocked foreign currency-denominated² assets in rubles at the official exchange rate as of the date of such a decision.

New balance sheet accounts were added to the Chart of Accounts for credit institutions for accounting customer funds in C-type,³ E-type, O-type and D-type⁴ accounts, with providing relevant clarifications.

In order to reduce the regulatory burden, the Bank of Russia issued regulations⁵ to postpone the start date (from 1 January 2023 to 1 January 2025) of:

- ¹ Bank of Russia Ordinance No. 6074-U, dated 25 February 2022, 'On the Procedure for Credit Institutions to Account Investments in Securities Assessed at Fair Value', Bank of Russia Ordinance No. 6087-U, dated 11 March 2022, 'On the Procedure for Credit Institutions to Account Issued Loans, Claims Acquired from Third Persons for Discharging Obligations in Monetary Form, Financial Derivatives, Loans and Deposits Raised, Issued Bonds, Promissory Notes, Certificates of Deposit and Savings Certificates Assessed at Fair Value, Off-balance Sheet Claims and Liabilities Under Reverse Transactions with Securities, Claims and Liabilities under Financial Derivatives and Other Agreements (Transactions) for Which Payments and Delivery are Made No Earlier Than the Next Day After the Day of Concluding Such an Agreement (Transaction)'; Bank of Russia Ordinance No. 6073-U, dated 25 February 2022, 'On the Procedure for Individual Non-bank Financial Institutions, Credit History Bureaus, Credit Rating Agencies to Account Investments in Securities Assessed at Fair Value'; Bank of Russia Ordinance No. 6086-U, dated 11 March 2022, 'On the Procedure For Individual Non-bank Financial Institutions, Credit History Bureaus and Credit Rating Agencies to Account Issued Loans and Other Allocated Funds, Raised Bank Deposits, Claims Acquired from Third Persons for Discharging Obligations in Monetary Form, Financial Derivatives, Raised Loans, Issued Bonds and Promissory Notes Assessed at Fair Value, Off-balance Sheet Claims and Liabilities Under Reverse Transactions with Securities, Claims and Liabilities under Financial Derivatives and Other Agreements (Transactions) for Which Payments and Delivery are Made No Earlier Than the Next Day After the Day of Concluding Such an Agreement (Transaction)'.
- ² Bank of Russia Ordinance No. 6155-U, dated 15 June 2022, 'On the Procedure for Credit Institutions to Account Certain Assets and/or Liabilities in Foreign Currency Amid Restrictions Imposed'; Bank of Russia Ordinance No. 6154-U, dated 15 June 2022, 'On the Procedure for Individual Non-bank Financial Institutions, Credit History Bureaus and Credit Rating Agencies to Account Certain Assets and/or Liabilities in Foreign Currency Amid Restrictions Imposed'.
- ³ Bank of Russia Ordinance No. 6096-U, dated 23 March 2022, 'On Amending Bank of Russia Regulation No. 579-P, Dated 27 February 2017, 'On the Chart of Accounts at Credit Institutions and the Procedure for Using It'.
- ⁴ Bank of Russia Regulation No. 809-P, dated 24 November 2022, 'On the Chart of Accounts at Credit Institutions and the Procedure for Using It'.
- ⁵ Bank of Russia Ordinance No. 6219-U, dated 16 August 2022, 'On Setting the Date of Mandatory Implementation of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by Insurance Companies, Mutual Insurance Companies and Non-governmental Pension Funds, on Amending Certain Bank of Russia Regulations Related to Accounting and Accounting (Financial) Statements of Non-bank Financial Institutions and on Invalidating Certain Bank of Russia Regulations for Accounting Record-keeping by Non-bank Financial Institutions'; Bank of Russia Ordinance No. 6220-U, dated 16 August 2022, 'On Amending Certain Bank of Russia Regulations Related to Accounting and Accounting (Financial) Statements of Non-bank Financial Institutions and on Invalidating Certain Bank of Russia Regulations for Accounting by Non-bank Financial Institutions'; Bank of Russia Ordinance No. 6162-U, dated 20 June 2022, 'On Amending Bank of Russia Ordinance No. 5895-U, Dated 20 June 2021, 'On the Application of Certain Bank of Russia Regulations Related to Accounting and Accounting (Financial) Statements'.



- the mandatory implementation of IFRS 17⁶ and IFRS 9⁷ by insurers and non-governmental pension funds;
- the application by insurers and non-governmental pension funds of Bank of Russia regulations on accounting and accounting (financial) statements based on IFRS 17 and IFRS 9 requirements;
- the application by operators of investment platforms and information systems where digital financial assets (DFA) are issued, DFA exchange operators of Bank of Russia regulations on accounting and accounting (financial) statements.

While implementing legal requirements, international financial accounting standards and federal accounting standards, the Bank of Russia amended its accounting regulations for non-bank financial institutions as follows:

- amendments aimed at changing the procedure for recognising balance-sheet liabilities⁸ under insurance contracts due to establishing new rules for creating insurance reserves;⁹
- amendments providing for the inclusion by lessees of lease payments (net of the value added tax¹⁰) in the assessment of the liability under lease agreements from 1 January 2023 due to the entry into force of amendments to Clause 7 of Federal Accounting Standard (FAS) 25/2018 'Accounting of Lease';¹¹
- amendments relating to the accounting procedure for loan agreements in respect of which loan participation agreements were signed, and loan agreements defined in accordance with IFRS as equity instruments,¹² and also relating to clarifying the requirements for assessing derivatives¹³ and investment in securities.¹⁴

⁶ IFRS 17 Insurance Contracts (introduced in the Russian Federation by the Ministry of Finance of the Russian Federation Order No. 65n, dated 20 April 2021).

⁷ IFRS 9 Financial Instruments (introduced in the Russian Federation by the Ministry of Finance of the Russian Federation Order No. 98n, dated 27 June 2016).

⁸ Bank of Russia Ordinance No. 6236-U, dated 14 September 2022, 'On Amending Bank of Russia Regulation No. 491-P, Dated 4 September 2015'; Bank of Russia Ordinance No. 6237-U, dated 14 September 2022, 'On Amending Bank of Russia Regulation No. 487-P, Dated 2 September 2015'; Bank of Russia Ordinance No. 6238-U, dated 14 September 2022, 'On Amending Bank of Russia Regulation No. 486-P, Dated 2 September 2015'.

⁹ Bank of Russia Regulation No. 781-P, dated 16 November 2021, 'On the Requirements for Financial Sustainability and Solvency of Insurers'.

¹⁰ Bank of Russia Ordinance No. 6235-U, dated 14 September 2022, 'On Amending Clauses 2.3 and 5.1 of Bank of Russia Regulation No. 635-P, Dated 22 March 2018'.

¹¹ Order of the Ministry of Finance of the Russian Federation No. 101n, dated 29 June 2022, 'On Amending Federal Accounting Standard (FAS) 25/2018 'Accounting of Lease'.

¹² Bank of Russia Ordinance No. 6258-U, dated 26 September 2022, 'On Amending Bank of Russia Regulation No. 493-P, Dated 1 October 2015'.

¹³ Bank of Russia Ordinance No. 6256-U, dated 26 September 2022, 'On Amending Bank of Russia Regulation No. 488-P, Dated 2 September 2015'.

¹⁴ Bank of Russia Ordinance No. 6257-U, dated 26 September 2022, 'On Amending Bank of Russia Regulation No. 494-P, Dated 1 October 2015'.



In 2022, in order to apply IFRS as the basis for developing Russian accounting standards, the regulator amended the procedure for classifying and accounting raised subordinated financial instruments¹⁵ and the procedure for accounting financial assets in respect of which loan participation agreements were concluded.¹⁶

In addition, the Bank of Russia amended regulations on accounting of operations with precious metals¹⁷ by credit institutions and the procedure for preparing annual accounting (financial) statements by credit institutions as regards the frequency of inventory accounting of fixed assets and the application of the materiality criterion in relation to adjusting events occurring after the reporting date.¹⁸

The Bank of Russia continued to develop methods of collecting and processing accounting (financial), supervision and statistical reports in XBRL format.¹⁹ When developing XBRL taxonomy versions, the Bank of Russia took into account changes in regulations that establish the procedure for maintaining accounting records and preparing accounting (financial), supervision and statistical reports for NFIs,²⁰ credit history bureaus and credit rating agencies.

From 1 January 2022, it became mandatory for credit history bureaus²¹ to submit accounting reports, including accounting (financial) statements, to the Bank of Russia in XBRL format.

¹⁵ Bank of Russia Ordinance No. 6130-U, dated 25 April 2022, 'On Amending Bank of Russia Regulation No. 604-P, Dated 2 October 2017, 'On the Procedure for Credit Institutions to Account Transactions to Raise Funds under Bank Deposit Agreements and Loan Agreements, and Transactions to Issue and Redeem Bonds, Promissory Notes, Certificates of Deposit and Savings Certificates'; Bank of Russia Ordinance No. 6131-U, dated 25 April 2022, 'On Amending Bank of Russia Regulation No. 579-P, Dated 27 February 2017, 'On the Chart of Accounts at Credit Institutions and the Procedure for Using It'; Bank of Russia Ordinance No. 6133-U, dated 25 April 2022, 'On Amending Clauses 1.2 and 1.3 of Bank of Russia Regulation No. 446-P, Dated 22 December 2014, 'On the Procedure to Determine Credit Institutions' Revenues, Expenditures and Other Aggregate Income'.

¹⁶ Bank of Russia Ordinance No. 6132-U, dated 25 April 2022, 'On Amending Bank of Russia Regulation No. 605-P, Dated 2 October 2017, 'On the Procedure for Credit Institutions to Account Transactions to Place Funds under Loan Agreements, Transactions to Purchase Receivables from Third Parties Related to the Performance of Cash Liabilities, Transactions Related to Liabilities under Bank Guarantees Issued and Funds Provision'.

¹⁷ Bank of Russia Regulation No. 793-P, dated 25 April 2022, 'On the Procedure for Credit Institutions to Account Operations for Storing Ingots of Precious Metals and Exporting Them from the Russian Federation, Making Them by Gold Refineries for Credit Institutions, Buying (Selling) Ingots of Precious Metals, Operations for Raising and Depositing Precious Metals, and Operations with Precious Metal Coins'; Bank of Russia Ordinance No. 6193-U, dated 1 July 2022, 'On Invalidating Bank of Russia Ordinance No. 224-U, Dated 8 May 1998, 'On the Temporary Procedure for Using Balance-sheet Accounts 47414 and 47415'; Bank of Russia Ordinance No. 6194-U, dated 1 July 2022, 'On Invalidating Certain Bank of Russia Regulations on the Accounting of Transactions with Precious Metals in Credit Institutions'; Bank of Russia Ordinance No. 6131-U, dated 25 April 2022, 'On Amending Bank of Russia Regulation No. 579-P, Dated 27 February 2017, 'On the Chart of Accounts at Credit Institutions and the Procedure for Using It'.

¹⁸ Bank of Russia Ordinance No. 6255-U, dated 26 September 2022, 'On Amending Clauses 2.1 and 3.1 of Bank of Russia Ordinance No. 3054-U, Dated 4 September 2013'.

¹⁹ eXtensible Business Reporting Language.

²⁰ Insurance companies and mutual insurance companies, non-governmental pension funds, professional securities market participants, trade organisers, clearing houses, joint-stock investment funds, management companies of investment funds, unit investment funds and non-governmental pension funds, insurance brokers, and specialised depositories.

²¹ Bank of Russia Ordinance No. 5851-U, dated 9 July 2021, 'On Forms, Procedure and Timeframe for Compiling and Submitting to the Bank of Russia Statements by Credit History Bureaus'.



2.4. Development of the payment and settlement system

2.4.1. DEVELOPMENT OF THE PAYMENT SERVICES MARKET

In 2022, the payment services market continued to develop steadily despite the imposed sanctions. The development and rollout of national payment infrastructure solutions and systems ensured the business continuity of this infrastructure after the exit of some international payments systems (hereinafter, the IPS) from the Russian market and the disconnection of a number of banks from SWIFT.



In 2022, the portion of cashless payments in retail trade reached 78.1%

Over the year, cashless operations¹ gained 13.2% and 32.4% in terms of number and value to reach 79.5 billion payments totalling ₽1,592.3 trillion. Households' great demand for cashless payment instruments was evidenced by the continuously growing portion of cashless payments in retail trade,² which increased to 78.1% in 2022 from 74.3% in 2021.

Credit institution customers were actively using remote services. For example, they made 78.1 billion remote transactions totalling ₽1,463.0 trillion, which is 13.1% and 39.1% more than in the previous year, respectively. Moreover, nearly 40% of remote transactions of individuals and 62% of those of legal entities, which were not credit institutions, were made using the Internet and/or mobile communication devices.

The payment card market showed a strong growth. Since 2014, all payment card transactions inside Russia have been processed by NSPK JSC, including transactions with the IPS payments cards issued by Russian banks. This helped ensure the business continuity of domestic payments with these cards after the exit of some IPS from the Russian market and mitigate negative consequences for Russian holders of these cards.

As of 1 January 2023, the total number of payment cards issued by Russian credit institutions was 396.6 million or 2.7 cards per capita, having grown by 18.5% over the year.

As of 2022 year-end, card transactions inside and outside Russia increased by 9.8% in number and by 15.1% in value to 69.6 billion totalling ₽155.3 trillion. The cashless transactions³ were dominating in the structure of the above operations by 96.9% in terms of the number and by 79.7% in terms of the amount of transactions. Card cash withdrawals continued to decline and reached 3.1% and 20.3% respectively.

¹ Transactions carried out at the order of customers of credit institutions (individuals and legal entities that are not credit institutions, including individual entrepreneurs) as well as credit institutions' own transactions.

² The total turnover of retail trade, public catering and the value of paid services to households. The assessment is based on the Bank of Russia reporting forms and Rosstat data.

³ This includes payments for goods and services, customs payments and other cashless transactions (*inter alia*, card-to-card transfers, card-to-account transfers, charity payments, etc.).



Consumer demand for contactless technologies remained stable. More than 74% of payments for goods and services were contactless. The share of the contactless payments in the total value exceeded 55%. As of 1 January 2023, nearly 90% of card acceptance devices supported the contactless technologies.

Payment service providers went on developing the payment infrastructure in the Russian Federation. For instance, as of 1 January 2023, the Russian payment infrastructure comprised of 179,700 ATMs, more than 3.8 million POS terminals⁴ and 272,400 cashless payment terminals⁵ of credit institutions, as well as 175,100 cash offices and payment terminals of payment agents (subagents) and 351,900 cash offices and ATMs of bank payments agents (subagents).

The maturity of regional payment infrastructure is one of the factors influencing the accessibility of cashless payments across the country. In 2022, the number of POS terminals grew in all Russian regions. The number of POS terminals exceeded 25 devices per 1,000 persons in 38 regions (in 2021, this figure was reported by no more than 29 regions).

Payments for goods and services with payment cards issued by Russian credit institutions and non-resident banks were growing almost in all constituent territories of the Russian Federation and much faster than cash withdrawals. Moreover, in 2022, payments for goods and services made in the regional infrastructures accounted for over 95% of the total number of payment card transactions in 34 regions (vs 18 regions in 2021) and for over 50% – in 37 regions (vs 31 regions in 2021).

Non-bank credit institutions were also engaged in the provision of payment services. Their infrastructures were used to improve the accessibility of payment services for households, including those in remote, sparsely populated and hard-to-reach areas. In 2022, bank payment agents (subagents) made 255.9 million cash-in transactions for individuals totalling ₽721.9 billion. Most of them (82.3% of the total number) were made in order to transfer money to legal entities and individual entrepreneurs. However, in terms of value, those for subsequent money transfers to individuals were dominating (77.4%).

The number and value of transactions made using electronic means of payment to transfer electronic money rose by 4.3% and 13.8%, respectively, compared to 2021.

The sanctions pressure made national payment instruments became more important. Mir cards issue increased by 1.6 times over the year and amounted to 182.3 million cards as of 1 January 2023. There were 1.3 Mir cards per capita in Russia.



The Mir PS key development indicators showed a strong growth: Mir cards issue increased by 1.6 times, the number and value of transactions – by 1.5 and 1.6 times, respectively

⁴ Automatic devices enabling payment card holders to pay for goods and services with the engagement of merchant's authorised representative.

⁵ Automatic devices enabling payment card holders to carry out cashless transactions with payment cards on their own (without the engagement of any authorised representative of a credit institution or a merchant), the design of which does not allow cash withdrawal (acceptance).

A half of all domestic card transactions were made using Mir card. The national payment instruments accounted for 41.3%⁶ in the total value of card transactions inside Russia. In 2022, consumers made 29.4 billion such transactions worth ₸52.9 trillion (an increase by a factor of 1.5 in number and by a factor of 1.6 in value). Notably, Mir cards were used to pay for goods and services in 78 out of 100 cases.

The loyalty programme (cashback services) of the Mir payment system was successfully developing. The number of Mir cards registered in this programme reached 66 million as of 2022 year-end (vs 26.8 million as of 2021 year-end). The Mir payment system supported the implementation of the tourist cashback programme whereby some part of the cost of travel, tourism and children's recreation in Russia was to be refunded.

The number of credit institutions whose customers were able to pay for purchases using the Mir Pay mobile contactless payment application increased from 82 to 149.

As of 2022 year-end, 28 Russian regions implemented Mir Social Card and Mir Resident Card projects (vs 23 regions in 2021).

Mir cards may be used to pay surface transport fares nearly in all (84) regions and metro fares in seven regions of the Russian Federation.

In 2022, the special payment scheme for certain categories of people enabling them to pay for certain types of goods and services with an electronic certificate continued to develop. This made it much easier for them to acquire socially important goods and services, including the receipt of compensation from public authorities.

Mir cards are accepted in eight countries, outside Russia, including the member states of the Eurasian Economic Union (EAEU). As for the further expansion of the Mir card acceptance area, the priority here are the countries that are mostly favoured by Russian people as travel and seasonal stay destinations.

To further develop international cooperation with foreign central (national) banks in supervision and oversight in the national payment system (hereinafter, the NPS), the Bank of Russia signed an agreement with the Central Bank of the Republic of Uzbekistan on supervision and oversight over payment services market participants and payment systems, and an oversight agreement with the National Bank of the Republic of Belarus.

⁶ In 2022 Q4.



2.4.2. BANK OF RUSSIA SYSTEMS

THE BANK OF RUSSIA PAYMENT SYSTEM

In 2022, 5.0 billion funds transfers amounting to ₹3,342.4 trillion were processed through the systemically important payment system of the Bank of Russia (Bank of Russia PS), showing a 1.9-fold increase in number and a 1.7-fold increase in value. On average, 16.1 million transfers worth ₹13.5 trillion were made daily via the Bank of Russia PS. The speedy funds transfers were dominating value wise (91.0%) while the faster payments were prevailing in terms of number (61.3%).

As of 1 January 2023, 1,532 organisations were members of the Bank of Russia PS, of which 1,128 were credit institutions (branches), 165 were participants that are not credit institutions, and 239 were Bank of Russia divisions. On average, each member of the Bank of Russia PS carried out ₹3.2 million transactions amounting to ₹2.2 trillion. The Federal Treasury operations were processed seamlessly through the Treasury Single Account (TSA).

In 2022, the Bank of Russia PS supported the smooth running of domestic transactions with the IPS cards. On 1 October 2022, zero fees were introduced for Bank of Russia services in the Bank of Russia PS where credit institutions transfer funds in payment of fees to NSPK JSC for transaction services and clearing of payments with IPS cards.

The Bank of Russia took measures to protect communication channels between the Bank of Russia and information exchange participants based on cryptographic algorithms specified in the national standards of the Russian Federation and the transfer of the cryptographic information protection tool to Bank of Russia clients to ensure compliance with Bank of Russia Regulation No. 802-P, dated 25 July 2022, 'On the Requirements for Data Protection in the Bank of Russia Payment System'.

FASTER PAYMENTS SYSTEM

In 2022, the Faster Payment System (hereinafter, the FPS) was developing dynamically and offering state-of-the-art solutions for households, businesses and the government.

The number of FPS users reached 81 million people, having increased by 37 million people over the year. Over 3 billion transactions totalling ₹14.4 trillion were processed in the FPS in 2022. The number and value of transactions via the FPS increased 3.5-fold and 2.9-fold, respectively, as compared to 2021.



The number of payments for goods and services made in the FPS increased 27-fold and their value – 12-fold

Payments for goods and services in the FPS were gaining popularity. Favourable corporate tariffs and an easy-and-quick-to-use service were the reasons behind the multi-fold increase in the payments compared to 2021 (a 27-fold increase in number and a 12-fold increase in value). Over the year, 382,000 retail and service outlets subscribed to the FPS. By early 2023, there were 559,000 of them (including 482,000 small and medium-sized enterprises).

To expand the FPS functionality, NFC¹ payments were implemented to ensure a contactless acceptance of payments by retail and service outlets with high customer traffic, where the customer service rate is crucial.

The FPS started to process payments of individuals to the budget of the Russian Federation (C2G² transactions). Since 1 April 2022, FPS participants may make these payments free of charge.

Now, the FPS also supports cross-border money transfers. Indirect participants of the Bank of Russia PS, namely foreign banks (foreign credit institutions) and foreign central (national) banks, have access to cross-border money transfer services in the FPS. In 2022, the first cross-border transactions were successfully piloted both at the level of bank-to-bank transfers and the integrated faster payments systems of two countries.

In 2022, Bank of Russia requirements³ came into effect whereby banks – the FPS participants – shall:

- ensure that their customers (individuals) can make payments using SBPay mobile app developed by NSPK JSC;
- ensure that their customers have a permanent access to all the FPS services the bank is subscribed to as an FPS participant under the agreement with the FPS operational and payment clearing centre.

On 1 May 2022, the FPS transaction ceiling was increased from ₽600,000 to 1 million per transaction. The Bank of Russia amended accordingly its fees payable by FPS participants for C2C, C2B, B2C, B2B⁴ transactions within the above range.⁵

The zero fees for C2C services rendered by the Bank of Russia to FPS participants and transactions in financial platforms were extended to 1 July 2024.

To improve the tariff regulation, the Bank of Russia Board of Directors decided⁶ to set new fees for the services rendered by the Bank of Russia to FPS participants in relation to customer-to-customer cross-border money transfers, which took effect on 19 December 2022, and to introduce a zero fee for FPS participants to charge from their customers – payees of customer-to-customer cross-border money transfers in the FPS.

¹ Near Field Communication.

² C2G – customer-to-government.

³ Bank of Russia Regulation No. 732-P, dated 24 September 2020, 'On the Bank of Russia Payment System'.

⁴ C2C – customer-to-customer, C2B – customer-to-business, B2C – business-to-customer, B2B – business-to-business.

⁵ The amended fee schedule came into effect on 1 May 2022.

⁶ Decision of the Bank of Russia Board of Directors, dated 16 November 2022.



FINANCIAL MESSAGING SYSTEM OF THE BANK OF RUSSIA

Amid the existing sanctions, the Financial Messaging System (hereinafter, the FMS) is crucial, as it serves as a reliable and safe channel for banks, including those disconnected from SWIFT, to exchange payment data.

Over the year, 130 banks and companies joined the system. The number of its users reached 462 organisations. They include 106 non-residents from more than ten countries, with over a half of them having joined the system in 2022.

The number of users operating as FMS service bureaus increased.⁷



The FMS traffic more than tripled compared to 2021

The FMS popularity among payment market participants was also confirmed by positive trends in the FMS traffic. The number of messages sent via the FMS more than tripled compared to 2021.

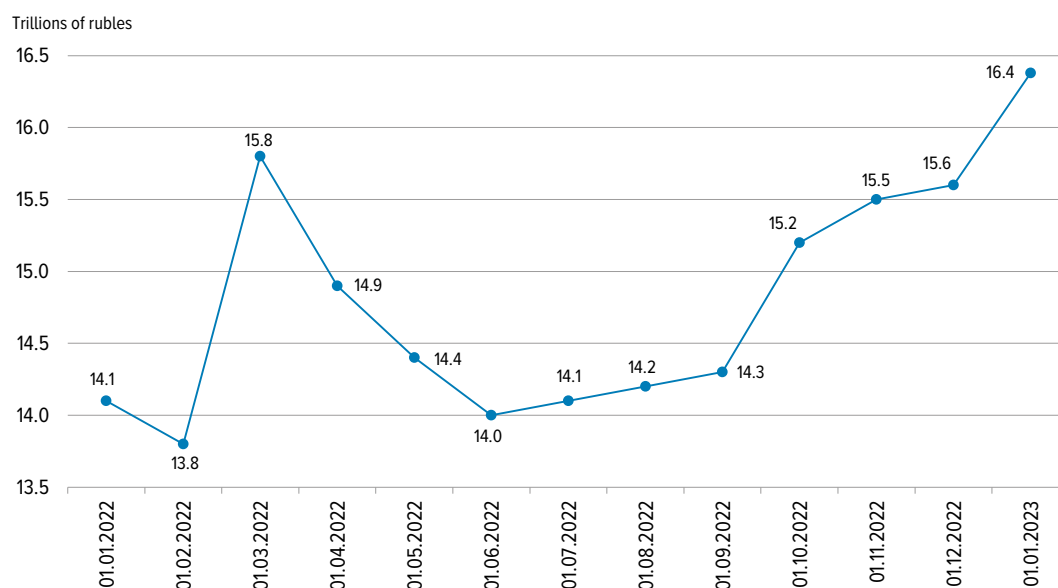
⁷ FMS users facilitating financial messaging for third parties – their customers – in the FMS.

2.4.3. CASH CIRCULATION

The Bank of Russia's cash circulation activity is aimed at ensuring stable cash turnover.

CASH IN CIRCULATION*

Chart 32



* Data include coins made of precious metals.



Despite numerous spikes in demand for cash in 2022, the Bank of Russia secured smooth full-fledged payment transactions in banknotes and coins

In 2022, ₽2,300.6 billion in cash were issued for circulation (a 16.3% increase on 2021), where ₽2,296.5 billion accounted for banknotes and ₽4.1 billion – for coins.

As of 1 January 2023, the Bank of Russia currency units in circulation, including coins made of precious metals, totalled ₽16,392.3 billion, including banknotes in the amount of ₽16,269.1 billion (7.4 billion units), coins in the amount of ₽122.7 billion (71.3 billion units), and coins made of precious metals in the amount of ₽0.5 billion. In the total value of cash in circulation, banknotes and coins accounted for 99.2% and 0.8%, respectively. In the total number of banknotes and coins in circulation, the former made up 9.4% and the latter – 90.6%.

In 2022, the number of banknotes in circulation increased by 0.6 billion units and the number of coins (excluding coins made of precious metals) increased by 1.0 billion units.

The Bank of Russia monitored cash turnover, analysed the banknote structure of cash in circulation to make sure it matched the needs of the economy.



In the note structure of cash, the share of ₹5,000 banknotes expanded from 82.0% to 84.0% over the reporting period. At the same time, there was a decrease in the share of ₹2,000 banknotes (from 4.5% to 4.2%) and in the share of ₹1,000 banknotes (from 10.6% to 9.1%). The respective shares of ₹500, ₹200, ₹100, ₹50, ₹10, and ₹5 banknotes essentially remained at the 2021 levels.

In 2022, cash turnover through Bank of Russia divisions and credit institutions rose by 7.1% as compared to the previous year to ₹108.9 trillion (vs ₹101.7 trillion in 2021).

In 2022, the Bank of Russia divisions provided cash services to 2,691 credit institutions and their units and to 96 non-credit institutions.

The Bank of Russia developed cooperation with credit institutions to maintain the availability of cash for Russian households and businesses. The regulator placed its own cash reserves in banks' vaults so that banks could use them when providing cash services to their clients. As of 2022 year-end, 28 units of four credit institutions were engaged in the said arrangement.

To ensure a higher velocity of coin circulation, the regulator develops the Bank of Russia Coin Platform – an information service supporting the direct communication between banks and merchants regarding the delivery of coins to each other. In 2022, the number of regions where the Bank of Russia Coin Platform was operating increased from 14 to 21 and the number of participants – from 198 to 277. The Platform's turnover increased by 55.1% over the year.

In 2022, the Bank of Russia completed the upgrade of the ₹100 banknote. Now, the note has a new design and improved security features. ATMs, money counters and sorters, and other cash equipment are being adapted to process the upgraded banknote.

The Bank of Russia and credit institutions are switching to Russian-made cash processing machines. The Bank of Russia received the first high-capacity counting and sorting machine of Russian manufacture.

The level of counterfeiting remained consistently low. In 2022, there were four per one million banknotes in circulation (vs six counterfeits in 2021).

In the reporting year, 22,874 counterfeit banknotes, including 14,184 ₹5,000 banknotes, 4,336 ₹2,000 banknotes, and 3,637 ₹1,000 banknotes, were detected, withdrawn from circulation, and handed over to the police.

In 2022, the share of counterfeit ₹5,000 banknotes in the total number of counterfeits dropped to 62.0% (by 14.3 percentage points) while those of ₹2,000 and ₹1,000 banknotes rose to 19.0% (by 8.7 percentage points) and to 15.9% (by 4.4 percentage points), respectively.

The largest number of counterfeit banknotes was detected in the Central Federal District; the smallest number was detected in the Far Eastern Federal District.

The portion of counterfeit banknotes of the Bank of Russia detected by credit institutions came in at 38.6% of the total number of detected counterfeits (vs 37.7% in 2021).

In 2022, Bank of Russia divisions and credit institutions detected and handed over to the police 1,811 counterfeit banknotes of foreign countries (groups of foreign countries).



In 2022, the Bank of Russia issued 48 kinds of commemorative coins (one gold coin, 35 silver coins, and 12 base metal coins) and three kinds of investment coins (two gold coins and one silver coin).



2.4.4. DIGITAL RUBLE

To develop the national payment system in 2022, the regulator completed the prototype testing of the Bank of Russia digital ruble platform (the Platform) and undertook the development of its production-ready solution, which is planned to be piloted in 2023. The pre-tests of the said solution took place in December 2022.

Eight out of 15 credit institutions, which participated in the first pilot group, completed the user testing of customer-to-customer (C2C) transfers on the Platform prototype and demonstrated the functionality of the digital ruble in their mobile apps.

Besides, customer-to-business (C2B) transfers, QR code purchases, and self-executing one-off and recurring C2C transfers were implemented on the Platform as part of step-by-step development.

The Bank of Russia participated in the drafting of federal laws¹ establishing the basis for the legal status of digital rubles and the regulation for their transfers. These drafts were submitted to review by the State Duma.

In 2022, the regulator took measures to develop solutions ensuring information security and operational resilience of the Platform. In particular, special information protection tools were created to secure the access to the Platform.

While creating the Platform, architecture and process solutions were designed and implemented for information security and cyber resilience in cooperation with relevant federal executive bodies.

¹ Draft Federal Law No. 270838-8 'On Amending Certain Laws of the Russian Federation Related to the Implementation of the Digital Ruble' (approved in the first reading by the State Duma on 16 March 2023); Draft Federal Law No. 270852-8 'On Amending Parts One, Two, and Three of the Tax Code of the Russian Federation'.



2.5. Technology development and innovation support in the financial market

2.5.1. PROMOTING FINANCIAL MARKET DIGITALISATION

In 2022, the Bank of Russia continued its efforts to create conditions for the development and rollout of digital technologies, to implement digital infrastructure projects aimed at improving the accessibility of financial services for households and businesses, cut the costs of financial market participants, and introduce innovations.

UNIFIED BIOMETRIC SYSTEM

In December 2022, Federal Law No. 572-FZ¹ was adopted. Among other things, the law provides for the storage of biometric data exclusively in the Unified Biometric System (UBS), and a switch to the use of feature vectors of biometric data. This law was prepared in cooperation with the Bank of Russia.

The Bank of Russia participated in the preparation of the procedure² for individuals to register their biometric data in the UBS themselves using a secure mobile app. The policymakers also described the cases³ when it is possible to use the biometric data collected by individuals on their own. It is planned to start applying such biometric technology in 2023.

On 1 September 2022, banks with a universal licence became obliged⁴ to make it possible for their retail customers to open accounts, deposits or receive loans without personal attendance after their successful identification on websites and in mobile apps of banks using the UBS. Policymakers also introduced criteria⁵ for mobile apps of banks with a universal licence that the latter should use to provide such services as opening of accounts, deposits or getting loans using the UBS identification.

¹ Federal Law No. 572-FZ, dated 29 December 2022, 'On the Identification and/or Authentication of Individuals Using Biometric Personal Data, and on Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws'.

² Resolution of the Government of the Russian Federation No. 1066, dated 15 June 2022, 'On the Placement of Own Biometric Data by Individuals in the Unified Information System of Personal Data Facilitating the Processing of Biometric Personal Data, Including Their Collection and Storage, Verification and Transfer of Information on Their Conformity to the Biometric Personal Data Provided by an Individual'.

³ Resolution of the Government of the Russian Federation No. 1067, dated 15 June 2022, 'On the Cases of, and Timeframes for Using the Biometric Personal Data Placed by Individuals in the Unified Information System of Personal Data Facilitating the Processing of Biometric Personal Data, Including Their Collection and Storage, Verification and Transfer of Information on Their Conformity to the Biometric Personal Data Provided by an Individual'.

⁴ Federal Law No. 441-FZ, dated 30 December 2021, 'On Amending Article 15.3 of Federal Law 'On Information, Information Technologies and Information Protection' and Articles 3 and 5 of Federal Law 'On Amending Certain Laws of the Russian Federation'.

⁵ Bank of Russia Ordinance No. 6225-U, dated 22 August 2022, 'On Criteria for Mobile Applications of Banks with a Universal Licence to be Used to Enable Retail Customers to Open Accounts (Deposits) in Rubles and Get Loans in Rubles Without Personal Attendance Subject to Their Identification According to the Procedure Specified in Clause 5.8 of Article 7 of Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (laundering) of Criminally Obtained Incomes and Terrorism Financing'.



In 2022, the Bank of Russia, the Government of the Russian Federation and PJSC Rostelecom became shareholders⁶ of JSC Centre for Biometric Technologies. This Company was designated to be the UBS operator and to facilitate the development of digital identification and authentication technologies, and document signing and storage services.

As of the end of 2022, the registration in the Unified Biometric System was available in more than 13,000 banking service points at 189 banks and outside offices across all Russian regions (courier model). 54 banks provide remote identification services through a website or a mobile application.

DIGITAL PROFILE⁷



Individuals used the Digital Profile more than 24.4 million times

In 2022, 37 banks, five insurance companies, 20 microfinance organisations, and three financial platform operators used the Digital Profile to provide the following services: filling out a credit questionnaire and/or receiving a loan, including mortgage loans, getting insurance services (including the purchase of CMTPLI and comprehensive and collision insurance policies), receiving microloans and financial platform services. The Digital Profile supports 38 types of data. After the launch of the Digital Profile, people gave their consent to provide data through this infrastructure more than 24.4 million times. The SME Digital Profile was created⁸ in 2022.

MARKETPLACE

As of 2022 year-end, there were six financial platform operators registered in the Bank of Russia's register, which provided their retail customers with a full range of financial products, i.e. bank deposits, CMTPLI policies, units in unit investment funds, credit products, and debit cards. Both large and small regional banks use financial platforms. Agreements are concluded remotely from home. No visit to an office of a financial institution is required. Any bank, which has joined a financial platform, may offer its products to people nearly all over the country.

In 2022, issuers continued to issue thematic bonds for households. They offered two new issues of Kaliningrad Region bonds with fixed and step-up coupons. The sale

⁶ Executive Order of the Russian President No. 693, dated 30 September 2022, 'On Designation of a Company to Facilitate the Development of Digital Identification and Authentication Technologies'.

⁷ The Digital Profile ensures an easy and fast exchange of data required for receiving services between individuals, authorities and businesses. According to Resolution of the Russian Government No. 2266, dated 9 December 2022, 'On Amending Resolution of the Russian Government No. 710, Dated 3 June 2019', the Digital Profile pilot project was extended until 31 December 2023.

⁸ Resolution of the Government of the Russian Federation No. 2371, dated 21 December 2021, 'On Conducting an Experiment to Ensure the Digital Transformation of Service Provision, Support Measures and Services to Develop Small and Medium-Sized Enterprises'.

proceeds are allocated to environmental projects and urban improvement in the region. Corporate issuers started to place their bonds on financial platforms.

IMPLEMENTING ELECTRONIC STORAGE IN THE FINANCIAL MARKET

In April 2022, the State Duma adopted in the first reading a draft law⁹ on the use and storage of electronic documents, which was developed in cooperation with the Bank of Russia. Under the draft law, it is permitted to scan paper-based documents to convert them into electronic format without prejudice to their validity, and convert electronic documents to other digital formats. The Bank of Russia and the Government of the Russian Federation drafted amendments to the above draft law for its second reading in the State Duma.

SUBSCRIBER DATA VERIFICATION

In 2022, the Bank of Russia participated in the improvement of a draft law¹⁰ whereby authorities and legal entities may verify subscriber data to counter illegal activities related to the provision of services (client onboarding) to individuals and legal entities (anti-fraud procedures), to prepare the draft for the second reading in the State Duma.

DIGITAL FINANCIAL ASSETS¹¹ AND DECENTRALISED FINANCE

In 2022, a law¹² was adopted to eliminate barriers to the active development of utility digital rights (UDRs) and digital financial assets (DFAs).¹³ The law was prepared in cooperation with the Bank of Russia. The law establishes a procedure for settlements under DFA transactions using a nominal account. Also, policymakers made some improvements in the framework for pledging securities as collateral to secure DFA obligations and prohibited to use DFAs and UDRs as a means of payment. Moreover, it is established that the rules of an investment platform should be coordinated in a similar manner as the rules of an information system that issues DFAs, and DFA exchange rules.

The Bank of Russia was involved in making some necessary amendments to the tax law¹⁴ related to the taxation of DFAs and hybrid digital rights.¹⁵ Policymakers established the procedure for determining the tax base of DFA transactions, tax refunds, tax rates,

⁹ Draft law No. 1173189-7 'On Amending Certain Laws of the Russian Federation Related to the Regulation of the Electronic Document Conversion, Making Electronic and Hard Copies of Documents, and Storage of Electronic Documents'.

¹⁰ Draft Law No. 514780-7 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and Other Laws of the Russian Federation'.

¹¹ As of 30 December 2022, there are three information system operators issuing DFAs in the Bank of Russia register, ten more applications are under consideration. There have been 19 DFA issues in total.

¹² Federal Law No. 331-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation and Suspending Certain Provisions of Article 51 of the Federal Law 'On Banks and Banking Activities'.

¹³ UDRs and DFAs are new financial instruments that may be issued and traded in distributed ledger technology systems.

¹⁴ Federal Law No. 324-FZ, dated 14 July 2022, 'On Amending Part Two of the Tax Code of the Russian Federation'.

¹⁵ Digital rights include DFAs and UDRs.



and tax reliefs. Specifically, they defined the procedure for payments of corporate income tax, personal income tax, and value added tax.

Policymakers extended¹⁶ the list of DFAs that can be bought by non-qualified investors. Such investors may buy DFAs where the amounts of payments are linked to the value of Russian equities – blue chips and dividend payments on them – subject to compliance with the protection framework for those investors who are mostly exposed to the loss of their investment in high-risk products.

Moreover, policymakers set the levels of credit ratings for DFA issuers and guarantors pursuant to Bank of Russia Ordinance No. 5635-U.¹⁷ The levels of credit ratings were also established for credit institutions where information system operators issue DFAs and DFA exchange operators may open nominal accounts under Federal Law No. 259-FZ 'On DFAs'.¹⁸



In 2022, there were 19 DFA issues worth ₪728 million

In November 2022, the Bank of Russia issued a [consultation paper](#) on the development of the digital asset market in the Russian Federation. The document presented initiatives to improve the digital rights legislation.

In November 2022, the regulator published an [information and analytical report](#) on decentralised finance (DeFi). The report described the DeFi economics and architecture, analysed DeFi potential and risks, and focused on the ongoing debate among international organisations, foreign regulators and scholars regarding the possibility of regulating DeFi, given the absence of an intermediary as a regulated entity, and its anonymous and global nature.

OPEN API

In November 2022, the Bank of Russia issued a [Concept of Open API in the Financial Market](#). The document sets out approaches to the implementation of open APIs in the Russian market and to the adoption of single standards for data exchange in the banking, insurance, investment, and microfinance sectors (Open Finance). This will help unify communication between open API users, ensure a convenient data exchange, and cut related costs. Based on the analysis of feedback received from the financial market participants, most respondents supported the concept of implementing Open Finance

¹⁶ Bank of Russia Ordinance No. 6159-U, dated 15 June 2022, 'On Amending Bank of Russia Ordinance No. 5635-U, Dated 25 November 2020'.

¹⁷ Bank of Russia Ordinance No. 5635-U, dated 25 November 2020, 'On the Signs of Digital Financial Assets Which May Only Be Acquired by a Qualified Investor, on the Signs of Digital Financial Assets Which May Be Acquired by a Non-qualified Investor Only for the Maximum Amount Established by the Bank of Russia and Received as Payment for Them, and the Total Value of Other Digital Financial Assets Received as Consideration; on the Said Maximum Amount and the Total Value of Digital Financial Assets'.

¹⁸ Federal Law No. 259-FZ, dated 31 July 2020, 'On Digital Financial Assets, Digital Currency, and on Amending Certain Laws of the Russian Federation'.

in the financial market and expanding it further to the non-financial sector of the economy (transition to Open Data). Notably, some major market participants (including seven out of 13 systemically important banks) find it necessary to implement Open Data alongside with Open Finance.



Open APIs will be rolled out in the financial market step by step

Educational events on financial technologies are presented in [Subsection 2.7.7 'Bank of Russia training events for external audience'](#).

2.5.2. DIGITALISATION OF REGULATION AND SUPERVISION

Under the approved SupTech¹ and RegTech² roadmap,³ in 2022, the Bank of Russia implemented the following:

- Know Your Customer platform – an information service which helps make banking operations more transparent, reduce workload for financial market participants, cut their operating expenses related to the identification of illicit activities, and facilitate payments of low-risk entities;
- Improvements in a financial market participant card in the Consolidated File system, enabling Bank of Russia staff to use advanced search settings to find information on supervised entities;
- Improvements in the analysis of the news to ensure the risk assessment of supervised entities and the admission of applicants to the financial market.

DEPLOYMENT OF A NOVEL TECHNOLOGY SUPPORTING PERSONAL ACCOUNTS OF PARTICIPANTS IN THE DATA EXCHANGE WITH THE BANK OF RUSSIA, IMPROVEMENTS IN PROCESSES TO COLLECT REPORTS OF FINANCIAL INSTITUTIONS

Following recent amendments to the electronic signature law, some improvements were made in Bank of Russia automated systems supporting the use of powers of attorney in an electronic machine-readable format to verify powers of the representatives of participants in the data exchange with the Bank of Russia via the personal accounts. The above machine-readable formats are now produced in the personal accounts as well.

An interagency working group of representatives of the Ministry of Digital Development, the Federal Tax Service, the Bank of Russia, the Federal Treasury, and the Federal Notary Chamber drafted the single machine-readable format to replace a number of machine-readable formats set by the operators of public and municipal information systems, and to cut costs of all electronic exchange participants.

The classifier of powers, which is being rolled out by the Ministry of Digital Development in the Unified System of Regulatory and Reference Information, now includes a list of powers exercised by participants in the data exchange with the Bank of Russia via the personal accounts.

¹ SupTech (Supervisory Technology) is a technology used by regulators to enhance the effectiveness of their control and supervision of financial market participants.

² RegTech (Regulatory Technology) is a technology used by financial institutions to enhance the effectiveness of compliance.

³ SupTech and RegTech Development Guidelines for 2021–2023.



TRANSITION TO XBRL-BASED ELECTRONIC COLLECTION AND PROCESSING OF REPORTING DATA

In 2022, the Bank of Russia went on using the XBRL format to collect reports and improving the XBRL taxonomy, namely it implemented updated reporting requirements for NFIs,⁴ credit history bureaus (CHBs), and CRAs, who had been providing their reports in the XBRL format for some time, and developed new modules in the XBRL taxonomy for self-regulatory organisations in the financial market and operators.⁵

The Bank of Russia issued a preliminary XBRL taxonomy (version 5.0) and a final XBRL taxonomy (versions 5.1 and 5.2), related materials and guidance, as well as draft regulations setting out the updated reporting requirements.

To check XBRL reporting processes and IT systems on the side of reporting companies, and to test its XBRL taxonomy and technological platform, the Bank of Russia conducted a pilot project to collect test reporting data from CHBs, CRAs, PSMPs, management companies, insurance brokers, operators, NPFs, specialised depositories, insurance companies, mutual insurance companies, and self-regulatory organisations in the financial market.

As the Bank of Russia was launching its XBRL taxonomy of responses to regulatory enquiries following any ad hoc regulatory changes, which are subject to immediate control, three versions of the XBRL taxonomy were released in relation to the above responses (versions 4.3.0.2, 4.3.0.3 and 5.2.0.2).

With the Bank of Russia's assistance, the Autonomous Non-profit Organisation XBRL Implementation and Development Centre continued to work on the voluntary certification of software for the developers of XBRL solutions. In 2022, the above organisation launched fragmented tests of software products. In 2022, it issued three certificates as part of the voluntary certification and four protocols of fragmented tests, and published the relevant information on its website.

FACILITATING ELECTRONIC DOCUMENT CREATION AND STORAGE

The Bank of Russia is implementing a project named 'The Creation of an Automated Electronic Document Storage System' to ensure the storage of electronic documents prepared at the Bank of Russia and those received from state authorities, supervised entities, individuals, and other stakeholders. The project scope includes documents with various retention periods and access modes, including documents containing confidential information and (or) personal data. As of 2022 year-end, 93% of the Bank of Russia's document workflow was electronic.

⁴ Insurance companies, mutual insurance companies, non-governmental pension funds, professional securities market participants, trade organisers, clearing houses, joint-stock investment funds, management companies, insurance brokers, and specialised depositories.

⁵ Investment platforms operators, financial platform operators, operators of information systems where DFAs are issued, and DFA exchange operators.



2.5.3. DEVELOPMENT OF INFORMATION SECURITY IN THE BANKING AND FINANCIAL SECTOR

The Bank of Russia participated in drafting Federal Law No. 408-FZ,¹ which was adopted in 2022. Pursuant to this law, the Ministry of Internal Affairs of the Russian Federation is listed as a participant in the data exchange with the Bank of Russia so that the former can receive information from the database of the latter on actual and attempted unauthorised funds transfers, and provide the latter with information on committed misconduct related to actual and attempted unauthorised funds transfers.

The Bank of Russia was involved in drafting the following laws, which were submitted to the State Duma:

- A federal law² aimed at improving the mechanism to prevent unauthorised funds transfers. The draft law provides for the implementation of anti-fraud not only by a payer's bank but also by a payee's bank to ensure the exchange of relevant information and fast response. In addition, some extra tools should be implemented, enabling banks to give their customers a cooling-off period to prevent embezzlement of private funds using social engineering techniques, among other things;

- A federal law³ empowering the Bank of Russia to monitor the execution of action plans for financial institutions to switch to using mainly Russian software in critical IT infrastructures. The draft law also empowers the Bank of Russia to control purchases of business continuity software and related services of foreign providers made by financial institutions to ensure the continuity of banking and other financial services.

To improve information security regulation of the financial sector, the regulator issued the following:

- Bank of Russia Regulation No. 802-P⁴ setting requirements for information security in the Bank of Russia Payment System;

- Bank of Russia Ordinance No. 6103-U⁵ specifying how to calculate and monitor actual values of information security risk control metrics reflecting the quality of information security management and associated with the assessment of anti-fraud effectiveness at credit institutions. The ordinance also describes the way to log information security risk events related to the dissemination of data constituting bank secrecy beyond control of a credit institution;

¹ Federal Law No. 408-FZ, dated 20 October 2022, 'On Amending Article 26 of the Federal Law 'On Banks and Banking Activities' and Article 27 of the Federal Law 'On the National Payment System' (with regard to the data exchange between the Bank of Russia and the Ministry of Internal Affairs of the Russian Federation).

² Draft Federal Law No. 197920-8 'On Amending the Federal Law 'On the National Payment System' (approved by the State Duma in the first reading on 14 March 2023).

³ Draft Federal Law 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

⁴ Bank of Russia Regulation No. 802-P, dated 25 July 2022, 'On the Requirements for Information Security in the Bank of Russia Payment System'.

⁵ Bank of Russia Ordinance No. 6103-U, dated 25 March 2022, 'On Amending Bank of Russia Regulation № 716-P, Dated 8 April 2020, 'On the Requirements for Operational Risk Management at a Credit Institution and a Banking Group'.



- Bank of Russia Ordinance No. 6060-U⁶ establishing forms, methodologies, processes and deadlines for reporting on information protection during funds transfer by payment infrastructure operators and funds transfer operators (to substitute Bank of Russia Ordinance No. 2831-U⁷);
- Bank of Russia Ordinance No. 6017-U,⁸ listing threats arising from the processing of biometric personal data in the Unified Biometric System;
- Bank of Russia Ordinance No. 6071-U,⁹ enabling individuals to set self-restrictions on their online operations.

To coordinate the issues of ensuring technological sovereignty of the financial market, the sectoral committee 'Finance' was created under the Bank of Russia. The committee includes representatives of systemically important financial institutions, the Ministry of Digital Development, the Ministry of Industry and Trade, the Ministry of Finance of the Russian Federation, the Association for Development of Financial Technologies, the Russian Software Products Association 'Russian Software', and sectoral associations.

To ensure the development and expertise of financial cyber literacy content, a task force comprising psychologists, sociologists and marketing experts representing prominent scholarly traditions was established under the umbrella of the Bank of Russia. Awareness raising materials aimed at enhancing financial cyber literacy of people are available in more than one million transport and social infrastructures in the constituent territories of the Russian Federation.



The average level of satisfaction of households and businesses with the security of financial services is 62.6% and 62.8%, respectively

In 2022, the regulator made a survey named 'Public satisfaction with the security level of financial services provided by credit and financial institutions' which covered 288,364 individuals and 7,865 companies.

To ensure the adequate competence of the financial institution employees to tackle information security threats, the regulator approved the professional standard 'Information Security Specialist for Credit and Financial Institutions'.¹⁰

⁶ Bank of Russia Ordinance No. 6060-U, dated 12 January 2022, 'On the Forms and Methodologies, Processes and Deadlines for Reporting on Information Protection During Funds Transfers by Payment Infrastructure Operators and Funds Transfer Operators'.

⁷ Bank of Russia Ordinance No. 2831-U, dated 9 June 2012, 'On Reporting by Payment System Operators, Payment Infrastructure Operators, Funds Transfer Operators on Information Protection During Funds Transfers'.

⁸ Bank of Russia Ordinance No. 6017-U, dated 16 December 2021, 'On the List of Security Threats Arising from Biometric Personal Data Processing, Verification, and Transfer of Information on the Extent of Their Correspondence to Biometric Personal Data of an Individual when Financial Market Entities Interact with the Unified Biometric System'.

⁹ Bank of Russia Ordinance No. 6071-U, dated 18 February 2022, 'On Amending Bank of Russia Regulation No 683-P, Dated 17 April 2019, 'On Mandatory Requirements for Credit Institutions to Ensure Data Protection in Banking to Counter Unauthorised Funds Transfers'.

¹⁰ Order of the Russian Ministry of Labour and Social Protection 'On Approving the Professional Standard Information Security Specialist for Credit and Financial Institutions' (registered by the Ministry of Justice of the Russian Federation on 22 December 2022, No. 71784).



The regulator held a practice-focused training CyberCourse for employees of financial institutions, universities, and law enforcement authorities (4,000 trainees).

A special Subsection Antifraud was arranged in the Information Security Section on the Bank of Russia's website to provide and share information on recent fraudulent lending and financial activities and tips to prevent falling victim to scams.

To counter mobile phones scams, the Bank of Russia arranged cooperation with the Ministry of Digital Development of the Russian Federation and mobile phone operators to block telephone numbers that were used by scammers to make telephone calls and send text messages, and to counter spoofing of credit institutions' telephone numbers – a technique actively used by scammers. Over 2022, the Bank of Russia sent the communication providers information on 756,000 illicitly used telephone numbers for verification and response.

To prevent online financial fraud, the Bank of Russia collaborated with domain registrars to block fraudulent resources. Over the reporting period, the Bank of Russia reported to the domain registrars on 5,217 online resources used for financial crimes. Moreover, information on 10,716 internet domains was submitted to the Russian Prosecutor General's Office to limit access to them.

In 2022, unauthorised transactions amounted to nearly ₹14.2 billion, making 0.00097% in total volume of money transfers (0.00130% in 2021). This is below the target set by the Bank of Russia for the portion of such transactions in total transactions (0.005%).



2.6. Promoting sustainable development

2.6.1. DEVELOPMENT OF THE SUSTAINABLE FINANCE MARKET AND INFRASTRUCTURE, CREATION OF CONDITIONS AND OPPORTUNITIES FOR COMPANIES' ESG TRANSFORMATION

In 2022, the Bank of Russia amended the securities issue standards¹ to enable issuers to issue new types of bonds, namely adaptation bonds, sustainability-linked bonds, and climate transition bonds. Now, Russian companies are able to raise finance for transforming their businesses based on the Sustainable Development Goals and for national goals related to the transition to a low carbon economy.

The Bank of Russia issued Ordinance No. 6283-U,² to make correspondent amendments to Bank of Russia Regulation No. 714-P³ to update disclosure requirements for green, social, adaptation, sustainable development, sustainability-linked, and climate transition bonds.

The Bank of Russia contributed to the improvement of requirements for sustainable development projects' verification framework⁴ in terms of their alignment with the provisions of the Securities Issue Standards.

To integrate sustainability into corporate governance of financial institutions, the Bank of Russia published recommendations⁵ on its website. Financial institutions are recommended to include environmental, social and governance (ESG) issues in the organisation of their corporate governance, namely in strategic planning and a risk management set-up, among others, to ensure the successful operation and long-term value of such organisation.

The Bank of Russia initiated the development of a green residential development national standard,⁶ which came into effect on 1 November 2022. One will be able to assess whether it has been reasonable to have a special green mortgage category in the banking regulation along with the accumulation of data on risk profiles of the relevant loans and their comparison with other mortgage products.

To develop an ESG rating framework, the Bank of Russia established an ESG Rating Working Group, which worked on the ESG Rating Model Methodology consultation paper.

¹ Bank of Russia Ordinance No. 6195-U, dated 4 July 2022, 'On Amending Bank of Russia Regulation No. 706-P, Dated 19 December 2019, 'On Securities Issue Standards'.

² Bank of Russia Ordinance No. 6283-U, dated 30 September 2022, 'On Amending Bank of Russia Regulation No. 714-P, Dated 27 March 2020, 'On Disclosing Information by Securities Issuers'.

³ Bank of Russia Regulation No. 714-P, dated 28 March 2020, 'On Disclosing Information by Issue-grade Securities Issuers'.

⁴ Resolution of the Government of the Russian Federation No. 1587, dated 21 September 2021, 'On the Approval of the Criteria for Sustainable (including Green) Development Projects in the Russian Federation and Requirements for the Verification of Sustainable (including Green) Development Projects in the Russian Federation'.

⁵ Bank of Russia Information Letter No. IN-02-28/145, dated 28 December 2022, 'On Recommendations for Financial Institutions to Include ESG Factors and Sustainable Development Issues in the Organisation of Corporate Governance'.

⁶ GOST R 70346-2022 Green standards. Green Apartment Buildings. Assessment methodology and development, construction and operation criteria (approved by the Federal Agency on Technical Regulating and Metrology (Rosstandard) on 9 September 2022).



2.6.2. ESG RISK ANALYSIS AND MANAGEMENT

The Bank of Russia continued to regard the assessment of climate risks and the mitigation of their effect on financial sector as key tasks within its financial stability mandate.

In 2022, short-term transition risks started to subside in the Russian economy, as exports were redirected to the Asian countries which had less ambitious climate agenda. However, it will be necessary to reduce the carbon footprint of Russian exports in the medium term to ensure their competitiveness, otherwise Russian exporters might face a sharper drop in revenues and their lenders – worse credit quality. On the top of that, there are growing physical risks, namely higher frequency and intensity of adverse weather events, covering a larger number of regions. For example, in the 21st century, Russia gets warmer twice as quickly as the terrestrial area of the globe.¹

To this end, the Bank of Russia released the consultation paper [Climate Risks in Changing Economic Conditions](#) in December 2022. The purpose was to discuss with market participants a new climate risks profile for the Russian economy, necessary and adequate requirements for sustainability disclosures, as well as possible approaches to climate risks management at financial institutions and coverage of such risks in the banking regulation.

¹ The Third Assessment Report on Climate Change and Its Effects in the territory of the Russian Federation (2022) by the Federal Service for Hydrometeorology and Environmental Monitoring (Rosgidromet).



2.6.3. DEVELOPMENT OF THE CARBON EMISSIONS TRADING SYSTEM

In 2022, the Bank of Russia took part in the development of the national carbon regulation, including the issues of the accounting of and trading in carbon units and quotas.

To implement the provisions of Federal Law No. 296-FZ,¹ the Bank of Russia participated in the elaboration of the Russian Government's regulations establishing an entity to act as the operator of the carbon unit register,² procedures for creating and keeping the carbon unit register,³ and for setting fees payable to the operator,⁴ as well as a standard service agreement with the operator.⁵

This helped arrange the carbon unit trading based on the existing infrastructure with the Bank of Russia's support. In September 2022, Joint-Stock Company National Mercantile Exchange launched on-exchange trading in carbon units.⁶ The trades were piloted as ascending-price commodity auctions. There were 20 carbon units sold. Now, Russian companies have got a convenient tool for reducing their carbon footprint. Moreover, when implementing their climate projects, they will be able to raise funds via selling carbon units in the on-exchange market. In addition, the on-exchange trading in carbon units will help ensure more transparent pricing.

In 2022, Federal Law No. 34-FZ⁷ was adopted, which was drafted jointly with the Bank of Russia, whereby an experiment should be carried out to establish a special regulation of greenhouse gas emissions and sinks in individual constituent territories of the Russian Federation. The experiment is intended to test various methods and approaches to the monitoring and treatment of greenhouse gas emissions, the implementation of climate projects, and the accounting of and trading in carbon units and quotas. The experiment is being held in the Sakhalin Region (from 1 September 2022 to 31 December 2028) to ensure the region is carbon neutral by 31 December 2025.

¹ Federal Law No. 296-FZ, dated 2 July 2021, 'On Limiting Greenhouse Gas Emissions'.

² Directive of the Government of the Russian Federation No. 367-r, dated 1 March 2022, 'On Establishing a Competent Legal Entity to Act as an Operator of the Carbon Unit Register'.

³ Resolution of the Government of the Russian Federation No. 790, dated 30 April 2022, 'On the Approval of Rules for Creating and Keeping the Carbon Unit Register and for Making Carbon Unit Transactions in the Carbon Unit Register'.

⁴ Resolution of the Government of the Russian Federation No. 518, dated 30 March 2022, 'On the Procedure for Setting Operator Fees for Making Transactions in the Carbon Unit Register'.

⁵ Resolution of the Government of the Russian Federation No. 905, dated 20 May 2022 'On the Approval of a Standard Service Agreement with the Operator to Make Transactions in the Carbon Unit Register'.

⁶ A member of the MOEX Group.

⁷ Federal Law No. 34-FZ, dated 6 March 2022, 'On Conducting an Experiment to Limit Greenhouse Gas Emissions in Certain Constituent Territories of the Russian Federation'.



2.6.4. INTEGRATING APPROACHES HELPING ACHIEVE SUSTAINABLE DEVELOPMENT GOALS INTO BANK OF RUSSIA OPERATIONS

In 2022, the Bank of Russia articulated the key points of its environmental policy and continued to take measures to cut energy costs and improve energy efficiency of its real estate complexes. The Bank of Russia regional branches established working groups focused on implementing the sustainability agenda in their internal operations.

There is some progress in cutting energy consumption at a number of facilities. There is a waste sorting practice to accumulate paper, paperboard, and municipal solid waste (with their separation into recyclables and mixed waste).

In 2022, the Bank of Russia continued to apply additional environmental and social criteria (green standards) to the procurement of goods, work and services in order to reduce its environmental footprint. The portion of green procurements in the total procurement in 2022, excluding those with a neutral environmental footprint, rose by 25% relative to 2021 to reach 52%.

The Bank of Russia made it a practice to include a social and environmental responsibility agreement in the supplier contractual framework (i.e. agreements it makes with contractors as a result of procurement procedures). The portion of such agreements amounted to 91%.

Several initiatives to support physical, mental health and well-being of staff were launched over the reporting period. A new parent support programme has been in place since the middle of 2022 focusing on helping employees with small children. In 2022, the Bank of Russia also launched a psychosocial and legal support programme enabling all employees to put various life-related questions to dedicated experts.

Webinars on global environmental problems, an eco-friendly way of life, the impact of pollution on human health, etc. were conducted for Bank of Russia staff. The total number of trainees was 2,000 people.

The Bank of Russia boasts a transparent rewards and recognition system. It is also monitored that the equal pay for equal work approach for male and female employees is adhered to at all times. Nearly equal numbers of men and women (46% and 54%, respectively) were working at the Bank of Russia in 2022. Female employees accounted for 41% and 35% of Bank of Russia managers and top managers, respectively. Among those who got a promotion, there were 51% of women and 49% of men.



2.7. Other activities

2.7.1. INFORMATION POLICY

In 2022, after sanctions were imposed against Russia, the Bank of Russia's information policy became one of the most important tools for stabilising the financial system and upholding public trust in the ruble and financial institutions. It was necessary to provide timely information to individuals, businesses, and financial market participants about the decisions and anti-crisis measures taken by the Bank of Russia.

Each official statement of the regulator was accompanied by explanatory materials published on the Bank of Russia website (answers to the key questions from individuals were updated daily, and the list of anti-crisis measures taken by the Bank of Russia was updated weekly). This information was also available in social networks, federal and regional media. It should be noted that explanatory communication was conducted around the clock to cover the most socially significant issues, such as the functioning of international payment systems cards and mobile services, currency exchange, cash withdrawals from ATMs, and the operation of sanctioned banks.

In late February, the Bank of Russia created a telegram channel for direct communication with people, which proved its relevance in the first months, gaining 140,000 subscribers. By 2023, the number of subscribers of the official social media accounts of the Bank of Russia increased 2.1 times and exceeded 307,000 people.

In order to reach a wider audience, the Bank of Russia actively used its Financial Culture portal (fincult.info), which explained new financial realities in simple and accessible language. This effort was further supported by the regulator's contact centre and the CB Online mobile application. In March, the Bank of Russia website saw its peak of visitors, with 7 million people accessing it each month. Besides, the Financial Culture portal was visited by 1 million people during this period.

In addition to working with the media, the Bank of Russia's comprehensive approach to communications also included active interaction with people on social networks, as well as with popular financial bloggers, and responses to rumours and misinformation amid persistent information attacks. This approach successfully prevented panic and minimised the risks of making impulsive financial decisions for the people.

The explanation of the Bank of Russia's monetary policy decisions remained an important element of the information policy. This work was carried out not only in the expert and business community, but also among the general public. During periods of uncertainty, when concerns about supply shortages and price increases were prevalent, it was crucial to consistently provide thorough information to the public. By organising regular press conferences with the Bank of Russia Governor and launching a nationwide information campaign the Bank of Russia was able to alleviate anxiety among the public and promote rational financial decision-making. Its regular Regional Economy report has emerged as a trusted and reliable source of operational information for the media, who frequently cite it in their articles on finance and economics.



As soon as the law on repayment holidays for participants of the special military operation was adopted in October (see [Subsection 2.2.1 'Protecting financial consumers and investors, increasing financial literacy'](#)), the Bank of Russia launched an information campaign to clarify the details of this mechanism. By the end of October, the information campaign had already begun to yield positive results, with a decrease in the number of bank claims after an initial increase.

The Bank of Russia remained primarily focused on financial security issues and on warning people about the risks of cyber fraud, as attackers actively used the information agenda to create new schemes of deception. In order to provide timely information to the public about criminal schemes, the Bank of Russia established a dedicated section on its website called 'Countering fraudulent practices' in May 2022. This section provides guidance on how to protect oneself from attackers. During the year, several information campaigns were launched on the Internet, in particular on the Odnoklassniki social network. The information on how to deal correctly with fraudsters was also posted on billboards, in public transport, in social protection centres, and multiservice centres.



2.7.2. ECONOMIC RESEARCH

In 2022, the economic research of the Bank of Russia was conducted on a large number of different topics.

The study of the regional heterogeneity of the Russian economy remained the key area of the Bank of Russia's research. A number of papers exploring the regional heterogeneity of economic processes were published as part of working paper series (*Heterogeneity of Savings Activity in Russian Regions, Its Predictors and Determinants*, [Regional Convergence: Geographically Weighted Regression Approach](#), [Heterogeneity of the Impact of the Ruble Exchange Rate on Output in the Regional Context](#), and [Labour Market and Inflation Relationship Indicator](#)).

The analysis of the monetary policy pursued by the Bank of Russia remained the major research topic. In this connection, several works are worth mentioning: [The Role of Communication and Information Factors in the Emergence of Surprises in Bank of Russia's Monetary Policy](#) and [Monetary Policy and the Yield Curve](#). These research papers describe the relationship between central bank communication and market expectations, as well as the impact of the key rate and monetary policy communication on different financial variables.

Another important task of the Bank of Russia is to maintain financial stability. In this regard, employees of the Bank of Russia conduct extensive research. Some papers on the study of various aspects of corporate lending using credit register data have been published as part of working paper series. They address the issues of using [loan guarantee programmes](#) and [credit lines during the COVID-19 pandemic](#), studying the debt burden of companies ([identifying the most vulnerable ones taking into account changes](#) and [factors that affect the choice of currency for borrowings](#)).

In order to achieve financial stability goals, much attention is paid to the macroprudential policy pursued by the Bank of Russia. The results of the study [Macroprudential Policy Efficiency in Russia: Assessment for the Uncollateralized Consumer Loans](#) suggest that the measures applied by the Bank of Russia allow it to influence the volume of unsecured loans issuance, thereby reducing the risks to the stability of the financial system.

As part of the research aimed at improving the models used, several more works are worth mentioning: [Fast Estimation of Bayesian State Space Models Using Amortized Simulation-Based Inference](#), [Model Risk for Acceptable, but Imperfect, Discrimination and Calibration in Basel PD and LGD Models](#), and [Assessment of Monthly GDP Growth Using Temporal Disaggregation Methods](#). These works are devoted to the study of models used in applied macroeconomics, criteria for the stability of financial institutions, and improving the stability of macroeconomic forecasts.

Bank of Russia specialists were regular speakers at the following international research conferences: the 8th International Symposium on Environment & Energy Finance Issues, 2022 CEMLA Conference: New Advances in International Finance, the 12th Annual Meetings of the Armenian Economic Association, the XXIII Yasin (April) International Academic Conference on Economic and Social Development, and the Sixth International Conference of Journals consortium at MSU Faculty of Economics.



Bank of Russia experts have published research articles in Russian and foreign [peer-reviewed scientific journals](#), including the European Journal of Political Economy, the Emerging Markets Review, the Journal of Economic Interaction and Coordination, the Emerging Markets Finance and Trade, Risk Management, and the International Review of Economics & Finance.

The Bank of Russia continues to cooperate with the Russian universities. In particular, the Bank of Russia and the New Economic School (NES) held several joint seminars: Financial Stability: Market Structure and Liquidity, Transition to a Low-Carbon Economy: Costs and Risks for the Financial Sector, and [Central Bank Digital Currencies: Theory, Estimates, and Implications for Financial Systems](#). In addition, researchers from various universities (HSE University, MGIMO, MSU and others) took part in the discussion of research projects at the Bank of Russia, and also participated in joint research with Bank of Russia specialists.



2.7.3. STATISTICAL ACTIVITIES

According to [the Bank of Russia Statistical Services Development Programme in Macroeconomic Statistics for 2021–2025](#), its work in the reporting year was aimed at building new sets of statistical data and metadata, creating a data-driven culture and using modern methods for distributing the data and providing access to users. Much attention was paid to creation of integrated bases for the formation of statistical data and the skills for their intellectual processing, to expansion of cooperation with producers of official statistics and other organisations.

Amid rising geopolitical tensions, the Bank of Russia has modified the formats for publishing statistical data sets on its website. In parallel, amendments were made to agreements with ministries and agencies on information exchange, and the formats of information presentation were adjusted.

As part of the national project *Housing and Urban Environment*, including the federal project *Mortgage* thereof, the Bank of Russia continued to offer information support to the Government of the Russian Federation ensuring that indicators related to mortgage lending are provided on a monthly basis. In addition, the Bank of Russia kept providing data for monitoring the progress in achieving certain targets of the national projects *International Cooperation and Exports*, *Healthcare* and the *Transportation Part of the Comprehensive Plan for Upgrading and Expanding Core Infrastructure by 2024*, including within the framework of agreements on information interaction.

To enhance cooperation with producers of official statistics and other organisations, the information base of statistical accounting has been expanded by using administrative data from ministries and agencies of the Russian Federation. This was accomplished through concluding agreements on information exchange.

To develop and improve the reliability of the external sector statistics, a draft version of the Bank of Russia Ordinance 'On Approving Federal Statistical Forms and Procedure Whereby Respondents Compile and Submit to the Bank of Russia Primary Statistical Data, as Part of These Forms, for Preparing the Balance of Payments of the Russian Federation, International Investment Position of the Russian Federation, External Trade Statistics of the Russian Federation, External Debt of the Russian Federation, Foreign Direct Investments in the Russian Federation and Direct Investments from the Russian Federation Abroad' was prepared and posted for public discussion. The draft clarifies the procedure for compiling and providing data using the current forms of federal statistical survey (FSS),¹ as well as the introduction of one new form of FSS in order to improve the information base for development of indicators for exports and imports of construction services.

The Bank of Russia continued to work jointly with Rosstat to improve the reporting discipline of respondents submitting primary statistical data using the forms of the federal statistical survey (FSS) approved by the Bank of Russia. Positive results were

¹ Approved by Bank of Russia Ordinance No. 5328-U, dated 25 November 2019, 'On Approving Federal Statistical Forms and Procedure Whereby Respondents Compile and Submit to the Bank of Russia Primary Statistical Data, as Part of These Forms, for Preparing the Balance of Payments of the Russian Federation, International Investment Position of the Russian Federation, External Trade Statistics of the Russian Federation, External Debt of the Russian Federation, Foreign Direct Investments in the Russian Federation and Direct Investments from the Russian Federation Abroad'.



achieved through the Bank of Russia's efforts to clarify law enforcement practices, as well as through information and training seminars with federal executive authorities. In addition, interaction between the regional branches of the Bank of Russia and the regional offices of Rosstat also contributed to these outcomes. As a result, between January and September of 2022, the average rate of report collection using the FSS forms approved by the Bank of Russia increased to 93%, which is an improvement from the 90% average rate observed in January–September 2021.

The Bank of Russia continued its efforts to compile a full set of accounts of the financial corporations sector in the system of national accounts (SNA) of the Russian Federation. Methodological and legislative issues, as well as a roadmap for compiling a full set of SNA accounts for the financial corporations sector, were coordinated with the Federal State Statistics Service (Rosstat).

In addition, in 2022, the Bank of Russia interacted with the Russian Ministry of Finance, the Federal Treasury and Rosstat within the interagency working groups to harmonise SNA statistics, monetary statistics, external sector statistics and government finance statistics. As a result, the consistency, the quality and the international comparability of statistical data have improved.

In 2022, as part of efforts to expand the composition of statistical information and provide users with up-to-date data characterising the savings of the Households sector and households' behaviour in financial markets, the Bank of Russia began its monthly publication of information on financial assets and liabilities of the Households sector. These data include the essential components of financial investments and the funds that households have invested in specific financial instruments. The release of these data enables users to conduct a quick look analysis of savings and consumer behaviour in financial markets, which can be used to evaluate the reasons behind household saving patterns. For user convenience, the material is supported by a brief comment and visualisation of statistical data.

In 2022, the Bank of Russia published a number of materials that accompanied the release of regular data using modern communication tools to further promote the development of the data use culture and expand the forms of communication with various target audiences of users of macroeconomic financial statistics. For example, in the Statistics section of the Bank of Russia website, the following materials were published in a long read format, making them visual and accessible to a wide audience: [Balance of payments](#), [International investment position and foreign debt of the Russian Federation](#), Cross-border transfers of individuals (review), and Exports and imports of travel services'.

New short read publications were prepared to provide users with timely information about the main trends in individual statistical indicators. In this connection, the following materials that cover the indicators of the external sector statistics were published: Estimate of key aggregates of the balance of payments of the Russian Federation, Russian exports of main energy commodities, and as regards the indicators of the housing mortgage loan market (HLM) – the material Housing mortgage loan market, which contains information on the trends in HLM indicators by month and by year (showing housing mortgage loans secured by rights of claim under share construction participation agreements).



In 2022, the Bank of Russia started publishing new interactive dashboards to develop modern ways of distributing data and providing access to them for users. In particular, the formats for publishing the banking sector data on [‘Mortgage loans secured by rights of claim under share construction participation agreements’](#) have been expanded.

In 2022, to enhance the transparency and accessibility of statistics, the Bank of Russia carried out outreach trainings for the academia, students, universities faculty, and the finance and business community.



2.7.4. DATA MANAGEMENT AT THE BANK OF RUSSIA

In 2022, the Bank of Russia continued to pursue a consistent policy aimed at unifying and improving data collection processes. Special attention was paid to the dialogue with the banking community on improving reporting, the frequency and timing of the implementation of innovations, as well as on the transparency of preparing regulations governing the procedure for compiling and submitting reports by credit institutions to the Bank of Russia. In order to reduce the burden of foreign sanctions on credit institutions, the Bank of Russia issued Ordinance No. 6199-U¹, delaying for a period from three months to one year the entry into force of amendments in 18 reporting forms that were planned to be introduced for credit institutions starting from 1 October 2022.

In 2022, measures to improve, optimise and unify reporting requirements were carried out by the Bank of Russia also in relation to non-bank credit institutions. The amendments² made to the regulations governing the reporting of pawnshops, agricultural credit consumer cooperatives, credit consumer cooperatives are aimed, among other things, at reducing the excessive regulatory burden.

In 2022, in order to meet the information needs of the Bank of Russia and to build effective interaction with federal executive authorities, efforts were made to rationalise information flows and improve data quality. Within the framework of interdepartmental cooperation, an agreement was reached with the Ministry of Economic Development of the Russian Federation so that the Bank of Russia would be able to obtain additional information on the activities of microfinance organisations directly from the federal agency without sending requests to reporting organisations. Also, in order to expand the content of the state information resource of annual accounting (financial) statements, in accordance with Federal Law No. 402-FZ³, the Bank of Russia has organised the transfer of accounting (financial) statements of investment platform operators and financial platform operators as part of information interaction with the Federal Tax Service of Russia.

¹ Bank of Russia Ordinance No. 6199-U, dated 14 July 2022, 'On Amending Clause 2 of Bank of Russia Ordinance No. 5986-U, Dated 8 November 2021, 'On Amending Bank of Russia Ordinance No. 4927-U 'On the List, Forms and Procedure for Compiling and Submitting Credit Institutions' Reporting Forms to the Central Bank of the Russian Federation'.

² Bank of Russia Ordinance No. 6200-U, dated 14 July 2022, 'On Amending Bank of Russia Ordinance No. 3927-P, Dated 30 December 2015'; Bank of Russia Ordinance No. 6201-U, dated 14 July 2022, 'On Amending Bank of Russia Ordinance No. 5721-U, Dated 2 February 2021', Bank of Russia Ordinance No. 6202-U, dated 14 July 2022, 'On Amending Bank of Russia Ordinance No. 5722-U, Dated 2 February 2021'.

³ Federal Law No. 402-FZ, dated 6 December 2011, 'On Accounting'.



2.7.5. IMPROVEMENT OF MONEY MARKET BENCHMARKS

The Bank of Russia is the administrator of RUONIA and is in charge of all the stages of its administration, including the definition of methodology, the formation of the list of RUONIA Panel Banks, data collection, and the calculation and publication of the interest rate benchmark. The Bank of Russia reviews the list at least every six months to ensure that the benchmark is representative¹.

To make RUONIA administration transparent, maintain its high standards and to comply with international principles, the Bank of Russia has published on its website a [Report on the Activities of the RUONIA Oversight Committee](#).



The Bank of Russia implements extensive communication policy to use the RUONIA benchmark and RUONIA Averages in financial products

In May 2022, the Bank of Russia held the meeting 'Interest rate risk management: development and issue of financial instruments linked to the RUONIA Averages' hosted by PJSC Moscow Exchange. The meeting was attended by major issuers, banks organising bond offerings, and members of the Moscow Exchange Bond Issuers. Based on the results of a survey carried out by PJSC Moscow Exchange among the participants in the meeting, several issuers announced their plans to issue bonds linked to the RUONIA Averages.

In June 2022, Bank of Russia representatives had a meeting with the major issuers. At the meeting, special attention was paid to the issuing of bonds and attracting loans at floating interest rates. In 2022 H2, following discussions with the Bank of Russia, NSD implemented in its own systems automatic calculation of accrued coupon yield for instruments based on the RUONIA Averages.²

The Bank of Russia continued the process of developing the RUONIA Index and RUONIA Averages. In August 2022, the [calculator of RUONIA Averages from the values of RUONIA Index](#) capable of calculating the RUONIA Averages accurate to 14 decimal places came online.

As part of the transition period to the use of benchmarks conforming to international standards,³ announced by the Bank of Russia, the self-regulatory organisation National Finance Association (NFA) has accelerated the abandonment of the MosPrime Rate and switch to RUONIA⁴ from 1 January 2023. Thereafter, taking into account the state of readiness of market participants to transfer existing contracts to an alterna-

¹ In 2022, it was reviewed twice.

² An interest rate benchmark measuring returns on investment for a certain period (term) earned from daily interest capitalisation at RUONIA interest rates. RUONIA Averages are calculated and published by the Bank of Russia for one, three, and six months.

³ Information and analytical material of the Bank of Russia 'On transition to financial benchmarks that meet international standards'.

⁴ In accordance with the amendments made to the standard terms of interest rate futures and swaptions (which are part of the standard documentation for transactions on futures markets in 2011), RUONIA is a reserve benchmark for the MosPrime Rate. These amendments became effective on 1 November 2022.



tive interest rate, NFA decided to extend the use of the MosPrime Rate until 30 June 2023. Concurrently, in order to ensure a smooth transition, as well as to reduce systemic risks, the Bank of Russia recommended that credit institutions should switch to RUONIA Averages before the end of 2022 when issuing loans and developing other financial products at a floating (variable) rate.⁵

In connection with the upcoming abandonment of the MosPrime Rate from 1 September 2022, the Bank of Russia began calculating and publishing the median spread between the MosPrime Rate and RUONIA Averages.⁶ Market participants are recommended to switch the contracts in force as of the date of the end of the publication of the MosPrime Rate to RUONIA Averages with the determination of the rate at the end of the period, adjusted for the spread published on 30 December 2022. The calculation is carried out in accordance with the ISDA (International Swaps and Derivatives Association) recommendations as part of the abandonment of the said interest rates in favour of indicators based on actual transactions.

In view of the Bank of Russia's decision to abandon the MosPrime Rate, it recommended⁷ that credit institutions and other financial market participants, switch to RUONIA loan agreements and other floating-rate financial products effective on the end date of the publication of the MosPrime Rate in advance, and to stop using the MosPrime Rate when concluding new loan agreements and developing other floating-rate financial products.

⁵ Bank of Russia Information Letter No. IN-01-35/98, dated 27 July 2022, 'On Using RUONIA Averages in Financial Products with a Floating (Variable) Interest Rate'.

⁶ [Information is published on the Bank of Russia website.](#)

⁷ Bank of Russia Information Letter No. IN-05-35/118, dated 30 September 2022, 'On Substituting MosPrime Rate Benchmarks with RUONIA Averages in Financial Products'.



2.7.6. INFORMATION TECHNOLOGY DEVELOPMENT AT THE BANK OF RUSSIA

At the beginning of 2022, the impact of sanctions on the components of the Bank of Russia's information and telecommunications system was assessed in the current geopolitical situation. A package of priority measures has been implemented to ensure the continuity of operations of the Bank of Russia's critical information infrastructure facilities and IT systems that employ foreign technologies with a limited term of use.

In order to ensure technological sovereignty, efforts were continued to select, test and implement the system-wide Russian software, carried out in accordance with the Guidelines for the Development of Information Technologies of the Bank of Russia for 2021–2025 as part of the import substitution programme. Mobile applications CB On-line and Banknotes of the Bank of Russia are now available on the RuStore app store.

The planned transfer of the Bank of Russia's information systems to the target IT landscape, which ensures reliable operation and efficient use of computing resources, continued. In particular, to ensure high reliability, critical processes of daily calculation and publication of RUONIA and MIACR interest rates have been transferred to the Unified Data Warehouse target platform. A number of critical functions of collecting and processing reports, maintaining registers of financial market participants, working with data on the founders and participants of credit institutions, as well as the process of handling applications in the Bank of Russia have been moved to the core-business support platform. A procedure to control report acceptance in real time has been established. Information exchange between the Bank of Russia and federal executive authorities (FEA) as part of the verification of information on the business reputation of financial market participants and notification of the FEA about changes in licenses of credit institutions has been transferred to the target platform of integration services. Centralisation of the automated processes of the internal operations of the Bank of Russia divisions has been completed.

In 2022, the development of digital services for financial market participants continued. The functionality of transfers from individuals in favour of the Federal Treasury and its territorial bodies via the Faster Payments System (C2G transfers) has been implemented.

A feature to calculate the returns from investment instruments has been created on the website Financial Culture (fincult.info). It allows people to estimate how much they could earn if they invested in different types of assets in the past.

A single information resource Museum and Exhibition Fund (MEF automated system) has been created to combine information about historical archives of 62 branches of the Bank of Russia. The website of the Bank of Russia Museum (museum.cbr.ru) was launched to disseminate knowledge about the history of the Bank of Russia, the development of monetary relations and financial systems. The site provides information about the museum exhibits in the form of virtual exhibitions, articles and photo stories, and also includes services to sign up for excursion programmes.



The scope of electronic communication between organisations and the Bank of Russia in matters of admission, termination of activity and reporting has been expanded. It has become possible for mutual investment funds to provide electronic documents through their personal accounts for registration and changes in the trust management rules, and for issuers to register securities issue prospectuses electronically.

The development of automation systems for the supervision procedure continued. This includes the consolidation of data from various sources in a Supervised Institution Consolidated File (hereinafter, the Consolidated File). In order to improve the efficiency of supervision of credit institutions, evaluating and editing reports on loans granted to legal entities and on borrowers and group of companies have been automated. The possibilities of the process participants to obtain information for preparing inspections, making assessments and generating loan portfolio conclusions have been expanded. In a single information space, supervisors of credit financial institutions have access to viewing IFRS statements, including audit reports as well as collateral data. The possibility to draft quarterly conclusions on insurance organisations based on the combined data of financial statements, calculated analytical indicators and motivated judgements of supervisors has been implemented.

Centralised accounting, storage and retrieval of financial reporting data of corporate borrowers in accordance with Russian accounting standards for the entire period of activity are organised in a Consolidated File. To support the specialised refinancing mechanisms within the Bank of Russia's credit operations system, the functionality of unsecured lending has been implemented.

To facilitate data analysis on macroeconomics, the tool 'Preset Analytical Reporting' has been created. Through the consolidation of a wide range of data and the availability of ready-made basic analytical models, it will enhance the efficiency of research and analysis of the economic divisions of the Bank of Russia.



2.7.7. BANK OF RUSSIA TRAINING EVENTS FOR EXTERNAL AUDIENCE



In 2022, the Bank of Russia trained over 36,000 representatives of external audience

In 2022, the Bank of Russia trained over 36,000 representatives of external audience. They included participants of the Russian and foreign financial markets, representatives of small and medium-sized businesses, law enforcement agencies, representatives of government authorities, retail and credit institutions cash desk staff, teaching staff at universities, and students.

TRAINING FOR RUSSIAN FINANCIAL MARKET PARTICIPANTS

In 2022, the participants of the Russian financial market continued their training under the Business Reputation programme aimed at raising awareness about the current requirements for the business reputation of managers, officials and owners of financial organisations, as well as responsibility for the decisions made. The total number of participants was more than 4,000 people.

Together with financial market participants, the Bank of Russia trained almost 11,000 representatives of small and medium-sized businesses in the following areas: financial assistance, stock market instruments, crowdinvesting platforms, factoring and payment for goods and services using a mobile phone.

More than 2,000 representatives of the credit and financial sector underwent hands-on training in information security.

Cash desk employees of credit institutions were remotely trained to work with counterfeit, doubtful and insolvent banknotes (almost 2,000 participants). The implementation of the programme to improve the professional competence of retail chains' cashiers on how to identify the authenticity and purchasing power of the currency units of the Bank of Russia continued with almost 450 specialists involved.

Development of the system of qualifications of financial market specialists

During the reporting period, two new professional standards were approved: Information Security Specialist in the Credit and Financial Sector and Specialist in Innovative Financial Information Technologies.

The implementation of the [Action Plan \(roadmap\) to ensure the transition from the certification system to the system of independent qualification assessment of financial market specialists \(IQA\)](#) has been completed. The results were presented at a round table organised by the Bank of Russia.



TRAINING OF REPRESENTATIVES OF EXECUTIVE AUTHORITIES

In 2022, a programme was developed and pilot training was conducted for the representatives of executive authorities on the implementation of the Bank of Russia's functions at the regional level. The training was attended by the representatives of the executive authorities and the administration of the Krasnodar Territory.¹

In November 2022, a cooperation agreement was signed between the Bank of Russia and the Academy of Management of the Ministry of Internal Affairs of the Russian Federation. A number of training events were held for law enforcement officers on how financial markets work. The total number of participants was about 2,500 people.

PROGRAMMES FOR STUDENTS

In 2022, the Bank of Russia developed a training programme for future financial market professionals called ESG-Transformation of the Financial Sector and conducted training on this programme in the form of a full-time school at the HSE University. The event was attended by 70 university students selected on a competitive basis. The speakers were heads and experts of the Bank of Russia, heads and teachers of the HSE University, representatives of government agencies, financial market organisations, rating agencies and leading companies in the field of sustainable development.

INTERNATIONAL TRAINING PROJECTS

As part of the Shaping the Dialogue training programme, the Bank of Russia continued to share with foreign colleagues its experience in admission to the financial market, developing the statistics of the external sector, ESG transforming, as well as ensuring financial stability. In 2022, more than 200 participants from 20 countries took part in the training.

About 3,000 people have become participants in the ongoing joint training programme for representatives of central (national) banks of the EAEU member states. Moreover, more than half of the professional activities covered by the programme were carried out by Bank of Russia experts.

FINANCIAL TECHNOLOGY EVENTS

Events were held on a regular basis to train personnel in the field of financial technologies for the Bank of Russia, financial market participants, students and schoolchildren, representatives of state and law enforcement agencies, credit institutions, national banks of the EAEU member states. Overall, 31 events were held in 2022, with more than 11,700 participants.

¹ In 2023, the Bank of Russia plans to conduct pilot training in all federal districts.



In 2022, the Forum of Innovative Financial Technologies FINOPOLIS 2021/22 was held, which brought together more than 4,000 people. A digital exhibition space, FINOLAND, was organised at the Forum, where a demo version of the digital ruble was introduced.

In 2022, the Bank of Russia together with NSPK JSC and VTB Bank (PJSC) held an online conference Junior PayTech Forum – 2022 for students and schoolchildren, where more than 1,200 participants presented their projects in new payment services.

In 2022, the Fintech Hub of the Bank of Russia, jointly with the Sirius University, launched educational modules for students on distributed ledger systems and digital financial assets, open APIs, innovations in payments, and financial cybersecurity. In addition, new educational programmes were developed together with partners in the following areas: digital transformation in the Insurance industry, quantum technologies for the financial industry, and machine learning. By the end of 2022, 560 people have become graduates of the Fintech Hub.



2.7.8. INTERNATIONAL COOPERATION

In 2022, the main efforts of the Bank of Russia in international cooperation were aimed at protecting Russian interests in the banking and financial sectors, as well as at maintaining its involvement in the discussion of issues of interest to the Bank of Russia.

As part of deepening of economic and financial integration, work continued on the implementation of the Treaty on the Eurasian Economic Union, dated 29 May 2014, the Concept for the Establishment of the Common Financial Market of the Eurasian Economic Union,¹ and the Action Plan for Harmonising the Legislation of the Eurasian Economic Union Member States in the Financial Market.² The Bank of Russia and other financial market regulators of the EAEU member states completed expert-level elaboration of draft agreements on the mutual admission of brokers and dealers of the EAEU member states to participate in organised on-exchange trading, on cross-border admission to the placement and circulation of securities in on-exchange trading in the EAEU member states, and on a standardised licence in banking and insurance.

In connection with the restrictive measures of third countries, the Bank of Russia switched to settling mutual obligations on import customs duties with national (central) banks of the EAEU member states in Russian rubles.

The Bank of Russia also made a significant contribution to the development and implementation of a list of measures to enhance the economic stability of the EAEU member states, including ensuring macroeconomic stability, as well as a list of joint measures to respond to emerging problems within the CIS,³ and recommendations for the development of the use of national currencies in the mutual trade of the EAEU member states.⁴

In 2022, the Bank of Russia continued to participate in the specialised working groups of the EAEU Statistics committee. This included bilateral comparisons of data on external sector statistics with central (national) banks of the EAEU countries to unify approaches to accounting for mutual trade in services among the EAEU countries.

Within the framework of the Eurasian Council of Central (National) Banks (ECCB), efforts were aimed at unifying the accounting of personal remittances in the ECB member states to reduce statistical discrepancies and provide for uniform interpretation of statistical indicators, as well as harmonising approaches to expanding the scope of the analysis of foreign economic activity by improving the coverage of statistics that can be used to assess external challenges.

In order to deepen the integration of the *Union State*, the Bank of Russia together with the financial market regulators of the Republic of Belarus continued active work towards the fulfilment of the Guidelines for the implementation of the Agreement on the Establishment of the Union State and Union Programmes,⁵ including monetary policy, currency regulation and control, regulation of credit and non-bank financial institutions, information security in finance, integration of payment systems, and protection

¹ Approved by Supreme Eurasian Economic Council Decision No. 20, dated 1 October 2019.

² Approved by Supreme Eurasian Economic Council Order No. 27, dated 23 November 2020.

³ Approved at the meeting of the CIS Economic Council on 10 June 2022.

⁴ Approved by the Eurasian Intergovernmental Council Directive No. 20, dated 26 August 2022.

⁵ Approved by Decree No. 6 of the Supreme State Council of the Union State, dated 4 November 2021.



of the rights of consumers of financial services and investors. The Bank of Russia concluded an agreement with the National Bank of the Republic of Belarus on the harmonisation of principles and mechanisms of the monetary policy of the Russian Federation and the Republic of Belarus and an oversight agreement.

Cooperation on the CIS integration agenda continued in 2022. The Bank of Russia was involved in the development of the draft Agreement on Free Trade in Services, Establishment, Operations and Investment of the CIS member states.

On 16 September 2022, the Council of Heads of the *Shanghai Cooperation Organisation* (SCO) Member States approved the Roadmap of the SCO member states prepared by the financial market regulators of the SCO member states for a gradual increase in the share of national currencies in bilateral settlements. To implement it, the Bank of Russia, jointly with financial market regulators of the SCO member states, was engaged in the identification of barriers in cross-border settlements among the SCO member states.

As part of the development of relations with international organisations, the Bank of Russia continued its active involvement in the G20 Finance Track.⁶ The management of the Bank of Russia took part in the meetings of the G20 finance ministers and central bank governors. Speeches at the meetings were devoted to the current macroeconomic situation and prospects for the implementation of monetary policy, ensuring the availability of financial services in the context of digitalisation, regulation of crypto assets, and climate agenda issues.

In addition, the Bank of Russia was involved in the activities of the G20 working groups. In particular, the G20 Sustainable Finance Working Group coordinated the implementation of the G20 Sustainable Finance Roadmap that was prepared with the involvement of the Bank of Russia.

The Bank of Russia completed the implementation of the second phase of the G20 Data Gaps Initiative in statistics, which made it possible to expand the list of publications needed by users of statistical indicators, improve the quality of indicators, and increase international comparability of data.

In early 2022, cooperation was carried out with the *Financial Stability Board* as part of filling out questionnaires and sending information materials on the financial stability issues.

The Bank of Russia took part in the spring and autumn sessions of the *IMF* and the *World Bank Group*. Under discussion were various aspects such as acceleration of inflation, geopolitical tensions, COVID-19 pandemic consequences, debt issues, climate change, digitalisation, unequal access to financial resources and vaccines for different countries, as well as gaps in demand and supply in food and energy resource markets. As part of the World Bank's survey, the Bank of Russia prepared materials on the state of the payment system of the Russian Federation.

The Bank of Russia continued its work in the UN globalisation task team in terms of developing approaches to the statistical reflection of intellectual property products.

⁶ In 2022, the G20 activities during Indonesia's chairmanship were aimed at supporting the adaptation of the financial market to recovery after the COVID-19 pandemic, including in the context of digitalisation and transition to a low carbon economy, and also at continuing work on the G20 current projects dedicated, in particular, to improving global cross-border payments, strengthening the non-bank financial intermediation and ensuring financial inclusion.



As part of the development of topical areas of macroeconomic statistics under discussions were issues of the digitalisation of the economy, measurement of indicators of cross-border e-commerce, and estimates of informal economy indicators.

In 2022, when China was the chair of the *BRICS*, central banks continued to develop the agenda of the Bank of Russia, proposed to its partners in 2020 during Russian chairmanship and supported by Indian chairmanship in 2021.

The Bank of Russia took part in the preparation of the third issue of the *BRICS Economic Bulletin*, a compilation of information security best practices, and the report on the special features of supervision and regulation of the national payment systems in *BRICS* countries.

In 2022, new areas of cooperation among *BRICS* nations were joint studies of the five central banks on transition finance⁷ and central bank digital currencies. Furthermore, the Bank of Russia joined the fifth testing of the framework for providing support through liquidity within the *BRICS* Contingent Reserve Arrangement.

The set of indicators of the System of Exchange in Macroeconomic Information of the *BRICS* Contingent Reserve Arrangement was modernised as part of interaction with the *BRICS* central banks.

In January–February 2022, Bank of Russia officials participated as speakers in the meetings of the central bank governors and deputy governors under the auspices of the *Bank for International Settlements (BIS)*. *BIS* agenda expanded. In addition to monetary policy, financial stability and macroeconomic conditions, special attention was paid to central bank digital currencies.⁸ The Bank of Russia participated in the preparation of the report of the Basel Committee on Banking Supervision (BCBS) on monitoring the implementation of Basel III standards.⁹

In early 2022, in collaboration with the *Organisation for Economic Cooperation and Development (OECD)*, the Bank of Russia took part in the revision of the High-Level Principles of the *G20/OECD Task Force on Financial Consumer Protection*.¹⁰ The Bank of Russia shared its experience in developing thematic reports and *OECD* questionnaires, focusing on statistics, corporate governance, insurance, funding for small and medium-sized enterprises, and also on combatting bribery of foreign public officials in international business transactions.

In 2022, the Bank of Russia took active part in the Forum of the *Asia-Pacific Economic Cooperation (APEC)*. Russian experience in the development of central bank digital currencies and cross-border payments was presented as part of *APEC* case studies. Experts of the Bank of Russia also participated in seminars on financial inclusion, transition finance,¹¹ resilience of the economy and financial system to the risks associated with climate change.

⁷ Financing activities aimed at transforming carbon industries to reduce emissions.

⁸ In addition, central banks' priorities in overcoming cyber risks, as well as models of economic growth in emerging markets after the COVID-19 pandemic, housing price dynamics, and trends in the global economy and financial markets were discussed.

⁹ [Basel III Monitoring Report](#).

¹⁰ The new version of [G20/OECD High Level Principles on Financial Consumer Protection](#) was published on the *OECD* website in December 2022.

¹¹ Transformation of energy from fossil to renewable power sources.



The Bank of Russia took part in research conducted by the *Global Partnership for Financial Inclusion*, preparation of reports on financial inclusion, as well as in the development of national remittances plans.

Within the scope of cooperation with the *Alliance for Financial Inclusion (AFI)*, the Bank of Russia set new priorities aimed at enhancing financial inclusion and protecting customers.

The Bank of Russia continued to prepare recommendations on changes to the Balance of Payments and International Investment Position Manual in conjunction with the System of National Accounts, carried out under the auspices of the IMF and the UN Statistics Division. The Bank of Russia was actively involved in the development of methodological approaches to accounting for new economic phenomena and processes in the external sector statistics, in particular, green finance, cryptocurrency transactions, and generation of global value chains.

As part of international exchange of best practices in macroeconomic financial statistics, the Bank of Russia organised a webinar 'External Sector Statistics Development: Bank of Russia Experience'. The webinar was attended by representatives of various international organisations and national (central) banks from 20 countries.

In 2022, the Bank of Russia extensively used a *bilateral form* of cooperation with foreign financial regulators. Negotiations were focused on the development of interbank interaction, including settlements in national currencies, on the importance of launching currency pairs trading, on wider cooperation in information security, payment systems, financial markets, and also on sharing experience in using central bank digital currencies and other currencies, and other areas of financial regulators' activity.

The contractual and legal framework of the Bank of Russia's interaction with foreign partners expanded. A number of documents were signed to promote cooperation on vital aspects of financial regulators' activities, with four of them aimed at exchanging supervisory information on various aspects of the financial market, while others focused on improving the financial literacy of the general public, sharing experience and training in finance and banking, and promoting bilateral cooperation. Five standard memoranda were drafted that will significantly reduce the preparation time for the new documents to be signed with foreign regulators in the future.

Within the framework of bilateral cooperation, the approaches to the bilateral comparison of indicators of trade in services of the Russian Federation and the People's Republic of China were further developed.

The Bank of Russia regularly conducts remote and in-person events for Russian and foreign institutional investors to provide information support on the investment attractiveness of the Russian financial market. Bank of Russia website provides up-to-date information and analytical publications and [answers to investors' questions](#).



The Bank of Russia systemically worked to increase the share of settlements in national currencies



In 2022, the Bank of Russia worked actively to *transform the national system of international settlements*, find new payment methods, settlement mechanisms, currencies and jurisdictions now that traditional channels of interbank settlements are disrupted. The Bank of Russia promptly helped solve problems and reduce the costs of transformation for banks, companies and households when communicating with foreign central (national) banks and financial regulators of countries that do not commit unfriendly actions against Russia. The Bank of Russia took joint action with foreign partners to remove new barriers, helped Russian banks find correspondent banks abroad and configure payment routing for servicing foreign economic activity, including for making payments by Russian tourists. Besides, work was carried out to secure trade financing and take care of foreign trade insurance.

In order to develop settlements in national currencies in 2022, the Moscow Exchange launched trading in new currencies for rubles: the Armenian dram, the Kyrgyz som, the Tajik somoni, the South African rand, and the Uzbek sum. Currency pairs with the UAE dirham and the Egyptian pound are expected to be launched. In 2022, the total trading volume of the Russian ruble / Chinese yuan currency pair grew more than 45-fold vs 2021.

PROPORTIONS OF CURRENCY PAIRS IN ON-EXCHANGE FX MARKET TRADING (%)

	US dollar / Russian ruble	US dollar / Chinese yuan and Chinese yuan / Russian ruble	Euro / Russian ruble
January 2022	84	0	12
December 2022	40	37	17

Source: Moscow Exchange.

PROPORTIONS OF VARIOUS CURRENCIES IN SETTLEMENTS FOR EXPORTS (%)

	US dollar and euro	Russian ruble	Chinese yuan
January 2022	87	12	0.5
December 2022	48	34	16



2.7.9. IMPROVING LEGISLATION

In 2022, more than 70 federal laws developed with the active participation of the Bank of Russia were adopted to improve the legislative regulation of the financial market.

The adoption of a large package of federal laws was aimed at countering the sanctions imposed on the Russian Federation and its citizens by unfriendly foreign states and international organisations. These include Federal Laws No. 46-FZ¹, No. 55-FZ² and No. 519-FZ³, which granted the Bank of Russia the authority in 2022 and 2023 to establish requirements for the activities of financial institutions, suspend (restrict) their operations and transactions for a period of up to six months, set risk ratios on an individual basis, introduce financial institutions' performance indicators, including on an individual basis, and determine the list of information that financial organisations may not disclose to an unlimited number of persons. In order to facilitate the restructuring of loans for individuals and small and medium-sized enterprises amid declining business activity, Federal Law No. 46-FZ also allowed borrowers to apply to their lenders from 1 March 2022 to 30 September 2022 for loan repayment holidays for a period of up to six months, and Federal Law No. 519-FZ extended the specified period until 31 March 2023. Federal Law No. 55-FZ also banned Russian insurers from entering into transactions with foreign insurers, reinsurers and insurance brokers from unfriendly states until 31 December 2022, and Federal Law No. 519-FZ extended this measure until 31 December 2023.

To prevent unfriendly actions of Western countries against Russian issuers and reduce the risks of capital withdrawal abroad, Federal Law No. 114-FZ⁴ provided for the discontinuation of the programmes for issuing depositary receipts for shares of Russian companies (delisting of depositary receipts) with their subsequent conversion into shares. Further circulation of depositary receipts for shares of Russian companies became possible only when authorised by the Russian Government. This Federal Law also introduced the option of utilising the funds of the National Welfare Fund to acquire preferred shares of credit institutions.

In order to timely respond to external challenges and to ensure financial stability of the Russian Federation, Federal Law No. 212-FZ⁵ authorised the President of the Russian Federation to establish a special procedure for Russian individuals and legal entities to conduct certain transactions involving foreign entities associated with unfriendly foreign states, a special procedure for Russian legal entities to perform their obligations to pay distributed profit (dividends), and a special procedure for currency regulation and currency control. Notably, the Russian President is entitled to delegate

¹ Federal Law No. 46-FZ, dated 8 March 2022, 'On Amending Certain Laws of the Russian Federation'.

² Federal Law No. 55-FZ, dated 14 March 2022, 'On Amending Articles 6 and 7 of the Federal Law 'On Amending Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement' and Article 21 of the Federal Law 'On Amending Certain Laws of the Russian Federation'.

³ Federal Law No. 519-FZ, dated 19 December 2022, 'On Amending Certain Laws of the Russian Federation and Suspending Certain Provisions of Laws of the Russian Federation'.

⁴ Federal Law No. 114-FZ, dated 16 April 2022, 'On Amending the Federal Law 'On Joint-stock Companies' and Certain Laws of the Russian Federation'.

⁵ Federal Law No. 212-FZ, dated 28 June 2022, 'On Amending Certain Laws of the Russian Federation'.



some of his powers to the Government of the Russian Federation and (or) the Bank of Russia.

To extend a helping hand to participants engaged in foreign economic activity, Federal Law No. 235-FZ⁶ introduced exemption of individuals who violated the requirements of the currency regulation due to foreign sanctions from administrative sanctions in certain cases, reduced administrative fines for foreign trade participants who performed illegal currency operations, and also released professional foreign trade participants from administrative liability under Article 15.25 of the Code of Administrative Offences of the Russian Federation.

To respond to external sanctions pressure and mitigate its adverse consequences for market participants, Federal Law No. 292-FZ, dated 14 July 2022, introduced special regulation in the financial markets and in the area of corporate relations. In particular, the law outlined the criteria for recognising a lender's claim regarding a loan obligation. Temporary provisions were also introduced to allow certain sanctioned business entities to forgo the formation of a board of directors (supervisory board) or retain its powers, even with a reduced composition. Another measure involved the restructuring of sanctioned credit institutions by separating legal entities that are not credit institutions. In addition, credit institutions were granted the authority to charge commission on deposits made by legal entities in foreign currency.

Federal Law No. 319-FZ⁷ updated the risk management mechanisms of the central depository and improved the existing control and supervisory mechanisms of the Bank of Russia in relation to the central depository. Simultaneously, this Federal Law introduced several anti-sanctions regulations. In particular, the legislation provided for the option for a compulsory transfer of record-keeping for the rights to securities issued by Russian entities. This transfer is necessary when transactions involving these securities cannot be performed in foreign companies due to the restrictions imposed by unfriendly foreign countries or their actions. This mechanism was later supplemented by Federal Law No. 519-FZ. In addition, the legislation includes a mechanism for holders of securities issued by foreign entities, whose rights are registered with Russian depositories, to receive a corresponding number of shares from a Russian issuer. Besides, due to the blocking of Russian investors' assets within a foreign accounting infrastructure, the regulations allow for the segregation of such assets into an additional closed-end unit investment fund (CUIF) or the conversion of a blocked fund into a CUIF in order to regain access to non-blocked liquid assets.

To ensure the ability of banks with a basic licence to conduct foreign trade operations and cross-border transfers with foreign counterparties in the wake of sanction restrictions imposed on large banks, Federal Law No. 331-FZ⁸ suspended the ban on opening correspondent accounts with foreign banks by a bank with a basic licence until 31 December 2023.

⁶ Federal Law No. 235-FZ, dated 13 July 2022, 'On Amending the Code of Administrative Offences of the Russian Federation'.

⁷ Federal Law No. 319-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation'.

⁸ Federal Law No. 331-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation and Suspending Certain Provisions of Article 5.1 of the Federal Law 'On Banks and Banking Activities'.



Under Federal Law No. 125-FZ,⁹ credit institutions are prohibited from disclosing information about customers and their transactions, customer representatives, beneficiaries and beneficial owners to competent authorities of foreign states (including judicial authorities) upon their request. This prohibition applies unless specific circumstances outlined in the law allow for such disclosure. The law also established a procedure for credit institutions to follow when responding to such requests.

To protect the rights of individuals who receive financial services and are mobilised to the Armed Forces of the Russian Federation, Federal Law No. 377-FZ¹⁰ was enacted. It established the procedure that allows borrowers who are servicemen and their family members to request a grace period. During this grace period, their obligations under loan agreements can be suspended, termination of obligations under these agreements can occur, enforcement proceedings under such agreements can be suspended, and certain categories of borrowers may be exempt from paying penalties and fines. Furthermore, Federal Law No. 406-FZ¹¹ extended this grace period to limited liability companies whose sole participant acts as the sole executive body and is mobilised to the Armed Forces of the Russian Federation. In addition, to ensure timely monetary payments to the military personnel engaged in hostilities, Federal Law No. 406-FZ introduced several provisions. Firstly, it allowed military debtors who have been declared bankrupt or are undergoing bankruptcy procedures to bypass the ban established by Federal Law No. 127-FZ¹² and open bank accounts in credit institutions, receive funds from them and perform operations on such accounts. Secondly, the law exempted credit institutions from any liability for transactions made by individuals who are undergoing the procedure for the sale of their property or have personally issued a power of attorney under a bank account agreement.

In addition, Federal Law No. 71-FZ¹³ was adopted to protect consumers of financial services. It stipulated that for mortgage loan agreements signed before 27 February 2022 with individuals for purposes unrelated to entrepreneurship, starting from 28 February 2022 until the expiration of such agreements, the value of a variable interest rate cannot exceed the value calculated on the basis of the figure as of 27 February 2022.

To prevent an increase in borrowers' debt burden, Federal Law No. 601-FZ¹⁴ will come into force on 1 January 2024. The law includes provisions that require creditors to assess the debt service-to-income (DSTI) ratio of a borrower and establish guidelines for its calculation when granting consumer loans. Additionally, creditors are required to notify borrowers in writing about the potential risks associated with a high DSTI exceeding 50%. This measure will increase borrowers' awareness about their debt burden, empowering them to make prudent decisions regarding whether to take on additional credit risks or not.

⁹ Federal Law No. 125-FZ, dated 1 May 2022, 'On Amending the Federal Law 'On Compensatory Measures (Countermeasures) in Response to Unfriendly Acts of the United States of America and Other Foreign Countries'.

¹⁰ Federal Law No. 377-FZ, dated 7 October 2022, 'On the Specifics of Fulfilment of Obligations Under Loan Agreements by Persons Mobilised to the Armed Forces of the Russian Federation, Participants in the Special Military Operation and Their Family Members, and on Amending Certain Laws of the Russian Federation'.

¹¹ Federal Law No. 406-FZ, dated 20 October 2022, 'On Amending Certain Laws of the Russian Federation'.

¹² Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)'.

¹³ Federal Law No. 71-FZ, dated 26 March 2022, 'On Amending Certain Laws of the Russian Federation'.

¹⁴ Federal Law No. 601-FZ, dated 29 December 2022, 'On Amending the Federal Law 'On Consumer Loans'.



A package of federal laws adopted in 2022 was aimed at improving the activities of non-bank financial institutions. Under Federal Law No. 81-FZ,¹⁵ a reinsurance pool was established for compulsory motor third-party liability insurance (CMTPLI), encompassing all insurers who participate in this type of insurance. This initiative aimed to provide an appropriate level of CMTPLI availability while safeguarding the financial stability of insurers.

Through the enactment of Federal Law No. 594-FZ,¹⁶ a unified Automated Information System (AIS) of insurance was created. This system encompasses data on various insurance contracts, including CMTPLI, insurance of land vehicles, voluntary third-party liability insurance for motor vehicle owners, and insurance of residential buildings, apartments, and other types of residential premises. In the future, in order to develop this system and increase the information transparency of the insurance market, information on other voluntary types of insurance may be included in the AIS of insurance on the basis of a regulation issued by the Bank of Russia. The functions of the system operator are carried out by a joint-stock company, with 100% of its shares owned by the Bank of Russia.

To improve the accuracy of the methodologies and transparency of credit ratings assignment, as well as to ensure compliance with strict requirements for the independence of credit rating agencies, under Federal Law No. 540-FZ,¹⁷ the Bank of Russia was granted the authority to establish additional requirements for the credit rating agencies' methodologies and to suspend their ability to assign credit ratings and demand the withdrawal or revision of the ratings in the event of material violations of the laws of the Russian Federation by credit rating agencies.

Federal Laws No. 555-FZ¹⁸ and No. 556-FZ¹⁹ have strengthened the framework for ensuring the rights of participants in the non-governmental pension system. These laws address the formation, placement, and disbursement of pension reserves. In addition, the laws hold NPFs accountable for ensuring replenishment of reserves to cover pension obligations of NPFs, thus safeguarding the balances on pension accounts of participants from being diminished after the placement of pension reserves by NPFs.

In the realm of digital financial assets and digital rights, Federal Law No. 324-FZ²⁰ introduced regulations regarding the taxation of transactions involving these assets, including value added tax, corporate income tax, and personal income tax. Additionally,

¹⁵ Federal Law No. 81-FZ, dated 1 April 2022, 'On Amending the Law of the Russian Federation 'On the Organisation of Insurance Business in the Russian Federation' and the Federal Law 'On Compulsory Third Party Liability Insurance of Vehicle Owners'.

¹⁶ Federal Law No. 594-FZ, dated 29 December 2022, 'On Amending Certain Laws of the Russian Federation with Regard to Creating the Automated Information System of Insurance'.

¹⁷ Federal Law No. 540-FZ, dated 19 December 2022, 'On Amending Article 7.5 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and the Federal Law 'On the Activity of Credit Rating Agencies in the Russian Federation, on Amending Article 76.1 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Invalidating Certain Provisions of Russian Laws'.

¹⁸ Federal Law No. 555-FZ, dated 28 December 2022, 'On Guaranteeing the Rights of the Non-governmental Pension Funds' Participants as Part of Non-governmental Pension Provision'.

¹⁹ Federal Law No. 556-FZ, dated 28 December 2022, 'On Amending the Federal Law 'On Non-governmental Pension Funds' and Federal Law 'On Insolvency (Bankruptcy)'.

²⁰ Federal Law No. 324-FZ, dated 14 July 2022, 'On Amending Part Two of the Tax Code of the Russian Federation'.



Federal Law No. 331-FZ prohibited the use of digital financial assets and utilitarian digital rights as a means of payment or other consideration received for goods, works and services, with certain exceptions defined by federal laws, and also established requirements for the activities of electronic platforms operators functioning as entities within the National Payment System.

To strengthen the fight against fraud in the financial market, Federal Law No. 408-FZ,²¹ which will come into force on 21 October 2023, authorised the Bank of Russia to submit to the Russian Ministry of Internal Affairs database information on actual and attempted unauthorised funds transfers based on information regarding unlawful actions received from the Russian Ministry of Internal Affairs.

Federal Law No. 452-FZ²² aimed to reduce the likelihood of holding financial institutions (banks, insurance companies, and non-governmental pension funds) accountable for the obligations of their debtors, which had arisen before the resolution began. Now, the former management and beneficiaries of a financial institution that contributed to its financial resolution may be held liable for these actions.

Along with the work related to participation in the preparation and review of these federal laws, the Bank of Russia issued 145 regulations in 2022, which were registered with the Ministry of Justice of the Russian Federation. Furthermore, 34 regulations that were issued by the Bank of Russia in 2021 were also registered with the Ministry of Justice. In addition, in accordance with federal laws, in 2022, 85 decisions related to legislation were adopted by the Board of Directors of the Bank of Russia and posted on its website.

To raise awareness and promote understanding, the Bank of Russia prepared 160 information letters (117 information letters were sent to organisations supervised by the Bank of Russia, 36 – to regional branches of the Bank of Russia and its supervised organisations, and seven information letters were sent to the Bank of Russia's regional divisions). For education and training, the Bank of Russia prepared 14 methodological recommendations.

²¹ Pursuant to Federal Law No. 408-FZ, dated 20 October 2022, 'On Amending Article 26 of the Federal Law 'On Banks and Banking Activities' and Article 27 of the Federal Law 'On the National Payment System'.

²² Federal Law No. 452-FZ, dated 21 November 2022, 'On Amending the Federal Law 'On Insolvency (Bankruptcy)'.



2.7.10. ADDRESSING ADMINISTRATIVE AND LEGAL ISSUES

In 2022, the officials of the Bank of Russia initiated 7,422 administrative proceedings. This included:

- 5,218 administrative offence cases reviewed by the officials of the Bank of Russia (including cases left unsettled from previous periods);
- 1,112 applications to hold non-bank financial institutions administratively liable under Part 3 of Article 14.1 and Article 14.36 of the Code of Administrative Offences of the Russian Federation reviewed by arbitration courts (including cases left unsettled from previous periods).

In 2022, officials of the Bank of Russia reviewed 191 complaints against rulings in administrative offences and rulings on a refusal to initiate administrative proceedings, which resulted in 13 rulings to sustain the complaints, 171 rulings to dismiss the complaints, and seven rulings to amend earlier rulings as regards administrative fines imposed on entities subject to administrative liability.

In 2022, administrative fines imposed by Bank of Russia officials and courts following consideration of administrative cases amounted to ₽253,105,500. In the same period, the budgets of the Russian Federation received ₽102,667,500¹ as payments of administrative fines, including ₽88,081,800 paid voluntarily by entities subject to administrative liability and ₽14,585,700 collected from entities subject to administrative liability in an enforcement procedure.

¹ The difference in the amounts of accrued and paid administrative fines within the designated period is mainly due to the violation by the involved persons of the deadline to pay administrative fines, which is the basis for the Bank of Russia to send relevant materials to the Federal Bailiff Service of the Russian Federation for the enforcement of administrative penalties, as well as bankruptcy and (or) forced liquidation of organisations supervised by the Bank of Russia, brought to administrative responsibility.



2.7.11. ADDRESSING JUDICIAL ISSUES

In 2022, as part of exercising its functions to monitor and supervise credit institutions and non-bank financial institutions, the Bank of Russia filed 499 suits, including:

- seven suits for recognition of credit institutions as insolvent (bankrupt) and forced liquidation of credit institutions;
- 454 suits for recognition of non-bank financial institutions as insolvent (bankrupt) and forced liquidation of non-bank financial institutions;
- 38 suits on disputes associated with supervisory response measures with regard to non-bank financial institutions.

In 2022, 409 suits filed by the Bank of Russia were satisfied (including cases left unsettled from previous periods), including seven suits against credit institutions and 402 suits against non-bank financial institutions.

Over the reporting period, 35 appeals were filed against actions and decisions of the Bank of Russia as part of its supervision of credit institutions. Among these appeals, four appeals against decisions (rulings) related to administrative liability, including the liability of officials, were sustained. Some of these appeals were made against rulings that initially refused to initiate administrative proceedings.

During the same period, 517 appeals were filed against actions and decisions of the Bank of Russia as part of its supervision of non-bank financial institutions. In this category of disputes, 106 appeals were sustained in 2022 (including cases left unsettled from previous periods), of which 103 appeals were against decisions (rulings) in cases of administrative liability, including the liability of officials, among which were rulings on a refusal to initiate administrative proceedings; one appeal was against measures applied under Articles 76.2 and 76.5 of Federal Law No. 86-FZ, and two appeals were against actions (omissions) of the Bank of Russia, including those of its officials.

The total of 142 suits arising out of business and other activity were brought against the Bank of Russia, including property-related suits totalling ₽11,737,730. Overall, 29 suits were upheld in court (including cases left unsettled from previous periods), including property-related suits totalling ₽300,000.

The Bank of Russia filed 115 suits arising out of business and other activity, including property-related suits totalling ₽22,039,390. Overall, in 2022, 82 suits in this category were upheld in court (including cases left unsettled from previous periods), including property-related suits totalling ₽19,796,060.

Besides, 16 suits arising out of employment relations were filed against the Bank of Russia, of which four were upheld (including cases left unsettled from previous periods).



3



Organisational development of the Bank of Russia

The variety of tasks that the Central Bank should address, continuous economic changes, and the disruptive development of information technologies require an advanced and flexible management approach. Therefore, the Bank of Russia is constantly developing its staff management practices, organisational structure, technical infrastructure, and internal controls. In addition, the Bank of Russia always seeks to optimise the use of resources and avoid unnecessary costs.

3.1. Training and development of Bank of Russia personnel

STAFF ASSESSMENT

The team of Bank of Russia University methodologists developed the requirements for executives' behaviour that are critical for efficient work in the conditions of the global transformation of the economy. These requirements were named 'new leadership practices'. In 2022 H2, the Bank of Russia carried out the assessment 360 Degree Feedback¹ taking into account the new leadership practices. Over 6,000 persons or 97% of the organisation's leading personnel took part in this assessment.

In 2022, the Bank of Russia developed a model comprising the description of the digital technology knowledge and skills that an employee should possess. In addition, the Bank of Russia created a test and carried out an assessment of digital literacy that also included a study of the perception of modern technologies by employees. Approximately 800 people took part in the testing. Based on the results of this assessment, the Bank of Russia developed the programme Digital Literacy and Ethics.

Overall, more than 19,000 Bank of Russia employees (including 79% of them – remotely) took part in the professional competence assessments in 2022. For the leaders interested in the use of assessment tools for supporting their management decisions, the Bank of Russia developed a special training programme – the Practice of Assessment for Leaders.

¹ 360 Degree Feedback is a system in which employees receive feedback from the people who work around them regarding the level of their management competencies.



DEVELOPMENT OF LEADERSHIP COMPETENCIES

The development of leadership competencies at the Bank of Russia is the systemic work aimed at enhancing employees' management skills and potential. This work is focused on the implementation of modern leadership practices and the improvement of the efficiency of training.

In 2022, within the advanced training projects for leaders, the Bank of Russia developed 15 and implemented over 70 programmes, including a complex of programmes for the Bank of Russia Youth Council. The key topics of the year were efficient decision making and efficient communications.

DEVELOPMENT OF PROFESSIONAL COMPETENCIES

The basis of the training programmes formed over the previous two years helped the Bank of Russia promptly adjust its training programmes in 2022 considering the shocks of the external environment and geopolitical factors.

Overall, in 2022, the Bank of Russia's portfolio included more than 350 professional training programmes in 32 areas, including training programmes aimed at the development of a diverse and inclusive environment and the promotion of the culture of equal opportunities at the Bank of Russia.

Data management and analytics, information and financial technologies, and cybersecurity were the most demanded areas in the Bank of Russia's staff training structure in 2022. The events of the Digital Literacy and Ethics training project were attended by over 25,000 Bank of Russia employees.

AWARENESS-RAISING EFFORTS TO SUPPORT SUSTAINABLE DEVELOPMENT GOALS

In 2022, the Bank of Russia continued its awareness-raising efforts aimed at supporting sustainable development goals:

- nearly 2,000 people took part in webinars, including those dedicated to the global environmental problems, an eco-friendly lifestyle, and the impact of environmental pollution on people's health;
- more than 1,500 people completed training in such areas as dealing with unconscious biases, the theory of generations, the influence of gender stereotypes on career achievements, and aspects of the integration of people with disabilities into an organisation;
- leaders took part in the personal effectiveness and the organisation's efficiency training where they learnt modern concepts, strategies and tools for the creation and promotion of the culture based on fairness, engagement and diversity principles.



REMOTE TRAINING AND INTEGRATION OF NEW TECHNOLOGIES INTO TRAINING PROCESSES

In 2022, the Bank of Russia added 97 new training courses to its catalogue of remote programmes on the Bank of Russia's internal training portal. Thus, the catalogue now includes 600 remote courses meant for all Bank of Russia employees that they may take both in the office and at home.

The Bank of Russia managed to completely substitute the educational technologies used for technologies based on Russian software: these are online platforms for webinars, assessment events, and platforms for the development of testing and carrying out online surveys.



3.2. Project and process management development

In 2022, the Bank of Russia continued to enhance its project management tools used to support the implementation of the Bank of Russia's key objectives.

As of the end of 2022, the Bank of Russia's portfolio comprised 144 projects, 85% of which included an IT component.

In 2022, in the course of the implementation of the projects, the key results achieved were as follows:

- The Bank of Russia created the platform Know Your Customer enabling a comprehensive analysis of operations of all legal entities and individual entrepreneurs registered in the Russian Federation to identify and assess the risk of suspicious transactions that might be conducted by them, as well as to notify all credit institutions about risks. The platform is based on automated risk assessment models using artificial intelligence tools that identify high-risk clients among seven million legal entities and individual entrepreneurs and make it possible to carry out monitoring of the entire banking sector.
- Within the creation of a platform for the robotisation of business processes, the Bank of Russia launched the enhanced prototype of the domestic software-based platform for temporary operation. As of the end of 2022, the Bank of Russia robotised 17 business processes.
- The Bank of Russia switched to a new simplified procedure for the calculation and regulation of the amount of credit institutions' required reserves, automated and centralised the said functions.
- The Bank of Russia completed the transition to a single platform of online accounts of the participants in information exchange with the Bank of Russia for the purpose of communication with financial market participants regarding admission procedures, which helped improve the quality of received information and reduce the period that the Bank of Russia needs to complete the procedures for financial institutions' market access and activity termination.

The Bank of Russia continued to develop the process management system aimed at enhancing the efficiency of its activities and optimising costs for the Bank of Russia's business processes. Specifically, in 2022, the Bank of Russia:

- developed and implemented a business process for the Bank of Russia to coordinate the efforts aimed at ensuring technological sovereignty of the financial market within the work of the sectoral committee Finance;
- completed the centralisation of its functions related to the fulfilment of its tax obligations, and optimised the number of employees – participants in the business process;
- enhanced the system for the management of key performance indicators of the Bank of Russia's business processes;
- launched the single information system for monitoring the progress of work under the Bank of Russia's medium-term planning documents.



Additionally, in 2022, the Bank of Russia started the implementation of its Business Process Digitalisation Programme.¹ At the first stage, it compiled the list of the 14 digital technologies that are most demanded in the market and selected its key business processes for digitalisation, and developed the requirements for target digital business processes and the plans for their transformation.

In order to coordinate the work for the adjustment of the Bank of Russia's activities to the conditions of sanctions, in March 2022, the Bank of Russia formed the working group for minimising the impact of the sanctions on business processes, developed proposals, implemented a complex of measures that helped promptly respond to external challenges, and updated the portfolio of projects.

¹ The main objectives of the programme are to increase the technology level, minimise the number of manual operations, and reduce the paper document flow in the Bank of Russia's business processes.



3.3. Changes in the organisational structure

In 2022, the Bank of Russia continued to enhance its organisational structure, including because of the new challenges to be addressed.

Improving its expertise in software development and cybersecurity was a key task of the Bank of Russia during the year. A special focus was put on the substitution of imported software and the creation of a digital ruble – a new form of the national currency. To tackle these tasks, the Bank of Russia established the Centre for the Coordination of Efforts Aimed at Ensuring Technological Sovereignty of the Financial Market and the Centre for Operations with the Digital Ruble at its head office.

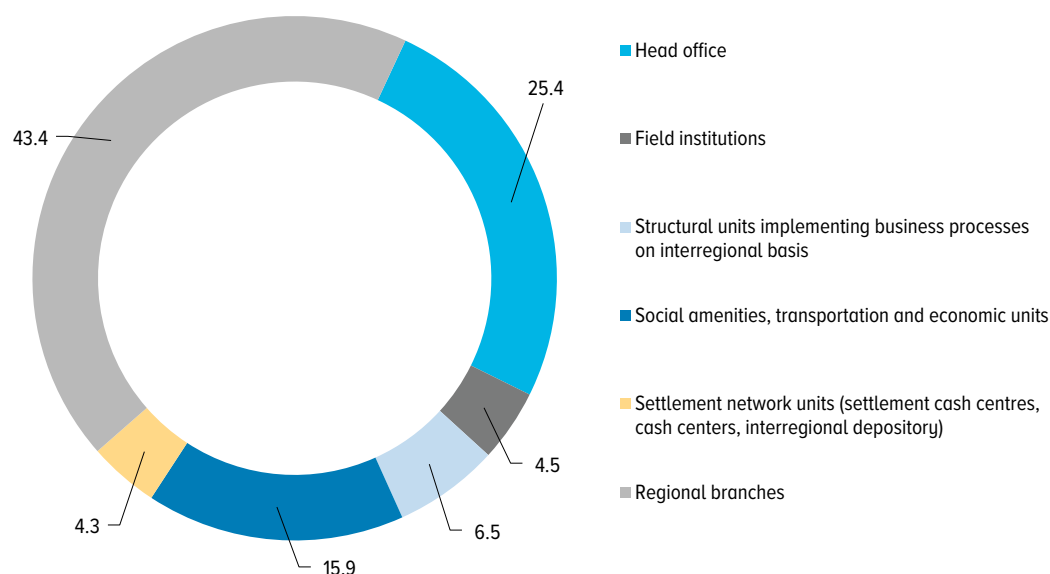
The Bank of Russia continued the centralisation of cash services to credit institutions. The Bank of Russia opened cash centres at the Siberian and Southern Main Branches, which helped centralise there the cash management functions that had been previously performed by regional cash management units.

Following the accession of the new constituent territories (the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region) to the Russian Federation, the Bank of Russia opened four new regional divisions in its Southern Main Branch.

Overall, as of 1 January 2023, the Bank of Russia comprised the head office, seven main branches with their internal 78 divisions (divisions – national banks), one interregional depository, 57 cash centres and cash settlement centres; 43 units performing business processes based on the interregional principle; 95 field institutions; the Representative Office of the Bank of Russia in the People's Republic of China; and auxiliary units.

NUMBER OF BANK OF RUSSIA PERSONNEL BY STRUCTURAL UNIT AS OF 1 JANUARY 2023
(PER CENT)

Chart 33



3.4. Internal audit and operational risk management at the Bank of Russia

The main objectives of internal audit are to submit information to Bank of Russia executives and the National Financial Board on the performance by the Bank of Russia's structural units of their respective functions and on the state of the risk management and internal control systems. Within the implementation of the Bank of Russia's Internal Audit Development Concept for 2021–2025 and considering the rising demand from its structural units and management, the Bank of Russia is taking efforts to develop further the consulting services in internal audit, including to ensure the support for the Bank of Russia's critical business processes and the continuity of its operations in the conditions of the sanction pressure.

Over 2022, using a risk-based approach, the Bank of Russia carried out 59 internal audit procedures, including 40 audits, five monitoring procedures, and 14 analytical events. In the course of these audit procedures, the Bank of Russia broadly used remote audit methods. The results of internal audit were submitted to the Bank of Russia executives and the National Financial Board, with recommendations given concerning the drawbacks and problem issues identified.

Amid the dramatic alterations in the economic situation, the Bank of Russia continued the monitoring of one of its strategically important business processes – the forecasting of macroeconomic conditions of monetary policy and the monitoring of operations with assets in foreign currencies and precious metals. The processes of acceptance, valuation and management of non-marketable assets provided as collateral for Bank of Russia loans were audited.

Various areas of supervisory activities were audited. The efficiency of inspections at credit institutions for their compliance with the AML/CFT/CFP laws was analysed. Off-site supervision over non-bank financial institutions and proceedings on administrative violations in relation to the said institutions, maintenance of the databases of insurance agents, and the Bank of Russia's participation in the development of the institute of the financial consumer ombudsman were audited. Considering the social importance of the Bank of Russia's anti-sanction measures taken to protect the financial market infrastructure and investment finance intermediaries, the approved decisions were analysed and assessed.

Pursuant to Article 76.12 of Federal Law No. 86-FZ, the Bank of Russia annually assesses the efficiency of using the resources of the Fund of Banking Sector Consolidation.¹

Taking into account growing risks stemming from the geopolitical changes, the work for ensuring the resilience of the Bank of Russia Payment System (Bank of Russia PS), the support for the critical sections of the functioning processes of the Bank of Russia PS and the provision of services to the Bank of Russia's clients, as well as the progress

¹ The Insurance Sector Consolidation Fund and the Pension Sector Consolidation Fund were not formed.



of the implementation of the key measures within the National Payment System Development Strategy for 2021–2023 were analysed.

The issues of ensuring the protection of the Bank of Russia's valuables and the functioning of the hi-tech cash circulation facilities, the implementation of the measures and the achievement by the Bank of Russia of the goals provided for by the Guidelines for Cash Circulation Development for 2021–2025 were considered within the audit of the cash circulation organisation and support.

The business processes related to the functioning of the Bank of Russia were also analysed within the internal audit. The organisation of and support for the internal security processes at the Bank of Russia's facilities were audited over the reporting year. The efficiency of management of the data storage infrastructure resources and the maintenance of the continuity of the operation of the Bank of Russia's information and telecommunication system in the conditions of the international sanctions was analysed. Considering the increased cyber risks, the security of the Bank of Russia's systems in the course of communication with the internet and the use of modern analytical technologies for ensuring the Bank of Russia's cyber resilience were inspected. The Bank of Russia's processes of financial planning, procurements, real estate management and staff administration were audited. The progress towards the achievement of the strategic goals and the objectives of the re-engineering of the business processes and the impact of the sanctions on them were assessed.

Within the Bank of Russia's budget mandate to exercise internal financial audit, auditors assessed the reliability of the internal financial control and the accuracy of the Bank of Russia's budget reporting.

Based on the findings of the control and expert analytical measures related to the state audit of the Bank of Russia, in 2022, the Accounts Chamber of the Russian Federation generally confirmed the compliance of the activities of the Bank of Russia and its structural units with the requirements of Russian laws and Bank of Russia regulations.

The Bank of Russia attaches great importance to operational risk management and adheres to modern standards and best practices in this area. In 2022, the Bank of Russia continued its efforts to update the single profile of the Bank of Russia's operational risks considering the alterations in the internal and external environments and to enhance the methodology for managing the continuity of the Bank of Russia's operation.

3.5. Procurements by the Bank of Russia

In 2022, in the course of procurements amid the sanctions, the Bank of Russia continued to carry out procurements predominantly on a competitive basis.

The quantities of procurements decreased in 2022, as compared to the previous year, primarily because earlier signed long-term contracts remained effective. The amount of the contracts concluded totalled ₽18.8 billion (vs ₽25.3 billion in 2021).

As the Bank of Russia ensured equal conditions for procurement participants, this promoted the participation of SMEs, with the contracts signed with them accounting for approximately 51% of the total value of the contracts concluded based on the results of the tenders and procurements from a single supplier.

In 2022, the suppliers participating in the Bank of Russia's procurements numbered 1,715. Of this number, about 580 submitted their quotations for the first time. Highly competitive procurements that attracted four or more applications accounted for 23.5% in 2022, which is close to 25.3% in 2021. The average number of participants per procurement procedure equalled 3.0, which is lower than 3.2 in 2021.

Over the reporting period, market participants filed no complaints to the FAS Russia or judicial bodies. The number of complaints sent by procurement participants to the Bank of Russia's independent collegial body for handling such complaints decreased from 25 in 2021 to nine in 2022. Following the consideration, none of the complaints was recognised as justified.

To ensure an open dialogue with the market participants, the Bank of Russia carried out the fourth annual Conference of the Bank of Russia's Suppliers. For the first time, hi-tech equipment manufacturers, including from the IT, engineering and security equipment areas, took part in the Conference. Representatives of the procurement functions of the largest commercial and state-owned banks took part in the event, which made the discussion meaningful and unbiased.





4



Annual financial statements of the Bank of Russia. Auditors' reports and the decision of the National Financial Board

Introduction

The Annual Financial Statements include information on banking operations and other transactions conducted by the Bank of Russia to perform its functions set out in Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended) (hereinafter, the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)').

The Annual Financial Statements for 2022 presented below (hereinafter, the financial statements) comprise the following:

- Annual balance sheet;
- Statement of financial performance;
- Statement of actual profit and its allocation or of actual incurred losses;
- Statement of Bank of Russia reserves and funds;
- Statement of Bank of Russia management of securities and equity stakes in organisations constituting the Bank of Russia's property;
- Statement of Bank of Russia securities transactions on exchanges;
- Statement of Bank of Russia personnel costs;
- Statement of capital investment budget performance.

The principal objectives of the Bank of Russia are to:

- protect the ruble and ensure its stability;
- upgrade and strengthen the Russian banking system;
- ensure the stability and development of the national payment system;
- develop the Russian financial market;
- ensure the stability of the Russian financial market.



Annual balance sheet as of 31 December 2022

millions of rubles

	Note	2022	2021
ASSETS			
Assets in foreign currency and precious metals	4	39,033,812	45,278,539
Loans and deposits	5	4,730,797	2,902,894
Securities	6	469,645	972,249
Claims on the IMF	7	2,842,329	3,151,771
Other assets	8	146,671	106,939
Total assets		47,223,254	52,412,392
LIABILITIES			
Cash in circulation	9	16,348,149	14,068,552
Funds in accounts with the Bank of Russia	10	15,405,486	19,135,035
Obligations to the IMF	11	2,542,657	2,826,569
Other liabilities	12	184,245	175,099
Total liabilities		34,480,537	36,205,255
CAPITAL			
Capital, total, of which:	13	12,742,717	16,207,137
Authorised capital		3,000	3,000
Reserves and funds		14,602,429	17,345,039
Previous years losses		(1,140,995)	(1,114,605)
Reporting year losses		(721,717)	(26,297)
Total liabilities and capital		47,223,254	52,412,392

Governor of the Bank of Russia

Bank of Russia Chief Accountant

28 March 2023



Elvira Nabiullina



Irina Granovskaya



Statement of financial performance for 2022

millions of rubles

	Note	2022	2021
INCOME			
Interest income	14	525,321	302,288
Net income from operations with securities, foreign currency and precious metals		0	200,507
Income from equity stakes in credit institutions and other organisations		4,979	20,222
Other income	15	10,914	8,305
Total income		541,214	531,322
EXPENSES			
Interest expenses	16	382,603	187,381
Net expenses on operations with securities, foreign currency and precious metals		670,838	0
Cash turnover management expenses	17	14,578	10,362
Net expenses on the formation of provisions	18	3,590	172,140
Other operating expenses	19	57,381	62,517
Bank of Russia personnel costs	20	133,941	125,219
Total expenses		1,262,931	557,619
FINANCIAL RESULT			
Reporting year loss		(721,717)	(26,297)



Statement of changes in capital and profit

millions of rubles

	Capital			
	Authorised capital	Reserves and funds	Losses	Total capital
Balance as of 31 December 2020, after tax for 2020	3,000	18,765,163	(1,114,605)	17,653,558
Loss for 2021	0	0	(26,297)	(26,297)
Transferred to reserves and funds in 2021 from other sources, excluding profit	0	14,404	0	14,404
Paid from reserves and funds in 2021	0	(1,434,528)	0	(1,434,528)
Balance as of 31 December 2021, before tax for 2021	3,000	17,345,039	(1,140,902)	16,207,137
Taxes and duties, including those paid in advance in 2021	0	0	(93)	(93)
Balance as of 31 December 2021, after tax for 2021	3,000	17,345,039	(1,140,995)	16,207,044
Loss for 2022	0	0	(721,717)	(721,717)
Transferred to reserves and funds in 2022 from other sources, excluding profit	0	9,683	0	9,683
Paid from reserves and funds in 2022	0	(2,752,293)	0	(2,752,293)
Balance as of 31 December 2022, before tax for 2022	3,000	14,602,429	(1,862,712)	12,742,717
Taxes and duties, including those paid in advance in 2022	0	0	(92)	(92)
Balance as of 31 December 2022, after tax for 2022	3,000	14,602,429	(1,862,804)	12,742,625

Information on reserves and funds of the Bank of Russia is disclosed in the Statement of Bank of Russia Reserves and Funds.



Notes to annual financial statements for 2022

1. BANK OF RUSSIA ACCOUNTING AND FINANCIAL REPORTING FUNDAMENTALS

The Bank of Russia carries out accounting records and compiles its financial reporting in accordance with the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', Federal Law No. 402-FZ, dated 6 December 2011, 'On Accounting', Bank of Russia Regulation No. 567-P, dated 19 December 2016, 'On the Chart of Accounts for Accounting Purposes at the Central Bank of the Russian Federation (Bank of Russia) and the Procedure for Using it', Bank of Russia Regulation No. 522-P, dated 21 December 2015, 'Bank of Russia Accounting Policy for Accounting Purposes' (hereinafter, the Accounting Policy), and other Bank of Russia regulatory documents issued in pursuance of the said federal laws.

The financial statements were compiled on the basis of the annual accounting statements of the Bank of Russia, accounting registers, and information set out in Bank of Russia regulations on the accounting in the Bank of Russia and other Bank of Russia regulations.

These financial statements do not include the financial statements of credit institutions and other organisations, where the Bank of Russia holds equity stakes and/or whose activities it controls, as well as of legal entities established by the Bank of Russia. Under Russian law, the Bank of Russia is not required to compile consolidated financial statements that include the financial statements of credit institutions and other organisations where it holds equity stakes and/or whose activities it controls, as well as of legal entities established by the Bank of Russia.

These financial statements were compiled in the currency of the Russian Federation, the Russian ruble (hereinafter, rubles), or in millions of rubles.

The financial statements cover a period from 1 January through 31 December 2022.

Bracketed figures in tables are negative values.

For the purposes of these financial statements, Bank of Russia operations with credit institutions and the State Development Corporation VEB.RF are jointly referred to as operations with resident banks.

2. BANK OF RUSSIA ACCOUNTING POLICY FOR ACCOUNTING PURPOSES, ACCOUNTING ITEMS AND METHODS OF THEIR APPRAISAL

Assets (claims) and liabilities are recorded at their initial value as of the moment of their acquisition or occurrence. The initial value does not change until their retirement, sale, or redemption, unless otherwise provided for by the Russian legislation, the Accounting Policy, and Bank of Russia regulations or other documents. The specifics of any subsequent appraisal (revaluation) of assets (claims) and liabilities are described in this Note.



(a) PRECIOUS METALS

Assets (claims) and liabilities denominated in precious metals are entered in the books at the value of the precious metals according to the book prices for refined precious metals established by the Bank of Russia (hereinafter, the book price) as of the date of a transaction with precious metals and shall be revalued according to changes in book prices. The Bank of Russia calculates book prices based on the current fixed prices of precious metals on the London Metal Exchange.

Assets (claims) and liabilities denominated in precious metals are reflected in the books as of the end of the reporting year at fair value. The fair value of precious metals as of the end of the reporting year is the last price for the precious metals as fixed in the London metals spot market in the reporting year and recalculated based on the official US dollar / ruble exchange rate effective as of the reporting date.

Bank of Russia claims and liabilities with respect to the delivery of precious metals in forward transactions under signed contracts are recorded to off-balance sheet accounts at book prices from the transaction date to the date of delivery of the precious metals or the settlement date, whichever is earlier, and revalued as the book prices change.

(b) FOREIGN CURRENCY ASSETS AND LIABILITIES

Foreign currency assets (claims) and liabilities are entered in the books as of the date of the operation or transaction in foreign currency at the official exchange rate of the foreign currency against the ruble set by the Bank of Russia as of that date (hereinafter, the official exchange rate).

Foreign currency assets (claims) and liabilities are revalued as the official exchange rate changes, except for amounts received, advances paid and down payments made under business transactions with non-resident companies (for goods delivered, works performed or services rendered), as well as the amounts of down payment in Bank of Russia transactions related to its equity stakes in other companies which are not subject to revaluation.

Bank of Russia claims and liabilities denominated in foreign currency under signed foreign currency purchase and sale forward contracts are posted to off-balance sheet accounts at the official exchange rates from the transaction date to the first settlement date stipulated by transaction terms and are revalued as official exchange rates change.

(c) SECURITIES

Investments in debt securities are categorised as follows, depending on the purpose of the purchase:

- *Appraised at fair value through profit or loss.* These include securities purchased to be sold in the short term (up to one year) whose fair value can be determined reliably;
- *Held to maturity.* These include securities that the Bank of Russia intends to hold to maturity, regardless of the period between the purchase date and the maturity date;



– *Available for sale*. These include securities that are not categorised as *Appraised at fair value through profit or loss* or *Held to maturity* when purchased.

Securities are accounted for at their initial value, which includes the purchase price (purchase value) and, for securities *Available for sale* or *Held to maturity*, material additional expenses (costs) directly associated with their purchase. Expenses (costs) exceeding 5.0% of the transaction value are recognised as material.

Securities are entered in the accounts in the currency of their denomination.

The price of securities purchased in a currency other than that of their denomination is determined at the official exchange rate as of the purchase date, or at a cross rate calculated using official exchange rates.

The balance sheet value of securities after their initial recognition changes by the amount of interest income (interest expenses) accrued, amounts of partial redemption of the nominal value of securities and coupon payments, and for securities *Appraised at fair value through profit or loss* and *Available for sale*, where their fair value can be determined reliably, with due regard to their revaluation at fair value.

The amount of discount and interest (coupon) income less the premium amount is recognised as interest income. A discount on the security means a positive difference between the nominal value (current face value) of the security and its initial value less interest (coupon) income included in the purchase price.

The amount of premium in excess of the interest (coupon) income is recognised as interest expense. A premium on the security means a negative difference between the nominal value (current face value) of the security and its initial value less interest (coupon) income included in the purchase price.

Interest income and expenses are accrued on a uniform basis from the purchase date of securities and during their remaining maturity, unless otherwise specified in Bank of Russia regulations.

Interest income on securities where there is no uncertainty as to the receipt of the said income, as well as interest expenses on securities are recognised as income or expenses, respectively, on the last business day of the month when the securities are retired (sold) or redeemed (partially redeemed), and when interest (coupon) income is paid by the issuer. Interest income on securities where the receipt of the income is recognised to be uncertain is recorded to separate off-balance sheet accounts for unreceived interest income and is recognised as income when the funds are actually received.

The fair value of securities is measured using representative quotes (prices) from information systems available to the Bank of Russia, or securities prices disclosed (provided) by trade organisers or organisations that provide price information services to the Bank of Russia, or available in open data sources. Valuation models based on market data are used to estimate the fair value of securities that do not have representative quotations (prices).

The securities revaluation amount is the difference between the fair value of securities of a corresponding issue (issuer) and their balance sheet value, net of the revaluation reflected in the corresponding balance sheet accounts.

Securities categorised as *Held to maturity* are not subject to revaluation; they are reflected in the financial statements net of impairment provisions.



Upon the retirement (sale) of securities, the price of such securities shall be determined using the FIFO method, which stipulates that the retirement (sale) of securities is recorded in the accounts in the order of their acquisition. The price of retired (sold) securities includes the price of securities that were acquired first.

The financial result of the retirement (sale) or redemption of securities is calculated as the difference between the balance sheet price of the security as of the retirement date, inclusive of accrued interest income (for securities in the category *Appraised at fair value through profit or loss*, net of revaluation amounts), and the contractual redemption price or retirement (sale) price, and is recorded to the income or expenses on securities operations in the statement of financial performance. For securities in the category *Available for sale*, alongside showing the retirement (sale) or redemption of securities, the amount of the accumulated revaluation of retired securities is transferred to accounts for income or expenses from securities transactions in the statement of financial performance.

Securities transferred by the Bank of Russia in reverse transactions, including securities in repo transactions, are recognised in the same category of securities, in which they were recognised before the transaction, in separate balance sheet accounts. Funds raised by the Bank of Russia in repo transactions are recognised in Bank of Russia balance sheet accounts for funds raised.

Securities received by the Bank of Russia in reverse transactions, including securities in repo transactions, are recorded to off-balance sheet accounts and revalued at the fair value on the last working day of the month. Funds provided by the Bank of Russia in repo transactions are accounted for in Bank of Russia balance sheet accounts for funds placed.

Income received or expenses incurred by the Bank of Russia in reverse transactions are recorded in the financial statements as *Interest income* or *Interest expenses* items of the statement of financial performance, respectively.

(d) INVESTMENTS

Bank of Russia investments in the authorised capital of credit institutions and other organisations are accounted for at their initial price as of the date of transfer of the title to shares (stakes), as specified in the documents confirming the transfer of the title to the shares (stakes).

The initial value of shares (stakes) entered in the books includes the purchase price (purchase value) and material additional expenses (costs) directly associated with their purchase.

Expenses (costs) exceeding ₺25,000 are recognised as material. Immaterial additional expenses (costs) directly related to the purchase of shares (stakes) are included in expenses on securities trading.

Bank of Russia investments in credit institutions' shares acquired for the purpose of participation in bankruptcy prevention measures and transferred to trust management are accounted for in balance sheet accounts for assets transferred to trust management; in the financial statements these investments are recorded to the *Securities* item of the annual balance sheet.



Foreign currency investments in legal entities' shares (stakes) denominated in foreign currency are accounted for in rubles at the official exchange rate as of the date when the title to the shares (stakes) is transferred or at the official exchange rate as of the date when they are paid up with a prepayment.

The value of shares (stakes) denominated in a foreign currency is not subject to further revaluation following a change in the official exchange rate.

Bank of Russia investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions with the participation of the Bank of Russia are accounted for at their initial value as of the date on which the Bank of Russia's title to the units is transferred, as indicated in the documents confirming the transfer of title to the units. The initial value of units entered in the books equals the amount of funds paid for the units of the unit investment fund.

Bank of Russia investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions are recognised in the financial statements at their initial value net of impairment provisions.

(e) LOANS AND DEPOSITS

Loans, including subordinated loans, provided to credit institutions, state corporations, other legal entities, and deposits placed, *inter alia*, in accordance with federal laws and decisions of the Bank of Russia Board of Directors, are recognised in the financial statements as part of the principal, including accrued interest whose receipt is regarded as certain, net of impairment provisions. Interest income where there is uncertainty as to its receipt is recorded to off-balance sheet accounts for unearned interest income and is recognised as income when the funds are actually received.

The Bank of Russia issues loans against the pledge of securities, pledge of receivables on loan agreements and/or sureties, as well as unsecured loans based on the decision of the Bank of Russia Board of Directors.

Securities received as collateral for issued loans are appraised at their market value determined as of the transfer date of these securities as collateral on a Bank of Russia loan, using the adjustment ratios established by the Bank of Russia, and are not subject to further revaluation.

Claims under loan agreements received as collateral for issued loans are accounted for at the value determined according to the procedure defined by the loan agreement, adjusted by the adjustment ratios established by the Bank of Russia.

The value of collateral for Bank of Russia loans provided against sureties is calculated as the amount of loan debt plus the interest to be paid for the anticipated period of use of the loan, calculated based on the conditions of the loan agreement signed with the Bank of Russia.

For accounting purposes, the value of collateral in the form of a surety issued by one guarantor, which is received by the Bank of Russia for several loans, is determined as the maximum amount of such guarantor's liability for the performance by a borrowing credit institution of its obligations under Bank of Russia loans.



Within the framework of implementing measures aimed at stabilising the financial market of the Russian Federation, the Bank of Russia places funds as part of bankruptcy prevention measures at credit institutions using the money of the Fund of Banking Sector Consolidation.

(f) LOSS PROVISIONS FOR BANK OF RUSSIA OPERATIONS

To cover possible financial losses if risks materialise under Bank of Russia claims and liabilities (including contingent ones), which arise in the course of the Bank of Russia's performing its functions in accordance with Russian laws, the Bank of Russia makes the following provisions for: credit and other similar exposures (hereinafter, exposures), including those on securities held to maturity; claims on interest income under exposures reflected on balance sheet accounts (hereinafter, claims on interest income); investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions; funds deposited by the Bank of Russia with credit institutions to compensate for the part of losses (expenses) incurred by credit institutions under transactions with other credit institutions whose banking licences have been revoked; securing obligations to participants in the Bank of Russia's Pension Plan; amounts paid by the Bank of Russia to the Pension Fund of the Russian Federation¹ in accordance with Russian laws to compensate for the shortage of pension savings; amounts transferred by the Bank of Russia to the Pension Fund of the Russian Federation in the event of the forced winding up of a non-governmental pension fund; and receivables under the business activity of the Bank of Russia.

Provisions are made in the currency of the Russian Federation. Bank of Russia provisions are made on the basis of decisions by the Bank of Russia Board of Directors and are recognised as Bank of Russia expenses.

Given a decrease in the amount of claims and liabilities in the event of their full or partial repayment, mitigation of the risk of possible financial losses thereunder, the corresponding part of the provisions made for the claims and liabilities should be reduced and posted (recovered) to Bank of Russia income.

Provisions are used to cover financial losses under liabilities in the event that risks thereunder materialise and to write off claims the Bank of Russia cannot recover after it has undertaken all necessary and sufficient legal and actual measures to recover them and to exercise the rights arising from the availability of collateral for these claims, including when an entry on the debtor's registration in connection with its liquidation is made in the Unified State Register of Legal Entities.

Provisions for exposures as well as exposures to credit interest income are made by the Bank of Russia when the risk of possible financial loss (credit risk) arises as a result of a borrower's default on or improper fulfilment of obligations in accordance with the terms and conditions of agreements or other documents confirming the provision and placement of funds by the Bank of Russia or as a result of the revocation of the borrower's banking licence.

¹ Starting 1 January 2023, the Pension and Social Insurance Fund of the Russian Federation.



The Bank of Russia determines the level of credit risk and, if needed, makes provisions in the amount corresponding to the identified credit risk level for the following exposures: loans issued by the Bank of Russia (*inter alia*, under opened credit lines); deposits placed by the Bank of Russia; funds placed by the Bank of Russia under repo operations; and securities held to maturity. When assessing credit risk, the Bank of Russia evaluates the financial standing of a borrower and the quality of its debt servicing.

Provisions for exposures of the Bank of Russia in rubles and foreign currency are made on a case-by-case basis or for portfolios of homogeneous credit claims (on a portfolio basis).

For exposures having no individual signs of impairment and meeting the criteria for the formation of portfolios of homogeneous credit claims, provisions are made on a portfolio basis.

Provisions for exposures pooled in the portfolios of homogeneous credit claims are made for a portfolio as a whole and reflect the amount of possible financial losses that may result from the overall impairment of homogeneous exposures pooled (grouped) in the same portfolio. When determining criteria for attributing credit claims to the portfolio of homogeneous credit claims, the Bank of Russia may take into account the following properties of exposures: the type of exposures, emergence of exposures as a result of transactions under a single agreement; placement of funds on similar conditions; placement of funds in compliance with certain federal laws; the net settlement of debt obligations under several transactions; and other properties of transactions.

The amount of provisions for exposures is determined taking into account the value (amount) of collateral provided under concluded agreements calculated using adjustment ratios (discounts) (Note 2(e)).

The Bank of Russia makes provisions for investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions; the amount of these provisions is determined taking into account the fact that the value of investments in the said units net of provisions shall not exceed the value of the net assets of the unit investment fund.

Loss provisions for the funds deposited by the Bank of Russia with credit institutions to compensate, pursuant to federal laws, for the portion of losses (expenses) sustained by credit institutions in transactions with other credit institutions whose banking licences have been revoked (hereinafter, the compensation deposit) are made when credit institutions write off the compensation deposit in whole or in part.

Provisions to secure Bank of Russia obligations to participants in its Pension Plan are made to secure the fulfilment of supplementary pension obligations to Bank of Russia employees in accordance with the terms and conditions of the Pension Plan. The amount of provisions to be made is determined by the excess of the forecast value of pension obligations over the anticipated balance of the Bank of Russia pension fund as of the end of the year following the reporting one.

Provisions for the amounts of compensation paid by the Bank of Russia to the Pension Fund of the Russian Federation for the shortage of pension savings are formed when, in accordance with Russian laws, the Bank of Russia, as a result of compensating for the shortage of pension savings, acquired claims which, in the event of the bank-



ruptcy of a non-governmental pension fund, that is not a participant fund in the guarantee system of the rights of insured persons, or in the event of its forced liquidation, shall be satisfied using the equity (assets securing statutory activity, if the non-governmental pension fund is a non-profit organisation) of such non-governmental pension fund.

Provisions for the amounts of funds transferred by the Bank of Russia to the Pension Fund of the Russian Federation are made if an arbitration court issues a ruling, upon the Bank of Russia's application, on the forced liquidation of a non-governmental pension fund which has not been registered in the system guaranteeing the rights of insured persons because of the cancellation of its licence.

Provisions to cover possible financial losses under receivables from economic activity determined in the values established by the Bank of Russia's regulation governing the procedure for the Bank of Russia to write off assets, receivables and other expenditures are formed for receivables recognised in the books in the balance sheet accounts for settlements with employees with regard to imprest amounts (in respect of the amounts of shortages); settlements with suppliers, contractors, and buyers; or settlements with other debtors where such receivable involve the risk of possible financial loss due to the default on (improper performance of) obligations by the Bank of Russia's debtor under the contract for the delivery of goods, performance of works, or provision of services.

Bank of Russia assets, for which provisions are made, are accounted for in the financial statements net of the amount of provisions made.

(g) FIXED ASSETS

Bank of Russia fixed assets are defined as tangible property having a service life of over 12 months and a value exceeding the limit set by the Bank of Russia for recognising property as fixed assets which are used as tools for the provision of services or management of a Bank of Russia unit, as well as in the cases stipulated by health and safety, technical and maintenance, and other special technical standards and requirements. Since 1 January 2016, the limit value of property to be entered into the books as fixed assets has been set by the Bank of Russia at over ₹100,000 per accounting unit put into operation from 1 January 2016. Property entered into the books as fixed assets before 1 January 2016 is accounted for as part of fixed assets.

Fixed assets are recognised in the financial statements at their residual value, i.e. at the purchase price including revaluation less accrued depreciation, in the *Other assets* item of the balance sheet.

Bank of Russia fixed assets have been revalued in accordance with Russian Federation Government resolutions. The latest revaluation was made as of 1 January 1997.

Depreciation allowances are made each month, beginning on the first day of the month following the month a fixed asset is put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout its entire service life (except in cases when the asset is under reconstruction or modernisation for more than 12 months or under temporary shutdown for over three months according to



the decision of the Bank of Russia). They are discontinued from the first day of the month following the month when the cost of the asset was fully repaid, or the asset was retired.

The maximum amount of accrued depreciation equals the balance sheet value of a fixed asset, which means the initial or current (replacement) value of the asset (including revaluation).

Fixed assets put into operation prior to 1 January 2002 are subject to the following rates of depreciation:

	2022	2021
Buildings and other facilities	1–5	1–5
Equipment (including computers, furniture, vehicles, etc.)	1–5	1–5

Fixed assets put into operation from 1 January 2002 are subject to the following rates of depreciation:

	2022	2021
Buildings and other facilities	1–25	1–25
Equipment (including computers, furniture, vehicles, etc.)	2–50	2–50

Expenses for the repair and maintenance of fixed assets are recorded to the financial statements in the *Other operating expenses* item of the statement of financial performance.

Income or expenses following the retirement of fixed assets are calculated as the difference between their balance sheet value (including accrued depreciation) and retirement cost and are recorded to the statement of financial performance in the *Other income* or *Other operating expenses* items.

(h) INTANGIBLE ASSETS

Intangible assets are identifiable objects whose initial value may be accurately measured. These do not have a physical form and are meant for long-term use (i.e. during a service life of over 12 months). They are not intended for sale within 12 months and are capable of bringing further economic benefits, which the Bank of Russia is entitled to get, whereas any other entities have only limited access to such economic benefits.

Intangible assets are accounted for in the financial statements at their residual value, i.e. at the purchase price net of accrued amortisation, in the *Other assets* item of the annual balance sheet.

Amortisation allowances are made each month, starting on the first day of the month following the month intangible assets are put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout their entire service life. They are discontinued from the first day of the month following the month when the cost of the asset was completely repaid, or the asset was retired.



The maximum amount of accrued amortisation equals the balance sheet value of intangible assets.

The following rates of amortisation are applied to intangible assets put into operation beginning on 1 January 2002:

	%	
	2022	2021
Intangible assets	8–92	8–50

The service life of intangible assets is established on the basis of the duration of Bank of Russia rights to the results of intellectual work or means of identification, and the period of control over intangible assets; and the expected service life of intangible assets during which the Bank of Russia intends to derive economic benefits (or use them in its work).

The increase in the maximum annual rates of amortisation is conditioned on the acquisition in 2022 of intangible assets that are subject to the highest amortisation rates.

Income or expenses arising following the retirement of intangible assets are calculated as the difference between their balance sheet value (including accrued amortisation) and the retirement value, and are recorded to the statement of financial performance in the *Other income* or *Other operating expenses* items.

(i) CASH IN CIRCULATION

The Bank of Russia is the sole issuer of cash and the organiser of cash circulation. Banknotes and coins put into circulation are shown in the financial statements at their nominal value, exclusive of ruble cash at Bank of Russia tills, Bank of Russia ATMs and cash in transit, as well as cash held by the Bank of Russia and dispensed to provide cash services to credit institutions.

(j) FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA

Funds in accounts with the Bank of Russia are comprised of federal government funds, funds in the treasury single account, resident banks' correspondent accounts, required reserves of credit institutions deposited with the Bank of Russia, credit institutions' and other organisations' deposits taken by the Bank of Russia, regional and local government budget funds and government extra-budgetary funds, and funds of organisations that are federal or public property. Funds in accounts with the Bank of Russia are reflected in the financial statements at their nominal value, inclusive of interest accrued.

(k) CAPITAL

The Bank of Russia's capital consists of:

- authorised capital. Under Article 10 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia has authorised capital in the amount of ₴3 billion;



- various reserves and funds created to enable the Bank of Russia to perform the functions stipulated by the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'. Information about the sources and use of Bank of Russia reserves and funds is contained in the Statement of Bank of Russia Reserves and Funds, which is part of these financial statements;
- loss of the reporting year and previous years (Note 2(m)).

(l) RECOGNITION OF BANK OF RUSSIA INCOME AND EXPENSES

Income and expenses are formed as a result of conducting transactions in rubles, foreign currency and precious metals and are recorded on an accrual basis, that is, they are posted as soon as they occur, rather than after the funds (or their equivalents) have been actually received or paid.

Records across accounts for income and expenses are maintained in rubles.

Income and expenses are recorded in the period to which they relate.

Expenses on the replenishment of supplementary pension funds for Bank of Russia employees are recorded to the statement of financial performance, after they have been incurred, based on the actuarial valuation of pension obligations of the Bank of Russia.

Income in the form of dividends due for Bank of Russia stakes in legal entities authorised capitals is recorded in the books based on information on the decision to pay dividends made by the legal entity's authorised body.

Income (expenses) received (incurred) and accrued for the previous reporting periods is (are) recorded to the financial statements in the items of the statement of financial performance for the reporting period with corresponding economic content.

Interest income and interest expenses are accrued during the period of placement (attraction) of funds on a uniform basis, unless otherwise stipulated by Bank of Russia regulations.

The receipt of interest income on all exposures with regard to borrowers against which claims, according to the provisioning procedure, are classified into groups that are below the groups involving no credit risk or insignificant or moderate credit risk, is deemed to be uncertain for accounting from the date of the classification.

(m) FINANCIAL PERFORMANCE

Financial performance: profit or loss is calculated in accordance with the legislation of the Russian Federation as the difference between total income and expenses of the Bank of Russia for the reporting year, as reflected in the books.

Loss of the reporting year and previous years is entered in the books as part of capital (Note 2(k)).

(n) TAXATION OF THE BANK OF RUSSIA

The Bank of Russia pays taxes and duties in compliance with the Tax Code of the Russian Federation. It has drawn up and approved its accounting policy for the purpos-



es of taxation, which sets out the applicable tax accounting principles and methods, alongside the rules on, and procedure for, creating a tax base for the calculation of taxes and duties to be paid by the Bank of Russia.

(o) TRANSFER OF PROFIT TO THE FEDERAL BUDGET

Pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', after the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia transfers 75% of the actual annual profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation to the federal budget.

(p) CLAIMS ON THE IMF AND OBLIGATIONS TO THE IMF

Pursuant to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia serves as a depository for IMF funds in the currency of the Russian Federation and performs operations and transactions stipulated by the IMF's Articles of Agreement and contracts with the IMF.

The Bank of Russia keeps records of the Russian Federation's claims on the IMF (including the Russian Federation's quota in the Fund) and its obligations to the IMF.

Claims on the IMF include the Russian Federation's quota in the Fund; funds in the Russian Federation's account with the IMF's Special Drawing Rights Department (SDR Department); and loans provided by the Bank of Russia to the IMF under the New Arrangements to Borrow (NAB), inclusive of interest accrued.

IMF quotas are subscriptions of all member states, which are paid in national and foreign currencies. The portion of the quota paid in a foreign currency constitutes a position on the reserve tranche. Quotas are denominated in Special Drawing Rights (SDRs).

The SDRs are reserve assets created by the IMF. The SDR value is posted daily based on the basket of currencies, consisting of the US dollar, euro, Chinese yuan, Japanese yen and pound sterling.

Obligations to the IMF are represented by the ruble balances in the IMF's Number 1 and 2 Accounts with the Bank of Russia and by the obligations on SDRs received by the Russian Federation during previous issues of SDRs by the IMF, inclusive of accrued interest.

The IMF's Number 1 Account is used for financial operations and trades. The IMF's Number 2 Account is used to pay for the administrative expenses of the IMF representative office in the Russian Federation and is replenished by withdrawing funds from the IMF's Number 1 Account.

The accounting of claims on the IMF and obligations to the IMF as well as interest accrual is performed in line with the IMF recommendations and Bank of Russia regulations. In order to maintain the total of Bank of Russia ruble-denominated obligations to the IMF in SDR terms at the ruble exchange rate set by the IMF, the balances in the IMF's Number 1 and 2 Accounts are revalued on a monthly basis on the first working day of the month following the reporting month. The total exchange rate differences



accrued on the IMF's Number 1 Account are recognised in correspondence with the account for recording the part of the quota paid in rubles. The total exchange rate differences accrued to the IMF's Number 2 Account are recorded to the Bank of Russia's income or expenses. At the end of the IMF's fiscal year (30 April) and by the decision of the IMF or at the request of the Bank of Russia, the amount of the accrued exchange rate differences from the revaluation of the IMF's Number 1 Account is recorded to the increase (decrease) in the balance of the IMF's Number 1 Account; and the revaluation of the IMF's Number 2 Account is recorded to the increase (decrease) in this account's balance.

SDR-denominated claims on the IMF and obligations to the IMF are revalued at the official exchange rate of the SDR to the ruble set by the Bank of Russia.

(q) CHANGES TO THE BANK OF RUSSIA ACCOUNTING POLICY FOR ACCOUNTING PURPOSES AND CHANGES TO COMPARATIVE DATA

In 2022, the presentation of certain items in the Bank of Russia's annual financial statements was changed. As a result, comparative data for 2021 were adjusted to conform to the new form of reporting presentation.

3. IMPACT OF ECONOMIC CONDITIONS ON BANK OF RUSSIA FINANCIAL STATEMENTS

Bank of Russia annual balance sheet indicators and financial performance in 2022 were shaped amid considerably higher sanctions pressure against the financial system, the Bank of Russia and the real sector. These processes were accompanied by higher volatility in the financial markets, the weakening of the ruble exchange rate, higher inflation pressures and a slump in business activity.

The rapid stabilisation of the situation was helped by prompt implementation by the Government of the Russian Federation and the Bank of Russia of a range of anti-crisis support measures, including the raising of the key rate to 20%, the restriction of capital flows, temporary market closures, regulatory easing for financial market participants, and providing banks with cash and non-cash liquidity.

The mitigation of risks threatening financial and price stability, and the stabilisation of situation in the financial sector and the economy as a whole made it possible for the Bank of Russia to reduce the key rate by 12.5 pp to 7.5% per annum in April–September. As financial stability risks abated, exchange restrictions were also gradually eased.

Over the year as a whole, the USD/RUB exchange rate decreased by 5.3%, the EUR/RUB exchange rate dropped by 10%, and the CNY/RUB exchange rate – by 15.1%. Annual inflation slowed down from the 17.8% peak in April to 11.9% by the end of the year. Russia's gross domestic product decreased by 2.1% in real terms.²

The balance under the *Assets in foreign currencies and precious metals* dropped by 13.8% (from ₴45,278,539 million to ₴39,033,812 million) over 2022 as a whole mainly due to the exchange rate revaluation.

² According to Rosstat data.



The balances under the item *Claims on the IMF* was down by 9.8% (from ₹3,151,771 million to ₹2,842,329 million). These changes were also associated with the exchange rate revaluation, in particular with the appreciation of the ruble.

The balance under the *Securities* item more than halved from ₹972,249 million as of 31 December 2021 to ₹469,645 million as of 31 December 2022. The Bank of Russia's divestment from the equity of banks under resolution (Bank Otkritie Financial Corporation (Public Joint-Stock Company) and JSC Moscow Industrial bank) was the main driver of this reduction.

Despite the cumulative liquidity surplus in the banking sector at the end of 2022, some credit institutions continued to demonstrate demand for Bank of Russia liquidity providing facilities. This, among other things, made the balance under the *Loans and deposits* item increase by 63.0% over 2022 from ₹2,902,894 million to ₹4,730,797 million.

The balance under the *Funds in accounts with the Bank of Russia* item was down mainly because of the decrease in the balance of funds held in accounts opened by the Government of the Russian Federation. This was due to the use of these funds (primarily the resources of the National Wealth Fund (NWF) to finance the budget deficit and to invest in the Russian economy, and also the negative exchange rate revaluation of the NWF's liquid part. The spending of the NWF led to an increase in credit institutions' funds held in accounts with the Bank of Russia. In this situation, the Bank of Russia increased the volume of its liquidity absorbing operations. In 2022, the Bank of Russia's debt under these operations grew by ₹2,146,642 million.

Higher uncertainty drove up demand for cash among households and businesses. In 2022, the balance under the *Cash in circulation* item grew by 16.2% (from ₹14,068,552 million to ₹16,348,149 million).

Overall, in 2022, Bank of Russia liabilities contracted by 4.8% from ₹36,205,255 million to ₹34,480,537 million.

As of the end of 2022, the Bank of Russia posted a negative financial result (loss) in the amount of ₹721,717 million. The factors causing a loss in the reporting year are shown in the Statement of Profit and its Allocation or of Actual Incurred Losses.

4. ASSETS IN FOREIGN CURRENCIES AND PRECIOUS METALS

The *Assets in foreign currencies and precious metals* item mainly comprises foreign currency claims on foreign financial institutions and foreign issuers of securities, as well as precious metals in physical form, coins and commemorative medals.

The change in the *Assets in foreign currencies and precious metals* was mainly due to the decrease in the official exchange rates of foreign currencies to the ruble and the fair value of precious metals as of the end of the reporting year.



5. LOANS AND DEPOSITS

	<i>millions of rubles</i>	
	2022	2021
Loans and deposits with resident banks, total, of which:	3,714,810	3,017,221
issued using the money of the Fund of Banking Sector Consolidation	1,539,108	1,583,451
issued and placed under certain federal laws	349,083	349,056
Funds placed with resident banks in repo transactions	1,471,490	118,522
Other, total, of which:	1,079,189	1,297,888
issued and placed under certain federal laws	1,061,493	1,289,249
Provisions	(1,534,692)	(1,530,737)
Total	4,730,797	2,902,894

The item *Loans and deposits with resident banks* mostly reflects ruble-denominated debt under Bank of Russia deposits placed as part of bankruptcy prevention measures using the money of the Fund of Banking Sector Consolidation (hereinafter, the FBSC), including accrued interest,³ and under loans secured by securities, receivables under loan agreements or sureties.

The item *Loans and deposits with resident banks, total, of which: issued and placed under certain federal laws* shows outstanding subordinated loans provided by the Bank of Russia to Sberbank in 2008 and 2014 as part of statutory measures implemented by the Russian Federation to support the national financial system.

The value of collateral received under loans issued to resident credit institutions, including sureties, was ₽1,085,101 million (2021: ₽1,271,924 million).

The item *Funds placed with resident banks in repo transactions* reflects funds deposited by the Bank of Russia with resident banks in repos, including accrued interest. The increase in the item was conditioned on the growth of the total volume of transactions.

Securities received by the Bank of Russia in repo transactions with resident banks are recorded to off-balance sheet accounts at fair value which, as of 31 December 2022, totalled ₽1,470,847 million (2021: ₽119,352 million).

The item *Other, total, of which: issued and placed under certain federal laws* reflects outstanding amounts under Bank of Russia loans provided to the State Corporation Deposit Insurance Agency (hereinafter, the DIA) to implement bankruptcy prevention measures at banks (in accordance with Article 189.56 of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)') in the amount of ₽1,059,314 million (2021: outstanding amounts under loans provided to the DIA to implement bankruptcy prevention measures at banks, ensure the financial sustainability of the deposit insurance system, and finance the payment of compensations for deposits totalling ₽1,287,070 million), and a compensation deposit of ₽2,179 million (2021: ₽2,179 million) placed by the Bank of Russia with a credit institution in compliance with Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial

³ Assets providing for the receipt of interest income are reflected in the financial statements as part of the principal, including accrued interest whose receipt is recognised as certain.



System of the Russian Federation', in order to partially compensate for this credit institution's losses (expenses) that were caused by the default of a borrower whose banking licence had been revoked.

In 2022, the outstanding amounts on loans issued to the DIA to ensure the financial sustainability of the deposit insurance system, and finance the payment of compensations for deposits (to replenish the compulsory deposit insurance fund) (in accordance with Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Deposits with Russian Banks') were repaid.

Provisions totalling ₹1,534,692 million were made for loans issued, deposits and other funds placed (2021: ₹1,530,737 million), of which:

- provisions for outstanding amounts on unsecured loans, loans secured by receivables under loan agreements or sureties, pledged securities, and other deposits placed in the total amount of ₹1,428,991 million (2021: ₹1,435,206 million);

- provisions for the DIA's debt on funds provided by the Bank of Russia to implement bankruptcy prevention measures at banks in the amount of ₹100,933 million (2021: provisions for the DIA's debt on funds provided by the Bank of Russia to implement bankruptcy prevention measures at banks, ensure the financial sustainability of the deposit insurance system, and finance the payment of compensations for deposits in the amount of ₹90,763 million);

- provisions for outstanding amounts on other loans, deposits and funds placed with resident banks totalling ₹4,768 million (2021: ₹4,768 million).

6. SECURITIES

	<i>millions of rubles</i>	
	2022	2021
Debt obligations Available for sale	222,847	38,544
Debt obligations Held to maturity	212,834	212,834
Total other securities, of which:	33,964	720,871
Total securities acquired for the participation in bankruptcy prevention measures, of which:	2,969	690,240
shares of resident credit institutions	991	688,262
units of unit investment funds	1,978	1,978
Other investments in corporate securities (other equity stakes of the Bank of Russia)	32,160	31,723
Provisions for other securities	(1,165)	(1,092)
Total	469,645	972,249

Debt obligations available for sale represent Bank of Russia investments in securities issued by the Ministry of Finance of the Russian Federation.

As of 31 December 2022, the fair value of securities was ₹222,847 million.

The increase in the balance under the item was mostly associated with federal government bonds that the Bank of Russia acquired from Russian credit institutions in 2022 in part as a result of the settlement of credit institutions' outstanding obligations under repo transactions with the Bank of Russia.



As of 31 December 2022, the fair value of securities was determined using their latest market prices provided by the trade organiser.

Debt obligations held to maturity include OFZs set to mature in 2044.

Provisions for other securities were created for investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions in the amount of ₹1,165 million (2021: ₹1,092 million).

Information on securities is disclosed in the Statement of Bank of Russia Management of Securities and Equity Stakes in Organisations Constituting the Bank of Russia's Property.

7. CLAIMS ON THE IMF

	<i>millions of rubles</i>	
	2022	2021
Funds in the Russian Federation's account with the IMF SDR Department	1,628,970	1,799,204
The Russian Federation's total quota with the IMF, total, of which:	1,207,890	1,341,717
quota with the IMF paid in rubles	845,109	949,365
IMF reserve tranche position	342,335	380,263
reevaluation of the Russian Federation's quota with the IMF paid in rubles, positive differences	20,446	12,089
Other claims on the IMF	5,469	10,850
Total	2,842,329	3,151,771

The quota of the Russian Federation in the IMF in SDR terms (SDR12,903.7 million or 2.71% of all IMF quotas) did not change in 2022.

The ruble equivalent of the quota and the item *Funds in the Russian Federation's account with the IMF SDR Department* were down because of the decrease in the official exchange rate of the SDR against the ruble.

8. OTHER ASSETS

	<i>millions of rubles</i>	
	2022	2021
Total fixed assets (at residual value), total, of which:	80,915	79,628
Buildings and other facilities	54,713	51,994
Equipment (including computers, IT and data processing systems, furniture, transport vehicles and other)	26,202	27,634
Total miscellaneous assets, of which:	65,756	27,311
Compensation from the Bank of Russia to the Pension Fund of the Russian Federation for shortfall in pension savings	39,850	40,203
Bank of Russia claims on credit institutions with revoked banking licences	38,873	38,873
Construction projects in progress	6,429	4,637
Intangible assets (at residual value)	3,628	4,485
Bank of Russia funds contributed to the authorised capitals of organisations	1,510	1,510
Settlements with suppliers, contractors and buyers	1,340	1,215
Profit tax advance payments	92	93
Other	54,925	16,393
Provisions	(80,891)	(80,098)
Total	146,671	106,939

The table below shows the movement of fixed assets and changes in depreciation allowances:

	<i>millions of rubles</i>	
	2022	2021
Fixed asset value net of accrued depreciation		
Balance as of 1 January	207,507	199,832
Receipt	11,311	10,789
Retirement	(2,366)	(3,114)
Balance as of 31 December	216,452	207,507
Accrued depreciation		
Balance as of 1 January	127,879	120,669
Depreciation allowances	9,848	10,204
Accrued depreciation of retired fixed assets	(2,190)	(2,994)
Balance as of 31 December	135,537	127,879
Fixed asset residual value as of 31 December	80,915	79,628

Fixed asset structure and value net of accrued depreciation:

	<i>millions of rubles</i>	
	2022	2021
Buildings and other facilities	75,570	71,636
Equipment	62,809	61,799
Computers, office equipment and furniture	40,199	38,415
IT and data processing systems	31,389	31,385
Transport vehicles	4,813	2,601
Other	1,672	1,671
Total	216,452	207,507

Change in the *Fixed assets* item was largely driven by *Buildings and other facilities*, *Transport vehicles*, *Computers, office equipment and furniture* categories and was mainly associated with the commissioning of administrative buildings and computing and telecommunication infrastructure equipment, scaling up the storage subsystem of the Bank of Russia Private Cloud, and also manufacturing transport vehicles for transporting Bank of Russia valuables.

The item *Compensation from the Bank of Russia to the Pension Fund of the Russian Federation for shortfall in pension savings* reflects claims acquired by the Bank of Russia as a result of the transfer of funds calculated in accordance with Parts 1 and 2 of Article 6 of Federal Law No. 422-FZ, dated 28 December 2013, to the Pension Fund of the Russian Federation, as well as the indemnity reserve funds and pension savings funds of insured persons who are entitled to receive a fixed-term pension payment, formed as of the cancellation date of the licences of the non-governmental pension funds, in fulfilment by the Pension Fund of the Russian Federation of its obligations under compulsory pension insurance agreements.

The item *Bank of Russia claims on credit institutions with revoked banking licences* reflects Bank of Russia claims on credit institutions with revoked banking licences, listed in the register of creditors' claims and subject to settlement using the credit institution's property that constitutes bankruptcy assets.

The item *Provisions* reflects provisions totalling ₹80,891 million (2021: ₹80,098 million) created for:

- Bank of Russia claims on credit institutions whose banking licences were revoked, totalling ₹38,873 million (2021: ₹38,873 million);
- claims acquired by the Bank of Russia following the transfer of funds in an amount calculated in accordance with Parts 1 and 2 of Article 6 of Federal Law No. 422-FZ, dated 28 December 2013, to the Pension Fund of the Russian Federation, as well as the payment reserve funds and pension savings of insured persons entitled to receive a fixed-term pension payment, formed as of the cancellation date of the licence, for the fulfilment by the Pension Fund of the Russian Federation of its obligations under their compulsory pension insurance agreements, totalling ₹39,850 million (2021: ₹40,203 million);
- other assets totalling ₹2,168 million (2021: ₹1,022 million).



9. CASH IN CIRCULATION

The increase in the item *Cash in circulation* was due to the growing demand for cash funds among households and businesses.

10. FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA

	<i>millions of rubles</i>	
	2022	2021
Total funds of resident credit institutions, of which:	8,125,887	6,276,520
deposits	4,951,404	2,804,762
funds in correspondent accounts	3,028,550	2,656,493
required reserves deposited with the Bank of Russia	145,932	815,263
Federal government funds and funds in the treasury single account	7,044,956	12,304,240
Other	234,643	554,275
Total	15,405,486	19,135,035

The item *Total funds of resident credit institution, of which: deposits* comprises funds in Russian rubles raised from resident credit institutions, including accrued interest.

The change in the item was due to the increase of funds raised from resident banks as of the end of the reporting period.

The item *Federal government funds and funds in the treasury single account* mostly comprises the funds of the federal budget kept in accounts with the Bank of Russia under bank account agreements concluded with the Federal Treasury, including in foreign currency and gold accounts opened for the National Wealth Fund.

The change in the item *Federal government funds and funds in the treasury single account* was mainly caused by the reduction of balances of funds in the accounts of the National Wealth Fund, as well as the decrease in the official exchange rates of foreign currencies to the ruble and prices for gold as of the end of the reporting year. Due to the zero balances in some of the National Wealth Fund's accounts, negative yields on some of the government securities indices, and also the negative values of money market interest rates used to calculate interest on the National Wealth Fund's accounts, the total amount of interest payable by the Bank of Russia was zero in 2022.

The decrease in the item *Total funds of resident credit institution, of which: required reserves deposited with the Bank of Russia* is associated with lower ratios, use of the required reserves averaging mechanism by all credit institutions, an increase in the averaging ratio from 0.8 to 0.9 for banks, as well as the introduction of easing with regard to determining the structure of reservable liabilities.



11. LIABILITIES TO THE IMF

	<i>millions of rubles</i>	
	2022	2021
Liabilities on the funds provided to the Russian Federation as a result of the SDR allocation by the IMF	1,696,386	1,875,896
Balances in IMF Number 1 and 2 Accounts with the Bank of Russia	846,271	950,673
Total	2,542,657	2,826,569

The liabilities on the funds provided to the Russian Federation under SDR allocations at the IMF did not change in 2022 in SDR terms, totalling SDR18,039.4 million or ₺1,688,633.9 million (2021: SDR18,039.4 million or ₺1,875,724.3 million), net of accrued interest. The decrease in the ruble equivalent of the liabilities resulted from the decline in the official exchange rate of the SDR against the ruble.

The decrease in the item *Balances in IMF Number 1 and 2 Accounts with the Bank of Russia* was mainly due to the revaluation caused by a decrease in the SDR/RUB exchange rate established by the IMF.

12. OTHER LIABILITIES

	<i>millions of rubles</i>	
	2022	2021
Assets of the Bank of Russia pension fund	148,408	154,040
Other	35,827	19,683
Provisions	10	1,376
Total	184,245	175,099

Pursuant to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia Board of Directors sets up a supplementary pension fund for its employees. The fund is created without forming a separate legal entity and is financed by the Bank of Russia. This takes into account the fact that Bank of Russia employees are not covered by the guarantees to which civil servants of the Russian Federation are entitled. The Bank of Russia is implementing the Pension Plan with defined benefits that are open-ended (lifetime) in nature. The eligibility criteria for receiving a supplementary pension are determined by Bank of Russia regulations.

Obligations under the Bank of Russia pension fund and the adequacy of its resources are subject to an annual actuarial assessment carried out by a responsible actuary.

The item *Other* mainly includes Bank of Russia liabilities related to the payment of compensation, taxes, duties and insurance contributions.

The item *Provisions* shows provisions for Bank of Russia potential losses with regard to pension savings to be transferred by the Bank of Russia to the Pension Fund of the Russian Federation totalling ₺10 million (2021: ₺10 million) (Note 2(f)).



As of 31 December 2021, the item *Provisions* reflected provisions to secure obligations to the participants in the Bank of Russia's Pension Plan totalling ₽1,366 million based on the indicative assessment of pension obligations (Notes 2(f) and 18). In 2022, according to the Bank of Russia Board of Directors' decision, provisions to secure obligations to the participants in the Bank of Russia's Pension Plan decreased based on the results of the actuarial assessment of pension obligations.

13. CAPITAL

The Bank of Russia had a negative financial result in 2022.

The factors causing a loss in the reporting year are shown in the Statement of Profit and its Allocation or of Actual Incurred Losses.

14. INTEREST INCOME

	<i>millions of rubles</i>	
	2022	2021
Interest income from securities, loans, deposits and other placements, total, of which:	483,658	267,092
issued and placed under certain federal laws	22,467	22,467
from Bank of Russia funds placed as part of bankruptcy prevention measures	7,742	8,230
Other, total, of which:	41,663	35,196
issued and placed under certain federal laws	19,711	24,439
Total	525,321	302,288

The item *Interest income from securities, loans, deposits and other placements* mainly reflects interest income from debt securities, deposits, funds provided under repo transactions; interest income from Bank of Russia loans issued against the pledge of receivables under loan agreements, securities secured by sureties; and interest income from Bank of Russia unsecured loans issued to support SME lending.

The item *Interest income from securities, loans, deposits and other placements, total, of which:*

- *issued and placed under certain federal laws* reflects interest income from subordinated loans provided to Sberbank (Note 5);
- *from Bank of Russia funds placed as part of bankruptcy prevention measures* reflects interest income from deposits placed to provide financial assistance to credit institutions which are to undergo bankruptcy prevention measures with the participation of the Bank of Russia using the resources of the FBSC (Note 5).

The item *Other, total, of which issued and placed under certain federal laws* mostly includes interest income from loans provided to the DIA.



15. OTHER INCOME

	<i>millions of rubles</i>	
	2022	2021
Fees for Bank of Russia services provided to clients, total, of which:	6,883	6,548
fees for settlement services	6,749	6,473
Fines and penalties received	1,125	125
Other	2,906	1,632
Total	10,914	8,305

16. INTEREST EXPENSES

	<i>millions of rubles</i>	
	2022	2021
Interest expenses on deposits taken	309,140	82,294
Interest expenses on issued Bank of Russia debt obligations	0	27,896
Other	73,463	77,191
Total	382,603	187,381

The item *Interest expenses on deposits taken* reflects interest expenses on funds deposited by resident banks with the Bank of Russia, as well as interest expenses on deposits taken from the DIA.

The item *Interest expenses on issued Bank of Russia debt obligations* in 2021 reflects interest expenses on Bank of Russia coupon bonds.

17. CASH TURNOVER MANAGEMENT EXPENSES

This item includes expenses for the manufacture, promotion, destruction and anti-counterfeit protection of banknotes and coins, as well as the purchase and delivery of packaging materials and accessories necessary for the processing of cash. Increase in expenses was due to a higher volume of manufactured banknotes and coins.



18. NET EXPENSES ON THE FORMATION OF PROVISIONS

	<i>millions of rubles</i>	
	2022	2021
Increase / (decrease) in provisions for funds provided to the state corporation	10,170	(199,536)
Increase in provisions for other assets and liabilities	1,151	39
Increase / (decrease) in provisions for securities	73	(1,275)
Decrease in provisions for claims to compensate to the Pension Fund of the Russian Federation for the shortage of pension savings and for potential losses in terms of funds of NPFs, which are not participants in the guarantee system for the rights of insured persons	(223)	(11)
Decrease in provisions to secure obligations to participants in the Bank of Russia's Pension Plan	(1,366)	(13,974)
(Decrease) / increase in provisions for funds provided to resident credit institutions	(6,215)	386,897
Total	3,590	172,140

The increase in provisions for funds provided to the State Corporation was associated with changes in the risk of possible financial losses on Bank of Russia claims on the DIA.

The increase in provisions for other assets and liabilities was mainly due to provisioning for overdue receivables.

The increase in provisions for securities was due to provisioning for investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions mainly as a result of changes in the net asset value of the fund.

The decrease in provisions for claims to compensate to the Pension Fund of the Russian Federation for the shortage of pension savings and for potential losses in terms of funds of NPFs, which are not participants in the guarantee system for the rights of insured persons, occurred in connection with the Bank of Russia's receipt of cash funds from the DIA as a result of fulfilment by liquidated non-governmental pension funds of Bank of Russia claims acquired in accordance with the legislation of the Russian Federation as a result of a transfer of funds by the Bank of Russia to the Pension Fund of the Russian Federation (Note 8).

The decrease in provisions to secure obligations to participants in the Bank of Russia's Pension Plan was effected in accordance with the decision by the Bank of Russia Board of Directors (Note 12).

The decrease in provisions for funds provided to resident credit institutions was mainly associated with a reduced risk of possible financial losses on individual borrowers.



19. OTHER OPERATING EXPENSES

	<i>millions of rubles</i>	
	2022	2021
Expenses on IT maintenance and services	11,874	15,686
Depreciation allowances	11,870	11,589
Expenses on the maintenance of buildings	5,064	4,840
Security expenses	4,619	4,484
Repair expenses	2,468	2,363
Expenses on the delivery of bank documents and valuables	2,188	1,863
Postage, telegraph and telephone expenses, and expenses on renting communication lines and channels	1,903	1,808
Taxes and duties paid	1,638	1,649
Expenses involved in the use of titles to intellectual property	1,081	1,313
Asset contribution	872	8,720
Other	13,804	8,202
Total	57,381	62,517

The item *Asset contribution* reflects expenses related to the payment for the contribution to DIA assets based on the decision by the Bank of Russia Board of Directors.

The item *Other expenses* mainly reflects expenses related to the purchase of equipment and accessories put into operation (use), business travel and representative expenses, expenses on personnel training, expenses on subscriptions to purchase publications, including periodicals, etc.

20. PERSONNEL COSTS

For explanation, see the Statement of Bank of Russia Personnel Costs.

21. POST-ACCOUNTING DATE EVENTS

There is no information about events that occurred after the reporting date and require disclosure in the annual financial statements.



Statement of actual profit and its allocation or of actual incurred losses

	<i>millions of rubles</i>	
	2022	2021
Loss for the reporting year	(721,717)	(26,297)
Taxes and duties paid from the profit under the Tax Code of the Russian Federation, total, of which:	(92)	(93)
– for the reporting year	(91)	(92)
– additional profit tax payments for previous years	(1)	(1)
Loss after the payment of taxes and duties under the Tax Code of the Russian Federation	(721,809)	(26,390)

In accordance with Article 11 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia's profit is calculated as a difference between total income from banking operations and transactions stipulated by the legislation of the Russian Federation, including the said Federal Law, income from equity stakes in organisations and other income from Bank of Russia activities and total expenses associated with the fulfilment of Bank of Russia functions stipulated by Article 4 of the said Federal Law, including expenses for supporting Bank of Russia operations, and its organisations and employees.

As of the end of 2022, the financial result of the Bank of Russia's performance was negative (loss). The loss was mainly associated with the net expenses on securities trading, including:

- loss from selling the shares of Bank Otkritie Financial Corporation (Public Joint-Stock Company) and contributing the shares of JSC Moscow Industrial bank as an asset contribution to DIA assets in the amount of ₴382,244 million;
- net expenses from the unrealised revaluation at fair value of the debt obligations of foreign issuers in the amount of ₴315,034 million following an increase in these debt obligations' yields and a decline in their prices.



Statement of Bank of Russia reserves and funds

millions of rubles

	Reserve fund	Social fund	Revaluation reserves	Growth in the value of property after revaluation	Total
Balance as of 31 December 2020	82,694	2,216	18,672,287	7,966	18,765,163
Transferred to reserves and funds in 2021 from other sources, excluding profit	0	0	14,404	0	14,404
Reserves and funds used in 2021	0	0	(1,434,528)	0	(1,434,528)
Balance as of 31 December 2021	82,694	2,216	17,252,163	7,966	17,345,039
Transferred to reserves and funds in 2022 from other sources, excluding profit	0	0	9,683	0	9,683
Reserves and funds used in 2022	0	0	(2,752,293)	0	(2,752,293)
Balance as of 31 December 2022	82,694	2,216	14,509,553	7,966	14,602,429



Pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', once the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia allocates to various reserves and funds its profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation and after transferring a part of this profit to the federal budget. The procedure for the allocation of the profit retained by the Bank of Russia is established by the Bank of Russia Regulation on the procedure for allocating profit retained by the Bank of Russia.

Pursuant to the Bank of Russia Ordinance on the Bank of Russia Reserve Fund, the Bank of Russia created a Reserve Fund to ensure that the Bank of Russia duly performs the functions assigned to it by law. The Bank of Russia Reserve Fund is formed from allocations made from the Bank of Russia's profit. According to a decision of its Board of Directors, the Bank of Russia may also transfer money from its Social Fund to replenish the Reserve Fund. Money from the Bank of Russia Reserve Fund is used in accordance with a decision by the Bank of Russia Board of Directors. In 2022, no money from the Bank of Russia Reserve Fund was used.

Pursuant to the Bank of Russia Ordinance on the Bank of Russia Social Fund, this fund is designed to cover expenses on social needs, which are not financed through the Bank of Russia's expense budget. The Bank of Russia Social Fund is formed from allocations made from the Bank of Russia's profit. According to a decision of its Board of Directors, the Bank of Russia may also transfer money from its Reserve Fund to replenish the Social Fund. Money from the Bank of Russia Social Fund is used in accordance with a decision by the Bank of Russia Board of Directors. In 2022, no money from the Bank of Russia Social Fund was used.

Due to a loss posted at the end of 2022, no allocations were made either to the Bank of Russia Reserve Fund or to its Social Fund.

Pursuant to the Accounting Policy, assets (claims) and liabilities denominated in precious metals, including precious metals in commemorative and investment coins, are entered in the books at the value of precious metals at the book prices for refined precious metals, as established by the Bank of Russia as of the date of the operation (transaction), and are revalued as book prices change; as of the end of the reporting period, assets and liabilities denominated in precious metals are reflected at fair value. Pursuant to the Accounting Policy, debt obligations categorised as *Available for sale* are subject to revaluation at the fair value of the securities. Foreign currency exchange rate differences result from the revaluation of assets (claims) and liabilities denominated in foreign currency, caused by changes in official exchange rates of foreign currencies against the ruble. In 2022, the positive revaluation posted to the accounts of revaluation reserves as part of the capital totalled ₽9,683 million (2021: ₽14,404 million); the negative revaluation written off on account of the previously accrued revaluation totalled ₽2,752,293 million (2021: ₽1,434,528 million).

The increase in the value of property because of revaluation is the revaluation of fixed assets made in compliance with the Russian Government Resolutions in 1992, 1994, 1995, 1996, and 1998.



Statement of Bank of Russia management of securities and equity stakes in organisations constituting the Bank of Russia's property

millions of rubles

	2022	2021
Securities, total, of which:	469,645	972,249
Russian federal government debt obligations	435,681	251,378
Shares acquired to participate in bankruptcy prevention measures	991	688,262

Bank of Russia investments in debt obligations of the Government of the Russian Federation are categorised under securities available for sale and held to maturity (Note 6).

In 2022, the Bank of Russia bought OFZs from credit institutions, including as a result of settling credit institutions' outstanding obligations under repo transactions with the Bank of Russia.

Shares purchased to participate in bankruptcy prevention measures represent investments in the authorised capital of NB Trust (2021: investments in the authorised capitals of NB Trust, Bank Otkritie Financial Corporation (Public Joint-Stock Company), and JSC Moscow Industrial bank).

The decrease in the item *Shares, total, of which: shares purchased to participate in bankruptcy prevention measures* was caused by the following:

- the sale of 100% of Bank Otkritie Financial Corporation (Public Joint-Stock Company) shares (the initial value was ₴555,841 million) in December 2022 for ₴340,000 million to VTB Bank (PJSC), of which: the sum of ₴233,127 million was received in cash funds, ₴106,873 million – in federal government bonds, and ₴72 million represented additional costs;
- transfer by the Bank of Russia of 100% of JSC Moscow Industrial bank shares (the initial value was ₴166,331 million) in November 2022 as an asset contribution to DIA assets at the value of one ruble with the subsequent transfer by DIA thereof to the state treasury of the Russian Federation, as stipulated by Federal Law No. 326-FZ 'On Amending Articles 16 and 19 of the Federal Law 'On the Insurance of Deposits with Russian Banks'.



Statement of Bank of Russia securities transactions on exchanges

millions of rubles

Exchange	Volume of Bank of Russia own securities trading (including repos)		Volume of Bank of Russia securities trading on the instruction of its clients	
	2022	2021	2022	2021
Public Joint-Stock Company Moscow Exchange MICEX-RTS, Moscow Exchange, Moscow	62,247,646	2,551,386	3,130,556	2,532,066
Stock company Saint-Petersburg Currency Exchange, SPCEX SC, Saint Petersburg	15	0	0	0
Total volume of Bank of Russia securities transactions (trading) on exchanges	62,247,661	2,551,386	3,130,556	2,532,066

The column *Volume of Bank of Russia own securities trading (including repos)* shows summary data on the volumes of the following Bank of Russia transactions with securities in 2022:

- acquisition of securities in the first leg of repos in the currency of the Russian Federation;
- acquisition of federal government bonds for the Bank of Russia's portfolio.

The column *Volume of Bank of Russia securities trading on the instruction of its clients* shows summary data on the sale of Russian government securities by the Bank of Russia on the instructions of the Russian Ministry of Finance under an agency agreement.

Statement of Bank of Russia personnel costs

	<i>millions of rubles</i>	
	2022	2021
Compensation expenses and other payments	108,195	101,405
Charges on compensation and other payments	25,746	23,814
Total Bank of Russia personnel costs	133,941	125,219

Bank of Russia personnel costs increased by ₹8,722 million or 7.0% compared to 2021, with compensation-related expenses and other benefits to Bank of Russia personnel up by ₹6,790 million or 6.7%. Charges on compensation and other benefits grew by ₹1,932 million or 8.1%.

Compensation expenses and other payments to Bank of Russia personnel include: salary payments, additional payments for participation in inspections, other increments and benefits established by Bank of Russia regulations, monthly and year-end bonuses, outstanding performance bonuses, payments for annual leaves and study leaves, one-off allowances for annual paid leaves, payments of regional coefficients and interest allowances for employees working in the Extreme North and similar regions in accordance with the legislation of the Russian Federation, one-off allowances upon old age retirement, financial support to compensate for spending on improving living conditions, allowances in emergencies and other situations, benefits to employees living (working) in regions affected by the radiation following the Chernobyl nuclear power plant disaster, benefits to employees taking parental leave until their child reaches the age of three, allowances for temporary disability due to a disease or injury paid for the first three days of disability, holiday travel expenses to employees working in the Extreme North and similar regions and to their non-working family members for the payment of their round-trip tickets, and for expenses incurred in moving to a new place of residence in a different region upon the expiration of their employment agreement, compensation for the expenses incurred by employees and their family members due to moving to another region to work at another Bank of Russia branch, and other benefits.

The average number of Bank of Russia employees fell by 828 in 2022 (1.8%) to 44,568.

The average monthly income per employee was ₹202,303 in 2022 (2021: ₹186,149).

Insurance contributions constituted 23.6% of total compensation and other benefit-related expenses paid to employees (2021: 23.3%). Charges to the Social Insurance Fund of the Russian Federation for compulsory social insurance against on-the-job accidents and occupational diseases were made at the fixed rate of 0.2%.



Statement of capital investment budget performance

millions of rubles

	Approved for 2022	Actual amount in 2022	Actual amount in 2021
Ensuring the functioning of payment, operational, information and analytical, and information and telecommunications systems	4,772	4,039	4,224
Cash turnover management	2,309	2,264	250
Ensuring the security of payment, operational, information and analytical systems, and information and telecommunications systems; and protection of facilities	2,022	1,936	1,590
Construction (reconstruction) and logistics	2,400	1,722	700
Acquisition of means of transport, medical and other equipment and tools	608	559	555
Other capital investment	2	2	11
Centralised reserve	100	—	—
Total capital expenses	12,213	10,522	7,330

In 2022, capital investment of the Bank of Russia grew by ₽3,192 million.

In the structure of capital investment, investment in *Ensuring the functioning of payment, operational, information and analytical systems, and information and telecommunications systems* made up the biggest part (38.4%). The share of capital investment in *Cash turnover management* accounted for 21.5%, in *Ensuring the security of payment, operational, information and analytical systems, and information and telecommunications systems, and protection of facilities* – 18.4%; in *Construction (reconstruction) and logistics* – 16.4%; and in *Acquisition of means of transport, medical and other equipment and tools* – 5.3%.

Capital investment in *Ensuring the functioning of payment, operational, information and analytical systems, and information and telecommunications systems* is mainly aimed at upgrading the telecommunication infrastructure of Data Processing Centres and the backbone network of the Collective Data Processing System, scaling up the data storage system in the internal segment of the Bank of Russia Private Cloud, supporting the Bank of Russia digital currency development environment, maintaining and developing the existing information and computing and analytical systems and technical infrastructure (including engineering systems) of the Bank of Russia, installing (replacing) equipment of the computing infrastructure at Bank of Russia structural units, and ensuring the operation of the mobile access system to organise remote work.

Capital investment in *Cash turnover management* increased by ₽2,014 million. Funds were used to build transport vehicles for the transportation of Bank of Russia valuables, to modernise video systems for the surveillance and recording of operations with valuables, and to purchase cash-office hardware, banknote-processing machines and transport and warehouse equipment.



Capital investment in *Ensuring the functioning of payment, operational, information and analytical systems, and information and telecommunications systems* increased by ₽346 million. Funds were mainly used to replace expired and obsolete systems, including fire alarm, video security and surveillance, and control and access systems, as well as to acquire technical means for data protection and secure design devices.

Capital investment in the *Construction (reconstruction) and logistics* grew by ₽1,022 million. Funds were used to build (reconstruct) and equip office buildings and other facilities; to set up engineering and technical systems and installations for the operation and maintenance of buildings and facilities; and to purchase replacement equipment, tools and furniture to replace those with expired service life.

Capital investment in the *Acquisition of means of transport, medical and other equipment and tools* was mostly used to replace the assets whose service life had expired.

The decrease in *Other capital investment* (expenses for purchasing licences and certificates) was associated with the acquisition in 2021 (₽10.5 million) of the exclusive right for, and the registration of, the RUONIA trademark (the weighted average interest rate on unsecured interbank ruble loans (deposits)).

Auditors' reports

AUDITOR'S REPORT OF INDEPENDENT AUDITORS

To the management of the Central Bank
of the Russian Federation

REPORT ON THE AUDIT RESULTS OF ANNUAL FINANCIAL STATEMENTS

Qualified opinion due to the limitation on the scope of the audit

We have audited the Annual Financial Statements of the Central Bank of the Russian Federation (hereinafter, the Bank of Russia) for the period from 1 January to 31 December 2022.

Pursuant to Article 25 of Federal Law No. 86-FZ, dated 10 July 2002, '*On the Central Bank of the Russian Federation (Bank of Russia)*', the Bank of Russia Annual Financial Statements consist of an annual balance sheet, a statement of financial performance, including a statement of profit and its allocation or of actual incurred losses, a statement of Bank of Russia reserves and funds, a statement of Bank of Russia management of securities and equity stakes in organisations constituting the Bank of Russia's property, a statement of Bank of Russia personnel costs, a statement of capital investment budget performance, and a statement of Bank of Russia securities transactions on exchanges (hereinafter all these statements are collectively referred to as the Annual Financial Statements).

In our opinion, except for the possible effect of the issue described in the section 'Qualified opinion due to the limitation on the scope of the audit' in our report, the Annual Financial Statements attached hereto present, in all material aspects, a reliable picture of the Bank of Russia's financial standing as of 31 December 2022 and the results of its financial performance for 2022 in accordance with the requirements of Federal Law No. 86-FZ, dated 10 July 2002, '*On the Central Bank of the Russian Federation (Bank of Russia)*', Federal Law No. 402-FZ, dated 6 December 2011, '*On Accounting*', Bank of Russia Regulation No. 567-P, dated 19 December 2016, '*On the Chart of Accounts for Accounting Purposes at the Central Bank of the Russian Federation (Bank of Russia) and the Procedure for Using it*', and Bank of Russia Regulation No. 522-P, dated 21 December 2015, '*Bank of Russia Accounting Policy for Accounting Purposes*'.



Grounds for the qualified opinion due to the limitation on the scope of the audit

The scope of our audit was limited with regard to certain accounts and operations included in the items of the annual balance sheet and the statement of financial performance. Access to such accounts and operations was limited by force of the provisions of Russian Federation Law No. 5485-1, dated 21 July 1993, '*On State Secrecy*' (hereinafter, the Russian Federation Law '*On State Secrecy*'), Federal Law No. 86-FZ, dated 10 July 2002, '*On the Central Bank of the Russian Federation (Bank of Russia)*', and Federal Law No. 46-FZ, dated 8 March 2022, '*On Amending Certain Laws of the Russian Federation*' (hereinafter, Federal Law No. 46-FZ). According to Article 25 of Federal Law No. 86-FZ, dated 10 July 2002, '*On the Central Bank of the Russian Federation (Bank of Russia)*' and Article 20.1 of Federal Law No. 46-FZ, the reliability of Bank of Russia accounts and operations subject to restricted access in accordance with the Russian Federation Law '*On State Secrecy*', and of Bank of Russia accounts and operations exempt from mandatory audit in the course of the audit of the 2022 Bank of Russia annual financial statements by the decision of the National Financial Board, and included in the items of the annual balance sheet and the statement of financial performance, was confirmed by the Accounts Chamber of the Russian Federation in its Statement as of 27 March 2023 on the results of the examination of the 2022 accounts and operations of the Central Bank of the Russian Federation covered by Russian Federation Law No. 5485-1, dated 21 July 1993, '*On State Secrecy*', at the structural units, regional branches and field institutions of the Central Bank of the Russian Federation, as well as accounts and operations determined by the National Financial Board's decision.

The specified accounts and operations in the annual financial statements as of 31 December 2022 and over the period from 1 January to 31 December 2022 include:

- Assets totalling ₹40,222,880 million;
- Liabilities and capital totalling ₹14,593,623 million;
- Income totalling ₹217,067 million;
- Expenses totalling ₹353,508 million;
- Balance of revaluation reserves totalling ₹14,509,553 million.

We have conducted the audit in compliance with the International Standards on Auditing (ISA). Our duties under these standards are described in the section 'The auditor's responsibility for the audit of the Annual Financial Statements' of our report below. We are independent of the Bank of Russia in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (the IESBA Code of Ethics) and ethical requirements applicable to our audit of annual financial statements in the Russian Federation, and we have discharged other ethical duties in accordance with these requirements and the IESBA Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the grounds for expressing our qualified opinion due to the limitation on the scope of the audit.



Critical audit matters

Critical audit matters are the issues, which, according to our professional judgement, were the most significant for our audit of the Annual Financial Statements for the current period. In addition to the issue described in the section 'Grounds for the qualified opinion due to the limitation on the scope of the audit', we determined the issue below as the critical audit matter. These matters were considered in the context of our audit of the Annual Financial Statements as a whole and in the course of preparing our opinion on these statements, and we do not express a separate opinion on these matters. In respect of the matter mentioned below, our description of how it was reviewed in the course of our audit is given in this context.

We have performed the duties described in the section 'The auditors' responsibility for the audit of the Annual Financial Statements' hereof, *inter alia*, in respect of the said matter. Accordingly, our audit included the implementation of procedures developed in response to our assessment of the risks of material misstatement in the Annual Financial Statements. The results of our audit procedures, including procedures performed while examining the matter below, serve as basis for expressing our auditor's opinion on the Annual Financial Statements attached.

CRITICAL AUDIT MATTER

THE FOLLOWING CRITICAL MATTER WAS EXAMINED IN THE COURSE OF OUR AUDIT

Provisions for credit claims

In performing its functions in accordance with the laws of the Russian Federation, the Bank of Russia incurs claims which bear the risk of possible financial losses.

Such claims, as of the reporting date, specifically include loans and deposits provided by the Bank of Russia.

The Bank of Russia assesses the risk of possible financial losses on these claims and creates provisions to cover this risk on an individual or on a portfolio basis. For assessing individual provisions, the Bank of Russia determines the quality category of each exposure based on the assessment of a borrower's financial standing and quality of its debt servicing.

Due to the considerable amount of credit claims and subjectivity of judgement used for assessing provisions, this was one of the critical audit matters.

Our audit procedures included analysis of the methods used by the Bank of Russia to assess borrowers' financial position, review of the judgement used by the Bank of Russia's management when assessing their financial position and determining the quality category and the amount of provisions, as well as the analysis of credit claims' conformity to the criteria for their attributing to homogeneous credit portfolios and verification of the calculation of provisions for such portfolios.

We examined the information on provisions for credit claims disclosed in Note 5 to the Bank of Russia's Annual Financial Statements.



Other information included in the Bank of Russia's Annual Report for 2022

Other information includes information contained in the Bank of Russia's Annual Report for the year 2022 but does not include the Annual Financial Statements and our auditor's report on them. Responsibility for other information shall be borne by the management.

Our opinion on the Annual Financial Statements does not cover other information, and we do not provide a conclusion expressing our confidence in any form in respect of such information.

In connection with our auditing of the Annual Financial Statements, our duty consists in acquainting ourselves with other information and concurrently examining whether there are any material inconsistencies between such other information and the Annual Financial Statements or our knowledge received during the audit and whether such other information contains other material misstatements. If based on our work we arrive at the conclusion that such other information contains any material misstatements, we must report this fact. We do not have information about such facts.

Responsibility of the Bank of Russia's management for the Annual Financial Statements

The management of the Bank of Russia shall bear responsibility for compilation and reliable presentation of the said Annual Financial Statements in accordance with the requirements of Federal Law No. 86-FZ, dated 10 July 2002, '*On the Central Bank of the Russian Federation (Bank of Russia)*', Federal Law No. 402-FZ, dated 6 December 2011, '*On Accounting*', Bank of Russia Regulation No. 567-P, dated 19 December 2016, '*On the Chart of Accounts for Accounting Purposes at the Central Bank of the Russian Federation (Bank of Russia) and the Procedure for Using it*', and Bank of Russia Regulation No. 522-P, dated 21 December 2015, '*Bank of Russia Accounting Policy for Accounting Purposes*', and also for the internal control system which the Bank of Russia's management considers necessary for the compilation of the Annual Financial Statements without any material misstatement as a result of malpractice or errors.

When preparing the Annual Financial Statements, the management shall be responsible for assessing the ability of the Bank of Russia to continue as a going concern, for disclosing information pertaining to going concern issues when necessary, and for compiling the statements based on the going concern assumption.

The auditors' responsibility for the audit of the Annual Financial Statements

Our goals consist in obtaining reasonable confidence that the Annual Financial Statements as a whole do not contain material misstatements due to malpractice or errors and in issuing the auditor's report with our opinion. Reasonable confidence constitutes a high level of certainty but does not guarantee that an audit performed in accordance with the International Standards on Auditing will always reveal material misstatements, if these exist. Misstatements may result from malpractice or errors and are



considered material if it may be reasonably assumed that they could influence, individually or in aggregate, users' economic decisions made on the basis of these Annual Financial Statements.

In the course of an audit performed in accordance with the International Standards on Auditing, we apply professional judgement and retain professional scepticism throughout the audit. Furthermore, we perform the following:

- We identify and assess the risks of material misstatement of the Annual Financial Statements as a result of malpractice or errors; develop and carry out audit procedures in response to these risks; and obtain audit evidence which is sufficient and adequate to serve as grounds for expressing our opinion. The risk of failure to discover material misstatement as a result of malpractice is higher than the risk of failure to discover material misstatement as a result of errors because malpractice may include conspiracy, falsification, deliberate omission, distorted presentation of information or circumvention of the internal control system.
- We obtain an understanding of the internal control system which is important for the audit in order to develop audit procedures corresponding to the circumstances, but not for the purpose of expressing our opinion on the effectiveness of the Bank of Russia's internal control system.
- We evaluate the appropriateness of applicable accounting policies and the soundness of accounting estimates made by the management and the respective disclosure of information.
- We arrive at a conclusion on the appropriateness of the going concern assumption made by the management and, based on the obtained audit evidence, a conclusion on whether there is material uncertainty in connection with events or conditions which could give rise to significant doubts as to the Bank of Russia's ability to continue as a going concern. If we arrive at a conclusion that there is material uncertainty, we must draw attention in our audit report to the respective disclosure of information in the Annual Financial Statements or, if such disclosure of information is improper, modify our opinion. Our findings are based on the audit evidence received before the date of our audit report.
- We evaluate the presentation of the Annual Financial Statements as a whole, their structure and contents, including information disclosure, and whether the Annual Financial Statements represent the underlying operations and events in such a way as to ensure their reliable presentation.

We maintain information exchange with the Bank of Russia's management and communicate to them, among other things, information on the scheduled scope and timing of the audit and on material comments based on the audit findings, *inter alia*, on considerable deficiencies in the internal control system, should we discover any in the course of the audit.

We also submit to the Bank of Russia's management a statement that we have complied with all relevant ethical requirements related to independence issues and informed them of all mutual relationships and other matters which could be reasonably considered as influencing the auditors' independence and, if necessary, of appropriate precautions.



Among the issues which we have brought to the attention of the Bank of Russia's management, we determine the issues which were the most significant for the audit of the Annual Financial Statements for the current period and which, therefore, are critical audit matters. We describe these issues in our audit report, except when public disclosure of information on these issues is prohibited by law or a specific regulation, or when, in exceedingly rare cases, we arrive at the conclusion that information on a certain issue should not be included in our report, as it may be reasonably assumed that the negative consequences of such disclosure would exceed its public benefit.

The executives charged with the conduct of the audit as a result of which this auditor's report of independent auditors has been released are Svetlana S. Pimenova and Nataliya R. Tarabarina.

S.S. Pimenova,
acting on behalf
of Center for Audit Technologies and
Solutions Limited Liability Company
on the basis of the power of attorney,
dated 17 October 2022,
head of the audit, as a result of which
the auditor's report has been released
(main registration entry number
21906108415)

N.R. Tarabarina,
General Director
FinExpertiza LLC
head of the audit, as a result of which
the auditor's report has been released
(main registration entry number
22006086941)

28 March 2023



Information on the auditors

Name: Center for Audit Technologies and Solutions Limited Liability Company

An entry was made in the Unified State Register of Legal Entities on 4 February 2016 under state registration number 1167746123478.

Domicile: Bldg. 2, 2 Paveletskaya Pl., office 401, Moscow 115054, Russia.

Center for Audit Technologies and Solutions Limited Liability Company is a member of the self-regulatory organisation of auditors Association Sodruzhestvo. Center for Audit Technologies and Solutions Limited Liability Company was included in the control copy of the register of auditors and auditing organisations under the main registration entry number 12006020373.

Name: FinExpertiza LLC

An entry was made in the Unified State Register of Legal Entities on 29 August 2002 under state registration number 1027739127734.

Domicile: Bldg. 1, 16 Krasnoproletarskaya Street, office 1, room 29, floor 6, Moscow 127473, Russia.

FinExpertiza LLC is a member of the self-regulatory organisation of auditors Association Sodruzhestvo. FinExpertiza LLC was included in the control copy of the register of auditors and auditing organisations under the main registration entry number 12006017998.

Information on the audited entity

Name: The Central Bank of the Russian Federation (Bank of Russia)

An entry was made in the Unified State Register of Legal Entities under No. 1037700013020 based on certificate series 77 No. 006996300, dated 10 January 2003.

Domicile: 12 Neglinnaya Street, Moscow 107016, Russia.

The Bank of Russia performs its functions pursuant to the Constitution of the Russian Federation, Federal Law No. 86-FZ, dated 10 July 2002, *'On the Central Bank of the Russian Federation (Bank of Russia)'* and other federal laws.





ACCOUNTS CHAMBER OF THE RUSSIAN FEDERATION

2 Zubovskaya St., Moscow 119991

Tel.: 986-05-09, fax: 986-09-52

27 March 2023 No. 05/36/05-03

To the Governor of the Central
Bank of the Russian Federation
ELVIRA NABIULLINA

STATEMENT

on the Results of the Examination of the 2022 Accounts and Operations
of the Central Bank of the Russian Federation (Bank of Russia) Covered by
Russian Federation Law No. 5481-1, Dated 21 July 1993, 'On State Secrecy',
in the Structural Units, Regional Branches and Field Institutions
of the Central Bank of the Russian Federation, as well as Accounts
and Operations Determined by the National Financial Board's Decision
(approved by the decision of the Collegium of the Accounts Chamber
of the Russian Federation of 27 March 2023, protocol No.13K (1618))

The Accounts Chamber of the Russian Federation has examined the 2022 accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) covered by Russian Federation Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' at the structural units, regional branches and field institutions of the Central Bank of the Russian Federation, as well as accounts and operations determined by the National Financial Board's decision based on Article 25 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and in accordance with the Work Plan of the Accounts Chamber of the Russian Federation for 2023.

According to Article 20.1 of Federal Law No. 46-FZ, dated 8 March 2022, 'On Amending Certain Laws of the Russian Federation', the Accounts Chamber of the Russian Federation has additionally examined Bank of Russia accounts



and operations for 2022, as determined by a decision of the National Financial Board (Minutes of the meeting of the National Financial Board No. PNFS-1, dated 31 January 2023).

The management of the Central Bank of the Russian Federation (Bank of Russia) is responsible for assigning information to the category of data covered by the Russian Federation Law 'On State Secrecy' and for delineating the competence of the Accounts Chamber of the Russian Federation and the consortium of auditing organisations – the Center for Audit Technologies and Solutions Limited Liability Company and FinExpertiza LLC (the Auditor of the Bank of Russia Annual Financial Statements for the year 2022), taking into account the list of accounts and transactions, as determined by the National Financial Board, to be examined by the Accounts Chamber of the Russian Federation in addition to Bank of Russia accounts and operations for 2022 covered by the Russian Federation Law 'On State Secrecy'.

Under the applicable legislation, the Accounts Chamber's duty is to present to the Bank of Russia a statement on the results of the examination of the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and data for 2022, covered by the Russian Federation Law 'On State Secrecy', including the examination of accounts and operations determined by the decision of the National Financial Board, and to express an opinion on the credibility in all material aspects of the Bank of Russia Annual Financial Statements for 2022, and on the compliance of the accounting procedure with Russian federal legislation and Bank of Russia regulations.

The Accounts Chamber of the Russian Federation has conducted an examination of Bank of Russia accounts and operations, and also of the data for 2022 covered by the Russian Federation Law 'On State Secrecy', including the examination of accounts and operations determined by the decision of the National Financial Board, in the structural divisions and regional branches of the Central Bank of the Russian Federation (Bank of Russia) in such a way as to become sufficiently convinced that the Bank of Russia's annual balance sheet (with respect to sub-accounts and off-balance sheet accounts) as of 31 December 2022 (as of 1 January 2023), and its statement of financial performance for the period from 1 January to 31 December 2022 (for 2022), fall-



ing within the scope of competence of the Accounts Chamber of the Russian Federation, do not contain any material errors and adequately recognise in all aspects the assets and liabilities of the Central Bank of the Russian Federation (Bank of Russia) as of 31 December 2022, and the income and expenses of the Central Bank of the Russian Federation (Bank of Russia) for the period from 1 January to 31 December 2022, in line with the Bank of Russia's accounting policy.

Having examined the Bank of Russia's accounts and operations and data for 2022, covered by the Russian Federation Law 'On State Secrecy', including the examination of accounts and operations determined by the decision of the National Financial Board, the Accounts Chamber of the Russian Federation confirms, within the scope of its competence, the following data:

- the Bank of Russia annual balance sheet as of 31 December 2022 (balance sheet assets totalling ₹40,222,880 million and balance sheet liabilities and capital totalling ₹14,593,623 million);
- annual balance sheet as of 31 December 2022 (as of 1 January 2023) with respect to sub-accounts and off-balance sheet accounts;
- the Bank of Russia statement of financial performance for the period from 1 January to 31 December 2022 (income totalling ₹217,067 million and expenses totalling ₹353,508 million);
- balance of revaluation reserves totalling ₹14,509,553 million as of 31 December 2022;
- data on the total number of Bank of Russia notes and coins (exclusive of coins containing precious metals), which should be in circulation as of 31 December 2022 (as of 1 January 2023).

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Russian Federation Law 'On State Secrecy', a total of ₹14,091,265.2 million in Bank of Russia notes and coins should be in circulation as of 1 January 2022 (exclusive of coins containing precious metals).

Over the period from 1 January to 31 December 2022, the Bank of Russia put into circulation banknotes and coins (exclusive of coins containing precious metals) totalling ₹14,923,890.4 million, and withdrew from circulation Bank of



Russia banknotes and coins (exclusive of coins containing precious metals) totalling ₹12,623,357.3 million.

Consequently, in the period under review, the amount of Bank of Russia notes and coins (exclusive of coins containing precious metals) in circulation increased by ₹2,300,533.1 million. According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Russian Federation Law 'On State Secrecy', a total of ₹16,391,798.3 million in Bank of Russia notes and coins should be in circulation as of 31 December 2022 (as of 1 January 2023) (exclusive of coins containing precious metals).

Provisions for assets covered by the Russian Federation Law 'On State Secrecy' have been created in line with Bank of Russia regulations.

The Accounts Chamber of the Russian Federation confirms the credibility, in all material aspects, of the Bank of Russia Annual Financial Statements for 2022 and compliance of the accounting procedure with the Russian federal legislation and Bank of Russia regulations.

Auditor

A.L. Savatyugin



Information on the National Financial Board's decision

In accordance with Clause 9.1 of Article 13 of Federal Law No. 86-FZ, the National Financial Board assessed independence of auditing organisations involved in the conduct of the mandatory audit of the Bank of Russia Annual Financial Statements for 2022 and the annual accounting (financial) statements for 2022 of organisations where the Bank of Russia's equity stake exceeded 50 per cent as of 1 January 2023, as well as the quality of such audit.

The National Financial Board acknowledged the following:

- The consortium of auditing organisations TSATR – Audit Services LLC and FinExpertiza LLC complies with requirements for the independence of auditing organisations and auditors¹ with regard to the Bank of Russia in the course of conducting the mandatory audit of the Bank of Russia Annual Financial Statements for 2022. The quality of the audit is satisfactory.

- The consortium of auditing organisations TSATR – Audit Services LLC and FinExpertiza LLC (the auditor of FBSC AMC Ltd. and JSC RNRC), auditing organisations TSATR – Audit Services LLC (the auditor of NB TRUST) and FinExpertiza LLC (the auditor of NSPK JSC) comply with requirements for independence of auditing organisations and auditors with regard to the respective subsidiaries of the Bank of Russia in the course of conducting the mandatory audit of the accounting (financial) statements for 2022 of the said organisations. The quality of the audit is satisfactory.

The National Financial Board also considered the following issues related to the mandatory audit:

- conduct of the mandatory audit of the Bank of Russia Annual Financial Statements for 2022;
- procedure and criteria for assessing the independence of auditing organisations and the quality of audit;
- appointing an auditing organisation to conduct a mandatory audit of the Bank of Russia Annual Financial Statements for 2022 and assessing its independence; additional issues to be considered by the auditing organisation alongside with conducting the mandatory audit of the Bank of Russia Annual Financial Statements for 2022;
- the list of accounts and operations of the Bank of Russia for 2022 to be examined by the Accounts Chamber of the Russian Federation in addition to Bank of Russia accounts and operations covered by Russian Federation Law No. 5485-1, dated 21 July 1993, 'On State Secrecy'.

¹ As set forth in Article 8 of Federal Law No. 307-FZ, dated 30 December 2008, 'On Audit Activities'.



5



Addenda

5.1. Monetary policy measures and instruments

The Bank of Russia key rate and interest rates on monetary policy instruments

Bank of Russia key rate decisions	The Bank of Russia raised the key rate on two occasions in February, including at the Bank of Russia Board of Directors' extraordinary meeting on 28 February 2022, to 20.00% per annum. As the situation stabilised, the Bank of Russia consistently reduced the key rate at its four scheduled and two extraordinary meetings over the period from April to September. From 19 September 2022 until the year-end, the key rate was 7.50% per annum
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Decrease in interest rates on standing lending facilities of 2 to 90 days	The Bank of Russia set reduced interest rates on standing lending facilities of 2 to 90 days to equal the key rate plus 1 percentage point: from 1 March 2022, on loans secured by non-marketable assets, from 25 March 2022, on lombard loans
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Required reserves

Procedure for creating and maintaining required reserves	On 1 April 2022, Bank of Russia Regulation No. 753 P, dated 11 January 2021, 'On Credit Institutions' Required Reserves' became effective. The document changed the procedure for creating required reserves. Now, the Bank of Russia determines the amount of required reserves on the basis of average monthly balances of reservable liabilities (for banks with a universal licence and non-bank credit institutions) or on the basis of reporting data as of the first day of the period following the reporting one (for banks with a basic licence). Only the averaged amount of required reserves changes when they are measured on a monthly basis, whereas the balances of funds in required reserves accounts are changed once a year
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Required reserve ratios and required reserve averaging ratios	From the February regulation period, the Bank of Russia reduced the required reserve ratios from 4.75% to 2% for liabilities in rubles and from 8% to 2% for liabilities in foreign currency. Concurrently, the averaging ratio for banks was raised from 0.8 to 0.9. From the April regulation period, the Bank of Russia reduced required reserve ratios from 2% to 1% for liabilities in rubles to non-resident legal entities for banks with a basic licence. As the situation stabilised, the Bank of Russia raised ratios on liabilities in foreign currency on two occasions (to 4% for banks, from the May regulation period, and to 5% for all credit institutions, from the August regulation period) and on liabilities in rubles on one occasion (to 3% for banks with a universal licence and non-bank credit institutions, from the August regulation period)
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Non-application of fines	Over the required reserve averaging period from 9 February 2022 to 8 March 2022, the Bank of Russia decided not to apply any fines if the amount of failed required reserve averaging does not exceed 20% of the established amount to be maintained in correspondent accounts (sub-accounts) during the specified period
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Adjustment ratios	The Bank of Russia set ratios to calculate the amount of reservable liabilities of credit institutions participating in centrally-cleared repos and deposit transactions: at 0.1 from 1 April 2022, and at 0.2 from 1 July 2022. The Bank of Russia did not change the adjustment ratio for the amount of credit institutions' liabilities on debt securities issued, leaving it at 0.2
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Reservable liabilities	<p>The Bank of Russia allowed credit institutions not to include in the reservable liabilities the following:</p> <ul style="list-style-type: none"> – liabilities on C type accounts (for transactions conducted in accordance with Executive Order of the President of the Russian Federation No. 95, dated 5 March 2022, 'On the Temporary Procedure for Meeting Obligations to Certain Foreign Creditors'): for banks with a universal licence and non-bank credit institutions from the March regulation period; – liabilities on K type accounts opened for foreign buyers of natural gas (balances of settlement accounts of balance-sheet account No. 40807 'Non-resident legal entities'): for an authorised bank from the May regulation period; – liabilities to other credit institutions on operations associated with clearing settlements (balance-sheet account No. 30414 'Clearing bank accounts for the fulfilment of liabilities, individual clearing collateral and other collateral'): for non-bank credit institution from the April regulation period; – liabilities arising from settlements on foreign securities blocked by international settlement and clearing organisations (balances of settlement accounts of balance-sheet account No. 47422 'Liabilities on other operations': for bank with a universal licence and non-bank credit institutions from the May regulation period; – liabilities on I type ruble accounts (balances of settlement accounts of balance-sheet account No. 40807 'Non-resident legal entities'): for a central depository from the August regulation period
Operations to manage ruble liquidity	
Additional fine-tuning auctions	Over the periods from 24 February 2022 to 1 March 2022 and from 30 March 2022 to 5 April 2022, the Bank of Russia held additional fine-tuning repo auctions. Concurrently, over the period from 3 March 2022 to 29 March 2022, the Bank of Russia held symmetric fine-tuning auctions on a daily basis: repo auctions and deposit auctions
Change in the direction of main auctions	Over the period from 1 March 2022 to 11 May 2022, the Bank of Russia held main repo auctions instead of main deposit auctions
Increase in the limits of repo auctions	On 28 February 2022 and on 1 March 2022, the Bank of Russia held unlimited repo auctions. Over the period from 3 March 2022 to 29 March 2022, limits at the main repo auctions and at fine-tuning repo auctions were set at the level over ₺3 trillion
Cancellation of the aggregate limit on repo operations	On 28 February 2022, the Bank of Russia cancelled the aggregate limit on repo operations
Increase in individual limits on repos and lombard loans	The Bank of Russia raised individual limits on repos (from 3 March 2022) and lombard loans (from 25 March 2022) up to five-fold amount of credit institutions' equity (capital)
Limits on the intraday loan and overnight loan	On 20 June 2022, the Bank of Russia cancelled maximum limits on the intraday loan and overnight loan on the main account of SICs
Roll-over of lombard loans	On 18 March 2022, the Bank of Russia introduced a roll-over of lombard loans
Extension of lombard loans' maturities	On 25 March 2022, the Bank began to issue lombard loans for periods from 1 to 90 days (earlier, for 1 day only)
Suspension of foreign exchange swaps	Due to changes in external economic environment the Bank of Russia suspended USD/RUB and EUR/RUB sell/buy FX swaps
Security under operations	
	On 24 February 2022, the Bank of Russia resumed the inclusion in the Lombard List of the bonds of constituent territories /of the Russian Federation, bonds of municipalities, mortgage-backed bonds, corporate bonds, and Eurobonds
	On 25 February 2022, the Bank of Russia set the minimum credit rating for an issue (issuer) for the inclusion in the Lombard List of the bonds of RF resident legal entities and bonds of municipalities at A–(RU) / ruA– assigned by the rating agencies ACRA (JSC) / JSC Expert RA, for the inclusion of debt issue-grade securities of non-resident legal entities at BB / Ba3 assigned by rating agencies S&P Global Ratings, Fitch Ratings / Moody's Investors Service. Rating assigned by international rating agencies to debt issue-grade securities of non-residents was applied as of 1 February 2022
	On 27 February 2022, the Bank of Russia raised adjustment ratios used to adjust the value of claims accepted as collateral for loans
	On 27 February 2022, the Bank of Russia materially expanded the list of economic activities, which may include the principal activity of borrowers and persons who are liable under credit agreements, the claims under which are accepted as collateral for loans (on 1 June 2022, the list was slightly amended)
	On 28 February 2022, the Bank of Russia downgraded from A+(RU) / ruA to A–(RU) / ruA– the minimum credit rating assigned by the rating agencies ACRA (JSC) / JSC Expert RA to legal entities included in the List of legal entities that may be persons liable under credit agreements, the claims under which are included in the collateral pool without verification of accounting (financial) statements and other information about such entities, and to the constituent territories of the Russian Federation and municipalities included in the List of constituent territories of the Russian Federation and municipalities that may be persons liable under credit agreements, the claims under which may be included in the collateral pool
	On 16 December 2022, the Bank of Russia decided to use credit ratings assigned by NCR (in terms of ratings on non-financial companies) when creating collateral for liquidity-providing operations. The minimum credit rating is set at A–.ru



Counterparties	
	<p>The Bank of Russia moved from 1 April 2022 to 1 January 2023 the transition from classification groups to ratings for the admission of credit institutions to liquidity-providing operations and decided that admission is subject to the condition that all credit institution's ratings assigned by Russian rating agencies are at or above the following levels:</p> <ul style="list-style-type: none"> – B–(RU) / ruB– / B–.ru / B–lrul assigned by credit rating agencies ACRA (JSC) / JSC Expert RA / NCR / NRA LLC for repos and loans secured by securities; – BB–(RU) / ruBB– / BB–.ru / BB–lrul assigned by credit rating agencies ACRA (JSC) / JSC Expert RA / NCR / NRA LLC for loans secured by non-marketable assets
Operations in the domestic market with foreign currency and precious metals	
Introduction of EUR/RUB buy/sell foreign exchange swaps	On 24 February 2022, the Bank of Russia introduced EUR/RUB sell/buy foreign exchange swaps with today/tomorrow settlements
Increase in limits for foreign currency operations	On 24 February 2022, the Bank of Russia increased limits on foreign currency operations
Suspension of foreign exchange swaps	Due to changes in external economic environment the Bank of Russia suspended USD/RUB and EUR/RUB sell/buy foreign exchange swaps
Foreign exchange interventions	On 24 and 25 February 2022, the Bank of Russia conducted interventions in the domestic foreign exchange market
Purchases of gold	The Bank of Russia changed the parameters of gold purchases in the domestic precious metals market. Starting from 28 February 2022, the price was determined daily on the basis of LBMA Gold Price AM; on 15 March 2022, the operations were suspended; over the period from 28 March 2022 to 30 June 2022, the price was set at \$5,000 per one gram; and starting from 8 April 2022, purchases have been conducted at the negotiated price



5.2. Specialised facilities and liquidity support instruments

Specialised facilities	
Interest rates	<p>From 15 March 2022 to 14 July 2022, the Bank of Russia suspended the rule of tying interest rates on new loans to the key rate without any upper limit and introduced a fixed rate at 9.5% per annum for the mechanism to support lending to small and medium-sized enterprises (SME)</p> <p>Interest rates on new loans issued as part of a large-scale investment projects support mechanism were changed in line with the effective rule and did not exceed 9.0% per annum in 2022</p>
Additional support	<p>From 24 January 2022 to 1 May 2022, the Bank of Russia extended the issuance of loans under the mechanism to support SME lending in industries most affected by the spread of the novel coronavirus infection</p> <p>From 11 March 2022 to 30 December 2022, as part of SME working capital support lending mechanism, the Bank of Russia issued unsecured loans for up to one year at 9.5% per annum in the amount up to ₺340 billion. From 29 April 2022, the list of banks' final borrowers was expanded to include also leasing and factoring companies</p> <p>From 15 March 2022 to 14 July 2022, as part of the SME lending support mechanism, the Bank of Russia provided funds only to support investment lending for up to three years at 9.5% per annum in the amount up to ₺335 billion</p> <p>On 4 April 2022, the Bank of Russia renewed the eligibility of SICIs for loans under the SME lending support mechanism</p> <p>The Bank of Russia established that from 12 April 2022 the principal on loans that can be refinanced under the mechanism of support for non-commodity exports may be expressed in US dollars, euros, British pounds, Chinese yuan, Turkish liras, Indian rupees, Uzbek sums, Kazakh tenge, and Azerbaijan manats</p>
Irrevocable credit lines	
	<p>On 18 February 2022, the Bank of Russia introduced relaxation of the liquidity coverage ratio N26 (N27): it does not view a decrease of the actual value of the ratio below 100% as its violation resulting from both the actual outflow of funds and the depreciation of highly liquid assets, as well as a limited possibility to prolong funds raising agreements for more than 30 calendar days with simultaneous repayment of earlier raised long-term liabilities, as a result of which irrevocable credit lines became not relevant for the time being</p> <p>From 1 April 2022 to 1 April 2023, the Bank of Russia cut the commitment fee for the use of irrevocable credit lines to 0.001% per annum of the established maximum possible limit</p> <p>On 12 December 2022, the Bank of Russia suspended opening of new irrevocable credit lines</p>



5.3. Implementation of the financial market development programme

Despite the drastic change in the underlying conditions of the Russia's economy, the key financial market development measures remained relevant and continued to be implemented as scheduled.

2022 saw the implementation of measures aimed at financial consumer and investor protection, financial literacy enhancement, development of the long money and corporate relations segment, and creation of favourable environment for the digitalisation of the financial market.

In particular, it is envisaged to set up a system guaranteeing the rights of participants in non-governmental pension funds (NPFs) within the system of non-governmental pension provision (NPP).¹ The state guarantee will ensure the safekeeping of voluntary contributions received from households and employers under NPP agreements, as well as the payment of non-governmental pensions even if an NPF fails to maintain its financial stability.

Rules were established for the sale of investment products through banks. A procedure was established for credit institutions to inform individuals about the securities and financial derivatives offered by the credit institutions on their own behalf, as well as about the financial services provided as part of the agency activities of credit institutions, in a comprehensible tabular format containing the main parameters and risks of respective products and services.

A tabular form of the conditions of a bank deposit agreement was elaborated. The table presents information on the most important conditions of the deposit, including its amount, currency, maturity, interest rate and interest payment procedure, and the possibility of replenishment and partial early repayment of the deposit. The bank deposit agreement form will enable consumers to compare conditions of various deposits in order to make the optimal choice of a relevant financial product.

A requirement for disclosing the size of the minimum guaranteed deposit rate was introduced. This will improve the depositor's awareness of the real rate of return on the deposit and help prevent financial consumers from being misled about the conditions of bank deposits.

Individuals are enabled to open accounts (deposits) and take out ruble loans without personal presence after going through the identification procedure via the Unified Biometric System.

The Bank of Russia's Know Your Customer platform was launched. This platform helps credit institutions to obtain information about the Bank of Russia's classification of Russian legal entities and individual entrepreneurs into suspicious transaction risk groups (levels).

Testing of the digital ruble platform was conducted.

¹ Federal Law No. 555-FZ, dated 28 December 2022, 'On Guaranteeing the Rights of Non-governmental Pension Funds' Participants as Part of Non-governmental Pension Provision'; Federal Law No. 556-FZ, dated 28 December 2022, 'On Amending the Federal Law 'On Non-governmental Pension Funds' and the Federal Law 'On Insolvency (Bankruptcy)'.



5.4. Statistical tables

KEY MACROECONOMIC INDICATORS
(PER CENT OF PREVIOUS YEAR)

Table 1

	2020	2021	2022
Gross domestic product ^{1,2}	-2.7	5.6	-2.1
of which: ³			
– agriculture, forestry, hunting, fishery and fish farming	0.2	-0.8	6.6
– mining and quarrying	-6.5	3.7	0.4
– manufacturing	0.1	5.9	-2.4
– electricity, gas and steam supply; air conditioning	-3.0	6.0	0.1
– water supply and disposal, waste collection and utilisation, pollution elimination	0.3	15.1	-6.8
– construction	-3.4	5.4	5.0
– wholesale and retail trade, and other	-1.3	5.9	-12.7
– transportation and storage	-10.9	7.6	-1.8
– information and communications	1.6	9.1	0.6
GDP deflator index ²	0.9	19.0	14.3
Consumer price index (December on previous December) ²	4.9	8.4	11.9
Fixed capital investment ^{1,2}	-0.1	8.6	4.6
Retail trade turnover ^{1,2}	-3.2	7.8	-6.7
Unemployment rate (annual average), as per cent of labour force ²	5.8	4.8	3.9
External trade (per balance of payments methodology) ⁴			
– goods and services exports	-20.8	44.2	15.8
– goods and services imports	-13.5	24.6	-7.6

¹ Index of quantity.

² Rosstat data.

³ Gross value added in core prices.

⁴ Bank of Russia data.

Note. Minor discrepancies between the total and the sum of components in tables of Section 5.4 are due to the rounding of data. Certain indicators were updated as compared with those published in the [Bank of Russia Annual Report for 2021](#).



CONSUMER PRICES BY GROUP OF GOODS AND SERVICES¹
(GROWTH, DECEMBER AS A PERCENTAGE OF PREVIOUS DECEMBER)

Table 2

	2020	2021	2022
Consumer prices, total	4.9	8.4	11.9
of which:			
– food prices	6.7	10.6	10.3
of which:			
– food prices exclusive of fruit and vegetables	5.4	10.2	12.0
– fruit and vegetable prices	17.4	14.0	-2.0
– non-food prices	4.8	8.6	12.7
– services	2.7	5.0	13.2
Prices of goods and services included in calculation of core consumer price index (CCPI)	4.2	8.9	14.3

¹ Rosstat data.**CONSUMER PRICE INFLATION STRUCTURE¹**

Table 3

	2021		2022	
	growth, percentage points	contribution to growth, per cent	growth, percentage points	contribution to growth, per cent
Headline inflation (December on December)	8.4	100.0	11.9	100.0
Inflation growth due to:				
– change in prices of goods and services included in CCPI calculation	6.2	73.5	9.9	83.1
– change in prices of goods and services not included in CCPI calculation	2.2	26.5	2.0	16.9
of which:				
– change in fruit and vegetable prices	0.6	7.4	-0.1	-0.8
– change in administered service and fuel prices	1.6	18.9	2.0	17.1

¹ Rosstat data, Bank of Russia calculations.

BALANCE OF HOUSEHOLD MONEY INCOME AND EXPENDITURES¹
(MILLIONS OF RUBLES, UNLESS INDICATED OTHERWISE)

Table 4

	2021	2022	2022 as a percentage of 2021
Money income	70,491,749.4	79,076,367.8	112.2
Wages and salaries	40,375,643.4	45,203,592.2	112.0
Share, per cent	57.3	57.2	
Social allowances	14,561,967.5	16,391,510.4	112.6
Share, per cent	20.6	20.7	
Income from entrepreneurial activities	3,868,242.2	4,857,486.5	125.6
Share, per cent	5.5	6.2	
Income from property	3,997,270.5	3,967,649.2	99.3
Share, per cent	5.7	5.0	
Other income	7,688,625.7	8,656,129.5	112.6
Share, per cent	10.9	10.9	
Money expenditures	67,492,936.8	73,324,294.1	108.6
– consumer expenditures	56,574,074.3	61,464,656.9	108.6
– compulsory payments and contributions	9,705,525.8	10,619,538.6	109.4
– other expenditures	1,213,336.7	1,240,098.6	102.2
Growth in savings²	2,998,812.5	5,752,073.7	191.8
of which:			
– ruble and foreign currency deposits, government and other securities	4,249,839.4	4,479,819.2	105.4
– ruble and foreign currency cash on hand	617,276.2	1,442,917.4	233.8
Memo item			
Share of money income, per cent			
– consumer expenditures	80.2	77.7	
– compulsory payments and contributions	13.8	13.4	
– other expenditures	1.7	1.6	
– savings	4.3	7.3	
of which:			
– ruble and foreign currency deposits, government and other securities	6.0	5.7	
– ruble and foreign currency cash on hand	0.9	1.8	
Disposable money income	60,786,223.6	68,456,829.1	112.6
Share of, per cent			
– consumer expenditures	93.1	89.8	
– other expenditures	2.0	1.8	
– savings	4.9	8.4	
of which:			
– ruble and foreign currency deposits, government and other securities	7.0	6.5	
– ruble and foreign currency cash on hand	1.0	2.1	

¹ The table was compiled based on Rosstat data (Methodological regulations for calculating household monetary income and expenditures approved by Rosstat Order No. 465, dated 2 July 2014, and amended by Order No. 680, dated 20 November 2018).

² Savings include increase (decrease) in deposits, purchase of securities, change in accounts of individual entrepreneurs, purchase of real estate, purchase of cattle and poultry by households, change in ruble and foreign currency cash on hand, change in outstanding loans and other savings.



BUDGET SYSTEM, FINANCIAL ASSETS AND GOVERNMENT DEBT

Table 5

	2021		2022	
	billions of rubles	percentage of GDP	billions of rubles	percentage of GDP
Consolidated budget				
Revenue	48,118.4	35.6	53,073.8	35.0
– oil and gas revenues	9,056.5	6.7	11,586.2	7.6
– non-oil and gas revenues	39,061.9	28.9	41,487.6	27.4
Expenditure	47,072.6	34.8	55,182.0	36.4
Balance	1,045.8	0.8	-2,108.1	-1.4
Non-oil and gas balance ¹	-8,010.7	-5.9	-13,694.3	-9.0
Federal budget				
Revenue	25,286.4	18.7	27,824.0	18.4
– oil and gas revenues	9,056.5	6.7	11,586.2	7.6
– non-oil and gas revenues	16,229.9	12.0	16,237.8	10.7
Expenditure	24,762.0	18.3	31,119.0	20.5
Balance	524.4	0.4	-3,295.0	-2.2
Non-oil and gas balance ¹	-8,532.1	-6.3	-14,881.2	-9.8
Sources of financing of federal budget deficit				
Net placement of domestic government securities	1,538.1	1.4	2,056.7	1.4
Net replenishment / use of balances of the federal budget account in foreign currency and NWF funds in the amount of extra oil and gas revenues or the shortfall thereof (MinFin interventions, the ‘–’ sign)	3,167.0	2.3	0 ²	0 ²
Government financial assets and public debt				
National Wealth Fund (as of year-end)	13,565.3	10.0	10,434.6	6.9
Balances of funds of federal authorities in accounts with the banking system (rubles) ³	5,526.4	4.1	7,077.2	4.7
Balances of funds of Russian constituents and local authorities in accounts with the banking system (rubles)	1,599.7	1.2	1,561.0	1.0
Aggregate public debt (as of year-end)⁴	23,773.3	17.6	25,984.4	17.2
– aggregate public and municipal domestic debt	19,312.3	14.3	21,926.9	14.5
– aggregate public and municipal external debt	4,461.1	3.3	4,057.4	2.7
– federal domestic debt, of which:	16,486.4	12.2	18,781.0	12.4
– in securities	15,759.9	11.6	18,079.3	11.9
– OFZs	15,600.3	11.5	17,960.7	11.9
– other securities	159.5	0.1	118.5	0.1
– in government guarantees	726.6	0.5	701.7	0.5

¹ Including one-off revenues.² Given the suspension of the fiscal rule, in 2022, additional oil and gas revenues were used to finance federal budget expenditure rather than to replenish the National Wealth Fund.³ Including funds of the National Wealth Fund in accounts with the Bank of Russia in national currency and in foreign currency, and also funds in credit institutions, the State Development Corporation VEB.RF, preferred shares of non-financial organisations, and other assets.⁴ Including obligations of federal authorities, Russian constituents and local authorities under budget loans.

RUSSIA'S DOMESTIC GOVERNMENT DEBT
(AT FACE VALUE)

Table 6

Debt instruments	Russia's domestic government debt as of 1 January 2022		Russia's domestic government debt as of 1 January 2023	
	billions of rubles	share of Russian total domestic government debt, %	billions of rubles	share of Russian total domestic government debt, %
Permanent coupon-income federal government bonds (OFZ-PD)	9,812.7	59.5	9,794.8	52.2
Debt depreciation federal government bonds (OFZ-AD)	209.3	1.3	166.0	0.9
Variable coupon-income federal government bonds (OFZ-PK)	4,709.3	28.6	6,896.9	36.7
Inflation-indexed federal government bonds (OFZ-IN)	763.1	4.6	1,025.1	5.5
Federal government bonds for individuals (OFZ-n)	39.2	0.2	22.2	0.1
Permanent coupon-income government savings bonds (GSO-PPS)	94.4	0.6	94.4	0.5
Fixed coupon-income government savings bonds (GSO-FPS)	132.0	0.8	80.0	0.4
Russian domestic government debt in securities	15,759.9¹	95.6	18,079.3¹	96.3
Russian government guarantees in national currency	726.6	4.4	701.7	3.7
Total	16,486.4¹	100.0	18,781.0	100.0

¹ Discrepancies are due to rounding.

MINISTRY OF FINANCE DEBT TO THE BANK OF RUSSIA AS OF 1 JANUARY 2023

Table 7

	At face value, millions of rubles
Russian government debt obligations	450,372 ¹

¹ For securities denominated in foreign currency, the ruble equivalent was calculated at the exchange rate as of 31 December 2022.VOLUME OF RUSSIAN FEDERAL GOVERNMENT'S EUROBONDS AND DOMESTIC BONDS (OFZ)
OWNED BY NON-RESIDENTS

Table 8

Date	Volume of Russian Eurobonds held by non-residents		Volume of non-residents' OFZ holdings	
	billions of US dollars ¹	% of total debt under Russian Eurobonds	billions of US dollars ¹	% of total debt under OFZs
31.12.2020	21.1	55.1	43.2	23.3
31.03.2021	20.4	54.0	39.9	20.9
30.06.2021	20.6	51.9	41.2	19.7
30.09.2021	20.5	52.3	46.5	21.6
31.12.2021	20.0	51.1	41.5	19.9
31.03.2022	18.6	49.8	32.9	17.7
30.06.2022	18.0	49.6	54.1	17.6
30.09.2022	16.9	47.5	47.7	17.9
31.12.2022	16.3	45.0	28.1	11.1

¹ At face value.

MEASURES TO ENHANCE FINANCIAL LITERACY FOR VARIOUS TARGET AUDIENCES
TAKEN IN THE RUSSIAN FEDERATION IN 2022

Table 9

Target audience	Number of measures	Number of participants (outreach)
Teachers at all levels of education as to how financial literacy issues can be included in the educational process	963	170,814
Adults, youth, children (including individuals at all levels of education, talented students, campers, camp counselors, parents, groups of employees)	4,107	10,700,214
SME representatives	436	148,092
Children from boarding schools and orphanages	286	14,500
Low-income individuals (including migrants)	563	60,415
Individuals of retirement age, and also social workers	503	701,009
Disabled persons (including partially health impaired persons)	185	11,795
Servicemen	1,010	74,406
Total	8,053	11,881,245



INSTITUTIONAL FINANCIAL MARKET PARTICIPANTS
(UNITS)

Table 10

Name of institutional financial market participants	Number of participants	
	as of 01.01.2022	as of 01.01.2023
Credit institutions	370	361
of which:		
– banks	335	326
– non-bank credit institutions	35	35
Credit institutions with foreign stakes in authorised capital	115	108
Branches of operating Russian credit institutions, total	475	453
of which:		
– in Russia	471	449
– abroad	4	4
Representative offices of operating Russian credit institutions, total	183	162
of which:		
– in Russia	163	143
– abroad	20	19
Representative offices of foreign credit institutions	37	28
Internal divisions of credit institutions (branches), total	26,202	24,519
of which:		
– additional offices	18,536	24,221
– mobile cash offices ¹	620	—
– credit and cash offices ¹	2,074	—
– operations offices ¹	4,685	—
– mobile banking vehicles	287	298
Insurance market entities, total	222	215
of which:		
– insurance companies ²	147	140
– mutual insurance companies	16	18
– insurance brokers	59	57
Associations of insurance market entities	20	20
Professional securities market participants, ³ total	472	515
of which:		
– brokers	251	253
– forex dealers	4	4
– dealers	279	277
– trust managers	182	179
– depositories	250	252
– register holders	31	31
– investment advisers	126	179
Infrastructures, total	72	90
of which:		
– clearing houses	6	6
– exchanges	6	6
– trading systems ⁴	1	1
– commodity delivery operators	4	4
– repositories	2	2
– repositories	1	1
– central counterparties ⁵	3	3
– news agencies ⁶	5	5
– investment platforms operators	50	64
– financial platform operators	5	6
– operators of information systems issuing digital financial assets ⁷	0	3
Payment system operators and foreign payment system operators	28	25
of which:		
– payment system operators	26	23
– nationally important payment system operators ⁸	2	2
– operators of foreign payment systems	0	0



End of table 10

Name of institutional financial market participants	Number of participants	
	as of 01.01.2022	as of 01.01.2023
Collective investment market entities, total	328	338
of which:		
– non-governmental pension funds	41	39
– joint-stock investment funds	2	2
– management companies of investment funds, unit investment funds and non-governmental pension funds	259	268
– specialised depositories of investment funds, unit investment funds and non-governmental pension funds	26	29
Unit investment funds, total	1,965	2,163
of which:		
– open-end	262	277
– interval	44	50
– closed-end	1,534	1,705
– exchange-traded	125	131
Microfinance market participant and cooperatives, total	6,015	5,341
of which:		
– microfinance organisations	1,267	1,162
– housing savings cooperatives	48	44
– consumer credit cooperatives	1,775	1,517
– agricultural consumer credit cooperatives	694	638
– pawnshops	2,231	1,980
Self-regulatory organisations, total	16	16
of which:		
– self-regulatory organisations in the financial market	14	14
– self-regulatory organisations of actuaries	2	2
Persons providing professional services in the financial market, ⁹ total	108	112
of which:		
– audit firms providing audit services to socially important organisations in the financial market	—	2
– credit history bureaus	7	7
– responsible actuaries	94	98
– credit rating agencies	4	4
– branches and representative offices of foreign credit rating agencies	3	1
Management companies of special-purpose vehicles	55	71
Representatives of bond holders	79	81

¹ In accordance with Bank of Russia Ordinance No 5775-U, dated 12 April 2021, 'On the Procedure for Credit Institutions (Branches Thereof) to Open Additional Offices, on the Procedure for Entering Information Thereon in the State Register of Credit Institutions, and on the List of Banking Operations Allowed to Additional Offices', from 1 April 2022, internal structural units of credit institutions (mobile cash offices, credit and cash offices and operations offices excluding mobile banking vehicles) are replaced with a single universal type – an additional office.

² Including Joint Stock Company Russian National Reinsurance Company (JSC RNRC).

³ Including credit institutions, which are professional securities market players.

⁴ The access of trading systems is regulated in accordance with Federal Law No. 325-FZ, dated 21 November 2011, 'On Organised Trades'.

⁵ Organisations which have been assigned the status of the central counterparty in accordance with Federal Law No. 7-FZ, dated 7 February 2011, 'On Clearing, Clearing Activities and the Central Counterparty': CCP NCC, SPB Clearing (JSC), and NFI CCP RDC (JSC).

⁶ News agencies accredited to disclose information about securities and other financial instruments.

⁷ The access is regulated in accordance with Federal Law No. 259-FZ, dated 31 July 2020, 'On Digital Financial Assets, Digital Currency, and on Amending Certain Laws of the Russian Federation'.

⁸ The Bank of Russia and National Payment Card System Joint Stock Company (NSPK JSC) are operators of the Bank of Russia payment system and the Mir payment system, respectively, based on Federal Law No. 161-FZ, dated 27 June 2011. The procedure for registering these operators and entering them into the register of payment system operators has not been specified.

⁹ In accordance with Article 76.9-5 of Federal Law No. 86-FZ.



**PARTICIPANTS ADMITTED TO THE FINANCIAL MARKET IN 2022
(UNITS)***Table 11*

Name	Number
Credit institutions	3
Insurance agents	9
of which:	
– insurance companies	1
– insurance brokers	3
– mutual insurance companies	5
Professional securities market participants ¹	97
of which:	
– brokers	14
– dealers	12
– trust managers	8
– depositories	13
– investment advisers	77
Infrastructures	23
of which:	
– investment platforms operators	18
– financial platform operators	2
– operators of information systems issuing digital financial assets	3
Payment system operators	2
Collective investment market participants	20
of which:	
– management companies of investment funds, unit investment funds and non-governmental pension funds	17
– specialised depositories of investment funds, unit investment funds and non-governmental pension funds	3
Microfinance market participants and cooperatives	360
of which:	
– microfinance organisations	156
– housing savings cooperatives	3
– consumer credit cooperatives	37
– agricultural consumer credit cooperatives	5
– pawnshops	159
Self-regulatory organisations in the financial market	1
Persons providing professional services in the financial market	7
of which:	
– audit firms providing audit services to socially important organisations in the financial market	2
– responsible actuaries	5
Management companies of special-purpose vehicles	19
Representatives of bond holders	6
Total	547

¹ Final indicators are given taking into account several activities performed by one organisation.

SELF-REGULATORY ORGANISATIONS

Table 12

Financial market participants	As of 01.01.2022			As of 01.01.2023		
	number of self-regulatory organisations, units	number of members of self-regulatory organisations, units	share of members of self-regulatory organisations in the total number of financial institutions of the respective type of activity, per cent	number of self-regulatory organisations, units	number of members of self-regulatory organisations, units	share of members of self-regulatory organisations in the total number of financial institutions of the respective type of activity, per cent
Professional securities market participants (brokers, dealers, managers, depositories, register holders, forex dealers, investment advisers)	4	463	98.1	4	498	96.7
Joint-stock investment funds and management companies of investment funds, unit investment funds and non-governmental pension funds	1	257	98.5	1	261	96.7
Specialised depositories	2	26	100.0	2	29	100.0
Non-governmental pension funds	1	41	100.0	1	39	100.0
Insurance companies	1	147	100.0	1	139	99.3
Insurance brokers	1	57	96.6	1	55	96.5
Microfinance organisations	2	1,182	93.3	2	1,138	97.9
Consumer credit cooperatives	2	934	52.6	2	816	53.8
Agricultural consumer credit cooperatives	3	554	79.8	3	528	82.8
Actuaries	2	314	100.0	2	320	100.0

INFRASTRUCTURE OF FINANCIAL SERVICES PROVISION¹
(UNITS)

Table 13

	01.01.2022	01.01.2023
Credit institutions		
Number of stand-alone structural units of credit institutions	634	592
of which:		
– branches	471	449
– representative offices	163	143
Number of internal divisions of credit institutions (branches)	26,202	24,519
of which:		
– additional offices (as of 01.01.2023) / additional offices, mobile cash offices, credit and cash offices, operations offices (as of 01.01.2022)	25,915	24,221
– mobile banking vehicles	287	298
Reduced formats of services provided by credit institutions		
Number of remote service points with employees of credit institutions	17,451	13,136
Number of Russian Post branches performing certain banking operations and related technological activities (including withdrawing and depositing cash) ²	35,517	34,910
of which:		
– number of Russian Post branches where account opening documents can be accepted	18,131	26,151
– with employees of credit institutions	3,643	3,248
Number of trade and service outlets where credit institutions activated the 'cash on hand' service in order to provide cash withdrawal services to payment cardholders in trade (service) organisations that are bank payment agents using POS terminals ³	15,900	42,637
of which:		
– number of trade and service outlets providing 'cash on hand' services	9,386	24,952
Number of other physical service outlets with credit institutions' agents and partners ⁴	591,079	711,875



End of table 13

	01.01.2022	01.01.2023
Other formats of services provided by credit institutions		
Number of operating credit institutions providing services to open accounts without visiting the bank	114	132
Number of operating credit institutions issuing payment cards	246	235
Number of operating credit institutions with the infrastructure permitting acceptance of payment cards	221	215
Insurance agents		
Number of branches and representative offices of insurance agents	1,724	1,650
Number of other stand-alone units of insurance agents	5,634	5,366
Professional securities market participants		
Number of stand-alone units of professional securities market participants – non-bank financial institutions	622	598
Microfinance market participants and cooperatives		
Number of stand-alone units of microfinance companies	923	707
Number of stand-alone units of microcredit companies	10,401	10,949
Number of stand-alone units of consumer credit cooperatives	1,448	1,281
Number of stand-alone units of agricultural consumer credit cooperatives	204	188
Number of stand-alone units of pawnshops	10,085	9,771
Payment infrastructure		
Number of cash dispensing and/or receiving ATMs of credit institutions (cash dispensing/depositing with the use of payment cards or their details)	184,099	173,366
Number of cash receiving ATMs of credit institutions (cash depositing without the use of payment cards or their details)	6,225	6,271
Number of POS terminals	3,546,869	3,809,513
Number of ATMs of bank payment agents (subagents) ⁵	124,398	134,761
Number of cash desks of bank payment agents (subagents) ⁵	190,185	217,159
Number of payment terminals of bank payment agents (subagents) ⁶	152,181	126,376
Number of cash desks of payment agents (subagents) ⁶	51,054	48,679
Number of federal post offices offering payment services (including funds transfers)	38,766	38,876
of which:		
– JSC Russian Post branches ⁷	38,215	38,322
– FGUP Post of Crimea branches ⁸	551	554

¹ Data as of 1 January 2022 were updated with new information received from financial institutions as part of reporting adjustment. There is information about the number of financial services access points operating in the Russian Federation, including financial market participants and their units (excluding payment infrastructure points) located in Baikonur, which has the status of a federal city of the Russian Federation (Agreement Between the Russian Federation and the Republic of Kazakhstan on the Status of Baikonur, the Procedure for the Formation and Status of Its Executive Authorities).

² According to JSC Post Bank data.

³ In addition to the activation of the 'cash on hand' service in terminals by credit institutions, trade and service companies – bank payment agents may also need additional time to adjust cash equipment and train staff, as a result of which the service may not actually be provided at POS (the indicator 'number of trade and service outlets providing 'cash on hand' services' contains unique locations without such cases). Data include outlets providing 'cash on hand' service located in large retail chains in cities.

⁴ Excluding locations of cash desks and ATMs of bank payment agents (subagents), as well as Russian Post branches performing certain banking operations and related technological actions (including cash withdrawals and deposits).

⁵ Data about bank payment agents were received based on credit institutions' reporting forms.

⁶ Information about payment agents was obtained during a survey of credit institutions conducted by the Bank of Russia.

⁷ According to JSC Russian Post data.

⁸ According to FGUP Post of Crimea data.



NUMBER OF CREDIT INSTITUTIONS UNDER LIQUIDATION INCLUDING WITH THE DIA'S PARTICIPATION
(UNITS)

Table 14

	As of 01.01.2022	As of 01.01.2023
Number of credit institutions subject to liquidation, which have taken decisions on liquidation (bankruptcy) as of the indicated date and which implement liquidation procedures – total	373	339
of which:		
– credit institutions recognised as bankrupts by arbitration courts, where bankruptcy proceedings were initiated	333	310
<i>over the reporting period</i>	16	3 ¹
– credit institutions subject to forced liquidation	31	20
<i>over the reporting period</i>	21	5 ²
– credit institutions, where founders made a decision on their voluntary liquidation	9	9
<i>over the reporting period</i>	5	3
of which:		
– credit institutions where the functions of a liquidator / official receiver are assigned to the DIA	354	324
<i>as an official receiver</i>	330	307
<i>as a liquidator</i>	24	17
– credit institutions where the functions of a liquidator / official receiver are assigned to court-appointed receivers accredited at the Bank of Russia as official receivers to deal with bankrupt credit institutions	10	6
– credit institutions where liquidation proceeding are performed by liquidation commissions	9	9
Inspections of official receivers over the reporting period	54	47

¹ Earlier, arbitration courts made decisions on the compulsory liquidation of two credit institutions.

² With regard to one credit institution, bankruptcy proceedings were terminated and compulsory liquidation was introduced.



BALANCE OF PAYMENTS¹ OF THE RUSSIAN FEDERATION
(ANALYTICAL PRESENTATION, MILLIONS OF US DOLLARS)

Table 15

	Q1	Q2	Q3	Q4	2022	Memo item: 2021
Current account	69,810	77,229	48,451	37,528	233,019	122,263
Goods	82,993	94,118	72,623	58,243	307,978	190,337
Exports	154,540	151,780	141,418	140,590	588,329	494,350
Imports	71,547	57,662	68,796	82,347	280,351	304,013
Services	-3,598	-3,494	-6,900	-8,209	-22,200	-20,234
Exports	13,859	11,050	11,335	12,269	48,514	55,700
transport	4,218	3,644	3,548	3,507	14,917	18,091
travel	1,046	1,373	1,562	1,562	5,543	3,986
other services	8,595	6,033	6,226	7,200	28,054	33,623
Imports	17,457	14,544	18,236	20,477	70,714	75,934
transport	3,671	3,196	3,597	3,867	14,330	16,186
travel	2,558	3,411	6,801	7,499	20,269	11,407
other services	11,228	7,938	7,838	9,112	36,116	48,341
Compensation of employees	82	-420	-889	-1,276	-2,503	178
Investment income	-8,337	-10,326	-14,278	-8,957	-41,898	-43,262
Receivable	9,052	7,542	7,904	9,968	34,465	77,834
Payable	17,389	17,868	22,181	18,925	76,364	121,096
Direct investment	-9,291	-7,426	-7,464	-4,640	-28,820	-29,619
Receivable	5,993	4,753	4,796	6,807	22,349	65,994
Payable	15,284	12,179	12,259	11,447	51,169	95,613
Portfolio investment	-423	-3,754	-8,398	-6,115	-18,691	-16,408
Receivable	703	509	517	497	2,225	4,074
Payable	1,126	4,264	8,915	6,611	20,916	20,482
Other investment	1,378	854	1,584	1,798	5,613	2,765
Receivable	2,357	2,279	2,591	2,664	9,891	7,766
Payable	979	1,426	1,007	866	4,278	5,001
Rent	18	4	2	4	28	68
Secondary income	-1,348	-2,653	-2,107	-2,277	-8,386	-4,825
Capital account	-22	-1,147	-1,929	-1,482	-4,580	125
Net lending(+) / net borrowing (-) (balance from current and capital accounts)	69,788	76,082	46,523	36,046	228,439	122,388
Net lending (+) / net borrowing (-) (balance from financial account)	66,578	79,896	44,232	36,098	226,805	122,490
Direct investment	796	11,851	10,181	6,261	29,088	25,433
Net acquisition of financial assets	-21,628	-5,516	6,044	7,056	-14,045	65,883
Equity and investment fund shares	-17,098	-5,818	10,273	13,518	876	67,985
Debt instruments	-4,531	302	-4,229	-6,463	-14,921	-2,103
Net incurrence of liabilities	-22,424	-17,367	-4,137	795	-43,133	40,450
Equity and investment fund shares	-14,161	-10,267	839	7,700	-15,888	39,383
Debt instruments	-8,263	-7,101	-4,976	-6,905	-27,245	1,067
Portfolio investment	7,357	2,825	1,097	11,926	23,205	32,084
Net acquisition of financial assets	-3,091	-1,626	-2,328	-3,765	-10,809	17,954
Equity and investment fund shares	-2,148	-371	-306	-604	-3,429	11,553
Debt instruments	-943	-1,254	-2,022	-3,161	-7,380	6,401



End of table 15

	Q1	Q2	Q3	Q4	2022	Memo item: 2021
<i>Net incurrence of liabilities</i>	-10,449	-4,451	-3,425	-15,691	-34,015	-14,130
Net incurrence of liabilities	-5,155	-3,704	-1,915	-7,817	-18,591	-11,036
Debt instruments	-5,293	-747	-1,510	-7,873	-15,423	-3,094
Financial derivatives (other than reserves) and employee stock options	-2,836	-65	-242	-72	-3,215	-696
<i>Net acquisition of financial assets</i>	-13,392	-2,471	-1,320	-737	-17,920	-23,683
<i>Net incurrence of liabilities</i>	-10,556	-2,406	-1,078	-666	-14,705	-22,988
Other investment	71,878	64,129	31,402	17,569	184,979	2,143
<i>Net acquisition of financial assets</i>	80,707	33,666	24,111	8,497	146,981	36,533
Other equity	5	-3	-2	56	56	318
Loans, currency and deposits	44,269	28,475	17,133	-10,918	78,959	24,410
Other accounts receivable	36,433	5,194	6,980	19,359	67,966	11,804
<i>Net incurrence of liabilities</i>	8,829	-30,463	-7,291	-9,073	-37,998	34,390
Other equity	10	0	0	-2	8	4,120
Loans, currency and deposits	-41	-11,909	-2,193	-5,626	-19,769	4,440
Other accounts payable	8,854	-18,572	-5,137	-3,489	-18,345	8,286
Special drawing rights	6	19	38	45	108	17,544
Reserve assets	-10,617	1,156	1,795	414	-7,253	63,525
Net errors and omissions	-3,210	3,814	-2,291	52	-1,634	102

¹ The balance of payments is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6).
The use of signs corresponds to BPM6.



INTERNATIONAL INVESTMENT POSITION OF THE RUSSIAN FEDERATION
(MILLIONS OF US DOLLARS)

Table 16

	Position as of 31.12.2020	Position as of 31.03.2021	Position as of 30.06.2021	Position as of 30.09.2021	Position as of 31.12.2021	Position as of 31.03.2022	Position as of 30.06.2022	Position as of 30.09.2022	Position as of 31.12.2022
	1	2	3	4	5	6	7	8	9
International investment position, net	516,731	459,374	461,774	443,389	485,038	598,433	481,685	601,309	770,363
Assets	1,569,086	1,528,672	1,582,837	1,623,402	1,651,900	1,590,615	1,701,585	1,604,705	1,613,202
Direct investment	471,840	446,884	467,172	479,346	487,004	390,272	482,450	430,695	397,789
Equity and investment fund shares	371,129	345,323	363,734	376,249	392,802	306,830	376,525	337,804	312,906
Debt instruments	100,711	101,560	103,438	103,097	94,202	83,442	105,925	92,891	84,884
Portfolio investment	107,874	111,954	120,952	112,455	117,413	93,742	90,114	86,018	80,641
Equity and investment fund shares	22,222	27,203	32,870	31,602	34,473	27,045	24,224	21,580	21,847
Debt securities	85,651	84,751	88,082	80,853	82,940	66,696	65,890	64,438	58,794
Financial derivatives (other than reserves) and employee stock options	6,736	6,829	7,341	7,677	6,444	7,618	3,014	1,829	1,282
Other investment	386,863	389,683	395,627	409,801	410,412	492,574	541,885	545,474	551,501
Other equity	8,266	8,265	8,508	8,502	8,559	8,553	8,517	8,485	8,575
Loans, currency and deposits	334,032	338,178	338,572	348,449	347,710	394,538	424,756	425,988	408,009
Other accounts receivable	44,565	43,240	48,547	52,851	54,143	89,483	108,612	111,001	134,916
Reserve assets	595,774	573,322	591,745	614,122	630,627	606,409	584,121	540,688	581,989
Liabilities	1,052,355	1,069,297	1,121,063	1,180,013	1,166,862	992,182	1,219,900	1,003,396	842,839
Direct investment	539,747	547,653	568,495	594,851	610,082	523,541	694,592	553,783	461,596
Equity and investment fund shares	396,962	412,731	431,868	457,092	474,695	401,434	568,954	440,778	360,045
Debt instruments	142,784	134,922	136,627	137,759	135,387	122,107	125,638	113,005	101,551
Portfolio investment	255,925	261,023	284,829	302,717	273,636	188,598	249,079	196,489	149,089
Equity and investment fund shares	169,351	183,483	204,848	218,064	197,807	131,492	164,574	125,301	98,855
Debt securities	86,574	77,540	79,980	84,654	75,828	57,106	84,505	71,189	50,234
Financial derivatives (other than reserves) and employee stock options	8,265	5,655	6,048	5,648	5,757	5,864	2,575	1,921	1,282
Other investment	248,418	254,966	261,691	276,797	277,386	274,178	273,654	251,202	230,872
Other equity	115	96	111	4,215	4,128	3,658	6,017	5,368	4,410
Loans, currency and deposits	219,273	223,951	225,022	223,862	221,076	209,013	217,232	200,580	182,736
Other accounts payable	20,860	22,881	28,466	23,303	26,932	36,561	26,426	22,102	19,609
Special drawing rights	8,170	8,039	8,091	25,417	25,250	24,946	23,979	23,152	24,118

Notes.

1. The international investment position of the Russian Federation is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6).

2. '+' in columns 2 to 5 denotes net increase in assets or liabilities, '-' denotes their net decrease.

3. Data on portfolio investment (including government securities) are presented at market value.



INTERNATIONAL RESERVES OF THE RUSSIAN FEDERATION
(BILLIONS OF US DOLLARS)

Table 17

	2021	2022											
	31.12	31.01	28.02	31.03	30.04	31.05	30.06	31.07	31.08	30.09	31.10	30.11	31.12
Reserve assets	630.6	630.2	617.1	606.4	593.1	587.4	584.1	576.9	565.7	540.7	547.2	567.3	582.0
of which:													
Foreign currency assets	497.6	498.0	475.9	464.3	452.1	449.3	448.2	445.7	434.6	416.9	422.8	436.3	445.9
Monetary gold	133.1	132.3	141.2	142.1	141.0	138.2	135.9	131.2	131.1	123.8	124.4	131.0	136.1

BASIC DERIVED INDICATORS OF RUBLE'S EXCHANGE RATE DYNAMICS IN 2022

Table 18

	January	February	March	April	May	June	July	August	September	October	November	December
Nominal exchange rate of US dollar against ruble, end of period	77.82	83.55	84.09	71.02	63.10	51.16	61.31	60.37	57.41	61.53	61.07	70.34
Nominal exchange rate of US dollar against ruble, period averages	75.87	77.34	103.68	77.81	64.64	57.18	58.08	60.35	59.79	60.86	60.87	65.34
Nominal exchange rate of US dollar against ruble, period averages from the beginning of the year	75.87	76.60	84.73	82.95	78.91	74.79	72.13	70.54	69.26	68.37	67.65	67.46
Nominal exchange rate of euro against ruble, end of period	86.64	93.60	93.70	74.56	64.72	53.86	62.57	60.58	55.41	61.13	63.39	75.66
Nominal exchange rate of euro against ruble, period averages	85.92	87.71	114.29	84.41	67.45	60.08	59.06	61.01	59.26	59.57	61.86	69.13
Nominal exchange rate of euro against ruble, period averages from the beginning of the year	85.92	86.81	95.15	92.34	86.72	81.57	77.89	75.55	73.54	72.01	71.02	70.86
Percentage change over December 2021¹												
Nominal exchange rate of ruble against US dollar	-2.8	-4.7	-28.9	-5.3	14.0	28.9	26.9	22.2	23.3	21.1	21.1	12.8
Nominal exchange rate of ruble against euro	-3.0	-5.0	-27.1	-1.3	23.5	38.7	41.1	36.6	40.6	39.9	34.7	20.5
Nominal effective exchange rate of ruble vis-à-vis foreign currencies	-3.0	-4.8	-26.3	-1.7	21.0	37.1	38.4	34.7	39.0	38.6	35.8	23.5
Real exchange rate of ruble against US dollar	-2.7	-4.3	-24.2	2.1	21.7	35.2	32.6	27.0	28.0	25.4	26.0	18.7
Real exchange rate of ruble against euro	-2.8	-4.4	-22.8	5.3	30.7	45.2	45.8	39.3	41.8	39.5	35.5	22.4
Real effective exchange rate of ruble vis-à-vis foreign currencies	-3.4	-4.9	-22.1	4.1	27.3	42.5	42.2	36.9	40.1	38.7	36.3	24.7
Percentage change over previous period¹												
Nominal exchange rate of ruble against US dollar	-2.8	-1.9	-25.4	33.3	20.4	13.1	-1.6	-3.8	0.9	-1.8	0.0	-6.8
Nominal exchange rate of ruble against euro	-3.0	-2.0	-23.3	35.4	25.1	12.3	1.7	-3.2	3.0	-0.5	-3.7	-10.5
Nominal effective exchange rate of ruble vis-à-vis foreign currencies	-3.0	-1.8	-22.6	33.3	23.1	13.3	0.9	-2.7	3.2	-0.3	-2.0	-9.1
Real exchange rate of ruble against US dollar	-2.7	-1.7	-20.8	34.6	19.2	11.1	-1.9	-4.2	0.8	-2.0	0.5	-5.8
Real exchange rate of ruble against euro	-2.8	-1.7	-19.2	36.4	24.1	11.1	0.4	-4.4	1.8	-1.6	-2.9	-9.7
Real effective exchange rate of ruble vis-à-vis foreign currencies	-3.4	-1.6	-18.1	33.7	22.2	11.9	-0.2	-3.7	2.3	-1.0	-1.7	-8.5
Percentage change over corresponding period of 2021¹												
	January	January – February	January – March	January – April	January – May	January – June	January – July	January – August	January – September	January – October	January – November	January – December
Nominal exchange rate of ruble against US dollar	-2.2	-3.0	-12.3	-9.9	-5.4	-0.7	2.9	5.1	6.8	7.9	8.9	9.2
Nominal exchange rate of ruble against euro	5.3	3.9	-5.7	-2.6	3.7	9.8	14.5	17.7	20.4	22.2	23.2	23.0
Nominal effective exchange rate of ruble vis-à-vis foreign currencies	3.7	2.8	-6.2	-3.4	2.3	8.1	12.6	15.7	18.5	20.4	21.7	21.9
Real exchange rate of ruble against US dollar	-0.7	-1.6	-9.2	-5.4	-0.3	4.8	8.7	11.0	12.8	13.7	14.7	15.0
Real exchange rate of ruble against euro	8.5	7.0	-1.3	3.1	10.1	16.5	21.3	24.3	26.7	27.9	28.6	28.0
Real effective exchange rate of ruble vis-à-vis foreign currencies	5.7	4.9	-2.7	1.2	7.4	13.4	18.0	20.9	23.4	24.9	25.9	25.8

¹ '+' denotes appreciation the Russian ruble vis-à-vis foreign currencies, '-' denotes depreciation the Russian ruble vis-à-vis foreign currencies.

EXTERNAL DEBT OF THE RUSSIAN FEDERATION
(MILLIONS OF US DOLLARS)

Table 19

	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022
Total	482,354	453,539	479,173	434,899	380,545
General government	63,353	53,266	74,568	66,899	46,104
Federal government	63,268	53,192	74,533	66,868	46,087
New Russian debt	62,967	52,891	74,232	66,569	45,855
Loans	1,501	1,384	2,094	1,886	1,412
Foreign currency bonds	19,959	18,550	18,035	16,943	16,307
<i>Eurobonds</i>	<i>19,686</i>	<i>18,324</i>	<i>17,810</i>	<i>16,849</i>	<i>16,222</i>
<i>Eurobonds (related to the second London Club debt restructuring)</i>	<i>274</i>	<i>226</i>	<i>225</i>	<i>94</i>	<i>85</i>
Ruble-denominated bonds	41,483	32,938	54,085	47,722	28,119
<i>OFZ</i>	<i>41,483</i>	<i>32,938</i>	<i>54,085</i>	<i>47,722</i>	<i>28,119</i>
<i>Eurobonds</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Other debt liabilities	24	19	18	18	17
Debt of the former USSR	301	301	301	300	231
Local government	84	74	36	31	17
Loans	0	0	0	0	0
Foreign currency bonds	0	0	0	0	0
Ruble-denominated bonds	84	74	36	31	17
Central bank and banks	114,685	118,008	112,540	104,551	93,450
Debt liabilities to direct investors and to direct investment enterprises	4,764	6,556	4,176	4,079	3,908
Debt securities	3,552	2,982	4,312	3,792	1,119
Loans, currency and deposits	78,122	71,804	74,227	69,648	60,862
Other debt liabilities	28,249	36,667	29,825	27,032	27,562
Other sectors	304,316	282,265	292,064	263,449	240,992
Debt liabilities to direct investors and to direct investment enterprises	130,624	115,552	121,462	108,926	97,644
Debt securities	8,631	6,368	9,430	7,572	6,969
Loans, currency and deposits	141,152	135,524	140,610	128,746	120,230
Other debt liabilities	23,910	24,822	20,562	18,204	16,149

Notes.

1. Information on external debt is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) and in the External Debt Statistics. Guide for Compilers and Users (2013).
2. Included is the external debt in domestic and foreign currencies.
3. Government securities are accounted for in the part of debt owed to non-residents at face value.
4. Debt securities of other sectors are accounted for at face value starting from 31 December 2017.
5. Data on banks include data of State Development Corporation VEB.RF.
6. Data on other debt of the central bank and banks also include data on SDR allocation.



EXTERNAL DEBT OF THE RUSSIAN FEDERATION
(IN DOMESTIC AND FOREIGN CURRENCIES BY MATURITY, MILLIONS OF US DOLLARS)

Table 20

	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022
Total	482,354	453,539	479,173	434,899	380,545
Foreign currency	348,797	340,111	301,907	273,691	258,473
Domestic currency	133,557	113,428	177,265	161,208	122,073
General government	63,353	53,266	74,568	66,899	46,104
Foreign currency	21,786	20,254	20,448	19,147	17,968
Short-term	24	19	18	18	17
Long-term	21,762	20,235	20,430	19,129	17,951
Domestic currency	41,567	33,012	54,120	47,753	28,136
Short-term	0	0	0	0	0
Long-term	41,567	33,012	54,120	47,753	28,136
Central bank and banks (excluding debt liabilities to direct investors and to direct investment enterprises)	109,922	111,452	108,364	100,472	89,542
Foreign currency	87,489	88,340	72,832	65,826	59,860
Short-term	29,887	33,580	19,186	16,600	14,394
Long-term	57,601	54,760	53,646	49,227	45,467
Domestic currency	22,433	23,112	35,532	34,646	29,682
Short-term	16,875	18,762	29,805	28,810	26,543
Long-term	5,558	4,350	5,727	5,836	3,138
Other sectors (excluding debt liabilities to direct investors and to direct investment enterprises)	173,693	166,713	170,602	154,522	143,348
Foreign currency	132,926	134,166	119,249	104,517	102,166
Short-term	19,337	22,135	16,076	9,747	8,859
Long-term	113,589	112,031	103,174	94,770	93,307
Domestic currency	40,767	32,548	51,353	50,006	41,182
Short-term	11,058	8,601	12,512	17,188	15,752
Long-term	29,709	23,947	38,841	32,818	25,430
Banks and other sectors – debt liabilities to direct investors and to direct investment enterprises	135,387	122,107	125,638	113,005	101,551
Foreign currency	106,597	97,350	89,378	84,201	78,479
Domestic currency	28,790	24,757	36,260	28,804	23,073

Notes.

1. Information on external debt is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) and in the External Debt Statistics. Guide for Compilers and Users (2013).

2. Included is the external debt in domestic and foreign currencies.

3. Only non-resident holdings of government securities are reported. Data are presented at face value.

4. Debt securities of other sectors are stated at face value starting since 31 December 2017.

5. Data on banks include data of State Development Corporation VEB.RF.



MONEY SUPPLY (NATIONAL DEFINITION) AND ITS STRUCTURE

Table 21

	As of 31.12.2021		As of 31.12.2022		31.12.2022 as a percentage of 31.12.2021
	billions of rubles	per cent	billions of rubles	per cent	
Money supply (M2), total	66,252.9	100.0	82,388.0	100.0	124.4
of which:					
– currency in circulation (M0) ¹	13,200.4	19.9	15,435.7	18.7	116.9
– deposits	53,052.5	80.1	66,952.3	81.3	126.2
of which:					
– non-financial organisations and financial institutions ²	24,001.6	36.2	32,660.1	39.6	136.1
– households	29,050.9	43.8	34,292.2	41.6	118.0

¹ Currency in circulation outside the banking system.² Except credit institutions.

MONETARY BASE (BROAD DEFINITION) AND ITS STRUCTURE

Table 22

	As of 31.12.2021		As of 31.12.2022		31.12.2022 as a percentage of 31.12.2021
	billions of rubles	per cent	billions of rubles	per cent	
Monetary base (broad definition)	20,338.9	100.0	24,428.6	100.0	120.1
of which:					
– currency issued (including cash in vaults of credit institutions) ¹	14,068.1	69.2	16,347.7	66.9	116.2
– correspondent account balances of credit institutions with the Bank of Russia ²	2,650.6	13.0	2,983.6	12.2	112.6
– required reserves ³	815.3	4.0	145.9	0.6	17.9
– credit institutions balances in deposit accounts with the Bank of Russia	2,805.0	13.8	4,951.4	20.3	176.5
– Bank of Russia bonds (OBRs) held by banks ⁴	0	—	0	—	—

¹ Excluding cash rubles in Bank of Russia vaults, ATMs and in transit, as well as precious metal coins in circulation.² Balances of correspondent accounts in the currency of the Russian Federation and the averaged amount of required reserves.³ Balances of required reserve accounts deposited by credit institutions with the Bank of Russia against their attracted funds.⁴ Market value.

INTEREST RATES ON MONETARY POLICY INSTRUMENTS¹
(PER CENT P.A.)

Table 23

Purpose	Type of instrument	Instrument	Maturity	Frequency	Interest rates as spreads to the key rate, percentage points	From 01.01.2022	From 14.02.2022	From 28.02.2022	From 01.03.2022	From 25.03.2022	From 11.04.2022	From 04.05.2022	From 27.05.2022	From 14.06.2022	From 25.07.2022	From 19.09.2022
Liquidity provision	Standing facilities	Overnight loans; repos; FX swaps; ² lombard loans; loan secured by non-marketable assets	1 day	Daily	+1.00	9.50	10.50	21.00	21.00	21.00	18.00	15.00	12.00	10.50	9.00	8.50
		Lombard loans	2 to 90 days ³		+1.00	—	—	—	—	21.00	18.00	15.00	12.00	10.50	9.00	8.50
		Loans secured by non-marketable assets	2 to 90 days ³		Before 28.02.2022 +1.75 From 01.03.2022 +1.00	10.25	11.25	21.75	21.00	21.00	18.00	15.00	12.00	10.50	9.00	8.50
			91 to 549 days ³		+1.75	10.25	11.25	21.75	21.75	21.75	18.75	15.75	12.75	11.25	9.75	9.25
	Open market operations (minimum interest rates)	Auctions to provide loans secured by non-marketable assets	3 months ^{3,4}	Monthly	+0.25	8.75	9.75	20.25	20.25	20.25	17.25	14.25	11.25	9.75	8.25	7.75
		Repo auctions	1 year ³		+0.10	8.60	9.60	20.10	20.10	20.10	17.10	14.10	11.10	9.60	8.10	7.60
			1 month													
			1 week	Weekly ⁵												
			1 to 6 days	Occasionally ⁶	0.00	8.50 (key rate)	9.50 (key rate)	20.00 (key rate)	20.00 (key rate)	20.00 (key rate)	17.00 (key rate)	14.00 (key rate)	11.00 (key rate)	9.50 (key rate)	8.00 (key rate)	7.50 (key rate)
		FX swap auctions ²	1 to 2 days													
Liquidity absorption	Open market operations (maximum interest rates)	Deposit auctions	1 to 6 days	Weekly ⁵												
			1 week													
	Standing facilities	Overnight deposits	1 day	Daily	-1.00	7.50	8.50	19.00	19.00	19.00	16.00	13.00	10.00	8.50	7.00	6.50

¹ The rates are set by the Bank of Russia Board of Directors.

² The interest rate is given for the ruble leg, operations were suspended due to changes in external economic conditions.

³ Loans and repo operations conducted at a floating interest rate linked to the Bank of Russia key rate.

⁴ Loan auctions were discontinued in April 2016.

⁵ Either a repo or a deposit auction is held depending on the situation with liquidity.

⁶ Fine-tuning auctions.

Memo item: from 1 January 2016, the value of the Bank of Russia refinancing rate equals its key rate as of the respective date.



MONETARY POLICY INSTRUMENTS
(BILLIONS OF RUBLES)

Table 24

Purpose	Type of instrument	Instrument	Maturity	Frequency	Bank of Russia claims under liquidity provision instruments and liabilities under liquidity absorption instruments				
					as of 01.01.2022	as of 01.04.2022	as of 01.07.2022	as of 01.10.2022	as of 01.01.2023
Liquidity provision	Standing facilities	Overnight loans	1 day	Daily	0.0	0.0	0.0	0.0	0.0
		Repo operations			2.6	91.6	9.9	9.5	7.9
		FX swaps ¹			0.0	—	—	—	—
		Lombard loans	1 to 90 days ²		0.0	38.7	47.3	91.4	95.9
		Loans secured by non-marketable assets	1 to 549 days		790.1	55.5	52.1	1,211.5	213.1
	Open market operations	Repo auctions	1 year	Monthly	15.6	75.1	70.0	166.0	484.3
			1 month		100.8	11.1	100.7	0.0	1,007.3
			1 week	Weekly ³	0.0	2,212.2	0.0	0.0	0.0
			1 to 6 days	Occasionally ⁴	0.0	2,212.2	0.0	0.0	0.0
		Deposit auctions	1 to 6 days	Weekly ³	1,625.9	0.0	1,838.4	1,663.9	3,621.2
			1 week		1,625.9	0.0	1,838.4	1,663.9	3,621.2
Liquidity absorption	Standing facilities	Overnight deposits	1 day	Daily	1,177.9	3,107.8	1,341.1	1,291.0	1,328.2

¹ Suspended due to changes in external economic conditions.² Maturity was one day before 24 March 2022.³ Either a repo or a deposit auction is held depending on the situation with liquidity.⁴ Fine-tuning auctions.

INTEREST RATES ON BANK OF RUSSIA SPECIALISED FACILITIES¹
(PER CENT P.A.)

Table 25

Area of indirect support of bank lending	Maturity	Security	Interest rate on loans ² (rules and levels)										
			rule	from 01.01.2022	from 14.02.2022	from 28.02.2022	from 11.03.2022	from 15.03.2022	from 02.05.2022	from 14.06.2022	from 15.07.2022	from 25.07.2022	from 19.09.2022
Large investment projects	Up to 3 years	Receivables on bank loans to implement investment projects, obligations under which are secured by state guarantees of the Russian Federation	The least of the two values: 9.00% p.a. or the key rate less 1.00 pp	7.50	8.50	9.00	9.00	9.00	9.00	8.50	8.50	7.00	6.50
Non-commodity exports	Up to 3 years	Credit claims on agreements backed by insurance contracts of JSC EXIAR	The least of the two values: 6.50% p.a. or the key rate	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Small and medium-sized enterprises	Up to 3 years	Surety of JSC Russian Small and Medium Business Corporation	Bank of Russia key rate less 1.50 pp ³	7.00	8.00	18.50	18.50	9.50	9.50	9.50	8.00	6.50	6.00
Small and medium-sized enterprises in industries most affected by the spread of the novel coronavirus infection ⁴	Up to 1.5 years	Surety of JSC Russian Small and Medium Business Corporation	No	4.00	4.00	4.00	4.00	4.00	—	—	—	—	—
Small and medium-sized enterprises in 2022 ⁵	Up to 1 year	No collateral	No	—	—	—	9.50	9.50	9.50	9.50	9.50	9.50	9.50

¹ Specialised facilities aimed at encouraging bank lending to certain segments of the economy whose development is hampered by structural factors. Under these facilities, the Bank of Russia provides funds to credit institutions at lower rates and for longer maturities compared with standard Bank of Russia operations.

² Interest rates set by the Bank of Russia Board of Directors, at which new loans are granted starting from the specified date or new loans could be granted if their provision would not have been suspended or discontinued.

³ Over the period from 15 March 2022 to 14 July 2022, the rule did not apply, and a fixed rate was set.

⁴ Loans were issued from 1 November 2021 through 30 December 2021 and from 24 January 2022 through 1 May 2022.

⁵ Loans were issued from 11 March 2022 through 30 December 2022.





BANK OF RUSSIA SPECIALISED FACILITIES¹ (BILLIONS OF RUBLES)

Table 26

Area of indirect support of bank lending	Maturity	Security	Bank of Russia claims					Limit
			as of 01.01.2022	as of 01.04.2022	as of 01.07.2022	as of 01.10.2022	as of 01.01.2023	as of 01.01.2023
Large investment projects	Up to 3 years	Receivables on bank loans to implement investment projects, obligations under which are secured by state guarantees of the Russian Federation	52.6	49.0	45.4	41.6	37.3	150.0
Non-commodity exports	Up to 3 years	Credit claims on agreements backed by insurance contracts of JSC EXIAR	45.0	39.3	54.7	43.5	45.4	75.0
Small and medium-sized enterprises	Up to 3 years	Credit claims on agreements of JSC SME Bank ²	2.2	1.7	1.4	1.1	0.9	288.3
		Surety of JSC Russian Small and Medium Business Corporation	75.0	71.1	98.7	94.1	139.0	
Small and medium-sized enterprises in industries most affected by the spread of the novel coronavirus infection ³	Up to 1.5 years	Surety of JSC Russian Small and Medium Business Corporation	26.8	50.2	56.5	49.7	39.8	
Small and medium-sized enterprises in 2022 ⁴	Up to 1 year	No collateral	—	129.9	257.3	112.1	67.1	—

¹ Specialised facilities aimed at encouraging bank lending to certain segments of the economy whose development is hampered by structural factors. Under these facilities, the Bank of Russia provides funds to credit institutions at lower rates and for longer maturities compared with standard Bank of Russia operations.

² Loan issuance discontinued from 23 August 2021, claims under loans granted by JSC SME Bank to its partner banks and microfinance organisations under the SME Financial Support Programme for lending to SMEs and to its partner leasing companies for property leasing to SMEs.

³ Loans were issued from 1 November 2021 through 30 December 2021 and from 24 January 2022 through 1 May 2022.

⁴ Loans were issued from 11 March 2022 through 30 December 2022.

BANKING SECTOR SURVEY
(BILLIONS OF RUBLES)

Table 27

	As of 31.12.2021	As of 31.12.2022	31.12.2022 as a percentage of 31.12.2021
Net foreign assets	53,257.0	47,471.0	89.1
Net claims on general government	-9,002.7	-4,254.6	—
Claims on other sectors	88,937.3	99,192.1	111.5
– in rubles	79,769.6	91,565.1	114.8
– in foreign currency	9,167.7	7,627.0	83.2
Claims on other financial corporations	14,116.3	13,811.2	97.8
In rubles	11,774.9	12,127.6	103.0
of which: loans	8,144.5	8,283.9	101.7
In foreign currency	2,341.5	1,683.6	71.9
of which: loans	1,780.8	1,133.8	63.7
Claims on non-financial organisations	48,474.3	56,570.0	116.7
In rubles	41,737.1	50,680.6	121.4
of which: loans	36,023.5	44,818.0	124.4
In foreign currency	6,737.1	5,889.4	87.4
of which: loans	6,453.2	5,313.6	82.3
Claims on households	26,346.7	28,810.9	109.4
In rubles	26,257.6	28,756.9	109.5
of which: loans	26,257.6	28,756.9	109.5
In foreign currency	89.1	54.0	60.6
of which: loans	89.1	54.0	60.6
Broad money liabilities	83,761.5	94,715.4	113.1
Money supply (national definition)	66,252.9	82,388.0	124.4
In rubles			
Currency outside banking system	13,200.4	15,435.7	116.9
Transferable deposits	22,808.3	28,582.8	125.3
Other financial institutions	651.1	922.0	141.6
Non-financial organisations	10,275.2	13,645.3	132.8
Households	11,882.0	14,015.5	118.0
Other deposits	30,244.2	38,369.5	126.9
Other financial institutions	2,295.9	2,859.6	124.6
Non-financial organisations	10,779.4	15,233.2	141.3
Households	17,168.9	20,276.7	118.1
In foreign currency	17,502.9	12,322.7	70.4
Transferable deposits	0.0	0.0	—
Other financial institutions	0.0	0.0	—
Non-financial organisations	0.0	0.0	—
Households	0.0	0.0	—
Other deposits	17,502.9	12,322.7	70.4
Other financial institutions	482.2	318.4	66.0
Non-financial organisations	10,304.9	8,197.4	79.5
Households	6,715.8	3,806.9	56.7
Debt securities included in broad money ¹	5.8	4.7	81.0
Deposits excluded from broad money	1,307.6	1,403.5	107.3
Debt securities excluded from broad money	2,737.2	2,648.8	96.8
Debt securities excluded from broad money	45,385.3	43,640.8	96.2
Escrow accounts of households ²	3,035.8	4,027.8	132.7

¹ Certificates of deposit and savings certificates.² Escrow accounts for shared construction participation agreements and for purchases of real estate.

CREDIT INSTITUTIONS SURVEY
(BILLIONS OF RUBLES)

Table 28

	As of 31.12.2021	As of 31.12.2022	31.12.2022 as a percentage of 31.12.2021
Net foreign assets	8,666.3	8,595.9	99.2
Claims on central bank	7,140.9	8,993.0	125.9
Net claims on general government	3,285.4	2,637.3	80.3
Claims on federal government	10,072.2	12,266.8	121.8
Debt securities	10,010.8	12,205.5	121.9
– in rubles	9,261.2	11,494.5	124.1
– in foreign currency	749.6	711.1	94.9
Loans	61.4	61.2	99.7
– in rubles	61.4	61.2	99.7
– in foreign currency	0.0	0.0	—
Other claims	0.0	0.0	—
– in rubles	0.0	0.0	—
– in foreign currency	0.0	0.0	—
Claims on state and local government	898.2	578.3	64.4
Debt securities	436.9	338.6	77.5
– in rubles	436.9	338.6	77.5
– in foreign currency	0.0	0.0	—
Loans	461.3	239.8	52.0
– in rubles	461.2	239.6	52.0
– in foreign currency	0.1	0.1	100.0
Other claims	0.0	0.0	—
– in rubles	0.0	0.0	—
– in foreign currency	0.0	0.0	—
Liabilities to federal government	6,236.3	8,788.6	140.9
Deposits	5,093.7	6,458.6	126.8
– in rubles	5,071.2	6,311.2	124.5
– in foreign currency	22.5	147.4	655.1
Other liabilities	1,142.6	2,330.0	203.9
– in rubles	1,142.6	2,330.0	203.9
– in foreign currency	0.0	0.0	—
Liabilities to state and local government	1,448.7	1,419.2	98.0
Deposits	1,448.7	1,419.2	98.0
– in rubles	1,448.7	1,419.2	98.0
– in foreign currency	0.0	0.0	—
Other liabilities	0.0	0.0	—
– in rubles	0.0	0.0	—
– in foreign currency	0.0	0.0	—
Claims on other sectors	87,522.2	98,019.2	112.0
– in rubles	78,354.4	90,392.2	115.4
– in foreign currency	9,167.7	7,627.0	83.2
Claims on other financial institutions	12,702.4	12,641.0	99.5
In rubles	10,360.9	10,957.4	105.8
of which: loans	6,817.2	7,184.8	105.4
In foreign currency	2,341.5	1,683.6	71.9
of which: loans	1,780.8	1,133.8	63.7



End of table 28

	As of 31.12.2021	As of 31.12.2022	31.12.2022 as a percentage of 31.12.2021
Claims on non-financial organisations	48,473.0	56,567.3	116.7
In rubles	41,735.9	50,677.9	121.4
of which: loans	36,023.5	44,818.0	124.4
In foreign currency	6,737.1	5,889.4	87.4
of which: loans	6,453.2	5,313.6	82.3
Claims on households	26,346.7	28,810.9	109.4
In rubles	26,257.6	28,756.9	109.5
of which: loans	26,257.6	28,756.9	109.5
In foreign currency	89.1	54.0	60.6
of which: loans	89.1	54.0	60.6
Liabilities to central bank	3,179.4	4,658.2	146.5
Deposits included in broad money	70,529.7	79,232.8	112.3
In rubles	53,026.8	66,910.0	126.2
Transferable deposits	22,790.9	28,551.8	125.3
Other financial institutions	644.7	902.0	139.9
Non-financial organisations	10,264.2	13,634.2	132.8
Households	11,882.0	14,015.5	118.0
Other deposits	30,236.0	38,358.3	126.9
Other financial institutions	2,287.7	2,848.3	124.5
Non-financial organisations	10,779.4	15,233.2	141.3
Households	17,168.9	20,276.7	118.1
In foreign currency	17,502.9	12,322.7	70.4
Transferable deposits	0.0	0.0	—
Other financial institutions	0.0	0.0	—
Non-financial organisations	0.0	0.0	—
Households	0.0	0.0	—
Other deposits	17,502.9	12,322.7	70.4
Other financial institutions	482.2	318.4	66.0
Non-financial organisations	10,304.9	8,197.4	79.5
Households	6,715.8	3,806.9	56.7
Debt securities included in broad money ¹	5.8	4.7	81.0
Deposits excluded from broad money	1,307.6	1,403.5	107.3
Debt securities excluded from broad money	2,737.2	2,648.8	96.8
Other items (net)	28,855.1	30,297.5	105.0
Escrow accounts of households ²	3,035.8	4,027.8	132.7

¹ Certificates of deposit and savings certificates.² Escrow accounts for shared construction participation agreements and for purchases of real estate.

Note. The expanded version of the Credit Institutions Survey is published on the Bank of Russia website on 31 March 2023.



INDIVIDUAL INDICATORS OF REGIONAL BANKS¹
(BILLIONS OF RUBLES)

Table 29

Indicator	As of 01.01.2023	As of 01.01.2022	01.01.2023 as a percentage of 01.01.2022 ²
Number of registered banks, units	155	164	-5.5
of which:			
banks with a universal licence	82	87	-5.7
banks with a basic licence	73	77	-5.2
Assets³	6,950	6,386	11.1
Retail banks	492	428	25.6
Corporate banks	1,808	1,739	4.6
Universal banks	3,716	3,300	14.0
Banks with small lending volumes	934	920	5.1
Corporate loans⁴	2,364	2,206	7.5
Retail banks	59	61	-2.0
Corporate banks	840	764	9.8
Universal banks	1,326	1,214	9.8
Banks with small lending volumes	139	168	-16.9
SME lending⁵	683	639	7.1
Retail banks	30	32	-4.8
Corporate banks	173	145	19.9
Universal banks	430	402	6.9
Banks with small lending volumes	50	60	-16.2
Retail loans⁶	1,101	1,012	8.8
Retail banks	200	181	10.7
Corporate banks	75	73	2.7
Universal banks	789	716	10.2
Banks with small lending volumes	37	43	-13.7
Housing mortgage lending⁷	570	504	13.0
Retail banks	75	72	4.6
Corporate banks	42	39	8.2
Universal banks	440	380	15.7
Banks with small lending volumes	13	13	-5.2
Unsecured consumer loans⁸	533	510	4.5
Retail banks	126	110	14.4
Corporate banks	33	34	-3.6
Universal banks	350	337	4.0
Banks with small lending volumes	24	29	-17.5
Legal entities' funds⁹	2,923	2,617	14.8
Retail banks	169	123	61.6
Corporate banks	966	1,053	-8.0
Universal banks	1,400	1,040	38.5
Banks with small lending volumes	389	402	-2.0



End of table 29

Indicator	As of 01.01.2023	As of 01.01.2022	01.01.2023 as a percentage of 01.01.2022 ²
Household funds (excluding escrow accounts)⁹	2,230	2,016	11.7
Retail banks	207	198	5.4
Corporate banks	414	358	16.1
Universal banks	1,292	1,172	11.2
Banks with small lending volumes	318	288	12.3
Banks with small lending volumes	48	89	—
Retail banks	6.6	8.4	—
Corporate banks	23.0	21.4	—
Universal banks	69.3	49.2	—
Banks with small lending volumes	-51.1	10.0	—
Return on equity, %⁹	5.5	11.8	—
Retail banks	9.7	13.5	—
Corporate banks	13.1	13.2	—
Universal banks	14.4	12.1	—
Banks with small lending volumes	-36.2	8.0	—

¹ Regional banks are defined as banks whose head offices are registered not in Moscow or the Moscow Region, with the exception of SICs.

² Growth is adjusted taking into account FX revaluation (the foreign currency component as of the month-end is recalculated at the exchange rate as of the beginning of the month), and information about credit institutions whose licences were revoked over the course of the month (growth is calculated only for credit institutions operating as of the reporting date including earlier reorganised banks). The chain method is used to calculate the annual growth indicator.

³ Assets are presented net of loss provisions. Calculation of the indicator was based on Reporting Form 0409101 'Trial Balance Sheet on the Accounting Records of a Credit Institution'.

⁴ Calculation of the indicator was based on Reporting Form 0409303 'Loans to Legal Entities'. The corporate credit portfolio includes loans to government institutions. Starting from 1 February 2021, corporate loans include acquired claims.

⁵ Calculation of the indicator was based on Reporting Form 0409303 'Loans to Legal Entities'. The indicators of SME lending are presented net of information from State Development Corporation VEB.RF.

⁶ Starting from 1 February 2021, retail loans include acquired claims.

⁷ The housing mortgage lending indicator includes information of Section 1 of Reporting Form 0409316 'Information on Granted Funds to Individuals' in terms of outstanding amounts on housing mortgage loans, including acquired claims.

⁸ Calculation of the indicator was based on Reporting Form 0409115 'Information on Quality of Assets of a Credit Institution (Banking Group)'.

⁹ Calculation of the indicator was based on Reporting Form 0409101 'Trial Balance Sheet on the Accounting Records of a Credit Institution'.



MEASURES TAKEN AGAINST CREDIT INSTITUTIONS IN 2022

Table 30

No.	Measures	Number of credit institutions
Measures taken as part of advisory supervision		
1	Notifying in writing the management and/or board of directors (supervisory board) of a credit institution of shortcomings in its work, and recommending remedial actions	363
2	Calling a meeting ¹	334
Measures applied in line with Article 74 of Federal Law No. 86-FZ		
3	Fines ²	184
	of which:	
3.1	for non-compliance with reserve requirements	20
3.2	for breaches of federal laws and Bank of Russia regulations and instructions issued in pursuance thereof and for non-reporting, under-reporting, or false reporting	177
4	Restrictions on individual banking operations conducted by credit institutions	36
	of which:	
4.1	taking household funds on deposit	6
4.2	settlements on behalf of corporate entities relating to funds transfers to budgets of all levels and government extra-budgetary funds	—
4.3	opening bank accounts to corporate entities and households	6
4.4	interest rate on bank deposit agreements concluded (prolongated) during the restriction period	—
5	Prohibiting credit institutions from conducting certain banking operations	2
	of which:	
5.1	taking household funds on deposit	—
5.2	opening bank accounts to households, including unallocated metal accounts (demand and time accounts)	—
5.3	other	2
Memo item		
	Bans on taking household funds on deposit and opening bank accounts to households imposed on credit institutions pursuant to Article 48 of Federal Law No. 177-FZ ³	—
6	Prescriptive orders	212
	of which:	
6.1	orders to comply with Bank of Russia required ratios	—
6.2	orders to replace persons whose positions are indicated in Article 60 of Federal Law No. 86-FZ due to their failure to comply with the qualification requirements and/or requirements for business reputation in accordance with Russian laws	2
6.3	orders to reclassify receivables	46
6.4	orders to build up loan loss provisions	49
7	Prohibiting credit institutions from opening branches	—
8	Appointing provisional administrations to credit institutions without revoking their licences (including provisional administrations whose functions have been assigned to the DIA and the FBSC AMC Ltd.)	—
9	Banking licence revocation	3

¹ This does not include meetings conducted at the CI's request.² The number of CIs is less than the sub-clauses total, as in some cases banks have been subjected to several measures and placed under several sub-clauses.³ Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Deposits with Russian Banks'.

STATE CORPORATION DEPOSIT INSURANCE AGENCY'S DEBT TO THE BANK OF RUSSIA
(MILLIONS OF RUBLES)

Table 31

	01.01.2022	01.01.2023
Bank of Russia loans, total	1,287,070	1,059,314
of which:		
– extended for the purpose of taking measures to prevent bankruptcy of credit institutions	1,060,070	1,059,314
– extended for the purpose of ensuring the financial stability of the deposit insurance system and financing the payment of indemnities in respect of deposits	227,000	0

OUTCOMES OF BANK OF RUSSIA ACTIVITY TO COUNTER ABUSES IN RUSSIAN ON-EXCHANGE TRADING
(IN ABSOLUTE TERMS, UNITS)

Table 32

Indicator	2020	2021	2022
Number of inspections with respect to possible MIIMM, ¹ total	26	38	40
of which:			
– held in the reporting year	13	17	23
Number of disclosures with regard to violations of the Russian Federation legislation on CMIIMM, ² total	8	13	11
of which:			
– as a result of market manipulation	8	13	10
– as a result of misuse of insider information	0	0	1
Measures taken as a result of inspections with respect to possible MIIMM			
of which:			
– number of licences of financial market participants cancelled	4	0	0
– number of certificates of financial market experts cancelled	7	5	3
– number of orders to eliminate violations of the Russian Federation legislation and take measures to prevent future violations	49	117	62
– number of instances to restrict operations across brokerage accounts	0	98	45
Number of instances the materials of which have been submitted to law enforcement agencies	0	3	1
Number of financial instruments analysed with respect to possible organised market manipulation	178	605	757

¹ MIIMM means misuse of insider information and market manipulation.² CMIIMM means countering the misuse of insider information and market manipulation.OUTCOMES OF COUNTERING UNLICENSED ACTIVITY IN THE FINANCIAL MARKET
(UNITS)

Table 33

Indicator	2020	2021	2022
Number of organisations exposed by the Bank of Russia, which were supposedly:			
– acting as unlicensed creditors	821	948	1,722
– acting as unlicensed professional securities market participants ¹	395	860	1,201
– acting as financial pyramid schemes	222	871	2,017
– acting as unlicensed insurance market entities ²	—	—	20
– acting as unlicensed investment platform operators ²	—	—	4

¹ The 2020 statistics are given only for unlicensed forex dealers. The 2021–2022 data include unlicensed managers, unlicensed forex dealers, and unlicensed brokers.² Starting from 2022, this information is part of reporting on countering unlicensed activity in the financial market.

**OUTCOMES OF BANK OF RUSSIA ACTIVITY TO EXCHANGE INFORMATION, INCLUDING CONFIDENTIAL ONE,
WITH FOREIGN FINANCIAL MARKET REGULATORS AS PART OF INTERNATIONAL REQUESTS
(UNITS)**

Table 34

Indicator	2020	2021	2022
Number of Bank of Russia requests to provide information and documents	49	86	7
of which:			
– under IOSCO MMoU ¹	47	79	4 ³
– under the Treaty on the EAEU ²	2	4	2
– under bilateral agreements	—	3	1
Number of requests to provide information and documents answered by foreign regulators	41	75	3
Number of requested from foreign financial market regulators received by the Bank of Russia	27	21	9
of which:			
– under IOSCO MMoU ¹	26	20	5 ³
– under the Treaty on the EAEU ²	1	—	—
– under bilateral agreements	—	1	4

¹ IOSCO MMoU means multilateral memorandum of understanding concerning consultation and cooperation and the exchange of information under the International Organization of Securities Commissions.

² Treaty on the EAEU means agreement on the exchange of financial information, including confidential one, to create conditions in the financial markets for free movement of capital within the EAEU.

³ Starting from 1 March 2022, interaction between the Bank of Russia and IOSCO has been suspended.

STRUCTURE OF BANK OF RUSSIA BANKNOTES IN CIRCULATION

Table 35

Denomination, rubles	Total in circulation, millions of rubles		01.01.2023 as a percentage of 01.01.2022	Share, per cent	
	as of 01.01.2022	as of 01.01.2023		as of 01.01.2022	as of 01.01.2023
5,000	11,448,122.2	13,670,318.2	119.4	82.0	84.0
2,000	629,480.8	675,567.1	107.3	4.5	4.2
1,000	1,473,257.7	1,480,138.3	100.5	10.6	9.1
500	243,239.5	261,607.4	107.6	1.7	1.6
200	28,814.1	25,792.8	89.5	0.2	0.2
100	116,030.0	120,664.8	104.0	0.8	0.7
50	30,106.2	31,440.4	104.4	0.2	0.2
10	3,552.3	3,563.0	100.3	0.0	0.0
5	35.6	36.3	102.0	0.0	0.0
Total balance sheet number of banknotes	13,972,638.4	16,269,128.3	116.4	100.0	100.0

STRUCTURE OF BANK OF RUSSIA COINS IN CIRCULATION¹

Table 36

Denomination	Total in circulation, millions of rubles		01.01.2023 as a percentage of 01.01.2022	Share, per cent	
	as of 01.01.2022	as of 01.01.2023		as of 01.01.2022	as of 01.01.2023
1 kopeck	72.8	72.8	100.0	0.1	0.1
5 kopecks	288.3	288.3	100.0	0.2	0.2
10 kopecks	2,542.3	2,542.9	100.0	2.2	2.1
50 kopecks	3,650.0	3,649.7	100.0	3.1	3.0
1 ruble	9,410.7	9,797.9	104.1	7.9	8.0
2 rubles	8,541.3	8,950.1	104.8	7.2	7.3
5 rubles	16,979.5	17,578.3	103.5	14.3	14.3
10 rubles	72,728.8	75,311.0	103.6	61.3	61.4
25 rubles	4,413.1	4,479.1	101.5	3.7	3.6
Total balance sheet number of coins	118,626.8	122,670.1	103.4	100.0	100.0

¹ Excluding coins made of precious metals.



NATIONAL PAYMENT SYSTEM KEY INDICATORS

Table 37

	2020	2021	2022
National payment system participants¹			
Number of money transfer operators	407	371	362
of which:			
– Bank of Russia	1	1	1
– VEB.RF	1	1	1
– credit institutions	405	369	360
Number payment system operators	28	28	25
of which:			
– Bank of Russia	1	1	1
– credit institutions	12	12	11
– organisations other than credit institutions	15	15	13
Number of operators of payment infrastructure services	36	35	36
of which:			
– operating centres	23	23	24
– payment clearing centres	24	24	25
– settlement centres	25	23	23
Number of e-money operators	80	69	67
Number of federal post offices ²	2	2	2
Memo item			
Number of establishments of federal post offices ³	42,942	42,947	42,709
of which rendering payment services	38,761	38,766	38,876
Number of payment application providers	62	61	51
Number of foreign payment service providers	26	24	4
Number of information exchange service operators	162	185	208
Number of bank payment agents (subagents)	5,387	4,246	3,925
Number of payment aggregators	31	55	80
Number of foreign payment system operators	1		
Number of payment systems operating in the Russian Federation	28	28	25
of which:			
– Bank of Russia Payment System	1	1	1
– Mir payment system	1	1	1
– payment systems registered by the Bank of Russia	26	26	23
of which:			
– nationally important	13	15	15
– systemically important	2	2	2
– socially important	4	4	1



Table 37 continued

	2020	2021	2022
Money transfer operators – credit institutions			
Number of payments effected by credit institution customers being credit institutions, million	177.1	232.1	243.0
Number of payments effected by credit institution customers other than credit institutions, ⁴ million:	56,032.8	70,253.3	79,508.3
of which, by payment instrument:			
– credit transfers ⁵	2,785.4	3,631.9	5,753.5
– direct debits ⁶	225.9	224.0	223.7
– payment cards ⁷	48,028.5	61,024.0	67,428.8
– electronic means of payment to transfer e-money ⁸	3,103.6	3,271.4	3,414.8
– other payment instruments ⁹	1,889.3	2,102.0	2,687.6
Volume of payments effected by credit institution customers being credit institutions, trillions of rubles	807.0	955.5	689.4
Volume of payments effected by credit institution customers other than credit institutions, ⁴ trillions of rubles:	907.7	1,202.8	1,592.3
of which, by payment instrument:			
– credit transfers ⁵	806.1	1,075.2	1,434.7
– direct debits ⁶	2.8	4.0	12.0
– payment cards ⁷	78.3	105.1	123.8
– electronic means of payment to transfer e-money ⁸	1.7	2.6	3.0
– other payment instruments ⁹	18.8	15.8	18.7
Number of payment cards issued by Russian credit institutions, ¹ million	305.6	334.7	396.6
Number of payment card operations in Russia and abroad, ¹⁰ million	50,563.6	63,367.7	69,589.0
of which:			
– cash withdrawals	2,535.0	2,343.6	2,160.2
– cashless operations	48,028.5	61,024.0	67,428.8
of which payments of goods and services	39,422.2	49,384.4	54,630.4
Volume of payment card operations in Russia and abroad, ¹⁰ trillions of rubles	106.7	134.9	155.3
of which:			
– cash withdrawals	28.4	29.8	31.5
– cashless operations	78.3	105.1	123.8
of which payments of goods and services	31.9	42.4	48.0
Share of cashless operations ¹¹ in the total turnover of retail trade, public catering and paid services, per cent	70.3	74.3	78.1
E-money transfer operators			
Number of electronic means of payment to transfer e-money used since start of year, million	348.7	335.2	284.5
Number of operations using electronic means of payment to transfer e-money, million	3,118.7	3,276.5	3,417.9
Volume of operations using electronic means of payment to transfer e-money, billions of rubles	1,829.4	2,671.9	3,041.5



End of table 37

	2020	2021	2022
Federal post offices³			
Number of money orders and household payments accepted by federal post offices as payment agents and operations effected by federal post offices as bank payment agents, million	474.3	411.8	362.0
Volume of money orders and household payments accepted by federal post offices as payment agents and operations effected by federal post offices as bank payment agents, billions of rubles	467.5	421.5	364.8
Bank payment agents (subagents)¹²			
Number of operations to accept cash from individuals, million		262.7	255.9
Volume of operations to accept cash from individuals, billions of rubles		403.8	721.9

¹ As of end of year.² JSC Russian Post, FGUP Post of Crimea.³ According to JSC Russian Post, FGUP Post of Crimea.⁴ Including payments of credit institution customers – households and legal entities other than credit institutions. Excluding loan and deposit operations, foreign exchange operations, and operations with securities.⁵ Including payments effected using payment orders and letters of credit as well as household remittances without opening a bank account.⁶ Including payments effected using payment requests and collection orders.⁷ Excluding operations to withdraw cash.⁸ Excluding operations to transfer e-money balances withdrawn in cash.⁹ Including payments effected using cheques and bank orders.¹⁰ 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.¹¹ Including operations using payment cards and e-money as well as other payment instruments (e.g. payment orders generated based on invoices).¹² In 2021 Q2, credit Institutions began to submit information according to Reporting Form 0409256 'Activity of Bank Payment Agents (Subagents)'.Note. Certain indicators are updated as compared with those published in the [Bank of Russia Annual Report for 2021](#).

BANK OF RUSSIA PAYMENT SYSTEM

Table 38

	2020	2021	2022
Number of remittances effected, million	1,844.0	2,643.9	4,958.0
of which:			
– by credit institutions (branches)	1,479.4	2,246.9	4,521.1
– by customers other than credit institutions	364.3	396.7	436.7
– by Bank of Russia divisions	0.3	0.3	0.2
including via transfer services:			
– via the speedy funds transfer service	4.4	5.1	5.9
– via the non-speedy funds transfer service	1,728.3	1,770.4	1,915.2
– via the faster payments service	111.3	868.4	3,036.9
Volume of remittances effected, trillions of rubles	1,657.6	2,018.2	3,342.4
of which:			
– by credit institutions (branches)	1,332.4	1,647.5	2,110.2
– by customers other than credit institutions	169.0	183.2	288.0
– by Bank of Russia structural units	156.2	187.5	944.2
including via transfer services:			
– via the speedy funds transfer service	1,378.8	1,749.1	3,041.3
– via the non-speedy funds transfer service	278.0	264.1	286.7
– via the faster payments service	0.8	5.0	14.4

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

Table 39

	Number of customers			Number of accounts		
	as of 01.01.2022	as of 01.01.2023	change over 2022	as of 01.01.2022	as of 01.01.2023	change over 2022
Total	0.4	0.4	0.0	0.8¹	0.8¹	0.0
Federal Treasury	0.1	0.1	0.0	0.4	0.4	0.0
Regional and local budget management bodies	0.001	0.001	0.0	0.003	0.003	0.0
State-owned institutions financed from budgets of all levels	0.1	0.1	0.0	0.1	0.1	0.0
Government and other extra-budgetary funds	0.01	0.01	0.0	0.01	0.01	0.0
Election commissions (referendum commissions)	0.1	0.1	0.0	0.1	0.1	0.0
Other organisations	0.1	0.1	0.0	0.1	0.1	0.0

¹ Discrepancies are due to rounding.

List of abbreviations

- ACCC** – agricultural consumer credit cooperative
- ACRA (JSC)** – Analytical Credit Rating Agency (Joint Stock Company)
- AFFM** – audit firms providing audit services to socially important organisations in the financial market
- AFI** – Alliance for Financial Inclusion
- AML/CFT/CFP** – anti-money laundering, countering the financing of terrorism and proliferation of weapons of mass destruction
- APEC** – Asia-Pacific Economic Cooperation
- API** – application programming interface
- BNA** – Bank of Non-core Assets (National Bank TRUST)
- Bank of Russia PS** – Bank of Russia Payment System
- BCBS** – Basel Committee on Banking Supervision
- BIS** – Bank for International Settlements
- BPM6** – the 6th edition of the IMF's Balance of Payments and International Investment Position Manual
- BRICS** – Brazil, Russia, India, China, and South Africa
- CAR** – capital adequacy ratio
- CCC** – consumer credit cooperative
- CCCH** – Central Catalogue of Credit Histories
- CCP** – central counterparty
- CCP NCC** – Central Counterparty National Clearing Centre
- CC SPB Clearing (JSC)** – Central Counterparty SPB Clearing (joint-stock company)
- CHB** – credit history bureau
- CI** – credit institution
- CI PSMP** – credit institution that is a professional securities market participant
- CIS** – Commonwealth of Independent States
- CMTPLI** – compulsory motor third party liability insurance
- Coupon OBR** – Bank of Russia coupon bond
- CRA** – credit rating agency
- DFA** – digital financial asset
- DIA** – State Corporation Deposit Insurance Agency
- DSTI** – debt service-to-income ratio
- EAEU** – Eurasian Economic Union
- ECB** – European Central Bank
- ELI** – endowment life insurance
- EME** – emerging market economy
- E-money** – electronic money
- ESG** – environmental, social and corporate governance
- EU** – European Union
- Exchange Saint-Petersburg** – Joint-stock company Exchange Saint-Petersburg



- EXIAR** – Russian Agency for Export Credit and Investment Insurance
- FAO** – UN Food and Agriculture Organization
- FAS Russia** – Federal Antimonopoly Service of the Russian Federation
- FATF** – Financial Action Task Force
- FBSC** – Fund of Banking Sector Consolidation
- FBSC AMC Ltd.** – Limited liability company Fund of Banking Sector Consolidation Asset Management Company
- FBS of Russia** – Federal Bailiffs Service
- FD** – financial derivative
- Federal Law No. 86-FZ** – Federal Law No. 86-FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’
- Federal Law No. 115-FZ** – Federal Law No. 115-FZ, dated 7 August 2001, ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’
- Federal Law No. 127-FZ** – Federal Law No. 127-FZ, dated 26 October 2002, ‘On Insolvency (Bankruptcy)’
- Federal Law No. 161-FZ** – Federal Law No. 161-FZ, dated 27 June 2011, ‘On the National Payment System’
- Federal Law No. 395-1** – Federal Law No. 395-1, dated 2 December 1990, ‘On Banks and Banking Activities’
- FGUP** – federal state unitary enterprise
- FMS** – Bank of Russia Financial Messaging System
- FPO** – financial platform operator
- FPS** – Faster Payments System
- FTS of Russia** – Federal Tax Service
- GDP** – gross domestic product
- GSO-FPS** – fixed coupon-income government savings bond
- GSO-PPS** – permanent coupon-income government savings bond
- HSC** – housing savings cooperative
- HSE** – National Research University Higher School of Economics
- IBL** – interbank lending (loans, deposits and other funds placed (raised) in the interbank market)
- ICAAP** – internal capital adequacy assessment process
- ICL** – irrevocable credit line
- IFRS** – International Financial Reporting Standards
- IFX-Cbonds** – the index of effective yield on corporate bonds (calculated by Interfax and Cbonds.ru news agencies)
- IIA** – individual investment account
- IL** – instalment loan (medium-term consumer microloan of over ₺30,000 for more than 30 days)
- ILI** – investment life insurance
- IMF** – International Monetary Fund
- IOSCO** – International Organization of Securities Commissions
- IOSCO MMoU** – IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information
- IPO** – investment platform operator



IRB approach – internal ratings-based approach to calculating credit risk

IT – information technology

JSC Expert RA – Joint-stock company Rating agency Expert RA

JSC RNRC – Joint Stock Company Russian National Reinsurance Company

KID – key information document

KYC platform – Know Your Customer information platform

LCR – liquidity coverage ratio

LIBOR – London Interbank Offered Rate

MET – mineral extraction tax

MFC – microfinance company

MFO – microfinance organisation

Moscow Exchange – Public Joint-Stock Company Moscow Exchange MICEX-RTS

NAMEX – Joint-Stock Company National Mercantile Exchange

NAUFOR – National Association of Securities Market Participants

NAV – net asset value

NCI – non-bank credit institution

NCR – National Credit Ratings

NFA – Self-regulatory organization National Finance Association

NFI – non-bank financial institution

NFI CCP RDC (JSC) – Nonbank Financial Institution – Central Counterparty RDC (Joint Stock Company)

NFI PSMP – non-bank financial institution that is a professional securities market participant

NPF – non-governmental pension fund

NPL90+ – non-performing loans overdue for over 90 days

NPP – non-governmental pension provision

NPS – National Payment System

NRA – National Rating Agency

NSD – National Settlement Depository

NSD PS – NSD Payment System

NSPK JSC – National Payment Card System Joint Stock Company

NWF – National Wealth Fund

OECD – Organisation for Economic Cooperation and Development

OFZ – federal government bond

OFZ-AD – debt depreciation federal government bond

OFZ-IN – inflation-indexed federal government bond

OFZ-n – federal government bond for individuals

OFZ-PD – permanent coupon-income federal government bond

OFZ-PK – variable coupon-income federal government bond

OPEC – Organization of the Petroleum Exporting Countries

OPEC+ – OPEC countries and other countries that are participants in oil production cut deals

PDL – payday loan (short-term consumer microloan of up to ₽30,000 for no more than 30 days)

PIT – personal income tax



- PJSC SPB Exchange** – Public Joint-Stock Company SPB Exchange
- POS (point-of-sale) terminal** – a hardware system for processing card payments at retail locations
- PSMP** – professional securities market participant
- PSO** – payment system operator
- RGBEY** – Russian Government Bonds Effective Yield to Redemption
- RTS** – Russian Trading System
- RUONIA** – Ruble Overnight Index Average (the weighted average interest rate on overnight interbank ruble loans (deposits) reflecting the cost of unsecured overnight borrowing)
- Sberbank** – Sberbank of Russia
- SDR** – Special Drawing Right
- SICI** – systemically important credit institution
- SMEs** – small and medium-sized enterprises
- SPCEX SC** – Stock company Saint-Petersburg Currency Exchange
- SPIMEX** – Saint Petersburg International Mercantile Exchange
- SRO** – self-regulatory organisation
- SWIFT** – Society for Worldwide Interbank Financial Telecommunications
- TCC** – total cost of credit
- TLS certificate** – Transport Layer Security certificate (based on a cryptographic protocol enabling secure communication between the server and the client)
- TSA** – treasury single account
- UIF** – unit investment fund
- UN** – United Nations
- UPSS** – unified portal of public and municipal services (functions)
- US Fed** – US Federal Reserve System
- VAT** – value added tax
- VEB.RF** – State Development Corporation VEB.RF
- XBRL** – eXtensible Business Reporting Language



List of charts

1.	Growth in output of goods and services in the global economy and certain countries	22
2.	Inflation in certain countries	25
3.	Central banks' key rates.....	25
4.	Growth in exchange rates of certain currencies against the US dollar in 2022	26
5.	GDP by major economic activity	28
6.	GDP by expenditure	29
7.	Inflation, core inflation, and average annual inflation.....	30
8.	Prices of goods and tariffs of services	31
9.	Russia's major balance of payments components and international reserves	39
10.	International investment position as of 1 January 2023	42
11.	Russia's external debt.....	43
12.	Russia's external debt.....	43
13.	Broad money	45
14.	Broad money supply sources	46
15.	Ruble exchange rate and volatility	48
16.	Bond yields in the secondary market.....	49
17.	Stock price indices in the secondary market.....	50
18.	Structure of organised commodity spot trading in 2022.....	51
19.	Asset structure as of 1 January 2023	53
20.	Liabilities and capital structure as of 1 January 2023	53
21.	Growth rate of corporate and retail loans	54
22.	Growth rate of corporate funds and household deposits.....	55
23.	Change in components of banking sector profits.....	57
24.	Retail investor profile.....	62
25.	Bank of Russia interest rate corridor and RUONIA rate.....	80
26.	Liquidity factors	83
27.	Structure of Bank of Russia operations.....	83
28.	Breakdown of complaints by principal financial market sector (participant category) in 2022.....	90
29.	Number of Bank of Russia consents granted in 2022 to perform transactions aimed at the acquisition of over 10 per cent of shares (stakes) in a financial institution or the establishment of control over its shareholders (members)	122
30.	Statistics of appeals to the Bank of Russia Complaint Review Commission in 2022	128
31.	Breakdown of entities with signs of illegal activity in the financial market in 2022	182
32.	Cash in circulation	211
33.	Number of Bank of Russia personnel by structural unit as of 1 January 2023	262



List of tables

1. Key macroeconomic indicators.....	322
2. Consumer prices by group of goods and services.....	323
3. Consumer price inflation structure.....	323
4. Balance of household money income and expenditures.....	324
5. Budget system, financial assets and government debt	325
6. Russia's domestic government debt (at face value).....	326
7. Ministry of Finance debt to the Bank of Russia as of 1 January 2023.....	326
8. Volume of Russian federal government's Eurobonds and domestic bonds (OFZ) owned by non-residents	326
9. Measures to enhance financial literacy for various target audiences taken in the Russian Federation in 2022	327
10. Institutional financial market participants.....	328
11. Participants admitted to the financial market in 2022.....	330
12. Self-regulatory organisations	331
13. Infrastructure of financial services provision	331
14. Number of credit institutions under liquidation including with the DIA's participation	333
15. Balance of payments ¹ of the Russian Federation	334
16. International investment position of the Russian Federation.....	336
17. International reserves of the Russian Federation	337
18. Basic derived indicators of ruble's exchange rate dynamics in 2022	337
19. External debt of the Russian Federation (millions of US dollars)	338
20. External debt of the Russian Federation (in domestic and foreign currencies by maturity, millions of US dollars).....	339
21. Money supply (national definition) and its structure	340
22. Monetary base (broad definition) and its structure	340
23. Interest rates on monetary policy instruments.....	341
24. Monetary policy instruments	342
25. Interest rates on Bank of Russia specialised facilities.....	343
26. Bank of Russia specialised facilities.....	344
27. Banking sector survey.....	345
28. Credit institutions survey	346
29. Individual indicators of regional banks.....	348
30. Measures taken against credit institutions in 2022.....	350
31. State Corporation Deposit Insurance Agency's debt to the Bank of Russia	351
32. Outcomes of Bank of Russia activity to counter abuses in Russian on-exchange trading	351
33. Outcomes of countering unlicensed activity in the financial market	351
34. Outcomes of Bank of Russia activity to exchange information, including confidential one, with foreign financial market regulators as part of international requests.....	352
35. Structure of Bank of Russia banknotes in circulation	352
36. Structure of Bank of Russia coins in circulation	352
37. National payment system key indicators.....	353
38. Bank of Russia Payment System	356
39. Structure of Bank of Russia customers other than credit institutions and number of accounts opened for them	356



