



Bank of Russia



NATIONAL PAYMENT SYSTEM OVERSIGHT RESULTS 2020

Moscow
2021

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The current state of the National Payment System is characterised by the active development of the NPS entities and payment infrastructure. This is largely the result of implementing the NPS Development Strategy adopted in 2013.

The development of the payment infrastructure has satisfied the need of the households and business entities for a widespread use of cashless payments, in particular involving digital technologies. As a result, Russia became the world leader in terms of the growth rate of cashless payments. The share of cashless payments in Russia's retail turnover reached 70.3%.

In addition to the objectives of the Strategy, the Bank of Russia has launched and now successfully operates the Mir payment system (Mir PS), the Bank of Russia Faster Payments System (FPS), and the Bank of Russia Financial Messaging System (SPFS).

In 2020, the stable development of these systems continued despite the pandemic.

Mir PS cards accounted for one-third of the new payment cards issued across Russia. The number and volume of transactions executed to pay for goods and services using Mir PS cards increased 1.5 times compared to 2019.

The explosive growth of transactions through the FPS carried out by the clients of credit institutions participating in the FPS (16-fold growth by number of operations and 13-fold growth by volume) has confirmed the demand for the development of FPS services.

The number of messages transmitted via the SPFS has doubled. The monthly traffic amounted to about 2 million messages, exceeding 20% of the traffic of domestic messages via SWIFT.

The development of a competitive and innovative payment market creates new challenges for the Bank of Russia with regard to real-time monitoring in the NPS and assessment of payment systems.

Guided by its strategic objectives, the Bank of Russia uses oversight tools within the NPS to timely identify information about the operations of NPS entities, payment systems and payment infrastructure, and create conditions for the introduction of innovative payment products and new technologies into the mechanism for providing payment services in order to increase their availability and speed. The oversight activities also cover companies and banks with a large client base, which have begun building their own ecosystems to provide a wide range of services, including non-financial ones.

'Overview of NPS Oversight Results' publication highlights the main trends and topical issues of the NPS development and regulation, performance of NPS entities, payment systems, and payment infrastructure in rendering payment services during the pandemic, as well as the progress in the areas of international cooperation related to the NPS oversight.

Olga Skorobogatova
First Deputy Governor of the Bank of Russia

ABBREVIATIONS

BPA	– bank payment agent
SFPS	– smooth functioning of a payment system
EAEU	– Eurasian Economic Union
NPS Law	– Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System'
IPS	– important payment system
FMI	– financial market infrastructure
CPMI	– Committee on Payments and Market Infrastructures at the BIS
IOSCO	– International Organisation of Securities Commissions
NPS	– National Payment System
NSPK	– National Payment Card System Joint Stock Company (NSPK JSC)
MTO	– money transfer operator
PSO/PS operator	– payment system operator
FPO	– federal post office
EMO	– electronic money operator
PA	– payment agent
BCR Plan	– Business Continuity and Recovery Plan
Bank of Russia Regulation No. 732-P	– Bank of Russia Regulation No. 732-P, dated 24 September 2020, 'On the Bank of Russia Payment System'
PFMI	– CPMI-IOSCO Principles for Financial Market Infrastructures, April 2012
BRPS	– Bank of Russia Payment System
Mir PS	– Mir payment system
NSD PS	– NSD payment system
KoronaPay PS	– KoronaPay payment system
ICI Register	– Register of Credit Institutions Recognised by the Bank of Russia as Important in the Payment Services Market
FPS	– Faster Payments System (a service of the Bank of Russia Payment System developed by the Bank of Russia jointly with NSPK)
SPFS	– Bank of Russia financial messaging system
E-money	– electronic money

INTRODUCTION

In 2020, the Bank of Russia's oversight activities in the NPS involved paying close attention to the business entities' and households' need for accessibility and smooth functioning of remote payment systems, which emerged amid the pandemic.

The pandemic-related challenges in the payment services market require the Bank of Russia's thorough study of the specifics and dynamics of its development, as well as monitoring of trends in innovative technologies and payment mechanisms. As a result of the accumulated practices of monitoring within the NPS, the Bank of Russia has worked to identify and compile lists of new NPS entities participating in the process of rendering payment services: these are information exchange service operators, payment application providers, payment aggregators, and other entities.

In respect of three important payment systems, including the systemically important BRPS and NSD PS, in 2020 the Bank of Russia carried out its third-cycle assessment for compliance with the recommendations of the Bank of Russia on the PFMI implementation. The results of the assessment confirmed the high level of the payment systems' compliance with the standard.

In its oversight of the NPS, the Bank of Russia actively communicated with foreign regulators and international organisations under respective cooperation agreements, identified best foreign practices in rendering payment services and payment infrastructure services, as well as developed approaches for the implementation of such practices in the Russian payment services market.

The NPS oversight results were used by the Bank of Russia to make proposals (recommendations) for enhancing the operations of NPS entities and the services they render, as well as developing payment systems and the payment infrastructure.

This edition is the fifth publication of the Overview of the NPS Oversight Results, which includes the results of monitoring important payment systems and recommendations prepared by the Bank of Russia for enhancing the operations of overseen organisations and their related overseen entities.

I. OVERSIGHT IN THE NATIONAL PAYMENT SYSTEM IN 2020

1.1. National Payment System in 2020

Key indicators of the NPS development

In 2020, the payment services market showed dynamic growth, despite the COVID-19 pandemic-related restrictions.

During 2020, funds transfers¹ carried out through the Bank of Russia's systemically important payment system (BRPS) numbered 1.8 billion, with their volume totalling 1,657.6 trillion rubles (vs 1.7 trillion funds transfers totalling 1,566.5 trillion rubles in 2019). The number and volume of funds transfers per BRPS entity increased by 7.5% and 5.8%, respectively (1.1 million transactions amounting to 1.0 trillion rubles).

The volume of transfers through the BRPS exceeded the GDP 15.5 times.

In 2020, the Bank of Russia continued to develop the FPS, which allows for real-time 24/7 transfers between accounts held by clients of various credit institutions participating in the FPS.

As of 1 January 2021, 210 credit institutions, including 12 systemically important ones, were connected to the FPS. Throughout 2020, the number of transactions carried out by clients of credit institutions participating in the FPS increased 16 times, and their volume increased 13 times (111.3 million transactions amounting to 795.1 billion rubles).

At the end of 2020, along with C2C (funds transfers between individuals) and C2B (payments by individuals in favour of legal entities for goods, works, and services) operations, performing B2C transactions (payments by legal entities in favour of individuals) and payee-initiated transfers between accounts of one individual with various banks was enabled in the FPS.

To allow banks' clients to pay for their purchases through the FPS, a mobile application (SBPay) was developed and tested, which has increased the availability of payments for goods and services using a QR code.

In 2020, the Bank of Russia established the fees for transactions carried out through the FPS for individuals, legal entities, and banks:

- the maximum fee charged by banks to the payees in C2B transactions, including individual entrepreneurs, is no more than 0.7%, and for socially important categories of services (medical, educational, insurance, transport, and other services) it is no more than 0.4%;
- the maximum fee charged by banks of their customers for C2C transactions: money transfers of up to 100,000 rubles per month are fee-free, while those exceeding 100,000 rubles per month are subject to a maximum fee of 0.5% of the transfer amount (but no more than 1,500 rubles for a transfer);
- for C2C transactions, zero fees apply to banks for the period until 1 July 2022; C2B and B2C transactions are subject to the lowest fees of 0.05 to 3.00 rubles (depending on the transfer amount) for banks, without limiting the time in force.

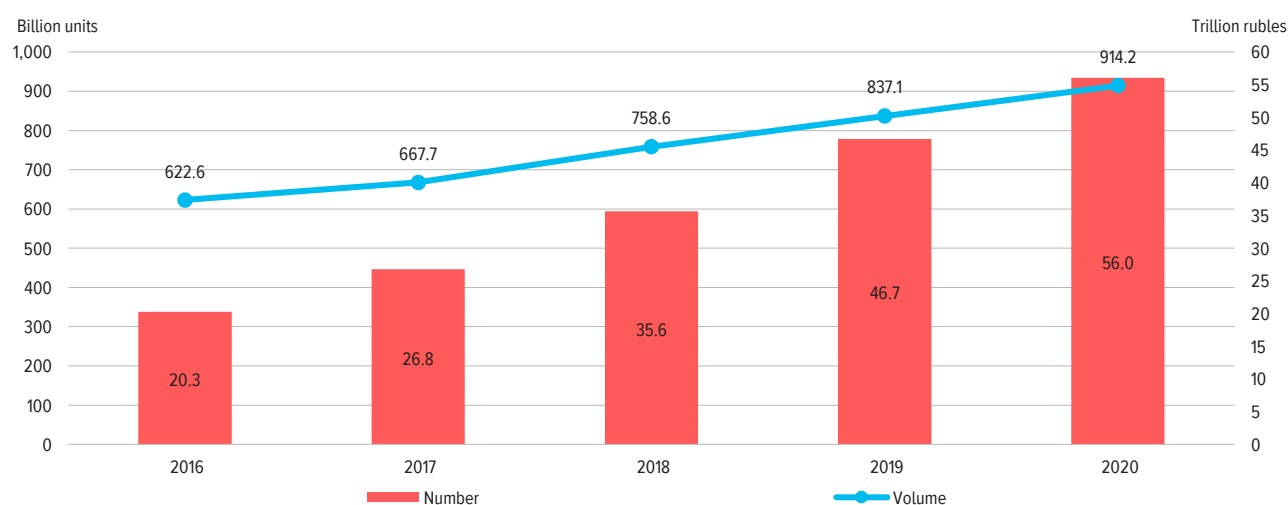
The expansion of the directions and methods of making funds transfers through the FPS promotes competition in the payment services market.

The established fees for the FPS transactions help lower the costs of funds transfers using the FPS for households, and reduce the costs of businesses accepting cashless payments through the FPS.

¹ Including operations executed to implement the monetary policy, settlements in the interbank and financial markets, as well as payment card transactions.

TRANSACTIONS PERFORMED BY CREDIT INSTITUTIONS UNDER THEIR CLIENTS' ORDERS

Figure 1



Amid the COVID-19 pandemic, banks have expanded their provision of payment services to households and business entities, paying particular attention to the development of digital technologies. In 2020, cashless transactions² numbered 56.0 billion, with their volume totalling 914.2 trillion rubles, showing a YOY increase of 20% by number and 9.2% by volume (Figure 1). Individuals' transactions increased even more significantly (with their number and volume up by 21.1% and 20.1%, respectively), which evidences that households were extensively using cashless payment instruments and services.

The pandemic has further accelerated the development of remote channels and contactless payments.

In view of self-isolation and quarantine-related restrictions, accounts with remote access became even more popular among clients of credit institutions. Their growth rate (11.0%) almost doubled compared to the previous year: their number amounted to 290.0 million accounts as of 1 January 2021, and their share among the active accounts of credit institutions' clients amounted to almost 90%. On average, one individual accounted for 2 accounts as of 1 January 2021 against 1.8 accounts as of 1 January 2020.

Transactions carried out by credit institutions' clients using electronic technologies (Figure 2) were on a rise in 2020, with their number and volume increasing by 21.1% (to 54.8 billion clients' orders) and 9.1% (to 818.2 trillion rubles), respectively.

These changes were mostly driven by an increase in individuals' transactions (the annual growth of their number and volume amounting to 22.0% and 24.2%, respectively). 99 of 100 transactions were conducted using electronic technologies, accounting for 93% of the total value of such transactions. Moreover, nearly 40% of individuals' electronic payments were carried out via the Internet and/or mobile communication devices.

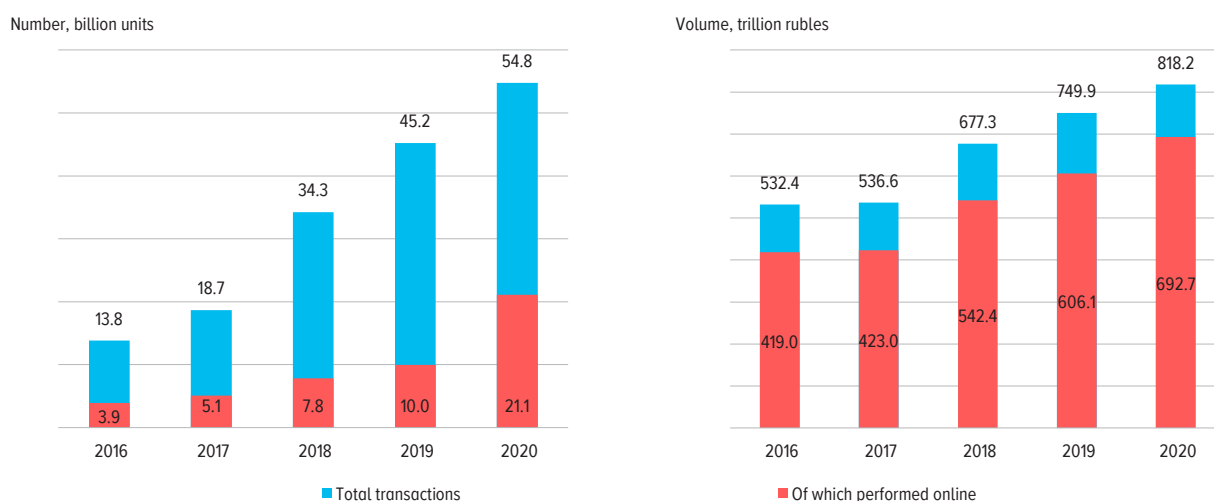
Legal entities, other than credit institutions, made 2.3 billion transfers using electronic technologies, amounting to 729.1 trillion rubles (an increase of 3.8% and 7.5%, respectively). Payment orders sent via the Internet accounted for 63% of those.

For most Russians, payment cards have become a usual payment instrument used in everyday payments for goods and services, and in making transfers. Their issue increased by 6.9%, and as of 1 January 2021 the number of cards reached 305.6 million, or 2.1 cards per individual. At the end of 2020, transactions performed using these cards, in Russia and abroad, numbered 50.6 billion and amounted to 106.7 trillion rubles (an increase of 19.5% by number and 15.2% by volume).

² Transactions carried out under orders of clients of credit institutions (individuals and legal entities that are not credit institutions, including individual entrepreneurs), as well as credit institutions' own transactions, excluding transactions executed to implement the monetary policy as well as settlements in the interbank and financial markets.

TRANSACTIONS CARRIED OUT BY CREDIT INSTITUTIONS' CLIENTS USING ELECTRONIC TECHNOLOGIES

Figure 2



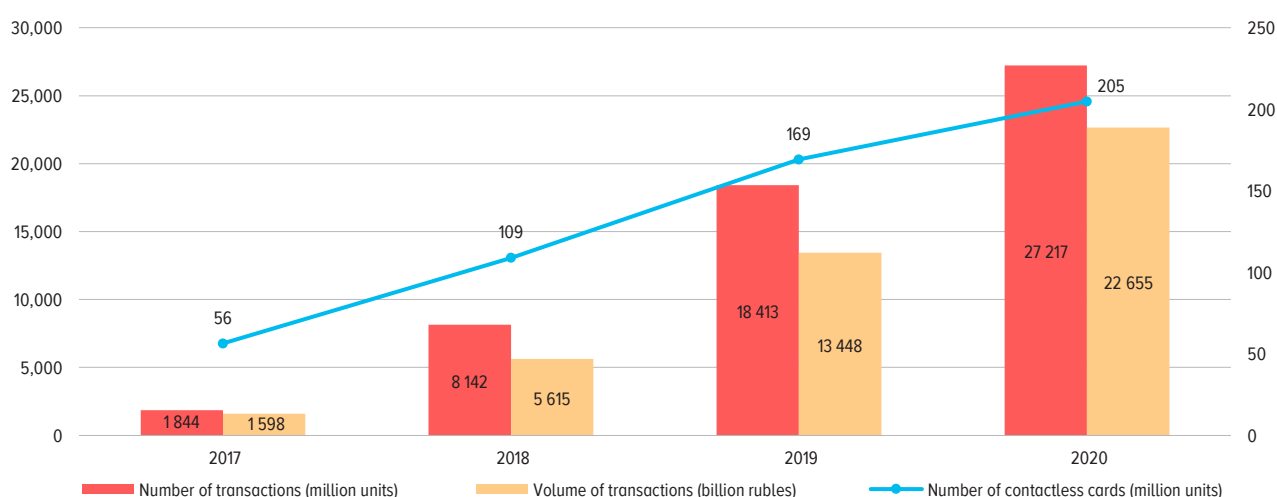
The active development of contactless technologies continued (Figure 3). In 2020, almost 70% of payment cards issued by credit institutions supported contactless payments. Their number increased by 21% over the year and reached 204.8 million as of 1 January 2021. On average, one individual accounted for 1.4 contactless cards (vs 1.2 at the beginning of 2020).

In 2020, the number and volume of transactions using contactless technologies increased 1.5 times (to 27.2 billion transactions) and 1.7 times (to 22.7 trillion rubles), respectively. They were mostly carried out through payment cards supporting contactless technologies (20.5 billion transactions amounting to 17.1 trillion rubles). 6.7 billion transactions were performed using payment applications on mobile devices, with their volume increasing to 5.6 trillion rubles. More than two-thirds of payments for goods and services were made using contactless technologies.

The Russian Federation remains among the world leaders in terms of the introduction and use of contactless payment technologies.

DEVELOPMENT OF CONTACTLESS TECHNOLOGIES

Figure 3



Mir PS

In the Russian payment services market, the Mir payment system is gaining ever greater popularity (Figure 4). Throughout 2020, credit institutions issued about 95 million Mir payment cards, which made for 30.6% of the overall Russian issue of payment cards (vs 73 million Mir payment cards, or 25.2% of the overall issue, in 2019). Mir payment cards were used to conduct 13.6 billion transactions amounting to 24.2 trillion rubles (which is 1.5 and 1.4 times more than in 2019, respectively).

The share of domestic Russian transactions with Mir payment cards in the total volume of transactions with payment cards increased by 4.7 points, to 24%. Payments for goods and services dominated Mir payment card transactions, accounting for 75.1% of the total number and for 28.4% of the total volume. As compared to 2019, the number and volume of these transactions rose 1.5 times.

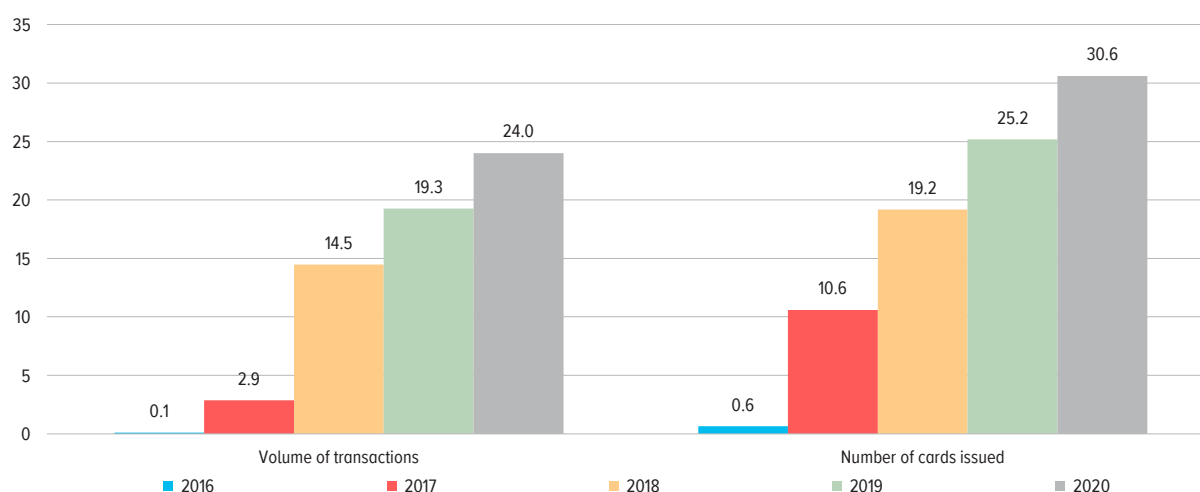
The Mir PS operator has launched and is developing Mir Pay, its own application for mobile contactless payments via Mir payment cards using mobile devices. The development of products and services of the Mir PS will be carried out on the basis of advanced tools and technologies that provide 24/7/365 support, security and protection for cardholders and users of the system's services.

The continuing growth of cashless transactions with payment cards (by almost 23% both in number and in volume), running in parallel with a decline in their use for cash withdrawals (by 17.9% in number and 1.5% in volume), increased the share of cashless transactions in the card usage structure (to 95.0% in the total number, and to 73.4% in the total volume). Cards were used for carrying out cashless transactions almost 20 times more often than for withdrawing cash. Moreover, 82 of 100 cashless transactions were conducted in trade and service companies, with the volume of payments for goods and services accounting for 40.7%.

The transition of the households to use of remote channels when making transfers, as well as recommendations to minimise the use of cash amid the spread of COVID-19, led to a further reduction in cash settlements between individuals, increasingly replaced by cashless transfers using payment cards³. In 2020, 8.6 billion such transfers were made amounting to 44.9 trillion rubles (vs 6.4 billion transactions amounting to 35.6 trillion rubles in 2019), which amounted to 17.9% and 57.4% of the total number and the total volume, respectively, of cashless transactions with payment cards.

SHARE OF MIR PS PAYMENT CARDS IN THE OVERALL ISSUE OF PAYMENT CARDS AND THE VOLUME OF DOMESTIC RUSSIAN TRANSACTIONS WITH THEIR USE (%)

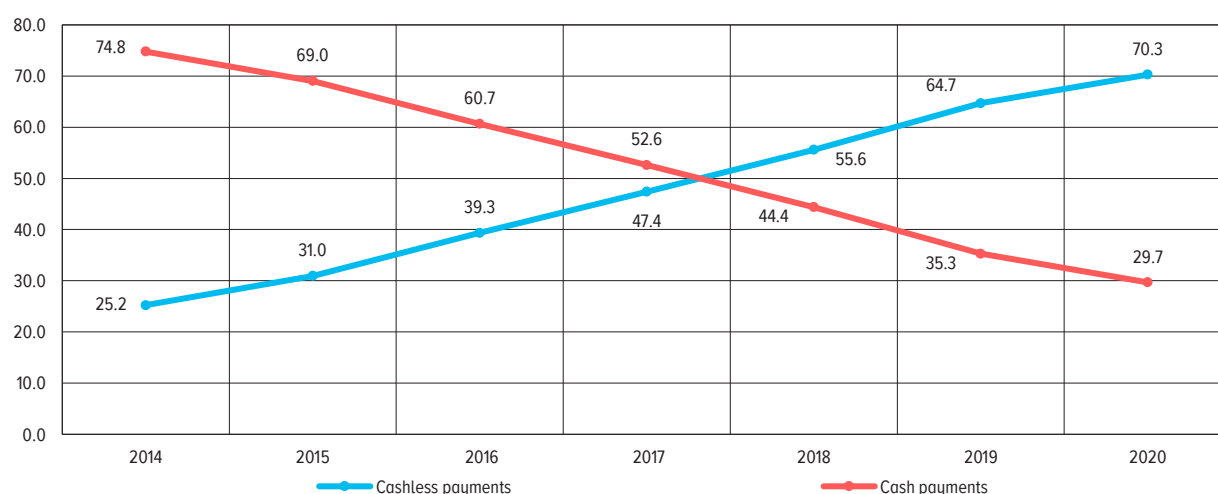
Figure 4



³ Comprising payment card transactions that are not related to payments for goods and services, including card-to-card, card-to-deposit transfers, as well as charitable contributions, depositing funds to e-wallets, and others.

SHARE OF CASHLESS PAYMENTS AND CASH PAYMENTS IN THE OVERALL RETAIL AND PUBLIC CATERING TURNOVER AND THE VALUE OF COMMERCIAL SERVICES (%)

Figure 5



The increasing number of Russians using cashless payment instruments drove a further rise in the share of cashless payments in the retail turnover⁴, which expanded to 70.3% from 64.7% in 2019⁵ (Figure 5).

Credit institutions developed a payment infrastructure for accepting payment cards, paying attention to building up a network of devices for making cashless payments. As of 1 January 2021, there were 3.6 million electronic point-of-sale terminals (POS terminals⁶) installed at trade and service companies, 194,000 ATMs, and 121,200 cashless payment terminals in Russia⁷. The number of ATMs changed insignificantly during the year, while the number of devices used for cashless payments continued to grow rapidly: over the year, the number of POS terminals increased by 23.5%, and the number of cashless payment terminals increased by 30.8%. (1.3 ATMs and 25 POS terminals per 1,000 individuals).

In 2020, the number and volume of transactions via POS terminals increased by 20.8% and 14.3%, respectively, to reach 30.5 billion transactions amounting to 20.5 trillion rubles. The overall number of transactions via ATMs was down by nearly one-third, while their volume dropped by 2.8%, to total 3.3 billion transactions with a volume of 27.3 trillion rubles. Payments for goods and services accounted for 23.4% of the transactions conducted via ATMs.

As of 1 January 2021, the majority of POS terminals (84%) and 42% of ATMs supported contactless technologies. Over the year, the number of such devices increased by 15.3% and 5.3%, respectively.

The maturity of the regional payment infrastructure was one of the factors driving the spread of cashless payments across the country. In 2020, all Russian regions maintained an upward trend as regards the number of POS terminals, with two-thirds of them showing growth rates of 25% and higher. In 2020, 29 Russian regions had over 25 POS terminals per 1,000 individuals (up from 9 regions in 2019).

This trend has contributed to the growth in the use of cards as the main payment instrument for everyday purchases in most Russian regions. In 2020, in 48 regions, the volume of cashless payments for goods and services made by their residents using payment cards exceeded the volume of cash withdrawals (vs in 2019, when this was recorded only in 18 regions).

⁴ The total retail and public catering turnover combined with the value of commercial services provided to households.

⁵ The assessment is based on the Bank of Russia's reporting forms and Rosstat's data.

⁶ POS stands for "point of sale".

⁷ Automatic devices enabling payment card holders to carry out cashless payment card transactions on their own (without the engagement of any authorised representatives of credit institutions or trade and service companies), the design of which does not allow cash withdrawal (depositing).

At the same time, a characteristic feature of the reporting year in all regions was the slowdown of the growth rates of transactions carried out in trade and service companies through POS terminals, with a simultaneous increase in payments for goods and services via the Internet, which increased by 46.5% in number and by 38.3% in volume across Russia.

Non-bank organisations are also involved in the process of rendering payment services, the infrastructure of which plays a significant role in ensuring financial accessibility in remote, sparsely populated and hard-to-reach regions. As of 1 January 2021, ATMs and bank payment agents' (subagents') cash registers numbered 142,500 and 182,000, respectively⁸.

During 2020, EMOs⁹ using 348.7 million items of electronic payment instruments accounted for 3.1 billion transactions totalling 1.8 trillion rubles¹⁰ (11.8% up in number and 7.0% down in volume).

The development of the payment infrastructure of the Russian market boosted the popularity of cashless payment methods.

SPFS

Amid the dynamic progress of the payment services market, the development of the SPFS continued in 2020. The range of users of the SPFS services has expanded: today more than 300 organisations are connected to it, including 33 non-residents from Belarus, Germany, Switzerland, Armenia, Kazakhstan, Cuba, Moldova, Kyrgyzstan, and Tajikistan. More than 100,000 messages are transmitted via the SPFS every day. In 2020, monthly traffic in the SPFS amounted to about 2 million messages, exceeding 20% of SWIFT's total traffic of domestic messages, while at the end of 2019 this figure was at 11.6%.

In order to simplify and accelerate the connection of Russian and foreign legal entities to the SPFS, the possibility of joining through a 'service bureau' was implemented in 2020.

The Bank of Russia plans to continue to further increase the number of SPFS users, in particular through developing a 'service bureau' mechanism, as well as by ensuring a reduction in new users' costs of connecting to the SPFS through various methods, including introduction of new technologies.

1.2. NPS oversight practice

1.2.1. Determination of NPS entities

1.2.1.1. New NPS entities

The changes made to the NPS Law in 2019 have significantly expanded the composition of NPS entities. The new NPS entities include bank payment agents performing payment aggregators' operations (BPA aggregators), payment application providers (PAPs), information exchange service operators (IESOs), foreign payment service providers (FPSPs), and foreign payment system operators engaged by MTOs and PSOs in order to ensure the provision of payment services and payment infrastructure services.

The new NPS entities are represented by organisations (including credit institutions) registered in the Russian Federation, as well as non-resident organisations.

⁸ Data from Reporting Form 0409260 'Information on Points of Payment Services Provided by Credit Institutions and Bank Payment Agents (Subagents)' enacted by Bank of Russia Ordinance No. 4927-U, dated 8 October 2018, 'On the List, Forms and Procedure for Compiling and Submitting Credit Institutions' Reporting Forms to the Central Bank of the Russian Federation' (hereinafter "Reporting Form 0409260").

⁹ As of 1 January 2021, there were 80 EMOs.

¹⁰ Comprising transactions to transfer e-money and e-money balances, including balances withdrawn as cash.

In accordance with the NPS Law, the Bank of Russia maintains lists of new NPS entities based on information provided by MTOs and PSOs. These lists are published on the Bank of Russia website in its National Payment System section and are updated monthly.

The lists of new entities as of 1 January 2021 include: 31 bank payment agents performing operations of payment aggregators, 26 foreign payment service providers, 62 payment application providers, 162 information exchange service operators (Figure 6).

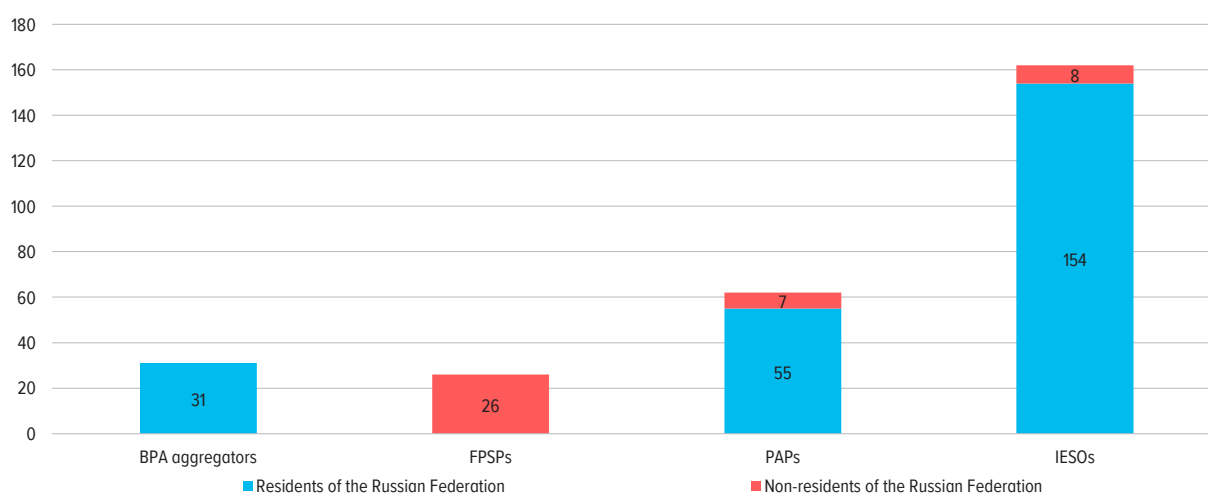
A number of organisations combine the functions of new NPS entities:

- of foreign payment service providers and payment application providers: 4 organisations;
- of foreign payment service providers and information exchange service operators: 1 organisation;
- of bank payment agents performing payment aggregators' operations, payment application providers, and information exchange service operators: 3 organisations;
- of bank payment agents performing operations of payment aggregators and information exchange service operators: 10 organisations;
- of payment application providers and information exchange service operators: 19 organisations.

Since 2020, the Bank of Russia has been monitoring organisations that perform the functions of new NPS entities and that are subject to inclusion on respective lists, working with credit institutions and PSOs to identify risks in the activities of new NPS entities that can have a negative impact on the provision of payment services, and developing approaches to mitigating such risks.

NEW NPS ENTITIES AS OF 1 JANUARY 2021

Figure 6



1.2.1.2. Systemically important, socially important and nationally important payment systems

Payment systems' systemic and social importance

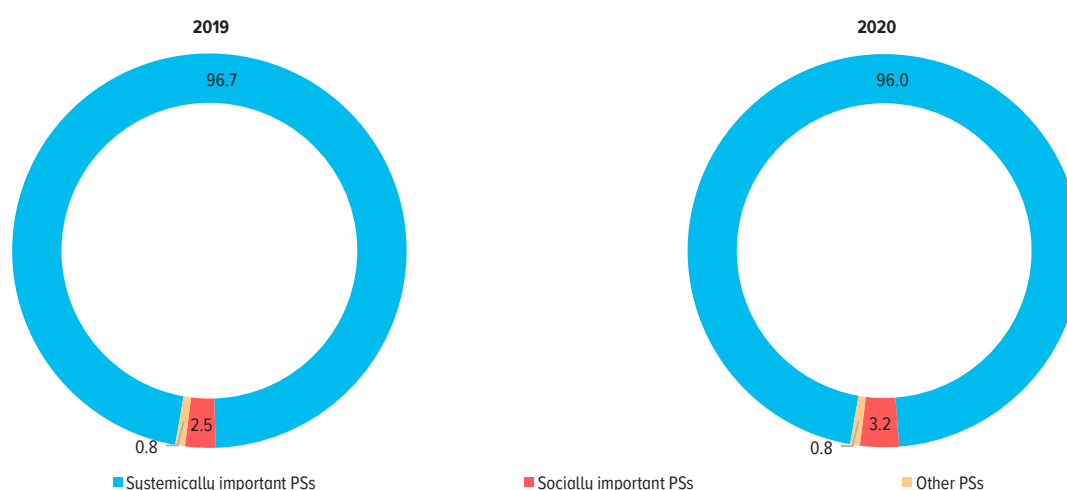
Systemically important and socially important payment systems account for the bulk of funds transfers carried out in payment systems in Russia¹¹. As of 1 January 2020, the BRPS accounted for 93.3% of the volume of funds transfers made through systemically important payment systems, and systemically important payment systems accounted for 96% of the overall amount of funds transfers conducted via all payment systems (Figure 7).

In 2020, socially important payment systems carried out 13.5 billion transfers amounting to 59 trillion rubles, of which 8.3 million transfers amounting to 8.5 trillion rubles were carried out in foreign currency. In 2019, just 11.8 billion transfers amounting to 43.8 trillion rubles were carried out, of which 11.8 million transfers amounting to 7.5 trillion rubles were carried out in foreign currency.

¹¹ The list of payment systems operating in the Russian Federation (as of 1 January 2021) is provided in Annex 1.

STRUCTURE OF FUNDS TRANSFERS WITHIN PAYMENT SYSTEMS, BY VOLUME
(%)

Figure 7



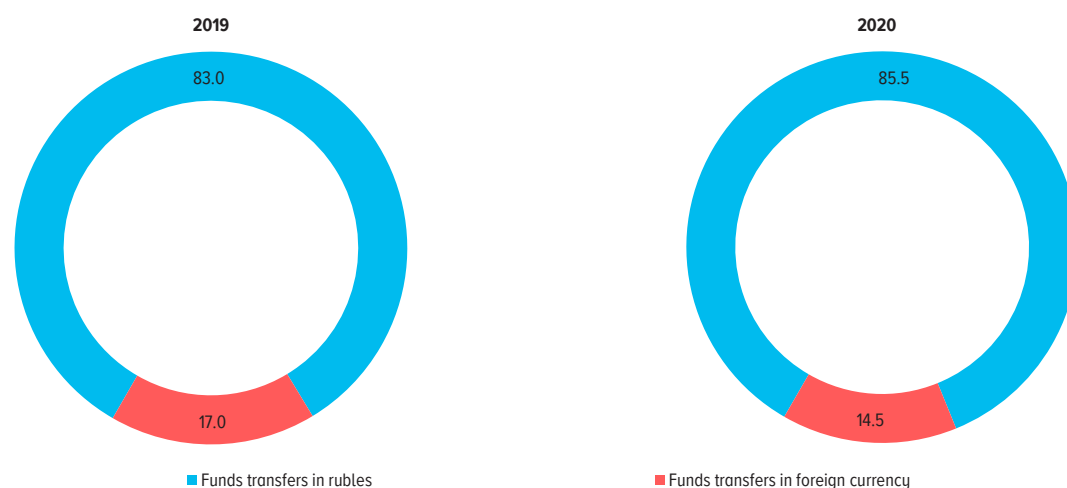
In the segment of socially important payment systems in 2020, the share of funds transfers in Russian rubles in the total volume of funds transfers was 85.5%, an increase compared to 83.0% in 2019 (Figure 8).

In 2020, funds transfers using payment cards (excluding prepaid cards) accounted for 34.2% of funds transfers conducted in socially important payment systems, funds transfers without opening bank accounts (including funds transfers using prepaid cards) accounted for 0.9%, funds transfers on individuals' accounts accounted for 0.5%, and interbank and other funds transfers accounted for 64.4% (Figure 9).

The Bank of Russia monitors the compliance of payment systems with the criteria of systemic and social importance established in Article 22 of the NPS Law and the required values of these criteria established by Bank of Russia Ordinance No. 4443-U, dated 3 July 2017, 'On Setting Criteria Values for Qualifying Payment Systems as Important', on a quarterly and annual basis using the reporting data of the PSOs and the reporting of credit institutions, characterising the execution of transactions using payment cards, funds transfers without opening a bank account (in particular using e-money), and funds transfers on bank accounts of individuals and legal entities that are not credit institutions.

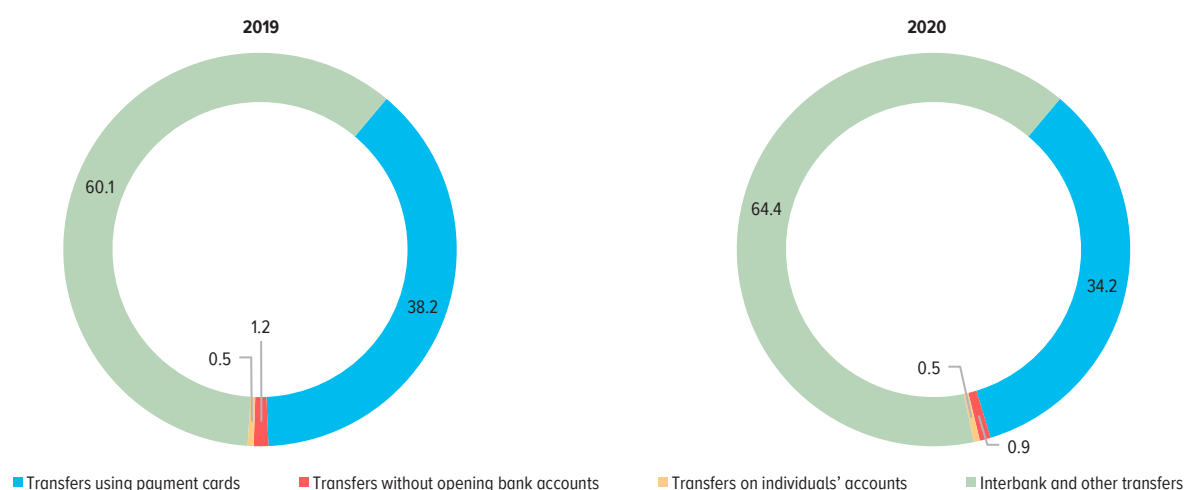
STRUCTURE OF FUNDS TRANSFERS IN SOCIALLY IMPORTANT PAYMENT SYSTEMS BY TRANSFER CURRENCY, BY VOLUME
(%)

Figure 8



STRUCTURE OF FUNDS TRANSFERS IN SOCIALLY IMPORTANT PAYMENT SYSTEMS BY TRANSFER TYPE, BY VOLUME (%)

Figure 9



The segment of systemically and socially important payment systems remains stable, the general structure of funds transfers passing through them remains unchanged.

National importance of payment systems

The criteria for a nationally important payment system are the presence of direct or indirect control established by the Russian Federation, the Bank of Russia, or citizens of the Russian Federation in relation to the PSOs and payment infrastructure service operators, with the exception of the settlement centre of the payment system, as well as use of information technologies that meet the requirements established by the Bank of Russia and the Government of the Russian Federation¹².

Of the 13 nationally important payment systems, 10 payment systems were recognised as nationally important by the Bank of Russia and 3 payment systems (BRPS, Mir PS, and NSD PS) are classified as nationally important pursuant to Article 22, Part 14 of the NPS Law.

In 2020, based on requests from respective PS operators, information on the operators of two nationally important payment systems was excluded from the NPS Register: REXPAY and BLIZKO.

1.2.1.3. Credit institutions recognised as important in the payment services market

The Bank of Russia carries out annual evaluations of whether credit institutions comply with the Bank of Russia's criteria of importance¹³ in the payment services market¹⁴, relying on the reporting submitted by credit institutions to the Bank of Russia.

Credit institutions recognised by the Bank of Russia as important in the payment services market are put on the ICI Register, which is published in the Bank of Russia Bulletin and on the Bank of Russia website in the National Payment System section¹⁵.

According to the findings of the analysis of the reporting for 2020, 22 credit institutions are included on the ICI Register, and 4 credit institutions previously recognised as important in the payment services market are no longer on the Register.

¹² Bank of Russia Ordinance No. 3342-U, dated 25 July 2014, 'On the Requirements for Information Technologies Used by Payment Infrastructure Service Operators for the Payment System to be Recognised as Nationally Important'.

¹³ Established by Bank of Russia Ordinance No. 3439-U, dated 6 November 2014, 'On the Procedure for the Bank of Russia to Recognise Credit Institutions as Important in the Payment Services Market'.

¹⁴ On or before 1 April of the year following the reporting calendar year.

¹⁵ <http://cbr.ru/registries/nps/reestr/>.

It is difficult for small and medium-sized banks to compete with large players: the payment services market is still dominated by large credit institutions with a developed branch network and payment infrastructure.

Pursuant to Article 30.5, Part 2 of the NPS Law, all credit institutions on the ICI Register participate in the Mir PS.

1.2.2. Results of monitoring of NPS entities' activities and payment services

1.2.2.1. Bank payment agents and payment agents

Within its mandate to oversee the NPS, the Bank of Russia carries out annual monitoring¹⁶ of the operations of BPAs engaged by MTOs in accordance with Article 14 of the NPS Law and of PAs providing payment acceptance services pursuant to the requirements of Federal Law No. 103-FZ, dated 3 June 2009, 'On Accepting Payments of Individuals by Payment Agents'.

RESULTS OF 2019–2020 BPA AND PA MONITORING

Table 1

Indicator	2019	2020
Number of surveyed MTOs	442	405
Number of BPAs under agreements on their engagement by MTOs, covered by the survey	1 485	1 372
Number of bank payment subagents engaged by BPAs, covered by the survey	2 510	1 524
Number of PAs serviced by MTOs, covered by the survey	1 187	992
Number of payment subagents engaged by MTOs, covered by the survey	7 310	11 690
Volume of BPAs' transactions, billion rubles*	1 342,1	1 268,7
Number of BPAs' transactions, millions of transactions	590	365,5
Volume of payments accepted by PAs, billion rubles	614,7	1 552,2
Number of payments accepted by PAs, millions of transactions	798,3	585,9

*Including transactions using electronic means of payment.

Bank payment agents (BPAs)

BPAs that provided data based on the results of the survey performed transactions in 2020 for a total amount comparable to the figures of 2019. The number of transactions decreased by 38%, which is due to an increase in the average transaction amount (3,471 rubles in 2020 against 2,275 rubles in 2019). The largest volume of transactions was carried out through the BPAs' cash offices, which is explained by a 38.7% decrease in the number of ATMs of BPAs (from 232,600 devices as of 1 January 2020 to 142,500 devices as of 1 January 2021¹⁷) (Figure 10).

The structure of BPAs' transactions performed in 2020 remained the same compared to 2019 (Figure 11). The largest number of transactions (33.3%) was performed by BPAs to pay for the services of mobile operators; the largest volume of transactions was performed to repay loans (51.4%).

During 2020, BPAs provided individuals with 1.8 million bank cards issued by credit institutions engaging the BPAs, with prepaid cards accounting for 97.1% of this number (vs 3.7 million bank cards in 2019, with prepaid cards accounting for 99.9% of this number).

As for the key areas of development, the BPAs highlighted the development (improvement) of computer software, increasing the number of POSs, expanding the range of services that can be paid for through a BPA, and the development of processing services were noted.

¹⁶ As of 1 January of the year following the reporting year.

¹⁷ Data from Reporting Form 0409260.

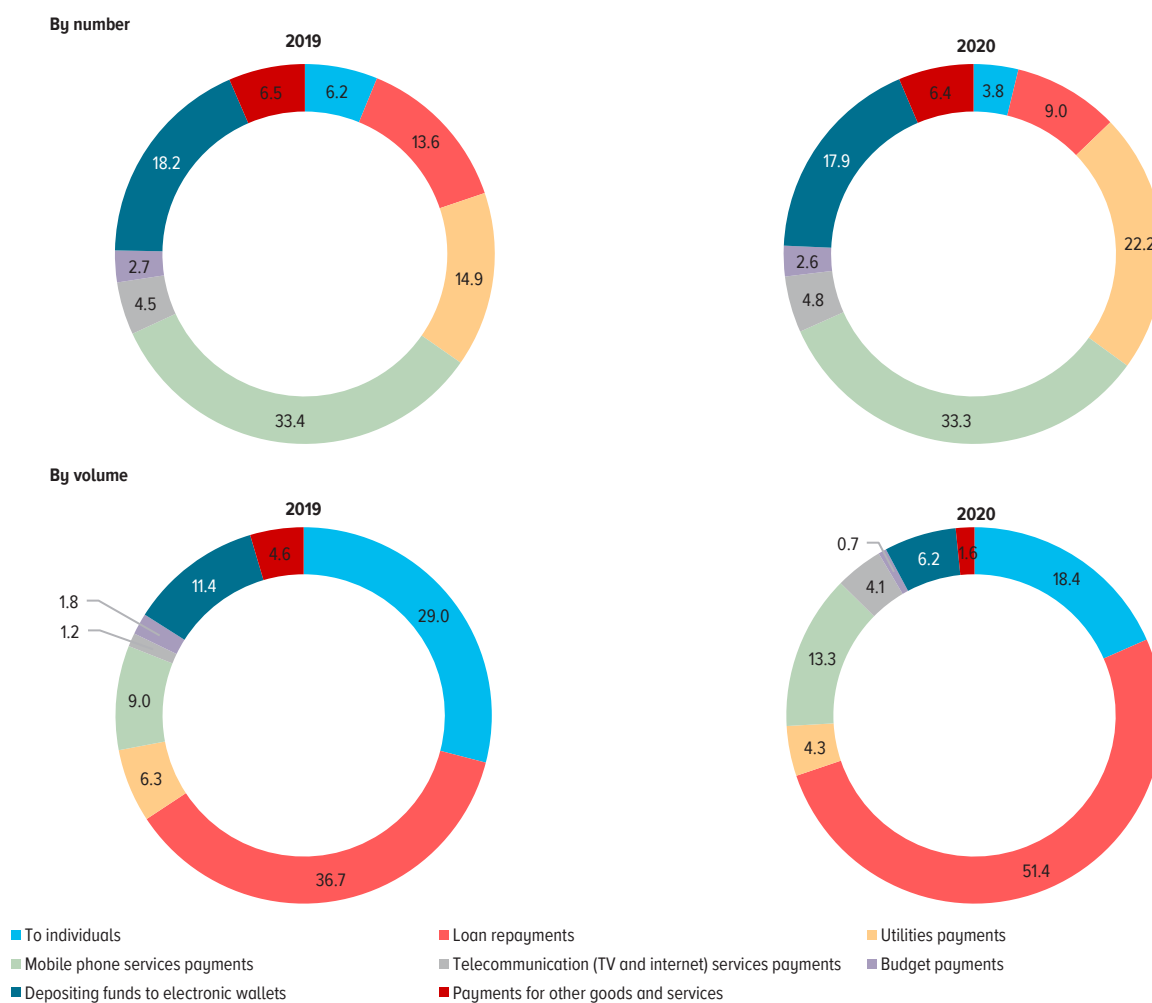
BPAs' TRANSACTIONS

Figure 10



STRUCTURE OF BPAs' TRANSACTIONS TO CONDUCT FUNDS TRANSFERS (%)

Figure 11

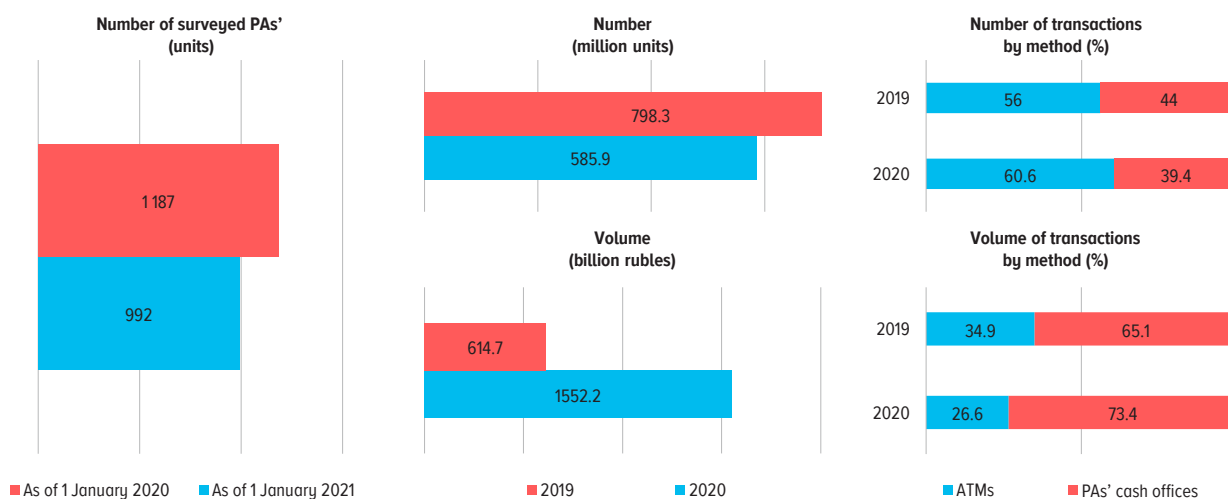


Payment agents – payment acceptance operators (PAs)

The number of payments accepted by PAs in 2020 is comparable to the figure for 2019, while the volume of payments accepted by the PAs increased 2.5 times. The average amount of cash accepted by BPAs as a payment for goods and services equalled 2,649 rubles (vs 770 rubles in 2019) (Figure 12).

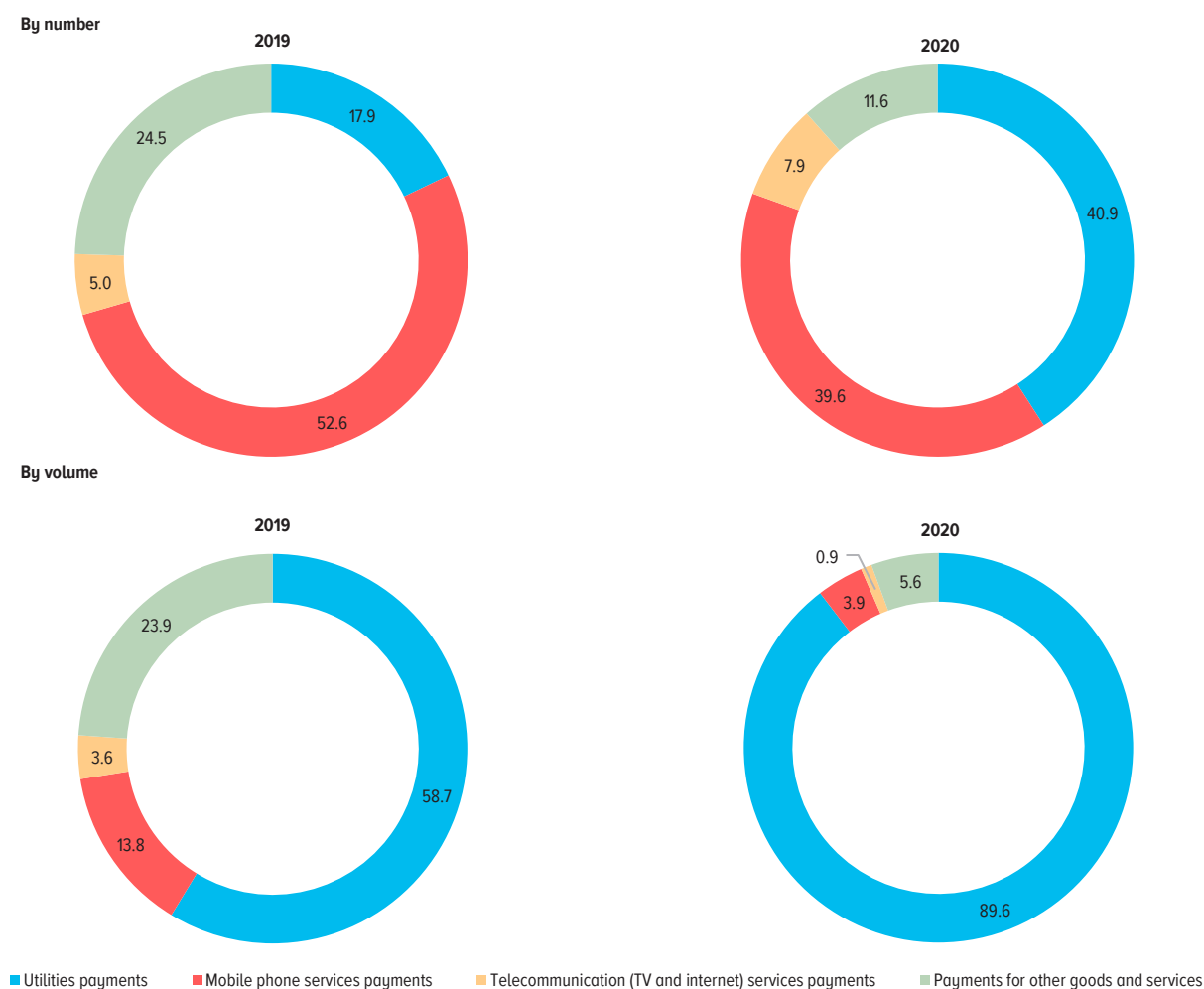
PAS' TRANSACTIONS

Figure 12



STRUCTURE OF INDIVIDUALS' PAYMENTS ACCEPTED BY PAS' (%)

Figure 13



The structure of the payment acceptance transactions conducted by PAs in 2020 did not change compared to 2019 (Figure 13). At the same time, the share of utility payments in the structure of the PAs' transactions increased significantly both in number (40.9% vs 17.9%) and in volume (89.6% vs 58.7%) of payments. This is due to the redistribution of cash flows of individuals to mandatory payments, as well as to the fact that even under the pandemic-related restrictions of 2020 it was still possible to visit PAs located in grocery stores.

In 2020, payment terminals prevail in the PAs' payment infrastructure (196,400 units, or 80.6% of the overall PAs' infrastructure). The largest number of PAs' transactions (60.6%) was conducted through payment terminals, and the largest volume of PAs' transactions (73.4%) was conducted through PAs' cash offices. The sufficiency of PAs' infrastructure in regions (distribution across the federal districts of the Russian Federation) in 2020 remained at the level of 2019 (Figure 14).

INFRASTRUCTURE SUFFICIENCY FOR PAS' SERVICES, BY FEDERAL DISTRICT

Figure 14



As for the areas of their development, the PAs highlighted expanding the use of QR codes and the barcodes, the development of online interaction through the payment gateway with the service provider's information system, and expanding the range of accepted payments' purposes.

In general, the structure of transactions and the developments areas of the BPAs' and PAs' activities remained the same in 2020 compared to 2019.

1.2.2.2. Federal post offices

Federal post offices are operated by JSC Russian Post and FSUE Post of Crimea. As of the end of 2020, the total number of operating offices of JSC Russian Post exceeded 42,000 units (with

more than 38,000 offices providing payment services), and the total number of operating offices of FSUE Crimean Post amounted to 546 (with all of them providing payment services) (Annex 2).

In 2020, JSC Russian Post conducted 42 million postal transfers totalling 171.9 billion rubles, which is less than in 2019 by 7.8% and 7.4%, respectively. The average volume of a postal transfer increased slightly, from 4,079 rubles in 2019 to 4,096 rubles in 2020.

The main reasons for the reduction were: the general trend of reduction in the segment of transfers without opening an account due to an outflow of labour migrants during the pandemic, and the growth of the segment of funds transfers via payment cards and through the FPS.

The structure of postal transfers (including cross-border postal transfers) in 2020 did not change compared to 2019. The absolute majority of postal transfers in 2020 (97.8% of the total number of postal transfers and 94.4% of their volume), just like in 2019 (97.8% and 95.2%, respectively), were carried out by JSC Russian Post within the Russian Federation (Figure 15).

In 2020, the structure of domestic Russian postal transfers (Figure 16) was dominated by individuals' postal transfers to legal entities, 62.4% by number and 55.4% by volume, as compared to 65.0% and 56.4% in 2019, respectively.

The Central FD accounted for the largest share of domestic Russian postal transfers: 35.0% by number and 27.5% by volume, as compared to 33.3% and 28.3% in 2019, respectively. The North Caucasian FD accounted for the smallest share of domestic Russian postal transfers: 3.1% by number and 3.1% by volume, as compared to 3.3% and 3.2% in 2019, respectively.

The structure of cross-border postal transfers in 2020 remained almost the same as in 2019, with individuals' postal transfers to individuals prevailing: 91.3% by number and 90.0% by volume, as compared to 91.0% and 88.5% in 2019, respectively. The number of cross-border postal transfers in 2020 compared to 2019 decreased by 6.4% due to the outflow of labour migrants. At the same time, the volume of cross-border postal transfers in 2020 compared to 2019 increased by 8.2% due to an increase in the foreign currency exchange rate against the Russian ruble.

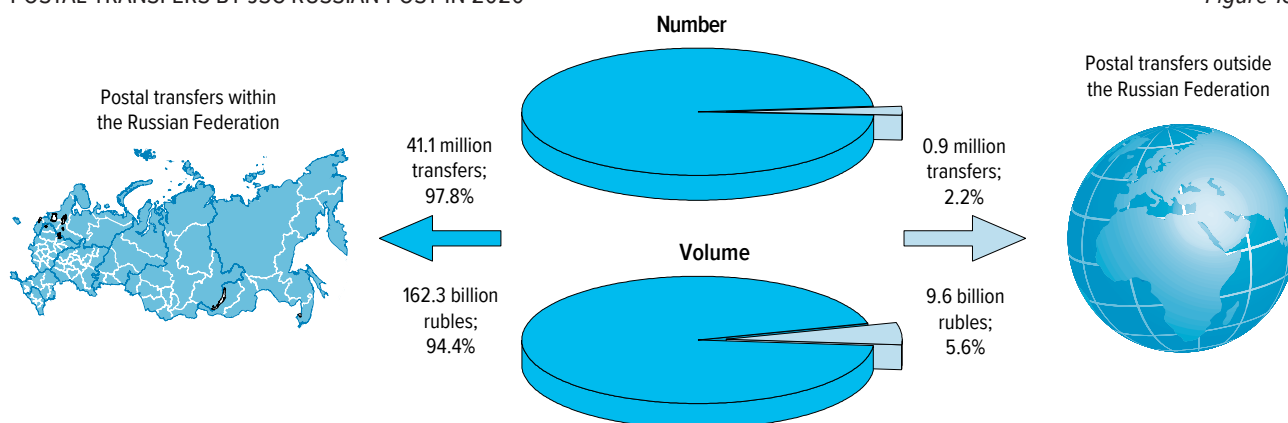
In 2020, FSUE Post of Crimea conducted 0.9 million postal transfers totalling 4.6 billion rubles, which is 10.1% less by number, yet 6.0% more by volume than in 2019. The average amount of a postal transfer increased significantly from 4,545 rubles in 2019 to 5,358 rubles in 2020 (by 17.9%).

The absolute majority of postal transfers in 2020 (88.4% by number and 75.3% by volume), just as in 2019 (91.6% and 84.2%, respectively), were performed by FSUE Post of Crimea within the Russian Federation. In 2020, the structure of domestic Russian postal transfers was dominated by individuals' postal transfers to legal entities: 68.1% by number and 50.4% by volume, as compared to 68.3% and 49.1% in 2019, respectively.

The Central Post Office of Simferopol accounted for the largest share of postal transfers: 29.1% by number and 26.9% by volume, as compared to 27.5% and 26.4% in 2019, respectively. The Central Post Office of Kerch accounted for the smallest share of postal transfers: 7.3% by number and 7.0% by volume, as compared to 7.4% and 7.0% in 2019, respectively.

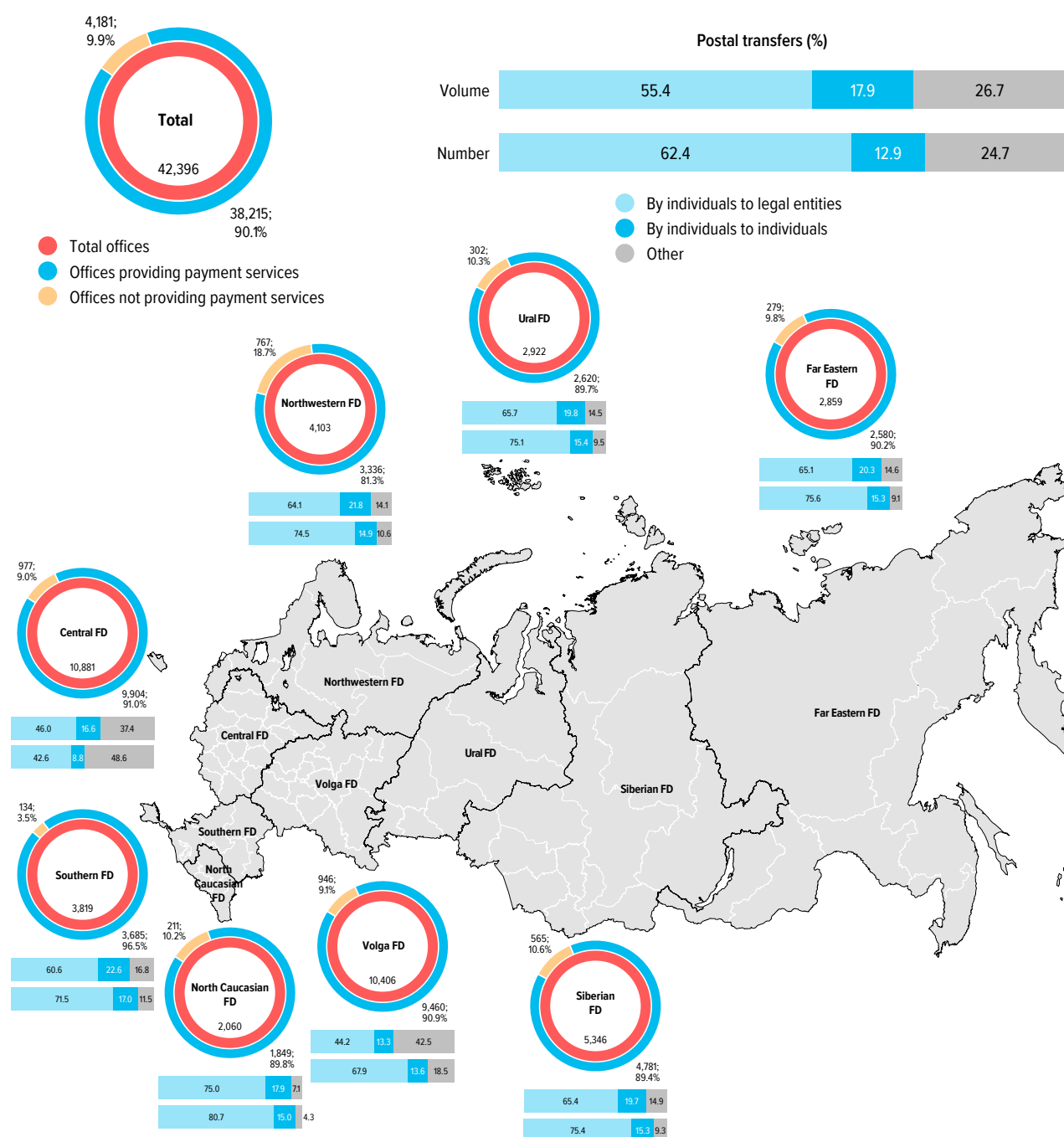
POSTAL TRANSFERS BY JSC RUSSIAN POST IN 2020

Figure 15



DOMESTIC RUSSIAN POSTAL TRANSFERS BY JSC RUSSIAN POST IN 2020

Figure 16



FPOs as a BPA

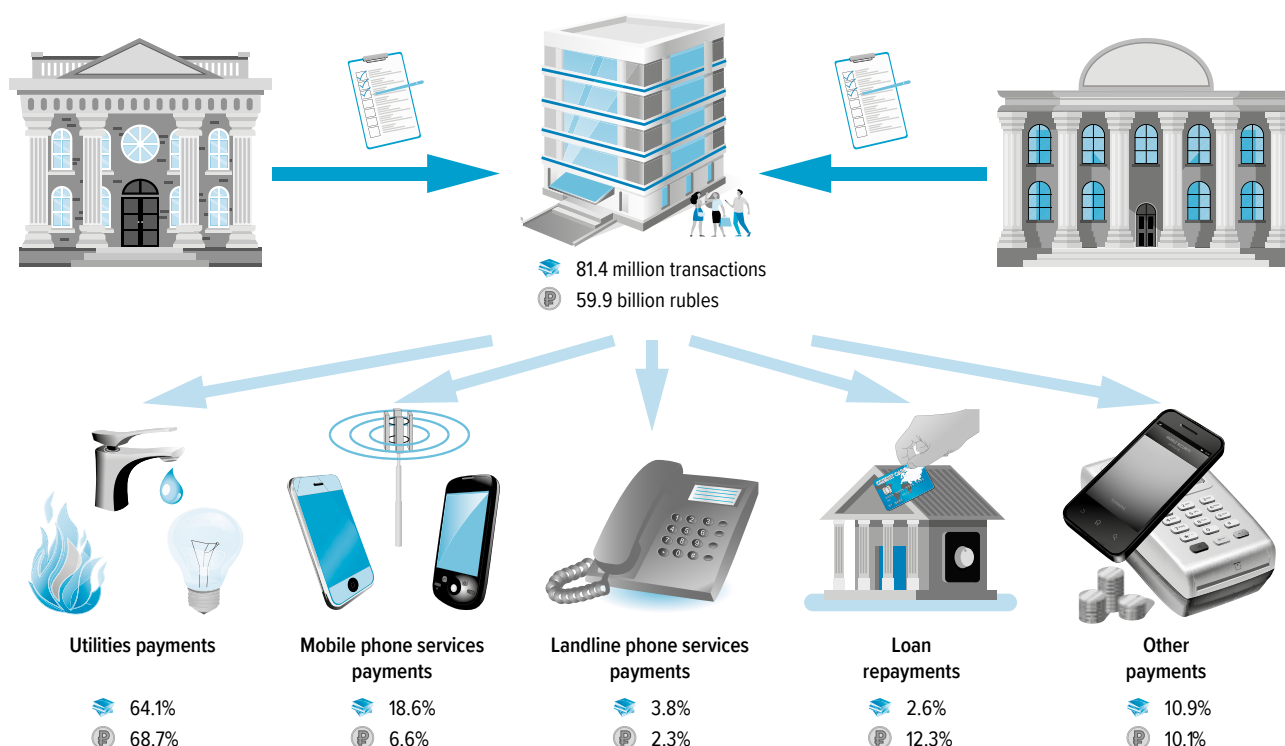
In 2020, JSC Russian Post as a BPA performed 81.4 million transactions totalling 59.9 billion rubles, which is less than in 2019 by 12.4% and 7.2%, respectively (in 2019, there were 92.9 million transactions totalling 64.5 billion rubles). The average payment increased from 695 rubles in 2019 to 736 rubles in 2020.

The number and volume of transactions performed as a BPA decreased in 2020 compared to 2019 due to the epidemiological situation and an increase in funds transfers using payment cards through credit institutions.

The structure of transactions performed by JSC Russian Post as a BPA in 2020 did not change compared to 2019. Payments for utility services accounted for the largest number (64.1%) and

STRUCTURE OF JSC RUSSIAN POST'S TRANSACTIONS AS BPA EXECUTED TO CONDUCT FUNDS TRANSFERS IN 2020

Figure 17



volume (68.7%) of JSC Russian Post's transactions as a BPA, as compared to 63.1% and 69.7% in 2019, respectively (Figure 17).

Broken down by region, the distribution of transactions performed by JSC Russian Post as a BPA in 2020 did not change compared to 2019. The Central FD accounted for the largest number (36.5%) and volume (36.6%) of transactions against 35.7% and 37.6% in 2019, respectively. The Southern FD accounted for the smallest number (1.8%) and volume (2.0%) of transactions against 2.1% and 1.6% in 2019, respectively.

In 2020, FSUE Post of Crimea performed 613,800 transactions totalling 480.2 million rubles as a BPA, which exceeds the corresponding figures for 2019: 3 times by number and 3.3 times by volume (in 2019, there were 205,200 transactions totalling 145.5 million rubles). The average payment increased significantly from 709 rubles in 2019 to 782 rubles in 2020 (increase by 10.3%).

The structure of transactions performed by FSUE Post of Crimea as a BPA in 2020 did not change compared to 2019, with all transactions only conducted to transfer funds to individuals.

The Central Post Office of Sevastopol accounted for the largest number (26.7%) and volume (55.7%) of transactions, while in 2019 this office did not perform transactions as a BPA. In 2019, the Central Post Office of Simferopol accounted for the largest number (30.2%) and volume (29.3%) of such transactions, as compared to 22.6% and 14.4% in 2020, respectively.

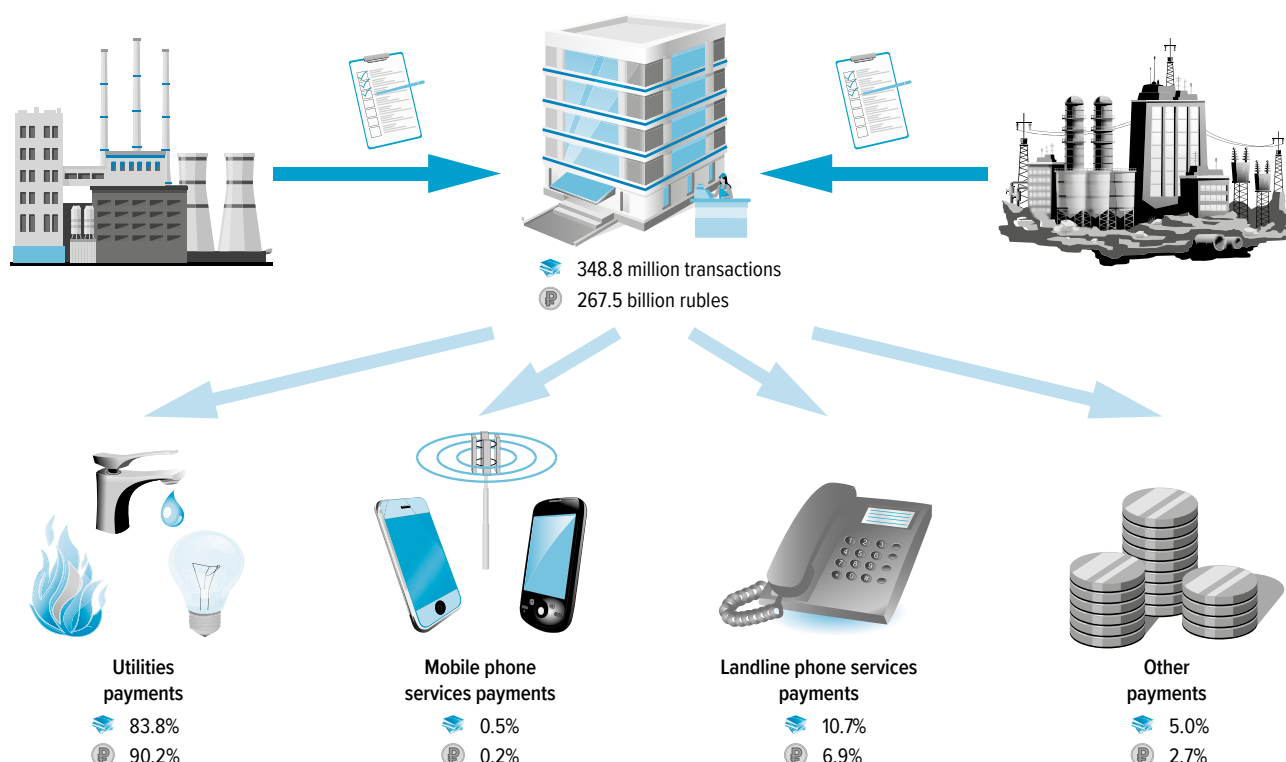
The Central Post Office of Yalta accounted for the smallest number (0.7%) and volume (1.0%) of transactions, against 3.2% and 5.1% in 2019, respectively.

FPOs as a PA

In 2020, JSC Russian Post as a PA accepted 348.8 million payments totalling 267.5 billion rubles, which is less than in 2019 by 9.2% and 8.9%, respectively (in 2019, there were 384.3 million payments totalling 293.7 billion rubles). The average payment increased from 764 rubles in 2019 to 767 rubles in 2020.

STRUCTURE OF JSC RUSSIAN POST'S TRANSACTIONS AS BPA EXECUTED TO CONDUCT FUNDS TRANSFERS IN 2020

Figure 18



The structure of transactions performed by JSC Russian Post as a PA in 2020 did not change compared to 2019. Payments for utility services accounted for the largest number (83.8%) and volume (90.2%) of transactions, as compared to 81.7% and 88.9% in 2019, respectively (Figure 18).

The regional distribution of transactions performed by JSC Russian Post as a PA in 2020 did not change compared to 2019.

The Volga FD accounted for the largest number (31.1%) and volume (27.4%) of accepted payments against 33.2% and 28.6% in 2019, respectively. This is due to the number of offices accepting payments (9,460), comparable to the number of offices in the Central FD (9,904), that are in demand by the households of the district's cities with a population of over one million. The North Caucasian FD accounted for the smallest number (2.2%) and volume (2.9%) of accepted payments, against 2.6% and 3.1% in 2019, respectively.

In 2020, FSUE Post of Crimea as a PA performed 10.9 million payments totalling 7.4 billion rubles, which is 9.3% less than in 2019 by number and 8.1% less than in 2019 by volume (in 2019, there were 12.0 million transactions totalling 8.1 billion rubles). The average payment increased from 672 rubles in 2019 to 681 rubles in 2020.

The structure of transactions performed by FSUE Post of Crimea as a PA in 2020 did not change compared to 2019, with payments for utility services accounting for the largest number (91.5%) and volume (95.3%) of transactions, against 92.1% and 96.9% in 2019, respectively (Figure 19).

Just as before, the units of the Central Post Office of Simferopol accounted for the largest number (25.1%) and volume (26.7%) of transactions performed by FSUE Post of Crimea as a PA (the figures for 2019 were 25.3% and 25.9%, respectively).

The Central Post Office of Yalta (11.2%), the Central Post Office of Feodosia (11.2%), and the Central Post Office of Kerch (11.4%) accounted for the smallest number of transactions performed by FSUE Post of Crimea as a PA (the figures for 2019 were 11.1%, 11.4%, and 10.7%, respectively). The Central Post Office of Kerch accounted for the smallest volume (9.6%) of transactions (the figure for 2019 was 9.1%).

STRUCTURE OF FSUE POST OF CRIMEA'S TRANSACTIONS AS PA IN 2020

Figure 19

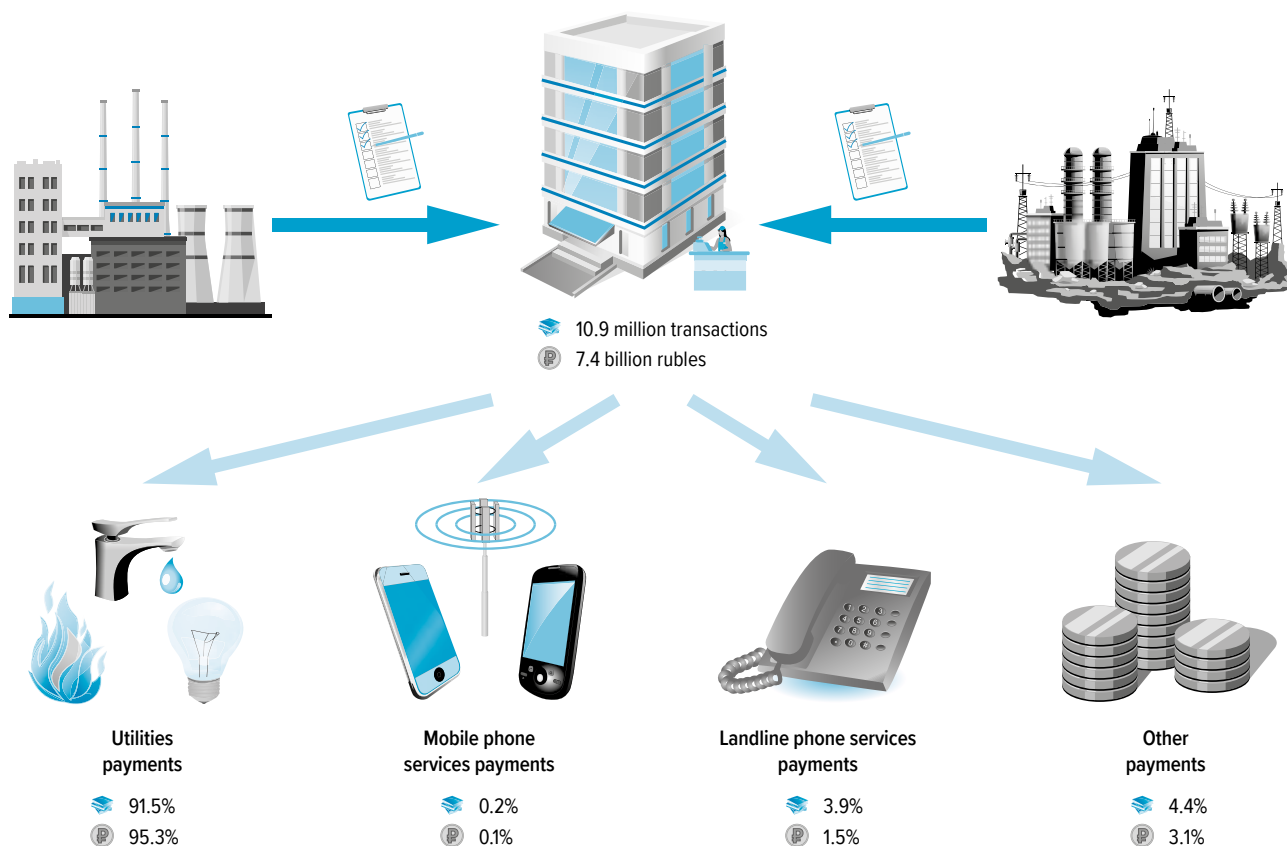
STRUCTURE OF FPOS' PAYMENT SERVICES IN 2020
(%)

Figure 20



The structure of payment services delivered by JSC Russian Post and FSUE Post of Crimea in 2020 remained generally the same as in 2019, with payment acceptance operations conducted as a PA accounting for the largest number and volume of transactions (Figure 20).

The main area of JSC Russian Post and FSUE Post of Crimea's financial activities is acceptance of payments in favour of third parties (payments for utilities, for mobile phone services, Internet providers, as well as to the budget of the Russian Federation).

Thus, transactions to accept individuals' payments conducted as a PA still prevail in the structure of payment services delivered by Federal Post Offices.

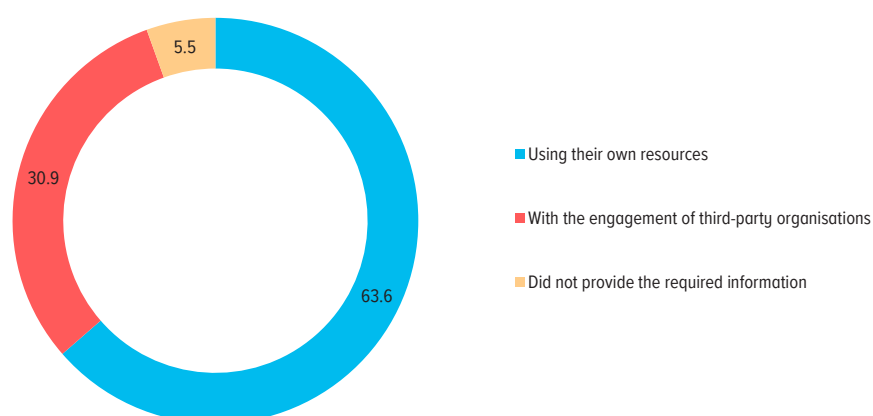
1.2.2.3. Electronic money operators

In 2020, a survey of 55 EMOs on the EMOs' practice in accounting for e-money balances and for performed e-money transfers was conducted.

Most of the surveyed EMOs (35 EMOs) keep records of e-money balances and information on e-money transfers for each client separately, 17 EMOs engaged third-party organisations to account for e-money balances and information on e-money transfers by entering into agreements on the basis of Article 12, Part 7 of the NPS Law (Figure 21).

EMOs' ACCOUNTING FOR E-MONEY BALANCES AND INFORMATION ON E-MONEY TRANSFERS (%)

Figure 21



Organisations that simultaneously perform the functions of an IESO, BPA, PSO, and payment application provider were indicated as the engaged organisations for accounting for e-money balances and information on e-money transfers performed by EMOs.

With respect to the practice of e-money transfers between payers and payees who are the clients of different EMOs, provided for by the provisions of Article 7, Part 8 of the NPS Law, 15 EMOs (27% of the surveyed EMOs) reported that they had technological capacities allowing for e-money transfers to a third-party EMO using their own resources or with the engagement of third-party organisations.

1.2.2.4. Innovations in the payment services market

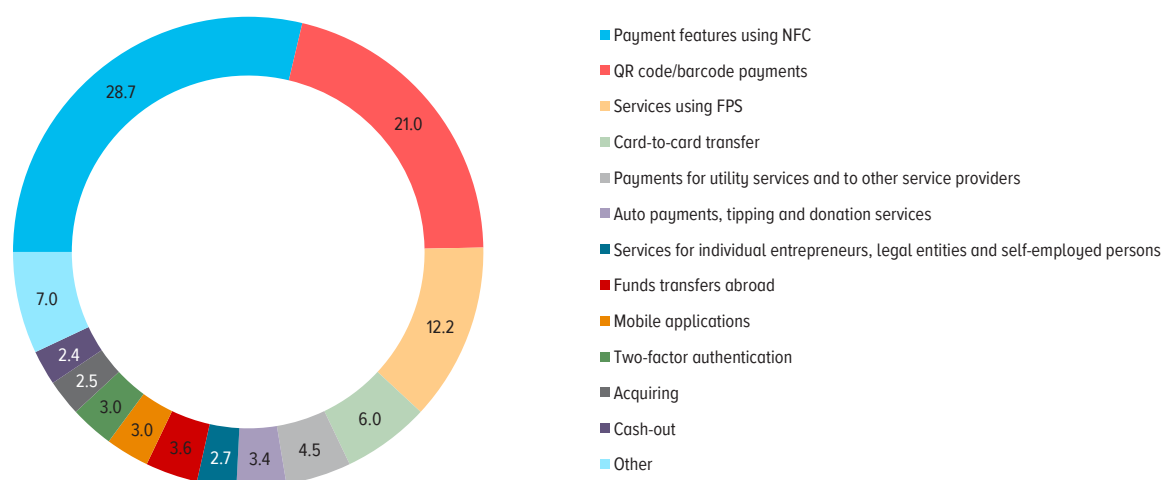
For many years, the key trend in this area has been the development of cashless forms of payment. In 2020, the COVID-19 pandemic accelerated the digitalisation of the payment services market and provided a significant impetus for an increase in the share of contactless payment cards and transactions performed using contactless technology.

The results of the monitoring in the NPS carried out in 2020 showed an active introduction of new features and services by credit institutions in the segments related to the use of contactless payment technology based on NFC chips, payments by a QR code/barcode, and services using the FPS (Figure 22).

Characteristically of 2020, new features and services were provided remotely in the vast majority of cases (89%).

INTRODUCTION OF NEW FEATURES AND SERVICES BY CREDIT INSTITUTIONS
(%)

Figure 22



In 44% of cases, new payment features/services introduced in 2020 were aimed both at individuals and legal entities, including individual entrepreneurs.

In 2020, the number of credit institutions that enable their clients to remotely receive payment cards in non-physical form, which in banking practice are called 'digital cards', grew significantly. Certain credit institutions began to connect their clients to the SoftPos service, which allows accepting cashless payments using a smartphone with an NFC chip, which in some cases is a more convenient and efficient alternative to existing POS terminals and mPOS devices.

There was also a further development of the practice of withdrawing cash from ATMs using contactless technology, as well as using payment cards not only at the cash desks and ATMs of credit institutions, but also through the cash desks of stores when making a purchase of goods (cash-out).

Amid the development trend of cashless forms of payment, the following development areas of the payment services market are particularly noticeable:

- enabling settlements between legal entities using payment instruments traditionally associated with retail payments (for example, bank cards);
- the development of services that allow simplified filling of payment details, in particular, an increase in the share of settlements using tokenised solutions (without the user entering the payment instrument's details);
- an increase in the share of settlements using QR codes;
- the demand for payment solutions using credit mechanisms (payments in instalments, lending).

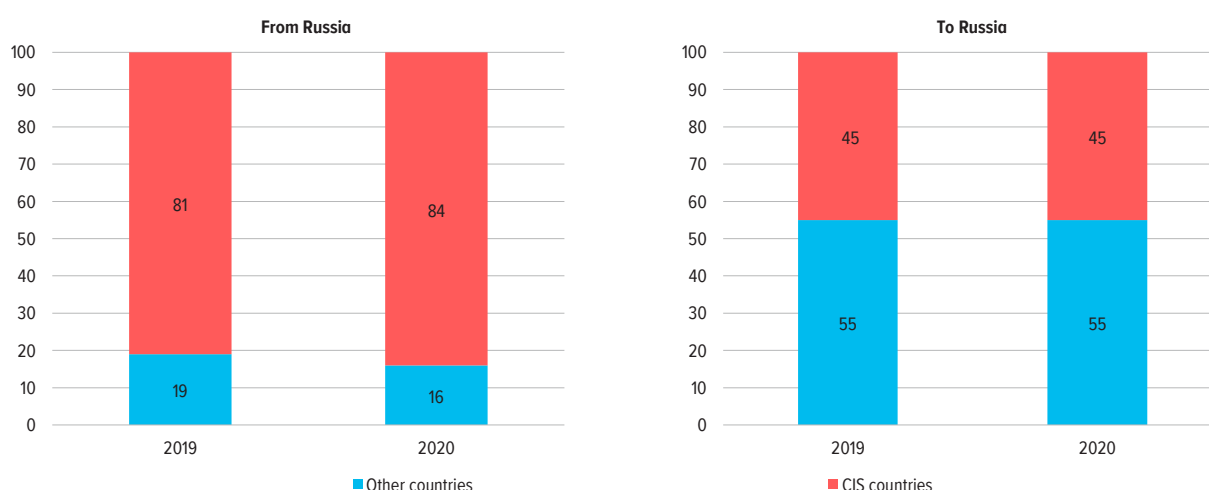
1.3. International cooperation in NPS oversight

In 2020, one of the topical areas of the Bank of Russia's activities was the development of international cooperation with foreign regulators and international organisations in the area of NPS supervision and oversight.

One of the main areas of interaction between the Bank of Russia and the CPMI in 2020 was the exchange of information on the impact of the COVID-19 pandemic on the financial market infrastructure and the enhancement of the efficiency of cross-border payments. The Bank of Russia's experts took part in developing the roadmap for enhancing cross-border payments' efficiency, which was published in October 2020 by the Financial Stability Board and the CPMI,¹⁸ and now they represent the interests of the Bank of Russia in a number of CPMI's Working Groups on the implementation of this Roadmap.

¹⁸ The Roadmap is published on the official website of the Financial Stability Board: www.fsb.org/wp-content/uploads/P131020-1.pdf.

CROSS-BORDER MONEY TRANSFERS (BY VOLUME) THROUGH PAYMENT SYSTEMS AND JSC RUSSIAN POST, BROKEN DOWN BY DESTINATION (%) *Figure 23*



In addition, the representatives of the Bank of Russia took part in the development of a number of CPMI's publications¹⁹ on topical issues in the development of the payment sector at the current stage, including cross-border funds transfers, the impact of digital innovations and global stablecoins on the stability of the international financial system, the use of large-value digital tokens, the feasibility of launching central bank digital currencies, and other topics.

The Bank of Russia also continued to work on the implementation of bilateral agreements previously signed with the central (national) banks of the EAEU member states and the State Bank of Vietnam in the area of supervision and oversight of payment systems in order to exchange experience and study existing approaches in terms of regulation, supervision, and oversight in the NPS.

In view of the significant share of cross-border funds transfers between Russia and the CIS member states²⁰, as well as the demand for the services of Russian payment systems within these states, the Bank of Russia continued discussions with individual central (national) banks of the CIS member states on the forms of further cooperation in the area of supervision and oversight in the NPS.

In 2020, the total volume of cross-border funds transfers made by individuals through payment systems and JSC Russian Post (hereinafter referred to as the "total volume of cross-border transfers") from Russia to the CIS member states equalled 6.2 billion US dollars (84% of the total volume of the main counterparty countries' cross-border funds transfers), while the total volume of cross-border transfers from the CIS member states to Russia equalled 1.4 billion US dollars (45% of the total volume of the main counterparty countries' cross-border funds transfers). In 2019, these volumes totalled 6.1 billion US dollars (81% of the total volume of the main counterparty countries' cross-border funds transfers) and 1.5 billion US dollars (45% of the total volume of the main counterparty countries' cross-border funds transfers), respectively (Figure 23).

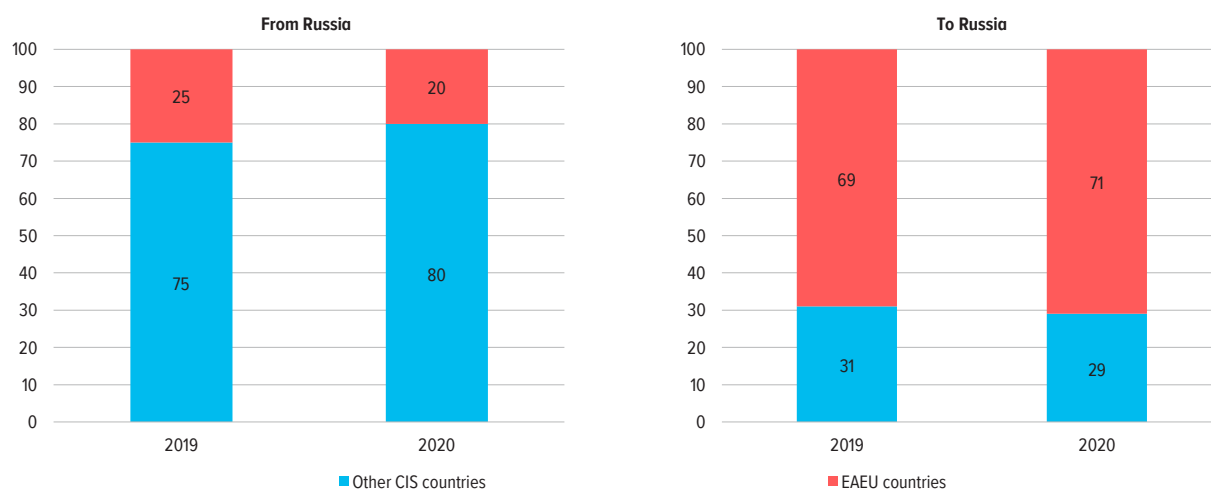
In 2020, the share of the member states of the Eurasian Economic Union²¹ (EAEU: Armenia, Belarus, Kazakhstan, and Kyrgyzstan) accounted for 20% of the total volume of cross-border funds

¹⁹ The publications are made available on the official website of the Bank for International Settlements: www.bis.org/cpmi/pubs/index.html.

²⁰ In 2019, the total volume of cross-border transfers between Russia and the CIS member states accounted for 70% of the total volume of cross-border transfers, as compared to 72% in 2020. In 2020, the largest volume of cross-border funds transfers was carried out between Russia and the Republic of Uzbekistan and equalled 2.5 billion US dollars (33% of the total volume of cross-border funds transfers between Russia and the CIS member states), while the volume of cross-border funds transfers between Russia and the Republic of Tajikistan equalled 1.8 billion US dollars (23%).

²¹ In 2019, the total volume of cross-border funds transfers between Russia and the EAEU member states equalled 33% of the total volume of CIS member states' cross-border funds transfers, as compared to 30% in 2020.

CROSS-BORDER FUNDS TRANSFERS (BY VOLUME) THROUGH PAYMENT SYSTEMS AND JSC RUSSIAN POST BETWEEN RUSSIA AND EAEU MEMBER STATES (%) *Figure 24*



transfers made from Russia to CIS member states (1.3 billion US dollars) and 71% of the total volume of cross-border funds transfers made from CIS member states to Russia (1 billion US dollars).

In 2019, these figures totalled 1.5 billion US dollars (25% of the total volume of cross-border funds transfers made from Russia to CIS member states) and 1 billion US dollars (69% of the total volume of cross-border funds transfers made from CIS member states to Russia), respectively (Figure 24).

In October 2020, the Bank of Russia held an annual international online seminar with the participation of the central (national) banks of the EAEU countries (Kazakhstan, Uzbekistan, Belarus, Tajikistan and Kyrgyzstan), as well as representatives of the payment services market (National Settlement Depository (NSD) and NSPK).

The webinar discussed the following issues:

- the legal framework and practical aspects of the activities of central (national) banks for supervision and oversight in the NPS;
- current projects of central (national) banks in the area of the NPS; and
- new challenges and prospects for the development of the global payment services market, as well as the impact of the COVID-19 pandemic on the functioning of the Russian payment services market.

The issues discussed during the webinar showed similar approaches to regulation, supervision, and oversight in the NPS. During the webinar, the colleagues also received answers to their questions.

II. OVERSIGHT OF IMPORTANT PAYMENT SYSTEMS IN 2020

The Bank of Russia assesses systemically and socially important payment systems for compliance with the PFMI international standard. Each payment system classified as systemically or socially important is subject to assessment by the Bank of Russia at least once every three years.

In 2020, as part of the third cycle of IPSs' assessments for their compliance with the PFMI, the Bank of Russia assessed three payment systems, two systemically important ones (the Bank of Russia payment system and the NSD payment system) and one socially important one (KoronaPay PS).

This Section of the Overview presents a description of the payment systems that have undergone the assessment procedure, outlines the main results of the assessments, and provides the key recommendations received by payment system operators based on the assessments in question.

2.1. Overview of the IPSs assessed in 2020 and the results of their assessment for compliance with the PFMI

Bank of Russia Payment System (BRPS)

The BRPS is the main mechanism for the implementation of the monetary and fiscal policies of the Russian Federation. The Bank of Russia is the operator as well as the operation, payment clearing, and settlement centre of the BRPS.

In the BRPS, as part of the speedy funds transfer service and the non-speedy funds transfer service on business days from 1:00 a.m. to 9:00 p.m. Moscow time, funds transfers are performed in Russian rubles by orders of credit institutions, clients of the Bank of Russia that are not credit institutions, and divisions of the Bank of Russia.

The funds transfers in the BRPS are performed at the expense of funds in bank accounts opened with the Bank of Russia, accounting for the limit applying to intraday lending and overnight lending, if it is set or is to be set by the Bank of Russia for the correspondent account (sub-account) of the credit institution (or its branch) participating in the BRPS. Moreover, the settlement period of the regular session is set for the period from 8:00 p.m. to 9:00 p.m. Moscow time, when only a limited list of transactions is performed in the BRPS (settlement of claims and obligations between banks, standing facilities of the Bank of Russia, etc.).

In addition, the BRPS ensures the completion of settlements for transactions performed in organised trading, as well as the completion of settlements between participants in the payment services market for transactions performed using payment cards in the Russian Federation.

On 28 January 2019, a new BRPS service, the Faster Payment System (FPS), was launched, allowing clients of credit institutions to instantly (24/7) perform interbank funds transfers using a mobile phone number, sending funds to themselves or to others. NSPK JSC is the FPS's operation and payment clearing centre.

NSD payment system (NSD PS)

The NSD PS is part of MOEX's post-trade infrastructure and plays a special part in the national payment system. In the Russian Federation, the NSD PS provides a platform for funds transfers performed for transactions concluded in on-exchange trading and in the over-the-counter market, as well as for transactions under the Bank of Russia's funds transfers when refinancing credit institutions and performing open market operations.

Funds transfers in the NSD PS are performed in the currency of the Russian Federation and in foreign currencies, in particular, in pounds sterling, US dollars, and euros.

The National Settlement Depository, being the operator of the NSD PS, simultaneously performs the functions of the operation, payment clearing and settlement centres in the NSD PS, and is also the funds transfer operator.

Payment clearing and settlement in the NSD PS are carried out in real time with the payment clearing position being determined on a gross basis.

National Settlement Depository provides an opportunity for settlements on DVP terms using correspondent accounts of clearing members and clients of clearing members opened with the Bank of Russia: settlements using the DVP-1 model have been available in the National Settlement Depository since 2015, and settlements using the DVP-2 and DVP-3 models have been available to the National Settlement Depository's clients since 10 January 2020. One of the main factors that make using this feature truly convenient is the absence of the requirement for both clearing members to have trading bank accounts with the National Settlement Depository (settlements can be carried out both between the accounts of clearing members opened with the Bank of Russia, and between the accounts of clearing members, one of which is opened with the Bank of Russia, and the other is with the National Settlement Depository).

KoronaPay payment system (KoronaPay PS)

The KoronaPay PS is a set of payment services and organisations interacting pursuant to the KoronaPay PS Rules in order to provide services for the implementation of funds transfers under the KoronaPay PS Services (KoronaPay Money Transfers Service (KoronaPay MT) and KoronaPay Bank Card Service (KoronaPay BC)).

Credit Union 'Payment Center' Ltd is the operator, the settlement centre and a payment clearing centre of the KoronaPay PS, and CJSC Zolotaya Korona is the second payment clearing centre of the KoronaPay PS.

Within the KoronaPay MT Service, funds transfer services are carried out without opening a bank account, including cross-border funds transfer services provided to individuals by accepting and issuing cash.

Within the KoronaPay BC Service, payment cards are issued and serviced (acquired) in order to provide funds transfer services.

The KoronaPay PS operates in the Russian Federation, as well as the Republic of Azerbaijan, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Moldova, the Republic of Uzbekistan, the Kyrgyz Republic, and Georgia.

The results of the IPSs' assessment for compliance with the PFMI

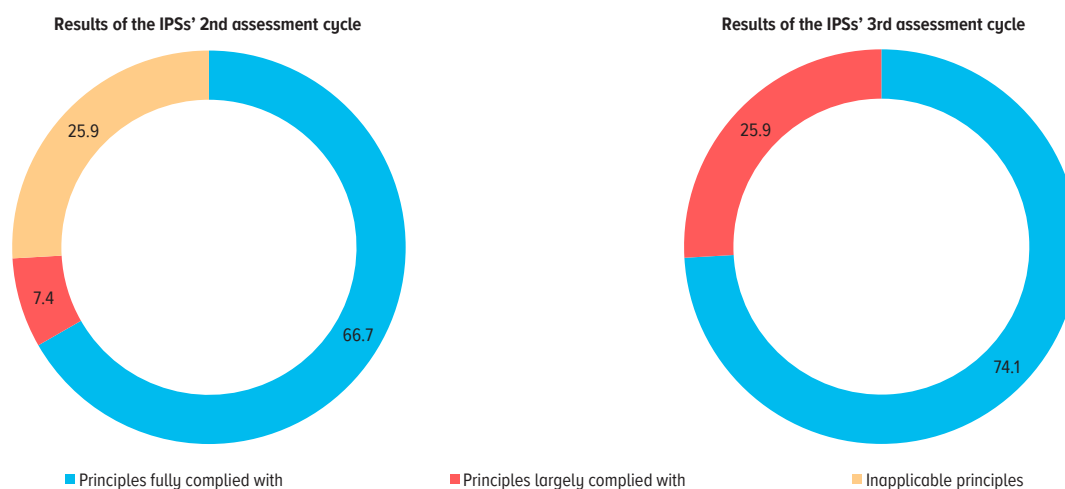
The assessments of the BRPS, NSD PS and KoronaPay PS have confirmed that the payment systems comply with the international standard. All three payment systems received the highest ratings for compliance with the principles applicable to them.

The upgrade of the ratings indicates that the payment system operators are guided by international standards and attach great importance to their risk management systems.

When assigning the final rating of compliance with the assessed principles, both the current organisation of the work of the payment system operators in managing the payment systems and the results of the implementation of the Bank of Russia's recommendations following the results of the previous assessment cycle were taken into account.

AGGREGATED ASSESSMENT RESULTS OF BRPS, NSD PS, AND KORONAPAY PS (%)

Figure 25



Comparative assessment results of the BRPS, NSD PS, and KoronaPay PS are shown in Figure 25 in aggregated form¹.

Despite the highest ratings of compliance with the PFMI, the Bank of Russia issued recommendations to the payment system operators in order to further improve their activities.

The summarised results of the assessments carried out have been published by the Bank of Russia in the form of press releases on its official website (Annex 5).

2.2. PFMI implementation in the IPSs assessed by the Bank of Russia

Bank of Russia Payment System

Payment system organisation (*Principle 1: Legal basis and Principle 2: Governance*).

The BRPS Rules are determined by Bank of Russia Regulation No. 732-P² and other regulations of the Bank of Russia.

Legal certainty in all aspects of the functioning of BRPS in the jurisdiction of the Russian Federation is ensured by the issuance of Bank of Russia regulations, which establish the BRPS rules on the basis of the NPS Law, in strict accordance with the procedure for preparing the Bank of Russia regulations.

In accordance with the BRPS³ Management Policy, the purpose of the BRPS management is to ensure the uninterrupted functioning of the BRPS and the effectiveness of participation in the BRPS while maintaining a level of the functioning and efficiency of the BRPS that is acceptable for the Bank of Russia.

The BRPS management system comprises the Bank of Russia's National Financial Board, the Bank of Russia Board of Directors, the Bank of Russia Governor, First Deputy Governors of the Bank of Russia, Deputy Governors of the Bank of Russia, the Risk Management Committee of the BRPS, Commission for the Prevention, Identification and Management of Conflicts of Interest in

¹ Principles that socially important payment systems are not assessed against are also included in the category of inapplicable principles.

² Throughout the period being assessed, Bank of Russia Regulation No. 595-P, dated 6 July 2017, 'On the Bank of Russia Payment System' was in force.

³ Bank of Russia Order No. OD-2161, dated 31 July 2017, 'On the Enactment of the Bank of Russia Payment System Management Policy'.

the Exercise by the Bank of Russia of the Functions Provided by Federal Laws, divisions of the Bank of Russia performing the functions of the Operator of BRPS and the operator of payment infrastructure services, and the Bank of Russia Chief Auditor's Office.

Payment system risk management (*Principle 3: Framework for the comprehensive management of risks, Principle 4: Credit risk, Principle 5: Collateral, Principle 7: Liquidity risk, Principle 15: General business risk, Principle 16: Custody and investment risks, and Principle 17: Operational risk*).

The Bank of Russia has issued regulations and other documents (including internal documents) that define the BRPS risk management framework: Bank of Russia Regulation No. 732-P (with regard to interaction in disputable and emergency situations), Bank of Russia Regulation No. 738-P, dated 27 October 2020 'On the Procedure for Ensuring Smooth Functioning of the Bank of Russia Payment System'⁴, other Bank of Russia regulations not subject to official publication, the BRPS Management Policy, and the BCR Plan.⁵

In order to manage the risks inherent in BRPS, the Bank of Russia implements a set of measures:

- settlements in the BRPS are completed by the end of the operation day;
- funds transfers are performed at the expense of funds on the accounts of BRPS participants, in particular accounting for the intraday lending and overnight credit limit, as well as at the expense of funds pooled in the liquidity pool;
- the sequence of BRPS participants' orders is changed in the intraday queue;
- providing intraday and overnight lending is enabled;
- BRPS's operations are monitored.

Credit risk and collateral management

One of the inherent risks of the BRPS is the credit risk that arises for the BRPS participants.

The main ways to mitigate the credit risk inherent in intraday and overnight lending by the Bank of Russia are the following:

- only admitting financially stable credit institutions to these transactions;
- the Bank of Russia setting limits on credit institutions performing these transactions.

Also, a way to compensate for the credit risk is providing collateral in respect of the relevant loans granted by the Bank of Russia.

Currently, the following assets can be used as collateral for the Bank of Russia's intraday loans and overnight loans:

- securities included in the Bank of Russia Lombard List.
- credit claims (non-marketable assets) entered into by credit institutions with organisations of the non-financial sector of the Russian economy, constituent entities of the Russian Federation and municipalities that meet the requirements of the Bank of Russia.

Liquidity risk

As the central bank, the Bank of Russia is the only body issuing the currency of the Russian Federation and is financially stable. At any time, it is able to make a settlement within the BRPS (fulfil its payment obligation to BRPS participants) and is not subject to liquidity risk, and so the settlement asset (funds on the accounts of BRPS participants) is not subject to default.

Lack or deficit of liquidity among the BRPS participants is the main source of liquidity risk in the BRPS, since it creates threats for other participants (non-receipt of liquidity through counter payments) and for the BRPS as a whole.

The application of measures for managing the BRPS's risks allows minimising the liquidity risk arising in the BRPS from its participants.

⁴ Throughout the period being assessed, Bank of Russia Regulation No. 680-P, dated 27 March 2019, 'On the Procedure for Ensuring Smooth Functioning of the Bank of Russia Payment System with Regard to Speedy and Non-Speedy Funds Transfers when Placing Electronic Funds Transfer Orders via Communication Channels' was in force.

⁵ An action plan aimed at ensuring the continuity of the provision of the BRPS services in accordance with the BRPS rules.

Operational risk

The BRPS operational risk management is carried out as a part of activities ensuring the SFPS and includes, in particular, information and physical security risk management.

On an ongoing basis (quarterly, annually), an analysis of the availability of the BRPS is carried out in order to establish the reasons that had the greatest negative impact on the deviation of the availability coefficient from its maximum possible value (100%). Besides, transition to the backup solution for the functioning of the BRPS is tested on a quarterly basis.

In the period being assessed, the Bank of Russia developed a BCR Plan containing the distribution of roles between the cooperating participants with the aim of coordinating activities in the implementation of the actions provided for by the plan.

Information security issues in the BRPS are covered by regulations and other rules of the Bank of Russia, as well as by a set of national and industry standards.

Physical security issues in the BRPS are considered as part of the unified integrated security policy of the Bank of Russia. Access control to the BRPS facilities is carried out using various organisational measures and technical means.

Principle 15 and Principle 16 are not applicable to the BRPS.

Settlement in the payment system (*Principle 8: Settlement finality, Principle 9: Money settlements, Principle 12: Exchange-of-value settlement systems, and Principle 13: Participant-default rules and procedures*).

The funds transfers in the BRPS are performed at the expense of funds in bank/correspondent account (sub-account) of a BRPS participant opened with the Bank of Russia, accounting for the intraday lending and overnight credit limit, if it is set by the Bank of Russia for the correspondent account (subaccount) of the credit institution (its branch) / the main participant of the liquidity pool.

Settlements in the BRPS are carried out in Central Bank money.

The points at which a fund transfer becomes irrevocable, unconditional and final are determined by Bank of Russia Regulation No. 732-P.

When assessing the possibility of challenging transactions performed by credit institutions participating in the BRPS, in particular in the event of bankruptcy procedures (bankruptcy prevention) with respect to them, the Bank of Russia does not become obligated to the payee of the funds transfer, since the grounds for making the disputed funds transfer arise between the payer and the payee.

In the BRPS, proactive mechanisms have been implemented to prevent a situation of a participant's default (controls of the adequacy of funds in the participant's accounts, maintaining an intraday queue of pending orders, setting priorities for orders in an intraday queue, setting limits, providing credit, using the liquidity pool, as well as real-time monitoring of the BRPS).

If the participant is unable to exchange electronic messages via communication channels, interaction between the Bank of Russia and the client of the Bank of Russia can be carried out through the Bank of Russia division servicing the participant's account and/or the Bank of Russia division specified in the exchange agreement, by way of sending information by the client to the Bank of Russia on alienable electronic or paper media.

Principle 12 is not applicable to BRPS.

Access to payment system services, payment system efficiency, payment system information disclosure (*Principle 18: Access and participation requirements, Principle 19: Tiered participation arrangements, Principle 21: Efficiency and effectiveness, Principle 22: Communication procedures and standards, and Principle 23: Disclosure of rules, key procedures, and market data*).

The organisations that are required to be or may be participants of the BRPS, the types of participation, as well as the criteria for participation are determined by the requirements of the laws

of the Russian Federation and established by the regulations of the Bank of Russia. This ensures objectivity and impartiality in providing participants with access to the BRPS.

The BRPS provides for direct and indirect participation.

There were no indirect participants in the BRPS in the period being assessed, and therefore the assessment of the risks to which the BRPS may be exposed due to the tiered participation arrangements (indirect participation) was not carried out (**assessment of Principle 19: not applicable**).

In order to meet the needs of participants and other stakeholders, the Bank of Russia implemented a variety of activities within the BRPS, including the following:

- The schedule of the BRPS operations has been expanded.
- The concentration of large payments in the speedy funds transfer service has been ensured.
- Centralised access of clients to the BRPS services has been implemented.
- Legal entities that participate in on-exchange trading and/or clearing have been provided with access to the BRPS to complete the settlements on their transactions in the financial market.
- The technical possibility of making conditional transfers and receiving orders for funds transfers in the form of registers of clearing-house positions from external payment systems/clearing houses has been implemented in order to supplement the settlement mechanism on the 'delivery-versus-payment' terms under the DvP-2 and DvP-3 models.
- A procedure has been defined that sets the time limit for the provision of payment infrastructure services when transferring funds through the BRPS.
- The faster payments service has been implemented.

The procedure for assessing the BRPS's efficiency and effectiveness is spelled out in an internal document of the Bank of Russia that provides for a quantitative calculation of the values of the efficiency and effectiveness indicators of the BRPS and their comparison with the corresponding threshold values.

The assessment of the degree of achievement of the goals set and the implementation of the tasks will be carried out annually, while the first assessment will be carried out based on the results of the BRPS functioning for 2021.

The exchange of electronic messages in the BRPS is carried out through the Bank of Russia transport gateway. The message formats used in the Bank of Russia transport gateway are defined in a publicly available document, the UFEBM (Unified Formats of Electronic Banking Messages) Album. The exchange of BRPS participants with NSPK when making funds transfers in the FPS is carried out using electronic messages pursuant to the international standard ISO 20022.

Over the period being assessed, interoperability with the international procedures for the transmission of SWIFT messages was ensured through the establishment of procedures for conversion and transmission of the corresponding messages to the UFEBM.

The Bank of Russia is implementing a project to introduce financial messaging standards to the BRPS that would comply with the international standard ISO 20022. The project directly affects the BRPS functioning and is to be integrated into its functionality in 2024–2025.

Thus, the BRPS has been adapting international messaging procedures and introducing international messaging standards.

The list of Bank of Russia regulations that make up the BRPS rules is published on the Bank of Russia website in its "National Payment System" section, "Bank of Russia payment system" subsection.

The terms of the correspondent (bank) account (sub-account) agreement and the terms of the exchange agreement are communicated to BRPS participants in the form of letters from the Bank of Russia, and are also published on the Bank of Russia website.

The Bank of Russia regulations that define the BRPS rules contain the necessary and sufficient information for the participants to assess the risks associated with their participation in the BRPS.

The BRPS rules are clear and understandable for the participants, which was confirmed by a survey of participants on their satisfaction with the BRPS services conducted in 2019.

As part of the implementation of the recommendations received following the results of the previous assessment of the BRPS, the Bank of Russia has carried out a variety of activities, including the following:

- Finalisation of the BRPS rules with regard to defining the risk management framework in the BRPS and the procedure for ensuring the SFPS (Bank of Russia Regulation No. 680-P was issued).
- Updates of the list of documents defining the BRPS rules on the Bank of Russia website (work on updating the documents is carried out on an ongoing basis).
- Analysis of the impact of the BRPS functioning on the activities of its participants, NSPK, financial market infrastructure institutions (National Settlement Depository, National Clearing Centre), critical service providers, as well as the impact of the activities of BRPS participants and listed organisations on the SFPS. Based on the findings of the analysis, significant risks were identified, the sources of which may be the actions of BRPS participants, and it was also established that BRPS participants, in view of the applied response measures, do not affect the SFPS.
- Analysis of the adequacy of legal protection for funds transfers performed on a gross basis, in particular in the event that a bankruptcy procedure is applied to a BRPS participant.
- Survey of participants on the BRPS functioning issues in order to assess the participants' satisfaction with services and determine the areas of the BRPS improvement.

NSD Payment System

Payment system organisation

The main document regulating the functioning of the NSD PS is the NSD PS Rules. The NSD PS Rules disclose all significant aspects of the NSD PS's activities established by Articles 20 and 24 (for systemically important payment systems) of the NPS Law and Bank of Russia Ordinance No. 2832-U, dated 9 June 2012, 'On the Specifics of Payment System Rules Which Regulate Funds Transfer Transactions in Organised Trading'.

Certain issues of risk management are disclosed in the internal documents of the Operator.

The NSD PS Rules, as well as the amendments thereto, are approved by the order of the Chairman of the Executive Board and are subject to submission to the Bank of Russia for verification of compliance with the requirements of the NPS Law and Bank of Russia regulations adopted in accordance therewith, and subsequent approval.

The structure and functions of the governing bodies of the National Settlement Depository are determined in accordance with Federal Law No. 208-FZ, dated 26 December 1995, 'On Joint Stock Companies'. The governing bodies of the National Settlement Depository are the General Meeting of Shareholders (the supreme governing body), the Supervisory Board, as well as the Chairman of the Executive Board (sole executive body) and the Executive Board (collegial executive body).

Under the Executive Board, a collegial body has been established, the Risk Management Committee for the NSD PS, whose major objective is to consider proposals and develop recommendations for the executive governing bodies of the National Settlement Depository on risk management in the NSD PS.

Information about the governance mechanisms of the National Settlement Depository (including the number of members of its governing bodies) is disclosed on the official website of the National Settlement Depository.

Payment system risk management

The assessment has established that the NSD PS risk management is integrated into the risk management framework of the National Settlement Depository in its capacity as a credit institution.

Procedural issues of risk management are disclosed in the NSD PS Rules, as well as in the internal documents of the National Settlement Depository.

With regard to the payment system area of activities, the NSD PS Rules highlight the inherent risks of the NSD PS: compliance risk, legal risk, operational risk, settlement risk, and business continuity risk.

In order to prevent possible adverse consequences that may result from risks (if those are realised), as well as to ensure the smooth functioning of the NSD PS, the National Settlement Depository has identified significant risks, the management of which is in the special focus of the National Settlement Depository. These risks for the National Settlement Depository at large, in view of the various functions performed by the National Settlement Depository in the financial market, are operational risk, credit risk, market risk, and liquidity risk.

Given the specifics of the NSD PS's functioning, credit risk it is not on the list, since no lending is provided to the NSD PS participants.

The National Settlement Depository carries out stress testing of its risks, and has developed mechanisms for maintaining financial stability (self-recovery) aimed at maintaining the continuity of services in the event of its financial condition deteriorating.

Liquidity risk

The NSD PS Rules classify liquidity risk as a settlement risk, which is understood as the risk of a party's failure to fulfil one or more settlement obligations to its counterparties, i.e. the risk that the expected settlement in the NSD PS will not be completed on time or at any time in the future. The reason for the realisation of the settlement risk may be the lack or deficit of liquidity of certain NSD PS participants.

To prevent the realisation of settlement risk, the NSD PS Rules provide for the following risk management methods: irrevocability, unconditionality and finality of payment are established; and payments by an NSD PS participant are made within the limits of the participant's available liquidity.

General business risk

The National Settlement Depository defines general business risk as the risk of events and/or losses that may have a negative impact on financial stability and ability to continue providing services, in particular due to ineffective implementation of the business strategy and/or the occurrence of unforeseen expenses in the course of providing services.

At the same time, this risk in the activities of the National Settlement Depository may arise as a result of other types of risk realisation.

The procedures used by the National Settlement Depository for calculating the amount of economic capital as well as stress testing of risks, and the measures developed to maintain financial stability (among which the availability of financing from the Moscow Exchange Group of Companies and the Bank of Russia can be highlighted) testify to the sufficiency of measures used by the National Settlement Depository to manage general business risk.

Operational risk

The operational risk management process of the National Settlement Depository includes the stages of identification, analysis, assessment, response, monitoring, and preparation of internal reporting. The National Settlement Depository has identified the sources of operational risks and has compiled lists of processes whose interruption could have critical consequences.

Key risk indicators (KRIs), the NSD PS functioning indicators, and their threshold values are established to monitor the level of operational risk of the National Settlement Depository.

The business continuity support system provides for compiling BCR Plans for the National Settlement Depository and its divisions that are subject to regular testing. In accordance with its BCR Plan, the National Settlement Depository determines the business processes that are subject

to mandatory first-priority recovery in the reserve office and sets the target recovery time. The recovery time for the NSD PS is set at 2 hours.

Physical and information security management in the National Settlement Depository is carried out on the basis of internal documents developed in accordance with national and Bank of Russia standards.

Principles 4, 5, 16 are not applicable to the NSD PS.

Settlement in the payment system

Funds transfers within the NSD PS are carried out in real time, during the operating day, which ensures that the settlement is finalised on the day of its implementation.

When assessing the NSD PS for compliance with Principle 9: Money settlements, aspects of banking risk management associated with the settlement centre of the NSD PS as a credit institution were considered.

The NSD PS participants are exposed to credit risk and liquidity risk of the settlement asset, represented by the funds held in bank accounts opened by them with the NSD PS settlement centre. These risks can be realised and apply to the participants of the NSD PS in the event of a violation of the financial stability of the National Settlement Depository, which, in turn, may be due to the realisation of the corresponding banking risks of the National Settlement Depository.

As noted earlier, the National Settlement Depository has developed effective procedures to prevent incidents of financial stability violations. In accordance with the requirements of Bank of Russia Instruction No. 129-I, dated 26 April 2006, 'On Banking Operations and Other Transactions of Non-Bank Settlement Credit Institutions, Required Ratios for Non-Bank Settlement Credit Institutions and the Specifics of Bank of Russia Oversight of Compliance with These Requirements,' the National Settlement Depository may carry out a limited list of banking operations. In addition, for the National Settlement Depository, as a settlement non-bank credit institution, a number of mandatory standards are provided, including standards relating to liquidity management. Taken together, these measures help to reduce the likelihood of banking risks in the activities of the National Settlement Depository.

The client institutions that are clients of the National Settlement Depository can complete settlements on transactions in financial markets using the funds on their correspondent accounts with the Bank of Russia. When funds are transferred through accounts with the Bank of Russia, credit and liquidity risks are minimised.

One of the specific principles against which the NSD PS is assessed is Principle 12: Exchange-of-value settlement systems.

In the NSD PS, cash settlement is carried out under orders received from the clearing house for interrelated obligations (DVP-1, DVP-2, and DVP-3 models) on a gross basis.

To enact controls of cash settlements within the NSD PS when transferring securities, a transaction order is provided, which is executed by the NSD PS payment clearing centre provided that:

- a) there are DEPO orders in the National Settlement Depository for the transfer of securities provided by the clients that are parties to the transaction;
- b) the DEPO account of the client receiving funds, specifically the section from which the transfer is made, contains securities in an amount sufficient for the execution of the accepted DEPO order;
- c) there is a sufficient amount of funds in the sending client's bank account.

The DEPO order is executed after receiving information about the execution of the transaction order in real time.

Thus, in the NSD PS, the finality of settlements for an obligation is ensured only if the finality of settlements for the interrelated obligation occurs as well.

The National Settlement Depository also pays significant attention to managing situations in which a NSD PS participant, for one reason or another, cannot immediately fulfil its obligations in the payment system.

In the event of an operational default of a participant, interaction with the National Settlement Depository can be carried out by sending funds transfer instructions in hard copy.

In case of insufficient funds in the accounts of National Settlement Depository participants, it is possible to maintain an intraday queue of pending orders, where orders of NSD PS participants, in case of insufficient funds, are placed for the execution of these orders.

Orders that have not been executed during the current Operating Day of the NSD PS due to insufficient funds in the NSD PS participant's account following the end of the current Operating Day shall be subject to return (cancellation) subject to the requirements of the laws of the Russian Federation.

Access to payment system services, payment system efficiency, payment system information disclosure

The NSD PS provides only direct participation (***Principle 19 is not applicable to the NSD PS***). Direct Participants of NSD PS are organisations that have joined the NSD PS Rules and entered into a Bank Account Agreement.

The NSD PS Rules provide for the suspension of participation and termination of participation in the NSD PS.

Upon suspension or termination of participation in the NSD PS, a participant can make funds transfers on the basis of orders outside the NSD PS functionality on the basis of the Bank Account Agreement.

The NSD PS provides equal and fair access to payment system services for various types of organisations, and applies objective and well-defined procedures for suspension/termination of participation in the NSD PS.

The efficiency of the NSD PS is determined by factors that take into account its structure, payment clearing and settlement scheme, the range of services for which payment clearing and settlement are carried out, and its convenience for participants.

The NSD PS, being part of the post-trade infrastructure of the Moscow Exchange Group, meets the needs of its participants by providing them with the opportunity to transfer funds across a wide range of transactions in various currencies.

Timely identification of changes in the needs of financial market participants is facilitated by: committees created under the governing bodies of the National Settlement Depository for various areas of the organisation's activities; annual survey of the client satisfaction index; analysis of the demand for services and the availability of services for working with clients (accepting clients for service, connecting to the services of the National Settlement Depository, and ongoing customer service).

The effectiveness of the NSD PS is determined by achieving the strategic goals and objectives of the National Settlement Depository. The achievement of goals and objectives is monitored in the model of corporate and personal KPIs.

The procedure for organising the exchange of electronic documents when providing settlement services in the NSD PS is established by the Electronic Data Interchange (EDI) Rules of the National Settlement Depository.

To interact with Russian and foreign clients and correspondents (including international settlement and clearing institutions Euroclear and Clearstream), the NSD uses international SWIFT standards for message transmission. When transmitting messages via SWIFT, the National Settlement Depository uses the ISO 15022 and 20022 formats.

Thus, the NSD PS uses international procedures and standards for transmission of financial messages.

The National Settlement Depository ensures the completeness of the NSD PS information disclosure by publishing documents regulating the procedure for the NSD PS's operations on its official website.

As part of the implementation of the recommendations received following the results of the previous assessment of the NSD PS, the National Settlement Depository, among other things, has carried out the following activities:

- The involvement of representatives of the Bank of Russia, the Moscow Exchange (in particular as a provider of network infrastructure and a lessor of backup office premises), the National Clearing Centre, and clients of the National Settlement Depository in testing the BCR Plan.
- At least twice a year, within the NSD PS, the scenario of restoring information systems in the backup data centre is tested as part of the IT disaster recovery plan testing (DRP).
- The Methodology for Infrastructure Controls has been introduced, in accordance with which regular monitoring of preventing confidential information leaks (detection and blocking of unauthorised movement (copying) of information) is carried out.
- Updating documents on risk management and information security support of the National Settlement Depository.
- Work with the clients of the National Settlement Depository with the aim of convincing them to join the NSD PS Rules.

KoronaPay payment system

In accordance with the approach of the CPMI-IOSCO, assessment of socially important payment systems for compliance with the PFMI involves softer assessment criteria compared to systemically important payment systems (BRPS and NSD PS), namely they are subject to a smaller number of assessed principles.

Socially important payment systems are not assessed for their compliance with Principle 4: Credit risk, Principle 5: Collateral, Principle 7: Liquidity risk, Principle 12: Exchange-of-value settlement systems, and Principle 16: Custody and investment risks.

Payment system organisation

The main document regulating the KoronaPay PS functioning is the KoronaPay PS Rules, developed on the basis of the legislation of the Russian Federation and including the KoronaPay PS Rules, the KoronaPay Money Transfers Service Rules (the 'KoronaPay MT Rules'), and the KoronaPay Bank Card Service Rules (the 'KoronaPay BC Rules'). The KoronaPay PS Rules are published on the official website of the Payment System Operator.

The KoronaPay PS Rules are subject to review and approval by the Bank of Russia.

Agreements with non-resident participants are drawn up on the basis of the requirements of the KoronaPay PS Rules, accounting for the peculiarities of the laws of the country of incorporation.

The main governing bodies of the KoronaPay PS Operator are the General Meeting of the Members of the Settlement Non-Bank Credit Institution (SNCI) (the supreme governing body), the SNCI's Board, the Management Board, and the Chairman of the Management Board. The functions of the governing bodies are defined in the Articles of Association and the regulations on governing bodies.

The risk management bodies in the KoronaPay PS are the Risk Management Committee for the KoronaPay PS, as well as the divisions for risk management of the Operator and payment infrastructure service operators.

Payment system risk management

In accordance with the KoronaPay PS Rules, the risks inherent in the functioning of the payment system are legal risk, operational risk, credit risk, liquidity risk, general business risk, and business continuity risk, for each of which a corresponding risk profile has been approved.

Efficiency of the risk management framework is assessed at least once a year. The KoronaPay PS Operator conducts stress testing of its risks in order to identify potential factors (scenarios) that

may interfere with the implementation of the KoronaPay PS's critical operations, as well as have a negative impact on the financial stability of the KoronaPay PS Operator.

In order to ensure the smooth functioning of the payment system, the Operator has developed plans for the recovery or orderly wind-down of the KoronaPay PS and a plan for attracting Tier 2 capital.

The general business risk of the KoronaPay PS means the risk of the provision of payment infrastructure services that do not meet the requirements for the provision of services due to the deterioration in the financial condition of the KoronaPay PS Operator and/or the payment infrastructure service operators, which is not related to the realisation of the credit risk and the liquidity risk of the KoronaPay PS.

On an annual basis, the KoronaPay PS Operator assesses liquid net assets to determine their sufficiency for recovery or orderly wind-down of the operations of the KoronaPay PS Operator by comparing the value of liquid net assets with current operating expenses in accordance with the general business risk profile.

The assessment has established that the KoronaPay PS Operator is taking adequate measures to manage the general business risk.

The main goal of the activity in the area of managing operational risks in the KoronaPay PS is the maximum reduction (elimination) of possible losses caused by the consequences of the realisation of operational risks.

The KoronaPay PS Rules define the qualitative and quantitative goals concerning the operational reliability of the payment system.

The qualitative goal of achieving operational reliability is to ensure the proper provision of services by the payment infrastructure service operators.

The quantitative goal of achieving operational reliability is to ensure a guaranteed level of availability of the Operations Centre services at the level of 99.95% of the scheduled operating time of the Operations Centre based on the results of the calendar year.

Credit Union 'Payment Center' Ltd. and CJSC Zolotaya Korona have developed business continuity plans accounting for events that create a significant risk of disruption to operations, in particular in the event of emergencies.

The measures envisaged by the plans to ensure the continuity of the KoronaPay PS functioning include the use of two main equipped platforms.

The KoronaPay PS conducts regular testing and revision of plans at intervals of at least once a year.

The KoronaPay PS Rules determine the procedure for ensuring the protection of information by the KoronaPay PS entities, including organisational and technical measures for protecting information, rules for accessing information technology infrastructure facilities, and a list of means of protecting information when making transfers.

Settlement in the payment system

The moments when a fund transfer in the KoronaPay PS becomes irrevocable, unconditional and final are defined in the KoronaPay PS Rules, the KoronaPay MT Rules, and the KoronaPay BC Rules.

To prevent cases of refusal of the KoronaPay PS participants to fulfil their obligations after respective payment becomes irrevocable, the KoronaPay PS participants are obliged to ensure the availability of funds in their account with the settlement centre in all necessary currencies in an amount sufficient for the settlement to be performed. A limit for interbank settlements is set for each KoronaPay PS participant, and it is prohibited by the KoronaPay PS Rules to accept orders from the KoronaPay PS participants for an amount exceeding the limit.

The funds transfers in the KoronaPay PS are performed in Russian rubles and foreign currency on a gross basis. Foreign currency is used to enable non-resident participants to perform cross-border funds transfers.

Credit Union 'Payment Center' Ltd. is subject to banking risks.

In order to minimize the risks of the payment system settlement centre, banking operations carried out by Credit Union 'Payment Center' Ltd. are subject to the requirements of Bank of Russia Instruction No. 129-I, and mechanisms aimed at preventing cases of participants' default are used.

In order to prevent (or minimise) the consequences of the KoronaPay PS participants' default, the Operator also applies the following measures:

making settlements in the accounts of the KoronaPay PS participant with the settlement centre on a gross basis and by the end of the operating day, in which the order of the KoronaPay PS participant is subject to execution, accounting for the established limits;

use of liquidity management mechanisms both on the part of the KoronaPay PS Operator and on the part of the KoronaPay PS participants;

monitoring the sufficiency of funds in the accounts of participants.

The KoronaPay PS does not provide for the use of intraday loans (overdrafts) and/or one-day loans (overnight) for the KoronaPay PS participants or of other types of lending to complete settlements.

The procedures developed by the KoronaPay PS Operator make it impossible to revoke orders accepted for settlement, as well as prevent KoronaPay PS participants from refusing to fulfil their obligations. Moreover, in the event that a participant experiences a situation that can impede its ability to transfer funds in the KoronaPay PS, it must immediately notify the KoronaPay PS Operator on the matter.

Access to payment system services, payment system efficiency, payment system information disclosure

Requirements for participation in the KoronaPay PS are established in the KoronaPay PS Rules and are the same for all organisations. In relation to non-resident participants, additional requirements may be established pursuant to the laws of the country of incorporation. Additional restrictions of access are not established by the KoronaPay PS Rules.

The KoronaPay PS Rules provide for: only direct participation in the payment system; suspension and termination of participation in the KoronaPay PS. The KoronaPay PS Rules do not contain restrictions on the types of activities of organisations (payment systems, infrastructure institutions of the financial market, etc.) for participation in the KoronaPay PS.

For a quantitative assessment of the efficiency and effectiveness of the KoronaPay PS, the main indicators of the KoronaPay PS functioning (indicators of SFPS and indicators of compliance with the scheduled time for performing procedures) are determined and their quantitative (threshold) values are established, the maintenance of which is the condition for assessing the operations of the KoronaPay PS as effective.

The compliance of the KoronaPay PS with the needs of its participants is facilitated by the feedback mechanisms for the KoronaPay PS participants, allowing them to make proposals to the KoronaPay PS Operator for improving the operations of the KoronaPay PS, and the engagement of representatives of the KoronaPay PS participants in the Risk Management Committee work.

Credit Union 'Payment Center' Ltd. provides disclosure of information about its activities on its website: www.rnko.ru. The KoronaPay PS Rules are publicly available on the KoronaPay PS website: www.zolotayakorona.ru.

Information for the KoronaPay PS participants and their clients is also disclosed on the following Internet sites:

- www.koronapay.com – the Internet site of the KoronaPay PS for individual clients of the KoronaPay PS participants for various payment services (including the KoronaPay MT Service), which can function outside the KoronaPay PS;
- www.koronacard.ru – the Internet site on the processing of bank cards, which also discloses information about payment services that can function outside the KoronaPay PS.

Principle 19: Tiered participation arrangements is not applicable to the KoronaPay PS.

As part of the implementation of the recommendations received following the results of the previous assessment of the KoronaPay PS, Credit Union 'Payment Center' Ltd. has carried out a variety of activities, including the following:

- Updates of the internal documents of the KoronaPay PS Operator on the KoronaPay PS management, on risk management and issues of conducting checks for vulnerabilities in the internal system of information security.
- Analysis on the optimisation of Internet resources where information on the KoronaPay PS is disclosed. It has been decided to preserve the composition of the Internet sites in order to diversify the published information for various target audiences.

2.3. The Bank of Russia's activities in relation to IPSs

Based on the results of the assessments, the Bank of Russia has made recommendations to the payment system operators for their further improvement of their functioning.

The main recommendations relate to the improvement of:

- payment system rules; internal documents and procedures for risk management, stress testing in risk management; the procedure for attracting suppliers of critical services, analysing their impact on the functioning of payment systems;
- practice and procedures for testing BSR Plans;
- IT infrastructure risk analysis;
- procedures for interaction with participants.

Based on the recommendations received, the payment system operators have drawn up action plans to implement the changes proposed by the Bank of Russia.

CONCLUSION

The 2020 NPS oversight results provided in this issue show the generally positive dynamics of the development of the Russian payment segment.

The Bank of Russia continued to identify best Russian and foreign practices in rendering payment services and payment infrastructure services, as well as factors hindering the implementation of such practices in the Russian payment services market.

In the complex environment of the COVID-19 pandemic, the Bank of Russia granted regulatory relaxations to NPS entities acting as payment system operators, payment infrastructure service operators, and money transfer operators, in order to mitigate the impact of the COVID-19 pandemic. The relaxations included temporary suspension of inspecting the above operators, increasing the time frame for money transfer operators and payment system operators to submit reporting forms and other information to the Bank of Russia, as well as non-application of certain measures to money transfer operators¹.

In 2020, the NPS entities' composition expanded due to the addition of new NPS entities, such as payment agents performing transactions of payment aggregators, foreign payment service providers, payment application providers, information exchange service operators, and foreign payment system operators.

In order to improve the NPS oversight, the Bank of Russia continued to enhance the coordination between the NPS oversight and supervision and the efficiency of communication between the Bank of Russia and payment services market participants, as well as continued its work to identify the trends and the development potential of the NPS.

The Bank of Russia constantly implements a set of NPS oversight measures, including the monitoring of the activities of NPS entities and related overseen entities (payment systems and payment infrastructures). Finally, 2020 marked the beginning of the third cycle of assessing the activities of overseen organisations and their related overseen entities (payment systems and payment infrastructures), and the preparation of recommendations for changes in the activities of assessed overseen organisations and their related significant payment systems based on the results of the assessment (initiation of changes).

¹ For more information, see Section 1.1 "Trends and Specifics of the NPS Development" of the Overview of 2018–2020 National Payment System Oversight Results.

ANNEXES

Annex 1

PAYMENT SYSTEMS FUNCTIONING IN THE RUSSIAN FEDERATION (AS OF 1 JANUARY 2020)

No.	PS	PS operator	Payment infrastructure			PS importance
			Settlement centre	Payment clearing centre	Operations centre	Systemically important
						Socially important
						Nationally important
1	Bank of Russia Payment System	Bank of Russia	Bank of Russia	Bank of Russia	Bank of Russia	Systemically important PS
2	NSD Payment System	National Settlement Depository	National Settlement Depository	National Settlement Depository	National Settlement Depository	Nationally important PS
3	Mir Payment System	NSPK JSC	Bank of Russia	NSPK JSC	NSPK JSC	Systemically important PS
4	Visa Payment System	Visa Payment System LLC	Bank of Russia	NSPK JSC	NSPK JSC	Nationally important PS
5	KoronaPay Payment System	Credit Union 'Payment Center' Ltd.	Credit Union 'Payment Center' Ltd.	CJSC Zolotaya Korona Credit Union 'Payment Center' Ltd.	CJSC Zolotaya Korona	Socially important PS
6	MasterCard Payment System	MasterCard LLC	Bank of Russia	NSPK JSC	NSPK JSC	Socially important PS
7	Sberbank Payment System	Sberbank	Sberbank	Sberbank	Sberbank	Socially important PS
8	UNISTREAM International Money Transfer Company	UNISTREAM COMMERCIAL BANK (JSC)	UNISTREAM COMMERCIAL BANK (JSC) Bank Otkritie Financial Corporation (Public Joint-Stock Company)	UNISTREAM COMMERCIAL BANK (JSC)	UNISTREAM COMMERCIAL BANK (JSC)	Nationally important PS
9	HandyBank Payment System	HandySolutions LLC	Bank Otkritie Financial Corporation (Public Joint-Stock Company)	HandySolutions LLC	HandySolutions LLC	Nationally important PS
10	Customs Card Payment System	Customs Card LLC	NCO ICU (LLC) Sberbank Bank Otkritie Financial Corporation (Public Joint-Stock Company) RGS Bank	Customs Card LLC	Customs Card LLC	Nationally important PS
11	Multiservice Payment System	Multiservice Payment System LLC	VTB Bank (PJSC) Nefteprombank PJSC ROSBANK Bank GPB (JSC)	Multiservice Payment System LLC	Multiservice Payment System LLC	Nationally important PS
12	VTB Payment System	VTB Bank (PJSC)	VTB Bank (PJSC)	VTB Bank (PJSC)	VTB Bank (PJSC)	Nationally important PS

No.	PS	PS operator	Payment infrastructure			PS importance
			Settlement centre	Payment clearing centre	Operations centre	Systemically important
						Socially important
						Nationally important
13	BEST Payment System	LLC BEST	Bank Otkritie Financial Corporation (Public Joint-Stock Company)	LLC BEST	LLC BEST	Nationally important PS
14	Sendy Payment System	Digital Payment LLC	LLC NCO Russian Financial Society	Digital Payment LLC	Digital Payment LLC	Nationally important PS
			Asia-Invest Bank (JSC)			
			SKS Bank, LLC			
15	CONTACT Payment System	QIWI Bank (JSC)	QIWI Bank (JSC)	QIWI Bank (JSC)	QIWI Bank (JSC)	Nationally important PS
			Bank Otkritie Financial Corporation (Public Joint-Stock Company)			
			VTB Bank (PJSC)			
16	Gazprombank Payment System	Bank GPB (JSC)	Bank GPB (JSC)	Bank GPB (JSC)	Bank GPB (JSC)	Nationally important PS
17	Western Union Payment System	Non-Banking Credit Organisation Western Union MT East, Ltd	VTB Bank (PJSC)	Non-Banking Credit Organisation Western Union MT East, Ltd	Non-Banking Credit Organisation Western Union MT East, Ltd	
			Non-Banking Credit Organisation Western Union MT East, Ltd			
18	Insurance Payment System	Insurance Payment System LLC	AO "Alfa-Bank"	Insurance Payment System LLC	Insurance Payment System LLC	
19	American Express Payment System	American Express Bank LLC	Bank of Russia	NSPK JSC	NSPK JSC	
20	UnionPay Payment System	UnionPay LLC	Bank of Russia	NSPK JSC	NSPK JSC	
21	JCB Payment System	JCB International (Eurasia) LLC	Bank of Russia	NSPK JSC	NSPK JSC	
22	BANK OF CHINA Payment System	BANK OF CHINA (RUSSIA)	BANK OF CHINA (RUSSIA)	BANK OF CHINA (RUSSIA)	BANK OF CHINA (RUSSIA)	
23	ICBC Payment System	Bank ICBC (JSC)	Bank ICBC (JSC)	Bank ICBC (JSC)	Bank ICBC (JSC)	
24	CP Retail Payment System	CP Retail LLC	Credit Company RIB	NCO ICU (LLC)	NCO ICU (LLC)	
			NCO ICU (LLC)			
25	PLUSPAY Payment System	PLUSPAY LTD.	"ZHIVAGO BANK" (LLC)	PLUSPAY LTD.	PLUSPAY LTD.	
			Industrial Savings Bank			
26	Banking Cooperation System Payment System (UnitedBanks)	Banking Cooperation Operator LLC	JSC RUNA-BANK	Bank Operations Centre LLC	Bank Operations Centre LLC	
27	MOMENTOM Payment System	RSMP LLC	NCO ICU (LLC)	RSMP LLC	RSMP LLC	
28	JSC Rosselkhozbank Payment System	JSC Rosselkhozbank	JSC Rosselkhozbank	JSC Rosselkhozbank	JSC Rosselkhozbank	

Annex 2

NUMBER OF JSC RUSSIAN POST OFFICES, BY RUSSIAN FEDERAL DISTRICT, AS OF 1 JANUARY 2021

Federal district	Number of JSC Russian Post offices, units	
	Total	Of which offices providing payment services (postal transfers and as a BPA/PA)
Central Federal District	10 881	9 904
Volga Federal District	10 406	9 460
Siberian Federal District	5 346	4 781
Southern Federal District	3 819	3 685
North-Western Federal District	4 103	3 336
Urals Federal District	2 922	2 620
Far Eastern Federal District	2 859	2 580
North Caucasian Federal District	2 060	1 849
Total for JSC Russian Post	42 396	38 215

NUMBER OF FSUE POST OF CRIMEA OFFICES, BY BRANCH, AS OF 1 JANUARY 2021

Branch of FSUE Post of Crimea	Number of FSUE Post of Crimea offices, units	
	Total	Offices providing payment services (postal transfers and as a BPA/PA)
Central Post Office of Krasnogvardeysk	135	135
Central Post Office of Simferopol	117	117
Central Post Office of Yevpatoria	82	82
Central Post Office of Feodosia	66	66
Central Post Office of Sevastopol	55	55
Central Post Office of Yalta	52	52
Central Post Office of Kerch	39	39
Total for FSUE Post of Crimea	546	546

Annex 3

PFMI AND THEIR APPLICABILITY IN THE RUSSIAN FEDERATION TO SYSTEMICALLY AND SOCIALLY IMPORTANT PAYMENT SYSTEMS

No.	Principle	Systemically important PSs	Socially important PSs
1	Principle 1. Legal basis	V	V
2	Principle 2. Governance	V	V
3	Principle 3. Framework for the comprehensive management of risks	V	V
4	Principle 4. Credit risk	V	
5	Principle 5. Collateral	V	
6	Principle 7. Liquidity risk	V	
7	Principle 8. Settlement finality	V	V
8	Principle 9. Money settlements	V	V
9	Principle 12. Exchange-of-value settlement systems	V	
10	Principle 13. Participant-default rules and procedures	V	V
11	Principle 15. General business risk	V	V
12	Principle 16. Custody and investment risks	V	
13	Principle 17. Operational risk	V	V
14	Principle 18. Access and participation requirements	V	V
15	Principle 19. Tiered participation arrangements	V	V
16	Principle 21. Efficiency and effectiveness	V	V
17	Principle 22. Communication procedures and standards	V	V
18	Principle 23. Disclosure of rules, key procedures, and market data	V	V

Annex 4

Federal Laws on the NPS Issued in 2020

1. Federal Law No. 212-FZ, dated 20 July 2020 'On Amending Certain Laws of the Russian Federation Regarding Financial Transactions Performed Using a Financial Platform'.
2. Federal Law No. 259-FZ, dated 31 July 2020 'On Digital Financial Assets, Digital Currency, and on Amending Certain Laws of the Russian Federation'.
3. Federal Law No. 449-FZ, dated 22 December 2020, 'On Amending Article 7 of the Federal Law 'On the National Payment System'.

Bank of Russia Regulations and Other Acts on the NPS Issued in 2020

1. Bank of Russia Ordinance No. 5429-U, dated 6 April 2020, 'On the Procedure for the Bank of Russia to Maintain the List of Payment Application Providers, List of Foreign Providers of Payment Services, List of Information Exchange Operators, and List of Bank Payment Agents Engaged in Payment Aggregator Operations; on the Procedure, Forms, Composition, and Timeframe for Funds Transfer Operators and Payment System Operators to Provide Information for the Maintenance of the Specified Lists'.
2. Bank of Russia Ordinance No. 5484-U, dated 22 June 2020, 'On Amending Bank of Russia Ordinance No. 4973-U, dated 26 November 2018, 'On the Procedure for a Bank of Russia Request for Information and for Receipt from Federal Post Offices Information on Completed Postal Remittances''.
3. Bank of Russia Regulation No. 732-P, dated 24 September 2020, 'On the Bank of Russia Payment System'.
4. Bank of Russia Regulation No. 738-P, dated 27 October 2020, 'On the Procedure for Ensuring Smooth Functioning of the Bank of Russia Payment System'.
5. Bank of Russia Information Letter No. IN-0445/43, dated 31 March 2020, 'On the Non-application of Sanctions and Enforcement Actions and Measures to Payment System Operators, Payment Infrastructure Operators, and Funds Transfer Operators'.
6. Bank of Russia Information Letter No. IN-0445/69, dated 16 April 2020, 'On Recommendations for Supporting Holders of Expired Payment Cards'.
7. Bank of Russia Information Letter No. IN-0445/81, dated 23 April 2020, 'On the Non-application of Measures in Connection with the Spread of the Coronavirus Infection (COVID-19)'.
8. Bank of Russia Information Letter No. IN-0445/99, dated 9 June 2020, 'On the Non-application of Measures to Funds Transfer Operators and Payment System Operators'.

Annex 5

Bank of Russia's Press Releases and Publications Related to the 2020 NPS Oversight

- Assessment of the Bank of Russia Payment System: press release dated 14 October 2020.
URL: http://www.cbr.ru/press/pr/?file=14102020_135233pr2020-10-14t13_51_39.htm
- Assessment of the KoronaPay payment system: press release dated 7 December 2020.
URL: http://www.cbr.ru/press/pr/?file=07122020J91329pr2020-12-07t19J2_15.htm
- Assessment of the NSD payment system: press release dated 5 February 2021.
URL: http://www.cbr.ru/press/pr/?file=05022021_104500nps05022021_103013.htm
- Recognition by the Bank of Russia of credit institutions as important in the payment services market: press release dated 24 March 2021.
URL: http://www.cbr.ru/press/pr/?file=24032021_110000PR2021-03-24T10_38_32.htm

