



Bank of Russia

The Central Bank of the Russian Federation



Guidelines for the Development and Stability of the Financial Market of the Russian Federation for the Period of 2016 – 2018 (Draft)

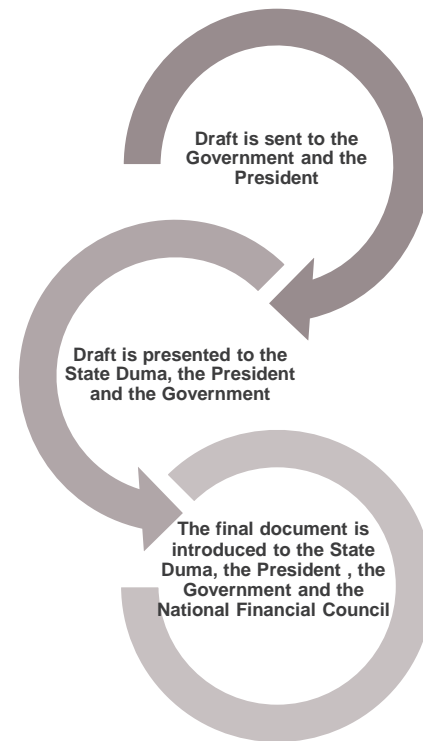
December, 2015

Following the regulatory reform of 2013 the Bank of Russia has become responsible for the creation of a three-year strategy on financial market development and stability

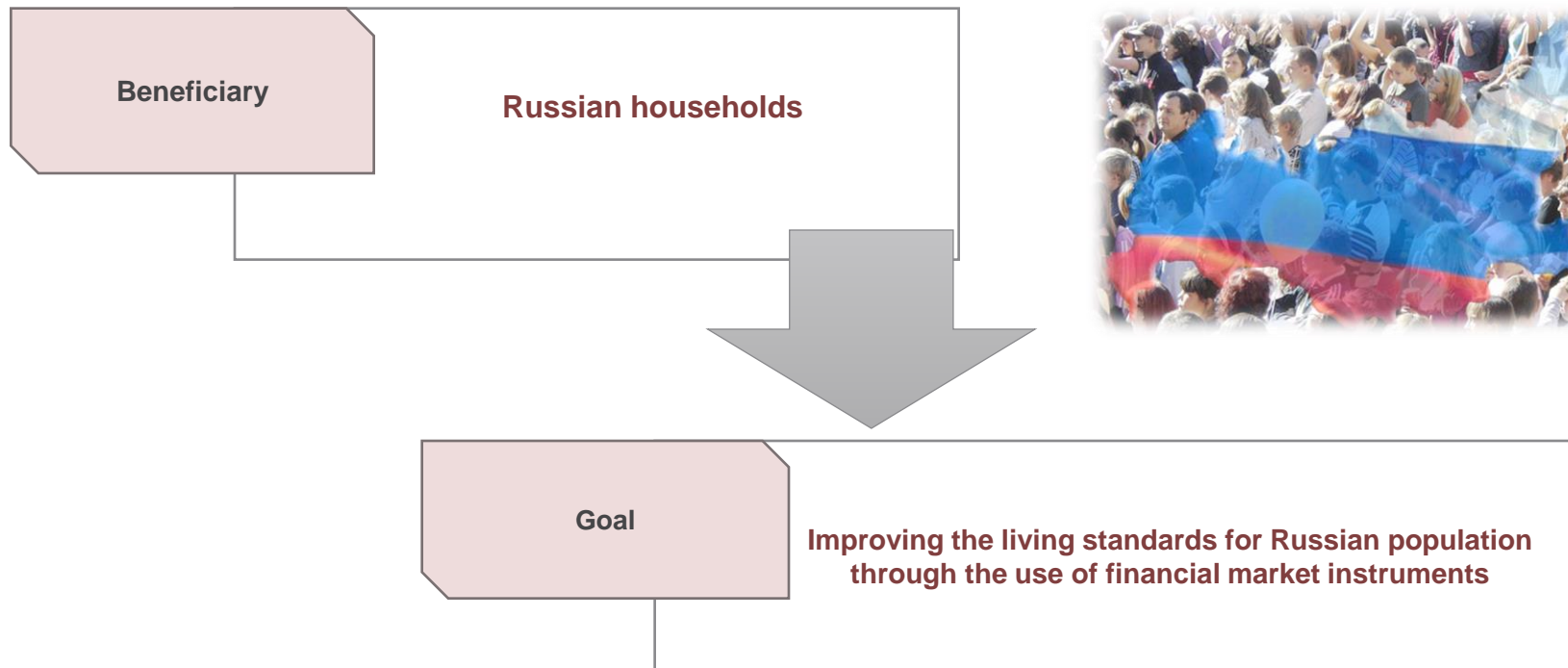
Guidelines for the Development and Stability of the Financial Market of the Russian Federation for the Period of 2016 – 2018:

- will be applied on a cross-segment basis
- take into account the Russian financial market development vector, which is set in the effective strategies for specific market segments
- do not include estimated quantitative indicators of Russian financial market development due to the existing trend of decreasing forecasting horizon as well as to the use of progress evaluation instead of numbers in international practice

Statutory steps:



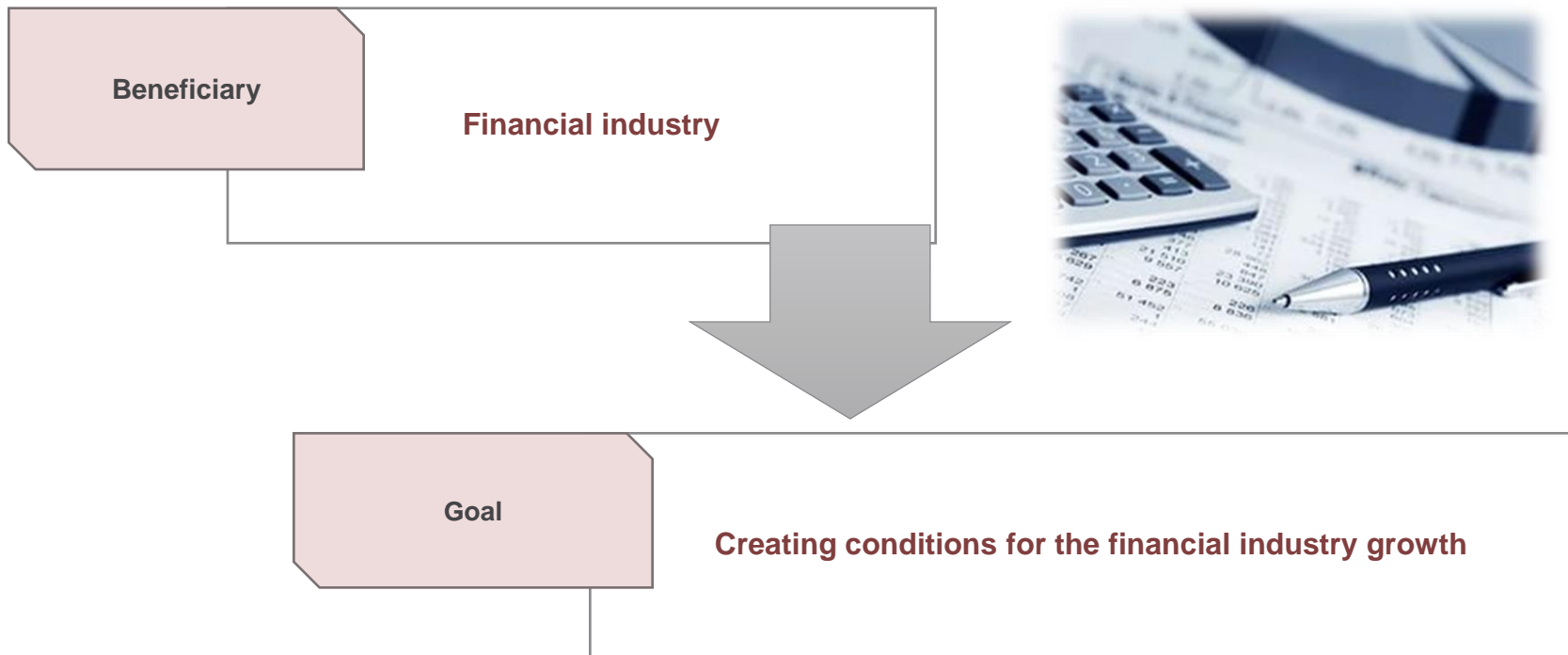
Key beneficiaries and first-priority development goals for the Russian financial market



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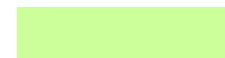


Key beneficiaries and first-priority development goals for the Russian financial market



Goals and key areas of the Russian financial market development

Goals Key areas of development	Improving the living standards for Russian population through the use of financial market instruments	Facilitating economic growth through granting the competitive access of Russian economic agents to debt and equity financing	Creating conditions for the financial industry growth
Ensuring financial services consumers' protection and financial inclusion, and raising the financial literacy among Russian population	Dark Green	Light Green	Dark Green
Discouraging malpractice in the financial market	Light Green	Dark Green	Light Green
Strengthening the appeal of public companies' equity financing for investors by introducing up-to-date corporate governance system	Light Green	Dark Green	Light Green
Developing the bond market and syndicated loan market	Light Green	Dark Green	Light Green
Enhancing financial market regulation, inter alia through proportional regulation, optimization of the regulatory burden on financial market participants	Light Green	Light Green	Dark Green
Cultivating qualified personnel for financial institutions	Light Green	Light Green	Dark Green
Enhancing the mechanisms of electronic communication in the financial market	Light Green	Light Green	Dark Green
Developing the international cooperation	Light Green	Light Green	Dark Green
Improving tools for ensuring financial market stability	Dark Green	Dark Green	Dark Green

Colors:


Slightly influences goal's realization



Influences goal's realization



Directly influences goal's realization

Financial market architecture

Creditor/Investor		Intermediary	Financial Instrument	Borrower/Issuer
Russian	Households Corporates State	Exchanges Payment systems Brokers Investment consultants Trust management Credit rating agencies Banks, leasing, factoring, microfinance	Debt: ▶ bonds ▶ credits ▶ deposits ▶ project financing Hybrids: ▶ convertible bonds ▶ subordinated credits	Households Corporates State
foreign	Institutional investors	Insurance companies providing life insurance services Non-state pension funds	Equity: ▶ stocks ▶ start-ups	

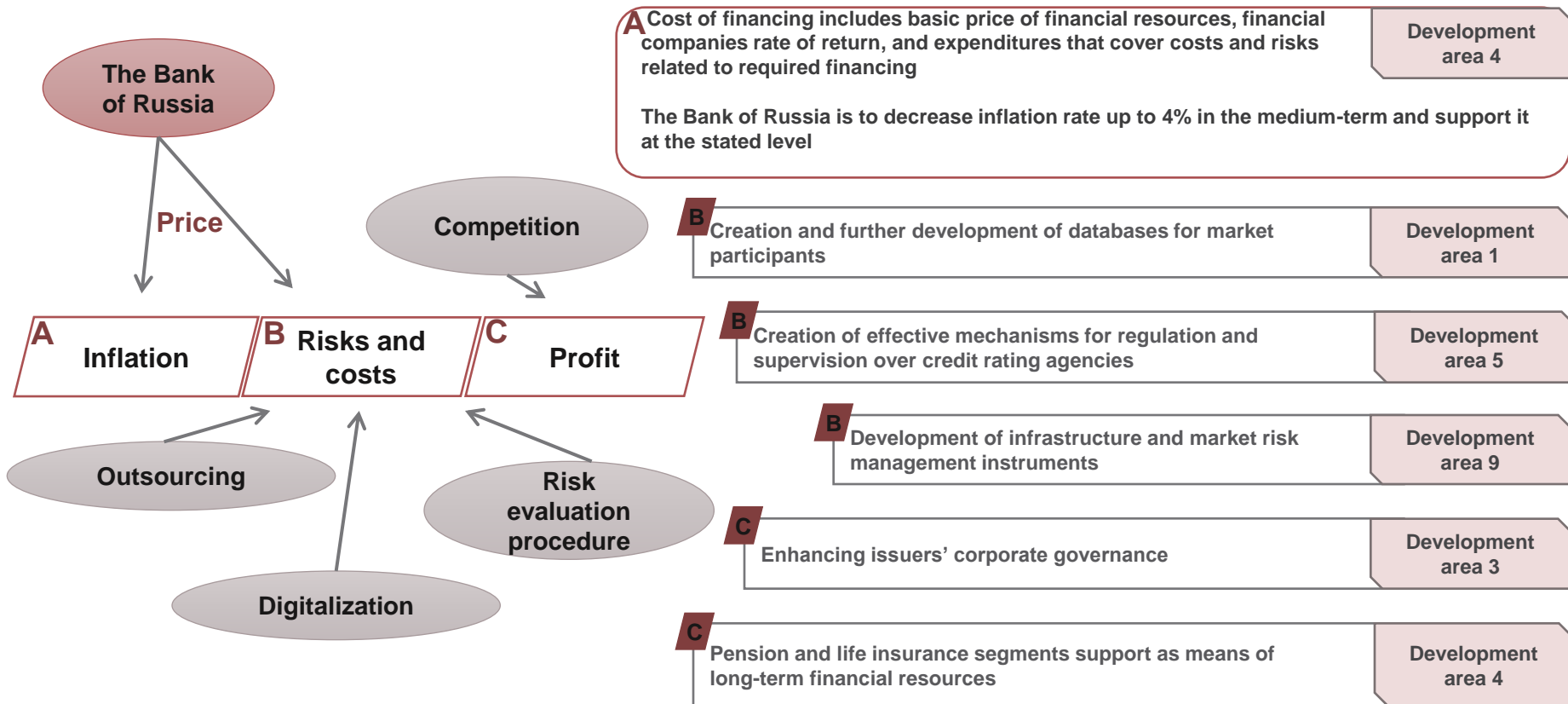
Risk hedging

Financial: banks, exchanges

Non-financial: insurance companies

How a goal transfers into a key development area

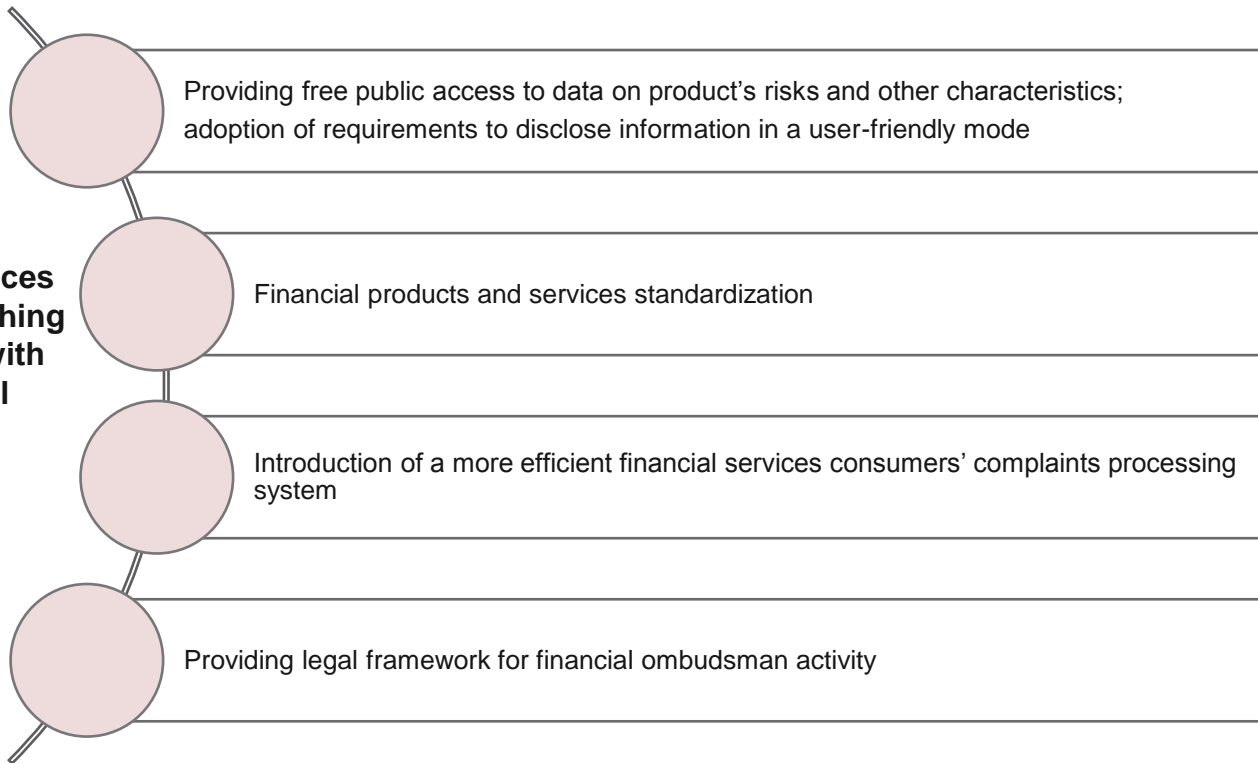
Goal: Facilitating economic growth through granting the competitive access of Russian economic agents to debt and equity financing





Financial services consumers' protection

Protection of financial services consumers is aimed at matching consumers' expectations with actual results of financial product/service use





Raising of financial literacy



Long-term aim of raising financial literacy – promotion of financial services consumerism with the view of mitigating household purchasing power fluctuations and establishing resource base in financial market

Financial literacy implies formation of general knowledge of

- Using financial instruments to meet the needs emerging at different stages of life while observing financial discipline
- Key financial market products and services and relevant risks
- Getting information on financial market products and services and their distributors
- Causes and consequences of the Bank of Russia's monetary policy decisions

Financial literacy raising measures

- Introduction of obligatory financial literacy classes in general education institutions
- Creation of a specialized Bank of Russia web-page devoted to numerous issues in the field of financial literacy in an easy understandable way
- Defining optimal financial literacy promotion channels for different household groups and the most suitable financial products considering individual characteristics as well as consumer expectations
- Creation of financial literacy level evaluation toolkit



Ensuring financial inclusion

Price availability

- Competitive environment development
- Increase in financial inclusion
- Decrease of seller's/intermediary's costs
- Tax incentives for private investment

Physical availability

- Distribution channels digitalization
- Physical communication rejection
- Introduction of legal framework for financial advisors/consultants activity

Mental availability

- Creation of simple alternatives for different financial products
- Provision of educational services to the population to enhance their understanding of financial products and services and how to make use of them

Range availability

- General financial products range availability
- Creation of relevant financial product selections for specific population groups

Eliminating misbehavior and countering criminal and criminal-like business practice

Enhancing the malpractice and misbehavior detection mechanism, inter alia via cutting detection and evidence collection time as well as via development of cooperation channels between the Bank of Russia and law-enforcement agencies

Providing regulatory framework for financial benchmarks

Financial market participants business worthiness evaluation advancing

Introduction of new legal doctrine – settlement agreement with a regulator, which is used by many foreign jurisdictions regulator, supervising prominent financial markets

Creating conditions under which the benefits from malpracticing will be totally outweighed by the proportional and unavoidable liability for such violation



Public companies are a key element of modern Russian economy

Obligatory implementation of up-to-date corporate governance methods in Russian public companies practice

Enhancing the board of directors role in strategic management

Regulatory enhancement of management board members liabilities to stockholders and creditors

Review of public companies information disclosure principles

Introduction of control principles for implementation of Corporate Governance Code

Development of the Bank of Russia accreditation system for auditors and appraisers rendering service to financial organizations



Enhancing the role of capital market in financial system

- Optimization of securities issuing procedure
- Enhancement of securitization mechanism, inter alia via providing unified standards for deals handling
- Development of floating rate bonds and introduction of structured notes
- Enhancement of collateral management infrastructure

- Development of pricing centers, corporate information center and rating industry
- Development of interest futures market
- Enhancement of bond default resolution mechanism
- Development of syndicated loan market



Enhancing financial market regulation, inter alia through proportional regulation, optimization of the regulatory burden on financial market participants

Implementation of selective approach to regulation and supervision over financial organizations

Single chart of accounts for non-credit financial organizations; implementation of segment accounting standards based on IFRS; step-by-step XBRL introduction

Wide appliance of the Bank of Russia normative acts regulatory impact assessment (before and after their adoption)

Stepwise implementation of professional judgment mechanism

Inconsistent regulatory arbitrage elimination

Providing financial organizations with legal framework for outsourcing



Advancement of education and professional development programs for financial market employees

Enhancement of financial market personnel certification and qualification systems and their introduction to all market segments

Introduction of education programs for law-enforcement and judicatory bodies personnel



Estimated results:

- Financial inclusion
- STP, labour efficiency increase, costs decrease
- Risk evaluation
- Extraterritorial financial services provision, distribution channels development
- Providing competitive environment

What we do:

- Decrease in paperwork volume (inter alia via information exchange through electronic facility provided by the Bank of Russia)
- Extension of remote identification of financial services consumers
- Stepwise changes in automated statements collection and processing of supervised organizations on XBRL basis



20.04.2015 The Government of the Russian Federation approved Roadmap for Development of Mechanisms for Electronic Cooperation in the Financial Market

Development of international regulations and standards

International standards implementation

Recognition of Russian regulation as equivalent to other specific regulations

Providing information exchange with foreign regulators

Eurasian
Economic
Union

Planning period:

- Access of brokers and dealers to exchanges
- National regulation harmonization (inter alia pilot projects on trade repository and credit rating agencies)
- Providing efficient information exchange

Long-term period:

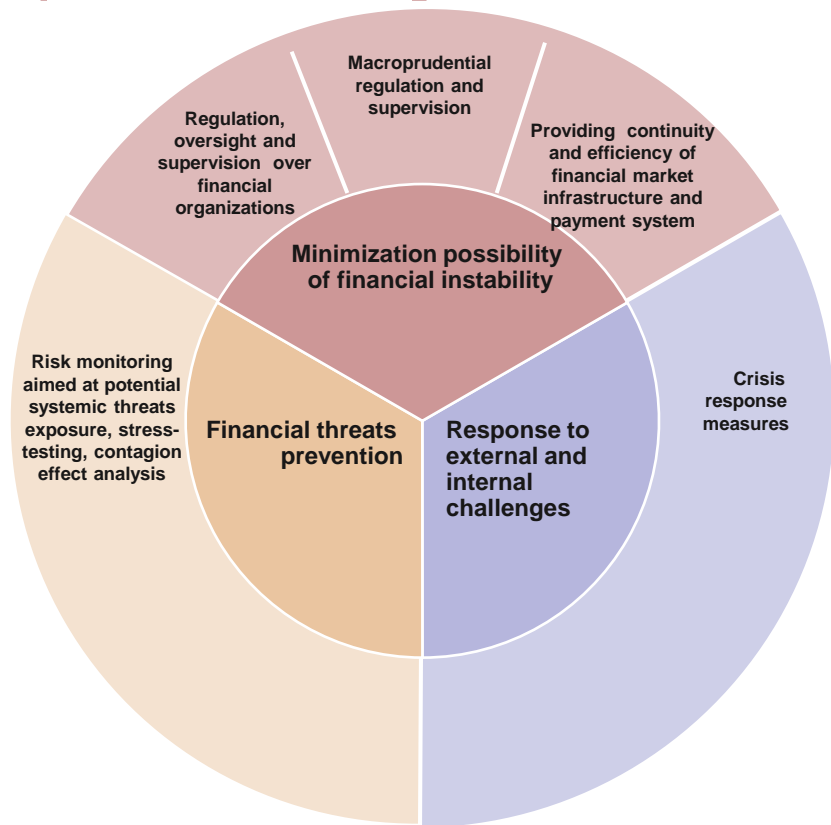
- Single financial market creation

APEC,
BRICS

- Efficient regulatory provisions development
- Regulatory systems harmonization, financial markets integration
- Russian market participants access to new debt markets, new foreign investors entering Russian financial market

G20, FSB,
BIS, IOSCO,
IOPS, IAIS,
AFI

- International standards further implementation



Measures:

- Development of early response system
- Additional requirements to systemically important financial organizations development
- Improving efficiency of mechanism providing systemically important financial market participants continuity
- Implementing international financial infrastructure regulation standards
- Providing incentives for market participants with diverse investment strategies at exchange trading

Key factors that might negatively affect full implementation of the strategy

