



Bank of Russia



ANNUAL REPORT 2021

MOSCOW

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Bank of Russia

Bank of Russia Annual Report for 2021

MOSCOW
2022

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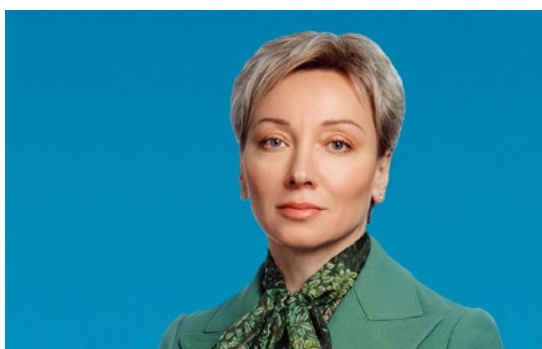
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Alexey Simanovskiy
Adviser to the Governor

Opening remarks by the Governor of the Bank of Russia

This Annual Report of the Bank of Russia is a special one as it shows the state of our financial system at the moment when it reached the landmark where substantial structural shifts started in the economy and financial markets.

The sanctions imposed by Western countries in February–March 2022 almost cut off Russian financial institutions from the markets of their operation, considerably limited imports and exports in certain product categories, and hinder international settlements and external economic activity in general.

This extraordinary shock situation leads to large-scale changes. Russian exporters and importers will switch to other markets and rearrange their logistics chains, and manufacturers will search substitutes for previously used raw materials and components. The transformation of the economy will take time, and the Bank of Russia will pursue a policy that will cushion the external blow and help people, companies, and financial institutions adjust to the new conditions.

The post-pandemic recovery almost completed by the end of 2021. The economy returned to the pre-coronavirus growth path already by the middle of the year and then expanded faster than the trend. Moreover, the increase in both consumer and investment demand surpassed the capacities to ramp up supply both in Russia and globally throughout the year. Inflationary pressure started to strengthen rather quickly, due to which the Bank of Russia shifted from accommodative monetary policy promoting the economic recovery to a policy aimed at suppressing inflation and returning the economy from emerging overheating to steady growth.

As of the end of the year, inflation reached 8.4%, which is higher than the Bank of Russia's target. This is why bringing inflation back to its 4% target should have become the objective for 2022. However, now when monetary policy should not only ensure price stability, but also support the structural transformation of the economy, inflation will stay above the target for some period. This is necessary for relative prices to adjust to the changed conditions and for companies to find new business models with other suppliers and target markets. Inflation will return to the target in 2024.

At the end of February, the Bank of Russia raised the key rate to 20.00%. This was needed to quickly stabilise the situation in the foreign exchange and financial markets and then prevent inflation from soaring. When the key rate is at such a level, higher deposit rates protect households' funds against depreciation. As a result, after several shock days at the end of February–early March, households started to actively return their funds to bank deposits.

The banking sector coped with the consequences of the pandemic quite well. This became possible owing to the buffers accumulated over previous years, regulatory easing, and certainly a quick recovery of the economy – the majority of borrowers remained solvent. By the end of 2021, banks had a sufficiently high quality of the loan portfolio and high capital cushions and profits.

As the Bank of Russia cancelled the regulatory easing in due time, banks' stability in early 2022 was real and not just on the books. Moreover, in the new conditions, this enables banks to help their clients, namely to grant them loan repayment holidays again.

Since 2014, the Bank of Russia had been progressively expanding and diversifying its international reserves in order to have two safety cushions in actual fact – in the event of materialisation of financial risks when the financial market increases the demand for US dollars and euros and in the event of a geopolitical crisis when Russia's access to most reserve currencies might be restricted. Today, even though Western countries have frozen our reserves in their currencies, Russia still has a sufficient amount of reserves in gold and Chinese yuan.

To mitigate risks to financial stability amid limited access to US dollars and euros, the Bank of Russia introduced capital controls.

In addition, the Bank of Russia had been continuously improving the national payment infrastructure. The Mir payment system ensures smooth processing of payments for people not only in Russia, but also in ten other countries. As we started to process transactions on cards of the international payment systems issued by Russian banks in the National Payment Card System, individuals can continue to use these cards in Russia as well. The Bank of Russia's Faster Payments System enables instantaneous money transfers between accounts with various banks and QR code-based payments. Additionally, the Bank of Russia's Financial Messaging System ensures processing of all financial messages inside Russia and replaces SWIFT inside the country for those Russian banks that were disconnected from this international system.

In 2022, the Bank of Russia will pursue a policy protecting the Russian economy and financial system and individuals' incomes and savings against the tough sanctions enacted by Western states and employ all necessary tools to mitigate risks to financial and price stability. As the process of adjustment to the new conditions is complicated, it will inevitably cause a decline in GDP, but the Russian economy will be able to return to the growth path, develop production, create new jobs, and increase domestic investment. Financial stability and predictable decreasing inflation are crucial conditions for this, and the Bank of Russia will take all appropriate measures to achieve this.

**Governor
of the Bank of Russia**



Elvira Nabiullina

The Bank of Russia's key measures to support households and businesses and stabilise the financial market



HOUSEHOLDS

- ▶ With the participation of the regulator, a mechanism of **loan repayment holidays** was launched: households may suspend repayments on loans for up to six months.
- ▶ Creditors were advised to **restructure loans** and **suspend evictions** from foreclosed homes.
- ▶ Through 31 May 2022, borrowers may apply to banks **for the conversion of their liabilities under foreign currency mortgage loans** into rubles at the official exchange rate established as of 18 February 2022.
- ▶ The problem with **mortgage loans at floating interest rates** was solved: borrowers will make payments at interest rates not exceeding those effective as of 27 February 2022.
- ▶ The option of using cards of the international payment systems issued by Russian banks was preserved: these cards may be used **inside Russia**; moreover, Mir cards are accepted not only in Russia, but also in **ten foreign countries**.
- ▶ The maximum amount of one transaction in the FPS increased from ₺600,000 to **₺1 million**.
- ▶ Fee-free interbank transfers via the FPS totalling up to **₺100,000** per month were allowed.



ECONOMY

- ▶ SMEs may apply for **loan repayment holidays**.
- ▶ With the participation of the Bank of Russia, a mechanism for **restructuring loans at floating interest rates** was developed.
- ▶ Jointly with the Government of the Russian Federation, anti-crisis programmes of **subsidised lending** were launched at an interest rate not above **15%** for small businesses and not above **13.5%** for medium-sized ones. These can be working capital loans and investment loans. Additional **₺500 billion** were allocated for these programmes.
- ▶ Businesses' costs for accepting cashless payments via QR codes in the FPS were reduced to **0.4–0.7%**.
- ▶ **Acquiring fees were limited to 1%** for payments for socially important goods and services through 31 August 2022.
- ▶ The opportunity for processing financial messages on operations **inside Russia via the FMS** (instead of SWIFT) was provided. Furthermore, communication via the FMS was arranged with **12 countries**.
- ▶ With the engagement of the Bank of Russia, a mechanism for foreign buyers' payments **for Russian gas in rubles** was developed.
- ▶ The Bank of Russia guaranteed a tenfold increase in the Russian National Reinsurance Company's capital. This **provides insurance protection for large energy projects, sea and air transport, and industrial facilities**.



PRICE AND FINANCIAL STABILITY

- ▶ The key rate was raised to 20.00% per annum, which was followed by a comparable rise in deposit rates. This helped **protect savings against inflation and prevent an outflow of deposits**.
- ▶ The required reserve ratios were reduced, and **liquidity amounts provided to banks** increased significantly, including owing to the expansion of backing and liquidity providing instruments.
- ▶ The situation in the FX market was stabilised:
 - the **requirement for selling 80%** of foreign currency earnings was introduced;
 - **limits on foreign cash transfers abroad** and foreign cash withdrawals were established; and
 - a **special procedure for transactions with non-residents** from unfriendly countries was introduced.



FINANCIAL SECTOR

- ▶ The stability of the banking system and its potential for lending to the economy were preserved:
 - banks may **use the accumulated macroprudential capital buffers** for foreign currency claims on legal entities (**₽158 billion** as of 1 February 2022) and for unsecured consumer loans and mortgage loans in rubles and foreign currency (**₽733 billion**);
 - when calculating loan loss provisions, banks were allowed not to deteriorate the assessment of the quality of loans issued to **borrowers hit by the sanctions**, as well as the quality of debt servicing on restructured loans; and
 - **increased contributions** to the deposit insurance system **were cancelled** due to the surge in deposit rates.
- ▶ **Regulatory easing was granted to financial institutions** with regard to compliance with the required ratios, and they may fix the price for financial instruments and exchange rates in their reporting. This made it possible to maintain institutions' stability amid high market volatility.



SECURITIES MARKET AND ISSUERS

- ▶ A massive outflow of funds from the Russian financial market and a crash in the securities market were prevented:
 - after the suspension of on-exchange trading, **the markets were reopened gradually using mechanisms for smoothing out price fluctuations** (e.g. discrete auctions and bans on short-term sales);
 - brokers are forbidden to fulfil **foreign clients' orders to sell Russian issuers' securities**; and
 - the **share buyback** by issuers was simplified.
- ▶ Issuers and financial institutions were allowed **not to disclose their reporting and information on shareholders** and controlling persons in order to ensure protection against sanction risks.

Summary

The Bank of Russia prepared its Annual Report for 2021 in accordance with Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter, Federal Law No. 86-FZ). The report covers the results of the Bank of Russia's work in the key areas, analyses the economic situation in Russia and external conditions influencing the functioning of the Bank of Russia, and presents the Bank of Russia's annual financial statements, an audit report on them, and the statement by the Accounts Chamber of the Russian Federation.

In 2021, the most urgent critical issues associated with the pandemic were mostly settled. The economy gradually adjusted to the new environment, whereas the anti-pandemic measures introduced and mass vaccination prevented a resurgence in coronavirus cases. In these conditions, such objectives as a reduction in inflation, protection of financial consumers, and smoothing out imbalances in the mortgage and consumer lending market became the top priorities.

Ensuring price stability. The economy quickly returned to its pre-pandemic level largely owing to the support of the Government of the Russian Federation and the Bank of Russia. However, a further fast expansion of demand became a proinflationary factor. Due to anti-pandemic restrictions, manufacturers and suppliers still faced difficulties in doing business that were caused by logistics problems, rising prices in global commodity markets, and staff shortages. All these obstacles hindered an increase in goods output and the volume of services provided. Companies were unable to manufacture a sufficient quantity of products to meet current demand. In such a situation, manufacturers raised prices in order to offset growing costs.

Amid higher inflation, inflation expectations rose as well. Because of this, temporary non-monetary factors of price growth, such as a poor harvest of vegetables and livestock disease episodes, had a stronger and longer-lasting impact on inflation movements. In order to bring inflation back to the target, the Bank of Russia started to tighten its monetary policy and raised the key rate seven times over the period from March through December 2021: overall, the key rate doubled to 8.50%.

As of the end of the year, inflation in Russia exceeded the target, reaching 8.4%. Prices for food products, first of all animal products, rose most significantly. As regards non-food prices, prices for construction materials showed the highest growth rate, whereas increasing car prices became the major driver of rising inflation.

Nevertheless, the decisions on key rate increases gradually translated into the economy. Interest rates in the overnight segment of the money market formed close to the key rate with a slight negative spread and changed almost simultaneously with the key rate. The absolute deviation of RUONIA from the key rate averaged 19 basis points over 2021.

In the second half of 2021, interest rates on the main banking operations in rubles edged up. Over the year, the weighted average interest rate on newly issued corporate loans with maturities of over a year rose by 1.9 percentage points to 8.9% per annum and on retail loans — by 0.1 percentage points to 10.7%. Deposit rates increased faster. The weighted average interest rate on non-financial organisations' deposits for more than one year rose by 2.9 percentage points to 7.5% per annum, and on household deposits — by 3.3 percentage points to 7.4% per annum.

Higher interest rates, which increased by 12.6% in 2021, promoted the recovery of households' and businesses' demand for time ruble deposits. Overall, the growth of money supply according to the national definition (M2 aggregate) stayed nearly the same as in 2020, equalling 13.0%. Thus, higher interest rates contributed to the rise in savings and helped protect them against inflation.

Concurrently, due to higher inflation and inflation expectations, monetary conditions remained accommodative and credit activity stayed high. The banking system's claims on the economy¹ increased by 13.9% as of the end of the year.

Protection of financial service consumers' rights. The pandemic had a considerable effect on households' financial behaviour. The demand for remote services and new financial products rose significantly. Individuals' cashless transactions were up. The proportion of adults using bank accounts reached 93.7%.

The financial platforms developed within the framework of the Marketplace project provided the opportunity to select and open the most advantageous bank deposits, raise loans, and purchase electronic compulsory motor third-party liability insurance policies or investment products without visiting a bank office.

However, not all people have experience and sufficient knowledge to assess risks when concluding transactions. In view of this, the Bank of Russia took part in the development of a whole range of legislative initiatives aimed at financial consumer protection.

One of the most urgent problems for financial consumers is misselling (the sale of a financial product through its misrepresentation). To counteract this malpractice, the legislative authorities, with the engagement of the Bank of Russia, adopted a law on sales rules.² In furtherance of this law, the Bank of Russia obliged banks to inform their clients of the specifics and inherent risks of non-bank investment products they purchase.

The number of newbie retail investors entering the financial market continued to increase. To ensure that they make well-informed decisions on purchasing financial instruments, in October 2021 the Bank of Russia launched the mandatory testing of non-qualified retail investors before concluding any transactions with complex financial instruments.

Legislative amendments expanded the list of financial services when a borrower has a cooling-off period, that is, has the right to refuse these services and receive the refund within 14 calendar days after the date of the agreement. This right is now applicable not only to voluntary insurance, but also to any other services tied to loans and microloans. Moreover, the authorities prohibited financial institutions to put check marks by default to indicate a borrower's consent to additional services.

To protect borrowers' rights in the mortgage market, the total cost of credit (TCC) under mortgage agreements was limited.³ Additionally, self-employed persons received the right for mortgage holidays and borrowers whose applications for mortgage holidays were declined – for a bank's explanation of the reasons for the negative decision.

Borrowers' protection against illegal creditors is of great social importance. This is why the authorities increased fines and introduced criminal liability for unlawfully issued loans. Creditors and collectors may not contact a borrower's relatives or acquaintances for debt collection purposes without their written consent, which they may revoke at any moment.

As a result of conduct supervision to control that financial institutions communicate with their clients properly, in 2021, banks, microfinance institutions, and insurers made refunds to consumers, or recalculated or cancelled their liabilities in the amount of over ₹975 million.

Citizens can apply to the Bank of Russia through various channels, including the call centre, the internet reception, and the mobile application CB Online. In 2021, the Bank of Russia received

¹ The banking system's claims on the economy mean all claims of the banking system on non-financial and financial organisations and households in Russian rubles, foreign currency, and precious metals, which include loans extended (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in non-financial and financial organisations' equity, and other receivables under settlement operations with non-financial and financial organisations and households.

² Federal Law No. 192-FZ, dated 11 June 2021, 'On Amending Certain Laws of the Russian Federation'.

³ In February 2022, the limit on the total cost of credit was suspended.

250,500 complaints from financial consumers, which is 9.9% less than in 2020. This reduction was mostly due to a smaller number of complaints regarding pandemic-related issues.

To further customise insurance rates, the Bank of Russia additionally expanded the range of insurance rates and adjusted the procedure for applying a number of coefficients. As a result of this decision, insurers may decrease insurance rates for careful drivers and raise them for high-risk drivers.

In 2021, the Bank of Russia was entitled to initiate prompt blocking of websites of illegal financial market participants, including financial pyramids. This makes it possible to quickly limit consumers' access to illegal organisations' websites. Moreover, beginning from 1 June 2021, citizens can reduce their risks of applying to illegal providers of financial services by verifying information about companies on the Bank of Russia website in the list of detected organisations having signs of unlawful activity in the financial market.

Improving financial literacy is crucial for decreasing financial consumers' risks. In 2021, the Bank of Russia put a special focus on investment, digital and cyber literacy issues, closely collaborating in this area with the Ministry of Finance, the Ministry of Education, and other federal executive authorities of Russia.

Financial literacy classes became part of the federal state educational standards (FSES) developed with the participation of the Bank of Russia. Financial literacy elements will be included in such school subjects as Mathematics, World Around Us, Social Science, and Geography. This is an important step towards integrating mandatory financial literacy classes in schools. The website Financial Culture (fincult.info)¹ and social networks continued to play an important role in the distribution of educational content.

In the situation where not all industries completely coped with the aftermath of the pandemic, while interest rates increased, it was essential for the Bank of Russia to preserve targeted support instruments. Over the year, the Bank of Russia extended several times the effective period of its recommendations to creditors regarding loan restructuring for individuals and small and medium-sized enterprises (SMEs) affected by the pandemic. In October 2021, when the pandemic situation worsened, the Bank of Russia launched a specialised refinancing facility with a limit of ₹60 billion in order to support bank lending to SMEs.

Additionally, the Bank of Russia continued its efforts towards providing convenient, safe and affordable financial services to SMEs. The Bank of Russia granted regulatory easing to credit institutions to encourage lending to SMEs. The practice of financing through stock market instruments, crowdfunding, and online factoring expanded. SMEs extensively used the Faster Payments System to pay for goods and services.

The development of remote financial platforms became an important priority in the Bank of Russia's work towards enhancing financial inclusion. Nonetheless, as regards remote, sparsely populated and hard-to-reach areas, the Bank of Russia, jointly with large banks, continued the efforts to preserve physical service points, including mini service points. As a result, the increase in the number of such points providing banking services more than offset the reduction in the number of bank offices.

The advancement of information technologies and higher demand for remote services promoted an active development of a new type of business – ecosystems. The expansion of financial institutions' activities in non-core areas involves additional risks, including for their clients. In view of this, the Bank of Russia's objective is to arrange effective regulation of this business. In 2021, the Bank of Russia released two consultation papers on ecosystem regulation² in order to develop optimal rules of operation in a dialogue with market participants.

¹ Financial Culture (fincult.info) – the Bank of Russia's financial literacy website.

² Ecosystems: Regulatory Approaches (April 2021) and Regulation of Risks of Banks' Participation in Ecosystems and Investment in Immobilised Assets (June 2021).

In 2021, at the initiative of the Bank of Russia, the information platform Know Your Customer (hereinafter, the KYC Platform) was created. This platform allows credit institutions to access high-quality information on the level of risk of suspicious transactions that might be conducted by legal entities.¹ The use of the KYC Platform reduces the regulatory burden for bona fide businesses, first of all small and micro enterprises.

Smoothing out imbalances in mortgage and consumer lending. As the economy rebounded, many borrowers coped with financial hardships they had faced after the outbreak of the pandemic. Hence, the Bank of Russia cancelled the temporary regulatory easing as scheduled. In order to smooth out this process for the banking sector, the Bank of Russia released the macroprudential capital buffer in the amount of ₹124 billion beginning from 30 June 2021.

As of the end of 2021, the mortgage loan portfolio expanded by over 30%, and the growth of unsecured consumer loans reached 20.1%. This surge was a disturbing trend as it involved a potential threat of bubbles in the domestic market. Another matter of concern was a considerable rise in mortgage loans with a low down payment. In order to maintain the mortgage lending standards, on 1 August 2021, the Bank of Russia raised the macroprudential buffers for mortgage loans with a down payment of 15–20%.²

To reduce risks in consumer lending, the Bank of Russia raised capital requirements for unsecured consumer loans two times over the year. These measures helped banks form a substantial macroprudential capital buffer for unsecured consumer loans³ by the end of the year.

In 2021, the Bank of Russia started to apply macroprudential limits.⁴ This instrument limits the proportion of newly issued high-risk loans in banks' total loan portfolio and, as compared to raising the requirements for banks' capital, prevents their growth more efficiently.

Advancement of the national payment system. Amid the post-pandemic recovery of the economy, the Russian payment services market demonstrated steady growth. Adapting to the impact of the coronavirus-related factor, Russians increasingly more often used cashless payment instruments, remote channels and contactless payments. The proportion of cashless payments for products and services in retail turnover⁵ increased from 70.3% in 2020 to 74.3% in 2021.

The Mir payment system expanded the range of convenient and advantageous services, which contributed to the increase in issued Mir cards to 113.6 million and the efficiency of their use. The proportion of Mir cards in the total number of issued payment and credit cards reached 32.5%. The Mir payment system supported the implementation of the Tourist Cashback programme launched to pay back a part of the cost of travels, tourism, and children's vacations to people. Mir cards are processed in all Russian regions and accepted in 14 countries⁶.

The Faster Payments System (FPS) was quickly developing. The number of its users increased to 44 million people as of the end of 2021. As compared to 2020, the number and amount of transactions in the FPS surged eight and six times, respectively. The FPS also enables B2B transfers and the acceptance of payments by self-employed persons. Within the advancement of the FPS for SMEs, the Government approved a subsidised programme allowing SMEs to get a refund of the fee they pay to banks for payment processing via the FPS.

¹ Other than credit institutions, state and municipal authorities.

² On 2 March 2022, the Bank of Russia cancelled the macroprudential risk-based buffers for mortgage loans in rubles issued beginning on 1 March 2022 (except for loans with an LTV (loan-to-value) ratio above 90%, for which the level of the buffers remained unchanged).

³ On 28 February 2022, the Bank of Russia released the accumulated macroprudential capital buffer for unsecured consumer loans.

⁴ On 2 March 2022, the Bank of Russia rescheduled the introduction of the macroprudential limits on unsecured consumer loans for 1 January 2023.

⁵ Retail turnover – the overall turnover of retail and public catering and the value of commercial services to households.

⁶ As of the end of 2021. As of 1 April 2022 – in ten countries, considering the imposed sanctions.

The Financial Messaging System (FMS) became more demanded. As of the end of 2021, the number of its users rose to 331 organisations (banks and companies). The number of messages via the FMS increased 1.5 times compared to 2020.

Furthermore, the Bank of Russia developed a concept of the digital ruble as the third form of the national currency. The digital ruble will be issued by the Bank of Russia and will help enhance the availability and safety of payments, reduce fees for transactions, and promote conditions for higher competition and the development of innovative platforms. At the next stage, the Bank of Russia developed a digital ruble prototype and selected 12 banks to participate in the pilot testing. The joint testing of the digital ruble was launched with the chosen banks. Based on the results of the testing, the Bank of Russia will make a decision on issuing the digital ruble.

Other objectives. In 2021, the Bank of Russia addressed other objectives as well, in addition to those described above. A particular focus was put on the regulation of and supervision over financial institutions, AML/CFT, as well as sustainable development issues.

Considering that the issues associated with climate risks and the energy transition are especially important for society, the Bank of Russia carried out work within the framework of the Russian Government's initiatives to build the national infrastructure of sustainable development. In particular, the terms for issuing green and social bonds were eased, and the recommendations were released for public joint-stock companies regarding the disclosure of information on how they take into account ESG factors¹ in their operation.

As regards the integration cooperation, progress was achieved in the drafting of agreements aimed at forming the EAEU common financial market and at harmonising and unifying the regulatory framework in the territory of the Union State.

Within the bilateral international cooperation, in 2021 the Bank of Russia put a special emphasis on collaboration in addressing the consequences of the pandemic and considerably expanded the contractual and legal framework for interaction with foreign financial regulators.

The Bank of Russia's economic research focused primarily on such topics as improving the approaches to the monitoring and forecasting of the main macroeconomic and financial indicators, studying the regional heterogeneity of the Russian economy, assessing the situation in the Russian banking sector and in financial markets amid risks to financial stability, maintaining financial and price stability, and modelling the consequences of the global energy transition. The findings of the research are available on the Bank of Russia website.

The reliability of the Bank of Russia's annual financial statements was verified, which is confirmed by independent auditors' report and the statement by the Accounts Chamber of the Russian Federation.

¹ ESG – Environmental, Social, and Corporate Governance.



The state of the economy of the Russian Federation

In 2021, many processes in the economy and the financial sector showed that they were gradually overcoming the crisis developments of the previous year. After the abrupt interruption forced by the pandemic, market then revived. The economy bounced back, while changing as compared to its state before the pandemic. Over a short period, consumers' behaviour and preferences, as well as logistics chains altered. These trends were observed both in Russia and globally.

According to the International Monetary Fund (IMF), the world economy expanded by 5.9% over the year, and external trade increased by 9%. In most large countries, the economic recovery was accompanied by rising inflation. Responding to this trend, the central banks of these countries shifted to monetary policy normalisation and announced their plans for its further gradual tightening. As a result, capital flows in emerging market economies (EMEs) contracted, putting downward pressure on the exchange rates of EMEs' currencies.

Considering these conditions and increased geopolitical risks, foreign investors' demand for Russian securities declined at the end of the year. However, the rise in prices for energy commodities following the economic recovery worldwide and the key rate increase by the Bank of Russia supported the ruble. Overall, as of the end of the year, the exchange rate of the ruble against the US dollar dropped by 0.56% to 74.29 rubles per US dollar, while strengthening by 7.30% against the euro to 84.07 rubles per euro.

In 2021, Russia's GDP rose by 4.7% after a 2.7% decline in 2020, and output in some industries even surpassed the pre-pandemic level. The main contributor to the expansion of GDP was an increase in added value in trade (by 8.1%). An upward trend was recorded in both retail and wholesale trade. Manufacturing companies' output edged up notably (by 4.6%). The expansion of production promoted a considerable rise in Russian companies' financial performance. As a result, fixed capital investment was up by 7.7%.

The economic growth was driven by domestic demand:¹ household final consumption rose by 9.6%, and gross capital formation — by 8.7%. In turn, the expansion of domestic demand was promoted by higher real disposable incomes, households' low propensity to save, and an easing of anti-coronavirus restrictions compared to 2020.

The year 2021 was characterised by staff shortages in the labour market. Namely, unemployment edged down from 5.8% in 2020 to 4.8% in 2021 on average over the year. A part of employees who had temporarily stopped working in 2020 for pandemic-related reasons returned to the labour market.

The expansion of demand steadily surpassed the potential to ramp up supply. Manufacturers and suppliers faced higher costs due to logistics problems caused by anti-coronavirus restrictions and high prices in global commodity markets. Consequently, prices for goods and services

¹ Domestic demand implies final consumption expenditure and gross capital formation.

rose. Annual inflation reached 8.4% in 2021 compared to 4.9% in 2020, exceeding the target (4%) more than two times. Stable inflation indicators also increased. Core inflation rose by 4.7 percentage points over the year, to 8.9%.

The increase in food prices sped up by 3.9 percentage points over 2021, reaching 10.6%. Prices for animal products rose most considerably, which was largely associated with the external economic recovery.

As to non-food goods, construction materials demonstrated the highest price growth rates, which was due to an increase in households' demand for housing, driven by subsidised mortgage lending programmes, among other things. Moreover, the major contributor to the growth of non-food prices was an increase in prices for cars associated with their limited output due to disruptions in component supplies from abroad.

As price growth accelerated, households' and companies' inflation expectations increased persistently throughout 2021. Analysts also raised their inflation forecasts for the end of 2021.

In order to slow down inflation, the Bank of Russia increased the key rate seven times in 2021, doubling it to 8.50%. Consequently, banks raised deposit rates, and the inflow of households' and companies' funds into deposits increased. Moreover, the growth rate of ruble deposits was notably higher as compared to foreign currency deposits. Overall, money supply (M2 monetary aggregate) expanded by 13.0% as of the end of 2021.

Due to phasing-out of anti-crisis measures and budget consolidation, the effect of budget operations on money supply gradually decreased in 2021 as compared to 2020. As before, the main source of money supply was bank lending to the economy. The demand for loans surged to significantly surpass the level of 2020. Over the year, corporate lending was up by 11.7%, mortgage lending — by over 30%, and unsecured consumer lending — by 20.1%.

Credit institutions remained the leaders of the Russian financial sector in terms of their assets — 92.2% to GDP. The sector's capital cushion expanded by 6% to ₹6.1 trillion. The banking sector's potential to build up lending was estimated at ₹23.3 trillion as of the end of 2021.

All insurance segments demonstrated an upward trend. Insurance premiums rose by 17.5%, reaching ₹1,808.3 billion. As before, the growth of the market was driven by life insurance. Accident and health insurance premiums increased most considerably. The situation in the CMTPLI market was stable.

Unit investment funds' net asset value (UIFs' NAV) increased by more than 41% over the year, to reach ₹7.1 trillion. As before, closed-end funds focusing on legal entities and wealthy private clients were the largest UIFs by the amount of their assets. Nevertheless, exchange-traded UIFs for non-qualified investors demonstrated a record-high annual growth rate of NAV reaching 148%.

As to professional securities market participants (PSMPs), including both credit institutions (CIs) and non-bank credit institutions (NCIs), the number of their clients receiving brokerage and depository services doubled, equalling 20.2 and 20.6 million persons, respectively. The number of clients with assets in trust management increased 1.5 times to 842,600 persons.

The amount of consumer loans issued in the microfinance market surged by 58% over 2021, as compared to 2020, totalling ₹574.9 billion. Nonetheless, the level of overdue debt remained stable in the market in general.

Financial platforms were becoming increasingly more demanded by market participants. The number of organisations operating on these platforms increased, and the range of services they offered to consumers expanded.

The crowdfunding market developed steadily in terms of the number of organisations, the amount of transactions, and the coverage of the client base. Investors on investment platforms were mostly individuals. In 2021, funds raised in this market totalled ₹13.8 billion.

1.1. The Macroeconomic Situation

1.1.1. EXTERNAL ECONOMIC CONDITIONS



In 2021, the largest economies of the world recovered after the pandemic; however, there were still difficulties with supply chains, especially in advanced economies

Global economic growth. In 2021, the world economy actively bounced back after the pandemic-induced crisis. This rebound was uneven as it was impacted by the spread of new coronavirus variants and logistics problems. The latter arose back at the end of 2020, especially in advanced economies, intensified during 2021, and started to weaken only in November–December.

International trade. Amid the recovery of the world economy, the quantities of international trade in goods and services edged up by 9% in 2021, according to the IMF's assessment (compared to an 8% decline in 2020). However,

caused delays in construction projects. Contrastingly, the volume of international trade in many other types of services significantly exceeded 2019 level. Computer services showed the highest growth rate as global trade in them considerably expanded because remote work and studies became more widespread.

Global commodity markets. World prices for energy commodities increased due to the expansion of global demand driven by higher economic activity worldwide and the impact of weather conditions, as well as limited supply. In 2021, the Urals crude oil price averaged \$69 per barrel, which is 66% more than in



The oil price rose in 2021 amid recovering global demand and limited supply

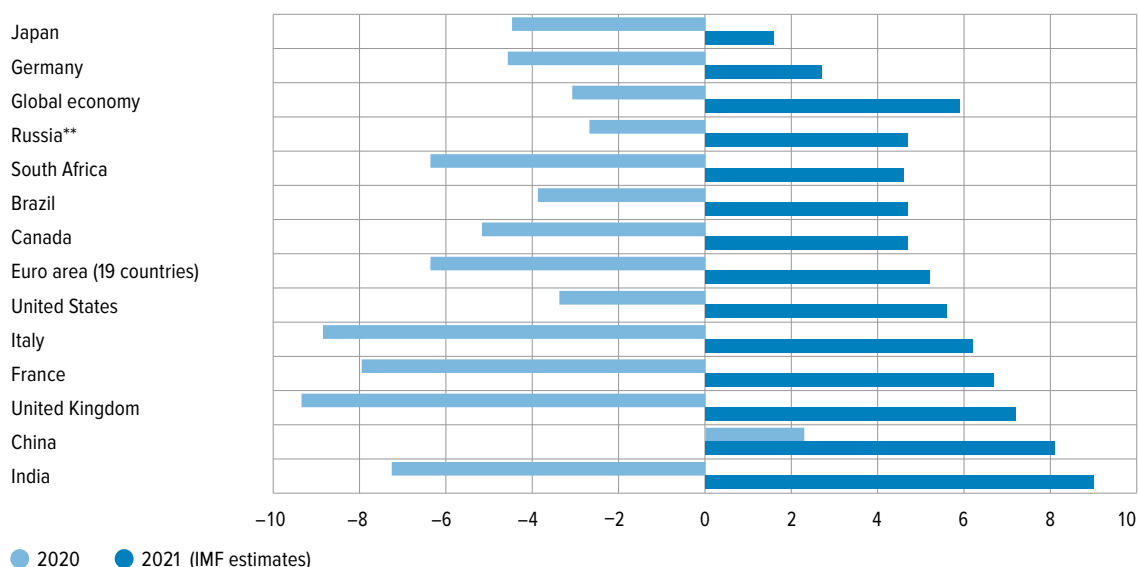
disruptions in supply chains and anti-pandemic restrictions constrained the revival of global trade, especially in services. The volume of international trade in tourism services remained significantly below the pre-pandemic level, which was due to the remaining restrictions for tourists during foreign trips. According to the UNWTO,¹ the number of international tourist arrivals in 2021 was still 72% below the level of 2019, although it edged up by 4% against 2020. As reported by the World Trade Organization, global exports of construction services failed to achieve the pre-pandemic level over January–September 2021 as higher prices for construction materials and staff shortages

2020 (\$42 per barrel) and is higher than in 2019 (\$64 per barrel). In December 2021, global demand for oil nearly returned to the level of 2019. Global supply expanded as well, although its growth was still limited due to the OPEC+ oil production cuts and production disruptions in a number of countries. The gas price hit a record high in Europe and multi-year highs in other markets. Moreover, the rise in gas prices caused an increase in prices for fertilisers that are manufactured using gas. This in turn became one of the factors pushing up global food prices. Other drivers included relatively high demand, higher costs of agricultural producers, pandemic-induced

¹ United Nations World Tourism Organization.

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

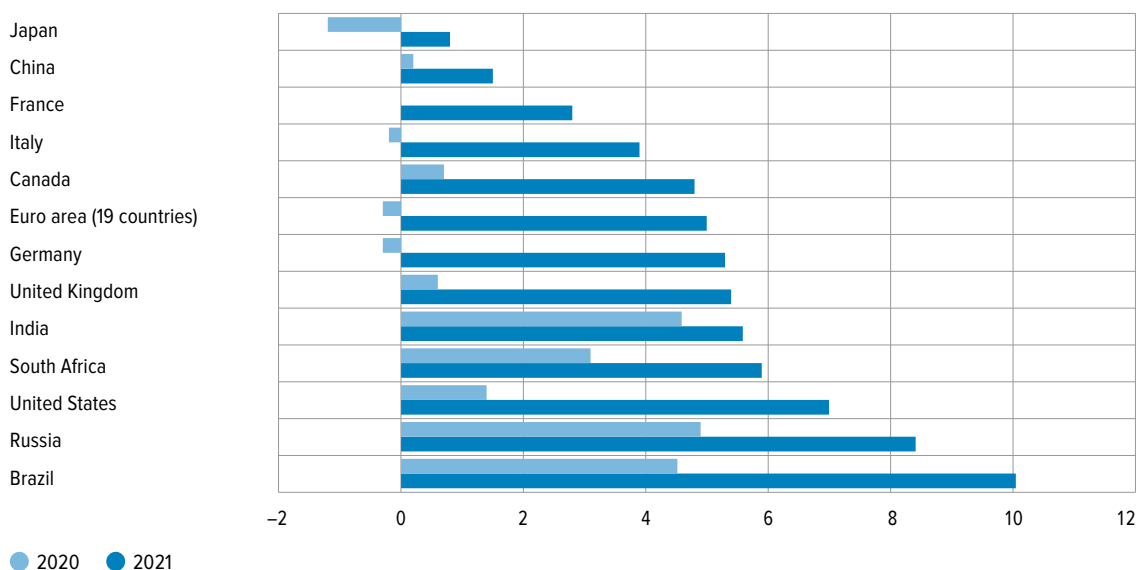
Chart 1



* Based on IMF data (WEO Database, January 2021).
** For Russia, Rosstat estimates.

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

Chart 2



* Based on Bloomberg data.
Note. Inflation targets: USA (average value), UK, Euro area, Canada, Japan — 2%; Russia — 4%, India — 4%±2 pp, Brazil — 3.75±1.5 pp, South Africa — 3-6%.

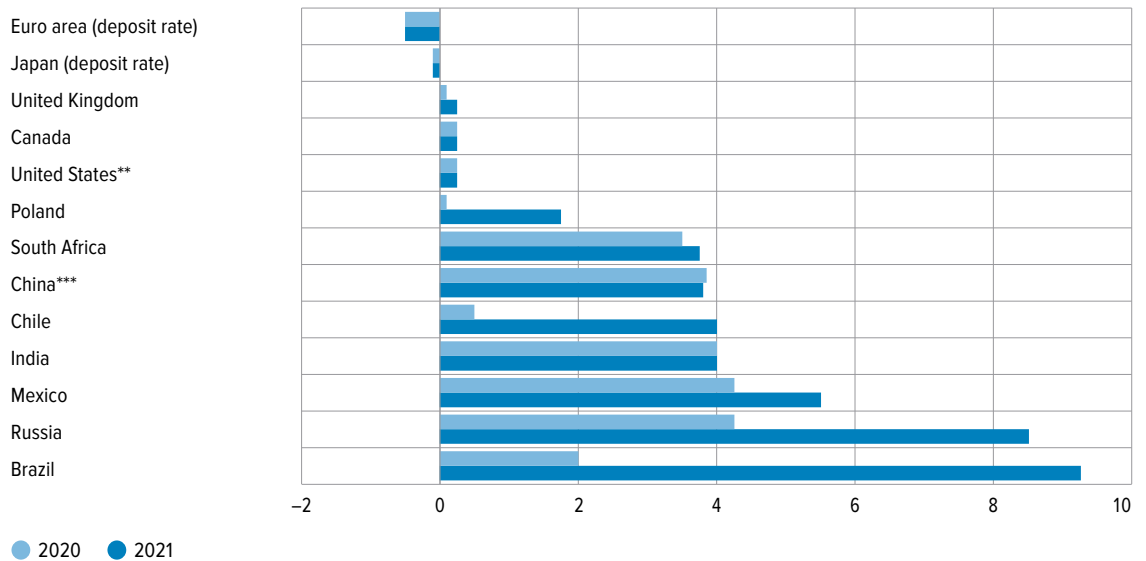
disruptions in supply chains, and unfavourable weather conditions. The FAO Composite Index¹ reached a ten-year high in December 2021, adding 24% year-on-year (8% in December 2020). Prices for vegetable oils and sugar rose most notably.

Inflation worldwide. Due to restrictions introduced amid resurgences in coronavirus cases and persistent logistics problems, supply lagged behind demand and inflation accelerated in many countries. The situation with supplies was partially less complicated in Japan, South

¹ An index calculated by the Food and Agriculture Organization of the United Nations (FAO).

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

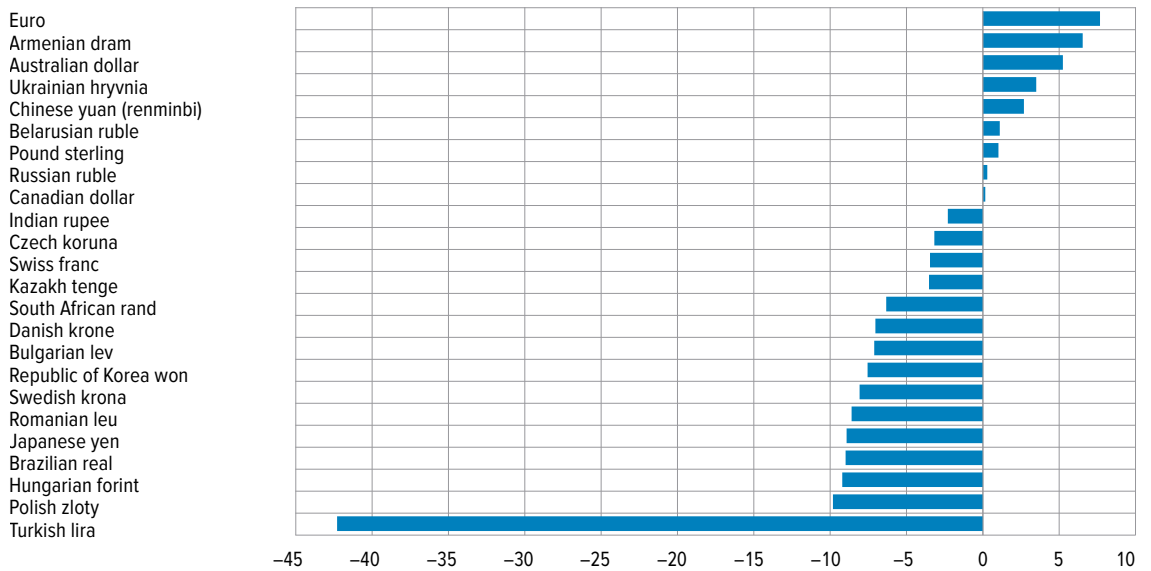
Chart 3



* Based on Bloomberg data.
** Upper bound of the key rate corridor.
*** Loan Prime Rate.

GROWTH IN EXCHANGE RATES OF CERTAIN CURRENCIES AGAINST THE US DOLLAR IN 2021*
(DECEMBER AS A PERCENTAGE OF PREVIOUS DECEMBER)

Chart 4



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

Korea, and some other Asian states having a high level of automation (robotisation) of their production processes, including in logistics, and low human engagement in these processes. Accordingly, inflationary pressure in some of these economies was more moderate. However, inflation sped up throughout the year in most

large advanced and emerging market economies (in the USA — from 1.4% in December 2020 to 7% in December 2021, in the euro area — from -0.3% to 5.0%, in Brazil — from 4.5% to 10.1%, and in Mexico — from 3.2% to 7.4%).

Monetary policies of foreign countries. In 2021, responding to strong inflationary pressure,

central banks in emerging market economies and, later on, in advanced economies shifted to monetary policy normalisation and announced their plans for its further gradual tightening.

The US Federal Reserve System (US Fed) began to taper its quantitative easing programme in 2021 and announced its plans to start raising the federal funds rate and reduce the balance sheet in 2022. The European Central Bank (ECB) also announced a decrease in asset purchases. The Bank of England raised the Bank Rate at the end of the year, and the Bank of Canada started to reduce its balance sheet. Speaking of emerging market economies (EMEs), policy rates were raised due to high inflation in a number of countries in Latin America, as well as Central and Eastern Europe, namely Mexico, Brazil, Chile, Poland, and Hungary. In Asian countries, inflationary pressure remained quite low, enabling central banks to maintain accommodative monetary policy.

Exchange rates and capital flows. In the first half of 2021, EMEs' exchange rates were relatively stable¹ amid the continuing inflow of capital and the economic recovery from the aftermath of the coronavirus pandemic. The real effective exchange rate of the ruble against foreign currencies also remained stable over this period, staying close to the level of the beginning of the year. In the second half of 2021, the inflow of funds into EMEs' shares and bonds slowed down considerably amid the policy normalisation started by the US Fed.² As a result, the exchange rates of most EMEs' currencies against the US dollar lowered by the end of the year.³ Contrastingly, the real effective exchange rate of the ruble strengthened amid higher oil prices and the gradual increase in the Bank of Russia key rate. As of the end of the year, the real effective exchange rate of the ruble rose by 9% in annualised terms.

¹ The JP Morgan Emerging Market Currency Index (FXJPEMCI) stayed in the range of 56–58 in January–June. The FXJPEMCI index is calculated by JP Morgan for ten main EM currencies (BRL, CLP, CNY, HUF, INR, MXN, RUB, SGD, TRY, and ZAR) against the US dollar.

² According to the Institute of International Finance (IIF), the inflow of capital into EMEs exceeding \$80 billion in January 2021 declined to less than \$40 billion by July and totalled \$17 billion in December.

³ The JP Morgan Emerging Market Currency Index (FXJPEMCI) lowered from 57.7 in June to 52.3 in December 2021.

1.1.2. INFLATION AND ECONOMIC ACTIVITY

PRODUCTION ACTIVITY

Business activity in the Russian economy increased over the year. As of the end of 2021 Q4, output in key industries exceeded pre-pandemic readings (hereinafter, the level of 2019 Q4, SA¹), whereas the value of commercial services was close to this level, according to the Bank of Russia's assessments based on Rosstat's data. This was driven by a relative stabilisation of the pandemic situation, primarily owing to higher anti-coronavirus vaccination rates, which made

pansion of output in mining and quarrying (by 4.8%) and oil refining (by 3.6%). As the OPEC+ countries eased their oil production cuts, activity in the Russian mining and quarrying sector recovered over the most part of 2021 to exceed pre-pandemic readings (SA) as of the end of 2021. The main contributors to this rebound were the oil and gas industry and the sector of production-related services (growth by 43.3% in 2021 Q4 (SA) vs 2019 Q4). Gross value added in mining and quarrying rose by 4.2% as of the end of 2021.



In 2021, Russia's GDP edged up by 4.7%

it possible to introduce only local anti-pandemic restrictions on economic activity, despite new waves of coronavirus cases over 2021. As a result, Russia's GDP was up by 4.7% in 2021, after its decline by 2.7% over the previous year.

The main contributor to the expansion of GDP was an increase in added value in trade (by 8.1%). Both retail and wholesale trade showed an upward trend.

Retail turnover increased by 7.3% in 2021, including by 2.2% in food products and by 12.3% in non-food goods. As of the end of 2021 Q4, sales in these two retail segments exceeded pre-pandemic readings (SA). This rise was driven by the expansion of consumer demand supported by the steady growth of people's wages and other incomes (see Subsection '[Domestic demand and labour market](#)') and the development of multi-format business models in retail that were especially relevant amid the partially remaining social distancing measures (e.g. the online segment, delivery services, customer pick-up, and others).

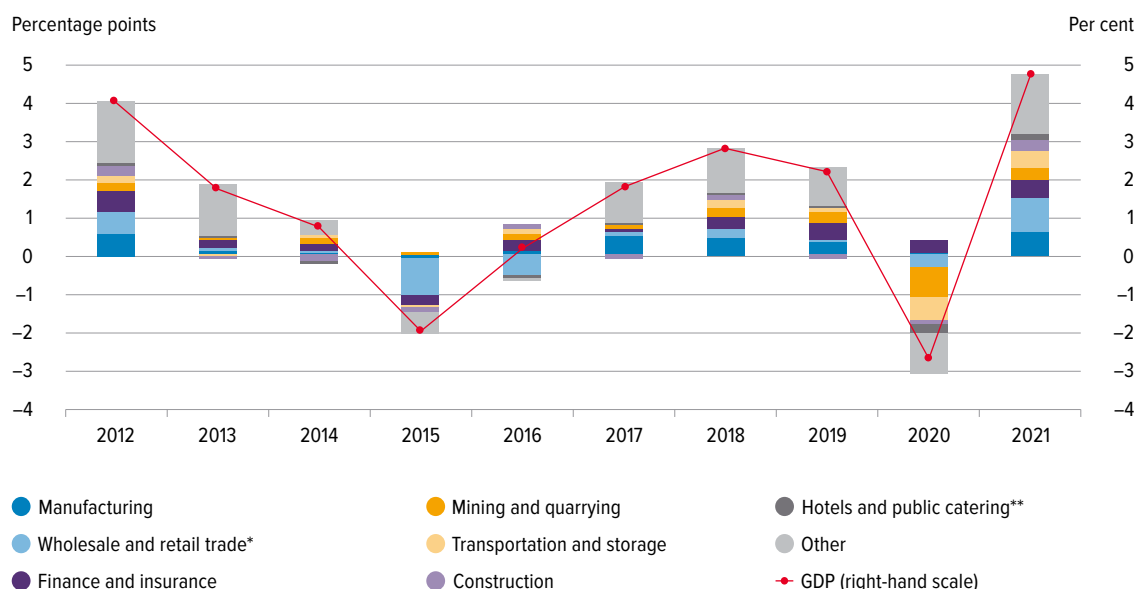
Wholesale turnover rose by 9.4% over 2021, significantly surpassing the pre-pandemic level (SA). This trend was closely related to the ex-

An important driver of GDP growth in 2021 was an increase in added value in **manufacturing** (by 4.6%). All large manufacturing sectors built up their output in 2021 that reached record highs as of the end of 2021 Q4 (SA). According to the Bank of Russia's assessments, over 2021, the output of intermediate goods expanded by 3.8%, of investment goods – by 6.5%, and of consumer goods – by 5.5%. Output in a number of industries (manufacturing of medicines and medical equipment) was supported by demand that remained elevated due to the persistent coronavirus pandemic. A faster increase in production activity was contained partially by temporary factors associated with the consequences of the pandemic (disruptions in supplies and higher logistics costs) and partially by the lack of available production capacities. All these factors, as well as a considerable rise in Russian companies' financial performance (their overall financial performance surged 2.6 times in 2021) promoted the growth of investment activity. Fixed capital investment rose by 7.7% in 2021, notably exceeding the pre-pandemic level (SA) as of the end of 2021 Q4.

¹ Seasonally adjusted.

GDP BY MAJOR ECONOMIC ACTIVITY
(CONTRIBUTION TO ANNUAL GROWTH)

Chart 5



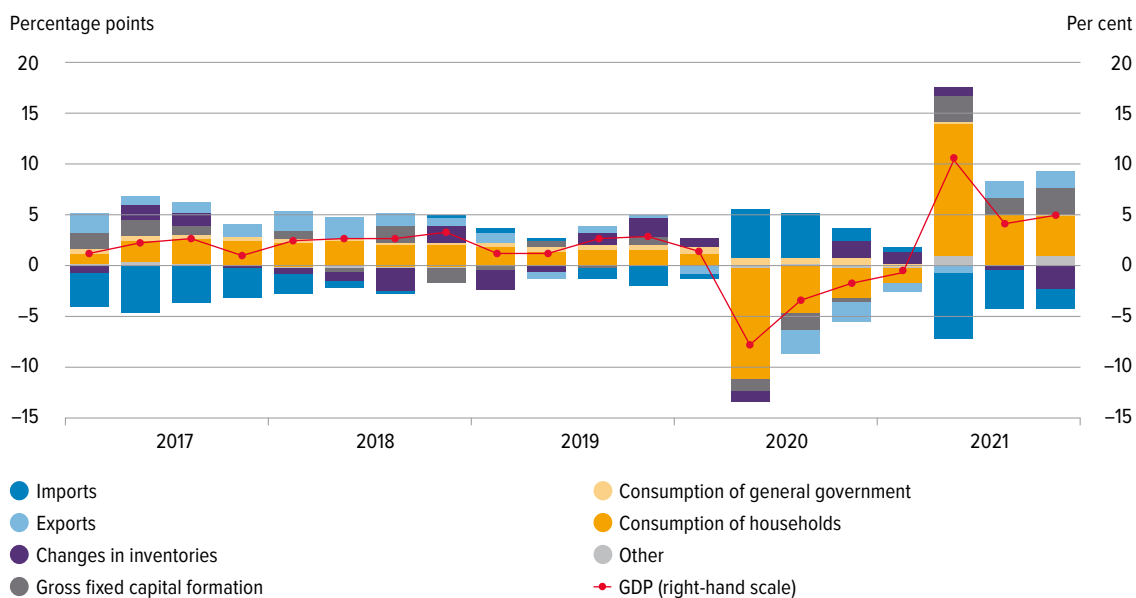
* Including motorcar and motorcycle repairs.

** Hotels and public catering activities.

Sources: Rosstat, Bank of Russia calculations.

GDP BY EXPENDITURE
(CONTRIBUTION TO ANNUAL GROWTH)

Chart 6



Sources: Rosstat, Bank of Russia calculations.

Among the key industries, value added declined most considerably in **agriculture** (by 1.3%). According to Rosstat, the gross yield of cleaned grain totalled 121.3 million tons, which is 9.1% less than in 2020 and

2.9% below the five-year average. Due to unfavourable weather conditions in 2021, the harvest and total yield of potatoes¹ and vegetables worsened (by 6.7% and 2.8%, respectively).

¹ Another negative factor is a 3.1% reduction in the cultivation areas as compared to the previous year.

DOMESTIC DEMAND AND LABOUR MARKET

High economic growth rates were mostly driven by domestic demand:¹ household final consumption was up by 9.6% in annualised terms, and gross capital formation – by 8.7%. After a slump in 2020, domestic demand recovered, which was promoted by a rise in real disposable incomes (by 3.1%), households' low propensity to save, and the easing (as compared to 2020) of anti-coronavirus restrictions. Concurrently, high global demand had a positive effect on external trade, with export quantities increasing by 3.2% as of the end of the year. However, the rise in GDP and its separate components was uneven over the year: it was steady in Q1 and Q3 and significantly sped up in Q2 and Q4.

The economic rebound at the beginning of the year was driven by domestic demand. Retail turnover expanded, and commercial services demonstrated a recovery trend. In 2021 Q2, GDP increased by 10.5% in annualised terms, which is the highest growth rate over the period since 2001. In Q3, consumer activity continued to trend upwards, boosted by additional payments to families with school-aged children, pensioners, and servicemen in August and September. The demand for non-food goods increased most notably. In Q4, economic activity dynamics were uneven. The growth of consumer activity slowed down slightly in October–November due to restrictions reintroduced in certain regions. Nonetheless, already in December, most consumer industries showed a recovery growth. The increase in retail was predominantly driven by non-food goods, and overall retail sales exceeded pre-pandemic readings.

The labour market faced large-scale staff shortages in 2021. The average annual number of employed people rose from 70.6 to 71.1 million, while staying lower than in 2019. Contrastingly, the average annual number of the unemployed lowered by 0.7 million to 3.6 million, while remaining above the level of 2019. This is evidence that a part of the country's economically active population resumed their work-

ing activity after exiting the labour market in 2020. Unemployment edged down from 5.8% in 2020 to 4.8% on average in 2021, dropping to a record low of 4.3% in Q4. Thus, the labour market still faced staff shortages in the reporting year.

INFLATION

In 2021, annual inflation sped up by 3.5 percentage points to 8.4%, which is notably above the target (4%). The upward pressure on prices primarily resulted from high demand that steadily exceeded the capacity to build up supply. This factor made it simpler for manufacturers and suppliers to pass through higher costs to prices. Their costs were pushed up by faster price growth in global commodity markets, among other factors. The expansion of output was hindered by persistent disruptions in global production and logistics chains. One-off factors in the markets of certain goods and services mostly had a proinflationary effect in 2021 as well.

The annual growth of food prices sped up most significantly in 2021, namely by 3.9 percentage points to 10.6%. The acceleration of food inflation was driven mostly (for over 4/5) by a faster annual increase in prices for animal products (meat and dairy products and eggs). It was largely the result of higher costs in livestock production and food manufacture that continued to rise beginning from 2020 due to external economic conditions. Soaring global prices for grains, oil crops, petroleum products, polymers, metals, and timber amid global demand and supply gaps caused an increase in costs for feed, consumables, fuels and lubricants, packing, and transportation. The adverse impact of global markets on domestic prices was moderated owing to the measures implemented by the Russian Government, including in customs and tariffs regulation.

Anti-pandemic restrictions introduced in Russia and globally entailed a reduction in the inflow of labour migrants into the agroindustrial complex and staff shortages, which pushed up companies' labour costs. Proinflationary pressure in the food market was also caused by

¹ Domestic demand implies final consumption expenditure and gross capital formation.



Inflation exceeded the target (4%), driven by surging demand surpassing the capacity to ramp up supply and cost-side pressure

such one-off factors, as swine and bird disease outbreaks and a lower grain harvest.

The annual growth of non-food prices rose slightly less significantly than that of food prices. The increase in non-food prices sped up by 3.8 percentage points as compared to 2020, reaching 8.6%. This trend was mostly driven by higher consumer demand that exceeded the potential to ramp up supply. Prices for construction materials rose most considerably, namely by 23.8% (the highest growth rate among the main groups of non-food goods), which is 18.4 percentage points higher than in 2020. The demand for construction materials was driven by households' high activity in the housing market, including owing to subsidised lending programmes. As consumer activity expanded, companies had the possibility to raise prices, passing through soaring costs for raw materials and intermediate goods pushed up by the surge in global prices for timber, metals, and polymers. Similar factors sped up the annual growth of furniture prices.

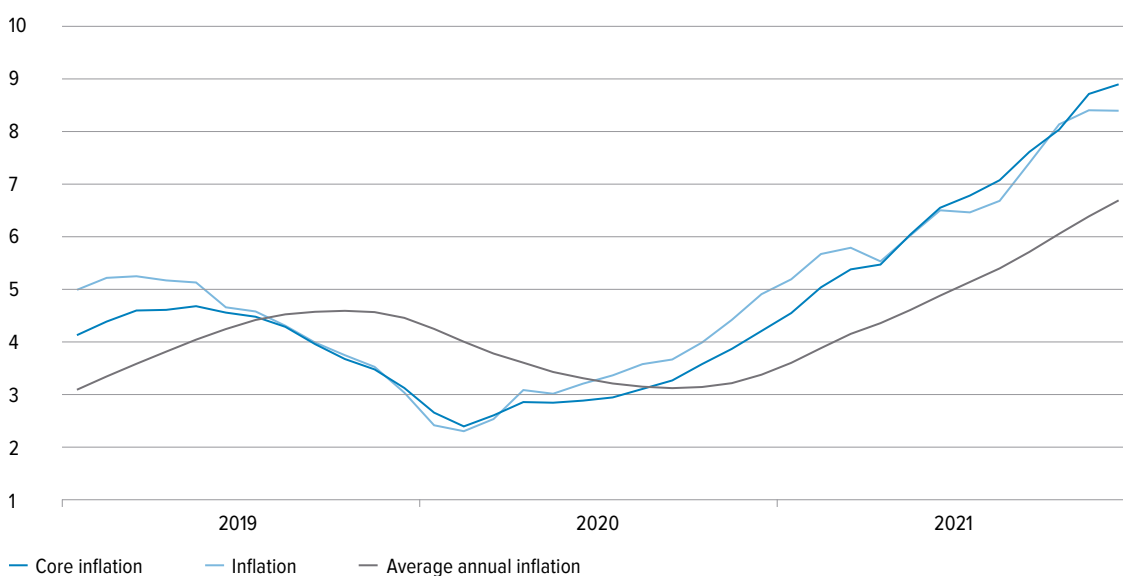
High demand that surpassed the expansion of supply was also the reason for a faster rise in car prices, which were the major contributor to the overall acceleration of the annual growth of non-food prices. Output was considerably affected by disruptions in component supplies from abroad, which forced Russian plants to suspend their operation during certain periods. Moreover, the deficit of electronic components caused imbalances in the market of TV and radio goods.

The annual growth of prices for services accelerated the least in 2021, namely by 2.3 percentage points to 5.0%. Activity in this segment of the consumer market largely depends on anti-pandemic requirements and was generally moderate in 2021. However, changes in post-pandemic regimes in Russia and other countries caused significant price fluctuations in foreign tourism and air transportation.

Overall, long-acting factors had the predominant impact on price growth in 2021, which is evidenced by changes in stable infla-

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

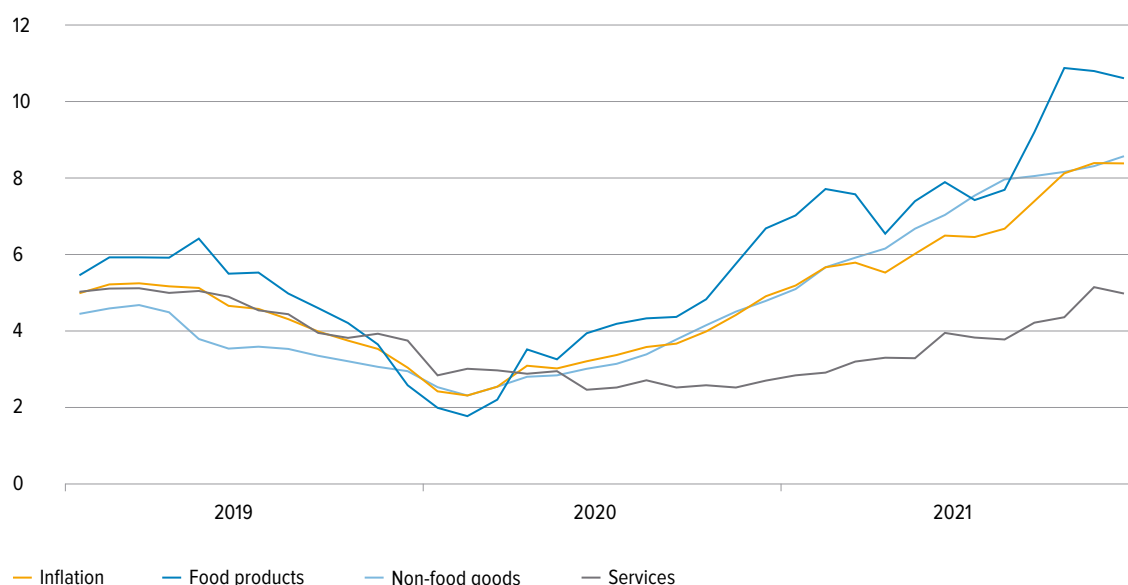
Chart 7



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

PRICES OF FOOD PRODUCTS, NON-FOOD GOODS, AND TARIFFS OF SERVICES
(GROWTH AS A PERCENTAGE OF CORRESPONDING MONTH OF PREVIOUS YEAR)

Chart 8



Source: Rosstat.

tion indicators. **Core inflation rose by 4.7 percentage points to 8.9%.**

A faster increase in prices for a broad range of goods and services and intensifying price volatility notably affected economic agents' **inflation expectations**. Inflation observed and expected by households rose steadily through-

try-wide factors, such as the expansion of demand, which surpassed the potential to ramp up supply, higher global prices, and rising producer costs. Furthermore, the regional heterogeneity of inflation considerably increased. This was due to the specifics of the development of the pandemic situation and anti-coronavirus



Households' and companies' inflation and price expectations hit multi-year highs

out 2021. In December, their inflation expectations for a year ahead reached the maximum level over five years. Beginning from mid-2021, companies' price expectations stayed at their multi-year highs.

As of the end of 2021, **inflation sped up in the majority of Russian regions**, with the growth rates of prices for all core consumer basket components accelerating. Price movements were mostly influenced by coun-

measures introduced in various regions, and changes in the structure of food supply associated with the level of the harvest and livestock disease episodes. Over 2021, inflation sped up most significantly in Siberian regions that faced especially notable imbalances in demand and supply in the non-food market. Conversely, inflation accelerated the least in the Far East owing to a moderate rise in prices for food products typical of this territory.

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

In 2021, amid the post-crisis recovery of the economy and the acceleration of inflation, the Government pursued a fiscal consolidation strategy towards a gradual normalisation of

shift more quickly from using the resources of the National Wealth Fund (NWF) to cover the budget deficit in the amount of the decline in oil and gas revenues towards replenishing the



Fiscal policy was implemented within the framework of the consolidation strategy

fiscal policy with a reduction in the basic deficit of the federal budget¹ and the return to fiscal rule-based expenditure budgeting beginning from 2022. For 2021, the Russian Ministry of Finance allocated an additional anti-crisis amount of ₹875 billion to federal budget expenditures in excess of the parameters set by the fiscal rule.² This amount was considerably smaller than that approved for 2020 (over ₹2.5 trillion), as a result of which the deficit was expected to decrease in the draft budget. The deficit of the fiscal system was forecast to contract from 4.6% of GDP in 2020 to 3.1% of GDP in 2021, including the deficit of the consolidated budget of the Russian constituent territories – from 0.8% to 0.3% of GDP.³

In 2021, fiscal policy was aimed at supporting households and organisations and combating the spread of the coronavirus pandemic. Concurrently, the fiscal consolidation strategy was pursued to return to well-balanced budgeting parameters according to the fiscal rule and to stabilise the path of government debt.

The recovery in commodity markets and economic activity helped earn additional budget revenues. As a result, it became possible to

budget reserves in the amount of extra oil and gas revenues. Moreover, the budget received one-off revenues not included in the budget projections. Extra oil and gas revenues enabled the Government to increase the planned expenditures of the federal budget, whereas faster inflation and a weaker ruble required a recalculation of certain expenditure commitments. In July–September 2021, following the Russian President's decision, the Government made one-time social payments to school-aged children (₹204 billion), pensioners (₹454 billion), and servicemen (₹29 billion).

The extra revenues of the budget at the end of 2020 exceeding the amount expected by the Russian Ministry of Finance formed surplus balances in the ruble account of the federal budget. Amid the tightening of the sanctions enacted against Russia, these balances were used to partially substitute (₹875 billion of ₹3,668 billion) the programme for borrowing through OFZ placements.

FEDERAL BUDGET

As of the end of 2021, the federal budget was executed with a surplus of ₹524 billion, or 0.4% of GDP (in 2020 – a deficit of ₹4,103 billion, or

¹ The basic balance is the indicator of the federal budget execution under the fiscal rule calculated as the difference between the total of basic revenues (oil and gas revenues and non-oil and gas revenues) and federal budget expenditures.

² In accordance with the fiscal rule parameters, the maximum amount of federal budget expenditures is determined as the total of basic oil and gas revenues (earned with the base Urals crude price of \$40 per barrel in 2017 prices), non-oil and gas revenues, expected expenditures for servicing government debt, and an additional amount in the form of a structural primary budget deficit (₹585 billion).

³ The forecast was presented in the Guidelines for Fiscal, Tax and Customs and Tariff Policy for 2021 and the 2022–2023 Planning Period (approved and signed by the Russian President together with the package of the documents of Federal Law No. 385-FZ, dated 8 December 2020, 'On the Federal Budget for 2021 and the 2022–2023 Planning Period').

3.8% of GDP). The non-oil and gas deficit of the federal budget (net of one-time revenues) decreased from 9.7% of GDP in 2020 to 6.5% of GDP in 2021. The budget deficit was mostly financed through the offerings of OFZ bonds (with their gross and net amounts equalling ₽2,519 billion and ₽1,538 billion, respectively)

payments to households and anti-pandemic and anti-crisis expenditures, another important driver of nominal budget expenditures was faster inflation (revaluation of allocations). Expenditures in capital-intensive areas increased, namely under the items 'Housing and utility infrastructure' (by 59.8%) and 'National econo-



The non-oil and gas deficit of the federal budget contracted from 9.7% of GDP in 2020 to 6.5% of GDP in 2021

and Eurobonds and the use of the balances in the ruble account of the federal budget. Concurrently, as the Urals crude price exceeded the base price, this formed extra oil and gas revenues in the amount of ₽3,167 billion, whereas the estimated amount of foreign currency purchases determined by the Russian Ministry of Finance pursuant to the fiscal rule in 2021 totalled ₽3,107 billion.

Federal budget revenues in 2021 reached ₽25,286 billion (19.3% of GDP), which is 35.1% higher than in 2020. The oil and gas revenues of the federal budget totalled ₽9,057 billion (6.9% of GDP), which is 73.0% more than in 2020 owing to the restoration of oil production and exports under the OPEC+ deal and higher prices for energy commodities. The non-oil and gas revenues of the federal budget equalled ₽16,230 billion, which is 20.4% higher than in 2020. This was associated with the rise in employment and business activity, better financial performance amid higher commodity prices and a weaker ruble, the introduction of new taxes and fees,¹ one-time revenues, and other factors. Net of one-time revenues, the non-oil and gas revenues of the federal budget surged by 27.9%. The payments of profit tax and VAT rose most notably, namely by 42.3% and 27.9%, respectively.

Federal budget expenditures rose by 8.5% to ₽24,762 billion (18.9% of GDP), although the planned expenditures in nominal terms were lower than in 2020. In addition to one-time

my' (by 25.1%). Expenditures for servicing government debt rose by 38.3% due to the expansion of government debt in 2020, higher market interest rates, and the weakening of the ruble in 2021. Despite one-time payments to households, expenditures under the item 'Social policy' decreased owing to the high base effect.

FISCAL SYSTEM

The fiscal system formed a surplus in 2021 (₽1,046 billion, or 0.8% of GDP), as compared to a deficit in 2020 (₽4,297 billion, or 4.0% of GDP). The non-oil and gas deficit of the fiscal system (net of one-time revenues) decreased from 8.9% of GDP in 2020 to 5.9% of GDP in 2021.

Revenues of the Russian fiscal system in 2021 totalled ₽48,118 billion (36.8% of GDP), which is 26.0% higher than in 2020 ([Table 5 of Section 5.4 'Statistical tables'](#)). The fiscal system's non-oil and gas revenues expanded by 18.5% compared to the previous year, reaching ₽39,062 billion (30.0% of GDP). Net of one-time revenues, the non-oil and gas revenues of the fiscal system surged by 21.4%.

The fiscal system's expenditures in 2021 totalled ₽47,073 billion (36.0% of GDP), which is 10.8% more than in 2020. The largest expenditures were under the items 'Social policy', 'National economy', and 'Healthcare'. Expenditures in capital-intensive areas, namely under the items 'National economy' (by 19.6%), 'Housing

¹ The increased 15% personal income tax rate for incomes of over ₽5 million per year, 15% tax on dividends transferred to offshore accounts, and others.

and utility infrastructure' (by 36.6%) and 'Expenditures for servicing government debt' (34.1%), increased most significantly.

The budgets of Russia's constituent territories also switched from a deficit to a surplus. The surplus of the consolidated budget of the Russian constituent territories totalled $\text{₽}661$ billion, or 0.5% of GDP (in 2020, the deficit amounted to $\text{₽}677$ billion, or 0.6% of GDP). The revenues of the consolidated budget of the constituent territories of the Russian Federation expanded by 17.8% to reach $\text{₽}17,546$ billion (13.4% of GDP). The expenditures of the consolidated budget of the Russian constituent territories increased by 8.4% to $\text{₽}16,886$ billion (12.9% of GDP).

Contrastingly, the budgets of government extra-budgetary funds turned from a surplus to a deficit.¹ The deficit of government extra-budgetary funds equalled $\text{₽}157$ billion, or 0.1% of GDP (in 2020, the surplus amounted to $\text{₽}473$ billion, or 0.4% of GDP). Government extra-budgetary funds' revenues increased by 17.8% to $\text{₽}13,854$ billion (10.6% of GDP), including as a result of an 8.8% rise in earnings from social contributions. Government extra-budgetary funds' expenditures were up by 19.7% to reach $\text{₽}14,011$ billion (10.7% of GDP).

NATIONAL WEALTH FUND

The NWF's resources remained almost unchanged in 2021, totalling $\text{₽}13,565$ billion as of the end of the year (10.4% of GDP). Of this

required currency composition of the NWF's resources, namely by including unallocated gold in the NWF's investment assets, among other things. Taking into account the balances in the transit account, the liquid foreign currency reserves of Russia's Ministry of Finance equalled 8.9% of GDP as of the end of 2021. Furthermore, the NWF's resources invested in other Russian assets increased, including owing to a rise in the value of Sberbank shares.

GOVERNMENT DEBT

According to the Russian Ministry of Finance, the overall amount of Russia's government debt and municipal debt reached $\text{₽}23,773$ billion as of 1 January 2022 (18.2% of GDP), which is 8.9% higher in nominal terms than in the previous year (it contracted by 2.1 percentage points relative to GDP). The proportion of domestic debt in the overall amount of government and municipal debt equalled 81.2%, which is 0.6 percentage points more than as of 1 January 2021.

The country's domestic debt totalled $\text{₽}16,486$ billion (12.6% of GDP) as of 1 January 2022, increasing by 11.8% as compared to the previous year. Government securities ($\text{₽}15,760$ billion) accounted for the largest part (95.6%) of the country's domestic debt. State guarantees ($\text{₽}727$ billion) made the remaining portion (4.4%) ([Table 6 of Section 5.4 'Statistical tables'](#)). In 2021, the net amount of OFZ offerings contracted nearly



Government debt and municipal debt totalled 18.2% of GDP as of early 2022 (vs 20.4% of GDP as of early 2021)

amount, the NWF's liquid assets (the funds in its bank accounts with the Bank of Russia) were equivalent to $\text{₽}8,453$ billion (6.5% of GDP). The NWF's liquid part contracted slightly, which was associated with a foreign currency revaluation and changes in the re-

threefold compared to 2020 (to $\text{₽}1.5$ trillion). Amid the tightening of the sanctions against Russia, non-residents' portfolio in the OFZ market shrank by 3.4% in 2021 to $\text{₽}3,082$ billion, and non-residents' share in the market — from 23.3% to 19.9%.

¹ The transition happened largely because Russia's Ministry of Finance made an additional one-time transfer at the end of 2020 to replenish the carry-over balances on the account of the Pension Fund of the Russian Federation (PFR) to finance expenditures in 2021 (over $\text{₽}0.5$ trillion).

Russia's external debt totalled ₺4,435 billion as of 1 January 2022 (3.4% of GDP), increasing by 5.9% in ruble terms. Its growth was caused by the ruble weakening and the placements of Eurobonds in May 2021 amounting to €1.5 billion amid low repayments. Non-residents' portfolio of government Eurobonds contracted by 5.3% over 2021 from \$21.1 billion to \$19.6 billion, where-

as its share over the year shrank from 55.1% to 51.1% of the market.

The Russian Government's debt to the Bank of Russia on government securities decreased by 13.2% over 2021, from ₺284 billion as of 1 January 2021 to ₺246 billion as of 1 January 2022 (including on Eurobonds — ₺33 billion and on bonds in rubles — ₺213 billion) ([Table 7 of Section 5.4 'Statistical tables'](#)).

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

In 2021, Russia's balance of payments formed under the influence of favourable world prices for key commodities. The expansion of exports of goods that exceeded the growth of imports resulted in a considerable increase in the current account.

Net lending to the rest of the world was in the form of an increase in the economy's foreign assets.

A reduction in Russia's net international investment position was due to a more significant rise in foreign liabilities as compared to foreign assets.

Over 2021, Russia's external debt expanded predominantly due to the central bank's transactions.

Russia's international reserves increased owing to foreign currency purchases carried out by the Bank of Russia in the domestic mar-

ket under the fiscal rule that considerably exceeded the negative revaluations.

BALANCE OF PAYMENTS OF THE RUSSIAN FEDERATION

As of the end of 2021, the **current account** surplus expanded by \$86.0 billion to \$122.0 billion due to an increase in the surplus of the balance of trade that was partially offset by a rise in the deficit of other current account components.

As the value of exports of goods rose, this changed the surplus of **external trade in goods** from \$93.7 billion in 2020 to \$189.8 billion in the reporting year.

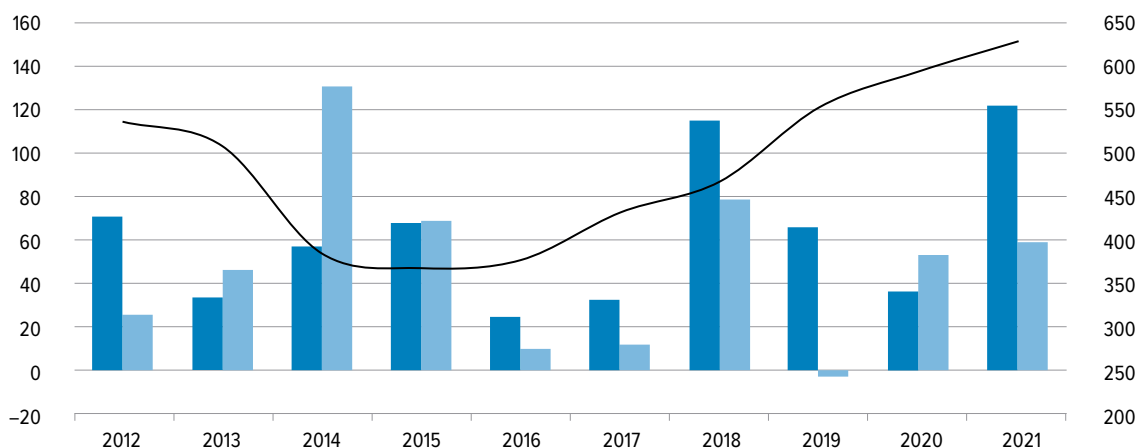
Exports of goods totalled \$493.8 billion, which is \$160.4 billion more than in 2020. This rise was driven by both a higher value of supplies of key fuel and energy commodities and increased exports of non-energy goods.



The surplus of external trade in goods doubled as a result of surging exports

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

Chart 9



- Current account balance
- Financial account balance (excluding reserve assets)
- International reserves as of year-end (right-hand scale)

The composite export deflator index equalled 1.45, whereas for main fuel and energy commodities¹ it was 1.64. The overall quantities of exports of goods in physical terms expanded by 1.9%. Contrastingly, the physical quantities of supplies of key fuel and energy commodities contracted by 1.0%.

Exports were up across the majority of the main goods groups. Mineral commodity supplies increased most significantly, specifically by 60.0% to \$276.5 billion. As a result, the share of this group of commodities edged up by 4.9 percentage points, accounting for 56.2%. Exports of ferrous and non-ferrous metals, including products made of them, rose by 46.3% to \$51.1 billion, accounting for 10.4%. The value of exported chemicals increased by 58.2% compared to 2020 to reach \$37.9 billion, with the percentage of this group rising to 7.7% as compared to 7.1% in the previous year. Exports of foodstuffs and raw materials for their manufacture expanded to \$36.0 billion (from \$29.6 billion in 2020), with the proportion of this product group shrinking by 1.5 percentage points to 7.3%. Exports of machinery and equipment amounted to \$32.7 billion, which is 30.1% more than in the previous year, with this group accounting for 6.6% vs 7.4% in 2020.

The European Union (EU) countries accounted for 38.2% in the geographical structure of exports, which is 4.1 percentage points more than in 2020. This was the result of larger hydrocarbon exports, among other factors. Conversely, the share of exports to the Asia-Pacific Economic Cooperation (APEC) countries contracted to 26.6% (from 27.9% in 2020); the share of exports to the Eurasian Economic Union (EAEU) member states edged down to 9.3% (from 9.8% in 2020); and the share of exports to other countries shrank to 25.9% (from 28.2% in 2020). The largest amounts were exported to China (14.0%), the Netherlands (8.6%), Germany (6.0%), Turkey (5.4%), and Belarus (4.7%).

Imports of goods in 2021 expanded to \$304.0 billion, which is 26.9% more than in 2020. Import quantities in physical terms increased by 17.2%, and prices rose by 8.3%.

Amid the recovery of domestic demand, the value of imports of machinery, equipment, and transport means, which are the most important group of goods, expanded by 31.0% to \$144.5 billion, whereas the share of these goods in the structure of imports was up by 1.6 percentage points to 49.2%. Imports of chemicals and goods produced by related industries expanded by 26.9% to \$53.8 billion, with the percentage of this group remaining at 18.3%. Imports of foodstuffs, including raw materials for their manufacture, amounted to \$34.0 billion, which is 14.4% more than in 2020, whereas the share of this group in total imports equalled 11.6% (12.8% in 2020).

The share of the EU states in the geographical structure of imports contracted to 32.0% from 34.0% in the previous year. Conversely, the proportion of the APEC countries edged up to 44.7% (42.4%), whereas the EAEU states accounted for 8.1% (8.0%) in total imports as compared to 2020. Other countries accounted for 15.2% (15.6% in 2020). Russia's largest counterparties included China (24.8%), Germany (9.3%), the USA (5.7%), Belarus (5.3%), and the Republic of Korea (4.4%).

The deficit of the balance of **external trade in services** expanded to \$19.5 billion as a result of the surge in imports of services.

Exports of services totalled \$56.0 billion, which is \$7.9 billion more than in the previous year. The value of transport services to non-residents increased by 14.0% to \$18.3 billion mostly due to a rise in cargo transportation. The remaining anti-pandemic restrictions imposed by the Russian Government on foreigners' arrivals to the Russian Federation were the reason for the minimum rise in exports of travel services (by 2.6%) to \$4.0 billion. The value of other services provided to non-residents was up by 19.6% to \$33.6 billion, as compared to \$28.1 billion in 2020, due to the more significant increase in the value of telecommunication, computer and information services, services in construction, and other business services provided to non-residents.

Imports of services expanded by 17.0% to \$75.5 billion, mostly driven by a higher value

¹ Crude oil, petroleum products, natural gas, and liquefied natural gas.

of other services received that increased to \$48.3 billion from \$43.5 billion in 2020. The value of transportation services provided by foreign companies rose from \$11.8 billion to \$15.8 billion. The number of Russians who travelled abroad partially restored, which increased the value of imports under the 'Travels' item from \$9.1 billion in 2020 to \$11.4 billion.

The balance of **compensation of employees** turned to a surplus of \$0.2 billion (from a deficit of \$1.0 billion in 2020). Compensation of employees payable to non-residents declined from \$4.7 billion to \$3.7 billion in the reporting year due to a reduction in the number of non-residents temporarily employed in the Russian economy. Compensation of employees payable to Russians working abroad increased to \$3.9 billion from \$3.7 billion in 2020.

The deficit of the **balance of investment income** expanded from \$34.1 billion in the previous year to \$43.5 billion in 2021. The negative balance of investment income of the private sector (banks and other sectors) totalled \$42.5 billion as compared to \$33.2 billion in 2020. This change was owing to the improvement of the Russian corporates' financial perfor-

The **surplus of the financial account (excluding reserve assets)** totalled \$59.3 billion (against \$53.1 billion in 2020) and was ensured owing to an increase in residents' foreign assets.

External liabilities expanded by \$35.4 billion (in 2020, they contracted by \$39.9 billion).

Foreign liabilities of general government were down by \$3.8 billion, which almost offset their rise by \$3.7 billion in 2020. The reduction in liabilities was due to non-residents' net sales of sovereign securities.

The central bank's debt liabilities to non-residents increased by \$22.0 billion (in 2020, they contracted by \$1.0 billion), which was predominantly caused by the allocation of holdings of Special Drawing Rights (SDR) to the benefit of the Russian Federation within the framework of the IMF's decision.

Private sector foreign liabilities rose by \$17.2 billion in 2021 (as compared to a reduction by \$42.6 billion in the previous year).

Banks' liabilities to non-residents decreased by \$9.9 billion (in 2020 – by \$26.2 billion). As in 2020, the sector's external liabilities were impacted by derivatives transactions.



Net lending to the rest of the world increased as a result of the growth in foreign assets of other sectors

mance, which increased income paid to non-residents. The deficit of investment income of general government and the central bank edged up to \$1.0 billion from \$0.8 billion in 2020.

The deficit in the **balance of secondary income** shrank to \$5.0 billion, or by 20.6% compared to 2020, including as a result of non-residents' payments of taxes on dividend payouts.

The **capital account** had a deficit of \$0.3 billion (compared to \$0.5 billion in 2020).

Net lending to the rest of the world (the overall balance of the current and capital accounts) surged from \$35.5 billion in 2020 to \$121.7 billion in 2021. The ratio of net lending to GDP edged up from 2.4% in 2020 to 6.8% in 2021.

Other sectors' foreign liabilities expanded by \$27.0 billion (in 2020, they decreased by \$16.4 billion). Direct investment liabilities to non-residents were up by \$36.8 billion (in 2020, by \$8.0 billion), whereas portfolio investment liabilities and liabilities in the form of loans were down by \$9.6 billion and \$11.0 billion (in 2020, by \$15.3 billion and \$9.3 billion), respectively.

Financial assets (excluding reserve assets) increased by \$94.7 billion in 2021 (in 2020, by \$13.1 billion).

Total foreign claims of general government and the central bank rose by \$3.6 billion (in 2020, by \$1.5 billion), mostly due to newly issued loans.

Private sector foreign assets¹ were up by \$90.8 billion in 2021 (in 2020, by \$11.5 billion).

Banks' foreign assets shrank by \$4.0 billion (in 2020, by \$4.5 billion), largely influenced by derivatives transactions, just as liabilities.

Other sectors' external claims¹ expanded by \$94.8 billion (in 2020, by \$16.0 billion). In contrast to 2020 when the predominant factor was investment in foreign securities held in Russian investors' portfolios, the key driver in the reporting year was the growth in direct investment. Owing to transactions with non-residents, direct investment increased by \$64.6 billion in 2021 (in 2020, by \$5.7 billion), whereas portfolio investment expanded by \$14.0 billion (in 2020, by \$11.9 billion). Other assets demonstrated significant growth, which was owing to granted trade credits and advances, as well as funds placed by legal entities and individuals in current accounts and deposits abroad, among other factors. As the number of Russians' foreign travels was limited, the decline in foreign currency cash as a result of other sectors' transactions with non-residents remained close to the level of 2020 equalling \$1.8 billion.

the form of an increase in external liabilities by other sectors.

INTERNATIONAL INVESTMENT POSITION OF THE RUSSIAN FEDERATION

As of 31 December 2021, Russia's foreign assets totalled \$1,648.2 billion, which is 5.1% or \$79.3 billion more as compared to the end-December of 2020.

Claims on non-residents resulting from transactions reflected in the balance of payments were up by \$158.2 billion. The negative revaluation of foreign assets totalled \$71.9 billion and was due to, among other reasons, a decline in the US dollar equivalent of instruments denominated in currencies other than the US dollar, as well as a lower gold price. The negative value of other changes equalling \$7.0 billion was primarily the result of the reclassification of redomiciled companies' direct investment.

Direct investment expanded by \$15.2 billion to \$487.1 billion, portfolio investment was up by \$9.5 billion to reach \$117.4 billion, other investment increased by \$20.0 billion



Russia's international investment position decreased as a result of the positive revaluation of the economy's liabilities

Reserve assets expanded by \$63.5 billion against the contraction by \$13.8 billion in 2020, which was mostly associated with the net foreign currency purchases in the domestic market carried out by the Bank of Russia under the Federal Treasury's fiscal rule, as well as the reserve assets management transactions. Another important driver was the increase in SDR holdings under the IMF's decision.

The **surplus of the balance of financial transactions of the private sector** totalled \$72.6 billion in 2021, as compared to \$50.3 billion in 2020. Net lending by the private sector to the rest of the world was predominantly in

to \$406.7 billion, and reserve assets rose by \$34.9 billion to \$630.6 billion.

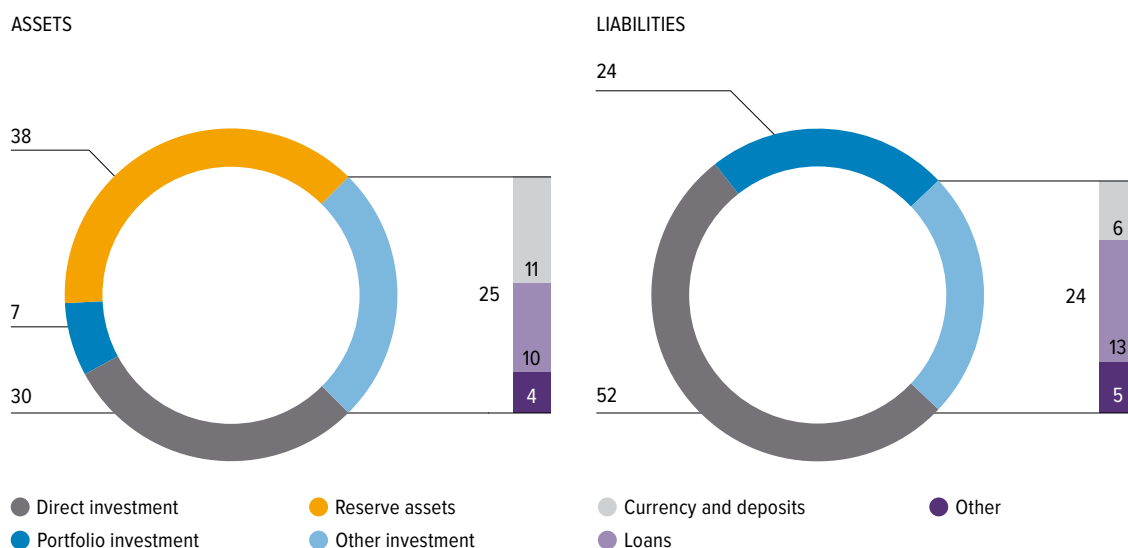
Russia's external liabilities expanded by \$112.9 billion to \$1,164.7 billion, predominantly owing to the positive revaluations equalling \$81.3 billion as a result of higher prices for financial instruments issued by Russian companies. Foreign liabilities increased by \$35.4 billion, driven by transactions recorded in the balance of payments. The negative value of other changes equalled \$3.7 billion.

The proportionate contributions of the revaluations and transactions recognised in the balance of payments were the main

¹ Excluding receivables from supplies under intergovernmental agreements.

INTERNATIONAL INVESTMENT POSITION AS OF 1 JANUARY 2022
(PER CENT)

Chart 10



reasons for the increase in direct investment in the Russian Federation by \$69.9 billion to \$609.6 billion. As a result of the positive revaluations, liabilities on portfolio investment expanded by \$17.9 billion to \$273.9 billion. The allocation by the IMF of SDR holdings to the benefit of the Russian Federation was the main reason of the increase in liabilities on other investment by \$27.6 billion to \$275.5 billion.

As external liabilities expanded more significantly than foreign assets, the positive net international investment position of the Russian Federation declined from \$517.1 billion as of the end of 2020 to \$483.4 billion as of 31 December 2021.

INTERNATIONAL RESERVES OF THE RUSSIAN FEDERATION

Russia's international reserves expanded by \$34.9 billion over 2021, to total \$630.6 billion.

The growth of international reserves by \$63.5 billion as a result of transactions recorded in the balance of payments surpassed the negative revaluations totalling \$24.2 billion

that were due to the impairment of assets denominated in currencies other than the US dollar and lower gold prices. The negative value of other changes equalled \$4.5 billion.

The price of monetary gold as of 31 December 2021 was \$133.1 billion. The value of the country's gold reserves decreased by \$5.7 billion over 2021, which was associated with the negative revaluation, whereas a slight rise in the physical quantity of gold holdings was owing to the gold purchases by the Ministry of Finance of the Russian Federation that exceeded the sales of gold in the form of precious metal coins. Ultimately, the share of gold in the international reserves edged down from 23.3% to 21.1% over the year.

As of 31 December 2021, the amount of the international reserves was sufficient to finance goods and services imports for 20 months.

EXTERNAL DEBT OF THE RUSSIAN FEDERATION

As of 31 December 2021, Russia's external debt totalled \$480.0 billion, a rise of \$12.9 billion, or 2.8%, on the previous year.



The increase in international reserves resulting from transactions of the balance of payments exceeded the negative revaluations



Russia's external debt increased following the allocation of SDRs to the benefit of the Russian Federation under the IMF's decision

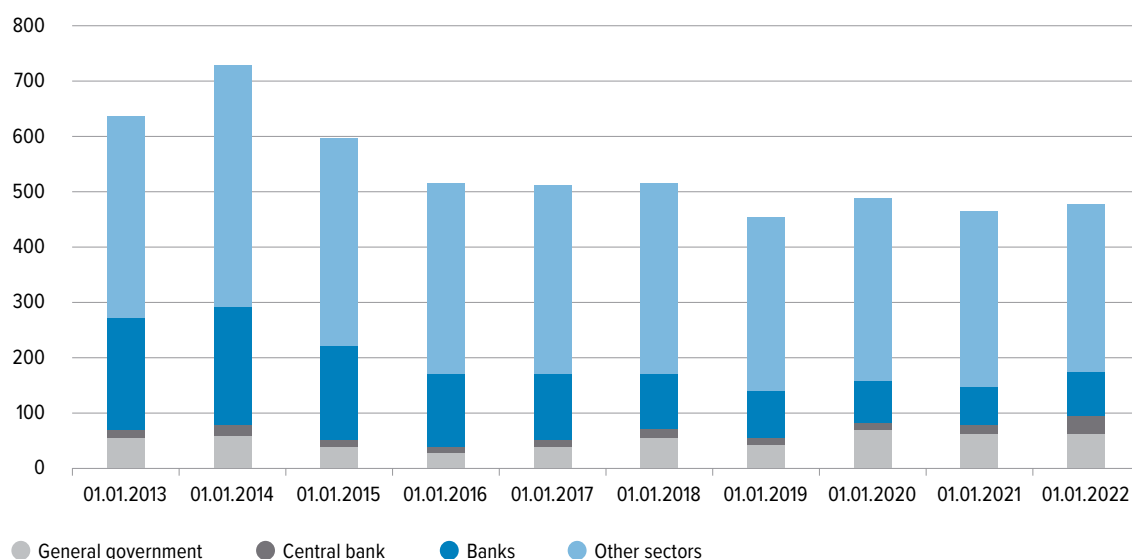
Private sector liabilities to non-residents accounted for 79.9% of Russia's overall external debt (\$383.6 billion as of 1 January 2022). General government and the central

bank accounted for 20.1% in Russia's overall external debt (\$96.3 billion).

External debt of federal government edged down from \$65.0 billion to \$62.0 billion as of

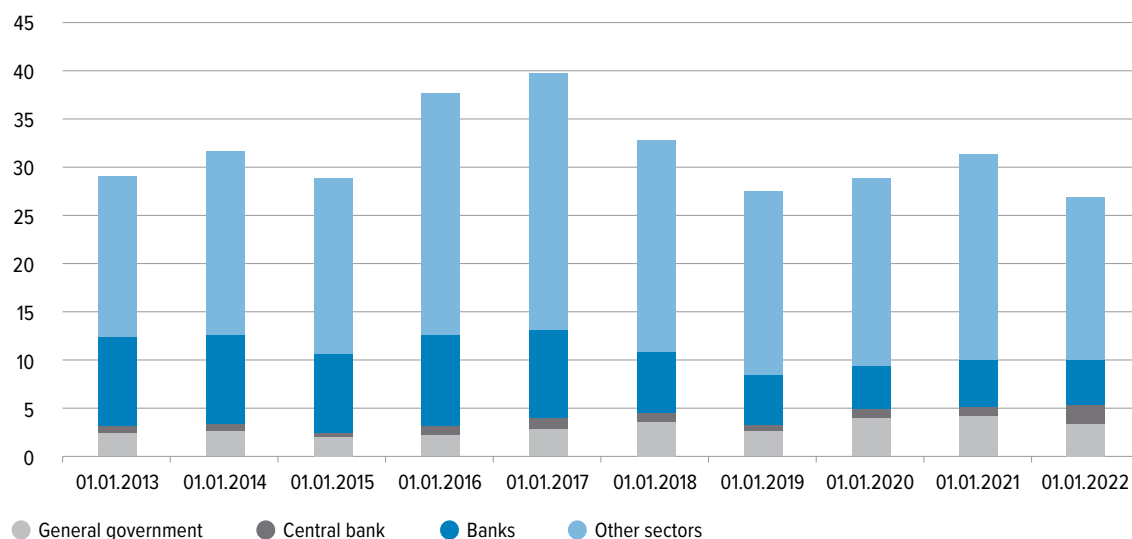
RUSSIA'S EXTERNAL DEBT
(BILLIONS OF US DOLLARS)

Chart 11



RUSSIA'S EXTERNAL DEBT
(PER CENT OF GDP)

Chart 12



the end of 2021 due to the reduction in liabilities on sovereign securities denominated in both Russian rubles (by \$1.7 billion) and foreign currency (by \$1.1 billion). External debt of the local government of the Russian Federation totalled \$0.1 billion as of 31 December 2021.

The central bank's liabilities to non-residents increased by \$21.4 billion to \$34.3 billion, which was associated with both the allocation of SDRs to the benefit of Russia under the IMF's decision on the new SDR allocation among the member states and the country's international reserves management transactions.

Banks' external debt expanded by \$8.3 billion in 2021 to total \$80.4 billion. Contrastingly, other sectors' external debt decreased by \$13.7 billion to \$303.2 billion.

The share of short-term debt in the overall external debt edged up from 13.2% to 17.9%, reaching \$85.9 billion as of the end of 2021, while the proportion of long-term liabilities, accordingly, declined to 82.1% totalling \$394.1 billion.

Debt on instruments denominated in foreign currency equalled \$347.4 billion (72.4% of external debt). Debt in Russian rubles accounted for 27.6% of external liabilities, or \$132.5 billion.

According to the international criteria, debt burden on the Russian economy remained moderate as of 31 December 2021, with the ratio of external debt to GDP equalling 27.0% (31.4% as of the end of 2020) and the ratio of external debt liabilities of general government to GDP – 3.5% (4.4% as of the end of 2020).



1.2. The Financial Sector

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



Money supply according to the national definition (M2 aggregate) expanded by 13.0% in 2021

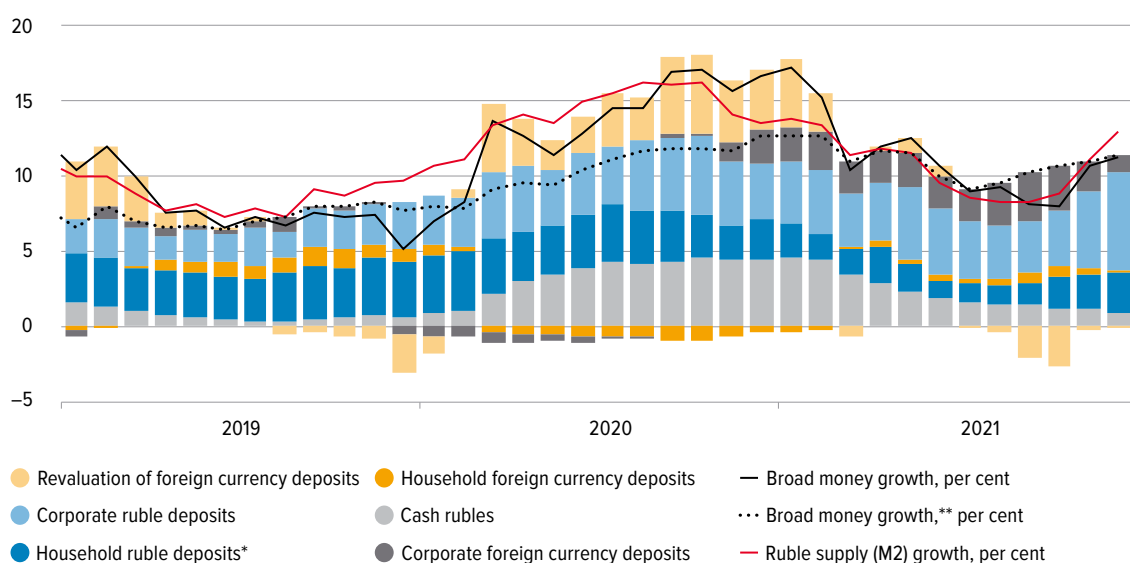
As of the end of 2021, the growth rate of money supply was close to the level of 2020. Money supply according to the national definition (M2 aggregate) expanded by 13.0% (in 2020, by 13.5%). Broad money increased by 11.3% (in 2020, by 16.7%). Adjusted for foreign currency revaluation, its growth reached 11.1% (in 2020, 12.6%).

The expansion of money supply in 2021 was still affected by the consequences of the coronavirus pandemic. Specifically, elevated demand for cash demonstrated by households and organisations in 2020 due to higher macroeconomic uncertainty gradually diminished, as a result of which the growth of the amount

of cash rubles in circulation (M0 aggregate) slowed down to 5.4% as of the end of 2021 from 29.7% in 2020. Furthermore, the key rate increase by the Bank of Russia (see Sections 1.1.2 [‘Inflation and economic activity’](#) and 2.1.1 [‘Monetary policy objectives and key measures’](#)) contributed to a rise in interest rates on ruble-denominated bank deposits and helped restore households’ and organisations’ demand for time ruble deposits, with their growth rate reaching 12.6% as of the end of 2021 after a 3.4% reduction in 2020. However, the balances in organisations’ and individuals’ current accounts in rubles changed more slowly as compared to the previous year: the growth

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

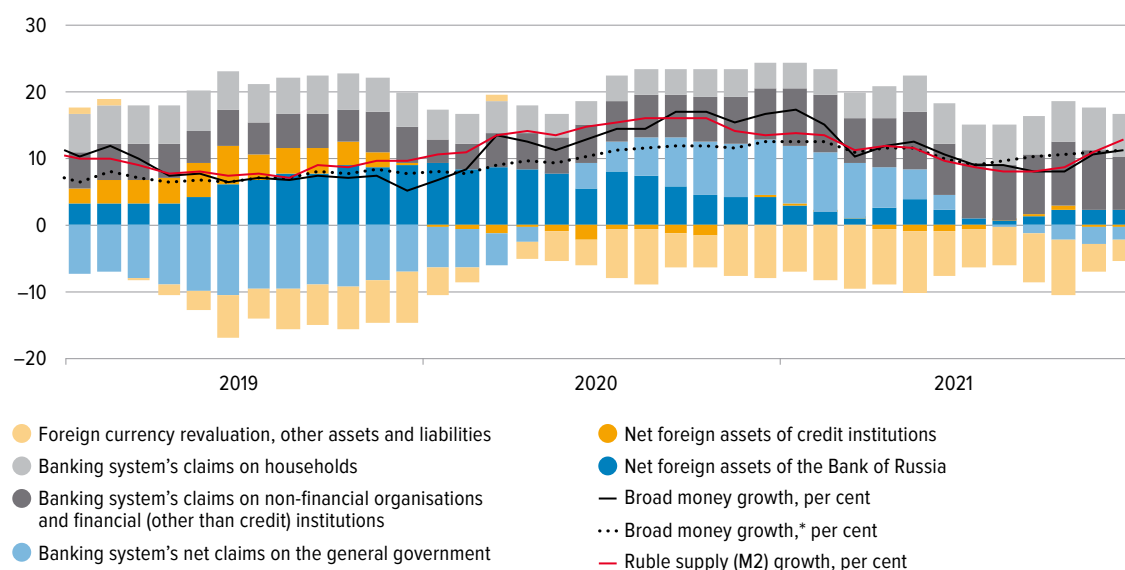
Chart 13



* Including certificates of deposit and savings certificates.
** Adjusted for foreign currency revaluation.

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

Chart 14



* Adjusted for foreign currency revaluation.

rate of this component of money supply edged down from 35.6% to 18.4%.

Over 2021, households and organisations increased ruble deposits more significantly than foreign currency deposits: the growth rates of ruble deposits equalled 7.5% and 25.7%, respectively, whereas those of foreign currency deposits – 1.9% and 8.1% in US dollar terms, respectively. As a result of the considerable inflow of households' funds into ruble deposits, the proportion of foreign currency deposits declined from 26.5% to 24.8% of total deposits included in money supply. Moreover, the share of households' foreign currency deposits¹ contracted from 19.6% to 18.8%, whereas that of corporate foreign currency deposits – from 34.4% to 31.0%.

The banking system's claims on the economy² remained the major driver of the expansion of broad money in 2021. The annual growth of these claims reached multi-year highs, equaling 13.9% as of the end of the year (or 14.0% adjusted for foreign currency revaluation). This

was driven by higher demand for borrowings from companies and households associated with both the recovery of production and consumer activity and expectations of a rise in interest rates due to monetary policy tightening by the Bank of Russia.

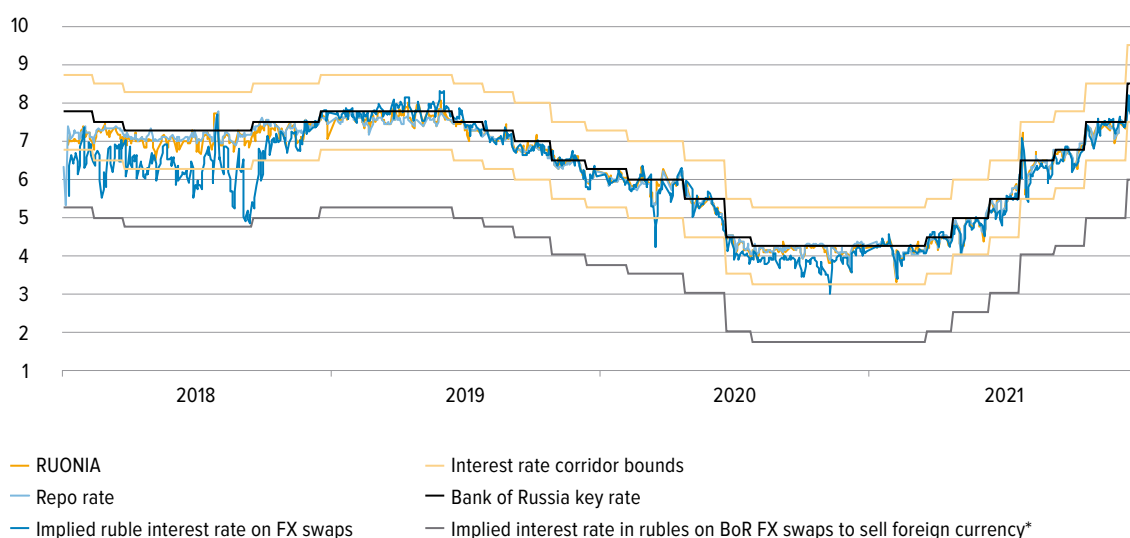
Amid higher demand for loans, in 2021, the Russian banking system's ruble claims on companies and households were up by 13.4% and 22.3% (in 2020, by 11.5% and 13.2%), respectively. Claims on households increased considerably faster due to both the unprecedented growth in the mortgage market (including because of the effective subsidised lending programmes) and higher activity in consumer and car lending. Conversely, the banking system's foreign currency-denominated claims on the economy decreased by a total of 2.0% as of the end of 2021 after their 2.2% rise in 2020, which is evidence that economic agents continue to avoid assuming excessive foreign exchange risks on their liabilities.

¹ This indicator is calculated according to the method described in the methodological note to Table 1.16 of the Bank of Russia Statistical Bulletin.

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

INTEREST RATES IN CERTAIN MONEY MARKET SEGMENTS
(PER CENT P.A.)

Chart 15



* Implied rate on BoR reverse FX swap = ruble lending rate — foreign currency borrowing rate + LIBOR (from 19 December 2016: key rate — 1 pp — (LIBOR + 1.5 pp) + LIBOR = key rate — 2.5 pp).
Source: Bank of Russia calculations.

The effect of budget operations on money supply observed in 2020 and associated with the extensive government support of the economy in the pandemic conditions gradually weakened throughout 2021 amid the phasing-out of anti-crisis measures and the budget consolidation (see Subsection 1.1.3. '[Fiscal policy, government finance, and domestic government debt](#)'). Additionally, a certain constraining impact on the growth of the monetary aggregates was put by the transfer of funds from bank deposits included in money supply to other forms of banks' liabilities (first of all, escrow accounts used for settlements under equity construction contracts).

Speaking of the money market, interest rates on unsecured ruble-denominated overnight interbank loans (IBLs) stayed close to the Bank of Russia key rate. The average deviation of the IBL rate from the key rate in 2021 remained the same as in 2020, equaling -15 bp. The spread ranged from -97 to 69 basis points (in 2020 — from -81 to 39 basis

points) (see Subsection 2.1.2. '[Monetary policy instruments](#)').

As of the end of the 2021, the exchange rate of the ruble against the US dollar dropped by 0.56% to 74.29 rubles per US dollar, while strengthening by 7.30% against the euro to 84.07 rubles per euro (as of 31 December 2021).¹

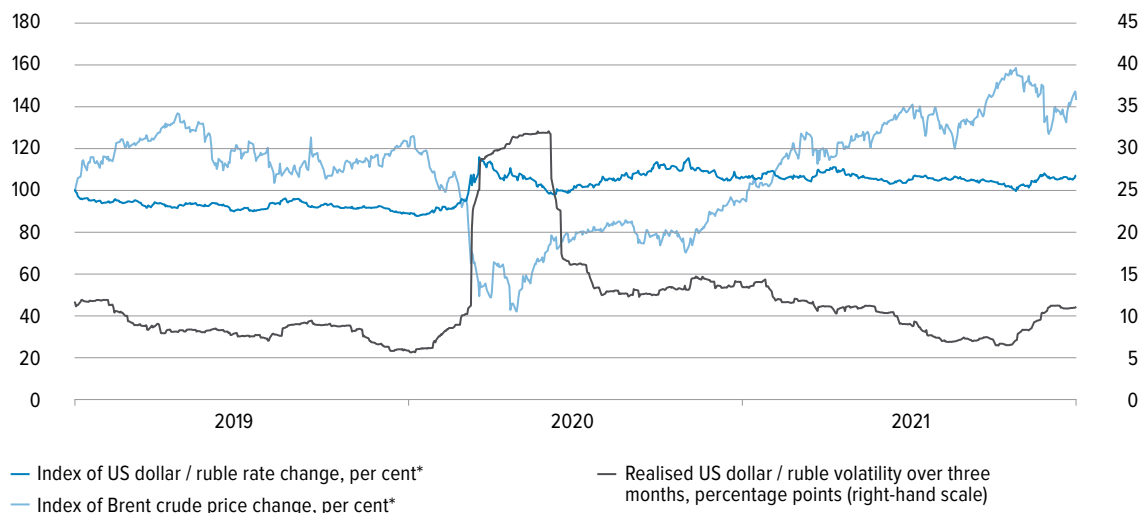
The movements of the ruble exchange rate were diverse throughout 2021. The ruble significantly weakened in late January–early February and the first half of April amid the escalated rhetoric about sanctions. In particular, foreign countries expanded the package of the sanctions against the Nord Stream 2 project and imposed a ban on buying Russian government debt in the primary market for US companies and financial institutions. Over this period, the ruble weakened by 1.2% against the US dollar, whereas other EMEs' currencies² strengthened by 1.9% on average. The weak response of the ruble to rising sanction risks was associated with the rise in

¹ Hereinafter, the official exchange rates are given as direct quotes, that is, the cost of foreign currency is expressed in units of the national currency; and movements of the exchange rates of the ruble against foreign currencies are calculated based on its indirect quotes.

² According to the JP Morgan EM Currency Index.

RUBLE EXCHANGE RATE AND VOLATILITY

Chart 16



* Indicators as of 31 December 2018 equal 100 per cent.
Source: Thomson Reuters.

global oil prices amid rebounding demand for energy commodities and the moderate expansion of oil production under the OPEC+ deal. In May–October, the situation stabilised, and the ruble strengthened by 5.2% to 70.93 rubles per US dollar.

In November–December, the ruble mostly weakened, which was primarily due to the rise in local Russian risks, while other EMEs' currencies trended upwards, strengthening by 4.1%. The worsening of the pandemic situation might be mentioned among the internal factors that entailed the decline in the ruble exchange rate, whereas the external factors included expectations of a faster and more abrupt monetary policy tightening by advanced economies amid rising inflation and the escalation of geopolitical tensions.

The elasticity of the ruble exchange rate relative to oil prices remained low owing to the effect of the fiscal rule. During the periods of elevated volatility in financial markets (late January–early February, the first half of April, and November–December), the elasticity rose for a while, but then reversed to its earlier levels. Although the ruble weakened only slightly against the US dollar by the end of 2021, the exchange rate of the ruble was sensitive to changes in the geopolitical and sanction rhetoric.

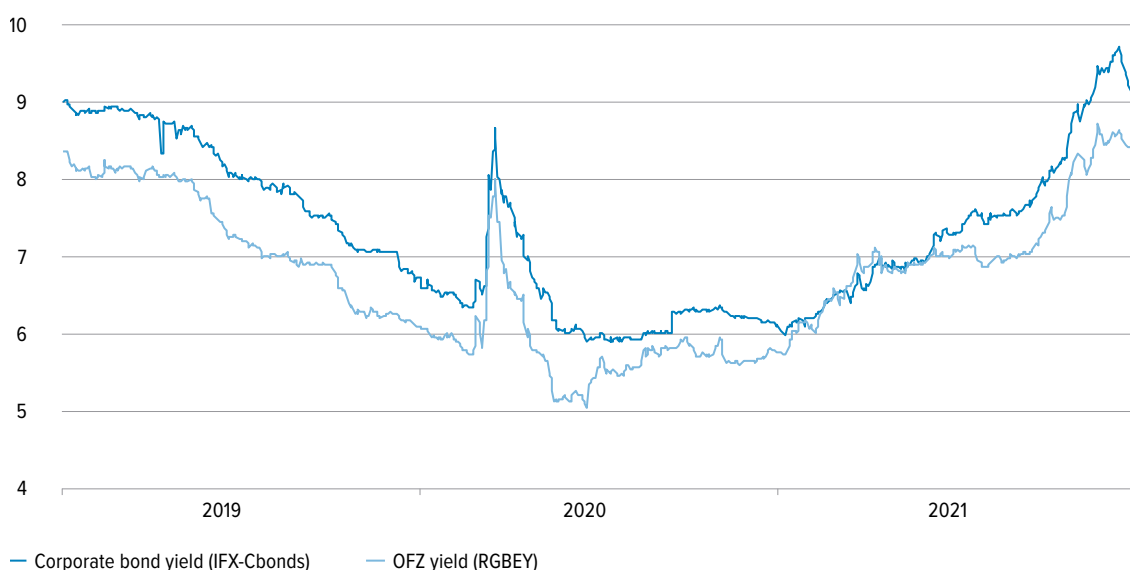
The overall average daily USD/RUB and EUR/RUB trade turnover in the cash segment of the on-exchange FX market declined by 4.6% in 2021 to ₺359.2 billion.

In 2021, stock markets bounced back globally, including in Russia, after the coronavirus pandemic. This was promoted by measures implemented by governments and central banks to aid the economies, higher vaccinations rates, a gradual reopening of the borders, and a partial restoration of supply chains. The rebound in the Russian stock market was constrained by the limited growth of the economy, which was due to staff shortages in certain industries, including because of the decrease in the number of labour migrants, higher prices for commodities, and rising wages.

In the market of government bonds, the OFZ yield curve shifted upwards across all maturities beginning from February. Moreover, yields on short-term issues rose faster, which was due to the start of the cycle of monetary policy tightening by the Bank of Russia. In addition to rising geopolitical and sanction risks, additional pressure on OFZ yields in February–April was put by higher yields on U.S. Treasury bonds pushed up by expectations about monetary policy normalisation by the US Fed amid accelerating inflation, including due to persistent problems in supply chains and the ex-

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

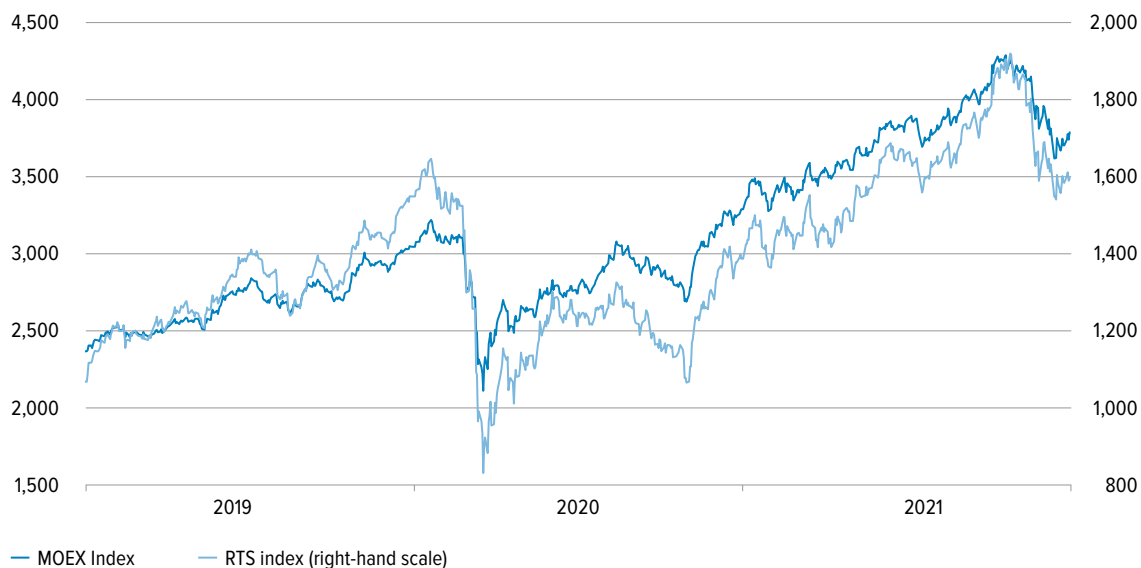
Chart 17



Sources: Moscow Exchange, Cbonds.ru news agency.

STOCK PRICE INDICES IN SECONDARY MARKET
(POINTS)

Chart 18



Source: Bloomberg.

pansion of social programmes. Over May–September, OFZ yields edged up gradually as market participants expected the Bank of Russia to further raise the key rate. In October, the OFZ yield curve became inverted, and its inversion remained until the end of the year. Yields on short-term bonds rose as market partici-

pants revised the peak of the monetary policy tightening cycle due to faster inflation, whereas yields on long-term bonds were up because of the escalation of the geopolitical conflict and expectations of an earlier tapering of quantitative easing programmes by advanced economies and higher policy rates. Overall, OFZ yields

(Cbonds-GBI¹) increased by 265 basis points over the year to 8.41% per annum.

In 2021, OFZ placements by Russia's Ministry of Finance in the primary government securities market totalled ₺2,636.4 billion at face value,² which is nearly two times less than the year before. Of this amount, 41.1% of bonds were placed in March–April, with traditional OFZ-PD bonds accounting for the largest proportion of the issues (₺2,497.0 billion). OFZ bonds were mostly purchased by domestic investors, namely systemically important credit institutions (SICIs). Foreign investors decreased their demand for Russian securities as compared to the previous year. Their investment in OFZ bonds edged down by ₺109 billion³ over the year (after the rise by ₺321 billion in 2020). As of the end of 2021, the amount of the placed OFZ issues (including OFZ bonds for individuals) increased by 13.9% to ₺15.6 trillion at face value.

The amounts of corporate bond offerings also rose, with the portfolio of bonds in circulation expanding by 8.3% to ₺17.5 trillion. Yields on corporate bonds changed similarly to those in the OFZ segment throughout the year and generally rose by 274 basis points as of the end of the year (IFX-Cbonds)⁴ to 8.85% per annum.

The value of secondary trading in OFZ bonds on the Moscow Exchange declined by 4.6% to ₺7.2 trillion, and that in corporate bonds – by 16.0% to ₺2.5 trillion.

As a result, the portfolio of Russian sovereign Eurobonds in circulation contracted by 3.4% over 2021 to \$39.6 billion.

As of the end of 2021, the MOEX Index (calculated based on prices of ruble-denominated shares) rose by 15.1%, whereas the RTS index (calculated based on prices of US dollar-denominated shares) – by 15.0% due to a weaker ruble. Over the year, the indices of Russian shares showed a recovery growth. In the second half of October, the MOEX Index hit a record high. In November–December, share prices started to fall again amid the spread of a new coronavirus variant and rising geopolitical risks.

Stock market capitalisation on the Moscow Exchange in ruble terms increased by 22.2% over 2021 to ₺62.8 trillion. In 2021, the amount of secondary trading in shares and depository receipts on the Moscow Exchange increased by 24.3% as compared to 2020, reaching ₺29.0 trillion.

On-exchange spot trading in commodities took place on three exchanges in 2021. The overall amount of spot trading in commodities (in money terms) increased by over ₺390 billion, or 36% as compared to 2020, to reach ₺1,466 billion.

There were no significant changes in the structure of the commodity exchange market as compared to 2020.

The segment of petroleum products accounted for the largest proportion of trading,



The Russian commodity exchange market steadily expanded for the seventh consecutive year, growing by over 36% in 2021

In 2021, Russia's Ministry of Finance raised \$1.8 billion under foreign currency-denominated government bond loans, and repay-

adding 39% to total ₺1,371.7 billion, which is equivalent to 93.5% of the overall amount of spot trading in commodities (vs 91.7% in 2020).

¹ The index of effective yields on government bonds calculated by the Cbonds.ru news agency.

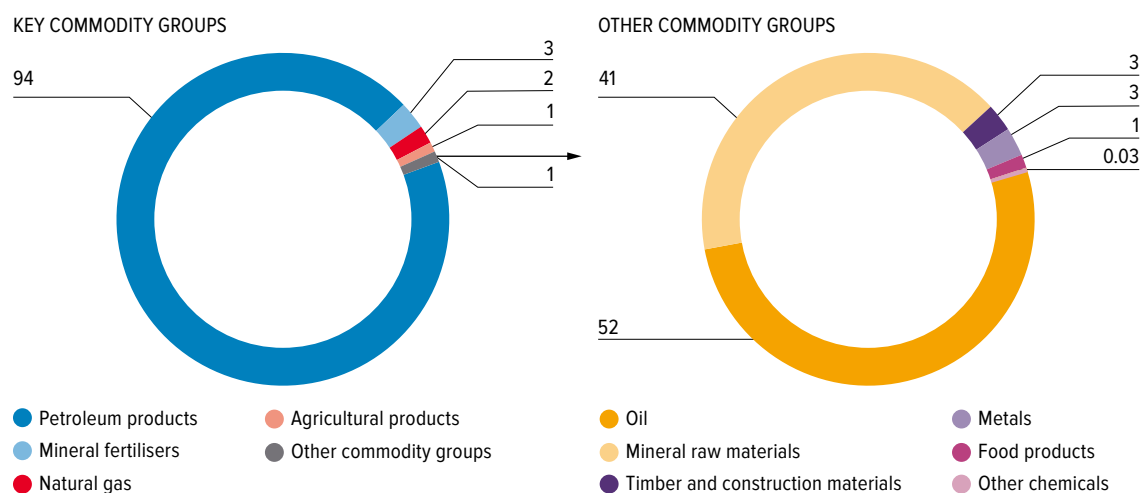
² According to the auction reporting of the Russian Ministry of Finance.

³ The amounts of non-residents' investment in OFZ bonds were calculated based on the data from Reporting Form 0409711 'Report on Securities' across the entire range of credit institutions beginning from the data as of 1 January 2020, taking into account the data from Reporting Form 0420415 'Report on Securities from Professional Securities Market Participants'.

⁴ The index of effective yields on corporate bonds calculated by the Cbonds.ru news agency.

STRUCTURE OF ORGANISED COMMODITY SPOT TRADING IN 2021*
(AS A PERCENTAGE OF THE VOLUME OF COMMODITY SPOT TRADING)

Chart 19



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

Moreover, the quantities of trading were up by almost 17%, reaching 27.31 million tons of light petroleum products, which might be evidence of higher demand for petroleum products following the recovery of business activity.

Another driver of on-exchange trading in commodities in 2021 was the market of mineral fertilisers, with its value of trading surging more than 16 times, to total ₹39.3 billion as of the end of 2021. This growth became possible owing to the improved regulation of limits on sales and the uniformity of commodity sales in on-exchange trading.

Additionally, in 2021, Saint Petersburg International Mercantile Exchange (SPIMEX) and Joint-stock company Exchange Saint-Petersburg (Exchange Saint-Petersburg) started on-exchange trading in aquatic biological resources (seafood). If these projects are implemented successfully, they will help increase the overall value of the Russian commodity exchange market in the future.

To enhance their supply infrastructure, on 21 December 2021, exchanges launched trading in petroleum products with the engagement of a commodity supply operator on railway transport. This will enable identification of the ultimate consignee, optimise the document

workflow for traders owing to the implementation of modern IT solutions, improve transparency, and accelerate the performance of exchange contracts.

Within the development of the trading and clearing infrastructure of financial markets, on 21 December 2021, the Bank of Russia issued the first licence of a trading system, owing to which the segments that were not covered by exchanges, including small-scale wholesale, products with complicated standardisation rules, SMEs and fintech innovations, will also be able to take part in on-exchange trading. As a result, on-exchange trading in commodities will be carried out by both exchanges focused on standardising exchange services, guaranteeing transaction performance and providing services to large market players, and by organisations licensed as a trading system according to the established procedure.

In 2021, **trading in deliverable futures contracts** for fuel and energy commodities continued to develop. Overall trading increased by 51% to ₹42.9 billion, with nearly 67% of the opened positions totalling ₹28.6 billion reaching the stage of contract performance (deliveries of fuel and energy commodities).

1.2.2. FINANCIAL MARKET PARTICIPANTS

1.2.2.1. FINANCIAL INSTITUTIONS

Despite a considerable number of non-bank financial institutions (NFIs) operating in the Russian financial sector, it is still dominated by credit institutions in terms of assets. Over 2021, their number edged down from 406 to 370, with the ratio of credit institutions' assets to GDP declining from 97.1¹ to 92.2%.²

More detailed information about the numbers of credit and non-bank financial institutions in the financial market is given in [Table 9 of Section 5.4 'Statistical tables'](#).

Credit institutions³

Credit and deposit operations. Credit institutions' assets (excluding foreign currency revaluation) expanded by 15.9% in 2021 (in 2020, by

12.5%), reaching ₹120.5 trillion, primarily owing to active lending.

Over the year, debt on corporate loans was up by 11.7%, which is more than in 2020 (+9.6%) when businesses desperately needed financial resources. The amount of corporate loans reached ₹52.7 trillion. The demand for loans was so high because companies needed investment, developers actively switched to project finance using escrow accounts (nearly 30% of the growth rate of corporate loans over the year), and businesses sought to fix interest rates before their rise and conducted some large transactions.

As of the end of 2021, *the mortgage loan portfolio⁴* surged by more than 30% (in 2020, by approximately 25%) to total ₹12.0 trillion as of 1 January 2022.⁵ The demand for loans was largely driven by low interest rates un-

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

	As of 1 January 2021	As of 1 January 2022
SICs	76.7	77.5
Other banks from the top 100*	15.5	15.1
Non-top 100 banks	2.6	2.0
Non-bank credit institutions	5.2	5.4
Total	100	100

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



In 2021, debt on corporate loans increased by 11.7%, on mortgage loans — by over 30%, and on unsecured consumer loans — by 20.1%

¹ As the information on GDP was updated, the indicator as of early 2021 differs from the value specified in the [Bank of Russia's Annual Report for 2020](#).

² The withdrawal of banking licences from credit institutions did not have any significant impact on banking sector indicators, as these banks accounted for less than 0.2% of the sector's assets.

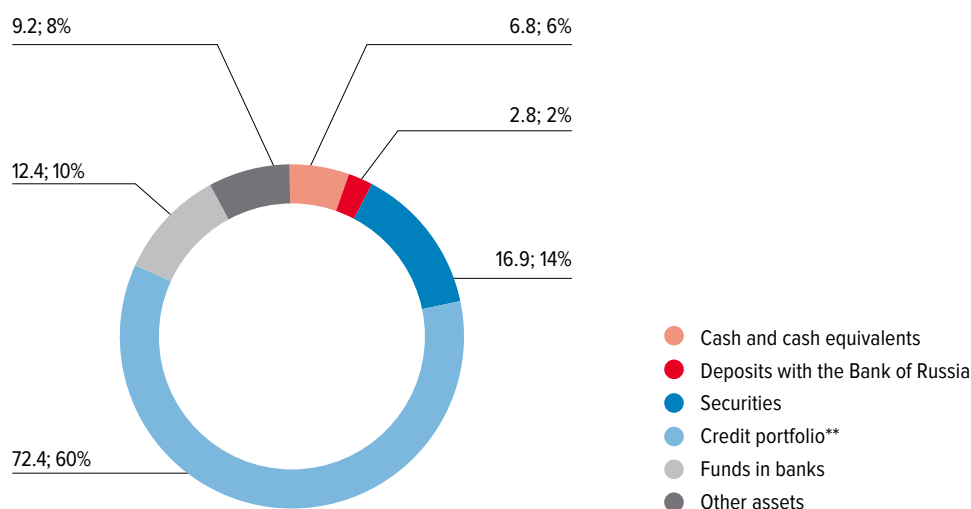
³ Hereinafter, credit institutions' growth rates are given adjusted for foreign currency revaluation for credit institutions operating in the reporting period (including reorganised banks). Assets are given net of loss provisions, unless specified otherwise. Beginning from 1 January 2022, the method for calculating certain indicators of the banking sector was adjusted to provide a more accurate assessment of the amount of issued loans and banks' borrowings. To ensure data comparability, the values as of the previous reporting dates were also recalculated, due to which the figures might differ from those released earlier. Corporate lending comprises loans to non-financial and financial (other than credit) institutions in accordance with the indicator used in the information and analytical commentary Russian Banking Sector Development.

⁴ The growth rates adjusted for securitisation transactions do not include the loan portfolios placed in mortgage pools in previous reporting periods.

⁵ Including the data from Section 1 of Reporting Form O409316 'Loans to Households' on outstanding housing mortgage loans taking into account the acquired claims

ASSETS STRUCTURE AS OF 1 JANUARY 2022*
(TRILLIONS OF RUBLES, AS A PERCENTAGE OF ASSETS OF CREDIT INSTITUTIONS)

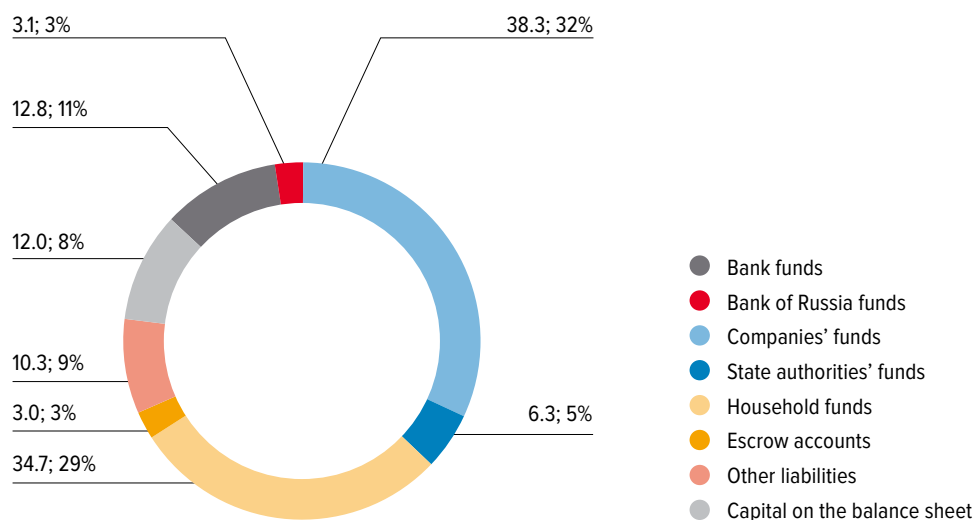
Chart 20



* Coupon OBRs are recognised as part of securities.
** Corporate and retail loans are given before provisions.
Source: Reporting Form 0409101.

LIABILITIES AND CAPITAL STRUCTURE AS OF 1 JANUARY 2022*
(TRILLIONS OF RUBLES, AS A PERCENTAGE OF LIABILITIES OF CREDIT INSTITUTIONS)

Chart 21



* The total may deviate from 100% due to rounding.
Source: Reporting Form 0409101.

der government support programmes (in 2021, about 28% of all mortgage loans totalling nearly ₹1.6 trillion were issued under these programmes) and banks' partner programmes with developers.

In 2021, the growth of *unsecured consumer loans* sped up significantly (20.1% vs 8.8% in 2020) and continued to surpass the rise in

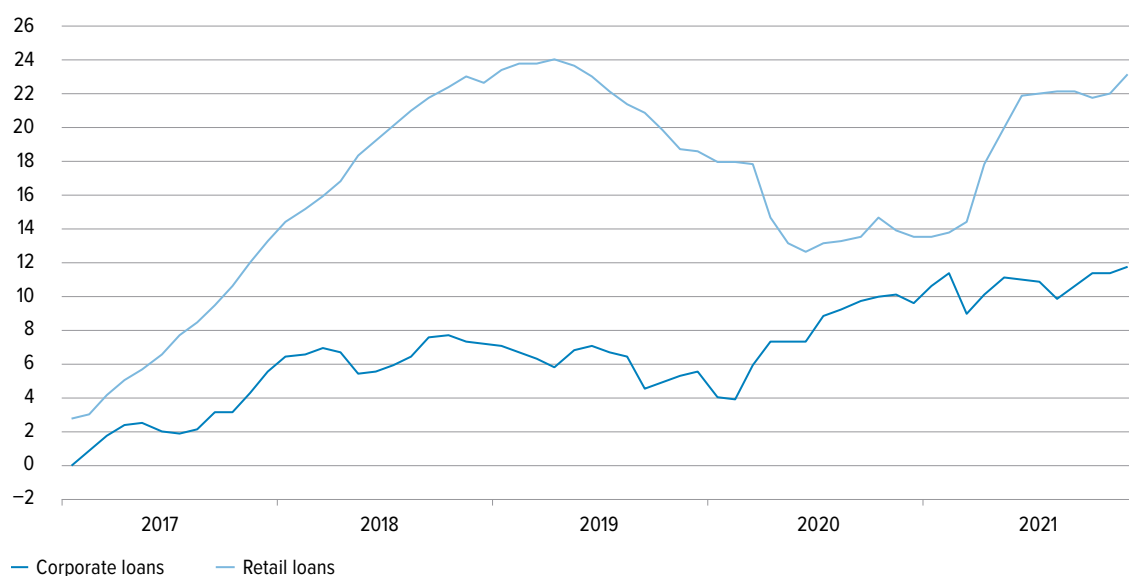
households' nominal incomes equalling 10.5% in 2021.¹

The portfolio of securities on banks' balance sheets expanded by 7.5% over 2021, to total ₹16.9 trillion. As Russia's Ministry of Finance increased OFZ issues, banks considerably built up their investment in OFZ bonds. OFZ placements by the Russian Ministry

¹ Rosstat's data on Russians' average per capita income.

GROWTH RATE OF CORPORATE AND RETAIL LOANS
(PER CENT)

Chart 22



Source: Reporting Form 0409101.

of Finance in 2021 reached ₹2.5 trillion,¹ with 68% of these bonds purchased by Russian banks (predominantly, SICIs).

The growth of assets was driven by a substantial inflow of *legal entities' funds* into the banking sector (+₹5.8 trillion, or 17.9%² over 2021; +₹4.4 trillion, or 15.8% over 2020) totaling ₹38.3 trillion as of 1 January 2022. The increase in corporate deposits was driven by high foreign currency earnings amid rising prices for commodity exports, as well as the budget execution at the end of the year.

Household deposits (excluding escrow accounts) also expanded by ₹1.9 trillion, or 5.7% (to ₹34.7 trillion), which is more than in 2020 (by ₹1.5 trillion, or 4.2%). This was associated with the normalisation of the economic situation in 2021, considerable social payments (₹0.7 trillion to families with children and pensioners), higher returns on deposits and, accordingly, rising demand for them.

Escrow accounts increased by ₹1.9 trillion in 2021, including due to high amounts of issued mortgage loans and the continuing growth of construction under the new scheme.

Although customer deposits and accounts surged, the main inflow of funds into the banking sector in 2021 was through the budget channel: overall, state funds increased 1.6 times over the year (to ₹6.3 trillion), which is several times more than in the previous years (in 2020, by 7.5%; in 2019, by 7%) and was primarily associated with the Federal Treasury's transition to the single treasury account (TSA).

Concurrently, funds raised by credit institutions from the Bank of Russia, considering that the structural liquidity surplus prevailed over 2021, declined by 14% to ₹3.1 trillion.

Cost of credit and deposit operations. In the second half of 2021, following the increase in the Bank of Russia key rate, interest rates on the main banking operations rose as well.

The weighted average interest rate on new ruble loans issued to non-financial organisations for more than one year was up by 1.9 percentage points from the beginning 2021 to 8.9% per annum as of December 2021.

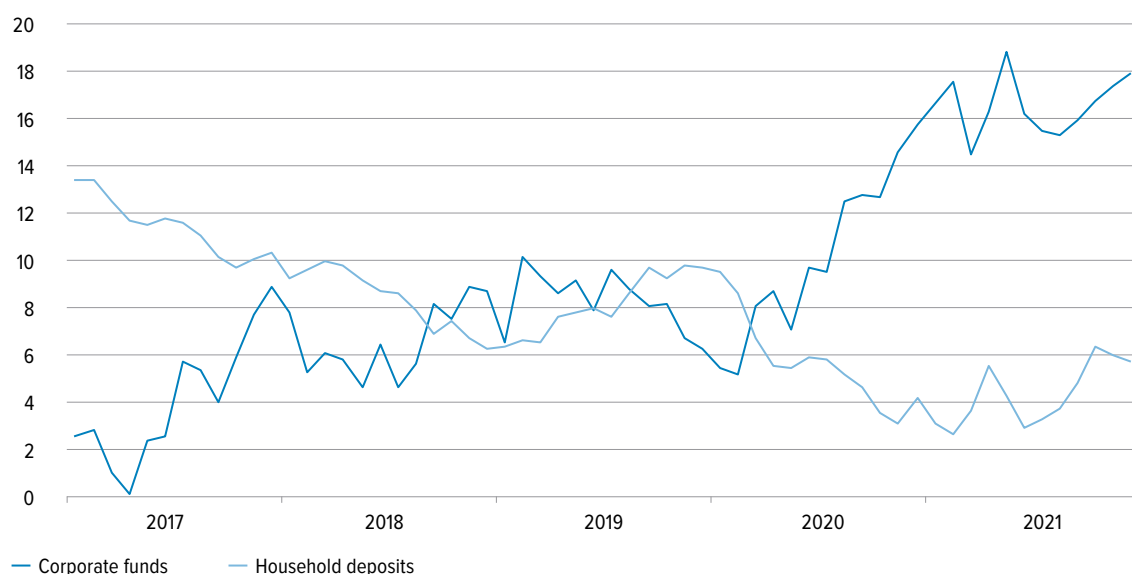
The weighted average interest rate on ruble retail loans with the same maturity remained

¹ Funds raised by the Russian Ministry of Finance at OFZ auctions (excluding coupon income).

² Adjusted for the value of Eurobonds issued by banks.

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

Chart 23



Sources: Reporting Forms 0409101 and 0409110.

almost unchanged over the year, equalling 10.7% per annum in December, which is 0.1 percentage points higher than in January. Interest rates on mortgage loans in the secondary market¹ edged up slightly following the key rate increase, namely from 8.0% in January to 8.9% in December, which caused a rise in funding costs. Concurrently, interest rates in the primary market remained at 5.9% owing to the implementation of the government programmes (first of all, the Family Mortgage programme) and banks' partner programmes with developers (a mortgage rate can be partially subsidised within the assessment of overall returns on the entire construction project, especially where escrow accounts are used).

The weighted average interest rate on non-financial organisations' ruble deposits for more than one year rose by 2.9 percentage points over 2021, to equal 7.5% per annum in December 2021. The weighted average interest rate on households' ruble deposits consid-

erably increased, reaching 7.4% per annum in December 2021 (+3.3 percentage points compared to January).

Financial performance. The banking sector's net profit in 2021 totalled ₽2.4 trillion (return on capital – 21%), which is 47% more than ₽1.6 trillion that banks earned in 2020 (return on capital – 16%).

The percentage of profit-making banks in the sector's assets² remained steadily high (98%), with their number exceeding 300.

High profit in 2021 was mostly driven by larger business volumes and, accordingly, rises in net interest and fee incomes by 15% and 20%³ (or by ₽0.5 trillion and ₽0.3 trillion), respectively, as well as low costs for provisioning as compared to 2020 when banks formed substantial provisions in advance due to the uncertain economic situation.

However, the growth of profit was somewhat constrained by a 50% decline in incomes from foreign exchange and precious metal

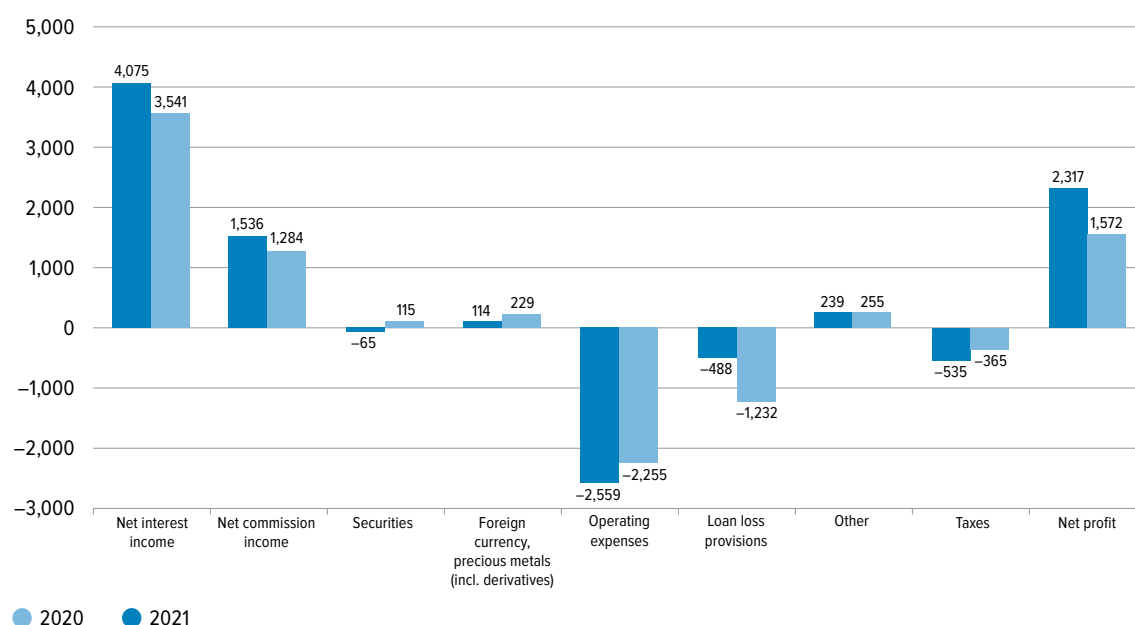
¹ The primary market implies housing mortgage loans secured by claims under equity construction contracts. The secondary market implies all other housing mortgage loans.

² In banks' overall assets, excluding non-bank credit institutions accounting for approximately 5% of the sector's assets.

³ Hereinafter, financial performance components do not include the non-core assets bank.

**CHANGE IN COMPONENTS OF BANKING SECTOR PROFITS
(EXCLUDING THE NON-CORE ASSETS BANK) IN 2020–2021***
(BILLIONS OF RUBLES)

Chart 24



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

transactions (including derivatives transactions)¹ (to ₹114 billion in 2021 as compared to ₹229 billion in 2020). Furthermore, profit was also affected by losses on securities (-₹65 billion vs ₹115 billion in 2020) resulting from the negative revaluation of bonds (mostly OFZ bonds) due to the increased key rate and rising geopolitical risks.

Capital adequacy. The banking sector's capital adequacy² edged down slightly over 2021, namely from 12.5% to 12.3%. The growth of the banking sector's capital (+10.4% to ₹12.6 trillion) was mostly driven by banks' profit. Nonetheless, due to the surge in lending, risk-weighted assets (RWA) expanded

more notably (+12.3%). The amount of macroprudential buffers increased 1.6 times in 2021, specifically from 6.2% to 8.8% of RWA, including due to the tightening of macroprudential regulation measures. These buffers were mostly in the segment of unsecured consumer lending.

Overall, the banking sector increased its capital cushion³ by 6% in 2021 to ₹6.1 trillion (9% of the loan portfolio).⁴ The banking sector's potential to build up lending⁵ was estimated at ₹23.3 trillion as of the end of 2021. However, it should be noted that the capital cushion and lending potential are distributed unevenly across banks.

¹ Incomes from foreign exchange and precious metal transactions (including derivatives transactions) comprise incomes from transactions with these assets and their revaluation (including the revaluation of provisions for corporate foreign currency loans).

² The indicator is calculated based on the figures of credit institutions that shall comply with the relevant requirements.

³ Calculated as of 31 December 2021 as the minimum buffer to absorb losses estimated based on three ratios, taking into account unaudited profit reclassified to common equity Tier 1 capital and the positive effect of loss on risk-weighted assets.

⁴ The loan portfolio is calculated net of provisions and claims on reverse repos.

⁵ The potential to expand lending is the amount of risk-weighted assets that banks are able to add, while staying compliant with the capital adequacy ratios and required buffers. It is measured as the minimum potential to expand lending calculated on the basis of three ratios, taking into account unaudited profit reclassified to common equity Tier 1 capital. Nonetheless, the actual potential is still lower as credit institutions tend to maintain their capital cushions above the level of the buffers.

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

Item	As of 1 January 2022	As of 1 January 2021	Change	
			in units	as %
Number of operating credit institutions with non-residents' share in authorised capital	115	124	-9	-7.26
Number of operating credit institutions where non-residents hold over 50% of authorised capital	66*	72	-6	-8.33
Overall authorised capital of operating credit institutions, billions of rubles**	2,885.5	2,813.8	71.7	2.55
Non-residents' investment in operating credit institutions' authorised capital, billions of rubles	412.9	404.4	8.5	2.10
Non-residents' share in operating credit institutions' authorised capital, %***	14.31	14.37	-0.06	-0.42
Foreign capital stake in operating credit institutions' authorised capital, %****	10.73	10.96	-0.23	-2.10

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

** For the purpose of calculating non-residents' equity stake in the banking system, overall authorised capital means the total value of registered authorised capital and the issues completed by credit institutions incorporated as joint-stock companies as of 1 January 2022.

*** Calculated by the Bank of Russia (excluding adjustments provided for by Article 18 of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities' (hereinafter, Federal Law No. 395-1)).

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

Non-residents' share in overall authorised capital. Over 2021, the number of operating credit institutions where non-residents are shareholders decreased by 7.26% from 124 to 115.

Non-governmental pension funds

Over 2021, the number of operating NPFs decreased by two to total 41 as of 1 January 2022. Of this number, 28 NPFs were participants in the guarantee system for insured persons' rights and were engaged in mandatory pension insurance.

NPFs' overall assets expanded to ₹4,833.9 billion¹ as of the end of 2021 (+3.5% over the year), their capital increased to

₹514.7 billion (+7.5% over the year), and their net profit totalled ₹58.4 billion.

As of the end of 2021, NPFs' investment portfolio of pension resources² reached ₹4,601.1 billion, NPFs' pension savings portfolio – ₹3,038.4 billion, and NPFs' pension reserve portfolio – ₹1,562.7 billion.

Participants in voluntary pension schemes numbered 6.2 million,³ including 1.5 million (2.7% less than in 2020)⁴ who received non-government pensions. Pension payments under non-government pension schemes totalled ₹76.3 billion (which is 3.1% more than over the previous year).

The number of insured persons holding their savings in NPFs edged down by 0.8%

¹ The data are provided as of 4 April 2022 based on NPFs' annual accounting (financial) statements compiled according to Bank of Russia Regulation No. 527-P, dated 28 December 2015, 'Sectoral Accounting Standard 'Procedure for Compiling Accounting (Financial) Statements by Non-governmental Pension Funds'.

² The figures are based on specialised depositories' statements as of 9 March 2022.

³ The data are provided as of 31 December 2021 based on OKUD (All-Russian Classifier of Management Documentation) Form 0420253 'Progress Report on a Non-governmental Pension Fund's Operations' approved by Bank of Russia Ordinance No. 4623-U, dated 27 November 2017, 'On the Forms, Timelines and Procedure for Non-governmental Pension Funds to Compile and Submit Operating Statements to the Bank of Russia, Including on the Requirements for Statements on Mandatory Pension Insurance' as of 1 April 2022.

⁴ Hereinafter, comparisons are given year-on-year.

to 36.8 million as of the end of 2021. Pension payments under the mandatory pension insurance programme were up by 6.9%, to reach ₽17.3 billion.

Professional securities market participants

As of the end of 2021, the number of CIs and NFIs licensed as PSMPs increased by six to 472. Net profit of PSMPs–NFIs¹ totalled ₽25.9 billion in 2021, which is 1.3 times less than in the previous year. As of the end of 2021, the industry's total assets equalled ₽1.7 trillion, its capital and reserves – ₽0.4 trillion, and liabilities – ₽1.3 trillion.

The numbers of clients receiving brokerage and depository services provided by PSMPs–NFIs and PSMPs–CIs doubled over 2021 to 20.2 million and 20.6 million, respectively, as of 31 December 2021. The number of clients with assets under trust management at PSMPs–NFIs and PSMPs–CIs increased 1.5 times over the year, reaching 842,600 as of the end of 2021. The registrar market continued to trend downwards in 2021, in terms of both the client base and the number of maintained registers. As of the end of 2021, registered per-

₽91.9 trillion as of the end of 2021 (+11.8% over the year).

Opened individual investment accounts (IIAs) numbered 4.8 million as of the end of 2021, including 4.3 million opened under brokerage agreements. Moreover, credit institutions accounted for a considerable percentage of opened IIAs, namely 79.0%, or 3.8 million accounts as of the end of the year. The value of assets in IIAc with PSMPs–NFIs and PSMPs–CIs totalled ₽551.2 billion. The value of the portfolios of IIAs opened with credit institutions reached ₽307.0 billion.

Insurance agents²

As of 1 January 2022, the number of insurance agents registered in the Russian Federation decreased by 4.3% to 222. Of this figure, the number on insurance companies declined by 8.1% to 147, insurance brokers numbered 59 as in the previous year, and the number of mutual insurance companies increased by 23.1% to 16.

Insurance premiums reached ₽1,808.3 billion over 2021, which is 17.5% more than in the previous year. All main insurance segments demonstrated an upward trend. The number of signed insurance contracts went up by 38.3%



Insurance premiums rose by 17.5% over 2021

sons numbered 19.0 million (–1.4% over the year) and registers numbered 47,900 (–2.3% over the year).

The overall amount of brokerage clients' portfolios increased to ₽18.9 trillion as of the end of 2021 (+31.9% over the year). The value of trust management clients' investment portfolios exceeded ₽1.8 trillion as of the end of 2021 (+19.5% over the year). The value of securities held (recorded) in depositories totalled

over the year, to 242.2 million. In 2021 insurance payments increased across all main insurance types, except corporate property insurance, totalling ₽797.0 billion (+21.0%).

Life insurance remains the driver of the insurance market. Over 2021, insurance premiums rose by 21.8% to ₽524.4 billion. The number of signed insurance contracts increased by 17.8% to 6.3 million. Insurance payments surged by 41.0% to ₽288.3 billion.

¹ The figures of accounting and financial statements are given for PSMPs licensed as of 31 December 2021 to operate as a broker, a dealer or a forex dealer, manage securities, or carry out depository activity. The figures are given excluding the data of PSMPs licensed as registrars, as well as the data of investment advisers not licensed as PSMPs and the data of the statements of JSC DOM.RF and FBSC AMC Ltd. due to the specifics of these organisations' activities.

² The statistics based on insurers' reporting for 2021 are given according to the figures as of 14 February 2022; data based on accounting (financial) statements as of the end of 2021 are given according to the figures as of 3 March 2022.

Accident and health insurance premiums totalled ₽261.9 billion, rising by 29.5% over 2021 owing to a high number of signed contracts. They numbered 64.7 million, which is 62.2% more than last year. Insurance payments increased by 40.0% to ₽26.9 billion.

The market of *motor hull insurance, other than rail transport insurance*, expanded as well. Over 2021, motor hull insurance premiums rose by 18.0% to ₽207.1 billion. Signed insurance contracts numbered 5.4 million. Payments edged up by 11.5% to ₽109.3 billion.

The *voluntary medical insurance* (VMI) segment resumed an upward trend. VMI premiums were up by 13.0% over 2021, to total ₽199.9 billion. The number of signed insurance contracts increased by 17.6% to 12.6 million. Payments increased by 20.3% to ₽142.2 billion.

Premiums in insurance of other assets of legal entities increased by 6.2% over 2021, to total ₽120.2 billion. The number of signed insurance contracts rose by 33.8% to 0.5 million. Payments totalled ₽22.0 billion.

The situation in the market of *compulsory motor third party liability insurance (CMTPLI)* was stable in 2021. CMTPLI premiums totalled ₽225.5 billion in 2021, signed insurance contracts numbered 39.9 million, and payments amounted to ₽143.6 billion.

Inward reinsurance premiums increased by 16.7% over 2021 to ₽72.9 billion. Outward reinsurance premiums edged up by 9.2% to ₽162.4 billion.

Insurers' loss ratio remained steady in 2021. The 12-month moving average of the combined loss ratio in insurance, other than life insurance, equalled 92.2% in 2021. The moving average of the loss ratio surged to 48.9%, and the moving average of the cost ratio — to 43.4%.

Russian insurers' profit declined by 1.2% as of the end 2021 to ₽245.0 billion. As a result, insurers' profitability also decreased, although remaining high (return on capital — 26.5%, and return on assets — 6.0%). Capital increased by 13.3%, to total ₽996.3 billion. Overall assets expanded by 12.5% over 2021, to reach ₽4,297.9 billion as of the end of the year.

Overall authorised capital of operating insurance companies expanded by 6.9% over 2021 to ₽235.1 billion.¹

In 2021, non-residents increased their investment in operating insurance companies' authorised capital by 3.9% to ₽26.2 billion. Non-residents' share in overall authorised capital of operating insurance companies contracted from 11.5% as of 1 January 2021 to 11.2%² as of 1 January 2022.

The foreign capital stake in overall authorised capital of licensed insurance companies, as calculated by the Bank of Russia according to the procedure stipulated by Article 6 of Federal Law No. 4015-1, dated 27 November 1992, 'On the Organisation of Insurance Business in the Russian Federation' and Bank of Russia Ordinance No. 3386-U³, equalled 10.0%⁴ as of 1 January 2022 (vs 10.4% as of 1 January 2021).

¹ For the purpose of calculating foreign equity stake in operating insurance companies' authorised capital, overall authorised capital means the total value of registered authorised capital and the issues completed by insurers incorporated as joint-stock companies as of 1 January 2022, as well as the total of the minimum amounts of guarantee deposits of foreign insurers' branches.

² Calculated by the Bank of Russia excluding adjustments provided for by Clause 2 of Bank of Russia Ordinance No. 5878-U, dated 5 August 2021, 'On the Procedure for Calculating the Foreign Capital Stake (Quota) in the Authorised Capital of Insurance Companies, the Procedure for Issuing the Bank of Russia's Preliminary Permit as Set Forth by Clause 3.1 of Article 6 of the Federal Law 'On the Organisation of Insurance Business in the Russian Federation', the Application Form and the List of Documents Needed to Obtain this Permit, and the Procedure for Submitting such Application and Documents Attached Thereto to the Bank of Russia'.

³ Bank of Russia Ordinance No. 3386-U, dated 22 September 2014, 'On the Procedure for Calculating the Foreign Capital Stake (Quota) in the Authorised Capital of Insurance Companies, and the Lists of Documents Required to Obtain the Bank of Russia's Permits to Alienate the Shares (Stakes in Authorised Capital) of Insurance Companies in Favour of Foreign Investors and/or Their Subsidiaries'.

⁴ Calculated by the Bank of Russia with account of adjustments provided for by Clause 2 of Bank of Russia Ordinance No. 5878-U, dated 5 August 2021, 'On the Procedure for Calculating the Foreign Capital Stake (Quota) in the Authorised Capital of Insurance Companies, the Procedure for Issuing the Bank of Russia's Preliminary Permit as Set Forth by Clause 3.1 of Article 6 of the Federal Law 'On the Organisation of Insurance Business in the Russian Federation', the Application Form and the List of Documents Needed to Obtain this Permit, and the Procedure for Submitting such Application and Documents Attached Thereto to the Bank of Russia'.

Microfinance market participants

Over 2021, the number of microfinance organisations (MFOs) decreased by 8.5% to 1,267, of which 37 entities are microfinance companies (MFCs) and 1,230 are microcredit companies (MCCs).

Over 2021,¹ the amount of issued consumer microloans totalled ₹574.9 billion, which is 58% more than in 2020. Growth was recorded in both the PDL² and IL³ segments, which could be because pent-up demand was satisfied, among other reasons: over the period under review, the increase in PDL was 50% and in IL – 64%.

The amount of SME loans issued in 2021 remained nearly the same as in 2020, totalling ₹50.2 billion (-4% year-on-year).

Microloan agreements signed over 2021 in all market segments numbered 45.31 million, which is 43% more than in 2020.

As of 31 December 2021, MFOs' core assets (outstanding principal on issued microloans) amounted to ₹327.7 billion (+31.6% over the year), including consumer microloans worth ₹265.7 billion. The PDL and IL portfolios expanded by 40% and 42%, respectively. Over the period under review, the SME loan portfolio increased to ₹61.9 billion (+2% over the year).

Overdue debt across all market segments remained relatively stable: as of 31 December 2021, NPL90+⁴ accounted for 29.5% in the overall portfolio, which is 0.6 percentage points higher than in 2020. The level of NPL90+ in SME lending edged up as well (to 6.8% as of 31 December 2021).

MFOs' net profit over 2021 was up by 58% as compared to the previous year, reaching ₹29.1 billion.

As of 1 January 2022, the number of pawnshops decreased by 29.6% to 2,231; the number of consumer credit cooperatives (CCCs) – by

9.9% to 1,775; the number of agricultural consumer credit cooperatives (ACCCs) – by 7.2% to 694; whereas the number of housing savings cooperatives (HSCs) edged up by 11.6% to 48.

CCCs' core assets contracted by 5% over 2020, to total ₹44.4 billion as of 31 December 2021. ACCCs' core assets remained nearly the same (-2%) amounting to ₹15.6 billion. Pawnshops' core assets increased to ₹44.4 billion,⁵ which is 8% more than in 2020.

Unit and joint-stock investment funds

Over 2021, the number of licensed management companies declined from 268 to 259. The number of organisations operating (licensed) as a specialised depository of investment funds rose from 25 to 26.

In 2021, UIFs' NAV surged by more than 41% to ₹7.1 trillion (₹5.0 trillion as of the end of 2020).

As before, closed-end funds focusing on legal entities and wealthy private clients were the largest UIFs by the amount of their assets (₹5.9 trillion, or 82.7% of UIFs' total NAV as of 31 December 2021). Specifically, as of the end of the year, closed-end UIFs for qualified investors recorded NAV totalling ₹5.5 trillion, whereas NAV of closed-end UIFs for non-qualified investors equalled ₹0.4 trillion.

Speaking of UIF types, the largest ones as of the end of 2021 were closed-end combined UIFs for qualified investors and open-end funds of financial market instruments for non-qualified investors accounting for 73% and 13% of overall NAV, respectively, as of the end of 2021.

Exchange-traded UIFs for non-qualified investors demonstrated a record-high annual growth rate of NAV (+148% over the year). This surge was driven by retail investors' high demand amid low deposit rates and further online adoption of this type of UIFs.

¹ Hereinafter, the statistics provided are preliminary data of microfinance organisations' (MFO) reporting as of 31 December 2021.

² Payday loans – a segment of consumer microloans issued in accordance with Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans' for up to 30 days in the amount of no more than ₹30,000.

³ Instalment loans, medium-term consumer microloans – a segment of consumer microloans issued in accordance with Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans' for more than 30 days or in the amount of over ₹30,000.

⁴ Non-performing loans when payments of principal and interest are 90 days or more past due.

⁵ Hereinafter, the statistics provided are preliminary data of pawnshops' reporting as of 31 December 2021.

Exchange-traded UIFs attracted the largest number of investors in 2021. The number of investment unitholders in exchange-traded UIFs was up from 1,358,000 to 5,626,000 (+314% over the year). The overall number of investment unitholders in UIFs surged by record 140% over 2021, to reach 8,735,600.

The percentage of joint-stock investment funds in overall collective investment remains minor.

1.2.2.2. FINANCIAL MARKET INFRASTRUCTURES AND OTHER PARTICIPANTS

In 2021, activities in the financial market were carried out by infrastructures (exchanges, the central depository, repositories, clearing houses, central counterparties, commodity delivery operators, payment system operators, a trading system, credit history bureaus, news agencies accredited to arrange disclosure of information on securities and other financial instruments, investment platform operators, and financial platform operators) and other financial market participants (actuaries, financial market self-regulatory organisations, self-regulatory organisations of actuaries, credit rating agencies, and foreign credit rating agencies' branches and representative offices).¹

Exchanges

There are six exchanges in the Russian Federation. PJSC Moscow Exchange remains the largest one, with its overall trading amount in the markets growing by 6.6% in 2021 to ₹1.01 quadrillion (including ₹30 trillion of transactions for purchase and sale of shares, depository receipts and units).

On PJSC SPB Exchange focused on foreign securities trading, the amount of trading in 2021 surged 2.8 times as compared to 2020, to total ₹44.6 trillion (including ₹29.1 trillion of transactions for purchase and sale of shares, depository receipts and units).

The trading amount in the commodity exchange market increased by 44% in 2021 and is estimated at ₹1,552 billion.² The largest proportion (nearly 90%) was made by exchange trading of petroleum products on Saint Petersburg International Mercantile Exchange (gasolines, diesel fuel, liquefied petroleum gas, fuel oil, etc.).

Investment platform operators

The crowdfunding market actively developed in 2021. As of 1 January 2022, the register of investment platform operators (IPOs) included 50 organisations. Investors on these platforms are mostly individuals (13,500 active investors, or 95% of the total number of active investors). The total number of registered investors exceeded 31,000 persons as of the end of the year.

Funds raised on investment platforms in 2021 totalled ₹13.8 billion, and an investor's real³ returns equalled 15%. The reported amount of overdue debt under loan agreements concluded on the platforms did not exceed 10.5% as of the end of the year.

Financial platform operators

Over 2021, market participants demonstrated higher demand for transactions on financial platforms, which was because increasingly more financial organisations joined financial platforms and the range of conditions under available financial transactions that would be convenient for financial consumers expanded.

As of 1 January 2022, there were five financial platform operators in the Russian Federation, two of which were put on the Bank of Russia register in 2021. Each of the five financial platforms had different specialisations.

National Payment System

As of 1 January 2022, National Payment System (NPS) entities included 371 funds transfer operators⁴ (including 69 electronic mon-

¹ More detailed information about the numbers of infrastructures and other financial market participants is given in [Tables 9–10 of Section 5.4 'Statistical tables'](#).

² Including spot trading and deliverable futures contracts.

³ Nominal returns less the amount of outstanding loans, personal income tax, and IPO fees.

⁴ Including VEB.RF and the Bank of Russia.

ey operators), 28 payment system operators,¹ 35 payment infrastructure operators, two federal post service organisations, payment agents, 4,300 bank payment agents (sub-agents), including 55 bank payment agents engaged in payment aggregator operations, 61 payment application providers, 185 information exchange service operators, and 24 foreign providers of payment services.

As of 1 January 2022, there were 28 payment systems operating in the Russian Federation.

In 2021, amid the post-pandemic recovery of the economy, the systemically important Bank of Russia Payment System (BRPS) ensured smooth processing of clients' money flow, which considerably increased. As compared to 2020, funds transferred² through the BRPS surged by 21.8% to ₽2,018.2 trillion and exceeded GDP 15.4 times. The number and amount of transactions in the Faster Payments System (FPS), which is rapidly gaining momentum, surged eight and six times, respectively. The increase in the number of money transfers via the FPS was the reason for a considerable rise in the overall number of transfers in the BRPS, specifically by 43.4% to 2.6 billion.

Money transfers through the systemically important NSD Payment System (NSD PS) amounted to ₽107.6 trillion in 2021 (vs ₽120.0 trillion in 2020). As to the structure of money transfers in the NSD PS, money transfers made in the over-the-counter market accounted for 47.1% and transfers conducted within on-exchange transactions – for 43.2%.

In 2021, the dynamics of the indicators characterising funds transfer operators' performance also evidenced an increase in businesses' and households' economic activity. Cashless transactions carried out by credit institutions based on their clients'³ orders and their own transactions numbered 70.3 billion

payments and totalled ₽1,202.8 trillion, which is 25.4% and 32.5% more, respectively, than in the previous year.

The number and amount of individuals' cashless transactions also increased significantly, namely by 26.0% and 36.8%, respectively, proving that households' demand for cashless payment instruments rose. Furthermore, individuals extensively used remote payment channels. The number of individuals' accounts allowing remote access edged up by 13.2% over the year, to total 320.3 million. As of 1 January 2022, there were 2.2 accounts per individual (vs 1.9 accounts as of 1 January 2021).

The transformation of the market of retail payment services, specifically a broader use of cashless payments, was the reason for a further rise in the proportion of cashless payments in retail turnover⁴ that reached 74.3% in 2021, as compared to 70.3% in 2020.

Credit history bureaus

The number of title parts of credit histories in the Central Catalogue of Credit Histories (CCCH) edged down to 354.2 million as of the end of 2021 (-2% over the year). This was because Federal Law No. 302-FZ⁵ obliged credit history bureaus (CHBs) to cancel credit histories having no records of a credit history and information on refusals to conclude a loan agreement, as well as because two CHBs were excluded from the state register of CHBs.

Title parts of individuals' credit histories numbered 352.4 million, and title parts of legal entities' credit histories – 1.8 million. In 2021, four CHBs accounted for 98.7% of all title parts of credit histories stored in the CCCH.

Furthermore, in 2021, there was observed a continuing upward trend in the number of inquiries from credit history makers and users.

¹ Including the Bank of Russia and National Payment Card System Joint Stock Company.

² Including operations to implement monetary policy, settlements in the interbank and financial markets, and payment card transactions.

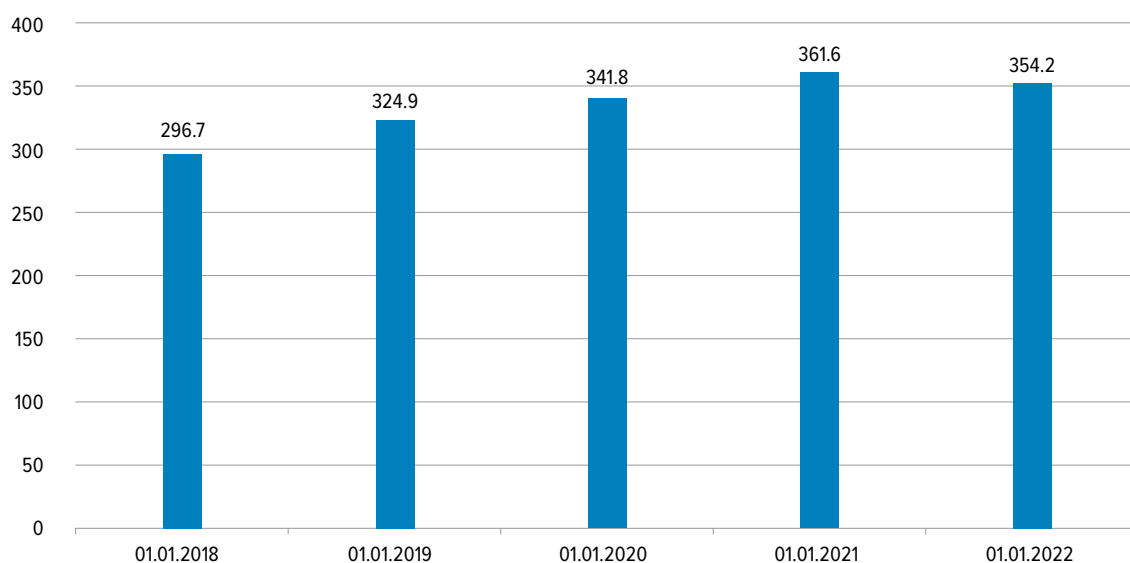
³ Hereinafter, individuals and legal entities, other than credit institutions (including individual entrepreneurs).

⁴ The overall turnover of retail and public catering and the value of commercial services to households. The assessment is based on the Bank of Russia's reporting forms and Rosstat's data.

⁵ Federal Law No. 302-FZ, dated 31 July 2020, 'On Amending the Federal Law 'On Credit Histories' with Regard to Modernising the System of Credit History Formation' (Part 5 of Article 2).

NUMBER OF CREDIT HISTORY TITLES STORED IN THE CCCH
(MILLIONS OF UNITS)

Chart 25



The number of inquiries sent to the CCCH by credit history makers, credit history users, and divisions of the Russian Federal Bailiff Service regarding CHBs keeping credit history makers' credit histories, and requests to form, cancel, or change a credit history maker's code (additional code) increased by 9.3 million over 2021, to total 48.8 million since the launch of the CCCH.

In 2021, the absolute majority of inquiries received by the CCCH from credit history mak-

ers were through the unified portal of public and municipal services (UPPS), namely about 4.6 million over the year. The Bank of Russia has been offering the service for providing information from the CCCH based on requests via the UPPS on a continuous basis beginning from 31 January 2019, and since then this service has become the most popular one among credit history makers as compared to other channels (including credit institutions, CHBs, notaries, and other).

1.2.3. COMPETITION IN THE FINANCIAL MARKET

The development of financial technologies and platform solutions enabling people to receive a broad range of financial services remotely with a single click, and changes in consumer preferences continue to influence competition eliminating space and time barriers.

Data and data processing algorithms are becoming increasingly more important as a source of the competitive advantage since the efficiency of their use grows with technology advancement and ecosystem adoption. Consumers receive simple and convenient access to a wide range of financial and non-financial products and services, whereas suppliers can better customise services, assess risks more effectively, and streamline their business processes.

According to the assessment of the indicators of competition carried out by the Bank of Russia in 2021 across the main product segments,¹ the level of competition in the financial market remained almost the same (at the countrywide level, all segments remained in the previous zones by the level of competition).²

The level of monopolisation remained high primarily in the segments of traditional banking products for households³ (loans, deposits, and payment services) and corporate lending.⁴ This is largely because major banks have an advantage in remote service channels, lower costs (the scale effect), and additional benefits for both new and current clients as a result of an increase in the client base of the platform (network effects), which is especially evident within ecosystems.

As compared to 2020, the largest banks' positions generally remained unchanged. Despite slight fluctuations in quantitative indicators in regions, the level of competition in the Lending and Borrowing segments remained the same in 85% of the constituent territories of the Russian Federation.

The Payments and Money Transfers segment remained the most monopolised one, and its growth only accelerated in the conditions of the pandemic. At the level of competition among banks (intra-network level), one bank continued to steadily dominate the market in both payments and money transfers (on bank cards). At the level of competition among payment systems (inter-network level), there were still three actively competing oligopolistic payment systems whose shares continued to align.

As regards the Insurance Services segments generally demonstrating a higher level of competition, a better trend emerged as of the end of the year. However, all the segments under review remained in the same zones of competition as in the previous year.⁵

The Investment Services segment remained the most dynamic one as banking groups there continued to actively compete in order to increase the number of their clients.⁶

STOCK MARKET

In 2021, exchanges in the stock market expanded the number of financial instruments and enhanced their trading platforms.

As of 1 January 2022, the exchange market reached the following figures:

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

² According to the methodology applied, there are three levels of competition: low ('red zone'), moderate ('yellow zone'), and high ('green zone').

³ As related to individuals, the share of the leader in the Lending segment remained unchanged at 40%, and in the Borrowing segment it edged down by one percentage point to 45%.

⁴ In the Lending segment, the share of the leader increased by two percentage points to 51% as related to legal entities, and declined by one percentage point to 43% as related to individual entrepreneurs.

⁵ Voluntary Health Insurance, CMTPLI, Motor Hull Insurance, and Borrowers' Life Insurance.

⁶ As in the previous year, the leaders in the subsegment of brokerage services by the number of clients are still banking groups, whereas non-bank financial institutions account for a large market share in terms of the amount of brokerage transactions. Furthermore, the analysis of the indicators of competition shows that the subsegment of brokerage services (by the number of clients and the amount of transactions) and the subsegment of trust management (by the number of clients and the value of the investment portfolio) remained in the same zones of competition.

- The amount of trading on PJSC Moscow Exchange increased by 6.6% as compared to 2020 (₽1,010 trillion; in shares and bonds — ₽48.6 trillion). The amount of trading in foreign securities on PJSC SPB Exchange surged by 135.2% (₽29.1 trillion).
- There were 2,690 Russian securities and 858 foreign securities traded on PJSC Moscow Exchange, and 56 Russian securities and 1,738 foreign securities traded on PJSC SPB Exchange.

In order to improve the accessibility of on-exchange transactions for the Eastern regions of the Russian Federation (Siberia and

the Far East) and foreign investors in the stock market, PJSC Moscow Exchange and PJSC SPB Exchange launched a morning trading session (from 07.00 to 10.00 Moscow time) in addition to the main trading session.

Considering the significant inflow of retail investors into the stock market, PJSC Moscow Exchange started marking financial instruments to ensure individuals' protection against investment risks. This marking will ensure automated control of access to various types of instruments depending on investors' qualification. Jointly with market participants, the exchange developed a roadmap for enhancing this function.

2



The Bank of Russia's activities

The Bank of Russia's activities cover all aspects of financial relations in the economy. The goals of the regulator's activities and its functions are stipulated in Federal Law No.86-FZ. To fulfil them, the Bank of Russia implemented measures and decisions aimed first and foremost at:

- ensuring price stability;
- protecting financial consumers and enhancing financial inclusion for households and businesses;
- ensuring financial market resilience;
- advancing the national payment system;
- developing technologies and supporting innovations in the financial market; and
- contributing to sustainable development.

Ensuring price stability. The objective of the Bank of Russia's monetary policy is to maintain annual inflation close to 4%. In 2021, price growth sped up. At the beginning of the year, the Bank of Russia explained this acceleration predominantly by temporary factors, specifically rising prices in global commodity markets and the continuing pass-through of the earlier ruble depreciation to prices. Considering this trend, in February 2021, the Bank of Russia kept the key rate unchanged at 4.25% per annum.

However, later on, mismatches caused by a faster expansion of demand as compared to the capacities to ramp up supply started to accumulate. Amid the lifting of a considerable part of anti-pandemic restrictions and the measures implemented to support the economy, domestic demand started to soar. Concurrently, manufacturers faced persistent logistics problems, shortages of components and workforce, and rising costs pushed up by higher prices in global commodity markets. Hence, to offset increased costs, companies raised prices for their products.

The acceleration of price growth affected inflation expectations. As a result, the impact of temporary proinflationary factors became stronger and longer-lasting. According to the Bank of Russia's assessments, indicators reflecting the steadiest price movements considerably exceeded the 4% target, and annual inflation reached 8.4% by the end of 2021.

In order to limit proinflationary risks and bring inflation back to 4%, the Bank of Russia raised the key rate in March–December 2021 by a total of 4.25 percentage points to 8.50% per annum. The Bank of Russia also admitted the possibility of a further key rate increase.

To ensure changes in money market rates following the key rate increase, the Bank of Russia carried out operations to manage the banking sector liquidity. In the conditions of a structural liquidity surplus, one-week deposit auctions remained the key instrument. As a result, in 2021, interest rates in the overnight segment of the money market formed close to the key rate with a slight negative spread.

Protecting financial consumers and enhancing financial inclusion for households and businesses. The development of an accessible, safe and convenient environment to meet all needs of both individuals and businessmen in finance is a top priority for the Bank of Russia. In 2021, major efforts were focused on addressing the most acute problems of financial consumers and

investors. In this regard, legislative authorities, with the engagement of the Bank of Russia, approved 12 federal laws providing for, among other things, combating misselling (the sale of a financial product through its misrepresentation), the testing of non-qualified investors for them to be eligible to purchase complex financial products, and borrowers' right to decline any extra services imposed on them when signing loan agreements and receive a refund (a cooling-off period).

To counter misconduct in the market, the Bank of Russia applied conduct supervision both proactively by analysing a broad range of data and based on complaints received from consumers. In 2021, complaints numbered 250,500, which is 9.9% less than in 2020. This reduction was largely due to a smaller number of complaints regarding pandemic-related issues.

In 2021, the mobile application CB Online started to offer new services. Consumers can now track the progress on the earlier submitted application by its registration number or date. CB Online also includes a foreign exchange calculator and provides information on the dynamics of exchange rates and financial indicators. The registers of financial market participants were updated.

To further customise insurance rates, the Bank of Russia expanded the range of insurance rates and adjusted the procedure for applying a number of coefficients. As a result, insurers may differentiate rates, namely decrease them for careful drivers and raise them for high-risk drivers.

Over the year, households and businesses continued to demonstrate demand for a range of support measures implemented due to the pandemic. The Bank of Russia repeatedly extended its recommendations to creditors regarding retail and SME loan restructuring. In October, when the pandemic situation worsened, the Bank of Russia introduced a specialised refinancing facility with a limit of ₹60 billion in order to support bank lending to SMEs in the industries hardest hit by the spread of the coronavirus infection. Credit institutions received loans for up to 18 months at an interest rate of 4%, provided that they issued loans to SMEs at an interest rate not above 8.5% per annum.

As before, an important area of the regulator's efforts was raising financial literacy among households and SMEs. Considering the increased demand for stock market instruments from individuals and the remote provision of a broader range of financial services, the Bank of Russia put a special focus on investment, digital and cyber literacy issues. In the course of this work, it closely collaborated with the Ministry of Finance, the Ministry of Education, and other federal executive authorities. Awareness-building events covered various groups of the population and were carried out in multiple formats.

To enhance financial inclusion for people and businesses, the Bank of Russia implemented measures aiming to speed up the digitalisation of services, maintain a sufficient level of financial institutions' operation in remote and hard-to-reach areas, and create a barrier-free environment for physically challenged people in financial institutions' offices.

In 2021, SMEs were also extensively financed using stock market instruments, crowdfunding, and online factoring. To encourage bank lending to SMEs, the Bank of Russia granted regulatory easing and applied specialised refinancing facilities.

Ensuring financial market resilience. In 2021, many borrowers managed to cope with pandemic-caused difficulties. As a result, temporary regulatory easing was cancelled as scheduled. In order to smooth out the process of returning to the pre-pandemic regulation for banks, the Bank of Russia released the macroprudential capital buffer in the amount of ₹124 billion beginning from 30 June 2021.

The rapid recovery of the economy and lending intensified the risks of an excessive increase in households' debt burden and banking risks. Considering the accelerated growth of housing prices and the simultaneous decrease in banks' requirements for a down payment on

mortgage loans, beginning on 1 August 2021, the Bank of Russia raised the requirements for capital buffers to be formed by banks for mortgage loans.

To mitigate risks associated with the fast expansion of consumer lending, the Bank of Russia raised capital requirements for unsecured consumer loans two times over the year.

In 2021, the Bank of Russia started to apply a new instrument – macroprudential limits to restrict lending to over-indebted households.

In the regulation of credit institutions' activities, the Bank of Russia focused on enhancing approaches to assessing credit risk by integrating international standards, including internal ratings-based methodology, into the Russian practice. A whole range of implemented regulatory measures were aimed at supporting and developing bank lending.

In 2021, 30 largest banks passed supervisory bottom-up stress tests. The Bank of Russia analysed the results and discussed them with banks. These stress tests proved sufficiently high resilience of the banking sector considering the capital cushion accumulated by banks.

In 2021 H2, the Bank of Russia sold JSC Asian-Pacific Bank to an investor on a competitive basis and thus successfully completed the measures aimed at preventing the bankruptcy of this bank. The funds received from this transaction exceeded the Bank of Russia's expenses for the bank's financial resolution.

The regulator established new requirements for insurers for calculating their equity and capital adequacy ratio. This decision was intended to increase the attractiveness of the insurance market for investors and protect the rights of insurance service consumers.

On its website, the Bank of Russia started to publish the list of detected organisations having signs of unlawful activity in the financial market. This list is promptly updated and helps people timely receive information on illegal providers of financial services and thus avoid losses.

In 2021, at the initiative of the Bank of Russia, the information platform Know Your Customer (hereinafter, the KYC Platform) was created. This platform allows credit institutions to access high-quality information on the level of risk of suspicious transactions that might be conducted by legal entities. The use of the KYC Platform reduces the regulatory burden for bona fide businesses, first of all small enterprises, as well as banks' operating expenses.

Advancement of the national payment system. In 2021, the Bank of Russia continued its efforts to develop the country's payment market and payment infrastructure, as well as products and services for both market participants and households. The Mir payment system expanded the range of convenient and advantageous services; its cards are processed countrywide and were accepted in 14 foreign states as of the end of 2021.¹ Within the advancement of the Faster Payments System (FPS), the Bank of Russia launched B2B money transfers and enabled self-employed persons to accept payments via the FPS.

The list of foreign users of the Bank of Russia's Financial Messaging System (FMS) expanded. The FMS enables the processing of financial messages on operations inside Russia and supports communication with 12 countries.

In December 2021, the Bank of Russia designed a digital ruble platform prototype. The digital ruble will become the third form of money in addition to cash and non-cash rubles. It will be issued by the Bank of Russia and will be its liability. The Bank of Russia selected 12 banks to participate in the pilot group testing the digital ruble platform.

Technology development and innovation support in the financial market. Considering growing demand for remote financial services, the Bank of Russia put a major focus on the implementation of digital infrastructure projects, including the Digital Profile, the Unified Biometric System,

¹ As of 1 April 2022 – in ten countries, considering the imposed sanctions.

and the Marketplace. These projects expand financial institutions' capabilities to provide remote services, reduce businesses' and clients' costs, and promote competition in the financial market.

Contributing to sustainable development. During the year, the Bank of Russia actively participated in discussing ESG issues within the framework of the Russian Government's initiative to create the national infrastructure of the sustainable development market.

To support the financing of sustainable development, the Bank of Russia amended the Securities Issue Standards easing the terms for issuing green and social bonds.

The MOEX Sustainability Sector expanded more than sevenfold in 2021, reaching ₽192 billion as of the end of the year.

The Bank of Russia recommended that public companies should disclose information on how they take into account environmental, social, and corporate governance factors in their operations. This information is needed to assess risks appropriately. Furthermore, the Bank of Russia released the recommendation to insurers and certain financial market participants on considering climate risks in their operations and developed approaches to the accounting of climate risks in the regulation of financial institutions.



2.1. Ensuring Price Stability

2.1.1. MONETARY POLICY OBJECTIVES AND KEY MEASURES

MONETARY POLICY OBJECTIVES AND PRINCIPLES

The key objective of the Bank of Russia's monetary policy is to maintain price stability, that is, steadily low inflation. Since 2015, the Bank of Russia has been pursuing the inflation targeting strategy in the course of the implementation of its monetary policy. Within this strategy, the Bank of Russia adheres to the following main principles.

ysis of a wide range of data. As there can be various factors of uncertainty in the forecast, the Bank of Russia places a high emphasis on the rationale of monetary policy decisions it makes in a changing economic environment.

The society's understanding of and confidence in the monetary policy pursued are crucial for its efficient implementation. Therefore, the Bank of Russia **seeks to promptly and amply communicate the information on the ob-**



The objective of monetary policy is to maintain annual inflation close to 4% on a continuous basis

The Bank of Russia **sets and announces the target – maintaining annual inflation close to 4% on a continuous basis.** To achieve this target, the Bank of Russia **uses the key rate and communication as its main monetary policy instruments.** Revising the key rate, the Bank of Russia influences interest rates in the economy, and their movements in turn impact domestic demand and inflation. Any key rate decision is accompanied by an explanation of its logic, and, generally, by a signal regarding possible further monetary policy decisions. The explanation of the adopted decisions and the announcement of future intentions influence inflation expectations. The latter in turn guide economic agents in their decisions on interest rates, borrowings, savings, consumption, investment, wages, and prices.

The effect of monetary policy decisions on price dynamics is not immediate: it takes time and involves a long chain of interconnections. Therefore, **making its monetary policy decisions, the Bank of Russia relies on the macroeconomic forecast. Preparing this forecast,** the Bank of Russia conducts an in-depth anal-

jectives, principles, measures, and results of its monetary policy. The Bank of Russia continuously takes efforts to improve the outreach of its monetary policy and to make the communication more targeted.

The Bank of Russia pursues the floating exchange rate regime. This means that foreign exchange rates against the ruble are determined by market forces. The Bank of Russia carries out no interventions in the domestic foreign exchange market to maintain any specific exchange rate or the pace of its movements. Nonetheless, the Bank of Russia may conduct foreign exchange operations in the domestic market to counter financial instability factors.

In 2021, the Bank of Russia implemented its monetary policy in accordance with the announced principles. The Bank of Russia's decisions to increase the key rate were aimed at returning inflation to the 4% target. Furthermore, the Bank of Russia sought to make well-balanced decisions helping gradually slow down inflation without creating any risks to steady economic growth.

BANK OF RUSSIA KEY RATE DECISIONS

Keeping the key rate unchanged in early 2021

At the beginning of the year, the Bank of Russia explained the acceleration of inflation predominantly by temporary proinflationary factors, specifically rising prices in global commodity markets and the continuing pass-through of the earlier ruble depreciation to prices. Furthermore, the Bank of Russia noted that those factors might have a longer-lasting impact on prices, considering elevated inflation expectations and persistent supply-side constraints (staff shortages in certain industries, increased costs incurred by companies to comply with sanitary and epidemiological rules, delays in supplies due to disruptions in logistics chains).

Despite the worsening of the pandemic situation at the end of 2020, the economy continued to bounce back. Households and businesses largely adjusted to the conditions of the pandemic. The start of the vaccination supported consumer and business sentiment. Domestic demand recovered largely because consumers redirected the savings that had not been used for foreign travel to make purchases in the domestic market. Additionally, the revival of domestic demand was promoted by budget-funded support measures, subsidised programmes of the Russian Government, and low interest rates that formed amid accommodative monetary policy. The restraining effect of domestic demand on price dynamics was weakening faster than expected by the Bank of Russia.

Considering this trend, in February 2021, the Bank of Russia kept the key rate unchanged at 4.25% per annum, noting that there was no potential for a further easing of monetary policy. If the situation developed in line with the

baseline forecast, the Bank of Russia planned to gradually return to neutral monetary policy.

Key rate increases in March–December 2021

Since spring 2021, certain industries faced growing supply and demand gaps. On the one hand, considering the cancellation of a considerable part of restrictions and the implementation of support measures, demand was restoring more quickly than expected. Consumer demand increased amid elevated inflation expectations that were close to their five-year highs. On the other hand, companies faced a deficit of components and logistics problems. Certain industries reported staff shortages, including due to remaining restrictions on the inflow of labour migrants. Investment in new production capacities required time. All this limited enterprises' capacities to ramp up output quickly. Moreover, their costs were rising. Due to the fast recovery of global demand amid the slower adjustment of supply, prices in world commodity markets rose. Prices for international container and other shipments were up. Staff shortages entailed an increase in labour costs.

As the expansion of demand surpassed the capacities to build up output, this made it simpler for manufacturers to pass through rising costs to prices. The acceleration of inflation was becoming increasingly steadier. This was evident from indicators reflecting the steadiest price movements, among other figures. According to the Bank of Russia's assessments, these indicators notably exceeded 4% in annualised terms.

In addition, temporary proinflationary risks materialised throughout the year. Specifically, the grain and vegetable harvest was below expectations due to unfavourable weather conditions. The epizootic situation in agriculture worsened several times. All these factors pro-



In 2021, the Bank of Russia raised the key rate seven times, by a total of 4.25 percentage points, to 8.50% per annum

voked a rise in food prices and significantly affected households' inflation expectations. Due to the impact of steady and one-off factors, inflation reached 8.4% in 2021, which is notably above the Bank of Russia's target.

If deposit and credit rates remained low amid accelerating inflation and elevated inflation expectations, this could have caused a further expansion of domestic demand. In the situation where the potential to build up output remained limited, this could have provoked risks of faster inflation, an inflationary spiral, and a considerable and longer-lasting deviation of inflation upwards from the target. To

limit these risks, the Bank of Russia raised the key rate in March–December 2021 by a total of 4.25 percentage points to 8.50% per annum. Moreover, the Bank of Russia's signal regarding its future actions remained tough as it admitted the possibility of a further key rate increase. The monetary policy pursued was aimed at increasing the demand for deposits, protecting the purchasing power of savings, ensuring balanced growth in lending, and returning inflation to 4%. The Bank of Russia forecast a decrease in inflation to 4.0–4.5% by the end of 2022 and the average key rate for 2022 in the range of 7.3–8.3% per annum.

2.1.2. MONETARY POLICY INSTRUMENTS

Owing to its monetary policy instruments, in 2021, the Bank of Russia effectively achieved its operational objective, that is, the convergence of RUONIA with the key rate. In 2021, overnight interest rates in the unsecured segment of the money market were managed predominantly in the conditions of a structural liquidity surplus in the banking sector, although it temporarily reversed to a deficit at the beginning and end of the year. Thus, throughout the year, RUONIA mostly remained in negative territory, while staying close to the key rate.

AUTONOMOUS LIQUIDITY FACTORS

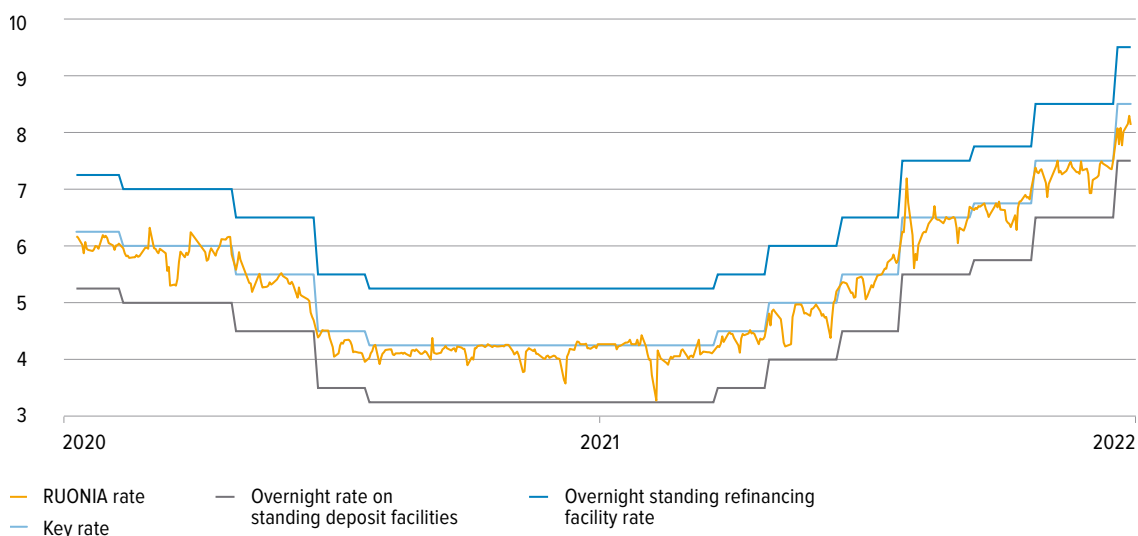
In early 2021, the main factor impacting the banking sector liquidity was the outflow of funds from banks as budget revenues exceeded budget expenditures. Overall, such excess remained as of the end of 2021 as well, but in January and early February the Federal Treasury did not increase the placements of budgetary funds with banks in such a situation. This caused a tempo-

rary liquidity deficit. However, already from the middle of February and until December 2021, the inflow of funds into banks as a result of Federal Treasury operations resumed,¹ and the banking sector liquidity reversed to a steady surplus. Additionally, the inflow of liquidity was driven by the fiscal rule-based operations of Russia's Ministry of Finance to buy foreign currency in the domestic foreign exchange market. These purchases partially offset the outflow of funds due to increased budget expenditures and placements of federal government bonds (OFZ). The considerable concentration of budget expenditures, which is typical of the end of the year, was significantly higher in December 2021, including due to the financing of a part of previous years' liabilities.

In 2021, the dynamics of cash in circulation generally stayed close to the pre-pandemic path. Over the year, the amount of cash in circulation increased by ₺0.7 trillion. However, the amounts of cash withdrawals and deposits

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

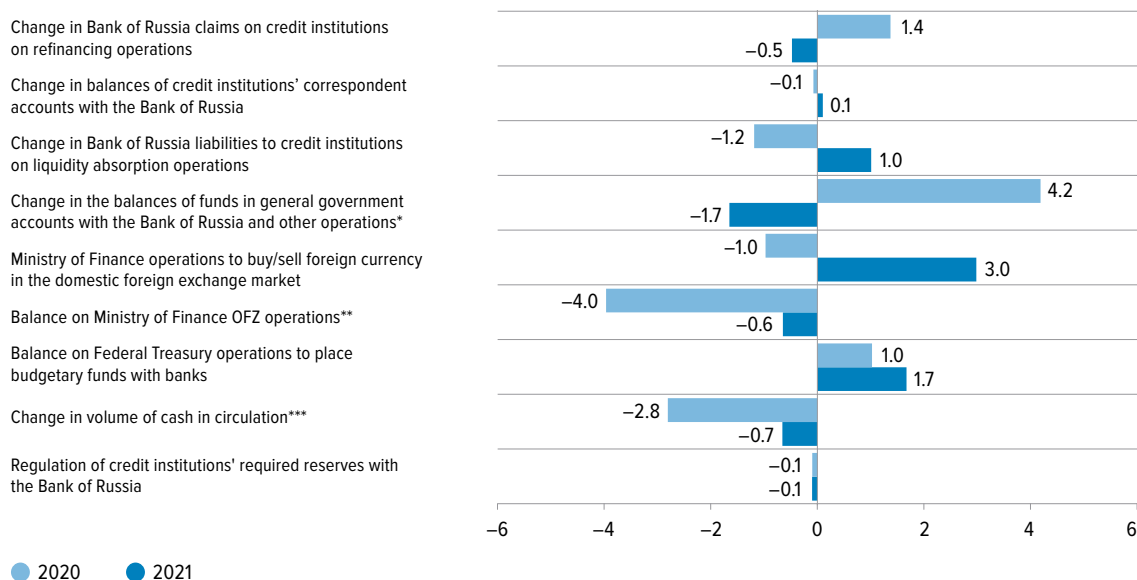
Chart 26



¹ Beginning from 2021, a considerable part of funds of the fiscal system of the Russian Federation is accumulated in the treasury single account. As a result, the Federal Treasury may now place not only funds earlier held in the single account of the federal budget, but also funds held in other accounts with the Bank of Russia. As a result, an additional amount of ₺1.7 trillion was placed with banks over 2021.

LIQUIDITY FACTORS
(TRILLIONS OF RUBLES)

Chart 27



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

** Including coupon payments.

*** Including data of Bank of Russia field institutions.

at the cash offices of the Bank of Russia and credit institutions edged down slightly, which could be associated with a higher proportion of cashless payments.

Banks somewhat increased the demand for liquidity due to the growth of required reserves to be maintained by banks with the Bank of Russia, which resulted from the expansion of the deposit base and the foreign currency revaluation of credit institutions' liabilities.

Considering the influence of the above factors, the liquidity surplus increased by ₴1.5 trillion to ₴1.7 trillion over 2021. The structural balance of liquidity across the required reserve averaging periods¹ reversed from a deficit of ₴0.1 trillion to a surplus of ₴0.9 trillion over the year. Moreover, at the beginning of the year, the surplus surged to ₴1.8 trillion in the February averaging period, after which it declined uniformly.

BANKING SECTOR LIQUIDITY
MANAGEMENT

One-week deposit auctions remained the key instrument to manage the banking sector liquidity in 2021 amid a structural liquidity surplus. Using these operations to achieve its operational objective, the Bank of Russia absorbed ₴1.2 trillion on average daily (vs ₴1.3 trillion in 2020). To absorb a steady excess of liquidity, the Bank of Russia continued to offer Bank of Russia coupon bonds (coupon OBRs). However, amid the reduction in the structural liquidity surplus, the Bank of Russia suspended the offerings of coupon OBRs in order to maintain flexibility in managing liquidity through one-week deposit auctions. As a result, the average daily amount of liquidity absorbed through coupon OBR offerings declined from ₴1.1 trillion in 2020 to ₴0.5 trillion in 2021.

¹ The review covers the required reserve averaging periods from 13 January 2021 to 11 January 2022. The average value of the balance of liquidity over a required reserve averaging period enables a more objective assessment (as compared to the analysis of the value as of a specific date) of how long-term factors (namely budget operations and changes in the amount of cash in circulation) influence the banking sector liquidity and reduces the effect of temporary strategies pursued by individual credit institutions to manage balances of funds in their correspondent accounts.



One-week deposit auctions remained the key instrument to manage the banking sector liquidity in 2021 amid a structural liquidity surplus

To promptly regulate liquidity, the Bank of Russia continued to hold fine-tuning deposit auctions. The need for these operations (mostly for one day) to maintain RUONIA close to the key rate arose primarily at the end of the required reserve averaging periods when the money market formed an excess supply of liquidity.

In 2021, the Bank of Russia continued to carry out one-month repo auctions at a fixed interest rate and one-year repo auctions at a floating interest rate in order to enable, as before, individual credit institutions to offset temporarily uneven liquidity distribution. At the beginning of 2021, banks' debt on these operations totalled ₹0.8 trillion and ₹0.04 trillion, respectively. Amid the decrease in banks' need for liquidity owing to the inflow of funds through the fiscal channel, the demand for one-month repos edged down, equalling as little as ₹0.05 trillion in February. In April, the Bank of Russia reduced the maximum amount

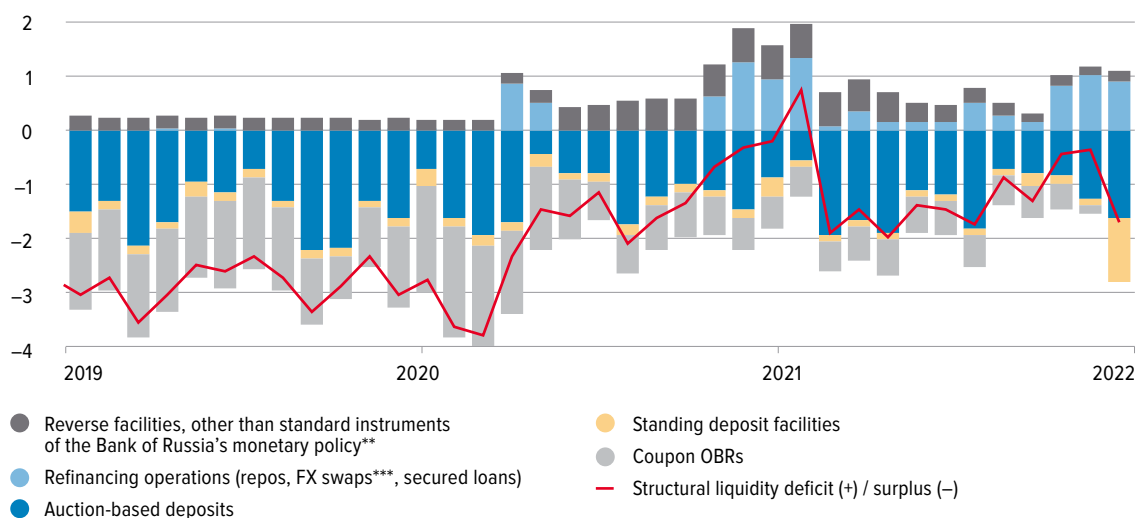
of funding provided at its one-month repo auction from ₹1.5 trillion to ₹0.1 trillion. At the same time, banks slightly increased their demand for these operations, and debt remained at the level of ₹0.1 trillion.

The demand for Bank of Russia standing lending facilities secured by non-marketable assets increased in certain periods and steadily averaged ₹0.7 trillion per day from the middle of October 2021. This demand was mostly driven by systemically important credit institutions that must comply with the requirements for the liquidity coverage ratio.

Amid the economic recovery and the implementation of the government programmes subsidising interest rates, banks' debt on specialised refinancing facilities gradually declined in 2021. Moreover, in October, the Bank of Russia made the decision to introduce a new mechanism supporting lending to companies of the industries hardest hit by temporary anti-pandemic restrictions (see Addendum 5.2

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

Chart 28



* Bank of Russia claims on credit institutions on refinancing instruments/Bank of Russia liabilities to credit institutions on excess liquidity absorption instruments as of start of business.

** Bank of Russia specialised refinancing instruments, Bank of Russia loans issued under irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps.

*** Bank of Russia USD/RUB and EUR/RUB buy/sell FX swaps.

'Liquidity support instruments to ensure the financial sustainability of banks. Specialised refinancing facilities').

ACHIEVING THE OPERATIONAL OBJECTIVE OF MONETARY POLICY

In 2021, interest rates in the overnight segment of the money market formed close to the key rate with a slight negative spread. The absolute deviation of RUONIA from the key rate averaged 19 basis points over 2021, which is two basis points more than in 2020. The spread between RUONIA and the key rate ranged from -97 to 69 basis points (in 2020, from -81 to 39 basis points). The spread volatility increased as well, reaching 21 basis points in 2021 (vs 18 basis points in 2020).

ods, due to which the negative spread between RUONIA and the key rate expanded.

A broad range of instruments enabled the Bank of Russia to offset the impact of multiple factors on liquidity through various operations different in their purposes (liquidity provision or absorption), frequency and duration, as well as the type of collateral for liquidity provision. Using these operations, the Bank of Russia can effectively manage the banking sector liquidity and achieve its operational objective.

COLLATERAL FOR BANK OF RUSSIA OPERATIONS

Considering the liquidity surplus that formed in the banking sector and the sufficiency of credit institutions' collateral for refinancing opera-



Interest rates in the overnight segment of the money market formed close to the key rate with a slight negative spread in 2021

Over 2021, the Bank of Russia raised the key rate seven times. Banks' expectations about the key rate increase were a major factor influencing RUONIA movements in 2021. These expectations generally impacted the interest rates on transactions conducted by market participants in advance. Moreover, at the beginning of those averaging periods when the Bank of Russia made its key rate decisions, banks maintained relatively high balances in their correspondent accounts in order to later on deposit more funds with the Bank of Russia or in the money market at higher interest rates. This often caused a considerable excess of liquidity by the end of the averaging peri-

ods, the Bank of Russia made the decision to suspend from 1 October 2021 the inclusion in the Lombard List of all securities except bonds issued on behalf of the Russian Federation and Bank of Russia bonds. The requirements for non-marketable collateral did not change in 2021.

The amount of potential marketable collateral on Bank of Russia refinancing operations remained the same in 2021 at the level of ₹11 trillion. Non-marketable assets included in the collateral pool for standard lending operations of the Bank of Russia totalled ₹4.7 trillion as of the end of 2021 (vs ₹4.9 trillion as of the end of 2020).



2.2. Protecting Financial Consumers and Enhancing Financial Inclusion for Households and Businesses

2.2.1. PROTECTING FINANCIAL CONSUMERS AND INVESTORS, INCREASING FINANCIAL LITERACY



The established legal framework addresses the most acute problems of financial consumers and investors – the authorities adopted 12 consumer protection laws

In 2021, with the participation of the Bank of Russia, the legislative authorities adopted 12 federal laws establishing the legal framework to address a range of the most acute problems of financial consumers and investors.

To counteract misselling (the sale of a financial product through its misrepresentation), the legislative authorities adopted a law on sales rules.¹ As misselling mostly happens in bank offices when they offer non-bank investment products to consumers, in furtherance of this law, the Bank of Russia developed its regulation obliging banks to inform their clients of the specifics and inherent risks of such products. Until the effective date of this regulation, the Bank of Russia recommended² that banks selling non-bank products should comply with the Basic Standard for the Protection of the Rights and Interests of Insurers' Clients approved in 2018, as well as the basic standards for the protection of the rights and interests of the clients of management companies, brokers, and non-governmental pension funds (NPFs) that were adopted or amended in 2021 (see Paragraph [‘Securities market participants, collective in-](#)

[vestment market participants, and corporate relationship participants’](#)).

The same law advanced the start of the testing of non-qualified investors before transactions with complex financial instruments (the procedure for testing is envisaged by the basic standard for the protection of the rights and interests of individuals and legal entities receiving financial services). The mandatory testing started on 1 October 2021, and the Bank of Russia, jointly with financial market self-regulatory organisations of brokers, carries out continuous monitoring of this procedure.

The law on an open-ended cooling-off period³ allows borrowers to decline any extra services imposed on them when signing loan agreements and receive a refund (previously, such a 14-day cooling-off period was provided only in insurance).

Another federal law⁴ forbids creditors to put check marks in advance implying a borrower's consent to buy extra services.

To protect borrowers' rights and increase their awareness of the costs related to consumer loans, the Bank of Russia enhanced the

¹ Federal Law No.192-FZ, dated 11 June 2021, ‘On Amending Certain Laws of the Russian Federation’.

² Bank of Russia Information Letter No.IN-06-59/80, dated 14 October 2021, ‘On Applying Certain Provisions of the Federal Law ‘On Banks and Banking Activities’.

³ Federal Law No.329-FZ, dated 2 July 2021, ‘On Amending the Federal Law ‘On Consumer Loans’.

⁴ Federal Law No.328-FZ, dated 2 July 2021, ‘On Amending Article 7 of the Federal Law ‘On Consumer Loans’ (the amendments became effective on 30 December 2021).

procedure for calculating the total cost of credit (TCC) and limiting the rise in interest rates on mortgage loans.¹ The Bank of Russia set the categories of mortgage loans for the quarterly calculation of the maximum TCC² for them (exceeding the average market TCC by no more than a third). Other legislative amendments approved in 2021 introduced mortgage repayment holidays for self-employed persons³ and obliged creditors to inform borrowers of the reasons for the refusal to grant them mortgage repayment holidays.⁴

To protect borrowers against illegal creditors, federal laws increased the fines⁵ and introduced criminal liability⁶ for unlawfully issued loans. Creditors and collectors may not contact third parties (a borrower's relatives or acquaintances) for debt collection purposes without their written consent,⁷ which they may revoke at any moment.

At the end of the year, the legislative authorities, with the engagement of the Bank of Russia, developed a federal law⁸ obliging creditors to obtain a borrower's consent each time to debit one-time social benefits as debt repayments. Furthermore, a person may demand the creditor to refund debited one-time payments received from 1 January 2021 to 1 May 2022. Regular social benefits debited as debt repayments are to be refunded if a borrower submits a relevant application within 14 days after debiting.

Conduct supervision measures and results

The Bank of Russia carries out proactive conduct supervision analysing a broad range of information to detect malpractice at an early stage and prevent its transformation into serious violations. The regulator carries out targeted work with market participants sending individual recommendations and information letters to financial institutions regarding problems identified in particular market segments.

Furthermore, the Bank of Russia continues to handle consumers' complaints taking responsive measures in conduct supervision.

In 2021, the Bank of Russia received 250,500⁹ complaints from financial consumers, which is 9.9% less than in 2020.¹⁰ This reduction was mostly due to a smaller number of complaints regarding pandemic-related issues (which totalled 2,200 in 2021 vs more than 33,000 over March–December 2020). Net of applications on pandemic-related issues, the number of complaints edged up by 1.5% over 2021, primarily due to a higher number of complaints regarding activities of microfinance organisations (MFOs) and insurance agents (IAs). The number of complaints about mis-selling edged down by 1.1%, but this problem is still a focus of the Bank of Russia's attention.

The Bank of Russia classified unfair practices used in the financial market into main types, published them on its website, and suggested

¹ Federal Law No.329-FZ, dated 2 July 2021, 'On Amending the Federal Law 'On Consumer Loans' (the amendments will become effective on 3 July 2022). In February 2022, the limit on the total cost of credit was suspended.

² Bank of Russia Ordinance No.5986-U, dated 8 November 2021, 'On Amending 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'.

³ Federal Law No.327-FZ, dated 2 July 2021, 'On Amending Article 6.1-1 of the Federal Law 'On Consumer Loans'.

⁴ Federal Law No.149-FZ, dated 26 May 2021, 'On Amending Article 6.1-1 of the Federal Law 'On Consumer Loans'.

⁵ Federal Law No.203-FZ, dated 11 June 2021, 'On Amending the Code of Administrative Offences of the Russian Federation'.

⁶ Federal Law No.215-FZ, dated 11 June 2021, 'On Amending the Criminal Code of the Russian Federation and the Criminal Procedure Code of the Russian Federation'.

⁷ Federal Law No.254-FZ, dated 1 July 2021, 'On Amending Article 4 of the Federal Law 'On Protecting Rights and Lawful Interests of Individuals When Collecting Overdue Debt and on Amending the Federal Law 'On Microfinance Activities and Microfinance Organisations'.

⁸ Federal Law No.444-FZ, dated 30 December 2021, 'On Amending Certain Laws of the Russian Federation'.

⁹ As the method for primary recording of applications was enhanced, beginning from February 2021, non-standard applications covering several different issues in the same request were divided into separate applications. Thus, there can be several applications recorded upon the receipt of one letter from an applicant. Considering this additional breakdown, the number of complaints in 2021 totalled 310,700.

¹⁰ More details on complaints received by the Bank of Russia from financial consumers in 2020 and 2021 are available in appeal handling reports on the Bank of Russia website.

MEASURES TAKEN IN RELATION TO FINANCIAL MARKET PARTICIPANTS*

Credit institutions	Insurance agents	MFOs, CCCs, pawnshops	Corporate relationship participants, professional securities market participants, collective investment market participants
—	644 orders to eliminate / prevent violations	551 orders to eliminate / prevent violations	133 orders to eliminate / prevent violations
170 administrative offence reports**	1,490 administrative offence reports**	170 administrative offence reports**	1,209 administrative offence reports**
769 recommendations / supervisory letters sent to supervised organisations	623 recommendations / supervisory letters sent to supervised organisations	2,729 recommendations / supervisory letters sent to supervised organisations	345 recommendations / supervisory letters sent to supervised organisations

CONDUCT SUPERVISION RESULTS***

Credit institutions	Insurance agents	MFOs, CCCs, pawnshops	Professional securities market participants, collective investment market participants, and relevant self-regulatory organisations
636 amended internal procedures / documents of organisations	153 amended internal procedures / documents of organisations	307 amended internal procedures / documents of organisations	161 amended internal procedures / documents of organisations
₽240.2 million of households' debt on mortgage loans refunded or written off by banks (based on the results of the monitoring of compliance with Federal Law No. 102-FZ, dated 16 July 1998, 'On Mortgage (Pledge of Real Estate)')	Over ₽90 million refunded to consumers	Over ₽148 million refunded to consumers	145,400 notices of the possibility to refuse to change the current insurer sent by NPFs to insured persons
Nearly ₽500 million refunded to consumers within complaint handling	5,800 values of the bonus-malus coefficient were improved	2.7 million credit histories were rectified	5 contracts amended with regard to conditions for consumers
2.4 million credit histories were rectified	14 contracts amended with regard to conditions for consumers	90 organisations adjusted TCC	9 upgraded software and hardware complexes
17 organisations adjusted TCC	47 upgraded software and hardware complexes	811 contracts amended with regard to conditions for consumers	30 corrected websites
5 corrected websites	34 corrected websites	97 upgraded software and hardware complexes	
		55 corrected websites	
		8 MFOs were excluded from the state register	

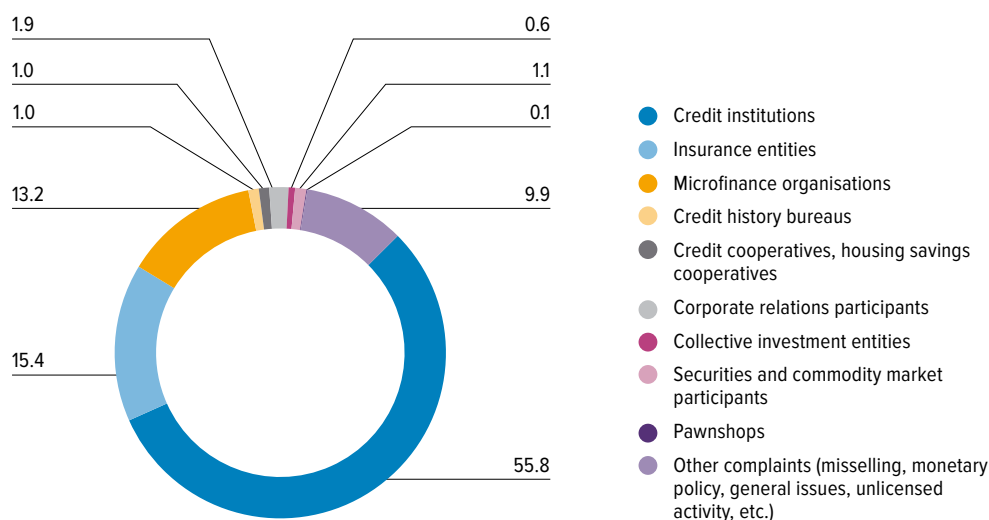
* Measures taken by the Service for Consumer Protection and Financial Inclusion.

** Including administrative offence reports executed following the review of reasoned opinions prepared by the regional divisions of the Service for Consumer Protection and Financial Inclusion.

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

**BREAKDOWN OF COMPLAINTS BY PRINCIPAL FINANCIAL MARKET SECTOR
(PARTICIPANT CATEGORY) IN 2021***
(PER CENT)

Chart 29



* The total of shares can deviate from 100.0% due to rounding.

applying common terms and definitions describing them. This should help market participants, the professional community, and the Bank of Russia carry out a more effective discussion of financial consumer protection issues.

The Bank of Russia released the consultation paper *Financial Product Management: Approaches to Assessing and Managing Consumers' Risks* on its website. The report proposes a concept for the implementation in the Russian market of a comprehensive assessment of consumer risk in the course of the development and sale of financial products and services while ensuring the utility of these products for clients and the protection of consumers' rights.

Credit institutions

In 2021, the Bank of Russia received 139,700 complaints against credit institutions, which is 27% less than in 2020. There was a smaller number of complaints about loan restructuring related to the coronavirus pandemic, as well as overdue debt recovery and loan repayment issues. The number of complaints regarding consumer and mortgage lending declined most notably, specifically 1.7 and 2 times, respectively. Over 2021, the number of inquiries

related to the coronavirus pandemic slightly exceeded 2,000 (vs 31,500 over March–December 2020). Net of the inquiries associated with the pandemic, the number of complaints against banks was down by 13.9%.

As a result of conduct supervision measures, in 2021, banks made refunds to consumers, or recalculated or cancelled their liabilities in the amount of nearly ₴500 million. Additionally, monitoring over compliance with the provisions of laws on the cancellation of mortgage debt (the complete termination of debt after the seizure of mortgaged real estate) made it possible to cancel debts or refund ₴240.2 million to borrowers.

Insurance agents

Complaints against insurers numbered 38,600 in 2021, which is 20% more than in 2020. This increase was mostly due to a larger number of complaints about CMTPLI issues, driven by, among other factors, higher economic activity in 2021 than in 2020 when the insurance market was affected by anti-pandemic restrictions. Contrastingly, the number of complaints regarding claim handling in CMTPLI decreased by 25%, compared to 2020. Most complaints were about delays

in insurance payments and their inadequate amounts.¹

The Bank of Russia developed the first ranking of insurers based on the relative number of complaints on CMTPLI issues and published it on its website. This ranking will help car owners select an insurer and become another criterion for insurance companies to improve their work with clients.

contracts. The surge in complaints on these issues was recorded in 2021 Q3 following the effective date of the federal law³ restricting creditors' communication with third parties (a debtor's relatives or acquaintances) in the course of overdue debt collection and the discussion of creditors' claims in mass media. The Bank of Russia's explanatory work helped normalise the situation.



The Bank of Russia developed the first ranking of insurers based on the relative number of complaints on CMTPLI issues

Furthermore, the Bank of Russia carried out inspections of the sales of Covid-19 insurance policies and recommended² insurers that they should provide more details to consumers about the terms of such insurance contracts and their key provisions. At the initiative of the Bank of Russia, the All-Russian Insurance Association developed the passport of the coronavirus insurance product, or the key information document (KID), and brought it into effect from October.

Microfinance market participants

In 2021, the number of complaints against microfinance organisations (MFOs) soared by 37.2% as compared to 2020. This rise was mostly due to hard selling of extra services when issuing microloans, as well as violations of consumers' rights by several MFOs making an informal group. During the year, six MFOs related to this group were excluded from [the State Register of Microfinance Organisations](#). By the end of the year, the number of complaints decreased. Overall, eight MFOs were excluded from this register for misconduct.

Consumers mostly complained about actions aimed at debt recovery under microloan

In the course of conduct supervision, the Bank of Russia identified 28 MFOs accounting for the largest number of complaints. The Bank of Russia carried out continuous monitoring of these MFOs' operations, arranged individual meetings with them, and gave targeted recommendations. With regard to some MFOs, including those removed from the State Register of Microfinance Organisations, the Bank of Russia organised information exchange with the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Well-being (Rospotrebnadzor) and the Prosecutor General's Office of the Russian Federation.

The Bank of Russia carried out monitoring of the implementation of KIDs by the main market participants, that is, consumer credit cooperatives (CCCs) and microfinance companies (MFCs). According to the findings, 100% of surveyed organisations have KIDs on complex investment-related financial products available in their offices and on their websites.

In 2021, in the course of the check of internal methods for calculating a borrower's DSTI and the random check of DSTI calculation at the 88 largest MFOs (accounting for 66% of

¹ If consumers disagreed with the amount of the payment, they could apply to the financial ombudsman (see Paragraph 'Interaction with the financial ombudsman institute').

² Bank of Russia Information Letter No.IN-06-59/25, dated 22 April 2021, '[On Informing Insurance Consumers of the Terms of Insurance Products Associated with the Spread of the Novel Coronavirus Infection \(Covid-19\) and on Inadmissibility of their Hard Selling](#)'.

³ Federal Law No.254-FZ, dated 1 July 2021, 'On Amending Article 4 of the Federal Law 'On Protecting Rights and Lawful Interests of Individuals When Collecting Overdue Debt and on Amending the Federal Law 'On Microfinance Activities and Microfinance Organisations'.

all MFOs' total portfolio and 79% of all MFOs' borrowers), the Bank of Russia identified violations and implemented supervisory response measures. Nevertheless, it should be noted that the percentage of companies whose DSTI calculation methods fully complied with the established requirements nearly doubled as compared to 2020 (from 48% to 90% of all inspected companies).

Securities market participants, collective investment market participants, and corporate relationship participants

Complaints against securities market participants numbered 2,800 in 2021, which is 1.7 times more than in 2020. This surge was driven by, among other factors, a considerable number of complaints against market participants whose licences were cancelled. Moreover, the absolute majority of these complaints were unjustified.

Another driver was the number of complaints against brokers, which increased 1.6 times, including due to the rise in the number of retail investors who entered the market. Complaints were associated with problems in the course of signing/terminating contracts or opening/closing accounts, brokers' failure to properly fulfil clients' orders, and malfunction of information and trading systems and other software applications. As a result of the taken conduct supervision measures (including over 300 targeted recommendations and supervisory letters), nine software and hardware complexes were changed and 30 websites of financial institutions were corrected.

In 2021, the Bank of Russia published the following recommendations on its website:

- Recommendations¹ to credit institutions using a single form for concluding a banking, brokerage and depository agreement to ensure that people have the opportunity to select services they need and to noti-

fy clients of the possibility to decline some of these services.

- Recommendations² to Russian exchanges not to list Russian and foreign issuers' securities if payments on such securities depend on cryptocurrency exchange rates, prices for foreign digital financial assets, changes in cryptocurrency and cryptoasset indices, as well as the value of crypto derivatives and securities of cryptocurrency funds. The Bank of Russia recommended management companies that they should not include such assets in the structure of unit investment funds. Brokers and trustees were advised not to offer pseudo-derivatives linked to such underlying assets to non-qualified investors.

Over 2021, the number of complaints against collective investment market participants declined by 17.2% compared to 2020. Moreover, the number of complaints caused by disagreement with the migration from the PFR to an NPF and between NPFs decreased by 26.3%. Overall, the number of submitted applications regarding unscheduled transfers to NPFs, which could entail a loss of investment income for individuals edged down by 6.8%.³ In the case of an unscheduled transfer, NPF clients more frequently preferred the PFR as the insurer (VEB.RF). Based on the results of supervisory meetings and targeted recommendations, NPFs sent over 145,000 notices and clarifications to insured persons.

As of 31 December 2021, 28 NPFs were participants in the guarantee system for insured persons' rights, with the pension savings guarantee fund totalling ₹6,212.77 million. Over the period of the functioning of the guarantee system for insured persons' rights, there were no guaranteed events caused by the cancellation of the member funds' licences or the introduction of a ban on them to carry out all or some operations.

Complaints against corporate relationship participants numbered 4,700 in 2021, which is

¹ Bank of Russia Information Letter No.IN-06-59/55, dated 23 July 2021, '[On the Conclusion of Comprehensive Bank Service Agreements Containing a Provision on the Simultaneous Conclusion of a Brokerage Agreement and a Depository Agreement](#)'.

² Bank of Russia Information Letter No.IN-06-59/52, dated 19 July 2021, '[On Certain Types of Financial Instruments](#)'.

³ The number of applications about unscheduled transfers between insurers in the system of mandatory pension insurance (MPI), net of applications to VEB.RF.

nearly two times more than in 2020. One issuer accounted for the largest number of similar complaints.

In 2021, the Bank of Russia coordinated the basic standards (or their new versions) developed by self-regulatory organisations (SROs) and published them on its website, including the standards for the protection of rights and interests of clients of non-governmental pension funds, brokers, forex dealers, trustees, registrars, joint-stock investment funds, and the management companies of investment funds, unit investment funds and non-governmental pension funds. Among other things, these standards (except the standard on registrars) regulate what information on the specifics and inherent risks of particular financial products or instruments shall be disclosed by a financial institution to its client. The Bank of Russia recommended¹ that credit institutions should comply with the relevant basic standards when selling non-bank products to clients.

Protection of retail investors' rights

Since 1 October 2021, brokers started to carry out [mandatory testing](#) of non-qualified retail investors before any transactions with complex financial instruments.

Jointly with financial market self-regulatory organisations, the Bank of Russia continuously monitors the process of non-qualified investors' testing. Over the first three months after its launch, nearly 2.8 million retail investors took the test.² The testing proved to be efficient for raising investment literacy among newbie investors and their awareness about

the choice of particular complex financial instruments.

Over the year, the Bank of Russia monitored the reduction in the sales of complex bonds and derivatives to non-qualified investors by the largest professional securities market participants. By the moment of the start of the testing, the amount of structured investment products in the portfolios of non-qualified investors receiving brokerage and trust management services decreased by 29.7%. In collaboration with the Bank of Russia, market participants developed the passport of a financial product (key information document, or KID) for structured income bonds stipulating the rules for notifying investors about the specifics and risks of such instrument.³

In 2021, the Bank of Russia initiated the blocking of five websites offering people to forge documents for receiving the status of a qualified investor.

Development of modern channels of communication with financial consumers

In 2021, the Bank of Russia continued to develop the conventional channels of communication with consumers (the call centre and the online reception), as well as the mobile application CB Online launched in summer 2020.

The online reception now offers a new option: it is possible to track the progress on the earlier submitted application by its registration number or date. Since the launch of this option in June 2021, people requested the status of their applications over 44,000 times.



Non-qualified investors should pass testing before buying complex financial instruments beginning from 2021

¹ Bank of Russia Information Letter No. IN-06-59/80, dated 14 October 2021, '[On Applying Certain Provisions of the Federal Law 'On Banks and Banking Activities'](#)'.

² The information was provided by the National Association of Securities Market Participants and SRO National Finance Association based on the processed data from 24 largest brokers.

³ Relevant amendments to SROs' internal standards became effective on 1 January 2022.

The mobile application CB Online can now check an organisation using the list of detected companies having signs of illicit activity in the financial market. The application includes foreign exchange and deposit return calculators, and provides information on the dynamics of exchange rates and financial indicators. There were more than 25,000 dialogues with users in the chat of the application, with the quality of Bank of Russia specialists' support scored 4.75 on average out of five points.

The Bank of Russia's call centre received over 233,000 phone calls, with the level of satisfaction with the answers scored 4.78 on average out of five points.

Interaction with the financial ombudsman institute

The financial ombudsman institute was established for pre-trial consideration of property disputes between financial consumers and financial institutions where a consumer's claims do not exceed ₹500,000.¹

In 2021, the stage-by-stage implementation of the requirements of the law on the financial ombudsman completed:² the ombudsman should consider applications related not only to insurers and microfinance organisations, but also to banks, CCCs, pawnshops, and NPFs.

In 2021, ANO FOS³ received nearly 180,000⁴ applications from financial consumers, including more than 160,000 in relation to insurers, approximately 14,000 – to credit institutions, over 1,500 – to microfinance organisations, and about 1,000 – to pawnshops, CCCs and NPFs together. The average amount of claims approximated ₹200,000.

The period for consideration of consumers' applications, taking into account that the financial ombudsman exercised the right to sus-

pend the process until the end of an independent review, averaged 16 business days.

Financial ombudsmen made nearly 111,000 decisions, of which 38,500 (34.8%) fully or partially satisfied consumers' claims and 58,000 (52.3%) declined the claims.

The system for mandatory consideration of consumers' claims by financial institutions before they are considered by the financial ombudsman operates effectively. A considerable proportion of applicants' claims are satisfied by financial institutions already at this stage, which makes it possible to restore violated property rights significantly faster.

It should be emphasised that the financial ombudsman institute reduces the workload on the courts, which is most evident from a smaller number of disputes on CMTPLI issues, which decreased several times.

Countering misconduct

Most complaints about misconduct in on-exchange trading contained data on possible facts of manipulation in the financial instrument, commodity and foreign exchange markets. The materials of these complaints were comprehensively analysed for potential unfair trading practices.

In 2021, the Bank of Russia handled nearly 15,500 applications from people regarding illicit operations in the financial market, including financial pyramids. This is almost four times more than in 2020, including because society became more interested in issues related to countering illegal activities after the Bank of Russia first published the list of detected organisations having signs of unlawful activity in the financial market on its website (see Sub-section 2.3.8. ['Countering misconduct in the financial market'](#)).

¹ Other than claims arising from an insurer's violation of the procedure for paying an insurance compensation established by Federal Law No.40-FZ, dated 25 April 2002, 'On Compulsory Motor Third Party Liability Insurance'.

² Federal Law No.123-FZ, dated 4 June 2018, 'On the Financial Consumer Ombudsman'.

³ Autonomous Non-profit Organisation Financial Ombudsman Service (ANO FOS) was established by the Bank of Russia in 2018. ANO FOS governs the fund for financing the financial ombudsman's activities and prepares financial consumers' applications for consideration by the financial ombudsman. The Bank of Russia is engaged in the administration and development of the financial ombudsman institute through the collegial bodies, namely the FOS Council and the FOS Expert Council.

⁴ Hereinafter, according to the preliminary data of the Financial Ombudsman Service.

DEVELOPMENT AND SUPPORT OF SOCIALLY IMPORTANT TYPES OF FINANCIAL SERVICES

Compulsory motor third party liability insurance (CMTPLI)

In 2021, the Bank of Russia continued to customise insurance rates and, relying on the results of the calculations based on recent statistics, additionally [expanded the range of insurance rates](#) and adjusted the procedure for applying coefficients.¹ This measure will help insurers differentiate insurance rates considering drivers' individual characteristics, decreasing rates for careful drivers and raising them for high-risk drivers.

Furthermore, the Bank of Russia enhanced the process of communication between insurers and their clients. As a result, it became possible to change or cancel a CMTPLI contract, even if it was signed in paper form, remotely without visiting the insurer's office, which was especially important during the pandemic period.

The Bank of Russia updated the single method for estimating the cost of restorative repairs, stipulating, among other things, a new procedure for compiling and approving guides on average prices for spare parts and materials and standard hourly rates for CMTPLI purposes.² The Bank of Russia established a reduced period for updating the guides and the requirement for their public discussion, which ensures transparency and fair payments under CMTPLI policies.

Compulsory insurance of carriers' liability (CICL)

Based on the results of the annual monitoring of insurance rates used in CICL and their fea-

sibility, as well as the influence of CICL on the development of businesses in the transport sector, the Bank of Russia decided to revise minimum insurance rates. The changes³ aim to adjust the minimum values of CICL rates per passenger.

In December 2021, the Bank of Russia published the Report on the Annual Monitoring of Insurance Rates Used in Compulsory Insurance of Carriers' Third Party Liability for Personal Injury and Damage to the Property of the Passengers, on the Rates Feasibility and the Influence of This Type of Insurance on the Development of Businesses in the Transport Sector for 2013–2020. Based on the findings of the monitoring, the Bank of Russia plans to expand the range of insurance rates for all types of transportation, except metro, monorail, and cable railway.

Compulsory insurance of a hazardous facility owner's third party liability for damage caused by an accident at such facility (CIHF)

Based on the results of the monitoring of insurance rates in CIHF, the Bank of Russia prepared proposals on changes to the rates, including a reduction in the lower limit of the range of insurance rates.

Government supported agricultural insurance

Over the period under review, the legislative authorities adopted Federal Law No.177-FZ⁴, drafted with the participation of the Bank of Russia, which introduced government supported agricultural insurance against emergency risks with an increased subsidy (up to 80% of the insurance premium). In furtherance of

¹ Bank of Russia Ordinance No.6007-U, dated 8 December 2021, 'On Insurance Rates in Compulsory Motor Third Party Liability Insurance'.

² Bank of Russia Regulation No.755-P, dated 4 March 2021, 'On the Single Method for Estimating the Cost of Restorative Repairs of a Damaged Vehicle'.

³ Bank of Russia Ordinance No.5779-U, dated 15 April 2021, 'On Amending Annex 1 to Bank of Russia Ordinance No.5384-U, Dated 10 January 2020, 'On Minimum and Maximum Insurance Rates Used in Compulsory Insurance of Carriers' Third Party Liability for Personal Injury and Damage to the Property of the Passengers During Transportation, on Maximum Expenditures for Compulsory Insurance of Carriers' Third Party Liability for Personal Injury and Damage to the Property of the Passengers During Transportation, and on the Amount of Payments to the Compensation Fund'.

⁴ Federal Law No.177-FZ, dated 11 June 2021, 'On Amending the Federal Law 'On Government Support in Agricultural Insurance and on Amending the Federal Law 'On the Development of Agriculture'.

this law, the Bank of Russia issued its regulations¹ to update the procedure for supervising the association of insurers engaged in government supported agricultural insurance and the requirements for how they should invest compensation funds' resources. With the participation of the Bank of Russia, the professional association of insurers developed uniform rules for natural disaster insurance that are mandatory for all insurers engaged in this type of insurance.

Development of project finance in equity construction

In 2021, the Bank of Russia continued to take part in the implementation of the national project Housing and Urban Environment. A key measure of this project is the use of a new equity construction finance scheme providing for depositing equity construction participants' funds in escrow accounts and bank lending to developers.

According to the Unified Housing Construction Information System, as of 1 January 2022, nearly 77% of equity construction projects were implemented using escrow accounts. Moreover, this percentage continues to grow, thus significantly boosting the demand for credit resources from this industry.

Over 2021, developers' outstanding project loans increased 2.6 times, to total ₽2.6 trillion, which is 5% of the entire corporate portfolio.

Project finance accounted for almost 30% (₽1.6 trillion of ₽5.5 trillion) of the growth of the corporate portfolio over 2021.

Thus, project finance in housing construction has become an important segment of corporate lending, with a considerable poten-

tial for expanding lending to developers given the plans to increase housing construction.

Funds in escrow accounts placed by equity construction participants surged 2.6 times over 2021, to total nearly ₽3.1 trillion as of 1 January 2022. These resources are a source of stable funding for banks and, considering that technically they are free of cost, enable banks to issue loans to developers at an interest rate significantly below the market rate (the weighted average interest rate on project loans to developers is 3.4%, whereas that for the corporate portfolio equals 8.5%).²

As projects are implemented, the list of completed projects with funds transferred from escrow accounts to developers, including to repay the loans issued to them, expands. As of 1 January 2022, over 307,000 escrow accounts were released, with about ₽1.1 trillion transferred from them.

In order to develop project finance and considering the accumulated experience, in 2021, pursuant to the Russian President's order, the Bank of Russia jointly with the Russian Ministry of Construction, Housing and Utilities and JSC DOM.RF and with the participation of the authorised banks — major creditors and developers issued — its Recommendations³ with the basic documents for project finance, including the application form and the indicative list of documents for lending.

Bank of Russia representatives took part in the work of the project committee of the national project Housing and Urban Environment. Considering the importance of collaboration for the development of project finance, there were regular communications between federal and regional authorities, JSC DOM.RF, banks, and

¹ Bank of Russia Regulation No.761-P, dated 29 June 2021, 'On the Procedure for the Bank of Russia to Supervise the Activities of the Association of Insurers Engaged in Government Supported Agricultural Insurance', Bank of Russia Ordinance No.5840-U, dated 30 June 2021, 'On Requirements for the Association of Insurers Engaged in Government Supported Agricultural Insurance to Invest Resources from the Compensation Fund and from the Natural Disaster Compensation Fund'.

² The weighted average interest rate on ruble loans issued by credit institutions to non-financial organisations as of November 2021.

³ Recommendations on the form of a developer's application to an authorised bank for a project loan for housing construction using escrow accounts and on the indicative list of documents to be submitted to the bank for consideration of the application for project finance (Letter of the Bank of Russia No.08-40/5813, of the Russian Ministry of Construction, Housing and Utilities No.26064-NS/07, and JSC DOM.RF No.7826-AF, dated 24 June 2021).

developers to discuss and develop decisions on topical issues in project finance.

To monitor the transition to project finance in equity construction, the Bank of Russia continued surveys of the banks authorised to open developers' settlement accounts and escrow accounts. The findings of the surveys related to the most important project finance indicators across regions were published monthly on the Bank of Russia website, reported to the authorities (the Russian Ministry of Construction, Housing and Utilities and regional authorities), and disclosed in the quarterly analytical report Project Finance in Housing Construction.

The development of the project finance market will be promoted by the use of escrow accounts for integrated individual housing construction (IHC) projects (the required amendments to laws were adopted at the end of 2021).¹ Furthermore, the Bank of Russia started the work on relevant regulatory changes for project finance in IHC.

ANTI-CRISIS SUPPORT TO HOUSEHOLDS AND BUSINESSES

The Bank of Russia repeatedly extended in 2021 and resumed in October its recommendations² to creditors to continue restructuring (including repeated) of loans to individuals and SMEs hit by the pandemic and not to charge penalties and fines on such restructured loans under creditors' in-house programmes.

Over the effective period of the recommendations and of the law on loan repayment holidays³ from 20 March 2020 through 30 September 2021 and from 1 November 2021 through 31 December 2021, banks received 4.1 million applications from individuals requesting changes to their loan agreements. Overall, banks restructured 2.2 million loan agreements totalling ₹1,047.9 billion.

Over the said period, SMEs submitted 227,600 requests to banks for changes to their loan agreements. As a result, banks restructured 110,100 agreements⁴ (55.7% of the considered applications) totalling ₹1,045.8 billion.

To provide additional financial support to businesses, in October 2021, the Bank of Russia made the decision to allocate ₹60 billion so that banks could issue [subsidised loans](#) to SMEs of the industries hardest hit by temporary anti-pandemic restrictions.

INCREASING FINANCIAL LITERACY AMONG INDIVIDUALS AND SMES

In 2021, the Bank of Russia's top priorities in financial literacy were investment, digital and cyber issues.

Due to the persistent spread of financial fraud, including through social engineering, the Bank of Russia put a special focus on the work with socially vulnerable groups of people. Changes in the economic environment required more efforts to inform SMEs about available support measures and financing instruments.

As people became more interested in investment in the stock market, the Bank of Russia intensified its efforts aimed at explaining the key principles of personal finance management and the risks and opportunities of financial markets and notifying individuals about threats caused by illegal activities in the financial market.

The Strategy for the Improvement of Financial Literacy in the Russian Federation in 2017–2023 is implemented by the Bank of Russia in close cooperation with the Government of the Russian Federation within the Interagency Coordination Commission (ICC). In 2021, the parties approved the Action Plan (Roadmap) for the implementation of the second stage of the Strategy considering the new priorities (investment, digital and cyber literacy). In 2021, the

¹ Federal Law No.476-FZ, dated 30 December 2021, 'On Amending Certain Laws of the Russian Federation'.

² Bank of Russia Information Letters [No.IN-06-59/19](#), dated 30 March 2021, and No.IN-06-59/44, dated 29 June 2021, 'On Restructuring Retail and SME Loans'.

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

⁴ Bank of Russia Information Letter No.IN-06-59/83, dated 22 October 2021, '[On Restructuring Retail and SME Loans](#)'.



Financial literacy classes became part of the federal state educational standards for primary and secondary school

ICC approved a uniform framework of competencies (a single methodology) in financial literacy for schoolchildren and adults that ensures a systemic approach to address the task of improving financial literacy. It also helps adjust and enhance various instruments meant for raising financial literacy considering its actual level in various age groups, while ranking training results depending on the comprehensibility of particular financial services and concepts for people of various age groups.

As of the end of 2021, 85 constituent territories of the Russian Federation implemented regional programmes promoting financial literacy among people or other strategic planning documents, and 81 constituent territories of the Russian Federation established interagency coordination bodies to implement regional programmes for raising financial literacy among people. Furthermore, 38 regions also created financial literacy centres.

At the end of 2021, the Bank of Russia and the Pension Fund of the Russian Federation signed the [agreement on cooperation in the area of financial literacy](#), which unleashed new opportunities for expanding channels aimed at raising financial awareness among elderly people.

For children and young people

In 2021, financial literacy classes became part of the federal state educational standards (FSSES) developed with the participation of the Bank of Russia. In the primary curriculum, financial literacy elements will be included in such school subjects as Mathematics and World Around Us, and in grades 5 to 9 – in

Social Science, Mathematics, and Geography. The new standards in education will be applied since 1 September 2022.

Financial literacy competences are also included in all approved FSSES in higher education and 24 FSSES in secondary vocational education.

The Bank of Russia developed methodological recommendations for all educational specialists and commissioned the preparation of educational materials and financial literacy kits for students of all educational levels. In 2021, over 6,000 educational specialists took an advanced training on financial literacy programmes for schoolchildren developed by regional education development institutes.

The Bank of Russia's online classes on financial literacy remained popular among people. They covered multiple topics of different complexity levels, from cyber security rules to the fundamentals of entrepreneurship and investment. In 2021, nearly 25,000 schools joined the online classes. The classes were viewed over 4.76 million times.

More than 800,000 schoolchildren of 1–9 grades from all over Russia took part in the online Olympiad 'Young Entrepreneur and Financial Literacy' on the online education platform Uchi.ru. The tasks for the Olympiad were prepared by the Bank of Russia, with the engagement of the Ministry of Economic Development of the Russian Federation, within the framework of the national project Small and Medium-sized Enterprises and Support for Individual Entrepreneurship Initiatives. In November 2021, in the final of the Russian contest for schoolchildren Big Break, nearly



Online financial literacy classes were viewed over 4.76 million times

600 senior pupils visited the Bank of Russia's master classes on the fundamentals of personal finance planning and investment. Furthermore, Bank of Russia representatives and experts spoke at the sessions of the first International Financial Security Olympiad sponsored by the Federal Financial Monitoring Service that gathered over 30,000 schoolchildren and students who participated in the event.

For adults

In 2021, the Financial Culture website continued to release materials on various finance-related topics. The website was visited by 9.88 million unique users (the average monthly number was 817,400 users).

bie investors, which was carried out for the first time last year. Positive feedback proved that such communication format was highly demanded.

As usual, the Bank of Russia coordinated the World Investor Week in 2021, which was viewed more than one million times for the first time. This event also included theme-based online classes for schoolchildren and students, Literate Investor webinars for students and adults, and online financial literacy classes for elderly people.

In 2021, 630,000 people took part in the national online financial literacy test. For the first time, the participants did not only answer the questions on their own, but also had



Over the year, the financial literacy website Financial Culture (fincult.info) was visited by 9.88 million users

The Bank of Russia actively distributed awareness-raising materials on the most socially important topics (videos, cards, comics, etc.) in social media. Overall, these materials were viewed more than 34.4 million times.

A key area of awareness-raising work with the general public in 2021 was investment literacy. The Bank of Russia informed newbie investors about changes in laws, investment principles and risks, and investors' rights in media and social networks, including live broadcasts and interviews with popular financial bloggers. Specifically, over 9,000 users viewed the Bank of Russia's invest meetup, an informal mini-conference with financial bloggers to discuss required knowledge for new-

a chance to compete in the team event (there were over 2,000 teams). The results of the test helped identify the topics, regions, and target audiences that need a greater focus and thus improve the work aimed at raising financial literacy.

In 2021, the Bank of Russia continued to post social ads on the topics that are most acute for financial consumers. Static and video ads on financial issues were demonstrated in more than 20,000 locations across Russia,¹ and over 3.6 million printed materials (leaflets, booklets, and brochures) on financial literacy were distributed. Furthermore, supported by the Russian Ministry of Internal Affairs and the Prosecutor General's Office of the Russian



630,000 people took part in the online financial literacy test

¹ Videos on financial literacy and cyber security, warning of the threats of fraud, financial pyramids, and other illicit operations in the financial market, are posted in airports, public transport (including long-distance trains and metro), multi-purpose centres rendering state and municipal services, post offices, and other organisations working with people.

Federation, the Bank of Russia posted information and reference materials on transport and in social organisations on how to counter popular social engineering-based fraud schemes.

For small and medium-sized businesses

The Bank of Russia continued to inform small and medium-sized businesses of the opportunities to raise funds. Within the framework of the national project Small and Medium-sized Enterprises and Support for Individual Entrepreneurship Initiatives, in 2021, the Bank of Russia carried out 46 webinars where businessmen learnt about the opportunities offered by the Faster Payments System, the conditions for entering the stock market, and the use of factoring and crowdinvesting. The video blog Money for Business (15 videos on the issues that are most urgent for businesses) was viewed over three million times.

Cooperation with the Financial Literacy Development Association

Supported by the Bank of Russia, in 2021, the Financial Literacy Development Association (FLDA):

- accredited the free educational course The Investor's Journey developed by the Moscow Exchange. Over less than a year, the course was taken by over one million people;
- carried out the IV contest of software and methodological projects Financial Literacy Fundamentals to select best methods for integrating financial literacy into the education system. Over 2,000 applications for participation in the contest were submitted;
- carried out the VII Russian Congress of Financial Literacy Volunteers. Participants (including online) from 85 Russian regions numbered over 3,500.

In 2021, the FLDA supported 70 financial literacy initiatives.

The assessments of people's financial literacy level commissioned by the Bank of Russia since 2018 show a gradual increase, especially notable among young people. Considering these dynamics and the priorities outlined for the next few years, the Bank of Russia will focus more on raising financial literacy among older and low-income people.



2.2.2. ENHANCING FINANCIAL INCLUSION FOR HOUSEHOLDS AND BUSINESSES



The Bank of Russia approved the new strategic document: the Priorities of the Financial Inclusion Programme of the Russian Federation for 2022–2024

In 2021, the Bank of Russia developed and approved the [Priorities of the Financial Inclusion Programme of the Russian Federation for 2022–2024](#)¹ covering the Bank of Russia's initiatives to address the tasks of enhancing financial inclusion that were set in the Bank of Russia's [Russian Financial Market Development Programme for 2022–2024](#):

- better accessibility and a wider range of financial services through the development of online service channels for households and businesses, combined with measures aimed at reducing digital divide risks and strengthening cyber security; and
- broader opportunities for companies to raise debt and equity financing.

Digitalisation of financial products, services and channels for access to them, as well as the development of financial platforms are the main drivers of better financial inclusion for both individuals and businesses in the medium term.

The document outlines socially important priorities in this area:

- enhancing financial inclusion in remote, sparsely populated and hard-to-reach areas, as well as for persons with disabilities, elderly and physically challenged people;
- using financial market instruments for improving people's well-being, in the first place of low-income people; and
- enhancing financial inclusion for SMEs.

Digitalisation in finance and financial inclusion

In 2021, the fast digitalisation of financial products and services continued. The proportion of adults using a bank account was 93.7%,² whereas those who used online and mobile banking for money transfers over the last 12 months accounted for 75.4% (+30.3 percentage points, compared to the previous survey in 2018).

To switch to online channels, it is essential to comprehend the accessibility of digital financial services. According to the 2021 survey measuring financial inclusion indicators, 41.8% of adults not using remote channels to access financial services on a regular basis are ready to start doing this if they have such opportunities.

The Bank of Russia continued to develop digital financial infrastructure (the Unified Biometric System, the Faster Payments System, marketplaces, the Digital Profile, etc.) being the basis for convenient and secure interfaces and platforms that financial institutions can create for consumers, increasing the affordability of financial services, among other things.

Financial inclusion in remote, sparsely populated and hard-to-reach areas

In 2021, the following tasks were most relevant for the Bank of Russia:

¹ Approved by the Bank of Russia Board of Directors on 23 December 2021, they continue the Financial Inclusion Strategy for Russia in 2018–2020 extended for 2021.

² Hereinafter, the information provided is based on the surveys commissioned by the Bank of Russia, unless specified otherwise. The survey of adults within the assessment of financial inclusion indicators was commissioned by the Bank of Russia and carried out in May 2021 (for the last 12 months).

- developing mini service points, including a broader range and higher quality of services provided by them;
- maintaining a sufficient level of financial institutions' operation in rural localities and in remote, sparsely populated and hard-to-reach areas in traditional formats, such as branches and ATMs.

In 2021, banks participating in the Bank of Russia task forces¹ were actively developing mini service points. The number of post offices in rural areas accepting the documents required to open an account increased by nearly 40% over 2021, to reach 10,200 offices as of the end of the year (the overall number of post offices providing bank services equalled 35,500).

In 2021, the network of cash-out² points expanded in both rural areas and cities. As of 1 January 2022, the overall number of cash-out points reached 20,400, with a third of them located in rural areas. These points expanded the range of available services. All cash-out points of the largest bank participating in the task forces accept payments, and the cash-in service is accessible in 10% of cash-out points. Thus, in 2021, the growth of banking service points in the cash-out format alone (by 13,100) exceeded the decrease in the number of credit institutions' offices (by 1,800). Credit institutions continue to develop field services in rural areas rendered by agents accepting documents and providing information and consultations. Banks were taking efforts to expand the range of services that can be rendered by such agents,³ namely the connection of clients to remote banking without visiting a bank office.

In 2021, the Bank of Russia continued to implement projects aimed at enhancing financial inclusion in remote, sparsely populated and hard-to-reach areas of the Far Eastern, Southern and North Caucasian Federal Districts. This work was carried out in close cooperation with the state authorities of the constituent territories of the Russian Federation, administrations of municipalities, credit institutions, communication operators, and other stakeholders. Such an approach proved to be efficient, and in 2021, the Bank of Russia decided to expand the complex of measures aimed at enhancing financial inclusion in rural localities and in remote, sparsely populated and hard-to-reach areas to embrace all constituent territories of the Russian Federation.

Financial inclusion for persons with disabilities, elderly and physically challenged people

In 2021, the Bank of Russia completed the implementation of the Action Plan (Roadmap) for Enhancing Financial Inclusion for People with Disabilities, Physically Challenged and Elderly People in 2020–2021. In accordance with this plan and the list of instructions of the President of the Russian Federation,⁴ the Bank of Russia developed and published the recommendations to credit institutions intended to reduce financial loss risks for persons with disabilities, elderly and physically challenged people.⁵ Credit institutions were advised to:

- entitle their clients to restrict the use of remote channels for accessing their own accounts; and
- introduce the 'confirming hand' option enabling a person, if so agreed with another

¹ The Bank of Russia Task Force for enhancing financial inclusion in remote, sparsely populated and hard-to-reach areas and the Bank of Russia Task Force for implementing the pilot project enabling the provision of cash-out services to payment cardholders at trade and service companies.

² The cash-out service allows payment cardholders to take out cash simultaneously with making a purchase at trade and service companies.

³ Provided that they are employed by a credit institution, including under a part-time employment scheme.

⁴ List of Instructions of the President of the Russian Federation No. Pr-2243, dated 31 December 2020, following the meeting of the Russian President with disabled people and representatives of public organisations on 3 December 2020.

⁵ [Bank of Russia Methodological Recommendations No.11-MR, dated 9 August 2021, on ensuring additional protection of the rights of people with disabilities and other physically challenged people and on enhancing measures aimed at preventing financial losses and reducing the risk of fraudulent transactions with funds in the accounts of such customers when they receive financial services via digital \(remote\) channels.](#)



The Bank of Russia recommended that banks should offer the 'confirming hand' option to protect elderly people and persons with disabilities against fraud

client of the same credit institution, assign the latter as an assistant entitled to confirm transactions conducted remotely if there are any doubts about the reasons for such transactions (suspected fraud).

Already in 2021, these recommendations were implemented for the most part or in progress at 63% of credit institutions (for more details on the protection of people against fraud, refer to Subsection 2.5.3. ['Ensuring information security and enhancing cyber resilience'](#)).

Furthermore, the Bank of Russia prepared and released recommendations to financial institutions on enhancing the accessibility, quality and convenience of services provided to self-employed persons with disabilities, individual entrepreneurs with disabilities, and SMEs employing people with disabilities.¹

According to a survey commissioned by the Bank of Russia in 2021, 83.2% of people with disabilities were completely or rather satisfied with the quality of servicing at credit institutions (vs 81.3% in 2020), including 38.7% who were completely satisfied (+3.5 percentage points vs 2020). Among people with disabilities personally visiting offices of various financial institutions, 75.4% positively assessed their convenience for people with disabilities (+5.2 percentage points as compared to 2020).

The findings of the fourth stage of the annual monitoring of compliance of credit institutions² with the Bank of Russia's recommendations³ for creating a barrier-free environ-

ment for people with disabilities, elderly and physically challenged persons show that 66% of credit institutions (vs 65% in 2020) fulfilled or nearly fulfilled these recommendations. Exclusive of the recommendations for technical re-equipment of infrastructure, this proportion was 88% (vs 86% in 2020).

Development of SME financing

In 2021, to encourage bank lending to SMEs considering risk-based approaches, the Bank of Russia made decisions⁴ providing for regulatory easing for credit institutions. Among others, loans to SMEs covered by government support measures according to the regulations of the Russian Government should not be subject to the requirement for the assessment of a borrower's actual activity. By the end of the year, the programme for encouraging SME lending implemented by the Bank of Russia jointly with Russian Small and Medium Business Corporation embraced 59 authorised banks.

Over 2021, microfinance organisations lent ₴50.2 billion to SMEs, which is 4% less year-on-year (the SME loan portfolio expanded by 2% over 12 months to reach ₴61.9 billion).⁵ The proportion of the portfolio of government-owned MFOs (receiving budgetary funds under support programmes) exceeded 90% in the overall portfolio of SME loans, with the average interest rate on loans during 2021 equalling about 5%, whereas the minimum interest rate was 1%. This made it possible to maintain the affordability of financing for micro

¹ Bank of Russia Information Letter No.IN-06-59/101, dated 27 December 2021, 'On Recommendations for Servicing Self-employed Persons with Disabilities, Individual Entrepreneurs with Disabilities, and Small and Medium-sized Enterprises Employing People with Disabilities'.

² Excluding those institutions that directly reported that they do not provide services to individuals.

³ According to Bank of Russia Information Letter No.IN-03-59/20, dated 12 May 2017, 'On Recommendations for Ensuring Accessibility of Credit Institutions' Services for People with Disabilities, Physically Challenged and Elderly Persons', as well as a number of other information letters and methodological recommendations in this area released by the Bank of Russia.

⁴ Bank of Russia Ordinance No.5690-U, dated 11 January 2021, 'On Amending Bank of Russia Regulation No.590-P, dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

⁵ The preliminary data are based on MFOs' reporting as of 31 December 2021.

and small businesses in 2021 and preserve loan amounts at the level achieved in 2020.

In 2021, the Bank of Russia continued to actively develop SME financing based on stock market instruments, crowdfunding, and online factoring, as well as to promote the use of the Faster Payments System (FPS) for making payments for SMEs' goods and services.¹

In 2021, supported by the Bank of Russia, the MOEX Growth Sector arranged 16 placements of the bonds of 15 issuers – SMEs in the amount of ₹7.91 billion. Issuers offering bonds on PJSC Moscow Exchange in an amount of less than ₹1 billion can use a range of lower tariffs. It was decided that, until the end of 2022, no fee will be charged for listing the bonds of issuers put on the unified register of SMEs if their issue amount does not exceed ₹400 million.²

In April 2021, PJSC Moscow Exchange and Interfax Group commissioned the information and analytical portal Rusbonds.ru that they jointly developed with the methodological support of the Bank of Russia. This resource provides information on SMEs' bond offerings to all market participants.

With the engagement of the Bank of Russia, amendments were introduced into the rules for supporting issuers – SMEs entering the stock market: namely, the maximum amount of subsidies for small offerings increased (to ₹2.5 million).³ In 2021, subsidies to compensate for

a part of costs for listing on the exchange and the payments of interest income (coupons) were granted to 22 issuers – SMEs and totalled about ₹153 million.⁴

In 2021, crowdfunding for SMEs was actively developing. By the end of the year, the Register of Investment Platform Operators included 50 platforms. Funds raised by SMEs through them totalled ₹9.5 billion. The Bank of Russia was actively engaged in the drafting of Resolution of the Government of the Russian Federation No.2605,⁵ dated 31 December 2021, on compensation for a part of SMEs' costs for getting access to a platform, and businesses received these subsidies for the first time.

As of the end of 2021, 75 credit institutions, including all systemically important ones, enabled payments for goods and services via the FPS. Legal entities and individual entrepreneurs – SMEs registered in the FPS numbered 161,000.

According to the Bank of Russia's tariffs,⁶ the maximum fee for legal entities and individual entrepreneurs, including SMEs, may not exceed 0.7% of a funds transfer,⁷ which is on average 2.5–3 times below the effective average market acquiring fees (1.2–2.2%).

The Bank of Russia participated in the development of the programme for granting subsidies to credit institutions participating in the FPS for them to subsequently reimburse SMEs'

¹ Within the framework of the national project Small and Medium-sized Enterprises and Support for Individual Entrepreneurship Initiatives, the federal project Acceleration of Small and Medium-sized Enterprises, and the federal project Creating Conditions for an Easy Start and Comfortable Doing of Business.

² The Decision by the Supervisory Board of PJSC Moscow Exchange, dated 22 December 2021 (Minutes No.14).

³ The effective period of this mechanism was extended through 2023, the maximum subsidy for offerings was raised to ₹2.5 million, and clarifications were introduced into the provisions on subsidies for offerings and the requirements for a credit rating of an issuer or a bond issue.

⁴ Within the framework of the government support programme implemented by the Ministry of Economic Development of the Russian Federation pursuant to Resolution of the Government of the Russian Federation No.532, dated 30 April 2019, 'On Approving the Rules for Granting Federal Subsidies to Russian Small and Medium-sized Enterprises to Partially Compensate for Share and Bond Issuance Costs and Payments of Coupons on Bonds Placed on the Stock Exchange'.

⁵ Resolution of the Government of the Russian Federation No.2605, dated 31 December 2021, 'On Amending Certain Acts of the Government of the Russian Federation on Granting Federal Subsidies to Some Legal Entities and Individual Entrepreneurs to Support Small and Medium-sized Enterprises and on Invalidating Paragraph 6 of Subclause 'i' of Clause 4 of the Amendments Introduced into the Acts of the Government of the Russian Federation on Granting Federal Subsidies to Some Legal Entities to Support Small and Medium-sized Enterprises Approved by Resolution of the Government of the Russian Federation No.333, dated 5 March 2021'.

⁶ Rates (tariffs) for interbank fees and credit institutions' maximum fees charged from their clients for funds transfers made by individuals to legal entities, individual entrepreneurs, and self-employed persons via the faster payments service of the Bank of Russia Payment System effective from 1 October 2021.

⁷ No more than ₹1,500 for a funds transfer.

costs for bank fees for payments for goods and services made via the FPS;¹ this programme is being implemented and was extended until 1 July 2022.

In 2021, the authorities adopted the Federal Law² establishing a legal framework for the functioning of the commissioned Know Your Customer platform. The launch of this platform will reduce regulatory burden on bona fide entrepreneurs, first of all small and micro businesses, and their expenses for interaction with credit institutions (see Subsection 2.3.10. [‘Countering the legalisation \(laundering\) of criminally obtained incomes and the financing of terrorism’](#)).

Using Bank of Russia special refinancing instruments

In 2021, the Bank of Russia continued to offer specialised refinancing mechanisms to credit institutions to encourage them to more actively finance large investment projects, non-commodity exports, as well as SMEs. Within the scope of these mechanisms, the

Bank of Russia issued loans to credit institutions at subsidised interest rates for up to three years.

In October 2021, amid the introduction of additional anti-pandemic measures, the Bank of Russia decided to allocate ₴60 billion to ensure subsidised bank lending to SMEs in the industries³ hardest hit by the spread of the coronavirus infection.⁴ The authorised banks that received loans within this mechanism for up to 18 months at an interest rate of 4% per annum were to issue loans to SMEs at an interest rate not above 8.5% per annum or to reduce the interest rate on the earlier issued loans to no more than 8.5% per annum (see Paragraph [‘Anti-crisis support to households and businesses’](#) in Subsection 2.2.1. [‘Protecting financial consumers and investors, increasing financial literacy’](#)).

As of 1 January 2022, the Bank of Russia's claims on credit institutions on loans issued within all the above mechanisms totalled ₴201.7 billion, with the overall limit amounting to ₴400 billion.

¹ Resolution of the Government of the Russian Federation No.1103, dated 30 June 2021, ‘On Approving the Rules for Granting Federal Subsidies to Russian Credit Institutions to Reimburse Small and Medium-sized Enterprises’ Costs for Bank Fees Paid for Funds Transfers Made by Individuals to Small and Medium-sized Enterprises as Payments for Goods (Works, Services) in the Faster Payments Service of the Bank of Russia Payment System’. With the engagement of the Bank of Russia, the effective period of this mechanism was extended until 1 July 2022, and it was allowed to grant a subsidy for December 2021 in 2022.

² Federal Law No.423-FZ, dated 21 December 2021, ‘On Amending Certain Laws of the Russian Federation’.

³ The list of the industries corresponds to the industries listed in Annex No.3 of the Rules for Granting Federal Subsidies in 2021 to Small and Medium-sized Enterprises and Socially Oriented Non-profit Organisations Operating in Municipalities Most Affected by the Deterioration of the Situation Resulting from the Coronavirus Pandemic approved by Resolution of the Government of the Russian Federation No.1513, dated 7 September 2021.

⁴ In 2022, the Bank of Russia decided to resume and continue lending within this mechanism until 1 May 2022.

2.3. Ensuring Financial Market Resilience

2.3.1. ENSURING FINANCIAL STABILITY

2.3.1.1. MONITORING OF FINANCIAL STABILITY RISKS

EXTERNAL RISKS

In 2021, the world economy quickly bounced back after the record decline in 2020. According to the International Monetary Fund (IMF), as of January 2022, global GDP expanded by 5.9% in 2021 after decreasing by 3.1% in 2020. Economic activity revived in many countries (in both services and the industrial sector) as authorities lifted anti-pandemic restrictions and owing to unprecedented support measures implemented by governments and central banks. However, this rebound was uneven as it was impacted by the spread of new coronavirus variants, differences in vaccination rates, and logistics bottlenecks. The growth in many EMEs was slower than expected. This affected stock market trends, among other things: as of the end of 2021, stock indices in the USA and Europe hit their record highs (S&P 500 and Stoxx Europe 600 added 26.9% and 22.2%, respectively), whereas stock indices in emerging market economies edged down slightly (FTSE Emerging Index lost 2.4%).

However, the economic recovery in a considerable number of countries was coupled with a rise in inflation as the demand for goods and services significantly exceeded the capacities to ramp up supply. Another proinflationary factor was the record growth of energy commodity prices (the price of Dutch TTF natural gas futures for January surged 8.6 times by 21 December 2021, as compared to the beginning of the year, and the Brent crude price soared by 50.2% over the year). Many EMEs shifted towards monetary policy tightening to alleviate strengthening inflationary pressure. In many advanced economies, inflation was rising at the fastest pace over at least the last de-

cade, which required a quicker monetary policy normalisation.

In these conditions, the vulnerabilities accumulated in the world economy might be an additional destabilising factor. Firstly, as a result of the tightening of lending conditions, global markets might face difficulties with debt servicing. Debt burden had grown substantially over the pandemic period among all economic agents, including governments, companies, and households. In 2021 H2, concerns about a possible rise in corporate defaults in China increased. Secondly, a possible drastic revaluation of financial assets and an adjustment of housing prices might become additional factors of instability worldwide amid growing interest rates. Thirdly, non-bank financial institutions are becoming increasingly important, which might exacerbate volatility in global financial markets.

SITUATION IN THE RUSSIAN FINANCIAL MARKET

In 2021, the main factors influencing trends in the Russian financial market were rising geopolitical risks, the tightening of the Bank of Russia's monetary policy, and expectations of a faster phasing-out of accommodative monetary policy measures by major economies. Despite volatility spikes, the Russian market remained stable. However, the outflow of non-residents from some financial market sectors intensified by the end of the period under review. As financial markets were relatively stable in 2021, the Bank of Russia did not need to introduce any measures.

Despite the restrictions imposed by the USA on OFZ purchases in the primary market by US investors, non-residents stayed interested in the OFZ market. Their investment in OFZ bonds continued to increase in absolute

terms, reaching a record high in 2021 Q3, specifically ₹3.4 trillion. By the end of the year, this amount edged down to ₹3.1 trillion as a result of growing geopolitical tensions and expectations of a faster withdrawal of monetary stimulus measures in the USA. Over the year, despite the escalated rhetoric about sanctions, non-residents' investment shrank by as little as ₹109 billion, while foreigners' share in the market contracted by 3.4 percentage points to 19.9%. The growth of OFZ yields for the most liquid maturities averaged 3.2 percentage points, and yields on ten-year OFZ bonds reached 8.45% by the end of the year. Yields increased amid the tightening of the Bank of Russia's monetary policy: over the year, the key rate was raised by 4.25 percentage points. Owing to high demand for OFZ bonds demonstrated by Russian investors and strong fundamental indicators of the Russian economy (high budget revenues and small public debt), there were no significant fluctuations in the value of securities over the most part of 2021.

was also one of the key drivers of banks' high profit. Considerable provisions that banks had formed in advance in 2020 amid economic uncertainty helped them lower their costs for provisioning for both loans and other assets by 60% in 2021 (to ₹0.5 trillion in 2021 from ₹1.2 trillion in 2020).¹ As a result, the cost of risk remained extremely low, namely -0.1% and 1.5% for the corporate and retail portfolios, respectively.

The overall share of non-performing and bad loans (IV and V quality categories) contracted from 9.0% in 2020 to 7.1% in 2021, including owing to the surge of the portfolio amid the economic recovery and banks' active efforts in bad debt management. Specifically, the proportion of bad loans in the corporate portfolio edged down by 2.3 percentage points (from 9.9% to 7.6%), whereas that in the retail portfolio — by 1.2 percentage points (from 8.6% to 7.4%).² The percentage of non-performing mortgage loans in the portfolio remained at the level of 1%. However, banks lowered their stan-



The quality of banks' loan portfolios improved in 2021 compared to 2020

The past year was characterised by the continuing inflow of a large number of retail investors into the stock market. Over the year, the funds they invested in non-residents' shares and bonds increased by ₹523 billion and ₹249 billion, respectively, and in Russian shares and bonds — by ₹418 billion and ₹436 billion, respectively.

The foreign exchange market recorded no spikes in volatility, with the exchange rate of the ruble against the US dollar staying nearly unchanged as of the end of the year (the growth was 0.6%).

BANKING SECTOR RISKS

Credit risk. Overall, the quality of banks' loan portfolios significantly improved in 2021, which

standards for issuing mortgage loans, which might worsen the quality of the portfolio in the future: the share of loans with low down payments (less than 20%) coupled with borrowers' high debt burden (debt service-to-income ratios of over 50%) reached 22% in 2021 Q4 (vs 19% at the beginning of the year).

Overall, non-performing loans did not involve any significant risk as they were covered by sufficient provisions (by 80% as of 1 January 2022, which is 3 percentage points more year-on-year). Speaking of all created provisions, including for performing loans, the coverage increased even more (110%, which is 8 percentage points more as compared to the beginning of the year). In addition, banks accumulated a capital cushion of ₹6.1 trillion as of the end

¹ Net of the non-core assets bank.

² Car loans and unsecured consumer loans overdue for more than 90 days.

of the year, which is sufficient to cover 9% of the loan portfolio.

Interest rate risk. Russian banks' funding mostly has shorter maturities (nearly 70% for up to one year) as compared to their assets (about 40% for up to one year). As a result, banks face the risk of a decrease in net interest margin and, accordingly, their profit if market rates go up as, in this case, liabilities will be revaluated faster. Nonetheless, high net interest margin (4.3% as of the end of 2021) might cushion the negative impact on the sector in the case of a sharp rise in interest rates.

Liquidity risk. Overall, the banking sector liquidity remained sufficiently stable throughout 2021. The total amount of the sector's ruble liquid assets was at a comfortable level, increasing by over ₹2 trillion rubles over the year to reach nearly ₹17 trillion as of the end of 2021. This rise was driven by the growth of investment in securities (mainly OFZ bonds) and funds deposited with the Bank of Russia. This amount covered a third of clients' overall ruble funds, and this level remained stable throughout 2021.

Additionally, banks had ₹4.7 trillion of non-marketable assets as of 1 January 2022, which they could use as collateral to raise funds from the Bank of Russia (for details, refer to Subsection 2.1.2. '[Monetary policy instruments](#)').

Contrastingly, foreign currency-denominated liquid assets slightly decreased over 2021, namely from \$47 billion to \$45 billion, but this is still a comfortable amount sufficient to cover about 18% of clients' foreign currency funds.

The actual liquidity coverage ratio N26 (N27) (LCR) across all SICs stayed close to 112% in 2021. Some SICs fulfilled the regulatory requirements considering the effective mechanisms for compliance with the ratio.¹ During 2021, the Bank of Russia set maximum possible limits for the Bank of Russia irrevocable credit

line (ICL), other than zero, for seven SICs. The maximum possible limits for the opened ICLs as of 1 January 2022 totalled ₹2,470 billion, of which the amount of ₹734 billion was included in the LCR calculation as of the specified date. Furthermore, the ICL parameters were adjusted in 2021 (see Subsection 2.3.1.2. '[Macropprudential regulation measures to ensure financial stability](#)').

NON-BANK FINANCIAL INSTITUTIONS' RISKS

Insurers. The insurance market recovered as of the end of 2021, demonstrating an upward trend (+17.5%) owing to higher premiums in both life insurance (+21.8% to ₹524.4 billion) and other types of insurance (+15.9% to ₹1,283.9 billion). However, the combined loss ratio rose to 92.2% because of higher losses in the main insurance types and costs for insurance operations. Profit before tax declined due to a decrease in investment performance, which mainly resulted from a reduction in incomes from foreign currency transactions. Nonetheless, insurance performance was up, driven by life insurance. Insurers' return on capital edged down as well, while staying at a comfortable level (26.5%).

The insurance market switched to new risk-based requirements for assessing insurers' financial stability and solvency. The structure of insurers' assets remained almost the same. The quality of assets was rather high.

Non-governmental pension funds. In 2021, NPFs maintained high financial and investment stability. The Bank of Russia's monitoring did not identify a considerable increase in NPFs' investment in high-risk assets. The credit quality of NPFs' investment portfolios improved.

However, due to high volatility in stock markets in 2021 H2, returns on pension savings (PS) and pension reserves (PR) invested by NPFs equalled 5.5% and 3.2% per

¹ When introducing the LCR due to an insufficient amount of ruble-denominated highly liquid assets (HLAs) in the Russian financial sector that would conform to the Basel III criteria, the Bank of Russia, following the standard of the Basel Committee on Banking Supervision (BCBS), made the decision allowing the limit of the ICL opened by the Bank of Russia and the value of HLAs denominated in certain foreign currencies to be included in the calculation of the LCR numerator in the amount exceeding the expected net outflow of funds in a particular foreign currency.

annum,¹ respectively, as of the end of the first nine months of 2021, which was below inflation.

The value of PS portfolios rose by 2.2% in 2021 to reach ₺3.0 trillion. The structure of PS portfolios was dominated by corporate bonds (48.4%), investments in government securities (32.0%, which is 4 percentage less year-on-year), and banks' bonds (10.7%).

As of the end of 2021, the structure of PR portfolios (₺1.6 trillion, which is 4.7% more year-on-year) was also dominated by corporate bonds (47.8%), as well as shares and investment units (23.1%), and government securities (15.6%).

Brokers – non-bank financial institutions.

In 2021, brokers continued to expand their client base. Over the year, the number of their clients surged by 41% (to 2,092,086), and the value of assets of brokers–NFIs' clients increased by 22% (to ₺7.9 trillion).

To limit emerging risks, required ratios were set for brokers, including the capital adequacy ratio (CAR)² established from 1 October 2021 to ensure financial stability of professional securities market participants,³ and the liquidity coverage ratio (LCR)⁴ to ensure an adequate level of brokers' liquid assets. Since 1 October 2021, the minimum CAR should be 4%. This ratio will cover potential financial losses using a broker's capital. From 1 October 2021, the minimum LCR⁵ should be 70%. This ratio is meant to ensure the coverage of cash outflows expected during a month with highly liquid assets. As of the end of 2021, all brokers complied with these ratios.

Leasing companies. Although the leasing industry is not directly within the scope of the Bank of Russia's regulation and supervision, it is an important part of the financial system.

To monitor risks to financial stability, the Bank of Russia analyses the largest leasing companies⁶ (their total leasing portfolio).⁷

In 2021, leasing companies recorded a significant expansion of the financial leasing portfolio (18% as of 30 September 2021), primarily driven by motor vehicle leasing. Furthermore, the credit quality of the financial leasing portfolio gradually improved: the proportion of contracts overdue for more than 90 days in this segment edged down to 0.7% as of 30 September 2021 as compared to 2.4% as of the beginning of the year, whereas the share of restructured contracts remained notable (8.7% as of 30 September 2021).

Despite a definitely positive trend, the operating lease segment, where aircraft leasing accounts for a considerable share, did not recover completely in 2021. As of 30 September 2021, the operating lease portfolio contracted by 11.6% over the year. The proportion of restructured contracts in this segment increased from 38.2% as of the beginning of the year to 44.5% as of 30 September 2021.

By the end of 2021, all leasing companies faced higher interest risks associated with maturity mismatches between assets and liabilities caused by a rise in funding costs.

Most leasing companies have a long open foreign currency position. Nonetheless, the analysed companies, with a few exceptions, reported that the ratio of their open foreign currency position to their capital did not exceed 10%.

CONSUMER MICROFINANCE

In 2021, the annual growth rate of the consumer microfinance market started to recover and

¹ Returns on PS were calculated before remuneration paid to an NPF; returns on PR were calculated before remuneration paid to an NPF, its management company and specialised depository.

² CAR is calculated as the ratio of a broker's capital to overall credit and market risks (taking into account the adjustment factor).

³ The capital adequacy ratio was introduced for professional securities market participants engaged in dealer, broker, securities management and forex dealer activities.

⁴ The liquidity coverage ratio was introduced for brokers entitled by their clients to use their funds in these brokers' interests.

⁵ LCR is calculated as the ratio of a broker's highly liquid assets, taking into account the adjustment amount, to expected net cash outflows.

⁶ Leasing companies are surveyed according to the Bank of Russia's Survey Programme on Monitoring of the Leasing Market and Assessment of its Key Risks. The collection and processing of information for 2021 will be completed in May 2022.

⁷ According to JSC Expert RA, the leasing portfolio totalled ₺6.45 trillion as of the beginning of 2022.

became comparable with the peaks observed in 2019. As of 31 December 2021, MFOs' consumer portfolio expanded to ₹265.7 billion,¹ with its annual growth accelerating to 41.2% (+31.4 percentage points year-on-year). This trend was one of the reasons for a decline in the share of non-performing microloans overdue for more than 90 days (NPL90+) to 33.7% (-1.9 percentage points over the year). However, the portfolio of consumer microloans that were included in the DSTI calculation has a large share (46.5%) of microloans issued to borrowers whose DSTI exceeded 80%. Expectedly, these microloans accounted for the largest share of NPL90+ (42.1%, whereas the average for this group of microloans was 33.2%).

Considering the persistently high level of debt burden among households, in 2021, the Bank of Russia decided to increase the current risk weights for loans with a high DSTI ratio and for loans not exceeding ₹10,000² when calculating MFOs' capital adequacy ratios. This measure is also aimed at reducing risks of regulatory arbitration in relation to the banking sector.

Over 2021, the capital adequacy ratios of MFOs offering consumer microloans edged down slightly, but remained high: RMFC1³ – from 27.2% to 25.0%, and RMCC1⁴ – from 40.2% to 37.6%.

RISKS OF DEVELOPMENT INSTITUTES

In 2021, the powers of the interagency working group for overseeing development institutes' financial position (hereinafter, the IWG under the Bank of Russia) were expanded: in addition to JSC DOM.RF and JSC Russian Small and Medium Business Corporation, the scope of its oversight comprised also VEB.RF.⁵ With the active participation of the IWG under the Bank of Russia, a new version of the Memorandum

on Financial Policies of State Corporation VEB.RF⁶ (hereinafter, the Memorandum) was approved stating additional risk controls. Furthermore, the work was continued to enhance the methods for calculating required ratios (financial stability indicators) and approaches to assessing development institutes' risks aimed at maintaining their financial stability, including amid the increase in the scope of their activities.

To stimulate the economy and finance investment projects, over the first nine months of 2021, VEB.RF lent ₹554.8 billion to banks and provided them sureties amounting to ₹105.3 billion.

JSC DOM.RF considerably increased the issuance of mortgage-backed securities, with their nominal value totalling ₹941 billion as of the end of the first nine months of 2021 (+₹53 billion over the first nine months of 2021), and more than doubled the amount of project finance (by outstanding loan debt) to ₹247.2 billion within the measures taken to boost the development of the mortgage and housing construction market.

In order to promote the affordability of credit resources for SMEs, JSC Russian Small and Medium Business Corporation expanded the portfolio of guaranties and sureties granted to secure the loans issued to SMEs by 34.1% to ₹220.4 billion over the first nine months of 2021.

Throughout 2021, these development institutes complied with the established required ratios (financial stability indicators) and maintained a considerable financial cushion for them.

CRYPTOCURRENCY INVESTMENT RISKS

Over 2021, the market of cryptocurrencies surged globally. According to some estimates,

¹ Hereinafter, the figures given as of 31 December 2021 were calculated according to preliminary data.

² Bank of Russia Ordinance No.6043-U, dated 28 December 2021, 'On Economic Ratios for a Microcredit Company' and Bank of Russia Ordinance No.6044-U, dated 28 December 2021, 'On Economic Ratios for a Microfinance Company'.

³ A microfinance company's capital adequacy ratio.

⁴ A microcredit company's capital adequacy ratio.

⁵ Bank of Russia Order No.OD-895, dated 17 May 2021, 'On Approving the Interagency Working Group Overseeing the Financial Position of State Development Corporation VEB.RF, Group of Companies DOM.RF, and JSC Russian Small and Medium Business Corporation and on Cancelling Bank of Russia Order No.OD-2026, Dated 3 September 2019'.

⁶ Resolution of the Government of the Russian Federation No.2208-r, dated 10 August 2021.

the value of Russians' cryptocurrency transactions reached \$5 billion a year. Russians were active users of online cryptocurrency trading platforms. Moreover, Russia was one of the world's leaders by mining capacity.

Cryptocurrency adoption poses serious risks to the country's economy and financial stability as it involves the risk of undermining the circulation of money and the sovereignty of the country's currency and augments the risk of an outflow of savings from the current financial system into the unregulated cryptocurrency segment, which might ultimately affect banks' financial stability. In the case of a further expansion of the cryptocurrency market and an extensive involvement of banks and other traditional market participants in this market, financial intermediaries might be exposed to liquidity risk, market risk, and credit risk, which are typical of cryptocurrencies. Moreover, interconnectedness among large financial institutions might extend these risks to a wider range of market participants, as well as the real economy.

Cryptocurrency adoption also jeopardises Russians' well-being: the expansion of the cryptocurrency market is largely explained by bubble behaviour in the market; cryptocurrencies have characteristics of financial pyramids; the possibilities to legally protect investors' rights are very limited; and investment in cryptocurrencies might be totally lost due to both volatility of their exchange rates and fraud or cyber threats.

In addition to the above risks, there are also threats associated with the use of cryptocurrencies for illicit settlements as cryptocurrencies are broadly used to make payments within unlawful operations.

Hence, increasing interest in cryptocurrencies among Russians, significant investments in cryptocurrencies, and high risks inherent in cryptocurrency transactions involve potential systemic threats. In this regard, the Bank

of Russia proposed to implement a package of measures to regulate the said risks.

Furthermore, the Bank of Russia started to regularly monitor cryptocurrency trends, including by communicating with the regulators of foreign cryptocurrency exchanges that supervise their operations and foreign payment systems.

2.3.1.2. MACROPRUDENTIAL REGULATION MEASURES TO ENSURE FINANCIAL STABILITY

To mitigate risks to financial stability and support the credit market, in 2021, the Bank of Russia made the following decisions in macroprudential regulation.

MEASURES TO LIMIT RISKS IN UNSECURED CONSUMER LENDING

To help banks adjust to the cancellation of the temporary regulatory easing granted earlier due to the spread of the coronavirus infection, the Bank of Russia made the decision¹ to release from 30 June 2021 a part, namely ₱124 billion, of the accumulated macroprudential capital buffer for unsecured consumer loans in rubles issued before 1 April 2020.

Nevertheless, due to a faster expansion of unsecured consumer lending that significantly exceeded the growth of households' incomes, in order to prevent an excessive increase in households' debt burden and the accumulation of banking risks, the Bank of Russia twice² raised risk weight add-ons for unsecured consumer loans in rubles, with the capital requirements for such loans raised to the level above the pre-pandemic level.

Furthermore, the Bank of Russia amended the procedure for calculating debt service-to-income (DSTI) ratios³ to discourage an artificial extension of maturities for unsecured consumer loans.

Furthermore, the Bank of Russia continued to enhance macroprudential regulation. Legisla-

¹ [Press release of the Bank of Russia, dated 29 April 2021.](#)

² Decisions of the Bank of Russia Board of Directors, dated 29 April 2021 and 30 July 2021.

³ Bank of Russia Ordinance No.5999-U, dated 24 November 2021, 'On Amending Clauses 2.2 and 2.3 of Bank of Russia Ordinance No.5782-U, Dated 20 April 2021'.

tive amendments,¹ effective from 1 January 2022, empower the Bank of Russia to apply a new instrument – macroprudential limits (MPLs). This instrument² makes it possible to limit the proportion of high-risk consumer loans newly issued or acquired by credit institutions and microfinance organisations (e.g. with high DSTI ratios and/or long maturities). In furtherance of the said federal law, the Bank of Russia adopted a relevant regulation.³

The limit on the share of high-risk loans is applicable to all banks and microfinance organisations. Moreover, the Bank of Russia is entitled to set MPLs not only for the total amount of unsecured consumer loans, but also for the total amount of all loans issued by a bank or an MFO to both individuals and legal entities. This makes it possible to intensify the influence on monoline banks, when needed.

It is essential that households, on their part, make prudent decisions on raising loans. To this end, the Bank of Russia developed proposals for the legislative authorities to legally stipulate the obligation for banks and microfinance organisations to calculate a borrower's DSTI ratio when issuing a loan to such a borrower.⁴ If the calculation shows that a borrower uses more than 50% of incomes to repay loans, a creditor should send a written notice of possible risks to the borrower.

MEASURES IN MORTGAGE LENDING

In 2021 Q1, the amount of mortgage loans⁵ with a low down payment increased and the growth of housing prices sped up. In view of this, the Bank of Russia raised the capital requirements for ruble-denominated mortgage

loans with a low down payment (less than 20%) issued beginning on 1 August 2021.

MEASURES TO LIMIT LIQUIDITY RISK

To encourage the abandonment of the irrevocable credit line (ICL), the Bank of Russia adjusted its parameters and resumed the implementation of the plan for a stage-by-stage decrease in SICIs' dependence on the ICL that had been suspended in 2020 due to the pandemic (see Section 5.2 '[Liquidity support instruments to ensure the financial sustainability of banks. Specialised refinancing facilities](#)').

ANTI-CRISIS MEASURES TAKEN DUE TO THE CORONAVIRUS PANDEMIC

From 1 March 2020 through 31 December 2021,⁶ creditors were allowed not to apply risk weight add-ons for foreign currency loans issued over the said period to manufacturers of medicines and medical materials and equipment, as well as to investments in foreign currency-denominated debt securities made by such organisations over the said period.

ENSURING SMOOTH OPERATION OF THE FINANCIAL MARKET INFRASTRUCTURE

In 2021, with the engagement of the Bank of Russia, the legislative authorities refined the draft law providing for the creation of mechanisms ensuring financial stability and preventing the bankruptcy of the central counterparty (CCP) and the central depository (CD).

Specifically, this document entitles the Bank of Russia to provide financial aid to infrastructures through participation in their equity.

¹ Federal Law No.398-FZ, dated 6 December 2021, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Articles 9 and 14 of the Federal Law 'On Microfinance Activities and Microfinance Organisations'.

² This instrument is not applicable to mortgage loans, car loans, business loans, and corporate loans.

³ Bank of Russia Ordinance No.6037-U, dated 24 December 2021, 'On the Types of Loans Subject to Macroprudential Limits, on the Parameters of the Said Loans, on the Procedure for Setting and Applying Macroprudential Limits in Relation to the Said Loans, on Risk Factors Increasing Individual Borrowers' Debt Burden, and on the Procedure for Applying Measures Provided for by Part Five of Article 45.6 of Federal Law No.86-FZ, Dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'.

⁴ On 21 October 2021, draft federal law No.1145324-7 'On Amending the Federal Law 'On Consumer Loans' was approved by the State Duma of the Federal Assembly of the Russian Federation (hereinafter, the State Duma) in the first reading.

⁵ Including loans issued to individuals for financing under an equity construction contract.

⁶ Bank of Russia Information Letter No.IN-05-35/124, dated 24 August 2020, 'On Applying Risk Weight Add-ons'.

The Bank of Russia makes decisions on participation in infrastructures' equity upon an application from the CCP, the CD. Such an application can be filed if there is a threat to the financial stability of such organisations or the stable functioning of the financial market in general, including if foreign countries impose any restrictions. Where a decision on equity participation is made due to the said circumstances, it is implied that their emergence did not depend on the quality of management in infrastructure organisations. As a result, officials, super-

visory board (board of directors) members, and/or shareholders will not be exposed to reputational risks.

The draft law also provides for the possibility to apply bankruptcy prevention measures with the Bank of Russia's participation in relation to the CCP and the CD, including by way of raising resources from the Fund of Banking Sector Consolidation.

Thus, comprehensive mechanisms are being implemented to ensure the smooth functioning of the financial market infrastructure.

2.3.2. MANAGING ASSETS IN FOREIGN CURRENCIES AND PRECIOUS METALS¹

STRUCTURE OF ASSETS

The Bank of Russia's foreign currency assets comprise:

- government and non-government debt securities;
- deposits and balances in nostro accounts;
- funds invested under reverse repurchase agreements;²
- Russia's net position in the IMF (net claims on the IMF);
- Russian Eurobonds; and
- other claims on counterparties under signed agreements.

These instruments are denominated in US dollars, euros, British pounds, Canadian, Australian and Singapore dollars, Swiss francs, Japanese yen, Chinese yuan, and Special Drawing

Rights (SDRs)³ (hereinafter, the foreign currencies).

The Bank of Russia's precious metal assets comprise gold stored in the Russian Federation.

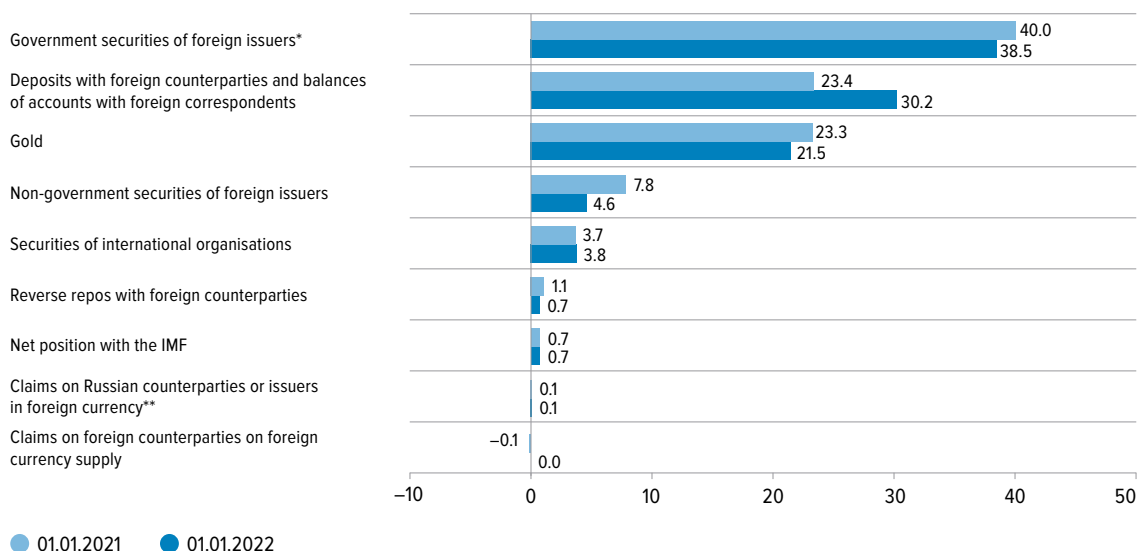
As of the end of 2021, the Bank of Russia's foreign currency and gold assets totalled \$612.9 billion, including \$481.4 billion of foreign currency assets and \$131.5 billion of gold.

Foreign securities are debt obligations, mostly issued or guaranteed by foreign governments (of China, Germany, France, the UK, Austria, Canada, the USA, and others), as well as by government agencies and funds, international organisations and banks.

Within the operations to manage its foreign currency assets, the Bank of Russia purchased and sold foreign issuers' debt obligations

BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD BY INSTRUMENT
(PER CENT)

Chart 30



* Securities issued by foreign government or foreign issuers with government guarantee.

** Claims on Russian credit institutions, Eurobonds of the Russian Federation and Eurobonds of other Russian issuers.

¹ All distributions and indicators given in this section were calculated based on management statements.

² Transactions to purchase securities with the agreement to sell them at a pre-agreed price at a specific future date. Securities purchased by the Bank of Russia under these transactions are not included in the value of the foreign currency assets.

³ SDR is an accounting unit for IMF transactions with member countries. The SDR exchange rate is calculated based on the dollar value of the basket of five currencies: USD, EUR, JPY, GBP, and CNY.

BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD BY COUNTRY
(PER CENT)

Chart 31

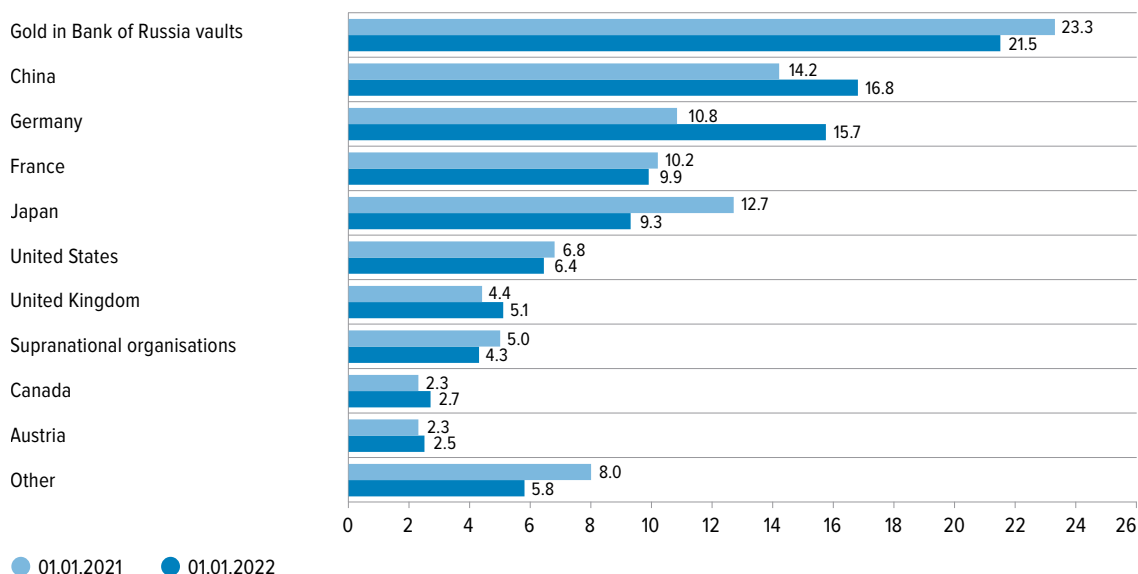
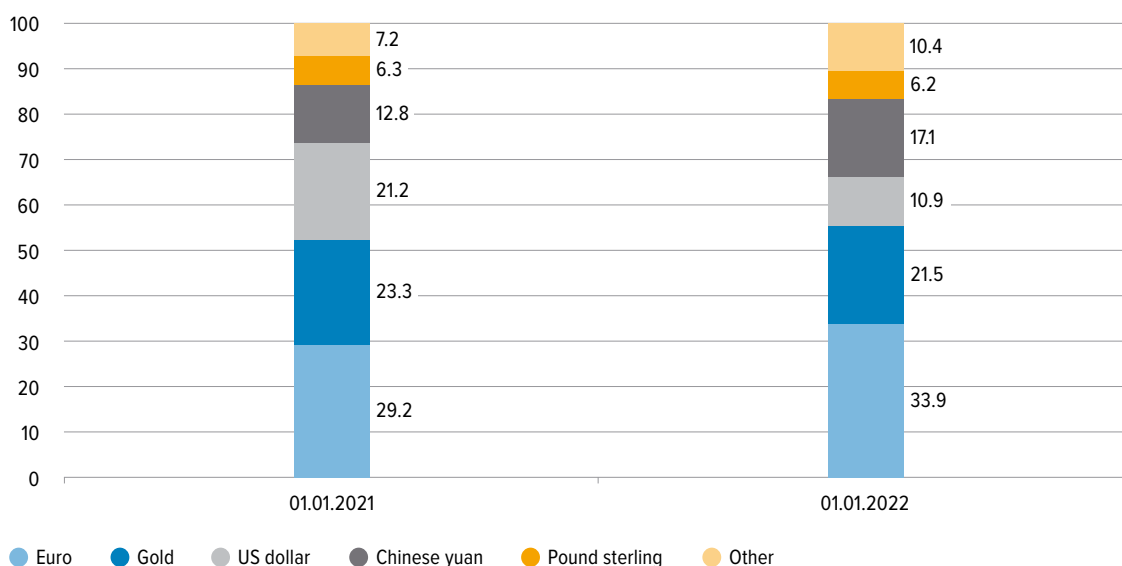
BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD*
(AS A PERCENTAGE OF THEIR MARKET VALUE)

Chart 32



* The breakdown of Bank of Russia assets includes foreign exchange transactions which have not been settled.

and conducted repos and reverse transactions to lend these securities.

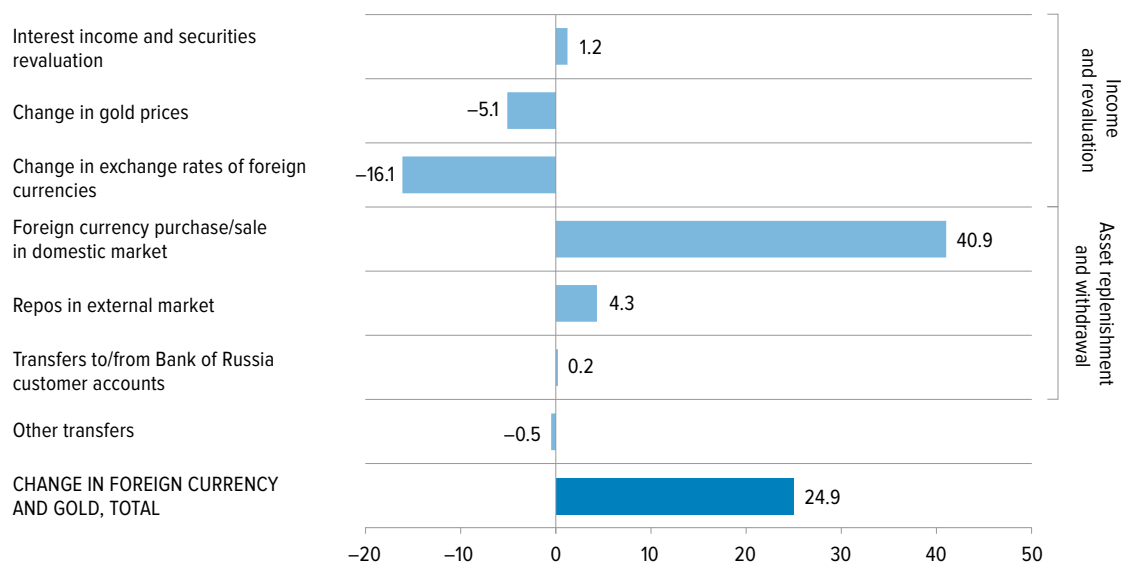
The geographical distribution of the foreign currency assets is based on the location (registration) of the legal entities – the Bank of Russia's counterparties or foreign securities issuers.

The item 'Other currencies' in the structure of the Bank of Russia's foreign curren-

cy and gold assets includes assets denominated in Japanese yen (5.9%), Canadian dollars (3.2%), Australian dollars (1.0%), Singapore dollars (0.3%), and others. Balances in the Swiss franc accounts were minor. Russia's SDR-denominated net claims on the IMF are taken into account in the distribution as assets in the foreign currencies of the SDR basket in the pro-

FACTORS BEHIND CHANGES IN BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD IN 2021
(BILLIONS OF US DOLLARS)

Chart 33



portions determined by the IMF for the calculation of the SDR value.¹

Over 2021, the Bank of Russia's foreign currency and gold assets increased by \$24.9 billion. The main driver of the value of the assets was net foreign currency purchases in the domestic foreign exchange market carried out by the Bank of Russia in connection with the Federal Treasury's fiscal rule-based operations. Furthermore, the growth of the assets was associated with an increase in the value of the Bank of Russia's repos with foreign counterparties as of the reporting date, interest income from transactions in the money market (deposits, reverse repos), and securities revaluation. These repos are conducted by the Bank of Russia mostly to raise funds and simultaneously place funds with foreign counterparties in equivalent amounts at a higher interest rate in deposits, under reverse repurchase agreements, or in a nostro account with a correspondent bank. The factors of a reduction in the assets in 2021 were movements of the exchange rates of foreign currencies against the US dollar and of the gold price.

Over 2021, the Bank of Russia's gold assets decreased by 7 tons, predominantly due to the sales of gold in the form of precious metal coins. As of the end of 2021, the Bank of Russia's gold assets totalled 2,248 tons.

ASSET MANAGEMENT

The Bank of Russia manages its foreign currency assets taking into account its liabilities in foreign currencies and gold – balances in Bank of Russia clients' foreign currency and gold accounts mostly comprising the resources of the National Wealth Fund (NWF)² and the Federal Treasury's funds to be transferred to the NWF.

The management of the foreign currency assets involves financial risks accepted by the Bank of Russia, including credit, exchange rate, interest rate and liquidity risks. The risk management process in the course of transactions with the Bank of Russia's foreign currency assets includes risk identification and assessment, establishment of risk limits, and control over compliance with these limits. When making these decisions, the Bank of Russia also considers non-economic risks, among other things.

¹ 0.58252 – USD; 0.38671 – EUR; 0.085946 – GBP; 11.9 – JPY; and 1.0174 – CNY.

² The resources of the NWF are managed by the Russian Ministry of Finance, including by placing them in the accounts in foreign currency (in US dollars, euros, British pounds, Japanese yen, and Chinese yuan) and in gold with the Bank of Russia.

Exchange rate risk is the risk that the value of net foreign currency assets may be affected by fluctuations of the exchange rates between currencies. The source of exchange rate risk is the net foreign currency assets that are a total of the Bank of Russia's foreign currency assets, net of its foreign currency liabilities. The level of exchange rate risk accepted by the Bank of Russia is set depending on the target proportions or amounts of foreign currencies in its net foreign currency assets and is limited by the value of permissible deviations from them.

Credit risk is the risk of a counterparty's or a securities issuer's failure to fulfil their obligations to the Bank of Russia. Credit risk is restricted by various limits and requirements set for the credit quality of foreign counterparties and issuers. The long-term credit rating of the Bank of Russia's foreign counterparties on transactions with the Bank of Russia's foreign currency assets and of foreign issuers' securities issues (an issuer's long-term credit rating where a securities issue has no ratings) shall be at least 'A' according to the scale of the rating agencies Fitch Ratings and S&P Global Ratings and 'A2' according to the scale of the rating agency Moody's Investors Service.

Interest rate risk is the risk of a decrease in the value of the Bank of Russia's foreign currency assets resulting from an unfavourable change in interest rates. The level of interest rate risk accepted by the Bank of Russia depends on the duration¹ of its assets in the related foreign currency. To manage interest rate risk, the Bank of Russia sets the minimum and maximum durations of assets in each of the foreign currencies and limits the maturities of securities, deposits and repos.

Liquidity risk is the risk of loss stemming from the lack of liquidity for the Bank of Russia to fulfil its current foreign currency liabilities. To mitigate this risk, the amount of liquid assets in each of the foreign currencies is maintained at a level exceeding the amount of liabilities in respective currencies. The most liquid assets

are government securities making a considerable proportion in the Bank of Russia's foreign currency assets. Liquidity sources also include balances in nostro accounts, credit facilities, short-term deposits and repos, the inflow of funds from coupon payments and redemption of securities in foreign currencies. The amounts of funds that the Bank of Russia can accumulate by using liquid assets and additional liquidity sources exceed the amounts of liabilities for the fulfilment of which the Bank of Russia may use the said funds within a certain period.

Pursuant to the signed bank account agreements, the Bank of Russia accrues and pays interest on the balances in the NWF's foreign currency accounts depending on money market rates in the corresponding currency or returns on indices, each of which is a total value of foreign government securities denominated in the account currency that have certain proportions in this total value. The set of foreign government securities included in the indices is determined by the Federal Treasury and is regularly revised according to the procedure established by the said agreements. The Bank of Russia accrues interest on the balances of funds in the Federal Treasury's foreign currency accounts to be transferred to the NWF depending on money market rates in the corresponding currency. Income on the Federal Treasury's gold accounts is not accrued. The Bank of Russia fulfils its obligations to pay interest on the balances in the Federal Treasury's accounts in Russian rubles. The Bank of Russia is an issuing bank, due to which these obligations do not involve interest rate risk or liquidity risk for it.

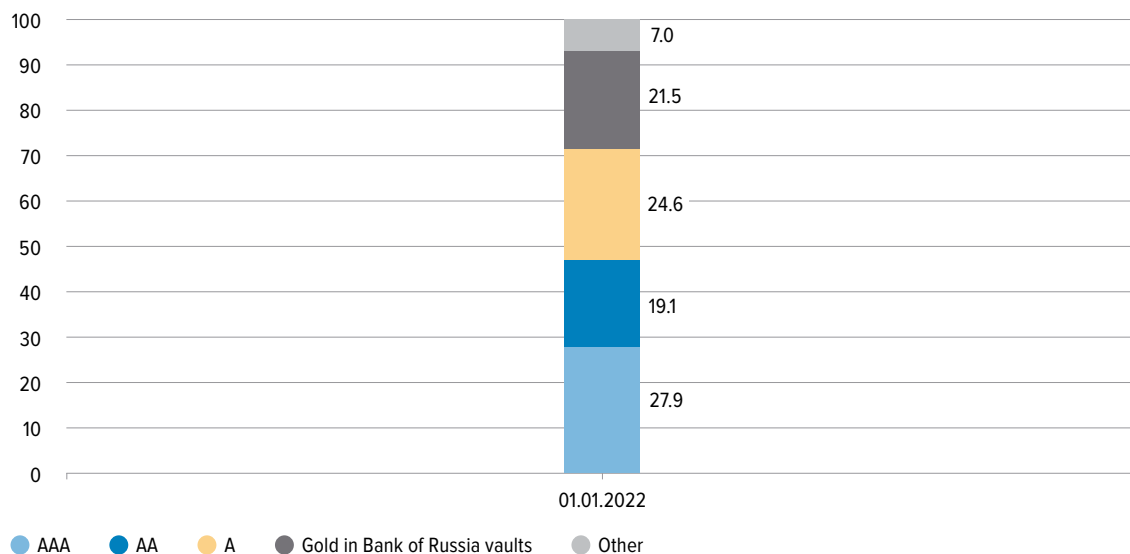
The Bank of Russia's foreign currency assets, claims and liabilities in these currencies under the signed contracts are grouped into portfolios by the currency of denomination. To assess the effectiveness of the management of the said portfolios, the returns thereon are compared against returns on benchmark portfolios.² The returns on the above portfolios in

¹ Duration is a measure of the sensitivity of the price of a financial instrument or a class of instruments to a change in interest rates by one percentage point.

² A set of financial instruments in each of the foreign currencies in certain percentages. Benchmark portfolios reflect the target distribution of the Bank of Russia's assets and the structure of the market in each of the foreign currencies.

BANK OF RUSSIA ASSETS IN FOREIGN CURRENCY AND GOLD BY CREDIT RATING*
(PER CENT)

Chart 34



* Claims on a foreign central bank denominated in the currency it issues are also classified as AAA category. Previously, claims on a foreign central bank denominated in the currency it issued were assigned to a rating category equivalent to the central bank's rating or, in its absence, equivalent to the rating of government obligations of the corresponding country.

foreign currencies were calculated as overall (realised and unrealised) returns on the corresponding portfolio from the funds invested in it, in per cent per annum. The cumulative returns on the corresponding portfolios for 2021 are given in [Table 23 of Section 5.4 'Statistical tables'](#).

The Bank of Russia applies a multi-level collegial system for making investment decisions. The Bank of Russia Board of Directors sets objectives for the management of its foreign currency and precious metal assets, the list of per-

missible instruments for investment, and the target level of exchange rate risk. The Bank of Russia's collegial body responsible for the investment strategy that reports to the Board of Directors makes decisions on the levels of interest rate and credit risks and prepares the list of counterparties and issuers. The approved investment decisions are implemented by the relevant divisions of the Bank of Russia. The Bank of Russia does not engage any third-party organisations to manage its foreign currency and precious metal assets.



2.3.3. ADMISSION TO THE FINANCIAL MARKET

2.3.3.1. PARTICIPANTS

The Bank of Russia continuously enhances the procedures for admission to the financial market in order to improve the protection of people's interests. In 2021, over 500 new financial institutions¹ were admitted to the financial market and 156 decisions on issuing the Bank of Russia's consent to (approval of) the purchase of more than 10% of financial institutions' shares (stakes) and/or the establishment of control over shareholders (members) owing over 10% of financial institutions' shares (stakes) (including 58 that resulted in a change of a person controlling a financial institution) were implemented.

Over the period under review, the Bank of Russia approved over 2,000 candidates to executive positions at financial institutions.

Credit institutions

In 2021, one new settlement non-bank credit institution was registered and received a banking licence. Five credit institutions terminated their operation as a result of reorganisation by way of merger.

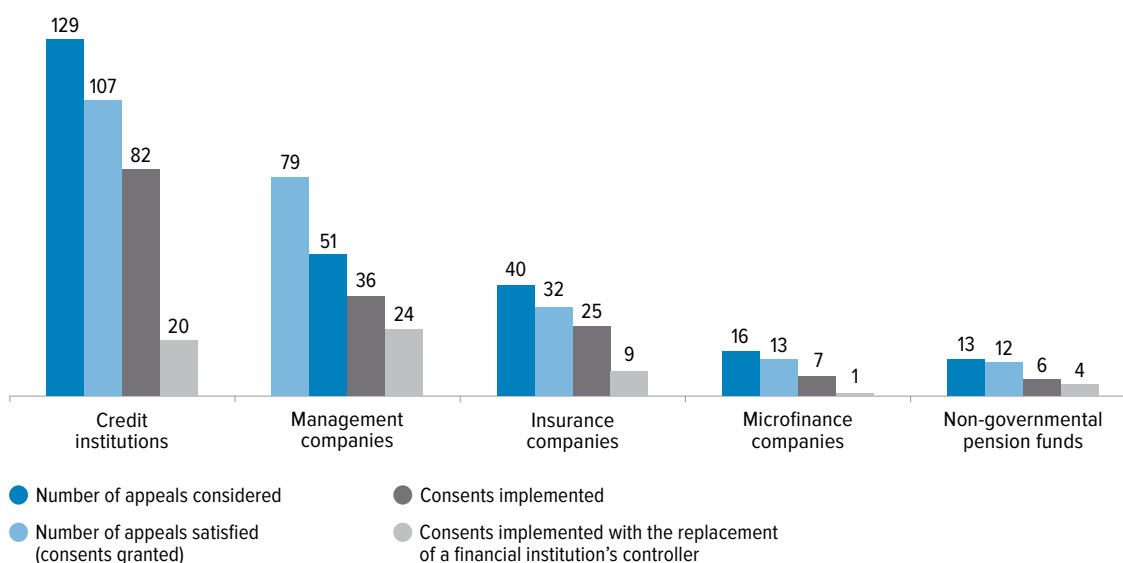
As of 1 January 2022, 232 banks, which is 62.7% of the total number of operating credit institutions, had a universal licence and 103 banks, or 27.8% – a basic licence.

One hundred sixty-six credit institutions, or 44.9% of the total number of operating credit institutions, had the right to conduct banking operations with precious metals; 364, or 98.4% – to carry out foreign currency operations; and 306, or 82.7% – to attract household deposits.

Amendments were introduced into the regulation of the establishment by credit insti-

NUMBER OF BANK OF RUSSIA CONSENTS GRANTED IN 2021 TO PERFORM TRANSACTIONS AIMED AT THE ACQUISITION OF OVER 10 PER CENT OF SHARES (STAKES) IN A FINANCIAL INSTITUTION AND (OR) AT THE ESTABLISHMENT OF CONTROL OVER ITS SHAREHOLDERS (MEMBERS) (UNITS)

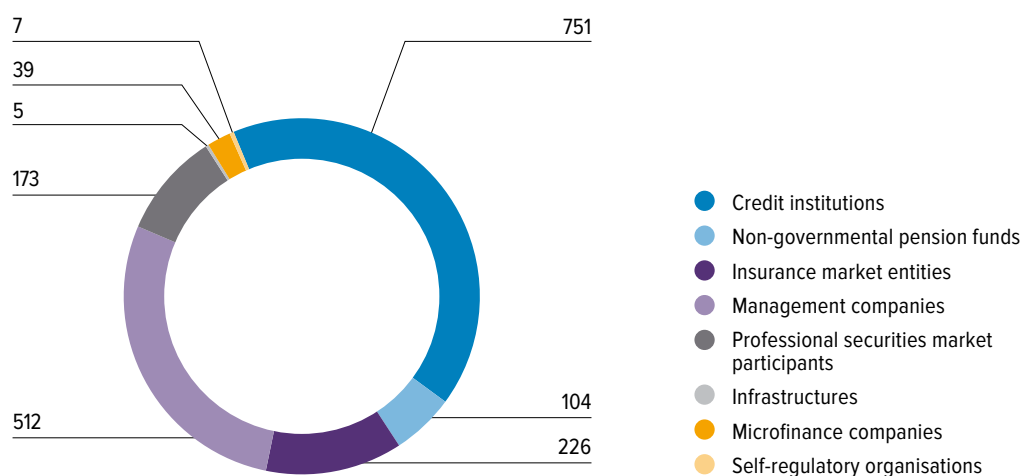
Chart 35



¹ More detailed information on the number of financial market participants as of 1 January 2022 is given in [Tables 9 and 11 of Section 5.4 'Statistical tables'](#).

NUMBER OF BANK OF RUSSIA DECISIONS MADE IN 2021 TO APPROVE CANDIDATES TO EXECUTIVE POSITIONS IN FINANCIAL INSTITUTIONS (UNITS)

Chart 36



tutions (their branches) of internal structural units:¹ multiple types were replaced with a universal one – an additional office (AO)². The related ordinance stipulated that there should be no territorial limitations for opening AOs and no restrictions on their banking operations, as well as defined the term ‘a remote point of service’ already applied in practice, which is facilities of an AO located at an address, other than that of the AO, conducting banking operations.

Over the period under review, the Bank of Russia accredited one representative office of a foreign credit institution, extended the accreditation of 13 representative offices, and terminated the accreditation of four representative offices.

Non-governmental pension funds

In 2021, one non-governmental pension fund terminated its operation as a result of reorganisation by way of merger.

Insurance agents

In 2021, the Bank of Russia made decisions on admitting eight insurance agents to the financial market, including on issuing an insurance broker licence to an individual entrepreneur (this is the only individual entrepreneur licensed as an insurance broker). Furthermore, two already operating companies received insurance licences.

Pursuant to Federal Law No.343-FZ approved in 2021,³ foreign insurers were entitled to establish their branches and provide insurance services in the Russian Federation.

Microfinance market participants

The transition period associated with changes in the procedure for admitting pawnshops to the financial market⁴ ended in 2021. As a result, the pawnshop industry became more transparent, the protection of people’s interests improved, and pawnshops failing to comply with

¹ Bank of Russia Ordinance No.5775-U, dated 12 April 2021, ‘On the Procedure for Credit Institutions (Branches Thereof) to Open Additional Offices, on the Procedure for Entering Information Thereon in the State Register of Credit Institutions, and on the List of Banking Operations Allowed to Additional Offices’ (effective from 1 April 2022).

² Nonetheless, such a specialised type of internal structural units as a mobile cash office was preserved; its establishment and the organisation of its operation are regulated by Bank of Russia Ordinance No.3028-U, dated 22 July 2013, ‘On the Procedure for Opening (Closing) and Managing a Mobile Cash Office of a Bank (Branch)’.

³ Federal Law No.343-FZ, dated 2 July 2021, ‘On Amending the Law of the Russian Federation ‘On the Organisation of Insurance Business in the Russian Federation’ and Certain Laws of the Russian Federation’.

⁴ Bank of Russia Ordinance No.5626-U, dated 19 November 2020, ‘On Maintaining the State Register of Pawnshops by the Bank of Russia’ (effective from 11 January 2021).

legal requirements were removed from the market. As of the end of 2021, 2,231 pawnshops were admitted to the financial market, which is 70% of the number of legal entities put on the register as of 1 January 2021.

Other participants

Federal Law No.259-FZ¹ that regulates the operation of new financial market participants, namely *operators of information systems* where digital financial assets are issued and *digital financial asset exchange operators*, became effective on 1 January 2021. In 2021, the Bank of Russia received and considered applications from operators of information systems where digital assets are issued and digital financial asset exchange operators for being put on the respective registers.

Financial market participants remained interested in the activities of *financial platform operators* (FPOs): in 2021, the Bank of Russia put two FPOs on the register of financial platform operators.

Over the period under review, the Bank of Russia issued the first licence of a *trading system*, as well as registered the rules for on-exchange trading in commodities and the rules for admission to on-exchange trading and admission of commodities.

The Bank of Russia approved the procedure for maintaining the register of audit firms providing audit services to socially important organisations in the financial market and the procedure for the Bank of Russia's inspection of an audit firm's compliance with the requirements of Federal Law No.307-FZ, dated 30 December 2008 'On Audit Activities'² when considering the issue of putting the audit firm on the said register.

2.3.3.2. FINANCIAL INSTRUMENTS

In 2021, the indicators of admission of shares and bonds to the financial market demonstra-

ted steady growth, as compared to 2019 and 2020.

The factors that had a positive influence on the financial market included prudent risk assessments by investors and issuers, the ability of issuers to disclose key information in a clear and easy-to-understand form, and the ability of investors to analyse this information and make an investment decision considering the earlier analysis and their investment goals. However, many experts believed that the situation in the market was unstable. In view of this, as before, a priority of the Bank of Russia is to find a balance that would help limit investors' risks, on the one hand, and preserve and expand companies' access to the capital market, on the other hand.

The Bank of Russia continued to develop the electronic registration of securities issues launched in May 2020 that simplified the submission of documents to the Bank of Russia and reduced companies' costs.

In order to make the electronic registration even more convenient, the Bank of Russia published systematised materials on its website that help issuers prepare electronic documents and provide answers to their most frequently asked questions.

Furthermore, in 2021, the Bank of Russia launched a campaign for speedy consideration of electronically submitted documents for securities issue registration.

As a result, the number of registration actions performed by the Bank of Russia electronically increased considerably. Specifically, in 2021, the Bank of Russia performed over 77% (406 of 522) of registration actions related to the issue of financial institutions' securities electronically (in 2020 H2, this was only 51%, or 84 of 163 actions). The proportion of electronic actions related to the issue of non-financial organisations' securities was smaller than that of financial institutions, as the year before, but it still increased: near-

¹ Federal Law No.259-FZ, dated 31 July 2020, 'On Digital Financial Assets, Digital Currency, and on Amending Certain Laws of the Russian Federation'.

² Bank of Russia Ordinance No.6021-U, dated 20 December 2021, 'On Maintaining by the Bank of Russia of a Register of Audit Firms Providing Audit Services to Socially Important Organisations in the Financial Market' (sent for registration to the Ministry of Justice of the Russian Federation).

AMOUNT OF ISSUE-GRADE SECURITIES ADMITTED TO* AND PLACED IN THE FINANCIAL MARKET**

SHARES					
		Number of issues	Amount of issues		
			Rubles	US dollars	Euros
Admitted to the financial market	2019	2,336	3,362.52 billion	0.04 million	—
	2020	2,214	2,820.41 billion	—	0.006 million
	2021	2,654	2,545.87 billion	—	—
Placed in the financial market	2019	2,345	1,819.14 billion	0.04 million	—
	2020	2,037	1,666.11 billion	—	0.005 million
	2021	2,438	2,299.21 billion	—	—
BONDS					
		Number of issues	Amount of issues		
			Rubles	US dollars	Euros
Admitted to the financial market	2019	1,115	22,986.48 billion	0.87 billion	0.15 billion
	2020	943	7,599.55 billion	1.15 billion	0.80 billion
	2021	1,332	18,709.59 billion	5.98 billion	2.78 billion
Placed in the financial market	2019	923	9,128.76 billion	0.06 billion	0.15 billion
	2020	974	8,074.55 billion	0.50 billion	—
	2021	1,067	17,455.11 billion	3.98 billion	1.41 billion
SHARES AND BONDS, TOTAL					
		Number of issues	Amount of issues		
			Rubles	US dollars	Euros
Admitted to the financial market	2019	3,451	26,349.00 billion	0.87 billion	0.15 billion
	2020	3,157	10,419.96 billion	1.15 billion	0.80 billion
	2021	3,986	21,255.46 billion	5.98 billion	2.78 billion
Placed in the financial market	2019	3,268	10,947.91 billion	0.06 billion	0.15 billion
	2020	3,011	9,740.66 billion	0.50 billion	0.005 million
	2021	3,505	19,754.32 billion	3.98 billion	1.41 billion

* Including securities issues registered by the Bank of Russia, issues of exchange-traded and commercial bonds registered by PJSC Moscow Exchange and National Settlement Depository, as well as share issues registered by registrars.

** Minor discrepancies between the total and the sum of components are due to the rounding of data.

ly 7% (208 of 3,014 actions), as compared to less than 2%, or 27 of 1,603 actions in 2020 H2.

The Bank of Russia continued to provide methodological support to registrars with regard to the registration of securities issues by issuers and carried out meetings to exchange experience. Random checks of registrars' decisions on registration of share issues became a new method in this work. Following the first random check, the Bank of Russia sent recommendations to registrars aimed at ensuring a consistent process of securities admission by the Bank of Russia and registrars and

the clarity and predictability of this process for issuers.

As a result of joint actions of the Bank of Russia and registrars, the proportion of securities issues registered by registrars continues to grow. In 2021, registrars registered nearly 95% of all share issues offered upon the foundation of joint-stock companies (1,383 of 1,462 issues) in contrast to 2020 when this proportion was only 75% (913 of 1,220 issues).

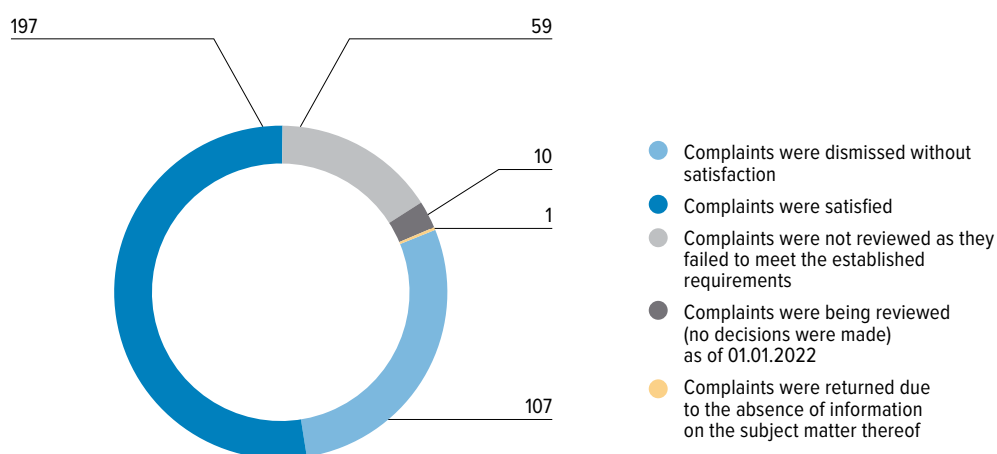
Share issues and additional issues offered through investment platforms that were registered by registrars numbered 54 in 2021 (compared to 10 in 2020).



The Bank of Russia published systematised materials on its website to help issuers prepare electronic documents and provide answers to their questions

STATISTICS OF APPEALS TO THE BANK OF RUSSIA COMPLAINT REVIEW COMMISSION
IN 2021
(UNITS)

Chart 37



2.3.3.3. ACTIVITY OF THE BANK OF RUSSIA COMPLAINT REVIEW COMMISSION RELATED TO DECISIONS ON NON-COMPLIANCE WITH QUALIFICATION AND BUSINESS REPUTATION REQUIREMENTS

The Bank of Russia Commission reviewing complaints about the Bank of Russia's decisions on non-compliance with qualification and/or business reputation requirements established by federal laws (hereinafter, the Commission) started to work on 28 January 2018.

As of 1 January 2022, the number of complaints received by the Commission from the first date of its work totalled 1,089. Of the 889 complaints considered, 523 (59%) were satisfied and 366 (41%) were rejected.

Over 2021, the Commission considered (handled) 374 complaints. Furthermore, in 2021, the Commission received 357 complaints and completed the review of 304 complaints, of which 197 (65%) were satisfied and 107 (35%) were declined. The complaints were considered within the timeframe stipulated by laws.

Complaints from heads of branches (78 complaints), AML/CFT/CFPWMD compliance officers (58 complaints), board of directors

members (39 complaints), and persons acting as the sole executive body (34 complaints) accounted for the highest percentage in the total number of complaints from financial institutions' officials received in 2021.

2.3.3.4. BANK OF RUSSIA LISTS OF PERSONS CONTROLLING FINANCIAL INSTITUTIONS

Federal Law No.23-FZ¹ obliging credit institutions, insurers, and non-governmental pension funds (hereinafter, financial institutions) to regularly submit information on their controlling persons to the Bank of Russia through online accounts and update this information became effective on 1 July 2021.

Additionally, the Bank of Russia was empowered to:

- maintain the lists of persons controlling financial institutions;
- make decisions on recognising a person as a controlling person provided that such person conforms to the established criteria (a person put by the Bank of Russia on this list is entitled to challenge this decision according to the mandatory pre-trial procedure); and
- apply to the arbitration court for interim measures (seizure of persons' funds, securities and real estate) according to the procedure

¹ Federal Law No.23-FZ, dated 24 February 2021, 'On Amending Certain Laws of the Russian Federation with Regard to Ensuring the Responsibility of Controlling Persons of a Financial Institution'

and in the cases envisaged by law, before filing an application for bringing these persons to subsidiary liability and liability in the form of compensation for losses.

The campaign for publishing the initial information on the Bank of Russia website was completed on 22 November 2021¹.

Furthermore, the Bank of Russia prepared the service for accepting anonymous messages about persons controlling financial institutions.

These measures will help enhance the process for bringing the persons who are guilty of a financial institution's bankruptcy to subsidiary liability.

¹ Based on Federal Law No.55-FZ, dated 14 March 2022, 'On Amending Articles 6 and 7 of the Federal Law 'On the Central Bank of the Russian Federation (the Bank of Russia)' and Certain Laws of the Russian Federation with Regard to the Specifics of Changing the Terms of a Loan Agreement' and Article 21 of the Federal Law 'On Amending Certain Laws of the Russian Federation' pursuant to the decision of the Bank of Russia Board of Directors, dated 18 March 2022.

2.3.4. REGULATION

2.3.4.1. CREDIT INSTITUTIONS, BANKING GROUPS, AND BANK HOLDING COMPANIES

Measures aimed at enhancing the credit risk assessment accuracy

In 2021, the Bank of Russia continued the step-by-step introduction of a new standardised (finalised) approach to the credit risk assessment taking into account the provisions of the Basel Committee on Banking Supervision Standard¹ as regards retail lending. Specifically, the Bank of Russia implemented a new method for assessing credit risk² that provides for the use of a reduced risk ratio of 90% for the portfolio of retail loans of quality categories I–III and overdue for up to 90 days.³ An even lower risk weight of 45% can be applied within the finalised approach to the sub-portfolio of individuals' credit cards⁴ if borrowers repay their debts during the grace period.

On 1 October 2021, a new methodology⁵ for assessing credit risk on financial derivatives (FDs) came into force for banks with a universal licence. This methodology complies with the international approaches⁶ and ensures a more accurate credit risk assessment for FDs, which will have a positive effect on the sustainable development of the derivatives market in the Russian Federation. This methodology is applicable to all exchange-traded and over-the-counter (OTC) derivatives, except for transactions transferred to centralised clearing. The new credit risk assessment procedure is based

on the standardised Basel formulas that take into account the type of the underlying asset, the presence or absence of netting and collateral (margin) for FDs to calculate the amount exposed to risk.

Methodology for regulating the internal ratings-based approach to assessing credit risk

In 2021, as part of the stage-by-stage modification of the internal ratings-based (IRB) approach to assessing credit risk for the calculation of capital adequacy ratios stipulated by the standard of the Basel Committee on Banking Supervision,⁷ the Bank of Russia implemented the following key amendments:⁸

- Provided for the possibility not to apply the IRB approach to calculating credit risk for credit claims on sovereign borrowers and financial institutions. In addition, the requirement to simultaneously transfer special-purpose lending transactions and credit claims on corporate borrowers to the IRB approach was cancelled.
- Introduced lower risk ratios and ratios for calculating expected losses in relation to special-purpose lending transactions with sufficient creditworthiness and a remaining maturity of less than 2.5 years.

Transition of all systemically important credit institutions to the IRB approach

In June 2021, the Bank of Russia published the consultation paper *On the Transition of Sys-*

¹ The BCBS document 'Basel III: Finalising post-crisis reforms (December 2017)'.

² Bank of Russia Ordinance No.5886-U, dated 18 August 2021, 'On Amending Bank of Russia Instruction No.199-I, Dated 29 November 2019, 'On Required Ratios and Capital Adequacy Buffers for Banks with a Universal Licence'.

³ Concurrently, the amount of claims on one borrower may not exceed ₪70 million within 0.5% or 3% of the capital of a bank with a universal/basic licence, respectively. The number of loans in the portfolio should be at least 100/50 depending on whether the licence is universal or basic (operational requirements).

⁴ Furthermore, loans in such a portfolio should not be overdue for more than 90 days, be in quality categories I–III, and meet the operational requirements.

⁵ Bank of Russia Regulation No.754-P, dated 12 January 2021, 'On Measuring Credit Risk on Financial Derivatives by Banks with a Universal Licence'.

⁶ The BCBS document 'The standardised approach for measuring counterparty credit risk exposures' (March 2014).

⁷ 'Basel III: Finalising post-crisis reforms' (December 2017).

⁸ Bank of Russia Ordinance No.5849-U, dated 6 July 2021, 'On Amending Bank of Russia Regulation No.483-P, Dated 6 August 2015, 'On the Procedure for Assessing Credit Risk Using the IRB Approach'.

temically Important Credit Institutions to the Internal Ratings-based Approach on its website.

The proposals of the Bank of Russia presented in the consultation paper on the organisation of the process of transition of SICIs to the IRB approach received general support from the banking community.

Measures for maintaining and developing lending, including investment projects

As regards the calculation of required ratios, the following changes were introduced:

- a new risk assessment procedure was implemented for ruble-denominated credit claims secured by ruble-denominated state guarantees of the Russian Federation (using risk ratios of 0–20%), taking into account the conditions of the guarantees provided and the possibility of their revocation by the guarantor;
- a risk ratio of 20% was set for claims backed by insurance coverage from JSC Russian Agency for Export Credit and Investment Insurance, for which a state guarantee of the Russian Federation in rubles was given regardless of whether this guarantee complies with the conditions stipulated for state guarantees of the Russian Federation;
- a risk ratio of 20% was set for ruble-denominated claims on the State Development Corporation VEB.RU (hereinafter, VEB.RF) regardless of the maturity of these claims;
- the effective period of the reduced ratio for risk assessment in project finance at the investment phase under the VEB.RF-based Project Finance Factory programme was extended for five years (through 31 December 2026);

— the effective period of preferential measures implemented¹ in 2018 was extended through 31 December 2024 with regard to the calculation of banks' required ratios for claims on borrowers affected by foreign restrictions and on corporate borrowers registered in the Crimea or Sevastopol.

For credit institutions to make loan loss provisions, in 2021, Bank of Russia Regulation No.590-P² was amended³ due to the distribution of state guarantees of the Russian Federation according to four risk levels depending on the conditions for their provision.⁴

The Bank of Russia extended⁵ through 31 December 2024 the opportunity for banks to make decisions not to downgrade their assessment of borrowers' financial standing, the quality of debt servicing, the quality category of collateral, loans and other assets and contingent credit liabilities determined as of the latest reporting date prior to the imposition of the sanctions when assessing credit risk of sanctioned counterparties for loss provisioning purposes.

Measures aimed at aligning approaches to create regulatory provisions and reserves in accordance with IFRS 9

As part of the alignment of approaches to create regulatory provisions and reserves in accordance with IFRS 9 Financial Instruments, the Bank of Russia published an information letter⁶ on its website that outlines the factors that the Bank of Russia will pay attention to when assessing credit risk for loans classified above quality category IV, if these loans are simultaneously recognised as impaired in accordance with IFRS 9.

¹ Bank of Russia Instruction No.199-I, dated 29 November 2019, 'On Banks' Required Ratios and Capital Adequacy Buffers for Banks with a Universal Licence'.

² Bank of Russia Regulation No.590-P, dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

³ Bank of Russia Ordinance No.5889-U, dated 18 August 2021, 'On Amending Bank of Russia Regulation No.590-P, Dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

⁴ In accordance with Annex 12 to Bank of Russia Instruction No.199-I, dated 29 November 2019, 'On Banks' Required Ratios and Capital Adequacy Buffers for Banks with a Universal Licence'.

⁵ Bank of Russia Information Letter No.IN-03-23/103, dated 27 December 2021, 'On the Specifics of Application of Bank of Russia Regulations'.

⁶ Bank of Russia Information Letter No.IN-03-40/33, dated 25 May 2021, 'On Approaches to Assessing Loss Provisions for Loans, Loan and Similar Debts'.

with the market, developed approaches to special regulation. In June 2021, the Bank of Russia published the consultation paper Regulation of Risks of Banks' Participation in Ecosystems and Investments in Immobilised Assets, and in November – a report on the results of the public discussion of the above mentioned paper. The paper considered several different restrictive scenarios of regulation: from prohibitive (as in most other countries) to more flexible ones, allowing banks to develop ecosystems with adequate coverage of risks by capital.

Following this discussion, the idea of a flexible approach to limit risks was fundamentally supported. Thus, one of the key elements of the new regulation will be a risk sensitive limit, above which excessive immobilised assets will have to be covered by bank capital, and the associated risks will be assumed by banks' shareholders rather than its clients.

Other important elements of the regulation will be an adequate assessment of ecosystem risks as part of banks' internal capital adequacy assessment processes (ICAAPs) and raised capital adequacy requirements for banks developing large ecosystems. The proposed approach will allow banks to develop ecosystems that will contribute to technological progress and broaden customers' experience and, furthermore, limit risks for lenders and depositors and the financial system in general. In 2022, amid foreign sanctions, the Bank of Russia has decided to suspend activities to start regulating risks of banks' participation in ecosystems and investments in immobilised assets. Further

updating of regulation activity plans will depend on the current economic situation.

Improving the procedure for calculating the maximum deposit yields

The procedure¹ for measuring deposit yields by banks was updated in 2021. Now banks measure the maximum possible deposit yield given that if the depositor complies with all deposit terms and supplementary agreements, he/she will make the best profit from depositing his/her funds in a bank. If the maximum deposit yield exceeds the threshold values of its basic level, banks will have to pay higher insurance premiums to the compulsory deposit insurance fund.²

Enhancing the requirements for disclosure of information by credit institution

The Bank of Russia expanded the requirements for disclosure by banks with a universal licence and banking groups of information on the risks they assume.³ In particular, the Bank of Russia prepared requirements for disclosure of information on measuring credit and operational risks pursuant to the new standardised approaches,⁴ on measuring interest rate risk for banking portfolios, and on transactions with parties related to a credit institution (a banking group).

Furthermore, in order to streamline the burden on credit institutions when compiling, submitting and disclosing reports and statements, in 2021, the Bank of Russia cancelled the requirement to disclose information on the

¹ Bank of Russia Ordinance No.5697-U, dated 11 January 2021, 'On the Procedure for Banks to Measure Maximum Yields on Attracted Deposits'.

² In order to maintain the potential of banks to lend to the economy in the current economic situation, in 2021, reduced levels of the base rate, the additional rate, and the increased additional rate of banks' insurance premiums to the compulsory deposit insurance fund remained unchanged. In the first half of the year, the base rate was 0.1% of the calculation base; additional and increased additional rates – 25% and 300% of the base rate, respectively. From Q3, the base rate was set at 0.12% of the calculation base. This measure had a positive effect on the ability of banks to lend to the real economy due to the saved funds.

³ In accordance with Bank of Russia Ordinance No.4482-U, dated 7 August 2017, 'On the Form and Procedure for a Credit Institution (Parent Credit Institution of a Banking Group) to Disclose Information on Risks Assumed, Risk Assessment Procedures and Risk and Capital Management Procedures', in which the Bank of Russia gradually implements the provisions of Pillar 3 'Market Discipline' of Basel II.

⁴ Implemented in Bank of Russia Instruction No.199-I, dated 29 November 2019, 'On Banks' Required Ratios and Capital Adequacy Buffers for Banks with a Universal Licence' and Bank of Russia Regulation No.744-P, dated 7 December 2020 'On the Procedure for Calculating Operational Risk ('Basel III')' and Supervision by the Bank of Russia over the Compliance Therewith', respectively.

geographical distribution of risks to a wide range of users from 1 October 2022.¹

The official website of the Bank of Russia in the section 'Services/Requirements and Recommendations for the Website of Financial Institutions' has an information resource regarding mandatory or recommended disclosure of information by financial institutions on their official websites.²

The resource integrates current regulatory requirements and recommendations, as well as best practices for posting information on the websites of financial institutions, which allows for high-quality notification of financial institutions' clients and increases confidence in the financial system as a whole.

2.3.4.2. INFRASTRUCTURES

Trade organiser

In order to improve the information security of commodity market participants, Federal Law No.330-FZ,³ developed jointly with the Bank of Russia, was adopted; the Law obliges the exchange to ensure the confidentiality of information on OTC contracts, which provide for transferring ownership of commodities admitted to on-exchange trading.

Financial platform operators

Federal Law No.1080911-7,⁴ drafted with the involvement of the Bank of Russia and aimed at improving the regulation of financial platform operators' activities (the Marketplace 2.0 project), was approved by the State Duma in

the first reading. The major amendments to the draft law include:

- expanding the list of persons who may receive financial services on the financial platform;
- enabling the operator of the financial platform to combine its activities with the activities of the operator of the information system, which ensures the issuance of digital financial assets and the digital financial assets exchange operator;
- allowing the financial platform operator to perform the functions of a universal agent for paying compensation for deposits and for receiving from depositors all the necessary documents for this.

In order to protect the rights of consumers of financial services and create conditions for effective supervision over financial platform operators, a procedure⁵ was established to restrict the conduct of certain operations by financial platform operators.

In addition, a procedure⁶ was established enabling operators to terminate the functioning of information systems used for issuing digital financial assets.

Credit history bureaus

In 2021, the Bank of Russia continued to improve the model for regulating the credit information system due to the adoption of Federal Law No.302-FZ.⁷

Specifically, an important innovation was the procedure established by the Bank of Russia for compiling a credit history,⁸ which determines a single list of credit history indicators,

¹ Both as part of information on accepted risks and in explanatory notes to the annual (interim) accounting (financial) statements.

² Bank of Russia Information Letter No.IN-03-23/104, dated 27 December 2021, 'On Posting on the Bank of Russia Website on the Internet an Information Resource Containing a List of Requirements and Recommendations for Information Disclosure on Websites of Financial Institutions and On Cancellation of Bank of Russia Letter No.128-T, Dated 23 October 2009'.

³ Federal Law No.330-FZ, dated 2 July 2021, 'On Amending Article 23 of the Federal Law 'On Organised Trades'.

⁴ Draft Federal Law No.1080911-7 'On Amending Certain Laws of the Russian Federation (as regards the System of Performing Financial Transactions Using a Financial Platform)'.

⁵ Bank of Russia Ordinance No.5761-U, dated 30 March 2021, 'On the Procedure for the Bank of Russia to Restrict Certain Operations Conducted by Financial Platform Operators'.

⁶ Bank of Russia Ordinance No.5828-U, dated 25 June 2021, 'On the Procedure for an Information System Operator, Excluded from the Register of Operators of Information Systems Issuing Digital Financial Assets, to Transfer Consolidated Information Kept in Such Information System on Issuers of Digital Financial Assets as well as on Holders of Digital Financial Assets, Issued Within the Information System, and Their Digital Financial Assets, to an Operator of Another Information System'.

⁷ Federal Law No.302-FZ, dated 31 July 2020, 'On Amending the Federal Law 'On Credit Histories' with Regard to Modernising the System of Credit History Formation'.

⁸ Bank of Russia Regulation No.758-P, dated 11 May 2021, 'On the Procedure for Compiling a Credit History'.



The Bank of Russia established a unified procedure for compiling credit histories

the rules for filling them out and procedural requirements for transferring credit information to credit history bureaus (CHBs). This procedure is aimed at ensuring the same understanding of credit information by all market participants, as well as increasing the predictive power of credit history.

In order to ensure the successful transition of CHBs and credit history compilation sources to a new format for transmitting credit information to CHBs, as well as due to the significant refinement of their information systems necessary for this, the Bank of Russia provided methodological support for the activities of these organisations in the reporting year and also published on its official website Bank of Russia Information Letter No.IN-03-46/106¹ on the non-application of enforcement measures against the credit history compilation sources, users of credit histories and credit bureaus when they implement certain requirements of Federal Law No.218-FZ² and regulatory acts.

To ensure that people better comprehend the assessments of their credit histories, the Bank of Russia set the requirements for the methodology used by credit history bureaus to

calculate a person's individual rating and the scope of information disclosed to this person.³

Furthermore, in the reporting year, the Bank of Russia issued regulations establishing:

- requirements for individual criteria for recognising a CHB as qualified, the procedure for recognising a CHB as qualified, the procedure for de-recognising a CHB as qualified;⁴
- a procedure for determining by the Bank of Russia the average market cost of providing a credit report;⁵
- a procedure and a form for providing by qualified credit bureaus the information on the average monthly payments of credit history makers, as well as data for compiling such information, to credit histories' users;⁶
- requirements for the content and format of a request for a credit report, the rules for searching for information about credit history makers by a CHB (in order to provide a credit report), and the requirements for the form of confirmation by a credit history user of having the credit history maker's consent;⁷
- an improved procedure for credit history bureaus to check that credit history users who are not among the entities monitored (supervised) by the Bank of Russia are in

¹ Bank of Russia Information Letter No.IN-03-46/106, dated 29 December 2021, 'On the Non-application of Enforcement Measures When Implementing Certain Requirements of Federal Law No.218-FZ and Regulations'.

² Federal Law No.218-FZ, dated 30 December 2004, 'On Credit Histories'.

³ Bank of Russia Ordinance No.5970-U, dated 5 October 2021, 'On Requirements for the Methodology to Determine the Individual Rating of a Credit History Maker, for the Composition of Information to be Disclosed When Assigning Such Individual Rating, and on the Procedure for Examining the Quality of Scoring Services Provided by a Credit History Bureau'.

⁴ Bank of Russia Regulation No.743-P, dated 4 December 2020, 'On the Criteria of and Procedure for Recognising Credit History Bureaus as Qualified, and on the Procedure for Making a Decision on the De-recognition of Credit History Bureaus as Qualified'.

⁵ Bank of Russia Ordinance No.5657-U, dated 9 December 2020, 'On the Procedure for the Bank of Russia to Determine the Average Market Cost of a Credit Report'.

⁶ Bank of Russia Ordinance No.5704-U, dated 11 January 2021, 'On the Procedure and Form for Submitting Information on Average Monthly Payments of a Credit History Maker, on the Procedure and Enquiry Form for a Qualified Credit History Bureau to Provide Information Needed to Prepare Information on Average Monthly Payments of a Credit History Maker, as well as on the Procedure for Providing Information Needed to Compile and Provide to Credit History Users Information about the Average Monthly Payments of a Credit History Maker'.

⁷ Bank of Russia Ordinance No.5791-U, dated 11 May 2021, 'On Requirements for the Content and Format of Requests for Obtaining a Credit Report, on Credit History Bureau Rules for Searching Information on a Credit History Maker and on the Form for a Credit History Maker to Confirm his/her Consent'.

compliance with the requirement for having credit history makers' consent to obtain a credit report;¹

- a procedure for cooperation between the Central Catalogue of Credit Histories and CHBs' information systems;²
- requirements for CHBs' risk management and internal control systems and their business continuity plans.³

The Bank of Russia also issued regulations for making corresponding updates on its certain regulations due to amendments to federal legislation and regulations of the Bank of Russia.⁴

2.3.4.3. NON-GOVERNMENTAL PENSION FUNDS

The creation of a system for guaranteeing the right of participants in the non-governmental pension system continued in 2021. The work was supported by the President of the Russian Federation; the draft federal law developed jointly with the Bank of Russia was submitted to the State Duma.⁵ This system is designed to ensure the safety of people's voluntary pension savings by offering them state guarantees similar to the deposit insurance and pension savings guarantee systems. The main principles for building the proposed system are the manda-

tory participation in it of NPFs involved in the operation of the non-governmental pension system, the limitation of the maximum amount of guarantees ensuring the balance and stability of the system, and the coverage by the guarantee of most of pension savings in the non-governmental pension system.

In 2021, a mechanism of resolution⁶ of NPFs was introduced in order to ensure the safe-keeping of residents' pension savings and minimise the negative consequences for the financial market if NPFs lose their financial stability, and this mechanism helps take measures, with the involvement of the Bank of Russia, to prevent NPFs' bankruptcy and restore their solvency.

2.3.4.4. PROFESSIONAL SECURITIES MARKET PARTICIPANTS

In order to protect the rights of investors and prevent the risks of non-return of assets to clients, from October 2021, professional securities market participants (PSMP) should comply with the capital adequacy ratio (CAR) requirement,⁷ which allows PSMPs to cover possible financial losses at their own expense, if credit or market risks materialise. To comply with the CAR, brokers, dealers, managers, and

¹ Bank of Russia Ordinance No.5767-U, Dated 31 March 2021, 'On Amending Clauses 1.3 and 1.7 of Bank of Russia Ordinance No.3646-U, Dated 24 May 2015'.

² Bank of Russia Regulation No.765-P, dated 28 July 2021, 'On Cooperation Between the Central Catalogue of Credit Histories and Credit History Bureaus'.

³ Bank of Russia Regulation No.770-P, dated 18 August 2021, 'On Requirements for the Internal Control System, Risk Management System and Business Continuity at Credit History Bureaus'.

⁴ Bank of Russia Ordinance No.5695-U, dated 11 January 2021, 'On Amending Bank of Russia Ordinance No.3701-U, Dated 29 June 2015, 'On the Procedure for Sending Inquiries to the Central Catalogue of Credit Histories and Receiving Information from It via a Notary'; Bank of Russia Ordinance No.5696-U, dated 11 January 2021, 'On Amending Certain Bank of Russia Regulations Regarding the Operation of the System of Credit Histories'; Bank of Russia Ordinance No.5715-U, dated 1 February 2021, 'On Amending Bank of Russia Ordinance No.3934-U, Dated 18 January 2016, 'On the Procedure for Sending Inquiries to the Central Catalogue of Credit Histories and Receiving Information from It via Post Offices'; Bank of Russia Ordinance No.5649-U, dated 4 December 2020, 'On Amending Certain Bank of Russia Regulations Following Amendments Introduced to the Federal Law 'On Credit Histories'; Bank of Russia Ordinance No.5869-U, dated 28 July 2021, 'On Amending Clause 2.4 of Bank of Russia Ordinance No.1610-U, Dated 31 August 2005, and Bank of Russia Ordinance No.3572-U, Dated 19 February 2015, Due to Amendments Introduced to the Federal Law 'On Credit Histories'; Bank of Russia Ordinance No.5996-U, dated 17 November 2021, 'On Amending Certain Bank of Russia Regulations due to the Adoption of Federal Law No.359-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws'; Bank of Russia Ordinance No.6000-U, dated 24 November 2021, 'On Amending Clause 9 of Annex 1 to Bank of Russia Regulation No.758-P, dated 11 May 2021, 'On the Procedure for Compiling a Credit History'.

⁵ Draft Federal Law No.1185065-7 'On Guaranteeing the Rights of the Non-governmental Pension Funds' Participants in the Course of Non-governmental Pension Provision Activities and On Amending Certain Laws of the Russian Federation'.

⁶ Federal Law No.92-FZ, dated 20 April 2021, 'On Amending Certain Laws of the Russian Federation'.

⁷ Bank of Russia Ordinance No.5873-U, dated 2 August 2021, 'On Setting the Required Capital Adequacy Ratio for Professional Securities Market Participants Engaged in Dealer, Broker, Securities Management and Forex Dealer Activities'.

forex-dealers are required to ensure a reliable level of capital by forming a pool of assets with low risks and asset loss provisions. This will enhance financial stability and improve the quality of PSMPs' risk management.

A liquidity coverage ratio¹ was also set providing for the creation of a stock of highly liquid assets. It allows brokers to continue trading for a month amid significant cash outflows. Compliance with the liquidity coverage ratio (LCR) contributes to the safety of client funds received with the right to use them in the broker's interests and guarantees their return at the client's request no later than on the business day following the date of receipt of the request for refunding.

In order to prevent conflicts of interest and unfair practices among PSMPs, the Bank of

ers) used to provide individual investment recommendations. The new approach to regulating robo-advisors will improve the transparency of transactions carried out with their assistance, protect consumers of financial products from unfair practices, and promote the development of innovative technologies in investment activities.

2.3.4.5. INSURANCE ENTITIES

In 2021, new requirements⁵ for the financial stability and solvency of insurers gradually became effective, establishing a methodology for determining equity (capital) and taking into account the risks of changes in the value of assets when determining the capital adequacy. Thus, on 1 July 2021, requirements for calculating the amount of equity (capital) and requirements⁶ for determining capital adequacy, which



The Bank of Russia began to gradually introduce new requirements for the financial stability and solvency of insurers, establishing a methodology for determining equity capital and taking into account the risks of changes in the value of assets when determining the capital adequacy

Russia has set² comprehensive requirements for identifying and preventing conflicts of interest, as well as for managing them, if they are not prevented.

Requirements for the organisation of a PSMP internal control system³ were set to promptly identify and control unfair practices and reduce risks. The principle of proportionality was implemented when updating the PSMP internal control requirements.

In 2021, the Bank of Russia set requirements⁴ for investment advisory programs (robo-advis-

assume considering the impact of only concentration risk on equity (capital), came into effect. The assessment of the impact of all risks on capital will come into effect from 1 July 2022, and the remaining provisions of Bank of Russia Regulation No.710-P will come into effect from 1 July 2025. Compliance of insurers with these requirements increases the investment attractiveness of the insurance market in general and individual companies in particular. It also helps enhance consumer confidence in the performance by insurers of their obligations.

¹ Bank of Russia Ordinance No.5436-U, dated 13 April 2020, 'On Setting Required Liquidity Coverage Ratio for Brokers, Where Customers Entitle Brokers to Use Their Funds in the Brokers' Interest'.

² Bank of Russia Ordinance No.5899-U, dated 23 August 2021, 'On Mandatory Requirements for Professional Securities Market Participants, Aimed at Identifying the Conflict of Interest, Managing it and Preventing it'.

³ Bank of Russia Ordinance No.5683-U, dated 28 December 2020, 'On Requirements for the Internal Control System of a Professional Securities Market Participant'.

⁴ Bank of Russia Ordinance No.5809-U, dated 3 June 2021, 'On Requirements for Software Programmes to Provide Investment Advisory Services'.

⁵ Bank of Russia Regulation No.710-P, dated 10 January 2020, 'On Certain Requirements for Financial Sustainability and Solvency of Insurers'.

⁶ For insurance companies providing compulsory health insurance, as well as insurance companies with premiums up to ₽2 billion (except for insurers providing CMTPLI), the effective date of Bank of Russia Regulation No.710-P was postponed to 1 January 2022.

In order to implement the approaches specified in the Concept of Requirements for the Calculation of Insurance Reserves, the Bank of Russia issued Bank of Russia Regulation No.781-P,¹ which says that insurance reserves shall be calculated exclusively by actuaries. The estimated value of insurance reserves is presented as a sum of the best estimate of the present value of cash flows associated with insurance (reinsurance) contracts and a risk margin reflecting the cost of capital required to form insurance reserves. The new requirements will make it possible to more accurately calculate the amount of insurance liabilities and, accordingly, better assess the financial resilience of insurers.

In 2021, with the participation of the Bank of Russia, in compliance with the obligations assumed upon the entry of the Russian Federation into the World Trade Organization, the legislation was amended² in order to allow foreign insurers to enter the Russian insurance market starting from 22 August 2021. The adopted Federal Laws specify the procedure for licensing foreign insurers that is possible if they meet the requirements for work experience, financial stability and security deposit,³ as well as regulatory requirements for the foreign insurer activities. In order to implement the provisions of these federal laws, the Bank of Russia issued 19 regulations in 2021. The prepared regulatory and legal framework provided for the preservation of the principle of fair competition

between foreign and Russian insurers and the maintenance of required level of protection for consumers of insurance services.

In 2021, the Bank of Russia completed a large-scale study of insurance, which is a mandatory condition for the provision of certain types of activities (prescribed insurance).⁴ The study findings helped formulate the main problems common for prescribed insurance. They include, in particular, no alternative insurance, which in some cases becomes a barrier to the activities of a policyholder, the imperfection of legal regulation, which makes it possible to artificially narrow the insurance coverage, and the absence in certain areas of proper control over the compliance of a policyholder with the insurance contract obligations.⁵ Further work of the Bank of Russia in this area is aimed at increasing the consumer value of specific types of prescribed insurance.

New minimum requirements for providing investment (ILI) and endowment life insurance (ELI) were set.⁶ Investment and endowment life insurance policies will become effective from the first payment date. The insurance company will not be entitled to deny an insurance claim if any disease, including a socially significant one, is diagnosed during the term of the contract. This will strengthen the risk component of such products and make them more understandable to people. As regards the investment income under ILI contracts, the ILI rules were aligned with the rules for structured income

¹ Bank of Russia Regulation No.781-P, dated 16 November 2021, 'On Requirements for Financial Stability and Solvency of Insurers'.

² Federal Law No.343-FZ, dated 2 July 2021, 'On Amending the Federal Law 'On the Organisation of Insurance Business in the Russian Federation' and Certain Laws of the Russian Federation', Federal Law No.286-FZ, dated 1 July 2021, 'On Amending Article 15.34.1 of the Code of Administrative Offences', Federal Law No.295-FZ, dated 1 July 2021, 'On Amending Articles 927 and 938 of Part Two of the Civil Code of the Russian Federation', Federal Law No.262-FZ, dated 1 July 2021, 'On Amending Article 172.1 of the Criminal Code of the Russian Federation'.

³ Established by the Protocol, dated 16 December 2011, 'On the Accession of the Russian Federation to the Marrakesh Agreement Establishing the World Trade Organization, dated 15 April 1994'.

⁴ Bank of Russia consultation paper Current Situation in the Prescribed Insurance Segment of the Russian Insurance Market was published on the Bank of Russia website on 19 February 2021.

⁵ An extremely low level of insurance payments in prescribed insurance was also recorded: in general, their ratio to insurance premiums for 45 prescribed insurance types between 2017 and 2019 did not exceed 17.2% (vs 68.6% in compulsory and 32.5% in voluntary insurance). Given the large percentage of insurance claim denials, these figures may indicate an insufficient value of certain prescribed types for consumers.

⁶ Bank of Russia Ordinance No.5968-U, dated 5 October 2021, 'On Minimum (Standard) Requirements for the Conditions and Procedure for Voluntary Life Insurance with Periodic Insurance Payments (Rents, Annuities) and (or) a Policyholder's Share in the Insurer's Investment Income, for the Volume and Content of Information Disclosed on Voluntary Life Insurance Contracts Providing for Periodic Insurance Payments (Rents, Annuities) and (or) a Policyholder's Share in the Insurer's Investment Income, and also on the Form, Ways and Procedure for Disclosing Such Information'.

bonds. Also, an insurer is obliged to pre-contractually disclose to an insurance service recipient the information on voluntary insurance contracts in the form of a table (information memo). This information should include, among other things, the historic returns on insurance contracts under which the obligations to pay the term life insurance amount for the previous three calendar years have been terminated. The new requirements became effective on 25 March 2022.

The Bank of Russia continued to monitor regional risks of misconduct in compulsory motor third-party liability insurance (CMTPLI). This monitoring is based on the analysis of performance indicators of insurance companies and corresponding risk profiling of the Russian constituent territories depending on the intensity of and trends in adverse factors associated with the abuse of law, offences and legal offences in this area. Throughout 2021, the Bank of Russia posted four quarterly monitoring reviews on its website in the Insurance/Analytics section. The coordination of efforts of regional authorities and other stakeholders in resolving CMTPLI-related issues was enhanced, taking into account the specifics of the constituent territories of the Russian Federation.

2.3.4.6. MICROFINANCE MARKET ENTITIES

Work to improve the legislation regulating the activities of microfinance market entities continued in 2021. A number of federal laws prepared jointly with the Bank of Russia were adopted:

- Federal Law No.203-FZ,¹ which increases the administrative liability for the illegal provision of consumer loans, and Federal Law No.215-FZ,² which establishes criminal liability for the provision of illegal loans in large amounts by persons not licensed to do so and who have already been subject to administrative penalty for the relevant offence;
- Federal Law No.70-FZ³ aimed at improving the regulation of the ACCC's activities for determining the content of the register of members and associate members of an agricultural cooperative and clarifying the procedure for distributing the property of a liquidated agricultural cooperative among its members and associate members;
- Federal Law No.76-FZ,⁴ which reduces the amount of fines for CCCs and ACCCs (with less than 3,000 members and less than ₹100 million), as well as HSCs for non-compliance with the Bank of Russia's instruction and non-provision of information to the Bank of Russia.

In addition, jointly with the Bank of Russia, a draft federal law,⁵ which provides for a reduction in the daily interest rate from 1% to 0.8%, the full cost of a consumer loan from 365% to 292% per annum, and the maximum amount of all payments under a consumer loan agreement up to 1 year from 1.5 to 1.3 of the amount of the loan issued, was prepared and adopted in the first reading.

In 2021, the following regulations were issued:

- Bank of Russia Ordinances No.6043-U⁶ and No.6044-U,⁷ which specify the procedure

¹ Federal Law No.203-FZ, dated 11 June 2021, 'On Amending the Code of Administrative Offences of the Russian Federation'.

² Federal Law No.215-FZ, dated 11 June 2021, 'On Amending the Criminal Code and Criminal Procedure Code of the Russian Federation'.

³ Federal Law No.70-FZ, dated 5 April 2021, 'On Amending the Federal Law 'On Agricultural Cooperation' and Article 9 of the Federal Law 'On Production Cooperatives'.

⁴ Federal Law No.76-FZ, dated 5 April 2021, 'On Amending the Code of Administrative Offences of the Russian Federation'.

⁵ Draft Federal Law No.22118-B 'On Amending Articles 5 and 6 of the Federal Law 'On Consumer Loans' (in Terms of Improving Legal Regulation of Consumer Lending and Protecting the Rights of Consumers of Financial Services)'.

⁶ Bank of Russia Ordinance No.6043-U, dated 28 December 2021, 'On Economic Ratios of a Microcredit Company' (registered with the Russian Ministry of Justice on 31 January 2022).

⁷ Bank of Russia Ordinance No.6044-U, dated 28 December 2021, 'On Economic Ratios of a Microfinance Company' (registered with the Russian Ministry of Justice on 31 January 2022).

- for calculating the economic ratios of MFOs in order to establish macroprudential limits;
- Bank of Russia Ordinances No.5830-U¹ and No.5831-U,² which establish the procedure for disclosing information on Internet sites to MFOs and CCCs with more than 3,000 members, respectively;
- Bank of Russia Ordinance No.5905-U,³ establishing the procedure, form and timeframe for submitting to the Bank of Russia the information contained in the register of members of a credit consumer credit cooperative (shareholders).

2.3.4.7. NATIONAL PAYMENT SYSTEM PARTICIPANTS

In 2021, the Bank of Russia adopted the National Payment System Development Strategy for 2021–2023, the main goal of which is to provide convenient and affordable payment services to households, businesses, and the state.

As part of its implementation, in order to develop the market of payment services and enhance their affordability, the Bank of Russia designed a model for regulating the new institution of non-bank payment service providers. This model was presented in Bank of Russia's consultation paper [Combining Activity Types in the Financial Market](#) published in August 2021.

The legislation on the National Payment System (NPS) was amended;⁴ this expands

the ability of individuals to conduct transactions with electronic money (e-money) in favour of other individuals with simplified identification. Limits of the maximum e-money balance amount, as well as the total e-money amount transferred within a calendar month, were increased.

In order to implement the amendments to Article 8 of Federal Law No.161-FZ, dated 27 June 2011, 'On the National Payment System' (hereinafter, Federal Law No.161-FZ),⁵ which became effective on 1 June 2021, a regulation⁶ was issued to establish the requirements of the Bank of Russia for payment application providers on enabling money transfer operators' customers to use national payment instruments through a payment application.

As part of the cashless payment development activity, a new version of the regulation,⁷ establishing the rules for the transfer of funds, was issued with the following key amendments:

- establishing the form and procedure for applying a new order on the transfer of funds based on the international standard ISO 20022;
- setting a requirement for banks to use, besides the bank account number, an additional identifier (TIN or FCC)⁸ of legal entities and individual entrepreneurs when transferring funds to their bank accounts that will reduce the risk of receiving funds by improper recipients of funds.

¹ Bank of Russia Ordinance No.5830-U, dated 28 June 2021, 'On Specifying the List, Procedure and Timeframe for Microfinance Organisations to Disclose Information on Their Websites and at Customer Service Points'.

² Bank of Russia Ordinance No.5831-U, dated 28 June 2021, 'On Specifying the List, Procedure and Timeframe for Consumer Credit Cooperatives, Numbering More than Three Thousand Individuals, and/or Legal Entities to Disclose Information on Their Websites'.

³ Bank of Russia Ordinance No.5905-U, dated 26 August 2021, 'On the Procedure, Form and Timeframe for the Submission to the Bank of Russia of the Information Contained in the Register of Members of a Consumer Credit Cooperative (Shareholders)'.

⁴ Federal Law No.187-FZ, dated 11 June 2021, 'On Amending Article 10 of the Federal Law 'On the National Payment System'.

⁵ Pursuant to Federal Law No.499-FZ, dated 30 December 2020, 'On Amending Article 12 of the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control' and Article 8 of the Federal Law 'On the National Payment System'.

⁶ Bank of Russia Ordinance No.5854-U, dated 13 July 2021, 'On Requirements for a Payment Application Provider to Enable the Clients of a Funds Transfer Operator to Use National Payment Instruments Through the Payment Application'.

⁷ Bank of Russia Regulation No.762-P, dated 29 June 2021, 'On Funds Transfer Rules' (issued to replace Bank of Russia Regulation No.383-P, dated 19 June 2012, 'On Funds Transfer Rules').

⁸ TIN – taxpayer identification number, FCC – foreign company code (a taxpayer number assigned to a foreign organisation by a tax authority upon tax registration in the Russian Federation).

As part of the NPS oversight improvements, a regulation was issued,¹ which:

- established the procedure for monitoring operations of payment aggregators, foreign payment service providers, payment application providers, information exchange service operators, and foreign payment system operators;
- improved the Bank of Russia's approaches to overseeing the NPS (including the Bank of Russia's procedure for assessing the activities of overseen organisations and related overseen entities) in accordance with the specifics of the payment services market development and the accumulated practical experience of the Bank of Russia.

Bank of Russia Ordinance No.6031-U² was issued in order to improve the composition or

To tighten control over the activity of payment agents, a draft law on vesting the Bank of Russia with authority to control (supervise) the activity of payment acceptance operators⁴ was prepared and submitted to the State Duma.

2.3.4.8. OTHER PARTICIPANTS

Collective investment market entities (except NPFs)

Bank of Russia Ordinance No.5609-U⁵ became effective on 1 October 2021; its key innovations are aimed, among other things, at raising the awareness of clients of management companies (MC): investors can receive the most important information on unit investment funds (UIFs) whose investment units are not limit-



The most important information on unit investment funds whose investment units are not limited in circulation became available to investors in a simple and single form of a key information document

structure of information submitted to the Bank of Russia in the reports of payment system operators used to make funds transfers in on-exchange trading.

Methodological Recommendations No.18-MR³ were prepared at the customers' request in order to ensure transparency and accessibility of information on conducting transactions with electronic money by e-money operators.

ed in circulation in a simple and single form of a key information document (KID). Information in KIDs is updated on monthly basis — this will make it easier for investors to monitor the effectiveness of investments in UIFs. KIDs and other information about UIFs will be available to investors on the UIF management company's website. Investors can also subscribe to the newsletters free of charge and receive information about UIFs to their e-mails.

¹ Bank of Russia Regulation No.760-P, dated 25 June 2021, 'On the Procedure for Overseeing the National Payment System' issued to replace Bank of Russia Regulation No.380-P, Dated 31 May 2012, 'On the Procedure for Overseeing the National Payment System'.

² Bank of Russia Ordinance No.6031-U, dated 23 December 2021, 'On the Form, Methodology for Compiling, Procedure and Deadlines for Submitting to the Bank of Russia Reports on Payment Systems of Payment System Operators Used to Make Funds Transfers in On-exchange Trading' instead of Bank of Russia Ordinance No.3304-U, dated 27 June 2014.

³ Bank of Russia Methodological Recommendations No.18-MR for Improving the Quality of Money Transfer Services Provided by E-money Operators, dated 1 October 2021.

⁴ Draft Federal Law No.46071-8 'On Amending the Federal Law 'On Accepting Payments of Individuals by Payment Agents' and Certain Laws of the Russian Federation'.

⁵ Bank of Russia Ordinance No.5609-U, dated 2 November 2020, 'On Disclosing, Disseminating and Submitting Information by Joint-stock Investment Funds and the Management Companies of Investment Funds, Unit Investment Funds, and Non-governmental Pension Funds, and on Requirements for Calculating Return on Investment Activities of a Joint-stock Investment Fund and the Management Company of a Unit Investment Fund'.

The same Bank of Russia Ordinance released MCs from the obligation to send information to the Bank of Russia before its disclosure that reduced the burden on MCs.

Audit firms in the financial market

Federal Law No.359-FZ¹ was adopted in 2021. This law increased the requirements for audit firms providing audit services to socially important organisations in the financial market (AFFM) and the requirement for conducting such an audit, including the disclosure of information in audit reports.

Also, Federal Law No.359-FZ vests the Bank of Russia with a number of powers to control and supervise audit services provided in the financial market. In 2021, to implement provisions of this Law, the Bank of Russia issued regulations establishing:

- a procedure for the Bank of Russia to maintain a register of audit firms providing audit services to socially important organisations in the financial market,² and a procedure for deleting information about AFFMs from the register;³
- a procedure for approving the documents of SRO auditors with the Bank of Russia;⁴
- regulation of relations connected with the maintenance by the Bank of Russia of a database of persons providing professional

services in the financial market, including services for AFFMs;⁵

- a procedure for interaction between the Bank of Russia and AFFMs when they use information resources of the Bank of Russia and personal accounts.⁶

Actuarial activity

Federal Law No.194-FZ,⁷ developed jointly with the Bank of Russia, was adopted in 2021. The law is aimed at improving the regulation of actuarial activities and providing for the following major changes:

- a responsible actuary shall verify actuarial reports on the results of a mandatory actuarial valuation of the activities of a non-governmental pension fund, an insurance company engaged in voluntary life insurance, compulsory insurance provided for by the federal law on a specific type of compulsory insurance, and reinsurance;
- the list of grounds for the Bank of Russia to take a decision to delete information about a responsible actuary from the unified register of responsible actuaries was improved and supplemented;
- the Law requires that insurance reserves when they are formed by the insurer shall be calculated by an actuary, and it also clarifies the role of an actuary in calculating the

¹ Federal Law No.359-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws'.

² Bank of Russia Ordinance No.6021-U, dated 20 December 2021, 'On Maintaining by the Bank of Russia of a Register of Audit Firms Providing Audit Services to Socially Important Organisations in the Financial Market' (sent for registration to Russia's Ministry of Justice).

³ Bank of Russia Ordinance No.6035-U, dated 24 December 2021, 'On the Procedure for Deleting Information about an Audit Firm from the Register of Audit Firms Providing Audit Services to Socially Important Organisations in the Financial Market, and the Procedure for Disclosing Information by the Bank of Russia about the Grounds for Making a Decision to Delete Information About an Audit Firm from the Said Register (sent for registration to Russia's Ministry of Justice).

⁴ Bank of Russia Ordinance No.6036-U, dated 24 December 2021, 'On the Procedure for Approving Documents of a Self-regulatory Organisation of Auditors with the Bank of Russia in Terms of Provisions Regarding the Activity of Audit Firms Entered by the Bank of Russia into the Register of Audit Firms Providing Audit Services to Socially Important Organisations in the Financial Market, as well as for Preliminary Approving with the Bank of Russia the Regulation on the Committee of Audit Firms in the Financial Market' (sent for registration to Russia's Ministry of Justice).

⁵ Bank of Russia Ordinance No.6034-U, dated 23 December 2021, 'On the Procedure for Maintaining by the Bank of Russia the Database Provided for by Article 76.9-10 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', on Establishing a Request Form to Provide a Person with Information on the Availability (Absence) of Information About Him/Her in the Specified Database, a List of Documents and Information Attached to the Request and the Procedure for Sending Them to the Bank of Russia, as well as the Procedure for the Bank of Russia to Send a Response to the Specified Request' (sent for registration to Russia's Ministry of Justice).

⁶ Bank of Russia Ordinance No.5969-U, dated 5 October 2021, 'On the Procedure for the Bank of Russia to Interact with Credit Institutions, Non-bank Financial Institutions, Providers of Professional Services in the Financial Market and Other Parties to Information Exchange via Bank of Russia Information Resources, Including Personal Accounts'.

⁷ Federal Law No.194-FZ, dated 11 June 2021, 'On Amending the Federal Law 'On Actuarial Activities in the Russian Federation' and Certain Laws of the Russian Federation' (effective since 10 September 2021).

amount of liabilities under compulsory pension insurance and non-governmental pension support contracts.

In order to exercise the new powers provided for by the Federal Law No.194-FZ, the Bank of Russia issued Ordinance No.6009-U,¹ establishing the requirements for reporting the results of the verification of an actuarial report, the procedure and timeframes for its submission and publication.

Self-regulatory organisations in the financial market

In 2021, the Bank of Russia issued Ordinance No.5764-U² setting additional requirements for the content in the basic corporate governance standard of consumer credit cooperatives of provisions on the procedure for confirming and verifying the compliance of persons joining a credit cooperative with the credit cooperative association principles.

In order to develop the statutory provisions on testing individuals who are not qualified investors when their orders are executed by brokers, forex dealers, trustees, management companies of investment funds, unit investment funds and non-governmental pension funds, the Bank of Russia issued Ordinances No.5825-U,³ No.5826-U,⁴ and No.5827-U.⁵

These regulations require that basic standards for protecting the rights and interests of individuals and legal entities who receive

financial services include provisions on their testing, as well as on the form and procedure for notifying individuals of test results.

In 2021, the Bank of Russia approved basic standards developed by financial market self-regulatory organisations (SRO), which include provisions on testing, in particular:

- standards for protecting the rights and interests of individuals and legal entities who receive financial services provided by SRO members, comprising brokers,⁶ managers, forex dealers, and management companies of investment funds, unit investment funds, and non-governmental pension funds;⁷
- a standard for conducting transactions in the financial market during operations of a forex dealer.⁸

In addition, in 2021, the Bank of Russia approved the following basic SRO standards:

- standards for protecting the rights and interests of individuals and legal entities receiving financial services provided by members of the financial market SROs, comprising non-governmental pension funds,⁹ as well as registrars;¹⁰
- a standard for a registrar's operations in the financial market;¹¹
- an internal control standard for non-governmental pension funds.¹²

In total, at the end of 2021, there were 24 basic standards that define the requirements for the activities of microfinance organisations,

¹ Bank of Russia Ordinance No.6009-U, dated 13 December 2021, 'On the Requirements for Reporting the Results of the Verification of an Actuarial Report, the Procedure and Timeframes for its Submission and Publication'.

² Bank of Russia Ordinance No.5764-U, dated 31 March 2021, 'On Amending Clause 3.2 of Bank of Russia Ordinance No.4027-U, Dated 30 May 2016, 'On the List of Mandatory Basic Standards and Requirements for Their Content to be Developed by Financial Market Self-regulatory Organisations Comprising Microfinance Organisations and Consumer Credit Cooperatives, and on the List of Financial Market Operations (Activity Types) to be Standardised Depending on the Activity Types of Financial Institutions'.

³ Bank of Russia Ordinance No.5825-U, dated 22 June 2021, 'On Amending Clause 2.3 of Bank of Russia Ordinance No.5202-U, Dated 15 July 2019'.

⁴ Bank of Russia Ordinance No.5826-U, dated 22 June 2021, 'On Amending Bank of Russia Ordinance No.4270-U, Dated 25 January 2017'.

⁵ Bank of Russia Ordinance No.5827-U, Dated 25 June 2021, 'On Amending Clause 1 of Bank of Russia Ordinance No.4585-U, Dated 26 October 2017'.

⁶ Minutes No.KFNP-28, dated 19 August 2021.

⁷ Minutes No.KFNP-33, dated 23 September 2021.

⁸ Minutes No.KFNP-33, dated 23 September 2021.

⁹ Minutes No.KFNP-18, dated 10 June 2021.

¹⁰ Minutes No.KFNP-36, dated 21 October 2021.

¹¹ Minutes No.KFNP-19, dated 17 June 2021.

¹² Minutes No.KFNP-39, dated 18 November 2021.

consumer credit cooperatives, brokers, depositors, forex dealers, insurance companies, insurance brokers, investment advisers, non-governmental pension funds, registrars, joint-stock investment funds and management companies of investment funds, unit investment funds and non-governmental pension funds.

In 2021, the Bank of Russia continued to develop the institution of self-regulation of credit cooperation entities. The Committee for ACCC Standards at the Bank of Russia approved the following basic standards:

- a standard for ACCCs' operations in the financial market;¹
- a standard for the ACCC corporate governance;²
- a standard for ACCC risks management;³
- a standard for protecting the rights and interests of individuals and legal entities receiving financial services provided by members of the financial market self-regulatory organisations, comprising ACCCs.⁴

2.3.4.9. STREAMLINING REGULATORY BURDEN ON FINANCIAL MARKET PARTICIPANTS

In 2021, the Bank of Russia, together with market participants, as part of the Working Group on Streamlining the Regulatory Burden on Financial Market Participants (hereinafter, the Working Group), continued to reduce the regulatory burden and financial costs for business-

es to comply with supervision requirements. During the reporting period, the Working Group reviewed 56 initiatives of market participants to optimise the regulatory burden, of which 30 were ultimately supported. In total, from August 2019 through December 2021, 167 initiatives were implemented, of which 93 for 2021. Most of supported and implemented initiatives were aimed at reducing the burden on reporting. The economic effect of 50 initiatives implemented by the Bank of Russia was estimated at about ₹17 billion a year.

Over the entire period of the Working Group's activity, the greatest success was achieved in optimising the procedure for compiling financial reports by credit and non-bank financial institutions (13 and 40 initiatives, respectively). In addition, the regulation of the banking sector was optimised (34 initiatives) – collisions and excessive requirements for organising activities were eliminated, the administrative burden in the form of supervisory measures was reduced, excessive or irrelevant requirements in the field of regulation of professional participants (18 initiatives) and admission rules (17 initiatives) were cancelled, and AML/CFT requirements (11 initiatives) were improved. The remaining 34 initiatives were aimed at improving the regulation of the microfinance and insurance markets, corporate relations, the collective investment market, as well as the payment system functioning.

¹ Minutes No.2, dated 26 November 2021, and No.4, dated 9 February 2022.

² Minutes No.2, dated 26 November 2021, and No.4, dated 9 February 2022.

³ Minutes No.2, dated 26 November 2021.

⁴ Minutes No.3, dated 21 December 2021.

2.3.5. SUPERVISION

2.3.5.1. OFF-SITE SUPERVISION

2.3.5.1.1. Credit institutions, banking groups, and bank holding companies

Supervision over credit institutions (CIs) was exercised taking into account the principles of proportional regulation, as well as the specifics of activities corresponding to the type of licence issued to a CI.

Consolidated supervision

At the end of 2021, 29 supervisory groups exercised consolidated supervision over the activities of associations of credit institutions and non-bank financial institutions (NFIs).

The process of consolidated supervision provided for the formation of a composite risk profile for the merger of a credit institution and an NFI based on the following components:

- prudential banking supervision;
- corporate governance;
- the risk of using the services of a financial institution for ML/TF purposes;
- information security and cyber resilience;
- conduct supervision;
- misconduct.

On the basis of the assigned composite risk profile, a plan of supervisory measures in relation to financial associations was prepared (updated).

Key supervisory issues

An important component of the supervisory process was the **analysis of business models of credit institutions** that made it possible to identify risks, shortcomings and vulnerabilities in the activities of supervised credit institutions at an early stage.

To analyse the business models and development strategies of banks in 2021, an effective tool kit for identifying risks was developed using a special set of financial indicators, a clustering system for banks, and an algo-

rithm for analysing the qualitative characteristics of a bank.

In 2021, amid the rapid growth in consumer lending and the associated increase in the level of the debt burden of households, supervisors paid their close attention to **the analysis of internal methods of credit institutions developed to calculate the indicator of the debt burden of individuals** for their compliance with the current legislation.

The Bank of Russia also actively worked to **identify and suppress non-transparent cross-border transactions by credit institutions**, namely those conducted in favour of non-resident companies engaged in illegal bookmaking, gambling, and operations of illegal participants in the financial market.

Risk-based advisory supervision

As part of advisory supervision, meetings and workshops were regularly held with the top management of credit institutions and beneficiaries to discuss identified significant risks, the business model being implemented by supervised credit institutions and banking groups, and routine activity issues.

Meetings with credit institutions, including SICIs, were held throughout 2021. At the meetings, along with issues of routine activities, the parties discussed the implementation of the development strategy, financial indicators and business plans of banks. The issues of assessing ICAAPs and FSRPs, the adaptation of a credit institution to volatility in financial markets and the impact of the coronavirus infection pandemic, including its impact on the financial stability of credit institutions during a gradual (since 1 April 2021 and 1 July 2021) exit from the regime of regulatory easing, were also considered.

Analysis of the internal capital adequacy assessment process (ICAAP)

In 2021, the Bank of Russia conducted an ICAAP analysis of 208¹ banks with a universal

¹ 196 credit institutions supervised by the Service for Ongoing Banking Supervision (SOBS), and 12 credit institutions supervised by the Systemically Important Banks Supervision Department (SIBSD).

licence both on a solo and consolidated basis for 2020. The results of the analysis demonstrated a rather high level of maturity of risk management in the banking sector.

Nevertheless, during the analysis, some problems and shortcomings were identified in the activity of certain banks. As a rule, their main reasons were excess limits set for risks, violation of required ratios, non-compliance of the risk management system with the level and nature of the activity. Based on the ICAAP assessment findings, recommendations and requests were sent to banks to eliminate identified deficiencies, including requirements to establish an additional capital buffer.

Supervision of the use of the IRB approach

In 2021, the Bank of Russia continued to assess the methods and models used by banks to determine the amount of credit risk based on internal ratings. Thus, the Bank of Russia permitted one SICI to use the IRB approach and continued the assessment of methods and models of two SICIs that had already been using the IRB approach for a part of the loan portfolio and implementing plans to gradually transfer the remaining credit claim segments to the IRB approach.

Contrastingly, the Bank of Russia improved the process of supervising the use of the IRB approach by banks after granting permission. For example, starting from 1 April 2021, banks using the IRB approach to determine the credit risk level began to submit new reporting forms to the Bank of Russia. Banks were involved in the implementation and optimisation of an information system for ensuring the validation of models for quantitative risk assessment and subsequent monitoring of their use; the system was designed to automate and systematise the process of supervision over banks using the IRB approach.

Improving the methodology for developing and presenting financial stability recovery plans of credit institutions

In 2021, the Bank of Russia issued new recommendations for developing financial stability recovery plans.¹ These recommendations reflect aspects related to stress scenarios, financial recovery activities, their planning, plan activation indicators, as well as other issues, and contain examples of international best practice.

Development of supervisory stress testing

The development of supervisory stress testing in 2021 was focused on piloting an expanded format of supervisory stress testing (SST) using the bottom-up method.² The 2021 bottom-up SST included 30 largest banks with a total share in banking sector assets of more than 80%, which were representative of the banking sector. After interruption caused by coronavirus, the annual bottom-up SST was intensified across all segments – methodology, analytics, and participants' interaction.

The Bank of Russia analysed both structural risks and portfolio positions, as well as the largest individual positions of each bank. The materials of each bank were supplemented by the results of calculations based on the models of the Bank of Russia and benchmarks by groups of comparable banks (peer analysis). The received analytical reports were considered jointly with banks, and then the final results of the stress test were prepared. The assessment for each bank included both quantitative result of passing a stress test that is compliance with the established capital adequacy ratios under stress, and the qualitative risk assessment indicators and the stress testing procedure. In general, the results of the bottom-up SST showed a fairly high stability of the sector, taking into account the capital cushion accumulated in recent years by banks, however,

¹ Bank of Russia Information Letter No.IN-03-23/95, dated 15 December 2021, 'On Recommendations Regarding Certain Issues of Development and Updating of Financial Stability Recovery Plans by Credit Institutions and Interaction with the Bank of Russia in the Course of Their Implementation'.

² Supervisory stress testing using the bottom-up method (bottom-up SST) assumes that banks calculate stress tests independently using their own forecasting models according to a single stress scenario, while the Bank of Russia verifies, adjusts and summarises results.

there are some banks that are more sensitive to stress than others.

Improving the control system for various types of risks of credit and non-bank financial institutions¹

In 2021, the Bank of Russia analysed about 600 groups of companies and major borrowers,² whose total debt burden, including related companies, exceeds ₹58 trillion. As part of the credit risk assessment of the mass segment for 2021, more than 15,000 loans of legal entities totalling ₹3.3 trillion were analysed, 47 expert opinions were prepared with an assessment of retail loan portfolios totalling more than ₹5 trillion, including, among other things, an analysis of 388 internal regulatory documents of credit institutions. Procedures and approaches of banks regarding decisions on granting loans, assessing the financial position of individuals, the procedure for creating provisions, assessing expected credit losses and the sufficiency of the created provisions were analysed as well.

An examination of secured assets accepted by credit institutions as collateral for loans, within which the actual availability and legal status of the secured asset were established, and a judgement on the secured asset's value was made, is an element of the comprehensive assessment of potential credit losses. In 2021, the Bank of Russia assessed more than 5,700 assets, examined more than 10,000 secured assets, and continued to work on the introduction of a collateral registry.

As part of the market risk analysis in 2021, 372 reports were prepared regarding 123 credit institutions on the assessment of the fair value of securities and financial derivatives, the quality categories of security issues, the financial standing of their issuers, and the analysis of transactions with financial instruments. The average monthly volume of the security portfolios of credit institutions analysed as part of

a regular analysis amounted to about ₹3.4 trillion.

As part of the assessment of the quality of the operational risk management system in a credit institution, including the assessment of the quality of business continuity and recovery plans, 3,210 internal regulatory documents were analysed and 175 reports on 153 credit institutions were prepared.

Supervisory measures aimed at ensuring information security

As part of the improvement of supervisory measures in respect of credit institutions, cyber security training was organised, including simulations of real information security threats, and the ability of credit institutions to timely identify these threats and respond to them was analysed.

Supervisory response

Information on the measures applied to credit institutions in 2021 is presented in [Table 35 of Section 5.4 'Statistical Tables'](#).

In 2021, pursuant to Article 74 of Federal Law No.86-FZ and Article 20 of Federal Law No.395-1, the Bank of Russia revoked³ banking licences⁴ from 26 credit institutions (in 2020, from 16 credit institutions).

The grounds for revocation were:

- in 23 cases — failure to comply with federal banking laws and Bank of Russia regulations, if the measures provided for by Federal Law No.86-FZ were repeatedly applied to a credit institution over the course of one year;
- in 14 cases — repeated violations within a year of the requirements of the Federal Law No.115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (hereinafter, Federal Law No.115-FZ), and related Bank of Russia regulations;

¹ The information in this block is based on data from the Risk Analysis Service of the Bank of Russia.

² The credit risk assessment of the largest borrowers and groups of companies includes financial rating, the quality of debt servicing, and confirmation of the intended use of loans.

³ Licences were revoked on two and more grounds.

⁴ Licences of credit institutions could be revoked on several grounds simultaneously.

- in four cases — the values of all equity capital adequacy ratios of a credit institutions dropped below 2%;
- in three cases — the amount of equity capital of a credit institution dropped below the minimum level of authorised capital set as of the date of its state registration.

In addition, during the reporting period, the Bank of Russia cancelled the licences of six credit institutions, as their shareholders (members) decided on voluntary liquidation.

2.3.5.1.2. Infrastructures

Trade organisers and clearing houses (including those acting as central counterparties)

Based on the results of supervisory measures, the Bank of Russia identified a non-standard practice, when certain traders conducted regular transactions¹ with exchange-traded unit investment funds. Following the joint efforts of the Bank of Russia with the Exchange and traders, the scale of such malpractice was significantly reduced.

According to the results of supervisory measures, the Bank of Russia identified the risks of traders in transactions involving a supply controller in the exchange market of petroleum products (a large seller, a clearing participant operating on a fully prepaid basis) and took measures to limit them. Rating agencies began to assess the risks of supply controllers for clearing organisation.

In order to tighten control over traders in commodity markets, the Saint Petersburg International Mercantile Exchange developed and implemented a methodology for identifying unfair trading practices based on the approaches recommended by the Bank of Russia. The Bank of Russia and Federal Antimonopoly Service (FAS) published a [joint press release](#) on tightening control by stock exchanges over traders and preventing such trading misbehaviours by traders in the future. This joint activity resulted in a significant decrease in such malpractices.

Due to the plans of Russian stock exchanges to start trading in Russian ruble-denominated stocks with settlements in foreign currency, the Bank of Russia publicly expressed its position in the [press release](#) that, despite the absence of regulatory restrictions, the spread and level of such malpractice could have a negative effect on the stability of the financial market and the national currency.

As two new central counterparties entered the market in 2020, the process of submission by central counterparties of daily information on their transactions was verified; this helped identify a problem with interpreting the Bank of Russia's requirements for the submitted information. In this regard, relevant clarifications were made to the central counterparties. As a result, the quality of the submitted reports significantly improved. These reports can be used by the Bank of Russia to analyse the current situation in the financial market.

Accounting infrastructure organisations

In 2021, in addition to supervision activities related to the assessment of operations, the Bank of Russia also focused on assessing the quality of corporate governance and operational risk in accounting infrastructure organisations.

The findings of a study for assessing the quality of corporate governance of large accounting institutions helped identify shortcomings of the organisation of internal procedures for control by the management of infrastructure organisations over the operational quality of their risk management systems, internal control and internal audit. The Bank of Russia held discussions with supervised institutions and sent them individual recommendations on the preparation of action plans to improve the quality of corporate governance.

As part of the improvement of the accounting infrastructure's operational risk management system, the Bank of Russia assessed the functioning of IT systems and other aspects of the operational risk management system

¹ Transaction parameters enable traders to receive an additional unfair income due to rounding the amounts when making payments for transactions.

at large accounting infrastructure institutions and addressed appropriate recommendations on identified risk areas.

In order to develop supervision over registrars, as well as to transfer regulatory requirements to the scope of control of a self-regulatory organisation, the Bank of Russia approved the Basic standard for a registrar's operations in the financial market.¹

The amendments to the legislation on the securities market, which came into force in 2021, allowed registrars to combine their activities with those of depositories and specialised depositories. This was the first supervised entity combining three types of activities.

Platform services

Throughout the year, the Bank of Russia developed advisory supervision over platform service operators and control over operational risks, including the IT infrastructure enabling the continuity of platform service operators' activity. Further to the problems identified, the Bank of Russia provided the following clarifications:

- for finance platform operators (FPOs) and investment platform operators (IPOs) — on controlling risks of functional failures and the procedure for disclosing information;²
- for IPOs — on the nominal account pattern, on the specifics of making investments by individuals, on requirements for persons raising investments, and on the procedure for concluding investment agreements.³

As part of the off-site supervision, the Bank of Russia monitored changes in the business models and strategies of FPOs due to the expansion of the list of financial services offered, checked IPOs for compliance with the procedure for measuring their capital, and the procedure for concluding investment agreements.

No significant risks were identified in the activities of platform service operators ac-

cording to the results of supervisory measures taken.

Credit rating agencies

The demand for credit ratings of Russian credit rating agencies (CRAs) as the key credit risk indicator increased significantly.

In 2021, as part of the supervision over CRAs, particular attention was paid to the assessment of methodologies and the procedure for assigning credit ratings. Based on the results of the measures taken, the Bank of Russia issued recommendations for improving the quality of such methodologies. The Bank of Russia also took measures to increase the efficiency of the internal control over CRAs that should be responsible for compliance with regulatory requirements for CRAs' activities.

In order to enable the comparison of rated persons having ratings from various credit rating agencies, the Bank of Russia published [a comparison table for rating scales of Russian credit rating agencies](#) on its website.

Credit history bureaus

In 2021, the Bank of Russia excluded two organisations from the state register of credit history bureaus (CHBs) (one CHB — based on its own application, the other — due to violations of the Law of the Russian Federation). The credit histories kept in these CHBs were sold through auction sales: in one case, the Bank of Russia acted as the organiser of the auction.

Based on CHBs' written statements and information confirming CHBs' compliance with the criteria established by the Bank of Russia, three CHBs were recognised as qualified. Such CHBs meet increased requirements and will have to provide, in the manner established by the Bank of Russia, information on the average monthly payments of an individual for calculating his debt (payment) burden.

¹ The Basic standard for a registrar's operations in the financial market establishes uniform procedures for the whole industry for processing documents and making entries in register maintenance systems when holders and issuers of securities carry out their transactions.

² Bank of Russia Information Letter No.IN-015-34/68, dated 3 September 2021, 'On Controlling Risks of Functional Failures'.

³ Bank of Russia Information Letter No.IN-015-34/79, dated 18 October 2021, 'On the Issues Related to the Activity for Organising Investment Raising Using Investment Platforms'.

In 2021, the Bank of Russia, for the first time, determined the value of the average market cost of providing a credit report for 2022 – ₽3.46, which is used by qualified CHBs to calculate the limit value for the cost of providing information on average monthly payments. The value of the average market cost of providing a credit report is determined by the Bank of Russia annually and published on the Bank of Russia website.

As part of the control and supervision over CHBs' activities, the Bank of Russia sent nine orders to eliminate the violations identified in CHBs' activities, initiated seven administrative offence cases, sent recommendations to one CHB on reducing the level of risks identified in CHBs' activities.

2.3.5.1.3. Non-governmental pension funds

In 2021, risk-based supervision of non-governmental pension funds (NPFs) developed. The Bank of Russia formed and analysed possible individual prerequisites for assessing financial stability and conducting stress testing for 36 NPFs. Their applicability to specific NPFs was determined based on the results of the analysis. It was decided to revise the prerequisites for each NPF at least twice a year when updating the mandatory stress testing scenarios, as well as if additional scenario stress testing is required.

The Bank of Russia also developed a methodology for classifying non-governmental pension support (NPS) products and triggers for changing key parameters of NPS products.

The plan to restore the solvency of one NPF was fully implemented (the first case for the NPF market in accordance with Federal Law No.127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (hereinafter, Federal Law No.127-FZ).

Given this fact, based on the results of stress testing, all NPFs comply with the requirements for the sufficiency of their assets to fulfil their obligations.

The Bank of Russia supplemented its internal Methodology for monitoring transactions on the placement of pension reserves and investment of pension savings of non-governmental pension funds for compliance with the best conditions available for non-governmental pension funds with provisions on transactions with floating-rate bonds.

In 2021, 2,359 transactions with ordinary bonds, 326 transactions with floating-rate bonds, 14 deposit agreements, and one transaction with shares were assessed for compliance with the fiduciary duties of NPFs.

Consequently, seven transactions with ordinary bonds were recognised as not meeting the best available conditions. Due to the violation of fiduciary duties, the Bank of Russia notified NPFs of the signs of violations of the calculation of funds to be replenished. The NPF voluntarily compensated the required amount in the portfolio of pension reserves from its own funds.

As part of the 2021 transition campaign, in order to prevent illegal transfers of insured persons, the Bank of Russia monitored the situation with filing applications to change an insurer, notifications of refusal to change an insurer, as well as with concluding contracts on mandatory pension insurance. According to the information provided by the PFR, about 115,000 applications for an unscheduled change of insurers were submitted in 2021, which corresponded to the level of 2020, while slightly more than half of the applications were submitted for the transfer to the PFR.

In 2021, the trend towards a reduction in losses of residents due to an early change of a pension fund maintained. By law, an individual loses part of the investment income accrued on pension savings if he/she changes the fund more than once every five years. Due to the change in the transition rules in 2019,¹ as well as the regulator's supervision of how NPFs attract new clients, the number of such unscheduled transitions is decreasing: as of the end of 2020, they decreased by 2.4 times compared

¹ Bank of Russia Ordinance No.5277-U, dated 1 October 2019, 'On Approving the Standard Form of the Mandatory Pension Insurance Agreement' took effect on 1 January 2020. According to this document, an NPF agreement on mandatory pension insurance (MPI) should be signed exclusively by a sole executive authority.

to the previous year, and as of the end of 2019, they decreased six times compared to 2018, and 18 times compared to 2017. This means that residents have begun to consider the issue of changing a pension fund more consciously.

As part of the improvement of supervisory measures, NPFs received cyber security training, which included simulations of real information security threats and an analysis of the NPFs' ability to timely identify these threats and respond to them. During supervisory activities, much attention was also paid to information security issues.

In 2021, the Bank of Russia took supervisory measures in response to the facts of non-compliance with the pension legislation requirements:

- 75 orders to eliminate the violations (including 13 after reviewing the audit reports' findings), 61 orders as part of the supervisory communication on the identified facts of non-compliance with the law (including three orders following audit reports' findings), as well as 661 orders and requests for information, were sent to NPFs and their management companies;
- four administrative offence reports in respect of NPFs, three administrative offence reports in respect of NPF officials, and one report in respect of an NPF's management company were issued.

The Bank of Russia also cancelled the licence of one NPF on the ground of a voluntary licence waiver application.

2.3.5.1.4. Professional securities market participants

In 2021, individuals displayed a greater interest in stock market instruments. In this regard, the

Bank of Russia worked with the professional securities market participants engaged in brokerage activities aimed at reducing the risks of their clients. The need for such work was due to the specifics of the existing business models, which imply the use of temporarily free client assets in the interest of brokers by making transactions with companies controlled by brokers, whose activity is not regulated by the Bank of Russia.

As the new requirements regarding capital adequacy¹ and liquidity coverage ratios² (CAR and LCR) entered into force, the Bank of Russia monitored the readiness of market participants to comply with the minimum CAR and LCR amounts, and also held supervisory activities to assess the correctness of the calculation of the ratios.

The issue of limiting the growth of sales of complex structured products to non-qualified investors remained relevant. As a result of supervisory activities, the volume of structured instruments in the portfolios of individuals-non-qualified investors decreased in 2021 by about a third due to supervisory measures taken.

Concurrently, investment products, including those contingent on financial indicators, are often developed, calculated and distributed by persons affiliated with financial intermediaries. In this regard, the Bank of Russia assessed the activities of entities affiliated with financial intermediaries, identified potential risks for consumers of financial instruments, and took appropriate supervisory measures.

In the reporting year, the Bank of Russia assessed the procedure for executing orders from PSMPs' clients. Activities of a number of large brokers were analysed for this purpose; the



The volume of structured instruments in the portfolios of individuals — non-qualified investors decreased by about a third due to supervisory measures

¹ Bank of Russia Ordinance No. 5873-U, dated 2 August 2021, 'On Setting the Required Capital Adequacy Ratio for Professional Securities Market Participants Engaged in Dealer, Broker, Securities Management and Forex Dealer Activities'.

² Bank of Russia Ordinance No. 5436-U, dated 13 April 2020, 'On Setting Required Liquidity Coverage Ratio for Brokers, Where Customers Entitle Brokers to Use Their Funds in the Brokers' Interest'.

analysis showed that some of them carried out transactions not on the best terms for their clients, which resulted in increased client costs.

In 2021, the number of issued individual investment recommendations increased; this indicated a high demand for the services of investment advisers. Concurrently, in a number of cases, individual advisers included a warning in their recommendations that the information provided to clients was not an individual investment recommendation. The purpose of such warnings was an attempt to limit the liability and not comply with the requirements for the recommendations of investment advisers. In this regard, the Bank of Russia sent a clarification to self-regulatory organisations, according to which the information provided to clients could be recognised as an individual investment recommendation even if there was a warning that it is not. This measure largely helped differentiate investment recommendations and other information for which an investment adviser bears no responsibility to the client.

As part of the improvement of supervisory activities, the Bank of Russia conducted cyber exercises with PSMPs, including simulations of real threats to information security and checking the ability of PSMPs to timely detect these threats and respond to them.

For the purpose of ensuring and complying with information security requirements, the Bank of Russia was engaged in remote supervision and inspection activities.

2.3.5.1.5. Insurance entities

In 2021, Bank of Russia Regulation No.710-P has come into force for 69 insurance companies, whose overall share of assets in the insurance market is 95.5%.¹ It introduces new approaches to determining the financial resilience and solvency of insurance companies, establishes a methodology for determining equity capital, and takes into account the risks of changes in the value of assets when determining the capital adequacy.

According to the reports submitted in 2021 Q4, 67 insurance companies fully complied with the new requirements for financial resilience and solvency, and only two insurers faced certain problems concerning compliance with the new requirements.

For small insurance companies with premiums up to ₹2 billion (77 insurance companies), not providing CMTPLI, the requirements of Bank of Russia Regulation No.710-P took effect on 1 January 2022.

The Bank of Russia continued to conduct monthly monitoring of the investment life (ILI) and endowment life insurance (ELI) markets in order to control the current situation and trends relating to the volumes of premiums raised, including those under agreements with individuals who have special knowledge in the field of finance, the amount of current liabilities, yields on expired agreements, and the level of terminations.

In 2021, premiums, and the under ILI and ELI agreements amounted to ₹219 billion (+16% vs 2020) and ₹157 billion (+14% vs 2020), respectively.

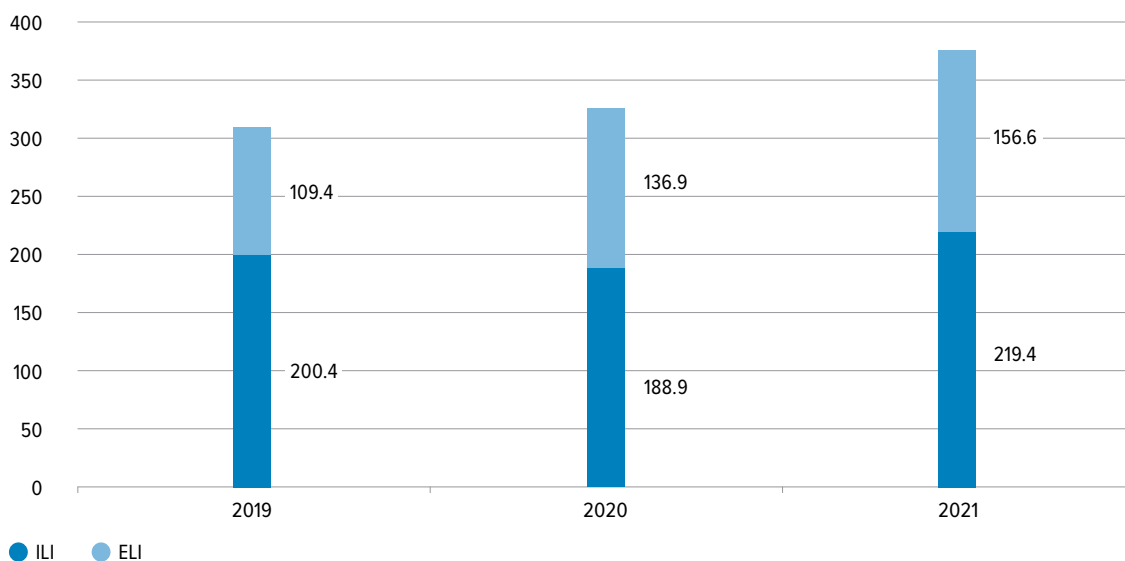
As of 31 December 2021, aggregate liabilities to policyholders under ILIs and ELIs totalled ₹924 billion and ₹442 billion, respectively. Average returns on ILI policies that expired during 2021 were 5.1% and 4.9% per annum for three- and five-year policies, respectively. The two-thirds of terminations under ILI and ELI agreements made in 2021 were terminations during the cooling-off period, which provided for the return of the amount of the premium paid to the policyholder. The share of ILI and ELI agreements concluded before 1 January 2021 and terminated in 2021 was 5.6% of the number of agreements effective as of 1 January 2021, including 2.5% due to non-payment of the second instalment.

In order to reduce and prevent information security risks, the Bank of Russia, as part of its advisory supervision over insurance companies, took measures to counter leakage of personal data of insurers' clients, held cyber exercises

¹ Bank of Russia Regulation No.710-P, dated 10 January 2020, 'On Certain Requirements for Financial Sustainability and Solvency of Insurers'.

MONTHLY MOVES IN ILI AND ELI PREMIUMS
(BILLIONS OF RUBLES)

Chart 38



simulating real threats to information security, and analysed the ability of insurance companies to timely detect such risks and respond to them.

2.3.5.1.6. Microfinance market entities

The Bank of Russia continued to implement a risk-focused approach in its supervisory activities, including through the implementation of the supervision standards' provisions of the Bank of Russia in relation to microfinance market entities. Throughout 2021, the measures taken helped establish facts of non-compliance of individual microfinance market entities with financial ratios and requirements for the minimum amount of equity capital of microfinance organisations, repeated submission by microfinance market entities to the Bank of Russia of essentially unreliable reporting data, as well as facts of prohibited practices. Supervisory response measures were promptly taken to address these facts.

Within the scope of the Bank of Russia's supervisory powers, 1,591 orders were issued to MFOs, CCCs, ACCCs, HSCs, and pawnshops to eliminate violations of the legislation of the Russian Federation, 103 orders were issued to restrict (prohibit) raising funds, accepting new

members, issuing loans and conducting other operations.

As part of the advisory supervision, the Bank of Russia held meetings with MFOs aimed at reducing the growth in the number of requests from MFO clients to the Bank of Russia related to remote banking products. In order to reduce the risks of fraud if loans are issued remotely, the Bank of Russia jointly with the Russian Ministry of Digital Development took measures to introduce two-factor authentication mechanisms when providing loans to MFO clients using the unified identification and authentication system.

Due to the introduction in 2021 of a declarative register-based model for the admission of pawnshops¹ and the change in the procedure for granting and rescinding the status of a pawnshop, the Bank of Russia excluded information on 988 legal entities from the register of pawnshops: 586 entities were excluded from the register due to non-confirmation of their status, 188 entities ceased operations and lost their status of pawnshops due to repeated violations of the Russian law, 214 entities voluntarily ceased their activities based on their own applications.

¹ Amendments became effective since 11 January 2021 pursuant to Federal Law No.196-FZ, dated 13 July 2020, 'On Amending Certain Laws of the Russian Federation'.

In 2021, information on 238 legal entities was excluded from the state register of MFOs: 85 organisations ceased their activities, having lost the MFO status due to multiple violations of the Russian law throughout the year, 153 organisations voluntarily ceased their activities based on their own applications.

2.3.5.1.7. National payment system participants

In 2021, supervision in the national payment system (NPS) was exercised taking into account the risk-focused approach using findings from the analysis of the scope of payment services provided by NPS participants, the relationship between the entities and their impact on payment systems and the stability of the overall NPS.

Particular attention was paid to identifying the facts of providing payment services to individuals and legal entities in violation of the applicable law, the rules of international payment systems, as well as issues of compliance with the requirements for ensuring the protection of information by NPS participants.

The Bank of Russia took supervisory measures in relation to NPS participants aimed at ensuring that they comply with the regulatory requirements for NPS participants when interacting with foreign payment systems subject to registration by the Bank of Russia in the Register of operators of foreign payment systems.

A number of Russian banks were engaged in the discussion of issues of terminating their interaction with foreign payment service providers (FPSP), in relation to which there was information about their involvement in dubious transactions. The work resulted in the conclusion of agreements on termination of contractual relations with the relevant FPSPs.

In 2021, the most common violations identified by the Bank of Russia as part of off-site supervision were failures of payment system rules to comply with Federal Law No.161-FZ, inaccurate reporting by money transfer operators, insufficient monitoring by payment system operators of compliance of participants and payment infrastructure operators with pay-

ment systems rules, as well as shortcomings and violations related to the provision of payment services, including the use of electronic payment instruments.

The list of payment systems providing services in the Russian market did not undergo any significant changes. MoneyGram Payment Systems, Inc. was excluded from the register of operators of foreign payment systems.

In 2021, the PLUSPAY payment system and the payment system of JSC Rosselkhozbank were recognised as nationally significant systems, and the Western Union payment system was recognised as a socially important system. The CoronaPay payment system lost its social importance.

2.3.5.1.8. Other participants

Collective investment market entities

In 2021, the Bank of Russia checked the ability of management companies (hereinafter, MCs) of investment funds and NPFs to identify and manage conflicts of interest. As part of the check, internal documents of MCs, which regulate the process of identifying and managing a conflict of interest, as well as its actual implementation, including when making transactions, were analysed. Based on the findings, recommendations were sent to MCs about the identified shortcomings and orders to eliminate violations.

The Bank of Russia monitored compliance with the deadlines and procedure for disclosing information of all UIF management companies, including the key information document.

In 2021, the basic standards for protecting the rights and interests of persons receiving financial services provided by non-governmental pension funds, as well as joint-stock investment funds and management companies of investment funds, unit investment funds and non-governmental pension funds, prepared by self-regulatory organisations in the financial market, were approved and took effect.

These standards set the requirements, which shall be met by NPFs and MCs in the course of their business activities to ensure awareness of financial consumers and protection of their rights and legitimate interests.

In addition, in 2021, the Basic standard of internal control for non-governmental pension funds,¹ establishing the procedure for monitoring and evaluating the effectiveness of the internal control, was approved. One of the key principles included in the standard was the continuity of internal control processes.

Audit firms in the financial market

Federal Law No.359-FZ,² adopted in 2021, authorised the Bank of Russia to supervise the activities of audit firms regarding the provision of audit services to socially important organisations in the financial market. In preparation for using this authority, the Bank of Russia monitored the activities of audit firms related to their external audit of the accounting (financial) statements of financial market participants.

Actuaries and self-regulatory organisations of actuaries

In 2021, the Bank of Russia continued to review the results of actuarial activities, in particular, actuarial reports prepared by responsible actuaries based on the results of their compulsory actuarial evaluation of the activities of non-governmental pension funds and insurance companies. Based on the results of the review, the Bank of Russia sent an information letter to actuaries about the requirements of the federal standard for actuarial activity when choosing actuarial assumptions and methodology.³

The Bank of Russia also monitored compliance of self-regulatory organisations of actuaries with the federal law requirements, legal acts of the Russian Federation, and Bank of Russia regulations governing relations arising during actuarial activities. The Bank of Russia

sent a recommendation⁴ to self-regulatory organisations of actuaries regarding control over the calculation of the amount of insurance reserves according to Bank of Russia Regulations No.557-P⁵ and No.558-P⁶ when auditing activities of its members.

Self-regulatory organisations in the financial market

In 2021, the consolidation of the activities of SROs of registrars, depositories and specialised depositories was completed. Following such consolidation, two large SROs remained in the financial market, comprising professional participants in the securities market.

One of these SROs has a status, which is also relevant to registrars' activities. The Bank of Russia held a series of supervisory meetings with this SRO regarding the application of risk-based supervision, analysis of approaches to regulate conflicts of interest, as well as plans to expand competencies as part of registrars' activities.

In the microfinance market, there are two SROs comprising MFOs, two SROs comprising CCCs, and three SROs comprising ACCCs.

As part of its supervisory functions, the Bank of Russia implemented control and supervisory measures in order to check SROs' compliance with the requirements established by federal laws, legal acts of the Russian Federation, Bank of Russia regulations, basic and internal standards.

Following the implemented measures, the Bank of Russia issued five orders to eliminate violations of the Russian law requirements and initiated four administrative offence proceedings.

In 2021, the Bank of Russia also held a series of meetings with SROs to improve the

¹ Came into effect from 23 May 2022.

² Federal Law No.359-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Laws'.

³ Bank of Russia Information Letter No.IN-015-53/34, dated 26 May 2021, 'On Requirements of the Federal Standard for Actuarial Activity'.

⁴ Bank of Russia Information Letter No.53-9-4-5/1370, dated 28 July 2021, 'On Checking the Calculation of the Amount of Insurance Reserves'.

⁵ Bank of Russia Regulation No.557-P, dated 16 November 2016, 'On the Rules of Forming Insurance Reserves for Life Insurance'.

⁶ Bank of Russia Regulation No.558-P, dated 16 November 2016, 'On the Rules of Forming Insurance Reserves for Insurance Other Than Life Insurance'.

quality of the analysis of their members' reports.

As part of the work to improve the efficiency of SROs' control function, the Bank of Russia continued to train SROs; in 2021, 30 training events were organised.

2.3.5.2. ON-SITE SUPERVISION

In 2021, the Bank of Russia inspected 310 supervised entities¹ (257 scheduled inspections and 53 unscheduled inspections conducted), completed/terminated 285 inspections, of which 29 were rolled over from 2020.

Credit institutions

Most violations identified in the course of inspections of credit institutions,² as before, were due to an underestimation of the quality of loans issued, consumer lending violations, including incorrect calculations of the total cost of credit (TCC) and debt service-to-income (DSTI) ratio of borrowers.

In addition, it was found that certain credit institutions applied various schemes, including jointly with related parties, for the purpose of nominal compliance with requirements and recommendations of the Bank of Russia, artificial improvement of business indicators, concealment of the real level of risks, withdrawal of assets, and servicing illegal gambling business.

A number of violations and risks were identified as regards the protection of financial consumers' rights. This includes charging fees from individuals for issuing statements of loan debt, signs of misselling³ when offering complex financial products to individuals (including deposits with embedded financial products), signs of imposing additional lending services, providing

borrowers with false information on the TCC's amount, and assignment of debt to third parties without consent of retail borrowers.

Other supervised entities⁴

Inspections of other supervised entities⁵ helped identify violations of legislative requirements regulating their activities, licence requirements, legislative requirements, requirements for information security, internal control and risk management, and accounting and reporting procedure, including cases of submission of inaccurate reporting data (in some — very inaccurate data). Also revealed were signs of misleading financial consumers, imposing additional services on them, including those of low consumer value, in some cases — using schemes in the interest of related parties or for nominal compliance with regulatory requirements and signs of assets' withdrawal from a supervised entity (including abroad).

Non-governmental pension funds

Inspections⁶ revealed violations of the calculation procedure and requirements for the minimum amount of equity capital, the procedure for maintaining pension accounts and determining a pension fund remuneration for mandatory pension insurance activities as well as investment process risks (including depositing funds in low investment quality assets, in assets of persons associated with the fund, and insufficient investment of NPF funds due to the concentration of their control by related management companies).

Professional securities market participants, infrastructure organisations⁷

Inspections⁸ identified cases of non-compliance with requirements for brokerage, activi-

¹ Supervised entities are credit institutions, non-bank financial institutions (as defined by Article 76.1 of Federal Law No.86-FZ), self-regulating organisations in the financial market (SROs), payment system operators and operators of payment infrastructure services (national payment system participants), which are not credit institutions.

² 174 inspections.

³ Misselling is the unscrupulous practice of selling financial products (services) to consumers without providing complete, transparent and clear information about the nature of financial services and the associated risks, their cost and other material conditions as well as deliberate distortion of information or substitution of one product for another.

⁴ Other supervised entities are non-bank financial institutions, SROs, national payment system participants.

⁵ 136 inspections.

⁶ 12 inspections.

⁷ Trade organisers, clearing houses, settlement depositories.

⁸ 32 inspections.

ties of depositories and investment advisers, the procedure for calculating equity capital, maintaining internal and depository accounting, shortcomings in the functioning of software and ensuring the continuity of the infrastructure company, violations when recognising persons as qualified investors, and cases of purchasing securities intended for qualified investors by PSMPs for the benefit of non-qualified investors, in some cases – violations of the procedure for calculating and closing uncovered positions of clients and signs of involvement in the operation of a financial pyramid.

Insurance entities

During inspections,¹ the Bank of Russia established grounds for increasing capital of certain insurers to meet requirements for the capital to liabilities ratio pursuant to the requirements of Bank of Russia Regulation No.710-P,² effective since 1 July 2021, individual violations of the requirements for financial resilience and solvency of insurers, cases of systematic violation of the procedure for concluding and executing insurance contracts, including non-compliance with the amount and time of insurance payments, failure to conclude CMTPLI contracts using remote service channels, and failure to provide policyholders with full information on the investment insurance terms and conditions.

Microfinance market entities

During inspections,³ the Bank of Russia identified violations of the procedure for calculating loss provisions, impairment provisions, failure to correctly calculate and comply with financial ratios, failure to calculate DSTI or its incorrect calculation. Audits of CCCs revealed signs of bankruptcy and a financial pyramid, as well as schemes for cashing out maternity (family) capital funds.

Audits of the process of issuing online microloans identified that in some cases they were taken out using personal data of third parties (cyber fraud), including due to shortcomings in verifying⁴ the identity of clients and due to inadequate protection of information, including clients' personal data.

National payment system participants

Audits⁵ of payments system operators revealed cases of non-compliance with the requirements for the uninterrupted functioning of the payment system and the information protection when transferring funds, non-compliance of net assets with the established requirements.

Other participants

In the reporting period, inspections⁶ identified the following cases:

- non-compliance by management companies with the requirements for the structure of the assets of UIFs, the system for managing conflicts of interest, the accounting procedure for the property included in UIFs, improper organisation of the investment process;
- violations by credit history bureaus of the requirements for the submission of credit reports, improper collection of fees for the provision of a credit report;
- non-disclosure by rating agencies of credit ratings and their forecasts, carrying out rating activities with violations of the approved methodology.

Coordinated inspections

In 2021, the practice of conducting coordinated inspections for a consolidated risk assessment of financial groups (formalised and

¹ 23 inspections.

² Bank of Russia Regulation No.710-P, dated 10 January 2020, 'On Certain Requirements for Financial Sustainability and Solvency of Insurers'.

³ 54 inspections, covering 30 microfinance organisations, 16 consumer credit cooperatives, four pawnshops, three agricultural consumer credit cooperatives, and one housing savings cooperative.

⁴ Confirmation of the ownership of personal data and attached copies of documents to a potential borrower.

⁵ Three audits.

⁶ Twelve inspections, including five management companies, two credit rating agencies, one SRO, and four credit history bureaus.

non-formalised) and identification of systemic risks in the financial market continued. In all, 58 inspections of supervised entities were conducted for the CIs that are members of 23 groups (including 11 CIs that are members of five banking groups, 14 CIs and 17 NFIs that are members of 11 groups, and 16 NFIs that are members of seven groups).

The coordinated inspections revealed:

- scheme solutions (including those camouflaged as participation in chains of transactions of interrelated supervised entities as an intermediate link), as well as those aimed at regulating the financial performance of group members, artificially improving other indicators of their activities, depositing/withdrawing funds for the benefit of the group (its beneficiaries), artificially maintaining the market activity of group members' securities, and producing a positive financial result for group members not supervised by the Bank of Russia;
- conducting acquiring transactions aimed at enabling payments between individuals and illegal online casinos (bookmakers), whose activities are prohibited in the territory of the Russian Federation.

Improving inspection activities

In 2021, the Bank of Russia issued Instruction No.206-I,¹ which, together with Bank of Russia Instruction No.202-I,² forms a unified legal framework for the Bank of Russia, as a me-

ga-regulator, to exercise on-site supervision over all supervised entities. Also, Bank of Russia Instruction No.206-I establishes uniform mechanisms for the cooperation of participants in consolidated supervision procedures (including supervisory groups) while compiling, processing and evaluating inspection results and introduces a new mechanism of comprehensive supervision, which provides for studying several types of activities carried out by a supervised entity within one inspection.

Amid digitalisation of the financial market, the expansion of remote access to financial services for people and in order to prevent the development of unfair practices and protect their rights and interests, the Bank of Russia developed and applied methodological tools for conducting inspections of consumer lending organisations.

As part of the measures for improving the system for controlling information digitally submitted by supervised entities during inspections, in 2021, the Bank of Russia published formalised requirements for the content and format of information requested by working groups in the course of inspections of insurance market participants, as well as updated requirements for the structure of accounting and operational information of credit institutions, on its website in the section 'The Content and Formats of Accounting and Operational Information Requested in the Course of Inspections of Supervised Entities'.

¹ Bank of Russia Instruction No.206-I, dated 20 September 2021, 'On Organising of Bank of Russia Inspections' (not subject to registration in the Russian Ministry of Justice).

² Bank of Russia Instruction No.202-I, dated 15 January 2020, 'On the Procedure for the Bank of Russia to Inspect Supervised Entities'.



2.3.6. FINANCIAL REHABILITATION OF FINANCIAL INSTITUTIONS

In 2021, the Bank of Russia continued to prevent the bankruptcy of financial institutions under Federal Law No.127-FZ.

Sale of credit institutions whose resolution was completed

Bank Otkritie Financial Corporation (Public Joint-Stock company). In 2021, the Bank of Russia jointly with FBSC AMC Ltd. and professional consultants¹ started to implement two possible scenarios of a strategy of the Bank of Russia's exit from the banking group Bank FC Otkritie (Public Joint-Stock company) (hereinafter, BFCO Group): sale of the bank's shares via on-exchange trading or to a strategic investor.

While studying the interest of strategic investors, the Bank of Russia received several reports about the interest in participating in the procedures for selling the bank's shares and analysed the proposals received, taking into account the amount and complexity of the transaction in question.

Simultaneously, the Bank of Russia jointly with FBSC AMC Ltd, professional consultants and BFCO Group worked to prepare for the potential sale of the bank's shares via on-exchange trading.

In March 2022, preparations of the bank for sale were suspended.

In 2021, the Bank of Russia received dividends in the amount of ₹10 billion based on the performance of Bank FC Otkritie (Public Joint-Stock company) for 2020.

PJSC Asian-Pacific Bank. In the second half of 2021, the Bank of Russia sold 100% of shares in PJSC Asian-Pacific Bank to a market investor following the trades held. The winner was LLP Pioneer Capital Invest with the best bid of ₹14.0 billion. Also, under the

terms of the deal, LLP Pioneer Capital Invest transferred to the Bank of Russia a part of the bank's net profit for the nine months of 2021 in the amount of ₹0.96 billion. Thus, the amount of funds received from the sale exceeded the Bank of Russia's expenses for the financial rehabilitation of the bank.

After the sale of the bank's shares due to the achievement of the financial rehabilitation goals, the Bank of Russia decided to complete the implementation of measures for preventing the bank's bankruptcy. The decision on guaranteeing the continuity of the bank's activities ceased to be effective.

Bankruptcy prevention measures for credit institutions

Throughout 2021, the Bank of Russia participated in *bankruptcy prevention measures* at four credit institutions,² of which one was systemically important.³

JSC Moscow Industrial bank. In 2021, the Bank of Russia defined and began implementing a plan for its exit from the bank's capital. In 2021, Federal Law No.326-FZ⁴ was adopted, providing for the possibility to transfer 100% of shares in JSC MInBank to the state treasury of the Russian Federation with the right of their further disposal.

In 2021 Q3, JSC MInBank fully repaid the outstanding debt to the Bank of Russia on deposits in the amount of ₹22.4 billion.

Non-core assets bank. Throughout 2021, the Bank of Non-core Assets 'Trust' (hereinafter, the non-core assets bank, the NAB)⁵ continued to operate with problem and non-core assets. Based on the results of the work with the said assets, the NAB partially returned deposits previously raised from the Bank of Russia in the amount of ₹137.8 billion. As of

¹ VTB Capital and CB 'J. P. Morgan Bank International' (LLC).

² Promsvyazbank PJSC, NB TRUST (PJSC), Asia-Pacific Bank (JSC), and JSC MInBank.

³ Promsvyazbank PJSC.

⁴ Federal Law No.326-FZ, dated 2 July 2021, 'On Amending Articles 16 and 19 of the Federal Law 'On the Insurance of Deposits with Russian Banks'.

⁵ NB TRUST (PJSC).

1 January 2022, the NAB's debt to the Bank of Russia totalled $\text{R}1,583.3$ billion.¹

In 2021, units of the *closed-end mixed unit investment fund Spetsialny* were partially redeemed due to the formation of free liquidity out of the funds not used for purchasing promissory notes of LLC FTC, bank deposit interest and proceeds from operations with troubled assets. The amount of funds received by the Bank of Russia as a result of this redemption was $\text{R}0.8$ billion.

In 2021, the Bank of Russia continued its efforts to *recover in court the damages inflicted by wrongful acts (omissions) of bank officials who earlier controlled the credit institutions under financial resolution*.

Throughout 2021, claims for recovering losses from persons earlier controlling Bank Otkritie Financial Corporation (PJSC), B&N Bank (PJSC)², Promsvyazbank PJSC, NB TRUST (PJSC), Rost Bank JSC,³ JSC AVB Bank,⁴ Asian-Pacific Bank (JSC), and JSC MInBank were considered in court.

The claim for recovering losses from the persons earlier controlling Bank Otkritie Financial Corporation (PJSC) was satisfied in full, the court's decision is not subject to any appeal.

Following the consideration in three court instances, the claim for recovering losses from the persons earlier controlling JSC Asian-Pacific Bank was rejected. In December 2021, the Bank of Russia appealed in cassation to the Supreme Court of the Russian Federation.

In early 2021, *jointly with the State Corporation Deposit Insurance Agency, bankruptcy prevention measures* were under way against 15 credit institutions.

Throughout 2021, in order to increase the effectiveness of financial resolution:

- JSC ROSCOSMOSBANK was reorganised through a merger with Promsvyazbank PJSC;

- JSC Sevastopolsky Morskoy Bank was reorganised through a merger with RNCB Bank (PJSC).

In 2021, the Bank of Russia provided $\text{R}9.8$ billion for implementing bankruptcy prevention measures with the DIA's participation. Concurrently, the DIA repaid the Bank of Russia debt in the amount of $\text{R}16.2$ billion. As of 1 January 2022, the DIA's outstanding loan balance with the Bank of Russia aimed at bankruptcy prevention measures amounted to $\text{R}1,060.1$ billion.⁵ Information on the DIA's total debt to the Bank of Russia is presented in [Table 36 of Section 5.4 'Statistical tables'](#).

The total cost of banks' assets, for which plans of the DIA's or the Bank of Russia's participation in bankruptcy prevention measures were approved, totalled $\text{R}7,268.1$ trillion or 6% of total banking sector assets as of 1 January 2022.

Other information

In 2021, nine credit institutions were eligible for bankruptcy prevention in accordance with Article 189.10 of Federal Law No.127-FZ; however, neither the Bank of Russia nor the DIA applied any bankruptcy prevention measures to these institutions, of which:

- three credit institutions⁶ had their banking licences revoked;
- six credit institutions eliminated the reasons for taking bankruptcy prevention measures against them.

In 2021, the main reasons for banks to be monitored for the implementation of bankruptcy prevention measures were: an absolute decrease in equity capital (compared to the maximum value reached over the previous 12 months) by more than 20% with a simultaneous breach of one of the required ratios established by the Bank of Russia (five credit

¹ Net of accrued interest.

² The statement of claim was filed by the Bank of Russia on behalf of Bank Otkritie Financial Corporation (PJSC) (as the assignee of B&N Bank (PJSC)).

³ The statement of claim was filed by the Bank of Russia on behalf of NB TRUST (PJSC) (as the assignee of Rost Bank (JSC)).

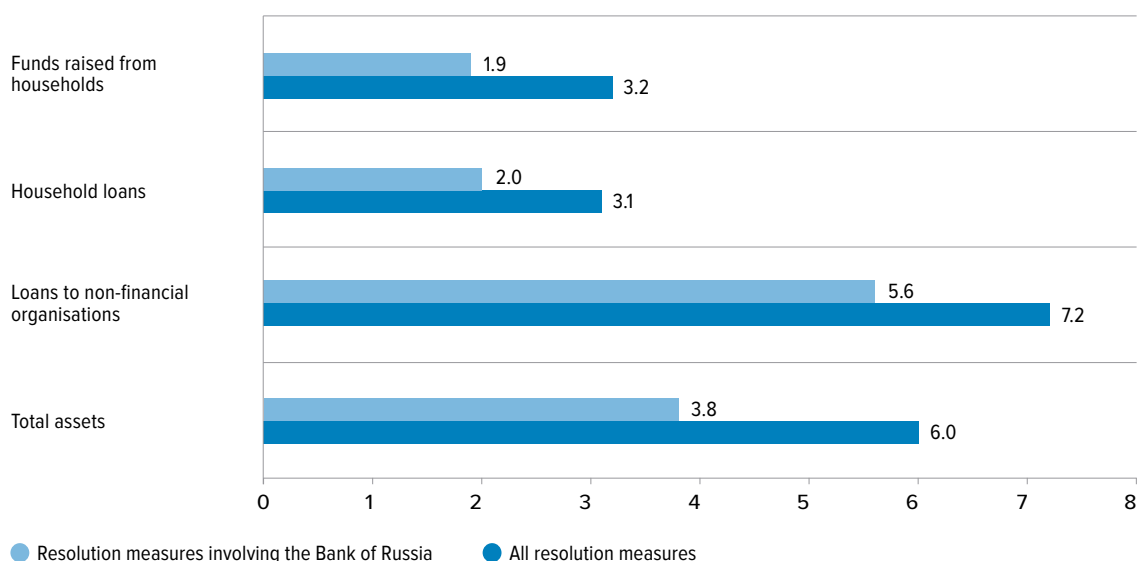
⁴ The statement of claim was filed by NB TRUST (PJSC) (as the assignee of JSC AVB Bank).

⁵ Net of accrued interest.

⁶ Including CB Sputnik (PJSC), for which the Plan of the DIA's participation in the implementation of bankruptcy prevention measures was approved on 9 September 2021; the bank's licence was revoked on 1 November 2021.

INDICATORS OF BANKS THAT ARE SUBJECT TO BANKRUPTCY PREVENTION MEASURES
(AS A PERCENTAGE IN THE TOTAL VOLUME OF BANKING SECTOR INDICATORS)

Chart 39



institutions) and a decrease in equity capital at the end of the reporting month to a value lower than the authorised capital (four credit institutions) (Clauses 3 and 6 of Article 189.10 of Federal Law No.127-FZ, respectively).

Measures for preventing the bankruptcy of insurance companies

In 2021, monitoring of the implementation of bankruptcy prevention measures and the solvency recovery plan, as provided for by Article 184.1 of Federal Law No.127-FZ, continued in ten insurance companies, of which:

- six insurance companies implemented solvency recovery plans (SRP);
- two insurance companies had all the licences revoked due to failure to fulfil the SRP;
- SRPs of two insurance companies are under consideration by the Bank of Russia.

Information provided by the Chief Auditor of the Bank of Russia on the utilisation efficiency of the Fund of Banking Sector Consolidation¹

In accordance with Article 76.12 of Federal Law No.86-FZ, the chief auditor of the Bank of Russia evaluates on an annual basis how effi-

ciently the money of the Fund of Banking Sector Consolidation ('FBSC funds') was used.

For the purpose of this assessment, efficiency means the achievement of goals and desired outcomes with the maximum return from available resources at the minimum resource cost.

When determining how efficiently FBSC funds were used, the assessment is divided into four stages:

1. assessing the comparative efficiency of the amount of money allocated by the Bank of Russia vs the extent of damage to the economy if the scenario of the credit institution's bankruptcy materialised;
2. establishing how optimal the use of resources for the restoration of credit institution's financial indicators was;
3. assessing how efficiently the resolved credit institution and the non-core assets bank (NAB) used the funds;
4. assessing how efficiently the Bank of Russia sold shares of a credit institution in the existing market conditions.

As of 1 January 2022, ₹2,273.6 billion of FBSC funds were provided for bank resolution, including ₹688.3 billion for the purchase

¹ Information from the Chief Auditor of the Bank of Russia on the efficiency of utilisation of money of the Insurance Sector Consolidation Fund and the Pension Sector Consolidation Fund is not provided, since no measures were taken to prevent the bankruptcy of insurance companies and non-governmental pension funds, and funds were not raised.

of shares, ₹1,583.3 billion¹ for the provision of deposits, and ₹1.98 billion for the purchase of units of the closed-end mixed unit investment fund Spetsialny.

Information on investment of the FBSC funds is given in the table below.

in September 2021. As of 1 October 2021, in terms of its total key performance indicators, JSC Asian-Pacific Bank was within the limits of standard deviation from the average value for the pools of credit institutions with comparable asset structures, as well as 50 credit insti-

VOLUMES OF INVESTED FBSC FUNDS (BILLIONS OF RUBLES)

	Investment in property	Shares	Deposits*
Investment in closed-end mixed unit investment fund Spetsialny	2.0	—	—
PJSC Moscow Industrial bank	—	131.4	—
Bank Otkritie Financial Corporation (Public Joint-Stock company)	—	555.8	—
NB TRUST	—	1.0	1,583.3
Total	2.0	688.3	1,583.3

* Net of accrued interest.

Note. Minor discrepancies between the total and the sum of components are due to the rounding of data.

In 2021, the Bank of Russia did not make decisions on the implementation of bankruptcy prevention measures with the use of FBSC funds. Accordingly, there is nothing to evaluate in the first and second stages of the assessment.

The assessment of efficiency in the use of FBSC funds by such resolved credit institutions as PJSC Bank FC Otkritie and JSC Asian-Pacific Bank is the professional judgement of the chief auditor's service of the Bank of Russia based on the analysis of known material information on the activities of PJSC Bank FC Otkritie and JSC Asian-Pacific Bank and comparison of their activities with the results of other credit institutions of the Russian Federation to the extent of the comparability of their general conditions of operations (legislative and legal regulations, pace and specifics of economic development) in accordance with the methodology applied by the Bank of Russia Chief Auditor's service.

JSC Asian-Pacific Bank. The efficiency of the use of funds in respect of the Asian-Pacific Bank (JSC) was assessed for nine months of 2021 due to the sale of the bank's shares

tutions with comparable assets and the banking sector in general,² which speaks for the effectiveness of the bank.

Following the results of the sale of JSC Asian-Pacific Bank's shares, the efficiency of their sale was assessed using a benchmark approach according to the methodology of the Bank of Russia Chief Auditor's service. The assessment of the efficiency of the sale of JSC Asian-Pacific Bank's shares showed that the cost of selling the bank's shares exceeded the value of the indicators used for comparison, which made it possible to assess the sale of JSC Asian-Pacific Bank's shares as an effective sale of the bank's shares.

Bank Otkritie Financial Corporation (Public Joint-Stock company). As of 1 January 2022, in terms of the aggregate of KPIs, PJSC Bank FC Otkritie was above the upper limit of the standard deviation from the average value set for the banking sector in general, as well as within the standard deviation from the average value determined for the pools of credit institutions with comparable asset structures and 50 banks with comparable assets.

¹ Net of accrued interest.

² The selected pool excluded credit institutions with a significant share in the balance sheet of settlement and other transactions (NCIs) and assets in the banking sector (Sberbank); credit institutions, which are not members of the deposit insurance system; credit institutions with basic licences and those under financial resolution, as well as VEB.RF.

The Bank of Russia Chief Auditor's service notes the continuing conservative approaches of PJSC Bank FC Otkritie in determining risk appetite amid the significant impact of external economic factors on its activity. Throughout 2021, the activity of PJSC Bank FC Otkritie was characterised by a tendency to significantly exceed the prudential requirements for liquidity and capital adequacy ratios. The conservative allocation of FBSC funds by PJSC Bank FC Otkritie seems reasonable amid increased credit risks and uncertainties in the medium term.

The above considerations make it possible to recognise the performance of PJSC Bank FC Otkritie in 2021 as effective in general.

PJSC Moscow Industrial bank. The performance of PJSC MInBank was not benchmarked against the results of other credit institutions of the Russian Federation in a manner similar to the assessment of the performance of PJSC Bank FC Otkritie and JSC Asian-Pacific Bank as non-core and troubled assets were not transferred from PJSC MInBank's balance sheet. In accordance with the methodology used by the Bank of Russia Chief Auditor's service, it was established that FBSC funds were placed by the bank in high-quality assets with returns within the limits of standard deviation of the average market returns on similar assets in the banking sector of the Russian Federation, which confirms the effective use of FCBS funds by PJSC MInBank during the reporting period.

Non-core assets bank. The purpose of TRUST Bank (PJSC) (hereinafter, the non-core assets bank, the NAB) is to ensure the maximum possible repayment of funds provided by the FBSC through compensation received following the resolution by the bank of non-core assets, including troubled assets, on an arm's-length basis.

To assess the efficiency of the use of FBSC funds by the NAB, two essential criteria were ap-

plied: the maximisation of proceeds from the resolution of assets and the minimisation of costs incurred for the maintenance and sale of assets. The assessment of efficiency is a professional judgement by the chief auditor's service of the Bank of Russia driven by the analysis of activities of the NAB, including the assessment of the resolution of the assets most significant in debt volume by the NAB and the justification of key cost items in accordance with the methodology used by the Bank of Russia Chief Auditor's service.

As of 1 January 2022, the book value of the NAB's assets amounted to ₹1,998.7 billion (as of 1 January 2021, ₹2,111.2 billion). Taking into account the quality of assets, their fair value as of 1 January 2022 decreased to ₹264.3 billion (as of 1 January 2021, ₹315.2 billion), including as a result of the sale of assets by the NAB to a market investor.

The NAB's resolution of assets involves the phased receipt of funds (proceeds) in the amount of ₹482 billion¹ (the 'Plan of proceeds 482') by the end of 2023, taking into account identified risks, net of the results of resolution of assets accepted on the NAB's balance sheet after 1 July 2019. In respect of the assets transferred from the BFCO balance sheet after 1 July 2019, on 15 July 2021, the Supervisory Board of the bank approved an Additional plan of proceeds in the amount of ₹64.1 billion, which will be received in future reporting periods. The 'Plan of proceeds 482' and the Additional plan do not include cash receipts from the sale of shares in VTB Bank (PJSC), which are not a troubled asset.

It is expected that the surplus of proceeds over the fair value of assets will be achieved through development and implementation of strategies for resolution of assets by increasing the value and economic attractiveness of assets, including through their financing;² maximisation of the collection of troubled debts; receipts from the sale of assets and minimisation of costs. To maximise the recovery of

¹ In accordance with the preliminary plan for the receipt of funds (proceeds) by the NAB as a result of operations with troubled assets, which is an annex to the Plan for the participation of the Bank of Russia in the implementation of measures to prevent bankruptcy of the Public Joint Stock Company National Bank TRUST. The NAB proceeds mean funds expected to be received on the NAB's consolidation perimeter based on the results of the bank's resolution of non-core assets, including troubled ones, net of funds for financing assets, payments to the bankruptcy estate and provisions for the bank's liabilities.

² For an existing business and in order to generate the maximum return and maximise the value of its sale in the future.

funds from the resolution of assets, strategies of the NAB are developed for assets combined into projects (including the assets of subsidiaries and affiliates) based on the judgement of the NAB on their interdependence. Strategies include calculations of the amount of expected proceeds from each project; its value is reviewed annually.

In 2021, the NAB's proceeds from the operations with assets as per the 'Plan of proceeds 482' amounted to ₹109.5 billion. Taking into account the proceeds for 2019–2021, ₹308 billion were received as per the 'Plan of proceeds 482', or 64% of the proceeds expected to be received by the end of 2023.

In 2019–2021, the NAB completed resolution of 92 projects, including 40 projects in

2021. The proceeds from projects completed in 2019 – 2021 amounted to ₹157.4 billion, which is 58% higher than planned for these projects. Overall, the assessment of completed projects makes it possible to confirm that the NAB managed them efficiently.

For 2019–2021, the NAB returned deposits of the Bank of Russia in the amount of ₹272.8 billion and paid interest on them in the amount of ₹31.2 billion.

In 2021, the NAB's expenses for operations amounted to ₹11.4 billion, including ₹6.9 billion for personnel.

A selective analysis of the NAB's expenditures for 2021 based on the relevance of individual cost items and specific costs confirmed their overall justification.



2.3.7. TERMINATION OF FINANCIAL INSTITUTIONS

The Bank of Russia's monitoring of the termination of financial institutions' activities is mainly aimed at protecting the interests of creditors and depositors of liquidated financial institutions.

In 2021, following the entry into force of Federal Laws No.92-FZ¹ and No.343-FZ,² in order to reduce the time of liquidation activities in respect of financial institutions and enhance their efficiency, the State Corporation Deposit Insurance Agency (DIA) was authorised to act as a provisional administration of individual financial market participants³ appointed after the revocation (withdrawal) of their licences, and the Bank of Russia expanded its jurisdiction to audit the activities of such provisional administrations and send them orders to eliminate identified violations.

(three of them were subject to compulsory liquidation by arbitration courts' decision);

- 31 credit institutions were subject to compulsory liquidation by arbitration courts' decision, of which 21 credit institutions were subject to liquidation in 2021;
- nine credit institutions were put into voluntary liquidation following the decisions of their founders (members). In 2021, decisions on voluntary liquidation were made in respect of six credit institutions.

As of 1 January 2022, liquidation proceedings were completed in relation to 497 credit institutions whose banking licences had been revoked (withdrawn) since 2004, when the institute of corporate liquidators was established. The average percentage of creditors' claims that were satisfied in respect of these cred-

PROVISIONAL ADMINISTRATIONS OF FINANCIAL INSTITUTIONS APPOINTED AFTER REVOCATION (WITHDRAWAL) OF LICENCES (UNITS)

Indicator	Credit institutions	Insurance companies	Management companies	Professional securities market participants	Consumer credit cooperatives	Microfinance organisations
The number of provisional administrations as of 1 January 2021	8	3	1	0	0	0
Provisional administrations appointed in 2021	26	3	1	1	0	0
Provisional administration, whose activities were terminated in 2021	32	4	1	0	0	0
The number of provisional administrations as of 1 January 2022	2	2	1	1	0	0

CREDIT INSTITUTIONS

In 2021, the number of liquidated credit institutions reduced to 373, of which:

- 333 credit institutions were recognised as insolvent (bankrupt) with initiating bankruptcy proceedings against them, of which 16 credit institutions were declared bankrupt in 2021

it institutions⁴ was 44.7%, including 63.5% of claims of first-priority creditors (for credit institutions where the DIA performed the functions of a receiver (liquidator), 46.0% and 62.8%, respectively).

In 2021, based on the decisions adopted by the Bank of Russia, the registering authority

¹ Federal Law No.92-FZ, dated 20 April 2021, 'On Amending Certain Laws of the Russian Federation'.

² Federal Law No.343-FZ, dated 2 July 2021, 'On Amending the Federal Law of the Russian Federation 'On the Organisation of Insurance Business in the Russian Federation' and Certain Laws of the Russian Federation'.

³ A provisional administration for managing a credit institution (if the credit institution had a licence from the Bank of Russia to raise deposits of individuals), provisional administrations of insurance companies and non-governmental pension funds, providing mandatory pension insurance.

⁴ According to the reports submitted to the Bank of Russia.

**LIQUIDATED FINANCIAL INSTITUTIONS
INCLUDING WITH THE DIA'S PARTICIPATION
(UNITS)**

	Credit institutions	Non-governmental pension funds	Insurance companies
Total under liquidation as of 1 January 2020	385	48	78
including with the DIA's participation	368	31	28
– as an official receiver	344	29	28
– as a liquidator	24	2	0
Total under liquidation as of 1 January 2021	379	41	66
including with the DIA's participation	359	28	34
– as an official receiver	337	27	34
– as a liquidator	22	1	0
Total under liquidation as of 1 January 2022	373	38	59
including with the DIA's participation	354	30	33
– as an official receiver	330	27	33
– as a liquidator	24	3	0
Inspections of receivers (DIA) in 2021	54	0	2

made entries on the liquidation of 45 credit institutions in the Unified State Register of Legal Entities.

During the reporting period, 22 liquidators were accredited with the Bank of Russia as receivers of bankrupt credit institutions and the accreditation of another 30 liquidators was extended. Furthermore, six receivers were denied accreditation, and two receivers were denied extension of accreditation due to their non-compliance with accreditation terms. As of 1 January 2022, 52 liquidators were accredited with the Bank of Russia.

In 2021, the Bank of Russia carried out 54 inspections of receivers of bankrupt credit institutions (44 scheduled and 10 unscheduled inspections).

NON-GOVERNMENTAL PENSION FUNDS

In 2021, one non-governmental pension fund was declared bankrupt, liquidation procedures were completed in four NPFs, an entry on the state registration due to their liquidation was made in the Unified Register of Legal Entities.

As of 1 January 2022, the percentage of satisfied Bank of Russia claims acquired as a result of transferring funds to the Pension Fund of the Russian Federation in 2015–2018,

taking into consideration revenues in 2021, amounted to 39.88% (₽26,669.17 million).

INSURANCE ENTITIES

In 2021, three insurance companies were declared bankrupt, and the Bank of Russia revoked insurance licences of 16 insurance entities:

- 12 insurance companies (including ten due to voluntary renunciation of licences);
- four insurance brokers (including three due to voluntary renunciation of licences).

Licences of six insurance companies were revoked to certain types of activities due to their voluntary renunciation.

During 2021, the Bank of Russia revoked insurance licences of four insurance entities with appointing the DIA as a receiver in bankruptcy. An entry on the state registration was made in the Unified Register of Legal Entities due to the liquidation of nine insurance companies.

INVESTMENT FUNDS

In 2021, 107 reports on the termination of UIFs were approved; 41 UIFs were deleted from the register by the Bank of Russia; 66 by specialised depositories, and an entry was made on the exclusion of the above UIFs from the register of unit investment funds.

MANAGEMENT COMPANIES

In 2021, the Bank of Russia revoked five licences of management companies due to identified violations of the laws of the Russian Federation and 14 licences were revoked upon the applications of management companies.

PROFESSIONAL SECURITIES MARKET PARTICIPANTS

In 2021, 64 licences to operate in the securities market¹ of 38 professional securities market participants (PSMPs) were revoked,² and six investment advisers were removed from the unified register upon their applications.

The Bank of Russia controlled the termination of 12 PSMPs and regulated procedures related to the return of property to customers of PSMPs with revoked licences. In respect of ten PSMPs, for which the deadline

for termination of obligations specified in the order to cancel their licences expired in 2021, obligations to return securities were 23% fulfilled (713.3 million securities were returned to clients), obligations to return funds in rubles were 70% fulfilled (₽745.8 million), obligations to return funds in US dollars were 84% fulfilled (\$0.73 million), and obligations to return funds in euros were 100% fulfilled (€0.02 million).

MICROFINANCE MARKET ENTITIES

During the year, the Bank of Russia went to court to declare 26 CCCs bankrupt (insolvent) in the manner prescribed by Federal Law No.127-FZ.

In 2021, 451 microfinance market entities (CCCs, ACCCs, HSCs, pawnshops) were excluded from the Unified Register of Legal Entities.

¹ Calculated for 2021, excluding depositary licences.

² Including 25 licences from 11 PSMPs due to revealed violations of the requirements of the Russian law, 22 licences upon applications from 17 PSMPs, 15 licences due to the revocation of a banking licence from eight professional participants, two licences from two professional participants were revoked due to reorganisation.



2.3.8. COUNTERING MISCONDUCT IN THE FINANCIAL MARKET

In 2021, the Bank of Russia continued its efforts to counter misconduct to protect the competitive environment and interests of financial consumers and promote mutual trust among market participants. The Bank of Russia monitored the compliance of all financial market participants with the established rules, and identified companies engaged in the illegal provision of financial services.

In the reporting year, the number of inspections conducted by the Bank of Russia regarding insider trading and market manipulation increased by 46% ([Table 37 of Section 5.4 'Statistical tables'](#)). In early 2021, the Bank of Russia revealed information campaigns in messengers and social networks to artificially boost the prices of shares of a number of companies (pump and dump). Measures were taken to limit operations in brokerage accounts of persons involved in unfair practices, which made it possible to timely cease manipulation attempts in on-exchange trading.

fluctuations at the opening of the foreign exchange market and protect traders from possible losses.

In the reporting period, Federal Laws No.161-FZ¹ and No.162-FZ,² drafted jointly with the Bank of Russia, introducing the mechanism of agreements with the regulator, were adopted. This innovation is aimed at enhancing confidence in the financial market and reducing reputational and financial risks for market participants. Persons convicted of market manipulation or insider trading for the first time may apply for an agreement with the Bank of Russia, under which they will have to pay compensation to the budget, provide the Bank of Russia with the necessary information, and take measures to prevent such activity in the future. If the terms of this agreement are complied with, the persons who entered into it are released from the administrative liability for market manipulation or insider trading.



The Moscow Exchange launched an opening auction and a mechanism for limiting the market order aggressiveness during morning foreign currency trading sessions

In early 2021, the Bank of Russia identified non-market fluctuations in the ruble exchange rate due to the specifics of the trading design. Consultations were held with market participants. Following these consultations, PJSC Moscow Exchange launched an auction mechanism of the trading opening and a mechanism for limiting the aggressiveness of market orders at morning sessions. These measures made it possible to reduce the range of price

Based on the analysis and constant monitoring of the behaviour of market makers (exchange trading participants who ensure the liquidity of traded assets), the Bank of Russia has updated the requirements for their activities.³ The new requirements provide, in particular, for the fulfilment of market maker obligations through passive orders (which do not lead to the conclusion of transactions at the time of their placement) in the amount of at

¹ Federal Law No.161-FZ, dated 11 June 2021 'On Amending Article 76.3 of Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Federal Law 'On Countering Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation' (effective since 1 January 2022).

² Federal Law No.162-FZ, dated 11 June 2021 'On Amending the Code of Administrative Offences of the Russian Federation' (effective since 1 January 2022).

³ Bank of Russia Ordinance No.5848-U, dated 30 June 2021, 'On the Procedure for and Conditions for Maintaining Prices, Demand, Supply and Volume of Trading in a Certain Financial Instrument, Foreign Currency, and (or) Commodity in Accordance with Part 3 of Article 5 of the Federal Law 'On Countering the Misuse of Insider Information and Market Manipulation, and On Amending Certain Laws of the Russian Federation'.



A mechanism of agreements with the regulator was created

least 75% of the total volume of orders placed by market makers throughout the trading day. This excludes the possibility to maintain trading parameters at the expense of individuals – non-qualified investors. The innovation was developed to protect investors and systemically important issuers, as well as ensure the attractiveness of Russian on-exchange trades.

To enhance the confidence of trading and clearing participants, to prepare and maintain fair practice standards, the Moscow Exchange Group companies developed a Code of Good Conduct jointly with the Bank of Russia. Furthermore, the self-regulatory organisation National Financial Association approved the Code of Ethics for Financial Analysts prepared with regard to the recommendations of the Bank of Russia.

are given in [Table 38 of Section 5.4 'Statistical Tables'](#).

The Bank of Russia promptly informs the relevant authorities² about identified entities having signs of illegal activities in the financial market. At the Bank of Russia's initiative, access to more than three thousand websites of illegal financial market participants and financial pyramids was blocked or restricted.

Information about the Bank of Russia's activity to counter online financial fraud is given in Subsection 2.5.3. '[Ensuring information security and enhancing cyber resilience](#)'.

In 2021, the Bank of Russia began publishing on its website [a list of companies with identified signs of illegal activities in the financial market](#). This is a precautionary list, which informs residents about risks of contacting ille-



In 2021, the Bank of Russia identified four times more pyramid schemes than a year before

The Bank of Russia continued its work for counteracting illegal activity in the financial market. As many as 2,679 entities with signs of illegal activity in the financial market, including signs of financial pyramids, were identified. Concurrently, more than half of the identified financial pyramids (460 entities) used cryptocurrency in their activities.¹ Detailed statistics by the types of illegal activities of the entities

gal providers of financial services. As of 31 December 2021, the list contained information on 3,689 entities.³

An important step in combating illegal activities was the adoption of Federal Law No.203-FZ⁴ and Federal Law No.215-FZ,⁵ developed jointly with the Bank of Russia, strengthening the responsibility for illegal consumer lending.

¹ Entities, which raised funds from individuals using various cryptocurrencies and tokens, offered investments in cryptocurrency assets.

² The Russian Ministry of Internal Affairs, the Prosecutor's General Office of the Russian Federation, the FAS of Russia, the FTS of Russia, and other state (authorised) agencies and their territorial bodies.

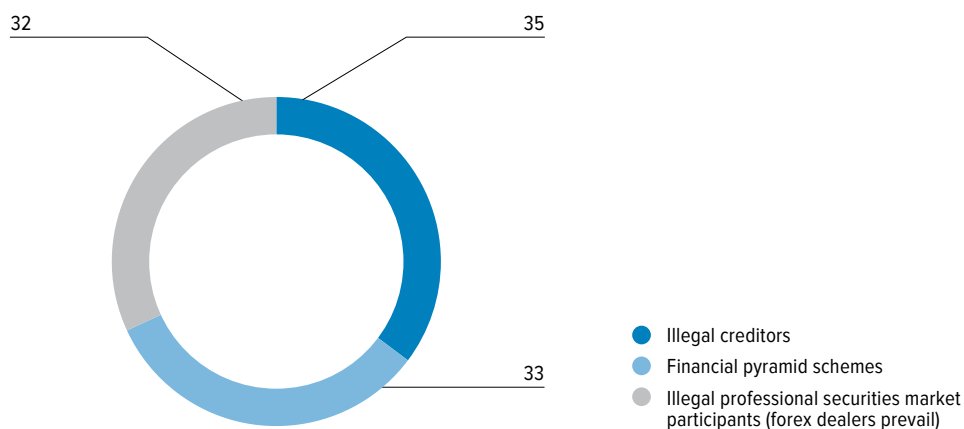
³ The list was prepared based on data obtained from the Bank of Russia since 1 January 2020 and information about companies, which had previously been identified and did not cease their activity.

⁴ Federal Law No.203-FZ, dated 11 June 2021, 'On Amending the Code of Administrative Offences of the Russian Federation'.

⁵ Federal Law No.215-FZ, dated 11 June 2021, 'On Amending the Criminal Code and Criminal Procedure Code of the Russian Federation'.

BREAKDOWN OF ENTITIES WITH SIGNS OF ILLEGAL ACTIVITY IN 2021 (PER CENT)

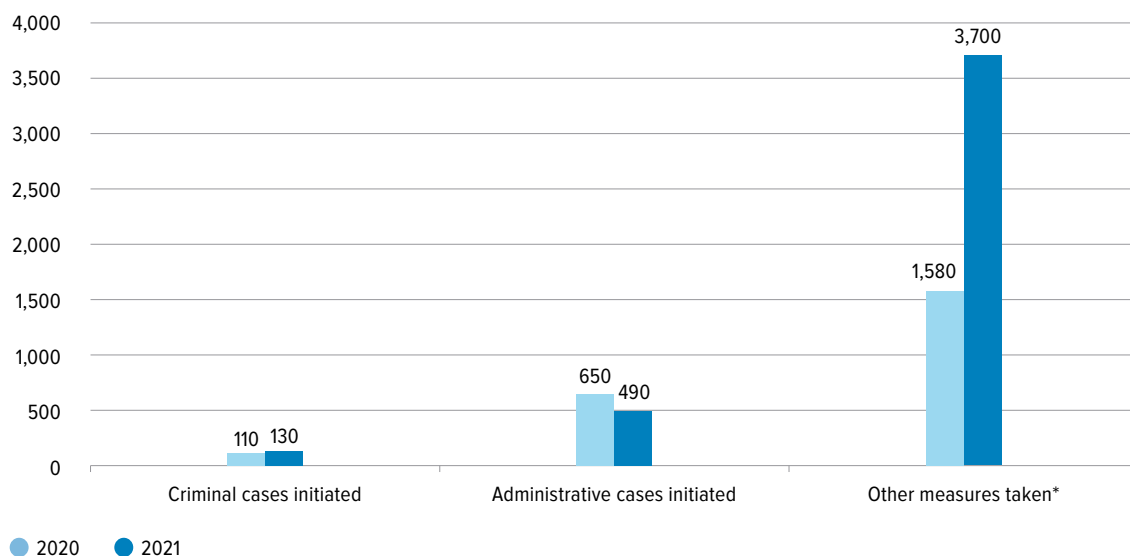
Chart 40



Source: Bank of Russia.

NUMBER OF MEASURES TAKEN BY AUTHORITIES AGAINST ILLEGAL FINANCIAL MARKET ORGANISATIONS, INCLUDING FINANCIAL PYRAMIDS (BASED ON BANK OF RUSSIA DATA, UNITS)

Chart 41



* Deregistration of websites, requests to eliminate violations of law, statements of claim to change the official name, to ban activities, etc.
Source: Bank of Russia.



Since 1 June 2021, the Bank of Russia has been publishing a list of companies with identified signs of illegal activities in the financial market on its website

The Bank of Russia continued its cooperation with law enforcement agencies to bring to justice persons guilty of illegal operations in the financial market. In 2021, the Bank of Russia filed 35 reports to the investigative authorities about the identified signs of offences.¹ Provisional administrations of financial institutions appointed by the Bank of Russia filed seven reports.

During the reporting year, the Bank of Russia received information from law enforcement agencies about the initiation of 15 criminal cases based on complaints lodged in 2021. In all, more than 370 criminal cases were initiated based on complaints from the Bank of Russia since 2016.

The Bank of Russia sent letters in regard to 62 microfinance organisations that exhibited signs of high-risk activities, including signs of involvement in a pyramid scheme and fraud.

The Bank of Russia continued to participate in the activities of a number of interagen-

cy working groups, including those for countering illegal activities in the financial market and investigating the misuse of insider information and market manipulation.

In 2021, in accordance with the interagency Regulation,² the Bank of Russia submitted 50 messages to Rosfinmonitoring and the General Prosecutor's Office of the Russian Federation on the identification of financial transactions of credit institutions (their customers) with signs of illegal financial operations and 19 messages with information on the connection of financial transactions with illegal activities, respectively.

In 2021, the Bank of Russia participated in the preparation of research and practical and other training manuals, as well as in conducting training events for law enforcement officers who worked with the inspection materials and criminal cases regarding offences committed in the financial market.

¹ The number of reports to law enforcement agencies filed by the Head Office of the Bank of Russia.

² Regulation on information exchange between the Bank of Russia, the General Prosecutor's Office of the Russian Federation, law enforcement and other federal state agencies of the Russian Federation in identifying and suppressing illegal financial transactions of credit institutions and their customers approved by joint order No.105/136/50/MM-7-2/117/131/98/447/12/OD-121, dated 12 March 2013.



2.3.9. FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL

In 2021, the Bank of Russia pursued a policy aimed at liberalising the requirements of Russian foreign exchange legislation in order to reduce the burden, primarily on external trade participants.

The Bank of Russia participated in amending Federal Law No.173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control', providing for:

- cancelling from 1 July 2021 of the requirement to repatriate foreign currency proceeds under non-energy commodity export contracts;¹
- affording resident legal entities to make cash payments when selling demonstration samples of goods at international exhibitions abroad;²
- improving the mechanism for insuring the risks of non-residents' failure to fulfil their obligations under foreign trade contracts. Russian exporters were granted the right to insure such risks with any Russian insurance company, except for Russian insurance companies included in the list compiled by the Bank of Russia according to statutorily prescribed criteria. In addition, it is possible to use a bank guarantee issued by an authorised bank to ensure the fulfilment of obligations under a foreign trade contract.³

Concurrently, given the geopolitical situation that developed in early 2022, currency regulation and currency control began playing a particular role as elements capable to maintain financial stability at the macro-level. Maintaining financial stability is facilitated by a number

of new obligations, bans, restrictions related to payments under foreign trade contracts, fulfilment of obligations to foreign creditors, money transfers to foreign accounts, and so on. The purpose of these measures is to maintain a balance of interests between the stability of the Russian national currency, the stability of the domestic foreign exchange market, and ensuring the continuity of the work of foreign trade participants.

To achieve these goals, starting from late February of this year, the following measures were taken with the involvement of the Bank of Russia:

- a requirement on the mandatory sale of 80% of foreign currency earnings received under export contracts no later than three business days from the date of its transfer was introduced;⁴
- a ban on a number of foreign exchange transactions was imposed, in particular, for:
 - providing foreign currency under loan agreements⁴ by residents in favour of non-residents (unless permission is given);
 - crediting foreign currency by residents to their accounts (deposits) opened abroad⁴ (unless permission is given);
 - repatriating by both Russian and foreign residents from the Russian Federation foreign currency in cash in amounts exceeding the equivalent of \$10,000.⁵

A special procedure was established for residents to conduct (undertake) a number of operations (transactions) with persons in foreign

¹ Federal Law No.223-FZ, dated 28 June 2021, 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control'.

² Federal Law No.224-FZ, dated 28 June 2021, 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control'.

³ Federal Law No.9-FZ, dated 17 February 2021, 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control'.

⁴ Executive Order of the President of the Russian Federation No.79, dated 28 February 2022, 'On Imposing Special Economic Measures in Connection with the Hostile Actions of the United States in League with Other Foreign States and International Organisations'.

⁵ Executive Order of the President of the Russian Federation No.81, dated 1 March 2022, 'On Additional Temporary Economic Measures to Ensure Russia's Financial Stability'.

states, taking hostile actions,¹ for which a permit is required.⁵

Such operations (transactions), in particular, include:

- providing loans in foreign currency and in rubles by residents;
- conducting transactions (operations) with securities and real estate (entailing the title transfer);
- crediting of foreign currency by residents to their accounts (deposits) opened abroad;
- fulfilling obligations by residents under credits and loans, finance instruments, as well as fulfilment of obligations related to issuing foreign issue-grade securities by foreign issuers.

Depending on the entity and type of operation (transaction), the applicant shall apply to one of the agencies authorised to issue permits, namely, to:

- the subcommittee of the Government Commission on Monitoring Foreign Investment in the Russian Federation;
- the Bank of Russia.

As an alternative to obtaining permission to fulfil obligations on loans, credits and financial instruments by residents to foreign creditors from unfriendly states, a procedure was established for using special accounts opened in rubles in the name of a non-resident in cred-

it institutions. In this case, residents fulfil their obligations under credits, loans and financial instruments by crediting the amount of obligations in rubles to such accounts. The account mode is limited and allows non-residents to use the funds credited to their accounts only upon obtaining permission to use them.²

Given the increased volatility in the foreign exchange market, in order to ensure financial stability, the Bank of Russia issued instructions,³ which:

- suspend transfers of non-resident legal entities and individuals who are residents of the foreign states, taking unfriendly actions, to other countries;
- set limits on the amount of fund transfers abroad per month for individuals – residents and individuals – non-residents who are not residents of foreign states, taking unfriendly actions;
- set limits on the amount of withdrawal of foreign currency cash from accounts (deposits) for individuals, legal entities and individual entrepreneurs.

Since late February 2022, the Bank of Russia has been working to create a new system of currency regulation and currency control capable to respond to the current and potential challenges faced by the Russian Federation under the sanctions imposed by unfriendly states.

¹ Persons associated with foreign states, which take hostile actions against Russian legal entities and individuals (including if such foreign persons are residents of these states, and these states are the place of these persons' registration and their principal place of business and deriving profit), and with persons who are controlled by these foreign persons, regardless of the place of their registration or their principal place of business.

² Executive Order of the President of the Russian Federation No.95, dated 5 March 2022, 'On a Temporary Procedure for Meeting Obligations to Certain Foreign Creditors'.

³ Bank of Russia Information Letters No.IN-019-12/21, dated 1 March 2022, No.IN-019-12/23, dated 3 March 2022, and No.IN-019-12/27, dated 5 March 2022.



2.3.10. COUNTERING THE LEGALISATION (LAUNDERING) OF CRIMINALLY OBTAINED INCOMES AND THE FINANCING OF TERRORISM

In 2021, the Bank of Russia continued to exercise its powers established by Federal Law No.115-FZ. Particular attention was given to enhancing the effectiveness of the system of anti-money laundering and combating the financing of terrorism (AML/CFT).

The information service Know Your Customer (hereinafter, the KYC Platform) was created on the basis of the Bank of Russia resources. The relevant Federal Law was adopted in order to consolidate the legal basis for the functioning of the KYC Platform.¹ A software package was developed to enable its functioning.

- reduce operating expenses of credit institutions by focusing on a relatively small number of customers with potentially high risks;
- ensure a further reduction in the amount of suspicious transactions in the banking sector, as well as improve the efficiency of the Russian AML/CFT system.

Piloting of the KYC Platform for practical evaluation and adjustment of the Bank of Russia's interaction with credit institutions involving 40 credit institutions (including most systemically important ones) started in December 2021.



Piloting of the Know Your Customer platform began in December 2021

The KYC Platform was designed to allow credit institutions to receive high-quality information on the level of risk of suspicious transactions conducted by legal entities² (individual entrepreneurs) registered in accordance with the legislation of the Russian Federation. This information can be used by credit institutions when assessing the degree (level) of the risk of conducting suspicious transactions by clients. The application of the KYC Platform will:

- reduce the burden on bona fide entrepreneurs, first of all small and micro businesses, and their expenses for interaction with credit institutions;

In 2021, in order to improve national legislation, including bringing it in line with international AML/CFT standards, the Bank of Russia took part in amending Federal Law No.115-FZ, in particular, to provide for the following:

- improve the legal framework for control (supervision) in the field of AML/CFT and regulate the issues of conducting national and sectoral risk assessments;³
- extend AML/CFT requirements to foreign insurance companies entitled to conduct insurance business in the Russian Federation;⁴
- update the list of operations subject to mandatory control;⁵

¹ Federal Law No.423-FZ, dated 21 December 2021, 'On Amending Certain Laws of the Russian Federation'.

² Except credit institutions, state authorities and local governments.

³ Federal Law No.165-FZ, dated 11 June 2021, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

⁴ Federal Law No.343-FZ, dated 2 July 2021, 'On Amending the Federal Law of the Russian Federation 'On the Organisation of Insurance Business in the Russian Federation' and Certain Laws of the Russian Federation'.

⁵ Federal Law No.230-FZ, dated 28 June 2021, 'On Amending Article 6 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and Article 3.1 of the Federal Law 'On Sanctions for Individuals Violating Fundamental Human Rights and Freedoms of Russian Nationals'.

- enshrine in law the regulation of the activities of a foreign structure's trustee (manager) without the formation of a legal entity and a protector;¹
 - ease the requirements for identification when an individual client exchanges banknotes or coins, as well as replaces damaged banknotes or coins in an amount up to ₴40,000 (equivalent in foreign currency);²
 - assign the duty of organisations conducting transactions with funds or other property to collect information, in relation to clients — legal entities, about their licences and Internet sites, the use of which is regarded as the provision of a service (if any) by such legal entity, as well as to ban servicing and conducting transactions on behalf of the persons without licences or whose websites contain information prohibited in Russia;³
 - expand the possibility of interaction between organisations conducting transactions with funds and other property for identification for the purposes of AML/CFT;⁴
 - expand the list of cases, in which credit institutions are prohibited from refusing to conclude a bank account (deposit) agreement, as well as identify cases, in which they are prohibited from refusing to transfer funds; establish differentiated timeframes for updating information received as part of the identification process, depending on the degree (level) of the risk of conducting suspicious transactions by clients.⁵
- With regard to the risks, which increased in 2021, of using the P2P services of credit institutions⁶ to conduct transactions related to settlements between Russian residents and participants in the shadow gambling business (online casinos, online lotteries, bookmakers) as well as Internet sites offering services for the purchase and sale of cryptocurrencies by illegal participants in the financial market, the Bank of Russia published [methodological recommendations](#)⁷ for identifying and suppressing such activities, as well as taking additional measures to protect P2P services from their use by mala fide entities.

MEASURES APPLIED AGAINST CREDIT INSTITUTIONS IN 2021 FOR VIOLATIONS OF THE RUSSIAN AML/CFT LEGISLATION

Measures	Number of credit institutions against which measures were applied
Banking licence revocation	14
Measures applied pursuant to Article 74 of Federal Law No. 86-FZ* of which:	84
Fines	60
Restrictions on individual banking operations conducted by credit institutions	16
Requirements for elimination of violations	56

* Total number of organisations against which measures were applied is not the sum of data on individual measures due to repeated application of measures to some organisations.
Source: Bank of Russia.

¹ Federal Law No. 233-FZ, dated 28 June 2021, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

² Federal Law No. 370-FZ, dated 19 November 2021, 'On Amending Article 7 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

³ Federal Law No. 355-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation'.

⁴ Federal Law No. 483-FZ, dated 30 December 2021, 'On Amending Article 7 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

⁵ Federal Law No. 423-FZ, dated 21 December 2021, 'On Amending Certain Laws of the Russian Federation'.

⁶ P2P service of a credit institution is the website of a credit institution, which offers to enter the bank card number (or electronic means of payment) of a recipient and a payer in order to transfer funds.

⁷ Bank of Russia Methodological Recommendations No. 16-MR, dated 6 September 2021, 'On Increasing Credit Institutions' Focus on Certain Customer Transactions'.

Also in 2021, the Bank of Russia paid particular attention to bringing the AML/CFT regulatory framework in line with new legal requirements in this area.¹

The systematic work carried out by the Bank of Russia ensured a further decrease in the scope of suspicious transactions² in the banking sector in the reporting year and a reduction in the scale of cash withdrawals in trade, the service sector, and payment systems.

In 2021, the amount of money withdrawals abroad for dubious reasons decreased by 17% compared to 2020 (from ₹52 billion to ₹43 billion³), cash-outs in the banking sector – by 21% (from ₹78 billion to ₹62 billion⁴), and dubious transit operations – by 24% (from ₹0.6 trillion to ₹0.5 trillion).

In 2021, the problem of using writs of execution (mainly writs of execution of notaries and certificates of labour dispute commissions) for cashing out remained relevant. In 2021, the volumes of these transactions increased by 11% compared to 2020 (from ₹25 billion to ₹28 billion).

The Bank of Russia was performing supervisory functions in the field of AML/CFT through

on-site and off-site supervision. In 2021, off-site AML/CFT supervision measures were applied to 364 credit institutions, which amounted to 89.4% of the number of credit institutions operating in the reporting period in the Russian Federation.⁵ As part of AML/CFT on-site supervision measures, the Bank of Russia completed 46 inspections of credit institutions and 36 inspections of non-bank financial institutions, which amounted to 31% and 26%, respectively, of the total number of on-site inspections of credit institutions and NFIs.

In 2021, licences were revoked from 14 credit institutions for AML/CFT-related violations.

For violations of the requirements of the AML/CFT laws of the Russian Federation, enforcement measures under Article 76.5 of Federal Law No.86-FZ were applied to 2,156 NFIs; preventive measures were applied to 2,105 NFIs.

In 2021, the Bank of Russia initiated 3,796 cases of administrative offences under Article 15.27 of the Russian Federation Code of Administrative Offences against NFIs and their officials, as well as 98 cases against credit institutions' officials.

¹ Bank of Russia Regulation No.764-P, dated 15 July 2021, 'On the Procedure, Timeframe and Volume of Information Received from an Authorised Body in Accordance with Clause 13.2 of Article 7 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' for the Bank of Russia to Communicate to Organisations Conducting Operations with Money and Other Property, Which are Specified in Article 5 of the Said Federal Law and Which are Regulated, Controlled and Supervised by the Bank of Russia in Accordance with the Legislation of the Russian Federation'; Bank of Russia Ordinance No.5748-U, dated 3 March 2021, 'On Invalidating Bank of Russia Ordinance No.4846-U, Dated 3 July 2018, and Bank of Russia Ordinance No.5639-U, Dated 30 November 2020'; Bank of Russia Ordinance No.5768-U, dated 31 March 2021, 'On Amending Bank of Russia Regulation No.600-P, Dated 20 September 2017, 'On Submitting by Credit Institutions Information on Customer Operations, Beneficial Owners of Customers and Movement of Funds Across Customer Accounts (Deposits) at the Request of the Federal Financial Monitoring Service'; Bank of Russia Ordinance No.5860-U, dated 15 July 2021, 'On Amending Clauses 2 and 4 of Bank of Russia Ordinance No.4937-U, Dated 17 October 2018, 'On the Procedure for Non-bank Financial Institutions to Submit to the Authorised Body Information in Accordance with Articles 7 and 7.5 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'; Bank of Russia Ordinance No.5861-U, dated 15 July 2021, 'On the Procedure for Credit Institutions to Submit to the Authorised Body Information in Accordance with Articles 7 and 7.5 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'; Bank of Russia Ordinance No.5965-U, dated 5 October 2021, 'On Amending Certain Bank of Russia Regulations on Requirements for the Identification by Credit Institutions and Non-bank Financial Institutions of Clients, Clients' Representatives, Beneficiaries, Beneficiary Owners for the Purposes of Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'; Bank of Russia Ordinance No.5966-U, dated 5 October 2021, 'On the Procedure for the Bank of Russia to Assess Risks Associated with Operations (Transactions) Aimed at the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism by Economy Sector (Sectoral Risk Assessment)'.
² Operations, unusual in nature and having no signs of clear economic sense and obvious legitimate purposes, conducted by clients of credit institutions, which can be conducted to withdraw money from the country, finance 'grey' imports, transfer funds from non-cash to cash and subsequently evade taxation, as well as for financial support of corruption and other illegal purposes.
³ The data include estimates of the volume of money withdrawal abroad on the basis of writs of execution.
⁴ The data include estimates of the volume of money withdrawal on the basis of writs of execution and through deposit account of notaries.
⁵ The number of credit institutions operating in 2021 totalled 407.

MEASURES APPLIED AGAINST NON-BANK FINANCIAL INSTITUTIONS IN 2021 FOR VIOLATIONS OF THE RUSSIAN AML/CFT LEGISLATION

Measures	Number of NFIs against which measures were applied, units
Revocation (withdrawal) of a licence from a non-bank financial institution	7
Enforcement measures applied pursuant to Article 76.5 of Federal Law No. 86-FZ*	2,156
of which:	
An order to eliminate violations identified in the activities of a non-bank financial institution and (or) to prevent violations in further activities	2,133
Licence suspension	1
Prohibition (restriction) on conducting certain transactions by a non-bank financial institution	33
Applications to court about liquidation of non-bank financial institutions	2
Exclusion of information about a legal entity from the state register of microfinance organisations	2
Preventive measures applied pursuant to Article 76.5 of Federal Law No. 86-FZ	2,105

* Total number of organisations against which measures were applied is not the sum of data on individual measures due to repeated application of measures to some organisations.
Source: Bank of Russia.

MEASURES REGARDING ADMINISTRATIVE AML/CFT-RELATED OFFENCES APPLIED IN 2021 AT THE INITIATIVE OF THE BANK OF RUSSIA*

Measures	Number of judgements/cases, units
In regard to credit institutions	
Number of credit institutions, whose officials were defendants in the case	64
Number of cases initiated	98
Proceedings completed	91
Fines on officials	9
Warnings	40
Cases closed	43
In regard to non-bank financial institutions	
Number of cases initiated	3,796
including against officials	1,896
Proceedings completed	3,721
Fines	213
including on officials	91
Warnings	1,894
including to officials	952
Cases closed	1,614
including against officials	814

* In regard to the offences provided for in Article 15.27 of the Code of Administrative Offences of the Russian Federation.
Source: Bank of Russia.



2.3.11. DEVELOPMENT OF COMPETITION IN THE FINANCIAL MARKET

The Bank of Russia continued its planned efforts to create a favourable competitive environment in the financial market.

One of the significant results of 2021 was the adoption of the National Plan for Developing Competition in the Russian Federation for 2021–2025,¹ prepared jointly with the Bank of Russia. This is a strategic document that defines the key directions in the medium term: creating equal conditions for conducting business by financial market participants and conditions for free informed selection of services and their providers by consumers.

A particular role in the current digitalisation conditions is played by ecosystems formed on the basis of the largest financial institutions, including financial and non-financial directions. In order to find the balance between stimulating innovations, developing domestic ecosystems in the condition of global competition, and limiting risks for households and the economy, the Bank of Russia released two consultation papers on ecosystem regulation.² The regulator considers it essential to get feedback from all stakeholders and agree on new rules of the game in the rapidly changing digital world. Jointly with the Bank of Russia, the Concept of Regulating Ecosystems' Activities in the Russian Federation was developed and implemented

at the legislative level at the Digital Economy ANO platform jointly with the Bank of Russia, representatives of regulators, and expert and business communities.

In 2021, the implementation of measures to create a favourable competitive environment continued: lowering barriers for providers and consumers of financial services (including infrastructure projects: FPS, Digital Profile, Unified Biometric System, and so on³), optimisation of the regulation,⁴ measures of combating unfair practices.⁵

In 2021, the Bank of Russia, in its consultation paper [Combining Activity Types in the Financial Market](#), proposed to expand the opportunities for financial market participants in order to combine various types of activities, primarily complementary ones. Thus, non-financial and non-bank financial institutions will be able to provide certain payment services, and non-governmental pension funds will be able to carry out insurance and non-financial agency activities, and insurance companies will be able to provide trust management services and conclude pension agreements. Innovations are aimed at improving the quality and financial inclusion for customers and will improve the work efficiency of existing financial market participants and simplify market access for new companies.

¹ The National Plan ('Roadmap') for Developing Competition in the Russian Federation for 2021–2025 (approved by the Russian Government Directive No.2424-r, dated 2 September 2021).

² 'Ecosystems: approaches to regulation' (April 2021) and 'Regulation of risks of banks' participation in ecosystems and investments in immobilised assets' (June 2021).

³ See Subsections 2.4.1. '[Development of the payment services market](#)' and 2.5.1. '[Promoting financial market digitalisation](#)'.

⁴ See Subsection 2.3.4.9. '[Streamlining regulatory burden on financial market participants](#)'.

⁵ See Subsection 2.3.8. '[Countering misconduct in the financial market](#)'.

2.3.12. IMPROVING INSTRUMENTS AND INFRASTRUCTURE OF THE FINANCIAL AND COMMODITY EXCHANGE MARKETS

In 2021, the Bank of Russia continued its efforts aimed at developing the instruments and infrastructure of the financial and commodity markets, taking into account the needs of market participants, and improving regulation.

Improving financial market tools

Federal Law No.353-FZ,¹ developed jointly with the Bank of Russia, was adopted in order to improve the regulation related to ensuring the fulfilment of obligations under financial contracts.² It establishes the following:

- the Bank of Russia's powers to determine the requirements for securing the fulfilment of obligations under over-the-counter (OTC) financial derivatives not subject to centralised clearing;
- specifics of the security deposit under financial contracts concluded on the general agreement terms; an addition to the list of terms for applying the liquidation netting mechanism provided for by Federal Law No.127-FZ;
- specifics of the termination of obligations under contracts for providing collateral without transferring ownership if its provision is a precondition for concluding financial contracts on the general agreement terms.

To implement the above provisions, the Bank of Russia established a list of foreign states and their associations whose legislation requires collateral under financial contracts, and also set requirements for holders

of collateral under financial contracts and requirements for securing the fulfilment of obligations under OTC derivatives.³

The implemented changes are aimed at fulfilling the obligations assumed by the parties to derivatives, reduce systemic risks in the financial market, and also remove a number of barriers for conducting cross-border transactions with OTC derivatives.

As part of the legislative reform of the leasing industry, the Ministry of Finance of Russia jointly with the Bank of Russia developed a draft federal law on the regulation of leasing activities.⁴ The draft law provides for creating of a new class of non-bank financial institutions – leasing companies, vesting the Bank of Russia with supervisory powers, maintaining a register of lessors, introducing requirements for the equity capital of leasing companies, transferring them to industry accounting standards and IFRS, conducting a mandatory audit and applying self-regulation in the leasing market.

In order to improve listing regulation, as well as to increase the attractiveness of the Russian stock market for the largest foreign exchange-traded investment funds (ETFs), the Bank of Russia updated the requirements for admitting ETF securities to on-exchange trading on Russian exchanges and to remove excessive barriers for admitting Russian trade organisers to unsponsored listing of ETF securities.

¹ Federal Law No.353-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation'.

² Repo agreements, contracts that are derivative financial instruments, agreements of a different type on securities and (or) foreign currency, and (or) precious metals.

³ Bank of Russia Ordinance No.5914-U, dated 8 September 2021 'On the List of Foreign States and Their Associations Compiled in Pursuance of Article 51.8 of Federal Law No.39-FZ, Dated 22 April 1996, 'On the Securities Market' (took effect on 6 November 2021); Bank of Russia Ordinance No.5997-U, dated 22 November 2021, 'On Establishing Requirements for a Person Who Holds Collateral or Who is the Holder of Collateral in the Interest of the Parties to an Agreement or Keeps Records of Rights to Securities Served as Collateral in the Interests of Other Persons for the Purpose of Applying Article 51.8 of the Federal Law No.39-FZ, Dated 22 April 1996, 'On the Securities Market' (took effect on 10 January 2022); Bank of Russia Ordinance No.6032-U, dated 23 December 2021, 'On Guaranteeing the Fulfilment of Obligations Arising from Contracts Which Are Derivative Contracts not Concluded in Organised Trading, with One of the Parties not being an Entity or Individual Performing Central Counterparty Functions, as well as on the Requirements for the Collateral (as of 25 March 2022, the document was sent for the official registration to the Russian Ministry of Justice).

⁴ Draft Federal Law No.586986-7 'On Amending Certain Laws of the Russian Federation on the Regulation of Leasing Activities' (approved by the State Duma in the first reading).

Development of individual investment accounts

The Action Plan ('roadmap') for the formation of affordable finance for investment projects¹ includes proposals to increase the limit for crediting individual investment accounts (IIA) (from ₹1 million to ₹3 million), to implement IIAs of Type III, and to exclude tax incentives for the acquisition of foreign securities.

[Russian Financial Market Development Programme for 2022–2024](#) includes the objectives of improving the IIA mechanism, introducing long-term Type III IIAs, limiting tax incentives for Russian residents to invest in foreign assets, and expanding the list of counterparties for opening IIAs.

Improving the depository accounting system

In order to stimulate the involvement of depositories in accounting for digital rights and expanding services for depositors, the Bank of Russia issued Ordinance No.5985-U,² establishing a mechanism for depositories to record digital rights and securities, the rights for which can be exercised if they are proved by digital financial assets, digital certificates, as well as determining the specifics of operations with digital rights and digital certificates upon termination of the depository agreement.

Improving the development of platform services

In 2021, the development of financial platforms and investment and financial platform operators (IPO and OFP, respectively) continued.

The number of IPOs increased from 20 to 50, while investment was mainly made in the form of loans (crowdfunding). The volume of investments for the year increased from ₹7 billion to ₹13.8 billion. Over 70% of loans on in-

vestment platforms were raised by small and medium-sized enterprises (SMEs), which indicates an increase in the availability of financial services for them.

The number of operators of financial platforms (marketplaces) increased to five. Both large and small regional banks are represented on financial platforms; using a financial platform, any bank that joined it can offer its products to households almost throughout the country.

The most popular transactions were bank deposit agreements, which is due to the attractive bank offers to people. Also, transactions with OTC bonds of two constituent territories of the Russian Federation generated interest among the public.³ On financial platforms, one can also compare and choose the most advantageous loan, purchase an e-CMTPLI policy or an investment product, such as investment units. Clients of financial platforms are given the opportunity to use the FPS service to transfer funds at the rates applied when transferring funds through banks (up to ₹100,000 per month free of charge).

Improving the infrastructure of the commodity exchange market

In 2021, the Bank of Russia issued the first trading system (TS) licence to carry out on-exchange commodity trading. The creation of the TS is aimed at simplifying the access of buyers and sellers to modern sales technologies, at improving the convenience of services for finding counterparties and conducting transactions to purchase and sell raw materials and finished products by SMEs, and it also contributes to the involvement of uncovered market segments (small-scale wholesale trade, difficult-to-standardise products) into a transparent and regulated field of on-exchange trading. The reliable spot markets created by the

¹ Approved by the First Deputy Chairman of the Government of the Russian Federation under No.4806p-P13, dated 13 May 2021, and by the Bank of Russia Governor under No.PM-0152 / 76 (clause 31), dated 13 May 2021.

² Bank of Russia Ordinance No.5985-U, dated 2 November 2021, 'On Amending Bank of Russia Regulation No.503-P, Dated 13 November 2015, 'On the Procedure for Depositories to Open and Maintain Depo and Other Accounts'.

³ Bond issuers are administrations of the Tomsk and Kaliningrad Regions.

TS promote the development of the derivatives market. To exclude regulatory arbitrage and introduce proportional regulation of the TS, a regulatory sandbox mechanism will be used.

The Bank of Russia jointly with the FAS of Russia developed and publicly communicated

to market participants recommendations on discouraging unfair practices of participants in on-exchange trading in petroleum products using trading robots. Disciplinary measures were applied to unfair traders, and such practices in the exchange market came to naught.



2.3.13. IMPROVING CORPORATE RELATIONS AND CORPORATE FINANCE

Improving corporate relations

In 2021, the Bank of Russia continued implementing measures to improve corporate relations, including those provided for in the action plans.¹

The use of the instrument for structuring transactions for the pledge of securities was expanded.² Parties to such transactions were given an opportunity for the optimum distribution of the scope of rights certified by pledged securities. The use of this approach minimises the risks of losing control over a joint-stock company.

In order to develop the territory of special administrative regions, the geography of redomiciliation³ was expanded, the possibility of 'transit' redomiciliation⁴ was legislatively fixed, and the consequences of the reorganisation of international companies were clarified.⁵ The adopted regulation is aimed at investment raising from a wider range of foreign companies.

Measures to ensure the possibility of holding annual general meetings of shareholders in absentia in 2021 were extended.⁶ This made it possible to reduce the risks associated with holding corporate events amid the spread of coronavirus infection.

Concurrently, the Bank of Russia participated in the process of improving the legal regulation of holding general meetings of shareholders and meetings of securities holders.⁷ The developed regulation should create more convenient conditions for shareholders and securities holders for exercising their rights, as well as reduce the costs associated with holding general meetings.

In 2021, Bank of Russia Regulation No.714-P⁸ came into force, optimising the administrative burden on issuers of securities related to the disclosure of information in various forms. A number of redundant requirements that led to duplication of disclosed information were eliminated. Investors got access to extended information in a more convenient and simple format not only about an issuer itself, but also about a group of companies. Concurrently, in order to reduce operational risks, the Bank of Russia issued Regulation No.751-P,⁹ which synchronised the list of information provided by issuers to the central depository with the updated list of reports on essential facts, and the applicable regulation was adjusted taking into account the best practice.

¹ The action plan ('Roadmap') for the implementation of the mechanism for managing systemic changes in the legal regulation of entrepreneurial activity 'Business Climate Transformation' 'Corporate Governance, Special Administrative Regions, Bankruptcy Procedure and Appraisal Activity' approved by Russian Government Directive No.1723-r, dated 2 July 2020; National Action Plan To Enable a Recovery in Employment and Household Incomes, Economic Growth and Long-Term Structural Changes in the Economy' approved at a meeting of the Government of the Russian Federation on 23 September 2020; the action plan ('Roadmap') for allocating available funds for investment projects No.PM-01-52/76, dated 13 May 2021, approved by the Bank of Russia Governor and the First Deputy Chairman of the Government of the Russian Federation.

² Federal Law No.211-FZ, dated 11 June 2021, 'On the Amendments to Article 358.17 of Part One of the Civil Code of the Russian Federation'.

³ Change of jurisdiction of the company.

⁴ Transition to the Russian jurisdiction of companies, which have changed their personal law (lex societatis) as part of redomiciliation and decided to change it again.

⁵ Federal Law No.17-FZ, dated 24 February 2021, 'On Amending the Federal Law 'On International Companies and International Funds' and Suspending Certain Provisions of the Federal Law 'On Joint-stock Companies' and the Federal Law 'On Limited Liability Companies'.

⁶ Articles 2 and 3 of Federal Law No.17-FZ, dated 24 February 2021, 'On Amending the Federal Law 'On International Companies and International Funds' and Suspending Certain Provisions of the Federal Law 'On Joint-stock Companies' and the Federal Law 'On Limited Liability Companies'.

⁷ A revised version of draft Federal Law No.1059849-7 'On Amending the Federal Law 'On Joint-stock Companies' and Certain Laws of the Russian Federation'.

⁸ Bank of Russia Regulation No.714-P, dated 27 March 2020, 'On Disclosing Information by Issue-grade Securities Issuers'.

⁹ Bank of Russia Regulation No.751-P, dated 11 January 2021, 'On the List of Information Associated with the Exercise of Issue-grade Securities Rights and Provided by Issuers to the Central Depository, the Procedure and Timeframes for Its Provision, and on Requirements for the Procedure for the Central Depository to Give Access to Such Information'.



The Bank of Russia changed approaches to information disclosure in order to optimise the burden on issuers of securities

In 2021, the Bank of Russia continued to analyse the implementation practices of public joint stock companies whose shares are admitted to trading on the Moscow Exchange, the principles and recommendations of the Corporate Governance Code.¹ The monitoring results demonstrate that the restrictive measures taken during the pandemic led to a certain decrease in the implementation by companies of the recommendations of the Corporate Governance Code related to holding corporate events in person, which affected the results of the recommendations' implementation in general.² The results of monitoring corporate governance practices are published in the [Review of Corporate Governance Practices at Russian Public Companies based on 2020 annual statements](#).

In order to develop the Corporate Governance Code provisions as regards the role and key functions of directors (supervisory board), the Bank of Russia published recommendations³ on how the board of directors of a public joint-stock company should take into account factors related to the environment, social factors and corporate governance factors (ESG factors), as well as sustainable development issues.

To encourage companies to further develop and improve their corporate governance practices and taking into account the experience acquired since the introduction of the Corpo-

rate Governance Code, the Bank of Russia published updated recommendations for compiling a report on compliance with the principles and recommendations of the Corporate Governance Code and the form of such a report.⁴

To improve information transparency in the financial market and the quality of information disclosed by public joint-stock companies, the Bank of Russia published recommendations⁵ on the disclosure of essential information by issuers.

Throughout 2021, the Bank of Russia considered more than 2,000 applications from individuals and legal entities, government authorities and other organisations regarding issues of corporate relations and information disclosure. As part of state control over the acquisition of large blocks of shares, 568 sets of documents were reviewed. To exempt issuers from the obligation to disclose information, two hundred seventeen sets of documents were reviewed. In the course of the current supervision of corporate relations and information disclosure, the Bank of Russia issued over 6,700 orders and supervisory letters and identified more than 600 administrative offences.

Improving corporate finance

Throughout 2021, the Bank of Russia monitored how effective were the simplified procedures for admission to the financial instruments market introduced in 2020, and helped

¹ Approved by the Bank of Russia Board of Directors on 21 March 2014 and recommended for use by joint-stock companies whose securities are admitted to on-exchange trading by Bank of Russia Letter No.06-52/2463, dated 10 April 2014, 'On Corporate Governance Code'.

² In 2020, the dynamics of the implementation of the Corporate Governance Code recommendations by companies was not significant compared to 2019.

³ Bank of Russia Information Letter No.IN-06-28/96, dated 16 December 2021, 'On Recommendations for the Board of Directors of a Public Joint-stock Company to Consider ESG Factors and Sustainable Development Issues'.

⁴ Bank of Russia Information Letter No.IN-06-28/102, dated 27 December 2021, 'On Disclosing the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint-stock Company'.

⁵ Bank of Russia Information Letter No.IN-06-28/56, dated 26 July 2021, 'On Recommendations for Disclosing by Securities Issuers Information in the Form of a Notice of Material Fact Established by Chapter 50 of Bank of Russia Regulation No.714-P, Dated 27 March 2020, 'On Disclosing Information by Securities Issuers'.

to solve emerging problems and shaped the law enforcement practice.

In 2021, the Bank of Russia completed its long lasting work on a law¹ that offers small and medium-sized businesses an attractive investment tool, namely a convertible loan agreement. According to this law, instead of returning the loan amount, the lender can receive shares (stakes in the authorised capital) of the borrowing company.

Although no new issuers of perpetual bonds entered the financial market in 2021, issuers who had previously issued their bonds continued to increase their volume throughout the year, and investors, in turn, showed a steady interest in such bonds. In late 2021, there were 13 perpetual bond issues in circulation, while all payments on perpetual bonds were made in accordance with the procedure established by decisions on the issue, issuers did not exercise their right to refuse to pay perpetual bonds' yield.

Monitoring of the first issue of perpetual bonds allowed the Bank of Russia to support proposals to expand the range of persons to whom perpetual bonds can be offered, and such changes were made to the Federal Law 'On the Securities Market' in mid-2021.² The group of persons who may purchase such bonds included individuals – qualified investors, while the minimum nominal value of one bond was set at ₺5 million, unless a lower amount is set by the Bank of Russia.

A federal law drafted jointly with the Bank of Russia, allowing the issue of perpetual bonds to the Joint Stock Company Russian Post,³ was also adopted.

Despite the Bank of Russia's efforts in 2021 to reduce the risks associated with the sale of complex financial instruments, the year finally became a year of growth for structured bonds as well.

There were 284 issues of structured bonds totalling ₺405,478.5 million, \$1,555 mil-

lion, and €1,335 million (38 issues totalling ₺286,200 million, \$300 million, and €300 million in 2020).

Concurrently, the average volume of issued bonds decreased by more than five times, which significantly differs from the situation of 2020, when, on the contrary, the volumes of issued shares were growing. It can be assumed that this trend is due to the fact that structural bonds have not yet become a mass standard instrument, and issuers prepare each issue for a specific investor based on his/her requirements. A total of 148 issues of structured bonds were placed for a total of ₺53,984 million, \$136.4 million, and €0.056 million (in 2020, 15 issues for a total of ₺457.2 million and \$117 million). But more than 95% of the total volume of structured bonds placed in 2021 came from two large banks, the rest of the issuers apparently were waiting for more favourable market conditions.

The circumstances on which payments on structured bonds registered in 2021 (underlying asset) depend, in most cases, were the prices of securities, namely shares of foreign and Russian companies, and not credit events (circumstances indicating a third party's failure to fulfil its obligations) like in 2020. In 2021, such type of underlying assets as indices has gained wide popularity. This partly confirms that structured bonds are becoming increasingly complex instruments, especially provided that in most cases the indices used as the underlying assets of structured bonds are calculated by an entity affiliated with the issuer, and 'independent' indices (for example, S&P 500) are used much less frequently.

Concurrently, the practice of repayment of structural bonds creates a favourable impression: for all 12 issues of structural bonds redeemed in 2021, the nominal value of the bonds was paid in full.

'Green' bonds and social bonds continued to be another important direction for the de-

¹ Federal Law No.354-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation'.

² Federal Law No.192-FZ, dated 11 June 2021, 'On Amending Certain Laws of the Russian Federation'.

³ Federal Law No.186-FZ, dated 11 June 2021, 'On Amending Article 4 of Federal Law 'On Reorganising the Federal State Unitary Enterprise Russian Post, the Fundamentals of Joint-stock Company Russian Post' Activities, and on Amending Certain Laws of the Russian Federation'.

velopment of the bond market in 2021. The Bank of Russia studied the problems hindering the issue of these bonds and made changes to the standards for issuing securities (see Subsection 2.6.1. '[Development of the financial instruments market and sustainable development infrastructure, creation of conditions and opportunities for companies' ESG transformation](#)').

Collective investment instruments in 2021 sparked increased interest of investors that had a direct effect on the number of new unit investment funds admitted.

Exchange-traded unit investment funds were of particular interest to financial market participants: the annual increase in their number was the most significant over the entire observation period and amounted to 400% (84 exchange-traded unit investment funds were registered in 2021 against 21 a year earlier).

The total number of rules for trust management of unit investment funds registered by the Bank of Russia in 2021 increased 1.2 times and amounted to 121 (96 in 2020), as well as 640 amendments and additions to them.

The dynamics of the operational admission of financial instruments and the increased interest of investors and participants in the collective investment market were significantly supported by the liberalisation of admission to the financial market of unit investment funds, the investment units of which are intended exclusively for qualified investors, undertaken by the Bank of Russia, which resulted in a significant increase in the involvement of specialised depositories directly in the process of admission.

Specifically, the number of documents approved by specialised depositories and submitted to the Bank of Russia exceeded the same indicator of 2020 by almost 20% (2,240 vs 1,884). Of these, the number of approved rules for the trust management of unit investment funds, the investment units of which are limited in circulation, increased by 190% and amounted to 425 (in 2020 – 221), the number of amendments and additions to these rules increased by almost 10% and amounted to 1,815 (in 2020 – 1,663).

The total number of effective rules of trust management increased by more than 20% and amounted to 1,965. Of which 262 are open-end unit investment funds, 125 exchange-traded unit investment funds, 44 interval unit investment funds, and 1,534 closed-end unit investment funds.

Concurrently, the trend towards a decrease in the number of effective rules for the trust management of mortgage coverage continued, and at the end of the year their number was 19, which is two rules less than in 2020.

In order to withdraw mortgage participation certificates from circulation in the financial market, in 2021, the bank of Russia registered with the Ministry of Justice of Russia and gave effect to Bank of Russia Instruction No.205-I,¹ providing for a prohibition of the registration by the Bank of Russia of new rules for the trust management of mortgage coverage, registration of amendments and additions to the rules related to the extension of their validity and the issue of mortgage participation certificates.

¹ Bank of Russia Instruction No.205-I, dated 1 September 2021, 'On the Procedure for Registering Amendments to the Trust Management Rules of Mortgage Coverage, and on the Procedure for the Bank of Russia to Notify the Applicant of the Decision to Register Amendments to the Trust Management Rules of Mortgage Coverage or of the Refusal to Register Them'.



2.3.14. IMPROVING THE ACCOUNTING AND THE ACCOUNTING (FINANCIAL) STATEMENTS OF FINANCIAL INSTITUTIONS

In order to implement the requirements of IFRS 17 Insurance Contracts (as amended in 2021), which from 1 January 2023 replaces IFRS 4 Insurance Contracts and establishes new principles for recognising, assessing, presenting and disclosing insurance contracts and outwards reinsurance contracts, in the regulations on accounting and accounting (financial) statements for NFIs, the Bank of Russia issued relevant regulations.¹

Considering that investment platform operators, financial platform operators, information system operators, in which digital financial assets are issued, and digital financial asset exchange operators (hereinafter, the operators) are included in the list of persons recognised as NFIs by the Russian Law,² the Bank of Russia issued Regulation No.777-P,³ which establishes the forms of disclosure of information in the annual and interim accounting (financial) statements of operators and the procedure for grouping the accounts in accordance with the indicators of the operators' accounting (finan-

cial) statements, and amended its accounting regulations.⁴

The date for the application of Bank of Russia regulations governing the accounting and financial reporting procedures for consumer credit cooperatives, agricultural consumer credit cooperatives, and housing savings cooperatives was postponed to 1 January 2025 by Bank of Russia Ordinance No.5895-U.⁵

To comply with the laws of the Russian Federation with regard to certain transactions of credit institutions, the Bank of Russia issued Ordinance No.5753-U,⁶ which provides for the accounting by credit institutions of funds from transactions with precious metals in balance sheet accounts of brokerage operations, as well as the accounting in balance sheet equity accounts of the contributions made by a credit institution as a joint-stock company shareholder (member) to the company's assets.

The Bank of Russia issued Regulation No.5894-U,⁷ adjusting the accounting of

¹ Bank of Russia Regulation No.773-P, dated 23 September 2021, 'On the Procedure for Non-governmental Pension Funds to Account Mandatory Pension Insurance Contracts'; Bank of Russia Regulation No.774-P, dated 23 September 2021, 'On the Procedure for Insurers to Account Life Insurance and Life Reinsurance Contracts'; Bank of Russia Regulation No.775-P, dated 23 September 2021, 'On the Procedure for Insurers to Account Non-life Insurance Contracts, Non-life Reinsurance Contracts and Mandatory Medical Insurance Contracts'; Bank of Russia Regulation No.776-P, dated 23 September 2021, 'On the Procedure for Non-governmental Pension Funds to Account Non-governmental Pension Provision Agreements'; Bank of Russia Ordinance No.5941-U, dated 23 September 2021, 'On Amending Bank of Russia Regulation No.713-P, Dated 24 March 2020, 'On the Chart of Accounts at Non-bank Financial Institutions and the Procedure for Using It'; Bank of Russia Ordinance No.5960-U, dated 4 October 2021, 'On Amending Bank of Russia Regulation No.727-P, Dated 29 June 2020'; Bank of Russia Ordinance No.5961-U, dated 4 October 2021, 'On Amending Bank of Russia Regulation No.728-P, Dated 6 July 2020'.

² Federal Law No.259-FZ, dated 2 August 2019, 'On Investment Raising Using Investment Platforms and on Amending Certain Laws of the Russian Federation'; 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'; 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 Bank of Russia Regulation No.777-P, dated 26 October 2021, 'On the Forms of Information Disclosure in the Accounting (Financial) Statements of Investment Platforms Operators, Financial Platform Operators, Information System Operators that Issue Digital Financial Assets, and Digital Financial Assets Exchange Operators, and the Procedure for Grouping the Accounts in Accordance with the Indicators of the Accounting (Financial) Statements'.

⁴ Bank of Russia Ordinance No.5922-U, Dated 9 September 2021, 'On Amending Bank of Russia Regulation No.532-P, Dated 3 February 2016'; Bank of Russia Ordinance No.5923-U, dated 9 September 2021, 'On Amending Bank of Russia Regulation No.613-P, Dated 25 October 2017'; Bank of Russia Ordinance No.5919-U, dated 9 September 2021, 'On Amending Bank of Russia Regulation No.614-P, Dated 25 October 2017'.

⁵ Bank of Russia Ordinance No.5895-U, dated 19 August 2021, 'On the Application of Certain Bank of Russia Regulations Related to Accounting and Accounting (Financial) Statements'.

⁶ Bank of Russia Ordinance No.5753-U, dated 24 March 2021, 'On Amending Bank of Russia Regulation No.579-P, dated 27 February 2017, 'On the Chart of Accounts at Credit Institutions and the Procedure for Using It'.

⁷ Bank of Russia Ordinance No.5894-U, dated 19 August 2021, 'On Amending Bank of Russia Regulation No.612-P, Dated 25 October 2017'.

items by individual NFIs, which apply Bank of Russia Regulation No.612-P.¹ It was clarified that the procedure applied to housing savings cooperatives and investment advisers. The symbols for income and expenses in the Statement of Financial Performance were supplemented. Symbols and numbers of book-keeping accounts are included to show the proceeds from the provision of services, such as investment consulting, issuing digital financial assets and digital rights, and securing transactions with them.

Due to the issue by the Ministry of Finance of Russia of the Federal Accounting Standards (FAS) 25/2018 'Accounting of Leases',² FAS 5/2019 'Inventories',³ FAS 6/2020 'Fixed Assets',⁴ and FAS 26/2020 'Capital Investment',⁵ the Bank of Russia amended Regulations

No.492-P,⁶ No.526-P,⁷ No.527-P,⁸ No.532-P,⁹ No.612-P,¹⁰ No.613-P¹¹, No.614-P¹², clarifying the accounting procedure for NFIs, requirements for disclosing data on certain indicators of NFIs' accounting (financial) statements and grouping accounts by individual indicators of NFIs' accounting (financial) statements. In particular, NFIs were entitled to apply simplified accounting procedures provided for in the Federal Accounting Standards.

Also, due to the issue of federal standards by the Russian Ministry of Finance, the Bank of Russia amended¹³ its regulations on accounting for credit institutions, providing for accounting in individual balance sheet accounts of the depreciation of fixed assets, real estate temporarily unused in core activities, and assets in the form of a right of use.

¹ Bank of Russia Regulation No.612-P, dated 25 October 2017, 'On the Procedure for Non-bank Financial Institutions to Record Accounting Items'.

² Federal Accounting Standard 25/2018 'Accounting of Leases' (approved by Order of the Finance Ministry of the Russian Federation No.208n, dated 16 October 2018).

³ Federal Accounting Standard 5/2019 'Inventories' (approved by Order of the Finance Ministry of the Russian Federation No.180n, dated 15 November 2019).

⁴ Federal Accounting Standard 6/2020 'Fixed Assets' (approved by Order of the Finance Ministry of the Russian Federation No.204n, dated 17 September 2020).

⁵ Federal Accounting Standard 26/2020 'Capital Investment' (approved by Order No.204n of the Finance Ministry of the Russian Federation on 17 September 2020).

⁶ Bank of Russia Regulation No.492-P, dated 22 September 2015, 'Sectoral Standard for Accounting Fixed Assets, Intangibles, Investment Assets, Long-term Assets Held for Sale, Inventories, Means of Labour with Undetermined Designation Received under Agreements on Break-up Compensation or Pledge Agreements, and Assets and (or) Estimated Balances Thereof Received Following Insurer's (Beneficiary's) Waiver of the Ownership of Insured Property in Non-bank Financial Institutions'.

⁷ Bank of Russia Regulation No.526-P, dated 28 December 2015, 'Sectoral Accounting Standard 'Procedure for Compiling Accounting (Financial) Statements by Insurance Companies and Mutual Insurance Companies'.

⁸ Bank of Russia Regulation No.527-P, dated 28 December 2015, 'Sectoral Accounting Standard 'Procedure for Compiling Accounting (Financial) Statements by Non-governmental Pension Funds'.

⁹ Bank of Russia Regulation No.532-P, dated 3 February 2016, 'Sectoral Accounting Standard 'Procedure for Compiling Accounting (Financial) Statements of Professional Securities Market Participants, Joint-stock Investment Funds, Trade Organisers, Central Counterparties, Clearing Companies, Specialised Depositories of Investment Funds, Unit Investment Funds and Non-governmental Pension Funds, Asset Management Companies of Investment Funds, Unit Investment Funds and Non-governmental Pension Funds, Credit History Bureaus, Credit Rating Agencies, and Insurance Brokers'.

¹⁰ Bank of Russia Regulation No.612-P, dated 25 October 2017, 'On the Procedure for Non-bank Financial Institutions to Record Accounting Items'.

¹¹ Bank of Russia Regulation No.613-P, dated 25 October 2017, 'On the Forms for Disclosing Information in Accounting (Financial) Statements of Non-bank Financial Institutions and the Procedure for Grouping the Accounts in Accordance with Accounting (Financial) Statements Data'.

¹² Bank of Russia Regulation No.614-P, dated 25 October 2017, 'On the Forms for Disclosing Information in Accounting (Financial) Statements of Microfinance Organisations, Consumer Credit Cooperatives, Agricultural Consumer Credit Cooperatives, Housing Savings Cooperatives and Pawnshops, and the Procedure for Grouping the Accounts in Accordance with Accounting (Financial) Statements Data'.

¹³ Bank of Russia Ordinance No.5891-U, dated 19 August 2021, 'On Amending Bank of Russia Regulation No.448-P, Dated 22 December 2014, 'On Credit Institutions' Accounting of Fixed Assets, Intangible Assets, Real Estate Temporarily Unused in Operational Activity, Long-Term Assets Held for Sale, Inventories, Means and Objects of Labour of Undetermined Purpose Obtained under Compensation or Pledge Agreements' and Bank of Russia Regulation No.5892-U, dated 19 August 2021, 'On Amending Bank of Russia Regulation No.579-P, Dated 27 February 2017, 'On the Chart of Accounts at Credit Institutions and the Procedure for Using It'.

Amendments to Bank of Russia regulations establishing the procedure for accounting and preparing accounting (financial), supervisory and statistical statements for NFIs are taken into account when developing XBRL taxonomy versions of the Bank of Russia.

In 2021, the Bank of Russia worked on transiting credit history bureaus to reporting in the XBRL format, including accounting (financial) statements. The start of filing in the new format by these organisations is scheduled for 2022 (see Subsection 2.5.2. [‘Digitalisation of regulation and supervision’](#)).



2.4. Development of the National Payment System

2.4.1. DEVELOPMENT OF THE PAYMENT SERVICES MARKET

In 2021, the payment services market showed a strong growth on the back of the post-pandemic economic recovery. The performance of indicators reflected higher economic activity of businesses and households. The number of cashless transactions¹ rose compared to 2020 by 25.4% to 70.3 billion transactions with their amount increasing by 32.5% to ₹1,202.8 trillion.

To adapt to the coronavirus pandemic, Russian citizens were actively using modern payment instruments and services, including remote ones. The portion of cashless payments for goods and services in retail turnover² increased to 74.3% against 70.3% in 2020.

The number of remote access accounts opened predominantly by individuals continued to grow. By the 2021 year-end, the total

communication devices. The portion of payments made through the Internet by legal entities, that were not credit institutions, was 64%.

As of 1 January 2022, the total number of payment cards issued by credit institutions was 334.7 million (an increase of 9.5% vs 1 January 2021) or 2.3 cards per capita. In 2021, 63.4 billion transactions were made using cards inside and outside Russia amounting to ₹134.9 trillion (increases of 25.3% and 26.4%, respectively). In the structure of operations, cashless transactions³ were dominating by 96.3% in terms of the number and by 77.9% in terms of the amount of transactions. Cash withdrawals accounted for 3.7% and 22.1%, respectively.

Consumers appreciated the convenience of contactless payments, which increased in 2021



In 2021, the portion of cashless payments for goods and services in the retail turnover reached 74.3%

number of such accounts was 327.7 million or 90.6% of the total number of active client accounts (out of which household accounts comprised 320.3 million).

The remote transactions of credit institution customers rose by almost one-third compared to the previous year to 69.0 billion transactions amounting to ₹1,051.6 trillion. Notably, the said indicator for individuals increased by 26.4% in number and by 37.9% in value. Nearly 40% of electronic payments were made by individuals using the Internet and/or mobile

by 1.3 times in number and by 1.5 times in value – up to 35.4 billion transactions totalling ₹33.2 trillion. Most of them (26.6 billion transactions amounting to ₹24.9 trillion) were made with widespread payment cards supporting contactless payment. The portion of the latter in the overall number of issued cards reached nearly 80%.

The growing demand for payment services was met through the development of payment infrastructure by providers. Banks ensured operation of 184,200 ATMs, 3.5 million POS

¹ Transactions carried out at the order of customers of credit institutions (individuals and legal entities that are not credit institutions, including individual entrepreneurs) as well as credit institutions' own transactions.

² The total turnover of retail trade, public catering and the value of paid services to households.

³ This includes payments for goods and services, customs payments and other cashless transactions (inter alia, card-to-card transfers, card-to-account transfers, charity payments, etc.).



Mir cards accounted for 25.7% of the total volume of domestic card transactions

terminals, and 201,300 cashless payment terminals.¹ The network was complemented by 152,200 terminals of payment agents (sub-agents) and 124,400 ATMs of bank payment agents (subagents).

The number and value of transactions made using electronic means of payment to transfer electronic money rose by 5.1% and 46.1%, respectively, compared to 2020.

In 2021, Mir cards were more widely used in part due to the implementation of convenient and cost-effective services for households and businesses. Every third card issued inside Russia is a Mir card. As of 1 January 2022, credit institutions issued 113.6 million Mir cards in total. Mir cardholders made 19.2 billion transactions totalling ₹33.3 trillion that is 1.4 times more than in 2020 in terms of number and value. Notably, Mir cards were used to pay for goods and service in 75 out of 100 cases. The value of such transactions accounted for over 30% of all Mir card transactions. Mir cards accounted for 25.7% of the total volume of domestic card transactions.²

The loyalty programme (cashback services) of the Mir payment system was successfully developing. As of 2021 year-end, the number of Mir cards registered in the loyalty pro-

gramme reached 26.8 million (vs 19.3 million as of 2020 year-end).

The Mir payment system supported the implementation of the tourist cashback programme whereby some part of the cost of travel, tourism and children's recreation in Russia was to be refunded. Mir cards are accepted in 14 countries³ outside Russia, including all the EAEU countries.

The number of credit institutions whose customers were able to pay for purchases using the Mir Pay mobile contactless payment application increased from 66 to 82.

As of 2021 year-end, 23 Russian regions implemented Mir Social Card and Mir Resident Card projects (vs 15 regions in 2020). Mir cards may be used to pay surface transport fares nearly in all (83) constituent territories of the Russian Federation and metro fares in seven regions.

In 2021, a special payment scheme was implemented for socially vulnerable people enabling them to pay for certain types of goods and services with an electronic certificate.⁴ This made it much easier for them to acquire socially important goods and services, including payment and receipt of compensation from the state. Retail outlets and banks may join the electronic certificates system.

¹ Automatic devices enabling payment cardholders to carry out cashless transactions with payment cards 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 (acceptance).

² In 2021 Q4.

³ As of 2021 year-end. As of 1 April 2022, in ten countries given the imposed sanctions.

⁴ Pursuant to Federal Law No.491-FZ, dated 30 December 2020, 'On Acquisition of Certain Goods, Works, and Services with the Electronic Certificate'.



2.4.2. BANK OF RUSSIA SYSTEMS

THE BANK OF RUSSIA PAYMENT SYSTEM

In 2021, 2.6 billion funds transfers amounting to ₹2,018.2 trillion were processed through the systemically important payment system of the Bank of Russia (Bank of Russia PS). As compared to the previous year, the increase was 43.4% and 21.8%, respectively. In the transactions processed through the Bank of Russia PS, speedy funds transfers were dominating in terms of amount (86.7%) while non-speedy funds transfers were prevailing in terms of the number of transactions (67.0%). The portion of funds transfers through the Bank of Russia PS using the faster payments service in the total number of transactions increased by more than five times and reached 32.8%.

As of 1 January 2022, 1,549 organisations were members of the Bank of Russia PS (vs 1,638 as of 1 January 2021), of which 1,177 were credit institutions (branches), 141 were participants that are not credit institutions, and 231 were Bank of Russia structural divisions. On average, each member of the Bank of Russia PS carried out 1.7 million transactions amounting to ₹1.3 trillion, which exceeds the 2020 figures by 51.6% and 28.7%, respectively.

To ensure the operation of the electronic certificates system, in 2021, an intraday settlement procedure was implemented in the Bank of Russia PS for payments for goods and services acquired with the electronic certificates.

To reduce paperwork and the number of agreements made with the Bank of Russia's cli-

ents and to streamline their amendment procedure, the Bank of Russia and its clients have started to conclude comprehensive banking agreements.

As the Federal Treasury was switching to operations through the Treasury Single Account (TSA) in compliance with Federal Law No.479-FZ,¹ dated 27 December 2019, in 2021, the Bank of Russia opened 87 TSAs, ensured processing of transactions on the said accounts in the liquidity pool, and closed more than 43,500 bank accounts the Federal Treasury used earlier before the end of 2021 H1.

The transition to the TSA made it possible to considerably reduce time for crediting budgetary funds and cut the operating costs of servicing the TSA in the Bank of Russia PS.

In 2021, as part of the development and improvement of the Bank of Russia PS, the Bank of Russia issued a regulation² stipulating the procedure for controlling compliance with the Rules of the Bank of Russia PS.

FASTER PAYMENTS SYSTEM

In 2021, the Faster Payment System continued to gain popularity both among households and businesses. The number of active users of the system exceeded 44 million credit institution customers (an increase of 30 million over the year). In 2021, the number and amount of transactions in the FPS increased by eight and six times, respectively, as compared to 2020. Almost 1 billion transactions totalling about ₹6 trillion have been processed in the FPS since its launch.



In 2021, the number and amount of transactions in the FPS increased by eight and six times, respectively, as compared to 2020

¹ Federal Law No.479-FZ, dated 27 December 2019, 'On Amending the Budget Code of the Russian Federation in Terms of Treasury Services and the Treasury Payment System'.

² Bank of Russia Regulation No.756-P, dated 30 March 2021, 'On the Procedure for the Bank of Russia to Control the Compliance with the Rules of the Bank of Russia Payment System'.

To improve the financial inclusion and quality of payment services for the users, the FPS continued to develop, e.g. to expand the existing functionality and to implement new services.

The Bank of Russia ensured that credit institutions implemented the instruction of the President of the Russian Federation to accelerate the connection of systemically important credit institutions to the FPS to facilitate household payments for goods and services: in 2021, all systemically important credit institutions started to support transfers from individuals to legal entities (C2B).¹

To improve the accessibility of the FPS services for households, the regulator introduced a requirement for banks to allow individuals to transfer up to ₹150,000 a day via the FPS and made it possible for individuals to make payments using the FPS-pay mobile application.

To ensure for the FPS to be used in transacting on the financial platforms, on 1 November 2021, the regulator introduced special tariffs and maximum fees to be charged by banks for funds transfers made by individuals from bank (deposit) accounts to their accounts on the financial platforms.

The FPS popularity was boosted by the state subsidy programme launched in mid-2021. It enables small and medium-sized enterprises to refund the fees they pay to banks for accepting payments through the FPS. The number of legal entities and individual entrepreneurs registered in the FPS increased almost by five times over the year and reached 177,000 with SMEs making 90% of this number.

Now, companies use the FPS more often to make payments to individuals, including insurance payments and payments from brokers and microfinance organisations (loan disbursements). The FPS started to process business-to-business (B2B) transactions and support the acceptance of payments for goods and services for self-employed individuals.

On 1 October 2021, to cut business costs, the regulator introduced the following:

- caps on fees to be charged by credit institutions to their business customers and interbank commissions for C2B transactions in absolute numbers (in addition to relative values);
- lower rates of tariffs to be applicable to C2B transactions when payments are accepted by self-employed individuals;
- the caps on fees to be charged by credit institutions to their customers for C2B transactions are now applicable to intra-bank transfers (if banks use the FPS operational and clearing services).

FINANCIAL MESSAGING SYSTEM OF THE BANK OF RUSSIA

Demand for the Financial Messaging System (FMS) is growing. In 2021, the number of messages transmitted via the FMS has increased by 1.5 times. More foreign users joined the system. Over the year, their number doubled and reached 39 organisations. The total number of the FMS users is 331 organisations (banks and companies).

¹ C2B (customer-to-business) transactions mean funds transfers from individuals to legal entities.

2.4.3. CASH CIRCULATION

The cash circulation activities of the Bank of Russia are aimed at ensuring stable cash turnover, maintaining the high quality of banknotes and developing the technical infrastructure to optimise the cost of cash in circulation. In 2021, the Bank of Russia approved [Guidelines for Cash Circulation Development in 2021–2025](#), stipulating the priorities in this area.

In 2021, cash in circulation¹ returned to its normal path of moderate growth and reached $\text{₽}655.8$ billion (an increase of 4.9% vs 2020) including $\text{₽}650.3$ billion of banknotes and $\text{₽}5.5$ billion of coins.

As of 1 January 2022, the amount of the Bank of Russia currency units in circulation, including coins made of precious metals, was $\text{₽}14,091.7$ billion, including banknotes in the amount of $\text{₽}13,972.6$ billion (6.8 billion units), coins in the amount of $\text{₽}118.6$ billion (70.3 billion units), and coins made of precious metals in the amount of $\text{₽}0.5$ billion. In the total value of cash in circulation, banknotes and coins accounted for 99.2% and 0.8%, respectively. In the total number of banknotes and coins in circulation, the former made up 8.9% and the latter – 91.1%.

In 2021, the number of banknotes did not change, and the number of coins (excluding coins made of precious metals) increased by 1.2 billion units.

The Bank of Russia monitored cash turnover and analysed the banknote structure of cash in circulation to make sure it matched the needs of the economy.

The share of $\text{₽}5,000$ banknotes in the note structure of cash in circulation expanded from 79.9% to 82.0% in the reporting period. At the same time, there was a decrease in the share of $\text{₽}2,000$ banknotes (from 4.9 to 4.5%) and in the share of $\text{₽}1,000$ banknotes (from 12.0% to 10.6%). The respective shares of $\text{₽}500$, $\text{₽}200$, $\text{₽}100$, $\text{₽}50$, $\text{₽}10$, and $\text{₽}5$ banknotes essentially remained at the 2020 levels.

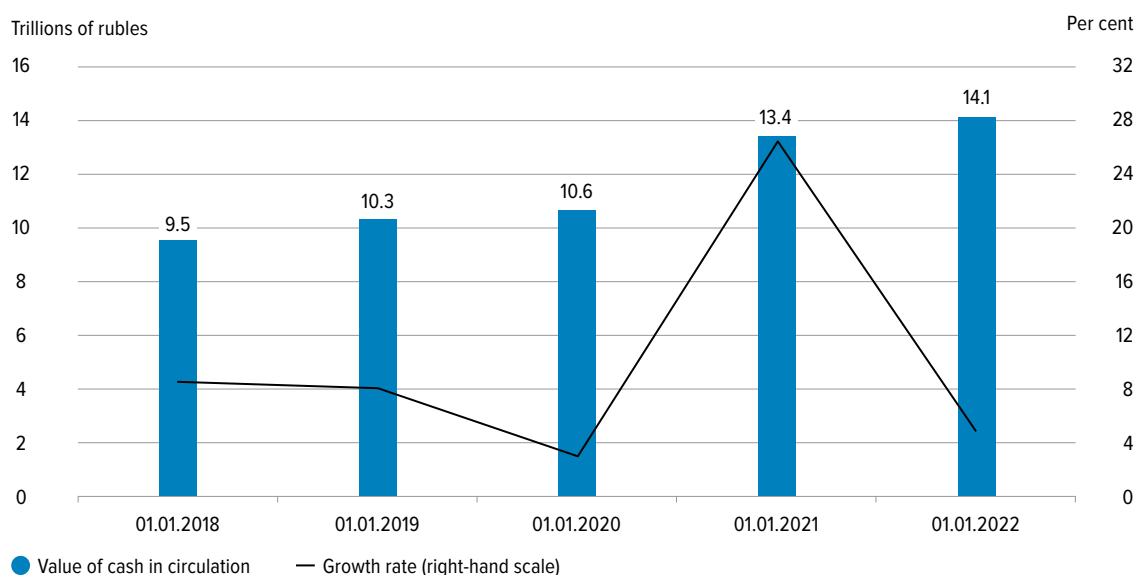
At the end of 2021, cash turnover through Bank of Russia divisions and credit institutions increased by 7.9% as compared to the previous year to $\text{₽}101.7$ trillion (vs $\text{₽}94.2$ trillion in 2020).

In 2021, the Bank of Russia divisions provided cash services to 3,117 credit institutions and their units and to 178 non-credit institutions.

The Bank of Russia develops cooperation with other market participants to ensure the

CASH IN CIRCULATION

Chart 42



¹ Cash in circulation includes precious metal coins, according to the balance sheet; the indicator includes cash in cash offices of Bank of Russia units.

availability of cash for Russian households and businesses. The Bank of Russia places its own cash holdings in the cash vaults of credit institutions and permits them to use this cash when supplying cash services. This helps cut cost of cash transportation, counting and processing. As of 2021 year-end, 22 units of three credit institutions were engaged in the said arrangement.

Bank of Russia Coin Platform streamlines coin circulation and ensures higher velocity of coins. Bank of Russia Coin Platform is an information service supporting direct communication between entities wishing to either give in or get some coins. In 2021, the

The share of counterfeit ₹5,000 banknotes in the total number of counterfeits rose to 76.3% (by 6.5 percentage points) while that of ₹1,000 banknotes declined to 11.5% (by 4.0 percentage points) in 2021.

The share of counterfeit banknotes detected by credit institutions was up by 6.7 percentage points as compared to the 2020 figure and amounted to 37.7% of the total number of counterfeits.

In 2021, Bank of Russia divisions carried out 0.79 million expert assessments of Bank of Russia currency units, including 0.45 million expert assessments of suspicious currency units and 0.34 million control assessments of



The level of counterfeiting in Russia remains consistently low – six counterfeits per one million banknotes in circulation

number of regions where Bank of Russia Coin Platform was operating increased from eight to 14, and the number of credit institutions' units participating in the arrangement rose from 127 to 198. The volume of market participants' applications, which were met over the year, totalled 180,400 bags (vs 161,700 bags in 2020).

The level of counterfeiting is consistently low. In 2021, there were six counterfeits per one million banknotes in circulation (vs seven counterfeits in 2020).

In the reporting year, 36,614 counterfeit banknotes, including 27,921 ₹5,000 banknotes and 4,194 ₹1,000 banknotes, were detected, withdrawn from circulation, and handed over to the police.

the accuracy of banknotes and coins exchange.

In 2021, Bank of Russia divisions and credit institutions detected and handed over to the police 8,600 counterfeit banknotes of foreign countries (a group of foreign countries).

In the reporting year, the regulator adopted the Guidelines for arranging the issue and distribution of Bank of Russia precious metal commemorative and investment coins and base metal commemorative coins.

In 2021, the Bank of Russia issued 41 kinds of commemorative coins (four gold coins, 22 silver coins, and 15 base metal coins) and five kinds of investment coins. [The latest list of organisations with signed agreements on the sale of commemorative and investment coins](#) is available on the Bank of Russia website.

2.4.4. DIGITAL RUBLE

In 2021, the Bank of Russia continued to work on the digital ruble project. Along with cash and non-cash rubles, a digital ruble will be a third form of money the Bank of Russia is to issue and treat as its liability.

After the extensive public discussion of the digital ruble initiative, the Bank of Russia presented the [Digital Ruble Concept](#) describing its approaches to the digital ruble rollout. A two-tier retail model was selected as a target one. The Bank of Russia's platform is to support the issue of digital rubles and the opening of wallets for credit institutions and clients (both individuals and legal entities). Credit institutions will interact with customers, at their orders, will open wallets for them on the Bank of Russia's platform, carry out settlements on such wallets, and conduct AML/CTF and anti-fraud checks.

In 2021, the Bank of Russia developed a digital ruble platform prototype facilitating such operations as the issue of digital rubles, the exchange of non-cash rubles for digital ones and back, and digital ruble transfers between individuals. The regulator formulated the cyber security requirements and protection measures for the entire technology – from its initiation to the execution of payments in digital rubles, including the authentication of users on the digital ruble platform with special cyber security tools. The regulator facilitated a secure development of the digital ruble platform prototype, deployed a key system for piloting the digital ruble platform and running interaction tests, and prepared necessary key information.

In December 2021, the digital ruble platform prototype was completed. The first pilot group consisted of 12 banks.



2.5. Technology Development and Innovation Support in the Financial Market

2.5.1. PROMOTING FINANCIAL MARKET DIGITALISATION

In 2021, the Bank of Russia continued to work on the development of legal regulation and the implementation of digital infrastructure projects aimed at improving the quality and accessibility of financial services, expanding competition and innovations in the financial market, and cutting the costs of financial institutions.

In December 2021, Federal Law No.441-FZ¹ was adopted to develop the remote identification and make it more customer friendly. The law was developed in cooperation with the Bank of Russia and provides for the following:

- an individual may input his/her biometric data in the Unified Biometric System via a secure mobile application;
- state information systems processing some types of biometric personal data other than those input in the Unified Biometric System, should have an accreditation.

and Authentication and the Unified Biometric System available on the website and in the mobile application, was postponed until 1 September 2022.

In late December 2021, the Unified Biometric System was given the status of a state information system. As of the end of 2021, the registration in the Unified Biometric System was available at 13,000 banking service points of 217 banks and outside offices across all Russian regions (courier model). Twelve banks provide remote identification service through a website or a mobile application.

The regulator continued to develop the Digital Profile infrastructure supporting a simple and fast exchange of data required for receiving services between individuals, state and business. In 2021, 24 banks, four insurance companies, five microfinance organisations and



Individuals used the Digital Profile more than 9.1 million times

However, the effective date of the obligation of banks with a universal licence to ensure that private customers could open accounts (deposits) in rubles and get loans in rubles without personal attendance after their identification in the Unified System of Identifi-

one financial platform operator used the Digital Profile to provide the following services: filling out a credit questionnaire and/or receiving a loan, including mortgage loans, getting insurance services, including the purchase of CMTPLI and comprehensive and collision insur-

¹ Federal Law No.441-FZ, dated 30 December 2021, 'On Amending Article 15-3 of Federal Law 'On Information, Information Technology and Information Protection' and Articles 3 and 5 of Federal Law 'On Amending Certain Laws of the Russian Federation'.

ance policies, receiving microloans and financial platform services. After the launch of the Digital Profile, people gave their consent to provide data using this system more than 9.1 million times. The Digital Profile pilot project was extended¹ until 31 December 2022.

In 2021, the Bank of Russia continued to develop the financial platforms within the Marketplace project. From now on, one will be able to choose and open the best bank deposit, receive a loan, purchase an e-CMTPLI policy or investment product. The relevant agreement is to be made remotely, no visit to the bank's office is needed. The services of financial platforms are available across almost the entire country on a 24/7 basis.

In December 2021, one of the financial platforms offered to the public a special issue of the government bonds to be placed exclusively using a financial platform and a retail depository based on the central depository (NCI JSC NSD). The issuer is the Kaliningrad Region. The proceeds will be allocated to the regional social and environmental projects, which is in line with the sustainable development criteria.

As of 2021 year-end, there are five financial platform operators registered in the Bank of Russia's register.

In 2021, the Bank of Russia participated in the development of digital mortgage lending to facilitate remote issue of mortgage loans and preparation of digital documents and to cut the operational cost of mortgage lending. According to Resolution of the Russian Government No.1471,² an experiment was launched to test the methods of electronic information exchange between the Rosreestr and depositories ensuring the storage of an e-mortgage on the Masterchain platform developed by the FinTech Association with the involvement of the Bank of Russia.

In 2021, the Bank of Russia improved the procedure for insurers' communication with their customers by introducing an option to amend and terminate CMTPLI agreements remotely, including agreements earlier made in paper.³

In 2021, the Bank of Russia published two new standards for open interfaces (open API⁴):

- Obtaining Public Information about a Credit Institution and its Products;
- Security of Financial (Banking) Operations. Security of Financial Services When an OpenID Connect Customer Initiates Authentication Flow through a Special Channel. Requirements.



Two new open API standards were published

¹ Russian Government Resolution No.1361, dated 17 August 2021, 'On Amending Russian Government Resolution No.710, Dated 3 June 2019'.

² Resolution of the Russian Government No.1471, dated 2 September 2021, 'On Conducting an Experiment to Test the Methods of Cooperation Between the Depository Ensuring the Storage of an E-mortgage and the Federal Executive Authority Responsible for the State Registration of Rights to Real Estate and Transactions Therewith, Using the Masterchain System Based on Distributed Ledger Technology'.

³ Bank of Russia Ordinance No.5858-U, dated 15 July 2021, 'On Amending Bank of Russia Ordinance No.4190-U, Dated 14 November 2016, 'On Requirements for the Use of Electronic Documents and the Procedure for Electronic Information Exchange in the Process of Compulsory Third Party Liability Insurance of Vehicle Owners' and Bank of Russia Ordinance No.5859-U, dated 15 July 2021, 'On Amending Bank of Russia Regulation No.431-P, Dated 19 September 2014, 'On the Rules of Compulsory Third Party Liability Insurance of Vehicle Owners'.

⁴ API (application programming interface) means an application interface describing the ways for different programmes to communicate with each other.

In 2021, the Bank of Russia and the national (central) banks of the EAEU countries conducted a pilot project for open information APIs. Thirteen financial institutions from five EAEU countries were exchanging information on the locations and working hours of their customer service offices, ATMs and the exchange rates of national currencies. The information exchange was based on the unified standard developed by the Bank of Russia together with the national (central) banks of the EAEU countries and FinTech Association. The results of the pilot project were used as a basis for making proposals on the development of the EAEU common financial market using open API technologies.

The implementation of the open API standards is aimed at ensuring equal access to information for service providers as well as competitive and secure data exchange between financial market participants by unifying their interactions.

To develop the experimental legal regimes in the financial markets enabling to pilot innovative products and services with the involvement of real clients, a draft federal law 'On Amending Certain Laws of the Russian Federation Following the Adoption of the Federal Law 'On Experimental Legal Regimes in the Field of Digital Innovations in the Russian Federation' (with regard to the development and testing of digital innovations in the financial market)' was prepared allowing to set the experimental legal regimes in the financial market without stating any specific provision of the federal law, deviation from which is permitted under the experimental legal regime.

In the framework of the national programme 'Digital Economy':

- Federal Law No.483-FZ¹ was adopted. This Law was developed by the Ministry of Economic Development of Russia together with the Bank of Russia to improve the identification and simplified identification procedures. Under the law, all organisations making cash transactions and other asset transactions are allowed to verify and update the data provided by the customer in the course of identification (including simplified identification) using the information from state information systems and to delegate the customer identification to credit institutions. Also, the law increases the limit for individual operations made within the simplified identification of a customer and enables a customer to carry out the simplified identification using his/her driving licence.
- Federal Law No.417-FZ² was adopted. This Law was developed by the Ministry of Justice of Russia with the involvement of the Bank of Russia to ensure the digital transformation of enforcement proceedings to facilitate the development of electronic document workflow and mitigate the risks of erroneous debits within enforcement proceedings. Under the law, all financial institutions may use the Inter-departmental electronic document workflow system and the Unified portal of public and municipal services to communicate with the FBS of Russia within enforcement proceedings. Also, they are obliged to indicate one of the debtor's identifiers in the documents used as a basis for taking enforcement action.

¹ Federal Law No.483-FZ, dated 31 December 2021, 'On Amending Article 7 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

² Federal Law No.417-FZ, dated 21 December 2021, 'On Amending Certain Laws of the Russian Federation'.

— Federal Law No. 440-FZ¹ was adopted. This Law was developed by the Ministry of Justice of Russia with the involvement of the Bank of Russia to facilitate the digital transformation of court proceedings. Under the law, individuals may participate in court hearings remotely subject to identification with

the use of the Unified System of Identification and Authentication and Unified Biometric System.

Educational events on financial technologies are presented in Subsection 2.7.7. [‘Bank of Russia training events for external audience’](#).

¹ Federal Law No.440-FZ, dated 30 December 2021, ‘On Amending Certain Laws of the Russian Federation’.



2.5.2. DIGITALISATION OF REGULATION AND SUPERVISION

In April 2021, the Bank of Russia released SupTech¹ and RegTech² Development Guidelines for 2021–2023 and SupTech and RegTech action plan (roadmap) until 2023.

Under the approved roadmap,³ in 2021, the Bank of Russia implemented the following:

- A supervisory stress testing framework was established for the banking sector to ensure more prompt and effective banking supervision, more proactive approach on the part of the Bank of Russia, more accurate and timely supervisory assessments of the stability of banks and banking groups.
- A register of detailed data on assets accepted by credit institutions as collateral under loans was created. This makes it possible to ensure the application of a systemic approach to the assessment of credit and collateral risks of credit institutions as part of supervision and improve the quality of supervision of credit institutions' compliance with the loan loss provisioning requirements.
- A credit risk assessment model was developed for legal entities. This model is based on the publicly available financial and transaction data of borrowers and is aimed at improving the accuracy of the banks' credit portfolio quality assessments.
- A cash flow chart was prepared for non-bank financial institutions. The chart is based on the data from statements of accounts opened with credit institutions and aimed at ensuring more prompt identification of

misconduct in the non-bank financial institutions' activities.

The preparation of personal accounts for the new procedure for using the enhanced qualified electronic signature (EQES) was completed. This was prompted by amendments⁴ to Federal Law No.63-FZ⁵ covering, among other things, the use of EQES by an individual acting under a power of attorney on behalf of an information exchange participant.

A machine-readable form of the power of attorney to be used in communication with the Bank of Russia was developed, adopted and published on the Bank of Russia website.

The list of entities to communicate with via personal accounts was supplemented with providers of professional services in the financial market and self-regulatory organisations related to the professional services in the financial market.⁶

The efforts to arrange the information exchange related to the reporting of credit institutions (branches), banking groups and banking holdings via personal accounts continued.

The Bank of Russia has a strong focus on maintaining a high level of satisfaction among personal account users. This is achieved through regular discussions of the existing functionalities with institutions and confirmed by the recent surveys.

In 2021, the Bank of Russia continued to collect reports in XBRL format and to improve the XBRL taxonomy. The regulator was implementing the updated reporting requirements

¹ SupTech (Supervisory Technology) is a technology used by regulators to enhance the effectiveness of their control and supervision of financial market participants.

² RegTech (Regulatory Technology) is a technology used by financial institutions to enhance the effectiveness of compliance.

³ SupTech and RegTech action plan (road map) until 2023. Approved by the Bank of Russia Board of Directors on 24 December 2021.

⁴ Federal Law No.476-FZ, dated 27 December 2019, (as amended on 30 December 2021) 'On Amending the Federal Law 'On Electronic Signature' and Article 1 of the Federal Law 'On the Protection of Rights of Legal Entities and Individual Entrepreneurs as Part of State Control (Supervision) and Municipal Control'.

⁵ Federal Law No.63-FZ, dated 6 April 2011, 'On Electronic Signature'.

⁶ Bank of Russia Ordinance No.5969-U, dated 5 October 2021, 'On the Procedure for the Bank of Russia to Interact with Credit Institutions, Non-bank Financial Institutions, Providers of Professional Services in the Financial Market and Other Information Exchange Participants via Bank of Russia Information Resources, Including Personal Accounts' (came into effect on 1 January 2022).

for the financial market segments¹ that were already reporting in XBRL format, and was developing new XBRL taxonomy modules for other segments of NFI² market, supporting them by the issue of relevant regulations.³ In 2021, the Bank of Russia issued regulations on XBRL reporting by specialised depositories⁴ and credit history bureaus.⁵

Besides, in 2021, insurance brokers, credit rating agencies and entities licensed as specialised depositories provided their XBRL reports for the first time.

The Bank of Russia XBRL taxonomy (version 4.0) was published on the Bank of Russia website together with support documents and guidance. A solution was implemented supporting the issue of a taxonomy on requested information to be provided following any ad-hoc amendments to the regulatory requirements subject to immediate compliance control. In particular, the regulator released two

versions of the requested information taxonomy: to ensure collecting and processing of information on the calculation of capital adequacy ratio (version 4.2.0.2) and for credit history bureaus (version 4.3.0.1).

With the Bank of Russia's assistance, the Autonomous Non-profit Organisation XBRL Implementation and Development Centre continued to work on the voluntary certification of software for the developers of XBRL solutions. It issued eight certificates of conformity whose data were published on the website of the said organisation.

To streamline the collection and processing of granular data in line with XBRL taxonomy data model, in 2021, the Bank of Russia became the first regulator in the world to implement and start the large-scale collection of new XBRL-CSV reports supporting the submission to the Bank of Russia of the large granular datasets.

¹ Insurance companies and mutual insurance companies, non-governmental pension funds, professional securities market participants, market operators, clearing houses, joint-stock investment funds, management companies of investment funds, unit investment funds and non-governmental pension funds, insurance brokers, credit rating agencies, and specialised depositories.

² Credit history bureaus, self-regulatory organisations, investment platform operators, financial platform operators, information system operators issuing digital financial assets, and digital financial asset exchange operators.

³ Bank of Russia Ordinance No.5709-U, dated 13 January 2021, 'On the Volume, Forms, Procedure and Timeframe for Compiling and Submitting to the Bank of Russia Statements and Other Information by Professional Securities Market Participants, Trade Organisers, Clearing Houses'; Bank of Russia Ordinance No.5708-U, dated 13 January 2021, 'On the Volume, Forms, Procedure and Timeframe for Compiling and Submitting to the Bank of Russia Statements by Joint-stock Investment Funds, Management Companies of Investment Funds, Unit Investment Funds, and Non-governmental Pension Funds'; Bank of Russia Ordinance No.5724-U, dated 3 February 2021, 'On the Volume, Forms, Procedure and Timeframe for Compiling and Submitting to the Bank of Russia Statements by Insurers'; Bank of Russia Ordinance No.5712-U, dated 13 January 2021, 'On Amending Bank of Russia Ordinance No.4623-U, Dated 27 November 2017, 'On the Forms, Procedure and Timeframe for Compiling and Submitting to the Bank of Russia Operating Statements, Including the Requirements for Statements on Mandatory Pension Insurance by Non-governmental Pension Funds'; Bank of Russia Ordinance No.5707-U, dated 13 January 2021, 'On Amending Bank of Russia Ordinance No.4263-U, Dated 13 January 2017, 'On the Timeframe and Procedure for Non-bank Financial Institutions to Compile and Submit Statements on Operations with Monetary Funds to the Bank of Russia'.

⁴ Bank of Russia Ordinance No.5713-U, dated 13 January 2021, 'On the Volume, Forms, Procedure and Timeframe for Compiling and Submitting Statements by a Specialised Depository'.

⁵ Bank of Russia Ordinance No.5851-U, dated 9 July 2021, 'On the Forms, Procedure and Timeframe for Compiling and Submitting Statements by Credit History Bureaus'.



2.5.3. ENSURING INFORMATION SECURITY AND ENHANCING CYBER RESILIENCE

In the reporting period, the Bank of Russia assisted in the adoption of Federal Law No.250-FZ¹ empowering the Bank of Russia to request the Prosecutor General's Office of the Russian Federation to extrajudicially block websites that operate in breach of the financial market law and court to block websites that are used to spread malicious software in the financial market.

In 2021, the Bank of Russia implemented a set of regulatory measures to ensure information security and operational reliability in the financial market, including in relation to the activities of financial platforms, Bank of Russia certification centre, and non-bank financial institutions.²

Methodological Recommendation No.3-MR³ are available on the Bank of Russia website. The document includes recommendations for credit institutions to enhance efforts to raise awareness among their customers with regard to the safety of information used in bank operations, e.g. funds transfers.

The State Duma is considering draft federal law No.514780-7⁴ prepared in coordination with the Bank of Russia. This law provides for the creation and operation of the Unified Information System for Subscriber Data Verifi-

cation covering individual subscribers and the communication service users of a subscriber being a legal entity, an individual entrepreneur, and an individual.

In 2021, the information security requirements were taken into account in such areas as the elaboration of Open API Implementation Concept, the technical aspects of experimental interaction between the Russian registration authority (Rosreestr) and commercial depositories, and the regulation of financial technologies, including the Unified Biometric System.

The Bank of Russia started to cooperate with the Ministry of Digital Development, Communications and Mass Media of the Russian Federation and communication providers to block the telephone numbers that were used by fraudsters to make telephone calls and send text messages, and to counter spoofing of credit institutions' telephone numbers — a technique actively used by criminals. As a result of this cooperation, the Bank of Russia sent the communication providers information on 179,071 illicitly used telephone numbers for verification and response.

To prevent online financial fraud, the Bank of Russia collaborated with domain registrars

¹ Federal Law No.250-FZ, dated 1 July 2021, 'On Amending Certain Laws of the Russian Federation'.

² Bank of Russia Ordinance No.5673-U, dated 23 December 2020, 'On Operational Reliability Requirements When Performing Financial Platform-based Deals'; Bank of Russia Ordinance No.5751-U, dated 10 March 2021, 'On the Procedure for Granting Power of Attorney Certifying Individual's Rights to Act on Behalf of a Credit Institution, Payment System Operator, Non-bank Financial Institution, and Individual Entrepreneur Engaged in Activities Specified in Part One of Article 76.1 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'; Bank of Russia Ordinance No.5750-U, dated 10 March 2021, 'On the Procedure for the Bank of Russia Certification Centre to Produce and Issue Qualified Certificates of Electronic Signature Verification Keys'; Bank of Russia Ordinance No.5936-U, dated 21 September 2021, 'On the Procedure for the Bank of Russia to Supervise the Compliance of Banks and Financial Platform Operators with the Procedure for Posting and Updating Data Specified in Clause 5.6 of Article 7 of Federal Law No.115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'; Bank of Russia Ordinance No.6018-U, dated 16 December 2021, 'On the List of Security Threats Arising from the Processing of Biometric Personal Data, Their Check and the Transfer of Information Whether They Match the Individual's Biometric Personal Data Available in the Information Systems of the Financial Market Entities Engaged in the Identification and/or Authentication with the Use of Individual Biometric Personal Data Other than the Unified Biometric System, as well as Those Arising from the Cooperation Between Financial Market Entities and Other Entities, Individual Entrepreneurs Operating the Above Information Systems'; Bank of Russia Regulation No.757-P, dated 20 April 2021, 'On Mandatory Requirements for Non-bank Financial Institutions to Ensure Data Protection when Operating in the Financial Markets to Counter Illegal Financial Transactions'.

³ Methodological Recommendations of the Bank of Russia No.3-MR, dated 19 February 2021, on enhancement of efforts to raise customer awareness to counter unauthorised operations.

⁴ Draft Federal Law No.514780-7 'On Amending the Federal Law 'On Communications' and Other Laws of the Russian Federation Related to the Creation and Operation of the Unified Information System for Subscriber Data Verification Covering Individual Subscribers and the Communication Service Users of Subscribers Being Legal Entities, Individual Entrepreneurs, and Individuals'.

to block fraudulent resources. In 2021, the Bank of Russia reported to the domain registrars on 6,213 online resources used for financial crimes. Moreover, information on 3,100 internet domains was submitted to the Russian Prosecutor General's Office to limit the access to them.

The Information Security federal project of the Digital Economy of the Russian Federation national programme includes the implementation of framework for hands-on cyber security training based on the best practices of digital economy leaders.¹ To this end, the Bank of Russia has developed a programme of practice-focused training in cyber security and arranges such trainings.

In 2021, these trainings were attended by employees of credit and financial institutions, university professors, representatives of foreign central (national) banks, officials of Russia's Ministry of Internal Affairs, Investigative Committee, Prosecutor General's Office, National Guard Troops Federal Service (Rosguard), Federal Security Service (FSB), Federal Financial Monitoring Service (Rosfinmonitoring), and

Federal Service for Technical and Export Control (about 5,000 trainees, in total).

The rollout of the programme of practice-focused training in cyber security helped maintain the professional competences of a wide target audience at an appropriate level and bolster the cooperation between the said agencies.

In 2021, the programme was internationally recognised and became the winner in the Enabling Environment category of the WSIS Prizes contest sponsored by the United Nations.

To ensure the adequate competence of financial institution employees to tackle cyber security threats, the regulator drafted the Information Security Officer in Banking and Finance professional standard. More than 2,000 representatives of credit and financial institutions, experts and scientists took part in the professional and public discussion of the said draft.

The portion of unauthorised transactions in the total volume of funds transfers was 0.00130% in 2021.

¹ Clause 1.24 of the Information Security federal project of the Digital Economy of the Russian Federation national programme.



2.6. Promoting Sustainable Development

2.6.1. DEVELOPMENT OF THE FINANCIAL INSTRUMENTS MARKET AND SUSTAINABLE DEVELOPMENT INFRASTRUCTURE, CREATION OF CONDITIONS AND OPPORTUNITIES FOR COMPANIES' ESG TRANSFORMATION

The Bank of Russia took part in the preparation of a taxonomy of sustainable development projects and requirements for their verification set-up.¹ These are core methodologies defining focus areas and eligibility criteria for green and adaptation projects.

In 2021, the Bank of Russia amended the securities issue standards.² Now, issuers may put the green bond label on their bonds if such bonds are used to finance projects, which are deemed green not only as per the international principles but under the Russian taxonomy too. Green bond labelling is subject to the mandatory verification. This helps ensure that such bonds are in line with the internationally recognised approaches and mitigate the risk of greenwashing.³ Also, the Bank of Russia relaxed green and social bond issue criteria. For instance, the right to accelerate bonds is no longer mandatory. Now, issuers may outline the implications of inappropriate use of raised investment in the prospectus themselves. The issuers may use funds raised from the placement of bonds before their allocation to green projects provided their funds management policies contain provisions on the same.

In 2021, the Sustainability Sector of PJSC Moscow Exchange (hereinafter, the Sector) continued to expand. It consists of four standalone segments: green bonds, social bonds, sustainable

development bonds, and national and adaptation projects. The Sector increased more than eight-fold vs 2020 (from ₽24 billion to ₽192 billion).

The Bank of Russia started to develop new sustainable financing instruments: Sustainable Development Goals-linked bonds, adaptation and transition bonds.

Starting from 2021, within its general supervision and conflict of interest monitoring, the Bank of Russia supervises how credit rating agencies assign ESG ratings and how these ratings are used in the financial market. This information is to underpin the assessment and development of regulatory approaches to ESG rating process and the use of ESG ratings in the financial market.

To ensure risk assessment and consistent ESG and sustainability disclosure by public joint-stock companies, the Bank of Russia published on its website recommendations⁴ aimed at improving the quality of sustainability disclosures by public joint-stock companies. Besides, the Bank of Russia published its recommendations for the board of directors of a public joint-stock company on how to consider ESG factors and sustainable development issues.⁵ These recommendations define the underlying principles and approaches to the arrangement of board of directors activity as to ensure that adequate attention is paid to the recent trends in the consideration of ESG factors.

¹ Resolution of the Government of the Russian Federation No.1587, dated 21 September 2021.

² Bank of Russia Ordinance No.5959-U, dated 1 October 2021, 'On Amending Bank of Russia Regulation No.706-P, Dated 19 December 2019, 'On Securities Issue Standards'.

³ Greenwashing is the process of conveying a false impression of an environmentally conscious business to deceive consumers about company's objectives – the situation when a company claims to be committed to sustainable business development to capitalise on the globally growing demand for products and services of companies meeting the sustainable development principles, though, in reality, it is not.

⁴ Bank of Russia Information Letter No.IN-06-28/49, dated 12 July 2021, 'On Recommendations for a Public Joint-stock Company to Disclose Non-financial Information Related to Its Operations'.

⁵ Bank of Russia Information Letter No.IN-06-28/96, dated 16 December 2021, 'On Recommendations for the Board of Directors of a Public Joint-stock Company to Consider ESG Factors and Sustainable Development Issues'.

2.6.2. ESG RISK ANALYSIS AND MANAGEMENT

In 2021, the Bank of Russia mainly focused on the assessment of climate transition risks as they substantially increased on the back of the transition to low carbon economy (given the new agreements reached at UN Climate Change Conference (COP26) in November 2021).

In 2021, the climate risk analysis covered a number of areas. Stress testing included the assessment of potential impact of the climate transition risks on the major Russian exporters and financial sector, in particular, after the introduction of cross-border carbon regulation. The results are available at the Bank of Russia website.¹ The stress test produced the key forecasts of debt service-to-income ratios of the exporters from most carbon-intensive industries. There was an assessment of impact on the capital adequacy of lending banks and an analysis of the exposure of insurance companies and non-governmental pension fund to climate risks.

Moreover, the Bank of Russia began to develop an internal methodology for assessing the climate neutrality of major non-financial organisations and measures to be taken by such

organisations to reduce their environmental footprint. Also, the Bank of Russia was monitoring the sustainability trends in most carbon-intensive Russian companies over 2020 and 2021 H1 to determine whether they were ready for the energy transition, and the ESG risk strategies of largest investors.

The Bank of Russia was actively discussing the sustainability issues with financial market participants. In 2021, the Bank of Russia conducted a survey of financial institutions enquiring how they considered ESG factors and climate risks in their operation. Based on the survey results, the regulator concluded that financial institutions did not address climate risks adequately. In this regard, the Bank of Russia released its recommendations for insurers² and certain financial market participants³ to factor in climate risks in their activities; held a number of meetings with banks devoted to the adequacy of non-financial data to be received from corporate borrowers for more accurate and comprehensive consideration of climate risks by financial institutions; and developed approaches to climate risks coverage in the regulation of financial institutions.

¹ [Financial Stability Review for 2020 Q4 – 2021 Q1](#).

² Bank of Russia Information Letter No.IN-015-53/1, dated 12 January 2021, 'On Factoring in Climate Risks'.

³ Bank of Russia Information Letter No.IN-015-38/64, dated 17 August 2021, 'On Factoring in Climate Risks in the Activities of Certain Financial Market Participants'.



2.6.3. DEVELOPMENT OF THE CARBON EMISSIONS TRADING SYSTEM

As part of the transition to sustainable economy with, inter alia, low greenhouse gas emissions, in 2021, the Bank of Russia participated in the development and adoption of Federal Law No.296-FZ¹ establishing the legal framework for the national carbon regulation. For instance, the Russian carbon regulation is based on the minimisation of greenhouse gas emissions from production facilities through the implementation of climate projects with carbon credits being verified deliverables.

To elaborate approaches to setting up the carbon emissions trading scheme in the Russian Federation, in 2021, the Bank of Rus-

sia was exploring the legal nature of carbon credits as an object of organised trades, and the possibility of using the infrastructure of the Russian financial market for carbon credits trading.

The Bank of Russia was involved in the development of a law on an experiment to limit and absorb greenhouse gases in individual constituent territories of the Russian Federation,² providing for testing of various methods and approaches to monitoring and accounting of greenhouse gas emissions, the rollout of climate projects, as well as treatment and circulation of carbon credits.

¹ Federal Law No.296-FZ, dated 2 July 2021, 'On Limiting Greenhouse Gas Emissions'.

² Federal Law No.34-FZ, dated 6 March 2022, 'On an Experiment to Limit Greenhouse Gas Emissions in Certain Constituent Territories of the Russian Federation' (effective date – 1 September 2022).



2.6.4. INTEGRATING APPROACHES HELPING ACHIEVE SUSTAINABLE DEVELOPMENT GOALS INTO THE BANK OF RUSSIA'S OPERATIONS

In 2021, Bank of Russia Sustainable Finance Working Group selected eight Sustainable Development Goals (SDGs) formulated by the

United Nations in 2015 to incorporate into the Bank of Russia operations.

The United Nations Sustainable Development Goals¹ relevant to the Bank of Russia



To achieve the social goals of sustainable development, the Bank of Russia carried out an engagement survey whereby 85% of respondents found the sustainable development agenda important and relevant with 70% of respondents regarding the Bank of Russia as a socially responsible employer.

The Bank of Russia continued to evaluate engagement, promotion and remuneration practices in terms of gender equality. In 2021, there were 45% of male and 55% of fe-

male employees at the Bank of Russia with the shares of women in the management and top management equalling 42% and 32%, respectively. The promotion structure was as follows: 56% of female vs 44% of male employees were promoted.

Also, the Bank of Russia held internal trainings and awareness events covering a wide range of the sustainable development issues.

An analysis of the Bank of Russia facilities with negative environmental footprints was

¹ [The United Nations Sustainable Development Goals:](#)

1. No poverty.
2. Zero hunger.
3. Good health and well-being.
4. Quality education.
5. Gender equality.
6. Clean water and sanitation.
7. Affordable and clean energy.
8. Decent work and economic growth.
9. Industry, innovation and infrastructure.
10. Reduced inequalities.
11. Sustainable cities and communities.
12. Responsible consumption and production.
13. Climate action.
14. Life below water.
15. Life on land.
16. Peace, justice and strong institutions.
17. Partnerships for the goals.

carried out. Comprehensive information was collected on the number of such facilities, the scale and types of negative environmental impact (emission, pollution, waste) of each facility. The said information was centralised. The facilities were grouped into four categories subject to their negative environmental footprint. In the Bank of Russia, 348 facilities with a negative environmental impact were identified, of which 2% have a moderate impact, 61% – a minor impact, 22% – a minimum impact, and 15% have no negative environmental impact at all.

In 2021, the Bank of Russia included a bilateral social and environmental responsibility agreement in the supplier contractual framework (i.e. agreements it makes with contractors

as a result of procurement procedures). Under the said agreement, the parties acknowledge their intention to adhere to the key provisions of the sustainable development agenda, i.e. to be environmentally conscious, respect civil rights of their employees and ensure fair treatment of the latter.

Twenty-one per cent of the Bank of Russia's purchases have a neutral environmental and social footprint. Twenty-seven per cent of the remaining purchases were subject to additional criteria. These allow to cut the negative environmental and social footprint of the said purchases. The environmental and social criteria were more often applicable to such categories as Safety and security systems (44%) and Essential engineering systems (16%).



2.7. Other Activities

2.7.1. INFORMATION POLICY

In 2021, the Bank of Russia actively developed its communication activities. All business activities were accompanied by informing the public at large on decisions made, regulatory and legal changes, explaining stances, warning people of possible risks in the financial market, and having an open dialogue with individuals and market participants. The Bank of Russia used various communication channels to expand its audience coverage and create an environment of trust.

As prices grow rapidly and inflation expectations are still elevated, the Bank of Russia activated communication with a wide audience, including business and expert community. A dialogue with individuals was aimed at detailed clarification of the rationale behind elevated inflationary pressure and the Bank of Russia's measures to bring inflation back to the target. Regular press conferences of the Bank of Russia Governor following the key rate meetings of the Bank of Russia Board of Directors, interviews in federal and regional media, and communication with individuals through Bank of Russia official social networks helped explain the decisions made promptly and in an easy-to-understand form.

For a more detailed coverage of the monetary policy pursued, a regular video blog of the Director of the Monetary Policy Department 'What? Where? How much?' was launched on the Bank of Russia YouTube channel. New formats of direct communication with a wide audience were also implemented – interviews and live broadcasts on social networks and on the YouTube channel with popular financial bloggers.

The publication on the Bank of Russia website of the model framework, the results of analysts' macro-surveys, as well as the addition of macroeconomic forecast of the Bank of Russia with the key rate trajectory was an important stage in improving the effectiveness of

communication with the professional community. In the website sections covering the activities of the territorial branches of the Bank of Russia, economic profiles of the regions were created and regularly updated. The dialogue with the expert community was supplemented with the 'PROstability' blog of the First Deputy Governor of the Bank of Russia on the Bank of Russia Econs.online website.

The topic of retail investor testing aroused great interest in the society. To protect the rights of financial market newcomers, the Bank of Russia conducted an active information and explanatory campaign with an emphasis on the risks of investing. A series of stories with tips for novice investors and warnings about possible risks was launched on the TV Channel One Russia. Explanatory cards about passing the test and comics covering the rules and risks of investing (over 14.2 million views) were distributed on social networks, and live broadcasts with bloggers were held (more than 380,000 views). Three series of explanatory materials for novice investors (more than 5.5 million views) were published on regional online resources and social networks.

Given the growth of fraud in the financial market, the focus of the Bank of Russia's special attention, as in 2020, was on the problems of personal cyber security and ways to counter various fraud schemes. The main purpose of communication in this area is to warn people of possible risks and to create a clear model of behaviour for taking the right actions to protect themselves from fraudsters.

An important fraud prevention resource was the section 'Life Situations: Financial Fraud' launched in 2021 on the Unified Portal of Public and Municipal Services (UPPS). The resource contains practical tips for individuals. This project was a joint effort of the Bank of Russia and Russia's Ministry of Finance. Information materials of cyber security continued

to be distributed on the Bank of Russia website and the Financial Culture website (fincult.info) with 1.4 million views overall.

To expand communication channels on this topic, the Bank of Russia interacted with law enforcement agencies and the Prosecutor General's Office of the Russian Federation. To reach a wider audience in 2021, 3.6 million units of printed materials were distributed in Russia through the joint efforts of departments with more than 20,000 outdoor advertising outlets involved.

An important event in consumer protection was the opening of a new section on the regulator's website, where, in June 2021, a list of companies with identified signs of illegal activity in the financial market was posted. The list is updated on a continuous basis. During the year, there was an active interest of users in this list, which indicates it is in demand when individuals make investing decisions. Information about new organisations that were included in the list was promptly covered by the media to protect people from ill-considered actions.

Among the main topics on which active information work was carried out in 2021, it is necessary to highlight the counteraction to unfair sales practices, the regulation of ecosystems, the contribution of the financial market to achieving the goals of sustainable development and ESG transformation of Russian business, the promotion of a new mechanism of interaction between banks and consumers of financial services – the Know Your Customer platform.

The publication of analytical and information materials on the Bank of Russia website to enhance the efficiency of the communication policy using modern and user-friendly formats, including visualisation of statistical data (dashboards), a brief presentation of voluminous documents – long reads, executive summaries – has become a strategically important area of work to enhance the efficiency of communication policy. The Editorial Board of the Bank of Russia has decided to gradually simplify the language of communication to enable easier access to information for a wide audience.



2.7.2. ECONOMIC RESEARCH

In 2021, the economic research of the Bank of Russia was primarily focused on the following topics:

- enhancing approaches to monitoring and forecasting of key macroeconomic and financial indicators;
- studying regional heterogeneity of the Russian economy;
- assessing the situation in the Russian banking sector and financial markets in terms of risks to financial stability;
- maintaining price and financial stability;
- modelling the consequences of global energy transition.

To improve the approaches to monitoring and forecasting of key macroeconomic and financial indicators amid a rapid recovery of the Russian and global economy from the aftermath of the pandemic, the Bank of Russia has supplemented its weekly publication [Monitoring of Sectoral Financial Flows](#), which presents estimates of the dynamics of payments made by companies through the payment system of the Bank of Russia, with an analysis of flows by region.

The Bank of Russia has published a database containing information on revisions of statistical indicators characterising business activity in the Russian economy. The report [A Real-Time Historical Database of Macroeconomic Indicators for Russia](#), posted on the Bank of Russia website in the [Research](#) section, shows that due to the generally accepted features of statistical accounting, the scale of revisions of indicators following preliminary estimates can often be significant. This conclusion may be helpful in building real-time estimates of the dynamics of business activity to make decisions in macroeconomic policy in general and monetary policy in particular.

The study of the regional heterogeneity of the Russian economy was still a key area of the Bank of Russia's work. As part of the series of reports on economic research, semi-structural economic models for the [Central](#) and [Ural](#) macro-regions were published. They make it possible to build forecasts on key macroeco-

nomical indicators and recommendations on the monetary policy, taking into account regional peculiarities. A number of papers published in this series were devoted to the study of the regional heterogeneity of the transmission mechanism (the transfer of the exchange rate to inflation, [the impact of the key rate on inflation](#)) and the assessment of important economic processes in the regions (investment activity, [consumer demand](#), and [labour market](#)).

The Bank of Russia continued its research work **to assess the situation in the Russian banking sector and financial markets in terms of risks to financial stability**. In particular, a number of studies were carried out on the credit register data, which helped formulate important applied conclusions about the situation in the Russian credit market during the coronavirus pandemic in 2020. Results of the report [Measuring Heterogeneity in Banks' Interest Rate Setting in Russia](#) indicate higher interest rates on loans to companies from those sectors that were heavily affected by the aftermath of the pandemic and tighter non-price lending conditions. The report [Measuring Market Liquidity and Liquidity Mismatches across Sectors](#) offers tools for monitoring and analysing financial markets in terms of accessibility and development of long-term investment financing in Russia.

The Bank of Russia has published several studies on new challenges for the central banks in terms of tasks **to maintain price and financial stability**. The report [Preventive Monetary and Macroprudential Policy Response to Anticipated Shocks to Financial Stability](#) looks into the interaction between monetary and macroprudential policies to prevent or mitigate a financial crisis. The report [Optimal Simple Monetary Policy Rules for a Resource-rich Economy and the Zero Lower Bound](#) makes a practical conclusion that the ability of households to save cash funds in foreign currency potentially limits the monetary policy impact.

In 2021, the Bank of Russia began actively working on **modelling the consequences of the global energy transition** for the structure

of the Russian economy. A Computable General Equilibrium (CGE) model has been developed, which allows calculating the effects of the introduction of various types of restrictions on carbon dioxide emissions and carbon taxes. A separate analysis was carried out to study the impact of a significant decrease in global demand for hydrocarbons (oil and gas) on the Russian budget over the horizon until 2050. The analysis showed that strict adherence to the fiscal rule with its certain modification will allow maintaining high stability of public finance.

Bank of Russia specialists regularly made presentations at research conferences with a competitive selection of participants, including the Society of Computational Economics' 27th International Conference on Computing in Economics and Finance; the 15th International Conference on Computational and Financial Econometrics; BIS Irving Fisher Committee on Central Bank Statistics Workshop; and BOFIT Workshop on Banking in EMEs: Challenges and Opportunities.

Bank of Russia specialists published research articles in Russian and foreign [peer-re-](#)

[viewed scientific journals](#), including Journal of Evolutionary Economics; Review of International Economics; Review of Income and Wealth; and International Economics.

The Bank of Russia continued to communicate online with the Russian and international expert community on topical research and policy issues. Workshops organised jointly with the New Economic School (NES), titled [Identification and Measurement of Macroprudential Policies' Effects](#) and [Main Challenges in Banking: Risks, Liquidity, Pricing, and Digital Currencies](#), became significant events.

The Bank of Russia jointly with the National Research University Higher Schools of Economics (HSE NRU) and the New Economic School (NES) launched a [series of international online workshops](#) on macroeconomics and finance. During the year, 13 researchers from leading foreign universities and central banks made scientific reports on the new platform. Another platform focused more on the Russian audience was a series of joint online workshops on economic research with the Russian Journal of [Money and Finance](#).

2.7.3. STATISTICAL ACTIVITIES

According to the [Bank of Russia Statistical Services Development Programme in Macroeconomic Statistics for 2021–2025](#), the work in the reporting year was aimed at building new sets of statistical data and metadata, developing the culture of data use and modern ways of distributing them, and providing access to users. Much attention was paid to the creation of integrated bases for the formation of statistical data and the skills of their intellectual processing, interacting with the producers of official statistics and other organisations.

In 2021, the Bank of Russia continued to provide information support to the Government of the Russian Federation within the framework of the national project *Housing and Urban Environment* (including the federal project *Mortgage* thereof), ensuring monthly frequency of indicators on mortgage lending calculated on an accrual basis.

The Bank of Russia has expanded its participation in information support for monitoring the progress in achieving certain targets of the national projects *International Cooperation and Exports, Healthcare* and the *Transportation Part of the Comprehensive Plan for Upgrading and Expanding Core Infrastructure until 2024*.

As part of efforts to expand the composition of statistical information and provide users with up-to-date data characterising the savings of the Households sector and consumer behaviour in financial markets, in 2021, the Bank of Russia began publishing quarterly on its website the data on financial assets and liabilities of the Households sector by the type of financial instruments ([Households Savings](#)). To inform the public of the methodological approaches used to prepare these data, [Methodological notes](#) to this information were published. The publication of data on savings of the Households sector and regular interaction between the Bank of Russia and Rosstat will add to improving the consistency of data on households' money income and spending and

financial accounts of the System of National Accounts (SNA) of the Russian Federation.

In 2021, the Bank of Russia began submitting to the Bank for International Settlements (BIS) new data on [debt securities issued in the domestic market, broken down by interest rate types \(fixed and variable\)](#),¹ and information on the market value of these securities. Users of securities statistics also began to receive data on [listed shares of Russian issuers and issued debt securities, broken down by benchmark interest rate type \(for variable coupon rate\)](#).

The Bank of Russia continued its work on compiling a full set of the accounts of the financial corporations sector in accordance with the SNA. Methodological and legislative issues, as well as a roadmap for compiling a full set of SNA accounts for the financial corporations sector, were coordinated with the Federal State Statistics Service (Rosstat).

Also in 2021, the Bank of Russia interacted with Russia's Ministry of Finance, the Federal Treasury and Rosstat within the interagency working groups to harmonise SNA statistics, monetary statistics, external sector statistics and government finance statistics. This resulted in the improvement of the consistency, quality and international comparability of statistical data.

As regards the development of interaction with the producers of official statistics and other organisations, work was carried out to prepare and sign agreements with ministries and agencies of the Russian Federation aimed at attracting administrative data to enrich and increase the reliability of statistics of Russia's external trade in services. Information exchange agreements have been signed with Russia's Interior Ministry and the Ministry of Health.

The Bank of Russia continued its joint work with Rosstat to improve the reporting discipline of respondents submitting primary statistical data in accordance with the forms of the federal statistical survey (FSS) approved by

¹ To implement the recommendations within the G20 Data Gaps Initiative (DGI-2) in closing some of the information gaps.

the Bank of Russia.¹ The Information exchange agreement signed by the Federal State Statistics Service and the Central Bank of the Russian Federation has been amended to ensure the unification and simplification of the procedure for the Bank of Russia to send Rosstat information about respondents who violated the reporting procedure in order to bring them to administrative responsibility. The Bank of Russia explained the law enforcement practice to respondents, conducted training workshops, and issued recommendations on specific issues of interaction for Bank of Russia regional branches and Rosstat regional branches while collecting primary statistical data according to FSS forms. As a result, the collection of reports according to FSS forms approved by the Bank of Russia increased by the end of January–September 2021 to 89% on average.

The Bank of Russia focused on improving the methodological basis of statistical activity, including the statistics on Russia's external trade in services. In particular, methods of statistical accounting of external trade in transport services, services related to education and medical care were published.

On its website, the Bank of Russia introduced information on Russia's external trade in services by mode of supply. The new development makes it possible to assess the competitiveness of the Russian Federation in the international market of services and the degree of its involvement in the processes of globalisation of the world economy, to determine the level of openness of the national market for foreign service providers. The data on the exports of services by the Russian Federation are supplemented with information on the provision of education and medical services to non-residents.

Promotion of statistical publications addressed to a wide range of consumers was developing. In particular, [an analytical commentary on the statistics of Russia's external trade in services by mode of supply](#) has been posted

to reveal the specifics of Russia's participation in external trade in services.

In 2021, the Bank of Russia began posting on its website new sets of data on weighted average interest rates on loans granted to individuals and non-financial institutions, as well as on deposits of individuals and non-financial institutions in rubles by Russian federal district in order to improve the information support of regional analysis. Information on interest rates on loans to non-financial institutions in rubles (in Russia in general) is supplemented with data broken down according to the OKVED 2 enlarged classification. New statistics on interest rates for periods up to one year and over one year are posted starting from the data for December 2018.

In order to improve the assessment of households' investment in various types of financial assets in 2021, the Bank of Russia amended the methodology of statistics of attracted funds and began publishing individual indicators (starting with data as of 30 June 2019) of deposits and other raised funds of individuals, excluding escrow accounts, and funds in escrow accounts.

In 2021, information on the structure of outstanding loans and on claims on acquired loans granted to resident legal entities and individual entrepreneurs broken down by type of interest rate and base component was published for the first time. The new data give users an additional opportunity to analyse the debt dynamics and structure.

The Bank of Russia expanded the formats of interaction with various target audiences who used macroeconomic financial statistics. In 2021, a number of materials were published that accompanied the release of regular data through modern communication tools. Specifically, in the Statistics section of the Bank of Russia website, publications [Financial assets and liabilities of the households sector; Monetary aggregates; Non-financial sector and households debt, extended; Amount](#)

¹ Pursuant to Bank of Russia Ordinance No.5328-U, dated 25 November 2019, 'On Approving Federal Statistical Survey Forms and Procedure Whereby Respondents Compile and Submit to the Bank of Russia Primary Statistical Data, as Part of These Forms, for Preparing the Balance of Payments of the Russian Federation, International Investment Position of the Russian Federation, External Trade Statistics of the Russian Federation, External Debt of the Russian Federation, Foreign Direct Investments in the Russian Federation and Direct Investments from the Russian Federation Abroad'.

[outstanding of securities issued by residents in domestic market](#); Lending to legal entities and individual entrepreneurs; and [Interest rates on loans and deposits and structure of loans and deposits by maturity](#) were published in a long read format accessible to a wide audience.

In 2021, the Bank of Russia launched the publication on new interactive dashboards. In particular, the following formats of the banking sector data have been enriched: [interactive](#)

[presentation of up-to-date statistics 'External statistics of the banking sector'](#); cross-border transfers of individuals: [interactive presentation of up-to-date statistics 'Cross-border transfers of individuals'](#).

In 2021, to enhance the transparency and accessibility of statistics, the Bank of Russia carried out outreach training for representatives of the academic community, students, teaching staff at universities, and representatives of the business community.



2.7.4. DATA MANAGEMENT IN THE BANK OF RUSSIA

In 2021, the data-centric approach continued to be introduced in the development of reporting requirements for credit institutions, aimed at rationalising data collection and reducing the cost of preparing information for submission to the Bank of Russia. Specifically, with the involvement of the banking community, five reporting forms¹ were developed at the site of the Working Group established at the Bank of Russia to work out the transition to data-centric collection of information from credit institutions and to build a unified data model. The forms are scheduled to become effective in 2022.

Special attention was paid to achieving an optimal ratio between the costs of banks with a basic licence for compliance with established regulatory requirements and the amount of information required by the Bank of Russia. In this regard, the requirements for the submission of individual reporting forms have been revised. In particular, the frequency of data submission for three reporting forms² was increased, and the submission deadlines for four reporting forms were extended.³

Furthermore, the Bank of Russia, in compliance with the provisions of Federal Law No.218-FZ,⁴ has issued regulations governing the composition and the procedure for exchanging data in the credit information system,⁵ as well as the exchange of average monthly payments of an individual for each existing loan agreement or loan guarantee (required for calculating the household debt burden) through the application programming interface (API) in near-real-time mode.⁶

In 2021, the Bank of Russia carried out work to expand interdepartmental information interaction aimed at ensuring the rationalisation of the flows of departmental information to be exchanged and to obtain data required for the implementation of the Bank of Russia's functions directly from federal executive authorities, excluding duplication of the request for relevant information from financial sector organisations supervised by the Bank of Russia. Within the framework of interdepartmental interaction, agreements were signed to provide the Bank of Russia with data from federal executive authorities. Specifically, in the

¹ Form 0409053 'Information on shareholders (stakeholders) of a credit institution, entities which are nominee holders of shares of a credit institution, entities exercising control over shareholders (stakeholders) of a credit institution, as well as on entities functioning as the sole executive body of the said entities', Form 0409071 'Information on the assessment of compliance by credit institutions with information security requirements', Form 0409106 'Report on operational risk in a credit institution', Form 0409263 'Information on cross-border transactions using electronic means of payment and transactions performed by non-resident holders of corporate electronic funds for electronic money transfers', Form 0409410 'Information on assets and liabilities of a credit institution in relation to debtors (creditors), on the ultimate controlling investors of a credit institution, as well as on claims and liabilities of a banking group on a consolidated basis'.

² Form 0409706 'Information on the volume of over-the-counter transactions', Form 0409251 'Information on customer accounts and payments made through a credit institution (its branch)', Form 0409664 'Report on currency transactions carried out on customer accounts in authorised banks'.

³ Form 0409115 'Information on the quality of assets of a credit institution (banking group)', Form 0409118 'Information on credit risk concentration', Form 0409125 'Information on assets and liabilities by maturity', Form 0409157 'Information on large creditors (depositors) of a credit institution'.

⁴ Federal Law No.218-FZ, dated 30 December 2004, 'On Credit Histories'.

⁵ Bank of Russia Regulation No.758-P, dated 11 May 2021, 'On the Procedure for Compiling a Credit History', Bank of Russia Ordinance No.5791-U, dated 11 May 2021, 'On Requirements for the Content and Format of Requests for Obtaining a Credit Report, on Credit History Bureau Rules for Searching Information on a Credit History Maker and on the Form for a Credit History Maker to Confirm His/Her Consent'.

⁶ Bank of Russia Ordinance No.5704-U, dated 11 January 2021, 'On the Procedure and Form for Submitting Information on Average Monthly Payments of a Credit History Maker, on the Procedure and Enquiry Form for a Qualified Credit History Bureau to Provide Information Needed to Prepare Information on Average Monthly Payments of a Credit History Maker, as well as on the Procedure for Providing Information Needed to Compile and Provide to Credit History Users Information about the Average Monthly Payments of a Credit History Maker', as well as the procedure governing the interaction between credit history users, credit history bureaus, including qualified credit history bureaus, with qualified credit history bureaus using the API to provide data on average monthly payments.

reporting year, the Bank of Russia received data from the Federal Service for State Registration, Cadastre and Cartography on real estate owned by foreign individuals and legal entities, as well as mortgage information. An agreement on information interaction has been signed with the Federal Bailiff Service,

ensuring that the Bank of Russia receives information on the number of active and completed enforcement proceedings against organisations supervised by the Bank of Russia (debtors or collectors) in order to develop the supervisory function and carry out regional analysis of the financial market.



2.7.5. IMPROVEMENT OF MONEY MARKET BENCHMARKS

LIBOR REFORM

The global reform of financial benchmarks is at its active stage, implying the rejection of indicative rates in favour of benchmarks calculated on the basis of real transactions and a tighter control over the process of financial benchmark determination in general.¹

In 2021, the Bank of Russia continued to support the participants of the Russian financial market in adapting to the global reform of financial benchmarks in terms of abandoning the use of LIBOR financial benchmarks due to the termination of their publication at the end of 2021, by publishing an information letter² with recommendations to credit institutions to transition to benchmarks alternative to LIBOR in contracts of subordinated instruments with floating interest rates in foreign currencies included by credit institutions in their equity capital. Moreover, in accordance with the Bank of Russia proposals, amendments were made to legislative acts³ regarding the replacement of LIBOR with alternative benchmarks with the regulations of the Bank of Russia also amended.⁴

Pursuant to Federal Law No.484-FZ,⁵ when sanctions are applied to a bank to limit the interest rate on bank deposit agreements in foreign currency instead of the LIBOR rate (for deposits in foreign currency) and Bank of Russia refinancing rate (for ruble deposits),⁶ the arithmetic average interest rates calculated by the Bank of Russia on weighted average in-

terest rates on deposits attracted by Russian credit institutions in rubles, US dollars, and euros are to be applied. In order to apply this approach, preparatory work was carried out in 2021 to start publishing on the Bank of Russia website a set of data on arithmetic average interest rates by maturities of household deposits⁷ attracted by credit institutions.

The measures implemented by the Bank of Russia have created conditions for financial market participants to use more reliable benchmarks and reduce risks to financial stability.

DEVELOPMENT OF RUSSIAN FINANCIAL BENCHMARKS

The Bank of Russia, which is the administrator of the RUONIA risk-free interest rate of overnight ruble deposits in the interbank market, continued the process of developing the benchmark launched in 2020.

In 2021, the Bank of Russia approved the [Procedure for Selecting Credit Institutions for the List of RUONIA Panel Banks](#), which made it possible to improve the transparency of the benchmark and automate the process of selecting credit institutions to the list of RUONIA panel banks.

In October 2021, based on the approved Methodology, the Bank of Russia updated the list of RUONIA panel banks. The calculation and publication of RUONIA using the updated list began on 2 November 2021, according to the data for 1 November 2021, while the up-

¹ Detailed information on the global reform of financial benchmarks is provided in the report for public consultations of the Bank of Russia On Financial Benchmarks, September 2019.

² Bank of Russia Information Letter No.IN-03-40/20, dated 6 April 2021, 'On Replacing LIBOR in Contracts of Subordinated Instruments with Floating Interest Rates in Foreign Currencies Included by Credit Institutions in Their Equity Capital'.

³ Federal Law No.484-FZ, dated 30 December 2021, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (the Bank of Russia)' and Federal Law 'On Insolvency (Bankruptcy)', Federal Law No.305-FZ, dated 2 July 2021, 'On Amending Part 1 and Part 2 of the Tax Code of the Russian Federation and Certain Laws of the Russian Federation'.

⁴ Bank of Russia Ordinance No.5971-U, dated 11 October 2021, 'On Amending Bank of Russia Regulation No.421-P, dated 30 May 2014, 'On the Procedure for Calculating the Liquidity Coverage Ratio (Basel III)', Bank of Russia Ordinance No.5867-U, dated 23 July 2021, 'On Amending Bank of Russia Regulation No.3413-U, dated 7 October 2014, 'On the Procedure for Determining the Estimated Value of Financial Futures not Traded on an Exchange for the Purposes Envisaged by Chapter 25 of the Tax Code of the Russian Federation'.

⁵ Federal Law No.484-FZ, dated 30 December 2021, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (the Bank of Russia)' and Federal Law 'On Insolvency (Bankruptcy)' (came into effect on 10 January 2022).

⁶ Pursuant to Clause 7 of Part 3 of Article 74 of Federal Law No.86-FZ.

⁷ The first publication took place in January 2022 starting with November 2021 data followed by monthly publications.

dated list additionally included three credit institutions.

In September 2021, the Bank of Russia launched a pilot calculation and publication of the RUONIA Averages for one, three, and six months and the RUONIA Compounded Index, on the basis of which market participants will be able to calculate interest rates for an arbitrary period.

The Bank of Russia developed and posted on its website [RUONIA Index and Averages User Guide](#) and information letter 'On Applying RUONIA Interest Rate as a Floating Interest Rate for Developing Financial Products' to credit and non-bank financial institutions where the Bank of Russia specifies that the methodology for calculating the RUONIA

averages corresponds to similar risk-free interest rates used by foreign financial market regulators. Its use makes it possible to smooth out interest expenses and consider the RUONIA term value a protective mechanism against interest rate shocks of the money market.

In accordance with the decisions of the RUONIA Interest Rate Monitoring Committee, the Bank of Russia held a series of meetings with a wide range of market participants from August to December 2021 aimed at explaining the advantages of using the RUONIA average in loans and bonds.

At the end of 2021, RUONIA began to be used in the bond market by issuers – financial institutions.



2.7.6. INFORMATION TECHNOLOGY DEVELOPMENT IN THE BANK OF RUSSIA

In 2021, the introduction of new digital services and an increase in the share of electronic document management with financial market participants continued. New information exchange flows have been introduced with the FAS of Russia, credit history bureaus, consumer credit cooperatives, and financial platform operators. The possibilities of digital interaction of the Bank of Russia with Rosfinmonitoring and the state information system on state and municipal payments have been expanded. A service for state registration of amendments to the charter of an organisation has been created in the information exchange participant's account. The service includes data verification, licence renewal and publication of the charter on the Bank of Russia website.

An accredited certification centre of the Bank of Russia that allowed financial market participants and Bank of Russia officials to implement the processes of creating and issuing qualification certificates of electronic signature verification keys has been put into operation. The external portal of the Unified Platform for external interaction has been modified to form a fully machine-readable power of attorney, which is checked during the processing of reports.

An important area of information technology development is providing external users with the opportunity to obtain data and statistics. The directory of financial institutions has been published on the Bank of Russia website with its automatic updating provided for disclosure of information to individual clients.

A significant result was the creation of a centralised information service Know Your Customer (KYC)¹ for credit institutions using machine learning and big data technologies. To analyse the risk level of potential customers, the Bank of Russia organised a daily delivery of the risk register to credit institutions.

An interactive inflation calculator has been created on the website Financial culture (fin-cult.info) to calculate the cost of a consumer basket.

End-to-end automation of document processing stages has reduced labour costs in the process of reviewing documents and deciding on the admission of organisations to the financial market. For Bank of Russia supervisory activities, a Financial Market Participant Card has been developed that combines information about supervised organisations and up-to-date reporting data.

For research, forecasting and preparation of quarterly reviews, the calculation of key performance indicators of professional securities market participants was automated. The composition of indicators was expanded and the mechanisms for preparing financial sector statistics were optimised. A new solution in stress testing of the banking sector has provided automation of calculating the impact of various scenarios on banks, groups of banks and the banking sector, including key performance indicators and capital adequacy.

As part of the tasks of enhancing the efficiency of the Bank of Russia's processes, electronic document management with regulatory authorities was implemented and robotic workstations were introduced. In order to apply a unified approach to operational risk management in all business processes of the Bank of Russia, operational risk management and internal control procedures are integrated on the core business support platform.

In accordance with the Guidelines for the Development of Information Technologies of the Bank of Russia for 2021–2025, the sequential transfer of the Bank of Russia's information systems to the target IT landscape continued to ensure high reliability of operation, efficient use of computing resources and the ability to accelerate the implementation of

¹ KYC Platform.

changes. A unified environment for monitoring and identifying sources of risks of critical IT systems was formed in accordance with the IT risk management methodology. As a result of the transition of several reporting collec-

tion procedures to the target architecture, the share of solutions from foreign manufacturers in the Bank of Russia landscape has been reduced through the use of domestic and freely distributed software.



2.7.7. BANK OF RUSSIA TRAINING EVENTS FOR EXTERNAL AUDIENCE

INTERNATIONAL ACTIVITIES

In 2021, due to the strategic partners' growing demand for workshops and in order to share the experience of the Bank of Russia with the global professional community, exchange views on the most relevant topics with representatives of central (national) foreign banks and international financial institutions, the Bank of Russia launched an international training programme called Shaping the Dialogue. The first events in the areas of cyber security, financial technologies, the payment services market, and cash circulation were held remotely with simultaneous translation for almost 500 listeners from 42 countries.

The Bank of Russia continued to implement a joint training programme for representatives of the central (national) EAEU banks. More than a half of the activities provided for in the programme were carried out by experts from the Bank of Russia: 43 remote educational events of various forms (webinars, internships, video conferences, trainings) were held for over 3,000 participants.

COOPERATION WITH UNIVERSITIES

In 2021, a specialised department of the Bank of Russia was established on the HSE basis with its prime goal to improve the professional competencies of young specialists. Jointly with the Sirius University, educational programmes of the Fintech Hub of the Bank of Russia have been implemented for students in the following areas: Distributed Ledger Technology, Financial Cyber Security, Innovation in Payments, and Biometrics.

Also in 2021, the Bank of Russia in cooperation with Sirius University launched the master's programme Financial Mathematics and Financial Technologies, which included educational modules Payment System Services, Dis-

tributed Ledger Technology, Open APIs, and Biometrics.

For students and schoolchildren in 2021, the Bank of Russia held an online conference Junior PayTech Forum – 2021, in which participants from different regions of Russia presented their projects in Financial Technologies and New Payment Services. Based on the results, it was decided to hold Junior PayTech Forums annually.

TRAINING FOR FINANCIAL MARKET PARTICIPANTS

In 2021, the training programme Business Reputation was implemented to raise awareness of financial market participants about the current requirements for business reputation of managers, officials and owners of financial organisations and about their responsibility for decisions made (630 participants). Nearly 3,000 specialists completed their practice-focused training in information security of credit and financial institutions. Five video broadcasts were held on topics relevant to representatives of pawnshops, credit and non-bank financial institutions that were joined by over 5,500 specialists.

Together with financial market participants, the Bank of Russia held a series of webinars for more than 3,900 representatives of small and medium-sized businesses in the following areas: stock market instruments, crowdinvesting platforms, factoring and payment for goods and services using a mobile phone.

In 2021, Bank of Russia experts held 16 thematic seminars on the use of the XBRL format, operations in the personal account of the information exchange participant, calculation of new reporting indicators, as well as other supervisory topics on the basis of the department Modern Technologies for Collecting and Processing Reports of the Financial Universi-

ty under the Government of the Russian Federation, established with the Bank of Russia's assistance in 2017. The total number of participants in the training events was about 400 people.

On a regular basis, financial market participants are informed about the Bank of Russia's projects in financial technologies, experts in various spheres (credit institutions and IT companies) share their opinions and experience, and positioning of new services for market participants takes place. In 2021, a series of remote events was held for representatives of the financial market (over 5,500 participants).

TRAINING OF LAW ENFORCEMENT OFFICERS

In order to increase the detection of crimes committed in the financial market, the Bank of Russia conducts training for law enforcement

officers of the Russian Federation on the functioning of the financial market and its participants. In 2021, 65 training events were held for more than 1,000 specialists.

TRAINING OF CASH DESK STAFF

In 2021, 1,100 specialists completed their training under the programme of professional competence improvement for retail chains' cashiers on how to identify the authenticity and purchasing power of the currency units of the Bank of Russia.

In addition, in 2021, a remote educational programme was developed for credit institutions' cashiers to work with counterfeit and suspicious currency units and currency units that are no longer legal tender. Representatives of 42 credit institutions took part in the pilot remote studies.



2.7.8. INTERNATIONAL COOPERATION

In 2021, international cooperation was developed in accordance with the Priority Areas of the Bank of Russia's International Activities for 2019–2021. The agenda of most areas of international cooperation was focused on the discussion of overcoming the consequences of the coronavirus pandemic.

ments in national currencies within the framework of transferring import customs duties was agreed to ensure financial stability in 2022 in the face of sanctions risks.

As part of deepening integration through the **Union State**, with the active participation of the Bank of Russia, the Guidelines for the



The Bank of Russia continues its work to deepen integration within the EAEU and the Union State

Within the framework of deepening economic and financial integration, work continued on the implementation of the Treaty on the Eurasian Economic Union and the Concept for forming the **EAEU** common financial market. The Bank of Russia and other financial market regulators of the EAEU member states signed an Agreement on the procedure for exchanging data included in credit histories, designed to help minimise credit risks and develop cross-border lending; developed a draft Agreement on the rules for issuing (disbursing), circulation and repayment in the EAEU of warehouse certificates for agricultural products, approved by the Council of the Eurasian Economic Commission; worked on the coordination of the draft Standardised Licence Agreement and an Agreement on Cross-border Admission to Placement and Circulation of Securities on Exchanges in EAEU Member States.

Work continued on the development of the common payment space, ensuring the information security of the financial market, and countering cyber attacks in the financial sector. In order to build a common stock exchange space, the creation of a legal framework and technological infrastructure for establishing trading and clearing relations among the exchanges of the EAEU countries is being discussed. Furthermore, a transition to settle-

implementation of the Treaty on the creation of the Union State and seven Union programmes of financial regulators in Russia and Belarus¹ were agreed upon. The Bank of Russia is actively working on their implementation, including the issues of monetary policy, currency regulation and currency control, regulation of credit and non-bank financial institutions, information security in the financial sector, integration of payment systems, and protection of consumers of financial services and investors.

Integration issues were discussed within the framework of the activities of the Economic Council and CIS sectoral bodies, including the Council of heads of state bodies regulating securities markets of the CIS member states and the Interstate coordinating council of heads of insurance supervision bodies of the **CIS** member states. In 2021, a Memorandum of Understanding was prepared among the insurance supervision authorities of the CIS member states on electronic interaction in compulsory third party liability insurance of vehicle owners, and the procedure for its signing was launched.

Within the framework of the **Shanghai Cooperation Organisation (SCO)**, the Bank of Russia participated in the discussion of the development of mutual settlements in national currencies, in particular in the preparation of an appropriate roadmap. The Bank of Rus-

¹ Approved by Decree No.6 of the Supreme State Council of the Union State, dated 4 November 2021. The Bank of Russia with its partners from the Republic of Belarus implemented in 2021 several measures to harmonise legislation provided for by Union programmes.

sia joined the 4th meeting of finance ministers and governors of central (national) banks of the SCO member states to discuss possible ways to create and operate the SCO Development Fund (Special Account) and SCO Development Bank.

Amid the ongoing COVID-19 pandemic, the Bank of Russia participated in the activities of international organisations aimed at recovering the global economy and transitioning to more inclusive and steady growth. In particular, within the framework of cooperation with the G20, the Bank of Russia paid special attention to the problems associated with inflationary pressure and risks when using cryptoassets and stablecoins, issues of financial accessibility, sustainable finance and climate risks.

In 2021, taking into account the importance of the climate agenda, the G20 Sustainable Finance Working Group resumed its activities. The Bank of Russia took part in the discussion and approval of the Sustainable Finance Roadmap to be used as a basis for the agenda of the G20 and international organisations as regards climate. It is aimed at increasing the volume of sustainable finance and, accordingly, accelerating the achievement of the goals of the Paris Agreement and the UN Agenda until 2030.

The Bank of Russia continued its cooperation with the **Global Partnership for Financial Inclusion**, including in the framework of ongoing research, preparation of reports, as well as in the development of national plans for money transfers.

The Bank of Russia took part in the activity of the **Financial Stability Board (FSB)** aimed at coordinating financial policy measures to eliminate the consequences of the COVID-19 pandemic, improving stability of the non-bank financial intermediation sector, taking advantage of technological innovations for financial stability, developing cross-border payments and improving work in terms of climate risk analysis.

The Bank of Russia has made a significant contribution to the preparation of several FSB reports that include:

- the results achieved in the framework of abandoning the LIBOR rate and transitioning to alternative benchmarks;
- the availability of data to monitor and assess climate risks for financial stability;
- the promotion of approaches to climate information disclosure;
- the goals and key features of the new financial stability monitoring system;
- the lessons of the crisis caused by the pandemic from the point of view of ensuring financial stability.

In 2021, the Bank of Russia passed a comprehensive performance assessment as part of the Program to assess the financial sector of the Russian Federation (Financial Sector Assessment Program, or FSAP), conducted by the **International Monetary Fund (IMF)** and the **World Bank** every five years.¹

FSAP experts analysed the status of the banking sector, the development, regulation and supervision of the securities market, the effectiveness of macroprudential policy tools, risk assessment, rehabilitation and AML/CFT. They also assessed the level of competition in the financial sector, the availability of SME finance tools, and the situation in the mortgage lending market. Significant progress has been noted in the development of the regulatory framework due to the successful implementation of the recommendations received in the wake of the FSAP assessment of 2015–2016 among other things. According to FSAP experts, the economy of the Russian Federation has proved relatively resilient to the shocks caused by the coronavirus pandemic, thanks to comprehensive measures to support banks, businesses, and households. The draft recommendations of the FSAP mission generally match the Russian vision of the situation and reinforce the measures already being taken in key areas of the financial sector.

¹ The FSAP assessment was developed by the IMF and the World Bank in 1999 to enhance monitoring in the international financial system. For jurisdictions with systemically important financial sectors, including the Russian Federation, FSAP assessments are conducted on a regular basis every five years. The assessment includes a comprehensive and in-depth analysis of all key segments of the financial sector of the Russian Federation. Last time, Russia's financial sector was assessed under the FSAP in 2015–2016.

The Bank of Russia was one of the principal developers of several IMF methodological materials on the recording of cross-border transactions in the external sector statistics,¹ and it took part in a discussion on new areas of statistics related to green financing, reporting of cryptocurrency transactions and taking into account global value-added chains.

An important role was played by the presence of the Bank of Russia in the UN Working Group on Globalization in terms of the formation of approaches to the statistical reflection of intellectual property rights in the global economy.

In the area of developing international statistical standards, the Bank of Russia, in cooperation with the IMF and the FSB, continued to implement the recommendations of the Second Phase of the G20 Data Gaps Initiative to improve the quality and international comparability of data provided by the Bank of Russia.

In 2021, the 45th meeting of the **Central Banks Governors' Club of Central Asia, Black Sea Region and Balkan Countries** chaired by the Bank of Russia took place to discuss the issues of how to address the aftermath of the coronavirus pandemic for the global economy, as well as current challenges facing central banks and priorities of economic policy during the recovery period. The Bank of Russia initiated a discussion on the role of financial regulators in the climate agenda.

In 2021, when India was the chair of the **BRICS**, central banks continued to develop the agenda of the Bank of Russia, proposed to its partners in 2020 during Russian chairmanship. The Bank of Russia participated in the preparation of the second issue of the BRICS Economic Bulletin 2021 and a joint study on changes in the balance of payments of BRICS countries during the coronavirus pandemic, reports on cooperation in the payment sector² and digital financial inclusion, and reference books on

information security. Furthermore, in 2021, the Bank of Russia joined the fourth testing of the mechanism for providing liquidity within the BRICS Pool of Conventional Currency Reserves. Cooperation continued within the framework of the current BRICS System of Exchange in Macroeconomic Information (BRICS SEMI), including in terms of improving the composition of its SEMI indicators and creating a database of the best statistical practices in the BRICS community.

The Bank of Russia participated in sharing the experience at meetings of central bank governors sponsored by the **Bank for International Settlements (BIS)**. In 2021, the BIS agenda was expanded. In addition to the topics of monetary policy, financial stability and the macroeconomic situation, special attention was paid to financial technologies.³

The Bank of Russia continued its activities within the Committee on the Global Financial System, including its participation in writing a report on the relationship between the level of debt and financial stability.

The Bank of Russia took part in meetings of the **Basel Committee on Banking Supervision (BCBS)** and its expert groups, which discussed issues of banking supervision and implementation of anti-crisis measures amid the coronavirus pandemic, regulation of new types of risks, including those related to climate change and the use of new financial technologies, as well as evaluation of the effectiveness of standards previously approved by the BCBS. Moreover, the Bank of Russia joined the annual BCBS survey to define the list of global systemically important banks.

In 2021, the Bank of Russia continued its cooperation with the **International Association of Insurance Supervisors (IAIS)**. In particular, the Bank of Russia joined the working group aimed at coordinating activities on climate risks.

¹ As part of IMF's preparation of changes to the Balance of Payments and International Investment Position Manual in conjunction with the System of National Accounts.

² BRICS Payments Task Force.

³ They also discussed the problems of managing foreign exchange reserves, the application of the Three Lines of Defence model in central banks, the role of the governor in today's central bank, the state of the labour market and climate change issues.

The Bank of Russia participated in the IAIS study on approaches to the regulation of inclusive insurance in Central and Eastern Europe and Transcaucasia, IAIS activities on global monitoring of systemic risk in the insurance market, testing minimum capital requirements for international insurance groups, assessing the implementation of a holistic approach to the analysis and limitation of risks associated with the potential systemic significance of insurance companies, a broad review of the implementation by jurisdictions—IAIS members of the Insurance Core Principles (ICP), dedicated to the supervisory process and the presentation of information, as well as preventive, corrective measures and sanctions.

In 2021, the Bank of Russia participated in the development and publication of the following documents:

- a broad overview of the implementation of the ICP 'Conduct of Business';
- practical recommendations on macroprudential supervision;
- practical recommendations on disclosure of issues related to the insolvency resolution in insurance companies;
- a thematic report that reveals the issues of behavioural and corporate culture of insurers;
- updated practical recommendations on supervisory boards and updated guidance to them aimed at ensuring the effective creation and functioning of supervisory boards;
- updated AML/CFT guidelines.

Within the framework of cooperation with the **Network of Central Banks and Supervisors for Greening the Financial System (NGFS)**, the Bank of Russia has begun developing long-term scenarios of structural changes in the Russian economy, which will be used to conduct climate stress tests in 2022. Moreover, the Bank of Russia supported the collective declaration of NGFS members,¹ published in favour of the UN Climate Change Conference (COP26), and posted Key tactical objectives

of the Working Group on Sustainable Development Financing on its website. The Bank of Russia also took part in research on the introduction of approaches to climate and environmental risk assessment to prudential supervision, the use of credit ratings to assess credit risk, as well as taxonomy of sustainable finance and the concept of assessing climate information disclosure when performing as a central bank.

In collaboration with the **Organisation for Economic Cooperation and Development (OECD)**, the Bank of Russia took part in the revision of the G20/OECD High-Level Principles on Financial Consumer Protection,² in discussions on amendments to the current version of the methodological publication OECD Benchmark Definition of Foreign Direct Investment. The Bank of Russia presented common approaches and the latest national achievements in protecting the rights and interests of vulnerable groups of financial consumers (people with disabilities, elderly and physically challenged people) at a G20/OECD joint meeting. While sharing the experience in the preparation of thematic reports and questionnaires, the Bank of Russia focused on the issues of responsible business conduct, corporate governance, insurance, and pension provision.

In 2021, the second review of the trade policy of the Russian Federation took place at the **World Trade Organization (WTO)**. The Bank of Russia participated in the preparation of the relevant report of the Government of the Russian Federation and answers to questions from WTO members concerning the functioning of the financial market, conditions of access to the domestic market, monetary and trade policy.

In 2021, the Bank of Russia with assistance from the Russia's Ministry of Foreign Affairs, Ministry of Economic Development and Ministry of Finance developed the concept of setting up a working group of APEC central banks at the **Asia-Pacific Economic Cooperation**

¹ The collective declaration of NGFS members contains information on current and planned community initiatives in four main areas: capacity building and staff training; supervisory expectations/recommendations; climate scenarios; information disclosure.

² G20/OECD High Level Principles on Financial Consumer Protection.

(APEC) forum to study the impact of key international financial trends on monetary policy.

In 2021, the Bank of Russia took part in the meetings of the Board of the **International Organization of Securities Commissions (IOSCO)** and in the activities of IOSCO working bodies. Moreover, the Bank of Russia participated in the preparation of several IOSCO reports, and presented the results of its work in the field of investor protection at the meeting of the IOSCO Committee on Retail Investors.

For the fifth time, the Bank of Russia held the International Investor Week in Russia¹ — an information campaign initiated by the IOSCO. The focus was on issues of sustainable finance, countering fraud in the financial market, and measures to protect the rights of financial consumers and investors.

As part of cooperation with the **International Organisation of Pension Supervisors (IOPS)**, the Bank of Russia participated in the discussion of the cyber security review in the field of private pension provision and in the preparation of the Annual Survey of Investment Regulation of Pension Funds and Other Pension Providers 2021.²

services for consumers in the member countries of the Alliance.

The Bank of Russia developed bilateral interaction with foreign financial regulators to create conditions for promoting cooperation between Russian and foreign economic entities and implementing joint financial projects. Meetings of bilateral working bodies, consultations and negotiations with financial regulators of Azerbaijan, Algeria, Argentina, Bolivia, Vietnam, Egypt, India, Iran, Qatar, China, Cuba, UAE, Serbia, Tajikistan, Thailand, Turkmenistan, Turkey, Uzbekistan, Finland, and Switzerland were held. Agreements were reached on developing interbank interaction, cooperation in information security, payment systems, financial markets, and on sharing the experience on the use of central bank digital currencies and other areas of financial regulators' activity. In 2022, in order to ensure financial stability and to continue the work done in 2021, cooperation for the development of settlements in national currencies strengthened.

The Bank of Russia has signed memoranda and agreements with financial regulators of Algeria, Vietnam, India, Mauritius, Morocco, Ta-



The Bank of Russia has expanded cooperation with foreign financial regulators

As co-chairman of the committee of the **International Financial Consumer Protection Organisation (FinCoNet)**, the Bank of Russia co-coordinated a study of changes in the conduct supervision of various financial regulators in a rapidly changing digital environment in the COVID-19 pandemic era.

In 2021, the Bank of Russia became the first regulator to acquire observer status in the **Alliance for Financial Inclusion (AFI)** — a new form of participation in its activities for developed countries. One of the main areas of cooperation between the Bank of Russia and the AFI was the development of digital financial ser-

vices for consumers in the member countries of the Alliance. These documents provide the basis for interaction on issues of information security, monetary policy, payment systems, financial infrastructure, currency legislation, international settlements, training of central bank personnel, as well as admission of Uzbek issuers' securities to the Russian market.

The Bank of Russia continued its work on comparing the external sector data with the countries — major foreign economic partners. In terms of the bilateral comparisons of direct investment data, representatives of the Bank of Russia, together with delegates of the Deut-

¹ The event was attended by 1 million people, which is 11% more than in 2020.

² IOPS. Annual Survey of Investment Regulation of Pension Funds and Other Pension Providers 2021.

sche Bundesbank, successfully approved data exchange templates. For the purposes of the comprehensive bilateral comparisons, the Bank of Russia exchanged data with China's Ministry of Commerce on indicators of direct investment and bilateral trade in services, and methodological approaches to their calculation.

The Bank of Russia carries out regular direct and remote communication with Russian and foreign institutional investors. The [Investor Relations](#) section has been created on the Bank of Russia website, where up-to-date information and analytical materials are posted with answers to investors' questions provided.



2.7.9. BANK OF RUSSIA EQUITY STAKES IN RUSSIAN ECONOMIC ENTITIES

Pursuant to Article 8 of Federal Law No.86-FZ, the Bank of Russia holds a stake in the authorised capital of the following entities: PJSC Moscow Exchange and Stock company Saint-Petersburg Currency Exchange (SPCEX SC), National Payment Card System Joint Stock Company (NSPK JSC),¹ Joint-stock Company Russian National Reinsurance Company (JSC RNRC),² and pursuant to Article 76.10 of Federal Law No.86-FZ, in the authorised capital of Limited Liability Company Fund of Banking Sector Consolidation Asset Management Company (FBSC AMC Ltd.).³

In addition, the Bank of Russia owns shares in PJSC Bank FC Otkritie, PJSC MInBank and TRUST Bank (PJSC) acquired as part of the financial rehabilitation of the banks.

In 2021, the Bank of Russia's stake in the authorised capital of PJSC Moscow Exchange remained at 11.78%. The dividends for 2020 paid by PJSC Moscow Exchange to the Bank of Russia in the reporting year totalled ₺2.2 billion (₺1.85 for 2019).

The Annual General Meeting of Shareholders of PJSC Moscow Exchange for 2020 approved a new version of the Charter of PJSC Moscow Exchange, the Provisions on the Supervisory Board, and the Regulation on Remuneration and Compensation to the Members of the Supervisory Board of PJSC Moscow Exchange. The new version of the Charter provides for changes in the competencies of the management bodies of PJSC Moscow Exchange. For example, its Supervisory Board is now responsible for setting key performance indicators for the head of the Internal Audit Service, and the Management Board is responsible for approving functional strategies developed in accordance with the main strategy of

the Moscow Exchange Group and the sustainable development report. In March 2021, the Supervisory Board of PJSC Moscow Exchange approved the new edition of the Listing Rules, and in December 2021 — the Policy of Ensuring the Continuity of Members of the Supervisory Board.

In 2021, the Bank of Russia's stake in the capital of JSC SPCEX remained at 8.9%. At the 2020 Annual General Meeting of Shareholders, the updated Regulation on the Audit Commission was approved, and in October 2021, the Supervisory Board of JSC SPCEX approved its Corporate Governance Code. The Annual General Meeting of Shareholders of JSC SPCEX decided not to pay dividends for 2020.

The Bank of Russia is the sole shareholder of NSPK JSC. The authorised capital of NSPK JSC in 2021 remained at ₺4.3 billion. In March 2021, the sole shareholder approved a new version of the Regulation on its Supervisory Board. The dividends for 2020 paid by NSPK JSC to the Bank of Russia in the reporting year totalled ₺4.1 billion (₺2.8 billion for 2019 paid in 2020).

The Bank of Russia is the sole shareholder of JSC RNRC. The authorised capital of JSC RNRC in 2021 remained at ₺21.3 billion. The dividends for 2020 paid by JSC RNRC to the Bank of Russia in the reporting year totalled ₺3.7 billion (no dividends were paid to the Bank for 2019; in 2020, the dividends totalled ₺830.7 million were paid for the first six months of the year). The amount of dividends increased as a result of the substantially higher net profit of JSC RNRC. In May and June 2021, by extraordinary resolutions, the sole shareholder of JSC RNRC approved new versions of its Charter and Reinsurance Council Regulation.

¹ NSPK JSC was established in 2014 in compliance with the requirements of Parts 1 and 2 of Article 30.2 of Federal Law No.161-FZ.

² JSC RNRC was established in 2016 pursuant to Part 1 of Article 13.1 of Law of the Russian Federation No.4015-1, dated 27 November 1992, 'On the Organisation of Insurance Business in the Russian Federation' in order to provide the Russian reinsurance market with some additional capacity to create a mechanism to protect the property interests of policyholders against whom sanctions were imposed by decisions of foreign states or international organisations, and to ensure financial stability of insurers.

³ FBSC AMC Ltd. was established in 2017 in compliance with Article 76.10 of Federal Law No.86-FZ.

In April 2021, the credit rating agency ACRA (JSC) confirmed the rating of JSC RNRC at AAA (RU) with a stable outlook. In December 2021, the international rating agency Fitch Ratings confirmed the financial stability rating of the insurer at BBB with a stable outlook.

In 2021, the Bank of Russia's participation in the authorised capital of FBSC AMC Ltd. remained at ₹1.5 billion. In December 2021, the sole participant of FBSC AMC Ltd. approved new versions of its Charter and Regulation on the Supervisory Board.

In the reporting year, pursuant to Article 75 of Federal Law No.86-FZ, the Bank of Russia sold its 100% stake in JSC Asian-Pacific Bank to the market investor. The shares of JSC Asian-Pacific Bank owned by the Bank of Russia were transferred to LLP Pioneer Capital Invest on 5 October 2021. Read more on the sale of shares of JSC Asian-Pacific Bank in Subsection 2.3.6. [Financial rehabilitation of financial institutions](#).

The Annual General Meeting of Shareholders of JSC Asian-Pacific Bank decided not to pay dividends for 2020.

The Bank of Russia is the sole shareholder of PJSC Bank FC Otkritie. In the reporting year, the Bank of Russia's stake in the capital of PJSC Bank FC Otkritie remained at 100%. The dividends for 2020 paid by PJSC Bank FC Otkritie to the Bank of Russia in the reporting year totalled ₹10 billion (no dividends were paid for 2019 in 2020). The Annual General Meeting of the sole shareholder approved new versions of the Charter and the Regulation on Remuneration and Compensation to the Members of the Supervisory Board. In September

2021, the sole shareholder decided to consolidate the shares of PJSC Bank FC Otkritie and approved a new version of its Charter. In addition, the Supervisory Board of PJSC Bank FC Otkritie approved the Strategy of the Otkritie Group for 2021–2023 and the Strategy in Corporate Governance, Social and Environmental Responsibility (ESG Strategy) until 2023.

In May 2021, the rating agency Expert RA upgraded the credit rating of PJSC Bank FC Otkritie to ruAA with a stable outlook. In June of the reporting year, the international rating agency Fitch Ratings assigned PJSC Bank FC Otkritie a long-term issuer default rating at BB+ with a stable outlook, and Moody's Investors Service confirmed the long-term ratings of PJSC Bank FC Otkritie on deposits and debt obligations in foreign and national currencies at Ba2 with a stable outlook.

The Bank of Russia is the sole shareholder of JSC MInBank. In 2021, the Bank of Russia's stake in the capital of JSC MInBank remained at 100%. According to the annual decision of the sole shareholder, dividends of JSC MInBank were not paid for 2020. In May 2021, the sole shareholder decided to terminate its public status.

The share of the Bank of Russia in the capital of TRUST Bank (PJSC) in 2021 remained at over 97.7%.¹ The Annual General Meeting of Shareholders of TRUST Bank (PJSC) decided not to pay dividends for 2020. At their extraordinary general meetings, the shareholders approved the amendments to the Charter and a new version of the Regulation on Remuneration and Compensation to the Members of the Supervisory Board.

¹ Taking into consideration the indirect control – over 99.01%.



2.7.10. BANK OF RUSSIA EQUITY STAKES IN INTERNATIONAL ORGANISATIONS

Pursuant to Article 9 of Federal Law No.86-FZ, the Bank of Russia held stakes in the capital of the Swiss-based Bank for International Settlements (0.57% of the authorised capital) and the Belgium-based Society for Worldwide Interbank Financial Telecommunications (SWIFT)

itory of the IMF funds in the currency of the Russian Federation and performs operations and transactions provided for by the IMF Articles of Agreement and agreements with the IMF. Starting from 2011, the Russian Federation's quota with the IMF has been included



The Bank of Russia participates in the capital of the BIS (0.57%) and SWIFT (0.006%). The Bank of Russia shows Russia's participation in the capital of the Interstate Bank (50%) and the IMF (2.71%) on its balance sheet

(0.006% of the authorised capital). The Bank of Russia also reflects the stakes held by the Russian Federation in the Interstate Bank in its balance sheet. The Russian Federation holds 50% of its authorised capital.

Pursuant to Article 4 of Federal Law No.86-FZ, the Bank of Russia is the depos-

in the Bank of Russia's balance sheet, which amounted to SDR 12,903.7 million as of 31 December 2021. The stake of the Russian Federation in the aggregate quotas (capital) of the IMF amounts to 2.71%, representing 2.59% of the total number of its member-countries' votes.



2.7.11. IMPROVING LEGISLATION

In 2021, more than 70 federal laws developed with the active participation of the Bank of Russia were adopted to improve the legislative regulation of the financial market.

A whole set of federal laws was aimed at increasing the level of protection of consumers of financial services. Specifically, Federal Law No.192-FZ¹ in order to counteract the misselling (sale of a financial product through its misrepresentation) established the obligation of a financial institution to provide an individual with information about a financial agreement, information about its terms and risks associated with its execution. The Bank of Russia was empowered to restrict the conclusion of agreements by financial institutions with individuals if the conclusion of such agreements was repeatedly carried out during a calendar year without disclosing reliable information to individuals about the agreement and the risks arising during its execution, as well as to demand repurchase from an unqualified investor of everything transferred under such an agreement.

Federal Law No.444-FZ² provides for a mechanism to protect one-off and periodic social payments from writing off and also the procedure for returning such payments in case of their writing-off. The same law established the possibility of a debtor-citizen from 1 July 2022 to apply directly to a credit institution to keep his/her wage and other income monthly in the amount of the subsistence minimum when foreclosing on his/her income.

Furthermore, Federal Law No.329-FZ³ introduced a ban on making the conclusion and execution of a customer loan agreement conditional on the need to purchase additional

services provided by the creditor and (or) third parties for a fee. To this end, the law provided for the right of the borrower to return money for any services linked to loans and borrowings within 14 calendar days after the execution of the agreement.

Federal Law No.328-FZ⁴ prohibited pre-filling a borrower's consent to paid additional services by creditor in a consumer loan application form.

In order to prevent borrowers from accumulating risks and slowing down the excessive growth of unsecured consumer lending, Federal Law No.398-FZ⁵ gave the Bank of Russia the authority to establish macroprudential limits for credit institutions and microfinance organisations, as well as numerical values of the characteristics of loans for which macroprudential limits are set.

Federal Law No.324-FZ⁶ comes into force on 3 July 2022. It provides for the obligation of credit institutions to disclose the minimum guaranteed deposit rate in the contract with an individual, as well as to indicate in the contract in a tabular form the terms and conditions of the deposit. This will raise depositors' awareness about the conditions for attracting funds from individuals to deposits and reduce their risks when deciding on the choice of a specific deposit and a credit institution that attracts funds to deposits.

Federal Laws No.203-FZ⁷ and No.215-FZ⁸ were adopted in order to prevent the illegal consumer loans, including those for which the borrower's obligations are secured by a mortgage. They increase administrative liability and

¹ Federal Law No.192-FZ, dated 11 June 2021, 'On Amending Certain Laws of the Russian Federation'.

² Federal Law No.444-FZ, dated 30 December 2021, 'On Amending Certain Laws of the Russian Federation'.

³ Federal Law No.329-FZ, dated 2 July 2021, 'On Amending the Federal Law 'On Consumer Loans'.

⁴ Federal Law No.328-FZ, dated 2 July 2021, 'On Amending Article 7 of the Federal Law 'On Consumer Loans'.

⁵ Federal Law No.398-FZ, dated 6 December 2021, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia) and Articles 9 and 14 of the Federal Law 'On Microfinance Activities and Microfinance Organisations'.

⁶ Federal Law No.324-FZ, dated 2 July 2021, 'On Amending the Federal Law on Banks and Banking Activities'.

⁷ Federal Law No.203-FZ, dated 11 June 2021, 'On Amending the Code of Administrative Offences of the Russian Federation'.

⁸ Federal Law No.215-FZ, dated 11 June 2021, 'On Amending the Criminal Code of the Russian Federation and the Criminal Procedure Code of the Russian Federation'.

introduce criminal liability for illegally issued consumer loans.

The adoption of the Federal Law No.250-FZ¹ was aimed at reducing the financial losses of households from intruders' actions. To this end, the Bank of Russia was authorised to notify the Prosecutor General's Office of the Russian Federation of dissemination of information about the possibility to obtain financial services posted by persons not authorised to provide them, as well as information encouraging participation in financial pyramids, in IT networks, including the Internet, for a decision on extrajudicial blocking of such websites. This law also gave the Bank of Russia the right to apply to the court to restrict the access to resources that distribute malicious software.

To improve the system of countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism, Federal Law No.423-FZ² was adopted. It optimised approaches to the application by credit institutions of measures aimed at countering the laundering of criminally obtained incomes and financing of terrorism. The law created the centralised information service Know Your Customer that banks can use online to receive high-quality information about the level of risk of involvement in suspicious transactions of customers and their counterparties and employ it in the implementation of anti-money laundering procedures, including applying a differentiated approach when servicing customers who are classified as high-risk by both a credit institution and the Bank of Russia.

Several federal laws adopted in 2021 were aimed at improving the Bank of Russia's supervision. Specifically, Federal Law No.23-FZ³ provided for the obligation of a number of financial institutions to submit information on their controlling persons to the Bank of Rus-

sia on an ongoing basis, and the Bank of Russia was authorised to maintain a list of persons controlling financial institutions and post information about their inclusion in this list on the Bank of Russia website. Furthermore, the Bank of Russia now has the right to include in this list also entities recognised by the Bank of Russia as controlling financial institutions, if there is a reasonable assumption about it. In addition, the law established, within the framework of judicial procedures, a mechanism of preliminary interim measures providing for the possibility of imposing a temporary restriction on such persons' disposal of their property should the Bank of Russia reveal a negative value of the amount of equity (capital) of a financial institution.

Federal Law No.161-FZ⁴ introduced a new mechanism of agreement with the regulator (the Bank of Russia) for the Russian legal system as grounds for exemption from administrative liability for offences related to the misuse of insider information and (or) market manipulation. The law defined the procedure for concluding and executing the agreement, its content, as well as the powers of the Bank of Russia. In parallel, Federal Law No.162-FZ⁵ amended the Code of Administrative Offences of the Russian Federation, providing for the release of a person from administrative responsibility for violating legislation on countering the misuse of insider information and market manipulation should such person sign and execute an agreement with the Bank of Russia. In this case, an agreement may also be concluded with a person against whom the case of the relevant administrative offence was initiated before the date of entry into force of the law, provided a decision has not been yet made on the case of such an administrative offence.

¹ Federal Law No.250-FZ, dated 1 July 2021, 'On Amending Certain Laws of the Russian Federation'.

² Federal Law No.423-FZ, dated 21 December 2021, 'On Amending Certain Laws of the Russian Federation'.

³ Federal Law No.23-FZ, dated 24 February 2021, 'On Amending Certain Laws of the Russian Federation with Regard to Ensuring the Responsibility of Controlling Persons of a Financial Institution'.

⁴ Federal Law No.161-FZ, dated 11 June 2021 'On Amending Article 76.3 of Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Federal Law 'On Countering Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation'.

⁵ Federal Law No.162-FZ, dated 11 June 2021 'On Amending the Code of Administrative Offences of the Russian Federation'.

Federal Law No.359-FZ¹ granted the Bank of Russia the authority to regulate and supervise the activities of audit institutions in the financial market in terms of the audit services they provide to socially important organisations in the financial market.

The purpose of adopting Federal Law No.484-FZ² was to terminate the LIBOR rate as a basic rate in Russian legislation and to clarify the procedure for the Bank of Russia to withdraw from the capital of banks under resolution. In particular, the Bank of Russia was granted the right to reorganise the bank, shares (stakes in the authorised capital), property (property rights) of which the Bank of Russia acquired during the implementation of bankruptcy preventing measures, in the form of a merger with a legal entity meeting the criteria determined by the Board of Directors of the

Bank of Russia, or the acquisition of such legal entity (accession to such legal entity).

Along with the work related to participation in the preparation and consideration of these federal laws, in 2021, the Bank of Russia issued 238 regulations that were registered with Russia's Ministry of Justice. Thirty-six regulations of the Bank of Russia issued in 2020 were also registered with the Ministry of Justice.

For awareness raising, 107 information letters of the Bank of Russia were prepared (78 information letters were sent to organisations supervised by the Bank of Russia, 28 – to regional branches of the Bank of Russia and its supervised organisations, and one information letter was sent to the Bank of Russia's regional division). For education and training, the Bank of Russia prepared 17 methodological recommendations.

¹ Federal Law No.359-FZ, dated 2 July 2021, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Legislative Acts of the Russian Federation'.

² Federal Law No.484-FZ, dated 30 December 2021, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (the Bank of Russia)' and Federal Law 'On Insolvency (Bankruptcy)'.



2.7.12. ADDRESSING ADMINISTRATIVE AND LEGAL ISSUES

In 2021, the officials of the Bank of Russia initiated 10,425 administrative proceedings.

This included:

- 7,675 administrative offence cases reviewed by the officials of the Bank of Russia (including cases left unsettled from previous periods);
- 1,101 applications to hold non-bank financial institutions administratively liable under Part 3 of Article 14.1 and Article 14.36 of the Code of Administrative Offences of the Russian Federation reviewed by arbitration courts (including cases left unsettled from previous periods).

In 2021, officials of the Bank of Russia reviewed 264 complaints against rulings in ad-

ministrative offences and rulings on a refusal to initiate administrative proceedings, which resulted in 42 rulings to sustain the complaints, and 222 rulings to dismiss the complaints.

In 2021, administrative fines imposed by Bank of Russia officials and courts following consideration of administrative cases amounted to ₹273,580,580. In the same period, the budgets of the Russian Federation received ₹135,512,840¹ as payments of administrative fines, including ₹109,673,040 paid voluntarily by entities subject to administrative liability and ₹25,839,800 collected from entities subject to administrative liability in an enforcement procedure.

¹ The difference in the amounts of accrued and paid administrative fines within the designated period is mainly due to the violation by the involved persons of the deadline to pay administrative fines, which is the basis for the Bank of Russia to send relevant materials to the Federal Bailiff Service of the Russian Federation for the enforcement of administrative penalties, as well as bankruptcy and (or) forced liquidation of organisations supervised by the Bank of Russia, brought to administrative responsibility.

2.7.13. ADDRESSING JUDICIAL ISSUES

In 2021, as part of exercising its functions to monitor and supervise credit institutions and non-bank financial institutions, the Bank of Russia filed 434 suits, including:

- 31 suits for recognition of credit institutions as insolvent (bankrupt) and forced liquidation of credit institutions;
- 387 suits for recognition of non-bank financial institutions as insolvent (bankrupt) and forced liquidation of non-bank financial institutions;
- 16 suits on disputes associated with supervisory response measures with regard to non-bank financial institutions.

In 2021, 457 suits filed by the Bank of Russia were satisfied (including cases left unsettled from previous periods), including 30 suits against credit institutions and 427 suits against non-bank financial institutions.

In the reporting period, credit institutions filed 19 appeals against actions and decisions of the Bank of Russia; two appeals were sustained, one of which was against decisions (rulings) in cases of administrative liability, including the liability of officials, among which were rulings of a refusal to initiate administrative proceedings, and the other was an appeal against measures applied under Article 74 of Federal Law No.86-FZ.

During the same period, non-bank financial institutions filed 464 appeals against ac-

tions and decisions of the Bank of Russia; 64 appeals were sustained in 2021 (including cases left unsettled from previous periods), of which 51 appeals were against decisions (rulings) in cases of administrative liability, including the liability of officials, among which were rulings on a refusal to initiate administrative proceedings; eight appeals were against measures applied under Articles 76.2 and 76.5 of Federal Law No.86-FZ, and five appeals were against actions (omissions) of the Bank of Russia, including those of its officials.

In 2021, 193 suits arising out of business and other activity were brought against the Bank of Russia, including property-related suits totalling ₹2,062,555,080. Overall, 21 suits were upheld in court (including cases left unsettled from previous periods), including property-related suits totalling ₹4,361,250.

In 2021, the Bank of Russia filed 106 suits arising out of business and other activities, including property-related suits totalling ₹37,488,330. Overall, in 2021, 74 suits in this category were upheld in court (including cases left unsettled from previous periods), including property-related suits totalling ₹35,975,380.

In 2021, 99 suits arising from employment relations were filed against the Bank of Russia, of which 67 were upheld (including cases left unsettled from previous periods).



3



Organisational development of the Bank of Russia

Amid the changes occurring in the economy and society in general, it is essential for the Bank of Russia to enhance its organisational structure and resource management in order to achieve its goals. The Bank of Russia's management makes decisions so as to help its employees perform their duties efficiently and use its material resources in the best possible way.

The Bank of Russia attaches great importance to monitoring and development of its employees' professional and personal competencies. In 2021, owing to the automation, the time for staff assessment procedures decreased, whereas the number of participants rose. The Bank of Russia's experts developed methods to study employees' learning agility and their preparedness to changes. To prevent risks associated with resignation of key executives, the Bank of Russia's head office and regional branches introduced the process for planning executive succession.

The portfolio of training programmes was formed considering the need to ensure a modern level of knowledge among Bank of Russia employees in the most rapidly developing or new areas of work. The trainings on data management and analytics, information security, and information technologies were most demanded.

Using the process management system, the Bank of Russia ensured the smooth performance of its critical functions in the complicated pandemic conditions and developed the infrastructure for employees' remote work. Project management helped achieve strategically important results in such areas as AML/CFT, regulation, and technology development in the financial market.

Changes in the organisational structure of the head office were needed due to the expansion and transformation of the Bank of Russia's functions. Firstly, the Bank of Russia started to work in new areas, including those associated with the ESG agenda and the advancement of the financial market. Secondly, it implemented new approaches to the development of regulation and analysis of the banking sector. Thirdly, the Bank of Russia intensified its efforts aimed at reducing regulatory burden on financial market participants. Overall, as a result of the organisational transformation, the Bank of Russia decreased its headcount by 0.6% in 2021 to 49,100 employees.

The Bank of Russia sought to create equal conditions for participants in procurements, which were mostly carried out on a competitive basis. The deployment of new technologies helped considerably reduce the period for considering suppliers' requests for accreditation: from 3.5 business days in 2020 to 1.3 business days in 2021.

Internal audit covered all key business processes of the Bank of Russia, including macroeconomic forecasting, the management of the international reserves, the work with credit and non-bank financial institutions, and the functioning of the NPS. Overall, the findings confirmed that the internal audit entities properly performed their functions and complied with the laws of the Russian Federation and the regulations and other documents of the Bank of Russia, and that the Bank of Russia's risk management system conformed to the internal and external environment.

3.1. Training and development of Bank of Russia personnel

In today's conditions, employees of any organisations need to conform to high requirements for their qualification. Employees' training and development, the creation of a talent pool, and executive succession planning are among the Bank of Russia's key priorities in human resource management.

ment, the Bank of Russia implements 360 degree feedback¹ projects and uses assessment centres² when selecting candidates to vacant positions and forming a pool of successors to executive positions.

The Bank of Russia implemented the entire cycle of professional competence assessment,



The Bank of Russia's key priorities in human resource management are training and development, creating a talent pool, and succession planning

In 2021, the number of in-person training and webinar participants totalled 2,100 and 153,300 employees, respectively, and the number of successfully completed remote courses exceeded 447,000.

To assess the quality of education and the practical use of acquired knowledge and skills, the Bank of Russia started to test new approaches to assessing the effectiveness of its key training programmes.

Staff assessment and executive succession planning

In 2021, most assessment procedures were automated and transferred to specialised platforms, which made it possible to ensure a wide coverage of the target audience within a short period and improve the participants' user experience. Furthermore, the algorithms for processing psychometric assessment data developed by the Bank of Russia's experts allowed the study of employees' narrower criteria and characteristics, for instance, learning agility and their preparedness to changes. Within the regular process of human resource manage-

ment, the Bank of Russia developed over 200 tests to assess professional knowledge.

The Bank of Russia attaches great importance to personnel reliability by enhancing the work with talents. The Bank of Russia's head office and regional branches implemented the process of planning key executive succession.

Development of professional competencies

In 2021, the development of professional competencies focused on those areas of expertise that were critical considering the existing challenges in the external environment, also taking into account possible future challenges:

- information security (over 118,500 participants);
- financial technologies (over 5,200 participants);
- information technologies (over 6,700 participants).

¹ 360 Degree Feedback is a system in which employees receive feedback from the people who work around them regarding the level of their management competencies.

² Staff assessment centre is a comprehensive method to assess the potential for career success comprising a set of various more specific methods and based on the assessment of participants' behaviour by a group of observers—experts in the course of simulation exercises.

To increase the level of literacy and culture in data management and apply modern data processing methods and instruments for addressing its functional tasks, the Bank of Russia developed the modular training programme 'Data Management and Analytics', with Bank of Russia executives and specialists participating in it.

Other priorities in staff training include supervision over credit and non-bank financial institutions, the use of international financial reporting standards, anti-money laundering and countering the financing of terrorism, the functioning of the National Payment System, and the development of digital competencies. Certain training programmes were developed promptly considering new tasks and areas in the Bank of Russia's work (ecosystems, digital platforms, digital financial assets), which enabled respective units to acquire modern knowledge and skills in these areas.

Overall, in 2021, the training portfolio included about 320 professional development programmes grouped into 32 training areas, from support of the work of the main functional units of the Bank of Russia to mandato-

ry trainings (fire safety basics, civil defence and emergencies, and labour protection).

Additionally, to study international experience and implement best practices in day-to-day work, nearly 1,500 employees of the Bank of Russia took part in foreign regulators' training events.

Development of leadership competencies

The development of leadership competencies at the Bank of Russia is the systematic work aimed at enhancing employees' management skills and potential and at training leaders of change and innovation at the level of the best world training standards and practices.

In 2021, within training projects for executives, the Bank of Russia developed 20 and implemented over 80 programmes in various formats, including multi-module programmes, trainings and webinars, business simulations, master classes, strategic and team sessions, including using modern online platforms and applications. The key topics of the year were emotional intelligence and making effective decisions.



3.2. Process management development

In the area of process management, the Bank of Russia continued to enhance the system for planning and implementing measures aiming to ensure the smooth performance of the Bank of Russia's critical functions during the crisis period, including to improve conditions for the remote performance of a range of the Bank of Russia's functions:

- adjusted the regulatory and legal framework to remote work;
- enhanced technological capability for remote work (provided technical devices to employees and organised access to IT services in compliance with the established information security requirements);
- approved the procedure for implementing the complex of measures aimed at ensuring the continuity of operations of Bank of Russia units in the challenging pandemic conditions;

- develops the system of methodological and technical support for isolated backup offices to perform critical business processes.

Continuing its efforts to improve the effectiveness of its work, in 2021, the Bank of Russia initiated the Business Process Digitalisation Programme (hereinafter, the Programme). Its main objectives are to increase the technology level, minimise the number of manual operations, and reduce the paper document flow in the Bank of Russia's business processes.

At the first stage of the Programme implementation, the Bank of Russia selected the key business processes to be transformed and formed the list of Russian digital technologies most demanded in the market to introduce them into the Bank of Russia's business processes.



3.3. Project management development

As of the end of 2021, the Bank of Russia's project portfolio comprised 173 projects, 75% of which included an IT component. Over 2021, the Bank of Russia launched 64 new projects.

In the course of the implementation of various projects in 2021, the Bank of Russia achieved strategically important results making the performance of the Bank of Russia's functions more efficient, including:

- launched the Know Your Customer platform in the pilot mode helping increase the transparency of banking operations, reduce regulatory burden on financial market participants, and create conditions for processing payments of persons included in a low risk group (99% of the overall number of Russian legal entities and individual entrepreneurs), as well as simultaneously decrease financial market participants' costs for identifying illegal processes;
- on 1 January 2022, the Bank of Russia's certification centre started to issue qualification certificates of electronic signature verification keys to financial market participants and Bank of Russia officials;
- launched the service Register of Collaterals to create a single base of collaterals for loans issued by legal entities and individual entrepreneurs and improve the quality of banks' assessment of credit and collateral risks;
- implemented the option in online accounts of participants in information exchange with the Bank of Russia allowing the acceptance of reporting signed with an official's upgraded electronic signature with a machine-readable power of attorney.



3.4. Changes in the organisational structure

In 2021, the Bank of Russia resumed the planned measures for optimising the headcount and continued to enhance its organisational structure, including because of the expansion of its functions.

As the Bank of Russia was assigned with the task of supervising operators of investment systems and financial and investment platforms, digital financial asset exchange operators, and financial transaction registrars, the structure of the Financial Market Infrastructure Department was changed. To carry out climate risk stress testing and develop approaches to regulating systemic climate risks, the Bank of Russia revised the structure of its Financial Stability Department.

The reorganisation of the head office was continued. To reduce regulatory burden by streamlining policies, standards and procedures for data management, reporting collection and processing, the Bank of Russia established the Statistics Department and the Data Governance Department based on the abolished Statistics and Data Governance Department and Reports Processing Department. Within the implementation of new approaches to developing regulation and analysing the banking sec-

tor, the Bank of Russia created the Department of Banking Regulation and Analytics based on the abolished Banking Supervision Support Department and Banking Regulation Department.

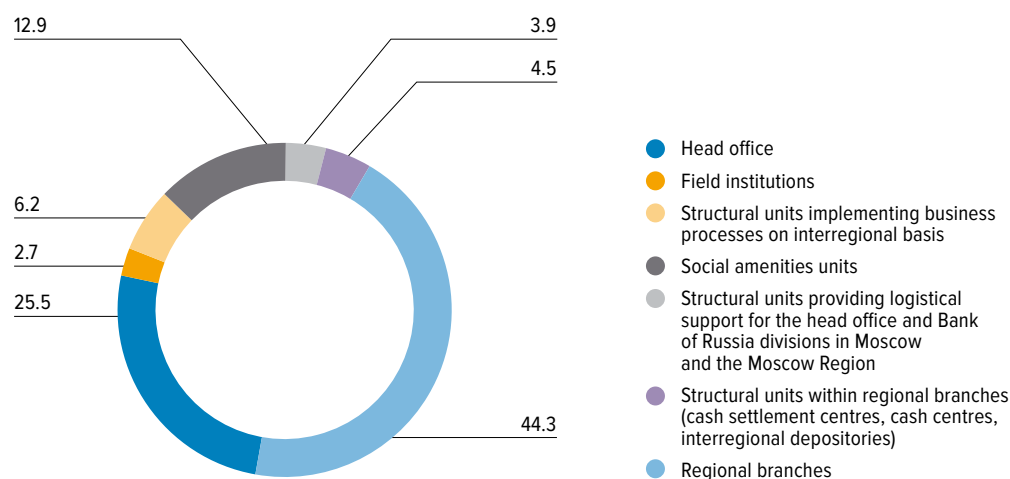
In 2021, the headcount was reduced through a decrease in support functions. The Bank of Russia completed another stage of the optimisation of the headcount in maintenance units. Within the re-engineering of its business processes, the Bank of Russia created new units performing these business processes based on the interregional principle, including interregional accounting centres with centralised operational functions.

Overall, as a result of this work, the Bank of Russia decreased its headcount by 300 employees, or 0.6%, to 49,100 employees.

As of 1 January 2022, the Bank of Russia comprised 368 structural units, including the head office, seven main branches with their internal 74 divisions (divisions – national banks), one interregional depository, 55 cash centres and cash settlement centres, 43 units performing business processes based on the interregional principle, 91 field institutions, the Representative Office of the Bank of Russia in the People's Republic of China, and auxiliary units.

NUMBER OF BANK OF RUSSIA PERSONNEL BY STRUCTURAL UNIT AS OF 1 JANUARY 2022 (PER CENT)

Chart 43



3.5. Internal audit and operational risk management at the Bank of Russia

The main objectives of internal audit are to submit information to Bank of Russia executives and the National Financial Board on the performance by the Bank of Russia's structural units of their respective functions and on the state of the risk management and internal control systems.

Over 2021, using a risk-based approach, the Bank of Russia carried out 60 internal audit procedures, including 37 audits, 9 monitoring procedures, and 14 analytical events. Considering the effective anti-pandemic restrictions, the Bank of Russia broadly applied remote audit methods.

To increase the quality of model-based techniques used in macroeconomic forecasting for making key rate decisions, improve the practice of forecast verification, and enhance the work with data and calculations, the Bank of Russia continued to monitor the progress in the development of macroeconomic forecasting.

Considering the importance of the management of the international reserves, the Bank of Russia continued its daily monitoring of operations with its foreign currency and gold assets.

Pursuant to Article 76.12 of Federal Law No.86-FZ, the Bank of Russia continued to carry out its annual analytical event for reviewing the efficiency of using resources provided by the Fund of Banking Sector Consolidation.

The audit of the work with credit institutions included the review of such issues as compliance with the requirements for proceedings on administrative violations of AML/CFT¹ laws and the organisation of internal control in banking supervision, as well as examined the circumstances of licence withdrawals from certain credit institutions.

The audit of the work with non-bank financial institutions (NFIs) focused on the assessment of the organisation of the work related to the protection of financial consumers' rights and legitimate interests, suppression of illegal activities in the financial market, as well as regulation, control and supervision of NFIs' and self-regulatory organisations' activities.

The audit included the assessment of the process of RUONIA administration by the Bank of Russia that proved the effectiveness of the risk management system and internal control of this process and its compliance in all material aspects with the requirements of the Bank of Russia's regulations and the Principles for Financial Benchmarks of the International Organization of Securities Commissions.

The audit of the issues related to ensuring the stability and development of the National Payment System (NPS) comprised the analysis of the implementation of the key measures envisaged by the NPS Development Strategy for 2021–2023. Auditors reviewed the organisation of supervision and oversight in the NPS, the progress of measures for including new NPS entities, including foreign ones, in the scope of supervision and oversight. The risk management system in the Bank of Russia Payment System was assessed.

In 2021, the annual audit of the organisation and support of cash circulation included the analysis of the effectiveness of the processing and destruction of Bank of Russia currency units, the issue and distribution of commemorative and investment precious metal coins. Besides, recommendations were given with regard to the key measures of the Guidelines for Cash Circulation Development in 2021–2025.

Financial and business performance of the Russian Collection Association (ROSINKAS) of

¹ Stipulated in Article 15.27 of the Code of Administrative Offences of the Russian Federation.

the Central Bank of the Russian Federation (Bank of Russia) was audited.

When reviewing the effectiveness of using the Bank of Russia's funds and property management, auditors assessed the adequacy of the risk management system and internal control in labour remuneration, procurements, insurance organisation, and involvement of unused real estate in the economic turnover.

Auditors examined the results of the events carried out within the Bank of Russia's IT Development Strategy until 2020 and gave recommendations regarding the draft new strategic document on the Bank of Russia's IT development in 2021–2025. Auditors analysed the effectiveness of internal control of cyber security and protection against unauthorised access.

The audit included the assessment of measures taken to respond to challenges and threats in the area of internal security at the Bank of Russia's facilities.

Within the Bank of Russia's budget mandate to exercise internal financial audit, auditors assessed the reliability of internal financial control and the accuracy of the Bank of Russia's budget reporting.

The internal audit results generally confirmed the fulfilment by the audited entities of their functions and compliance with the laws of the Russian Federation, the regulations and

other documents of the Bank of Russia. In relation to revealed drawbacks and challenging issues, the Bank of Russia's executives made appropriate management decisions and controlled their fulfilment.

The Bank of Russia communicated with the Accounts Chamber of the Russian Federation in the course of its audit at the Bank of Russia.

In 2021, the Bank of Russia approved its Internal Audit Development Concept for 2021–2025 that outlines the areas for developing internal audit through transformation of the model of three defence lines, development of consulting services in internal audit, expansion of remote audit areas, assessment and improvement of staff competencies, examination and implementation of best practices and innovations, and assessment of the effectiveness of internal audit.

The Bank of Russia attaches great importance to operational risk management and adheres to modern standards and best practices in this area. In 2021, the Bank of Russia completed the development and launched the automated system for self-assessments of risks, registration of risk events, monitoring of key risk indicators, as well as collection, processing and storage of internal control data. The Bank of Russia continued to enhance the methodology for managing the continuity of the Bank of Russia's operation.



3.6. Procurements by the Bank Of Russia

In 2021, the Bank of Russia continued to carry out procurements predominantly on a competitive basis, considering the introduced anti-pandemic restrictions. The amount of procurements increased in 2021, as compared to the previous year, as the Bank of Russia signed a number of long-term contracts. The value of the contracts concluded by the Bank of Russia totalled ₽25.3 billion.

The Bank of Russia expanded the practice of procurements without setting the initial (maximum) prices of contracts in order to receive fair market offers. Framework agreements were concluded in order to fix prices for the medium term.

Based on the results of the completed tenders and procurements from a single supplier, the overall number of the signed contracts increased 1.1 times in 2021 to 1,647 (vs 1,454 in 2020).

By using digital interfaces in the course of accreditation to verify publicly available information about suppliers who applied for accreditation, the Bank of Russia significantly reduced the time for considering such applications from 3.5 business days in 2020 to 1.3 business days in 2021 (whereas regulations stipulate the deadline of 10 business days). As a result, over 1,700 new suppliers passed the Bank of Russia's accreditation procedure within a short period, and 60% of them became participants in procurement procedures in 2021. The number of new accredited suppliers with whom the Bank of Russia signed contracts following the procurement procedures doubled as compared to the previous year. They accounted for 38% in the total number of the suppliers who were accredited in 2021 (vs 19% in 2019).

Market participants' interest in the Bank of Russia's procurements remained at the level of

2020. As of the end of 2021, the average number of participants per procurement procedure equalled 3.2 (vs 3.3 in 2020). As in the previous year, every fourth procurement attracted four or more applications.

Small and medium-sized businesses were active participants in the Bank of Russia's procurement procedures. In 2021, they accounted for approximately 50% in the total value of the contracts concluded based on the results of the tenders and procurements from a single supplier.

As of the end of 2021, the proportion of justified complaints sent by procurement participants to the Bank of Russia's independent collegial body remained at the level of 2020, whereas the total number of complaints increased to 25 (from 16 in 2020).

To ensure an open dialogue with market participants, the Bank of Russia carried out the third annual conference of suppliers online. As a result, it was attended by suppliers not only from Russia, but also from the business community of the EAEU countries (Belarus and Kazakhstan). The format of panel discussions and dedicated roundtables enabled market participants to learn more information about the specifics of the Bank of Russia's needs in various procurement categories and the approaches to establishing requirements for suppliers in the course of its procurement procedures.

Continuing to develop the competencies of its procurement specialists, in 2021, the Bank of Russia launched its own unique modular training project 'School of Procurement Specialists' that takes into account the specifics of the regulation of the megaregulator's procurements. The first cohort of trainees completed the training programme by the end of 2021.



4



Annual financial statements of the Bank of Russia and auditors' reports

Introduction

The Annual Financial Statements include information on banking operations and other transactions conducted by the Bank of Russia to perform its functions set out in Federal Law No.86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended) (hereinafter, the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)').

The Annual Financial Statements for 2021 presented below (hereinafter, the financial statements) comprise the following:

- Annual Balance Sheet;
- Statement of Financial Performance;
- Statement of Actual Profit and its Allocation or of Actual Incurred Losses;
- Statement of Bank of Russia Reserves and Funds;
- Statement of Bank of Russia Management of Securities and Equity Stakes in Organisations Constituting the Bank of Russia's Property;
- Statement of Bank of Russia Securities Transactions on Exchanges;
- Statement of Bank of Russia Personnel Costs;
- Statement of Capital Investment Budget Performance.

The principal objectives of the Bank of Russia are to:

- protect the ruble and ensure its stability;
- upgrade and strengthen the Russian banking system;
- ensure the stability and development of the national payment system;
- develop the Russian financial market;
- ensure the stability of the Russian financial market.

Annual balance sheet as of 31 December 2021

millions of rubles

	Note	2021	2020
ASSETS			
1. Precious metals	4	9,995,171	10,410,422
2. Funds placed with non-residents and foreign securities	5	32,486,794	30,452,905
3. Loans and deposits	6	2,896,844	3,761,861
4. Securities, of which:	7	972,249	1,027,005
4.1. Federal government debt obligations		251,378	296,485
4.2. Shares acquired as part of bankruptcy prevention measures		690,240	701,141
5. Claims on the IMF	8	3,151,771	1,910,150
6. Other assets, of which:	9	2,909,563	2,710,278
6.1. Fixed assets		79,628	79,163
6.2. Profit tax advance payments		93	118
7. Total assets		52,412,392	50,272,621
LIABILITIES			
8. Cash in circulation	10	14,068,552	13,419,999
9. Funds in accounts with the Bank of Russia, of which:	11	19,135,035	16,622,322
9.1. Federal government funds and funds in the treasury single account		12,304,240	10,191,815
9.2. Funds of resident credit institutions		6,276,520	4,488,296
10. Securities issued	12	0	574,160
11. Obligations to the IMF	13	2,826,569	1,610,934
12. Other liabilities	14	175,099	391,530
13. Total liabilities		36,205,255	32,618,945
CAPITAL AND PROFIT			
14. Capital, total, of which:	15	16,207,137	17,653,676
14.1. Authorised capital		3,000	3,000
14.2. Reserves and funds		17,345,039	18,765,163
14.3. Previous years losses		(1,114,605)	(1,052,978)
14.4. Reporting year losses		(26,297)	(61,509)
15. Total liabilities, capital and profit		52,412,392	50,272,621

Governor of the Bank of Russia



Elvira Nabiullina

Bank of Russia Chief Accountant



Irina Granovskaya

'8' April 2022

Statement of financial performance

millions of rubles

	Note	2021	2020
INCOME			
Interest income	16	302,288	292,911
Income from securities trading	17	26,151	2,094,359
Income from equity stakes in credit institutions and other organisations	18	20,222	5,496
Other income	19	206,025	11,176
Total income		554,686	2,403,942
EXPENSES			
Interest expenses	20	187,381	283,390
Expenses on securities trading	21	22,763	16,620
Cash turnover management expenses	22	10,362	11,958
Net expenses on the creation of provisions	23	172,140	116,329
Expenses on the discharge of obligations to the federal budget to transfer part of income from the sale of Sberbank shares		0	1,766,498
Other operating expenses	24	63,118	154,171
Bank of Russia personnel costs	25	125,219	116,485
Total expenses		580,983	2,465,451
FINANCIAL RESULT			
Reporting year loss		(26,297)	(61,509)

Statement of changes in capital and profit

millions of rubles

	Capital			
	Authorised capital	Reserves and funds	Losses	Total capital
Balance as of 31 December 2019, after tax for 2019	3,000	10,487,333	(1,052,978)	9,437,355
Loss for 2020	0	0	(61,509)	(61,509)
Transferred to reserves and funds in 2020 from other sources, excluding profit	0	8,296,433	0	8,296,433
Paid from reserves and funds in 2020	0	(18,603)	0	(18,603)
Balance as of 31 December 2020, before tax for 2020	3,000	18,765,163	(1,114,487)	17,653,676
Taxes and duties, including those paid in advance in 2020	0	0	(118)	(118)
Balance as of 31 December 2020, after tax for 2020	3,000	18,765,163	(1,114,605)	17,653,558
Loss for 2021	0	0	(26,297)	(26,297)
Transferred to reserves and funds in 2021 from other sources, excluding profit	0	14,404	0	14,404
Paid from reserves and funds in 2021	0	(1,434,528)	0	(1,434,528)
Balance as of 31 December 2021, before tax for 2021	3,000	17,345,039	(1,140,902)	16,207,137
Taxes and duties, including those paid in advance in 2021	0	0	(93)	(93)
Balance as of 31 December 2021, after tax for 2021	3,000	17,345,039	(1,140,995)	16,207,044

Information on reserves and funds of the Bank of Russia is disclosed in the Statement of Bank of Russia Reserves and Funds.

Notes to annual financial statements for 2021

1. ACCOUNTING AND FINANCIAL REPORTING FUNDAMENTALS

The Bank of Russia carries out accounting records and compiles its financial reporting in accordance with the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', Federal Law No.402-FZ, dated 6 December 2011, 'On Accounting', Bank of Russia Regulation No. 567-P, dated 19 December 2016, 'On the Chart of Accounts for Accounting Purposes at the Central Bank of the Russian Federation (the Bank of Russia) and the Procedure for Using it', Bank of Russia Regulation No. 522-P, dated 21 December 2015, 'Bank of Russia Accounting Policy for Accounting Purposes' (hereinafter, the Accounting Policy), and other Bank of Russia regulatory documents issued in pursuance of the said federal laws.

The financial statements were compiled on the basis of the annual accounting statements of the Bank of Russia, including its regional branches and other units in the structure of the Bank of Russia as a legal entity; accounting registers; and information set out in Bank of Russia regulations on the accounting in the Bank of Russia and other Bank of Russia regulations.

These financial statements do not include the financial statements of credit institutions and other organisations, operating in Russia and abroad, where the Bank of Russia holds equity stakes and/or whose activities it controls, as well as of legal entities established by the Bank of Russia. Under Russian law, the Bank of Russia is not required to compile consolidated financial statements that include the financial statements of credit institutions and other organisations where it holds equity stakes and/or whose activities it controls, as well as of legal entities established by the Bank of Russia.

These financial statements were compiled in the currency of the Russian Federation, the Russian ruble (hereinafter, rubles), or in millions of rubles.

The financial statements cover a period from 1 January through 31 December 2021.

Bracketed figures in tables are negative values.

For the purposes of these financial statements, Bank of Russia operations with credit institutions and the State Development Corporation VEB.RU (hereinafter, VEB.RF) are jointly referred to as operations with resident banks.

Resident banks, with government stakes in their authorised capitals ranging from 50% to 100%, are categorised as resident banks directly controlled by the Russian Federation represented by the Russian Ministry of Finance, the Federal Agency for State Property Management, constituent territories of the Russian Federation represented by their ministries and agencies, the Bank of Russia, the State Corporation Deposit Insurance Agency, and VEB.RF.

2. ACCOUNTING POLICY PRINCIPLES, ACCOUNTING ITEMS AND METHODS FOR THEIR APPRAISAL

Assets (claims) and liabilities are recorded at their initial value as of the moment of their acquisition or occurrence. The initial value does not change until their retirement, sale, or redemption, unless otherwise provided for by the Russian legislation, the Accounting Policy, and Bank of Russia regulations or other documents. The specifics of any subsequent appraisal (revaluation) of assets (claims) and liabilities are described in this Note.

(A) PRECIOUS METALS

Assets (claims) and liabilities denominated in precious metals, including precious metals contained in commemorative and investment coins that are legal tender in the Russian Federation, placed in the Bank of Russia's correspondent account, trading bank account in precious metals or custody account, precious metals in deposit accounts, are entered in the books at the value of the precious metals according to the book prices for refined precious metals established by the Bank of Russia (hereinafter, the book price) as of the date of a transaction with precious metals and shall be revalued according to changes in book prices. The Bank of Russia calculates book prices based on the current fixed prices of precious metals on the London Metal Exchange.

Assets (claims) and liabilities denominated in precious metals are reflected in the books as of the end of the reporting year at fair value. The fair value of precious metals as of the end of the reporting year is the last price for the precious metals as fixed in the London metals spot market in the reporting year and recalculated based on the official US dollar/ruble exchange rate effective as of the reporting date.

The excess of positive unrealised differences, which arise from the revaluation of precious metal balances due to the change in the book prices and fair value of precious metals as of the end of the reporting year over negative unrealised differences, is recorded in the balance sheet account *Reserve of unrealised revaluation of precious metals* as part of capital and is not included in the statement of financial performance.

If the negative unrealised difference exceeds the positive unrealised difference in the results of the year's activities, this amount is compensated for from previously accrued unrealised differences recorded to the balance sheet account *Reserve of unrealised revaluation of precious metals* as part of capital. If there are no funds in the balance sheet account *Reserve of unrealised revaluation of precious metals* or if the funds are insufficient, the negative unrealised difference is entirely (or in the amount that exceeds the credit balance in the aforementioned balance sheet account) attributed to Bank of Russia expenses for the corresponding reporting year.

Realised differences (income or expenses) that arise when trade operations with precious metals are conducted at a price different from the book price of such precious metals are calculated individually for each operation. A realised difference is the difference between the actual value of a transaction and the value based on the book price of the corresponding precious metal.

Realised differences in operations with precious metals are calculated as of the date of transfer of the title to the precious metal (date of delivery of precious metals) to which the transaction relates. Net positive realised differences are recorded in financial statements in the *Other income* item, while net negative realised differences are recorded in the *Other operating expenses* item of the statement of financial performance.

Bank of Russia claims and liabilities with respect to the delivery of precious metals in forward transactions under signed contracts are recorded to off-balance sheet accounts at book prices from the transaction date to the date of delivery of the precious metals or the settlement date, whichever is earlier, and revalued as the book prices change.

The value of precious metals used to recalculate assets (claims) and liabilities in precious metals as of the reporting date was as follows: ₴4,347.4200 per gram of gold (2020: ₴4,491.6600 per gram of gold); ₴55.1400 per gram of silver (2020: ₴62.9100 per gram of silver); ₴2,297.8000 per gram of platinum (2020: ₴2,553.2900 per gram of platinum); and ₴4,605.1500 per gram of palladium (2020: ₴5,629.1200 per gram of palladium).

(B) FOREIGN CURRENCY ASSETS AND LIABILITIES

Foreign currency assets (claims) and liabilities are entered in the books as of the date of the operation or transaction in foreign currency at the official exchange rate of the foreign currency against the ruble set by the Bank of Russia as of that date (hereinafter, the official exchange rate).

Foreign currency assets (claims) and liabilities are revalued as the official exchange rate changes, except for amounts received, advances paid and down payments made under business transactions with non-resident companies (for goods delivered, works performed or services rendered), as well as the amounts of down payment in Bank of Russia transactions related to its equity stakes in other companies which are not subject to revaluation.

The excess of the positive unrealised exchange rate differences that arise from the revaluation of balances in the balance sheet accounts, where funds in foreign currency are reflected, over the negative unrealised exchange rate differences due to changes in the official exchange rates, is recorded to the balance sheet account *Reserve of unrealised exchange rate differences* as part of capital and is not included in the statement of financial performance.

If the negative unrealised exchange rate differences exceed positive unrealised exchange rate differences accrued over the year, this excess amount is offset by previously accrued unrealised exchange rate differences recorded to the balance sheet account *Reserve of unrealised exchange rate differences* as part of capital. If there are no funds in the balance sheet account *Reserve of unrealised exchange rate differences* or if the funds are insufficient, the negative unrealised exchange rate differences are posted entirely (or, accordingly, in the amount that exceeds the balance of the above balance sheet account) to Bank of Russia operating expenses for the corresponding reporting year.

Realised exchange rate differences that arise in foreign exchange transactions conducted at exchange rates that differ from official exchange rates are calculated individually for each transaction and are posted to Bank of Russia income or expenses as of the transaction date. Net positive realised exchange rate differences are recorded in financial statements in the *Other income* item, while net negative realised exchange rate differences are recorded in the *Other operating expenses* item of the statement of financial performance.

Bank of Russia claims and liabilities denominated in foreign currency under signed foreign currency purchase and sale forward contracts are posted to off-balance sheet accounts at the official exchange rates from the transaction date to the first settlement date stipulated by transaction terms and are revalued as official exchange rates change.

The official exchange rates used to recalculate assets (claims) and liabilities in foreign currency as of the reporting date were as follows: ₴74.2926 per US dollar (2020: ₴73.8757 per US dollar); ₴84.0695 per euro (2020: ₴90.6824 per euro); ₴100.0573 per pound sterling (2020: ₴100.0425 per pound sterling); ₴58.0230 per Canadian dollar (2020: ₴57.7289 per Canadian dollar); ₴64.5097 per 100 Japanese yen (2020: ₴71.4915 per 100 Japanese yen); ₴103.9792 per SDR (special drawing right) (2020: ₴106.4010 per SDR); ₴53.9141 per Australian dollar (2020: ₴56.5223 per Australian dollar); and ₴11.6503 per Chinese yuan (2020: ₴11.3119 per Chinese yuan).

(C) SECURITIES

Investments in debt securities, other than promissory notes, are categorised as follows, depending on the purpose of the purchase:

- *Appraised at fair value through profit or loss*. These include securities purchased to be sold in the short term (up to one year) whose fair value can be determined reliably;
- *Held to maturity*. These include securities that the Bank of Russia intends to hold to maturity, regardless of the period between the purchase date and the maturity date;
- *Available for sale*. These include securities that are not categorised as *Appraised at fair value through profit or loss* or *Held to maturity* when purchased.

Securities are accounted for at their initial value, which includes the purchase price (purchase value) and, for securities *Available for sale* or *Held to maturity*, material additional expenses (costs) directly associated with their purchase. Expenses (costs) exceeding 5.0% of the transaction value are recognised as material.

Securities are entered in the accounts in the currency of their denomination.

The price of securities purchased in a currency other than that of their denomination is determined at the official exchange rate as of the purchase date, or at a cross rate calculated using official exchange rates.

The balance sheet value of securities after their initial recognition changes by the amount of interest income (interest expenses) accrued, amounts of partial redemption of the nominal value of securities and coupon payments, and for securities *Appraised at fair value through profit or loss* and *Available for sale*, where their fair value can be determined reliably, with due regard to their revaluation at fair value.

The amount of discount and interest (coupon) income less the premium amount is recognised as interest income. A discount on the security means a positive difference between the nominal value (current face value) of the security and its initial value less interest (coupon) income included in the purchase price.

The amount of premium in excess of the interest (coupon) income is recognised as interest expense. A premium on the security means a negative difference between the nominal value (current face value) of the security and its initial value less interest (coupon) income included in the purchase price.

Interest income and expenses are accrued on a uniform basis from the purchase date of securities and during their remaining maturity, unless otherwise specified in Bank of Russia regulations.

Interest income on securities where there is no uncertainty as to the receipt of the said income, as well as interest expenses on securities are recognised as income or expenses, respectively, on the last business day of the month when the securities are retired (sold) or redeemed (partially redeemed), and when interest (coupon) income is paid by the issuer. Interest income on securities where the receipt of the income is recognised to be uncertain is recorded to separate off-balance sheet accounts for unreceived interest income and is recognised as income when the funds are actually received.

Market prices posted by exchanges based on the latest results of exchange trading are used to evaluate the fair value of securities traded in a foreign financial market in exchange trading and of securities eligible for exchange organised trading in the domestic financial market (excluding Russian Federation Eurobonds). The latest quotations (prices) posted by the Bloomberg information system are used to evaluate the fair value of securities that are traded in a foreign financial market not on exchange (over-the-counter), securities traded in the domestic financial market, which are not eligible for exchange trading in the domestic financial market, and Russian Federation Eurobonds. Valuation models based on market data are used to estimate the fair value of securities that do not have representative quotations (prices).

The securities revaluation amount is the difference between the fair value of securities of a corresponding issue (issuer) and their balance sheet value, net of the revaluation reflected in the corresponding balance sheet accounts.

The revaluation of securities categorised as securities *Available for sale* is posted during the year to the balance sheet accounts *Revaluation of securities available for sale – positive differences* and *Revaluation of securities available for sale – negative differences*.

At year-end, excess of positive revaluation over negative revaluation of securities categorised as *Available for sale* of the corresponding issue (issuer) is written down to the account for income from securities transactions within the limits of negative revaluation of the corresponding issue (issuer), recorded to the account for expenses from securities transactions in previous years; in the absence of a negative revaluation of the corresponding issue (issuer) posted to expenses in previous years or in the amount of its excess, it is recorded to the balance sheet account *Positive revaluation of securities available for sale* as part of capital. With respect to securities categorised as *Available for sale* that were acquired in the reporting year, the positive revaluation of such securities of the corresponding issue (issuer) is recorded to the balance sheet account *Positive revaluation of securities available for sale* as part of capital.

At year-end, the excess of the negative revaluation over the positive revaluation of securities categorised as *Available for sale* of the corresponding issue (issuer) is written off against the positive revaluation accounted for as capital within the limits of the previously accrued positive revaluations of this issue (issuer). In the absence (or shortage) of the previously accrued positive revaluations of this issue (issuer) accounted for as capital, it is recorded to the account for expenses on securities transactions. With respect to securities categorised as *Available for sale* and acquired in the reporting year, the sum of negative revaluation of such securities of the corresponding issue (issuer) is written down to the account for expenses on securities transactions.

Securities categorised as *Held to maturity* are not subject to revaluation; they are reflected in the financial statements net of impairment provisions.

Residents' or non-residents' debt securities are recorded in the financial statements in the balance sheet items *Securities* or *Funds placed with non-residents and foreign securities*, respectively.

Upon the retirement (sale) of securities, the price of such securities shall be determined using the FIFO method, which stipulates that the retirement (sale) of securities is recorded in the accounts in the order of their acquisition. The price of retired (sold) securities includes the price of securities that were acquired first.

The financial result of the retirement (sale) or redemption of securities is calculated as the difference between the balance sheet price of the security as of the retirement date, inclusive of accrued interest income (for securities in the category *Appraised at fair value through profit or loss*, net of revaluation amounts), and the contractual redemption price or retirement (sale) price and is recorded to the income or expenses on securities operations in the statement of financial performance. For securities in the category *Available for sale*, alongside showing the retirement (sale) or redemption of securities, the amount of the accumulated revaluation of retired securities is transferred to accounts for income or expenses from securities transactions in the statement of financial performance.

Securities transferred by the Bank of Russia in reverse transactions (including securities in repo transactions with non-resident banks) are recognised in the same category of securities, in which they were recognised before the transaction, in separate balance sheet accounts. Funds raised by the Bank of Russia in repo transactions are recognised in Bank of Russia balance sheet accounts for funds raised.

Securities received by the Bank of Russia in reverse transactions (including securities in repo transactions with resident or non-resident banks) are recorded to off-balance sheet accounts and revalued at the fair value on the last working day of the month. Funds provided by the Bank of Russia in repo transactions are accounted for in Bank of Russia balance sheet accounts for funds placed.

Income received or expenses incurred by the Bank of Russia in reverse transactions are recorded in the financial statements as *Interest income* or *Interest expenses* items of the statement of financial performance, respectively.

Promissory notes issued by credit institutions are accounted for in the financial statements at their purchase price net of impairment provisions.

(D) BANK OF RUSSIA BONDS

Bank of Russia coupon bonds (coupon OBRs) are accounted for at their par value reduced or increased by the discount or premium (the difference between the par value and the offering or selling price) inclusive of accrued interest.

The amount of the discount and coupon income payable to coupon OBR holders less the premium amount are recognised as interest expenses. Interest expenses are accrued starting from the date of coupon OBR placement (sale) throughout the remaining maturity on a uniform basis. Interest expenses are recorded to expense accounts on the last working day of the month when the coupon OBRs are bought back or redeemed, and coupon income is paid.

Coupon OBRs received by the Bank of Russia in repos with resident banks are recorded to off-balance sheet accounts as securities received in repos.

(E) INVESTMENTS

Bank of Russia investments in the authorised capital of credit institutions and other organisations are accounted for at their initial price as of the date of transfer of the title to shares (stakes), as specified in the documents confirming the transfer of the title to the shares (stakes).

The initial value of shares (stakes) entered in the books includes the purchase price (purchase value) and material additional expenses (costs) directly associated with their purchase.

Expenses (costs) exceeding ₺25,000 are recognised as material.

Immaterial additional expenses (costs) directly related to the purchase of shares (stakes) are included in expenses on securities trading.

Bank of Russia investments in credit institutions' shares acquired for the purpose of participation in bankruptcy prevention measures and transferred to trust management are accounted for in balance sheet accounts for assets transferred to trust management; in the financial statements these investments are recorded to the *Securities* item of the balance sheet.

Foreign currency investments in legal entities' shares (stakes) denominated in foreign currency are accounted for in rubles at the official exchange rate as of the date when the title to the shares (stakes) is transferred or at the official exchange rate as of the date when they are paid up with a prepayment.

The value of shares (stakes) denominated in a foreign currency is not subject to further revaluation following a change in the official exchange rate.

Bank of Russia investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions are accounted for at their initial value as of the date of registration of the Bank of Russia's title to the units indicated in confirming documents.

The initial value of units of unit investment funds entered in the books equals the amount of funds paid for them.

Bank of Russia investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions are recognised in the financial statements at their initial value net of impairment provisions.

(F) LOANS AND DEPOSITS

Loans, including subordinated loans, provided to credit institutions, state corporations, other legal entities, and deposits placed, *inter alia*, in accordance with federal laws and decisions of the

Bank of Russia Board of Directors, are recognised in the financial statements as part of the principal, including accrued interest whose receipt is regarded as certain, net of impairment provisions. Interest income where there is uncertainty as to its receipt is recorded to off-balance sheet accounts for unearned interest income and is recognised as income when the funds are actually received.

The Bank of Russia issues loans against the pledge of securities, pledge of receivables on loan agreements and/or sureties, as well as unsecured loans based on the decision of the Bank of Russia Board of Directors.

Securities received as collateral for issued loans are appraised at their market value determined as of the transfer date of these securities as collateral on a Bank of Russia loan, using the adjustment ratios established by the Bank of Russia, and are not subject to further revaluation.

Claims under loan agreements received as collateral for issued loans are accounted for at the value determined according to the procedure defined by the loan agreement, adjusted by the adjustment ratios established by the Bank of Russia.

The value of collateral for Bank of Russia loans provided against sureties is calculated as the amount of loan debt plus the interest to be paid for the anticipated period of use of the loan, calculated based on the conditions of the loan agreement signed with the Bank of Russia.

Within the framework of implementing measures aimed at stabilising the financial market of the Russian Federation, the Bank of Russia places funds as part of bankruptcy prevention measures at credit institutions using the money of the Fund of Banking Sector Consolidation.

(G) LOSS PROVISIONS FOR BANK OF RUSSIA OPERATIONS

To cover possible financial losses if risks materialise under Bank of Russia claims and liabilities (including contingent ones) in the currency of the Russian Federation and in a foreign currency, which arise in the course of the Bank of Russia's performing of its functions in accordance with Russian laws, the Bank of Russia makes the following provisions for: credit and other similar exposures (hereinafter, exposures), including those on securities held to maturity; claims on interest income under exposures reflected on balance sheet accounts (hereinafter, claims on interest income); investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions; funds deposited by the Bank of Russia with credit institutions to compensate for the part of losses (expenses) incurred by credit institutions under transactions with other credit institutions whose banking licences have been revoked; securing obligations to participants in the Bank of Russia's Pension Plan; liabilities of credit institutions whose participation in the international payment system has been suspended; amounts paid by the Bank of Russia to the Pension Fund of the Russian Federation in accordance with Russian laws to compensate for the shortage of pension savings; amounts transferred by the Bank of Russia to the Pension Fund of the Russian Federation in the event of the forced winding up of a non-governmental pension fund; and receivables under the business activity of the Bank of Russia.

Provisions are made in the currency of the Russian Federation. Bank of Russia provisions are made on the basis of decisions by the Bank of Russia Board of Directors and are recognised as Bank of Russia expenses.

Given a decrease in the amount of claims and liabilities in the event of their full or partial repayment, mitigation of the risk of possible financial losses thereunder, or decrease in the official exchange rate of foreign currencies against the ruble, the corresponding part of the provisions made for the claims and liabilities should be reduced and posted (recovered) to Bank of Russia income.

Provisions are used to cover financial losses under liabilities in the event that risks thereunder materialise and to write off claims the Bank of Russia cannot recover after it has undertaken

all necessary and sufficient legal and actual measures to recover them and to exercise the rights arising from the availability of collateral for these claims, including when an entry on the debtor's registration in connection with its liquidation is made in the Unified State Register of Legal Entities.

Provisions for exposures as well as exposures to credit interest income are made by the Bank of Russia when the risk of possible financial loss (credit risk) arises as a result of a borrower's default on or improper fulfilment (where there is a threat of such default or improper fulfilment) of obligations in accordance with the terms and conditions of agreements or other documents confirming the provision and placement of funds by the Bank of Russia or as a result of the revocation of the borrower's banking licence.

The Bank of Russia determines the level of credit risk and, if needed, makes provisions in the amount corresponding to the identified credit risk level for the following exposures: loans issued by the Bank of Russia (*inter alia*, under opened credit lines); deposits placed by the Bank of Russia; funds placed by the Bank of Russia under repo operations; and securities held to maturity. When assessing credit risk, the Bank of Russia evaluates the financial standing of a borrower and the quality of its debt servicing.

Provisions for exposures of the Bank of Russia in rubles and foreign currency are made on a case-by-case basis or for portfolios of homogeneous credit claims (on a portfolio basis).

For exposures having no individual signs of impairment and meeting the criteria for the formation of portfolios of homogeneous credit claims, provisions are made on a portfolio basis.

Provisions for exposures pooled in the portfolios of homogeneous credit claims are made for a portfolio as a whole and reflect the amount of possible financial losses that may result from the overall impairment of homogeneous exposures pooled (grouped) in the same portfolio. When determining criteria for attributing credit claims to the portfolio of homogeneous credit claims, the Bank of Russia may take into account the following properties of exposures: the type of exposures, emergence of exposures as a result of transactions under a single agreement; placement of funds on similar conditions; placement of funds in compliance with certain federal laws; the net settlement of debt obligations under several transactions; and other properties of transactions.

The amount of provisions for exposures is determined taking into account the value (amount) of collateral provided under concluded agreements calculated using adjustment ratios (discounts) (Note 2(f)).

The Bank of Russia makes provisions for investments in the units of a unit investment fund set up in order to implement bankruptcy prevention measures at financial institutions; the amount of these provisions is determined taking into account the fact that the value of investments in the said units net of provisions shall not exceed the value of the net assets of the unit investment fund.

Loss provisions for the funds deposited by the Bank of Russia with credit institutions to compensate, pursuant to federal laws, for the portion of losses (expenses) sustained by credit institutions in transactions with other credit institutions whose banking licences have been revoked (hereinafter, the compensation deposit) are made when credit institutions write off the compensation deposit in whole or in part.

Provisions to secure Bank of Russia obligations to participants in its Pension Plan are made to secure the fulfilment of supplementary pension obligations to Bank of Russia employees in accordance with the terms and conditions of the Pension Plan. The amount of provisions to be made is determined by the excess of the forecast value of pension obligations over the anticipated balance of the Bank of Russia pension fund as of the end of the year following the reporting one.

Provisions for credit institutions' obligations, the fulfilment of which in full is not a subject of an international payment system's subsidiary liability to the Bank of Russia and/or when such in-

stitutions' participation in the international payment system has been suspended, are formed in the amount of the claim for compensation consisting of the amount of the credit institution's obligation to the Bank of Russia, the fulfilment of which is not a subject of the international payment system's subsidiary liability to the Bank of Russia, and/or when the institution's participation in the international payment system has been suspended, which occurred because of the insufficiency of funds in its correspondent account to fulfil the collection order in the amount of the debit net position and a fine for the unfulfilled obligations.

Provisions for the amounts of compensation paid by the Bank of Russia to the Pension Fund of the Russian Federation for the shortage of pension savings are formed when, in accordance with Russian laws, the Bank of Russia, as a result of compensating for the shortage of pension savings, acquired claims which, in the event of the bankruptcy of a non-governmental pension fund that is not a participant fund, or in the event of its forced liquidation, shall be satisfied using the equity (assets securing statutory activity, if the non-governmental pension fund is a non-profit organisation) of such non-governmental pension fund.

Provisions for the amounts of funds transferred by the Bank of Russia to the Pension Fund of the Russian Federation are made if an arbitration court issues a ruling, upon the Bank of Russia's application, on the forced liquidation of a non-governmental pension fund which has not been registered in the system guaranteeing the rights of insured persons because of the cancellation of its licence.

Provisions to cover possible financial losses under receivables from economic activity determined in the values established by the Bank of Russia's regulation governing the procedure for the Bank of Russia to write off assets, receivables and other expenditures are formed for receivables recognised in the books in the balance sheet accounts for settlements with employees with regard to imprest amounts (in respect of the amounts of shortages); settlements with suppliers, contractors, and buyers; settlements with non-residents under business transactions; or settlements with other debtors where such receivables involve the risk of possible financial loss due to the default on (improper performance of) obligations by the Bank of Russia's debtor under the contract for the delivery of goods, performance of works, or provision of services.

Bank of Russia assets, for which provisions are made, are accounted for in the financial statements net of the amount of provisions made.

(H) FIXED ASSETS

Bank of Russia fixed assets are defined as tangible property having a service life of over 12 months and a value in exceeding the limit set by the Bank of Russia for recognising property as fixed assets, which are used as tools for the provision of services or management of a Bank of Russia unit, as well as in the cases stipulated by health and safety, technical and maintenance, and other special technical standards and requirements. Since 1 January 2016, the limit value of property to be entered into the books as fixed assets has been set by the Bank of Russia at over ₹100,000 per accounting unit put into operation from 1 January 2016. Property entered into the books as fixed assets before 1 January 2016 are accounted for as part of fixed assets.

Fixed assets are recognised in the financial statements at their residual value, i.e. at the purchase price including revaluation less accrued depreciation, in the *Other assets* item of the balance sheet.

Bank of Russia fixed assets have been revalued in accordance with Russian Federation Government resolutions. The latest revaluation was made as of 1 January 1997.

Depreciation allowances are made each month, beginning on the first day of the month following the month a fixed asset is put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout its entire service life (except in cases when the asset is under reconstruction or modernisation for more than 12 months or under temporary shutdown for over three

months according to the decision of the Bank of Russia). They are discontinued from the first day of the month following the month when the cost of the asset was fully repaid, or the asset was retired.

The maximum amount of accrued depreciation equals the balance sheet value of a fixed asset, which means the initial or current (replacement) value of the asset (including revaluation).

Fixed assets put into operation prior to 1 January 2002 are subject to the following rates of depreciation:

	2021	2020
Buildings and other facilities	1-5	1-5
Equipment (including computers, furniture, vehicles, etc.)	1-5	1-5

Fixed assets put into operation from 1 January 2002 are subject to the following rates of depreciation:

	2021	2020
Buildings and other facilities	1-25	1-32
Equipment (including computers, furniture, vehicles, etc.)	2-50	2-67

The maximum annual depreciation rate decreased as a result of 100% accrual of depreciation for fixed assets that were subject to the highest depreciation rates in the previous reporting period.

Expenses for the repair and maintenance of fixed assets are recorded to the financial statements in the *Other operating expenses* item of the statement of financial performance.

Income or expenses following the retirement of fixed assets are calculated as the difference between their balance sheet value (including accrued depreciation) and retirement cost and are recorded to the statement of financial performance in the *Other income* or *Other operating expenses* items.

(I) INTANGIBLE ASSETS

Intangible assets are identifiable objects whose initial value may be accurately measured. These do not have a physical form and are meant for long-term use (i.e. during a service life of over 12 months). They are not intended for sale within 12 months and are capable of bringing further economic benefits, which the Bank of Russia is entitled to get, whereas any other entities have only limited access to such economic benefits.

Intangible assets are accounted for in the financial statements at their residual value, i.e. at the purchase price net of accrued amortisation, in the *Other assets* item of the balance sheet.

Amortisation allowances are made each month, starting on the first day of the month following the month intangible assets are put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout their entire service life. They are discontinued from the first day of the month following the month when the cost of the asset was completely repaid, or the asset was retired.

The maximum amount of accrued amortisation equals the balance sheet value of intangible assets.

The following rates of amortisation are applied to intangible assets put into operation beginning on 1 January 2002:

	2021	2020
Intangible assets	8-50	10-57

The service life of intangible assets is established on the basis of the duration of Bank of Russia rights to the results of intellectual work or means of identification, and the period of control over intangible assets; and the expected service life of intangible assets during which the Bank of Russia intends to derive economic benefits (or use them in its work).

Income or expenses arising following the retirement of intangible assets are calculated as the difference between their balance sheet value (including accrued amortisation) and the retirement value and are recorded to the statement of financial performance in the *Other income* or *Other operating expenses* items.

The minimum and maximum annual rates of amortisation allowances changed as a result of the revision of amortisation rates and 100% accrual of amortisation for intangible assets that were subject to the highest amortisation rates in the previous reporting period.

(J) CASH IN CIRCULATION

The Bank of Russia is the sole issuer of cash and the organiser of cash circulation. Banknotes and coins put into circulation are shown in the financial statements at their nominal value, exclusive of ruble cash at Bank of Russia tills, Bank of Russia ATMs and cash in transit, as well as cash held by the Bank of Russia and dispensed to provide cash services to credit institutions.

(K) FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA

Funds in accounts with the Bank of Russia are comprised of federal government funds, funds in the treasury single account, resident banks' correspondent accounts, required reserves of credit institutions deposited with the Bank of Russia, credit institutions' and other organisations' deposits taken by the Bank of Russia, regional and local government budget funds and government extra-budgetary funds, funds of organisations that are federal or public property, as well as funds raised from non-resident banks in repos executed in the external market. Funds in accounts with the Bank of Russia are reflected in the financial statements at their nominal value, inclusive of interest accrued.

(L) CAPITAL

The Bank of Russia's capital consists of:

- authorised capital. Under Article 10 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia has authorised capital in the amount of ₴3 billion;
- various reserves and funds created to enable the Bank of Russia to perform the functions stipulated by the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'. Information about the sources and use of Bank of Russia reserves and funds is contained in the Statement of Bank of Russia Reserves and Funds, which is part of these financial statements;
- loss of the reporting year and previous years (Note 2(n)).

(M) RECOGNITION OF BANK OF RUSSIA INCOME AND EXPENSES

Income and expenses are formed as a result of conducting transactions in rubles, foreign currency and precious metals and are recorded on an accrual basis, that is, they are posted as soon as they occur, rather than after the funds (or their equivalents) have been actually received or paid.

Records across accounts for income and expenses are maintained in rubles.

Income and expenses are recorded in the period to which they relate.

Income and expenses earned (incurred) in foreign currency are converted into rubles at the official exchange rate as of the date of their recognition in the books. Income and expenses earned (incurred) in precious metals are recalculated into rubles at the book prices in effect as of the date of their recognition in the books.

Expenses on the replenishment of supplementary pension funds for Bank of Russia employees are recorded to the statement of financial performance, after they have been incurred, based on the actuarial valuation of pension obligations of the Bank of Russia.

Income in the form of dividends due for Bank of Russia stakes in legal entities authorised capitals in foreign currency and the currency of the Russian Federation is recorded in the books based on information on the decision to pay dividends made by the legal entity's authorised body.

Income (expenses) received (incurred) and accrued for previous reporting periods is (are) recorded to the financial statements in the items of the statement of financial performance for the reporting period with corresponding economic content.

Interest income and interest expenses are accrued during the period of placement (attraction) of funds on a uniform basis, unless otherwise stipulated by Bank of Russia regulations.

The receipt of interest income on all exposures with regard to borrowers against which claims, according to the provisioning procedure, are classified into groups that are below the groups involving no credit risk or insignificant or moderate credit risk, is deemed to be uncertain for accounting from the date of the classification.

The amount transferred to the federal budget in pursuance of Part 1 of Article 1 of Federal Law No.49-FZ, dated 18 March 2020, 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from the Sale of Ordinary Shares of Sberbank of Russia', is recorded to Bank of Russia expenses.

(N) FINANCIAL PERFORMANCE

Financial performance: profit or loss is calculated in accordance with the legislation of the Russian Federation as the difference between total income and expenses of the Bank of Russia for the reporting year, as reflected in the books.

Loss of the reporting year and previous years is entered in the books as part of capital (Note 2(l)).

(O) TAXATION OF THE BANK OF RUSSIA

The Bank of Russia pays taxes and duties in compliance with the Tax Code of the Russian Federation. It has drawn up and approved its accounting policy for the purposes of taxation, which sets out the applicable tax accounting principles and methods, alongside the rules on, and procedure for, creating a tax base for the calculation of taxes and duties to be paid by the Bank of Russia.

(P) TRANSFER OF PROFIT TO THE FEDERAL BUDGET

Pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', after the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia transfers 75% of the actual annual profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation to the federal budget.

(Q) CLAIMS ON THE IMF AND OBLIGATIONS TO THE IMF

Pursuant to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia serves as a depository for IMF funds in the currency of the Russian Federation and performs operations and transactions stipulated by the IMF's Articles of Agreement and contracts with the IMF.

The Bank of Russia keeps records of the Russian Federation's claims on the IMF (including the Russian Federation's quota in the Fund) and its obligations to the IMF.

Claims on the IMF include the Russian Federation's quota in the Fund; funds in the Russian Federation's account with the IMF's Special Drawing Rights Department (SDR Department); and loans provided by the Bank of Russia to the IMF under the New Arrangements to Borrow (NAB), inclusive of interest accrued.

IMF quotas are subscriptions of all member states, which are paid in national and foreign currencies. The portion of the quota paid in a foreign currency constitutes a position on the reserve tranche. Quotas are denominated in Special Drawing Rights (SDRs).

The SDRs are reserve assets created by the IMF. The SDR value is posted daily based on the basket of currencies, consisting of the US dollar, euro, Chinese yuan, Japanese yen and pound sterling.

The New Arrangements to Borrow are a lending facility to provide funds to the IMF by a group of member countries with a sustainable balance of payments and sufficient international reserves. The maximum maturity of claims under the New Arrangements to Borrow is ten years. The Bank of Russia can recall its committed funds at any time, if necessary.

Obligations to the IMF are represented by the ruble balances in the IMF's Number 1 and 2 Accounts with the Bank of Russia and by the obligations on SDRs received by the Russian Federation during previous issues of SDRs by the IMF, inclusive of accrued interest.

The IMF's Number 1 Account is used for financial operations and trades. The IMF's Number 2 Account is used to pay for the administrative expenses of the IMF representative office in the Russian Federation and is replenished by withdrawing funds from the IMF's Number 1 Account.

The accounting of claims on the IMF and obligations to the IMF as well as interest accrual is performed in line with IMF recommendations and Bank of Russia regulations. In order to maintain the total of Bank of Russia ruble-denominated obligations to the IMF in SDR terms at the ruble exchange rate set by the IMF, the balances in the IMF's Number 1 and 2 Accounts are revalued on a monthly basis on the first working day of the month following the reporting month. The total exchange rate differences accrued on the IMF's Number 1 Account are recognised in correspondence with the account for recording the part of the quota paid in rubles. The total exchange rate differences accrued to the IMF's Number 2 Account are recorded to the Bank of Russia's income or expenses. At the end of the IMF's fiscal year (30 April) and by the decision of the IMF or at the request of the Bank of Russia, the amount of the accrued exchange rate differences from the revaluation of the IMF's Number 1 Account is recorded to the increase (decrease) in the balance of the IMF's Number 1 Account; and the revaluation of the IMF's Number 2 Account is recorded to the increase (decrease) in this account's balance.

SDR-denominated claims on the IMF and obligations to the IMF are revalued at the official exchange rate of the SDR to the ruble set by the Bank of Russia.

(R) REPORTING OF OPERATIONS UNDER THE CHINESE YUAN (CNY) / RUSSIAN RUBLE FX SWAP AGREEMENT BETWEEN THE PEOPLE'S BANK OF CHINA AND THE BANK OF RUSSIA AND OPERATIONS TO PROVIDE YUAN RECEIVED UNDER THE AGREEMENT TO RUSSIAN CREDIT INSTITUTIONS THROUGH SWAPS

The CNY/RUB bilateral FX Swap Agreement between the People's Bank of China and the Bank of Russia (hereinafter, the National Currency Swap Agreement) was concluded to develop bilateral economic relations by funding trade and direct investment. Under this Agreement, the parties can provide their own national currency or obtain the national currency of the other party through swaps within certain maximum limits. The Bank of Russia provides yuan to Russian credit institutions through swaps under agreements between the Bank of Russia and Russian credit institutions.

The current maximum amount in rubles (Chinese yuan) that may be supplied (received) by the Bank of Russia through swaps under the National Currency Swap Agreement is recorded to off-balance sheet accounts under the item *Unused limits to provide (receive) funds in the form of overdrafts and 'against the debt limit' loans*. The total of the maximum amount in the currency (rubles or yuan) posted to the off-balance sheet account is decreased in terms of the currency provided through swaps and is recovered after the transaction period ends.

The current amount of rubles (yuan) that may be provided (received) by the Bank of Russia through swaps between the Bank of Russia and the People's Bank of China if the People's Bank of China (Bank of Russia) requests funds through a swap is recorded to off-balance sheet accounts under the item *Unused limits to provide (receive) funds in the form of overdrafts and 'against the debt limit' loans*. The respective amount of yuan (rubles) is posted to the off-balance sheet accounts for the bank guarantees and sureties received (issued) during the effective period of a swap. The total of the current amount in rubles (yuan) posted to the off-balance sheet account under the item *Unused limits to provide (receive) funds in the form of overdrafts and 'against the debt limit' loans* is decreased when the Bank of Russia provides rubles to the People's Bank of China (when the Bank of Russia receives yuan from the People's Bank of China) by the amount of funds provided (received) and is recovered upon their repayment.

The rubles supplied by the Bank of Russia to the People's Bank of China (yuan received by the Bank of Russia from the People's Bank of China) under the swaps are recorded to the financial statements under the item *Funds placed with non-residents and foreign securities* (under the item *Funds in accounts with the Bank of Russia*).

(S) CHANGES TO THE BANK OF RUSSIA ACCOUNTING POLICY FOR ACCOUNTING PURPOSES AND CHANGES TO COMPARATIVE DATA

In 2021, the Bank of Russia Accounting Policy for accounting purposes was amended so as to introduce a new form of annual balance sheet starting from the annual financial statements for 2021. As a result of changes to the form of the annual balance sheet for 2021, comparative data for 2020 are presented in an updated format. The difference from the form of the annual balance sheet used earlier for the compilation of Bank of Russia annual financial statements is dividing the *Liabilities* section in two sections: *Obligations* and *Capital and profit*.

3. IMPACT OF ECONOMIC CONDITIONS ON BANK OF RUSSIA FINANCIAL STATEMENTS

Bank of Russia balance sheet indicators and financial performance in 2021 were shaped amid a rapid recovery of economic activity compared to 2020, inflation acceleration, and higher prices for commodities in external markets. During this period, the anti-crisis measures of the Russian Federation Government and the Bank of Russia were completed. A structural liquidity surplus persisted in the banking sector.

According to Rosstat estimates, Russia's gross domestic product in real terms increased by 4.7% after declining by 2.7% in 2020. The gradual lifting of anti-pandemic restrictions, a considerable improvement in the external economic environment and anti-crisis measures contributed to a fast recovery in business activity and higher consumer demand. However, the acceleration of domestic demand outpaced the capacity to expand supply across a wide range of sectors, which was constrained by disruptions in production and logistics chains, and labour shortages.

Inflationary pressure grew on the back of strengthened supply and demand imbalances. As a result, the annual consumer price growth in 2021 totalled 8.4%. Seeking to return inflation to the target and to install conditions for a sustainable growth, the Bank of Russia began to tighten monetary policy in March 2021. The key rate was raised in total from 4.25% to 8.50%.

The USD/RUB exchange rate grew slightly by 0.6% from ₴73.8757 as of 31 December 2020 to ₴74.2926 as of 31 December 2021, whereas the EUR/RUB exchange rate decreased by 7.3% from ₴90.6824 as of 31 December 2020 to ₴84.0695 as of 31 December 2021.

Amid the favourable external economic environment, the Bank of Russia conducted foreign currency purchases as part of mirroring the fiscal rule-based operations of the Ministry of Finance of Russia. In addition, in 2021, the Bank of Russia conducted operations to bring the structure of the National Wealth Fund (hereinafter, the NWF) in line with the required statutory level.

In August 2021, the Russian Federation received a new SDR issue from the IMF as part of the anti-crisis SDR allocation worth SDR 12,367.6 million. Over 2021, the balance under the *Claims on the IMF* item grew by 65.0% from ₹1,910,150 million to ₹3,151,771 million.

As a result of the mentioned operations and taking into account the exchange rate revaluation of foreign currencies and gold to the ruble, the balances of funds grew by 6.7% in 2021 (from ₹30,452,905 million to ₹32,486,794 million) under the *Funds placed with non-residents and foreign securities* item and dropped by 4.0% (from ₹10,410,422 million to ₹9,995,171 million) under the *Precious metals* item. The total volume of Bank of Russia foreign currency and gold assets (including claims on the IMF) grew by 6.7% in 2021 (from ₹42,773,477 million to ₹45,633,736 million).

Against the backdrop of growth in nominal GDP and household final consumption expenditure in 2021, there was an increase in balances under the *Cash in circulation* item in 2021 by 4.8% (from ₹13,419,999 million to ₹14,068,552 million). Thus, there was no contraction in the volume of cash in circulation, the demand for which had been up in 2020. In 2021, cash dynamics largely returned to the pre-COVID-19 path.

In 2021, the amount of funds of the Government of the Russian Federation held in accounts with the Bank of Russia rose by 20.7% to ₹12,304,240 million due to fiscal rule-based foreign currency purchases, and also as a result of accumulation of balances of budget system funds in ruble accounts with the Bank of Russia in the context of the emerged fiscal surplus.

As business activity gradually recovered and anti-pandemic restrictions were lifted, the need for further anti-crisis measures abated, which contributed to a considerable reduction in Bank of Russia requirements for credit institutions under specialised instruments to support the economy during the pandemic (from ₹454.4 billion to ₹26.8 billion). Overall, balances under the item *Loans and deposits* were down by 23.0% (from ₹3,761,861 million to ₹2,896,844 million).

2021 saw an increase in the banking sector's structural liquidity surplus (from ₹204 billion as of 1 January 2021 to ₹1,691 billion as of 1 January 2022). There was also observed an increase in required reserves and in balances of credit institutions' funds held in correspondent accounts with the Bank of Russia (due in part to the exchange rate revaluation of reservable liabilities in foreign currency). In total, balances under the item *Funds of resident credit institutions in accounts with the Bank of Russia* grew by 39.8% over 2021 (from ₹4,488,296 million to ₹6,276,520 million). At the same time, balances under the item *Securities issued* dropped from ₹574,160 million to zero.

Similar to the previous year, the Bank of Russia posted a negative financial result (loss) as of the end of 2021 in the amount of ₹26,297 million. In 2021, the financial result was influenced by diverse factors. Given the decrease in the average annual structural liquidity surplus of the banking sector, interest expenses on liquidity absorbing operations dropped significantly compared with the previous year, even despite growing interest rates of the Bank of Russia. At the same time, interest income increased slightly. Due to changes in the structure and quality of Bank of Russia assets, expenses on the formation of respective provisions grew. Also, the financial result was influenced by net positive realised exchange rate differences incurred by the purchase (sale) of foreign currency in the domestic and international markets at exchange rates that differed from the official exchange rates set by the Bank of Russia.

4. PRECIOUS METALS

<i>millions of rubles</i>		
	2021	2020
Precious metals in physical form	9,991,012	10,403,870
Precious metals in coins and commemorative medals	4,159	6,552
Total	9,995,171	10,410,422

The decrease in the item *Precious metals in physical form* was mainly due to the change in the fair value of precious metals as of the end of the reporting year.

The decrease in the item *Precious metals in coins and commemorative medals* was mainly due to the sale of precious metal coins in the domestic and international financial markets.

5. FUNDS PLACED WITH NON-RESIDENTS AND FOREIGN SECURITIES

<i>millions of rubles</i>		
	2021	2020
Funds placed with non-residents and foreign securities in foreign currency, total, of which:	32,480,744	30,446,381
– foreign securities	21,246,627	22,315,005
– balances in correspondent accounts and deposits placed with non-resident banks	10,923,461	7,657,667
– other funds placed with non-residents	310,656	473,709
Funds placed with non-residents in rubles	6,050	6,524
Total	32,486,794	30,452,905

FUNDS PLACED WITH NON-RESIDENTS AND FOREIGN SECURITIES IN FOREIGN CURRENCY

Foreign securities

Foreign securities in foreign currency are classified as *Securities available for sale* and mostly comprise government debt securities of China, France, Germany, the United Kingdom, Austria, Canada, non-government bonds, including those guaranteed by foreign governments, and debt obligations issued by supranational financial institutions.

As of 31 December 2021, foreign securities in foreign currency had maturities ranging from 2022 to 2031 and were either coupon-free or had coupon income rates between 0% and 5.75% per annum.

As of 31 December 2020, foreign securities in foreign currency had maturities ranging from 2021 to 2034 and were either coupon-free or had coupon income rates between 0% and 8% per annum.

As of 31 December 2021, the fair value of foreign securities in foreign currency in the Bank of Russia's portfolio totalled ₺21,246,627 million (2020: ₺22,315,005 million) (Statement of Bank of Russia Management of Securities and Equity Stakes in Organisations Constituting the Bank of Russia's Property).

The fair value of foreign securities in foreign currency was measured using their latest purchase quotes (prices), as shown in the Bloomberg information system, or for coupon-free commercial securities and certificates of deposit without representative quotes (prices) the fair value was determined according to a model for assessing future cash flows discounted using government stock yield rates with respective maturities and denominations adjusted for the credit risk premium (spread).

As of 31 December 2021, the fair value of foreign securities in foreign currency appraised using the quotes (prices) shown in the Bloomberg information system totalled ₺20,080,784 million (2020: ₺20,882,325 million).

As of 31 December 2021, the fair value of foreign securities in foreign currency appraised using the model of future cash flow assessment totalled ₺1,165,843 million (2020: ₺1,432,680 million).

The decrease in the balance of this item was mostly due to a decline in Bank of Russia investments in foreign securities.

This item includes foreign securities transferred by the Bank of Russia in repo transactions with the total fair value of ₺507,977 million (2020: ₺187,688 million) (Note 11), those transferred as additional collateral (margin) in repo transactions with the total fair value of ₺286 million (2020: ₺4,666 million), and those transferred as a loan with the total fair value of ₺69,838 million (2020: ₺209,770 million).

Balances in correspondent accounts and deposits placed with non-resident banks

The item *Balances in correspondent accounts and deposits placed with non-resident banks* includes deposits with non-resident banks and funds in correspondent accounts with non-resident banks, plus interest accrued. Among other things, balances in correspondent accounts include funds in Bank of Russia accounts held with the national banks of Eurasian Economic Union member states.

In accordance with the Eurasian Economic Union Treaty, dated 29 May 2014, the central (national) banks of one party are to sell US dollars to the central (national) banks of the other party for the amount in the national currency equal to the amount of distributed customs duties in the national currency in favour of the other party. Settlements between the parties are made by offsetting the amount equal to the difference between the parties' mutual obligations in US dollars.

According to the bilateral agreements signed by the Bank of Russia with the Central Bank of Armenia, the National Bank of the Republic of Belarus, the National Bank of Kazakhstan and the National Bank of the Kyrgyz Republic, the mentioned banks opened for the Bank of Russia correspondent accounts in the national currencies of the member states of the Eurasian Economic Union.

As of 31 December 2021, money in correspondent accounts held with the said banks totalled ₺935 million (2020: ₺392 million).

The change in the item *Balances in correspondent accounts and deposits placed with non-resident banks* was mostly due to the increase in the total amount of money deposited by the Bank of Russia with non-resident banks and in correspondent accounts opened with non-resident banks.

Other funds placed with non-residents

The item *Other funds placed with non-residents* shows funds placed with non-resident banks in transactions for the purchase of foreign securities with an obligation to resell (reverse repos), plus interest accrued on these transactions.

Securities received by the Bank of Russia in reverse repos with non-residents are recorded to off-balance sheet accounts at fair value and total ₺310,844 million (2020: ₺479,814 million).

The change in the balance of the item *Other funds placed with non-residents* was mostly due to the decrease of the total amount of funds placed by the Bank of Russia in reverse repos.

Funds placed with non-residents in rubles

The item *Funds placed with non-residents in rubles* reflects Bank of Russia ruble-denominated claims on the People's Bank of China under the bilateral National Currency Swap Agreement, including accrued interest.

6. LOANS AND DEPOSITS

	<i>millions of rubles</i>	
	2021	2020
Loans and deposits with resident banks, total, of which:	3,017,221	2,804,018
– issued using the money of the Fund of Banking Sector Consolidation	1,583,451	1,743,656
– issued and placed under certain federal laws	349,056	349,100
Funds placed with resident banks in repo transactions	118,522	844,560
Other, total, of which:	1,291,838	1,456,303
– issued and placed under certain federal laws	1,289,249	1,453,714
Provisions	(1,530,737)	(1,343,020)
Total	2,896,844	3,761,861

The item *Loans and deposits with resident banks* mostly reflects ruble-denominated debt under Bank of Russia deposits placed as part of bankruptcy prevention measures using the money of the Fund of Banking Sector Consolidation (hereinafter, the FBSC), including accrued and unpaid interest,¹ and under Bank of Russia loans secured by receivables under loan agreements or sureties.

The item *Loans and deposits with resident banks, of which: issued and placed under certain federal laws* shows outstanding subordinated loans provided by the Bank of Russia to Sberbank in 2008 and 2014 as part of statutory measures implemented by the Russian Federation to support the national financial system.

Outstanding amounts on loans and deposits with resident banks where the government has equity stakes from 50% to 100% totalled ₽2,926,702 million (2020: ₽2,658,599 million), including accrued interest.

The increase in the item *Loans and deposits with resident banks* was mostly due to elevated demand demonstrated by credit institutions for Bank of Russia loans secured by the pledge of receivables under loan agreements provided as part of standard refinancing instruments.

The item *Funds placed with resident banks* in repo transactions reflects funds deposited by the Bank of Russia with resident banks in repos in the amount of ₽118,522 million (2020: ₽844,560 million), including accrued interest.

The decrease in the item was conditioned on a decline in the total volume of transactions.

Funds placed in repos with resident banks where the government has equity stakes from 50% to 100% totalled ₽111,506 million (2020: ₽832,517 million), including accrued interest.

Securities received by the Bank of Russia in repo transactions with resident banks are recorded to off-balance sheet accounts at fair value and total ₽119,352 million (2020: ₽844,968 million) (Note 26).

The item *Other, of which: issued and placed under certain federal laws* reflects outstanding amounts on Bank of Russia loans provided to the State Corporation Deposit Insurance Agency (hereinafter, the DIA) to implement bankruptcy prevention measures at banks (in accordance with Article 189 of Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)'), ensure the financial sustainability of the deposit insurance system, and finance the payment of compensations for deposits (to replenish the compulsory deposit insurance fund) (in accordance with Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Deposits with Russian Banks') in the amount of ₽1,287,070 million (2020: ₽1,451,494 million), and a compensation deposit of ₽2,179 million (2020: ₽2,220 million) placed by the Bank of Russia with a credit institution in compliance with Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation', in order to partially compen-

¹ Assets providing for the receipt of interest income are reflected in the financial statements as part of the principal, including accrued interest whose receipt is recognised as certain.

sate for this credit institution's losses (expenses) that had been caused by the default of a borrower whose banking licence had been revoked.

The decrease under this item is primarily conditioned on a decline in outstanding amounts on loans provided by the Bank of Russia to the DIA.

The value of collateral received under loans issued, including sureties, was ₺1,271,924 million (2020: ₺192,191 million) (Note 26).

Provisions totalling ₺1,530,737 million were made for outstanding amounts on loans issued, deposits and other funds placed and assets assessed on a portfolio basis (2020: ₺1,343,020 million), of which:

- provisions for outstanding amounts on unsecured loans, loans secured by receivables under loan agreements or sureties, pledged securities, and other placements in the total amount of ₺1,435,206 million (2020: ₺1,047,912 million);
- provisions for outstanding amounts on funds provided by the Bank of Russia to finance bankruptcy prevention measures for credit institutions, ensure financial sustainability of the deposit insurance system, and finance the payment of compensations for deposits totalling ₺90,763 million (2020: ₺290,299 million);
- provisions for outstanding amounts on other loans, deposits and funds placed with resident banks totalling ₺4,768 million (2020: ₺4,809 million).

7. SECURITIES

	<i>millions of rubles</i>	
	2021	2020
Total debt obligations Available for sale, of which:	38,544	83,654
– Total Russian federal government debt obligations, of which:	38,544	83,654
– Russian government external foreign currency-denominated loan bonds (Russian Eurobonds)	38,544	83,654
Total debt obligations Held to maturity, of which:	212,834	212,831
– Total Russian federal government debt obligations, of which:	212,834	212,831
– federal government bonds (OFZ)	212,834	212,831
Total other securities, of which:	720,871	730,520
– Total securities acquired for the participation in bankruptcy prevention measures, of which:	690,240	701,141
– shares of resident credit institutions	688,262	697,277
– units of unit investment funds	1,978	3,864
– Other investments in corporate securities (other equity stakes of the Bank of Russia)	31,723	31,723
– Promissory notes acquired by the Bank of Russia	0	23
– Provisions for other securities	(1,092)	(2,367)
Total	972,249	1,027,005

Debt obligations Available for sale

Russian government external foreign currency-denominated loan bonds (Russian Eurobonds)

Russian government external foreign currency-denominated loan bonds (Russian Eurobonds) are US dollar-denominated government securities issued by Russia's Ministry of Finance.

As of 31 December 2021 and as of 31 December 2020, the Eurobonds of the Russian Federation in the Bank of Russia's portfolio were to mature in 2030 and had a coupon income of 7.5% per annum.

As of 31 December 2021, the fair value of Russian Eurobonds was ₺38,544 million (2020: ₺83,654 million).

The decrease in the balance under the item was mostly associated with the sale of securities and a partial repayment of the principal.

The fair value of Russian Eurobonds was determined using their latest purchase quotes (prices) provided in the Bloomberg information system.

Debt obligations Held to maturity

The item *Russian federal government debt obligations* includes OFZs acquired in 2019 under the securities purchase and sale agreement with VEB.RF. The said OFZs are set to mature in 2044 and have a coupon income rate of 0.25% per annum.

Securities acquired for the participation in bankruptcy prevention measures and securities issued by other organisations (Bank of Russia equity stakes)

The structure of Bank of Russia investments in securities acquired for the participation in bankruptcy prevention measures (including those transferred in trust management) and shares issued by credit institutions and other organisations is shown in the Statement of Bank of Russia Management of Securities and Equity Stakes in Organisations Constituting the Bank of Russia's Property.

Credit institutions' promissory notes acquired by the Bank of Russia

In 2021, the outstanding amount on a promissory note acquired by the Bank of Russia in 2001 under the terms and conditions of an Amicable Agreement, was redeemed.

Provisions

Provisions totalling ₺1,092 million were created for investment in the units of the unit investment fund set up for the implementation of bankruptcy prevention measures at financial institutions (2020: ₺2,365 million), and provisions totalling ₺0 million were created for the promissory note issued by a credit institution (2020: ₺2 million).

8. CLAIMS ON THE IMF

	<i>millions of rubles</i>	
	2021	2020
Funds in the Russian Federation's account with the IMF SDR Department	1,799,204	516,869
The Russian Federation's total quota with the IMF, of which:	1,341,717	1,372,966
– quota with the IMF paid in rubles	949,365	1,005,956
– IMF reserve tranche position	380,263	388,091
– revaluation of the Russian Federation's quota with the IMF paid in rubles, positive differences	12,089	0
– revaluation of the Russian Federation's quota with the IMF paid in rubles, negative differences	0	(21,081)
Loans to the IMF issued by the Bank of Russia according to the New Arrangements to Borrow	10,818	20,255
Fee for the reserve tranche position	32	60
Total	3,151,771	1,910,150

The increase in the item *Funds in the Russian Federation's account with the IMF SDR Department* was chiefly associated with crediting the amount of a new SDR allocation worth SDR

12,367.6 million to the mentioned account. Moreover, in 2021, Russian Federation funds accumulated under the Burden Sharing Mechanism were credited to this account according to the procedure established by the decision of the IMF Executive Board. Interest accrued in the SDR was also credited to this account.

The quota of the Russian Federation in the IMF in SDR terms (SDR 12,903.7 million or 2.71% of all IMF quotas) did not change in 2021 (the ruble equivalent of the quota was down because of the decrease in the official exchange rate of the SDR against the ruble).

The change in the reserve tranche position of the Russian Federation was conditioned on the issuance of IMF loans in 2021 to borrower states using quota resources of the fund within the framework of the Financial Transactions Plan. When providing funds to the IMF, the Bank of Russia transferred US dollars to IMF borrower states, which caused an increase in the IMF's reserve tranche position in SDR terms and a decline in Russia's quota with the IMF paid in rubles equivalent to the amount of funds transferred.

The decrease in the item *IMF reserve tranche position* was due to the decline of the SDR's exchange rate against the ruble set by the IMF, which offset the growth of the IMF reserve tranche position in SDR terms.

Due to the Russian Federation's participation in the IMF credit facility under the New Arrangements to Borrow, in 2021, the Bank of Russia received SDR 86.3 million from the IMF as repayment for outstanding amounts (2020: SDR 38.4 million). In 2020 and 2021, the Bank of Russia did not provide any loans to the IMF under the said Arrangements.

As of 31 December 2021, the claims on the IMF under the New Arrangements to Borrow amounted to SDR 104 million or ₺10,817 million (2020: SDR 190.3 million or ₺20,251.3 million), and interest accrued on issued loans amounted to ₺0.9 million (2020: ₺3.6 million).

9. OTHER ASSETS

	<i>millions of rubles</i>	
	2021	2020
Total fixed assets (at residual value), of which:	79,628	79,163
– Buildings and other facilities	51,994	53,333
– Equipment (including computers, IT and data processing systems, furniture, transport vehicles and other)	27,634	25,830
Total miscellaneous assets, of which:	2,829,935	2,631,115
– Till cash	2,802,397	2,578,915
– Compensation from the Bank of Russia to the Pension Fund of the Russian Federation for shortfall in pension savings	40,203	40,214
– Bank of Russia claims on credit institutions with revoked banking licences	38,873	42,997
– Construction projects in progress	4,637	10,833
– Intangible assets (at residual value)	4,485	2,611
– Bank of Russia correspondent accounts	2,108	21,521
– Bank of Russia funds contributed to the authorised capitals of organisations	1,510	1,510
– Settlements with suppliers, contractors and buyers	1,215	1,381
– Profit tax advance payments	93	118
– Other	14,512	15,231
– Provisions	(80,098)	(84,216)
Total	2,909,563	2,710,278

The table below shows the movement of fixed assets:

	<i>millions of rubles</i>	
	2021	2020
Fixed asset value net of accrued depreciation		
Balance as of 1 January	199,832	197,898
Receipt	10,789	5,978
Retirement	(3,114)	(4,044)
Balance as of 31 December	207,507	199,832
Accrued depreciation		
Balance as of 1 January	120,669	113,679
Depreciation allowances	10,204	10,759
Accrued depreciation of retired fixed assets	(2,994)	(3,769)
Balance as of 31 December	127,879	120,669
Fixed asset residual value as of 31 December	79,628	79,163

Fixed asset structure and value net of accrued depreciation:

	<i>millions of rubles</i>	
	2021	2020
Buildings and other facilities	71,636	71,782
Equipment	61,799	60,942
Computers, office equipment and furniture	38,415	34,538
IT and data processing systems	31,385	28,477
Transport vehicles	2,601	2,466
Other	1,671	1,627
Total	207,507	199,832

Change in the item *Fixed assets* was largely due to the commissioning of the active telecommunication infrastructure network equipment and the computing infrastructure equipment of the Bank of Russia Private Cloud.

The item *Compensation from the Bank of Russia to the Pension Fund of the Russian Federation for shortfall in pension savings* reflects claims acquired by the Bank of Russia as a result of the transfer of funds calculated in accordance with Parts 1 and 2 of Article 6 of Federal Law No. 422-FZ, dated 28 December 2013, to the Pension Fund of the Russian Federation, as well as the indemnity reserve funds and pension savings funds of insured persons who are entitled to receive a fixed-term pension payment, formed as of the cancellation date of the licences of the non-governmental pension funds, in fulfilment by the Pension Fund of the Russian Federation of its obligations under compulsory pension insurance agreements.

The decrease in the item was due to the receipt of funds from the DIA for the satisfaction of claims acquired by the Bank of Russia as a result of the funds transfer to the Pension Fund of the Russian Federation.

The item *Bank of Russia claims on credit institutions with revoked banking licences* reflects *Bank of Russia claims on credit institutions with revoked banking licences*, listed in the register of creditors' claims and subject to settlement using the credit institution's property that constitutes bankruptcy assets.

The decrease in the item *Construction projects* in process was due to the commissioning of the equipment of the Bank of Russia Private Cloud.

The item *Bank of Russia correspondent accounts* reflects balances in foreign currencies in Bank of Russia correspondent accounts with resident banks.

The item *Bank of Russia funds contributed to the authorised capitals of organisations* reflects the funds contributed by the Bank of Russia to the authorised capital of Limited Liability Company Fund of Banking Sector Consolidation Asset Management Company (hereinafter, FBSC AMC Ltd.) in the amount of ₹1,500 million (2020: ₹1,500 million) and to the authorised capital of the Interstate Bank in the amount of ₹10 million (2020: ₹10 million) (Statement of Bank of Russia Management of Securities and Equity Stakes in Organisations Constituting the Bank of Russia's Property).

The item *Profit tax advance payments* reflects profit tax advance payments made in 2021.

The item *Provisions* reflects provisions totalling ₹80,098 million (2020: ₹84,216 million) created for:

- Bank of Russia claims on credit institutions whose banking licences were revoked, totalling ₹38,873 million (2020: ₹42,997 million);
- claims acquired by the Bank of Russia following the transfer of funds in an amount calculated in accordance with Parts 1 and 2 of Article 6 of Federal Law No. 422-FZ, dated 28 December 2013, to the Pension Fund of the Russian Federation, as well as the payment reserve funds and pension savings of insured persons entitled to receive a fixed-term pension payment, formed as of the cancellation date of the licence, for the fulfilment by the Pension Fund of the Russian Federation of its obligations under their compulsory pension insurance agreements, totalling ₹40,203 million (2020: ₹40,214 million);
- other assets, totalling ₹1,022 million (2020: ₹1,005 million).

10. CASH IN CIRCULATION

The increase in the item *Cash in circulation* was due to the growing demand for cash funds among households and businesses.

11. FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA

	<i>millions of rubles</i>	
	2021	2020
Federal government funds and funds in the treasury single account, total, of which:	12,304,240	10,191,815
– National Wealth Fund	8,452,767	8,657,892
Total funds of resident credit institutions, of which:	6,276,520	4,488,296
– deposits	2,804,762	1,220,701
– funds in correspondent accounts	2,656,493	2,553,960
– required reserves deposited with the Bank of Russia	815,263	713,611
Funds taken from non-residents in repos	508,874	187,633
Other	45,401	1,754,578
Total	19,135,035	16,622,322

The item *Federal government funds and funds in the treasury single account, total, of which* mostly comprises the funds of the federal budget kept in foreign currency and unallocated gold accounts with the Bank of Russia under bank account agreements concluded with the Federal Treasury: funds in accounts opened for the National Wealth Fund and other accounts of

the federal budget, as well as funds in the treasury single account in the currency of the Russian Federation for executing and reflecting operations across treasury accounts with Federal Treasury regional branches. Treasury accounts record budgetary funds, funds received for temporary use by recipients of budgetary funds, funds of budgetary and autonomous institutions, and funds of legal entities that are not participants in the budget process and are not budgetary or autonomous institutions.

The increase in the item *Federal government funds and funds in the treasury single account, total, of which* was mainly associated with crediting to the federal budget funds of foreign currency obtained by the Federal Treasury as a result of fiscal rule-based foreign currency purchases.

The change in the item *Funds of the National Wealth Fund* in 2021 was mainly due to bringing the actual structure of the NWF in line with its new required statutory structure and to the inclusion of gold in it.

The item *Total funds of resident credit institutions, of which: deposits* is comprised of funds in Russian rubles, taken by the Bank of Russia from resident banks, including deposits of banks where the government holds equity stakes from 50% to 100%, totalling ₹829,252 million (2020: ₹207,740 million), including accrued interest. The change in the item was due to the increase of funds raised from resident banks as of the end of the reporting period.

The increase in the item *Total funds of resident credit institutions, of which: required reserves deposited with the Bank of Russia* was mainly due to the growth of credit institutions' reservable liabilities driven by the expanding deposit base, as well as their foreign currency revaluation.

The item *Funds taken from non-residents in repos* is comprised of funds raised from non-resident banks in transactions to sell foreign securities with an obligation to repurchase them (repo transactions) amounting to ₹508,874 million (2020: ₹187,633 million), including accrued interest under these transactions.

Foreign securities provided in repos with a total fair value of ₹507,977 million (2020: ₹187,688 million) were accounted for as foreign securities in the item *Foreign securities* (Note 5).

The increase in the balance of the item *Funds taken from non-residents in repos* was mainly due to the growth of funds raised by the Bank of Russia in transactions to sell securities with an obligation to repurchase them as of the end of the reporting period.

The decrease in the item *Other* was mainly caused by the transition to the treasury single account as part of treasury services provision for the funds of organisations that are federal or public property, for government and other extra-budgetary funds, as well as for the budget funds of regional governments and local budgets.

12. SECURITIES ISSUED

	<i>millions of rubles</i>	
	2021	2020
Bank of Russia coupon bonds	0	574,160
Total	0	574,160

The item *Bank of Russia coupon bonds* shows the value of Bank of Russia coupon bonds (coupon OBRs) placed as of 31 December 2020, including interest expenses accrued. The decrease in the item is conditioned on the redemption of coupon OBRs in the reporting year.

Amid the reduction in the structural liquidity surplus, in October 2021, the Bank of Russia suspended the offering of coupon OBRs, as a result of which there were no coupon OBRs in circulation as of 31 December 2021.

13. LIABILITIES TO THE IMF

	<i>millions of rubles</i>	
	2021	2020
Liabilities on the funds provided to the Russian Federation as a result of the SDR allocation by the IMF	1,875,896	603,590
Balances in IMF Number 1 and 2 Accounts with the Bank of Russia	950,673	1,007,344
Total	2,826,569	1,610,934

The liabilities on the funds provided to the Russian Federation under SDR allocations at the IMF increased in 2021 by the amount of funds credited to the account of the SDR Department as part of the new SDR issue allocation and amounted to SDR 18,039.4 million or ₺1,875,724.3 million (2020: SDR 5,671.8 million or ₺603,485.5 million), net of accrued interest.

The change in the item *Balances in IMF Number 1 and 2 Accounts with the Bank of Russia* was mainly due to the revaluation caused by a decrease in the SDR/RUB exchange rate established by the IMF, as well as the decrease in the balance of funds in Number 1 Account resulting from the issuance of loans to borrower states in 2021 as part of the Financial Transactions Plan.

14. OTHER LIABILITIES

	<i>millions of rubles</i>	
	2021	2020
Assets of the Bank of Russia pension fund	154,040	158,333
Other	19,683	217,847
Provisions	1,376	15,350
Total	175,099	391,530

Pursuant to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia Board of Directors sets up a supplementary pension fund for its employees. The fund is created without forming a separate legal entity and is financed by the Bank of Russia. This takes into account the fact that Bank of Russia employees are not covered by the guarantees to which civil servants of the Russian Federation are entitled. The Bank of Russia is implementing the Pension Plan with defined benefits that are open-ended (lifetime) in nature. The eligibility criteria for receiving a supplementary pension are determined by Bank of Russia regulations.

Obligations under the Bank of Russia pension fund and the adequacy of its resources are subject to an annual actuarial assessment carried out by a responsible actuary.

As of 31 December 2021, the item *Other* mainly included Bank of Russia liabilities related to the payment of compensation, taxes, duties and insurance contributions.

As of 31 December 2020, the item *Other* mainly included Bank of Russia liabilities to the federal budget to transfer a part of the income from the sale of Sberbank shares, recorded in accordance with Federal Law No.49-FZ, dated 18 March 2020, 'On the Transfer of Part of the Income Received by the Central Bank of the Russian Federation from the Sale of Ordinary Shares of Sberbank of Russia', totalling ₺200,000 million and transferred to the federal budget in March 2021, as well as Bank of Russia liabilities related to the payment of compensation, taxes, duties and insurance contributions.

The *Provisions* item shows the following:

- provisions to secure obligations to the participants in the Bank of Russia's Pension Plan totalling ₺1,366 million (2020: ₺15,340 million) based on the indicative assessment of pension obligations (Notes 2(g) and 23);

- provisions for Bank of Russia potential losses with regard to pension savings to be transferred by the Bank of Russia to the Pension Fund of the Russian Federation totalling ₹10 million (2020: ₹10 million) (Note 2(g)).

According to the Bank of Russia Board of Directors' decision, provisions to secure obligations to the participants in the Bank of Russia's Pension Plan decreased based on the results of the actuarial assessment of pension obligations which takes into account changes in actuarial assumptions.

15. CAPITAL

The Bank of Russia had a negative financial result in 2021.

The factors causing a loss in the reporting year are shown in the Statement of Profit and its Allocation or of Actual Losses.

16. INTEREST INCOME

	<i>millions of rubles</i>	
	2021	2020
Interest income from securities	172,762	183,922
Interest income from ruble loans, deposits and other placements, total, of which:	81,478	72,306
– issued and placed under certain federal laws	22,467	26,623
– interest income from Bank of Russia funds placed as part of bankruptcy prevention measures	8,230	12,923
Interest income from foreign currency loans, deposits and other placements, total, of which:	21,382	23,288
– Interest income from Bank of Russia claims on the IMF	8,538	1,467
Other, total, of which:	26,666	13,395
– issued and placed under certain federal laws	24,439	11,470
Total	302,288	292,911

The item *Interest income from securities* consists of ₹170,399 million in interest income from foreign issuers' debt obligations (2020: ₹179,671 million) and of ₹2,363 million in interest income from Russian issuers' debt obligations (2020: ₹4,251 million).

The item *Interest income from ruble loans, deposits and other placements, total, of which* reflects interest income from Bank of Russia ruble-denominated loans issued against the pledge of receivables under loan agreements, securities put on the Lombard List, and secured by sureties; interest income from Bank of Russia unsecured loans issued to support SME lending and emergency lending to maintain and retain employment; as well as interest income from funds provided to resident banks under repo transactions in rubles; and interest income from other placements in rubles provided to the People's Bank of China through swaps under the National Currency Swap Agreement.

The item *Interest income from ruble loans, deposits and other placements, total, of which:*

- *issued and placed under certain federal laws* reflects interest income from subordinated loans provided to Sberbank (Note 6);
- *from Bank of Russia funds placed as part of bankruptcy prevention measures* reflects interest income from deposits placed to provide financial assistance to credit institutions which are to

undergo bankruptcy prevention measures with the participation of the Bank of Russia using the resources of the Fund of Banking Sector Consolidation (Note 6).

The item *Interest income from foreign currency loans, deposits and other placements, total, of which* reflects interest from Bank of Russia deposits with non-resident banks as well as funds provided in repo transactions with foreign securities.

The item *Interest income from foreign currency loans, deposits and other placements, total, of which: from Bank of Russia claims on the IMF* reflects interest on the funds in the Russian Federation's account with the SDR Department, on loans issued under the New Arrangements to Borrow and the amounts of remuneration on the reserve tranche position.

The item *Other, total, of which* mostly includes interest income from loans provided to the DIA totalling ₺24,439 million (2020: ₺11,470 million), as well as interest income from securities lending to non-resident banks on a reverse basis, and interest income received on accounts opened with non-resident banks.

17. INCOME FROM SECURITIES TRADING

	<i>millions of rubles</i>	
	2021	2020
Income from operations with foreign securities	13,288	6,874
Income from operations with securities purchased to implement bankruptcy prevention measures	5,948	0
Net income from the retirement (sale) of foreign securities available for sale and held to maturity	5,439	20,292
Net income from the retirement (sale) of Russian securities available for sale and held to maturity	1,476	695
Income from the sale of Sberbank shares	0	2,066,498
Total	26,151	2,094,359

The item *Income from operations with foreign securities* includes income from the positive revaluation of foreign securities at fair value, which was used to offset the negative revaluation of corresponding issues posted to expenses in previous years.

The item *Income from operations with securities purchased to implement bankruptcy prevention measures* reflects income from the sale of JSC Asian-Pacific Bank shares (Statement of Bank of Russia management of securities and equity stakes in organisations constituting the Bank of Russia's property).

The item *Net income from the retirement (sale) of foreign securities available for sale and held to maturity* includes net income from the retirement (sale) and revaluation at fair value of retired (sold) foreign issuers' securities.

The item *Net income from the retirement (sale) of Russian securities available for sale and held to maturity* reflects net income from the retirement (sale) and revaluation at fair value of retired (sold) securities of Russian issuers.

The item *Income from the sale of Sberbank shares* in 2020 reflects income from the sale of Sberbank shares in accordance with Federal Law No. 50-FZ, dated 18 March 2020, 'On the Acquisition by the Government of the Russian Federation of Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and on Invalidating Certain Provisions of Legislative Acts of the Russian Federation'.

18. INCOME FROM EQUITY STAKES IN CREDIT INSTITUTIONS AND OTHER ORGANISATIONS

	<i>millions of rubles</i>	
	2021	2020
Income from equity stakes in credit institutions and other organisations, including:		
– Bank Otkritie Financial Corporation (Public Joint-Stock Company)	10,000	0
– NSPK JSC	4,114	2,815
– JSC RNRC	3,727	831
– Moscow Exchange	2,205	1,850
– Bank for International Settlements (Basel)	176	0
Total	20,222	5,496

19. OTHER INCOME

	<i>millions of rubles</i>	
	2021	2020
Net positive realised foreign exchange differences	195,297	0
Fees for Bank of Russia services provided to clients, total, of which:	6,548	7,408
– fees for settlement services	6,473	7,339
Income from the sale of coins made of precious metals	2,422	1,906
Fines and penalties received	125	96
Net positive realised differences for precious metals	0	580
Other	1,633	1,186
Total	206,025	11,176

The item *Net positive realised foreign exchange differences* reflects net realised foreign exchange differences arising from the purchase (sale) of foreign currency in the domestic and international markets at exchange rates that differ from the official exchange rates set by the Bank of Russia.

20. INTEREST EXPENSES

	<i>millions of rubles</i>	
	2021	2020
Interest expenses on deposits taken from resident banks in the domestic market	81,525	75,468
Interest expenses on acquired debt obligations (premium)	62,133	49,685
Interest expenses on issued Bank of Russia debt obligations	27,896	60,140
Interest expenses on deposits taken from the state corporation	769	928
Interest expenses on Bank of Russia obligations to the IMF	563	1,083
Interest expenses on balances of federal budget funds, total, of which:	0	83,436
– National Wealth Fund balances	0	78,763
Other	14,495	12,650
Total	187,381	283,390

The item *Interest expenses on deposits taken from resident banks in the domestic market* reflects interest expenses on funds deposited by resident banks with the Bank of Russia.

The item *Interest expenses on acquired debt obligations (premium)* reflects the premium on securities where the terms of their issue do not provide for the payment of interest (coupon) income and the excess of premium over interest (coupon) income payable on securities (net of interest (coupon) income included in the purchase price).

The item *Interest expenses on issued Bank of Russia debt obligations* reflects interest expenses on Bank of Russia coupon bonds (Note 2(d)).

The item *Interest expenses on deposits taken from the state corporation* includes interest expenses on deposits taken from the DIA.

The item *Interest expenses on Bank of Russia obligations to the IMF* includes interest accrued and paid on the balance of the Russian Federation's obligations to the IMF with regard to the allocated SDRs.

The Bank of Russia accrues interest on the balances of National Wealth Fund foreign currency accounts in the amount calculated on the basis of the yield on the indices of government securities and money market rates in respective currencies. Due to the negative yields of some of the above indices and interest rates in 2021, the total amount of interest payable by the Bank of Russia was zero.

In 2021, the Bank of Russia did not incur interest obligations on the balances of other foreign currency accounts of the federal budget. Interest on the balances of the specified accounts is calculated on the basis of the rates set by central banks in order to influence the level of money market rates in the respective foreign currency, reduced by a fixed amount of the spread that exceeded their values.

The item *Other* mainly reflects interest expenses incurred when placing funds in correspondent accounts and in deposits with non-resident banks on conditions of a negative interest rate.

21. EXPENSES ON SECURITIES TRADING

	<i>millions of rubles</i>	
	2021	2020
Expenses on operations with foreign securities	21,313	16,382
Other	1,450	238
Total	22,763	16,620

The item *Expenses on operations with foreign securities* includes the amounts of negative unrealised revaluation as of the end of 2021 with respect to securities available for sale from individual issues of foreign debt obligations posted to Bank of Russia expenses.

22. CASH TURNOVER MANAGEMENT EXPENSES

This item includes expenses for the manufacture, destruction and anti-counterfeit protection of banknotes and coins, as well as the purchase and delivery of packaging materials and accessories necessary for the processing of cash. Decline in expenses was due to a lower volume of manufactured banknotes and coins.

23. NET EXPENSES ON THE FORMATION OF PROVISIONS

	<i>millions of rubles</i>	
	2021	2020
Increase in provisions for funds provided to resident credit institutions	386,897	156,363
Increase in provisions for other assets and liabilities	39	18
(Decrease) in provisions for claims to compensate to the Pension Fund of the Russian Federation for the shortage of pension savings and for potential losses in terms of funds of NPFs, which are not participants in the guarantee system for the rights of insured persons	(11)	(381)
(Decrease)/increase in provisions for securities	(1,275)	270
(Decrease)/increase in provisions to secure obligations to participants in the Bank of Russia's Pension Plan	(13,974)	3,461
(Decrease) in provisions for funds provided to the state corporation	(199,536)	(43,402)
Total	172,140	116,329

The increase in provisions for funds provided to resident credit institutions was mainly associated with changes in the risk of possible financial losses on individual borrowers (Note 6).

The increase in provisions for other assets and liabilities was mainly due to provisioning for overdue receivables.

The decrease in provisions for claims to compensate to the Pension Fund of the Russian Federation for the shortage of pension savings and for potential losses in terms of funds of NPFs, which are not participants in the guarantee system for the rights of insured persons, occurred in connection with the Bank of Russia's receipt of cash funds from the DIA as a result of non-governmental pension funds' fulfilment of Bank of Russia claims acquired in accordance with the legislation of the Russian Federation as a result of compensation of pension savings to the Pension Fund of the Russian Federation (Note 9).

The decrease in provisions for securities was linked to the partial redemption of the units of a unit investment fund set up to implement bankruptcy prevention measures at financial institutions (Note 7).

The decrease in provisions to secure obligations to participants in the Bank of Russia's Pension Plan was effected in accordance with the decision by the Bank of Russia Board of Directors (Note 14).

The decrease in provisions for funds provided to the state corporation is linked to the decrease in the amount of funds provided by the Bank of Russia to the DIA to implement bankruptcy prevention measures at banks, and in the amount of loans issued to ensure the financial sustainability of the deposit insurance system and to fund compensation payments on deposits (Note 6), as well as to the change in the risk of possible financial losses on Bank of Russia claims on the DIA.

24. OTHER OPERATING EXPENSES

	<i>millions of rubles</i>	
	2021	2020
Expenses on IT maintenance and services	15,686	13,999
Depreciation allowances	11,589	11,620
Asset contribution	8,720	7
Expenses on the maintenance of buildings	4,840	4,382
Security expenses	4,484	4,343
Repair expenses	2,363	1,871
Expenses on the delivery of bank documents and valuables	1,863	1,899
Postage, telegraph and telephone expenses, and expenses on renting communication lines and channels	1,808	1,611
Taxes and duties paid	1,649	1,605
Expenses involved in the use of titles to intellectual property	1,313	3,735
Net negative realised foreign currency exchange rate differences	0	101,001
Other	8,803	8,098
Total	63,118	154,171

The item *Asset contribution* reflects expenses related to the payment for the contribution to DIA assets based on the decision by the Bank of Russia Board of Directors.

The item *Other* mainly reflects expenses related to the purchase of equipment and accessories put into operation (use), expenses on personnel training, expenses on subscriptions to purchase publications, including periodicals, business travel and representative expenses, etc.

25. PERSONNEL COSTS

For explanation, see the Statement of Bank of Russia Personnel Costs.

26. CLAIMS AND OBLIGATIONS IN FORWARD TRANSACTIONS RECORDED TO OFF-BALANCE SHEET ACCOUNTS

Claims and obligations in forward transactions recorded to off-balance sheet accounts are as follows:

	<i>millions of rubles</i>	
	2021	2020
Total claims, of which:	1,278,435	3,429,179
– Claims for the delivery of rubles in spot transactions	0	123,632
– Claims for the delivery of foreign currency in spot transactions	23,030	0
– Claims for the delivery of foreign currency from non-residents in spot transactions	49,645	58,374
– Claims for the delivery of foreign currency-denominated securities from non-residents in spot transactions	41,954	76,141
– Claims for the delivery of foreign currency from non-residents in forward transactions	1,163,806	3,149,486
– Unrealised (negative) exchange rate differences from the revaluation of foreign currency	0	21,544
– Unrealised (negative) exchange rate differences from the revaluation of securities	0	2
Total obligations, of which:	1,278,435	3,429,179
– Obligations to deliver rubles in spot transactions	23,158	0
– Obligations to deliver foreign currency in spot transactions	0	123,539
– Obligations to deliver foreign currency to non-residents in spot transactions	91,554	134,194
– Obligations to deliver foreign currency-denominated securities to non-residents in spot transactions	0	67
– Obligations to deliver foreign currency to non-residents in forward transactions	1,148,273	3,171,379
– Unrealised (positive) exchange rate differences from the revaluation of foreign currency	15,443	0
– Unrealised (positive) exchange rate differences from the revaluation of securities	7	0

Claims and obligations in spot transactions included in the items are claims and obligations in conversion transactions executed in the domestic and international financial markets, as well as claims and obligations in securities purchase transactions executed in the international financial market.

Claims and obligations in forward transactions included in the items are claims and obligations in swaps executed in the international financial market.

Other claims and obligations, excluding forward transactions, recorded to the off-balance sheet accounts are as follows:

	<i>millions of rubles</i>	
	2021	2020
Claims in transactions with residents and non-residents, total, of which:	3,252,484	3,129,806
– Unused limits to receive interbank funds in the form of overdrafts and 'against the debt limit' loans	3,084,812	3,026,548
– Guarantees and sureties received	164,803	92,448
– Arrears in interest payments the receipt of which is uncertain	1,788	1,636
– Settlements with the IMF related to servicing funds raised and placed	1,081	9,174
Obligations in transactions with residents and non-residents, total, of which:	8,677,513	9,015,705
– Unused limits for the provision of funds in the form of overdrafts and 'against the debt limit' loans	6,753,790	7,034,286
– Assets accepted as collateral for funds placed, except for securities and precious metals	1,153,673	139,183
– Securities received in reverse transactions	433,344	1,324,782
– Unused lines of credit facilities	196,068	203,006
– Securities accepted as collateral for funds placed	80,938	230,748
– Guarantees and sureties issued	49,700	49,700

Claims in transactions with residents and non-residents***Unused limits to receive interbank funds in the form of overdrafts and 'against the debt limit' loans***

Unused limits to receive interbank funds in the form of overdrafts and 'against the debt limit' loans include:

- unused limit in Chinese yuan to conclude swap transactions between the Bank of Russia and the People's Bank of China under the bilateral National Currency Swap Agreement totalling CNY150,000 million or ₺1,747,545 million (2020: CNY150,000 million or ₺1,696,785 million). This limit constitutes the current maximum amount of Chinese yuan, which the Bank of Russia may receive via swaps;²
- unused limits for the Bank of Russia to receive US dollars under the Treaty for the Establishment of a BRICS Contingent Reserve Arrangement totalling \$18,000 million or ₺1,337,267 million (2020: \$18,000 million or ₺1,329,763 million).

Guarantees and sureties received

Guarantees and sureties received by the Bank of Russia are predominantly sureties accepted as collateral for issued loans (Note 6).

Additionally, this item includes CNY728 million or ₺8,481 million (2020: CNY741 million or ₺8,379 million) under the swap concluded by the Bank of Russia with the People's Bank of China under the National Currency Swap Agreement.

Arrears in interest payments the receipt of which is uncertain

Arrears in interest payments the receipt of which is uncertain consist mainly of claims on credit institutions whose banking licences have been revoked as regards the accrued interest income due to the Bank of Russia, which is posted to off-balance sheet accounts.

Settlements with the IMF related to servicing funds raised and placed

As an IMF member country, the Russian Federation participates in the burden-sharing mechanism for debt arrears. Under this mechanism, in order to compensate for third-party defaults on payments to the IMF, IMF borrower countries pay surcharges on the SDR interest rate, while a deduction on this rate is withheld from creditor countries. Settlements with the IMF related to servicing borrowed and placed funds mainly represent amounts of the Russian Federation's claims on the IMF for paid interest rate surcharges and withheld interest rate deductions under the burden-sharing mechanism for debt arrears. The decrease in the item was due to crediting SDR funds of the Russian Federation accumulated under the burden-sharing mechanism to the account with the SDR Department in accordance with the decision of the IMF Executive Board (Note 8).

Obligations in transactions with residents and non-residents***Unused limits for the provision of funds in the form of overdrafts and 'against the debt limit' loans***

Unused limits for the provision of funds in the form of overdrafts and 'against the debt limit' loans include:

- unused lines of Bank of Russia credit facilities to be provided under agreements to open irrevocable credit lines in the amount of ₺2,470,000 million (2020: ₺2,770,000 million);

² In accordance with the Addendum to the National Currency Swap Agreement concluded in 2020, the maximum amount of Chinese yuan the Bank of Russia may receive from the People's Bank of China under swaps is CNY150,000 million.

- unused ruble limit for the execution of swaps between the Bank of Russia and the People's Bank of China under the bilateral National Currency Swap Agreement³ in the amount of ₺1,741,500 million (2020: ₺1,741,500 million) and unused limit to provide rubles under swaps that have already been concluded with the People's Bank of China in the amount of ₺2,500 million (2020: ₺2,000 million). These limits constitute the current maximum amount of rubles the Bank of Russia may provide under the said Agreement. These funds are reflected in the item *Funds placed with non-residents and foreign securities* (Note 5);
- unused limit for the Bank of Russia to provide US dollars under the Treaty for the Establishment of a BRICS Contingent Reserve Arrangement in the amount of \$18,000 million or ₺1,337,267 million (2020: \$18,000 million or ₺1,329,763 million);
- unused line of Bank of Russia credit facilities to be provided under the bilateral credit agreement between the Bank of Russia and the IMF in the amount of \$3,901 million or ₺289,815 million (2020: \$10,000 million or ₺738,757 million);
- unused line of Bank of Russia credit facilities to be provided to the IMF under the New Arrangements to Borrow in the amount of SDR 8,778 million or ₺912,708 million (2020: SDR 4,251 million or ₺452,266 million)⁴ (Note 8).

Assets accepted as collateral for funds placed, except for securities and precious metals

Assets accepted as collateral for funds placed, except for securities and precious metals, constitute credit claims under loan agreements accepted by the Bank of Russia as collateral for loans granted to credit institutions (Note 6).

The increase in the item was due to the growth in the volume of placed funds secured by credit claims under loan agreements executed in the framework of Bank of Russia standard refinancing facilities.

Securities received in reverse transactions

Securities included in the item *Securities received by the Bank of Russia in reverse transactions* are securities received from counterparties in repos executed with resident credit institutions in the domestic market and with non-residents in the international market, as well as securities received by the Bank of Russia as additional collateral (margin) in repos with non-residents in the international market.

Securities received by the Bank of Russia from counterparties in repos in the domestic market are accounted for at fair value which, as of 31 December 2021, totalled ₺119,352 million (2020: ₺844,968 million) (Note 6).

Securities received by the Bank of Russia from counterparties in repos in the international market are accounted for at fair value which, as of 31 December 2021, totalled ₺310,844 million (2020: ₺479,814 million) (Note 5).

As of 31 December 2021, the Bank of Russia received additional collateral (margin) in the form of foreign securities in repos with non-residents in the international market, with a total fair value of ₺3,148 million. These securities were received due to the excess of total obligations of the Bank of Russia's counterparty over total Bank of Russia obligations in all repos with that counterparty.

³ In accordance with the Addendum to the National Currency Swap Agreement concluded in 2020, the maximum amount of rubles that may be provided by the Bank of Russia to the People's Bank of China via swaps totals ₺1,750,000 million.

⁴ Following the entry into force starting from 1 January 2021 of the IMF's decision to increase obligations under the New Arrangements to Borrow (the NAB) and of the new bilateral credit agreement between the Bank of Russia and the IMF, the maximum amount of obligations under the NAB grew from SDR 4,440.9 million to SDR 8,881.8 million, with the simultaneous decrease of the maximum amount of the obligations of the Russian Federation under the bilateral credit agreement from \$10,000 million to \$3,901 million.

The decrease in this item resulted mainly from the decline in the volume of repos concluded in the domestic market.

Unused lines of credit facilities

Unused lines of credit facilities constitute Bank of Russia obligations under the lending agreement with the DIA to ensure the financial sustainability of the deposit insurance system and to finance the payment of compensations for deposits in the amount of ₹188,000 million (2020: ₹188,000 million), and foreign currency deposit transactions concluded in international markets not yet due as of 1 January 2022 in the amount of ₹8,068 million (2020: ₹15,006 million).

Securities accepted as collateral for funds placed

Securities accepted as collateral for funds placed mainly comprise foreign securities accepted by the Bank of Russia as collateral in securities lending on a reverse basis in international markets (Note 5), and securities accepted by the Bank of Russia from credit institutions as collateral for loans issued (Note 6).

Guarantees and sureties issued

Guarantees and sureties issued constitute the maximum amount of Bank of Russia contingent liabilities for paying up the authorised capital of Joint Stock Company Russian National Reinsurance Company.

27. POST-ACCOUNTING DATE EVENTS

Foreign sanctions imposed in February and in March 2022 on the real and financial sectors of the economy, including restrictions on the use of part of the foreign currency reserves by the Bank of Russia, drastically changed conditions for the Russian economy. This necessitated a wide range of measures to maintain price and financial stability and to protect the interests of individuals, industries, as well as small and medium-sized enterprises. Amid a sharp depreciation of the ruble and accelerating inflation, on 28 February 2022, the Bank of Russia raised the key rate to 20% per annum. Other measures included the mandatory sale of 80% of foreign currency earnings by resident exporters, as well as some additional ones aimed at restricting the outflow of capital. Anti-crisis subsidised lending programmes were elaborated for small and medium-sized enterprises. Additionally, a number of regulatory relaxations and arrangements were introduced for banks, insurance companies and professional market participants, which made it easier for them to operate in the new environment.

A drastic change in external conditions would have a significant impact on the dynamics of economic activity and inflation. The Bank of Russia is assessing the potential impact of the mentioned factors on the key indicators of its 2022 financial statements.

Statement of actual profit and its allocation or of actual incurred losses

millions of rubles

		2021	2020
1	Loss for the reporting year	(26,297)	(61,509)
2	Taxes and duties paid from the profit under the Tax Code of the Russian Federation, total, of which:	(93)	(118)
	– for the reporting year	(92)	(116)
	– additional profit tax payments for previous years	(1)	(2)
3	Loss after the payment of taxes and duties under the Tax Code of the Russian Federation	(26,390)	(61,627)

In accordance with Article 11 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia's profit is calculated as a difference between total income from banking operations and transactions stipulated by the legislation of the Russian Federation, including the said Federal Law, income from equity stakes in organisations and other income from Bank of Russia activities and total expenses associated with the fulfilment of Bank of Russia functions stipulated by Article 4 of the said Federal Law, including expenses for supporting Bank of Russia operations, and its organisations and employees.

In 2021, the Bank of Russia's income and expenses were shaped by mixed factors. Given a decrease in the structural liquidity surplus of the banking sector compared to 2020, interest expenses on liquidity absorbing operations declined. Due to the change in the structure and quality of Bank of Russia assets, 2021 posted net expenses on the formation of provisions. In addition, the financial result was influenced by the end-year net positive realised exchange rate differences incurred by the purchase (sale) of foreign currency in the domestic and international markets at exchange rates that differed from the official exchange rates set by the Bank of Russia.

Statement of Bank of Russia reserves and funds

millions of rubles

	Reserve fund	Social fund	Reserve of unrealised revaluation of precious metals	Positive revaluation of securities available for sale	Reserve of unrealised exchange rate difference	Growth in the value of property after revaluation	Total
Balance as of 31 December 2019	82,694	2,216	3,638,987	48,397	6,707,073	7,966	10,487,333
Transferred to reserves and funds in 2020 from other sources, excluding profit	0	0	3,419,092	35,943	4,841,398	0	8,296,433
Reserves and funds used in 2020	0	0	0	(18,603)	0	0	(18,603)
Balance as of 31 December 2020	82,694	2,216	7,058,079	65,737	11,548,471	7,966	18,765,163
Transferred to reserves and funds in 2021 from other sources, excluding profit	0	0	0	14,404		0	14,404
Reserves and funds used in 2021	0	0	(451,095)	(43,191)	(940,242)	0	(1,434,528)
Balance as of 31 December 2021	82,694	2,216	6,606,984	36,950	10,608,229	7,966	17,345,039

Pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', once the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia allocates to various reserves and funds its profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation and after transferring a part of this profit to the federal budget. The procedure for the allocation of the profit retained by the Bank of Russia is established by the Bank of Russia Regulation on the procedure for allocating profit retained by the Bank of Russia.

Pursuant to the Bank of Russia Ordinance on the Bank of Russia Reserve Fund, the Bank of Russia created the Reserve Fund to ensure that the Bank of Russia duly performs the functions assigned to it by law. The Bank of Russia Reserve Fund is formed from allocations made from the Bank of Russia's profit. According to the decision of its Board of Directors, the Bank of Russia may also transfer money from its Social Fund to replenish the Reserve Fund. Money from the Bank of Russia Reserve Fund is used in accordance with a decision by the Bank of Russia Board of Directors. In 2021, no money from the Bank of Russia Reserve Fund was used.

According to the Bank of Russia Ordinance on the Bank of Russia Social Fund, this fund is designed to cover expenses on social needs, which are not financed through the Bank of Russia's expense budget. The Bank of Russia Social Fund is formed from allocations made from the Bank of Russia's profit. According to the decision of its Board of Directors, the Bank of Russia may also transfer money from its Reserve Fund to replenish the Social Fund. Money from the Bank of Russia Social Fund is used in accordance with a decision by the Bank of Russia Board of Directors. In 2021, no money from the Bank of Russia Social Fund was used.

Due to a loss posted at the end of 2021, no allocations were made either to the Bank of Russia Reserve Fund or to its Social Fund.

Pursuant to the Bank of Russia Accounting Policy, assets (claims) and liabilities denominated in precious metals, including precious metals in commemorative and investment coins, are entered in the books at the value of precious metals at the book prices for refined precious metals, as established by the Bank of Russia as of the date of the operation (transaction), and are revalued as book prices change. In 2021, based on the annual results, negative unrealised differences exceeded positive ones by ₹451,095 million. This excess was written off on account of the previously accrued revaluation recorded to the balance sheet account *Reserve of unrealised revaluation of precious metals* as part of the Bank of Russia capital (in 2020, positive unrealised differences exceeded negative ones by ₹3,419,092 million).

Pursuant to the Bank of Russia Accounting Policy, debt obligations categorised as *Available for sale* are subject to revaluation at the fair value of the securities. In 2021, based on the annual results, the positive revaluation of debt obligations categorised as *Available for sale* totalling ₹14,404 million was posted to the balance sheet account *Positive revaluation of securities available for sale* as part of the Bank of Russia capital (2020: ₹35,943 million). The positive revaluation of securities accrued in previous years was written off to settle the negative unrealised revaluation of securities of corresponding issue (issuer) accrued in 2021 in the total amount of ₹43,191 million (2020: ₹18,603 million).

Foreign currency exchange rate differences result from the revaluation of assets (claims) and liabilities denominated in foreign currency, caused by changes in official exchange rates of foreign currencies against the ruble. In 2021, based on the annual results, negative unrealised differences totalling ₹940,242 million were written off on account of the previously accrued revaluation recorded to the balance sheet account *Reserve of unrealised exchange differences* as part of the

Bank of Russia capital (in 2020, the excess of positive unrealised differences over negative ones posted to the balance sheet account *Reserve of unrealised exchange differences* as part of the Bank of Russia capital amounted to ₴4,841,398 million).

The increase in the value of property because of revaluation is the revaluation of fixed assets made in compliance with the Russian Government Resolutions in 1992, 1994, 1995, 1996 and 1998.

Statement of Bank of Russia management of securities and equity stakes in organisations constituting the Bank of Russia's property

BANK OF RUSSIA INVESTMENTS IN DEBT OBLIGATIONS

	<i>millions of rubles</i>	
	2021	2020
Foreign issuers' debt obligations		
EU issuers' debt obligations, total, of which:	10,265,053	11,572,678
– denominated in euros	8,205,510	9,108,326
– denominated in pounds sterling	1,814,436	1,693,486
– denominated in Chinese yuan	200,720	0
– denominated in Australian dollars	44,387	53,540
– denominated in US dollars	0	697,127
– denominated in Canadian dollars	0	20,199
Chinese issuers' debt obligations, total, of which:	7,502,707	5,944,807
– denominated in Chinese yuan	7,094,375	5,185,160
– denominated in pounds sterling	215,050	148,028
– denominated in Australian dollars	83,014	72,603
– denominated in Canadian dollars	75,377	43,286
– denominated in euros	34,891	45,361
– denominated in US dollars	0	450,369
Debt obligations of international organisations, total of which:	1,709,786	1,590,537
– denominated in euros	1,605,559	1,405,021
– denominated in pounds sterling	55,257	56,003
– denominated in Australian dollars	32,207	35,522
– denominated in Canadian dollars	16,763	22,967
– denominated in US dollars	0	71,024
US and Canadian issuers' debt obligations, total, of which:	1,497,811	1,433,668
– denominated in Canadian dollars	1,175,320	945,818
– denominated in US dollars	289,958	452,605
– denominated in euros	19,752	18,557
– denominated in pounds sterling	7,500	7,509
– denominated in Australian dollars	5,281	9,179

	<i>millions of rubles</i>	
	2021	2020
Australian issuers' debt obligations, total, of which:	206,305	162,402
– denominated in Australian dollars	206,305	162,402
Japanese issuers' debt obligations, total, of which:	57,418	1,610,913
– denominated in Japanese yen	57,418	1,610,913
Singaporean issuers' debt obligations, total, of which:	7,547	0
– denominated in Australian dollars	7,547	0
Subtotal	21,246,627	22,315,005
Russian issuers' debt obligations		
Russian federal government debt obligations, total, of which:	251,378	296,485
– denominated in rubles	212,834	212,831
– denominated in US dollars	38,544	83,654
Promissory notes issued by credit institutions*	0	23
Subtotal	251,378	296,508
Total	21,498,005	22,611,513

* The value of securities not accounted for at fair value is indicated net of provisions created (Note 7).

Note. Bank of Russia investments in debt obligations comprise securities owned by the Bank of Russia, excluding those acquired in reverse transactions (including repos) and securities transferred by the Bank of Russia in reverse transactions.

Bank of Russia investments in debt obligations are categorised under securities available for sale and held to maturity (Notes 5 and 7).

Change in the structure and volume of investments in foreign securities is related to Bank of Russia transactions to purchase and sell them.

The decrease in the balance of this item was mostly due to a decline in Bank of Russia investments in foreign securities.

Ruble-denominated debt obligations of the Government of the Russian Federation are represented by OFZs acquired by the Bank of Russia in 2019 under the securities purchase and sale agreement with VEB.RF. By way of payment for OFZs, the Bank of Russia transferred VEB.RF bonds.

Russian federal government debt obligations denominated in US dollars are external foreign-currency bonds of the Russian Federation (Russian Eurobonds).

The decrease in the balance under this item was associated with the sale by the Bank of Russia of Russian Eurobonds, as well as the partial repayment of the principal on these securities.

In 2021, the promissory note acquired by the Bank of Russia in 2001 under the terms and conditions of an Amicable Agreement was redeemed.

BANK OF RUSSIA INVESTMENTS IN THE CAPITALS OF CREDIT INSTITUTIONS AND OTHER ORGANISATIONS

millions of rubles

	2021		2020	
	Investment amount	Share in authorised capital, %	Investment amount	Share in authorised capital, %
Investments in resident shares, total, of which:	719,658		728,673	
Public Joint-Stock Company Bank Otkritie Financial Corporation, Bank Otkritie Financial Corporation (Public Joint-Stock Company), Moscow	555,841	100	555,841	100
Joint-Stock Company Moscow Industrial Bank, JSC Moscow Industrial bank, Moscow	131,431	100	131,431	100
Joint Stock Company Russian National Reinsurance Company, JSC RNRC, Moscow	21,300	100	21,300	100
Public Joint-Stock Company Moscow Exchange MICEX-RTS, Moscow Exchange, Moscow	5,793	11.78	5,793	11.78
National Payment Card System Joint Stock Company, NSPK JSC, Moscow	4,300	100	4,300	100
National Bank TRUST, NB TRUST, Moscow	990	over 97.70	990	over 97.70*
Joint stock company Asian-Pacific Bank, JSC Asian-Pacific Bank, Blagoveshchensk	0	—	9,015	over 99.99
Stock company Saint-Petersburg Currency Exchange, SPCEX SC, Saint Petersburg	3	8.90	3	8.90
Investments in non-resident shares, total, of which:	327		327	
Bank for International Settlements, Basel	326	0.57	326	0.57
Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T), Belgium	1	0.006	1	0.006

* Taking into consideration the indirect control, over 99.01%.

The Bank of Russia holds stakes in the capitals of credit institutions and other organisations pursuant to Articles 8 and 76.10 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', Parts 1 and 2 of Article 30. 2 of Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System', and Part 1 of Article 13.1 of Russian Federation Law No.4015-1, dated 27 November 1992, 'On the Organisation of Insurance Business in the Russian Federation'.

The decrease in the item *Investment in resident shares* was due to the sale by the Bank of Russia in 2021 to a market investor of 100% shares of JSC Asian-Pacific Bank acquired in the course of implementing bankruptcy prevention measures of the bank.

In pursuance of the requirements stipulated by Parts 1 and 2 of Article 30.2 of Federal Law No.161-FZ, dated 27 June 2011, 'On the National Payment System', the Bank of Russia holds stakes in the capital of NSPK JSC. In 2021, the authorised capital of NSPK JSC remained unchanged at ₴4,300 million. The Bank of Russia is the sole shareholder of NSPK JSC.

The Bank of Russia is the sole member of FBSC AMC Ltd. In 2021, Bank of Russia investments in the authorised capital of FBSC AMC Ltd. remained unchanged at ₹1,500 million.

In 2021, a partial redemption of units of the closed-end mixed unit investment fund Spetsialny was carried out due to the formation of free liquidity on account of funds not used for the purchase of promissory notes of LLC FTC, interest accrued on deposits and proceeds from handling troubled assets. The amount of funds received by the Bank of Russia as a result of this redemption was ₹0.8 billion.

The Bank of Russia also reflects in its balance sheet the Russian Federation's stakes in international financial institutions: the quota of the Russian Federation in the IMF in the amount of SDR 12,903.7 million, which is 2.71% of the total quotas (capital) of the IMF and 2.59% of the total votes of IMF member states, as well as investments of the Russian Federation in the authorised capital of the Interstate Bank in the amount of ₹10 million, which is 50% of its authorised capital and 50% of the total votes of Interstate Bank member states.

Information on income from equity stakes in credit and other institutions is provided in Note 18.

Statement of Bank of Russia securities transactions on exchanges

millions of rubles

Exchange	Volume of Bank of Russia own securities trading (including repos)		Volume of Bank of Russia securities trading on the instruction of its clients	
	2021	2020	2021	2020
Public Joint-Stock Company Moscow Exchange MICEX-RTS, Moscow Exchange, Moscow	2,551,386	8,065,019	2,532,066	5,302,608
Stock company Saint-Petersburg Currency Exchange, SPCEX SC, Saint Petersburg	0	20	0	0
Total volume of Bank of Russia securities transactions (trading) on exchanges	2,551,386	8,065,039	2,532,066	5,302,608

The column *Volume of Bank of Russia own securities trading (including repos)* shows summary data on the volumes of the following Bank of Russia transactions with securities in 2021:

- acquisition of securities in the first leg of repos in the currency of the Russian Federation;
- placement (sale) of securities issued by the Bank of Russia (Bank of Russia bonds).

The column *Volume of Bank of Russia securities trading on the instruction of its clients* shows summary data on the sale of Russian government securities by the Bank of Russia on the instructions of the Russian Ministry of Finance under an agency agreement.

Statement of Bank of Russia personnel costs

Expense item	<i>millions of rubles</i>	
	2021	2020
Compensation expenses and other payments	101,405	94,579
Charges on compensation and other payments	23,814	21,906
Total Bank of Russia personnel costs	125,219	116,485

Bank of Russia personnel costs increased by ₹8,734 million or 7.5% compared to 2020, with compensation-related expenses and other benefits to Bank of Russia personnel up by ₹6,826 million or 7.2%. Charges on compensation and other benefits grew by ₹1,908 million or 8.7%.

Compensation expenses and other payments to Bank of Russia personnel include: salary payments, additional payments for participation in inspections, other increments and benefits established by Bank of Russia regulations, monthly and year-end bonuses, outstanding performance bonuses, payments for annual leaves and study leaves, one-off allowances for annual paid leaves, payments of regional coefficients and interest allowances for employees working in the Extreme North and similar regions in accordance with the legislation of the Russian Federation, one-off allowances upon old age retirement, financial support to compensate for spending on improving living conditions, allowances in emergencies and other situations, benefits to employees living (working) in regions affected by the radiation following the Chernobyl nuclear power plant disaster, benefits to employees taking parental leave until their child reaches the age of three, allowances for temporary disability due to a disease or injury paid for the first three days of disability, holiday travel expenses to employees working in the Extreme North and similar regions and to their non-working family members for the payment of their round-trip tickets, and for expenses incurred in moving to a new place of residence in a different region upon the expiration of their employment agreement or due to retirement, compensation for the expenses incurred by employees and their family members due to moving to another region to work at another Bank of Russia branch, and other benefits.

The average number of Bank of Russia employees fell by 350 in 2021 (0.8%) to 45,396.

The average monthly income per employee was ₹186,149 in 2021 (2020: ₹172,290).

Insurance contributions constituted 23.3% of total compensation and other benefit-related expenses paid to employees (2020: 23.0%). Charges to the Social Insurance Fund of the Russian Federation for compulsory social insurance against on-the-job accidents and occupational diseases were made at the fixed rate of 0.2%.

Expenses for the compensation of key management (members of the Bank of Russia Board of Directors, the Deputy Governors of the Bank of Russia and the Chief Auditor of the Bank of Russia – 20 persons) amounted to ₹723.8 million or 0.7% of the Bank of Russia's total expenses on compensation and other benefits to Bank of Russia employees, including ₹173.5 million in year-end bonuses for 2021 (2020: 20 persons, ₹614.1 million or 0.6%, including ₹172.0 million in year-end bonuses for 2020). The increase is due to changes in the composition of key management of the Bank of Russia in 2020–2021 (in 2020, for several members of key management, who joined the Bank of Russia during the year, income was accounted for the actual time spent in that status; in 2021, it was accounted for a full calendar year).

Statement of capital investment budget performance

millions of rubles

	Approved for 2021	Actual amount in 2021	Actual amount in 2020
Ensuring the functioning of payment, operational, information and analytical, and information and telecommunications systems	4,448	4,224	3,500
Ensuring the security of payment, operational, information and analytical systems, and information and telecommunications systems; and protection of facilities	1,690	1,590	1,465
Construction (reconstruction) and logistics	2,492	700	601
Acquisition of means of transport, medical and other equipment and tools	575	555	428
Cash turnover management	365	250	234
Other capital investment	12	11	1
Centralised reserve	1,704	—	—
Total capital expenses	11,286	7,330	6,229

In 2021, capital investment of the Bank of Russia grew by ₺1,101 million.

In the structure of capital investment, investment in *Ensuring functioning of payment, operational, information and analytical systems, and information and telecommunications systems* made up the biggest part (57.6%). The share of capital investment in *Ensuring security of payment, operational, information and analytical systems, and information and telecommunications systems, and protection of facilities* accounted to 21.7%; in *Construction (reconstruction) and logistics* – 9.6%; in *Acquisition of means of transport, medical and other equipment and tools* – 7.6%; in *Cash turnover management* – 3.4%; and in *Other capital investment* – 0.1%.

Capital investment in *Ensuring functioning of payment, operational, information and analytical systems, and information and telecommunications systems* increased by ₺724 million. The increase in expenses is due to the performance of works suspended in 2020 as a result of restrictive measures caused by the coronavirus pandemic. Capital investment, including the acquisition of intangible assets, is aimed at scaling up the hardware complexes and the system ensuring the information security of Collective Data Processing Centres; refining related software programmes to integrate them with the banking operations platform; scaling up the data storage system in the internal segment of the Bank of Russia Private Cloud; developing automated systems to ensure information exchange with credit institutions as part of the establishment of the Unified Platform for External Interaction; maintaining and developing the existing information and computing and analytical systems and technical infrastructure (including engineering systems) of the Bank of Russia; replacing equipment of the computing infrastructure at Bank of Russia structural units; and acquiring mobile access facilities to organise remote work.

Capital investment in *Ensuring the functioning of payment, operational, information and analytical systems, and information and telecommunications systems* increased by ₺125 million. Funds were mainly used to replace expired and obsolete systems, including fire alarm, video security and surveillance and access control systems, as well as to ensure data encryption

in Bank of Russia automated systems and software complexes, and to acquire technical means for data protection and secure design computers.

Capital investment in the *Construction (reconstruction) and logistics* grew by ₹99 million. Funds were used to build (reconstruct) and equip office buildings and other facilities; to set up engineering and technical systems and installations for the operation and maintenance of buildings and facilities; and to purchase replacement equipment, tools and furniture to replace those with expired service life.

Capital investment in the *Acquisition of means of transport, medical and other equipment and tools* increased by ₹127 million and was mostly used to replace the assets whose service life had expired.

Capital investment in *Cash turnover management* increased by ₹16 million. Funds were used to develop and build a prototype of a special railway car for the transportation of valuables; to modernise transport and warehousing systems; to create a mechanised vault and video systems for the surveillance and recording of operations with valuables; and to purchase cash-office hardware and technological equipment.

Expenses for purchasing licences and certificates amounted to ₹11 million, of which ₹10.5 million were used to acquire the exclusive right for, and to register, the RUONIA trademark (the weighted average interest rate on unsecured interbank ruble loans (deposits)).



Auditors' reports

AUDITOR'S REPORT OF INDEPENDENT AUDITORS

To the management
of the Central Bank of the Russian Federation

REPORT ON THE AUDIT RESULTS OF ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the Annual Financial Statements of the Central Bank of the Russian Federation (hereinafter, the Bank of Russia) for the period from 1 January to 31 December 2021. Pursuant to Article 25 of Federal Law No.86-FZ, dated 10 July 2002, '*On the Central Bank of the Russian Federation (Bank of Russia)*', the Bank of Russia Annual Financial Statements consist of the annual balance sheet, the statement of financial performance, including the statement of profit and its allocation or of actual incurred losses, the statement of Bank of Russia reserves and funds, the statement of Bank of Russia management of securities and equity stakes in organisations constituting the Bank of Russia's property, the statement of Bank of Russia personnel costs, the statement of capital investment budget performance, and the statement of Bank of Russia securities transactions on exchanges (hereinafter all these statements are collectively referred to as the Annual Financial Statements).

In our opinion, the Annual Financial Statements attached hereto present, in all material aspects, a reliable picture of the Bank of Russia's financial standing as of 31 December 2021 and the results of its financial performance for 2021 in accordance with the requirements of Federal Law No.86-FZ, dated 10 July 2002, '*On the Central Bank of the Russian Federation (Bank of Russia)*', Federal Law No.402-FZ, dated 6 December 2011, '*On Accounting*', Bank of Russia Regulation No.567-P, dated 19 December 2016, '*On the Chart of Accounts for Accounting Purposes at the Central Bank of the Russian Federation (Bank of Russia) and the Procedure for Using it*', and Bank of Russia Regulation No.522-P, dated 21 December 2015, '*Bank of Russia Accounting Policy for Accounting Purposes*'.

Basis for expressing an opinion

We have conducted the audit in compliance with the International Standards on Auditing (ISA). Our duties under these standards are described in the section 'The auditor's responsibility for the audit of the Annual Financial Statements' of our report below. We are independent of the Bank of Russia in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (the IESBA Code of Ethics) and ethical requirements applicable to our audit of annual financial statements in the Russian Federation, and we have discharged other ethical duties in accordance with these requirements and the IESBA Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the grounds for expressing our opinion.

Critical audit matters

Critical audit matters are the issues, which, according to our professional judgement, were most significant for our audit of the Annual Financial Statements for the current period. These matters were considered in the context of our audit of the Annual Financial Statements as a whole and in the course of preparing our opinion on these statements, and we do not express a separate opinion on these matters. In respect of the matter mentioned below, our description of how it was reviewed in the course of our audit is given in this context.

We have performed the duties described in the section 'The auditor's responsibility for the audit of the Annual Financial Statements' hereof, *inter alia*, in respect of the said matter. Accordingly, our audit included the implementation of procedures developed in response to our assessment of the risks of material misstatement in the Annual Financial Statements. The results of our audit procedures, including procedures performed while examining the matter below, serve as basis for expressing our auditor's opinion on the Annual Financial Statements attached.

CRITICAL AUDIT MATTERS	THE FOLLOWING CRITICAL MATTER WAS EXAMINED IN THE COURSE OF OUR AUDIT
<p>Provisions for credit claims</p> <p>In performing its functions in accordance with the laws of the Russian Federation, the Bank of Russia incurs claims, which bear the risk of possible financial losses. Such claims, as of the reporting date, specifically include loans and deposits provided by the Bank of Russia.</p> <p>The Bank of Russia assesses the risk of possible financial losses on these claims and creates provisions to cover this risk on an individual or on a portfolio basis. For assessing individual provisions, the Bank of Russia determines the quality category of each exposure based on the assessment of a borrower's financial standing and quality of its debt servicing.</p> <p>Due to the considerable amount of credit claims and the subjectivity of judgement used for assessing provisions, this was one of the critical audit matters.</p>	<p>Our audit procedures included analysis of the methods used by the Bank of Russia to assess borrowers' financial position, review of the judgement used by the Bank of Russia's management when assessing their financial position and determining the quality category and the amount of provisions, as well as the analysis of credit claims' conformity to the criteria for their attributing to homogeneous credit portfolios and verification of the calculation of provisions for such portfolios. We examined the information on provisions for credit claims disclosed in Note 6 to the Bank of Russia's Annual Financial Statements.</p>

Other matters

In accordance with Article 25 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', the reliability of the Bank of Russia's accounts and operations to which access is limited pursuant to Russian Federation Law No.5485-1, dated 21 July 1993, 'On State Secrecy' (hereinafter, the Russian Federation Law 'On State Secrecy'), which have been included in the items of the annual balance sheet and the statement of financial performance, has been confirmed by the Accounts Chamber of the Russian Federation in its Statement of 7 April 2022 as a result of the examination of the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and also data covered by the Russian Federation Law 'On State Secrecy' for the year 2021.

Other information included in the Bank of Russia's Annual Report for 2021

Other information includes information contained in the Bank of Russia's Annual Report for the year 2021 but does not include the Annual Financial Statements and our auditor's report on them. Responsibility for other information shall be borne by the management.

Our opinion on the Annual Financial Statements does not cover other information, and we do not provide a conclusion expressing our confidence in any form in respect of such information.

In connection with our auditing of the Annual Financial Statements, our duty consists in acquainting ourselves with the other information and concurrently examining whether there are any material inconsistencies between the other information and the Annual Financial Statements or our knowledge received during the audit and whether the other information contains other material misstatements. If based on our work we arrive at the conclusion that such other information contains any material misstatements, we must report this fact. We do not have information about such facts.

Responsibility of the management for the Annual Financial Statements

The management of the Bank of Russia shall bear responsibility for compilation and reliable presentation of the said Annual Financial Statements in accordance with the requirements of Federal Law No.86-FZ, dated 10 July 2002, '*On the Central Bank of the Russian Federation (Bank of Russia)*', Federal Law No.402-FZ, dated 6 December 2011, '*On Accounting*', Bank of Russia Regulation No.567-P, dated 19 December 2016, '*On the Chart of Accounts for Accounting Purposes at the Central Bank of the Russian Federation (Bank of Russia) and the Procedure for Using it*', and Bank of Russia Regulation No.522-P, dated 21 December 2015, '*Bank of Russia Accounting Policy for Accounting Purposes*', and also for the internal control system, which the Bank of Russia's management considers necessary for the compilation of the Annual Financial Statements without any material misstatement as a result of malpractice or errors.

When preparing the Annual Financial Statements, the management shall be responsible for assessing the ability of the Bank of Russia to continue as a going concern, for disclosing information pertaining to going concern issues, when necessary, and for compiling the statements based on the going concern assumption.

The auditor's responsibility for the audit of the Annual Financial Statements

Our goals consist in obtaining reasonable confidence that the Annual Financial Statements as a whole do not contain material misstatements due to malpractice or errors and in issuing the auditor's report with our opinion. Reasonable confidence constitutes a high level of certainty but does not guarantee that an audit performed in accordance with the International Standards on Auditing will always reveal material misstatements, if these exist. Misstatements may result from malpractice or errors and are considered material if it may be reasonably assumed that they could influence, individually or in aggregate, users' economic decisions made on the basis of these Annual Financial Statements.

In the course of an audit performed in accordance with the International Standards on Auditing, we apply professional judgement and retain professional scepticism throughout the audit. Furthermore, we perform the following:

- We identify and assess the risks of material misstatement of the Annual Financial Statements as a result of malpractice or errors; develop and carry out audit procedures in response to these risks; and obtain audit evidence, which is sufficient and adequate to serve as grounds for expressing our opinion. The risk of failure to discover material misstatement as a result of malpractice is higher than the risk of failure to discover material misstatement as a result of errors because malpractice may include conspiracy, falsification, deliberate omission, distorted presentation of information or circumvention of the internal control system.

- We obtain an understanding of the internal control system, which is important for the audit in order to develop audit procedures corresponding to the circumstances, but not for the purpose of expressing our opinion on the effectiveness of the Bank of Russia's internal control system.
- We evaluate the appropriateness of applicable accounting policies and the soundness of accounting estimates made by the management and the respective disclosure of information.
- We arrive at a conclusion on the appropriateness of the going concern assumption made by the management and, based on the obtained audit evidence, a conclusion on whether there is material uncertainty in connection with events or conditions, which could give rise to significant doubts as to the Bank of Russia's ability to continue as a going concern. If we arrive at a conclusion that there is material uncertainty, we must draw attention in our audit report to the respective disclosure of information in the Annual Financial Statements or, if such disclosure of information is improper, modify our opinion. Our findings are based on the audit evidence received before the date of our audit report.
- We evaluate the presentation of the Annual Financial Statements as a whole, their structure and contents, including information disclosure, and whether the Annual Financial Statements represent the underlying operations and events in such a way as to ensure their reliable presentation.

We maintain information exchange with the Bank of Russia's management and communicate to them, among other things, information on the scheduled scope and timing of the audit and on material comments based on the audit findings, inter alia, on considerable deficiencies in the internal control system, should we discover any in the course of the audit.

We also submit to the Bank of Russia's management a statement that we have complied with all relevant ethical requirements related to independence issues and informed them of all mutual relationships and other matters, which could be reasonably considered as influencing the auditor's independence and, if necessary, of appropriate precautions.

Among the issues, which we have brought to the attention of the Bank of Russia's management, we determine the issues, which were most significant for the audit of the Annual Financial Statements for the current period and which, therefore, are critical audit matters. We describe these issues in our audit report, except when public disclosure of information on these issues is prohibited by law or a specific regulation, or when, in exceedingly rare cases, we arrive at the conclusion that information on a certain issue should not be included in our report, as it may be reasonably assumed that the negative consequences of such disclosure would exceed its public benefit.

The executives charged with the conduct of the audit, as a result of which this auditor's report of independent auditors has been released, are S.S.Pimenova and N.A.Kozlova.

S.S.Pimenova

acting on behalf of Center
for Audit Technologies and Solutions
Limited Liability Company
on the basis of the power of attorney
dated 9 September 2019,
head of audit, as a result of which
the auditor's report has been released
(main registration entry number
21906108415)
8 April 2022

N.A. Kozlova

General Director
FinExpertiza LLC
head of audit, as a result of which
the auditor's report has been released
(main registration entry number
22006037553)

Information on the auditors

Name: Center for Audit Technologies and Solutions Limited Liability Company

An entry was made in the Unified State Register of Legal Entities on 4 February 2016 under state registration number 1167746123478.

Domicile: Bldg. 2, 2 Paveletskaya Pl., office 401, Moscow 115054, Russia.

Center for Audit Technologies and Solutions Limited Liability Company is a member of the self-regulatory organisation of auditors Association Sodruzhestvo. Center for Audit Technologies and Solutions Limited Liability Company was included in the control copy of the register of auditors and auditing organisations under main registration entry number 12006020373.

Name: FinExpertiza LLC

An entry was made in the Unified State Register of Legal Entities on 29 August 2002 under state registration number 1027739127734.

Domicile: Bldg. 1, 16 Krasnoproletarskaya Street, office 1, room 29, floor 6, Moscow 127473, Russia.

FinExpertiza LLC is a member of the self-regulatory organisation of auditors Association Sodruzhestvo.

FinExpertiza LLC was included in the control copy of the register of auditors and auditing organisations under main registration entry number 12006017998.

Information on the audited entity

Name: The Central Bank of the Russian Federation (Bank of Russia)

An entry was made in the Unified State Register of Legal Entities under No. 1037700013020 based on certificate series 77 No. 006996300, dated 10 January 2003.

Domicile: 12 Neglinnaya Street, Moscow 107016, Russia.

The Bank of Russia performs its functions pursuant to the Constitution of the Russian Federation, Federal Law No. 86-FZ, dated 10 July 2002, *'On the Central Bank of the Russian Federation (Bank of Russia)'* and other federal laws.



ACCOUNTS CHAMBER OF THE RUSSIAN FEDERATION

2 Zubovskaya St., Moscow 119121

Tel.: 986-05-09, fax: 986-09-52

7 April 2022

No. 05/70/05-03

To the Governor of the Central Bank
of the Russian Federation
ELVIRA NABIULLINA

STATEMENT

on the Results of the Examination of the Accounts and Operations
of the Central Bank of the Russian Federation (Bank of Russia) and Data for 2021
Covered by the Russian Federation Law 'On State Secrecy' (approved by the decision
of the Collegium of the Accounts Chamber of the Russian Federation of 7 April 2022,
protocol No.18K (1543))

The Accounts Chamber of the Russian Federation has examined the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and the data for 2021 covered by the Russian Federation Law 'On State Secrecy' at the Bank of Russia's structural divisions and regional branches, pursuant to the provisions of Article 25 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and in accordance with the Work Plan of the Accounts Chamber of the Russian Federation for 2022.

The management of the Bank of Russia is responsible for assigning information to the category of data covered by the Russian Federation Law 'On State Secrecy', and for delineating the competence of the Accounts Chamber of the Russian Federation and the consortium of auditing organisations – the Center for Audit Technologies and Solutions Limited Liability Company and FinExpertiza LLC (the Auditor of the Bank of Russia Annual Financial Statements for the year 2021).

Under the applicable legislation, the Accounts Chamber's duty is to present to the Bank of Russia a statement on the results of the examination of the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and data for 2021, covered by the Russian Federation Law 'On State Secrecy', and to express an opinion on the credibility in all material aspects of the Bank of Russia Annual Financial Statements for 2021, and on the compliance of the accounting procedure with Russian federal legislation and Bank of Russia regulations.

The Accounts Chamber of the Russian Federation has conducted an examination of Bank of Russia accounts and operations, and also data for 2021 covered by the Russian Federation Law

'On State Secrecy', in the structural divisions and regional branches of the Central Bank of the Russian Federation (Bank of Russia) in such a way as to become sufficiently convinced that the Bank of Russia's annual balance sheet (with respect to sub-accounts and off-balance sheet accounts) as of 31 December 2021 (as of 1 January 2022), and its statement of financial performance for the period from 1 January to 31 December 2021, falling within the scope of competence of the Accounts Chamber of the Russian Federation, do not contain any material errors and adequately recognise in all aspects the assets and liabilities of the Central Bank of the Russian Federation (Bank of Russia) as of 31 December 2021, and the income and expenses of the Central Bank of the Russian Federation (Bank of Russia) for the period from 1 January to 31 December 2021, in line with the Bank of Russia's accounting policy.

Having examined the Bank of Russia's accounts and operations and data for 2021, covered by the Russian Federation Law 'On State Secrecy', the Accounts Chamber of the Russian Federation confirms, within the scope of its competence, the following data:

the Bank of Russia annual balance sheet as of 31 December 2021 (balance sheet assets totalling ₹3,006,625 million and balance sheet liabilities, capital and profit totalling ₹583 million), the statement of financial performance for the period from 1 January to 31 December 2021 (income totalling ₹449 million and expenses totalling ₹10,353 million);

negative unrealised differences from the revaluation of precious metals totalling ₹22,210.9 million;

negative unrealised exchange rate differences from the revaluation of foreign currency totalling ₹14,289.7 million;

annual balance sheet as of 31 December 2021 (as of 1 January 2022) (with respect to sub-accounts and off-balance sheet accounts) and the statement of financial performance for the period from 1 January to 31 December 2021 (for 2021);

data on the total number of Bank of Russia notes and coins (exclusive of coins containing precious metals), which should be in circulation as of 31 December 2021 (as of 1 January 2022).

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Russian Federation Law 'On State Secrecy', a total of ₹13,435,549.5 million in Bank of Russia notes and coins should be in circulation as of 1 January 2021 (exclusive of coins containing precious metals).

Over the period from 1 January to 31 December 2021, the Bank of Russia put into circulation banknotes and coins (exclusive of coins containing precious metals) totalling ₹10,307,903.7 million, and withdrew from circulation Bank of Russia banknotes and coins (exclusive of coins containing precious metals) totalling ₹9,652,188.0 million.

Consequently, in the period under review, the amount of Bank of Russia notes and coins (exclusive of coins containing precious metals) in circulation increased by ₹655,715.7 million.

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Russian Federation Law 'On State Secrecy', a total of ₹14,091,265.2 million in Bank of Russia notes and coins should be in circulation as of 31 December 2021 (as of 1 January 2022) (exclusive of coins containing precious metals).

Provisions for assets covered by the Russian Federation Law 'On State Secrecy' have been created in line with Bank of Russia regulations.

The Accounts Chamber of the Russian Federation confirms the credibility, in all material aspects, of the Bank of Russia Annual Financial Statements for 2021 and compliance of the accounting procedure with the Russian federal legislation and Bank of Russia regulations.



5



Addenda

5.1. Measures to implement the single state monetary policy

The Bank of Russia key rate and interest rates on monetary policy instruments	
Decisions on the level of the Bank of Russia key rate and interest rates on monetary policy instruments	In 2021, the key rate was raised from 4.25% to 8.50% per annum: amid unwinding inflation, starting from March, each consecutive Bank of Russia Board of Directors' meeting made a decision to increase it. Interest rates on monetary policy instruments were raised together with the key rate
Required reserves	
Procedure for creating and maintaining required reserves	<p>Required reserve ratios and required reserve averaging ratios did not change in 2021</p> <p>In January 2021, the Bank of Russia issued a new regulation: Bank of Russia Regulation No. 753-P, dated 11 January 2021, 'On Credit Institutions' Required Reserves'. Taking into account the proposals of credit institutions, its entry into force was postponed from 1 October 2021 to 1 April 2022. At the same time, the Bank of Russia prepared and forwarded to the Ministry of Justice of the Russian Federation its Ordinance No. 6005-U, dated 6 December 2021, 'On Amending Bank of Russia Regulation No. 753-P, Dated 11 January 2021, 'On Credit Institutions' Required Reserves', according to which the calculation of the amount of required reserves of banks with a universal licence and non-bank credit institutions was to be based on average monthly balances of their reservable liabilities</p> <p>In 2021, piloting was conducted to test the regulation of the amount of required reserves in line with the new Regulation, whereby credit institutions were able to estimate the amount of changes in required reserves due to their calculation under the new procedure</p>
Bank of Russia operations to provide and absorb liquidity	
Parameters of operations	During 2021, whenever non-work days were announced to prevent the spread of the coronavirus infection, the parameters of operations were clarified
Auctions to place certain issues of Bank of Russia bonds	Starting from 21 September 2021, due to the forecast decrease in the liquidity surplus the Bank of Russia cancelled auctions to place its bonds of issue 49. It was also decided not to hold auctions to place Bank of Russia bonds of issue 50. In 2021 Q4, the Bank of Russia did not resume auctions to place its bonds
Managing financial risks on Bank of Russia operations	
Security under operations	<p>In 2021, in accordance with decisions of the Bank of Russia Board of Directors, 42 issues of corporate and regional debt securities were added to the Lombard List</p> <p>Starting from 1 October 2021, the Bank of Russia has suspended the inclusion in the Lombard List of all securities, excluding bonds issued on behalf of the Russian Federation and Bank of Russia bonds. All securities previously included in the Lombard List are retained therein until maturity</p>
Counterparties	<p>Conditions for providing credit institutions with access to repos and lending:</p> <ul style="list-style-type: none"> – starting from 1 November 2021, criteria for complying with reserve requirements have been cancelled; – starting from 1 April 2022,* the criterion of assigning credit institutions to a specific classification group in line with Bank of Russia regulations has been replaced with a criterion of having a credit rating not lower than a specific level; – starting from 1 April 2022,* the Bank of Russia has conducted repo operations and secured lending with credit institutions if they have at least one credit rating assigned by the rating agencies ACRA or JSC Expert RA. <p>The lowest credit rating of those assigned to a credit institution shall be at least:</p> <ul style="list-style-type: none"> – B–(RU) / ruB– assigned by the rating agencies ACRA / JSC Expert RA for repo operations and lending collateralised by securities; – BB–(RU) / ruBB– assigned by the rating agencies ACRA / JSC Expert RA for lending secured by claims under credit agreements.

* Starting from 1 January 2023, according to the Bank of Russia's decision as of 10 March 2022. The [Bank of Russia's press release](#), dated 10 March 2022.

5.2. Liquidity support instruments to ensure the financial sustainability of banks. Specialised refinancing facilities

Irrevocable credit lines	
Parameters of irrevocable credit lines (ICLs)	In 2021 Q1, the maximum aggregate ICL was ₪5.0 trillion; from 1 April 2021, it was ₪4.0 trillion
	On 1 April 2021, the plan to gradually reduce individual limits on ICLs came into force. Over the period from 1 April 2021 to 31 March 2021, the weighting ratio applied in the plan to reduce individual limits was set at 85% (previously 70%)
	For ICLs opened in 2021 Q1, the fee for the right to use an ICL was 0.15% per year; for ICLs opened after 1 April 2021, this fee was maintained at 0.15% per year over the period from 1 April to 30 September 2021, and set at 0.50% per year after 1 October 2021
Specialised refinancing facilities	
Parameters of refinancing facilities	In 2021, interest rates on new loans issued as part of specialised refinancing facilities were raised due to an increase in the key rate, but only to the extent specified in the rules. Limits to provide funds in general and under individual refinancing facilities were not revised
Additional temporary refinancing facilities	In October 2021, amid the introduction of additional anti-pandemic measures, it was decided to allocate ₪60 billion by the end of the year to enable banks to provide preferential loans to small and medium-sized enterprises in the sectors most severely affected by the increased spread of the coronavirus infection. Authorised banks receiving loans for up to 18 months at 4% per annum must provide loans to small and medium-sized enterprises at an interest rate not exceeding 8.5% per annum or reduce the interest rate on loans previously issued to them to no more than 8.5% per annum
	By the end of 2021, credit institutions fully repaid loans received in 2020 in the framework of two temporary refinancing facilities: the mechanism to support lending to small and medium-sized enterprises and the emergency lending mechanism to support and maintain employment
Termination of lending under certain refinancing facilities	Starting from 1 July 2021, termination of loans secured by the pledge of receivables provided to leasing companies. Starting from 23 August 2021, termination of lending for JSC SME Bank secured by claims under loans provided by it to banks, microfinance organisations and leasing companies
Improvement of lending procedure	In 2021, the regulator approved the use by banks of personal accounts to conduct operations under refinancing facilities aimed at active lending to small and medium-sized enterprises. Loan applications, application revocation requests, notices on the early performance of loan obligations, and applications to exclude assets from the list of assets accepted as collateral under Bank of Russia loans and/or from collateral under Bank of Russia loans can only be submitted electronically



5.3. Implementation of the financial market development programme¹

In 2021, the realisation of the Action Plan (Roadmap) to Implement the Russian Financial Market Development Programme for 2019–2021 was completed.

In 2021, measures were implemented to create an enabling environment for the digitalisation of the financial market; work was done to develop competition in the financial market, to develop the segment of long-term money and corporate relations, to improve the Bank of Russia's supervisory approach and regulation of credit history bureaus; measures were implemented to counteract unfair practices, prevent and suppress violations, and also to protect consumer and investor rights; issues of international cooperation development and financial literacy enhancement were elaborated; and the tasks of banking, insurance and microfinancing sectors development were addressed. The most significant results are presented in the table below. Information on activities in 2019 and 2020 is provided in the Bank of Russia's annual reports for previous years, respectively.

The final report on the Bank of Russia's implementation of the roadmap, detailing the performance of measures in 2019–2021 will be published separately on the Bank of Russia website.

No.	Measure	Implementation results
Creating an enabling environment for the digitalisation of the financial market		
1.1	Creating regulatory environment for the operation of robo-advisers	The activity of robo-advisers was regulated
1.3	Improving information security and cyber resilience, introducing national standards in financial institutions	Requirements for the protection of information were regulated: in the Bank of Russia payment system; in banking activities performed by credit institutions in terms of funds transfers and operational risk management; in financial transactions performed by non-bank financial institutions; and by financial platform operators
1.4	Extending the practice of regulatory reporting using the XBRL taxonomy to all non-bank financial institutions. Assessing the feasibility of transition to the filing of reports in XBRL format by other financial institutions based on the outcomes of the XBRL format transition project by non-bank financial institutions	Credit rating agencies, insurance brokers, credit history bureaus and specialised depositories were enabled to transition to the filing of reports in XBRL format. The reporting procedure was established for non-bank financial institutions. XBRL reporting requirements were updated for joint-stock investment funds, management companies of investment funds, unit investment funds and non-governmental pension funds, professional securities market participants, trade organisers, clearing houses, and insurers
1.5	Expansion of the functionality of personal accounts of information exchange participants	The list of entities that can interact with the Bank of Russia through personal accounts was expanded. The functionality of personal accounts was expanded
1.7	Creation of conditions for the implementation of ISO 20022 standard in the payment services market	New Bank of Russia financial messaging standards in the national payment system were introduced and existing ones were updated
1.8	Development of a remote identification platform	Starting from 1 September 2022, banks with a universal licence are enabled to open ruble accounts (deposits), as well as to provide loans to individuals (without their personal presence) after remote identification. Individuals are enabled to independently enter their biometric personal data in the Unified Biometric System using a secure mobile application for subsequent use for remote biometric identification purposes
1.9	Development of electronic document workflow between the Bank of Russia, financial market participants, individuals and legal entities, including for the purpose of access to the financial market	The procedure was regulated enabling the Bank of Russia's interaction with credit institutions, non-bank financial institutions and other parties to information exchange via Bank of Russia information resources, including personal accounts. Possibility was granted to third parties to interact with the Bank of Russia with regard to the acquisition of shares (stakes) in financial institutions (establishing control over owners of large blocks of shares (stakes) in financial institutions). All admission procedures for non-governmental pension funds were transitioned to electronic interaction with Russia's FTS
1.10	Determining legal conditions for the circulation of digital financial assets	Work was done to determine the following: the properties of digital financial assets (DFAs) — for their subsequent acquisition by qualified and non-qualified investors, procedure for maintaining the register of information system operators and exchange operators, in which DFAs are issued and exchanged, and procedure for including/excluding DFA exchange operators in/from the register

¹ Measures are numbered in accordance with the Action Plan (Roadmap) to Implement the Russian Financial Market Development Programme for 2019–2021, published on the Bank of Russia website.

No.	Measure	Implementation results
Development of competition in the financial market		
2.6	Development of proposals and requirements for a digital profile platform using a unified technological identifier	In order to reduce the effect of economies of scale of large financial institutions, as their competitive advantage, and to lower barriers (cut costs) for financial intermediaries to attract new customers, a pilot project was launched to create and use the Digital Profile infrastructure in the provision of banking, microfinance, insurance and financial platform services. 24 banks, four insurance companies, five microfinance organisations and one financial platform operator joined the project. Individuals used the Digital Profile remotely more than 9.1 million times
Development of the long-term money segment		
4.8	Development of the institute of price centres and financial indicators	A report reviewing significant (critical) Russian financial indicators and a report covering ongoing work for the development of the price centres mechanism was sent to the Government of the Russian Federation
Development of corporate relations		
5.2	Improving the quality of issuers' corporate governance	The Corporate Governance Code was largely implemented by public companies included in the first and second quotation lists of the Moscow Exchange and is being implemented by companies, the shares of which are admitted to exchange trading (listed) on the Moscow Exchange without their inclusion in quotation lists (companies of the third list), which had a positive effect on the quality of corporate governance at public companies and raised their efficiency and attractiveness for investors
5.3	Elaboration of methodological and guidance materials on corporate governance for public companies and financial institutions	The Bank of Russia placed on its website and published in the Bank of Russia Bulletin information letters with recommendations for boards of directors, including on conducting efficiency self-assessments, participation in information technology development and management processes and information security risk management, formation and ensuring succession of the board of directors implementation of responsible investment principles , organisation of risk management, elimination of conflicts of interest, consideration of ESG factors and disclosure of non-financial information , as well as recommendations for the heads of internal control, internal audit and risk managements in financial institutions
Improvement of Bank of Russia supervisory methods		
6.2	Development of proportionate regulation and supervision	Elements of proportionate regulation and supervision were implemented for microfinance organisations, insurance companies, and professional securities market participants
6.3	Increasing the application of corporate governance assessment (including risk management and decision-making processes) in the supervision of financial institutions	Proposals for information security risk management were elaborated, and a methodology for risk profile calculation was created. The quality of corporate governance was assessed in NPFs and management companies, which resulted in the creation of a unified model for assessing their corporate governance quality, as well as in banks and microfinance institutions in accordance with the updated methodology
6.6	Vesting the Bank of Russia with powers to regulate and supervise audit activity	The Bank of Russia is vested with a number of powers to regulate and supervise audit services provided in the financial market
Countering unfair practices, prevention and suppression of violations		
7.1	Expanded and enhanced application of the institute of business reputation and qualification assessment in the regulation of financial institutions, enhanced personal responsibility of the management of financial institutions	Legislation was improved in the sphere of the application of the institute of business reputation by credit institutions, microcredit companies, pawnshops, and professional financial market participants. Procedure for approving candidates appointed to hold positions in a financial institution was established
7.2	Development of regulations related to disclosure of conflicts of interest and management thereof, as well as fiduciary responsibility institutes in the financial market	The Bank of Russia approved SRO standards with regard to the protection of rights and legitimate interests of consumers of financial services provided by NPFs, management companies, brokers, and FX dealers. It established requirements for identifying, managing and preventing conflicts of interest
7.6	Regulatory development of the system to counter unfair practices	The Bank of Russia sent a report to the Government of the Russian Federation on the possibility of getting access to communication secrets as part of countering the misuse of insider information and market manipulation. The regulator started to publish on its website a list of companies with identified signs of illegal activities in the financial market
7.9	Improving the application of information and analytical systems in countering unfair practices	Framework was established to conduct a prompt and comprehensive analysis of financial market participants' operations, including those involving machine-learning methods to identify patterns of illegal practices and to determine the status of market activity, mathematical analysis tools to prove instances of unfair practices, and the increased use of repository data and data on OTC transactions
7.11	Ensuring fair price-setting in the organised market	Work was done to organise the monitoring of quality of operation of price centres and financial indicator administrators, to eliminate the possibility for professional securities market participants to engage clients (individuals) to perform market maker duties, and to determine the procedure for trade organisers to disclose aggregated information on market maker transactions in the stock market
7.12	Enhancing the transparency of Bank of Russia actions aimed to strengthen the confidence of financial market participants	The scope of the Bank of Russia's responsibility to counter illegal activities is explained to financial market participants on an ongoing basis (in the form of briefings, round tables, meetings, and conferences)

No.	Measure	Implementation results
Developing international cooperation		
8.1	Forming the financial market architecture of the Eurasian Economic Union, including through the harmonisation of the legislations of EAEU member states	The heads of EAEU member states approved the Concept for forming a common financial market of the Eurasian Economic Union and the Action Plan for harmonising EAEU countries' financial market legislation
8.2	Developing conditions for mutual admission of brokers and dealers (trade organisers) of one EAEU member state to participate in on-exchange trading of other EAEU member states	A draft agreement on the admission of brokers and dealers of one EAEU member state to participate in on-exchange trading of other EAEU member states was finalised
8.3	Developing conditions for mutual admission (to placement and circulation) of securities in on-exchange trading (trade organisers) of EAEU member states	A draft agreement on the mutual admission to placement and circulation of securities in on-exchange trading (trade organisers) of EAEU member states was prepared
8.4	Establishing the audit services market of the Eurasian Economic Union, formulating its conditions and requirements	An Agreement was signed on auditing activities inside the Eurasian Economic Union
8.6	Setting conditions for the establishment of common payment space in the EAEU	Intersystem interaction of the national payment card systems of EAEU member states was organised, three recommendations of the Working Group on the use of the international standard ISO 20022 were approved, a single information API Standard was developed, key parameters of FPS intersystem interaction and draft rules for the exchange of information on transactions without customer consent in EAEU member states were developed, and also a single glossary on information and cyber security issues was approved
Improving regulation of credit history bureaus		
9.2	Improving Bank of Russia supervisory powers with regard to CHBs, improving the quality and reliability of CHB data	The system of credit history generation was modernised. The following aspects were regulated: procedure for the provision of information from CHBs and transmission of a credit history and other information, procedure for auditing CHBs and submitting reporting by them, criteria for recognising CHBs as qualified, requirements for the financial standing and business reputation of CHB shareholders, and also requirements for the internal control and risk management systems of CHBs
Consumer and investor protection		
10.2	Improving the system of protection of individual investors in the financial market by regulating the categories of investors and defining their investment profile	A procedure was introduced for testing unqualified investors, informing qualified investors of the results of such recognition, and of their right to apply to be removed from the register
10.6	Limiting the dissemination of information on illegal services in the financial market	The procedure for applying measures against websites, which disseminate information on illegal activities in the financial market or which are involved in these activities, was improved
10.7	Improvement of the system of regulation and supervision that increases the responsibility of persons acting as agents of credit institutions (except for bank payment agents (sub-agents) and non-bank financial institutions for substandard sales of financial products	A requirement was set for a financial institution to provide an individual with information on the terms of the contract and risks involved, and a restriction was imposed on the execution of transactions with financial instruments by non-qualified investors
Enhancing financial literacy		
11.3	Holding training activities for SMEs	The Bank of Russia carried out awareness-building events for SMEs, including its participation in the events held in the Skolkovo Innovation Centre. Webinars were held at the Bank of Russia University; cooperation was established with Russian Export Centre JSC to enhance financial literacy and with public organisations and regional executive authorities as part of the federal project Promotion of Entrepreneurship; a section with answers to the questions of entrepreneurs about support measures amid the coronavirus pandemic was organised and relevant webinars were offered
Banking sector development objectives		
13.2	Changing the approach to making loss provisions taking into account collateral	The procedure for credit institutions to make provisions for loans, loan and equivalent debt was changed, including the possibility of raising the quality category via phased additional provisioning subject to the positive performance indicators of borrowers; and the period of time required for the sale of collateral was also increased
13.3	Phased implementation of regulatory approaches envisaged by the documents of the Basel Committee on Banking Supervision, including Basel III	Banking regulation was improved in line with Basel Committee documents, including the calculation of the liquidity coverage ratio, definition of equity capital, calculation of credit risk and other prudential ratios

No.	Measure	Implementation results
Insurance sector development objectives		
15.2	Implementing risk-based approach to the insurance sector regulation in the Russian Federation on the basis of Solvency II principles	The Bank of Russia website presents an expanded Concept of new requirements for the calculation of insurance reserves in accordance with the risk-based approach to the regulation of insurers' activity. It sets requirements for the financial sustainability and solvency of insurers
15.3	Creating conditions for the admission of the affiliates of foreign insurance companies to the insurance market of the Russian Federation. These conditions are given in the List of Russia's specific service-related obligations (Annex II to the Protocol, dated 16 December 2011, 'On the Accession of the Russian Federation to the Marrakesh Agreement Establishing the World Trade Organization, Dated 15 April 1994'), including by amending legislation of the Russian Federation	Amendments were made to legislation aimed at enabling access to the Russian insurance market for foreign insurance companies starting from 22 August 2021. The adopted federal laws specify the procedure for licensing foreign insurance companies that is possible if they meet the requirements for work experience, financial stability and security deposit, as well as regulatory requirements for the activities of foreign insurers. In order to implement the provisions of these federal laws, the Bank of Russia issued 19 regulatory acts in 2021. These legislative amendments helped preserve the principle of fair competition between foreign and Russian insurers and the maintenance of the required level of protection for insurance consumers
15.4	Implementation of measures aimed at the development of certain types of voluntary insurance	Changes were introduced to the minimum requirements for the conditions of endowment and investment life insurance, as well as voluntary medical insurance for labour migrants; the ban on insurance intermediaries' participation in the execution of electronic insurance contracts was withdrawn, making these services more convenient for consumers; it became possible to develop state-supported agricultural insurance programmes, which took into account specifics of different types of agricultural production; and a regulatory framework was put in place to offer state-supported agricultural insurance programmes protecting against emergency risks. The Bank of Russia's report Current Situation in the Prescribed Insurance Segment of the Russian Insurance Market was published on its website. The report looks into the issues of current regulation, law enforcement practice, statistics on 45 types of prescribed insurance, international experience, and also formulates the main problems characterising the prescribed insurance
Microfinance sector development objectives		
17.1	Development of the pawnshop and credit cooperative markets	Improvements were introduced to the procedures for the admission of pawnshops to the financial market and the operational principles of credit cooperatives, as well as principles for raising awareness among financial consumers of microfinancial institutions. The Bank of Russia approved the Concept for the Establishment, Reorganisation, Financial Rehabilitation and Liquidation of Consumer Credit Cooperatives. Work was done to regulate the procedure for creating provisions, calculating financial ratios, assets, as well as the procedure for disclosing information by consumer credit cooperatives
17.3	Improving the system of supervision over microfinance market participants via SROs	Work was done to improve the procedure for the admission of pawnshops to the financial market, the operational principles of credit cooperatives and principles for raising awareness among financial consumers of microfinancial institutions, as well as the system of supervision over microfinance market participants via SROs. Criteria were established to delineate supervisory powers with regard to consumer credit cooperatives, agricultural credit cooperatives, and microcredit companies

5.4. Statistical tables

KEY MACROECONOMIC INDICATORS
(PER CENT OF PREVIOUS YEAR)

Table 1

	2019	2020	2021
Gross Domestic Product ^{1,2}	2.2	-2.7	4.7
of which: ³			
– agriculture, forestry, hunting, fishery and fish farming	3.5	0.2	-1.3
– mining and quarrying	2.5	-6.6	4.2
– manufacturing	2.9	0.5	4.6
– electricity, gas and steam supply; air conditioning	-1.0	-2.8	6.1
– water supply and disposal, waste collection and utilisation, pollution elimination	3.2	0.5	13.8
– construction	-1.8	-2.0	5.8
– wholesale and retail trade, and other	0.2	-2.6	8.1
– transportation and storage	1.7	-10.7	7.8
– Information and communications	6.6	1.8	8.1
GDP deflator index ²	3.3	0.6	16.4
Consumer price index (December on previous December) ²	3.0	4.9	8.4
Fixed capital investment ^{1,2}	2.1	-0.5	7.7
Retail trade turnover ^{1,2}	1.9	-3.2	7.3
Unemployment rate (annual average), as per cent of labour force ²	4.6	5.8	4.8
External trade (per balance of payments methodology) ⁴			
– exports of goods	-5.5	-20.6	48.1
– imports of goods	2.0	-5.6	26.9
– exports of services	-4.2	-22.3	16.4
– imports of services	4.0	-34.5	17.0

¹ Index of quantity.

² Rosstat data.

³ Gross value added in core prices.

⁴ Bank of Russia data.

Note. Minor discrepancies between the total and the sum of components in tables of Section 5.4 are due to the rounding of data. Certain indicators were updated as compared with those published in the Bank of Russia Annual Report for 2020.

CONSUMER PRICES BY GROUP OF GOODS AND SERVICES¹
(GROWTH, DECEMBER AS A PERCENTAGE OF PREVIOUS DECEMBER)

Table 2

	2019	2020	2021
Consumer prices, total	3.0	4.9	8.4
of which:			
– food prices	2.6	6.7	10.6
of which:			
– food prices exclusive of fruit and vegetables	3.1	5.4	10.2
– fruit and vegetable prices	–2.0	17.4	14.0
– non-food prices	3.0	4.8	8.6
– paid services provided to the public	3.8	2.7	5.0
Prices of goods and services included in calculation of core consumer price index (CCPI)	3.1	4.2	8.9

¹ Rosstat data.CONSUMER PRICE INFLATION STRUCTURE¹

Table 3

	2020		2021	
	growth, percentage points	contribution to growth, per cent	growth, percentage points	contribution to growth, per cent
Headline inflation (December on December)	4.9	100.0	8.4	100.0
Inflation growth due to:				
– change in prices of goods and services included in CCPI calculation	2.9	59.9	6.2	73.5
– change in prices of goods and services not included in CCPI calculation	2.0	40.1	2.2	26.5
of which:				
– change in fruit and vegetable prices	0.7	13.6	0.6	7.4
– change in administered service and fuel prices	1.3	25.9	1.6	18.9

¹ Rosstat data, Bank of Russia calculations.

BALANCE OF HOUSEHOLD MONEY INCOME AND EXPENDITURES¹
(MILLIONS OF RUBLES, UNLESS INDICATED OTHERWISE)

Table 4

	2020	2021	2021 as a percentage of 2020
Money income	63,398,727.2	69,906,504.7	110.3
Wages and salaries	36,460,760.3	40,268,192.7	110.4
Share, per cent	57.5	57.6	
Social allowances	13,613,576.1	14,523,650.3	106.7
Share, per cent	21.5	20.8	
Income from entrepreneurial activities	3,306,816.4	4,096,314.5	123.9
Share, per cent	5.2	5.8	
Income from property	3,692,323.6	3,614,520.6	97.9
Share, per cent	5.8	5.2	
Other income	6,325,250.8	7,403,826.6	117.1
Share, per cent	10.0	10.6	
Money expenditures	57,635,071.2	66,864,376.9	116.0
– consumer expenditures	47,938,802.7	56,166,530.5	117.2
– compulsory payments and contributions	8,481,222.6	9,473,552.7	111.7
– other expenditures	1,215,046.0	1,224,293.6	100.8
Growth in savings²	5,763,655.9	3,042,127.9	52.8
of which:			
– ruble and foreign currency deposits, government and other securities	2,954,074.5	4,241,319.2	143.6
– ruble and foreign currency cash on hand	2,836,457.1	651,133.6	23.0
Memo item			
Share of money income, per cent			
– consumer expenditures	75.6	80.3	
– compulsory payments and contributions	13.4	13.6	
– other expenditures	1.9	1.7	
– savings	9.1	4.4	
of which:			
– ruble and foreign currency deposits, government and other securities	4.7	6.1	
– ruble and foreign currency cash on hand	4.5	0.9	
Disposable money income	54,917,504.6	60,432,952.0	110.0
Share of, per cent			
– consumer expenditures	87.3	93.0	
– other expenditures	2.2	2.0	
– savings	10.5	5.0	
of which:			
– ruble and foreign currency deposits, government and other securities	5.4	7.0	
– ruble and foreign currency cash on hand	5.2	1.1	

¹ The table was compiled based on Rosstat data (Methodological regulations for calculating household monetary income and expenditures approved by Rosstat Order No.465, dated 2 July 2014, and amended by Order No.680, dated 20 November 2018).

² Savings include increase (decrease) in deposits, purchase of securities, change in accounts of individual entrepreneurs, purchase of real estate, purchase of cattle and poultry by households, change in ruble and foreign currency cash on hand, change in outstanding loans and other savings.

BUDGET SYSTEM, FINANCIAL ASSETS AND GOVERNMENT DEBT

Table 5

	2020		2021	
	billions of rubles	percentage of GDP	billions of rubles	percentage of GDP
Consolidated budget				
Revenue	38,205.7	35.6	48,118.4	36.8
– oil and gas revenues	5,235.2	4.9	9,056.5	6.9
– non-oil and gas revenues	32,970.5	30.7	39,061.9	29.9
Expenditure	42,503.0	39.6	47,072.6	36.0
Balance	–4,297.3	–4.0	1,045.8	0.8
Non-oil and gas balance	–10,599.2	–9.9	–8,010.7	–6.1
Federal budget				
Revenue	18,719.1	17.4	25,286.4	19.3
– oil and gas revenues	5,235.2	4.9	9,056.5	6.9
– non-oil and gas revenues	13,483.9	12.6	16,229.9	12.4
Expenditure	22,821.6	21.3	24,762.0	18.9
Balance	–4,102.5	–3.8	524.4	0.4
Non-oil and gas balance	–10,404.4	–9.7	–8,532.1	–6.5
Sources of financing of federal budget deficit¹				
Net placement of domestic government securities	4,600.6	4.3	1,538.1	1.2
Net replenishment / use of balances of the federal budget account in foreign currency and NWF funds in the amount of extra oil and gas revenues or the shortfall thereof (MinFin interventions, the ‘–’ sign)	–322.3	–0.3	3,167.0	2.4
Government financial assets and public debt				
National Wealth Fund (as of year-end)	13,545.7	12.6	13,565.4	10.5
Balances of funds of federal authorities in accounts with the banking system (rubles) ²	5,941.3	5.5	5,526.4	4.3
Balances of funds of Russian constituents and local authorities in accounts with the banking system (rubles)	1,890.7	1.8	1,599.7	1.2
Aggregate public debt (as of year-end)³	21,823.9	20.3	23,773.0	18.2
– aggregate public and municipal domestic debt	17,634.9	16.4	19,311.9	14.8
– aggregate public and municipal external debt	4,189.0	3.9	4,461.1	3.4
– federal domestic debt, of which:	14,751.4	13.7	16,486.4	12.6
– in securities	14,056.2	13.1	15,759.9	12.0
– OFZs	13,708.9	12.8	15,533.5	11.9
– other securities	347.3	0.3	226.4	0.2
– in government guarantees	695.2	0.6	726.6	0.6

¹ Data are given in accordance with the real-time federal budget execution report for 2020.

² Including funds of the National Wealth Fund in accounts with the Bank of Russia in national currency and in foreign currency, and also funds in credit institutions, State Development Corporation VEB.RF, preferred shares of non-financial organisations, and other assets.

³ Including obligations of federal authorities, Russian constituents and local authorities under budget loans.

RUSSIA'S DOMESTIC GOVERNMENT DEBT
(AT FACE VALUE)

Table 6

Debt instruments	Russia's domestic government debt as of 1 January 2021		Russia's domestic government debt as of 1 January 2022	
	billions of rubles	Share of Russian total domestic government debt, %	billions of rubles	Share of Russian total domestic government debt, %
Permanent coupon-income federal government bonds (OFZ-PD)	8,102.2	54.9	9,812.7	59.5
Debt depreciation federal government bonds (OFZ-AD)	282.6	1.9	209.3	1.3
Variable coupon-income federal government bonds (OFZ-PK)	4,709.3	31.9	4,709.3	28.6
Inflation-indexed federal government bonds (OFZ-IN)	574.8	3.9	763.1	4.6
Federal government bonds for individuals (OFZ-n)	39.9	0.3	39.2	0.2
Permanent coupon-income government savings bonds (GSO-PPS)	215.3	1.5	94.4	0.6
Fixed coupon-income government savings bonds (GSO-FPS)	132.0	0.9	132.0	0.8
Russian domestic government debt in securities	14,056.2¹	95.3	15,759.9¹	95.6
Russian government guarantees in national currency	695.2	4.7	726.6	4.4
Total	14,751.4	100.0	16,486.4¹	100.0

¹ Discrepancies are due to rounding.

MINISTRY OF FINANCE DEBT TO THE BANK OF RUSSIA AS OF 1 JANUARY 2022

Table 7

	Type of debt obligations	At face value, millions of US dollars	At face value, millions of rubles
Russian government debt obligations:			
– Russian government debt obligations available for sale, in foreign currency	Russian government external foreign currency bonds	450	33,458 ¹
– Russian government debt obligations held to maturity, in national currency	federal government bonds		212,636

¹ The ruble equivalent was calculated at the exchange rate as of 31 December 2021.

SHARE OF NON-RESIDENTS' INVESTMENT IN THE VOLUME OF ISSUES OF RUSSIAN GOVERNMENT EXTERNAL
FOREIGN CURRENCY BONDS AND FEDERAL GOVERNMENT BONDS ISSUED IN THE DOMESTIC MARKET

Table 8

Date	Volume of Russian Eurobonds held by non-residents		Volume of non-residents' OFZ holdings	
	billions of US dollars ¹	% of total debt under Russian Eurobonds	billions of US dollars ¹	% of total debt under OFZs
31.12.2020	211	55.1	43.2	23.3
31.03.2021	20.4	54.0	39.9	20.9
30.06.2021	20.6	51.9	41.2	19.7
30.09.2021	20.5	52.3	46.5	21.6
31.12.2021	20.0	51.1	41.5	19.9

¹ At face value.

INSTITUTIONAL FINANCIAL MARKET PARTICIPANTS
(UNITS)

Table 9

Name of institutional financial market participants	Number of participants	
	as of 01.01.2021	as of 01.01.2022
Credit institutions	406	370
of which:		
– banks	366	335
– non-bank credit institutions	40	35
Credit institutions with foreign stakes in authorised capital	124	115
Branches of operating credit institutions, total	535	475
of which:		
– in Russia	530	471
– abroad	5	4
Representative offices of operating Russian credit institutions, total	224	183
of which:		
– in Russia	201	163
– abroad	23	20
Representative offices of foreign credit institutions	40	37
Internal divisions of credit institutions (branches), total	27,907	26,202
of which:		
– additional offices	19,453	18,536
– mobile cash offices	719	620
– credit and cash offices	1,967	2,074
– operations offices	5,479	4,685
– mobile banking vehicles	289	287
Insurance market entities, total	232	222
of which:		
– insurance companies ¹	160	147
– mutual insurance companies	13	16
– insurance brokers	59	59
Professional securities market participants,² total	466	472
of which:		
– brokers	268	251
– forex dealers	3	4
– dealers	297	279
– trust managers	190	182
– depositories	258	250
– register holders	32	31
– investment advisers	95	126
Infrastructures,³ total	77	107
of which:		
– clearing houses	6	6
– exchanges	6	6
– trading systems ⁴	0	1
– commodity delivery operators	4	4
– repositories	2	2
– central depository	1	1
– central counterparties ⁵	3	3
– payment system operators	26	26
– nationally important payment system operators ⁶	2	2
– credit history bureaus	9	7
– news agencies ⁷	5	5
– operators of foreign payment systems	1	0
– investment platforms operators	20	50
– financial platform operators	3	5
Collective investment market entities, total	338	328
of which:		
– non-governmental pension funds	43	41
– joint-stock investment funds	2	2
– management companies	268	259
– specialised depositories	25	26
Unit investment funds, total	1,631	1,965
of which:		
– open-end	261	262
– interval	35	44
– closed-end	1,294	1,534
– exchange-traded	41	125

End of Table 9

Name of institutional financial market participants	Number of participants	
	as of 01.01.2021	as of 01.01.2022
Microfinance agents and cooperatives, total	7,314	6,015
of which:		
– microfinance organisations	1,385	1,267
– housing savings cooperatives	43	48
– consumer credit cooperatives	1,971	1,775
– agricultural consumer credit cooperatives	748	694
– pawnshops	3,167	2,231
Responsible actuaries	93	94
Self-regulatory organisations, total	18	16
of which:		
– self-regulatory organisations in the financial market	16	14
– self-regulatory organisations of actuaries	2	2
Credit rating agencies	4	4
Branches and representative offices of foreign credit rating agencies	3	3

¹ Including Joint Stock Company Russian National Reinsurance Company (JSC RNRC).

² Including credit institutions, which are professional securities market players.

³ The data include information on operators of national importance: 1) the Bank of Russia; 2) National Payment Card System Joint Stock Company (NSPK JSC). The number of infrastructure organisations (excluding the above mentioned entities) was 75 as of 1 January 2021 and 105 as of 1 January 2022.

⁴ The access of trading systems is regulated in accordance with Federal Law No. 325-FZ, dated 21 November 2011, 'On Organised Trades'.

⁵ Organisations which have been assigned the status of the central counterparty in pursuance of Federal Law No. 7-FZ, dated 7 February 2011, 'On Clearing, Clearing Activities and the Central Counterparty': CCP NCC, CC Clearing Centre MFB (JSC) and NFI CCP RDC (JSC).

⁶ The Bank of Russia and National Payment Card System Joint Stock Company (NSPK JSC) are operators of the Bank of Russia payment system and the Mir payment system, respectively, based on Federal Law No. 161-FZ, dated 27 June 2011. The procedure for registering these operators and entering them into the register of payment system operators has not been specified.

⁷ News agencies accredited to disclose information about securities and other financial instruments.

FINANCIAL INSTITUTIONS ADMITTED TO THE FINANCIAL MARKET IN 2021 (UNITS)

Table 10

Name of finance institutions	Number
Credit institutions	1
Insurance entities	8
of which:	
– insurance companies	1
– mutual insurance companies	3
– insurance brokers	4
Professional securities market participants	65
of which:	
– brokers	6
– forex dealers	1
– dealers	7
– trust managers	8
– depositories	9
– investment advisers	34
Infrastructures	34
of which:	
– trading systems	1
– investment platforms operators	31
– financial platform operators	2
Collective investment market entities	11
of which:	
– management companies	10
– specialised depositories	1
Microfinance agents and cooperatives	414
of which:	
– microfinance organisations	125
– housing savings cooperatives	8
– consumer credit cooperatives	94
– agricultural consumer credit cooperatives	4
– pawnshops	183
Management companies of special-purpose vehicles	18
Total	551

SELF-REGULATORY ORGANISATIONS

Table 11

Financial market participants	As of 01.01.2021			As of 01.01.2022		
	number of self-regulatory organisations, units	number of members of self-regulatory organisations, units	share of members of self-regulatory organisations in the total number of financial institutions of the respective type of activity, per cent	number of self-regulatory organisations, units	number of members of self-regulatory organisations, units	share of members of self-regulatory organisations in the total number of financial institutions of the respective type of activity, per cent
Professional securities market participants (brokers, dealers, managers, depositories, register holders, forex dealers, investment advisers)	4	464	99.6	4	463	98.1
Joint-stock investment funds and management companies of investment funds, unit investment funds and non-governmental pension funds	1	264	97.8	1	257	98.5
Specialised depositories	2	25	100.0	2	26	100.0
Non-governmental pension funds	2	43	100.0	1	41	100.0
Insurance companies	1	160	100.0	1	147	100.0
Insurance brokers	1	59	100.0	1	57	96.6
Microfinance organisations	3	1,367	97.7	2	1,182	93.3
Consumer credit cooperatives	2	1,008	51.1	2	934	52.6
Agricultural consumer credit cooperatives	3	578	77.3	3	554	79.8
Actuaries	2	300	100.0	2	314	100.0

INFRASTRUCTURE OF FINANCIAL SERVICES PROVISION¹
(UNITS)

Table 12

	01.01.2021	01.01.2022
Credit institutions		
Number of stand-alone structural units of credit institutions	731	634
of which:		
– branches	530	471
– representative offices	201	163
Number of internal divisions of credit institutions (branches)	27,907	26,202
of which:		
– additional offices	19,453	18,536
– mobile cash offices	719	620
– credit and cash offices	1,967	2,074
– operations offices	5,479	4,685
– mobile banking vehicles	289	287
Other formats of services provided by credit institutions		
Number of operating credit institutions providing services to open accounts without visiting the bank	115	114
Number of operating credit institutions issuing payment cards	274	246
Number of operating credit institutions with the infrastructure permitting acceptance of payment cards	248	221
Number of Russian Post branches performing certain banking operations and related technological activities (including withdrawing and depositing cash) ²	35,915	35,517
of which:		
– number of Russian Post branches where account opening documents can be accepted	15,000	18,131
Number of remote service points with employees of credit institutions	18,532	17,451
Insurance market entities		
Number of stand-alone units of insurers	1,876	1,721
Professional securities market participants		
Number of stand-alone units of professional securities market participants — non-bank financial institutions	625	608
Investment platforms operators		
Number of investment platform operators	20	50
Microfinance agents and cooperatives		
Number of stand-alone units of microfinance companies	1,142	923
Number of stand-alone units of microcredit companies	13,070	10,401
Number of stand-alone units of consumer credit cooperatives	1,728	1,448
Number of stand-alone units of agricultural consumer credit cooperatives	191	204
Number of stand-alone units of pawnshops	9,497	10,085

End of Table 12

	01.01.2021	01.01.2022
Payment infrastructure		
Number of cash dispensing and/or receiving ATMs of credit institutions (cash dispensing/depositing with the use of payment cards or their details)	193,937	184,099
Number of cash receiving ATMs of credit institutions (cash depositing without the use of payment cards or their details)	5,985	6,225
Number of POS terminals	3,598,729	3,546,869
Number of ATMs of bank payment agents (subagents) ³	142,518	124,398
Number of cash desks of bank payment agents (subagents) ³	182,423	190,185
Number of payment terminals of bank payment agents (subagents) ⁴	196,356	152,181
Number of cash desks of payment agents (subagents) ⁴	47,213	51,054
Number of federal post offices offering payment services (including funds transfers)	38,761	38,766
of which:		
– JSC Russian Post branches ⁵	38,215	38,215
– FGUP Post of Crimea branches ⁶	546	551
Number of outlets with the possibility to provide cash withdrawal services to payment cardholders in trade (service) organisations – bank payment agents – using POS terminals ⁷	7,289	20,383

¹ The number of financial services access points operating in the Russian Federation is specified. Data as of 1 January 2021 were updated with new information received from financial institutions as part of reporting adjustment.

² According to JSC Post Bank data.

³ Data about bank payment agents (subagents) were received based on credit institutions' reporting forms.

⁴ Information about payment agents was obtained during a survey of credit institutions conducted by the Bank of Russia.

⁵ According to JSC Russian Post data.

⁶ According to FGUP Post of Crimea data.

⁷ Data are provided including cash-out points of service located in large retail chains in cities.

BALANCE OF PAYMENTS¹ OF THE RUSSIAN FEDERATION
(ANALYTICAL PRESENTATION, MILLIONS OF US DOLLARS)

Table 13

	Q1	Q2	Q3	Q4	2021	Memo item: 2020
Current account	22,491	17,486	35,501	46,563	122,040	36,030
Goods	28,649	38,853	53,983	68,342	189,827	93,735
<i>Exports</i>	<i>93,230</i>	<i>114,904</i>	<i>131,843</i>	<i>153,844</i>	<i>493,821</i>	<i>333,375</i>
oil	21,008	26,921	30,245	32,794	110,968	72,564
oil products	14,360	17,575	18,315	19,735	69,985	45,368
natural gas	9,893	10,390	13,484	21,759	55,527	25,683
liquefied natural gas	1,212	2,090	1,994	2,025	7,320	6,746
other	46,757	57,928	67,805	77,531	250,021	183,014
<i>Imports</i>	<i>64,581</i>	<i>76,051</i>	<i>77,860</i>	<i>85,502</i>	<i>303,995</i>	<i>239,640</i>
Services	-2,890	-3,906	-6,620	-6,108	-19,525	-16,417
<i>Exports</i>	<i>11,541</i>	<i>13,097</i>	<i>14,209</i>	<i>17,105</i>	<i>55,951</i>	<i>48,082</i>
transport	3,760	4,364	4,770	5,430	18,324	16,075
travel	748	1,025	1,065	1,164	4,003	3,900
other services	7,032	7,708	8,374	10,510	33,624	28,107
<i>Imports</i>	<i>14,431</i>	<i>17,003</i>	<i>20,829</i>	<i>23,213</i>	<i>75,476</i>	<i>64,499</i>
transport	3,493	3,969	3,955	4,347	15,764	11,829
travel	1,304	2,042	4,568	3,458	11,372	9,140
other services	9,634	10,992	12,306	15,407	48,340	43,530
Compensation of employees	115	76	33	-46	178	-1,018
Investment income	-1,573	-16,938	-10,473	-14,535	-43,519	-34,052
Receivable	13,369	14,506	22,788	26,465	77,129	41,015
Payable	14,942	31,444	33,261	41,001	120,648	75,067
<i>Federal government</i>	<i>-522</i>	<i>-690</i>	<i>-647</i>	<i>-745</i>	<i>-2,604</i>	<i>-2,884</i>
Receivable	409	185	312	223	1,131	1,136
Payable	931	875	960	968	3,735	4,020
<i>Local government (payable)</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>9</i>	<i>12</i>
<i>Central bank</i>	<i>378</i>	<i>456</i>	<i>329</i>	<i>473</i>	<i>1,637</i>	<i>2,085</i>
Receivable	380	458	332	477	1,646	2,109
Payable	1	1	3	4	9	24
<i>Banks</i>	<i>353</i>	<i>-2,244</i>	<i>312</i>	<i>310</i>	<i>-1,270</i>	<i>-542</i>
Receivable	1,569	1,799	1,909	1,915	7,192	6,839
Payable	1,216	4,043	1,597	1,604	8,461	7,381
<i>Other sectors²</i>	<i>-1,780</i>	<i>-14,457</i>	<i>-10,464</i>	<i>-14,572</i>	<i>-41,273</i>	<i>-32,699</i>
Receivable	11,011	12,065	20,235	23,851	67,161	30,931
Payable	12,791	26,522	30,699	38,422	108,434	63,630
Rent	17	21	11	20	68	65
Secondary income	-1,826	-619	-1,433	-1,110	-4,988	-6,282
Capital account	189	-209	-80	-196	-296	-519
Net lending and '+' / net borrowing '-' (balance from current and capital accounts)	22,679	17,278	35,421	46,367	121,744	35,512
Net lending and '+' / net borrowing '-' (balance from financial account, excluding reserve assets)	18,972	9,774	3,801	26,740	59,288	53,087

End of Table 13

	Q1	Q2	Q3	Q4	2021	Memo item: 2020
Net incurrence of liabilities ('+' – increase, '-' – decrease)	-300	2,817	32,296	594	35,406	-39,939
<i>Federal government</i>	-3,304	-812	5,164	-4,800	-3,752	3,682
Portfolio investment	-3,301	-735	5,166	-4,730	-3,600	3,884
issue	0	723	0	0	723	1,460
redemption	-908	-1,292	-1,275	-1,361	-4,836	-4,970
principal	-37	-216	-348	-243	-844	-769
coupons	-870	-1,075	-927	-1,119	-3,992	-4,202
interest reinvestment	930	873	959	966	3,729	4,006
secondary market	-3,324	-1,040	5,482	-4,334	-3,216	3,388
Loans	3	-72	2	-65	-133	-176
Other liabilities	-5	-5	-5	-5	-20	-25
<i>Local government</i>	-1	5	-4	-10	-9	-28
<i>Central bank</i>	2,169	-188	16,850	3,179	22,010	-985
<i>Banks</i>	260	-4,279	-178	-5,696	-9,892	-26,170
Direct investment	1,575	-1,144	1,396	1,215	3,042	1,478
Loans and deposits	2,938	1,182	3,056	2,146	9,321	-2,634
Other liabilities	-4,252	-4,317	-4,630	-9,057	-22,256	-25,014
<i>Other sectors²</i>	574	8,091	10,464	7,920	27,049	-16,439
Direct investment	4,356	6,561	14,649	11,218	36,784	8,001
Portfolio investment	-3,704	-927	-2,246	-2,727	-9,605	-15,302
Loans	-2,878	-2,588	-1,150	-4,392	-11,008	-9,307
Other liabilities	2,800	5,046	-789	3,822	10,879	169
Net acquisition of financial assets, excluding reserve assets ('+' – increase, '-' – decrease)	18,671	12,591	36,097	27,334	94,693	13,148
<i>General government</i>	441	1,770	-171	1,601	3,642	1,617
Loans	501	886	155	1,478	3,020	1,585
Other assets	-60	884	-326	123	622	31
<i>Central bank</i>	-3	-4	-30	-9	-47	-69
<i>Banks</i>	3,244	-7,888	3,831	-3,192	-4,005	-4,494
Direct investment	107	-199	435	261	604	182
Loans and deposits	4,949	-5,748	9,692	-917	7,976	5,221
Other assets	-1,813	-1,941	-6,296	-2,536	-12,585	-9,897
<i>Other sectors²</i>	14,989	18,713	32,467	28,934	95,103	16,094
Direct investment	9,006	8,905	19,829	26,845	64,585	5,665
Portfolio investment	3,299	3,200	3,470	4,011	13,980	11,945
Cash foreign currency	-235	-385	-685	-519	-1,824	-1,896
Trade credit and advances	272	3,771	6,159	123	10,325	6,598
Indebtedness on supplies according to intergovernmental agreements	-104	-98	80	439	316	77
Non-classified operations ³	96	104	3	2	205	63
Other assets	2,657	3,217	3,611	-1,968	7,516	-6,358
Net errors and omissions	5	1,009	-1,996	2,051	1,068	3,808
Change in reserve assets ('+' – increase, '-' – decrease)	3,712	8,512	29,623	21,678	63,525	-13,768

¹ The balance of payments is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). The use of signs corresponds to BPM6.

² Other sectors include other financial corporations (except banks), non-financial corporations, households, and non-profit institutions serving households.

³ Includes fictitious transactions related to external trade in goods and services, securities trading, lending to non-residents and fictitious transactions with money transfers to residents' accounts abroad, the purpose of which is cross-border money transfer.

FINANCIAL TRANSACTIONS OF PRIVATE SECTOR
(BASED ON THE BALANCE OF PAYMENTS DATA, BILLIONS OF US DOLLARS)

Table 14

	Financial transactions of private sector (net lending (+) / net borrowing (-))	Banks			Other sectors			
		financial transactions (net lending (+) / net borrowing (-))	net acquisition of financial assets	net incurrence of liabilities	financial transactions (net lending (+) / net borrowing (-))	net acquisition of financial assets ¹	net incurrence of liabilities	net errors and omissions of the balance of payments ²
2020	50.3	21.7	-4.5	-26.2	28.6	16.0	-16.4	3.8
Q1	19.1	9.3	2.5	-6.8	9.8	3.5	-6.6	0.3
Q2	12.5	7.2	-2.0	-9.2	5.3	12.1	6.3	0.4
Q3	8.5	-5.1	-7.4	-2.2	13.6	3.1	-13.0	2.5
Q4	10.2	10.3	2.4	-7.9	-0.1	-2.7	-3.1	0.6
2021	72.6	5.9	-4.0	-9.9	66.7	94.8	27.0	1.1
Q1	17.5	3.0	3.2	0.3	14.5	15.1	0.6	0.0
Q2	6.1	-3.6	-7.9	-4.3	9.7	18.8	8.1	1.0
Q3	27.9	4.0	3.8	-0.2	23.9	32.4	10.5	-2.0
Q4	21.0	2.5	-3.2	-5.7	18.5	28.5	7.9	2.1

¹ Indebtedness on supplies of goods according to intergovernmental agreements is excluded.

² 'Net errors and omissions' item entirely relates to Other sectors. It could be explained by the fact that most noticeable difficulties arise upon the recording of financial transactions undertaken by these sectors in the balance of payments.

CROSS-BORDER TRANSFERS OF INDIVIDUALS
(RESIDENTS AND NON-RESIDENTS)¹

Table 15

	Q1	Q2	Q3	Q4	2021	Memo item: 2020
Total, millions of US dollars						
Money transfers from the Russian Federation by individuals	8,744	11,622	11,028	12,537	43,931	40,105
– to non-CIS countries	6,377	8,515	7,221	8,962	31,075	29,069
– to CIS countries	2,367	3,106	3,807	3,576	12,856	11,035
Money transfers to the Russian Federation for the benefit of individuals	5,338	6,291	6,428	6,678	24,734	23,402
– from non-CIS countries	4,532	5,296	5,390	5,575	20,793	20,008
– from CIS countries	806	995	1,037	1,103	3,941	3,394
Balance²	-3,406	-5,331	-4,600	-5,860	-19,197	-16,703
– with non-CIS countries	-1,845	-3,219	-1,830	-3,387	-10,282	-9,062
– with CIS countries	-1,561	-2,112	-2,770	-2,473	-8,915	-7,641
Average amount of transfer, US dollars						
Money transfers from the Russian Federation by individuals	340	457	379	427	401	144
– to non-CIS countries	467	730	506	594	568	126
– to CIS countries	196	226	256	250	234	234
Money transfers to the Russian Federation for the benefit of individuals	503	680	748	761	664	296
– from non-CIS countries	712	912	995	995	896	320
– from CIS countries	190	289	327	348	281	205

¹ Cross-border wire transfers by resident and non-resident individuals (receipts of resident and non-resident individuals) made via credit institutions (with or without opening an account), including remittances via payment systems.

² Negative balance reflects the excess of the amount of remittances from the Russian Federation over the amount of remittances to the Russian Federation.

NET INCURRENCE OF LIABILITIES BY RUSSIAN FEDERATION RESIDENTS BY TYPE OF INVESTMENT
(BASED ON THE BALANCE OF PAYMENTS DATA, BILLIONS OF US DOLLARS)

Table 16

Type of investment	Q1	Q2	Q3	Q4	2021	Memo item: 2020
Direct investment	5.9	5.4	16.0	12.4	39.8	9.5
Portfolio investment	-6.6	-1.3	2.8	-9.1	-14.1	-11.1
Financial derivatives	-4.7	-4.9	-5.1	-8.4	-23.0	-27.4
Other investment	5.0	3.5	18.5	5.6	32.7	-10.9
Total	-0.3	2.8	32.3	0.6	35.4	-39.9

Note. Net incurrence of liabilities reflects a difference between increase in liabilities and their decrease; '-' denotes net decrease in residents' foreign liabilities.

NET ACQUISITION OF FINANCIAL ASSETS BY RUSSIAN FEDERATION RESIDENTS, EXCLUDING RESERVE ASSETS,
BY TYPE OF INVESTMENT
(BASED ON THE BALANCE OF PAYMENTS DATA, BILLIONS OF US DOLLARS)

Table 17

Type of investment	Q1	Q2	Q3	Q4	2021	Memo item: 2020
Direct investment	9.1	8.7	20.3	27.1	65.2	5.8
Portfolio investment	4.7	4.0	3.5	5.8	18.0	14.2
Financial derivatives	-4.4	-4.7	-5.8	-8.8	-23.7	-25.4
Other investment	9.2	4.6	18.2	3.3	35.2	18.6
Total	18.7	12.6	36.1	27.3	94.7	13.1

Note. Net acquisition of financial assets reflects a difference between increase in assets and their decrease; '-' denotes net decrease in residents' foreign assets.

INTERNATIONAL INVESTMENT POSITION OF THE RUSSIAN FEDERATION
(MILLIONS OF US DOLLARS)

Table 18

	Position as of 31.12.2020	Transactions	Valuation changes	Other changes	Total changes	Position as of 31.12.2021
	1	2	3	4	5	6
International investment position, net	517,095	122,813	-153,194	-3,282	-33,663	483,432
Assets	1,568,887	158,219	-71,929	-7,022	79,267	1,648,154
Direct investment	471,840	65,189	-53,051	3,082	15,220	487,060
Equity and investment fund shares	371,129	67,246	-51,764	5,177	20,659	391,788
Debt instruments	100,711	-2,057	-1,286	-2,096	-5,439	95,272
Portfolio investment	107,874	17,964	-10,398	1,922	9,488	117,361
Equity and investment fund shares	22,222	11,563	-376	1,072	12,259	34,481
Debt securities	85,651	6,401	-10,022	850	-2,771	82,881
Financial derivatives (other than reserves) and employee stock options	6,736	-23,683	23,410	-18	-291	6,444
Other investment	386,664	35,224	-7,721	-7,504	19,998	406,662
Other equity	8,266	318	-25	0	293	8,559
Currency and deposits	181,577	9,496	-3,794	364	6,066	187,643
Loans	152,456	14,619	-2,748	-6,657	5,214	157,670
Insurance, pension, and standardised guarantee schemes	1,605	62	-4	0	58	1,663
Trade credit and advances	31,030	10,642	-708	0	9,934	40,964
Other accounts receivable	11,730	87	-443	-1,211	-1,567	10,163
Reserve assets	595,774	63,525	-24,169	-4,504	34,853	630,627
Liabilities	1,051,792	35,406	81,265	-3,741	112,930	1,164,722
Direct investment	539,747	39,826	31,350	-1,300	69,876	609,623
Equity and investment fund shares	396,962	38,961	34,724	4,298	77,982	474,944
Debt instruments	142,784	866	-3,374	-5,597	-8,105	134,679
Portfolio investment	255,925	-14,124	34,789	-2,722	17,943	273,868
Equity and investment fund shares	169,351	-11,036	42,157	-2,665	28,456	197,807
Debt securities	86,574	-3,088	-7,368	-57	-10,513	76,061
Financial derivatives (other than reserves) and employee stock options	8,265	-22,988	20,481	-1	-2,508	5,757
Other investment	247,855	32,691	-5,355	283	27,618	275,474
Other equity	115	4,120	-85	-22	4,013	4,128
Currency and deposits	62,842	9,471	-917	-50	8,504	71,346
Loans	156,352	-6,729	-3,398	2,018	-8,108	148,243
Insurance, pension, and standardised guarantee schemes	807	52	-3	0	50	856
Trade credit and advances	13,180	3,221	-350	0	2,871	16,051
Other accounts payable	6,390	5,012	-139	-1,664	3,210	9,599
Special drawing rights	8,170	17,544	-464	0	17,080	25,250

Notes. 1. The international investment position of the Russian Federation is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6).

2. '+' in columns 2 to 5 denotes net increase in assets or liabilities, '-' denotes their net decrease.

3. Data on portfolio investment (including government securities) are presented at market value.

INTERNATIONAL INVESTMENT POSITION OF THE BANKING SECTOR OF THE RUSSIAN FEDERATION
(MILLIONS OF US DOLLARS)

Table 19

	Position as of 31.12.2020	Transactions	Valuation changes	Other changes	Total changes	Position as of 31.12.2021
	1	2	3	4	5	6
International investment position, net	70,472	5,887	-3,288	-3,771	-1,172	69,300
Assets	194,685	-4,005	15,190	-6,383	4,802	199,488
Direct investment	10,419	604	-852	460	212	10,631
Equity and investment fund shares	9,125	904	-809	469	564	9,689
Debt instruments	1,294	-300	-43	-10	-352	942
Portfolio investment	34,763	4,056	-1,608	-2,658	-210	34,554
Equity	980	126	-331	-62	-267	713
Debt securities	33,783	3,930	-1,277	-2,596	57	33,841
Short-term	619	-604	0	-14	-619	0
Long-term	33,165	4,535	-1,276	-2,582	676	33,841
Financial derivatives	6,735	-22,090	21,795	-18	-312	6,422
Options	1,211	913	-690	0	223	1,434
Forward-type contracts	5,524	-23,003	22,486	-18	-536	4,988
Other investment	142,768	13,425	-4,146	-4,167	5,113	147,881
Other equity	10	-1	1	0	-1	9
Foreign currency	11,108	6,457	-349	-3,743	2,364	13,472
Deposits	46,211	-3,519	-1,110	19	-4,611	41,601
Short-term	39,340	-2,920	-837	-1,789	-5,546	33,794
Long-term	6,871	-599	-273	1,808	935	7,806
Loans	76,126	11,495	-2,306	-237	8,952	85,078
Short-term	9,641	5,094	-297	-2,889	1,907	11,548
Long-term	66,485	6,402	-2,009	2,652	7,044	73,529
Other accounts receivable	9,313	-1,006	-380	-205	-1,592	7,722
Short-term	5,546	13,522	-47	-13,682	-207	5,339
Long-term	3,767	-14,528	-333	13,477	-1,384	2,383
Liabilities	124,214	-9,892	18,478	-2,612	5,974	130,188
Direct investment	23,482	3,042	-1,884	-2,090	-931	22,551
Equity	18,898	2,810	-1,860	-2,061	-1,111	17,787
Debt instruments	4,584	233	-24	-29	179	4,764
Portfolio investment	28,436	-911	2,567	-383	1,274	29,710
Equity	24,836	-1,148	2,487	-18	1,322	26,158
Debt securities	3,599	237	80	-365	-48	3,552
Short-term	607	368	-11	-374	-18	589
Long-term	2,992	-131	92	9	-30	2,962

End of Table 19

	Position as of 31.12.2020	Transactions	Valuation changes	Other changes	Total changes	Position as of 31.12.2021
	1	2	3	4	5	6
Financial derivatives	8,254	-21,252	18,755	-1	-2,498	5,755
Options	877	502	-654	0	-152	725
Forward-type contracts	7,377	-21,755	19,409	-1	-2,347	5,030
Other investment	64,042	9,228	-961	-138	8,130	72,172
Other equity	82	8	0	-22	-14	68
Deposits	60,447	9,630	-904	-101	8,625	69,072
Short-term	26,056	8,930	-472	-211	8,247	34,302
Long-term	34,391	700	-432	110	378	34,770
Loans ¹	93	-309	0	249	-60	34
Short-term	93	-309	0	249	-60	34
Other accounts payable	3,420	-101	-57	-264	-421	2,999
Short-term	2,963	763	-39	-866	-142	2,822
Long-term	457	-864	-19	603	-280	177

¹ Liabilities of banks on securities repurchase agreements with non-residents which are not banks.

Notes. 1. The international investment position of the Russian Federation is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6).

2. The table covers data on credit institutions, excluding non-bank credit institutions, and includes data of State Development Corporation VEB.RF.

3. Forward-type contracts include forwards, swaps and futures.

4. '+' in columns 2 to 5 denotes net increase in assets or liabilities, '-' denotes their net decrease.

5. Column 4 shows, inter alia, assets and liabilities of credit institutions that had their banking licences revoked within the reporting period.

CURRENCY COMPOSITION OF FOREIGN ASSETS AND LIABILITIES OF THE BANKING SECTOR
OF THE RUSSIAN FEDERATION
(PER CENT)

Table 20

	Foreign assets					Foreign liabilities				
	US dollar	Euro	Russian ruble	other currencies	total	US dollar	Euro	Russian ruble	other currencies	total
Dec 2012	59.1	14.0	20.4	6.5	100.0	49.9	5.3	39.8	5.0	100.0
Mar 2013	62.3	14.4	17.5	5.8	100.0	49.9	6.0	39.2	4.9	100.0
June 2013	67.0	11.4	16.0	5.6	100.0	51.5	6.3	37.4	4.9	100.0
Sep 2013	65.2	12.0	16.2	6.5	100.0	51.7	6.5	37.3	4.5	100.0
Dec 2013	65.8	11.2	17.0	6.0	100.0	52.9	7.0	37.3	2.9	100.0
Mar 2014	64.3	12.4	16.6	6.7	100.0	56.0	7.9	32.7	3.4	100.0
June 2014	63.7	13.3	16.9	6.2	100.0	52.9	8.8	35.1	3.3	100.0
Sep 2014	63.4	13.4	16.4	6.7	100.0	55.4	9.8	31.3	3.5	100.0
Dec 2014	67.8	15.5	10.8	5.9	100.0	59.9	10.5	26.1	3.5	100.0
Mar 2015	68.6	14.5	11.1	5.8	100.0	59.9	10.0	26.2	3.8	100.0
June 2015	67.5	13.6	12.8	6.1	100.0	56.7	10.2	29.1	3.9	100.0
Sep 2015	70.7	13.8	10.1	5.4	100.0	58.6	11.5	26.6	3.4	100.0
Dec 2015	71.1	14.9	8.8	5.3	100.0	58.5	11.4	26.8	3.3	100.0
Mar 2016	69.5	15.1	8.9	6.5	100.0	56.7	11.1	28.5	3.7	100.0
June 2016	68.9	14.8	9.8	6.5	100.0	54.1	10.2	32.0	3.7	100.0
Sep 2016	67.8	14.5	10.9	6.8	100.0	52.8	9.9	33.7	3.6	100.0
Dec 2016	67.5	15.5	10.4	6.5	100.0	51.5	8.8	36.8	2.9	100.0
Mar 2017	67.2	16.6	9.9	6.4	100.0	50.4	9.5	37.2	2.9	100.0
June 2017	65.7	17.9	9.9	6.5	100.0	48.9	9.9	38.0	3.1	100.0
Sep 2017	63.7	17.5	11.9	7.0	100.0	45.3	9.6	42.1	3.1	100.0
Dec 2017	61.1	18.4	12.8	7.7	100.0	40.0	12.6	44.1	3.3	100.0
Mar 2018	60.5	19.5	12.8	7.2	100.0	39.4	12.5	44.8	3.3	100.0
June 2018	61.1	20.2	11.8	7.0	100.0	39.6	12.0	44.7	3.7	100.0
Sep 2018	58.8	23.9	10.9	6.4	100.0	39.9	12.6	43.8	3.8	100.0
Dec 2018	56.7	25.1	11.4	6.8	100.0	39.7	12.1	43.6	4.6	100.0
Mar 2019	55.5	24.7	12.7	7.1	100.0	37.2	11.1	47.2	4.5	100.0
June 2019	56.3	23.1	13.4	7.1	100.0	34.4	9.5	51.6	4.5	100.0
Sep 2019	57.4	23.5	13.6	5.6	100.0	35.0	9.5	50.9	4.5	100.0
Dec 2019	53.1	26.3	14.8	5.8	100.0	33.3	8.3	53.9	4.5	100.0
Mar 2020	57.2	25.0	12.3	5.6	100.0	40.1	8.7	45.7	5.4	100.0
June 2020	56.5	24.4	13.3	5.8	100.0	36.7	7.2	50.9	5.2	100.0
Sep 2020	56.2	27.1	11.8	4.9	100.0	36.0	7.6	50.8	5.5	100.0
Dec 2020	52.2	29.7	12.6	5.5	100.0	32.8	6.7	54.5	6.1	100.0
Mar 2021	54.1	28.1	12.2	5.6	100.0	32.2	7.9	54.1	5.8	100.0
June 2021	51.0	29.6	13.4	6.0	100.0	31.6	7.7	53.7	7.0	100.0
Sep 2021	53.3	28.4	12.9	5.4	100.0	32.3	7.7	53.9	6.1	100.0
Dec 2021	52.8	28.5	13.5	5.2	100.0	33.8	7.5	52.3	6.3	100.0

Note. Excluding data on financial derivatives.

FOREIGN ASSETS AND LIABILITIES OF THE BANKING SECTOR OF THE RUSSIAN FEDERATION BY GROUP OF COUNTRIES
AS OF 31 DECEMBER 2021
(MILLIONS OF US DOLLARS)

Table 21

	Foreign assets						Foreign liabilities						Net international position	
	interbank		other		total		interbank		other		total			
	short-term	long-term	short-term	long-term	short-term	long-term	short-term	long-term	short-term	long-term	short-term	long-term	short-term	long-term
Total	52,657	15,762	17,930	113,139	70,586	128,901	20,025	33,136	23,876	53,151	43,900	86,287	26,686	42,614
of which:														
CIS countries	2,611	6,602	1,236	8,463	3,847	15,064	5,392	350	3,190	869	8,581	1,219	-4,734	13,845
of which:														
– EAEU countries	2,240	2,958	574	6,357	2,814	9,315	4,581	218	1,661	577	6,242	795	-3,427	8,520
– other countries	371	3,644	661	2,106	1,032	5,749	811	132	1,528	292	2,339	424	-1,307	5,326
Non-CIS countries	46,216	8,212	16,301	96,255	62,517	104,468	13,202	28,789	18,959	47,896	32,161	76,685	30,356	27,783
of which:														
– EU countries	19,416	5,296	5,543	65,507	24,959	70,804	4,088	11,928	8,917	33,006	13,005	44,934	11,954	25,870
– APEC countries	15,934	567	2,752	4,239	18,686	4,806	1,033	13,538	2,144	8,612	3,177	22,150	15,509	-17,344
– other countries	10,866	2,349	8,005	26,509	18,872	28,858	8,081	3,323	7,898	6,278	15,979	9,601	2,892	19,257
Unallocated by country	3,829	948	331	7,957	4,161	8,905	1,431	3,997	1,126	3,905	2,557	7,902	1,603	1,003
International organisations	0	0	62	464	62	464	0	0	601	482	601	482	-538	-17

INTERNATIONAL RESERVES OF THE RUSSIAN FEDERATION
(BILLIONS OF US DOLLARS)

Table 22

	2020												2021
	31.12	31.01	28.02	31.03	30.04	31.05	30.06	31.07	31.08	30.09	31.10	30.11	31.12
Reserve assets	595.8	590.7	586.3	573.3	590.5	605.2	591.7	601.0	618.2	614.1	624.2	622.5	630.6
Foreign currency assets	457.0	453.9	456.0	448.0	459.6	465.7	461.3	466.1	485.5	485.5	491.4	489.8	497.6
Monetary gold	138.8	136.8	130.3	125.3	130.9	139.5	130.4	134.9	132.7	128.7	132.9	132.7	133.1

RETURN¹ ON BANK OF RUSSIA FOREIGN CURRENCY ASSETS IN 2021²
(PER CENT P.A.)

Table 23

	Actual	Standard
US dollar	0.05	-0.01
Euro	-0.74	-0.77
Pound sterling	-0.32	-0.35
Canadian dollar	-0.14	-0.16
Australian dollar	-0.13	-0.20
Chinese yuan	3.16	2.91
Japanese yen	-0.07	-0.09

¹ Percentage change in the value of the portfolio during one business day. The daily portfolio rate of return is calculated according to this formula:

$$R = \frac{MV_1 - MV_0 \pm CF}{MV_0}$$

where R is the daily portfolio rate of return;

MV_0 is the market value of the portfolio as of the end of the previous day;

MV_1 is the market value of the portfolio as of the end of the day;

CF is the cash flows into or out of the portfolio during the day.

² Cumulative portfolio rate of return is calculated on the basis of the chained indices method. The rate of return over period is calculated according to this formula:

$$R = (1 + R_1) * (1 + R_2) * \dots * (1 + R_n) - 1,$$

where R_i is the portfolio rate of return over day i .

BASIC DERIVED INDICATORS OF RUBLE'S EXCHANGE RATE DYNAMICS IN 2021

Table 24

	January	February	March	April	May	June	July	August	September	October	November	December
Nominal exchange rates of foreign currencies against ruble (rubles per unit of currencies)												
Nominal exchange rate of US dollar against ruble, end of period	76.25	74.44	75.70	74.38	73.59	72.37	73.14	73.57	72.76	70.52	74.98	74.29
Nominal exchange rate of US dollar against ruble, period averages	74.22	74.38	74.41	76.09	74.04	72.51	73.92	73.59	72.89	71.49	72.59	73.72
Nominal exchange rate of US dollar against ruble, period averages from the beginning of the year	74.22	74.30	74.34	74.77	74.63	74.27	74.22	74.14	74.00	73.75	73.64	73.65
Nominal exchange rate of euro against ruble, end of period	92.30	90.37	88.88	90.15	89.67	86.20	86.99	86.81	84.88	82.29	84.48	84.07
Nominal exchange rate of euro against ruble, period averages	90.50	89.94	88.69	90.81	89.89	87.45	87.38	86.63	85.94	82.95	82.93	83.33
Nominal exchange rate of euro against ruble, period averages from the beginning of the year	90.50	90.22	89.70	89.98	89.96	89.54	89.23	88.90	88.56	87.99	87.51	87.16
Percentage change over December 2020¹												
Nominal exchange rate of ruble against US dollar	-0.2	-0.4	-0.5	-2.7	0.0	2.1	0.2	0.6	1.6	3.6	2.0	0.5
Nominal exchange rate of ruble against euro	-0.5	0.1	1.6	-0.8	0.2	3.0	3.1	4.0	4.8	8.6	8.6	8.1
Nominal effective exchange rate of ruble vis-à-vis foreign currencies	-0.6	-0.7	0.7	-1.1	0.3	2.7	2.1	2.6	3.5	6.7	6.5	6.8
Real exchange rate of ruble against US dollar	0.1	0.3	0.3	-2.1	0.7	2.7	0.5	0.8	2.0	4.3	3.2	2.2
Real exchange rate of ruble against euro	-0.0	0.9	2.5	0.2	1.6	4.9	4.8	5.5	6.8	11.0	11.6	11.4
Real effective exchange rate of ruble vis-à-vis foreign currencies	-0.7	-0.6	1.2	-0.4	1.4	4.2	3.5	3.8	4.9	8.4	8.7	9.1
Percentage change over previous period¹												
Nominal exchange rate of ruble against US dollar	-0.2	-0.2	-0.0	-2.2	2.8	2.1	-1.9	0.4	1.0	2.0	-1.5	-1.5
Nominal exchange rate of ruble against euro	-0.5	0.6	1.4	-2.3	1.0	2.8	0.1	0.9	0.8	3.6	0.0	-0.5
Nominal effective exchange rate of ruble vis-à-vis foreign currencies	-0.6	-0.1	1.4	-1.8	1.4	2.4	-0.6	0.5	0.9	3.1	-0.2	0.3
Real exchange rate of ruble against US dollar	0.1	0.2	0.0	-2.4	2.9	1.9	-2.1	0.3	1.2	2.3	-1.1	-1.0
Real exchange rate of ruble against euro	-0.0	0.9	1.6	-2.3	1.5	3.2	-0.1	0.7	1.3	3.9	0.5	-0.2
Real effective exchange rate of ruble vis-à-vis foreign currencies	-0.7	0.1	1.8	-1.7	1.9	2.8	-0.7	0.3	1.0	3.4	0.3	0.3
Percentage change over corresponding period of 2020¹												
	January	January–February	January–March	January–April	January–May	January–June	January–July	January–August	January–September	January–October	January–November	January–December
Nominal exchange rate of ruble against US dollar	-16.8	-15.5	-11.1	-8.7	-7.4	-6.9	-6.4	-5.6	-4.6	-3.4	-2.6	-2.3
Nominal exchange rate of ruble against euro	-24.1	-23.3	-18.7	-16.6	-15.7	-14.9	-13.8	-12.1	-10.5	-8.6	-7.0	-5.9
Nominal effective exchange rate of ruble vis-à-vis foreign currencies	-18.7	-18.0	-13.9	-12.0	-11.2	-10.7	-10.0	-8.8	-7.6	-6.1	-4.8	-3.9
Real exchange rate of ruble against US dollar	-13.7	-12.3	-8.0	-6.1	-5.2	-4.9	-4.6	-3.9	-2.9	-1.6	-0.8	-0.6
Real exchange rate of ruble against euro	-20.8	-19.8	-15.1	-13.0	-12.2	-11.3	-10.2	-8.5	-6.8	-4.9	-3.3	-2.2
Real effective exchange rate of ruble vis-à-vis foreign currencies	-16.3	-15.5	-11.3	-9.6	-8.8	-8.3	-7.6	-6.4	-5.1	-3.5	-2.3	-1.4

¹ '+' denotes appreciation of the Russian ruble vis-à-vis foreign currencies, '-' denotes depreciation of the Russian ruble vis-à-vis foreign currencies.

EXTERNAL DEBT OF THE RUSSIAN FEDERATION
(MILLIONS OF US DOLLARS)

Table 25

	31.12.2020	31.03.2021	30.06.2021	30.09.2021	31.12.2021
Total	467,042	461,680	472,432	489,668	479,962
General government	65,062	61,085	62,562	67,737	62,079
Federal government	64,969	60,995	62,462	67,643	61,995
New Russian debt	64,597	60,625	62,126	67,307	61,694
Multilateral creditors	291	294	256	258	228
<i>IBRD</i>	249	253	218	221	194
<i>Other</i>	42	41	38	37	34
Foreign currency bonds	21,071	20,415	20,586	20,531	19,959
<i>Eurobonds</i>	20,919	20,138	20,276	20,267	19,686
<i>Eurobonds (related to the second London Club debt restructuring)</i>	152	277	310	265	274
Ruble-denominated bonds	43,190	39,877	41,250	46,488	41,483
<i>OFZ</i>	43,190	39,877	41,250	46,488	41,483
<i>Eurobonds</i>	0	0	0	0	0
Other debt liabilities	44	39	34	29	24
Debt of the former USSR	372	371	336	336	301
Debt owed to former socialist countries	23	21	22	22	22
Other official creditors	350	350	315	315	280
Local government	93	89	99	94	84
Ruble-denominated bonds	93	89	99	94	84
Central bank	12,902	14,856	15,014	31,536	34,256
Loans	2,540	4,485	4,568	3,882	7,023
Currency and deposits	2,191	2,331	2,355	2,238	1,984
Other (SDR allocations)	8,170	8,039	8,091	25,417	25,250
Banks	72,143	74,481	75,164	78,563	80,419
Debt liabilities to direct investors and to direct investment enterprises	4,584	5,626	4,091	4,621	4,764
Loans	93	51	15	11	34
Currency and deposits	60,447	62,441	64,413	67,331	69,072
Debt securities	3,599	3,555	3,761	3,833	3,552
Other debt liabilities	3,420	2,809	2,883	2,767	2,999
Other sectors	316,935	311,260	319,693	311,833	303,207
Debt liabilities to direct investors and to direct investment enterprises	138,200	129,296	132,536	133,138	129,915
Loans and deposits	139,835	134,530	132,780	129,262	120,929
Debt securities	8,563	8,498	9,171	8,984	8,859
Trade credits	13,180	15,323	17,050	14,331	16,051
Financial leases	13,424	19,353	20,159	20,300	20,019
Other debt liabilities	3,732	4,258	7,998	5,818	7,433

Notes. 1. Information on external debt is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) and in the External Debt Statistics. Guide for Compilers and Users (2013).

2. Included is the indebtedness in domestic and foreign currencies.

3. Only non-resident holdings of government securities are reported. Data are presented at face value.

4. Debt securities of other sectors are stated at face value since 31 December 2017.

5. Data on banks include data of State Development Corporation VEB.RF.

EXTERNAL DEBT OF THE RUSSIAN FEDERATION
(IN DOMESTIC AND FOREIGN CURRENCIES BY MATURITY, MILLIONS OF US DOLLARS)

Table 26

	31.12.2020	31.03.2021	30.06.2021	30.09.2021	31.12.2021
Total	467,042	461,680	472,432	489,668	479,962
Foreign currency	338,908	338,502	340,174	353,336	347,447
Domestic currency	128,134	123,179	132,258	136,332	132,515
General government	65,062	61,085	62,562	67,737	62,079
Foreign currency	21,778	21,118	21,213	21,154	20,512
Short-term	44	39	34	29	24
Long-term	21,734	21,080	21,179	21,126	20,488
Domestic currency	43,284	39,966	41,349	46,582	41,567
Short-term	0	0	0	0	0
Long-term	43,284	39,966	41,349	46,582	41,567
Central bank	12,902	14,856	15,014	31,536	34,256
Foreign currency	10,710	12,524	12,660	29,298	32,273
Short-term	2,540	4,485	4,568	3,882	7,023
Long-term	8,170	8,039	8,091	25,417	25,250
Domestic currency	2,191	2,331	2,354	2,238	1,984
Short-term	2,191	2,331	2,354	2,238	1,984
Long-term	0	0	0	0	0
Banks (excluding debt liabilities to direct investors and to direct investment enterprises)	67,559	68,855	71,073	73,942	75,656
Foreign currency	48,918	51,000	53,828	55,365	55,216
Short-term	17,549	18,571	20,912	23,064	22,865
Long-term	31,369	32,430	32,916	32,301	32,351
Domestic currency	18,641	17,854	17,244	18,577	20,440
Short-term	12,170	11,670	11,270	12,765	14,882
Long-term	6,471	6,184	5,974	5,812	5,558
Other sectors (excluding debt liabilities to direct investors and to direct investment enterprises)	178,735	181,963	187,157	178,694	173,292
Foreign currency	142,256	145,588	144,949	139,470	133,169
Short-term	16,351	19,050	20,373	18,430	19,757
Long-term	125,905	126,538	124,577	121,040	113,412
Domestic currency	36,478	36,375	42,207	39,225	40,123
Short-term	6,210	6,309	10,545	7,618	10,101
Long-term	30,268	30,066	31,662	31,607	30,021
Banks and other sectors — debt liabilities to direct investors and to direct investment enterprises	142,784	134,922	136,627	137,759	134,679
Foreign currency	115,245	108,271	107,524	108,049	106,277
Domestic currency	27,539	26,652	29,104	29,710	28,402

Notes. 1. Information on external debt is compiled on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) and in the External Debt Statistics. Guide for Compilers and Users (2013).

2. Included is the indebtedness in domestic and foreign currencies.

3. Only non-resident holdings of government securities are reported. Data are presented at face value.

4. Debt securities of other sectors are stated at face value since 31 December 2017.

5. Data on banks include data of State Development Corporation VEB.RF.

MONEY SUPPLY (NATIONAL DEFINITION) AND ITS STRUCTURE

Table 27

	As of 31.12.2020		As of 31.12.2021		31.12.2021 as a percentage of 31.12.2020
	billions of rubles	per cent	billions of rubles	per cent	
Money supply (M2), total	58,652.1	100.0	66,252.9	100.0	113.0
of which:					
– currency in circulation (M0) ¹	12,523.9	21.4	13,200.4	19.9	105.4
– deposits	46,128.2	78.6	53,052.5	80.1	115.0
of which:					
– non-financial organisations and financial institutions ²	19,093.9	32.6	24,001.6	36.2	125.7
– households	27,034.3	46.1	29,050.9	43.8	107.5

¹ Currency in circulation outside the banking system.² Except credit institutions.

MONETARY BASE (BROAD DEFINITION) AND ITS STRUCTURE

Table 28

	As of 31.12.2020		As of 31.12.2021		31.12.2021 as a percentage of 31.12.2020
	billions of rubles	per cent	billions of rubles	per cent	
Monetary base (broad definition)	18,472.4	100.0	20,338.9	100.0	110.1
of which:					
– currency issued (including cash in vaults of credit institutions) ¹	13,419.6	72.6	14,068.1	69.2	104.8
– correspondent account balances of credit institutions with the Bank of Russia ²	2,548.5	13.8	2,650.6	13.0	104.0
– required reserves ³	713.6	3.9	815.3	4.0	114.3
– credit institutions balances in deposit accounts with the Bank of Russia	1,220.7	6.6	2,805.0	13.8	229.8
– Bank of Russia bonds (OBRs) held by banks ⁴	570.0	3.1	0	0	–

¹ Excluding cash rubles in Bank of Russia vaults, ATMs and in transit, as well as precious metal coins in circulation.² Balances in correspondent accounts in the currency of the Russian Federation and the averaged amount of required reserves.³ Balances in required reserve accounts deposited by credit institutions with the Bank of Russia against their attracted funds.⁴ Market value.

INTEREST RATES ON MONETARY POLICY INSTRUMENTS¹
(PER CENT P.A.)

Table 29

Purpose	Type of instrument	Instrument	Maturity	Frequency	Interest rates as spreads to the key rate, percentage points	As of 01.01.2021	From 22.03.2021	From 26.04.2021	From 15.06.2021	From 26.07.2021	From 13.09.2021	From 25.10.2021	From 20.12.2021
Liquidity provision	Standing facilities	Overnight loans; lombard loans; loans secured by non-marketable assets; repos; FX swaps ²	1 day	Daily	+1.00	5.25	5.50	6.00	6.50	7.50	7.75	8.50	9.50
		Loans secured by non-marketable assets	2 to 549 days ³		+1.75	6.00	6.25	6.75	7.25	8.25	8.50	9.25	10.25
	Open market operations (minimum interest rates)	Auctions to provide loans secured by non-marketable assets	3 months ³	Monthly ⁴	+0.25	4.50	4.75	5.25	5.75	6.75	7.00	7.75	8.75
			1 year ³		+0.10	4.35	4.60	5.10	5.60	6.60	6.85	7.60	8.60
		Repo auctions	1 month	Weekly ⁵	0.00	4.25 (key rate)	4.50 (key rate)	5.00 (key rate)	5.50 (key rate)	6.50 (key rate)	6.75 (key rate)	7.50 (key rate)	8.50 (key rate)
			1 week										
1 to 6 days	Occasionally ⁶												
FX swap auctions ²	1 to 2 days												
Liquidity absorption	Open market operations (maximum interest rates)	Deposit auctions	1 to 6 days	Weekly ⁵	0.00	4.25 (key rate)	4.50 (key rate)	5.00 (key rate)	5.50 (key rate)	6.50 (key rate)	6.75 (key rate)	7.50 (key rate)	8.50 (key rate)
			1 week										
	Standing facilities	Deposit operations	1 day	Daily	-1.00	3.25	3.50	4.00	4.50	5.50	5.75	6.50	7.50

¹ The rates are set by the Bank of Russia Board of Directors.

² The interest rate is given for the ruble leg; the interest rate on the foreign currency leg equals LIBOR on overnight loans in US dollars or euros (depending on the currency of transactions).

³ Loans and repo operations conducted at a floating interest rate linked to the Bank of Russia key rate.

⁴ Loan auctions were discontinued in April 2016, repo auctions were introduced in May 2020.

⁵ Either a repo or a deposit auction is held depending on the situation with liquidity.

⁶ Fine-tuning operations.

Memo item: from 1 January 2016, the value of the Bank of Russia refinancing rate equals its key rate as of the respective date.

Source: Bank of Russia.

MONETARY POLICY INSTRUMENTS
(BILLIONS OF RUBLES)

Table 30

Purpose	Type of instrument	Instrument	Maturity	Frequency	Bank of Russia claims under liquidity provision instruments and liabilities under liquidity absorption instruments				
					as of 01.01.2021	as of 01.04.2021	as of 01.07.2021	as of 01.10.2021	as of 01.01.2022
Liquidity provision	Standing facilities	Overnight loans	1 day	Daily	5.4	0.0	0.0	0.0	0.0
		Lombard loans			0.0	0.0	0.0	0.0	0.0
		Repo operations			0.1	0.4	0.4	10.6	2.6
		FX swaps			118.4	0.0	0.0	0.0	0.0
		Loans secured by non-marketable assets	1 to 549 days		5.1	246.1	5.4	35.2	790.1
	Open market operations	Auctions to provide loans secured by non-marketable assets	3 months	Monthly ¹	0.0	0.0	0.0	0.0	0.0
		Repo auctions	1 year		36.7	52.6	47.9	47.9	15.6
			1 month		810.2	50.2	100.4	60.3	100.8
		FX swap auctions	1 week	Weekly ²	0.0	0.0	0.0	0.0	0.0
			1 to 6 days		0.0	0.0	0.0	0.0	0.0
Liquidity absorption	Open market operations	Deposit auctions	1 to 6 days	Occasionally ³	843.9	1,650.0	1,190.7	780.0	1,625.9
			1 week						
	Standing facilities	Auctions for the placement of coupon OBRs	Up to 3 months	Weekly ⁴	574.9	645.1	626.4	603.4	0.0
		Deposit operations	1 day	Daily	376.7	122.1	123.5	243.1	1,177.9

¹ Loan auctions were discontinued in April 2016, repo auctions were introduced in May 2020.

² Either a repo or a deposit auction is held depending on the situation with liquidity.

³ Fine-tuning operations.

⁴ New issues of coupon OBRs are usually placed once a month, and after that they are placed on a weekly basis. If the reporting date falls on a weekend or holiday, the indicated amount of outstanding Bank of Russia coupon OBRs includes the accrued coupon interest as of the first working day following the reporting date.

Source: Bank of Russia.

INTEREST RATES ON BANK OF RUSSIA SPECIALISED REFINANCING FACILITIES¹

Table 31

Area of indirect support of bank lending	Maturity	Security	Interest rate on loans ² (rules and levels, per cent p.a.)									
			Rule	as of 01.01.2021	from 22.03.2021	from 26.04.2021	from 15.06.2021	from 26.07.2021	from 13.09.2021	from 25.10.2021	from 01.11.2021	from 20.12.2021
Large investment projects	Up to 3 years	Receivables on bank loans to implement investment projects, obligations under which are secured by state guarantees of the Russian Federation	The least of the two values: 9.00% p.a. or the key rate less 1.00 pp	3.25	3.50	4.00	4.50	5.50	5.75	6.50	6.50	7.50
Non-commodity exports	Up to 3 years	Credit claims on agreements backed by insurance contracts of JSC EXIAR	The least of the two values: 6.50% p.a. or the key rate	4.25	4.50	5.00	5.50	6.50	6.50	6.50	6.50	6.50
Leasing ³	Up to 3 years	Credit claims on leasing companies	The least of the two values: 6.50% p.a. or the key rate	4.25	4.50	5.00	5.50	6.50	6.50	6.50	6.50	—
Small and medium-sized enterprises	Up to 3 years	Credit claims on agreements of JSC SME Bank ⁴	Bank of Russia key rate less 1.5 pp ⁵	4.00	4.00	4.00	4.00	5.00	5.25	6.00	6.00	7.00
		Surety of JSC Russian Small and Medium Business Corporation		4.00	4.00	4.00	4.00	5.00	5.25	6.00	6.00	7.00
Small and medium-sized enterprises during anti-pandemic restrictions in 2021 ⁶	Up to 1.5 years	Surety of JSC Russian Small and Medium Business Corporation	No	—	—	—	—	—	—	—	4.00	4.00
Small and medium-sized enterprises during anti-pandemic restrictions in 2020 ⁷	1 year	No collateral	No	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	—
Urgent needs and employment support during anti-pandemic restrictions in 2020 ⁸	Up to 1 year	Surety of JSC Russian Small and Medium Business Corporation	No	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	—
		No collateral										

¹ Specialised refinancing facilities are Bank of Russia instruments aimed at encouraging bank lending to certain segments of the economy whose development is hampered by structural factors. Under these facilities, the Bank of Russia provides funds to credit institutions at lower rates and for longer maturities compared with standard Bank of Russia operations.

² Interest rates set by the Bank of Russia Board of Directors, at which new loans are granted starting from the specified date or new loans could be granted if their provision would not have been suspended or discontinued.

³ Loan issuance discontinued from 1 July 2021.

⁴ Loan issuance discontinued from 23 August 2021, claims under loans granted by JSC SME Bank to its partner banks and microfinance organisations under the SME Financial Support Programme for lending to SMEs and to its partner leasing companies for property leasing to SMEs.

⁵ Over the period from 23 March 2020 to 25 July 2021, the interest rate equalled 4% p.a.

⁶ Loans aimed to support lending to small and medium-sized enterprises operating in Russia's economic sectors most affected by the coronavirus pandemic. In 2021, loans were issued from 1 November through 30 December.

⁷ Loans were issued from April 2020 through 30 September 2020.

⁸ Loans were issued from April 2020 through 30 November 2020.

Source: Bank of Russia.

USAGE OF BANK OF RUSSIA SPECIALISED REFINANCING FACILITIES¹

Table 32

Area of indirect support of bank lending	Maturity	Security	Bank of Russia claims, billions of rubles					Limit, billions of rubles
			As of 01.01.2021	As of 01.04.2021	As of 01.07.2021	As of 01.10.2021	As of 01.01.2022	In 2021
Large investment projects	Up to 3 years	Receivables on bank loans to implement investment projects, obligations under which are secured by state guarantees of the Russian Federation	68.0	64.7	61.1	55.8	52.6	150.0
Non-commodity exports	Up to 3 years	Credit claims on agreements backed by insurance contracts of JSC EXIAR	44.9	38.8	36.8	42.5	45.0	75.0
Leasing ²	Up to 3 years	Credit claims on leasing companies	0.0	0.0	0.0	0.0	—	10.0
Small and medium-sized enterprises	Up to 3 years	Credit claims on agreements of JSC SME Bank ³	4.2	3.8	3.2	2.9	2.2	175.0
		Surety of JSC Russian Small and Medium Business Corporation	42.5	43.2	57.1	75.8	75.0	
Small and medium-sized enterprises during anti-pandemic restrictions in 2021 ⁴	Up to 1.5 years	Surety of JSC Russian Small and Medium Business Corporation	—	—	—	—	26.8	including 60.0
Small and medium-sized enterprises during anti-pandemic restrictions in 2020 ⁵	1 year	No collateral	392.6	392.6	128.9	0.0	—	500.0
Urgent needs and employment support during anti-pandemic restrictions in 2020 ⁶	Up to 1 year	Surety of JSC Russian Small and Medium Business Corporation	0.1	0.1	0.0	0.0	—	
		No collateral	61.6	61.6	43.0	10.9	—	

¹ Specialised refinancing facilities aimed at encouraging bank lending to certain segments of the economy whose development is hampered by structural factors. Under these facilities, the Bank of Russia provides funds to credit institutions at lower rates and for longer maturities compared with standard Bank of Russia operations.

² Loan issuance discontinued from 1 July 2021.

³ Loan issuance discontinued from 23 August 2021, claims under loans granted by JSC SME Bank to its partner banks and microfinance organisations under the SME Financial Support Programme for lending to SMEs and to its partner leasing companies for property leasing to SMEs.

⁴ Loans aimed to support lending to small and medium-sized enterprises operating in Russia's economic sectors most affected by the coronavirus pandemic. In 2021, loans were issued from 1 November through 30 December.

⁵ Loans were issued from April 2020 through 30 September 2020.

⁶ Loans were issued from April 2020 through 30 November 2020.

BANKING SECTOR SURVEY
(BILLIONS OF RUBLES)

Table 33

	As of 31.12.2020	As of 31.12.2021	31.12.2021 as a percentage of 31.12.2020
Net foreign assets	51,967.5	53,257.0	102.5
Claims on non-residents	58,078.1	61,672.4	106.2
Monetary gold and SDR	10,767.5	11,685.3	108.5
Foreign currency and deposits	14,992.7	18,395.9	122.7
Debt securities	24,979.8	23,836.8	95.4
– in rubles	197.5	226.8	114.8
– in foreign currency	24,782.2	23,610.0	95.3
Loans	6,605.9	6,931.9	104.9
– in rubles	1,225.0	1,344.6	109.8
– in foreign currency	5,380.8	5,587.3	103.8
Equity and investment fund shares	715.9	800.5	111.8
– in rubles	30.6	16.0	52.3
– in foreign currency	685.2	784.5	114.5
Other claims	16.4	22.0	134.1
– in rubles	5.1	4.3	84.3
– in foreign currency	11.3	17.7	156.6
Liabilities to non-residents	6,110.6	8,415.4	137.7
Deposits	5,053.0	5,742.3	113.6
– in rubles	1,183.8	1,323.1	111.8
– in foreign currency	3,869.3	4,419.2	114.2
Debt securities	217.6	228.7	105.1
– in rubles	217.6	228.7	105.1
– in foreign currency	0.0	0.0	—
Loans	230.7	562.1	243.6
– in rubles	3.6	7.4	205.6
– in foreign currency	227.0	554.7	244.4
SDR allocations	603.6	1,875.9	310.8
Other	5.7	6.4	112.3
– in rubles	0.7	0.8	114.3
– in foreign currency	5.0	5.7	114.0
Domestic claims	70,474.9	79,934.6	113.4
Net claims on general government	–7,583.2	–9,002.7	118.7
Claims on federal government	8,731.2	10,323.8	118.2
Debt securities	8,654.8	10,262.4	118.6
– in rubles	8,001.5	9,474.0	118.4
– in foreign currency	653.4	788.4	120.7
Loans	76.4	61.4	80.4
– in rubles	76.4	61.4	80.4
– in foreign currency	0.0	0.0	—
Other claims	0.0	0.0	—
– in rubles	0.0	0.0	—
– in foreign currency	0.0	0.0	—
Claims on state and local government	1,264.8	898.2	71.0
Debt securities	456.1	436.9	95.8
– in rubles	456.1	436.9	95.8
– in foreign currency	0.0	0.0	—

Continue of Table 33

	As of 31.12.2020	As of 31.12.2021	31.12.2021 as a percentage of 31.12.2020
Loans	808.6	461.3	57.0
– in rubles	808.5	461.2	57.0
– in foreign currency	0.1	0.1	100.0
Other claims	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Liabilities to federal government	15,688.4	18,625.0	118.7
Deposits	14,887.0	17,247.6	115.9
– in rubles	5,941.3	5,526.4	93.0
– in foreign currency	8,945.7	11,721.3	131.0
Other liabilities	801.3	1,377.4	171.9
– in rubles	600.0	1,142.6	190.4
– in foreign currency	201.3	234.8	116.6
Liabilities to state and local government	1,890.8	1,599.7	84.6
Deposits	1,890.8	1,599.7	84.6
– in rubles	1,890.7	1,599.7	84.6
– in foreign currency	0.1	0.0	–
Other liabilities	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Claims on other sectors	78,058.0	88,937.3	113.9
– in rubles	68,673.9	79,769.6	116.2
– in foreign currency	9,384.1	9,167.7	97.7
Claims on other financial corporations	13,155.1	14,116.3	107.3
In rubles	10,947.4	11,774.9	107.6
– debt securities	1,354.5	1,441.0	106.4
– loans	7,494.3	8,144.5	108.7
– other claims	2,098.6	2,189.3	104.3
In foreign currency	2,207.7	2,341.5	106.1
– debt securities	55.0	43.1	78.4
– loans	1,569.4	1,780.8	113.5
– other claims	583.3	517.7	88.8
Claims on non-financial organisations	43,314.4	48,474.3	111.9
In rubles	36,250.0	41,737.1	115.1
– debt securities	1,894.2	2,146.2	113.3
– loans	31,341.2	36,023.5	114.9
– other claims	3,014.6	3,567.4	118.3
In foreign currency	7,064.4	6,737.1	95.4
– debt securities	10.8	57.2	529.6
– loans	6,829.0	6,453.2	94.5
– other claims	224.6	226.7	100.9
Claims on households	21,588.5	26,346.7	122.0
In rubles	21,476.5	26,257.6	122.3
– debt securities	0.0	0.0	–
– loans	21,476.5	26,257.6	122.3
– other claims	0.0	0.0	–

End of Table 33

	As of 31.12.2020	As of 31.12.2021	31.12.2021 as a percentage of 31.12.2020
In foreign currency	112.0	89.1	79.6
– debt securities	0.0	0.0	–
– loans	112.0	89.1	79.6
– other claims	0.0	0.0	–
Broad money liabilities	75,284.8	83,761.5	111.3
Money supply (national definition)	58,652.1	66,252.9	113.0
In rubles			
Currency outside banking system	12,523.9	13,200.4	105.4
Transferable deposits	19,261.7	22,808.3	118.4
Other financial institutions	508.7	651.1	128.0
Non-financial organisations	8,404.3	10,275.2	122.3
Households	10,348.7	11,882.0	114.8
Other deposits	26,866.5	30,244.2	112.6
Other financial institutions	1,766.5	2,295.9	130.0
Non-financial organisations	8,414.4	10,779.4	128.1
Households	16,685.6	17,168.9	102.9
In foreign currency	16,619.2	17,502.9	105.3
Transferable deposits	0.0	0.0	–
Other financial institutions	0.0	0.0	–
Non-financial organisations	0.0	0.0	–
Households	0.0	0.0	–
Other deposits	16,619.2	17,502.9	105.3
Other financial institutions	414.2	482.2	116.4
Non-financial organisations	9,591.5	10,304.9	107.4
Households	6,613.5	6,715.8	101.5
Securities other than shares included in broad money ¹	13.5	5.8	43.0
Other financial institutions	0.0	0.0	–
Non-financial organisations	0.9	0.0	–
Households	12.6	5.8	46.0
Deposits excluded from broad money	1,266.3	1,307.6	103.3
Debt securities excluded from broad money	2,486.5	2,737.2	110.1
Shares and other equity	28,213.1	28,294.9	100.3
Other items (net)	15,191.7	17,090.4	112.5
Other liabilities, of which	23,258.1	25,412.6	109.3
– escrow accounts of households ²	1,177.4	3,035.8	257.8
Other assets	7,219.3	7,474.9	103.5
Consolidation adjustment	–847.2	–847.3	–

¹ Certificates of deposit and savings certificates.² Escrow accounts for the contracts for participation in shared-equity construction and for purchases of real estate.

CREDIT INSTITUTIONS SURVEY
(BILLIONS OF RUBLES)

Table 34

	As of 31.12.2020	As of 31.12.2021	31.12.2021 as a percentage of 31.12.2020
Net foreign assets	8,936.1	8,666.3	97.0
Claims on non-residents	14,252.3	14,680.5	103.0
Foreign currency and deposits	4,749.3	4,663.6	98.2
Debt securities	2,664.8	2,590.2	97.2
Loans	6,109.3	6,607.8	108.2
Equity and investment fund shares	715.9	800.5	111.8
Other claims	13.0	18.3	140.8
Liabilities to non-residents	5,316.2	6,014.2	113.1
Deposits	5,049.9	5,738.8	113.6
Debt securities	217.6	228.7	105.1
Loans	43.0	40.3	93.7
Other liabilities	5.7	6.4	112.3
Claims on central bank	5,949.9	7,140.9	120.0
Currency	895.7	867.8	96.9
Deposits, of which	4,484.3	6,273.2	139.9
– required reserves	713.6	815.3	114.3
Debt securities	570.0	0.0	–
Net claims on general government	4,409.5	3,285.4	74.5
Claims on federal government	8,434.7	10,072.2	119.4
Debt securities	8,358.3	10,010.8	119.8
– in rubles	7,788.6	9,261.2	118.9
– in foreign currency	569.7	749.6	131.6
Loans	76.4	61.4	80.4
– in rubles	76.4	61.4	80.4
– in foreign currency	0.0	0.0	–
Other claims	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Claims on state and local government	1,264.8	898.2	71.0
Debt securities	456.1	436.9	95.8
– in rubles	456.1	436.9	95.8
– in foreign currency	0.0	0.0	–
Loans	808.6	461.3	57.0
– in rubles	808.5	461.2	57.0
– in foreign currency	0.1	0.1	100.0
Other claims	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–

Continue of Table 34

	As of 31.12.2020	As of 31.12.2021	31.12.2021 as a percentage of 31.12.2020
Liabilities to federal government	4,440.5	6,236.3	140.4
Deposits	4,040.5	5,093.7	126.1
– in rubles	4,028.5	5,071.2	125.9
– in foreign currency	12.0	22.5	187.5
Other liabilities	400.0	1,142.6	285.7
– in rubles	400.0	1,142.6	285.7
– in foreign currency	0.0	0.0	–
Liabilities to state and local government	849.5	1,448.7	170.5
Deposits	849.5	1,448.7	170.5
– in rubles	849.4	1,448.7	170.6
– in foreign currency	0.1	0.0	0.0
Other liabilities	0.0	0.0	–
– in rubles	0.0	0.0	–
– in foreign currency	0.0	0.0	–
Claims on other sectors	76,476.4	87,522.2	114.4
– in rubles	67,092.3	78,354.4	116.8
– in foreign currency	9,384.1	9,167.7	97.7
Claims on other financial institutions	11,574.9	12,702.4	109.7
In rubles	9,367.2	10,360.9	110.6
– debt securities	1,354.5	1,441.0	106.4
– loans	6,002.6	6,817.2	113.6
– other claims	2,010.2	2,102.7	104.6
In foreign currency	2,207.7	2,341.5	106.1
– debt securities	55.0	43.1	78.4
– loans	1,569.4	1,780.8	113.5
– other claims	583.3	517.7	88.8
Claims on non-financial organisations	43,313.0	48,473.0	111.9
In rubles	36,248.5	41,735.9	115.1
– debt securities	1,894.2	2,146.2	113.3
– loans	31,341.2	36,023.5	114.9
– other claims	3,013.1	3,566.2	118.4
In foreign currency	7,064.4	6,737.1	95.4
– debt securities	10.8	57.2	529.6
– loans	6,829.0	6,453.2	94.5
– other claims	224.6	226.7	100.9
Claims on households	21,588.5	26,346.7	122.0
In rubles	21,476.5	26,257.6	122.3
– debt securities	0.0	0.0	–
– loans	21,476.5	26,257.6	122.3
– other claims	0.0	0.0	–

End of Table 34

	As of 31.12.2020	As of 31.12.2021	31.12.2021 as a percentage of 31.12.2020
In foreign currency	112.0	89.1	79.6
– debt securities	0.0	0.0	–
– loans	112.0	89.1	79.6
– other claims	0.0	0.0	–
Liabilities to central bank	3,718.3	3,179.4	85.5
In rubles	3,696.1	3,177.2	86.0
– loans and deposits, of which:	3,696.1	3,177.2	86.0
– repos	846.8	118.9	14.0
– debt securities	0.0	0.0	–
– other liabilities	0.0	0.0	–
In foreign currency	22.2	2.1	9.5
– loans and deposits, of which:	22.2	2.1	9.5
– repos	0.0	0.0	–
– debt securities	0.0	0.0	–
– other liabilities	0.0	0.0	–
Deposits included in broad money	62,727.9	70,529.7	112.4
In rubles	46,108.7	53,026.8	115.0
Transferable deposits	19,247.1	22,790.9	118.4
Other financial institutions	505.0	644.7	127.7
Non-financial organisations	8,393.4	10,264.2	122.3
Households	10,348.7	11,882.0	114.8
Other deposits	26,861.5	30,236.0	112.6
Other financial institutions	1,761.6	2,287.7	129.9
Non-financial organisations	8,414.4	10,779.4	128.1
Households	16,685.6	17,168.9	102.9
In foreign currency	16,619.2	17,502.9	105.3
Transferable deposits	0.0	0.0	–
Other financial institutions	0.0	0.0	–
Non-financial organisations	0.0	0.0	–
Households	0.0	0.0	–
Other deposits	16,619.2	17,502.9	105.3
Other financial institutions	414.2	482.2	116.4
Non-financial organisations	9,591.5	10,304.9	107.4
Households	6,613.5	6,715.8	101.5
Debt securities included in broad money ¹	13.5	5.8	43.0
Deposits excluded from broad money	1,266.3	1,307.6	103.3
Debt securities excluded from broad money	2,486.5	2,737.2	110.1
Shares and other equity	10,690.1	12,316.3	115.2
Other items (net)	14,869.3	16,538.8	111.2
Other liabilities, of which	21,856.7	23,861.1	109.2
– escrow accounts of households ²	1,177.4	3,035.8	257.8
Other assets	6,636.6	7,008.3	105.6
Consolidation adjustment	–350.8	–313.9	–

¹ Certificates of deposit and savings certificates.² Escrow accounts for the contracts for participation in shared-equity construction and for purchases of real estate.

MEASURES TAKEN AGAINST CREDIT INSTITUTIONS IN 2021

Table 35

No.	Measures	Number of credit institutions
Measures taken as part of advisory supervision		
1	Notifying in writing the management and/or board of directors (supervisory board) of a credit institution of shortcomings in its work, and recommending remedial actions	394
2	Calling a meeting ¹	344
Measures applied in line with Article 74 of Federal Law No. 86-FZ		
3	Fines ²	151
	of which:	
3.1	for non-compliance with reserve requirements	14
3.2	for breaches of federal laws and Bank of Russia regulations and instructions issued in pursuance thereof and for non-reporting, under-reporting, or false reporting	144
4	Restrictions on individual banking operations conducted by credit institutions ²	31
	of which:	
4.1	taking household funds on deposit	17
4.2	settlements on behalf of corporate entities relating to funds transfers to budgets of all levels and government extra-budgetary funds	—
4.3	opening bank accounts to corporate entities and households	17
4.4	interest rate on bank deposit agreements concluded (prolongated) during the restriction period	—
5	Prohibiting credit institutions from conducting certain banking operations ²	—
	of which:	
5.1	taking household funds on deposit	—
5.2	opening bank accounts to households, including unallocated metal accounts (demand and time accounts)	—
5.3	other	—
	Memo item	
	Bans on taking household funds on deposit and opening bank accounts to households imposed on credit institutions pursuant to Article 48 of Federal Law No. 177-FZ ³	—
6	Prescriptive orders ²	255
	of which:	
6.1	orders to comply with Bank of Russia required ratios	2
6.2	orders to replace persons whose positions are indicated in Article 60 of Federal Law No. 86-FZ due to their failure to comply with the qualification requirements and/or requirements for business reputation in accordance with Russian laws	13
6.3	orders to reclassify receivables	111
6.4	orders to build up loan loss provisions	132
7	Prohibiting credit institutions from opening branches	1
8	Appointing provisional administrations to credit institutions without revoking their licences (including provisional administrations whose functions have been assigned to the DIA and the FBSC AMC Ltd.)	1
9	Banking licence revocation	26

¹ This does not include meetings conducted at the CI's request.² The number of credit institutions indicated under clauses 3 to 6 differs from the sub-clauses total, as in some cases banks have been subjected to several measures and placed under several sub-clauses.³ Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Deposits with Russian Banks'.STATE CORPORATION DEPOSIT INSURANCE AGENCY'S DEBT
TO THE BANK OF RUSSIA
(MILLIONS OF RUBLES)

Table 36

	01.01.2021	01.01.2022
Bank of Russia loans, total	1,451,494	1,287,070
of which:		
– extended for the purpose of taking measures to prevent bankruptcy of credit institutions	1,066,494	1,060,070
– extended for the purpose of ensuring the financial stability of the deposit insurance system and financing the payment of indemnities in respect of deposits	385,000	227,000

**OUTCOMES OF BANK OF RUSSIA ACTIVITY TO COUNTER ABUSES IN RUSSIAN ON-EXCHANGE TRADING
(IN ABSOLUTE TERMS, UNITS)**

Table 37

Indicator	2019	2020	2021
Number of inspections with respect to possible MIIMM, ¹ total	33	26	38
of which:			
– held in the reporting year	16	13	17
Number of disclosures with regard to violations of the Russian Federation legislation on CMIIMM, ² total	16 ³	8	13
of which:			
– as a result of market manipulation	16	8	13
– as a result of misuse of insider information	1	0	0
Measures taken as a result of inspections with respect to possible MIIMM			
of which:			
– number of licences of financial market participants cancelled	12	4	0
– number of certificates of financial market experts cancelled	9	7	5
– number of orders to eliminate violations of the Russian Federation legislation and take measures to prevent future violations	69	49	117
– number of instances to restrict operations across brokerage accounts	0	0	98
Number of instances the materials of which have been submitted to law enforcement agencies	7	0	3
Number of financial instruments analysed with respect to possible organised market manipulation	358	178	605

¹ MIIMM means misuse of insider information and market manipulation.

² CMIIMM means countering the misuse of insider information and market manipulation.

³ One of cases of disclosure contained information on the identified misuse of insider information and market manipulation case. Note. Certain indicators are updated as compared with those published in the [Bank of Russia Annual Report for 2020](#).

**OUTCOMES OF COUNTERING UNLICENSED ACTIVITY IN THE FINANCIAL MARKET
(UNITS)**

Table 38

Indicator	2019	2020	2021
Number of organisations exposed by the Bank of Russia, which were supposedly:			
– acting as illegal creditors	1,845	821	948
– acting as illegal professional securities market participants ¹	210	395	860
– acting as financial pyramid schemes	237	222	871

¹ Total for 2021 including illegal forex dealers, illegal managers, and illegal brokers. Prior to 2021, statistics are given only for illegal forex dealers.

**OUTCOMES OF BANK OF RUSSIA ACTIVITY TO EXCHANGE INFORMATION, INCLUDING CONFIDENTIAL ONE,
WITH FOREIGN FINANCIAL MARKET REGULATORS AS PART OF INTERNATIONAL REQUESTS
(UNITS)**

Table 39

Indicator	2019	2020	2021
Number of Bank of Russia requests to provide information and documents	139	49	86
of which:			
– under IOSCO MMoU ¹	130	47	79
– under the Treaty on the EAEU ²	6	2	4
– under bilateral agreements	3	—	3
Number of requests to provide information and documents answered by foreign regulators	63	41	75
Number of requests from foreign financial market regulators received by the Bank of Russia	35	27	21
of which:			
– under IOSCO MMoU ¹	35	26	20
– under the Treaty on the EAEU ²	—	1	—
– under bilateral agreements	—	—	1

¹ IOSCO MMoU means multilateral memorandum of understanding concerning consultation and cooperation and the exchange of information under the International Organization of Securities Commissions.

² Treaty on the EAEU means agreement on the exchange of financial information, including confidential one, to create conditions in the financial markets for free movement of capital within the EAEU.

Note. Certain indicators are updated as compared with those published in the [Bank of Russia Annual Report for 2020](#).

MEASURES TO ENHANCE FINANCIAL LITERACY FOR VARIOUS TARGET AUDIENCES IN 2021
(UNITS)

Table 40

Events	Number	Participants (outreach)
For teachers and experts		
Events for teachers and experts, representatives of educational institutions and regional educational authorities	2,245	427,273
For children and young people		
Online lessons for students	269,075	4,764,443
Online and offline events for orphans, children without parental care, and mentors	516	14,641
Online and offline events as part of additional education for children	194	7,605
Engaging game 'The Secret of the Lost Money Box'		> 29,000
For adults and pensioners		
Events for adults	1,455	326,020
Online events (PensionFG)	252	186,396
For servicemen	1,090	115,064
Online test for individuals and SMEs		> 630,000
On-site and off-site events for SMEs	248	28,267
Issues of the video blog 'Money for Business' for businessmen	15	> 3,000,000
Information campaigns in social media	10	34,400,000
Materials on the Financial Culture (fincult.info) website (unique visitors)		9,880,000
Printed materials (copies)		3,626,000
Outdoor advertisements, advertisements in transport and on other information media (advertising spots)	> 20,000	
For mixed audience		
Bank Russia Open Day	—	—

STRUCTURE OF BANK OF RUSSIA BANKNOTES IN CIRCULATION

Table 41

Denomination, rubles	Total in circulation, millions of rubles		01.01.2022 as a percentage of 01.01.2021	Share, per cent	
	as of 01.01.2021	as of 01.01.2022		as of 01.01.2021	as of 01.01.2022
5,000	10,641,216.0	11,448,122.2	107.6	79.9	82.0
2,000	643,331.4	629,480.8	97.8	4.9	4.5
1,000	1,602,318.6	1,473,257.7	91.9	12.0	10.6
500	256,455.3	243,239.5	94.8	1.9	1.7
200	30,689.3	28,814.1	93.9	0.2	0.2
100	115,172.1	116,030.0	100.7	0.9	0.8
50	29,559.0	30,106.2	101.9	0.2	0.2
10	3,597.2	3,552.3	98.8	0.0	0.0
5	35.6	35.6	100.0	0.0	0.0
Total balance sheet number of banknotes	13,322,374.5	13,972,638.4	104.9	100.0	100.0

STRUCTURE OF BANK OF RUSSIA COINS IN CIRCULATION¹

Table 42

Denomination	Total in circulation, millions of rubles		01.01.2022 as a percentage of 01.01.2021	Share, per cent	
	as of 01.01.2021	as of 01.01.2022		as of 01.01.2021	as of 01.01.2022
1 kopeck	72.8	72.8	100.0	0.1	0.1
5 kopecks	288.3	288.3	100.0	0.3	0.2
10 kopecks	2,541.8	2,542.3	100.0	2.2	2.2
50 kopecks	3,650.0	3,650.0	100.0	3.2	3.1
1 ruble	9,018.8	9,410.7	104.3	8.0	7.9
2 rubles	8,086.8	8,541.3	105.6	7.1	7.2
5 rubles	16,052.8	16,979.5	105.8	14.2	14.3
10 rubles	69,210.6	72,728.8	105.1	61.1	61.3
25 rubles	4,253.1	4,413.1	103.8	3.8	3.7
Total balance sheet number of coins	113,175.0	118,626.8	104.8	100.0	100.0

¹ Excluding coins made of precious metals.

NATIONAL PAYMENT SYSTEM KEY INDICATORS

Table 43

	2019	2020	2021
National payment system participants¹			
Number of money transfer operators	443	407	371
of which:			
– Bank of Russia	1	1	1
– VEB.RF	1	1	1
– credit institutions	441	405	369
Number payment system operators	32	28	28
of which:			
– Bank of Russia	1	1	1
– credit institutions	14	12	12
– organisations other than credit institutions	17	15	15
Number of operators of payment infrastructure services	43	36	35
of which:			
– operating centres	28	23	23
– payment clearing centres	28	24	24
– settlement centres	27	25	23
Number of e-money operators	86	80	69
Number of federal post offices ²	2	2	2
Memo item			
Number of establishments of federal post offices ³	42,946	42,942	42,947
of which rendering payment services	38,765	38,761	38,766
Number of payment application providers		62	61
Number of foreign payment service providers		26	24
Number of information exchange service operators		162	185
Number of bank payment agents (subagents)	5,176	5,387	4,246
Number of payment aggregators		31	55
Number of foreign payment system operators		1	
Number of payment systems operating in the Russian Federation	32	28	28
of which:			
– Bank of Russia Payment System	1	1	1
– Mir payment system	1	1	1
– payment systems registered by the Bank of Russia	30	26	26
of which:			
– nationally important	15	13	15
– systemically important	2	2	2
– socially important	4	4	4

Continue of Table 43

	2019	2020	2021
Money transfer operators – credit institutions			
Number of payments effected by credit institution customers being credit institutions, million	167.0	177.1	232.1
Number of payments effected by credit institution customers other than credit institutions, ⁴ million:	46,706.0	56,032.8	70,253.3
of which, by payment instrument:			
– credit transfers ⁵	2,726.4	2,785.4	3,631.9
– direct debits ⁶	199.6	225.9	224.0
– payment cards ⁷	39,217.0	48,028.5	61,024.0
– electronic means of payment to transfer e-money ⁸	2,773.4	3,103.6	3,271.4
– other payment instruments ⁹	1,789.7	1,889.4	2,102.0
Volume of payments effected by credit institution customers being credit institutions, trillions of rubles	720.6	807.0	955.5
Volume of payments effected by credit institution customers other than credit institutions, ⁴ trillions of rubles:	837.1	907.7	1,202.8
of which, by payment instrument:			
– credit transfers ⁵	755.8	806.1	1,075.2
– direct debits ⁶	2.5	2.8	4.0
– payment cards ⁷	63.7	78.3	105.1
– electronic means of payment to transfer e-money ⁸	1.9	1.7	2.6
– other payment instruments ⁹	13.3	18.8	15.9
Number of payment cards issued by Russian credit institutions, ¹ million	285.8	305.6	334.7
Number of payment card operations in Russia and abroad, ¹⁰ million	42,305.2	50,563.6	63,367.7
of which:			
– cash withdrawals	3,088.2	2,535.0	2,343.7
– cashless operations	39,217.0	48,028.6	61,024.0
of which payments of goods and services	32,807.8	39,422.2	49,384.4
Volume of payment card operations in Russia and abroad, ¹⁰ trillions of rubles	92.6	106.7	134.9
of which:			
– cash withdrawals	28.9	28.4	29.8
– cashless operations	63.7	78.3	105.1
of which payments of goods and services	26.8	31.9	42.4
Share of cashless operations ¹¹ in the total turnover of retail trade, public catering and paid services, per cent	64.7	70.3	74.3
E-money transfer operators			
Number of electronic means of payment to transfer e-money used since start of year, million	534.6	348.7	335.2
Number of operations using electronic means of payment to transfer e-money, million	2,789.3	3,118.7	3,276.5
Volume of operations using electronic means of payment to transfer e-money, billions of rubles	1,967.6	1,829.4	2,671.9

End of Table 43

	2019	2020	2021
Federal post offices			
Number of money orders and household payments accepted by federal post offices as payment agents and operations effected by federal post offices as bank payment agents, million	527.2	474.3	411.8
Volume of money orders and household payments accepted by federal post offices as payment agents and operations effected by federal post offices as bank payment agents, billions of rubles	514.2	467.5	421.5
Payment agents and bank payment agents (subagents)			
Number of accounts opened with credit institutions for payment agents and bank payment agents (subagents), thousand ¹	17.3	15.5	14.0
of which:			
– payment agents (subagents)	13.8	12.5	11.6
– bank payment agents (subagents)	3.5	3.0	2.4
Volume of operations effected through payment agents and bank payment agents (subagents), billions of rubles	1,340.9	886.9	736.8
of which:			
– payment agents (subagents)	635.2	457.6	383.3
– bank payment agents (subagents)	705.7	429.3	353.5

¹ As of end of year.² JSC Russian Post, FGUP Post of Crimea.³ According to JSC Russian Post, FGUP Post of Crimea.⁴ Including payments of credit institution customers – households and legal entities other than credit institutions. Excluding loan and deposit operations, foreign exchange operations, and operations with securities.⁵ Including payments effected using payment orders and letters of credit as well as household remittances without opening a bank account.⁶ Including payments effected using payment requests and collection orders.⁷ Excluding operations to withdraw cash.⁸ Excluding operations to transfer e-money balance withdrawn in cash.⁹ Including payments effected using cheques and bank orders.¹⁰ Including operations to withdraw cash, pay for goods and services, customs payments and other operations (for example, payments from one bank account to another) using payment cards issued by Russian credit institutions.¹¹ Including operations using payment cards and e-money as well as other payment instruments (e.g. payment orders generated based on invoices).Note. Certain indicators are updated as compared with those published in the [Bank of Russia Annual Report for 2020](#).

BANK OF RUSSIA PAYMENT SYSTEM

Table 44

	2019	2020	2021
Number of remittances effected, million	1,715.7	1,844.0	2,643.9
of which:			
– by credit institutions (branches)	1,404.8	1,479.4	2,246.9
– by customers other than credit institutions	310.5	364.3	396.7
– by Bank of Russia structural units	0.4	0.3	0.3
including via transfer services:			
– via the speedy funds transfer service	4.4	4.4	5.1
– via the non-speedy funds transfer service	1,704.5	1,728.3	1,770.4
– via the faster payments service	6.8	111.3	868.4
Volume of remittances effected, trillions of rubles	1,566.5	1,657.6	2,018.2
of which:			
– by credit institutions (branches)	1,250.9	1,332.4	1,647.5
– by customers other than credit institutions	155.4	169.0	183.2
– by Bank of Russia structural units	160.2	156.2	187.5
including via transfer services:			
– via the speedy funds transfer service	1,304.6	1,378.8	1,749.1
– via the non-speedy funds transfer service	261.8	278.0	264.1
– via the faster payments service	0.1	0.8	5.0

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

Table 45

	Number of customers			Number of accounts		
	as of 01.01.2021	as of 01.01.2022	change over 2021	as of 01.01.2021	as of 01.01.2022	change over 2021
Total	0.7	0.4	–0.3	471	0.8¹	–46.3¹
Federal Treasury	0.1	0.1	0.0	45.4	0.4	–45.0
Regional and local budget management bodies	0.3	0.001	–0.3	1.4	0.003	–1.4
State-owned institutions financed from budgets of all levels	0.1	0.1	0.0	0.1	0.1	0.0
Government and other extra-budgetary funds	0.01	0.01	0.00	0.01	0.01	0.00
Election commissions (referendum commissions)	0.1	0.1	0.0	0.1	0.1	0.0
Other organisations	0.1	0.1	0.0	0.1	0.1	0.0

¹ Discrepancies are due to rounding.

LIST OF ABBREVIATIONS

- ACCC** – agricultural consumer credit cooperative
- ACRA** – Analytical Credit Rating Agency JSC
- AFFM** – audit firms providing audit services to socially important organisations in the financial market
- AFI** – Alliance for Financial Inclusion
- AML/CFT/CFPWMD** – anti-money laundering, countering the financing of terrorism and the financing of proliferation of weapons of mass destruction
- APEC** – Asia-Pacific Economic Cooperation
- API** – application programming interface
- Bank of Russia PS** – Bank of Russia Payment System
- BCBS** – Basel Committee on Banking Supervision
- BIS** – Bank for International Settlements
- BPM6** – the 6th edition of the IMF's Balance of Payments and International Investment Position Manual
- BRICS** – Brazil, Russia, India, China, and South Africa
- CCC** – consumer credit cooperative
- CCCH** – Central Catalogue of Credit Histories
- CC Clearing Centre MFB (JSC)** – Central Counterparty Clearing Centre MFB (Joint-stock Company)
- CCP** – central counterparty
- CCP NCC** – Central Counterparty National Clearing Centre
- CD** – central depository
- CDS** – credit default swap
- CHB** – credit history bureau
- CI** – credit institution
- CI PSMP** – credit institution that is a professional securities market participant
- CIS** – Commonwealth of Independent States
- CMTPLI** – compulsory motor third party liability insurance
- Coupon OBR** – Bank of Russia coupon bonds
- DIA** – State Corporation Deposit Insurance Agency
- DSTI** – debt service-to-income ratio
- EAEU** – Eurasian Economic Union
- ECB** – European Central Bank
- ELI** – endowment life insurance
- EME** – emerging market economies
- E-money** – electronic money
- ESG** – environmental, social and corporate governance
- EU** – European Union
- Exchange Saint-Petersburg** – Joint-stock company Exchange Saint-Petersburg
- EXIAR** – Russian Agency for Export Credit and Investment Insurance
- FAO** – UN Food and Agriculture Organization
- FAS** – Federal Antimonopoly Service

- FATF** – Financial Action Task Force
- FBSC** – Fund of Banking Sector Consolidation
- FBSC AMC Ltd.** – Limited Liability Company Fund of Banking Sector Consolidation Asset Management Company
- FD** – financial derivatives
- Federal Law No. 86-FZ** – Federal Law No. 86-FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’
- Federal Law No. 115-FZ** – Federal Law No. 115-FZ, dated 7 August 2001, ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’
- Federal Law No. 127-FZ** – Federal Law No. 127-FZ, dated 26 October 2002, ‘On Insolvency (Bankruptcy)’
- Federal Law No. 161-FZ** – Federal Law No. 161-FZ, dated 27 June 2011, ‘On the National Payment System’
- Federal Law No. 395-1** – Federal Law No. 395-1, dated 2 December 1990, ‘On Banks and Banking Activities’
- FGUP** – federal state unitary enterprise
- FMS** – Bank of Russia financial messaging system
- FPO** – financial platform operator
- FPS** – Faster Payments System
- FSAP** – Financial Sector Assessment Program
- FSB** – Financial Stability Board
- FSES** – federal state educational standard
- FTS** – Federal Tax Service
- GDP** – gross domestic product
- GKO** – government short-term bond
- GSO** – government savings bond
- HSC** – housing savings cooperative
- HSE** – National Research University Higher School of Economics
- IAIS** – International Association of Insurance Supervisors
- IBL** – loans, deposits and other funds placed (raised) in the interbank market
- IBRD** – International Bank for Reconstruction and Development
- ICAAP** – internal capital adequacy assessment process
- ICL** – irrevocable credit line
- IFRS** – International Financial Reporting Standards
- IFX-Cbonds** – the index of effective yield on corporate bonds (calculated by Interfax and Cbonds.ru news agencies)
- IIA** – individual investment account
- IL** – instalment loans (medium-term consumer microloans to individuals for more than 30 days and for an amount of more than 30,000 rubles)
- ILI** – investment life insurance
- IMF** – International Monetary Fund
- IOSCO** – International Organization of Securities Commissions
- IOSCO MMoU** – IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information
- IPO** – investment platform operator

- IRB approach** – internal ratings-based approach to calculating credit risk
- IT** – information technologies
- JSC Expert RA** – Joint-stock company Rating agency Expert RA
- JSC RNRC** – Joint Stock Company Russian National Reinsurance Company
- KID** – key information document
- KYC Platform** – information platform Know Your Customer Platform
- LCR** – liquidity coverage ratio
- LIBOR** – London Interbank Offered Rate
- MFC** – microfinance company
- MFO** – microfinance organisation
- Moscow Exchange** – Public Joint-Stock Company Moscow Exchange MICEX-RTS
- NAB** – non-core assets bank
- NAMEX** – Joint-Stock Company National Mercantile Exchange
- NAUFOR** – National Association of Securities Market Participants
- NAV** – net asset value
- NCI** – non-bank credit institution
- NFI** – non-bank financial institution
- NFI CCP RDC (JSC)** – Nonbank Financial Institution – Central Counterparty RDC (Joint Stock Company)
- NFI PSMP** – non-bank financial institution that is a professional securities market participant
- NPF** – non-governmental pension fund
- NPL90+** – non-performing loans 90+ (loans overdue for over 90 days)
- NPP** – non-governmental pension provision
- NPS** – national payment system
- NSD** – National Settlement Depository
- NSD PS** – NSD payment system
- NSPK JSC** – National Payment Card System Joint Stock Company
- NWF** – National Wealth Fund
- OECD** – Organisation for Economic Cooperation and Development
- OFZ** – federal government bonds
- OFZ-AD** – debt depreciation federal government bonds
- OFZ-IN** – inflation-indexed federal government bonds
- OFZ-n** – federal government bonds for individuals
- OFZ-PD** – permanent coupon-income federal government bonds
- OFZ-PK** – variable coupon-income federal government bonds
- OPEC** – Organization of the Petroleum Exporting Countries
- OPEC+** – OPEC countries and other countries that are participants in oil production cut deals
- PDL** – payday loans (short-term consumer microloans to individuals for up to 30 days and for a small amount (up to 30,000 rubles)
- PFR** – Pension Fund of the Russian Federation
- PJSC SPB Exchange** – Public Joint-Stock Company SPB Exchange
- PSMP** – professional securities market participant

- PSO** – payment system operator
- RGBEY** – Russian Government Bonds Effective Yield to Redemption
- RTS** – Russian Trading System
- RUONIA** – Ruble Overnight Index Average (the weighted average interest rate on overnight interbank ruble loans (deposits) reflecting the cost of unsecured overnight borrowing)
- Sberbank** – Sberbank of Russia
- SDR** – Special Drawing Rights
- SIBSD** – Systemically Important Banks Supervision Department
- SICI** – systemically important credit institution
- SME** – small and medium-sized enterprises
- SOBS** – Service for Ongoing Banking Supervision
- SPCEX SC** – Stock company Saint-Petersburg Currency Exchange
- SPIMEX** – Saint Petersburg International Mercantile Exchange
- SRO** – self-regulatory organisation
- SRP** – solvency recovery plan of an insurance company
- SWIFT** – Society for Worldwide Interbank Financial Telecommunications
- TCC** – total cost of credit
- TSA** – treasury single account
- UIF** – unit investment fund
- UN** – United Nations
- UPPS** – unified portal of public and municipal services (functions)
- US Fed** – US Federal Reserve System
- VAT** – value added tax
- VEB.RF** – State Development Corporation VEB.RF
- XBRL** – eXtensible Business Reporting Language

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