



Bank of Russia



RUSSIAN FINANCIAL MARKET DEVELOPMENT PROGRAMME FOR 2024–2026

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INTRODUCTION

The Russian economy and financial market faced a wide range of challenges in 2022 amid unprecedented sanctions pressure. The anti-crisis measures promptly taken by the Bank of Russia and the Government of the Russian Federation quickly stabilised the situation. The approaches chosen to preserve the market principles and the openness of the Russian economy played the key role in this and thus ensured the flexibility and adaptability of the system in a changing environment. This made it possible to already move on to designing and addressing long-term objectives in the financial market and developing systemic solutions that would contribute to the development of the Russian economy in the new realities last year.

In 2023, we can already talk about the gradual recovery of the Russian financial market and the continued development of its main segments. However, structural changes in the Russian economy require significant resources that, in the medium term, can be provided primarily from internal sources. The financial market should contribute to the formation of such resources through instruments for transforming savings into investments.

The Russian Financial Market Development Programme for 2024–2026 (Programme 24–26) is the main medium-term document on the development of the domestic financial market. This document reveals the main goals, principles and areas of the financial market development policy, as well as the key objectives that the Bank of Russia will address collaboratively with the Government of the Russian Federation.

The Russian Financial Market Development Programme is prepared on an annual basis. Nevertheless, Programme 24–26 maintains continuity with Programme 23–25 which already took into account to a great extent the new realities and challenges facing Russian economy. Preparing this document, the Bank of Russia took into consideration the comments and suggestions from financial market participants and the business and expert communities.

Programme 24–26 identifies five key areas for the development of the financial market, namely, enabling a stronger role for the financial market in financing the economic transformation while maintaining the resilience of the financial sector; financial consumer and investor protection, increasing financial inclusion for households and businesses; digitalisation of the financial market and the development of the payment infrastructure; transformation of the international trade payment and settlement system; and ensuring financial stability.

It is essential to create high-quality products and instruments for long-term savings and investments meeting the needs of individuals and businesses in various segments of the financial market, thereby enabling its stronger role in forming long-term resources. In this sense, the development of the capital market, primarily equity financing, which is the most long-term source, is of particular importance. A critical condition for the development of the capital market and the financial market as a whole is strengthening the confidence of its participants in it. In this regard, ensuring the protection of financial consumers and investors, including minority shareholders, improving the quality of corporate governance, and providing access to information about issuers and instruments necessary for making investment decisions remain significant areas of work. This will help financial consumers and investors make reasonable financial decisions, which will ultimately contribute to the creation of favourable conditions for improving households' and businesses' welfare. In addition, sustainable finance instruments have the potential to become one of the most significant mechanisms to attract investment in projects that are critical for the country.

Digitalisation of the financial market remains relevant as well, therefore requiring continued work to improve the necessary legal regulation and promote the conditions for safe implementation of digital and payment technologies. Besides, it is important to develop and adapt technologies,

including equipment and software, taking into account the current restrictions on their import and maintenance in Russia.

Another significant area of work is building foreign trade and financial relations with friendly countries and developing the required financial infrastructure and mechanisms, as well as regulation.

In this regard, the key to ensuring the resilience and uninterrupted functioning of the financial market is systemic financial stability. The Bank of Russia will be focusing on improving tools to ensure financial stability and developing approaches to monitoring and limiting systemic risks in the new conditions. This, along with maintaining low inflation, is a necessary condition for the normal functioning of the financial market and the economy as a whole.

The financial market is an integral part of the economic system and its development largely depends on the development model of the Russian economy and approaches to solving the problems and challenges it faces. The Bank of Russia and the Government of the Russian Federation contribute to the development of the financial market, first of all, by creating the necessary conditions for this. However, the contribution of each market participant and the willingness of financial institutions and businesses to adapt to rapidly changing conditions, develop the necessary solutions, build long-term relations with clients, create an environment of confidence, improve the quality and increase the value of financial products, instruments and services provided, are critical for the development.

This document was prepared based on the following:

- the use of predominantly market-based methods and approaches as the most effective ones in solving the current tasks;
- the priority of interests of financial consumers (households and businesses) and the Russian economy as a whole as the ultimate beneficiaries of the financial market development when determining the goals and objectives of its development;
- maintaining the openness of the Russian economy with the prospect of expanding foreign trade and financial relations with friendly countries;
- taking measures aimed at supporting and developing the economy and the financial market, considering their impact on the competitive environment; and
- preserving or enhancing the role of the government only in those areas and in solving those problems that the market cannot cope with effectively, but which are essential to the Russian economy.

SECTION 1. GOALS, PRINCIPLES AND INSTRUMENTS OF THE POLICY FOR THE DEVELOPMENT OF THE RUSSIAN FINANCIAL MARKET

Efforts to develop the Russian financial market are within the remit of the Bank of Russia in accordance with the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’.¹ The Bank of Russia has been the mega-regulator since 2013, thus performing the functions of the central bank and the financial market regulator concurrently.

The policy for the development of the financial market is devised and implemented by the Bank of Russia jointly with the Government of the Russian Federation. In the current conditions of large-scale sanctions, the key priority is to increase the financial market’s contribution, primarily based on internal sources, to the financing of the economy’s structural transformation. The Bank of Russia and the Government of the Russian Federation will continue to create the necessary macroeconomic, institutional and legal conditions for the formation of long-term domestic savings and the transformation of savings into investments. Meanwhile, it is also necessary to increase the attractiveness of the Russian financial market for investors from friendly countries.

An important factor in the development of the financial market is a balanced and consistent macroeconomic policy, the basis of which is price and financial stability, as well as the sustainability of public finance. The Bank of Russia and the Government of the Russian Federation participate in the formation of the financial market infrastructure, especially in cases where market forces cannot cope with this and when it is necessary to create a healthy competitive environment and develop innovations or important for dealing with crisis events and achieving the country’s financial independence. Another priority is maintaining confidence in financial market institutions, protecting the rights of financial consumers and investors, and forming the fundamentals for financially literate behaviour and, in the future, financial culture in society.

Although the Bank of Russia and the Government of the Russian Federation are proactive in the development of the financial market, the result largely depends on the strategies, culture and motivation of its participants operating in a competitive environment according to market principles. In such conditions, financial market participants, in interaction with each other, choose optimal schemes for transforming savings into investments, channels and formats of service, and determine the demand and, consequently, development prospects for certain products, instruments, services and technologies.

Taking this into account, the Bank of Russia and the Government of the Russian Federation actively involve financial market participants, including representatives of the financial and real sectors and their associations, and the expert community, in designing and implementing plans for the development of the financial market, and also ensure the transparency about the goals, principles, objectives and achieved results, thus setting benchmarks for financial intermediaries, businesses and individuals.

Achieving the financial market development goals stipulated for the next three years will contribute to the structural transformation of the Russian economy, economic and technological independence, macroeconomic stability, and the advancement of the financial infrastructure and instruments. The transparency of the financial market development policy will promote freedom of private initiatives in the financial market.

¹ Article 3 of Federal Law No. 86-FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’.

THE ROLE OF THE FINANCIAL MARKET IN ECONOMIC DEVELOPMENT

The Russian economy and financial market operate in the conditions of multiple challenges, in the first place, unprecedented sanctions pressure. Meanwhile, **the country is to implement large-scale objectives to ensure the economy’s structural transformation, achieve technological independence, and reorient international economic relations.** The transformation, in turn, is associated with a surge in the needs for financing structural changes.

The financial market development will contribute to the modernisation of the economy, enabling households and businesses to use financial products, instruments and services to solve the existing problems and implement business and personal plans. **Therefore, it is important to ensure that the financial market fulfils its key functions.**

The financial market creates opportunities for transforming savings into sources of debt and equity financing for businesses, thus promoting economic development. For this, the financial market offers a wide range of instruments that facilitate the transformation of savings into investments. The financial market offers instruments that meet business needs for both short-term working capital financing and long-term resources for investment projects. Besides, the financial market can develop financing instruments for enterprises at different stages of their life cycle – from a start-up to a public company. The government is also an independent participant in the financial market and can act as an issuer, lender or investor, especially when financing projects aimed at developing the Russian economy (even projects that are low-margin and risky in the short term), which in the medium term makes the economic system more stable and contributes to improving the risk profile of the economy and the financial sector.

The combined model of the financial market, where both the banking sector and the capital market are fully represented, ensures the formation of the widest range of instruments and mechanisms in the financial market that can meet the needs of various categories of consumers, investors, borrowers, and issuers.

A well-developed capital market plays the major role in the formation of long-term financial resources in the economy. Equity financing is inherently open-ended.

By performing the function of transforming savings into investments on market terms, the financial market contributes to the efficient distribution and use of resources in the economy, given the fact that decisions of financial institutions and institutional and private investors on debt and equity financing and the investment term are made based on a wide range of factors. Such factors comprise both the country’s macroeconomic and institutional characteristics (including the balance of regulation, the competitive environment, property rights protection, the quality of judicial protection, and existing administrative barriers) and individual indicators of specific enterprises, their financial stability, competitiveness, and business development strategies. Additionally, the financial market’s ability to accumulate savings for their transformation into investments depends on not only confidence in financial institutions and their resilience, but also, to a great extent, the level of economic agents’ income and available funds for the formation of savings.

Despite the sanctions, the Russian financial market remains part of the international financial system. Therefore, investments can be financed through the financial market not only from internal resources, but also by attracting foreign capital from friendly countries to the Russian economy. It is necessary to create favourable conditions for this. In the near future, the amount of such investments will be small, but in the long term, foreign investments may become one of the sources for financing the Russian economy in addition to domestic resources.

The financial market enables consumers of financial services to effectively meet their personal needs, including through the redistribution of income over time and the management of their savings, investments, expenses and risks, in accordance with their goals. Using savings, investment and borrowing instruments wisely, individuals can effectively address such issues as the purchase

of housing and durables, maintain a certain level of consumption in the case of income fluctuations and after retirement, and save funds for covering large expenses in unforeseen situations. Besides, depending on their preferences and needs, individuals can choose instruments with different investment terms, risk profiles, profitability, and liquidity.

Traditional and relatively simple savings instruments (primarily, bank deposits protected by the deposit insurance system) are characterised by a low risk level and, as a rule, generate moderate income that primarily preserves the purchasing power of investments. They are relatively easy to use and do not require special qualifications. Such instruments are also suitable for forming the so-called safety cushion, that is, savings for which liquidity and high safety of investments are more important than profitability.

Capital market instruments can ensure higher profitability compared to savings instruments, making it possible to multiply investments, but they also involve a higher risk of zero returns or loss of invested funds. Using such instruments, as a rule, is more economically reasonable for long-term investment. Long-term strategies for investing funds in the capital market are functionally quite specific, generating real returns exactly over long periods with possible fluctuations in short-term investment results.

To use capital market instruments effectively, it is necessary to obtain special knowledge and skills, which helps navigate existing investment instruments and select optimal products, taking into consideration the risk-return ratio and investment goals. Therefore, non-qualified investors who do not wish or have no opportunities to dive into the specifics and context of transactions in the equity market should opt for passive investment strategies or transfer funds to professional securities market participants (PSMPs) for trust management. Alongside savings and investments, households can also apply for loans and microloans to meet their current needs for goods and services using future incomes, as well as start the implementation of major personal and family plans, such as a purchasing residential real estate or education financing, earlier. However, borrowing instruments contribute to the well-being of individuals only if they maintain financial discipline and prevent excessive growth of their debt relative to incomes.

The financial market provides risk management instruments to participants in economic relations. Such tools allow enterprises and entrepreneurs to mitigate uncertainty in their operations, and households – to take advantage of risk insurance services in various life circumstances. In this case, it is essential that professional financial intermediaries take on the function of managing financial risks in the course of their activities for the most part and do not shift these risks to private customers who are unable to manage them properly.

Trust and competitive interaction between participants are important factors for an efficient financial market. This serves to mitigate the risks of non-market pricing, which might impair the efficiency of the financial market, and helps reduce consumers' and suppliers' costs and enhance the accessibility and quality of financial products and services.

To build confidence in the financial market, the following factors are important:

- confidence in the national currency, which is ensured by price, financial and macroeconomic stability in general;
- financial institutions' resilience and high quality of financial services they offer;
- protection of the rights of financial consumers and investors, including minority shareholders, who can be both private and institutional investors;
- a high level of corporate governance and relations in issuers
- a high level of protection against unfair practices and fraud;
- availability of accessible, high-quality and trustworthy information in the financial market about both its participants and general market indicators and about macroeconomic data on the financial sector and the economy as a whole used for analysis and decision-making; and
- uninterrupted functioning of the infrastructure.

Deployment of new technologies and support for innovations in the financial market enhance financial inclusion, enabling the market to offer various types of financial instruments to meet households' and businesses' needs, help create new business models, improve labour productivity, promote conditions for higher competition, and ultimately contribute to the structural transformation and development of the Russian economy. While innovations often require investments, small businesses in the financial market can grow by actively outsourcing and offering interesting products and services to customers.

By fulfilling the above functions and providing economic participants with instruments to make savings and generate returns, borrow funds and insure risks, the financial market is becoming a significant sector of the economy, contributing to economic growth, creating new jobs, increasing tax revenues, forming demand for innovations, promoting economic diversification and improving the efficiency of available financial sources. All financial market functions remain relevant regardless of foreign policy and the foreign trade environment.

THE ROLE OF MACROECONOMIC STABILITY IN FINANCIAL MARKET DEVELOPMENT

The Bank of Russia and the Government of the Russian Federation, by conducting consistent and prudent policy within their functions, form predictable macroeconomic conditions ensuring financial and price stability and sustainability of public finance. The **stability of internal conditions is crucial for the development of both the financial market and the economy as a whole.**

The Bank of Russia remains committed to the inflation targeting regime, with the objective of monetary policy staying the same – keeping annual inflation close to 4%.² Low and stable inflation makes economic conditions generally more predictable and supports companies' and individuals' confidence in financial and investment planning, influencing households' decisions on current and future consumption and businesses' decisions regarding production expansion and investment. Price stability also improves the affordability of debt and equity financing by reducing the risk premium associated with inflation fluctuations and thus forming long-term interest rates in the financial market at consistently lower levels. In turn, a mature financial market, being part of the monetary policy transmission mechanism, contributes to a more rapid effect of the central bank's key rate on the structure of interest rates in the economy and aggregate demand. Thus, a well-developed financial market helps enhance the effectiveness of monetary policy.

Financial stability and the resilience of the real and financial sectors and financial market participants are critical for the smooth functioning of the financial market and the economy as a whole. By limiting the accumulation of systemic risks, it is possible to reduce the probability of financial crises, increase the degree of certainty for financial market participants, and ensure smooth processing of payments and the transformation of savings into investments. In the case of adverse developments in the financial market, including due to external factors, measures to maintain financial stability enable the financial sector to smoothly perform its core functions and help mitigate negative effects for the real economy. All this increases confidence in the financial market and its attractiveness for all groups of participants. Systemic financial stability is ensured primarily through the Bank of Russia's macroprudential policy measures and microprudential regulation.

However, the capital controls, that had played a certain role in maintaining financial stability during the acute phase of the introduction of the sanctions in 2022, were largely lifted, taking into account the costs for individuals and businesses and the difficulties for foreign trade and financial settlements that they create. Those restrictions that are still in place can be justified as a counter-sanction measure in response to hostile actions of certain countries. Nevertheless, it is necessary

² For details about monetary policy, refer to the [Monetary Policy Guidelines for 2024–2026](#).

to comprehensively assess the costs for businesses and the development of the economy as a whole, the confidence of national and foreign investors, and the scale of the real counter-sanction effect of such restrictions. Generally, capital controls should be limited in time, and in the future, as the economy adapts, they should be cancelled so as not to create obstacles to foreign economic activity.

A balanced and predictable approach to the management of public finance, domestic and external public debt is important both for the stability of the financial market and macroeconomic conditions in general and directly for the formation of short- and long-term interest rates in the economy, and the country risk premium. One of the key elements of Russia's well-balanced fiscal policy is the fiscal rule-based approach. The effect of the fiscal rule that links budget spending to basic oil and gas revenues mitigates uncertainty in the economy, ensures predictability of budget spending, and strengthens macroeconomic stability, including by helping maintain price and financial stability. Certain fiscal policy measures can be used to create additional incentives for the development of particular instruments or segments of the financial market, including ones at their initial stage. Meanwhile, it is important not to allow such measures to turn from temporary support instruments into a determining factor in the long-term financial market development.

OPPORTUNITIES AND LIMITATIONS OF THE FINANCIAL MARKET

Contributing to economic growth and development, the financial market itself, its conditions, structure, scale and variety of its functions reflect, in turn, the maturity of the country's economy, its investment climate and the quality of its institutions. The indicators of the entire financial market and its particular sectors and the demand for certain financial products and services significantly depend on a range of factors outside the financial market that influence its development. These factors include incomes of businesses and households, as well as their well-being, confidence in government and private institutions, consistency of regulation, including tax regulation, protection of property rights and investors' and shareholders' rights, the quality of judicial protection, sufficient supply of qualified personnel, and other structural and institutional aspects.

The financial market creates opportunities for long-term savings and their transformation into investments, and promotes the conditions for economic growth and an increase in individuals' welfare, but cannot be the main or the sole driver of these processes. The financial market contributes positively to the development of the economy primarily in conjunction with overcoming the structural barriers to economic growth, including with increasing labour and capital productivity, accessibility of modern technologies and equipment, the efficiency of the economy and its development potential in general, configuring legal and other institutions, and creating a predictable environment for economic activity.

The use of financial market instruments for the development of businesses and the achievement of life objectives by households can be sustainable only if borrowed funds are reinforced by investment of one's own resources and if current debt can be covered by future income. Investment-oriented economic growth requires not only long-term resources but also attractive investment areas for these funds, and companies with transparent long-term strategies and efficient operations.

If economic growth is stimulated solely by financial market instruments and in reliance on debt financing without the resolution of structural problems, as well as by excessive lending to low-profit and loss-making projects, this, on the contrary, might lead to negative consequences for individuals, businesses, and the entire economy. More specifically, encouraging excessive growth in lending as compared to incomes may have only a short-term positive effect on economic dynamics and may then entail debt problems that can threaten the stability of the real and financial sectors and even cause an economic crisis and social tensions. A rapid increase in lending not supported by an expansion of the country's production capacity leads to the separation of the value of goods

and assets from fundamental factors, the emergence of ‘bubbles’ in the markets, acceleration of inflation and, ultimately, a decline in economic growth and households’ real incomes.

Thus, **the potential of the financial market as a development factor should be used in a balanced manner, taking into account the speed and nature of the development of the entire economic system.**

GOALS OF FINANCIAL MARKET DEVELOPMENT POLICY

To contribute to Russia’s economic development and enhance the economy’s structural transformation, **the Bank of Russia has identified the following medium-term goals of the financial market development policy.**

1. Developing a modern financial market to satisfy the needs of the Russian economy for investments in the structural transformation and efficient payment mechanisms.

Taking into account the ongoing changes in the economy, the need for long-term financing of transformation projects that contribute to the modernisation of the economy and the achievement of technological independence is increasing. In this regard, it is necessary to involve domestic resources – both of private and institutional investors – as much as possible. Apart from that, there is an urgent need to reorient international economic relations, which will be facilitated by the development of alternative settlement mechanisms, the creation of the necessary infrastructure, and the adaptation of the legal framework.

The demand for accelerated innovations in the financial sector, digitalisation of economic relations, including the introduction of the national currency’s digital form (the digital ruble), remains relevant. Besides, it is important to take into account current trends in the financial market, such as the emergence of ecosystems and the blurring of the boundaries between the financial and other sectors of the economy. Moreover, the sustainable development and climate risk management agenda remains important for Russian businesses, setting new objectives in the development of the Russian financial market and the entire economy, including those related to the creation of the necessary tools, infrastructure and legal framework for financing the transition to a low-carbon economy.

2. Strengthening the trust of retail consumers and investors in the financial market by improving its security, enhancing financial literacy and financial inclusion for households, and meeting their needs for financial services.

This goal remains relevant and matches the challenges posed by the dramatic changes in the country’s economic environment, where the role of domestic sources of funding for economic development, including funds from retail investors, is considerably increasing amid Russia’s restricted access to external borrowings and the blocking of its foreign assets. Restoring and maintaining individuals’ confidence in the capital market amid uncertainty and protecting the rights of investors and financial consumers are crucial for the financial market to perform its function of transforming savings into investments. Besides, it is important that financial consumers have access to the full range of necessary savings and investment instruments for various periods, considering their goals and needs.

Furthermore, this goal has its specificity in the context of the long-term digitalisation trend, which is accompanied by changes in the way financial products and services providers and consumers interact, a shorter customer path, and the opportunity for retail investors to quickly access higher-risk financial market segments where investing requires special skills. With the introduction of new technologies, financial consumers must be increasingly proficient in the use of modern devices and remote channels, while the risks of digital inequality are growing. The safety of products offered to consumers (investors) and the quality of their promotion in the market are gaining particular importance. New types of fraud and unfair practices are emerging, which requires the improvement of methods for countering them. Under these circumstances, it is essential to further adjust the

mechanisms for protecting the rights of retail investors and financial consumers, including through the use of artificial intelligence and robotisation of consumer–financial institution relations (M2M finance), and enhancement of investment, digital and financial literacy.

3. Ensuring financial stability, that is, smooth functioning of the financial market, including in stress conditions.

In the modern realities, it is critical to ensure financial stability, taking into account both the realised geopolitical risks and risks associated with accelerating global inflation, and high risks to global economic growth and financial markets in the conditions of monetary policy tightening by national central banks. It is important to maintain the resilience of the financial sector amid new challenges to financial stability due to the trend towards fragmentation of the global financial and economic system, the imposed restrictions, and declining confidence in the historical mechanisms of its functioning. In addition, an emphasis should be placed on systemic risks that might arise due to fast deployment of new technologies in the financial market and the economy in general. Under these circumstances, it might be necessary to adjust the financial stability policy approaches and tools.

The financial market development goals set for the next three years are consistent with the goals presented in Programme 23–25. The three-year goals take into account the new realities and key challenges related to the economy entering the phase of large-scale structural transformation, as well as the relevant trends in the economic, technological, social and other areas of public life both in Russia and worldwide.

The implementation of the objectives aimed at achieving the above medium-term goals of the financial market development will help achieve the national development goals, in particular, improve Russian households' well-being, promote the development of the economy and its technological, digital and environmental transformation, boost the creation of innovative instruments for financing investment and entrepreneurship, and ensure comfortable and safe living conditions. As one of the sectors of the Russian economy, the financial market contributes to GDP growth, creates new jobs and demand for innovation, and is a significant source of the state budget.

PRINCIPLES OF FINANCIAL MARKET DEVELOPMENT POLICY

When planning its activities and implementing measures to develop the financial market, the Bank of Russia relies on a number of principles that are important to ensure consistency and predictability of the policy pursued and a better understanding of its decisions by market participants.

1. Priority of interests of financial consumers (households and businesses) as the ultimate beneficiaries of the financial market development, when determining its goals and objectives.

The development of the financial market is not an end in itself – it should primarily contribute to improving individuals' well-being and help expand opportunities for business development and the Russian economy as a whole. In view of this, the Bank of Russia stipulates the goals, areas and objectives of the financial market development and prioritises the measures being implemented, assessing planned and actual results in terms of their value for end consumers.

2. Development of the financial market on the basis of a free market environment, competition and trust.

By promoting the necessary conditions for the development of the financial market, the Bank of Russia seeks to mitigate its intervention in the operation of market mechanisms and fair competition which, as a rule, ensure more efficient allocation of resources and create incentives for introducing innovations and improving the quality of financial products and services. The Bank of Russia primarily focuses on solving systemic issues that the market cannot cope with on its own.

It is critical to increase individuals' confidence in the Russian capital market after its weakening in 2022 due to losses caused by the contraction in the securities market and the blocking of assets.

A culture of interaction that should be based primarily on market participants' ethical principles and conscientious behaviour is of great importance for strengthening confidence in the financial market as a whole.

3. A proactive approach to the financial market development given key internal and external trends and factors. The priority of the strategic development vector over tactical decisions.

When planning its financial market development measures, the Bank of Russia pays special attention to their timeliness, taking into account the current state of the market and emerging trends and drivers of its future development in a rapidly changing environment. This proactive approach makes it possible to respond promptly to new challenges, including by creating the necessary legal and technological conditions and removing barriers to the dynamic development of the financial market.

Taking into account the increasing speed of the current changes, as well as high uncertainty of the impact of external factors, the Bank of Russia updates the Russian Financial Market Development Programme for a three-year period on an annual basis.

The ongoing structural changes in the Russian economy are forming new realities in which the financial market will develop, and this should be taken into account when adjusting medium-term objectives and implementing the previously established strategic goals set out in financial market development policy. The Bank of Russia is consistent in its actions and does not allow short-term tactical steps to significantly conflict with its long-term objectives.

4. Transparency of financial market development policy. Involvement of financial market participants from the financial and real sectors in the development and implementation of market development plans.

Recognising that professional financial market participants play a key role in its development, the Bank of Russia attaches great importance to the activities of their associations and self-regulatory organisations (SROs). The needs of the real sector for services is an equally important factor for the financial market development. Taking this into consideration, the Bank of Russia closely interacts with representatives of both the financial and real sectors of the economy when developing and implementing its measures, including through public consultations, conferences and other formats for discussion with the expert and professional community, as well as collection and discussion of market participants' initiatives.

The Bank of Russia regularly informs market participants and the public about approaches, goals and plans for the development of the financial market, the vision of the financial market architecture, the measures taken and the reasons behind them, as well as the results achieved. Such communication promotes transparency and predictability of the mega-regulator's actions, which is the basis for public confidence in the policies pursued. The transparency of the Bank of Russia enables market participants to take the development plans announced by the mega-regulator into account when formulating their business strategies.

5. Consistency and continuity of goals, approaches, objectives and measures for the financial market development at different levels across thematic and sectoral areas.

When developing and implementing the Russian Financial Market Development Programme, the Bank of Russia takes into account the strategic planning documents of the Government of the Russian Federation, adjusted for possible changes in the internal and external environment occurring after their approval. In particular, the Bank of Russia takes into account the [Strategy for the Development of the Financial Market of the Russian Federation until 2030](#) prepared jointly with the Government of the Russian Federation.³ The Russian Financial Market Development Programme is a top-level medium-term document stipulating the development goals and priority areas and thus setting the key priorities for the Bank of Russia's medium-term sectoral and thematic documents

³ Approved by the Decision of the Bank of Russia Board of Directors, dated 28 November 2022, and adopted by Directive of the Government of the Russian Federation No. 4355-r, dated 29 December 2022.

related to the financial market development that describe the relevant areas in greater detail. The Bank of Russia also maintains continuity with similar documents of previous years, which is important for the consistency of the policy pursued.

The Bank of Russia and the Government of the Russian Federation continuously communicate on strategic and current issues of the financial market development, which ensures mutual consistency of both planned and implemented measures.

Although increasingly more objectives of the financial market development are becoming extraterritorial in nature amid digitalisation of economic relations, including financial ones, the medium-term focus should be on regional aspects of the financial market development, taking into account the diversity of territorial and geographical features of Russia. This requires close cooperation – primarily in the area of financial literacy, financial inclusion, competition and, in general, the objectives of the financial market development at the regional level – with regional authorities, representatives of the real and financial sectors, the expert community in Russian regions, including with the active participation of the Bank of Russia’s regional branches. A particular emphasis should be placed on ensuring the functioning of the financial sector in the regions that joined the Russian Federation in 2022.

6. Developing regulatory decisions with due regard for the total costs for market participants and applying proportionate and risk-based approaches.

When developing and introducing regulatory and supervisory requirements, the Bank of Russia takes into consideration not only the immediate goals and expected effects of their implementation, but also market participants’ costs for compliance with these requirements. On top of that, the Bank of Russia is expanding the use of data and analytical tools when making its regulatory and supervisory decisions. To reduce these costs, the Bank of Russia, among other things, is expanding the use of advanced digital technologies in cooperation with supervised financial institutions (SupTech⁴ and RegTech⁵).

The Bank of Russia applies a release approach providing for the introduction of new measures, as a rule, not less than six months after the publication of the relevant regulatory documents unless special circumstances⁶ require an immediate response. This approach enables financial institutions to prepare in advance for changes and embed regulatory innovations in their business processes.

The Bank of Russia forms regulatory requirements proportionate to the scale and complexity of market participants’ activities. The priority is given to identifying and preventing the realisation of risks in the activities of financial institutions at early stages, which helps prevent the accumulation of problems that might entail significant losses for both consumers and providers of financial services. Considering the dramatic changes in the situation, the Bank of Russia put a strong focus on regulatory easing aimed at market participants’ adaptation, at the first stage, to the increasing volatility of the financial market in 2022 and elevated uncertainty in business decision-making and, then, to timely phasing-out of this easing. As the economy adapts to the new realities, regulatory changes are coming to the fore, aimed at taking into account the financial market’s experience of 2022 in the regulation and creating conditions for the sustainable development of the financial sector.⁷

⁴ SupTech (Supervisory Technology) – technologies used by regulators to enhance the efficiency of their control and supervision over financial market participants.

⁵ RegTech (Regulatory Technology) – technologies used by financial institutions to improve the efficiency of fulfilment of regulatory requirements.

⁶ As part of the release approach, standards are put into effect on 1 October or 1 April, but no earlier than six months after the publication of the relevant regulatory documents.

⁷ These issues are set out in more detail in [Section 3 ‘Areas for the Development of the Russian Financial Market’, Area 1 ‘Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the resilience of the financial sector’, Objective 4 ‘Banks’ participation in economic development financing’.](#)

7. Ensuring the resilience and independence of the financial infrastructure of the Russian economy taking into account geopolitical risks.

Ensuring the independence of the Russian economy in terms of the functioning of the financial market is primarily about the development of the required independent (but not isolated from the outside world) infrastructure, including for payments and settlements, as well as critical technologies.

When addressing the strategic objectives of the financial market development, the Bank of Russia and the Government of the Russian Federation are also mitigating risks associated with geopolitical factors, which is vital for the economic security of the country.

8. Development of international relations and integration processes.

The Russian financial market continues to be part of the global financial market. Large-scale objectives to reorient international economic relations and strengthen them with friendly countries remain relevant.

In addressing the strategic objectives of the development of the financial market, the Bank of Russia, together with the Government of the Russian Federation, is actively working with foreign regulators and market participants. These efforts are aimed at overcoming the existing restrictions and creating conditions for the development of a system of international payments, infrastructure, tools and legal conditions that fully meet the challenges and needs of the new environment.

When planning and implementing measures to develop the financial market, the Bank of Russia also takes into account the integration processes (including within the framework of the Eurasian Economic Union (EAEU), the Union State of Russia and Belarus, and the Commonwealth of Independent States) and fulfils the international obligations assumed by the Russian Federation.

Besides, the Bank of Russia considers it necessary to take into account and implement the best international standards in the regulation,⁸ which, among other things, contributes to building relationships with friendly countries for which such practices are understandable and proven approaches.

The Bank of Russia applies international standards, adapting them by taking into account the Russian experience and specifics.

INSTRUMENTS OF FINANCIAL MARKET DEVELOPMENT POLICY

To develop the Russian financial market and ensure its resilience, including its participation in the structural transformation of the Russian economy, deploy innovations, expand the range of financial instruments, products and services, enhance financial inclusion, protect consumers' and investors' rights, and create an environment of confidence, a wide range of mechanisms are used depending on the specifics of the problems to be solved.

The main tools to influence the financial market and create conditions and incentives for its development are as follows:

- regulation and supervision;
- soft regulation in the form of codes, SRO standards, and letters of recommendations;
- creation and development of elements of the financial market's digital infrastructure with equal access to it;
- creation and government support of mechanisms for collective insurance (guarantee of individuals' savings in the banking sector, the insurance market, and non-governmental pension funds (NPFs));
- tax incentives and subsidies;
- enhancement of financial literacy and educational activities;
- training of personnel for the financial industry;
- information policy and interaction with market participants; and
- regulation of capital flows.

⁸ Including in the field of sustainable development.

The Bank of Russia and the Government of the Russian Federation, as a rule, use a combination of mechanisms, which makes it possible to increase the efficiency of the measures taken. These mechanisms generally remain unchanged, while their specifics and approaches to their application can be adjusted.

Mechanisms for the development of the financial market are implemented on the basis of a comprehensive analysis of expected results, taking into account both benefits and possible costs, as well as the experience of other countries. The Bank of Russia interacts with friendly countries to develop and apply common, mutually beneficial mechanisms for cooperation in the financial market and economic relations in general.

The Bank of Russia contributes to the development of the financial market, promoting the formation of predictable macroeconomic conditions by ensuring price and financial stability. Monetary policy pursued within the framework of the inflation targeting regime and macroprudential policy aimed at maintaining financial stability influence the development of the financial market. Nevertheless, monetary and macroprudential policy instruments are not intended specifically to stimulate the financial market development and are not used outside the scope of these policies for this purpose. Otherwise, this would have significant negative implications for achieving the objectives in the area of price and financial stability and, as a consequence, for the sustainable development of the financial market and the economy as a whole.

During the acute phase of the introduction of large-scale anti-Russian sanctions in 2022, capital controls were temporarily used as one of the mechanisms for maintaining financial stability. As the situation in the financial market normalised and financial stability risks decreased, such restrictions were largely lifted. The remaining capital controls have primarily a counter-sanction effect and offset the impact of the external sanctions aimed at incentivising foreign investors to withdraw capital from Russia and prohibiting potential capital inflows in the future.

These temporary mechanisms made it possible to respond to changing external circumstances and limited the negative effect of the sanctions. The Bank of Russia conducts continuous substantive analysis of existing special economic measures aimed at limiting foreign exchange transactions. If necessary, the Government of the Russian Federation and the Bank of Russia take steps to change currency control requirements. **Furthermore, capital controls involve costs for businesses, the development of foreign economic activity, and investment climate and, taking this into account, should be targeted and limited in time. In the future, it is necessary to move towards their abolition as the economy adapts to the new conditions.**

The Bank of Russia and the Government of the Russian Federation, in cooperation with the legislative authorities, are working closely to create a legal environment for the development of the financial market, including a legal framework for new forms and types of activities, formats for interaction between providers and consumers of financial services, and service channels in the conditions of implementation of advanced technologies. The assessment and streamlining of the accumulated regulatory norms and the elimination of redundant, outdated and overlapping rules are of particular importance.

Tax incentives and subsidies are major tools used by the Government of the Russian Federation to support and boost the development of certain types of activities, instruments, and mechanisms in the financial market, especially at the initial stages of their formation when the development on market conditions can be difficult. This is also the objective of **special development institutions** that work precisely in the niches where market mechanisms are not sufficient. Moreover, it is essential to apply a systematic approach, monitor the effectiveness of using and regularly update such incentives to ensure a focus on the mechanisms and instruments of long-term financing that are most demanded in the Russian economy considering the limited resources. The significance of these mechanisms especially increases in the context of a growing role of the financial market in financing transformation projects that are critical for structural changes in the Russian economy.

As regards the digital infrastructure for the financial market, the Bank of Russia and the Government of the Russian Federation are implementing primarily those projects that cannot be executed by the market on its own, but are the basis for further development of technological and infrastructure solutions by market participants, as well as for promotion of competition and development of innovations in the financial market.

In order to ensure the independence of Russia's financial infrastructure, systemic resilience, and competitiveness of the national financial market, the Bank of Russia continues to participate (by ways of capital participation as well) in a number of infrastructure organisations of the financial market, including Moscow Exchange PJSC, National Payment Card System JSC (NPCS), Russian National Reinsurance Company JSC (RNRC) and the Russian Collection Association (ROSINKAS). The Bank of Russia uses, first of all, a preventive approach aimed at identifying and eliminating risks at early stages. To ensure financial stability, if necessary, the Bank of Russia uses instruments for the financial rehabilitation of financial institutions.

The issue of human resources skills and availability of specialists is becoming increasingly relevant in the financial market. The challenges that may arise in this area, especially in high-tech industries, IT and information security, must be taken into account when considering the issues of strategic development and the functioning of the financial market in the new realities.

Of great importance for the dynamic development of the financial market, including digitalisation and sustainable development processes, is **the access of financial intermediaries, as well as other financial market participants to the labour market offering specialists with the required qualifications.** The shortage of such specialists not only slows down the development, but also provokes an outflow of personnel towards large companies offering competitive wages, which limits the staffing of financial institutions that are thus losing critical specialists. Concurrently, the speed of the development and updating of training, retraining and advanced training programmes do not correspond to the level of labour demand, which leads to increased costs for training and development of specialists.

The Bank of Russia pays great attention to improving the level of qualifications of financial market personnel by developing and implementing mechanisms for interaction between financial market participants, the government authorities and the education system, launching and implementing educational programmes for financial market specialists, representatives of the legislative and executive authorities, as well as other persons interested in advanced training on issues within the competence of the Bank of Russia.

Information policy and interaction with market participants play a critical role in ensuring a clear understanding of the goals, plans and steps of the Bank of Russia and the Government of the Russian Federation, as well as assessing the trends and results of the financial market development.

This guides financial institutions when they arrange their activities. Regular communication with both consumers and providers of financial products and services increases the transparency of the policy pursued, which enhances confidence and the effectiveness of the measures taken. An important element of communication is also mutual information exchange with market participants, which allows the Bank of Russia and the Government of the Russian Federation to receive feedback, identify needs, and further evaluate the processes in the financial market in order to take them into account when elaborating measures for its development.

Communication policy becomes especially important during periods of significant fluctuations in the economy and growing uncertainty. Continuous communication with market participants and society and explanation of the essence of the ongoing economic changes and measures taken by the Bank of Russia and the Government of the Russian Federation help reduce uncertainty and contribute to stabilising the situation, influencing the behaviour and expectations of individuals, businesses and professional market participants. The Bank of Russia uses a wide range of communication channels, providing timely explanations and comments on all the measures taken, while maintaining prompt communication and interaction with market participants.

SECTION 2. THE CURRENT STATE, OPPORTUNITIES AND CHALLENGES FOR THE DEVELOPMENT OF THE RUSSIAN FINANCIAL MARKET

The Russian economy and financial market faced a wide range of challenges in 2022 amid unprecedented sanctions pressure. Access to the markets for goods, services, capital, and the transport, logistics, payment and settlement infrastructure of unfriendly countries, which had been Russia's main trading partners, was restricted.

Under these conditions, at the initial stage, the domestic financial market experienced a period of stress and high volatility, but the situation was quickly stabilised and then normalised thanks to the prompt response and measures taken by the Bank of Russia and the Government of the Russian Federation, as well as their ongoing interaction with market participants. The approaches chosen to preserve the market principles and the openness of the Russian economy largely played the key role and thus ensured the flexibility and adaptability of the system in a changing environment. The financial sector remained stable and continued to perform its key functions, including acting as a conductor of government support measures for the economy. Other important factors were the measures taken in previous years to improve the resilience of financial institutions, accumulation of capital buffers by financial institutions, removal of unstable and unfair financial intermediaries from the market, as well as creation of an independent payment and settlement infrastructure.

In 2023, the financial market was not only recovering but also developing its main segments. Already starting from autumn 2022, the main focus of the measures implemented by the Bank of Russia and the Government of the Russian Federation shifted towards designing the required economic, legal and regulatory conditions and further development of the financial infrastructure. The effect of these measures will be seen in the future.

The financial market showed a positive trend. The assets of financial institutions surged by 20.7%, to ₺207.6 trillion over the first three quarters of 2023. The assets also increased relative to GDP compared to 2021, which indicates the recovery and growth of the financial market in comparison with the whole economy. The size of the banking sector increased and continued the trend observed in the previous year. Non-bank financial institutions' assets were restoring after their decline in 2022 and, as of the end of the first nine months of 2023, were already 18.9% higher than in 2021.

Bank lending expanded markedly in 2023. There was a positive trend in both corporate and retail lending. Over the first nine months of 2023, the total loan portfolio expanded by 14.7% (to ₺102.9 trillion), which already exceeds the growth rate (12.7%) over 2022.

The Bank of Russia's measures to maintain banking stability in 2022 contributed to lending growth. Corporate demand for debt financing was supported by the recovery of business activity in the economy and the substitution of external debt. As a result total corporate loan portfolio increased by 13.1%, to ₺70.0 trillion over the first nine months of 2023, thus significantly exceeding the growth rate for the same period in 2022 (+8.1%). Amid the recovery in consumer and investment demand among individuals, there are signs of overheating in retail lending. The main contributor was mortgage lending which surged by 18.5% over the first nine months of 2023.⁹ Consumer lending grew by 13.5% over the same period.

Bank profits for the first nine months of 2023 reached ₺2.7 trillion, which ensures capital replenishment and supports lending potential.

The microfinance market expanded moderately in 2023. Over the first nine months of 2023, the microloan portfolio of microfinance organisations increased by 16.1% (to ₺423 billion), which is 6%

⁹ Mortgage lending growth rates are adjusted for securitisation transactions.

higher than over 2022. The portfolio growth was mainly driven by the retail segment, with the business microloan portfolio increasing by 4%.

Under these conditions, **starting from the end of 2022, the Bank of Russia has been consistently phasing out the regulatory easing introduced to mitigate the effects of the sanctions.** Furthermore, the Bank of Russia introduced incentive-based banking regulation relying on the taxonomy of projects for technological sovereignty and structural adaptation of the economy developed by the Government of the Russian Federation (hereinafter, the taxonomy).¹⁰ This will allow banks to reduce the capital burden and participate more actively in the financing of such projects.

The capital market is recovering. The bond market continues to grow and there is a revival in the stock market.

By October 2023, the total value of bonds in circulation surged to ₹42.7 trillion, increasing by a third compared to the beginning of 2022. Moreover, the market expanded not only in absolute terms, but also relative to the whole economy, reaching 27% of GDP by the beginning of October 2023. Bonds continue to play a significant role in corporate borrowing, accounting for almost a quarter of the total amount. Besides, the corporate and government bond markets demonstrated approximately the same growth rates, which indicates that there is no tendency to crowd out private debt with public debt.

The stock market was recovering after its slump in 2022. As of the end of the first nine months of 2023, its capitalisation reached ₹57.7 trillion, which is about 90% of its value as of the end of 2021. Besides, there were a few offerings in 2022 as well, even in the conditions of increased uncertainty. 2023 saw renewed interest in IPOs from both issuers and investors.

The role of market participants in share trading has notably changed. With the departure of foreign investors who used to play a significant role in this segment (about 40% of value traded in 2021), the share of retail investors in total value traded more than doubled, exceeding 80% in September 2023. This affects the market capacity, its liquidity and volatility. Under these conditions, large companies had to limit their share offerings in the domestic market.

Nevertheless, the influx of private investors into the capital market continues. Over the first nine months of 2023, the number of brokerage and trust management clients increased by another 6.3 million to about 36.3 million. By October 2023, individuals' funds in trust management and brokerage accounts exceeded the values of the end of 2021, amounting to ₹10.9 trillion. Private investors prefer brokerage services, which is evident from the increase of both the number of accounts and the amount of funds in them.

Considering the growing role of retail investors in the financial market, it is important to continue the development of long-term savings and investment products in different segments of the financial market and create incentives for increasing their attractiveness. This will be supported by, among other things, the existing system of guarantees for non-governmental pension schemes, doubling the amount of the guarantee compensation for non-governmental pension provision (NPP) to ₹2.8 million, the launch of the long-term savings programme in 2024, improvement of the regulation of individual investment accounts, introduction of a new insurance product – unit-linked life insurance, as well as the clarification of taxation procedure for interest earned on bonds.

In order to protect non-qualified investors from unjustified risks, their investments in foreign assets of unfriendly countries were limited.

Institutional investors' portfolios resumed growth. Over the first nine months of 2023, the portfolios of non-governmental pension funds (NPFs) and insurers increased by 6% and 12% (to ₹5.1 trillion and 3.6 trillion), respectively. NPFs and insurers adhere to a conservative investment strategy, mainly investing in debt instruments. The portfolio of unit investment funds (UIFs), characterised by a more diversified investment structure, expanded by 32.7% (to ₹10.2 trillion).

¹⁰ For details about these and other measures of the Bank of Russia and the Government of the Russian Federation mentioned in this section, see [Appendix 2](#).

In order to increase the attractiveness of non-bank financial institutions' investment in securities issued by companies promoting the transformation and structural adaptation of the Russian economy, the Bank of Russia implemented incentive-based regulation measures for insurers, UIFs, PSMPs, and is now drafting such regulation for NPFs.

Taking into account that high-quality and trustworthy information about market participants, issuers, and instruments is crucially important for **creating an environment of trust** in the market, it was decided to return to the disclosure of issuers' financial statements and other information important for investors. With regard to disclosures, exceptions are only for sensitive information about beneficiaries, owners, members of management bodies, and counterparties in order to limit sanctions risks.

Further work on blocked assets is important to maintain investors' confidence. Along with previously taken measures that made it possible to service debt in rubles and transfer the obligations of Russian issuers to the Russian jurisdiction, a procedure for issuing substitute bonds and transferring blocked assets to specially created closed-end UIFs was established. These UIFs allow for separate accounting and management of such assets.

In general, the Russian financial market has a growth potential in comparison to the size of economy, primarily through the capital market, as evidenced by international experience. Currently, the banking sector continues to play a significant role as its assets exceed 98.3% of GDP, which is comparable to many countries. At the same time, Russian non-bank financial intermediaries' assets still total less than 30% of GDP. For comparison: in India and China, whose indicators in this segment among the BRICS countries are closer to Russia, the assets of pension funds, UIFs and insurers exceed 40% of GDP. The Russian IPO/SPO market is still characterised by single offerings, in contrast to other countries where there are dozens and hundreds of them. The potential for developing bond financing has not been exhausted either: the value of the bond market in India (which is the closest BRICS country to Russia in terms of this indicator) exceeds 50% of GDP, which is almost twice as much as in Russia.

As trade and financial relations with friendly countries develop at an accelerated pace, **the role of the ruble and the national currencies of friendly countries in international payments is growing**. Also, as a reflection of this process, their share in turnover in the foreign exchange market surged, accounting for more than a half of the total amount. Furthermore, the trend towards dedollarisation of individuals' and businesses' accounts continues. In particular, the share of individuals' foreign currency accounts remains at a low level (about 10.7%) after an almost twofold reduction in 2022.

Russia continued to develop international interaction with friendly countries, payment and settlement system, and the network of correspondent relations. The work was carried out to ensure access to the Russian financial market for foreign participants from friendly countries. Thus, the legal framework was created in the financial market for foreign investors' simplified access to foreign exchange regulated market, as well as to exchange-traded interest rate and foreign exchange derivatives. Remote identification for non-residents has also become possible. Credit institutions and some non-bank financial institutions received this opportunity when delegating the identification of such persons to foreign financial institutions from foreign countries according to the list approved by the Government of the Russian Federation. In addition, a partnership financing experiment was launched, which may be of interest to both Russian individuals and businesses and counterparties from friendly countries. Nevertheless, it is hardly possible to expect a rapid influx of foreign funds, but it is important to consistently create the necessary conditions for this.

The digital and payment infrastructure meets the needs of the economy and financial market, continuing to evolve. Consumers trust digital payment instruments and are expanding their use. The share of non-cash payments in retail turnover continued to grow and exceeded 82.4% as of the end of September 2023.

Amid technological development in the economy, platform business model continues to gain popularity. In general, the Russian platform services industry shows high resilience, and domestic

players have strengthened their leading positions in most segments of the Russian market and contributed to the country's technological independence. The ecosystem transformation of the market continues, which is why it is still relevant to develop regulatory approaches to ecosystem that preserve benefits for individuals and businesses, while controlling risks to competitive environment and financial stability.

The segment of digital financial assets (DFAs) is also gradually developing. Most operators of information systems, where DFAs are issued, are completing the testing of their IT solutions and transition to their full-fledged functioning. As a result, the number of DFAs issues increased in 2023. However, given that this segment is only in an early stage of development, its size is still relatively small (₽62.1 billion as of mid-December 2023).

The Bank of Russia continued work to design the digital ruble, which is the third, new form of the Russian ruble. The digital ruble is being created as another means of payments and money transfers that will promote competition and innovation in the financial market. On 1 August 2023, federal laws establishing the basis for the legal regulation of transactions with the digital ruble came into force. At the legislative level, the legal regime of the digital ruble was established, including the scope of permitted digital ruble transactions. The Bank of Russia also developed the Regulation on the Digital Ruble Platform¹¹ and introduced digital ruble-related changes to the rules¹² for non-cash settlements. On 15 August 2023, the Bank of Russia has begun the pilot testing of the digital ruble on real transactions with the participation of a limited number of users.

The Faster Payments System (SBP) has been developing and it is being used increasingly by both individuals and businesses. According to the results of 2023 Q3, every second resident of Russia used the SBP to make money transfers and every third person – to pay for goods and services. Over the first nine months of 2023, SBP transactions amounted to ₽20.6 trillion, which is 2.2 times more year-on-year (YoY).

To increase the affordability of payment services in the absence international payment infrastructure, zero fees for peer-to-peer transfers via the SBP are in effect for banks until July 2024. As of the end of 2023 Q3, the number of trade and service companies accepting payments via the SBP reached 1.3 million, having increased 2.3 times compared to the beginning of the year.

From 2022, the SBP has enabled cross-border transfers between individuals through foreign banks – indirect participants in the Bank of Russia Payment System. As of the end of 2023 Q3, more than 16 foreign banks from three countries joined the system.

Contactless payment methods are becoming increasingly popular. Over the first nine months of 2023, 35.9 billion contactless transactions worth about ₽38.2 trillion were carried out, which is 17% more in number and 25% more in volume year-on-year.

The share of the Mir national payment system in the total amount of domestic transactions reached 52.5% in 2023 Q3, which is 16.6 percentage points more than in 2022 Q3. This system also allows contactless payments for purchases using a smartphone.

The Bank of Russia continues implementing infrastructure projects and promote a legal environment and innovations in the financial market **to ensure the country's payment independence.** Starting from October 2023, the Bank of Russia obliged banks to use only domestic services and infrastructure to ensure reliability, smooth operation and safety of data exchange for domestic transactions.

In the face of sanctions, the **Financial Messaging System (SPFS) plays the key role as a reliable and secure channel for the exchange of payment information** between banks. Over the first three quarters of 2023, traffic in the SPFS reached 160 million messages, which is 2.7 times more YoY. As of the end of November 2023, number of the SPFS users reached about 550 companies, including more than 150 non-resident organisations from 17 countries.

¹¹ Regulation of the Bank of Russia No. 820-P, dated 3 August 2023, 'On the Digital Ruble Platform'.

¹² Bank of Russia Regulation No. 762-P, dated 29 June 2021, 'On Funds Transfer Rules'.

The **mechanism for remote identification continued to develop**, which increases accessibility and convenience of various financial services for consumers.¹³ As of early October 2023, a wide range of banks (almost 190) joined the Unified Biometric System (UBS) which store and process biometric data for the purpose of remote identification of individuals. The number of service points exceeds 12,000. This creates conditions for increasing the number of users. Besides, since March 2023, individuals have the option to register their biometric personal data in the UBS on their own through a special mobile application. Furthermore, a number of additional options were launched to receive remote services using the UBS.

To continue the positive trend, the readiness of the financial system and the economy as a whole to adapt flexibly to both existing and new challenges, as well as to seize emerging opportunities in a timely manner will be crucial.

It is essential to continue **scaling down the support measures gradually and seamlessly**, avoiding critical distortions in the operation of market mechanisms and competition, as well as a reduction in the resilience of financial institutions. It is important to maintain a balance between creating incentives for the development and ensuring its sustainability.

Only domestic resources can be the basis for financing the economy's transformation and development in the present circumstances. The objective of the financial market is to contribute to this process, transforming savings into investments. To achieve this, it is important to ensure trust, as well as provide instruments meeting the needs of individuals and businesses. Companies of various sizes, including large ones, need to have appropriate mechanisms and tools which, in the absence of external borrowing opportunities, will allow them to meet the demand for financing. The capacity of the domestic market is crucial, and it should be increased by expanding opportunities for business financing and the participation of different groups of investors, reducing volatility, and enhancing the resilience of the financial market. Additionally, truly long-term resources can only be formed in the capital market. Its development should be one of the key focus areas.

Of particular relevance is **the issue of building a system of international payments and settlements**, as well as building links between depository systems, foreign exchange and commodity markets of friendly countries.

Dynamic digitalisation of the financial market **requires advanced technologies and equipment, as well as reliable data protection systems.** Digital transformation creates new challenges to consumer protection, information security and operational reliability (cyber resilience) of the financial market as these are critical elements of its resilience and the quality of service to individuals.

It is essential to maintain the pace in improving sustainable finance instruments, which will certainly contribute to the transformation of the Russian economy and the attractiveness of the Russian market for foreign investors.

Stable and predictable macroeconomic environment are critical for faster recovery and growth of long-term financing potential in the economy. This will be ensured through pursuing a consistent monetary policy aimed at supporting price stability and a balanced fiscal policy based on the fiscal rule, as well as through limiting risks to systemic financial stability.

It is important to take into account and promptly **respond to changes in external conditions forming under the influence of, among other factors, imbalances in foreign markets, as well as geopolitical factors**, including possible toughening of the sanctions, the increasing role of secondary sanctions, and the following difficulties in international interaction.

¹³ The remote identification mechanism allows individuals to open accounts remotely, receive loans and make money transfers after passing remote identification using biometric personal data (face image and voice). The mechanism was launched in June 2018.

Taking into account the current trends, as well as challenges and opportunities for the evolution of the Russian financial market, the Bank of Russia, jointly with the Government of the Russian Federation, will promote its medium-term development by focusing on the following key areas:

- enabling a stronger role for the financial sector in financing the transformation of the economy while maintaining the resilience of the financial sector;
- financial consumer and investor protection, increasing financial inclusion for individuals and businesses;
- digitalisation of the financial market and development of the payment infrastructure;
- transformation of the system for foreign trade payments and settlements; and
- ensuring financial stability.

A detailed description of the measures planned by the Bank of Russia for the next three years is presented in [Section 3](#).

SECTION 3. AREAS FOR THE DEVELOPMENT OF THE RUSSIAN FINANCIAL MARKET

3.1. ENABLING A STRONGER ROLE FOR THE FINANCIAL MARKET IN FINANCING THE TRANSFORMATION OF THE ECONOMY WHILE MAINTAINING THE RESILIENCE OF THE FINANCIAL SECTOR

Russia should achieve large-scale objectives for the structural transformation and modernisation of the economy, ensuring technological sovereignty, and reorienting international economic relations. However, the domestic economy should rely, at least in the medium term, mostly on internal financing sources. An important condition for addressing these tasks is to support financial institutions' effective functioning, while maintaining the market-based operation of the financial market. A key aspect is also the development and increased accessibility of capital market instruments, primarily equity financing. The expansion of financing for sustainable development remains relevant, which will be facilitated by further development of the relevant infrastructure and instruments.

Moreover, for the financial market to fully and continuously perform its functions, it is important to strengthen individuals' and businesses' confidence in it. This requires systemic financial stability and high-quality, uninterrupted operation of financial institutions, effective protection of financial consumers' and investors' rights, and accessibility of reliable, relevant and trustworthy information about financial intermediaries and securities issuers. Therefore, when deciding to extend incentive measures, it is important to maintain balance and prevent the accumulation of problems in the financial market that could create threats of crisis phenomena. Furthermore, government support measures should be primarily aimed at developing the areas of economic activity and financing the instruments that will contribute the most to the modernisation and technological sovereignty of the Russian economy and the formation of long-term savings and investments.

Objective 1. Development of long-term savings and investment instruments for individuals

Taking into account Russia's limited access to the external capital market, the role of internal sources for financing the economic development is growing, and one of them might be individuals' savings. Besides, increasingly more individuals in Russia wish to form long-term savings.

In this regard, the financial system must ensure the availability of a wide range of instruments for long-term savings that would meet individuals' needs in terms of profitability and safety of funds, including protection against inflation. Investors should have access to various savings and investment instruments in different segments of the financial market. **The Bank of Russia, jointly with the Government of the Russian Federation, will continue to implement measures aimed at increasing the attractiveness of long-term investments for various groups of investors, in particular by creating conditions for the development of this group of instruments** (deposits, long-term individual investment accounts (IIAs), non-governmental pension provision (NPP) products, insurance products, etc.).

The **IIA¹⁴ mechanism will be enhanced further**. Along with the introduction of long-term IIAs of type III and the inclusion of UIF management companies in the list of financial intermediaries

¹⁴ IIAs are specialised brokerage and trust accounts for individuals, which provide for tax benefits if certain conditions are met.

through which IIAs can be opened, the option of opening IIAs through financial platform operators will be considered.

Another instrument is the **long-term savings programme**. The legislative framework for this instrument was developed in 2023, with the launch of this programme planned for 2024. Participation in the long-term savings programme will allow individuals to receive additional monthly income in the future, including after their retirement, or create safety cushions to be protected in challenging life circumstances. Contributions to the programme will be formed from voluntary payments, transfers to the pension savings programme, as well as investment income from contribution's management. To encourage participation in the long-term savings programme, the government provides for co-financing of contributions and also plans to apply a single personal income tax (PIT) deduction to long-term savings agreements.

Conditions are being created for **launching new products in the insurance market** – unit-linked life insurance policies. Along with the NPP guarantee system introduced on 1 January 2023, a similar mechanism is planned to be launched in the life insurance market.¹⁵

The **creation of financial products for the formation of long-term savings that complement NPF products** (for example, special long-term OFZs with inflation-linked yields, special UIFs) remains relevant. There can be established unified requirements for such products, for example, ensuring the break-even point of contributions over a certain term, the opportunity to purchase a pension annuity upon reaching the retirement age, as well as unified tax benefits.

One of the areas for encouraging long-term savings is **development of long-term bank deposits, including irrevocable certificates**, within the comprehensive analysis of the issue of attracting long-term funds to the banking sector, which has become especially relevant due to the need to finance priority transformation projects. To ensure the attractiveness of such deposits, it is planned to consider increased insurance protection for them within the deposit insurance system.

The implementation of the housing savings system in Russia will continue, which will enable individuals to accumulate a down payment in a special housing savings account with the right to subsequently conclude a mortgage loan agreement on special conditions. The housing savings system will expand the long-term resource base of credit institutions, as well as increase the efficiency of mortgage portfolio management.

It is planned, jointly with the Government of the Russian Federation, **to amend the taxation procedure for long-term deposits** by eliminating the tax arbitrage that arises between short- and long-term deposits, providing for the payment of interest income at the end of the term of the bank deposit agreement. Thus, it is planned to provide the opportunity to reduce the tax base for income in the form of interest on deposits (accounts) by the amount of the non-taxable minimum for each calendar year within the validity period of a long-term deposit, regardless of interest payment terms.

In addition, as a tax incentive for long-term investments, **it is planned to introduce a single tax deduction from PIT on individuals' long-term investments**, which is expected to be applied to IIAs of type III, NPP agreements, long-term savings agreements, and – in the future – to long-term life insurance agreements with a target validity period of at least ten years. This tax deduction is assumed to equal the amount of an individual's expenses for the formation of long-term savings (in total, no more than ₹400,000 per year), as well as the amount of income received on IIAs of type III.

As regards investments in foreign securities, the Bank of Russia considers it unreasonable to apply tax incentives, and accordingly, a single tax deduction for individuals' long-term savings is not planned in relation to such financial instruments.

¹⁵ For details, see [Objective 6 'Development of the insurance market' within this area](#).

Objective 2. Development of capital markets and other instruments for long-term financing of economic development

In previous years, the capital market was quickly evolving, and its role as a source of financing for businesses, along with bank lending, increased. In 2022, influenced by external shocks, the securities market contracted and confidence in it declined. It is essential to enhance the role of the capital market as a source of debt and equity financing for businesses.

Considering foreign investors' exit from the market and the need to rely mainly on domestic resources, it is necessary to create conditions and incentives for directing investment resources primarily to finance those projects and companies that contribute to the transformation of the Russian economy and help improve the quality of life. With appropriate information and awareness-raising support, this can help restore domestic private and institutional investors' interest in the capital market.

Preserving and enhancing confidence in the capital market among investors (individuals and businesses) are becoming a key factor for raising financing in the conditions of higher uncertainty. Confidence in the capital market will increase owing to higher market transparency, accessibility of reliable information about products, services and issuers, development of long-term relationships with clients, better quality of issuers' corporate governance, improvement of dividend practices, and intermediaries' compliance with business ethics.

Considering the need to ensure confidence in the capital market, it is critical to **protect the rights of minority shareholders, including both private and institutional investors.**

Thus, **to promote comprehensive development of the capital market, both demand and supply are important, given that investors' demand for securities and companies' willingness to raise funds** both matter. As for supply, Russian businesses are not yet actively using the opportunities for raising financing in the capital market. The range of instruments, industry diversity of issuers, and the amount of traded securities accessible to investors in the Russian capital market are still quite limited. In this regard, it is important to explain the opportunities of the capital market to businesses and create incentives for their use.

Russian companies show little interest in equity financing so far, although it is essentially the most long-term type. Therefore, **special attention will be paid to equity financing development in Russia in the coming years.** Additionally, an adequate amount of equity capital also ensures companies' interest in debt financing.

Besides, it is essential that companies that are ready for this and have already built a high-quality system of corporate governance and information disclosure enter the capital market. To form a fair price for share offerings and limit the risks of volatility in the market, the matters of high-quality organisation of the issue and a balanced composition of investors – both retail and institutional, and, in the future, foreign ones – are of importance as well. In the current conditions, the role of anchor investors may grow further.

The Bank of Russia and the Government of the Russian Federation will create conditions to expand the set of instruments for attracting long-term financing and increase their accessibility and ease of use, including via digital technologies.

It is crucial to implement **instruments enhancing investment quality and preferential regimes for securities offerings by companies engaged in the transformation of the Russian economy and doing business in promising and top-priority sectors**, including hi-tech production, import substitution, non-commodity exports, and the creation of the necessary infrastructure. Such instruments and regimes may include:

- provision of guarantees from government and development institutions;
- support programmes for entering the stock and bond market for companies operating in promising industries and projects, primarily those within the taxonomy of projects of

technological sovereignty and structural adaptation of the economy,¹⁶ as well as tax incentives for investors receiving income from such securities.

Certain support measures are already being implemented for SMEs offering shares and bonds on the stock exchange, as well as attracting financing through crowdfunding platforms. It is planned to extend these support measures, focusing them on those companies that contribute to technological sovereignty, economic restructuring, and import substitution. In addition, **the experience of supporting SMEs' entry to the capital market can also be used, including through adaptation, to support companies whose development may be significant for the transformation of the Russian economy**, in particular fast-growing technology companies.

In terms of balanced economic development, **it is important to ensure the end-to-end nature of support measures** and their continuity at different stages of companies' life cycle. The use of various types of support measures can be considered for, among other things, venture financing instruments, pre-IPO funds, placement of securities on investment platforms, as well as digital financial instruments issued in informational systems. It is planned (if necessary) to assist market participants – including exchanges, IPO accelerators, professional and business associations – in **building comprehensive consulting infrastructure for issuers** (for financial, technical and business consulting in various forms). Such practices are widely used abroad. This will increase companies' awareness of existing opportunities and support measures, approaches and ways to eliminate individual barriers in order to obtain the status of a listed company, and will make it easier for them to complete all necessary procedures that may seem problematic and/or insurmountable to them. In addition, maintaining information resources about government support measures for businesses that have been implemented in many Russian regions can be a useful practice.

As regards the demand for securities, there will be further **work to create a set of instruments for individuals' long-term investments**.¹⁷ In addition, it is planned to explore the possibility of designing mechanisms for **increasing individuals' awareness of the opportunities of their participation in the development of the Russian economy** through investments in shares and bonds of Russian companies, including those in relation to which they have developed certain consumer, behavioural and social patterns and preferences. Such patterns can also be used through a set of socially oriented debt instruments, such as social bonds, and the development of mechanisms for social co-financing of significant projects with the subsequent public use of constructed/reconstructed infrastructure facilities.

Along with increasing financial and investment literacy, **it is necessary to develop a trust management system** and inform individuals about its opportunities, which will mitigate risks associated with investment in capital market instruments. The Bank of Russia is also assessing how to expand institutional investors' opportunities to invest in the securities market.

The **development of channels for direct sales by issuers of standard stock market instruments, including bonds and shares to individuals, will continue to promote long-term investments according to the buy-and-hold strategy using financial platforms and UIFs**. This will allow minimising issuers' and investors' costs for such operations and eliminating the artificial push by brokers of conservative clients towards risky products and active trading. Such securities may also be offered in addition to bank deposits as a natural low-risk expansion of the portfolio. A form of such instruments can be subfederal bonds for the population, the proceeds from the placement of which are used to

¹⁶ Resolution of the Government of the Russian Federation No. 603, dated 15 April 2023, 'On Approving the Priority Areas of Projects Promoting Russia's Technological Sovereignty and the Structural Adaptation of the Economy and the Regulation on the Terms for Classifying Projects as Projects Promoting Russia's Technological Sovereignty and the Structural Adaptation of the Economy, on Submitting the Information on Projects Promoting Russia's Technological Sovereignty and the Structural Adaptation of the Economy, on Keeping the Register of the Said Projects, and on the Requirements for Organisations Authorised to Issue Opinions on Compliance of Projects with the Requirements for Projects Promoting Russia's Technological Sovereignty and the Structural Adaptation of the Economy of the Russian Federation' (hereinafter, Resolution of the Government of the Russian Federation No. 603, dated 15 April 2023).

¹⁷ For details, see [Objective 1 'Development of long-term savings and investment instruments for individuals' within this area](#).

finance social and environmental projects, which bring additional value to investors. The set of such instruments linked to specific development goals can also be supplemented by corporate bonds.

Additionally, it is important to ensure compliance with existing and planned requirements for offering relevant securities to non-qualified investors, as well as equal opportunities for the population to use tax benefits through the IIA mechanism, regardless of whether securities are purchased through a broker or directly from the issuer on a financial platform.

The potential for the inflow of resources through financial platforms will grow owing to the creation of legal conditions for the use of financial platforms by legal entities and individual entrepreneurs, the launch of new products on financial platforms (including in the field of the NPP), individuals' higher awareness about existing and new products and services, and encouragement of a wider presence of regional financial institutions on financial platforms. The latter are expanding the range of participants, complementing the infrastructure of the financial market, and creating more opportunities for individuals, businesses and financial institutions.

Evolution of investment platforms and their rising attractiveness for investors, with the current level of protection maintained, can contribute to the development of mechanisms for attracting financing from domestic investors, including through securities offerings (including pre-IPO stage).

The work on appropriate risk-sensitive incentive-based regulation will be continued to encourage non-bank financial institutions' investment in securities of companies that contribute to ensuring technological sovereignty and structural adaptation of the economy (based on the taxonomy). Alongside the already introduced incentive regulation for insurance companies, UIFs and PSMPs,¹⁸ it is planned to introduce similar incentive-based regulation for NPFs.

The Bank of Russia will consider the issue of **expanding NPFs' investment opportunities** by cancelling some of the requirements for the composition and structure of their investment portfolios (except for the concentration limits and the single limit on assets with an additional level of risk, which can be raised). Besides, the related investment risks of NPFs will be limited by the requirements for their stress testing, and the integrity of investment decisions made by NPFs will be ensured by the requirements for their fiduciary responsibility. The requirements for the safety of pension funds and the reliability of such investments are crucial.

The Bank of Russia will continue its efforts to **increase UIFs' investment attractiveness** as a priority instrument for retail investors to start investing in the financial market and as a convenient mechanism for structuring long-term investments by institutional investors.

The Government of the Russian Federation also plans measures **to spur demand for innovation, including from state-owned corporations**. In particular, the government will explore the issue of allocation of funds for direct and venture investments, the acquisition of products of Russian high-tech companies, as well as the creation of a system for covering risks when introducing innovative solutions (including those of venture companies).

The **development of partnerships between businesses and the government to attract investment in projects** through the use of concession agreements, public- and municipal-private partnership agreements is equally important. The Government of the Russian Federation plans to take steps to create favourable conditions for such forms of cooperation.

Furthermore, **confidence in the capital market is essential for its development, and the accessibility of high-quality and reliable information is crucial to support this confidence**. Therefore, disclosure of such information by securities issuers, availability of accessible market indicators and statistical data, as well as protection of the rights of shareholders (investors), and high-quality

¹⁸ Bank of Russia Ordinance No. 6495-U, dated 2 August 2023, 'On Amending Bank of Russia Ordinance No. 4129-U, Dated 5 September 2016, 'On the Composition and Structure of Assets of Joint-stock Investment Funds and Unit Investment Funds', Bank of Russia Ordinance No. 6513-U, dated 21 August 2023, 'On Amending Bank of Russia Regulation No. 781-P, Dated 16 November 2021, 'On the Requirements for Insurers' Financial Stability and Solvency', Bank of Russia Ordinance No. 6570-U, dated 9 October 2023, 'On Amending Bank of Russia Ordinance No. 5099-U, Dated 22 March 2019', and Bank of Russia Ordinance No. 6571-U, dated 9 October 2023, 'On Amending Bank of Russia Ordinance No. 5873-U, Dated 2 August 2021'.

corporate governance are critical.¹⁹ Furthermore, it is important to continue the efforts aimed at solving the problem of blocked assets.

The availability of reliable and timely statistics on the financial sector and the economy as a whole, which are demanded by both businesses and the government, also contributes to the formation of a unified information space for developing optimal decisions. The areas for improving statistics generated by the Bank of Russia are published in the Programme for Developing the Bank of Russia's Statistical Activities.

Alongside the development of the traditional capital market, in the changed conditions, the role of partnership financing may increase as another way to finance economic development and improve the welfare of the population. The Russian legislation does not prohibit the provision of partnership financing services. However, in some cases, it can be difficult to render such services without special legislative regulation. This partly explains why such services remain limited in terms of both their amounts and spread across regions. To develop this area of financial activities, an experiment was launched in certain constituent territories of the Russian Federation.²⁰

The experiment will help assess market participants' demand for these financial instruments and increase the accessibility of such services for Russian individuals and SMEs. The experiment introduces the regulation for the participants, while simultaneously enabling banks, credit cooperatives and microfinance organisations (MFOs) to carry out trading operations on instalment payment terms. In addition, the experiment will also help establish contacts with financial institutions in countries where such financial instruments and mechanisms are already actively developing.

The experiment will last from September 2023 to September 2025. Then, in 2025, the results of the partnership financing experiment and the need to implement special regulation in the Russian legislation will be assessed. The Bank of Russia will regulate, control and supervise the activities of the participants in the experiment. It will help assess market participants' interest in new financial instruments and increase the accessibility of such services for Russian individuals and SMEs.

The specifics of partnership financing require the development of adequate regulation and supervision approaches. Important conditions for the sound development of partnership financing are proportionate prudential and conduct regulation, as well as supervision and control over the resilience of organisations providing partnership financing services, the state of their corporate governance systems, as well as the quality of services and respect for the interests of consumers, which will also help increase confidence in such services.

Objective 3. Development of corporate relations and corporate governance, information disclosure

Increasing companies' investment attractiveness remains one of the most significant objectives in the current economic conditions. In this regard, ensuring the quality of corporate governance, the responsibility of companies' management for decisions made, transparency of activities, fair treatment of shareholders and investors, as well as the reliability and high potential of activities, and the desire to master new technologies are of great importance and attention. It is essential to focus on the results achieved over the past decades in the area of legal mechanisms that protect shareholder rights, as well as basic approaches to corporate governance that have proven their effectiveness in order to foster an environment of confidence that is required for the efficient

¹⁹ For details, see [Section 3 'Areas for the Development of the Russian Financial Market'](#), Area 1 'Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the stability of the financial sector', [Objective 3 'Development of corporate relations and corporate governance, information disclosure'](#) and [Objective 5 'Expanding the contribution of the financial market to the achievement of sustainable development goals'](#), as well as Area 5 'Ensuring financial stability', [Objective 4 'Development of the national system of benchmarks and their administrators as well as the rating industry'](#).

²⁰ The Republics of Bashkortostan, Tatarstan and Dagestan, as well as the Chechen Republic.

functioning of the capital market, the long-term sustainable development of businesses, and maintenance of investment attractiveness and reputation of the Russian jurisdiction. **Therefore, the Bank of Russia will continue its efforts to develop corporate relations and corporate governance, as well as to properly ensure the rights of shareholders.**

In the acute phase of the crisis, to protect companies and associated individuals (shareholders, members of management bodies, counterparties, and clients) from negative effects of the sanctions, the Bank of Russia introduced a temporary procedure for the exercise of corporate rights, including challenging the actions of management bodies, a special procedure for the formation and functioning of joint-stock companies' boards of directors, as well as other special regimes for the implementation of corporate legislation, including with regard to information disclosure.

Taking into account the importance of timely disclosures and the quality of corporate governance for the financial market, starting from July 2023,²¹ securities issuers²² began to gradually resume information disclosure. Particularly, from this moment on, companies are not allowed to close all information, and the list of those who may disclose and submit partial information is limited.²³ **It is reasonable to continue lifting special (anti-crisis) measures for the implementation of corporate rights and return to the procedures established by the legislation on corporate relations.**

The Bank of Russia will pay attention to ensuring that public companies have the appropriate level of transparency of corporate decisions and maintain the balance of interests of all participants in corporate relations, including minority shareholders. It is planned to create a legal framework for shareholder meetings in a hybrid (in-person and remote) mode. This mechanism makes it possible to accumulate minority shareholders' votes to nominate candidates to the board of directors of public joint-stock companies and improve procedures for the acquisition of public companies' large equity stocks in order to increase their flexibility and mitigate majority shareholders' costs while simultaneously enhancing the protection of minority shareholders' rights in the case of a change of the controlling shareholder.

The predictability of dividend payments makes investments more attractive and strengthens confidence in companies. To achieve this, it is planned to determine the requirements for public companies' dividend policy, establish the obligation to approve and disclose it, as well as to explain to shareholders the reasons for rejecting the approved dividend policy. These measures will contribute to long-term investment planning.

In order to develop the debt financing market, the Bank of Russia plans to continue expanding opportunities for bond issuers to quickly and conveniently execute transactions, as well as **enhancing mechanisms for protecting bondholders' rights.** The Bank of Russia also plans to improve the procedure for restructuring debt on corporate bonds and holding bondholders' meetings, increase the responsibility of members of bond issuers' management bodies for decisions affecting bondholders' interests, and enhance the role of a representative of bondholders.

The Bank of Russia will also continue working on the **introduction of the best corporate governance standards into the practice of Russian public companies**, which are presented in the

²¹ According to Resolution of the Government of the Russian Federation No. 351, dated 12 March 2022, 'On the Specifics of the Disclosure and Submission of Information to be Disclosed and Submitted Pursuant to the Federal Law 'On Joint-stock Companies' and the Federal Law 'On the Securities Market', and on the Specifics of the Disclosure of Insider Information Pursuant to the Federal Law 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation'.

²² Securities' issuers were granted the right to limit or completely refuse to disclose and submit information subject to disclosure (including in the securities prospectus) and/or submit information in accordance with the Federal Law No. 208-FZ, dated 26 December 1995 'On Joint-stock Companies' and Federal Law No. 39-FZ, dated 22 April 1996, 'On the Securities Market'.

²³ Resolution of the Government of the Russian Federation No. 1102, dated 4 July 2023, 'On the Specifics of the Disclosure and/or Submission of Information to be Disclosed and/or Submitted Pursuant to the Federal Law 'On Joint-stock Companies' and the Federal Law 'On the Securities Market'.

[Corporate Governance Code](#) (hereinafter, the Code)²⁴ and other recommendations of the Bank of Russia. Mindful implementation of the Code's recommendations should improve the resilience of companies' activities as well as help them timely adapt to rapidly changing business conditions and take advantage of new opportunities. This is expected to increase their attractiveness for investors.

The Bank of Russia plans to develop approaches aimed at enhancing corporate governance practices in holding companies and groups of companies, taking into account the specifics of their activities.

In terms of **the development of corporate governance in financial institutions**, the Bank of Russia plans to determine and legally formalise approaches to the organisation of certain corporate governance practices, including the formation of a board of directors and the creation of a remuneration system, as well as harmonise the requirements for risk management, internal control and internal audit in financial institutions.

The Bank of Russia will continue to improve corporate governance in credit institutions. It is planned to develop a corporate governance standard for credit institutions. The mega-regulator will take efforts to encourage the development of internal control systems and detect unfair and illegal practices in credit institutions, as well as to introduce ethical standards regulating their activities.

The Bank of Russia also plans to unify and enhance the requirements for qualifications and business reputation of financial market specialists (including executives, officials and owners of financial institutions) to improve the quality of management and work in financial institutions at all levels.

The development of the system of auditing of financial market participants' reporting will help increase the quality of information in the financial market and users' confidence in financial reporting.

Starting in 2024, only audit organisations on the Bank of Russia's register will have the right to provide audit-related services and to audit socially important organisations in the financial market. The Bank of Russia's activities in this area in 2024–2026 will focus on the procedures for admitting audit organisations to providing such services, assessing audit organisations included in the Bank of Russia's register by risk categories, and forming their supervisory profiles.

The Bank of Russia will continue the efforts aimed at creating the EAEU single market for audit services, as well as the work related to the recognition of audit reports issued by Russian audit companies in friendly countries.

Objective 4. Banks' participation in economic development financing

In the medium term, the banking sector, as the largest segment of the Russian financial market, should play a significant role in financing the rapid transformation of the Russian economy. Simultaneously, financing top-priority projects aimed at developing the domestic economy, in the medium term, will make the economy more resilient and help improve the risk profile of the banking sector itself.

In some cases, banks have limited opportunities to participate in lending to long-term investment projects, given that a significant part of their liabilities are short-term or on-demand. In addition, some companies and projects in the real sector are very large, even by international standards, and the capital of the largest Russian banks is insufficient to lend to such companies and projects in the required amount. Therefore, it is necessary **to help the banking sector form long-term resources, develop risk distribution mechanisms, and increase banks' interest in lending to priority projects in general.**

In order to create conditions for the formation of long-term resources in the banking sector, it is necessary to continue improving the deposit insurance system. In particular, it is planned

²⁴ Letter of the Bank of Russia No. 06-52/2463, dated 10 April 2014, '[On the Corporate Governance Code](#)' was officially published on 18 April 2014 and recommended for application by the Bank of Russia.

to increase the insurance compensation limit and differentiate the rates of contributions to the Compulsory Deposit Insurance Fund (CDIF) depending on deposit types and maturities. This will make long-term deposits more attractive to clients, allow banks to increase their profitability, and ensure an inflow of stable long-term liabilities to finance the economy.

The Bank of Russia will foster the development of legal and operational mechanisms facilitating the diversification of credit risk within the banking sector, as well as among banks and other financial market participants. Particularly, it is planned to promote a more active use of instruments for securitisation of bank loan portfolios, syndication of bank loans, and other methods of risk distribution. This is of particular importance, taking into consideration limited access of Russian companies to international financial markets and insufficient capacity of the domestic stock market. The concentration of credit risk can also be reduced if part of the risk is covered by government and development institutions through guarantees and sureties to banks.

To increase banks' interest in lending to the projects that are vital for the economy, the Bank of Russia introduced **incentive-based banking regulation**. Now, banks can significantly reduce (in some cases, twice or thrice) the capital burden for loans issued to finance the projects that help ensure technological sovereignty and the structural adaptation of the economy. Reducing the pressure on capital makes such loans more attractive to banks, and accordingly, it becomes easier to attract financing for such projects.

Meanwhile, in order to prevent the accumulation of excessive risks in the banking system, the amount of regulatory incentives is limited: the limits on the use of benefits for individual banks depend on their capital stock and profitability.

The criteria for projects were defined by the Government of the Russian Federation in a special taxonomy²⁵ listing the highest priority industries and types of products that are not yet sufficiently localised or may be difficult to import. In addition, the taxonomy includes the infrastructure and services needed to further mitigate import dependence and redirect exports to new markets.

The full potential of the incentive regulation can only be realised if there are a sufficient number of projects within the taxonomy with a level of risk acceptable to banks. Therefore, **the Bank of Russia supports the integration of the taxonomy with the government support measures and the participation of state development institutions in the financing of strategically significant projects**. This approach will help achieve a synergistic effect, thus enhancing the regulatory incentives by financial support measures, which will ultimately allow the implementation of a larger number of top-priority projects.²⁶ At the same time, it is important to monitor the use of the taxonomy, including by timely updating the areas where incentives may be most appropriate.

For all their importance, **some priority investment projects that are strategic for the country may involve relatively high risks from market lenders' point of view. In this case, budget resources and the capabilities of state development institutions must be used to ensure financing of these projects and programmes**. Raising bank loans for such projects is possible by providing banks with government guarantees and sureties from development institutions or issuing bonds secured by such guarantees and sureties. Furthermore, for the effectiveness of such support, it is important that guarantees and sureties really help mitigate banks' risks, which means that they should be similar to unconditional and irrevocable obligations.

Due to low payback, particular projects will not qualify for high-quality government guarantees or service loans at market rates. If such projects are of strategic importance for the economy, they should be subsidised and/or co-financed through direct investments from state development

²⁵ The priority areas of projects promoting technological sovereignty and structural adaptation of the Russian Federation economy were approved by Resolution of the Government of the Russian Federation No. 603, dated 15 April 2023.

²⁶ For details on other measures to develop the banking regulation, see [Section 3 'Areas for the Development of the Russian Financial Market', Area 1 'Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the resilience of the financial sector', Objective 7 'Ensuring the resilience and regulatory development of financial institutions'](#).

institutions. Besides, it is essential that development institutions do not enter direct competition with credit institutions. The amount of stimulus measures should be limited to mitigate the risks of a significant easing of monetary conditions, which would require the Bank of Russia to maintain the key rate at a higher level. Besides, the prioritisation of projects to be subsidised, the use of subsidies to solve the priority tasks of the economic transformation, and targeted and responsible implementation of such projects are of particular importance.

Taking the needs of the structural transformation of the economy into consideration, the role of development institutions will be growing and the scope of their activities will increase in the medium term. In turn, a higher role of development institutions will contribute to more active development of project financing. In this regard, it is necessary to provide for automatic mechanisms for recapitalisation of development institutions (including within the framework of maintaining their status as public sector organisations as a necessary condition for continuing the special regulation of banks' claims on them), and the government should take into account the needs for such recapitalisation when planning federal budget expenditures. Thus, it can be reasonable to create a single transparent mechanism of the so-called approved capital²⁷ accessible to all development institutions. The clearest mechanism of approved capital was developed in relation to VEB.RF, and it can be scaled up to embrace other development institutions. Additionally, development institutions need to enhance medium-term forecasting of consolidated performance indicators, including capital and financial stability ratios, not only to identify the need for additional capitalisation (other state support measures), but also to expand activities in the future. The use of stress testing methods can also improve the understanding of the capital needs of development institutions.

The Bank of Russia will continue the work on the **development capacity of small banks and to reduce the regulatory burden proportionately**. Specifically, in addition to the right that banks with a basic licence were already granted (to open correspondent accounts with foreign banks on an ongoing basis), it is planned to expand the list of securities available to such banks. Moreover, the Bank of Russia, together with market participants, will continue working on approaches to creating special banking associations, which could help develop business models for banks with a basic licence, mitigate costs (for example, on IT and marketing), and increase the scale of business and the customer base.

The Bank of Russia, in collaboration with the Ministry of Finance, will continue the work on the transition to credit ratings as a single criterion for selecting banks in order to participate in programmes for the placement of public funds.²⁸ This can help increase the transparency and objectivity of the selection procedure, as well as expand competitive opportunities for smaller participants. Speaking of subsidies granted to banks after they issue loans, the Bank of Russia consistently stands for a wide list of participants in such programmes to ensure equal access to them, since there is no direct credit risk from creditor banks for the budget (with proper control over targeted spending of the funds allocated for the programme).

Objective 5. Expanding the contribution of the financial market to the achievement of sustainable development goals

The goals of the national sustainable development agenda, including the continuation of activities aimed at environmental protection and social development, remain relevant in the context of the ongoing structural transformation of the Russian economy.

²⁷ Approved capital is the part of authorised capital of a development institution that is formed from federal subsidies and subsequent additional capital contributions of the Russian Federation when the development institution reaches the trigger values of the required financial stability ratios (indicators).

²⁸ Draft Federal Law No. 1046569-7 'On Amending Certain Laws of the Russian Federation for the Purpose of Improving the Selection of Credit Institutions Based on Credit Ratings in Order to Invest and Deposit Funds' is being prepared for consideration by the State Duma in the second reading.

These goals are also significant for building relationships with foreign partners from friendly countries that also attach importance to environmental and climate issues. It is essential for Russia not to fall behind both in the climate agenda and in approaches to achieving the sustainable development goals in order to avoid risks for the economy and the financial sector. The Bank of Russia will continue to work on **stress-testing of climate risks to assess their impact on the financial market and the Russian economy**.

The national carbon regulation is the basis for the implementation of the Strategy for Social and Economic Development of the Russian Federation with Low Greenhouse Gas Emissions Until 2050. Russia has a significant potential for implementing projects to mitigate and absorb greenhouse gases due to its vast territories and unique ecosystems. **In these conditions, work will continue to develop a national carbon regulation system and an emissions trading system** with the involvement of the clearing infrastructure to ensure settlements using the Delivery versus Payment (DvP) model and depending on the possible netting of the carbon footprint within the country based on the carbon price formed in the domestic market. It is also critical to ensure recognition of carbon footprint netting for exports through the integration of greenhouse gas emissions trading systems or mutual recognition of the carbon regulation by friendly countries' markets.

It is important to ensure **the integration of ESG factors into business strategies, corporate governance and risk management of financial and non-financial organisations**, taking into account the current situation, national priorities of the Russian economy and the experience of friendly countries. The development of approaches to the disclosure of information on sustainable development by both public joint-stock companies and financial institutions will be continued, as well as the implementation of the sustainable development agenda and integration of ESG factors into corporate governance and the activities of financial market participants, including through relevant methodological documents. This will ensure the comparability of disclosures and enable investors and counterparties to adequately assess ESG risks and opportunities at the micro and macro levels and select the best investment options.

The Bank of Russia will continue **improving the infrastructure and tools for sustainable development**, by enhancing the existing tools and **adjusting the approaches to their verification**. The Bank of Russia will also consider possible approaches to labelling sustainable finance products.

It is planned to monitor financial market participants' compliance with recommendations on sustainable development,²⁹ and based on the results of the monitoring – make a decision on the reasonableness of including particular recommendations in the regulation. The Bank of Russia plans to carry out such monitoring, including in relation to the assignment of ESG ratings.³⁰ These measures should allow investors to assess the size of the risk premium more accurately. As international approaches are developed and the practice of accounting climate risks inside the country evolves, the feasibility of introducing more stringent regulation will be considered.

The Bank of Russia will also consider the issue of stimulating the sustainable finance market and increasing the interest of its participants. Relevant proposals on support measures, including tax incentives for both organisations issuing sustainable finance instruments and investors in such instruments, as well as mechanisms for subsidies and government guarantees, are planned to be worked out jointly with the Government of the Russian Federation with the participation of real sector and financial market companies. Based on the results of the application of the incentive banking regulation introduced in 2023 for projects promoting technological sovereignty and the

²⁹ [Information letters and recommendations on sustainable development](#) posted on the Bank of Russia website.

³⁰ In 2023, as part of this work, the Bank of Russia published the consultation paper 'Model Methodology for ESG Ratings' and, later on, sent Bank of Russia Information Letter No. IN-02-05/46, dated 30 June 2023, 'On Recommendations for Developing the ESG Ratings Methodology' to financial market participants, proposing the ways to unify the approaches to assessing the ESG components. In the future, the Bank of Russia will monitor compliance with the recommendations for assigning ESG ratings and, if necessary, update the approaches taking into account the experience of their use by credit rating agencies.

structural transformation of the economy, the issue of expanding similar incentives to sustainable development projects will be analysed.

The Bank of Russia is also implementing its own corporate sustainable development policy. The regulator plans to cascade this policy to its subsidiaries, which will facilitate more efficient use of resources and ensure the Bank of Russia's contribution to achieving the sustainable development and climate agenda goals.

Objective 6. Development of the insurance market

Considering the objective of the structural transformation of the economy, the role of the insurance market, which is designed to protect businesses and individuals' well-being, will significantly increase. Life insurance can become one of the instruments contributing to the formation of internal sources of long-term financing for the economy. Besides, an expansion of its coverage is directly related to an increase in individuals' confidence in this investment instrument. For these purposes, it is planned to launch **a guarantee system for life insurance contracts** in the life insurance market,³¹ which should secure individuals' long-term investments. This system will be based on the same principles as the bank deposit insurance and pension savings guarantee systems. If an insurer goes bankrupt, its obligations to clients, within the limits established by law, will be fulfilled at the expense of the guarantee fund formed from insurers' contributions.

The introduction of a new complex product for the Russian insurance market will continue – **unit-linked insurance plan**,³² which provides consumers with not only a long-term life insurance programme, but also flexible investment opportunities. This product protects the rights of the consumer as an investor, the investment strategy is determined by the investor's preferences and risk appetite, and the investment part of the plan will be implemented through open-end UIFs. This approach to the regulation of unit-linked life insurance will involve significantly lower costs for the development and implementation of new regulation and will make it possible to take advantage of the existing investor protection instruments that have proven their efficiency.

The insurance market is capable of providing consumers with insurance products that best meet their interests. Such opportunities will help develop the insurance market itself and achieve the strategic goals. **The Bank of Russia will pay special attention to types of insurance, primarily retail ones, with low customer value.** In particular, the indicators of low customer value include low-probability events among insured risks and a long-term low level of payments. The solution to these problems will be facilitated by the regulation of insurance conditions for such voluntary types of insurance introduced in 2022–2023, as well as the establishment of the requirements for the disclosure of information about insurance products.³³ Furthermore, the Bank of Russia will monitor the effectiveness of such regulation. In the long term, this will help increase confidence in the insurance market.

In the insurance market, the Bank of Russia will continue to directly participate in the work to **create and ensure the functioning of a centralised system for collecting, analysing and storing information.** This is necessary to enhance the transparency and exchange of information. The mega-regulator's direct involvement will ensure efficient functioning of this information system and compliance with the requirements for high-quality information (including via access to federal

³¹ Unlike in the banking sector where all deposits and accounts of individuals are insured, an insurer's obligations to clients in the event of its bankruptcy are not guaranteed by the government, which is one of the reasons for individuals' low confidence in life insurance contracts in Russia.

³² Unit-linked insurance plan.

³³ The Bank of Russia approved the regulations providing for the disclosure of information on voluntary insurance contracts in the form of a key information document, as well as establishing the minimum (standard) requirements for the conditions of certain voluntary insurance types aimed at increasing the customer value of insurance products (Bank of Russia Ordinances No. 6107-U, dated 28 March 2022; No. 6109-U, dated 29 March 2022; No. 6139-U, dated 17 May 2022; and No. 6494-U, dated 8 February 2023).

information systems) and the high standards for information protection (including personal data and insurance secrecy). This system will provide insurance companies with equal access to high-quality information, which is necessary for reliable risk consideration. They will be able to fine-tune pricing based on clients' individual risks, as well as develop new insurance products.

The Bank of Russia will also continue implementing **a risk-based approach to regulating the insurance sector** in terms of modifying the assessment of insurance risks and determining the regulatory capital requirements. The requirements for insurers' corporate governance systems will be expanded, and the requirements for their risk management systems will be adjusted.

In order to build a unified insurance infrastructure with friendly countries and create conditions promoting competition in the reinsurance market through additional reinsurance capacities, the work aimed at ensuring **international recognition of the quality of the Russian insurance and reinsurance protection** and establishing interaction with companies from friendly countries at the market level will be continued.

Objective 7. Ensuring the resilience and regulatory development of financial institutions

Regulatory easing helps overcome the acute phase of a crisis, but cannot be sustained for too long, given that this could lead to distortions, ineffective allocation of resources in the financial sector and the economy, and the accumulation of excessive risks in financial institutions, which, in turn, would create threats to financial stability in general.

The financial market can fulfil its functions of transforming savings into investments, as well as enhance its role in financing the transformation of the economy only if there are financially stable and sound financial intermediaries in the market. Therefore, the Bank of Russia will continue paying significant attention to maintaining the stability of financial institutions and plans to further adjust the regulation taking into account the new realities.

While creating conditions for the development of the financial market and ensuring financial stability at a systemic level, the Bank of Russia takes into account both the trends common to all sectors of the financial market and those specific to each of them. This determines, on the one hand, the existence of peculiarities in the regulation of various financial intermediaries and, on the other hand, the strengthening of the commonality of the regulatory approaches and tasks, such as the proportionality between the regulatory burden and the scale of financial institutions' activities, the implementation of guarantee systems, a reduction in market participants' costs, the creation of a legal framework for remote service formats, and the penetration of digital products and services. Gradual blurring of the boundaries between the financial market sectors and e-commerce, increasingly cross-sectoral nature of financial intermediaries' activities, and the emergence of ecosystems require additional adjustments to the regulation of both the financial market as a whole and individual types of activities.

Phasing-out of the regulatory easing

The Bank of Russia has been gradually cancelling the regulatory easing introduced to support the financial market during the acute phase of the crisis in 2022. The phasing-out of these measures should be gradual while ensuring adequate risk control in the financial sector. This applies to both banks and non-bank financial institutions (NFIs). Many regulatory easing measures for banks and NFIs, including those relating to the fixing of exchange rates and securities prices, information disclosure and others, have already been cancelled. Some measures will remain effective until the end of 2023, while others (for example, the assessment of sanctioned borrowers' credit risk) – for a longer period. Besides, some measures will be integrated into the regulation.

Nevertheless, in order to reduce the regulatory burden on banks' capital, simplify the recognition of losses on blocked assets, support lending, and avoid a stigmatisation effect when banks fail to comply with the requirements for buffers, the Bank of Russia temporarily reduced the capital adequacy buffers, which had previously made it possible to accumulate a capital cushion and dampen the impact of negative factors on the financial sector.

Furthermore, in order to limit the growth of high-risk loans/microloans in unsecured consumer lending, the Bank of Russia introduced macroprudential limits to discourage lending to borrowers with high debt service-to-income ratios (DSTI). The Bank of Russia will continue using the system of macroprudential buffers in other segments as well in order to discourage risky lending (in particular, mortgages).

After the economy fully adapts to the external shocks, the Bank of Russia will discuss with market participants the feasibility of creating mechanisms of collective capital buffers for banks in addition to individual ones formed from the capital adequacy buffers.

Banking regulation

The Bank of Russia will continue to improve the banking regulation. The priorities set in this area are described in the document [Promising Areas of Banking Regulation and Supervision Development](#).³⁴

In 2023, the Bank of Russia will complete the implementation of **a number of initiatives that:**

- **allow banks to maintain and increase their lending potential** (the capital adequacy buffers were reduced, incentive regulation was introduced for projects promoting technological sovereignty and the structural adaptation of the economy);
- **enhance the reliability of banks** (measures for dedollarisation of capital sources were taken); and
- **improve the quality of risk assessment** (the macroprudential requirements for mortgage loans were increased, banks were allowed to apply risk-sensitive ratios to make provisions for contingent credit obligations).

In addition, in 2023, the legislative authorities approved amendments expanding the range of banking products that can be chosen by consumers (the calculation of the total cost of credit (TCC) was changed, the cooling-off period for rejecting unnecessary services was extended, and the limit of ₺30 million was set on zero-fee online transfers between an individual's accounts with different banks).

The Bank of Russia will continue to **improve the deposit insurance system**. This work is aimed at expanding the deposit insurance system, adjusting the parameters of contributions to the CDIF depending on deposit types and maturities, and changing the approaches to assessing banks' economic situation based on the credit institution's supervisory rating system. A higher insurance indemnity limit and reduced rates of contributions to the CDIF will make long-term deposits more attractive to clients, allow banks to increase their profitability, and ensure an influx of stable long-term liabilities to finance the economy.

Enhanced control over liquidity risks will also reinforce and extend the structure of funding. On top of that, the Bank of Russia plans to develop and implement a national liquidity coverage ratio, which will take into account the national specifics to a greater extent compared to Basel III.

To mitigate the vulnerability of the banking sector to exchange rate fluctuations and ensure greater resilience of credit institutions to foreign exchange risk, the Bank of Russia will **adjust the limits on open currency positions (OCPs)** by setting the balance-sheet OCP limit, increasing the requirements for the quality of hedging instruments, and enhancing the accuracy of foreign exchange risk assessment with preservation in the OCP of only those positions that have a direct

³⁴ Published on the Bank of Russia website on 27 December 2022.

effect on the financial result. More flexible terms for the settlement of OCPs will help mitigate the impact of banks' operations on the foreign exchange market.

A lot of attention will be paid to mitigating concentration risks, which will help decrease systemic risks and develop the syndication market.

In order to reduce the concentration of non-core assets on banks' balance sheets, the Bank of Russia **will develop the concept of a risk-sensitive limit on immobilised assets and gradually introduce it into the regulation.**

The Bank of Russia will continue to **enhance the role of supervisory stress testing** of banks, which will allow its results to be taken into account in the future while setting capital requirements. To increase banks' preparedness for crises, mitigate systemic risk and develop syndication, the Bank of Russia will enhance the regulation in relation to the FSRP (financial stability recovery plan) and ICAAP (internal capital adequacy assessment processes).

In order to improve the credit risk management systems of systemically important credit institutions (SICIs), the Bank of Russia is implementing measures to ensure SICIs' mandatory transition to internal ratings-based approaches to measure credit risk taken into account in the calculation of credit institutions' capital adequacy ratios.

The implementation of these innovations will contribute to the development and resilience of the banking sector, increase the customer focus, and enhance the role of banks in financing the economic development of the country.

Information on the plans/status of the initiatives is published on a regular basis in the Bank of Russia's [banking regulation reviews](#) and [plan for the issue of regulations](#) for the coming year.

Regulation of the microfinance market

The Bank of Russia will adopt additional regulatory measures to enhance consumer protection in the microfinance market, which will contribute to the transparency and development of this segment and improve consumer protection.

The Bank of Russia **will introduce a new model for admitting credit cooperatives to the market and establish business reputation and/or qualification requirements for certain executives of credit cooperatives, including the sole executive body.** These measures will enhance the security of individuals' personal savings deposited at credit cooperatives and reduce the risks of the emergence of financial pyramids presenting as credit cooperatives.

In view of the active growth observed in MFOs' online operations starting in 2020 and increasing risks of online fraud, the Bank of Russia will also **continue to implement a complex of measures to combat online fraud** in MFOs' activities, including the development of an information security and information protection system in MFOs, as well as the formation of a legal basis for the use by MFOs of various types of data from government and commercial information systems in order to identify and prevent fraudulent transactions.

Taking into account emerging risks, the Bank of Russia will continue to fine-tune the prudential requirements for microfinance market participants by improving the system of economic ratios and microloan loss provisions.

In addition, the Bank of Russia will continue to develop regulatory decisions regarding microfinance market participants, taking into account the use of proportionate and risk-based approaches, as well as market participants' overall costs.

Regulation of professional securities market participants and management companies of unit investment funds

The Bank of Russia will enhance the regulation and supervision of the activities of management companies, trust managers, brokers, and investment advisers. The main measures will be aimed at

improving the quality of services provided by these financial institutions and protecting consumer rights. This is especially relevant in the context of growing interest among individuals in capital market instruments and the enhancing role of financial intermediaries providing investment services to retail clients.

Having mostly completed the work aimed at removing participants that misconducted from the financial market, the Bank of Russia will continue its efforts to increase the resilience of existing PSMPs and management companies, taking into account the new conditions.

The Bank of Russia will **improve the regulation and supervision of investment advisers' activities**. The adjustment of the regulation is necessary, given that financial consulting is becoming increasingly widespread as a large number of retail clients have been entering the securities market. In addition, the range of offered services similar to investment consulting has been expanding, but they are beyond the existing legal framework. Taking this into account, it is planned to identify possible approaches to the regulation of services that are identical or close to investment consulting, but are not recognised as such due to a number of formal characteristics. Concurrently, it would be reasonable **to expand the concept and criteria of individual investment advice** in order to increase investment advisers' responsibility.

The Bank of Russia will also evaluate the possibilities of **improving the regulation regarding the use of robo-adviser apps** – electronic programmes used by investment advisers to provide automated investment advice to customers. Particular attention will be paid to programmes based on machine-learning technologies.

Regulation of financial associations

In the context of the emergence of cross-sectoral associations of financial institutions in Russian financial market, it is necessary to develop **the regulation and supervision of their activities on a consolidated basis**, in addition to the regulation and supervision on an individual basis. This will improve the quality of control over financial institutions' risks and ensure more reliable customer protection.

The Bank of Russia will initiate the introduction of **the regulation of financial associations**, including both bank and non-bank financial institutions (insurers, NPFs, brokers, exchanges, etc.). A unified cross-functional approach will make it possible to establish harmonised and proportionate requirements for financial associations' operation, depending on the scale of their activities and the nature and size of the risks they accept.

In addition, the Bank of Russia will continue to expand the opportunities for **combining various types of activities** in the financial market and switch to activity-based regulation, which will allow financial institutions to work in new areas without creating a separate legal entity. According to the Bank of Russia's estimates, the implementation of these initiatives will take several years, given that they involve significant changes in the regulation. Therefore, they will be implemented stage by stage, as they are elaborated and coordinated with the professional community. The Bank of Russia considers it possible to allow, for example, NPFs, management companies and insurers to carry out non-financial activities, in particular to provide agency services. In 2023, NPFs were allowed to offer additional agency services for the sale of products of other organisations, as well as consulting and information services in the financial market.

3.2. FINANCIAL CONSUMER AND INVESTOR PROTECTION, ENHANCING FINANCIAL INCLUSION FOR HOUSEHOLDS AND BUSINESSES

Ensuring financial consumers' and investors' protection and improving their financial literacy are among the key areas of the Bank of Russia's activities. At present and over the next three years, the work in these areas will be intensified with regard to investment products and services as well as cybersecurity, which is related to the presence of millions of new investors in the financial market who are using predominantly online service channels.

Furthermore, with the spread of digital technologies in the financial sector, new types of illegal activities and fraud are emerging. The widespread use of online channels and mobile communication for servicing clients accelerates access to financial services and makes it more convenient. However, individuals thus become more vulnerable to cyber fraud and social engineering threats, which requires a higher level of protection for financial consumers. Illegal activities do not only create threats of financial losses for individuals, but also cast a shadow on bona fide participants, thus decreasing trust in the financial market in general.

The work to ensure protection of investors' rights in the capital market and of the interests of public companies' shareholders is becoming especially important. The Bank of Russia will ensure that public companies have the appropriate level of information transparency, make justified corporate decisions concerning the rights and/or interests of investors, including minority shareholders, and develop transparent and predictable dividend policy.

Objective 1. Developing and adapting the system of financial consumer and investor protection taking into account changes in the financial market

Protecting non-qualified retail investors. The materialisation of external geopolitical risks has entailed losses for investors, which may still affect their willingness to invest in stock market instruments in the future. It is important to restore and strengthen non-qualified retail investors' confidence in the capital market while limiting the risks for this category of investors.

In this regard, the Bank of Russia is implementing a set of measures aimed at protecting retail investors and improving approaches to their admission to the capital market in terms of testing procedures, recognition of individuals as qualified investors, the list of instruments available only to qualified investors, and a number of others. These measures will protect non-qualified investors from the risk of potential losses when investing funds in products and instruments the essence of which investors do not understand.

In terms of eligibility for the qualified investor status, it is planned to increase the required amount of assets and change their structure, establish requirements for the documents confirming such assets, expand the opportunities for granting the status of a qualified investor in accordance with educational criteria, exclude the securities market legislation clause that links the status of a qualified investor to only a specific instrument or list of instruments.

The Bank of Russia is also ready to consider introducing a special qualification examination. However, specific parameters of such an examination, including who will administer the examination, should be developed and discussed further.

There are plans to improve the system of protection of non-qualified investors' rights on investment platforms, which includes exploring the issue of testing non-qualified investors on crowdinvesting platforms when they acquire shares.

In addition, there are plans to continue **forming unified electronic registers of individuals recognised as qualified investors and individuals who have obtained access to specific complex financial instruments** based on the results of the testing. Such measures will help reduce unfair practices in granting the status of a qualified investor.

Besides, the Bank of Russia will **assess the possibility of admitting non-qualified investors to foreign financial instruments issued by residents of friendly countries** solely when there is no custody risk, as well as after the investors have passed the test and received additional information (on inherent risks) with respect to such instruments.

In the long run, there are plans to explore the issue of **expanding the regulator's powers to determine financial products intended for qualified investors**. This will prevent complex financial products and services from being offered to individuals who are sometimes unable to independently assess their customer value due to the complexity of such products and services.

Forming a legal framework for the financial ombudsman to examine brokers' disputes with retail investors. Taking into account an increasing number of retail investors and property-related disputes between investors and brokers, it would be prudent to explore the issue of amendments to the legislation expanding the competence of the financial ombudsman and empowering the latter to examine disputes between these financial market participants.

Moreover, in order to settle disagreements between consumers and financial institutions more quickly and efficiently, it would be prudent **to explore possible approaches to implementing mediation technologies in the financial market**. To date, specific steps have already been made in this direction. In particular, the Bank of Russia and representatives of the banking community have proposed a mechanism for comprehensive settlement of the bank debt of a borrower facing hardships and described the procedure in the Standard which the Bank of Russia recommended to credit institutions at the end of April 2023.³⁵ In the future, there are plans to develop comprehensive settlement and financial application in the financial market.

Regulating the protection of consumers paying for goods (works, services) in instalments. Financial consumers' demand for payments in instalments has been rapidly growing. However, there is no special regulation in this market segment. Besides, the main consumers of this financial product are low-income individuals who need additional protection from over-indebtedness. Apparently, special regulation will protect individuals' rights, help identify differences between instalment plans and POS loans in the portfolios of professional creditors and independent instalment providers. This will also increase the transparency of the financial services market, support financial stability, and help prevent the spread of shadow financial services.

Development of conduct supervision. The Bank of Russia will continue to create incentives for financial service providers to become more customer-oriented, taking into account the priority of preventive conduct supervision and the trend towards the development of remote customer communication channels with the following in mind:

- improvement of risk-based conduct supervision tools, including the development of tools to identify and assess potential consumer risks in supervised entities' operations;
- combination of supervisory and advisory components in the Bank of Russia's activity as a systemic approach to the development of conduct supervision; and
- change of financial institutions' management paradigm to make financial service providers' business models more customer-oriented.

In order to enhance the quality of banks' and NFIs' communication with consumers when selling financial services and increase individuals' satisfaction with financial market services, the Bank of Russia examines how professional creditors provide financial services. For this purpose, the Bank of Russia conducts various consumer surveys, engages non-governmental organisations to take part in the measures aimed at identifying unfair practices in the market, publishes explanations and questions and answers on its website to communicate the Bank of Russia's opinion on various

³⁵ Information Letter No. IN-03-59/33, dated 25 April 2023, 'On the Standard for Protecting the Rights and Interests of Individual Borrowers in the Course of Debt Settlement Under Loan Agreements Concluded for Purposes not Relating to Entrepreneurial Activity'.

issues to supervised organisations, as well as information on unfair and best practices identified in the course of supervision.

Moreover, the Bank of Russia plans to develop the practice of monitoring whether supervised organisations follow the recommendations concerning financial consumer protection that the Bank of Russia adopts independently or together with the federal executive authorities.

The Bank of Russia will continue using the conduct assessment tool with respect to the regulatory requirements related to the form and contents of and the procedure for informing clients about financial products, as well as for the procedure used by financial product providers to communicate with clients.

Objective 2. Ensuring protection from illegal actions in the financial market

The Bank of Russia, together with financial market participants, will continue implementing measures to protect financial consumers' rights and increase the level of confidence in digital technologies as part of the adopted legislative initiatives, thus preventing unauthorised transactions and social engineering. Specifically, a two-day cooling-off period is to be introduced, during which banks shall not transfer funds to suspicious accounts, and individuals who siphon and cash out stolen money will be disconnected from remote banking if the information about their illegal activities is reported by the Russian Ministry of Internal Affairs. In particular, a new procedure for returning stolen funds will be introduced and the quality of credit institutions' anti-fraud systems will be enhanced.³⁶

The legislative amendments allowing **individuals to set a self-ban on loans (microloans) in their credit histories and recognising such information as legally significant** (the CreditLock mechanism) will make it possible to efficiently combat fraudsters obtaining consumer loans by illegally using individuals' personal data and by social engineering when individuals are induced to get consumer loans (microloans) to then transfer the funds to the fraudsters.

The key condition of this mechanism is the use of an individual's unique identifier (Taxpayer Identification Number) ensuring unambiguous identification of the individual both when the self-ban is set (lifted) and when a creditor checks the individual's credit history to make sure that a consumer loan (microloan) may be issued.

To **combat unlawful activities**, the Bank of Russia makes continuous efforts to promptly inform individuals about illegal entities and terminate their activities.

The Bank of Russia will continue to promptly identify, using modern automation tools, companies and projects having signs of financial pyramids and illicit activity in the financial market, including on the Internet, as well as to initiate measures to limit access to the resources of illegal financial service providers.

The Bank of Russia will continue to participate in supporting and enhancing the operation of the integrated system for combating illicit activities in the Russian financial market based on the current interagency action plan including a set of measures to systematise, step up and structure the work in this sphere. Simultaneously, it is necessary to take into account the role of financial consumers themselves in countering unlawful activities and fraud, in particular, the level of people's financial prudence. To improve this parameter, it is important to timely notify consumers about possible illegal providers of financial services and enhance communication with consumers.

Moreover, to improve the legal regulation of investment activity and combat financial pyramids, the regulator plans to prohibit public activity of any persons for raising individuals' investments, except for persons who are legally allowed to do this.

To **ensure cyber security in the financial sector**, the Bank of Russia will develop measures aimed at increasing the quality and security of services provided by financial institutions. A comprehensive

³⁶ Federal Law No. 369-FZ, dated 24 July 2023, 'On Amending the Federal Law 'On the National Payment System'.

approach will be adopted, i.e., from improving the methodology to analyse the protection level of services and test them to implementing safety procedures when the services are put into operation or when they are upgraded.

Jointly with the Government of the Russian Federation, the Bank of Russia will continue to develop **information and training materials and digital financial literacy courses** for individuals, as well as practice-focused information security trainings for various categories of trainees.

The efforts to promptly detect, curb and prevent financial market crime require further improvement of the mechanisms of interaction between the Bank of Russia and the law enforcement agencies, including in terms of the formats of information about offences in the financial market transmitted by the regulator and the regulator's participation in law enforcement inspections. This will be facilitated by joint thematic training events, exchange of experience and ongoing collaboration to discuss topical issues with law enforcement representatives, development of guidelines, improvement of interagency agreements and other organisational and administrative documents, which is particularly important in the context of the rapid emergence of new types of fraud and cybercrime.

Simultaneously, the Bank of Russia will continue to implement the [Guidelines for the Advancement of Information Security in the Financial Sector for 2023–2025](#).

Objective 3. Improving financial and investment literacy, digital financial literacy, forming the fundamentals of financial culture and rational behaviour

The Bank of Russia's key objective with respect to **improving financial literacy and developing financial culture** is to ensure that Russian people form the key elements of financial culture (values, behaviour patterns and practices), rational saving and investment behaviour, and safe and prudent use of financial technologies in personal finance management. This, in turn, will foster financial well-being of a person, a family and society taking into account the effect of human cognitive and emotional mechanisms of financial behaviour and the specifics of socio-cultural characteristics of Russian regions, reduce the probability of spontaneous decisions amid various changes in the financial market, prevent imprudent financial behaviour, and help develop financial literacy competences.

To this end, the work to develop **financially literate behaviour patterns** through the education system will continue. Given the adoption of the federal state educational standards (FSSES) with elements of financial literacy at all levels of the education system, the next step will be to build a system for assessing the quality of financial literacy teaching and the level of financial literacy among students at all educational levels. An important component for the successful educational process is the availability of well-qualified teaching staff. Therefore, the Bank of Russia will continue to work jointly with the Russian Ministry of Finance and the Russian Ministry of Education in this area, including to build and scale up the two-level system of advanced training for teachers.

In addition, the Bank of Russia will continue to update and prepare methodological and educational materials on financial literacy for all educational levels, which includes creating a separate course on financial literacy for schoolchildren and scenarios of lessons on individual subjects to be placed in the library of the My School education platform of the Federal State Information System (FSIS).

Particular attention is focused on preparing adapted financial literacy materials for the most vulnerable groups of the population, such as orphans and children without parental care, as well as students with disabilities.

Recently, we have been observing a considerable increase in private investors' interest in investments in the capital market. In view of the above, **improving individuals' investment literacy** remains an important area for ensuring the protection of retail investors. The process of building the necessary knowledge and skills takes quite a long time. Therefore, in the coming years, it is essential to focus on promoting the basic attitudes of rational investment behaviour, including in the face of restrictions and changes, using digital technologies in the financial market, prioritising personal financial security, improving the quality of information and consultation provided to the public, and

identifying fraud and unfair practices that undermine the confidence of both existing and potential investors. Conditions should be created for individuals to choose passive investment strategies, including various forms of collective investment as a less risky way for non-qualified investors to enter the capital market. When everyday life is overloaded with information, including investment advice, it is critical to teach first-time investors how to navigate the information environment and use reliable sources of information. One of the objectives in this area is to facilitate the development of accreditation for training courses for investors on the basis of the Financial Literacy Development Association that promote mindful use of investment products.

In order to foster rational financial behaviour among various categories of individuals, it is planned to create specialised programmes and courses on relevant financial topics, including digital, investment and financial literacy, for particular target audiences based on the human life cycle.

In this respect, it is critical to timely communicate the information that an individual needs in an understandable form. In view of the above, the use of modern digital technologies when implementing online programmes for improving financial literacy and developing financial culture will help expand the geographical coverage and the audience, including in remote and hard-to-reach localities.

To ensure safe provision of financial services, the Bank of Russia plans to put a **special focus on the development and promotion of the basic skills and attitudes in the area of digital financial literacy and cyber hygiene** among socially vulnerable groups of people. To this end, the regulator will organise awareness-raising and educational events using modern teaching technologies and efficient formats of differentiated learning, as well as a competence-based approach and developmental teaching.

Considering the analysis of financial consumers' behaviour patterns, it is planned to update and, if needed, legally stipulate new approaches to informing financial consumers about possible risks of unauthorised access to personal and financial data and unauthorised transactions through social engineering.

In addition, there are plans to develop the following areas:

- ensuring financial security, including cyber security, with an emphasis on the least protected categories of the population (low-income households, pensioners, orphans, children without parental care, and people with disabilities);
- developing a feedback system and ensuring that consumers are kept informed about relevant issues and changes in the financial market;
- promoting individuals' confidence in the capital market by providing accurate information that is sufficient for people to make wise financial decisions;
- developing private–public partnership, including with respect to the volunteer movement (as one of the factors strengthening individuals' confidence in financial institutions); and
- helping SMEs adapt to the changes in the financial market and informing them about available business financing and development instruments.

Concurrently, consumers will be adapting to new technological solutions: artificial intelligence, robo-advisers, M2M and M2B technologies, marketplaces, and other platform and ecosystem solutions being implemented in the financial market.

In order to assess people's financial literacy, the Bank of Russia regularly (every two years) measures the level of financial literacy among Russians. The findings are published on the Bank of Russia website and used, among other things, for arranging and adjusting (if needed) subsequent work related to financial literacy, that is, for identifying the priority target audiences, topics, products, etc.

Since the Strategy for Improving Financial Literacy in the Russian Federation was devised for the period until 2023, the Bank of Russia and the Russian Ministry of Finance, together with other executive authorities concerned, have developed the Strategy for Improving Financial Literacy and

Developing Financial Culture Until 2030³⁷ that focuses on promoting individuals' financial culture and well-being.

Objective 4. Enhancement of financial inclusion for households, small and medium-sized businesses. Ensuring financial market inclusion

In the age of digital transformation of the financial market, financial inclusion in Russia has notably improved to a fairly high level. Already in 2021, Russia surpassed the G20 and BRICS averages in terms of the proportion of individuals having a bank account and using a mobile phone or the Internet for money transfers through bank accounts. However, despite the wide use of online service channels that do not use person-to-person communication, **the quality of financial services** must be improved and, in certain cases, there should be the option of in-person or remote communication with financial institutions' employees. Convenient and high-speed remote communication in the financial market should be accompanied by reliable protection of personal data, cybersecurity and protection of consumers' rights.

Any consumer should have the opportunity to quickly and safely access any financial service anywhere at any time. However, fast access to financial services and their safety are not the only quality criteria for consumers: thus, a quick choice does not always mean an **informed choice**. The Bank of Russia will pay special attention to the enhancement of the quality of financial services. It is important **to continue increasing the transparency of information provided to financial consumers** when services are rendered remotely and at financial institutions' and their agents' offices, including by expanding the use of key information documents.

To enhance the quality of financial services, it is critical to **implement mechanisms allowing consumers to assess whether the terms and conditions of a particular financial product are clear and meet their expectations**. To date, the legislative amendments have introduced a test for consumers when they conclude a life insurance contract with an additional investment income component. The regulator plans to amend the Basic Standard for Protecting the Rights of the Recipients of Insurance Services with respect to such testing and the list of test questions.

Introduction of the Product Governance concept. The Bank of Russia, together with supervised entities and their SROs and taking into account foreign experience, plans to develop and implement approaches to product governance that will help assess consumer risks of new financial products before they are offered to individuals and create protective mechanisms at the stage when a product is being developed.

Product Governance comprises the following:

- identification of target product markets and ensuring that their parameters match customers' characteristics and needs;
- adequate assessment of consumer risks;
- provision of high-quality and comprehensive information to consumers about the features and risks of financial products; and
- an effective preliminary evaluation and subsequent monitoring system to timely identify product-related problems and introduce necessary adjustments.

As enhancement of financial inclusion may have its own specifics in different Russian regions, it is essential to take into account their geographical and territorial characteristics, the penetration of mobile devices and remote services, people's mental readiness to deal in a digital environment, and other factors.

In order to create **favourable conditions that will enhance financial inclusion and ensure financial market inclusion, the Bank of Russia will continue implementing** the [Financial Inclusion Prior-](#)

³⁷ Approved by the Bank of Russia Board of Directors and adopted by Directive of the Government of the Russian Federation No. 2958-r, dated 25 October 2023.

[ties for the Russian Federation in 2022–2024](#) that emphasise issues of high social significance. These include providing access to financial services for residents of remote and sparsely populated areas; creating a barrier-free financial environment for people with disabilities, elderly and physically challenged people; using financial market instruments to improve people's well-being, in the first place of low-income households; and ensuring access to various financial instruments for individual entrepreneurs and SMEs.

Moreover, in the next years, **enhancement of digital financial products and services will remain** a key focus for the Bank of Russia. The regulator will continue analysing the barriers preventing individuals and businesses from actively using remote formats to obtain financial services, in order to take measures eliminating such barriers.

Besides, the Bank of Russia takes into account that the transition to online channels involves the need to protect the interests of consumers who, for various reasons, are unable or do not wish to use this form of interaction with providers. The Bank of Russia **monitors groups of individuals and businesses that may be exposed to the risk of digital inequality**, specifically taking into account that not all of the populated territories in Russia are covered by the Internet yet and online services require adaptation for some categories of consumers to be able to use them. Such monitoring will also be facilitated by a map of financial access points launched on 1 June 2023 on the basis of one of the leading Russian mapping systems. In turn, in rural and remote, sparsely populated and hard-to-reach areas, measures will be taken to maintain the sufficient infrastructure of physical service points for individuals in the coming years, as substantial limitations on the use of online services are still in place there. Particular attention is paid to the development of 'simplified' formats of financial institutions' operation, including:

- availability of certain types of services at trade and service businesses (cash withdrawal and acceptance on payment card transactions, acceptance of payments, certain payment transactions without opening an account or electronic wallet); and
- expansion of servicing by using mobile offices with multifunctional ATMs, credit institutions' field employees with mobile technical devices providing a broader range of financial services, as well as bank payment agents' points of service, including with the cash withdrawal option.

Since 2022, attaining the objectives to enhance financial inclusion in remote and sparsely populated areas as part of the unified approach has become mandatory for all regional branches of the Bank of Russia. In 2024–2026, the regulator plans to intensify their work to ensure financial inclusion in rural and remote, sparsely populated and hard-to-reach areas as part of the unified approach with the engagement of the government authorities of the Russian constituent entities, administrations of municipalities, credit institutions, telecommunication operators, as well as State Duma deputies from the regions included in the relevant regional task forces.

Switching to remote services sets new objectives with regard to creating conditions for ensuring **secure access to high-quality financial products and services for individuals with special needs**, including people with disabilities, elderly and physically challenged persons. The Bank of Russia has developed recommendations for financial institutions to improve the quality of their interaction with the above consumer groups, including adaptation of access channels for remote financial services and the interfaces of online applications and services.

The Bank of Russia considers it a priority to use the financial sector's capacity for supporting low-income households and use financial market instruments for improving individuals' well-being. First of all, it is necessary to explore the ways how to expand people's saving capacities, as well as to implement a complex of protection measures available to all individuals, while such measures will be critical for low-income households.

To date, some of the measures have already been implemented with the participation of the Bank of Russia. The legislative authorities have adopted the amendments establishing the procedure for

fee-free money transfers between accounts of the same individual with different credit institutions.³⁸ The mechanism of **repayment holidays for consumer loans and microloans**³⁹ will allow individuals facing hardships to postpone or reduce payments.

The priorities also include the **social bank deposit**, the terms of which will provide for guaranteed income at an interest rate linked to the Bank of Russia key rate. This product will foster individuals' saving habit.

Another product is the **social bank account**. This is a current account linked to the Mir card, with interest accrued on the balance of this account at a rate linked to the Bank of Russia key rate. It is assumed that, within a monthly transaction limit, any money transfers, payments and cash withdrawals from this card should be fee-free.

In addition to its focus on financial inclusion for individuals, the Bank of Russia will continue paying significant attention to the accessibility of high-quality financial services to individual entrepreneurs and SMEs that should meet the needs for technological development and transformation of the economy.

The regulator is maintaining focus on further development of **non-bank financing instruments for SMEs**, including stock market instruments, utility digital rights (UDRs), DFAs, fundraising on investment and financial platforms, factoring, leasing, and microfinance. The use of these channels for raising equity and debt financing has a significant potential because major e-commerce companies have entered the financial market. Having necessary information about SMEs' activities, these companies can create systems for assessing (ranking) enterprises depending on their attractiveness for equity and debt financing. The Bank of Russia will provide organisational and regulatory assistance in creating such systems and using them in the financial market.

The Bank of Russia will continue the work to enhance financial inclusion for individual entrepreneurs and SMEs by participating in the **implementation of the national project “Small and Medium-sized Enterprises and Support for Individual Entrepreneurship Initiatives”**.⁴⁰ The regulator plans to focus on establishing an optimal system of fundraising instruments for SMEs at different stages of business development, promoting equity financing, and extending and optimising the existing measures of government support.⁴¹

Moreover, the regulator will continue implementing the Roadmap for the Development of Funding for SMEs.⁴² Within this Roadmap, the regulator plans, among other things, to develop risk-based banking regulation aimed at improving risk assessment in order to increase the attractiveness of lending to SMEs for banks and ensure more efficient use of the government measures that support financing to SMEs.

To support businesses, the Bank of Russia will explore the possibilities of implementing a permanent mechanism of loan repayment holidays for SMEs, limiting the risks of variable rate loans for microenterprises, and obliging credit institutions to inform SMEs about the benefits and risks of variable interest rates before signing loan contracts.

Implementing infrastructure solutions, also as part of the development of financial platforms (the Marketplace project), should play an important role in making financial products and services more

³⁸ Federal Law No. 482-FZ, dated 4 August 2023, 'On Amending Articles 29 and 36 of the Federal Law 'On Banks and Banking Activities'.

³⁹ Federal Law No. 348-FZ, dated 24 July 2023, 'On Amending Certain Laws of the Russian Federation'.

⁴⁰ Implementation of the [Roadmap for the Development of Funding for Small and Medium-sized Enterprises](#).

⁴¹ Resolution of the Government of the Russian Federation No. 532, dated 30 April 2019, 'On Approving the Rules for Providing Subsidies from the Federal Budget to Russian Small and Medium-sized Enterprises to Partially Offset the Costs on Issuing Shares and Bonds and Paying Coupons on Bonds Placed on the Stock Exchange' and Resolution of the Government of the Russian Federation No. 1898, dated 27 December 2019, 'On Approving the Rules for Providing Subsidies from the Federal Budget for Government Support of Russian Organisations to Partially Offset the Costs of Access to Collective Investment Platforms'.

⁴² [The Bank of Russia's Roadmap for the Development of Funding for Small and Medium-sized Enterprises for 2023–2024](#) (published on the Bank of Russia website on 12 January 2023 and updated in May 2023).

accessible for SMEs. The development of such solutions will expand the range of offers for SMEs, improve their price affordability, and remove territorial limitations. Increased use of the SBP by individuals to pay for SMEs' goods and services, including using QR codes, will significantly reduce businesses' costs for payment services. The implementation of such projects as the Digital Profile, the Unified Biometric System (UBS) and the Know Your Customer (KYC) platform⁴³ by the Bank of Russia will also help decrease SMEs' costs.

3.3. DIGITALISATION OF THE FINANCIAL MARKET AND DEVELOPMENT OF THE PAYMENT INFRASTRUCTURE

Promoting digitalisation of the financial market remains a strategic priority for the Bank of Russia.⁴⁴ The introduction of new technologies and support for innovation in the financial market enhance financial inclusion, making various types of financial instruments accessible to households and businesses, help develop new business models, increase labour productivity, and ultimately, contribute to the structural transformation of the Russian economy.

The domestic payment infrastructure created by the Bank of Russia has ensured the continuity of payments, settlements and the operation of the financial system as a whole, and has supported the country's payment sovereignty amid the severe sanctions. Moreover, the existing infrastructure has sufficient capacity to considerably expand the range of users and has no limitations with respect to models and technologies that may be used by market participants, while ensuring control over information security.

The Bank of Russia will continue to implement digital infrastructure projects, as well as create legal environment contributing to financial market innovations.

One of the challenges is the exit from the Russian market of suppliers of hardware, system software, database management systems and analytical tools, which has led to difficulties in supplying equipment in a number of areas (telecommunication equipment, hardware and software systems, data storage systems, and backup systems) and made it impossible to receive technical support under previously concluded contracts and with respect to scaling up the implemented solutions. In these circumstances, it is particularly important to continue developing digital solutions based on Russian technologies.

Objective 1. Regulation development

The Bank of Russia, together with the Government of the Russian Federation, will focus on timely adaptation and creation of the legal regulation to implement modern technologies in the financial market and offer innovative financial products and services. The rapid development of digital financial technologies requires prompt amendments to the regulatory framework. However, the regulatory burden should not hamper the development of innovations. The regulation should ensure the necessary conditions for implementing digital innovations, on the one hand, and protection of consumer rights and financial stability, on the other hand.

With the Bank of Russia's participation, measures continue to be implemented to further develop the **Digital Profile infrastructure** as a one-stop service for households, government authorities and businesses to exchange data necessary for providing financial products and services in a digital format, taking into account the requirements and principles of the Russian laws on personal

⁴³ For details on the Bank of Russia's digital projects, see [Subsection 3.3 Digitalisation of the Financial Market and Development of the Payment Infrastructure](#).

⁴⁴ The [draft Financial Market Digitalisation Guidelines for 2022–2024](#) and the related [draft action plan](#) were published on the Bank of Russia website on 10 December 2021.

data. The regulation to be developed will be aimed at expanding the list of data and updating this information, including for the advancement of the Digital Profile of a legal entity and provision of more detailed data on legal entities in order to render remote financial services to them.

Moreover, to reduce the regulatory burden on financial market participants as well as improve their efficiency, there are plans to continue **expanding the Bank of Russia's access to government information systems.**

The Bank of Russia will communicate with market participants to take into account their opinions in the proposals relating to **the regulation of Open APIs when the Open Finance model is implemented**, as well as the proposals on amendments to the legislation giving the necessary powers to the Bank of Russia to implement Open APIs in the financial market. To this end, the list of federal laws to be amended will be determined. Moreover, for these purposes, the Bank of Russia will use its new powers to develop the relevant regulations of the Bank of Russia. The regulation of Open APIs will be aimed at promoting competition, ensuring equal access to data for providers of financial and other services, and standardising the information exchange among them.

Besides, the Bank of Russia will continue its work to **elaborate comprehensive regulation of data exchange in the financial market**, which includes stipulation in federal laws of the peculiarities of financial institutions' processing of personal data, including data in a depersonalised form. Furthermore, to ensure that arrays of data accumulated by organisations, including financial institutions, can be used for developing and implementing new technologies and products, including artificial intelligence technologies and big data, the Bank of Russia will continue participating in establishing a legal framework for the exchange of depersonalised data and depersonalised credit histories.

Mobile phones are used to perform a number of legally significant actions (payments, money transfers, and confirmation of transactions), and information about mobile phones is also actively used in anti-fraud procedures. However, using information about subscriber numbers involves certain risks of being compromised and becoming accessible to malefactors, as well as being used for fraud.

In view of the above, the work will continue to implement the regulation aimed at ensuring legal support for creating a single point of access to verify information about subscribers, which will mitigate these risks, while enabling organisations using clients' telephone numbers when providing services to verify the owner of a particular telephone number.

Currently, both banks and Big Tech companies are actively developing their ecosystems by providing clients with various financial and non-financial services. Although the ecosystems can offer more personalised services of higher quality, they create risks related to competition, information security and financial stability. In order to mitigate negative consequences of the ecosystem advancement, the Bank of Russia together with the Government of the Russian Federation plans to develop the regulation of ecosystems aimed at maintaining fair competition, including with respect to providing non-discriminatory access to ecosystem services and innovative technologies.

The Bank of Russia also believes it necessary to further develop the regulation of digital rights and provide financial market participants with additional conditions that will enable businesses to create innovative digital solutions to attract investment and households – to access investment services seamlessly and conveniently while protecting their rights and interests. Thus, in order to develop innovative instruments in the financial market, a number of federal laws are envisaged to **improve the regulation of digital rights and further develop this segment of the financial market.**

In particular, it is proposed to adopt laws over time that would stipulate the taxation procedure for transactions with UDRs, harmonise the approaches to the taxation of digital rights and traditional financial instruments, and establish the liability for unlawful circulation of digital rights.

The priorities in the enhancement of the regulation of digital rights comprise the development of digital rights as instruments of individuals' investments, the creation of the mechanism for simplified client identification, the development of products and services on the basis of DFAs, the development of the infrastructure for the circulation of digital rights, and harmonisation of the

approaches to the issue and circulation of various types of digital rights and the approaches to making financial market instruments accessible for non-qualified investors.

The work to **develop and implement the regulation aimed at advancing payment services while ensuring the protection of individuals' and businesses' data as well as cyber resilience of the elements of the Russian national payment system** will continue. In particular, the legal framework for the operation of non-bank providers of payment services will be established.

Moreover, the Bank of Russia plans to discuss various aspects of using artificial intelligence, tokenisation and cloud technologies with financial market participants. The findings of the discussion will be taken into account in the development of necessary regulatory amendments.

Objective 2. Implementation of infrastructure projects

The Bank of Russia contributes to the development of the national digital financial infrastructure that is equally accessible to all participants under the same standards and rules and at the same fees. The development of such infrastructure serves as the basis for enhancing financial inclusion for households and businesses, reducing their expenses, making interaction with financial institutions faster and more convenient, as well as promoting competition in the financial market.

The Bank of Russia will continue **developing the remote identification mechanism** using the UBS enabling digitalisation of all financial, non-financial and government services and making them more accessible for consumers, including people with disabilities, elderly and physically challenged persons. The Bank of Russia will also promote competition in the financial market. The development potential of the remote identification system has substantially increased after the legislative amendments were adopted to allow the use of UBS for the remote provision of any financial, non-financial and government services to individuals and legal entities as well as to individual entrepreneurs. In the long run, there are plans to integrate the UBS with a platform for commercial consent of individuals as soon as the platform is created.

In order to make the system more convenient, the biometric data registration mechanisms will be improved. In addition, the possibility of using the video identification mechanism will be explored.

To expand the use of the UBS, there are plans to ensure that new financial and non-financial services as well as government services provided using the UBS are created and developed. Special attention will be dedicated to the development of biometric acquiring services.

Moreover, the Bank of Russia together with the Government of the Russian Federation will explore the issue of using biometric identification method for non-resident individuals without them visiting the Russian Federation.

The Bank of Russia plans to introduce the digital ruble stepwise and develop the functionality of the digital ruble platform. The decision to scale up the digital ruble project will be made based on the results of the pilot testing of the digital ruble taking into account feedback from the participants. The Bank of Russia expects that this may happen in 2025.

In 2024, the regulator plans to develop the functionality of the digital ruble platform by implementing and piloting the option of payments for goods and services using dynamic QR codes and business-to-business transfers. Jointly with the Russian Ministry of Finance and the Federal Treasury, the Bank of Russia will also explore the use of digital rubles in budget process.

The regulator plans to expand the range of options in the SBP to enable online payments to the budget system of the Russian Federation (the C2G service), including for payments of taxes, fines, charges and fees. **Expansion of the functionality and better accessibility of the SBP to individuals and businesses**, including by scaling up the B2B service and simplifying connection of trade and service companies to the SBP, will allow businesses to cut their costs. The SBP's integration capabilities will be expanded ensuring that the payment functionality can be built into complex services.

The development of the service for cross-border money transfers through the SBP will be continued, including by means of cross-system interaction with interested countries' similar systems.

As part of the **National Payment Card System and the Mir payment system, further development of products and services based on innovative digital solutions will continue** with a view to enabling individuals to make convenient and secure payments, making payments more transparent for the government, and efficiently addressing partners' business tasks. The development will be based on the platform services of the NPCCS which is available to all the participants in the payment market both in Russia and elsewhere in the world where Mir cards are promoted. Moreover, special attention will be dedicated to the development of non-financial services that will ensure interaction between the government and the population. The regulator will continue cooperation with its partners to retain the infrastructure for Mir cards to be accepted abroad and to search for alternative solutions.

The Bank of Russia will continue its work **to develop the functionality and increase the number of participants in the Financial Messaging System (SPFS)** by connecting foreign partners of Russian organisations and to expand the use of the SPFS, including through the 'service bureau' connection mechanism.

As part of the **development of Open APIs**, there are plans to use the hybrid option that involves **stage-by-stage implementation of the Open Finance model with elements of the Open Data model**. Information about the plans will be published on the Bank of Russia website after the Concept of Open API Implementation in the Financial Market has been discussed.

The adoption of Open APIs will promote innovation and competition in the Russian financial market, as well as improve the quality of financial services and financial inclusion for households and businesses.

Exchange of client data is only possible after receiving a client's consent. In order to ensure exchange of information among market participants and obtain a client's consent using Open APIs, the Bank of Russia plans to explore the issue of creating a Commercial Consent Platform together with the competent federal executive authorities. The Platform will enable granting, viewing, revoking and changing the conditions of standardised consents to the transfer, storage and processing of users' data in one-stop mode.

Objective 3. Ecosystem regulation

The platform-based business model continues to gain popularity in Russia. In general, the Russian platform industry has confirmed its significance for the structural transformation of the economy, and domestic market players have strengthened their leading positions in most segments of the Russian market, contributing to Russia's economic and technological independence.

E-commerce platforms are actively developing – today, they are efficient mechanisms for scaling up new logistics chains and searching for partner markets, as well as parallel import channels. Along with major technological and financial companies, the first domestic players from the e-commerce sector have filed an application for ecosystem construction, having expanded the range of offered services. As they create their own banks, such platforms are becoming full-fledged competitors to banking ecosystems, with competition on product marketplaces turning into competition for clients in general. This mainly concerns SMEs – now, a supplier of a large e-commerce platform receives a complete package of services within one ecosystem, including settlement services and lending.

Following the decrease in the number of foreign players, new opportunities have been provided for domestic platforms. Due to restrictive measures, the quality of user experience on and, accordingly, clients' loyalty to the foreign platforms remaining in the Russian market are declining. As a result, users are switching to Russian resources. In individual cases, market niches are even being quickly filled by Russian players, including both leaders and specialised companies. In the areas of platform activity that are sensitive to the exit of foreign providers, the search for alternative solutions, such as operating systems, application stores and mobile devices, continues.

The trends in the development of the platform market show that elaboration of approaches to regulating platforms and ecosystems remains relevant in the current settings. The ecosystem regulation should be introduced in a way that retains all the advantages of the ecosystem development for individuals and businesses, while limiting related risks, including potential abuse of dominance and financial stability risks, and ensuring protection of suppliers' and consumers' rights. The Bank of Russia warns of specific risks for creditors and depositors of banks that form the basis of ecosystems. These risks are related to banks entering non-financial sectors that are new to them and include strategic risk, risk of being forced to support non-core business, and information security risk.

The Bank of Russia believes that approaches to regulating platform and ecosystem business need to be developed further. However, such regulation should not create obstacles for the processes of structural transformation and digitalisation of the economy. Such regulation should be proportionate to the size of a platform/ecosystem and potential risks stemming from their activities, i.e., the largest participants should be subject to tighter requirements. The pace of the implementation of this regulation should depend on the level of platformisation in a particular sector and its social and economic importance.

Due to rapid development of government platform services, the issue of differentiation between private and government platforms is becoming more relevant for market participants. This is because businesses need transparent and predictable government policy regarding this issue so that they can strategically plan their investments in the development of platform solutions understanding what niches will be filled by the government service.

Objective 4. Measures to develop SupTech and RegTech technologies

The Bank of Russia will consistently digitalise the regulation and supervision as part of implementing measures to develop SupTech and RegTech technologies.

The application of these technologies in the regulation and supervision will optimise the current processes, increase the efficiency of the supervision and regulation, and reduce costs and the burden for both supervised entities and the regulator.

The Bank of Russia will continue studying, developing and implementing SupTech and RegTech solutions in the following areas:

- risk analysis and management;
- improving financial market admission procedures;
- detecting unlawful activities in the financial market;
- improving information exchange with financial institutions and other parties, which includes introducing the Unified Register of Financial Market Participants (URFMP);
- introducing elements of the data-centric approach;
- automating individual elements of the supervision over financial market participants;
- streamlining the Bank of Russia's work with applications;
- ensuring information security;
- developing solutions in the financial market to meet regulatory and supervisory requirements;
- and
- countering money laundering and the financing of terrorism.

Implementing measures in the SupTech and RegTech area will increase the performance and digitalisation of both the Bank of Russia and financial market participants.

Objective 5. Implementation of experimental legal regimes

The mechanism of experimental legal regimes will make it possible to pilot innovative financial products, services and technologies in the financial market when individual provisions of the

legislation are not applicable, as well as with the involvement of real clients. As part of this mechanism, regulators will be able to assess the efficiency of a new service and product as well as related risks, and following such piloting, to decide whether amending the regulation would be prudent in order to introduce such new services and products to the market. The experience accumulated in the course of this experiment will make it possible, already at the initial stage, to provide for efficient mechanisms for reducing financial risks, ensure the protection of consumer rights and mitigate ML/FT risks.

There are plans to make relevant amendments to the legislation in order to **create legal environment for piloting digital financial innovations in the financial market** with the opportunity to change or rule out the application of individual provisions of federal laws. Such a regime can be implemented for piloting in such areas as the use of digital currency and digital rights in cross-border settlements and the remote opening of bank accounts through a video call.

Along with experimental legal regimes, the Bank of Russia's **regulatory sandbox continues to operate**. Its functioning was optimised by significantly reducing project review periods and simplifying the application form. The sandbox involves investigating innovative products, services and technologies in a test environment. After the initiators demonstrate such products and the effects of their implementation on the financial market are assessed, decisions are made whether amending the regulation is prudent for such services to operate in the market.

Both these mechanisms are aimed at eliminating legal barriers to innovations in the market. However, experimental legal regimes are rather designed for complex financial products whose risks and benefits can only be assessed when they are actually implemented, while the regulatory sandbox can be used for assessing less complex products that can be studied without piloting.

Objective 6. Creating conditions for safe implementation of digital and payment technologies and ensuring technological sovereignty

The Bank of Russia, together with the government agencies concerned, FinTech Association and market participants, will continue implementing a **set of measures aimed at substituting imported software and equipment in finance**.

To reduce the risk of financial institutions' and infrastructures' technology dependence on external suppliers, the Bank of Russia will coordinate the operations of credit and financial institutions. To this end, the Bank of Russia has established the industry centre of expertise (testing) for the financial sector of the economy to control the risks associated with the use of foreign information technologies and ensure their import substitution.

A critical task related to technological sovereignty will be for the Bank of Russia to ensure control and monitoring of compliance with financial institutions' action plans to switch to mostly Russian software, domestic radioelectronic products and telecommunication equipment.

Essential objectives also comprise **assessing the effect of cyber risks on financial resilience and operational reliability** of SICs, financial associations, and financial ecosystems, as well as monitoring and identification of these cyber risks.

To promote the digitalisation of services, it is important to ensure that financial institutions' customers (individuals and legal entities) can use enhanced qualified electronic signatures (EQES) and enhanced non-qualified electronic signatures of the Unified System for Identification and Authentication (USIA). To provide all financial market institutions with EQES key certificates, the Bank of Russia has established the Certification Centre.

The Bank of Russia will continue implementing measures to **form an environment of trust when financial services are provided remotely**, creating a legal, technological and methodological basis for financial institutions to improve the quality of client authentication.

A complex of legal, organisational and awareness-raising measures will be implemented for the purpose of reducing the volume of unauthorised transactions conducted through social engineering,

forming positive customer experience and ensuring financial consumers' confidence in available financial services.

With a view to combating fraud, an important area of the Bank of Russia's efforts is improving the mechanisms for information exchange between credit and financial institutions and the Bank of Russia through the FinCERT infrastructure, including automated collection of information about incidents, as well as prompt dissemination of such information and the rules for responding to the incidents.

Another area of the Bank of Russia's efforts is **ensuring control of information security and operational reliability risks for maintaining the continuity of banking and financial services**.

When developing the information security and operational reliability requirements and standards, the Bank of Russia takes into account the practices of international organisations (ITU, ISO) and foreign regulators, including international standards and recommendations.

The Bank of Russia will continue to interact extensively with public authorities with regard to developing and deploying technologies as well as implementing projects and legislative initiatives that facilitate the digitalisation of the financial market while ensuring information security and technological independence and maintaining competition and financial stability.

3.4. TRANSFORMATION OF THE SYSTEM FOR FOREIGN TRADE PAYMENTS AND SETTLEMENTS

In the face of geopolitical pressures from countries performing unfriendly actions against Russia, Russian people and legal entities, the channels for interbank settlements in unfriendly countries' currencies traditionally used by foreign trade participants have become unreliable. When using such channels, credit institutions regularly face the risk of asset blocking and the absence of guarantees of uninterrupted payments. Therefore, in the present circumstances, taking into account the continued strategy of openness of the economy, expanding foreign trade with a wide range of countries requires a transition to new international settlement channels and mechanisms. The Bank of Russia, together with the Government of the Russian Federation and market participants, interacts extensively with foreign regulators and market participants based on the priority of building international economic activity on market principles and, regarding the financial aspects of foreign trade, the priority of the Russian ruble and other national currencies in international settlements.

Objective 1. Development of international payments and settlements

The Bank of Russia, together with the Government of the Russian Federation and market participants, is actively working with foreign regulators and market participants to overcome the existing restrictions and create conditions for the development of the international settlement system that fully meets the challenges and needs of the new realities. This requires not only systemic solutions, but also customised approaches to building cooperation with different countries/groups of countries, taking into account their specificities and the current balance in foreign trade with Russia.

The Bank of Russia will continue its work in the following key areas:

- **using the Russian ruble and national currencies of individual countries that are Russia's trading partners in cross-border settlements**, which will materially reduce risks associated with unfriendly countries' actions;
- **expanding the international settlement infrastructure** with main trading partners from countries that do not take hostile actions against Russia, building independent financial messaging channels, including using the Russian SPFS, and ensuring non-discriminatory access to the international settlement infrastructure for Russian credit institutions;

- **developing the network of correspondent relationships**, opening correspondent accounts for Russian banks with credit institutions in countries that do not take hostile actions against Russia, specifically in the countries with which such relations are still underdeveloped, despite considerable trade volumes;
- **expanding the use of the SBP for cross-border money transfers**; and
- **maintaining and developing the infrastructure for accepting Mir cards abroad** and searching for alternative solutions.

With a view to expanding foreign investors' opportunities in the Russian financial market, **foreign banks from friendly countries will be allowed to open branches in Russia and conditions for partnership financing will be created in the future**, in addition to the existing legal framework ensuring simplified access to the regulated market of foreign exchange, interest rate and foreign exchange derivatives, as well as the option of remote identification.

The Bank of Russia will also take into account changes in the system for foreign trade and financial settlement when assessing financial stability risks and developing mechanisms to mitigate these risks. Taking into account the transition to settlements in national currencies and the specifics of respective markets, hedging instruments for foreign trade and financial transactions are required.

Jointly with the government authorities concerned and financial market participants, the Bank of Russia is developing conditions for testing the use of digital rights and digital currencies in international settlements within the experimental legal regime. However, these instruments will be used as a means of payment only in foreign trade.

Owing to its active cooperation with foreign central (national) banks and financial regulators, the Bank of Russia is able to simplify and efficiently manage the transformation process, in particular, to eliminate the existing barriers to settlements in a timely manner, find new correspondents for Russian banks, and flexibly adjust the bilateral payment and settlement infrastructure to meet the needs of foreign trade participants. Building depository links with friendly countries will facilitate direct market access for investors, settlements and issuance of securities in national currencies. However, the development of such relationships depends on the willingness of the parties.

Objective 2. Configuration of foreign exchange regulation and capital controls

As the situation in the financial market normalised and financial stability risks notably decreased, foreign exchange regulation measures and capital controls were partially lifted or substantially eased, as such controls in practice can create difficulties in foreign trade.

The Bank of Russia considers it reasonable to configure the foreign exchange regulation by **differentiating the approaches depending on residency and currencies**. The requirements for residents can be liberalised as much as possible, while the tightness of requirements for non-residents should vary depending on their jurisdiction and the existence and scale of restrictions against Russia.

When establishing bans and restrictions on foreign exchange, the **principle of reciprocity** should be followed, i.e., bans and restrictions should only be imposed on residents of the countries that impose such restrictions against the Russian Federation. Any liberalisation is only possible in relation to the countries that do not impose restrictions against Russia. Nevertheless, the Bank of Russia may consider possible liberalisation towards unfriendly countries as a response to the easing of their sanctions (e.g., unblocking of assets).

At present, the anti-sanction measures remain relevant as they were taken in response to unfriendly countries' sanctions, including the blocking of assets of the Russian Federation, Russian people and companies. Further work to transform the configuration of the capital controls in the Russian Federation will take into account the need to address the issues of developing the Russian economy and increasing the attractiveness of the Russian jurisdiction for domestic and foreign investors, which is impossible without strengthening the confidence of investors (individuals and

businesses) in the financial market. Even amid the sanctions pressure, the main conditions for trust in the financial market are stability and transparency of the current regulation, absence of substantial capital controls and restrictions on the inflow of investments into the economy, mitigation of infrastructure risks, and appropriate operation of the mechanisms of investor protection. In view of the above, **capital controls should be targeted and limited in time, and ultimately lifted in the future.**

Nevertheless, with a view to protecting investors from sanction and infrastructure risks, a number of restrictions will remain in the short run, in particular non-qualified investors will not be allowed to buy securities of issuers from unfriendly countries.

The foreign exchange regulation and controls approaches should **encourage the transition to settlements in Russian rubles and currencies of friendly countries**, as well as contribute to a reduction in the share of foreign currency-denominated assets and liabilities of Russian non-financial organisations, primarily those related to unfriendly countries and their currencies.

The Bank of Russia should be empowered to determine the list of currency types (including the list of foreign currencies) which can be used to pay for shares (stakes) in credit institutions' and NFIs' authorised capital.

Moreover, it is justified to **minimise administrative liability for violations of the foreign exchange legislation if they are associated with the imposed sanctions.** The Bank of Russia supported the initiative providing for non-application of administrative liability measures to a resident violating requirements of the Russian foreign exchange legislation if such a violation is associated with restrictions imposed by countries performing unfriendly actions against the Russian Federation, Russian people and legal entities.

To promote favourable conditions for foreign trade, it is important to reduce the administrative burden on foreign trade participants when they undergo foreign exchange control procedures.

In general, the dynamics of the domestic foreign exchange market should form under the influence of demand for and supply of foreign currency that depend on a number of internal and external economic factors. Restrictive measures might distort the foreign exchange rate dynamics in the domestic market and form a grey market circumventing the restrictions. The stability of the national currency is ensured primarily by trust in it and residents' and non-residents' willingness to use it for settlements, savings and investments. This trust is also supported by price and financial stability, as well as a wide range of factors of high-quality economic development.

Objective 3. Optimisation of the AML/CFT system

With a view to optimising the AML/CFT/CPF system the Bank of Russia, together with the government authorities concerned, will continue the work in the following areas:

- Gradual shifting away from the requirement for in-person presence of customers (their representatives), with increased use of video-identification tools. There will be a further work to introduce a special regulation in the law as part of the experimental legal regime that would allow organisations supervised by the Bank of Russia and conducting transactions with funds or other assets to carry out remote identification (without in-person presence) using videoconferencing technologies.
- Exploring, together with the Federal Financial Monitoring Service (Rosfinmonitoring), the issue of updating the list of transactions subject to mandatory control in order to delist certain transactions, the removal of which would not lower the efficiency of anti-money laundering control, but would reduce the burden on organisations conducting transactions with funds or other assets.

3.5. ENSURING FINANCIAL STABILITY

To ensure financial stability, the Bank of Russia will continue monitoring systemic risks, improving approaches to the analysis, and enforcement tools and measures taking into account the changing situation.

Taking into account foreign participants' exit from the Russian market, NFIs and the capital market are becoming increasingly important in ensuring systemic stability, given the growing role of individuals in the financial market, including the equity market. This requires further adaptation of the approaches to both systemic risk monitoring and the macroprudential regulation.

Moreover, in order to ensure the continuity of banking and financial services and to align Programme 24–26 with the Guidelines for the Advancement of Information Security in the Financial Sector for 2023–2025, the Bank of Russia will ensure the control of information security and operational reliability risks, including by using supervisory stress testing tools, which is critical for the financial sector's systemic resilience.

Objective 1. Promoting dedollarisation

The freezing of Russian banks' foreign assets by unfriendly countries, as well as foreign counterparties' operational restrictions on Russian banks' settlements in the world's reserve currencies made these currencies 'toxic' for use in both international and domestic payment turnover. These currencies have essentially become restricted in circulation and their use involves material risks of losses for households and businesses due to potential non-performance of payments and obligations.

Amid the structural transformation of the economy and the gradual abandonment of the use of unfriendly countries' currencies in settlements, the role of friendly countries' currencies has increased. It is also **important that the transition to friendly countries' currencies takes place evenly, both in export and import transactions and financial account payments** (which so far predominantly use 'toxic' currencies). There should be sufficient funds in correspondent accounts with foreign banks to make payments. With a growing share of assets in emerging market currencies that are potentially more volatile than reserve currencies, the banking sector needs to properly take into account the inherent risks.

When the structure of foreign trade relations and the balance of resident exporters are changing due to external restrictions, the monitoring of foreign trade settlements on export and import transactions is becoming especially important in order to correctly assess foreign exchange risks and timely develop the necessary regulation measures. In view of the above, the Bank of Russia will **improve its system for monitoring foreign trade settlements and the foreign exchange market as well as foreign currency assets and liabilities of major non-financial organisations**, including by currencies.

Objective 2. Developing macroprudential regulation

One of the key challenges for the Bank of Russia over the next three years is the growth of households' debt burden. If risks materialise, high debt burden can entail increased losses in the banking sector, risks for the real sector of the economy, and negative social consequences. As lending becomes more widespread, macroeconomic risks might increase even if the financial sector is protected by capital buffers. Adverse consequences for the economy can, in turn, create spillover effects for the financial sector as well.

Due to the adoption of legislative amendments,⁴⁵ credit institutions and MFOs will be obliged to calculate borrowers' DSTI in the cases established by the law⁴⁶ and notify borrowers in writing about the risks associated with high DSTI.⁴⁷ The law also establishes the cases when DSTI calculation is required and the creditor's obligation to transfer the calculated DSTI ratio when the claims on a loan/microloan are transferred to another creditor/MFO.

These legislative amendments come into force from January 2024. In furtherance of the legislative amendments, the Bank of Russia issued the related regulation⁴⁸ establishing uniform requirements for credit institutions and MFOs with respect to calculating a borrower's total average monthly payments and average monthly income, as well as for the information used to calculate the borrower's average monthly income.

The Bank of Russia will continue developing the macroprudential tools and **improving the DSTI calculation procedure**, by implementing the measures provided for by the [relevant roadmap](#). In particular, it is planned to introduce, from 1 October 2024, the obligation for banks and MFOs to send information to credit history bureaus (CHBs) about the DSTI range and the method used to measure the borrower's income for the DSTI calculation. CHBs should make this information available to both borrowers and potential lenders (subject to borrowers' consent). The DSTI ratio clearly shows what part of his income a borrower should spend on loan (microloan) repayments. There are also plans that, by 1 July 2024, creditors will use the data only from qualified CHBs to determine a borrower's average monthly payments when calculating the DSTI ratio.

With a view to limiting systemic risks in mortgage lending, **the Bank of Russia will prepare a proposal that it should be empowered to establish quantitative limits (macroprudential limits, MPLs) in mortgage lending** (similarly to the MPLs in unsecured consumer lending). Such a mechanism will help limit mortgage lending to over-indebted borrowers and mortgages with a small down payment. Banks' losses on such loans are higher, especially in crisis periods. Before the regulator obtains powers to establish quantitative limits on risky mortgage loans, macroprudential capital add-ons can be used for these purposes.

In order to assess the risks of an increase in households' debt burden timely and improve the transparency of decision-making, the Bank of Russia also plans to publish information about consumer lending risks.

Objective 3. Creating conditions and incentives for market risk management by market participants

It is essential to have efficient mechanisms to manage various types of market risks. The Bank of Russia is planning to continue developing the necessary infrastructure and toolkit to manage such risks, as well as the regulation required for this purpose.

Derivatives market. Sanctions and the exit of a number of foreign participants from the market, the freezing of assets of sanctioned companies, and the impossibility of a full-scale trading in foreign issuers' securities have significantly reduced the capacity of the Russian derivatives market.

The gradual reorientation of trade flows towards friendly countries requires the development of the market for foreign exchange derivatives underlying assets of which are these countries' currencies. This in turn necessitates the establishment of new links with the financial systems (including with the regulators) of friendly countries – the Asian region, the Middle East, and Latin

⁴⁵ Federal Law No. 601-FZ, dated 29 December 2022, 'On Amending the Federal Law 'On Consumer Loans'.

⁴⁶ Including when a loan/microloan below ₺10,000 is issued.

⁴⁷ Above 50%.

⁴⁸ Bank of Russia Ordinance No. 6579-U, dated 16 October 2023, 'On the Requirements for the Calculation by Credit Institutions or Microfinance Organisations of a Borrower's Total Average Monthly Payments and Average Monthly Income, Including for the List of Data Used for Calculating the Borrower's Average Monthly Income'.

America, as well as the creation of an effective system for payments and settlements in friendly countries' currencies. Corporate and institutional participants should be attracted to the interest rate derivatives market.

Along with the development of the derivatives market, there is a need to protect non-qualified investors by allowing them to perform transactions with the derivatives that they understand and that match their expectations.

To develop the derivatives market, Russian financial market participants propose various initiatives, including issuing bonds linked to floating rates, improving the regulation, in particular, to ensure that Russian indicators can be used for tax purposes, easing foreign exchange controls for transactions with friendly countries, and launching trading of friendly countries' currencies on the Moscow Exchange.

The Bank of Russia is considering the following measures to develop the derivatives market:

1. Expanding the range of underlying assets that are eligible for derivatives, enabling financial market participants to use new financial instruments to manage their risks more efficiently.
2. Streamlining the tax administration of hedging instruments to eliminate the risk of reclassification of hedging transactions into non-hedging ones by tax authorities, which would increase the attractiveness and the frequency of hedging practices by market participants.
3. Moreover, introducing the regulation of administrators and of the financial and commodity benchmarks they generate will facilitate the development of derivatives.
4. To maintain the hedging opportunities in the derivatives market amid economic shocks, the possibility to adjust the margin requirements in order to lower their procyclicality will be considered.

Credit information system. The Bank of Russia implements on an ongoing basis a set of measures to improve the quality of data in the credit information system intended to enhance creditors' and borrowers' protection by generally decreasing credit risks, which is an important factor for maintaining financial market stability.

As the regulator identifies some issues related to credit history sources (in particular, professional creditors) (hereinafter, the sources) failing to provide information (to provide it timely) and, especially, to provide accurate information about borrowers' liabilities to CHBs, the Bank of Russia should focus on supervising the sources, which will help maintain and strengthen financial stability and ensure smooth operation of the credit process.

To this end, the Bank of Russia will continue developing and improving the process of supervising the sources. In particular, using the risk-oriented approach, the regulator will check the entire process of compiling information about borrowers and their liabilities, namely from the moment when the information is entered into the sources' data systems to when it is included in credit reports containing this information and provided to credit history users and credit history makers.

This work is aimed at ensuring the accuracy, completeness and relevance of the data in the credit information system that creditors use to assess clients' solvency, decide whether loans can be granted, and form loss provisions, and will thus help mitigate operational risks and risks of financial losses.

Objective 4. Development of the national system of benchmarks and their administrators as well as the rating industry

A system of high-quality and reliable benchmarks for financial and commodity markets is essential to the functioning of these markets, providing decision-making information and transaction guidance to their participants. The maintaining and development of the domestic rating industry has become a matter of increasing urgency.

Previously, the Russian financial market extensively used benchmarks whose administrators are located in countries that have become unfriendly towards Russia. They have stopped to provide

necessary information. However, financial benchmarks are widely used in the credit, securities and derivatives markets (including in the market for derivatives with commodities as underlying assets). Instruments with pricing linked to financial benchmarks are presented in the insurance and microfinance markets to a lesser extent.

Over previous years, foreign commodity benchmarks have been used consistently on both commodities exchanges and OTC commodity markets, also by real economy firms to hedge commodity risks. The dramatic change in economic conditions has caused a pricing mismatch between the Russian and foreign commodity markets. As a result, derivatives on foreign commodity benchmarks have no longer met the hedging criteria, and some contracts have become loss-making failing to meet their hedging function. This situation is exacerbated by the lack of regulatory requirements for the formation of Russian benchmarks that could substitute foreign ones, which makes hedging much more difficult.

The regulator will continue to create conditions for the development of Russian administrators of financial and commodity benchmarks ensuring the provision of objective and accurate market information. There are plans both to expand the range of financial and commodity market benchmarks and to develop regulation of their administrators' activities, establish requirements for their activities, including methodologies for forming financial and commodity benchmarks, determine a supervisory authority, and establish its mandate by law.

Availability of high-quality and reliable domestic benchmarks will facilitate the development of domestic pricing, expand the opportunities for Russian market participants to obtain accurate pricing information and select optimal parameters for their transactions, reduce manipulation risks, enhance the protection of rights and legitimate interests of users of the benchmarks, and stimulate the development of the market of derivatives on Russian benchmarks.

The Bank of Russia will also focus on improving commodity trading systems, which will promote the development of domestic pricing and the system of national commodity benchmarks, as well as make the organised commodity market more accessible and attractive to SMEs, and expand the range of commodity groups traded on the exchange.

The Bank of Russia intends to further **develop the national rating industry, paying particular attention to the quality of the rating process and the methodologies used**, which is especially important given the exit of foreign rating agencies from the Russian market. The regulator will enhance the supervisory toolkit and methodological requirements in order to increase the reliability and ensure high quality of national credit ratings. To this end, amendments to the legislation have been approved aimed at improving the accuracy of rating assessments as well as setting higher requirements to ensure the independence and impartiality of domestic credit rating agencies.

In 2023, for the Bank of Russia to exercise its powers, the regulations were developed to establish the procedure for the Bank of Russia to apply measures to credit rating agencies, check the quality of credit rating agencies' methodologies, and publish the results of the comparison of credit rating agencies' rating scales, as well as stipulate the requirements for the information to be disclosed by credit rating agencies.

As international credit rating agencies withdrew Russian entities' credit ratings in 2022, the issue of friendly countries acknowledging credit ratings assigned by Russian credit rating agencies has become relevant.

The prospects of the development of the Russian rating industry may be related to both foreign companies from friendly countries interested in obtaining credit ratings in accordance with the international scales of Russian credit rating agencies (that take into account not only the specifics of a rated entity, but also of a particular country and make it possible to compare rated entities from various jurisdictions) and a broader use of credit ratings of Russian credit rating agencies in the regulation and/or business practice of friendly countries (primarily the EAEU).

SECTION 4. RISKS FOR THE DEVELOPMENT OF THE RUSSIAN FINANCIAL MARKET

When preparing and implementing Programme 24–26, the Bank of Russia takes into account internal and external factors that can significantly impact the Russian economy and financial market, the pace and scale of the current changes, and the prospects of the development in general. The Bank of Russia constantly monitors the situation and assesses risks that might hinder or affect the implementation of measures planned by the Bank of Russia and the Government of the Russian Federation to promote the development of the Russian financial market, or decrease the effectiveness of these measures. The Bank of Russia and the Government of the Russian Federation take measures to prevent the materialisation of risks and mitigate negative effects if risks materialise. However, some risks are predominantly exogenous, that is, the regulator cannot influence them, but should take them into account when implementing its policy.

Geopolitical factors

The geopolitical situation poses significant risks to the development of the Russian financial market over the three-year horizon. If the sanctions pressure intensifies, this can put additional constraints on the Russian economy and financial market, as well as complicate the cooperation with friendly countries. Under these conditions, it may take longer to recover and structurally transform the Russian economy. In addition, the financial market may be affected by sanctions, imposed not only on financial institutions and infrastructure directly, but also on the Russian economy and the real sector. The worsening situation in the economy impacts the potential for savings to be created and transformed into investments through the financial market, as well as households' and businesses' readiness and ability to purchase various goods and services.

Elevated uncertainty about both economic development in general and the prospects for business development, the stability of businesses and household incomes increases the risks for financial intermediaries as well as institutional and private investors, thus affecting interest rates and the potential to expand debt and equity financing. Sanctions may also create risks that the time or the cost for the implementation of projects using certain technologies might increase, given that it might require more time and funds to find and develop alternatives.

Furthermore, if the sanctions pressure intensifies, the Bank of Russia and the Government of the Russian Federation might need to provide additional support to the domestic economy and financial market, as well as take measures to maintain systemic financial stability. Nevertheless, while implementing measures to develop and strengthen the resilience of the financial market, the Bank of Russia and the Government of the Russian Federation take into account sanction risks and work out solutions that are immune to sanctions. The Bank of Russia is further adapting and improving its monitoring approaches and tools to ensure systemic financial stability.

Global macroeconomic factors

Trends in the world economy involve significant macroeconomic risks. They are associated with a slowdown in the world economy amid soaring inflation that major central banks are combating by raising their policy rates. The problems are exacerbated by imbalances that have accumulated in the financial and real sectors over the period of ultra-accommodative monetary policy. Rising interest rates lead to a reduction in the value of assets on the global market, higher debt service costs, and more volatile capital flows. If the crisis intensifies, negative trends will evolve in both advanced and emerging market economies. A slowdown or decline in economic activity in countries

that are Russia's trading partners and a drop in prices on global commodity markets will decrease external demand, Russia's export revenues, and slow down economic activity in general. Under these conditions, the adaptation and structural transformation of the Russian economy will take longer, and the potential for the financial market to participate in funding the transformation will be limited for some time amid lower income in the economy and decreased opportunities for savings and investment.

Another major external factor is the spread of digital money surrogates around the world, such as cryptocurrencies and stablecoins. In the absence of global regulation, the trends towards their broader use in settlements instead of national currencies and their significant spread worldwide may increase. Measures taken by individual countries may be insufficient to limit such risks within national economies due to the cross-border, extraterritorial nature of modern money surrogates.

Domestic macroeconomic factors

In any economy, main domestic macroeconomic risks are related to the risk of substantial fluctuations of the business cycle. Such fluctuations are predominantly driven by changes in aggregate demand and the credit cycle. In addition, when the economy is overheated, this might involve a threat of a subsequent downturn. An excessive increase in lending to the private sector during an economic boom can pose a threat to both price and financial stability, including by influencing the growth in prices for financial and real assets. A drop in prices during an economic downturn may worsen negative consequences for the financial market and the economy in general.

Macroeconomic risks may also increase as a result of a significant structural deficit of the budget system, disproportionate government debt, and high sensitivity of the economy and the budget to external economic environment. Insufficient flexibility of government finances and the absence of the budget reserve necessary for responding to external and internal shocks can provoke a procyclical contraction of budget expenses, which may aggravate the economic downturn caused by these shocks, instead of mitigating the consequences of such shocks through countercyclical fiscal policy. Moreover, if the government debt significantly increases, private borrowings may be crowded out by government borrowings, which involves the risks of a contraction in the sources for funding private projects and might discourage the development of funding instruments for such projects.

Macroeconomic policy aimed at maintaining price and budget stability and forming conditions for stable and balanced economic growth together with financial stability policy are intended to mitigate such risks. In addition, the transparency and consistency of the macroeconomic policy pursued, along with high-quality information about issuers, counterparties and general market indicators that is accessible to market participants, are critical to make economically grounded investment decisions and form relevant yield and risk premium levels in the financial market.

Intensification of the ESG agenda in the world

Accelerated implementation of the ESG regulation worldwide, also in friendly countries, refocusing global economic policy and financial markets on sustainable development factors and Russia's lagging behind these global trends could lead to a significant increase of the risks of lower competitiveness and investment attractiveness of the Russian economy and financial market for investors from friendly countries. If the above risks intensify, it might be necessary to adjust the development plans of the domestic financial market to the priorities of accelerated implementation of the ESG agenda in a timely manner, with a potential cancellation or change in the timing of other measures, taking into account objective time and resource constraints.

Although the focus on the ESG agenda has somewhat waned temporarily amid the current trends in the global energy market, it might intensify in the future.

The Bank of Russia and the Government of the Russian Federation will continue creating conditions for the development of ESG financing in Russia, which will contribute to the modernisation of the Russian economy.

Interagency cooperation

Programme 24–26 is comprehensive and interconnected. Therefore, the maximum effects can only be achieved if all parties concerned are engaged in the complex implementation of these measures. Any delays in the drafting, consideration and adoption of legislative amendments, as well as in the implementation of other necessary multilateral measures might reduce the efficiency and pace of the implementation of the plans to develop the financial market, as well as decrease market trust in the declared intentions.

Resources provided

Insufficient financing of the measures provided for by Programme 24–26, as well as a deficit of market participants' resources to respond to the measures being taken may slow down or hinder the implementation of the plans and the achievement of the expected results. In particular, insufficient financial support from the government for creating economic incentives aimed at developing long-term savings may significantly limit the development potential of the capital market.

Thus, the main risks to the development of the Russian economy and financial market are related to external economic and geopolitical factors. These factors are also the basis of the Global Crisis scenario presented in the medium-term scenarios in the [Monetary Policy Guidelines for 2024–2026](#) (MPG 24–26) describing its main parameters. The baseline scenario published in MPG 24–26 is considered as the main one for the preparation of Programme 24–26 and elaboration of the measures for the development of the Russian financial market.

APPENDICES

APPENDIX 1. FINANCIAL MARKET DEVELOPMENT INDICATORS

The goals and areas of the financial market development stipulated in Sections 1 and 3 of Programme 24–26 take into account the relevant objectives of social and economic development of the country, as well as current trends and challenges in the financial market. Simultaneous work in several areas helps achieve each of the three goals. Table 2 schematically shows the interconnection between the goals and development areas. To monitor progress towards the three goals of the financial market development, the Bank of Russia is guided by a set of complex aggregate indicators shown in Table 1.

AGGREGATE INDICATORS FOR MONITORING THE STATE AND DEVELOPMENT OF THE FINANCIAL MARKET

Table 1

	Indicators	Current value	Expected trend
1	Financial institutions' assets to GDP, %	128.3 As of 30 September 2023	Growth
2	Digitalisation of financial services for individuals, %	78.7 As of 31 December 2022	Growth
3	Digitalisation of financial services for businesses, %	72.1 As of 31 December 2022	Growth
4	Composite index of public satisfaction with financial institutions' work, financial products (services) and financial service channels, points*	49.7 May 2021	Growth
5	Assessment of the financial sector resilience presented in the Bank of Russia's regular Financial Stability Review		

* The survey is carried out every three years, with the next measurement planned in May 2024.

Given the priority of the financial market's participation in funding the transformation of the Russian economy, the aggregate ratio of financial institutions' assets to GDP is used (Indicator 1). Such indicators are often used to show the financial market's capacity to serve the needs of the economy. This capacity in turn also depends on the maturity of the financial market, depth and financial services penetration of various areas of economic activity. Besides, it is important to take into account the assets of both credit institutions and NFIs, bearing in mind that the full range of basic financial services is essential to promote the development of the economy and to meet the vital needs of households and businesses.

ВЗАИМОСВЯЗЬ ЦЕЛЕЙ (ПО ГОРИЗОНТАЛИ) И НАПРАВЛЕНИЙ РАЗВИТИЯ ФИНАНСОВОГО РЫНКА (ПО ВЕРТИКАЛИ) *Table 2*

	Goal 1. Developing a modern financial market to satisfy the needs of the Russian economy for investments during structural transformation and for efficient payment mechanisms	Goal 2. Strengthening consumers' and investors' confidence in the financial market by improving its security, enhancing financial literacy and financial inclusion for households, and meeting their needs for financial services	Goal 3. Ensuring financial stability, that is, smooth functioning of the financial market, including in periods of stress
1. Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the financial sector stability			
2. Enabling a stronger role for the financial market in financing the transformation of the economy while maintaining the financial sector stability			
3. Digitalisation of the financial market and development of the payment infrastructure			
4. Transformation of the system for foreign trade payments and settlements			
5. Ensuring financial stability			

the area contributes to the goal achievement

the area significantly contributes to the goal achievement

Amid the digital transformation of the economy and all social spheres, digitalisation of financial and payment products and services for individuals and businesses (Indicators 2 and 3, respectively) is an important aspect of the development of the modern financial market. Digitalisation of the financial market is also critical for implementing innovations in the real sector of the economy and using new digital tools in business.

Public satisfaction with financial institutions, financial products (services) and financial service channels, as assessed based on the survey (Indicator 4), reflects individuals' perception of the financial market and its institutions and the level of confidence in them. This is influenced by the financial result obtained by each individual when using capital market instruments, consumer protection, the level of financial literacy, and accessibility of financial products and services, including through digital channels.

The resilience of financial institutions, infrastructure and the financial market as a whole, as well as their ability to perform their functions smoothly, including under stress, are critical for systemic financial stability. The Bank of Russia assesses the resilience of the financial sector (the banking sector and the NFI sector) on a regular basis and publishes the findings in the Financial Stability Review every six months (Indicator 5).

Thus, the Bank of Russia uses aggregate Indicators 1–4 to monitor changes in the financial market in terms of financial consumers' perception of such changes, the development of digital products and services, as well as the depth of the financial market relative to size of the economy. An increase in Indicators 1–4 will reflect positive changes. The Bank of Russia carries out the monitoring of the financial sector's resilience on a regular basis (Indicator 5). The regulator analyses the factors influencing changes in indicators and explains the reasons behind them.

The Bank of Russia considers these indicators as indicative and, therefore, does not set any quantitative targets for them. The financial market is a complex and multifaceted system dynamically changing under the influence of both financial market participants' actions and a wide range of

economic, technological and other factors that do not directly depend on the Bank of Russia and the Government of the Russian Federation. As the pace of changes is increasingly growing, the establishment of precise quantitative targets for any indicators can undermine the operation of market development mechanisms reducing the flexibility and adaptability of the regulator's policy and the responsiveness to new challenges or cause overheating and 'bubbles' in the market. In this regard, the achievement of specific targets set for the indicators without taking into account a wide range of fast-changing factors that significantly influence the financial market development trends cannot be a criterion of the effectiveness of financial market development policy.

It is important to note that, along with Indicators 1–5, the Bank of Russia analyses a wide range of quantitative and qualitative indicators on an ongoing basis in order to monitor the development of the financial market. Section 2 of Programme 24–26 describing the current state of the financial market refers only to some of them. The Bank of Russia regularly publishes reviews⁴⁹ on its website that detail the development trends in the financial market as a whole and its individual segments.

INDICATOR CALCULATION METHODOLOGY

Table 3

	Indicator, measurement unit	Brief calculation methodology
1	Financial institutions' assets to GDP, %	Calculated as the ratio of the total of the banking sector's assets, insurers' assets, NPFs' and the SFR's investment portfolios, UIFs' net asset value, own assets of professional market participants – NFIs, assets of brokerage and trust management clients, MFOs' core assets, microloan portfolios of pawnshops, CCCs and ACCCs to annual GDP.
2	Digitalisation of financial services for individuals, %	Calculated based on the findings of a survey of credit institutions, insurers, MFOs, NPFs, management companies, trustees and brokers.* To calculate the indicator, a list of services most needed by individuals was set for each type of organisation.
3	Digitalisation of financial services for businesses, %	Calculated based on the findings of a survey of credit institutions, insurers, MFOs, NPFs, management companies, trustees and brokers.* To calculate the indicator, a list of the services most needed by legal entities was set for each type of organisations.
4	Composite index of public satisfaction with financial institutions' work, financial products (services) and financial service channels, points	Calculated based on the findings of a survey commissioned by the Bank of Russia using statistical data analysis methods. The range of index values is 0–100 points, where 100 is the best value.
5	Assessment of the financial sector's resilience presented in the Bank of Russia's regular Financial Stability Review	

* Taking into account the reporting data.

⁴⁹ [Review of the Russian Financial Sector and Financial Instruments](#), [Russian Banking Sector Development](#), [Review of Key Indicators of Unit Investment Funds and Joint-stock Investment Funds](#), [Review of Key Indicators of Non-governmental Pension Funds](#), [Review of Key Indicators of Insurers](#), [Review of Key Indicators of Professional Securities Market Participants](#), [Review of Key Indicators of Microfinance Organisations](#), [Financial Market Risks Review](#), [Monitoring of Sectoral Financial Flows](#), [Financial Inclusion Indicators](#), and [Countering Market Misconduct](#).

APPENDIX 2. OVERVIEW OF THE RUSSIAN FINANCIAL MARKET DEVELOPMENT PROGRAMME IMPLEMENTATION IN 2023

As the Russian economy entered the phase of the structural transformation in 2022, it was necessary to review the areas and objectives of the financial market development. Currently, the Bank of Russia is gradually phasing out the regulatory easing, returning to the focus on the strategic objectives of the financial market development. When the Bank of Russia makes decisions to lift easing measures, it takes into account the current economic situation and how their termination might affect market participants' financial resilience and ability to continue their economic activity.

Overall, the key measures planned in the Russian Financial Market Development Programme for 2023–2025 are being implemented in accordance with the set deadlines. Below are the most significant measures that the Bank of Russia implemented in 2023 together with the Government of the Russian Federation as well as by active cooperation with market participants.

Area 1. Enabling a stronger role for the financial market in financing the transformation of the economy

- The Bank of Russia implemented **risk-sensitive incentive-based regulation**⁵⁰ to support lending to projects promoting technological sovereignty and the structural adaptation of the Russian economy (the criteria of these projects were approved by the Government of the Russian Federation).⁵¹ The incentive-based regulation will help banks with a universal licence reduce the capital burden for loans issued to finance the above projects after 30 September 2022. The decrease in the capital burden may reach from 10% to 70% of the standard magnitude of credit risk of a loan. The incentive-based regulation will promote the financing of the investment projects that are vital for the country's economy. Furthermore, as banks receive additional capital, the overall growth of their lending potential might reach ₺10 trillion.
- **The ban for banks with a basic licence to open correspondent accounts with foreign banks was cancelled.**⁵²
- Starting from 1 January 2024, **a new instrument (the long-term savings programme) will be launched.**⁵³ The programme is implemented through NPFs. Its advantages are as follows: a tax deduction for individuals' contributions; government co-financing, guarantees to preserve savings' value and prevent losses, individuals' right to obtain these funds in challenging life situations, and an opportunity to inherit savings. Changes in NPFs' remuneration system will boost the demand for NPFs' products.
- It was allowed⁵⁴ to enter into IIA contracts with more flexible terms (**IAs of type III**), and **UIFs' management companies were entitled to open and maintain IAs of type III** enabling the purchase of units of open-end UIFs managed by such management companies and the funds received as payments for or redemption of such units.
- Conditions are being created to launch **unit-linked life insurance** – a new insurance product with an investment component on the Russian insurance market. This type of insurance includes both an insurance coverage for a policyholder or an insured person and an opportunity to

⁵⁰ Bank of Russia Ordinances № 6436-U, dated 6 June 2023, and No. 6443-U, dated 7 June 2023.

⁵¹ Resolution of the Government of the Russian Federation No. 603, dated 15 April 2023.

⁵² Federal Law No. 566-FZ, dated 12 December 2023, 'On Invalidating Parts Two and Nine of Article 5.1 of the Federal Law 'On Banks and Banking Activity'.

⁵³ Federal Law No. 299-FZ, dated 10 July 2023, 'On Amending Certain Laws of the Russian Federation'.

⁵⁴ Federal Law No. 600-FZ, dated 19 December 2023, 'On Amending Certain Laws of the Russian Federation'.

- invest a part of the insurance premium paid in the units of UIFs selected by the policyholder with the right to earn investment income depending on their market value.⁵⁵
- **The taxation procedure for interest (coupon) income earned on bonds was improved.**⁵⁶ From 1 January 2024, private investors will be allowed to deduct the amount of accrued interest paid on the relevant bond purchase from bond interest (coupon) income received. Brokers (trustees) will act as tax agents in respect of bond interest (coupon) income when such income is credited to a brokerage account, a special brokerage account, or the trustee's bank account.
 - **The tax regime for substitute bonds was established.**⁵⁷ Thus, the law eliminates the risk of taxable income when Eurobonds are substituted with Russian companies' bonds and stipulates the procedure for accepting the expenses on Eurobonds as part of the expenses on purchasing substitute bonds when they are subsequently sold.
 - **The requirements⁵⁸ for the procedure for establishing special closed-end UIFs consisting of blocked securities were approved.** Such securities will be separated from the existing retail UIFs assets, which will make it possible to launch the management of the remaining liquid assets and resume transactions with investment units. If blocked securities account for more than 10% of a retail UIF, the management company should have separated them into a special closed-end UIF by 15 October 2023.⁵⁹ Each unit holder will get the same number of units in the new fund as in the main fund. Another option is to change the status from a retail fund to a closed-end fund.
 - **The maximum amount of the insurance compensation guaranteed for voluntary pension savings was increased**⁶⁰ from ₹1.4 million to ₹2.8 million. The government guarantee will protect voluntary contributions received from individuals and employers under NPP agreements and ensure non-governmental pension payments if an NPF is declared bankrupt or its licence is cancelled. This measure will increase trust in the pension system and help attract new customers to NPFs.
 - **NPFs were permitted⁶¹ to combine their core activity with providing financial market consulting services** and act as agents for various companies. Thus, NPFs can become a one-stop shop for their clients to offer them not only pension-related, but also various social services, e.g., insurance, medical, nursing and assisted living services. To rule out additional risks for funds and ensure their financial stability, annual remuneration⁶² for non-core activities will be limited.
 - To maintain trust in the financial market and promote investment activity, **issuers are gradually resuming⁶³ the disclosure of their financial statements and the information** required by the Federal Law 'On Joint-stock Companies' and the Federal law 'On the Securities Market'. However, to mitigate sanction risks, the government approved the list of sensitive information and the list of cases when it is allowed not to disclose information or to limit the disclosures.

⁵⁵ Federal Law No. 631-FZ, dated 25 December 2023, 'On Amending Certain Laws of the Russian Federation'.

⁵⁶ Federal Law No. 389-FZ, dated 31 July 2023, 'On Amending Parts One and Two of the Tax Code of the Russian Federation and Certain Laws of the Russian Federation'.

⁵⁷ Federal Law No. 389-FZ, dated 31 July 2023, 'On Amending Parts One and Two of the Tax Code of the Russian Federation and Certain Laws of the Russian Federation'.

⁵⁸ Decision of the Bank of Russia Board of Directors, dated 10 February 2023.

⁵⁹ Decision of the Bank of Russia Board of Directors, dated 10 August 2023.

⁶⁰ Federal Law No. 158-FZ, dated 28 April 2023, 'On Amending Article 10 of the Federal Law 'On Guaranteeing the Rights of Members of Non-governmental Pension Funds within Non-governmental Pension Schemes'.

⁶¹ Federal Law No. 5-FZ, dated 27 January 2023, 'On Amending the Federal Law 'On Non-governmental Pension Funds' and Article 27 of the Federal Law 'On Investment Funds'.

⁶² Annual remuneration for non-core activities may not exceed 50% of the average aggregate amount of payments for services rendered within NPP and mandatory pension insurance for the three previous years.

⁶³ Resolution of the Government of the Russian Federation No. 1102, dated 4 July 2023.

- From 1 April 2023, the Bank of Russia established the **requirements⁶⁴ for disclosing information when issuing** sustainability bonds, adaptation bonds, sustainability-linked bonds and climate transition bonds. The Bank of Russia also updated the requirements for disclosing information about green and social bonds.⁶⁵ The new requirements were adopted within the work to establish the legal framework for the issue and circulation of sustainable finance instruments.
- The law established the **regulatory framework for selling listed bonds through financial platforms** with the issuer (the issuer's agent) buying back such bonds to sell subfederal bonds to individuals without the testing, as well as lifted the restrictions on combining the statuses of the financial platform operator, operator of the information system where digital financial assets are issued and the digital financial asset exchange operator.⁶⁶
- On 6 March 2023, amendments to the Listing Rules of Moscow Exchange came into force⁶⁷ **cancelling the ban on including securities simultaneously in the Innovation and Investment Market Sector/the IIM-Prime Segment and the Growth Sector of Moscow Exchange**. These amendments will allow investors to use special tax incentives,⁶⁸ and issuers that are high-tech SMEs will be able to obtain the relevant government support, including from development institutions.⁶⁹
- The law established **the legal framework⁷⁰ for the concepts 'technological company' and 'small technological company'**, thus making it possible to focus the current support measures on such companies.
- **The partnership financing experiment was launched.**⁷¹ This experiment may become the basis for attracting investments from the friendly countries having well-developed partnership financing instruments and increase financial inclusion for the part of Russian individuals.
- In 2023, the law established the procedures for **remote claim handling in compulsory motor third-party liability insurance (CMTPLI)** and for electronic communication in other compulsory types of third party liability insurance.⁷²
- **The transition to the unified system for information collection and storage in the insurance market** – the automated information system (AIS) of insurance⁷³ operated by a legal entity specially established by the Bank of Russia – is underway.
- **Investment advisers were allowed to apply the simplified taxation system** if such advisers are not credit institutions and do not combine investment advisory with any other professional activity in the securities market. This will reduce the tax burden on them and simplify tax and financial accounting for them.⁷⁴

⁶⁴ Bank of Russia Ordinance No. 6283-U, dated 30 September 2022.

⁶⁵ The requirements for such bonds were established by Bank of Russia Regulation No. 714-P, dated 27 March 2020.

⁶⁶ Federal Law No. 284-FZ, dated 24 June 2023, 'On Amending Article 3.1 of the Federal Law 'On the Securities Market' and Articles 5 and 8 of the Federal Law 'On Performing Financial Transactions Using a Financial Platform'.

⁶⁷ The version of the Listing Rules, dated 6 March 2023, is no longer in force. The new version of Moscow Exchange Listing Rules, dated 1 August 2023, does not prohibit including securities simultaneously in the Innovation and Investment Market Sector/the IIM-Prime Segment and the Growth Sector either.

⁶⁸ Exclusion of income from the sale of high-tech (innovative) companies' securities from the taxable base of PIT.

⁶⁹ For example, SME Corporation's suretyship/guarantees in respect of bond issues and SME Bank JSC's participation in offerings of SMEs' bonds.

⁷⁰ Federal Law No. 478-FZ, dated 4 August 2023, 'On the Development of Technological Companies in the Russian Federation'.

⁷¹ Federal Law No. 417-FZ, dated 4 August 2023 'On Conducting an Experiment for Establishing Special Regulation to Create Necessary Conditions for Providing Partnership Financing in Certain Constituent Entities of the Russian Federation and on Amending Certain Laws of the Russian Federation'.

⁷² Federal Law No. 327-FZ, dated 14 July 2022, 'On Amending Certain Laws of the Russian Federation'.

⁷³ Federal Law No. 594-FZ, dated 29 December 2022, 'On Amending Certain Laws of the Russian Federation with Regard to Creating an Automated Information System of Insurance'.

⁷⁴ Federal Law No. 389-FZ, dated 31 July 2023, 'On Amending Parts One and Two of the Tax Code of the Russian Federation and Certain Laws of the Russian Federation'.

Area 2. Financial consumer and investor protection, enhancing financial inclusion for households and businesses

- **From 1 October 2023, the list of instruments available to non-qualified investors was changed.** In particular, according to the general rule, foreign securities of issuers from unfriendly countries as well as securities of issuers from friendly states held in unfriendly countries' infrastructure will be available only to qualified investors.⁷⁵ This will mitigate risks of losses for non-qualified investors investing funds in instruments where the exercise of rights requires using foreign financial infrastructures and, accordingly, is subject to sanction risks.
- The Bank of Russia approved the regulations providing for the **disclosure of information on voluntary insurance contracts in the form of a key information document**, as well as establishing the minimum (standard) requirements for the terms of certain voluntary insurance types aimed at increasing the customer value of insurance products.⁷⁶
- **The list of payments that banks and MFOs shall include in the TCC calculation was expanded.** Thus, the calculation now takes into account not only the payments set out in the loan agreement, but also other payments that actually influence the loan terms (interest rates, maturities, etc.).⁷⁷
- From 1 January 2024, **the right to repayment holidays for consumer loans will be in force on a permanent basis.**⁷⁸
- As part of the measures to **improve cyber literacy**, the Bank of Russia updated the information on combating social engineering in the financial market aimed at increasing individuals' awareness and carried out the practice-focused cyber security training CyberCourse.
- With a view to increasing the pace and quality of investigating cyber fraud cases, **the Bank of Russia and the Russian Ministry of Internal Affairs organised the exchange of data on fraudulent transactions.**^{79 80}
- The law introduced a **cooling-off period**⁸¹ when banks shall not transfer funds on clearly fraudulent transactions for several days.
- Amendments to the Federal Law 'On the National Payment System', to become effective from 25 July 2024, are aimed at **improving the mechanism for preventing money thefts** from bank clients and the existing procedure for reimbursement of the stolen money.
- **Individuals will be able to make fee-free money transfers within the monthly limit of ₺30 million** between their accounts (deposits) with different banks and to their wallets on financial platforms.⁸²

⁷⁵ Bank of Russia Ordinance No. 6347-U dated 9 January 2023.

⁷⁶ Bank of Russia Ordinances No. 6107-U, dated 28 March 2022; No. 6109-U, dated 29 March 2022; No. 6139-U, dated 17 May 2022; and No. 6494-U, dated 2 August 2023.

⁷⁷ Federal Law No.359-FZ, dated 24 July 2023, 'On Amending the Federal Law 'On Consumer Loans' and Certain Laws of the Russian Federation', effective from 21 January 2024 (except for individual provisions).

⁷⁸ Federal Law No. 348-FZ, dated 24 July 2023, 'On Amending Certain Laws of the Russian Federation'.

⁷⁹ Federal Law No. 408-FZ, dated 20 October 2022, 'On Amending Article 26 of the Federal Law 'On Banks and Banking Activities' and Article 27 of the Federal Law 'On the National Payment System'.

⁸⁰ Bank of Russia Standard STO BR BFBO-1.5-2023 'Safety of Financial (Banking) Operations. Managing Incidents Related to Information Security Threats and Operational Reliability Incidents. On the Forms and Terms of the Bank of Russia's Cooperation with Credit Institutions, Non-bank Financial Institutions and National Payment System Participants upon Detection of Incidents Related to Information Security Threats and Operational Reliability Incidents'.

⁸¹ Federal Law No. 369-FZ, dated 24 July 2023, 'On Amending the Federal Law 'On the National Payment System'.

⁸² Federal Law No. 482-FZ, dated 4 August 2023, 'On Amending Articles 29 and 36 of the Federal Law 'On Banks and Banking Activities'.

Area 3. Digitalisation of the financial market and development of the payment infrastructure

- National Payment Card System Joint Stock Company⁸³ **approved the National Payment Card System Development Strategy for 2023–2024** stipulating the main objectives in the key development areas: people, businesses, and the public sector.
- On 1 August 2023, the **amendments determining the fundamentals of the legal regulation of digital ruble transactions came into force**.⁸⁴ Now, the law defines, among other things, the legal status of the digital ruble, digital ruble transactions, and the digital ruble circulation rules. The draft law also stipulates the approach to forming the rules for using the digital ruble. The digital ruble is being created as another means of payments and money transfers that will promote competition and innovation in the financial market. On 15 August 2023, the Bank of Russia began the pilot testing of the digital ruble on real transactions with the participation of a limited number of users.
- The provisions of the federal law⁸⁵ tightening the requirements for payment agents' activities, introducing the self-regulation in the market for individuals' payment acceptance services, and **empowering the Bank of Russia to control (supervise) payment acceptance operators** became effective from 1 October 2023. Payment agents accept cash payments from individuals, including in socially important sectors, e.g., payments for housing and utility services and communication services. These amendments will increase the transparency of the market for individuals' payment acceptance services and mitigate risks associated with payment agents' activity.
- From 1 October 2023, **banks are obliged**⁸⁶ **to use only Russian services and financial infrastructure** for financial messaging to transfer money across the Russian Federation. This will ensure reliability, smooth operation, and safety of data exchange for domestic transactions.
- The federal law stipulated **the Banks of Russia's powers**⁸⁷ to control the compliance with the action plans for **financial institutions' transition predominantly to Russian software** at critical information infrastructure, as well as to control financial institutions' purchases of foreign software and related services to ensure the continuity of banking and other financial services. To coordinate the issues of ensuring technological sovereignty, the Bank of Russia established the Centre for the Coordination of Efforts Aimed at Ensuring Technological Sovereignty of the Financial Market and the sectoral committee Finance (created under the Bank of Russia).
- The Bank of Russia introduced the **unified rules** for financial institutions **to form, store and use unique device digital footprints** and a set of parameters enabling an unambiguous identification of a customer's device used to conduct banking and other financial transactions.⁸⁸
- **Since March 2023, individuals have the option to register their biometric personal data in the UBS on their own**, using a special mobile application. Furthermore, a number of additional services were launched to obtain remote services using the UBS.

⁸³ National Payment Card System (National Payment Card System Joint Stock Company) was established in 2014 based on Federal Law No.161-FZ, dated 27 June 2011, 'On the National Payment System'.

⁸⁴ Federal Law No. 339-FZ, dated 24 July 2023, 'On Amending Articles 128 and 140 of Part One, Part Two, and Articles 1128 and 1174 of Part Three of the Civil Code of the Russian Federation' and Federal Law No.340-FZ, dated 24 July 2023, 'On Amending Certain Laws of the Russian Federation'.

⁸⁵ Federal Law No. 298-FZ, dated 10 July 2023, 'On Amending the Federal Law 'On the Acceptance of Payments from Individuals by Payment Agents' and Certain Laws of the Russian Federation'.

⁸⁶ Decision of the Bank of Russia Board of Directors, dated 17 March 2023.

⁸⁷ Federal Law No. 243-FZ, dated 13 June 2023, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

⁸⁸ Bank of Russia Standard STO BR BFBO-1.7-2023 'Safety of Financial (Banking) Operations. Ensuring Safety of Financial Services Using the Technology of Device Digital Footprints'.

Area 4. Transformation of the system for foreign trade payments and settlements

- With a view to **developing the infrastructure of international payments, the SBP** now enables cross-border money transfers between individuals via foreign banks that are partners of Russian banks.
- To ensure sufficient liquidity for exchange trading in national currencies, which is required for Russia's foreign trade activities,⁸⁹ **credit institutions and brokers from friendly countries were admitted to exchange trading in currencies and interest rate and foreign exchange derivatives.** The list of jurisdictions, the participants from which may be admitted to exchange trading, was approved by the Government of the Russian Federation.⁹⁰
- Within the **creation and development of remote identification mechanisms:**
 - Credit institutions and a number of NFIs **were entitled⁹¹ to delegate the identification of foreign persons to foreign financial institutions.** In such cases, an individual opening an account or the client's representative are not required to personally visit the office. These changes will encourage foreign investments, increase the tourist traffic, as well as support the provision of medical services to foreign individuals in Russia.
 - The Bank of Russia cancelled the **requirement⁹² for the legalisation of documents** issued by foreign countries' competent authorities that confirm clients' non-resident status.
 - The President's executive order established **special conditions⁹³ for the implementation of the requirements of the anti-money laundering legislation** with respect to the identification and mandatory personal presence of clients (their representatives) for the opening with credit institutions of special ruble and foreign currency accounts of type Z intended for settlements under foreign trade contracts for the supply of Russian agricultural products concluded by residents – foreign trade participants with foreign buyers on exchange.

Area 5. Ensuring financial stability

- To promote changes in the composition of credit institutions' foreign currency liabilities towards a higher proportion of friendly countries' currencies, while maintaining the conditions for further overall dedollarisation of banks' balance sheets, the Bank of Russia **introduced differentiated reserve requirement ratios for liabilities in unfriendly countries' currencies⁹⁴** and other foreign currencies.

⁸⁹ Federal Law No. 315-FZ, dated 10 July 2023, 'On Amending Article 16 of the Federal Law 'On On-exchange Trading' and the Federal Law 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation'.

⁹⁰ Resolution of the Government of the Russian Federation No. 2530-r, dated 20 September 2023.

⁹¹ Federal Law No. 308-FZ, dated 10 July 2023, 'On Amending Articles 6 and 7 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Income and the Financing of Terrorism'.

⁹² Bank of Russia Ordinance No. 6397-U, dated 4 April 2023.

⁹³ Executive Order of the Russian President No. 589, dated 8 August 2023, 'On the Special Procedure for Settlements Under Foreign Trade Contracts for the Supply of Russian Agricultural Products'.

⁹⁴ Currencies issued by the authorised agencies of the foreign countries and territories performing hostile acts against the Russian Federation that are put on the list approved by Directive of the Government of the Russian Federation No. 430-r, dated 5 March 2022. The information on such currencies will be published along with the decision of the Bank of Russia Board of Directors on required reserves. Bank of Russia Ordinance No. 6360-U, dated 23 January 2023, stipulates that, beginning on 1 April 2023, credit institutions' liabilities in unfriendly countries' currencies shall be disaggregated into separate subcategories within each of the categories of foreign currency liabilities.

Changes in indicators

Financial institutions' assets to GDP

- As of the end of 2023 Q3, the ratio of financial institutions' assets to GDP increased from 102.5% to 128.3% YoY. Credit institutions' assets were steadily growing (+31.2% YoY), mainly driven by an increase in lending supported by reviving economic activity and a rather high consumer demand. Another factor contributing to the change in credit institutions' assets was foreign currency revaluation. Adjusted for the revaluation, the assets (net of loss provisions) of the credit institutions that operated as of the reporting date (including earlier restructured banks) increased by 21.1% (in annualised terms) as of 1 October 2023 (vs 14.8% over 2022). As of the end of 2023 Q3, non-bank financial institutions' assets were up as well, namely by 43.3% YoY. The growth was associated with predominantly positive revaluation, including both foreign currency revaluation and revaluation related to higher prices for financial instruments. The inflow of clients' funds promoted growth in UIFs' and brokerage clients' assets. MFOs' assets increased owing to the recovery in consumer lending.

Digitalisation of financial services provided to individuals and businesses

- In 2021–2022, these segments demonstrated an overall increase in digitalisation of financial services. Thus, digitalisation of financial services for individuals and legal entities rose from 72.7% to 78.7% and from 65.2% to 72.1%, respectively.
- The banking sector reports an increase in digitalisation of both payment and non-payment services. As to non-payment services, digitalisation increased the most in services to purchase and sell foreign currency, get a consumer loan, open a current account for individuals, and to open a current account, get a loan, obtain a bank guarantee for legal entities.
- The non-banking sector also demonstrated a positive trend in digitalisation. Thus, digitalisation increased most significantly in services provided to individuals by insurers and MFOs as well as services rendered by MFOs and management companies to legal entities.

Assessment of the financial sector's resilience presented in the Bank of Russia's regular [Financial Stability Review](#)

Banking sector

In 2023, credit institutions' financial performance remained stable amid growth in net interest income and income from foreign currency revaluation. By 1 October 2023, annual return on assets in the banking sector⁹⁵ increased to 2.6%, and annual return on capital – to 26.5%. Banks' capital adequacy somewhat declined amid the expansion of the loan portfolio, but stays close to 12%. In 2023, the financial result was partially supported by the existing easing measures. However, most regulatory requirements have already been returned to the pre-crisis standards. The banking sector's capital cushion, excluding the effect of the temporary support measures, approximated ₹7 trillion as of 1 October 2023.⁹⁶ The existing easing measures do not have a notable impact on the banking sector's capital cushion. In addition to the regulatory easing, in 2023, the capital cushion was also supported by the refusal of many banks to pay dividends.

⁹⁵ For all credit institutions, except the BNA.

⁹⁶ The assessment is based on Reporting Forms 0409135 and 0409123, taking into account the results of banks' surveys as of 1 October 2023.

Non-bank financial institutions

The achieved financial resilience and the measures taken by the Bank of Russia helped NFIs weather the consequences of materialisation of geopolitical risks, the overall stagnation, as well as a number of major insured events in the segment of commercial real estate insurance. As of the end of 2022, all NFI segments, except for leasing companies, were in the black, while 2023 recorded recovery growth in NFIs' key indicators. As of the end of the first nine months of 2023, insurers' and PSMPs–CIs' return on capital doubled. Returns on investment of pension savings and pension reserves almost doubled from the beginning of 2023, namely to 10.9% and 10.1%, respectively.

Securities market

The government and corporate bond markets continue to grow steadily. Bond yields surged amid the key rate increase in 2023 H2. As to the stock market, its capitalisation approached the pre-crisis level as of the end of September, reaching ₺57.7 trillion. The role of individuals in the equity market significantly increased – their share in value traded exceeded 80%.

APPENDIX 3. FINANCIAL MARKET DEVELOPMENT DOCUMENTS

1. [Strategy for the Development of the Financial Market of the Russian Federation until 2030 \(2022\)](#)
2. [Strategy for Improving Financial Literacy and Developing Financial Culture until 2030 \(2023\)](#)
3. [National Payment System Development Strategy for 2021–2023 \(2021\)](#)
4. [Monetary Policy Guidelines for 2024–2026 \(2023\)](#)
5. [Guidelines for the Advancement of Information Security in the Financial Sector for 2023–2025 \(2023\)](#)
6. [SupTech and RegTech Development Guidelines for 2021–2023 \(2021\)](#)
7. [Financial Market Digitalisation Guidelines for 2022–2024 \(draft, 2021\)](#)
8. [Financial Inclusion Priorities for the Russian Federation in 2022–2024 \(2021\)](#)
9. [Action Plan \(Roadmap\) to Implement the Financial Market Digitalisation Guidelines for 2022–2024 \(draft, 2021\)](#)
10. [Roadmap for Amending Laws on Credit Cooperatives for 2021–2024 \(2021\)](#)
11. [Roadmap for the Development of Funding for Small and Medium-sized Enterprises \(2023\)](#)
12. [Action Plan \(Roadmap\) to Enhance Financial Inclusion for People with Disabilities, Physically Challenged and Elderly People in 2022–2024 \(2023\)](#)
13. [National Competition Development Plan and Competition Development Roadmap \(2021\)](#)
14. [Concept of Open API Implementation in the Financial Market. \(November 2022\)](#)
15. [Audit Development Concept until 2024 \(2020\)](#)
16. [Climate Risks in Changing Economic Conditions \(consultation paper, December 2022\)](#)
17. [Outsourcing Risk Management in the Financial Market \(consultation paper, December 2022\)](#)
18. [Decentralised Finance \(analytical paper, November 2022\)](#)
19. [Development of the Digital Assets Market in the Russian Federation \(consultation paper, November 2022\)](#)
20. [Developer Subsidised Mortgage Programmes \(consultation paper, October 2022\)](#)
21. [Financial Market: New Challenges in Modern Conditions \(consultation paper, August 2022\)](#)
22. [Artificial Intelligence in the Financial Market \(consultation paper, November 2023\)](#)

GLOSSARY

AUTHORISED CAPITAL

The part of authorised capital of a development institution that is formed from federal budget subsidies and subsequent additional capital contributions of the Russian Federation when the development institution reaches the trigger values of the required financial stability ratios (indicators).

CLIMATE RISKS

Risks associated with the impact of climate change, as well as measures aimed at preventing negative human impact on climate (taken by the governments and the regulators of the countries that have signed the Paris Agreement) which may adversely influence society's activities. They include climate-related physical and transition risks.

CLIMATE-RELATED PHYSICAL RISKS

Risks associated with natural phenomena resulting from climate change. Climate-related physical risks are either acute or chronic. Acute risks are associated with sudden natural disasters, while chronic risks – with longer-term shifts in climate characteristics and conditions.

CLIMATE-RELATED TRANSITION RISKS

Risks associated with the transition to a low-carbon economy, including with the measures aimed at preventing climate change and taken by the governments and regulatory authorities of the countries that signed the Paris Agreement. Climate-related transition risks include political, legal, technological, market and reputational risks.

CONDUCT SUPERVISION

The Bank of Russia's activities aimed at preventing, detecting and punishing violations of financial consumers' rights.

The scope of conduct supervision is the sphere of control over compliance with the standards governing the relationships between a financial institution and its clients or establishing requirements for financial product parameters. This scope is formed by considering the key issues raised by financial consumers in complaints received by the Bank of Russia and is constantly expanding as new problems in the financial market arise involving the risks of violations of financial consumers' rights, including taking into account international best practices in this area.

The goals of the Bank of Russia's conduct supervision are as follows:

- ensuring that financial consumers' rights and legitimate interests are respected;
- better accessibility and quality of financial services;
- increasing financial consumers' confidence in financial market participants, financial products and services they offer;
- mitigating the risks of violations of financial consumers' rights, and effective risk management, including by strengthening the preventive component of supervision.

CORPORATE GOVERNANCE

A concept covering the system of relationships between the executive bodies of a joint-stock company, its board of directors, shareholders and other stakeholders. Corporate governance is a tool for determining the company's goals and the means of achieving these goals, as well as ensuring effective control of the company's activities by shareholders and other stakeholders.

CROWDFUNDING

A type of alternative investment when investors provide small amounts of funding to early-stage projects via investment platforms.

DEBT SERVICE-TO-INCOME RATIO

The ratio of total average monthly payments on all loans and microloans of a borrower (including the loan/microloan, the issue of which is still being considered by the lender) to the amount of the borrower's average monthly income calculated in accordance with the Bank of Russia regulations.

DIGITAL FINANCIAL ASSETS

Digital rights, including monetary claims, the ability to exercise rights related to issue-grade securities, the right to hold stakes in a non-public joint-stock company's equity, the right to demand the transfer of issue-grade securities, which are provided for by the decision on the issue of digital financial assets, the issuance, recordkeeping and circulation of which are only possible by entering (changing) records into a distributed ledger-based information system and other information systems.

DIGITAL PROFILE

A public infrastructure based on the Unified System of Identification and Authentication and designed for an individual to obtain information about himself/herself from government information systems and to provide this information, upon the individual's consent, to organisations for the purpose of obtaining financial services.

DIGITAL RUBLE

The digital form of the Russian national currency that the Bank of Russia plans to issue in addition to the existing forms of money.

ECOSYSTEM (DIGITAL ECOSYSTEM)

A set of services, including platform solutions, of one group of companies or a company and its partners enabling users to obtain a wide range of products and services within a single seamless integrated process. An ecosystem can comprise closed and open platforms. The range of services offered by the ecosystem meets the major part of customers' everyday needs or is built around one or more of customers' basic needs (ecosystems at the initial stage or niche ecosystems).

ENHANCED UNQUALIFIED DIGITAL SIGNATURE

A signature, whose verification key certificate has been created and is used in the infrastructure that ensures information and technological interaction of information systems used for providing government and municipal services in electronic form in accordance with the procedure established by the Government of the Russian Federation.

EXPERIMENTAL LEGAL REGIMES

Application of special regulations in the development, testing and implementation of digital innovations in relation to participants in the experimental legal regime during a certain period of time.

FASTER PAYMENTS SYSTEM

The Bank of Russia's system enabling instant money transfers on a 24/7/365 basis using simple and convenient identifiers of the payee (e.g., the payee's phone number when money is transferred to an individual).

FIDUCIARY LIABILITY

Liability for failure to fulfil or improper fulfilment of a financial institution's obligation to act reasonably and in good faith in the interests of the customer, taking all necessary and sufficient measures to fulfil its obligations to the customer in the best possible manner.

FINANCIAL MARKET

The system of economic and legal relations associated with the use of money as a store of value and a means of payment and the circulation of financial instruments; it also denotes the cultural and business environment where financial market participants operate.

FINANCIAL PLATFORM

An information system that enables financial institutions or issuers to interact with financial consumers via the Internet in order to enable financial transactions and to which the financial platform operator provides access.

MACROPRUDENTIAL POLICY

Economic policy of central banks (or macroprudential regulators in some countries) aimed at ensuring financial stability.

MISSELLING

The sale of a financial product or service through its misrepresentation. The offering and sale of one financial product/service under the guise of another financial product/service.

OPEN API

Publicly available application programming interface that provides developers with programmatic access to companies' data about their products and clients.

OPEN DATA

A model of interaction in which service providers, with the consent of the customer, use Open APIs to obtain customer data from financial and other organisations, such as those operating in telecommunications, e-commerce and other sectors, as well as from government information systems where customer data are stored and processed.

OPEN FINANCE

A model of interaction in which service providers, with the consent of the customer, use Open APIs to obtain both banking and payment data about the customer and data about other financial services, including insurance, investment and other services, thereby improving the quality of customer service and increasing the range of products and services for households and businesses.

OPEN PLATFORM (MARKETPLACE)

An online trade platform that is accessible to participants based on public criteria determined by the platform.

PARIS AGREEMENT

The international agreement adopted on 12 December 2015, the main goal of which is to keep the global average temperature increase under control; this involves the economic and social transformation of the countries that joined the agreement.

PASSIVE INVESTMENT STRATEGY

An investment strategy where a portfolio of securities and other investment instruments tracks the underlying index.

PLATFORM (DIGITAL PLATFORM)

An online information system enabling the platform participants to communicate with each other, create and share products, services and information.

SMART CONTRACT

A digital contract that provides for the automation of transaction and payment execution, monitoring and recording of legally significant actions and events.

SOCIAL ENGINEERING

Deception or abuse of trust in order to obtain unauthorised access to information and electronic payment systems or in order to persuade owners to transfer funds on their own to steal them.

STRESS TESTING

Investigation of changes in the properties of a system or object under non-standard (stress) conditions. In the case of a financial institution, stress testing is the evaluation of its financial resilience under a severe but plausible scenario.

SUSTAINABLE DEVELOPMENT

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. A three-dimensional conceptual model of development supporting simultaneous development of the global system in three key dimensions: economic, social and environmental.

SUSTAINABLE DEVELOPMENT GOALS

The list of the goals set forth in the 2030 Agenda for Sustainable Development approved by the relevant resolution of the United Nations General Assembly on 25 September 2015.

UNIFIED BIOMETRIC SYSTEM

A unified information system of personal data that ensures the processing (including collection and storage of biometric personal data), verification and transmission of information on the degree of their matching with biometric personal data provided by an individual for the purposes of identification and authentication.

UTILITY DIGITAL RIGHTS

Digital rights to demand a transfer of things, to demand a transfer of exclusive rights to intellectual property assets, the rights of use of intellectual property assets, the right to demand that any work is done and any service is provided. These rights can be purchased, sold and exercised on an investment platform.

ABBREVIATIONS

ACCC – agricultural consumer credit cooperative

AML/CFT – anti-money laundering and countering the financing of terrorism

API – application programming interface

B2C – business-to-consumer payments

C2B – consumer-to-business payments

C2G – consumer-to-government payments

CCC – consumer credit cooperative.

CI – credit institution

CMTPLI – compulsory motor third-party liability insurance

DFA – digital financial asset

DSTI – debt service-to-income ratio

EAEU – Eurasian Economic Union

EQES – enhanced qualified electronic signature

ESG – Environmental, Social and Governance (environmental, social and corporate governance factors)

FBS – Federal Bailiffs Service

FSES – Federal State Educational Standard

G2C – government-to-consumer payments

IE – individual entrepreneur

IECS – Interagency Electronic Communication System

IIA – individual investment account

IPO – initial public offering

ISO – International Organization for Standardization

IT – information technologies

ITU – International Telecommunication Union

KYC – the Bank of Russia's platform Know Your Customer

MFO – microfinance organisation

ML/FT – money laundering and financing of terrorism

MPG – Monetary Policy Guidelines

NFI – non-bank financial institution

NPCS – National Payment Card System

NPF – non-governmental pension fund

NPP – non-governmental pension provision

NPSP – non-bank payment service provider

OFZ – federal government bond

PIT – personal income tax

Programme – Russian Financial Market Development Programme

PSMP – professional securities market participant

RegTech (Regulatory Technology) – technologies used by financial institutions to improve the efficiency of fulfilment of regulatory requirements

RNRC – Russian National Reinsurance Company

SBP – Faster Payments System

SFR – Social Fund of Russia

SICI – systemically important credit institution

SME – small and medium-sized enterprise

SPFS – Financial Messaging System

SPO – secondary public offering

SRO – self-regulatory organisation

SST – supervisory stress testing

SupTech (Supervisory Technology) – technologies used by regulators to enhance the efficiency of their control and supervision over financial market participants

TCC – total cost of credit

UBS – Unified Biometric System

UDR – utility digital right

UIF – unit investment fund

USIA – Unified System of Identification and Authentication

