The Central Bank of the Russian Federation

Guidelines for the Single State Monetary Policy in 2013 and for 2014 and 2015

Approved by the Bank of Russia Board of Directors on 1 November 2012

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I. Medium-term monetary policy principles

In the next three years, the Bank of Russia will maintain the continuity of its monetary policy implementation principles. It plans to complete its transition to inflation targeting by 2015.

The inflation targeting regime prioritises monetary policy measures in order to ensure price stability, which means that an emphasis will be placed on maintaining steadily low rates of price growth. Monetary policy, which is designed to control inflation, will help achieve more general economic goals, such as the goal of ensuring conditions for sustainable and balanced economic growth and that of maintaining financial stability.

The implementation of the Bank of Russia's monetary policy implies the establishment of target values for changes in the consumer price index. The Bank of Russia aimed at lowering consumer price growth rates to 5-6% in 2013 and 4-5% in 2014 and 2015 as the main goal of its monetary policy.

The Bank of Russia will continue to make monetary policy decisions on a monthly basis. The Bank of Russia will pay attention to the fact that the impact of monetary policy measures on the economy is spread over time and will gear its decisions to resonate with inflation forecasts and the assessments of economic growth prospects, as well as inflation expectation dynamics and the specifics of the monetary policy transmission mechanism. Risk assessment for achieving the inflation target includes an analysis of factors related to aggregate supply and demand with short-term and medium-term impact on inflationary processes and factors related to money supply, the dynamics of which determine inflation both in the medium term and long term.

The monetary policy implementation will focus on managing money market rates using liquidity provision and absorption instruments. Changes in short-term market rates resulting from the Bank of Russia's decisions to review interest rates on its instruments and apply other monetary regulation measures, influence medium-term and long-term interest rates through various channels of the transmission mechanism, and finally influence the level of business activity and inflationary pressure in the economy. Therefore, interest rate policy will play a key role in the implementation of monetary policy.

In recent years, the Bank of Russia has implemented a set of measures aimed at improving the system of its monetary policy instruments, and also increasing the flexibility of the rouble exchange rate; these have helped make money market rates more manageable. From a medium-term perspective, it is strategically important for the Bank of Russia to establish a more effective transmission mechanism for its monetary policy, and also increase confidence in the Bank of Russia as an institution responsible for price stability. This, in turn, will create the basis for the better management of economic agents' inflation expectations.

In order to further raise the efficiency of its interest rate policy, the Bank of Russia will continue gradually increasing the exchange rate flexibility in the next three years and intends to abolish operational benchmarks for the level of the exchange rate in its exchange rate policy and to switch to a floating exchange rate by 2015. Correspondingly, regular currency interventions to influence the rouble exchange rate dynamics will be terminated as part of this approach.

Ensuring financial stability will remain one of the Bank of Russia's major medium-term tasks. The banking system is the main element in the transmission of interest rate policy signals to the real economy. Therefore, financial stability is an essential prerequisite for the normal functioning of the monetary policy transmission mechanism. The stability and efficiency of the system of financial intermediation are crucial for both achieving the main monetary policy goal of maintaining price stability and ensuring overall macroeconomic equilibrium. The Bank of Russia will continue to improve the instruments to monitor the financial intermediation system (including a continuous analysis of price dynamics in assets markets and trends in monetary aggregates and lending activity) to have the possibility to promptly adopt the necessary monetary policy and banking regulation and supervision measures in the event of a threat to financial stability.

In order to maintain financial stability, the Bank of Russia will pay special attention to the timely identification and assessment of systemic risks in the banking sector and other segments of financial markets and ensure the transparency of credit institutions' activity. The development of risk-based approaches to banking supervision stemming from best foreign practices will be a key instrument in the implementation of these tasks. The Bank of Russia will continue to employ a differentiated regime of supervision over certain credit institutions depending on their systemic importance, their level of transparency, the complexity of their business and the extent of their compliance with the required ratios. Additional regulation and control mechanisms will apply to systemically important banks, where the Bank of Russia will take international experience into account as well as the specifics of the national economy.

The terms secured by Russia for its accession to the World Trade Organisation (WTO) will allow it to maintain the existing competitive environment in the banking sector and create additional mechanisms of confidence in the equality of the regulatory framework for the activity of Russian banks, regardless of the sources of capital origin.

The successful implementation of the monetary policy strategy will largely depend on the efficiency with which the Bank of Russia solves the tasks of developing the financial markets' infrastructure and expands their capacity. The task of assisting in the development of the financial derivatives market, which offers possibilities for economic agents to hedge their exchange rate and interest rate risks, will remain one of the key areas of the Bank of Russia's activity, along with the task of building modern mechanisms for the regulation and supervision of credit institutions' risks in these segments of the financial market.

The Bank of Russia will also continue to pay close attention to improving Russia's national payment system, the efficient operation of which (including its interaction with foreign payment systems) is a necessary condition for more effective monetary policy measures and the domestic financial market development.

The coordination of efforts between the Bank of Russia and the Russian Government is important for the successful implementation of the single state monetary policy. The strong influence exerted by administered prices and tariffs on consumer price growth prompts the expediency of taking decisions on their adjustment with due account of inflation targets. The efficiency of monetary policy also largely depends on the state of the government's finances. Consistent fiscal policy measures which are aimed at gradually reducing the national non-oil and gas budget deficit and ensuring long-term equilibrium and the sustainability of the budget system will make a positive contribution to maintaining financial and overall macroeconomic stability. These measures will therefore create favourable conditions for achieving economic growth and monetary policy goals.

The Bank of Russia will continue to expand the practice of regularly explaining the goals and the rationale for its monetary policy to the public and carry out the macroeconomic assessments that are necessary when making decisions. The development of the Bank of Russia's communication with society will contribute to the improvement of the practice of managing inflation expectations and will create a basis for instilling economic agents' confidence in the Bank of Russia and its monetary policy.

II. Russia's economic development and monetary policy in 2012

II.1. Inflation and economic growth

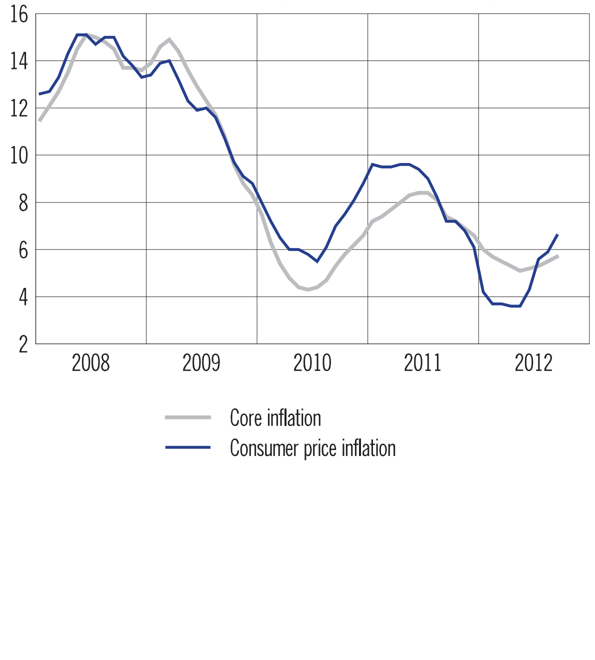
Russia's GDP grew by 4.5% in January-June 2012. Russia's economic growth was largely driven by the expansion of domestic demand. In January-September 2012, the country's GDP increased by about 4%, according to estimates.

Household spending on goods and services grew by an estimated 6.8% in January-September, 2012. Fixed capital investment expanded by 7.2% when compared with the same period last year (it grew by 5.0% in January-September 2011).

Amid economic growth, the number of employed was observed to increase. The unemployment rate stood at 5.2% of the economically active population in September 2012 (compared to 6.0% a year earlier).

Amid high world energy prices, Russia's federal budget revenue increased, while budget spending became more evenly spread across the fiscal year. As a result, Russia's federal budget surplus amounted to 1.4% of GDP in January-September 2012 (2.9% of GDP in January-September 2011).

Consumer price inflation and core inflation (as % of corresponding month of previous year)



The slowdown in inflation that started in mid-2011 (year on year) continued in January-May 2012. The inflation rate started to grow in June, and in September it exceeded the upper limit of the 2012 inflation goal (5-6%).

The output of goods and services was estimated to stay close to its potential level. Growth in the prices of non-food products (excluding petrol), which is least exposed to the impact of volatile and administrative factors, slowed down to an estimated 5.4% in September 2012 from 5.9% in January this year (year on year).

The slowdown in consumer price growth in the second half of 2011 and at the beginning of 2012 was facilitated to a considerable extent by favourable developments in domestic and foreign agriculture markets. Food price growth rates fell to a record low of 1.2% in April 2012 (year on year), with the prices of vegetables and fruit declining by 29.1%, year on year.

In addition, the government's decision to reschedule the planned increase in administered tariffs from January to the third quarter of this year also contributed to the slowdown in inflation. As a result, consumer price growth rates were observed to decrease in the first five months of the year and fell to a historic low of 3.6% in April-May 2012, year on year. Core inflation declined from 6.0% in January to 5.1% in May 2012.

Consumer price inflation and core inflation (as % of corresponding month of previous year)

	2009		2010		2011		2012	
	core inflation	inflation	core inflation	inflation	core inflation	inflation	core inflation	inflation
January	13.8	13.4	7.6	8.0	7.2	9.6	6.0	4.2
February	14.5	13.9	6.3	7.2	7.4	9.5	5.7	3.7
March	14.8	14.0	5.4	6.5	7.7	9.5	5.5	3.7
April	14.4	13.2	4.8	6.0	8.0	9.6	5.3	3.6
May	13.6	12.3	4.4	6.0	8.3	9.6	5.1	3.6
June	12.9	11.9	4.3	5.8	8.4	9.4	5.2	4.3
July	12.3	12.0	4.3	5.5	8.4	9.0	5.3	5.6
August	11.7	11.6	4.6	6.1	8.1	8.2	5.5	5.9
September	10.8	10.7	5.3	7.0	7.4	7.2	5.7	6.6
October	9.6	9.7	5.8	7.5	7.2	7.2		
November	8.8	9.1	6.2	8.1	6.9	6.8		
December	8.3	8.8	6.6	8.8	6.6	6.1		

However, food price growth accelerated in May-September 2012. Food prices grew by 7.3% in September 2012, year on year (they increased by 6.4% in September 2011).

The prices of non-food products and paid services provided to households, including housing and utilities services, demonstrated slower year-on-year increases in September 2012 than in September 2011. Overall, inflation increased to 6.6% and core inflation grew to 5.7%.

Russia's inflation may amount to about 7% in 2012 (compared with 6.1% in 2011) largely due to accelerated food price growth, while core inflation is expected to total 6% (6.6% in 2011).

II.2. Balance of payments

Russia's balance of payments in January-September 2012[1] reflected favourable foreign market developments with respect to key Russian export commodities. A considerable current account surplus and moderate investment demand in the domestic economy created the pre-requisites for the intensification of private capital outflow.

Russia's current account surplus grew by 6% in January-September 2012, year on year, to $74.7 billion, while its foreign trade surplus widened to $150.4 billion from $144.0 billion.

Exports of goods grew by $14.0 billion or 4% in January-September 2012 to $391.3 billion. The deliveries of key fuel and energy products accounted for almost two thirds of Russia's total exports. The export value of these commodities grew by $9.9 billion, reflecting a 4% increase in their contract prices, while their export quantities demonstrated opposite trends. The export quantities of natural gas contracted by 6%, while the export quantities of crude oil remained close to the level registered in January-September 2011. At the same time, the export quantities of petroleum products increased by 4%. The export of non-energy products grew by 3% to $133.9 billion.

Imports of goods grew from $233.3 billion to $240.8 billion and showed a considerable slowdown in growth rates (to 3%) when compared with January-September 2011. The import of some aggregated commodity items (metals and metal products, timber and pulp-and-paper products) contracted. The import of machine-building goods grew by about 10% and accounted for half of total imports.

The deficit in the balance of services grew by 10% in January-September 2012, year on year, to $28.8 billion. Exports of services increased from $39.7 billion to $47.3 billion.

[1] Russia's balance of payments was compiled using the methodology of the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). The use of signs corresponds to BPM5.

Transport operations accounted for 31% of exports of services, while travel services made up 20%. Imports of services grew from $65.9 billion to $76.1 billion. The structure of services received from non-residents was dominated by Russian citizens' expenses on foreign travel (38%) and services provided by non-resident transportation companies (16%).

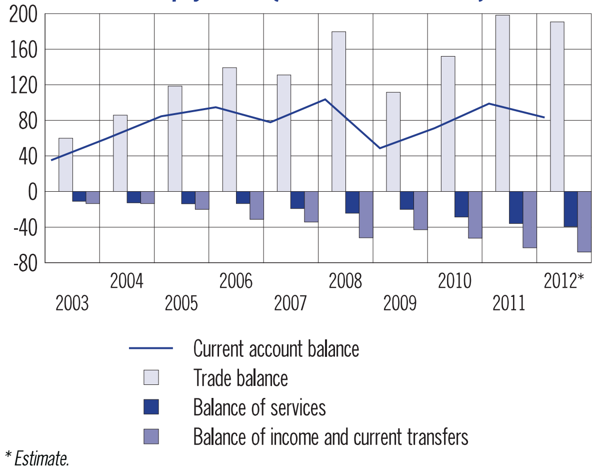
The deficit in the primary income account amounted to $43.8 billion in January-September 2012 (compared with $44.9 billion in the same period last year). The balance of investment income was negative, at $35.9 billion, and largely reflected the volume of dividends declared by Russian companies. The deficit in the balance of employee compensation widened to $8.6 billion due to the increase in average compensation paid to non-residents employed in the Russian economy.

The capital account balance was negative and stood at $4.8 billion, as Russia wrote off debts on loans extended by the former USSR.

The financial account deficit (net of reserve assets) narrowed to $35.9 billion in January-September 2012 from $45.1 billion in the same period last year. The Russian economy's net incurrence of external liabilities was estimated at $56.0 billion. Other sectors[2] of the economy were able to raise $30.2 billion, largely in the form of direct investment, which totalled $30.1 billion. Banks' foreign liabilities grew by $18.1 billion on a net basis and registered an almost threefold increase from January-September 2011, largely due to the placement of new Eurobond issues. The general government's external liabilities increased by $6.5 billion as non-residents acquired Russia's sovereign Eurobonds upon their placement; they also acquired OFZ bonds following measures to liberalise the domestic market for these securities in the first half of 2012.

The net acquisition of financial assets (excluding reserve assets) amounted to $91.9 billion in January-September 2012 (compared with $93.0 billion in January-September, 2011) and was dominated by the operations of other sectors, the foreign claims of which

Key current account parameters of Russia's balance of payments (billions of US dollars)



** Estimate.*

grew by $81.3 billion in January-September 2012 (by $67.8 billion in the same period last year). A key role in this process was played by direct investment ($41.4 billion), with funds invested by private individuals and legal entities in real estate abroad retaining a considerable share despite some reduction. In addition, large intercompany loans were granted during the reporting period. Foreign currency cash held by residents grew by $4.5 billion in January-September 2012. Banks' foreign assets increased by $12.8 billion.

Net private capital outflow amounted to $57.8 billion in January-September 2012, with capital flight unevenly spread across the reporting period: the largest net capital outflow was registered in the first quarter ($34.6 billion), while net capital outflow in the second quarter contracted to $9.7 billion and in the third quarter it amounted to $13.6 billion.

The growth in international reserves accounted for in the balance of payments stood at $21.1 billion in January-September 2012. Interventions in the foreign exchange market, receipts from the placement of Eurobonds by the Russian Ministry of Finance and the sale of a shareholding in Sberbank, as well as customs duty payments, and other operations initiated by the Russian Government and the Bank of Russia were the main factors that contributed to the increase in reserve assets. As of 1 October 2012, Russia's international reserves, after exchange rate and market revaluations as well

[2] *Other sectors include non-financial corporations, financial corporations other than credit institutions, households and non-profit service providers.*

as other changes are taken into account, stood at $529.9 billion. The country had sufficient reserves to finance the import of goods and services for 15 months (16 months as of 1 October 2011).

The price of Russia's Urals crude in the world market is expected to average at least $109 per barrel in 2012. The Bank of Russia estimates that the current account surplus will reach $83.4 billion in 2012. With exports of goods estimated at $532.5 billion and imports at $341.8 billion, the trade surplus will amount to $190.7 billion. The deficit in the balance of services may increase to $39.4 billion. Russia's foreign exchange reserves are expected to grow by $17.5 billion, while net private capital outflow may reach $67 billion.

II.3. Exchange rate

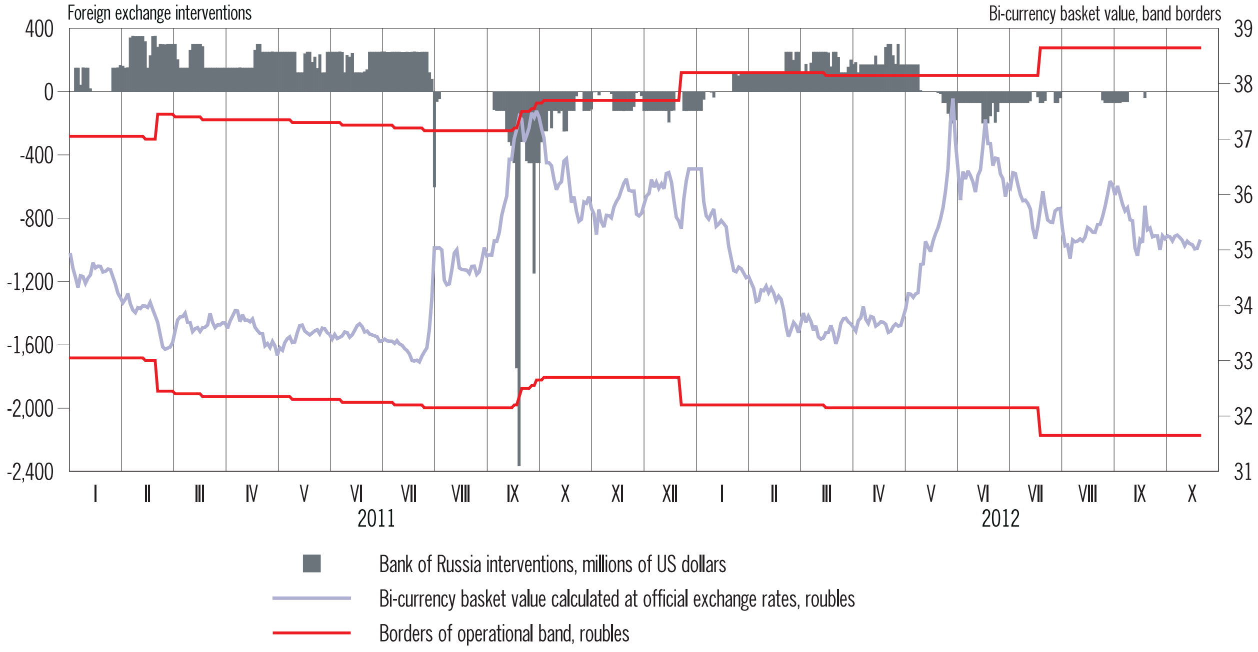
In 2012, the Bank of Russia continued to implement its exchange rate policy under the managed floating exchange rate regime, not impeding exchange rate developments determined by economic fundamentals. The Bank of Russia continued to use the rouble value of the bi-currency basket (0.45 euros and 0.55 US dollars) as an operational indicator of its exchange rate policy. The range of its fluctuations was determined by the floating operational band. The band's borders were adjusted automatically depending on the volume of foreign exchange interventions. At the same time, the Bank of Russia did not set any targets or fixed limits on the exchange rate.

The exchange rate policy mechanism allowed the Bank of Russia to buy and sell foreign currency both at the borders of and within the operational band. The operational band also included the range where no foreign exchange interventions were conducted.

The borders of the operational band were automatically adjusted whenever the Bank of Russia's cumulative interventions reached the required amount. However, the amount of cumulative interventions was calculated excluding the volume of target purchases and sales of foreign currency. The borders of the operational band were adjusted automatically only once during the January-September 2012 period (in March).

The achieved degree of the rouble exchange rate flexibility allowed the exchange

Bank of Russia interventions in domestic foreign exchange market and rouble value of bi-currency basket



rate to adjust fairly promptly in response to changes in external conditions, therefore mitigating their impact on the Russian economy.

In January-April 2012, the favourable global energy market conditions and slower import growth contributed to a larger inflow of revenues from Russia's foreign trade operations, although this was partially offset by private capital outflow. As a result, the supply of foreign currency steadily exceeded demand for most of the period under review, creating conditions for the rouble's appreciation and prompting the Bank of Russia to buy foreign currency in the domestic foreign exchange market. The value of the bi-currency basket dropped from 36.46 roubles as of 1 January 2012 to 33.66 roubles as of 30 April 2012.

In May-June 2012, some deterioration of the global market conditions and investors' lower risk appetite (resulting from the intensification of the eurozone debt crisis) increased the demand for the US dollar in global foreign exchange markets. This was accompanied by the weakening of the currencies of developed and emerging market economies, including the Russian rouble. In these conditions, as part of its existing exchange rate policy mechanism, the Bank of Russia started operations in late May to sell foreign currency in the domestic foreign exchange market to mitigate the rouble's fluctuations.

In the third quarter of 2012, the rebound in global oil prices and some recovery in investors' appetite for risk, supported by the announcement of stimulus measures by the European Central Bank and the US Federal Reserve, led to an appreciation of the rouble. This partially offset the deprecation of the currency in the previous two months. As of 1 October 2012, the rouble value of the bi-currency basket had fallen by 4.0% since the beginning of the year, to 34.99 roubles.

As a whole, the rouble's nominal exchange rate dynamics in January-September 2012 were comparable with the exchange rate dynamics demonstrated by the currencies of most emerging market countries. The rouble slightly appreciated against the currencies of Russia's major trading partners in the first nine months of the year: the nominal effective exchange rate of the rouble against foreign currencies grew by 0.6% in the first nine months of 2012.

The volumes of the Bank of Russia's purchases and sales of foreign currency in the domestic foreign exchange market were relatively low in January-September 2012. The Bank of Russia's net foreign currency purchases in the domestic foreign exchange market amounted to $7.7 billion during this period, while foreign currency sales stood at $5.5 billion.

In order to increase the flexibility of the rouble exchange rate on 24 July 2012 the Bank of Russia widened the floating operational band from 6 roubles to 7 roubles, and reduced the volume of cumulative interventions triggering a 5 kopeck shift in the operational band from $500 million to $450 million.

Indices of foreign currencies' nominal exchange rates against the US dollar in 2012 (1.01.2012 = 1)

II.4. Monetary policy implementation

During 2012, monetary policy has been implemented amid persisting global economic uncertainty, which has affected the Russian economy and prompted the need for decisions to ensure a balance between the risk of inflation acceleration and that of slower economic growth.

As Russia was running a federal budget surplus and the flexibility of the exchange rate increased, the expansion of the Bank of Russia's operations to refinance credit institutions was the main source of money supply growth in 2012. This helped raise the efficiency of the interest rate channel of the monetary policy transmission mechanism. Measures implemented by the Bank of Russia this year to improve the system of monetary policy instruments were aimed at reducing money market rate volatility within the limits of the interest rate band on Bank of Russia operations and making refinancing instruments more accessible to credit institutions.

In order to develop and improve the Russian stock market's liquidity, the Bank of Russia carried out a series of measures jointly with the Ministry of Finance in February 2012. These measures liberalised the government securities market and consolidated the exchange trade infrastructure. They included the transfer of secondary market trading in government securities to the stock exchange, and also to the over-the-counter market. The merger of secondary trades in government and non-government securities and the unification of depository accounting eased access to and increased the number of investors in the government securities market. The next step in the government securities market's liberalisation will be for Russia to organise OFZ bond placements in stock exchange trading before the end of this year and admit OFZ government bonds to settlements through international depositories (Euroclear and Clearstream).

Interest rate policy

The Bank of Russia's interest rate decisions were based on medium-term inflation risk assessments, inflation expectation dynamics, economic growth projections, and also changes in other factors. The absence of any significant influence exerted by demand on inflation (when aggregate output remained close to its potential

Bank of Russia interest rates in 2012 (% p.a.)*

Purpose	Type of instrument	Instrument	Maturity	Interest rate from:		
				26.12.2011	18.06.2012	14.09.2012
Providing liquidity	Standing facilities (fixed interest rates)	Overnight loans	1 day	8.00	8.00	8.25
		Currency swap (rouble part)	1 day	8.00	6.50	6.75
		Lombard loans	1 day, 1 week**	6.25	6.25	6.50
		Repo	1 day	6.25	6.25	6.50
		Loans secured by gold	Up to 90 days	6.75	6.75	7.00
			From 91 to 180 days	7.25	7.25	7.50
			From 181 to 365 days***	—	7.75	8.00
		Loans secured by non-market assets or guarantees	Up to 90 days	7.00	7.00	7.25
			From 91 to 180 days	7.50	7.50	7.75
			From 181 to 365 days****	8.00	8.00	8.25
	Open market operations (minimum rates)	Repo auctions	1 day	5.25	5.25	5.50
		Lombard auctions, repo auctions	1 week	5.25	5.25	5.50
			3 months	6.75	6.75	7.00
			12 months****	7.75	7.75	8.00
Absorbing liquidity	Open market operations (maximum rates)	Deposit auctions	1 week***	—	4.75	5.00
			1 month**	5.50	5.50	5.75
	Standing facilities (fixed interest rates)	Deposit operations	1 day, 1 week**, 1 month***, call	4.00	4.00	4.25
Memo item:						
Refinancing rate				8.00	8.00	8.25

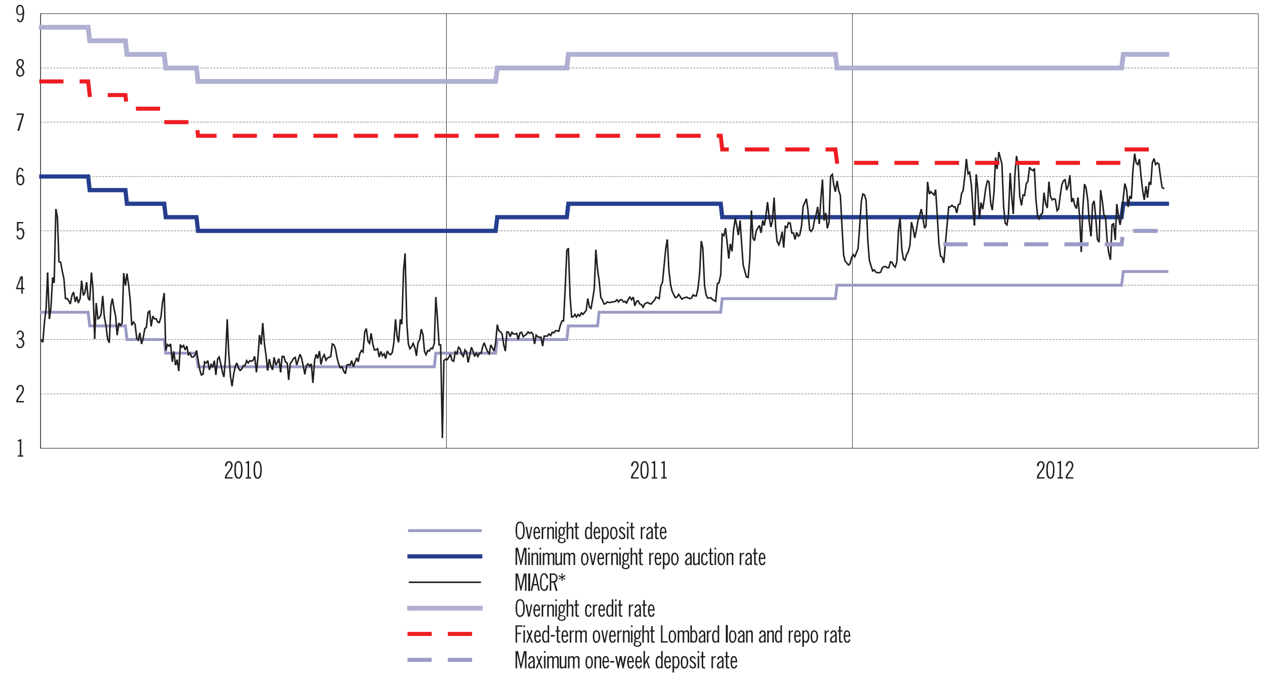
** Except operations suspended as of 1 January 2012.*

*** Lombard loans and fixed-rate deposit operations for a term of one week were suspended from 17 April 2012; deposit auctions for a term of one month were suspended from 2 July 2012.*

**** The interest rate on gold-secured loans for a term of 181 to 365 days was set from 2 April 2012; the interest rate on one-week deposit auctions was set from 10 April 2012 and the interest rate on one-month fixed-term deposit operations was set from 2 July 2012.*

***** 12-month Lombard loan and repo auctions were restarted from 28 March 2012; operations to extend loans secured by non-market assets and guarantees with maturities from 181 to 365 days were resumed as of 2 April 2012.*

Bank of Russia key interest rates and overnight MIACR* (% p.a.)

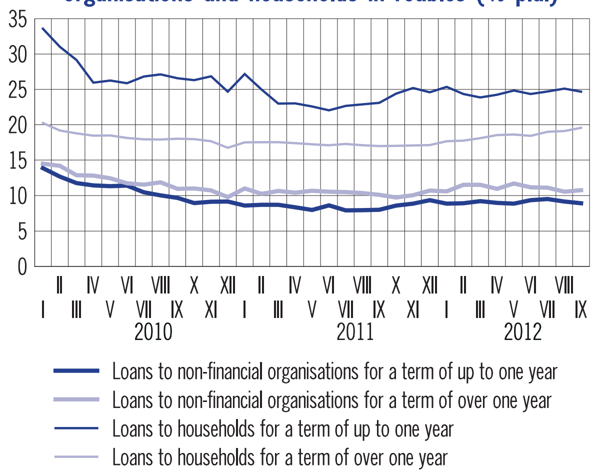


** MIACR is an average weighted rate on overnight interbank rouble loans.*

level), the non-monetary nature of the short-term slowing of inflation in the first half of the year, inflation growth in the second half, and also the tightening of monetary conditions were taken into account.

Based on its analysis of these and other factors, the Bank of Russia made no changes to its monetary policy in January-August 2012: the refinancing rate and interest rates on the Bank of Russia's major operations (except FX swap rates) were held at the level established as of 26 December 2011.

Nominal interest rates on loans to non-financial organisations and households in roubles (% p.a.)



The growth of inflation and inflation expectations in the third quarter of 2012 increased the risk that the Bank of Russia's medium-term inflation targets would be exceeded. Therefore, the Bank of Russia decided to raise the refinancing rate and interest rates on its operations by 0.25 percentage points as of 14 September 2012. In October 2012, the Bank of Russia kept the interest rates on its operations unchanged, in light of the stabilised growth rates of credit to the economy and the signs of a cooling down in business activity.

In order to raise the efficiency of its interest rate policy, the Bank of Russia took decisions during the reporting period to restrain the volatility of short-term interbank market rates and improve the operating procedure of its monetary policy.

In April 2012, the Bank of Russia added one-week deposit auctions to its list of monetary instruments, setting the maximum rate on these operations at 4.75% p.a., while one-month deposit auctions were suspended starting from the third quarter of this year. A short-term market liquidity sterilisation instrument can be used to manage money market rates in the periods of transition from liquidity shortage to liquidity surplus, including liquidity surpluses that are only temporary. The Bank of Russia has decided to start holding one-week auctions, but only in one direction (either to provide or to absorb liquidity). Simultaneously, one-week fixed-term deposit and Lombard loan operations were suspended.

In June 2012, the Bank of Russia Board of Directors decided to cut rates on FX swap deals to 6.5% p.a. for the rouble part and to 0% for the foreign currency part of these transactions. The revision of FX swap rates helped maintain money market rates within the limits of the Bank of Russia's interest rate band during periods of rising tension in the market.

Swings in the level of banking sector liquidity significantly affected the dynamics of short-term money market rates. Large balances of funds accumulated on credit institutions' correspondent and deposit accounts at the end of 2011 (due to the seasonal growth of budget expenditures in December 2011) and the rise of credit institutions' debts on medium-term refinancing operations by the end of the year considerably increased the level of banking sector liquidity in January-February 2012. As a result, short-term interbank market rates during the reporting period stayed close to the Bank of Russia's fixed deposit rate, which defines the lower limit of its interest rate band.

The subsequent decline in banking sector liquidity (largely resulting from the absorption of funds through the budgetary channel) increased credit institutions' demand for refinancing by the end of March. The decline prompted a rise in money market rates to levels that were close to the minimum interest rate of short-term auctions held by the Bank of Russia to provide liquidity to credit institutions. Specifically, the average MIACR on overnight interbank rouble loans amounted to 5.3% p.a. in April compared with 4.4% p.a. in February 2012.

In May-June 2012, short-term money market rates averaged 5.8% p.a. The rate increase resulted from the continued withdrawal of funds from the banking sector under the impact of autonomous liquidity factors, and also from growing tension in external financial markets. As the Russian interbank market remained segmented and collaterals were distributed unevenly among market participants, in some instances banks actively resorted to short-term refinancing operations at fixed rates, defining the upper limit of the Bank of Russia interest rate band.

In July and August 2012, as financial markets stabilised and banks used the Bank of Russia's one-week refinancing instruments more actively, the average MIACR on overnight interbank loans fell to 5.6% p.a. and 5.3% p.a., respectively. After the Bank of Russia decided to raise interest rates, the average level of money market rates increased and amounted to 5.5% p.a. in September.

The Russian interbank money market remained stable in 2012. The average monthly spread between the rate on loans to banks with speculative-grade credit ratings (MIACR-B) and the rate on loans to banks with high credit ratings (MIACR-IG) did not exceed 45 basis points on overnight interbank rouble loans in January-September 2012. Overdue rouble interbank loans placed with resident credit institutions accounted for no more than 0.5% of total loans in January-September 2012.

During 2012, interest rates on loans to non-financial organisations ranged close to the level registered by the end of 2011. In September 2012, the average weighted interest rate on rouble loans extended to non-financial organisations for terms of up to one year stood at 8.9% p.a., while the average weighted interest rate on loans with terms of over one year amounted to 10.7% p.a. Interest rates on long-term loans to households tended to grow during 2012, while these rates on short-term loans slightly decreased. Average weighted interest rates on rouble loans extended to households for terms of up to one year and for terms of over one year reached 24.7% p.a. and 19.6% p.a., respectively, in September 2012.

The non-price conditions of bank credit to the main categories of borrowers changed differently in the first, second, and third quarters of 2012. In the retail credit segment, banks extended the maturity and increased the size of loans. The requirements for the borrower's financial condition and loan collateral were also eased to some extent. In the segment of loans extended to non-financial organisations, banks pursued more cautious policies, tightening requirements for the financial position of corporate borrowers, especially large ones. The maximum maturity length and the size of loans almost did not increase and showed a contraction in some periods.

Money supply and its sources

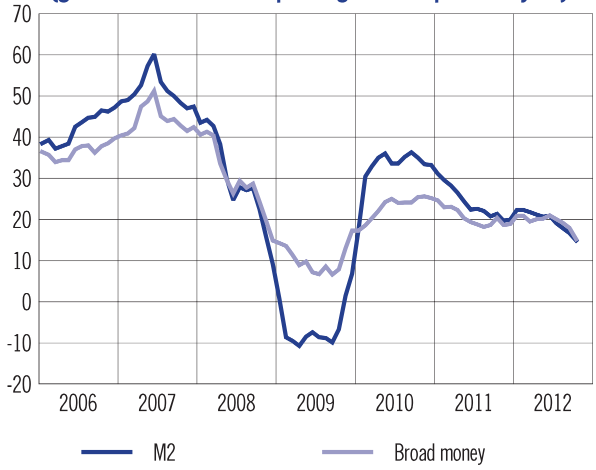
The dynamics of annual growth rates in the M2 monetary aggregate showed no marked trends in the first half of 2012. However, beginning in the second quarter of 2012, the annual rates of growth in the rouble supply started to slow down gradually and in the third quarter of the year this trend intensified (the M2 annual growth rate reached 14.8% as of 1 October 2012). If the current trends persist, the annual rates of growth in the rouble supply may amount to 15-18%, creating pre-requisites for the slowing of inflation in the medium term.

Household deposits demonstrated more stable dynamics compared to other components of rouble supply. Their annual growth rates decreased less intensively than the M2 monetary aggregate as a whole and amounted to 19.1% as of 1 October 2012. The annual growth rates of rouble deposits of non-financial organisations and financial institutions exceeded the rates of growth in household deposits in January-July 2012 and averaged about 25% over this period. However, in August-September 2012, these growth rates started to decrease more intensively, and fell to 12.9% as of 1 October 2012.

In the third quarter of 2012, the annual rates of growth in broad money also started to slow down and amounted to an estimated 15.0% as of 1 October 2012.

The prevailing exchange rate dynamics considerably accelerated the annual rates of growth in foreign currency deposits (in rouble terms), which reached an estimated 16.1% as of 1 October 2012. Despite some increase in the level of dollarisation of deposits[3] in June-August 2012 as compared with the same period last year, the dollarisation dynamics reflected a weaker response to fluctuations of the rouble exchange rate in comparison with other episodes observed in previous years.

Monetary aggregates (growth as % of corresponding date of previous year)



The growth of credit to the economy was the main source of broad money expansion in January-September 2012. At the same time, the contraction in the Bank of Russia's net claims to the general government had a major restraining effect on money supply dynamics during this period. The increase in the Bank of Russia's net foreign assets also made a certain contribution to money supply growth, although the significance of their role in affecting money supply dynamics is gradually declining.

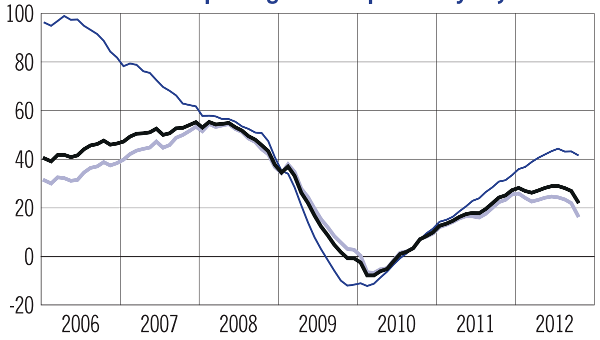
Loans to non-financial organisations in roubles and foreign currency (in rouble terms) in January-September 2012 increased by 10.1% (compared with 18.6% in the same period last year). In terms of annual growth rates, this debt expanded by 16.9% as of 1 October 2012.

Loans to households in roubles and foreign currency (in rouble terms) in January-September 2012 grew by 29.3% (compared with 24.0% in the same period last year). This debt increased by 41.7%, year on year, as of 1 October 2012. Banks were especially active in building up consumer and mortgage lending.

Overdue loans to non-financial organisations grew by 15.8% in January-September 2012 (by 12.8% in the same period last year), while overdue loans extended to households increased by 9.2% (by 6.7% a year earlier). However, as the loan portfolios of these categories of borrowers grew more intensively,

[3] The level of dollarisation in this context is the share of foreign currency deposits in the total value of banking sector deposits.

Rouble and foreign currency loans to non-financial organisations and households (growth as % of corresponding date of previous year)



Main sources of monetary base growth (annual growth, billions of roubles)

** The indicators are calculated at a fixed exchange rate as of early 2012.*

the share of overdue corporate loans in their total value declined from 5.0% as of 1 October 2011 to 4.9% as of 1 October 2012 and the share of overdue retail loans decreased from 5.9% to 4.4%, respectively.

The persisting tension in global financial markets and the continued slowdown in bank deposit dynamics increase the role of refinancing in the banks' efforts to form the liabilities side of their balance sheets.

The broad monetary base[4], which characterises the monetary authorities' money supply, contracted by 6.5% in January-September 2012 (by 9.6% in the first nine months of 2011).

As in the previous year, the absorption of funds through the budgetary channel was the main source of the monetary base's contraction in January-September 2012. Net credit to the general government extended by the monetary authorities in the first nine months of the year contracted by 2.4 trillion roubles (by 2.2 trillion roubles in the same period of 2011). Operations to deposit temporarily uncommitted budget funds with commercial banks had a certain effect on its intra-year dynamics. In January-May 2012, credit institutions' liabilities on these deposits contracted by 0.6 trillion roubles, whereas in June-September 2012 they increased by 0.5 trillion roubles.

In 2012, work was carried out to improve the technology of placing temporarily idle budget funds in bank deposits. With the Bank of Russia's assistance, the Russian government improved the technology and expanded the channels of deposit operations held by the Federal Treasury. Currently, deposit auctions are held on two Russian exchanges – the Moscow Exchange and the St Petersburg Currency Exchange.

The accumulation of net international reserves by the Bank of Russia slowed down amid the increased exchange rate flexibility: these reserves grew by $21.5 billion in January-September 2012 (compared with $24.3 billion in the same period of 2011). The role of the foreign currency channel in money supply dynamics declined as the issuance effect of currency interventions contracted to 0.2 trillion roubles in January-September 2012 from 0.6 trillion roubles in the same period last year.

Amid the conditions prevailing in the period under review, the monetary authorities' money supply expanded – largely due to the increase in gross credit to banks, which grew by 1.2 trillion roubles in the first nine months of 2012.

In view of its decisions and current macroeconomic trends, the Bank of Russia has updated its monetary programme projections

[4] The broad monetary base comprises currency issued by the Bank of Russia (including cash in vaults of credit institutions), required reserve balances on rouble deposits with the Bank of Russia, correspondent accounts in national currency (including the averaged amount of the required reserves) and deposit accounts with the Bank of Russia, as well as credit institutions' holdings of Bank of Russia bonds (at market value).

Monetary programme indicators for 2012 (billions of roubles)*

	1.01.2012 (fact)	1.10.2012 (fact)	1.01.2013 (projections)	2012 growth (projections)
Monetary base (narrow definition)	**7,149.6**	**7,107.9**	**8,019**	**870**
– currency issued	6,895.8	6,826.8	7,718	823
– required reserves**	253.7	281.0	301	47
Net international reserves	**15,701.0**	**16,394.3**	**16,346**	**645**
– billions of US dollars	487.7	509.2	508	20
Net domestic assets	**-8,551.4**	**-9,286.4**	**-8,326**	**225**
Net credit to general government	-5,230.3	-7,615.4	-6,622	-1,391
– net credit to federal government	-4,055.0	-5,663.0	-5,446	-1,391
– Bank of Russia net credit to local governments and extra-budgetary funds	-1,175.4	-1,952.5	-1,175	0
Net credit to banks	100.8	1,872.0	1,771	1,670
– gross credit to banks	1,470.7	2,716.5	3,000	1,529
– gross liabilities to banks and deposits	-1,369.9	-844.5	-1,229	141
Other items	-3,421.9	-3,543.0	-3,476	-54

** Data calculated at a fixed exchange rate are based on the official exchange rate of the rouble as of the beginning of 2012.*
*** Required reserves for liabilities in the currency of the Russian Federation deposited with the Bank of Russia.*

for 2012. Specifically, the average price of Urals crude may total an estimated $109 per barrel in 2012, which falls within the price range of between $100 per barrel and $125 per barrel for Russia's oil blend under the second and third forecast variants of the monetary programme parameters outlined in the Guidelines for the Single State Monetary Policy in 2012 and for 2013 and 2014.

Annual growth in the narrow monetary base may reach 11-13%, according to the Bank of Russia's estimate. Under the updated projections of Russia's balance of payments, the Bank of Russia's net international reserves are expected to grow more slowly in 2012 after the estimate of capital outflow has been revised upward. It is forecast that the contraction in the volume of funds provided through the foreign currency channel will be substituted by the expansion of the Bank of Russia's operations to refinance credit institutions. In these conditions, gross credit is expected to grow by about 1.5 trillion roubles in 2012 as a whole. The revised estimate of net credit to the general government is close to the forecast value specified in the third monetary programme variant.

Monetary policy instrument application

During 2012, the Bank of Russia's monetary policy has been conducted amidst a structural shortage of liquidity in the banking system[5].

Its dynamics were affected by two factors in 2012:

– the accumulation of large balances in budget accounts with the Bank of Russia (caused by the consolidated budget surplus), which has resulted in the considerable absorption of banking sector liquidity through the budget channel;

– the consistent increase in the flexibility of the exchange rate, which enabled the Bank of Russia to reduce its interventions in the domestic foreign exchange market and their influence on money supply dynamics.

In international practice, a structural liquidity shortage is a normal state for the banking sector as a rule. It does not indicate the development of any crisis processes and may signal the need to raise the efficiency of

[5] A liquidity shortage in the banking sector is the excess of the demand for bank reserves over their supply created due to the impact of autonomous factors that are outside the direct control of the central bank's liquidity management system. The reverse situation creates a banking sector liquidity surplus. Both banking sector liquidity shortages and surpluses may be temporary (including seasonal) or permanent ones. A structural liquidity shortage (surplus) is permanent and relatively persistent liquidity shortage (surplus), either in the form of a steady state or a prevailing trend during a relatively lengthy period.

the interest rate channel in the monetary policy transmission mechanism. A structural liquidity shortage strengthens the role of a central bank's operations to provide liquidity to banks.

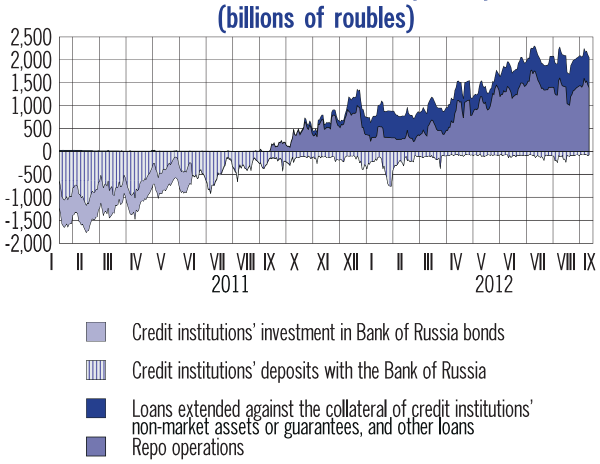
In 2012 (especially starting from March), the Bank of Russia actively used its instruments for the refinancing of credit institutions. The Bank of Russia's gross credit to banks rose from 1.47 trillion roubles to 2.72 trillion roubles in January-September 2012.

One-day and one-week repo operations were the Bank of Russia's key refinancing instruments. The total debt on repo operations increased from 0.5 trillion roubles at the beginning of the year to 1.5 trillion roubles as of 1 October 2012. Meanwhile, the banking sector's average repo liabilities amounted to 0.9 trillion roubles over this period (0.15 trillion roubles on average in 2011).

The Bank of Russia set repo auction limits proceeding from comparisons of liquidity supply and demand estimates. When doing so, it took into account a forecast of autonomous liquidity factors and the balance of the Bank of Russia's liquidity provision and absorption operations performed during the previous several days and with expected execution deadlines that fell on the current day.

In 2012, the Bank of Russia continued to provide auction-based and fixed-rate secured loans to credit institutions (intraday loans, overnight and Lombard loans, gold-secured loans, and loans secured by credit institutions' non-market assets and guarantees).

Bank of Russia gross credit to credit institutions and Bank of Russia debt on absorption operations (billions of roubles)



The liabilities on loans extended by the Bank of Russia to credit institutions for terms of up to 365 days against the collateral of credit institutions' non-market assets and guarantees grew from 382.0 billion roubles to 651.1 billion roubles in January-September 2012. The interest rates on these loans exceeded the rates on key short-term market refinancing mechanisms. The liabilities on other loans extended by the Bank of Russia didn't change significantly in January-September 2012.

Starting in May 2012, the Bank of Russia resumed the signing of FX swap deals for the first time since 2009. These operations were irregular and were mainly held when money market rates were observed to increase.

In 2012, in order to broaden credit institutions' possibilities for refinancing, the Bank of Russia took measures to extend its eligible collateral pool. Specifically, the Bank of Russia resumed exchange-traded repo transactions with shares included in the Bank of Russia Lombard List. In addition, the Bank of Russia included some corporate and bank bonds in this List and set/changed adjustment ratios (discounts) for some securities issues on the Lombard List. These measures help expand the potential volume of eligible Lombard List collateral by 0.5 trillion roubles to 3.4 trillion roubles.

During a temporary liquidity surplus in the banking sector in January-February 2012, credit institutions showed persistent demand for Bank of Russia absorption instruments. Subsequently, as the liquidity surplus ran out, the average daily volume of deposit operations contracted from 186.1 billion roubles in January to 69.0 billion roubles in September.

Overnight deposits prevailed in the structure of Bank of Russia deposit operations in January-September 2012, accounting for 95.1% of the total volume of these operations (compared with 87.6% during the same period in 2011).

The Bank of Russia decided to hold weekly fixed-rate deposit operations on standard "tom-1 month" terms from the third quarter of 2012.

In 2012, the Bank of Russia did not change the required reserve ratios: they stood at 4.0% for bank liabilities to households and other bank liabilities in roubles and foreign currency and at 5.5% for bank liabilities to non-resident legal entities in roubles and foreign currency. The volume of funds in the required reserve accounts deposited by credit institutions with the Bank of Russia grew by 33.1 billion roubles in January-September 2012 to 411.5 billion roubles as of 1 October 2012.

III. Macroeconomic development scenarios for 2013 and for 2014-2015 and balance of payments forecast

The world's economic trends are developing amid unsustainable global financial market conditions characterised by strong investor risk aversion, frequent capital flow movements between more and less risky financial market segments, and the considerable (and periodically rising) volatility of asset and exchange commodity prices and exchange rates. These factors bring uncertainty to forecasts of the external developments faced by the Russian economy and the financial market.

The IMF and other international organisations assume in their forecasts that global growth rates will increase slightly in 2013, while economic growth in the countries that are Russia's major trading partners is likely to accelerate moderately next year and maintain this pace in 2014-2015. The IMF forecast suggests that growth in the global output of goods and services will accelerate from 3.3% in 2012 to 3.6% in 2013. Forecasts envisage that in 2013, inflation will continue to slow down in foreign countries, including Russia's major trading partners, and is unlikely to accelerate in 2014-2015.

The expected improvement in global business activity will support the current consumption of oil and other Russian export commodities and weaken deterioration risks for Russia's balance of payments.

Key interest rates in the world's leading economies will remain low in 2013, which will contribute to creating conditions for capital inflow into the Russian economy. The cross-border capital movement will depend on the conditions of foreign financial systems, the world's financial market situation and global investor sentiment. The risks of capital outflow will persist.

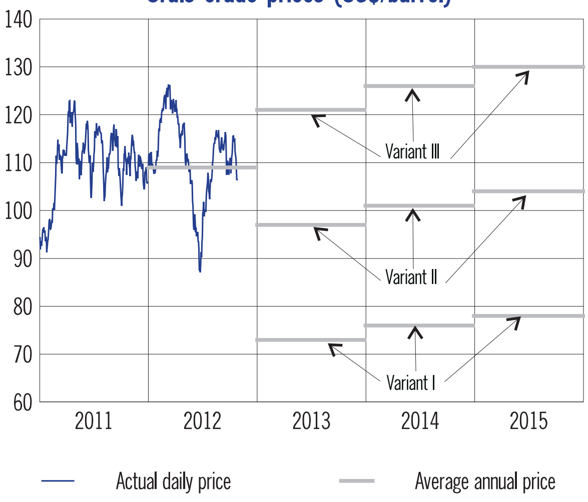
The Bank of Russia has considered three monetary policy forecast variants for 2013-2015, of which one matches the forecast made by the Russian Government. These scenarios are based on different oil price dynamics.

According to **the first forecast variant**, the Bank of Russia assumes that the average annual world market price of Russia's Urals crude will fall to $73 per barrel in 2013.

In this case, the real disposable money income of households in 2013 would fall by 0.4% and fixed capital investment would fall by 2.1%. GDP would be expected to contract by 0.4%.

Under **the second forecast variant**, the Bank of Russia's assumptions are in line with the government's forecast, on which the

Urals crude prices (US$/barrel)



government bases its federal budget projections for 2013-2015. According to this forecast, the price of Russian oil in 2013 totals $97 per barrel.

This scenario reflects Russia's economic development amid conditions of active government policy measures. The intended measures are aimed at improving the investment climate, increasing business competitiveness and effectiveness, encouraging economic growth and modernisation and also raising the efficiency of budget expenditures. According to this variant, household real disposable money income is expected to grow by 3.7% in 2013. Fixed capital investment would expand by 7.2%. If this happens, Russia's GDP would grow by 3.7%.

Under **the third forecast variant**, the price of Urals crude is projected to rise to $121 per barrel in 2013.

As export revenues increase under this scenario, investor activity would rise in 2013. Fixed capital investment growth would accelerate to 7.6% and growth in household real disposable money income would accelerate to 4%. GDP would be expected to expand by 4%.

In 2014-2015, GDP growth could total 2-5%, depending on the forecast variant.

The forecast of Russia's balance of payments for 2013-2015 under the second variant is based on the assumption that the world price of Urals crude will not change significantly, and range from $97 to $104 per barrel. Under the first and third forecast variants, world oil prices are expected to decrease and increase by 25 percent, respectively, compared with this range.

All the forecast variants take into account the potential effect which Russia's accession to the WTO will have on its balance of payments. This effect will not result in any noticeable changes in Russia's commodity exports in the medium term, while the import of goods is estimated to grow by an extra $2.5-5.0 billion due to staged changes in Russia's tariff policy.

Under the first forecast variant, Russia's surplus of trade in goods and services would be expected to contract dramatically (to $72.5 billion) and the current account surplus would decline significantly (to $11.9 billion) as a result of a fall in the average price of Russian oil. Under the second variant, the deterioration of the price situation in the world fuel and energy market would reduce Russia's surplus of trade in goods and services to $101.9 billion and its current

Russian balance of payments forecast for 2013-2015 (billions of US dollars)

	2012 (estimate)	2013			2014			2015		
	$109 per barrel	Forecast variant I ($73 per barrel)	Forecast variant II ($97 per barrel)	Forecast variant III ($121 per barrel)	Forecast variant I ($76 per barrel)	Forecast variant II ($101 per barrel)	Forecast variant III ($126 per barrel)	Forecast variant I ($78 per barrel)	Forecast variant II ($104 per barrel)	Forecast variant III ($130 per barrel)
Current account	**83.4**	**11.9**	**31.0**	**94.7**	**5.8**	**20.0**	**84.4**	**-13.2**	**-3.8**	**56.8**
Balance of goods and services	151.3	72.5	101.9	172.0	68.0	97.3	174.3	52.3	78.0	150.2
Exports of goods and services	*597.4*	*485.1*	*575.9*	*664.2*	*500.8*	*610.7*	*719.1*	*515.4*	*637.9*	*755.8*
Imports of goods and services	*-446.1*	*-412.7*	*-474.0*	*-492.1*	*-432.8*	*-513.4*	*-544.7*	*-463.1*	*-559.9*	*-605.6*
Balance of primary and secondary income	-68.0	-60.5	-71.0	-77.4	-62.2	-77.3	-89.9	-65.4	-81.8	-93.4
Capital account	**-4.8**	**-10.0**	**-10.0**	**-10.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Balance from current and capital accounts	**78.6**	**1.9**	**21.0**	**84.7**	**5.8**	**20.0**	**84.4**	**-13.2**	**-3.8**	**56.8**
Financial account (excluding reserve assets)	**-61.1**	**-22.2**	**2.8**	**13.2**	**-12.9**	**2.1**	**7.4**	**-7.5**	**17.5**	**21.5**
General government and the central bank	*5.9*	*12.8*	*12.8*	*13.2*	*2.1*	*2.1*	*2.4*	*2.5*	*2.5*	*1.5*
Private sector (including net errors and omissions)	*-67.0*	*-35.0*	*-10.0*	*0.0*	*-15.0*	*0.0*	*5.0*	*-10.0*	*15.0*	*20.0*
Change in reserve assets («+» – decrease, «-» – increase)	**-17.5**	**20.2**	**-23.8**	**-97.9**	**7.1**	**-22.1**	**-91.9**	**20.7**	**-13.7**	**-78.4**

Note: Russia's balance of payments was developed using the methodology of the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). The use of signs corresponds to BPM5.

account surplus to $31.0 billion. Under the third variant, which is based on the assumption that the price situation in the world markets of Russia's major export commodities will improve, the country's surplus of trade in goods and services and its current account surplus would rise to $172.0 billion and $94.7 billion, respectively, from their 2012 levels.

The deficit in the balance of primary and secondary income may range from $60.5 billion to $77.4 billion, depending on the forecast variant. The deficit reflects a contraction in the amounts of dividends payable to non-residents as a result of announced mergers and acquisitions.

The financial account deficit is estimated at $22.2 billion under the first variant, while the second and third variants envisage a financial account surplus of $2.8 billion and $13.2 billion, respectively.

Net private capital outflow predicted under the first and second variants will contract to $35 billion and $10 billion, respectively. The third scenario envisages balanced cross-border private capital flows. In this situation, banks would intensify their efforts to raise external funds and allocate them in the domestic market.

Russian balance of payments forecast for 2013-2015 (billions of US dollars)

The general government and the central bank would reduce their net foreign assets by $12.8-13.2 billion, both as a result of foreign government debt relief and the expected issuance of securities.

Russia's international reserves would fall by $20.2 billion in 2013 under the first variant, which envisages a significant contraction in the current account balance and a financial account deficit. Under the second and third variants, Russia's international reserves would be expected to grow by $23.8 billion and $97.9 billion, respectively, as a result of the aggregate current and financial account surplus.

In the medium term (by 2015), the balance of goods and services will reflect faster growth in imports compared with exports. The absence of growth in fuel and energy export volumes will have a restraining effect on the export dynamics of Russia's goods in all the forecast variants. At the same time, annual growth in imports of goods will slow by 2-5 times compared with the average growth rate in the past decade. The largest contraction in the surplus of trade in goods and services is expected in 2015 under the first variant, in which the surplus is projected to fall by a factor of 2.9 compared with 2012. Under the second variant, Russia's surplus of trade in goods and services would decline to $78.0 billion in 2015. This surplus is only expected to remain unchanged in 2015 compared with the 2012 level in the third variant. Each of the variants predicts that the deficit in the balance of primary and secondary income will widen gradually (to $93.4 billion in 2015). In this situation, the current account balance projected in the first and second variants would switch from a surplus in 2014 to a deficit in 2015, which would reach $13.2 billion and $3.8 billion, respectively. Under the third variant, Russia would maintain a current account surplus, although its size will contract by almost a third compared with 2012.

The shortfall of current account proceeds in 2014-2015, along with the economy's growing requirements for resources to finance domestic investment, will prompt the necessity to use funds from external sources more broadly. It is expected that residents will expand external borrowing amid the persisting positive spread between interest rates in the Russian and international capital markets. However, stable net private capital inflows are expected only under the third variant, where these would total up to $20 billion. Under the second variant, private investment flows would be balanced in 2014 and would register a net inflow of $15 billion only in 2015. Under the first variant, capital outflow by banks and other sectors would continue, although the volume of this outflow would contract to $10 billion.

The expected financial and current account dynamics under the third variant would reflect a steady net inflow of foreign currency resources into the domestic market. In this situation, the Bank of Russia would be expected to increase its reserve assets by $91.9 billion in 2014 and by $78.4 billion in 2015. The rapid growth in international reserves would largely be linked to the government's efforts to replenish the Reserve Fund under the new fiscal rule, amid conditions where world oil prices stay above baseline levels. Under the second variant, international reserves would grow by $22.1 billion in 2014 and by $13.7 billion in 2015. The first variant predicts that reserve assets would contract by $7.1 billion in 2014 and by $20.7 billion in 2015 as a result of a reduced inflow of foreign currency resources into the Russian economy.

IV. Monetary policy objectives and instruments in 2013 and in 2014-2015

IV.1. Quantitative indicators of monetary policy and the monetary programme

Given the scenario condition of the Russian economy, the Russian Government and the Bank of Russia have set a goal of reducing inflation to 5-6% in 2013 and to 4-5% in 2014 and 2015 (on a December-on-December basis). This headline inflation goal is matched by core inflation of 4.7-5.7% in 2013 and 3.6-4.6% in 2014 and 2015.

Monetary programme calculations for 2013-2015 have been made on the basis of money demand indicators, which correspond to the inflation targets, GDP projections and other macroeconomic indices, as well as balance of payments forecasts and the parameters of the draft federal budget for 2013 and the planning period of 2014 and 2015.

Depending on the forecast variant, the monetary aggregate M2 could increase by 9-18% in 2013 and by 14-19% in 2014 and 2015.

The Bank of Russia has developed three monetary programme variants. The second variant is based on the macroeconomic indicators used in compiling the draft federal budget for 2013 and the 2014-2015 planning period. The annual rates of growth in the narrow monetary base corresponding to inflation targets and the economic growth projections may vary between 7% and 14% in 2013 and 11% and 14% in 2014-2015, depending on the monetary programme variant.

Amid the growing flexibility of the exchange rate policy, the money supply will be increasingly shaped by the Bank of Russia's operations to refinance credit institutions, while the role of net international reserves (NIR) will decrease. At the same time, the parameters of the federal budget's performance and measures to spread budget spending more evenly over the fiscal period will be important for the implementation of monetary policy.

As part of its budget strategy, Russia plans to switch to new fiscal policy principles in the forthcoming period. Under the new fiscal rules, the volume of budget spending will depend on the baseline oil price, which implies consistent expenditure cuts relative to GDP in 2013-2015. If oil prices stay above the planned level, surplus revenues will be used to replenish the Reserve Fund. These measures are expected to help restrict the money supply and therefore achieve inflation targets. This mechanism may contribute to the persistence of the structural liquidity deficit in the banking system in the medium term. The Bank of Russia will take these factors into account while implementing monetary policy measures.

The budget projections for the three-year forecast period envisage a federal budget deficit in 2013-2015. It is assumed that in the medium term, the federal budget deficit will be mainly financed with government borrowing and with revenues from privatisation. The Reserve Fund is expected to be enlarged in 2013-2015.

Under the first monetary programme variant, net credit to the federal government is expected to increase, while the second and third variants envisage a decrease, mainly as a result of the planned accumulation of money in the accounts of sovereign funds.

The respective conditions in these scenarios will determine the impact of the budget channel on Russia's money supply in 2013-2015. Under the first and second variants, gross credit to banks is expected to grow in 2013. It is expected to grow in 2014-2015 under each of the variants.

Under **the first variant** of the monetary programme (which is calculated on the assumption that the average world price of oil will fall significantly), NIR could decrease by 0.7 trillion roubles in 2013 compared with the previous year, by 0.2 trillion roubles in 2014 and by 0.7 trillion roubles in 2015. To ensure that growth in the monetary base matches the parameters of this programme variant, the monetary authorities' net domestic assets (NDA) would have to increase in 2013.

If world oil prices fall below the level projected in the draft federal budget for 2013-2015, this factor will increase the budget's vulnerability to various shocks. If this transpires, the federal budget deficit may represent 3-4% of GDP in 2013. However, in 2014-2015, federal budget expenditures could decrease by the amount of conventionally endorsed expenditures, which could lead to a reduction in the federal budget deficit. If crisis trends develop in the global economy, borrowing terms in the domestic and international debt markets may deteriorate considerably and prevent Russia from raising funds in their required volumes and on acceptable terms. Under the draft federal budget, the Russian government could use the Reserve Fund to finance the federal budget deficit if the expected oil price falls below the baseline level, making oil and gas revenues insufficient.

Under the first variant of the monetary programme, net credit to the general government is expected to increase by 0.5 trillion roubles annually in 2013-2014 and by 0.4 trillion roubles in 2015. Monetary programme calculations show that under this variant, net credit to banks may grow by 0.8-1.3 trillion roubles annually in 2013-2015 if the Bank of Russia steps up operations to provide liquidity to the banking sector. In this situation, gross credit to banks may reach about 60% of the monetary base by late 2015.

Monetary programme projections for 2013-2015 (billions of roubles)*

	1.01.2013 (estimate)	1.01.2014			1.01.2015			1.01.2016		
		Variant I	Variant II	Variant III	Variant I	Variant II	Variant III	Variant I	Variant II	Variant III
Monetary base (narrow definition)	**8,019**	**8,551**	**8,805**	**9,114**	**9,525**	**9,730**	**10,378**	**10,533**	**10,816**	**11,835**
– currency issued	7,718	8,219	8,458	8,755	9,143	9,326	9,947	10,096	10,342	11,316
– required reserves**	301	332	347	359	382	404	431	437	474	519
Net international reserves	**16,346**	**15,695**	**17,112**	**19,498**	**15,467**	**17,823**	**22,456**	**14,800**	**18,264**	**24,981**
– billions of US dollars	508	487	531	606	480	554	697	460	567	776
Net domestic assets	**-8,326**	**-7,144**	**-8,306**	**-10,383**	**-5,942**	**-8,093**	**-12,078**	**-4,267**	**-7,448**	**-13,146**
Net credit to general government	-6,622	-6,108	-7,172	-8,231	-5,625	-7,779	-9,762	-5,214	-8,615	-11,410
– net credit to federal government	-5,446	-4,932	-5,997	-7,055	-4,450	-6,604	-8,587	-4,039	-7,440	-10,234
– Bank of Russia net credit to local governments and extra-budgetary funds	-1,175	-1,175	-1,175	-1,175	-1,175	-1,175	-1,175	-1,175	-1,175	-1,175
Net credit to banks	1,771	2,567	2,364	1,477	3,337	3,199	1,513	4,661	4,606	2,192
– gross credit to banks	3,000	3,800	3,550	2,800	4,700	4,525	3,000	6,170	6,130	3,900
– gross liabilities to banks and deposits	-1,229	-1,233	-1,186	-1,323	-1,363	-1,326	-1,487	-1,509	-1,524	-1,708
Other items	-3,476	-3,604	-3,498	-3,629	-3,654	-3,513	-3,829	-3,714	-3,439	-3,928

** Programme indicators, calculated at a fixed exchange rate, are based on the official exchange rate of the rouble, as of the beginning of 2012.*
*** Required reserves for liabilities in the currency of the Russian Federation deposited with the Bank of Russia.*

Under **the second** monetary programme **variant**, which envisages moderate growth in world oil prices during the forecast period, the increase in NIR matching the corresponding balance of payments forecast indicators will be 0.8 trillion roubles in 2013, 0.7 trillion roubles in 2014, and 0.4 trillion roubles in 2015. Calculations show that the NIR growth in 2013-2015 will have to be ensured along with the increase in NDA, allowing for the monetary base dynamics.

The reduction of the federal budget deficit and its financing largely from non-monetary sources, as stipulated by the draft federal budget, are expected to cut net credit to the general government by an estimated 0.6 trillion roubles annually in 2013-2014 and by 0.8 trillion roubles in 2015.

As in the first variant, NDA growth in 2013-2015 will be mainly ensured by an increase in net credit to banks (by 0.6-1.4 trillion roubles annually), which will largely result from the expansion of gross credit to banks.

Under **the third** monetary programme **variant**, which is based on the assumption that oil prices rise significantly, NIR could increase by 3.2 trillion roubles in 2013, by 3.0 trillion roubles in 2014 and by 2.5 trillion roubles in 2015. At the same time, taking into consideration the forecast monetary base dynamics, NDA could contract in 2013-2015.

Taking into consideration the expected improvement in the external economic situation and more substantial GDP growth under this variant, there is reason to expect the balances of the budget accounts with the Bank of Russia to increase by more than under the second variant, and this will correspond to a contraction of net credit to the general government by 1.5-1.6 trillion roubles annually in 2013-2015. The volume of government borrowing in this case may be lower than the level stipulated in budget projections. If this situation occurs, the Reserve Fund may exceed the statutory amount of 7% of GDP in 2015.

Under this scenario, net credit to banks is expected to contract by 0.3 trillion roubles in 2013 and grow by 0.04 trillion roubles in 2014 and by 0.7 trillion roubles in 2015.

The monetary policy's key parameters for the three-year forecast period will be influenced by external market developments, the Bank of Russia's exchange rate and interest rate policy decisions, the correlation of interest rates in the domestic and external markets and the progress in the implementation of Russia's budget strategy. That is why the monetary programme parameters are not rigid, and may be revised if the economic situation changes and the actual conditions deviate from the conditions assumed while compiling the economic development forecast variants. To respond effectively to changes in the monetary situation and take possible risks into account in implementing monetary policy, the Bank of Russia will use the entire set of instruments at its disposal.

IV.2. Exchange rate policy

In 2013 and in the 2014-2015 period, exchange rate policy will be aimed at further scaling down the Bank of Russia's direct intervention in the rouble exchange rate dynamics and creating conditions for the transition to a floating exchange rate regime by 2015.

In 2013-2014, the Bank of Russia will continue to implement its exchange rate policy without obstructing the developments in rouble exchange rate dynamics determined by fundamental factors and without setting any fixed limits on the exchange rate level of the national currency. At the same time, the Bank of Russia will increase the flexibility of the rouble exchange rate gradually in order to facilitate the adaptation of market participants to the exchange rate fluctuations that may be caused by external shocks.

After the transition to a floating exchange rate regime, the Bank of Russia intends to abandon exchange rate-based operational indicators of its exchange rate policy. At the same time, even after the transition to a floating exchange rate regime, the Bank of Russia will retain the right to conduct interventions in the domestic foreign exchange market in volumes that will be determined taking into account money market conditions.

The greater flexibility of the rouble exchange rate will raise the importance of market factors, including cross-border capital flows, for developments in the domestic foreign exchange market. Capital flows may be highly volatile as a result of a change in the sentiment of market participants in the domestic and global financial markets, and are hard to predict. This factor, along with the Bank of Russia's plans to abandon its exchange rate-based operational indicators, will increase uncertainty over rouble exchange rate dynamics in the medium term. In this situation, exchange rate risk management by economic agents in the real and financial sectors will become increasingly important.

IV.3. Monetary policy instruments and their application

The Bank of Russia will develop and apply its set of monetary regulation instruments in the forthcoming three-year period in order to achieve the goals of its monetary policy (considering the transition to inflation targeting). It will also do so in order to ensure financial stability and the smooth functioning of the Bank of Russia payment system and the systems of settlements on operations with instruments of the Russian financial market. The system of monetary regulation instruments will continue to take into account the specifics of the Bank of Russia's interaction with regional credit institutions, the characteristics of the monetary policy transmission mechanism and the state of the Russian financial market.

The use of the interest rate band on Bank of Russia operations as the basis for the current system of monetary regulation instruments will remain in the forthcoming period. At the same time, the Bank of Russia will consider the possibility of narrowing this band in order to raise the efficiency of its interest rate policy. The Bank of Russia will use standing deposit and refinancing facilities (Lombard loans and repo operations) for a term of one day in order to keep short-term interbank money market rates within the limits of the interest rate band. Overnight FX swap deals and precious metals swaps (which the Bank of Russia plans to introduce into its system of monetary regulation instruments), will be used as additional instruments to increase the rigidity of the upper limit of the interest rate band (amid signs of insufficient standard collateral available to credit institutions).

In order to bring short-term money market rates closer to the central part of the interest rate band, the Bank of Russia will continue to conduct open market operations in the form of Lombard auctions, repo auctions and deposit auctions for a term of one week. In doing so, its limits on liquidity provision or absorption instruments will be based on the consolidated forecast of banking sector liquidity. At the same time, the Bank of Russia will continue to conduct one-day repo auctions, as long as this instrument, in the Bank of Russia's estimates, is required to restrict market rate volatility.

The Bank of Russia's policy to form the list of assets accepted as collateral for liquidity provision operations and to establish the adjustment ratios used in calculating the collateral value will be countercyclical in nature, considering the task of making refinancing instruments accessible to credit institutions.

Refinancing instruments for terms of over one week will be mainly used to maintain financial stability. In order to restrict the influence of these operations on the corresponding segment of the yield curve of market interest rates and prevent a distortion of interest rate policy signals, the Bank of Russia will consider the expediency of switching to their implementation at floating rates. In this event, the Bank of Russia may add FX swaps and precious metals swaps for terms of up to one year to its various monetary regulation instruments in order to expand credit institutions' access to refinancing instruments with these maturities.

Considering the expected growth of refinancing operations, the Bank of Russia plans to change its practice of holding repo operations for terms of over one day to enable credit institutions to manage their portfolios of securities (most of which have been sold to the Bank of Russia under repo transactions). Specifically, the Bank of Russia intends to allow banks in 2013 to promptly replace the securities that are sold to the Bank of Russia under repo transactions with other securities on the Lombard List without the need to reconclude the deals.

In order to give credit institutions more flexibility to manage their collateral in refinancing operations and their accounts with the Bank of Russia, the regulator intends to expand the practice of providing intraday loans to credit institutions against the pledge of both securities from the Bank of Russia Lombard List and other assets.

The Bank of Russia will also continue to use required reserve ratios as a monetary policy instrument; it will take decisions on changes in these ratios that result from the macroeconomic situation and the state of banking sector liquidity. In light of its positive experience in using the required reserve averaging mechanism, the Bank of Russia will consider further raising the averaging ratio.

Along with improving its set of monetary regulation instruments, the Bank of Russia pays close attention to interaction with state bodies on the issues of implementing monetary policy and developing financial markets. The regulator will continue to cooperate with the Russian Ministry of Finance and the Federal Treasury in developing the mechanism of depositing temporarily free budget funds with banks (which is designed to minimise the seasonal impact of budget flows on banking sector liquidity).

The Bank of Russia may revise the system of applicable monetary regulation instruments, if the actual conditions deviate from the scenarios and forecast variants described in the previous sections.

V. Addendum

V.1. Measures to be implemented by the Bank of Russia to upgrade the banking system and banking supervision in 2013 and in 2014-2015

The Bank of Russia's measures to upgrade the banking system and improve banking supervision are determined by Russian legislative requirements and the tasks of strengthening the stability of the Russian banking sector and enhancing the protection of the interests of depositors and creditors.

In 2013-2015, the Bank of Russia will focus on implementing measures stipulated by the Strategy of Russian Banking Sector Development until 2015 that are intended to bring the system of banking regulation and banking supervision into compliance with international standards. These standards were established, among other things, by the documents of the Basel Committee on Banking Supervision (BCBS). Measures to harmonise the legislative framework of banking regulation and banking supervision with international approaches will play a significant role in achieving this goal.

Considerable work towards the implementation of the BCBS documents will be carried out to introduce the approaches stipulated by:

– Basel II, including the issues of basing credit risk assessments on banks' internal ratings, improving risk management systems, developing the transparency of banks' operations and enhancing market discipline through the development of requirements for reports published by credit institutions;

– Basel III with regard to changes in the approaches to measuring bank capital and assessing bank capital adequacy and liquidity.

Additional attention will be paid to the sustainability of systemically important banks.

The Bank of Russia will continue to improve its regulatory requirements for risk assessments, including risks assumed under non-transparent deals, transactions with affiliated parties and deals resulting in increased risk concentration. Work will be continued to develop and implement substantial approaches to assessing the economic position of banks in order to expose problems in their activity at the early stages and promptly respond with the necessary corrective measures.

In order to create adequate regulatory conditions for the development of the banking services market's infrastructure, measures are planned to prepare documents on the regulation of credit institutions performing the functions of the central counterparty and credit institutions involved in operations with the central counterparty.

Measures to improve banking supervision in 2013-2015 will focus on the following key areas:

– Intensifying supervision, taking into account the profile and level of risks assumed by credit institutions, the transparency of their activity and the possible negative effect of the situation within credit institutions on the systemic sustainability of the banking sector;

– Carrying out supervisory measures to reduce risk concentration, including the concentration of risks associated with credit institutions' owners, affiliated parties and related borrowers;

– Assessing the compliance of credit institutions' corporate governance and risk management systems with the nature and scope of their activity, as well as the profile and level of risks assumed by credit institutions, including IT-related risks;

– Developing the system of assessing the sustainability of credit institutions and banking groups on a consolidated basis;

– Increasing the promptness and efficiency of corrective measures.

Achieving these changes will raise the importance of true information on the activity of credit institutions and banking groups and set increased requirements with respect to the quality of the sources of this information. Given these circumstances, the Bank of Russia is implementing measures aimed at:

– Raising the reliability of credit institutions' accounting and reporting, including the real assessment of their assets, liabilities and capital;

– Increasing the quality of interaction with domestic and foreign financial regulation and supervision (control) authorities.

In the forthcoming period, the Bank of Russia will pay special attention to systemic sustainability assessments, including assessments based on the calculation of the banking sector's financial stability indicators, and also systemic risk assessments based on stress tests.

The Bank of Russia will focus on studying the issues of countercyclical regulation and the application of macroprudential approaches to regulatory and supervisory decisions.

In 2013-2015, the Bank of Russia will continue to develop its inspection activities and will complete the establishment of its single centralised inspection system.

In order to raise the efficiency and effectiveness of inspections and alleviate the burden of inspection on credit institutions, work will be continued to standardise basic issues and introduce modern information technology into inspection procedures.

The Bank of Russia will also expand the practice of exercising operational control over the quality of its inspection activity, including through its interregional inspectorates, which will monitor the inspections of all credit institutions located in their respective territories. The regulator will build a vertically-integrated system of internal control over its inspection activity. Efforts will continue to improve the statutory and regulatory framework of inspections based on internationally recognised approaches, including international approaches to supervision over cross-border institutions.

In order to better protect the banking system and credit institutions' creditors, (including bank depositors), and reduce the risks of abuses by credit institutions' managers and owners, work will continue in the following areas:

– Improving the system of admission to the management of credit institutions, in compliance with international approaches. The Bank of Russia will continue working on the draft federal law which is designed to enhance the practice of preventing the participation of people that lack the required professional qualifications and those with a tarnished business reputation from managing credit institutions, improve the mechanisms of assessing the business reputation of credit institutions' managers and owners and exercising control over the acquisition by investors of shares (stakes) in credit institutions;

– Assigning criminal responsibility to the heads of credit institutions, and also persons responsible for creating and (or) submitting accounting and other records, for entering substantial corrections into accounting and other records and reports on the economic activity of a credit institution that distort the substance of these documents, false data, and also for providing incomplete or deliberately false data for the purpose of concealing information on the credit institution's real financial position.

In order to increase the transparency of Russian credit institutions, strengthen market discipline and raise public confidence in the banking sector, work will continue to draft a federal law stipulating a requirement for credit institutions to disclose information on their websites on the qualification and work experience of the members of the credit institutions' boards of directors (supervisory boards) and the top executives of credit institutions.

In order to raise the efficiency of measures aimed at preventing the bankruptcy of problem credit institutions, the Bank of Russia intends to participate in work to draft a federal law which is designed to assign the functions of banks' financial rehabilitation to the Deposit Insurance Agency (a government corporation) on a permanent basis and specify the mechanisms of their implementation.

The Bank of Russia will take measures to further improve the efficiency of the banking sector's operation in the area of countering the legalisation (laundering) of criminally obtained income and the financing of terrorism (hereinafter AML/CFT (anti-money laundering and combating the financing of terrorism)).

In the process of exercising supervision over credit institutions' compliance with the AML/CFT legislation and other regulations, special attention will be paid to the risk-based approaches used by credit institutions in their AML/CFT-focused internal control procedures to identify customers and their operations. This will help expose shortcomings in AML/CFT arrangements and take adequate measures to eliminate them.

The Bank of Russia intends to develop the transparency of its banking regulation and banking supervision for the banking community and the public at large, taking legislative restrictions into account.

Within its statutory competence, the Bank of Russia will continue to participate in work to improve the financial literacy of the population. In particular, the Bank of Russia intends to participate in an information awareness campaign in 2013 to bring the regulator's commentaries and explanations on the most relevant banking issues to the notice of the consumers of financial services.

V.2. Measures to be implemented by the Bank of Russia to improve financial markets in 2013 and in 2014-2015

In order to improve the effectiveness of the Russian financial market and promote the development of its infrastructure and instruments in 2013-2015, the Bank of Russia will:

1. Participate in carrying out a plan to create an international financial centre in Moscow:

– Participate in upgrading the legislation regulating the activity of central counterparties, including setting requirements for risk management systems;

– Upgrade the conditions regulating the work of the central depository;

– Participate in improving the mechanism that regulates the activity of repositories;

– Participate in upgrading the legislation to define the status of the precious metals account for the purpose of creating favourable conditions for the development of exchange-based trading in precious metals and banking operations involving unallocated metal accounts.

2. Implement international approaches regulating the infrastructure of the financial market.

3. Participate in measures aimed at improving money market and exchange trade instruments:

– Create conditions for using the central counterparty mechanism in repo transactions and operations with derivatives;

– Improve the contractual base regulating repo transactions in the Russian financial market;

– Introduce collateral management services in repo transactions (tri-party repos) in order to optimise the use of collateral, simplify repos and expand the range of operations conducted by financial market participants;

– Develop repo transactions for baskets of collateral with the function of collateral replacement within the term of a repo transaction;

– Diversify the channels of interaction between market participants in repo transactions.

4. Implement a plan of measures for the inclusion of the Russian rouble in the settlement currencies of the Continuous Linked Settlement (CLS) system.

5. Participate in improving the legislation regulating the terms and conditions of the issue and circulation of certificates of deposit and savings certificates.

V.3. Measures to be implemented by the Bank of Russia to improve the national payment system in 2013 and in 2014-2015

The Bank of Russia will continue its work to upgrade the regulatory and legal framework on the basis of international standards, taking into account the Principles for Financial Market Infrastructures developed by the Bank for International Settlements and stipulating requirements for the activity of systemically important payment systems. Measures will be taken to upgrade the rules that govern money transfers in financial market operations (to define the terms of irrevocable and final settlements through the 'delivery versus payment' and 'payment versus payment' settlement mechanisms).

The Bank of Russia will continue to develop the system of supervision that ensures its control over the activity of participants in the national payment system (hereinafter the NPS) for the purpose of strengthening its stability. It will continue to develop the way in which it monitors the NPS in order to contribute to its consistent development predictable for all participants in the national market of payment services.

In order to improve the accessibility of payment services and raise the effectiveness and competitiveness of the NPS, measures will be taken jointly with the Russian government and with the involvement of the professional associations of participants in the national financial services market, including measures to upgrade the system's legislation, to ensure conditions for developing fair competition in the national market of payment services, to refine and introduce new national financial standards based on industry-specific international standards, and to integrate the national payment infrastructure with the payment infrastructures of countries that have close economic and integration ties with Russia.

The Bank of Russia will further develop its payment system in compliance with the Concept of the Bank of Russia Payment System's Development until 2015 to expand and improve services offered to participants in the Bank of Russia payment system.

Specifically, the Bank of Russia will provide additional possibilities for real-time liquidity management. Under the Concept of Developing an International Financial Centre in the Russian Federation, which stipulates efforts to include the Russian rouble in the list of CLS settlement currencies, measures will be taken to enable CLS Bank International to make real-time money transfers through the Bank of Russia payment system.

The Bank of Russia will also take measures to improve the regulatory framework of its payment system in order to further develop services offered to participants in the Bank of Russia payment system.

V.4. Principal measures planned by the Bank of Russia to upgrade Russia's banking system, banking supervision, financial markets, and the national payment system in 2013 and in 2014-2015

Description of measures	Implementa-tion period
Banking system and banking supervision	
1. Measures to implement the provisions of Basel II issued by the Basel Committee on Banking Supervision (BCBS), including provisions on assessing credit risk using an internal ratings-based approach, including measures to prepare and issue Bank of Russia recommendations and regulations.	Q1–Q4 2013
2. Measures to implement provisions of Basel III (issued by the BCBS), including provisions on calculating the amount of banks' equity capital and its adequacy, including measures to prepare and issue Bank of Russia recommendations and regulations.	Q1–Q4 2013
3. Developing approaches to assessing banking system sustainability and measures to maintain it.	Q4 2013
4. Preparing proposals on the specifics of regulating the activity of systemically important domestic banks.	Q1–Q4 2013
5. Participation in creating legislative fundamentals for introducing the recommendations of the Financial Stability Board (FSB) regarding effective financial institution resolution regimes.	Q1–Q4 2013
6. Participation in drafting a federal law on assigning the functions of banks' financial rehabilitation to the Deposit Insurance Agency (a government corporation) on a permanent basis and specifying mechanisms for their implementation.	Q1–Q4 2013
7. Improving the methods for making loan loss provisions (the issuance of a regulation).	Q2 2013
8. Establishing requirements for assessing the risks associated with central counterparties and credit institutions in operations with central counterparties.	Q1–Q4 2013
9. Improving the methods associated with the early response system, which is responsible for detecting signs of banks' financial instability (developing information analysis approaches).	Q4 2013
10. Participation in drafting a federal law stipulating a requirement for credit institutions to disclose information to the public on the qualifications and work experience of their top managers.	Q1–Q4 2013
11. Participation in drafting a federal law stipulating measures to prevent the admission of persons who lack the required professional qualifications or those who have a tarnished business reputation to the management of credit institutions, as well as create the mechanism of assessing the business reputation of credit institutions' managers and owners and the mechanisms of control over the acquisition by investors of shares (stakes) in credit institutions.	Q1–Q4 2013
12. Participation in drafting amendments and addenda to the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism', and also measures to improve the Bank of Russia's regulatory, legal and advisory framework in the area of combating money laundering as well as the financing of terrorism.	Q1–Q4 2013

Description of measures	Implementa-tion period
13. Staged measures to centralise the Bank of Russia's inspection activity.	Q1–Q4 2013
14. Measures to raise the financial literacy of the population.	2013–2014
15. Making arrangements for the collection and analysis of financial indicators, as stipulated by the BCBS's Basel III guidelines (including liquidity and leverage ratios) to further develop the regulation of banks' activities.	2013–2015
16. Introducing a system for the assessment of banks' recovery plans in compliance with the Key Attributes of Effective Resolution Regimes for Financial Institutions developed by the FSB and approved by the leaders of the G20 countries.	2013–2015
Financial markets	
17. Participation in establishing a central depository and improving the mechanisms of its operation.	Q1–Q4 2013
18. Participation in improving the regulation of the activity of repositories.	Q1–Q3 2013
19. Participation in moving towards central counterparty clearing for repo transactions and operations with financial derivatives.	Q1–Q4 2013
20. Participation in improving the contractual base of repo transactions, including repo transactions for collateral baskets.	Q1–Q3 2013
21. Participation in upgrading legislation to define the status of the precious metals account, implementing measures to organise exchange-based trading in precious metals and develop instruments based on the use of unallocated metal accounts.	Q4 2013
22. Participation in introducing international standards into the practice of the functioning of Russian financial market infrastructures.	Q1–Q4 2014
23. Participation in introducing the institution of investment consultants.	Q1–Q4 2014
24. Participation in introducing and developing a system for registering movable property pledge notices.	Q1–Q4 2014
National payment system	
25. Improving rules and regulations of the national payment system, including legislation on money transfers in financial market operations, taking into account international standards that define the terms of irrevocable and final settlements.	Q1–Q4 2013
26. Drafting Bank of Russia regulations to improve the services of urgent and non-urgent money transfers in the Bank of Russia payment system.	Q1–Q4 2013
27. Organising and coordinating work to standardise financial transactions, including work to ensure information security in the national payment system.	2013–2015